



LLOYDS BANKING GROUP COMMERCIAL BANKING UPDATE

LLOYDS BANK 

 BANK OF SCOTLAND

WELCOME & INTRODUCTION

António Horta-Osório

Group Chief Executive

COMMERCIAL BANKING

A core part of Lloyds Banking Group

LLOYDS
BANKING
GROUP



A single division serving all the Group's business clients

- Strong core franchise across UK
- UK-centric approach, focused on meeting our clients' needs
- Key to our support for the UK economic recovery

Leveraging Commercial Banking as an integral part of the Group

- Strategy and action plan fully aligned and integrated with Group
- Delivering cost and product synergies with other parts of the Group
- Supporting the Group's funding and commercial needs

A clear plan to improve Commercial Banking's returns

- Growing diversified, sustainable earnings streams
- Delivering increased operational and cost efficiencies through Simplification
- Optimising the balance sheet through clear participation choices and strong risk controls

COMMERCIAL BANKING STRATEGY

Andrew Bester, Chief Executive, Commercial Banking



COMMERCIAL BANKING STRATEGY

Andrew Bester, Chief Executive, Commercial Banking

IMPROVING COMMERCIAL BANKING RETURNS
Nick Slape, Finance Director, Commercial Banking

MANAGING RISK APPROPRIATELY
Stephen Shelley, Risk Director, Commercial Banking

BEST BANK FOR CLIENTS
David Oldfield, Andrew England,
Richard Moore, James Garvey

CLOSING REMARKS AND Q&A
Andrew Bester, Chief Executive, Commercial Banking



COMMERCIAL BANKING STRATEGY

Andrew Bester, Chief Executive, Commercial Banking

2015 Core RoRWA >2%

**Relentless
focus on
Execution**

COMMERCIAL BANKING

Building the best bank for clients



LLOYDS BANK 

✧ BANK OF SCOTLAND



- 1.25m SME clients
- Relationships with 91% of FTSE 100
- Relationships with 83% of FTSE 250
- c.40% active users of digital channel
- 500 business centres across the UK
- Network of over 4,000 client facing staff

COMMERCIAL BANKING

Personal reflections

LLOYDS
BANKING
GROUP



Strengths

- Unique client franchise
- Strong product capability
- Client-centric team

Macro environment

- Shifting industry trends
- Subdued environment
- Regulatory challenges

Financial performance

- Weak NIM
- Large consumption of Group RWA
- Insufficient returns

Transformation

- Balance sheet normalisation
- Legacy issues unwind
- Create an integrated franchise
- Fully leverage growth opportunities
- Cost discipline
- Robust RWA management / choices
- Relentless execution

**2015 Core
RoRWA
>2%**

COMMERCIAL BANKING

Actions to date



Achieved already

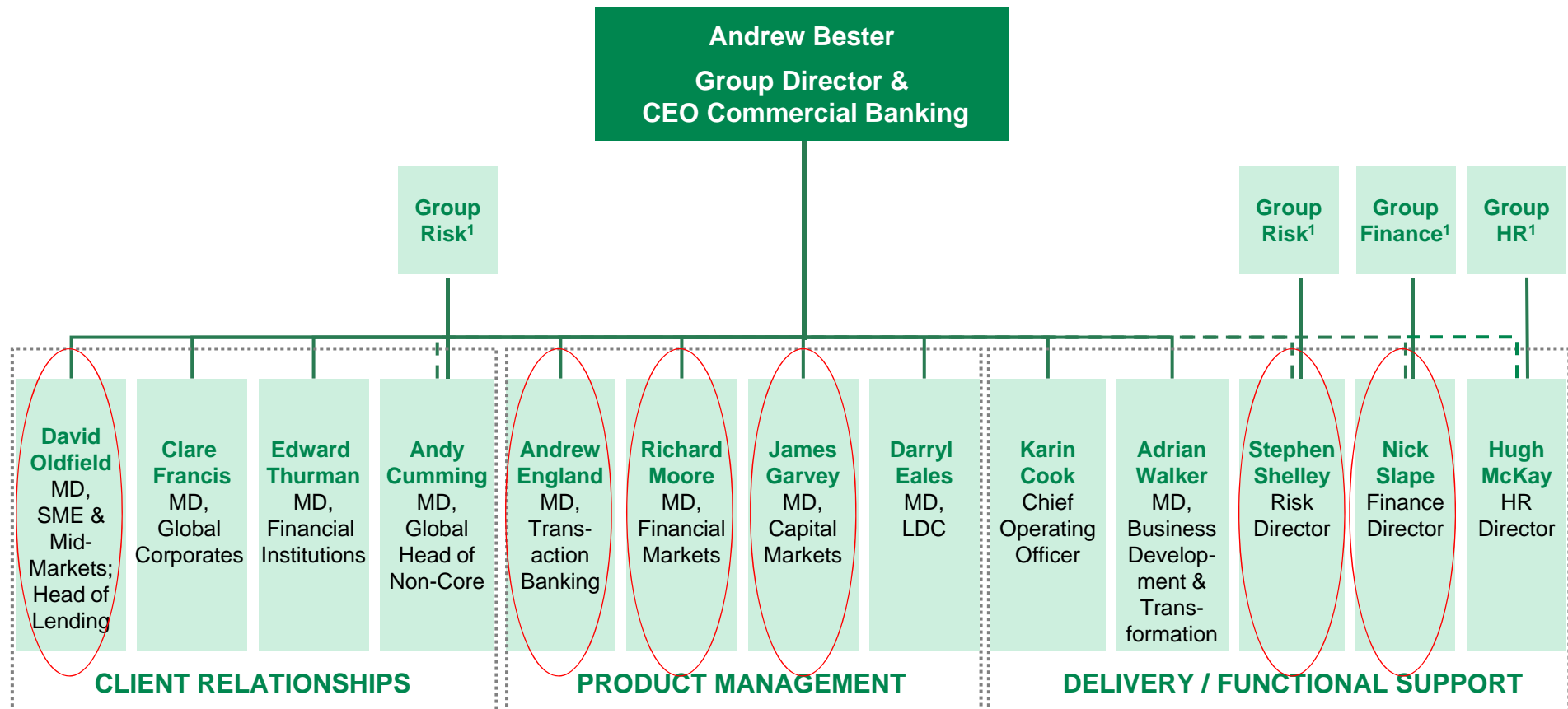
- Strategic review
- Aligned 16 business lines
- New coverage model
- Appointed management team
- Re-segmentation
- Performance management tools

What is different

- Relentless execution of strategy
- Integrated daily P&L
- Performance management framework
- Pricing independence
- Business model drives collaboration
- Disciplined investment & participation

COMMERCIAL BANKING

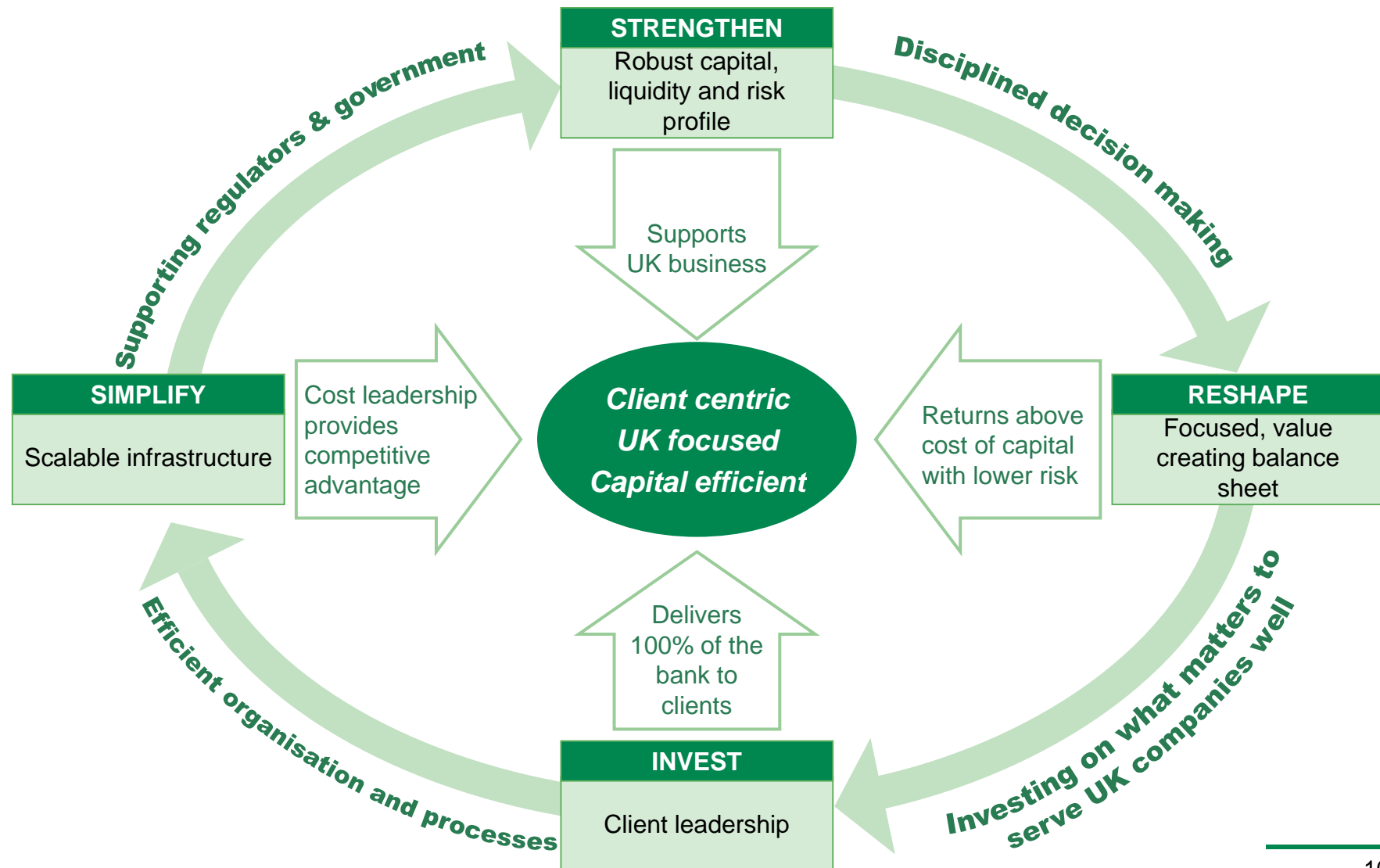
Experienced & integrated leadership team



COMMERCIAL BANKING

Vision and strategy aligned to Group priorities

LLOYDS
BANKING
GROUP



COMMERCIAL BANKING

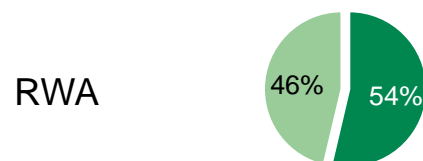
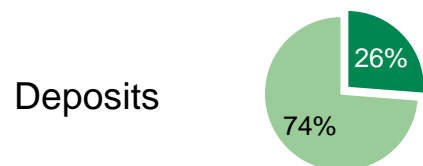
Supporting all of the Group's business clients

LLOYDS
BANKING
GROUP



Lloyds Banking Group

% of Group^{1,2}



Commercial Banking^{1,2}

	SME		Mid-Markets	Global Corporates	Financial Institutions
	£0-1m t/o	£1-25m t/o	£25m-£750m t/o	£750m+ t/o	
No. of clients	~1m	~250k	~5,000	~850	~2,000
Income split	37%		24%	23%	16%
Lending assets	27%		33%	30%	10%
Core RoRWA					

Client at the centre of our model

Commercial Banking Rest of Group

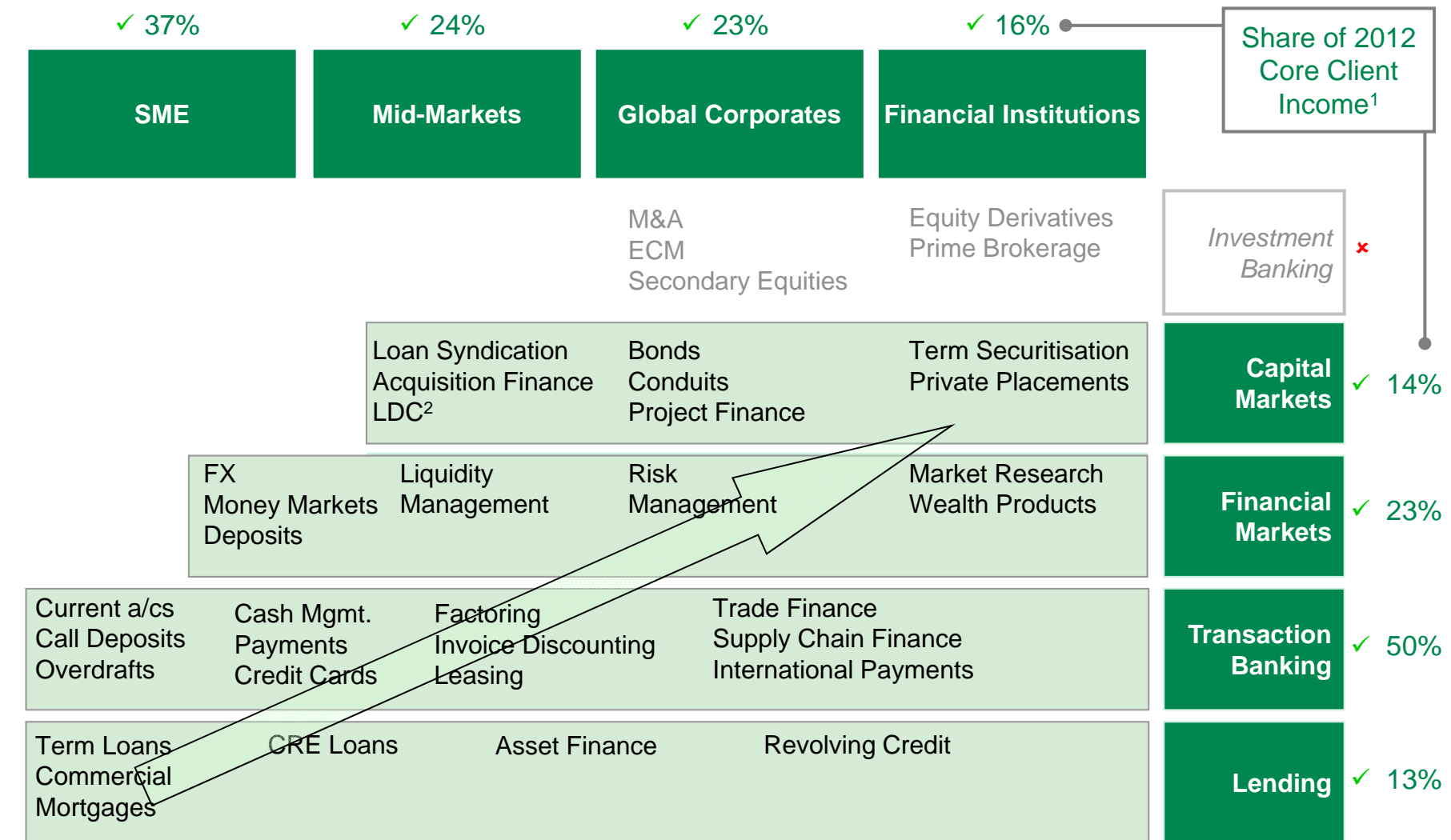
1. Commercial Banking metrics as a % of Group based on 2012 Full Year News Release

