

UBS EUROPEAN CONFERENCE - London

LLOYDS
BANKING
GROUP



LLOYDS BANKING GROUP
COMMERCIAL BANKING UPDATE

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13 November 2013

LBG HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2013

Significant progress in delivering our strategy and supporting our customers



- **Continue to support the UK economy through lending to SMEs and first time buyers**
- **Core loan book now growing in all divisions; mortgage lending grew in third quarter**
- **Returned TSB to the high street and launched a rebranded, revitalised Lloyds Bank**
- **Strong performance in customer service and reducing customer complaints**
- **Non-core asset reduction targets achieved ahead of plan and capital accretive**
- **Increased UK focus and 2014 international presence target already achieved**
- **Strengthened capital position despite an additional charge for legacy PPI business**
- **Discussions commenced with our regulators on the timetable and conditions for dividend payments**

LBG FINANCIAL PERFORMANCE

Profit and returns substantially improved

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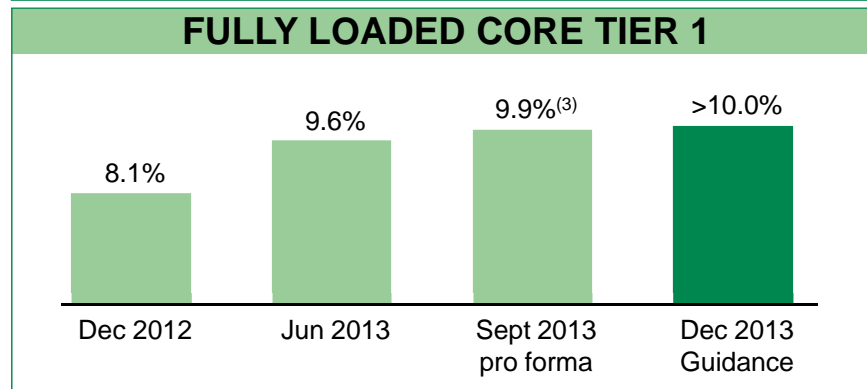
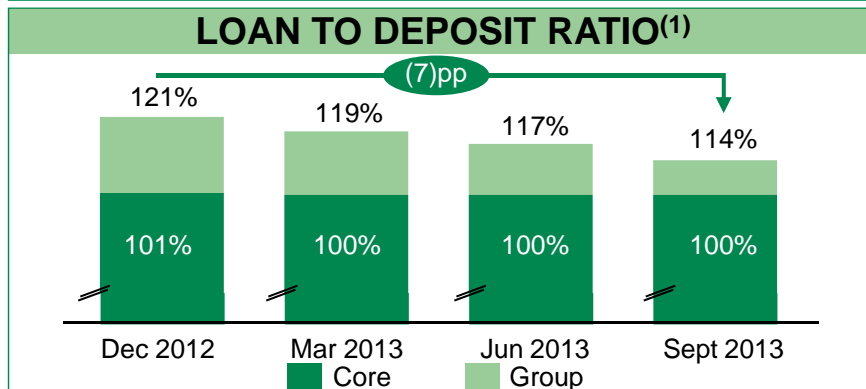
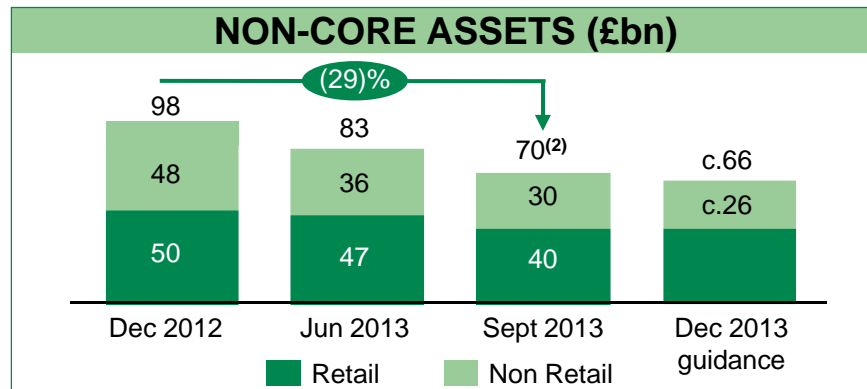
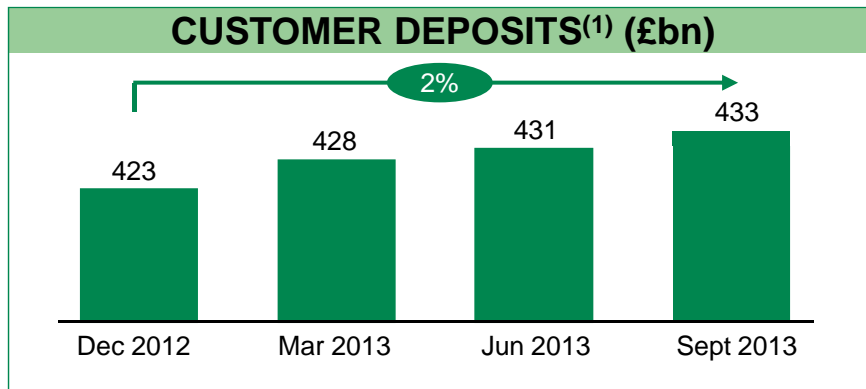
	GROUP ⁽¹⁾	CORE ⁽¹⁾
INCOME	↑ £14,019m 1%	↑ £13,500m 5%
NIM	↑ 2.06% 13bp	↑ 2.44% 12bp
COSTS	↓ £(7,110)m 6%	↓ £(6,720)m 3%
IMPAIRMENT	↓ £(2,483)m 44%	↓ £(1,231)m 9%
UNDERLYING PROFIT	↑ £4,426m 136%	↑ £5,549m 20%
STATUTORY PROFIT	↑ £1,694m	
RETURN ON RWAs	↑ 2.01% 127bp	↑ 3.17% 60bp