2. Core only

COMMERCIAL BANKING

Our full product capability will service our client needs

LLOYDS
BANKING
GROUP



1. Excludes own account / non-client

2. Focus on equity support into UK Mid-Markets companies

COMMERCIAL BANKING

All coverage areas will improve current returns

LLOYDS
BANKING
GROUP



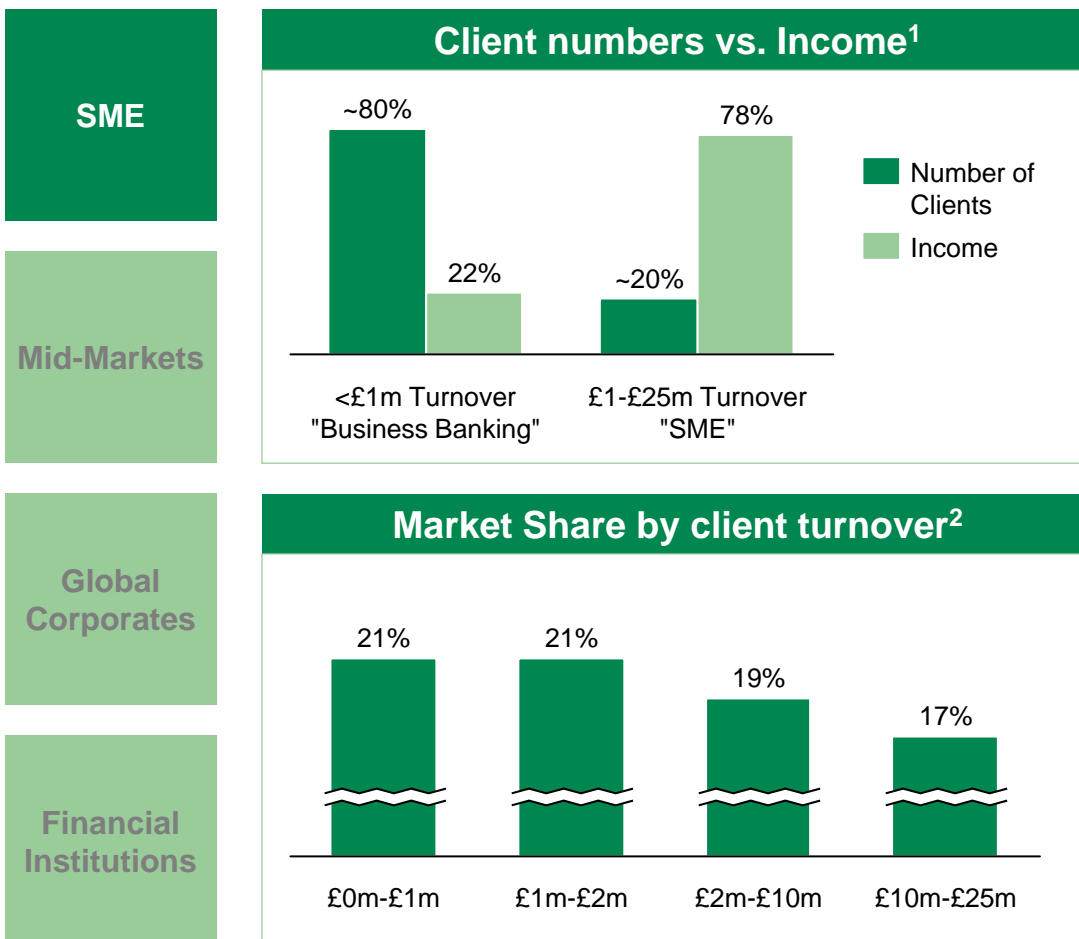
	Strategy		Actions
SME	Growth “Local Execution”	➔	<ul style="list-style-type: none"> ✓ Higher-value switchers ✓ Greater relationship manager capacity enabled by investment ✓ Increase digital take-up
Mid-Markets	Growth “Local Execution”	➔	<ul style="list-style-type: none"> ✓ Targeted geographic expansion ✓ More relationship managers ✓ Leverage SME success in Mid-Markets
Global Corporates	Disciplined Participation	➔	<ul style="list-style-type: none"> ✓ Improve share of wallet ✓ Focus on UK-linked clients ✓ Optimisation of low return relationships
Financial Institutions	Disciplined Participation	➔	<ul style="list-style-type: none"> ✓ Improve share of wallet ✓ Refocused coverage ✓ Support Group, Commercial Banking franchise and UK financial services industry

Relentless execution focus across four client segments

COMMERCIAL BANKING

SME: Grow by winning locally

LLOYDS
BANKING
GROUP



- Strong franchise
- Winning switchers
- Winning in key GDP regions
- Growing lending & deposits
- Leveraging Transaction Banking
- Reducing cost to serve

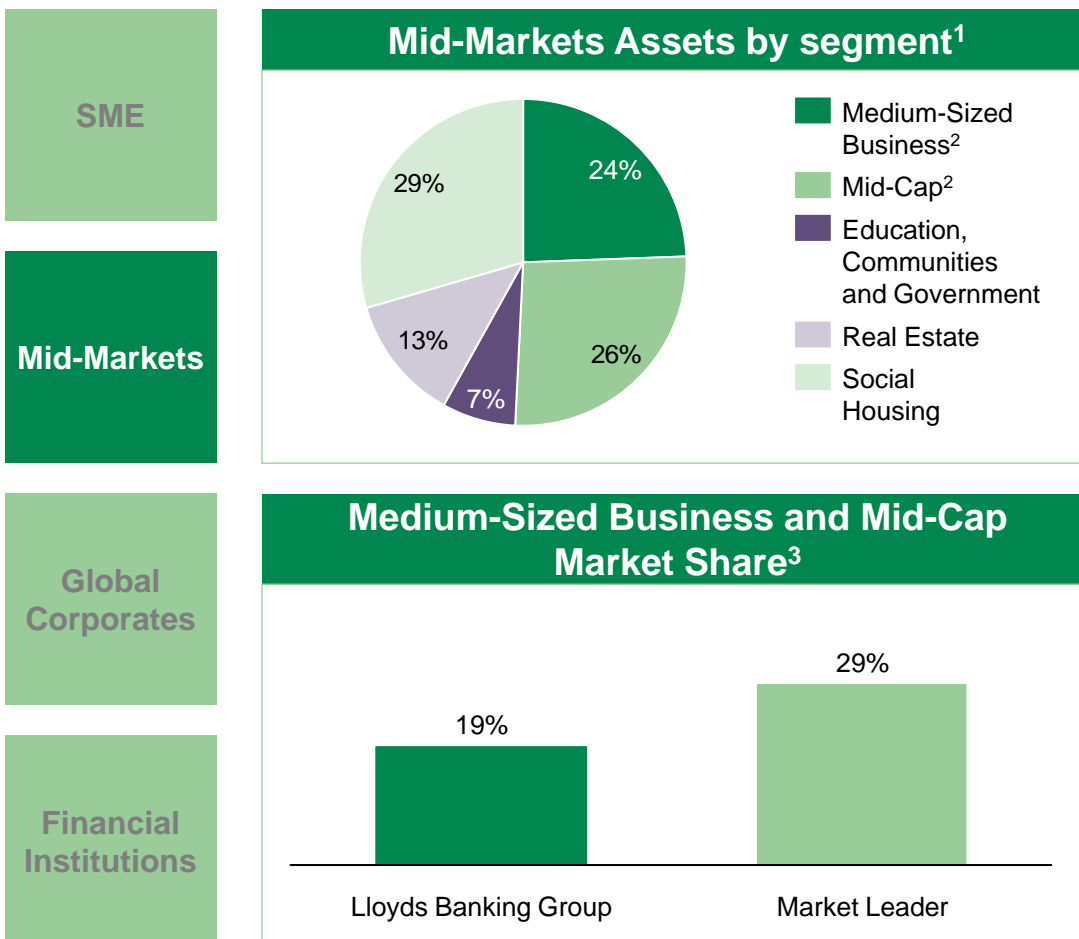
1. FY 2012

2. Charterhouse UK Business Banking Survey Q4 2012 (including Verde clients)

COMMERCIAL BANKING

Mid-Markets: Grow by winning locally

LLOYDS
BANKING
GROUP



- Leveraging SME experience
- Increasing RM population
- Enhancing RM effectiveness
- Building capabilities
- Leveraging Transaction Banking
- Delivering Financial Markets

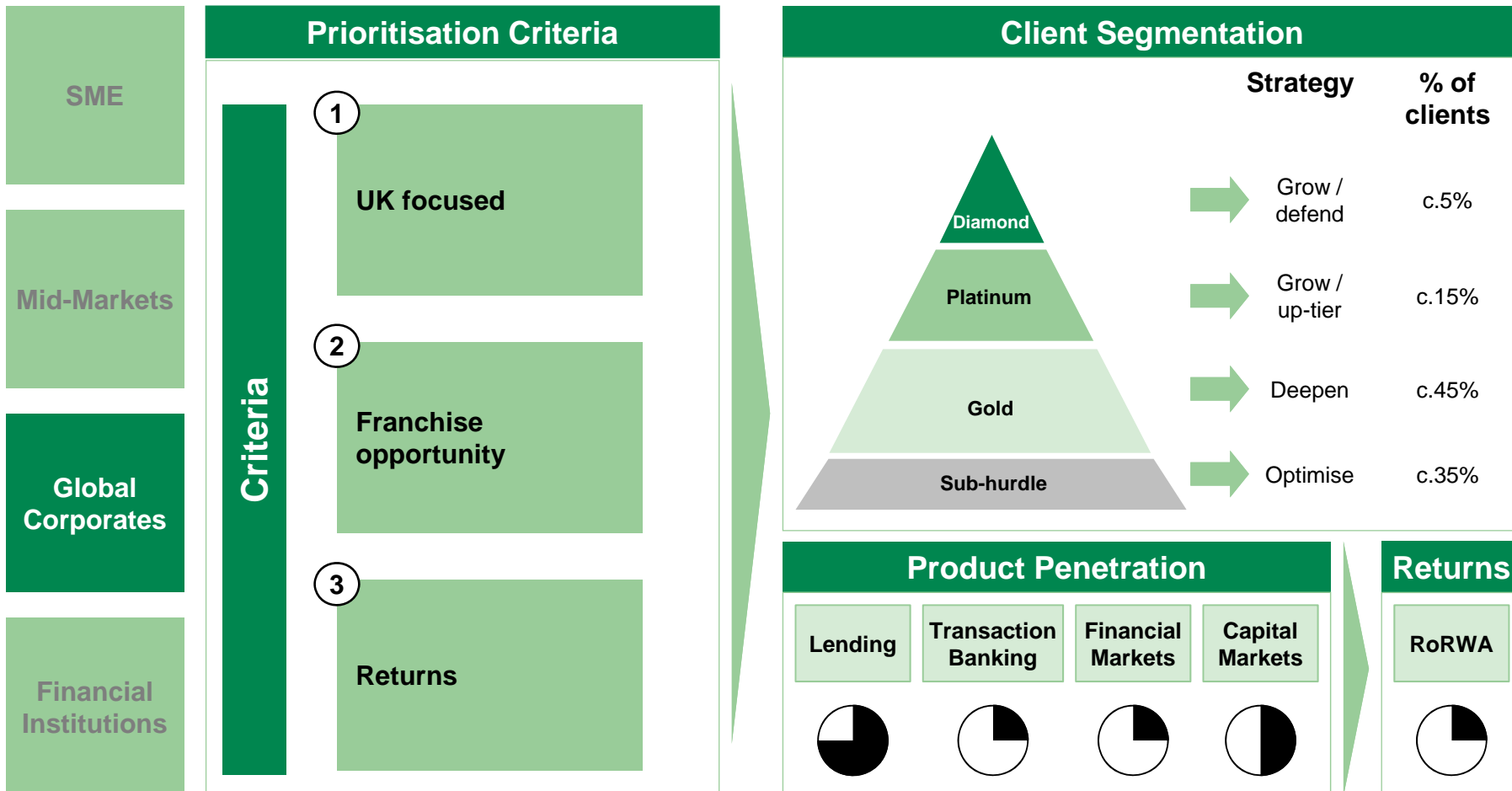
1. As at Dec-2012

2. Medium-Sized Business is £25m-£100m turnover; Mid-Cap is £100m-£750m turnover

3. Experian PH. Market share of trading businesses with turnover £25m-500m

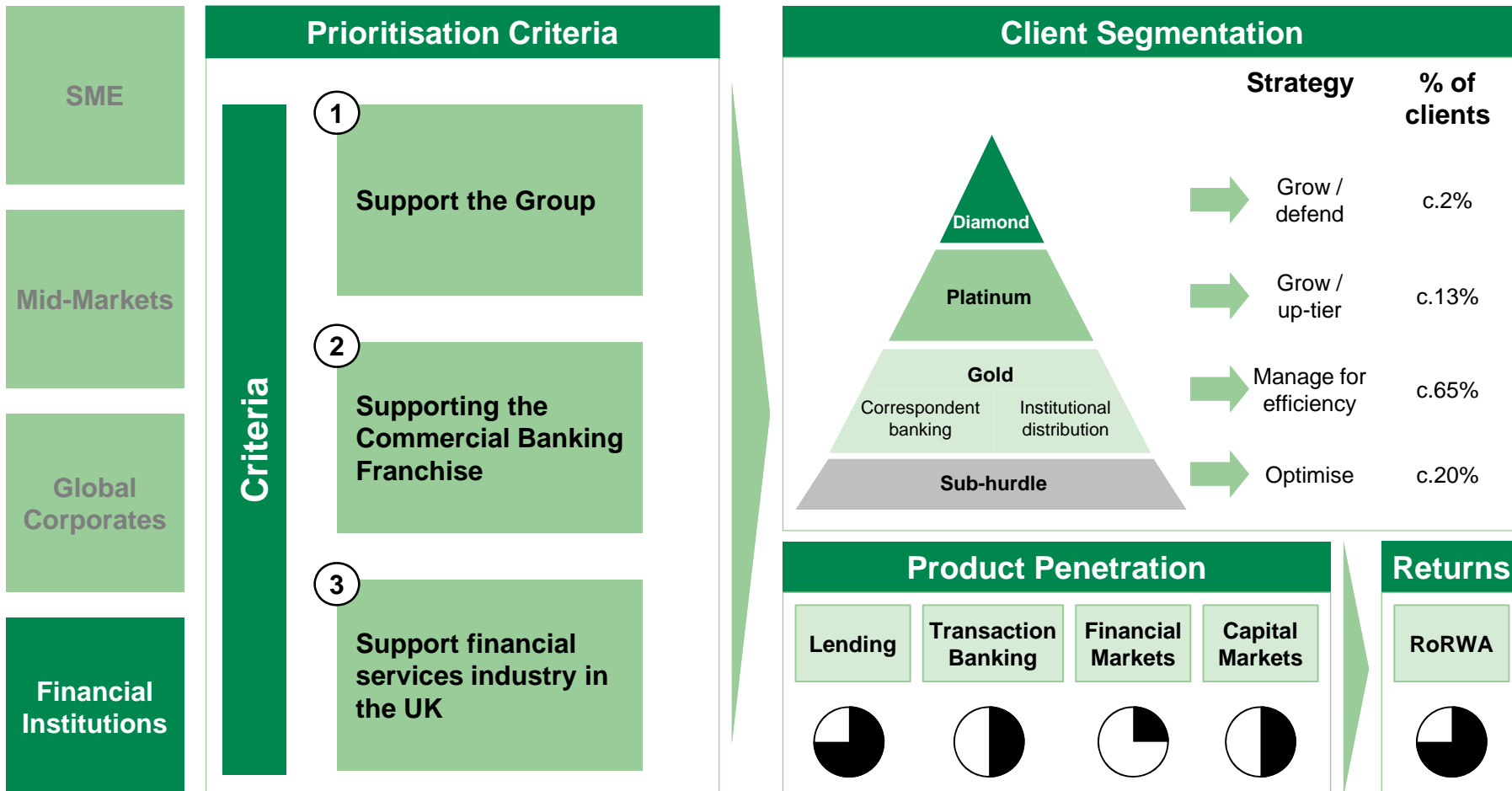
COMMERCIAL BANKING

Global Corporates: Disciplined participation focused on improving returns



COMMERCIAL BANKING

Financial Institutions: Disciplined participation leveraging London as a global financial centre



COMMERCIAL BANKING

Continued cost discipline creates capacity to re-invest



Simplification initiatives

- Re-engineering end-to-end processes
- Delaying structure
- Headcount efficiencies
- 11 Centres of Excellence
- Leverage Group functionality

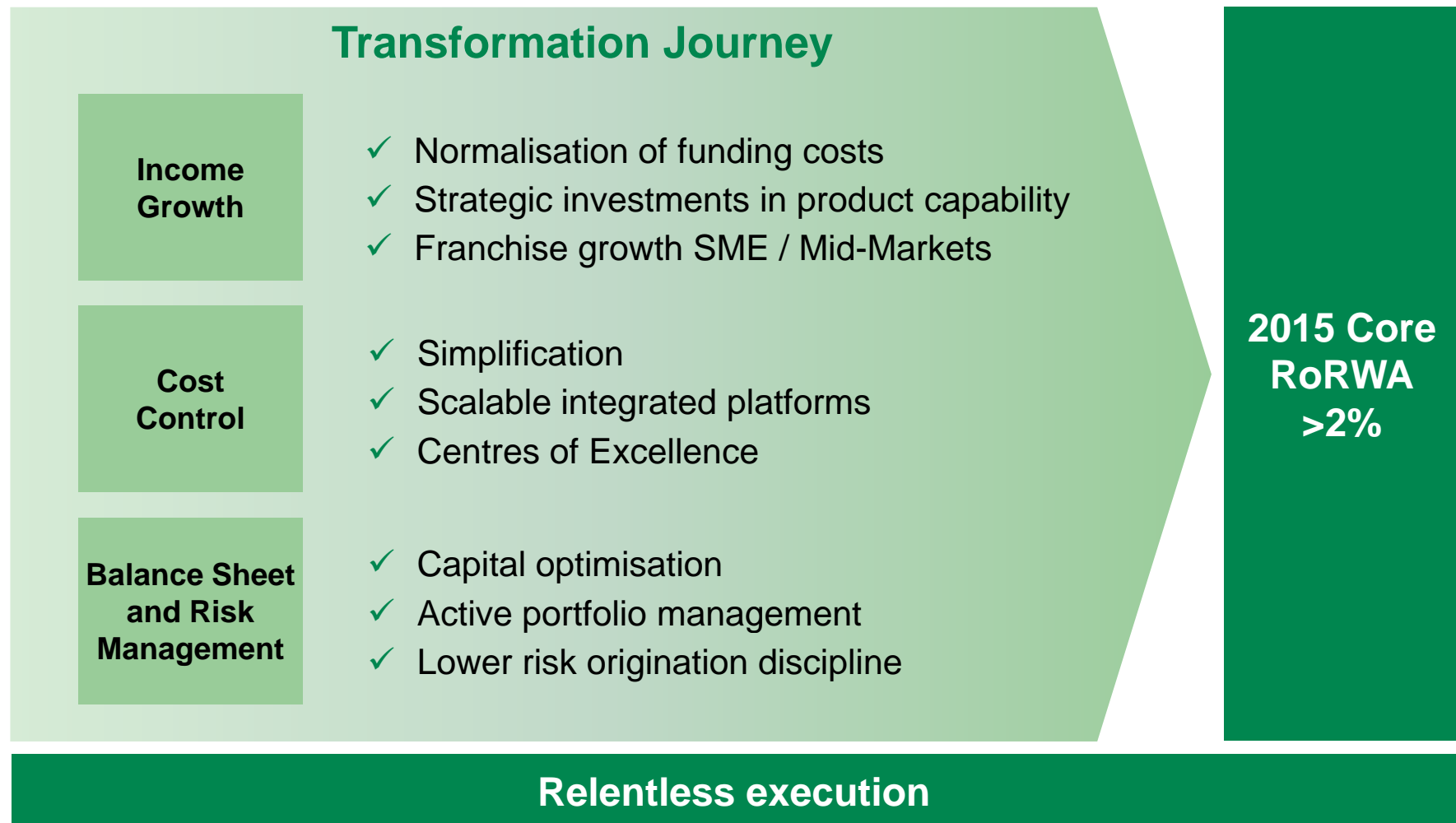


Strategic investments

- SME: enabling self-serve
- Mid-Markets: additional local RMs
- Transaction Banking: stronger platform
- Markets: digital channel and targeted capability build

COMMERCIAL BANKING

Deliver sustainable returns above the cost of equity



AGENDA

LLOYDS
BANKING
GROUP



COMMERCIAL BANKING STRATEGY
Andrew Bester, Chief Executive, Commercial Banking

IMPROVING COMMERCIAL BANKING RETURNS
Nick Slape, Finance Director, Commercial Banking

MANAGING RISK APPROPRIATELY
Stephen Shelley, Risk Director, Commercial Banking

BEST BANK FOR CLIENTS
David Oldfield, Andrew England,
Richard Moore, James Garvey

CLOSING REMARKS AND Q&A
Andrew Bester, Chief Executive, Commercial Banking

IMPROVING COMMERCIAL BANKING RETURNS
Nick Slape, Finance Director, Commercial Banking

COMMERCIAL BANKING

Core Financial Performance...key drivers to improve our returns

LLOYDS
BANKING
GROUP



£m	Core ¹		
	Dec-12	Dec-11	Change %
Net Interest Income	2,242	2,846	(21%)
Other income	2,442	2,235	9%
Underlying Income	4,684	5,081	(8%)
Total Costs	(2,232)	(2,292)	3%
Impairments	(704)	(1,055)	33%
Underlying Profit	1,748	1,734	1%

£bn			
L&A to customers	102	107	(4%)
Customer Deposits	107	114	(6%)
RWA	128	129	(1%)

Net interest margin	2.22%	2.54%	(32bps)
Pre-tax RoRWA	1.36%	1.32%	4bps
Impairments as a % of average advances	0.67%	0.95%	(28bps)

Income Growth

- Normalisation of funding costs
- Strategic investments in product capability
- Franchise growth SME / Mid-Markets

Cost Control

- Simplification
- Scalable integrated platforms
- Centres of Excellence

Balance Sheet & Risk Mgt

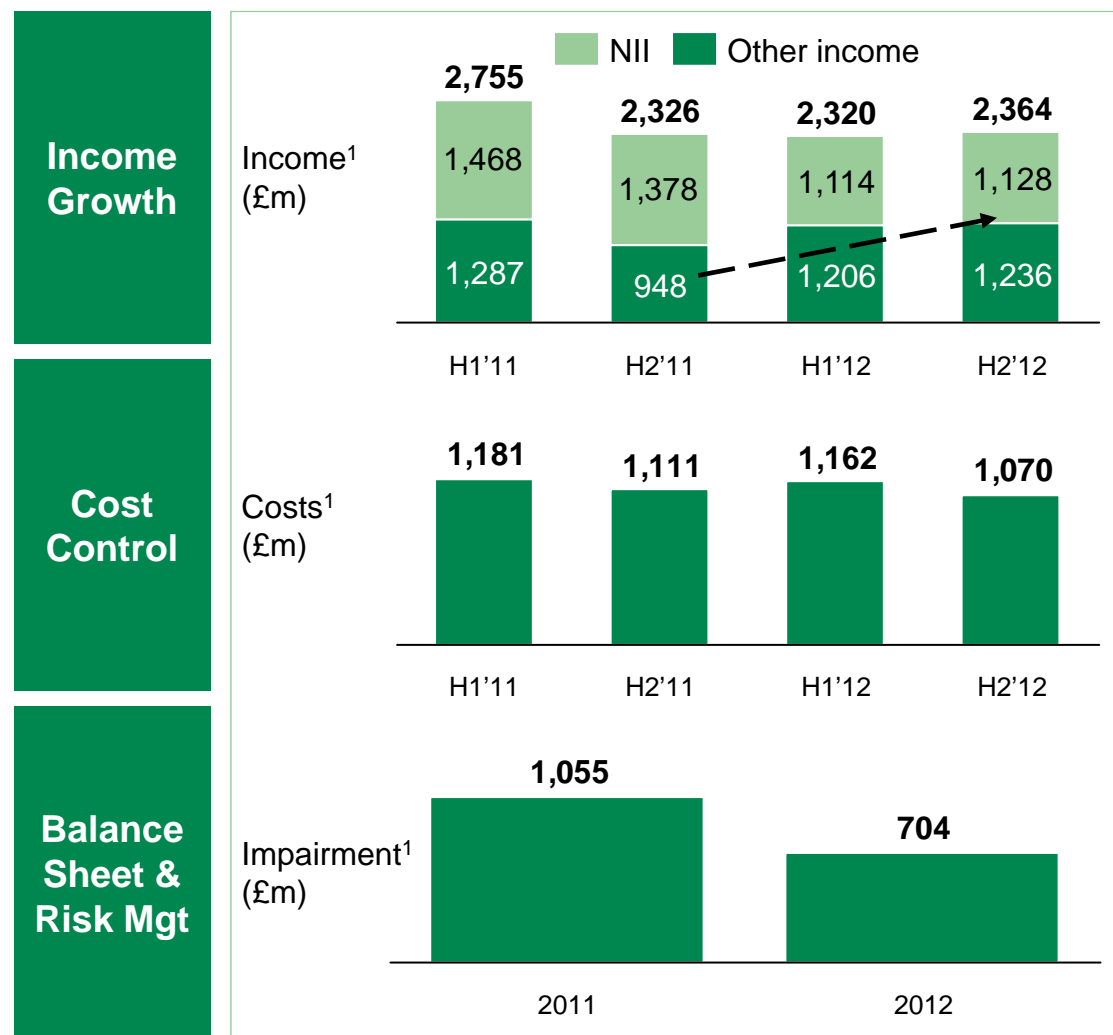
- Capital optimisation
- Active portfolio management
- Lower risk origination discipline