- **Continued strong underlying performance driven by:**
 - Good NII growth reflecting increased margin and increased core lending volumes in all divisions
 - Ongoing focus on costs, down 6%
 - Significantly lower impairment, down 44%, reflecting strong risk control and reduced non-core assets
- **Statutory profit increased by £2,301m to £1,694m despite an additional £750m charge for PPI**
- **Higher returns driven by increased profitability and lower RWAs**

⁽¹⁾ Change is movement between first nine months of 2013 and first nine months of 2012.

LBG BALANCE SHEET

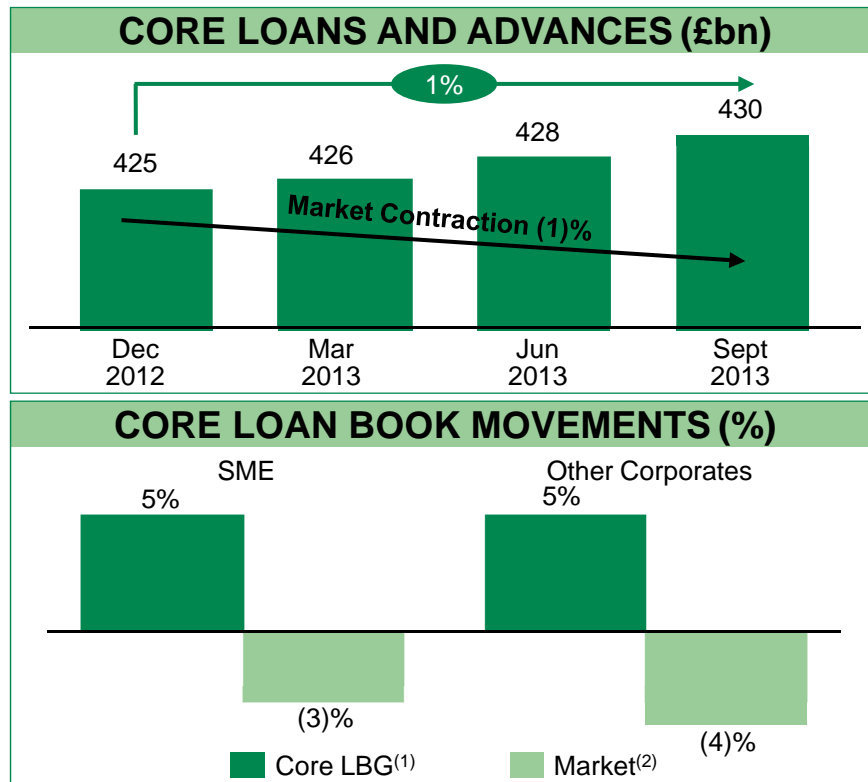
Capital and funding position continues to strengthen; non-core assets, including international exposure, further reduced