1. Core Commercial Banking only

COMMERCIAL BANKING

Half yearly performance

LLOYDS
BANKING
GROUP



- Legacy issues driving margin compression
- Other Income progression

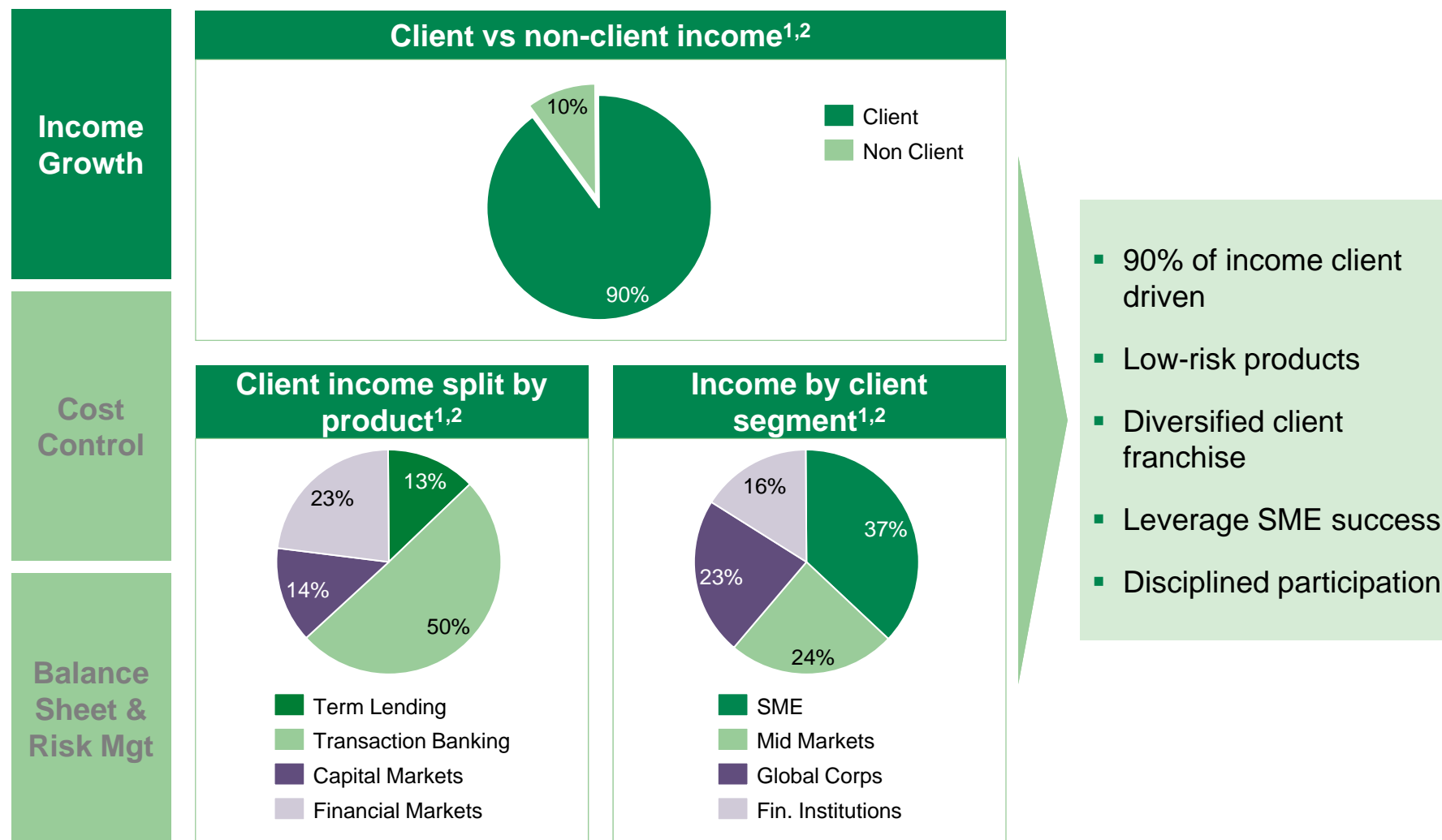
- Strict cost discipline
- Simplification creates capacity

- 33% YoY fall in impairments
- AQR of 67bps
- Impairments normalising

COMMERCIAL BANKING

Diversified client-led income profile

LLOYDS
BANKING
GROUP



1. FY 2012

2. Core Commercial Banking only

COMMERCIAL BANKING

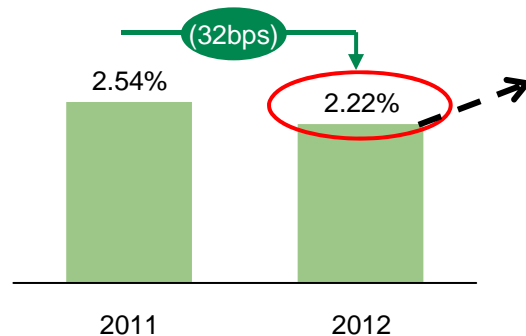
Normalisation of funding costs will benefit margin

LLOYDS
BANKING
GROUP



Income Growth

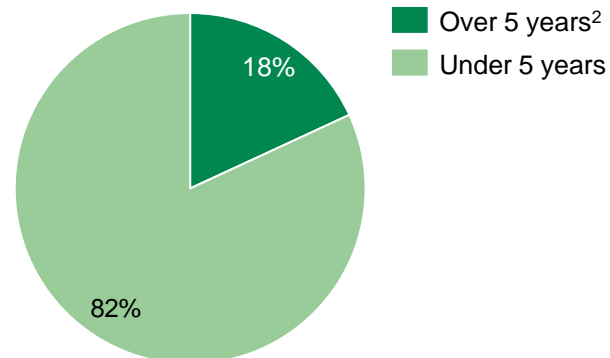
Net interest margin¹



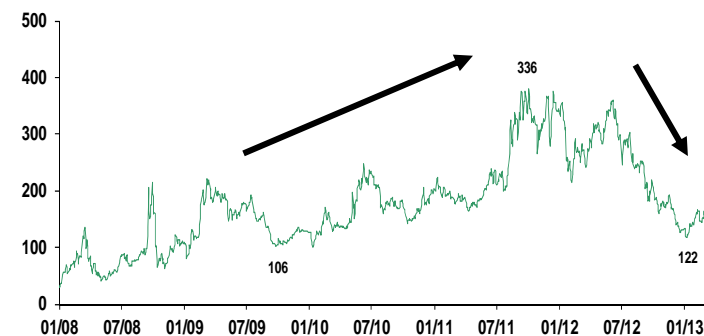
- 'Cost of money' better understood
- Enhanced commercial behaviours
- Legacy long duration asset margin drag
- Active portfolio management
- Client-led solutions to reduce duration
- Focus on better quality deposits

Cost Control

Lending maturity profile¹



LTSB 5 year CDS spreads (bps)



Balance Sheet & Risk Mgt

Commercial behaviour driving further NIM improvement

1. Core Commercial Banking

2. Based on specific portfolios with a weighted average life of over 5 years and includes Social Housing & Structured Finance

COMMERCIAL BANKING

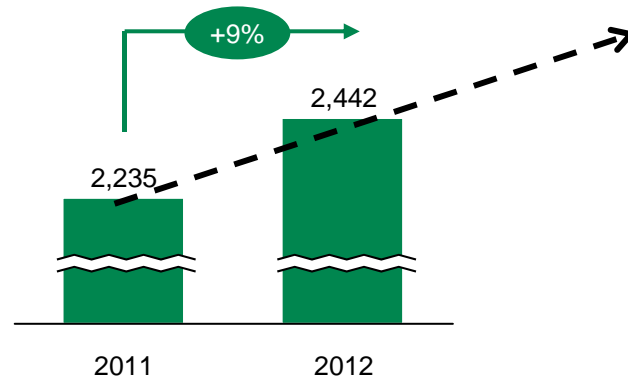
Leveraging client focused product capability to drive other income

LLOYDS
BANKING
GROUP



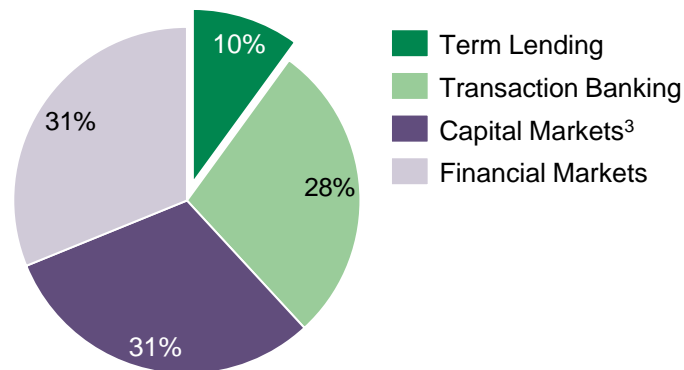
Income
Growth

Other Income growth



Cost
Control

Other Income by product^{1,2}



- Existing pockets of strong product capability
- Investment in client focused products
- Quarter on quarter growth
- Increasing share of wallet
- Not increasing risk

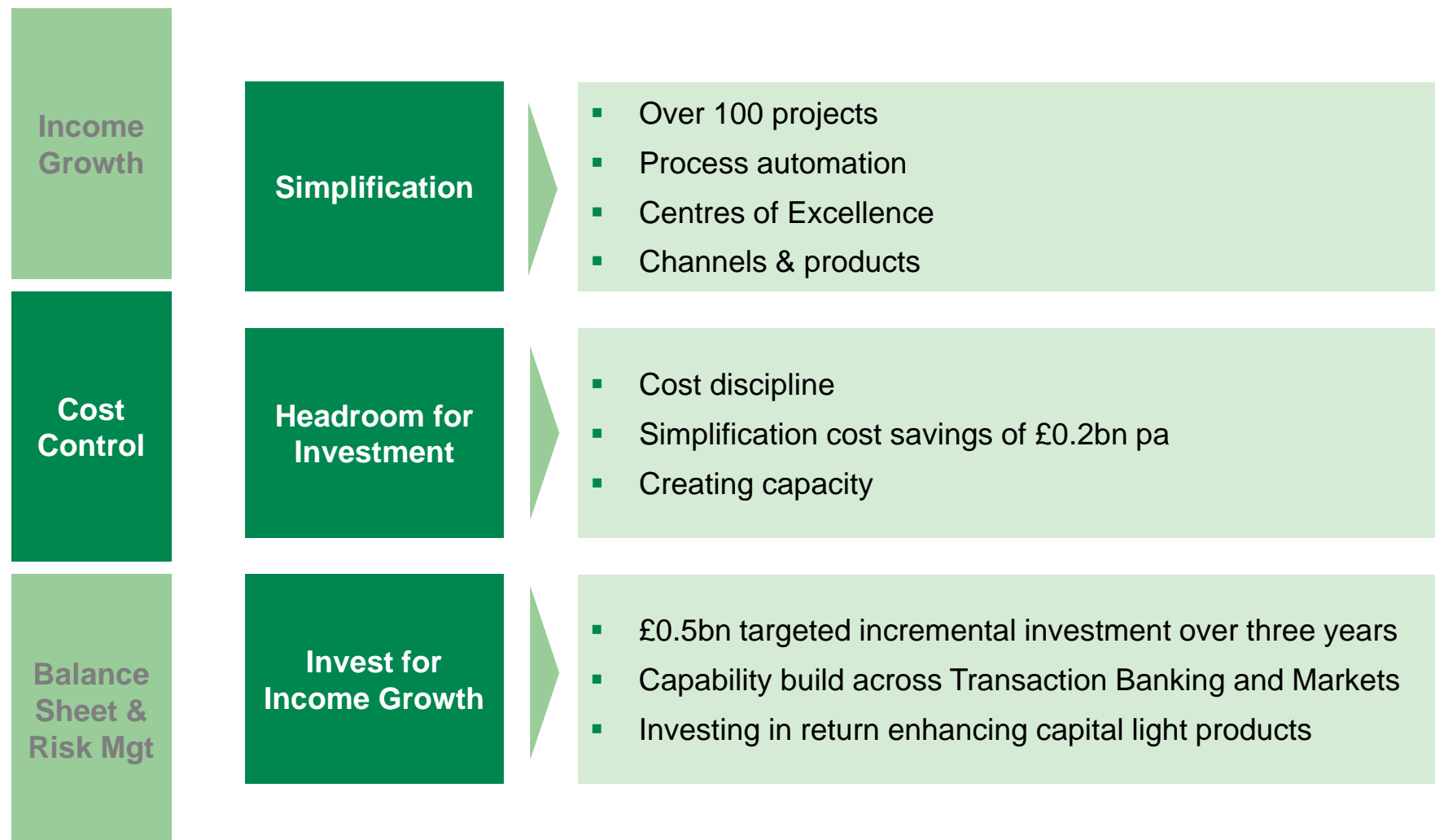
1. FY 2012

2. Core Commercial Banking only

3. Capital Markets includes LDC

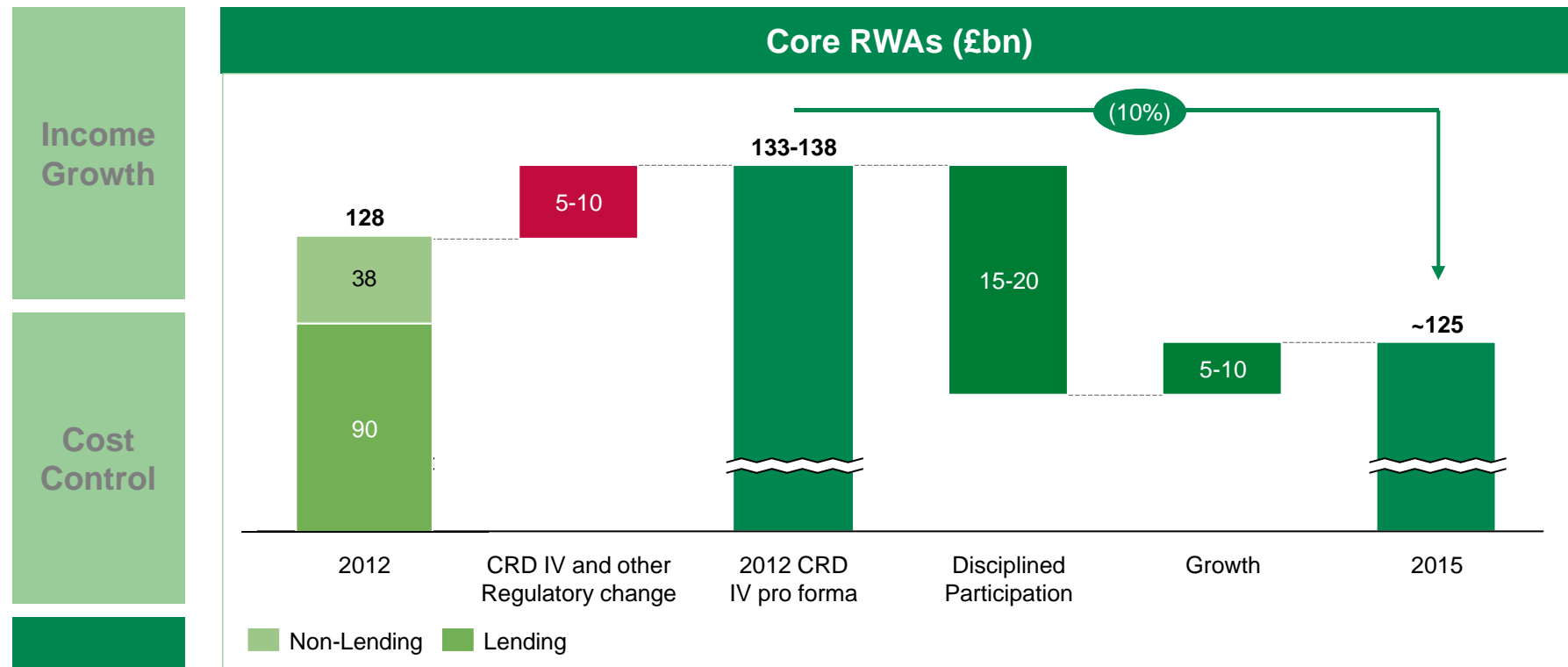
COMMERCIAL BANKING

Cost savings reinvested to create income growth



COMMERCIAL BANKING

Active portfolio management to enhance returns



Balance Sheet & Risk Mgt

- Lending RWAs £90bn correspond to £102bn of Loans and Advances to Customers
- Modest impact of CRD IV and regulatory change
- Disciplined participation and active portfolio management
- Creating capacity for supporting our clients and participating in FLS
- Growth includes franchise growth, maturities and repayments