⁽¹⁾ Excluding reverse repos and repos. ⁽²⁾ Including asset reduction from announced sales of the Australian operations and Heidelberger Leben. ⁽³⁾ Pro forma fully loaded core tier 1 capital ratio including benefits of announced sales of the Australian operations, Sainsbury's Bank and Heidelberger Leben.

LBG SUPPORTING CUSTOMERS AND THE UK ECONOMY

Core loan book now growing in all divisions
Continued support for corporate and SME customers



- Core loan book grown 1% since beginning of the year, against market contraction of 1%⁽³⁾
- Committed over £28bn to UK customers through Funding for Lending
 - Net growth in FLS lending in the first nine months
- Supporting our corporate clients
 - Over £1.3bn committed to UK manufacturing in last 12 months, ahead of target
- Continued support for UK SMEs
 - Net growth in lending of 5% in last 12 months, against market contraction of 3%
 - Supported 94,000 start-ups year-to-date

⁽¹⁾ Sept 2013 vs Sept 2012 adjusted to exclude the effect of asset transfers between divisions. ⁽²⁾ Market data source: BoE Aug 2013 vs Aug 2012.

⁽³⁾ Market data source: BoE Dec 2012 vs Aug 2013.

COMMERCIAL BANKING AT A GLANCE

Building the best bank for clients



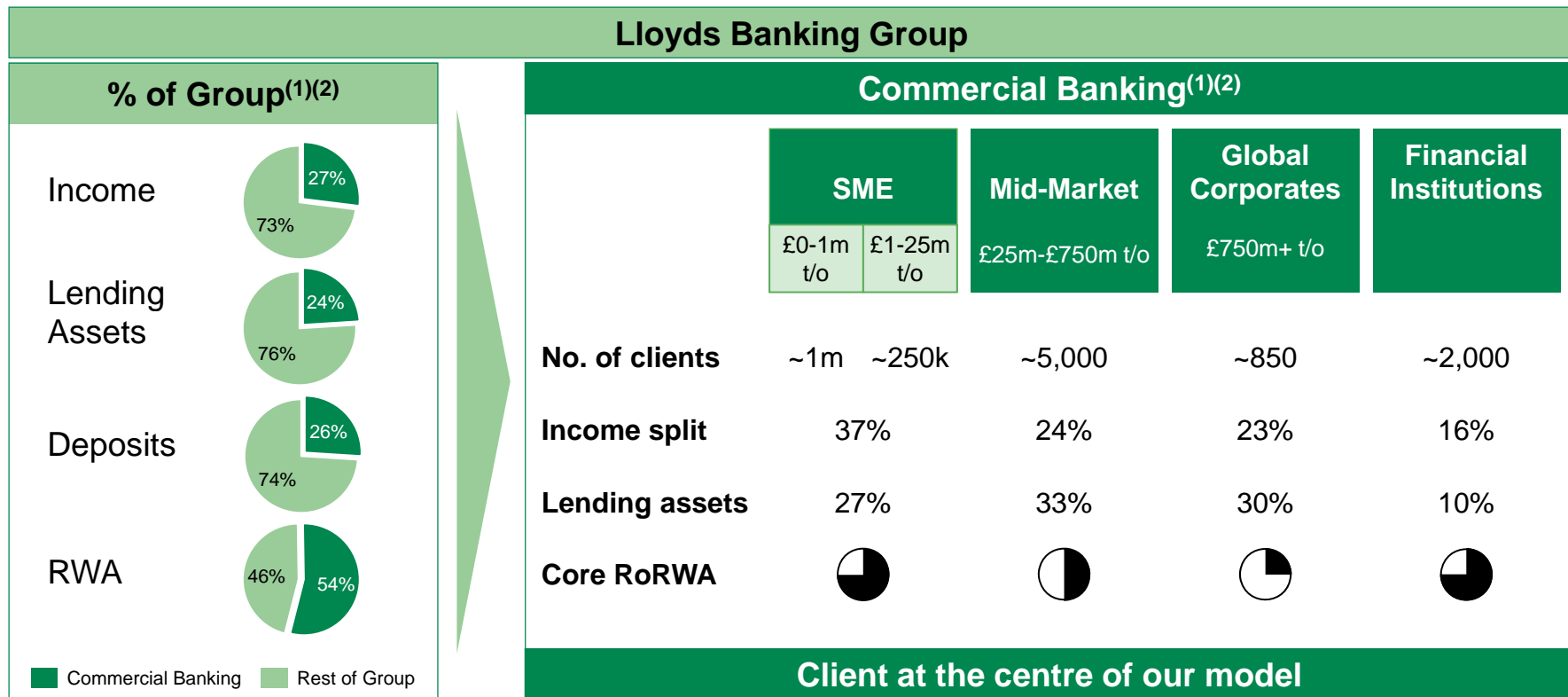
LLOYDS BANK



- 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 SNAPSHOT

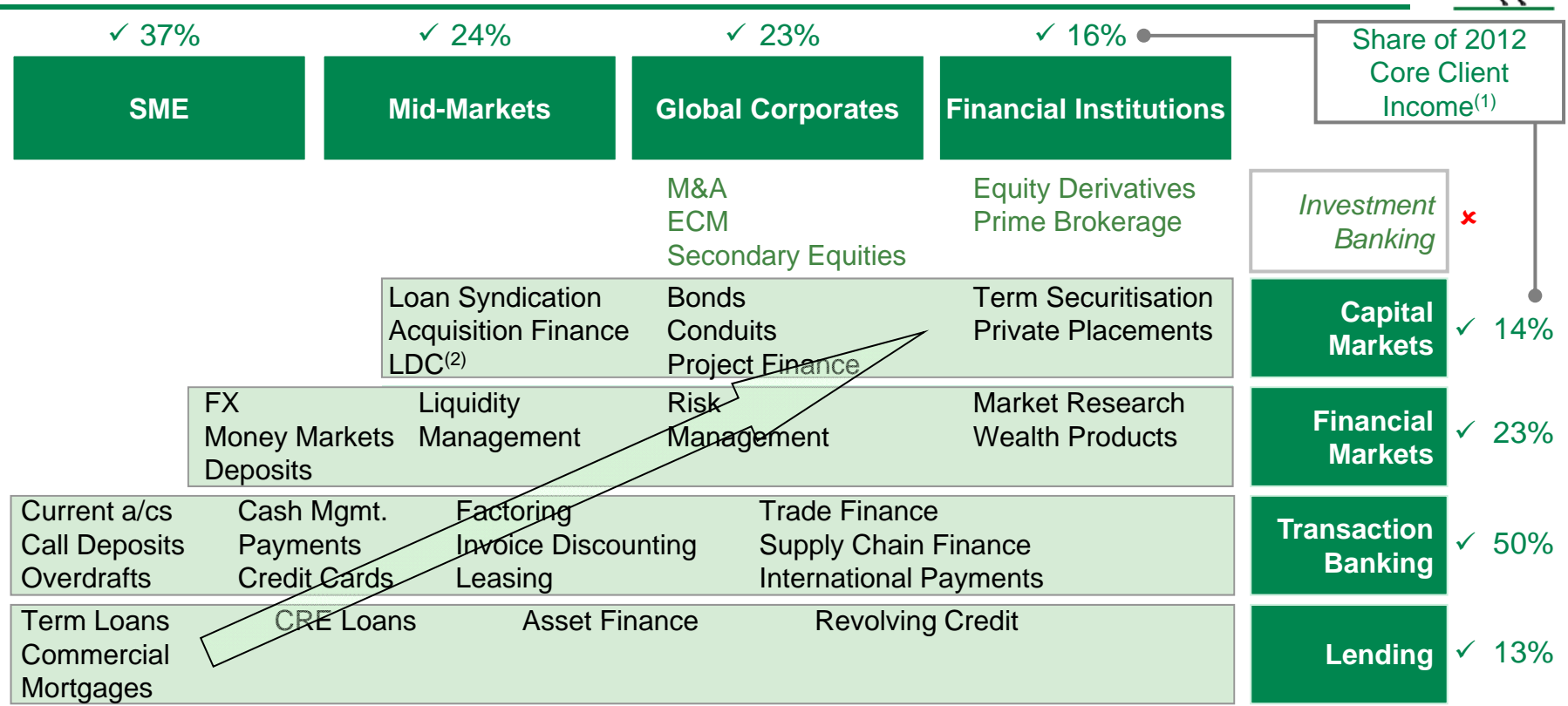
Supporting all of the Group's business clients



⁽¹⁾ Commercial Banking metrics as a % of Group based on 2012 Full Year News Release. ⁽²⁾ Core only.

COMMERCIAL BANKING – THE BUSINESS

Our full product capability will service our client needs



⁽¹⁾ Excludes own account/non-client. ⁽²⁾ Focus on equity support into UK Mid-Markets companies.

COMMERCIAL BANKING PROGRESS

Achievements and focus



Achieved to date

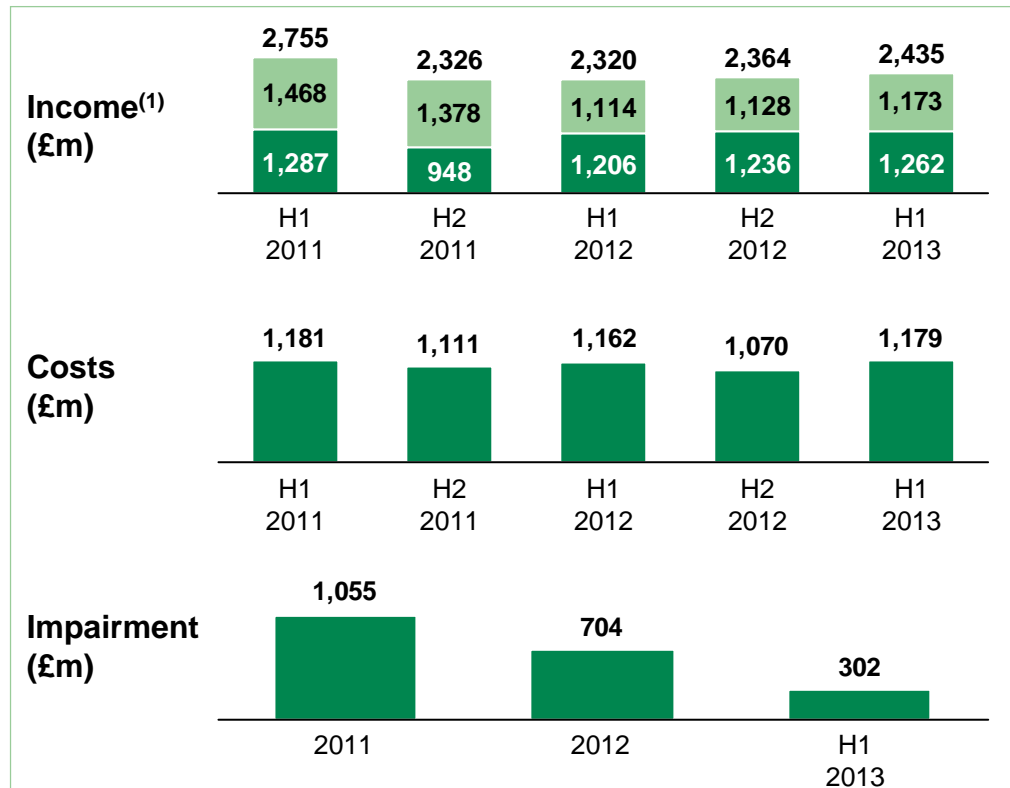
- New client centric coverage model
- Performance management framework
- Disciplined investment & participation
- Pricing independence
- Simplified scalable infrastructure
- Levers approach driving enhanced returns