COMMERCIAL BANKING

Deliver sustainable returns above the cost of equity

LLOYDS
BANKING
GROUP



		FY11 ¹	FY12 ¹	2015
Income Growth	Banking net interest margin	2.54%	2.22%	↑
	Income (£bn)	5.1	4.7	↑
	Other Income as a % of income	44%	52%	↑
Cost Control	Cost:Income Ratio	45%	48%	↓
Balance Sheet & Risk Mgt	Impairment charge as a % of average advances	0.95%	0.67%	↓
	RWA (£bn)	129	128	~125
	Return on Risk-Weighted Assets	1.32%	1.36%	>2.00%

1. Core Commercial Banking only

AGENDA

LLOYDS
BANKING
GROUP



COMMERCIAL BANKING STRATEGY
Andrew Bester, Chief Executive, Commercial Banking

IMPROVING COMMERCIAL BANKING RETURNS
Nick Slape, Finance Director, Commercial Banking

MANAGING RISK APPROPRIATELY
Stephen Shelley, Risk Director, Commercial Banking

BEST BANK FOR CLIENTS
David Oldfield, Andrew England,
Richard Moore, James Garvey

CLOSING REMARKS AND Q&A
Andrew Bester, Chief Executive, Commercial Banking

MANAGING RISK APPROPRIATELY
Stephen Shelley, Risk Director, Commercial Banking



MANAGING RISK APPROPRIATELY

Stephen Shelley, Risk Director, Commercial Banking

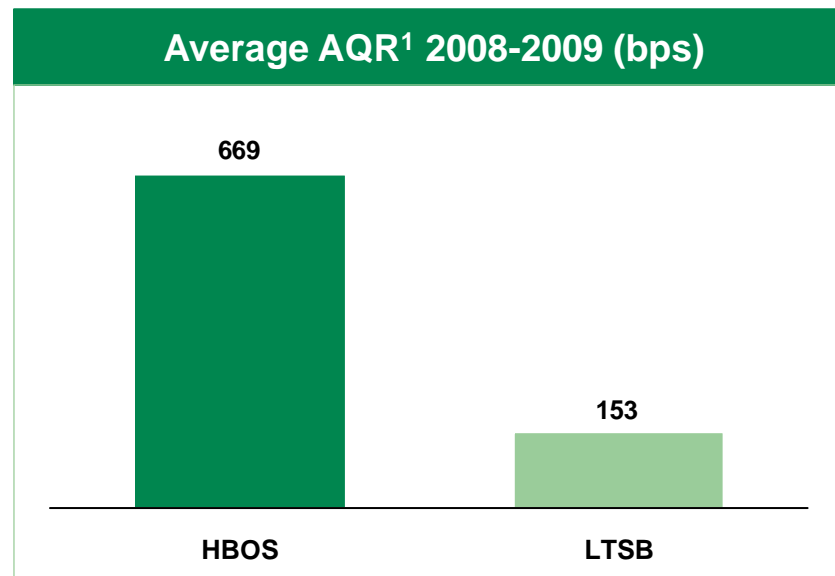
**Prudent risk
appetite**

**Lower risk
portfolio**

**Active
portfolio
management**

COMMERCIAL BANKING

Lower risk business underpinned by the prudent heritage LTSB appetite

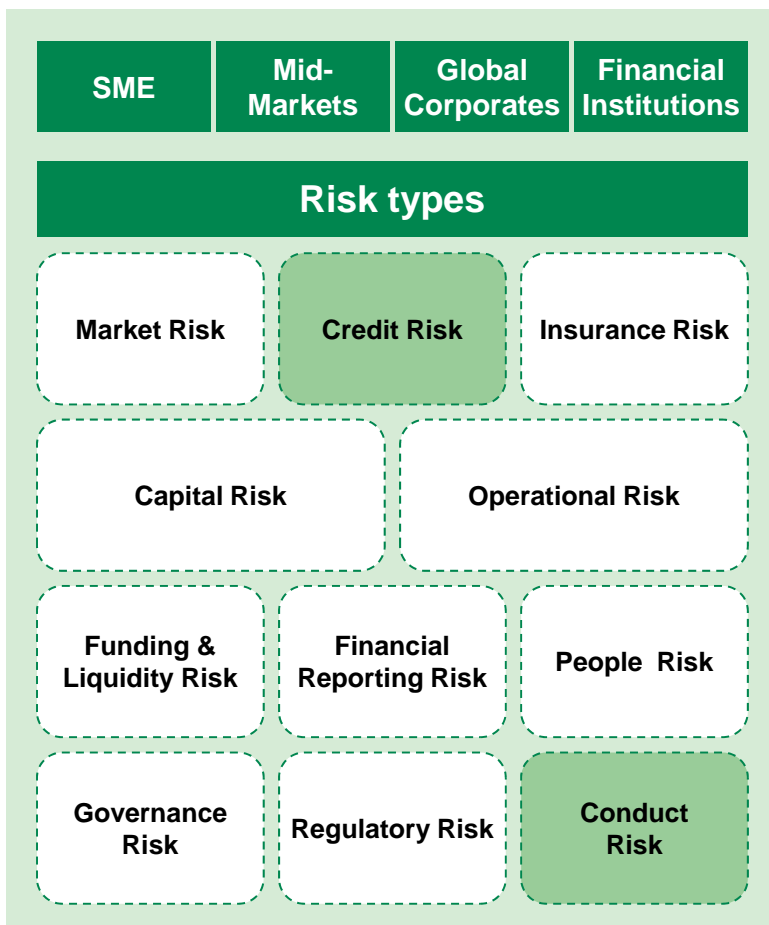


- LTSB lower risk approach
- Legacy HBOS portfolio largely exited or in non-core
- Prudent LTSB approach is already embedded

COMMERCIAL BANKING

Independent Enterprise-wide Risk Framework

LLOYDS
BANKING
GROUP



Market Risk

- Small relative to peers
- Average 95 per cent 1-day trading Value at Risk (VaR) was £7m for year to December 2012

Conduct Risk

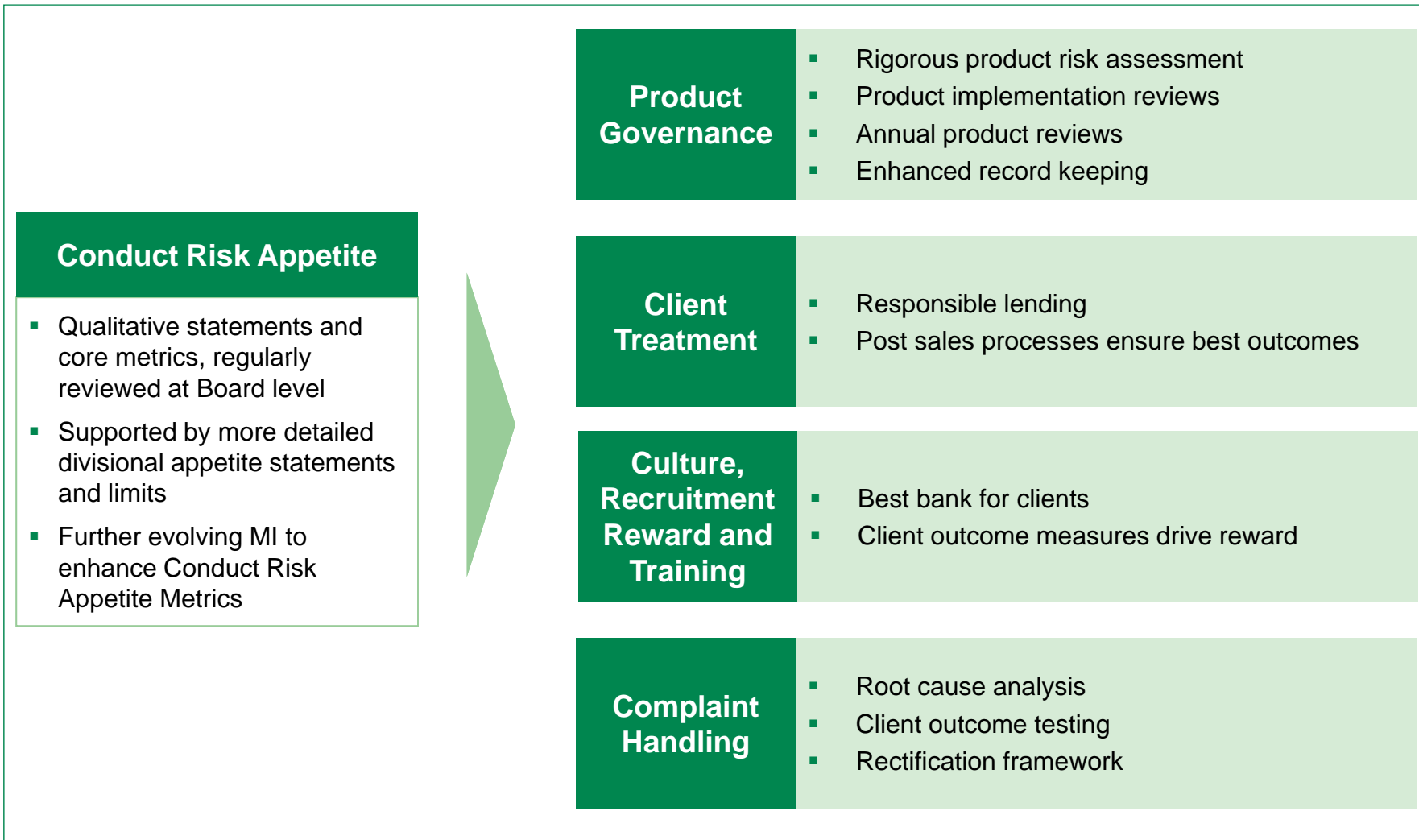
- Enhancements to product design, sales processes, root cause analysis

Credit Risk

- Prudent and through the cycle credit risk appetite
- Clearly defined levels of authority
- Early identification and management of deteriorating credits

COMMERCIAL BANKING

We are executing a robust conduct risk strategy



COMMERCIAL BANKING

Established credit risk approach supports our UK-centric strategy

LLOYDS
BANKING
GROUP



Risk appetite

- Conservative, through the cycle approach
- Target market and risk acceptance criteria

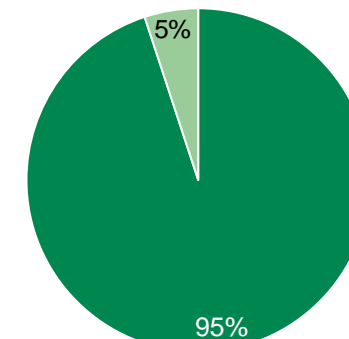
Hold policy

- Single counterparty and selective sector concentration limits
- Caps for higher risk sectors and asset classes

Credit policy

- Minimum obligor quality rating criteria for bulk of new business
- Sector and product specific parameters

2012 Core asset portfolio¹



■ UK ■ International

Robust processes with strong oversight are in place

1. UK defined as all UK-booked business

COMMERCIAL BANKING

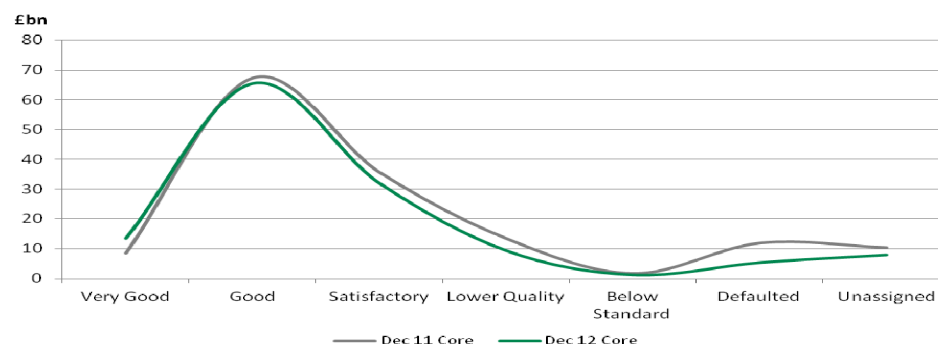
Improving credit risk profile

LLOYDS
BANKING
GROUP

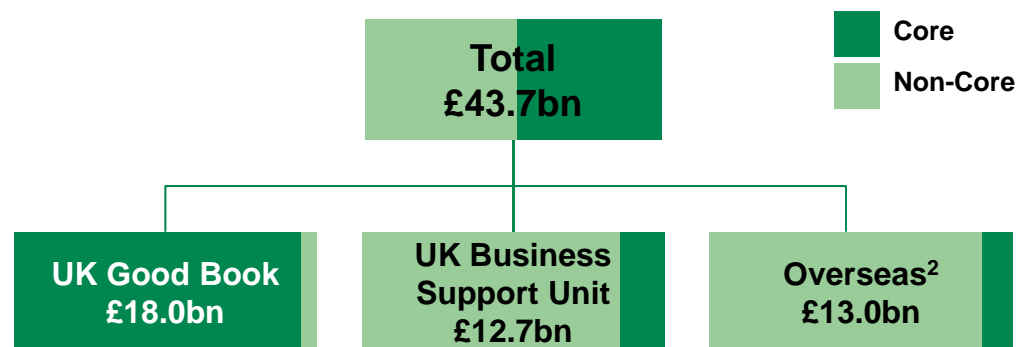


Improved obligor quality

Core CB (excl. Financial Markets): Probability of Default (commitments)



Commercial/Residential Property¹



- Sector concentrations under control
- Obligor quality is stable
- Heritage LTSB approach to origination
- Adhered to credit risk appetite for FLS
- BSU transfers down 37%
- Real Estate exposure under control

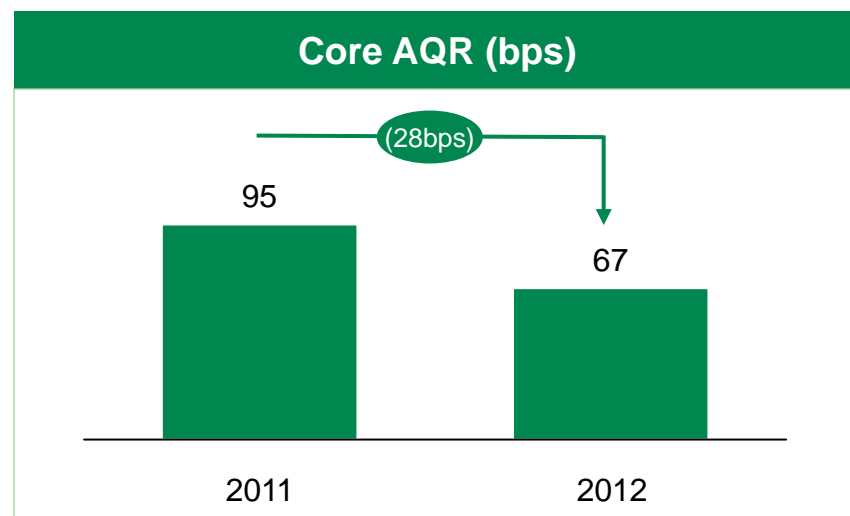
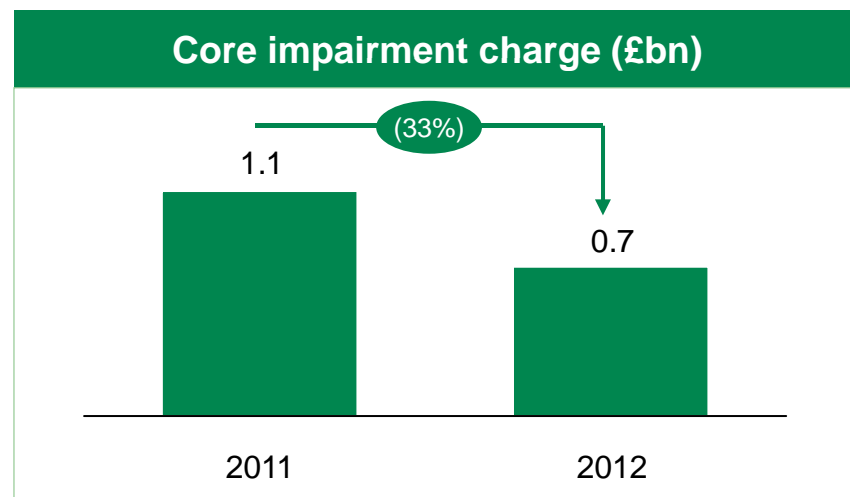
1. 2012 Full Year News Release

2. Overseas includes £7.4bn of Ireland assets

COMMERCIAL BANKING

Lower impairments via prudent risk management

LLOYDS
BANKING
GROUP



- Core impairments down 33%
- Core AQR 67bps
- Good book forborne loans minimal

COMMERCIAL BANKING

Active portfolio management



Origination discipline

- New centralised pricing controls
- Pricing models reflect full Basel III impacts
- Portfolio Management team approve all larger transactions

Optimise low return clients

- Built client return metrics combining all product revenues and risks
- Client management plans to deepen wallet
- Optimisation of long dated low margin loans

RWA optimisation

- Disciplined origination reducing capital requirements for new business
- Stronger distribution focus

AGENDA



COMMERCIAL BANKING STRATEGY
Andrew Bester, Chief Executive, Commercial Banking

IMPROVING COMMERCIAL BANKING RETURNS
Nick Slape, Finance Director, Commercial Banking

MANAGING RISK APPROPRIATELY
Stephen Shelley, Risk Director, Commercial Banking

BEST BANK FOR CLIENTS
David Oldfield, Andrew England,
Richard Moore, James Garvey

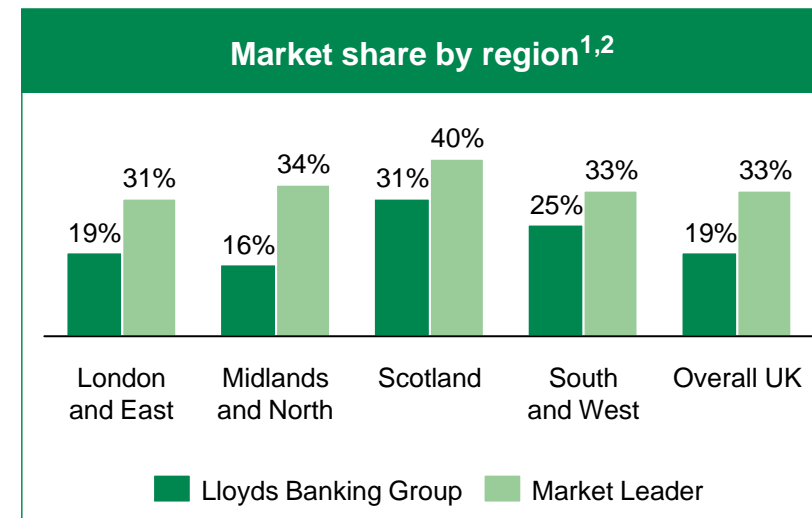
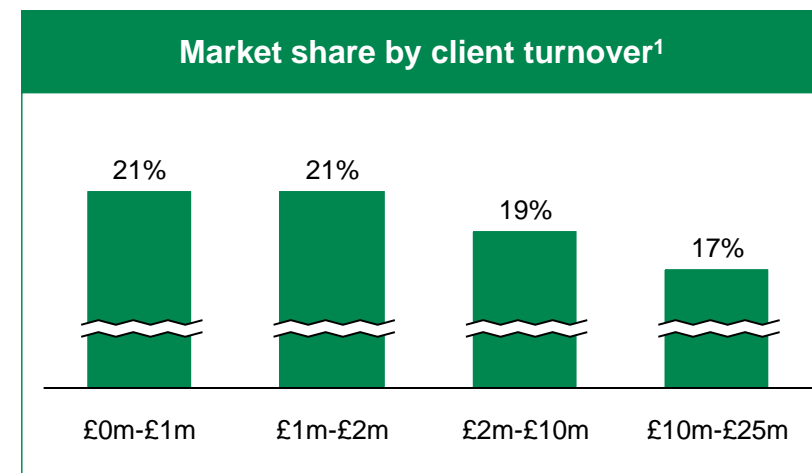
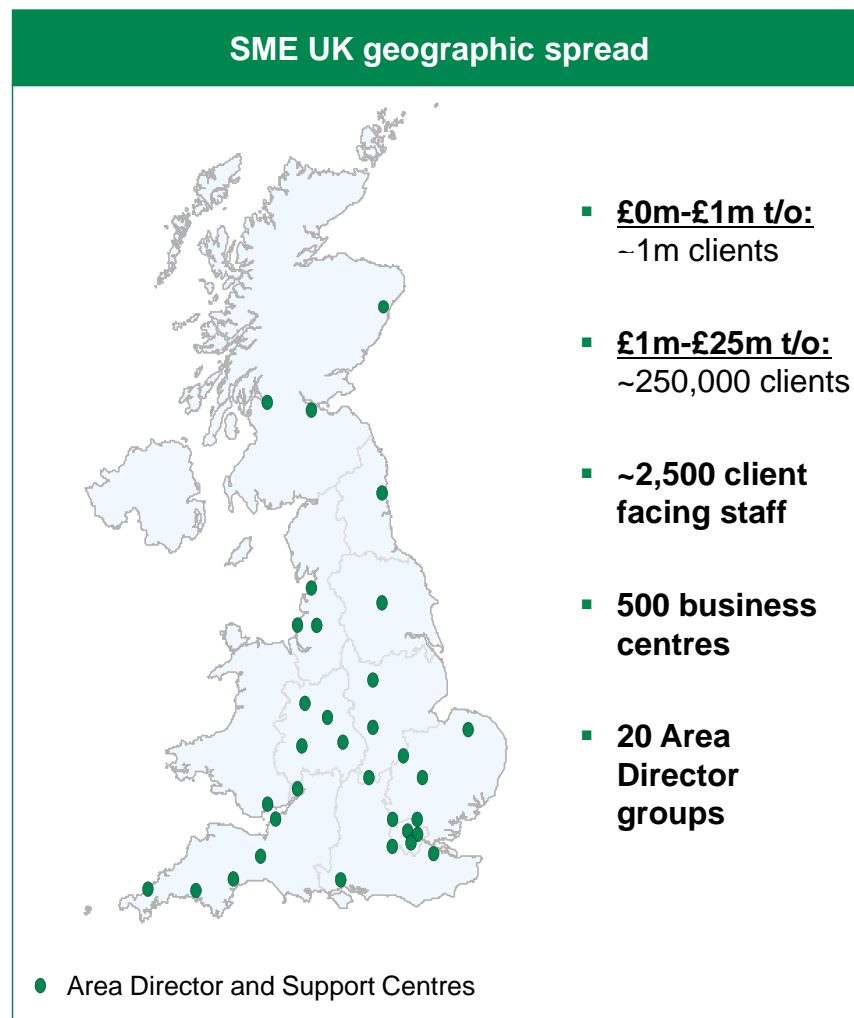
CLOSING REMARKS AND Q&A
Andrew Bester, Chief Executive, Commercial Banking

BEST BANK FOR CLIENTS

SME & Mid-Markets – David Oldfield

COMMERCIAL BANKING

SME supports clients' needs across the UK



1. Charterhouse UK Business Banking Survey Q4 2012 (including Verde clients)

2. £1m-£25m turnover clients. Market share at Dec-2012

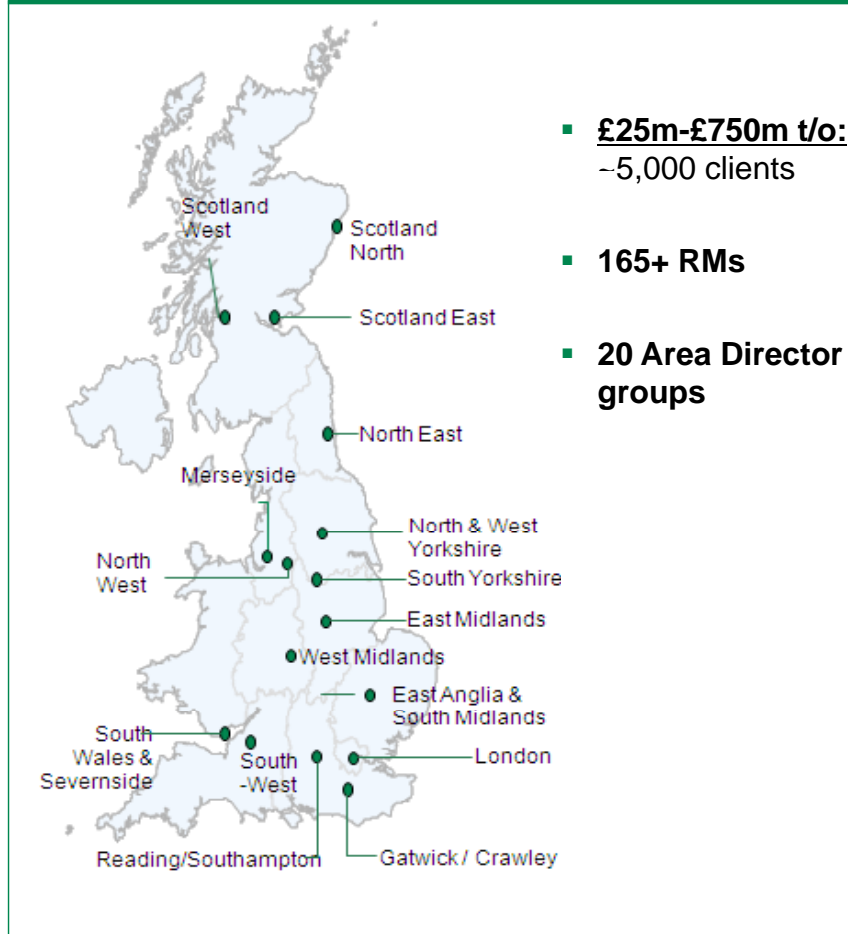
COMMERCIAL BANKING

Opportunity to grow underpenetrated Mid-Markets regions

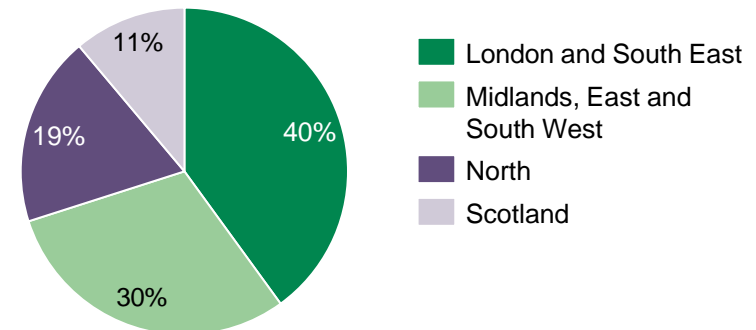
LLOYDS
BANKING
GROUP



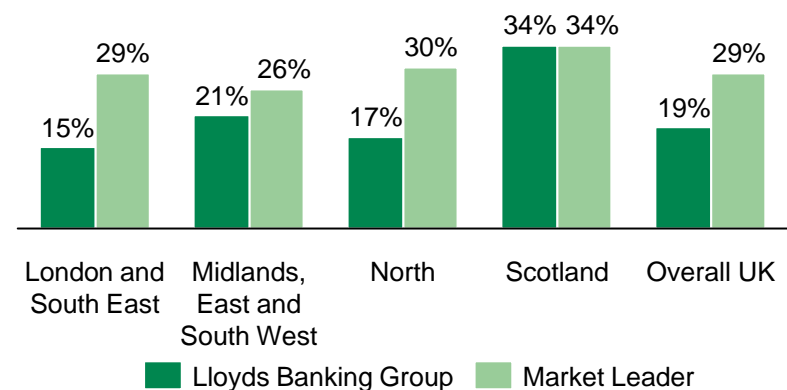
Mid-Markets UK geographic spread



2012 Income by region¹



Market share by region²



1. Comprises Medium-Sized Business and Mid-Cap only

2. Experian PH, market shares as at Dec-2012. Market share of trading businesses with turnover £25m-£500m

COMMERCIAL BANKING

The best Relationship Managers local to clients

LLOYDS
BANKING
GROUP



Our proposition

addresses “client needs”

Best RMs

“know the business”

- ✓ Experienced and knowledgeable RMs, many with 20+ years experience
- ✓ Named, local RM support
- ✓ RM portfolios comprise similar size / sector clients leading to deep insight

Helping Britain prosper

“support UK SME”

- ✓ Net lending to SME 4% up in a market that declined 4% in 2012
- ✓ Net lending to Mid-Markets in H2 2012 broadly flat in a market that declined 6%
- ✓ Providing discounted lending to SMEs through NLGS and FLS
- ✓ Support in excess of 100k business start ups annually

Core capabilities

“make it easy”

- ✓ Direct access to RMs through client’s preferred channels
- ✓ Reduced time to cash by almost 50%

Franchise growth

“help access expertise”

- ✓ Access through RMs to broader product/sector specialists
- ✓ Range of industry accredited key market RMs providing tailored service

Leveraging the combined geographic reach

COMMERCIAL BANKING

Committed to supporting UK clients through a number of government schemes

LLOYDS
BANKING
GROUP



FLS

- Discounts of 1% per annum to all qualifying clients
- First bank to participate in scheme
- Committed in excess of £11bn in gross funds to end 2012

Enterprise Finance Guarantee (EFG) Scheme

- One of the most active EFG lenders
- By the end of 2012 we provided
 - More than 5,200 EFG loans worth in excess of £400m
 - Represent 26% of all loans granted through the scheme

Business Finance Taskforce

- Key contributor to the Government Business Finance taskforce
- 400 business volunteer mentors – 42% of the UK wide bank mentor population
- SME and Mid-Markets Charters
- Client lending appeals
- 200 client outreach events in 2012

UK Business Angels Association

- Supporting efforts to help SMEs secure equity from private investors
- We are the only bank represented on the Board of the UKBAA
- £850m early stage equity with advice from angels complements our debt finance support

COMMERCIAL BANKING

Winning new clients



Agriculture



- Largest provider of finance to UK agriculture
- 34% share of lending to farmers
- Support 9 in 10 deals presented to us

Schools



- Bank 57% of all academies
- Clients cite service excellence, strength of proposition and depth of sector knowledge as deciding factors

Manufacturing



- Attracted a switcher after 150 year relationship with previous bank
- Proposition differentiated through sector knowledge

BEST BANK FOR CLIENTS

Transaction Banking – Andrew England

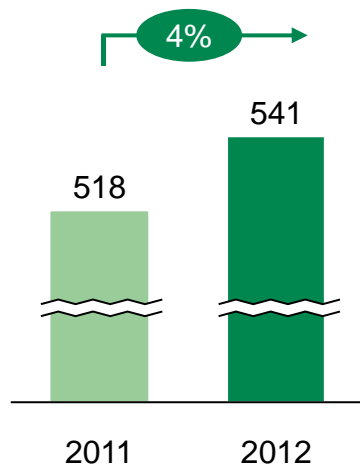
COMMERCIAL BANKING

Significant volumes across Transaction Banking platforms



Leveraging platforms post integration

Payment volumes (m)¹



EUROMONEY TRADE FINANCE

April 2012

Best Domestic Trade Finance Provider

The Card & Payments Awards

CARD & PAYMENT AWARDS

February 2013

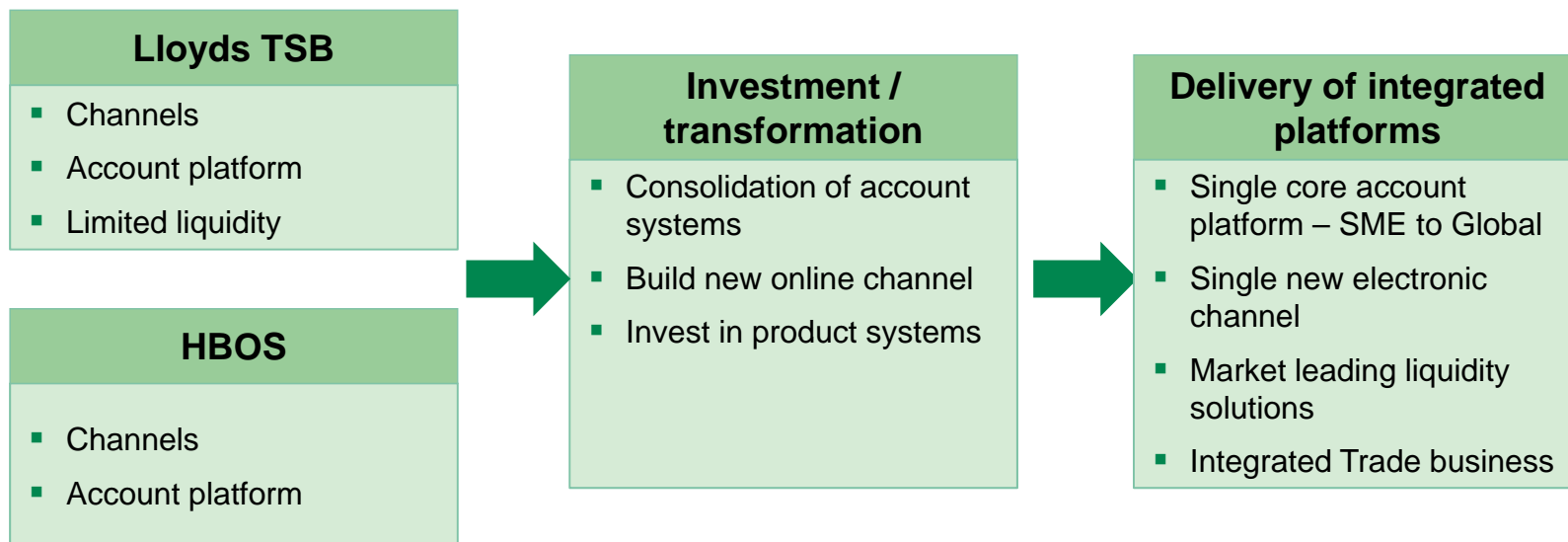
Best Merchant Acquiring Initiative – London 2012

Helping clients with their working capital needs

1. Includes domestic payments for SME, Mid-Markets and Global Corporates. Market grew by up to 1% in 2012

COMMERCIAL BANKING

Consolidation and simplification of infrastructure to create a sustainable platform for growth



Simplifying the operating model, building capability and increasing product offering

COMMERCIAL BANKING

Investment delivers strong core capabilities

LLOYDS
BANKING
GROUP



Enhance Transaction Banking platform

- Maximise opportunity in payments, trade finance, liquidity and cards
 - Develop product propositions
 - Improve access through modern online channel and seamless access to domestic and international payments
 - Deliver real-time Sterling account platform
 - Partnering with International banks to build Trade capability
 - Specialist sales teams



COMMERCIAL BANKING

Delivering capability to fulfil client needs

Airline



- Simplify and standardise banking interfaces
- Direct access to the appropriate payment systems
- Award-winning tailored solution

UK Manufacturer



- Long-term banking partner
- High-volume Trade Finance facility
- Flexible Trade Lending solution

BEST BANK FOR CLIENTS

Financial Markets – Richard Moore

COMMERCIAL BANKING

Simple products serving client needs



**Low risk,
client-driven
income streams**

- 5 key product areas across coverage segments
- Measure and manage to good client outcomes
- Competitive capability
- Generate capital efficient returns

COMMERCIAL BANKING

Investing to serve the different needs of our clients

LLOYDS
BANKING
GROUP



- **Complete core Financial Markets infrastructure build in 2013**
 - Capability to respond to regulation, automation and capital challenges
- **Alignment to coverage and product partners is critical to stable and diversified income**
 - Top 3 core banks command 80% share of wallet

Client Segments

Financial Markets Role

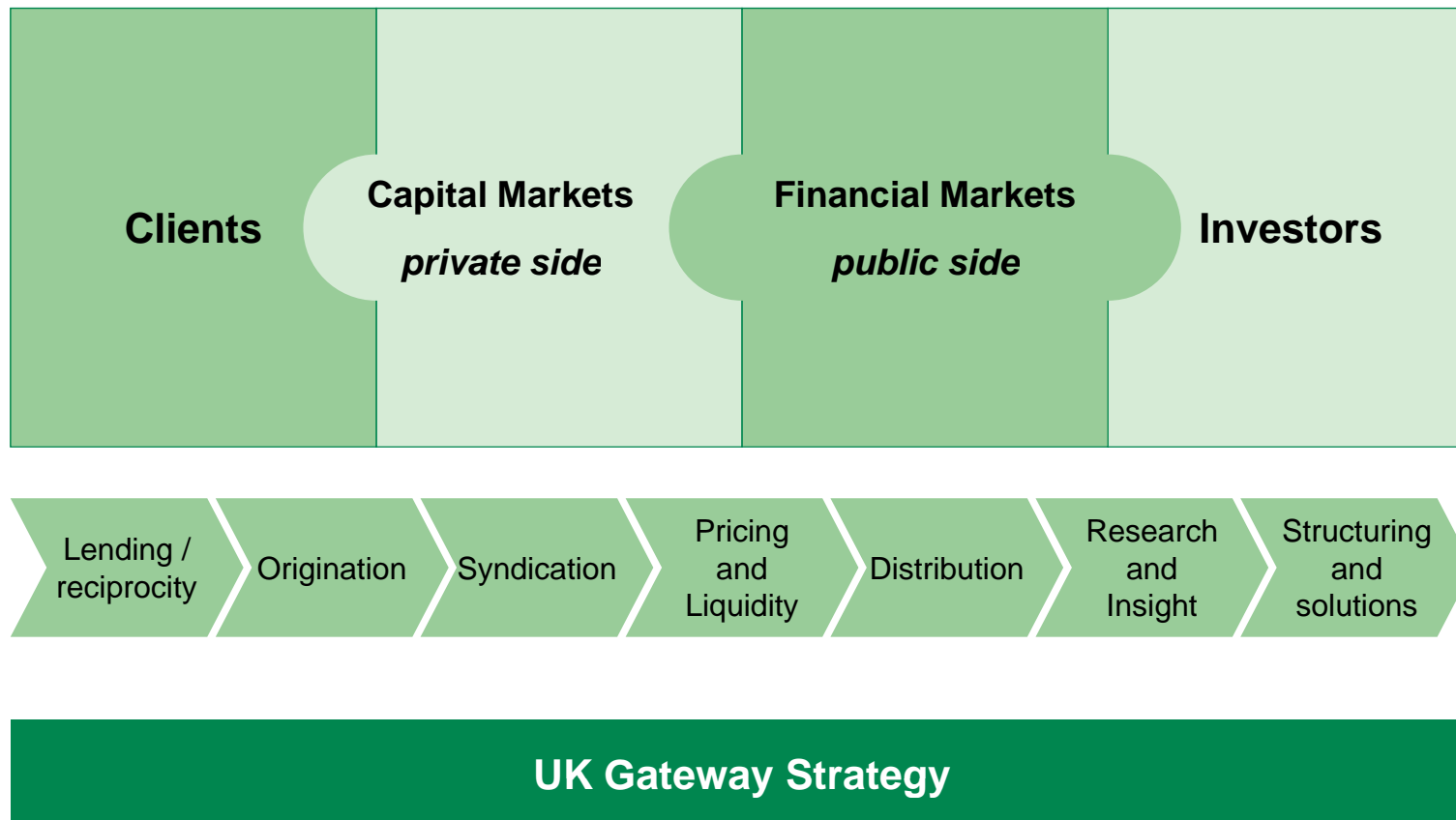


COMMERCIAL BANKING

Effective intermediation to deliver for the client



“We bring together UK focused clients and relevant investors”



COMMERCIAL BANKING

Delivering solutions in capital light products

ARENA



- Single, customisable e-trading interface for FX and Money Market deposits with insight, analysis and reporting
- Built for our clients by our clients

Broadcaster

arqiva

- Supported the c.£3.6bn refinance of Arqiva existing debt facilities
- Lloyds acted as bookrunner on the Senior and Junior notes

GEMM



**Gilt Edged
Market Maker**

- Rapid growth and increased credibility
- Market leading position
- Flagship FM product and gateway to our core proposition

BEST BANK FOR CLIENTS

Capital Markets – James Garvey

COMMERCIAL BANKING

Supporting clients with financing & risk management

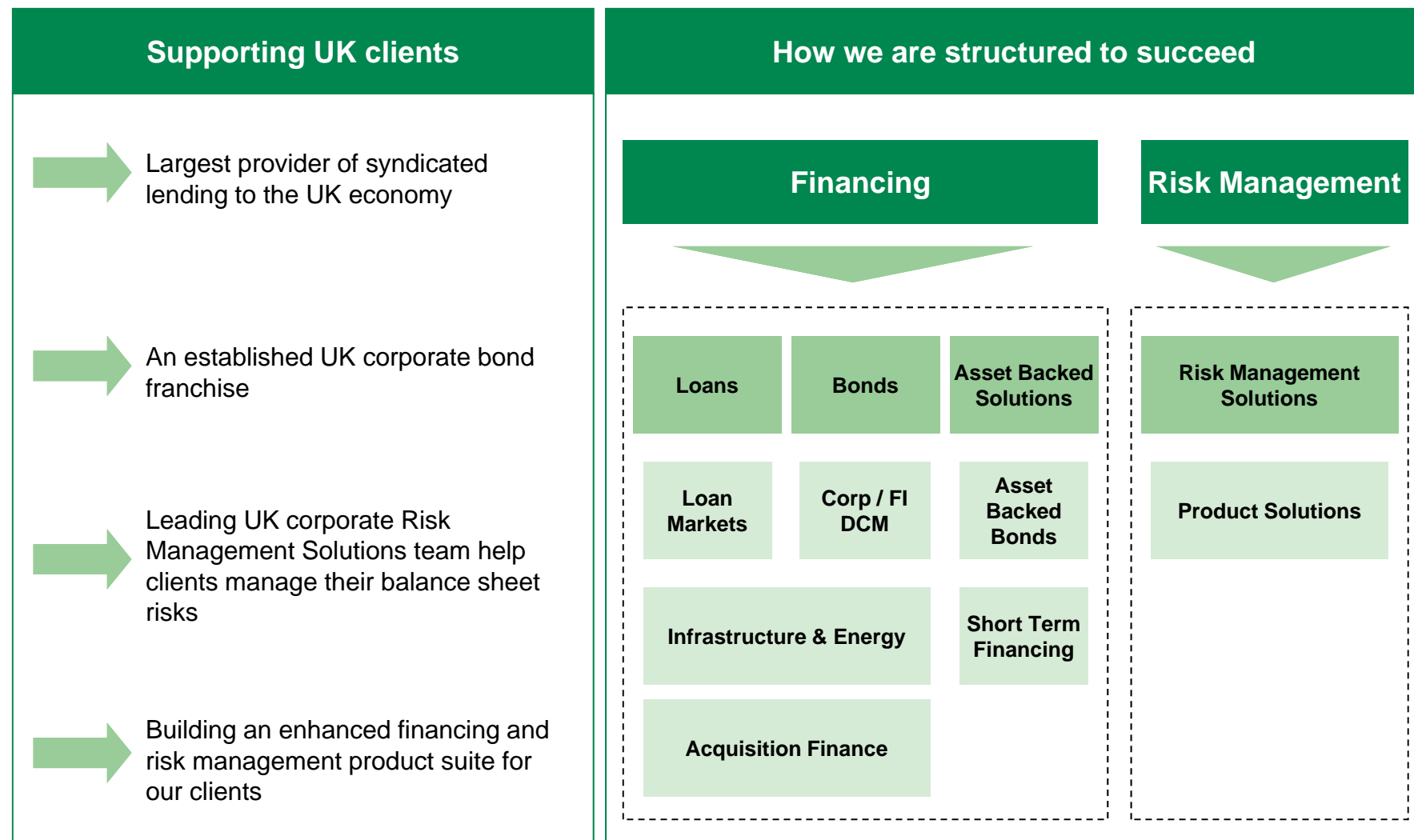


**Build a competitive
range of client-centric
financing and
risk management
products**

- Support relationship managers and their client franchise ambitions
- Focus on Debt Financing and Risk Management
- Partner with Coverage and Financial Markets to drive distribution in support of originate-to-distribute model
- Seek to maximise share of wallet by addressing client needs
- Conservative risk profile with strong oversight and control

COMMERCIAL BANKING

Established a competitive range of client solution capabilities



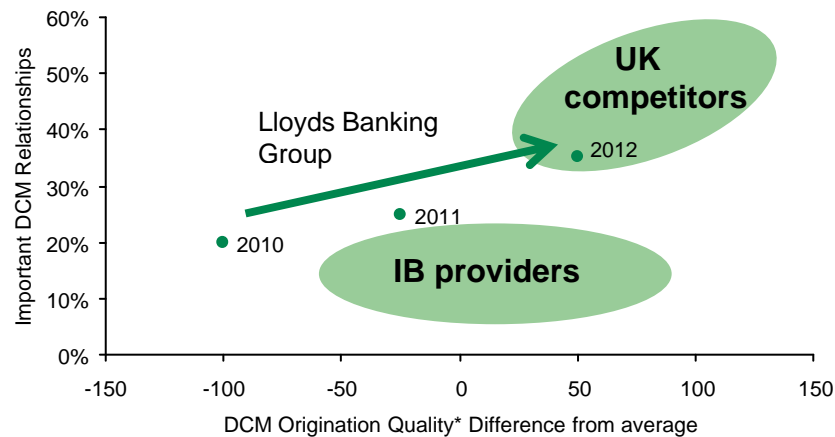
CAPITAL MARKETS

Strong growth in Capital Markets franchise

LLOYDS
BANKING
GROUP

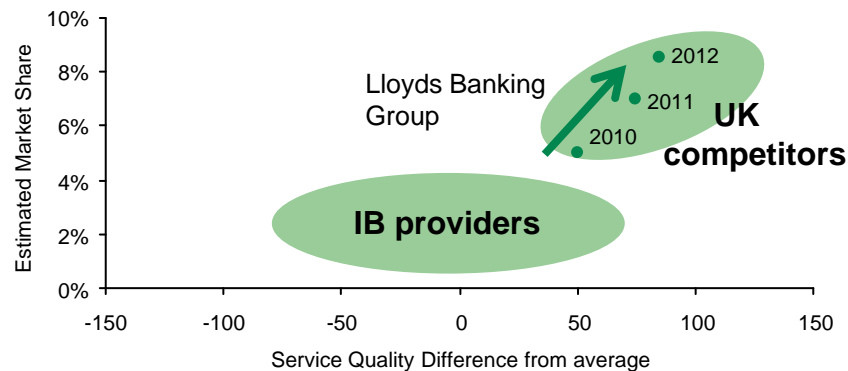


Total UK Corporate DCM Service Quality



- #2 for 'Best Domestic Bond Distribution'
- Lloyds Banking Group improvement in overall DCM specialist capability was the largest among major competitors

Interest Rate Derivative Service Quality



- #1 in UK corporate IRD Market Share
- #1 in UK corporate IRD Sterling Swaps Penetration
- #1 jointly for Quality Index and Quality Index Sales
- #1 for 'Best' & 'Top 3' Sales Rep

COMMERCIAL BANKING

Increasing the availability of UK housing stock through public bond issues

LLOYDS
BANKING
GROUP



**Housing Association Bond League Table
FY 2012¹**

Rank	Bookrunner	Amount (£m)	No. ³	Market share
1	Lloyds Banking Group	883	9	27.7%
2	Peer 1	801	8	25.1%
3	Peer 2	634	7	19.9%
4	Peer 3	300	4	9.4%
5	Peer 4	233	4	7.3%
6	Peer 5	100	1	3.1%
Total ²		2,785	16	100%

Excludes aggregation vehicle transactions and private placements

1. Dealogic

2. Total Amount and Market Share includes banks not in the top 6

3. Each deal may have more than one Bookrunner

Case Study: Saxon Weald



£225m 5.375% notes due 2042

Bookrunner

LLOYDS BANK

May 2012

**Saxon Weald issued £225m,
30 yr amortising bonds**

COMMERCIAL BANKING

Supporting the UK economy

LLOYDS
BANKING
GROUP



£150m Bond / \$240m USPP /
\$121m swap



£150m Aquisition Facilities
\$240m Private Placement
\$121m USD Swap

Bookrunner

LLOYDS BANK 

October 2012

\$500m Senior Bond



\$500m 5.6% Notes due 2023

Bookrunner

LLOYDS BANK 

January 2013

£300m Senior Retail Bond



£300m 4.7% Notes due 2021

Bookrunner

LLOYDS BANK 

October 2012

£760m Senior/Index
Link Bond



£610m 5.6% Notes due 2038
£150m 1.6% Notes due 2038

Bookrunner

LLOYDS BANK 

February 2013

£1.75bn Senior Bond



£750m 3.2% Notes due 2024
£1,000m 4.3% Notes due 2042

Bookrunner

LLOYDS BANK 

September 2012

€1.0bn Senior Bond



€1,000m Notes due 2021

Bookrunner

LLOYDS BANK 

March 2013

£1.25bn Hybrid
Perpetual Bond



£1,250m 6.0%

Bookrunner

LLOYDS BANK 

January 2013

£600m Senior Bond



£300m 4.4% Notes due 2034
£300m 4.6% Notes due 2046

Bookrunner

LLOYDS BANK 

June 2012

€1.25bn Senior Bond



€1,250m 4.125% notes
due 2018

Bookrunner

LLOYDS BANK 

March 2012

£750m Senior Bond



£750m 5.6% Notes due 2038

Bookrunner

LLOYDS BANK 

January 2013

AGENDA

LLOYDS
BANKING
GROUP



COMMERCIAL BANKING STRATEGY
Andrew Bester, Chief Executive, Commercial Banking

IMPROVING COMMERCIAL BANKING RETURNS
Nick Slape, Finance Director, Commercial Banking

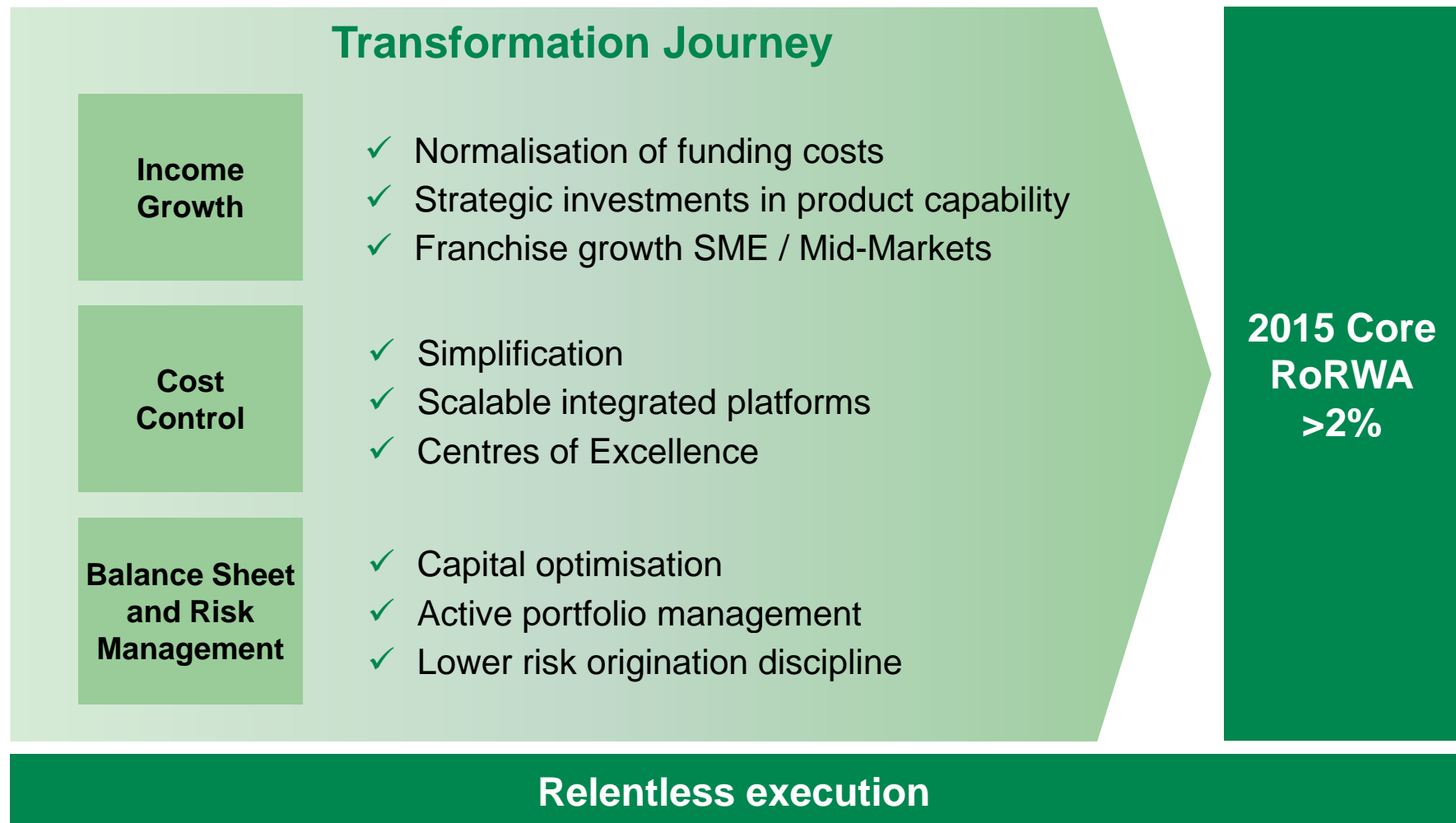
MANAGING RISK APPROPRIATELY
Stephen Shelley, Risk Director, Commercial Banking

BEST BANK FOR CLIENTS
David Oldfield, Andrew England,
Richard Moore, James Garvey

CLOSING REMARKS AND Q&A
Andrew Bester, Chief Executive, Commercial Banking

COMMERCIAL BANKING

Deliver sustainable returns above the cost of equity





LLOYDS BANKING GROUP COMMERCIAL BANKING UPDATE

LLOYDS BANK 

 BANK OF SCOTLAND

Best Bank for Clients

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

LLOYDS
BANKING
GROUP



FORWARD LOOKING STATEMENTS

This presentation contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group, its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group or the Group's management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future. The Group's actual future business, strategy, plans and/or results may differ materially from those expressed or implied in these forward looking statements as a result of a variety of risks, uncertainties and other factors, including, but not limited to, UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's simplification programme; the ability to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; risks concerning borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market related risks including, but not limited to, changes in interest rates and exchange rates; changing demographic and market related trends; changes in customer preferences; changes to laws, regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK, the European Union, or jurisdictions outside the UK, including other European countries and the US; the implementation of the draft EU crisis management framework directive and banking reform following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EC state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. The forward looking statements contained in this presentation are made as at the date of this presentation, and the Group undertakes no obligation to update any of its forward looking statements.

BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on a management basis and include certain income statement, balance sheet and regulatory capital analysis between core and non-core portfolios to enable a better understanding of the Group's core business trends and outlook. Please refer to the Basis of Presentation in the 2012 Results News Release which sets out the principles adopted in the preparation of the management basis of reporting as well as certain factors and methodologies regarding the allocation of income, expenses, assets and liabilities in respect of the Group's core and non-core portfolios.