What we're focussing on

- Targeted hiring in SME & Mid-Markets
- Targeted geographic expansion
- Capability build out in Transaction Banking
- Expertise build out in Global Corporates & Financial Institutions
- Improve share of wallet

COMMERCIAL BANKING H1 KEY HIGHLIGHTS

Good progress in core half yearly performance



(1) ■ NII ■ Other income

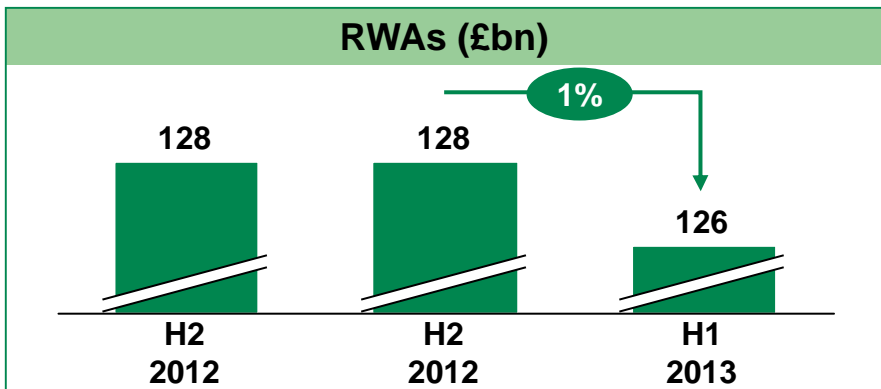
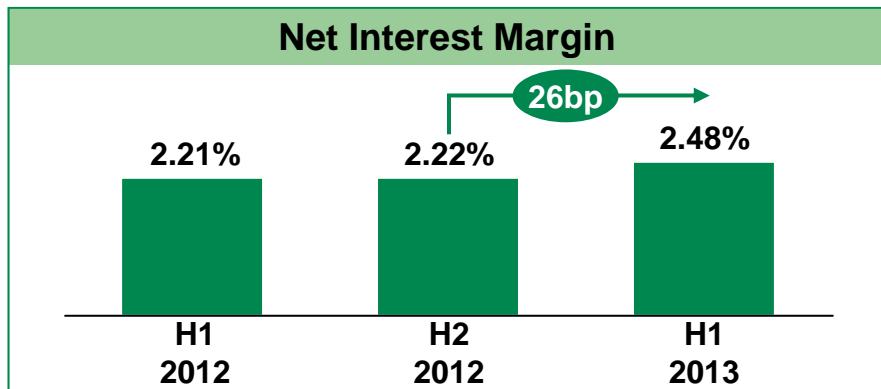
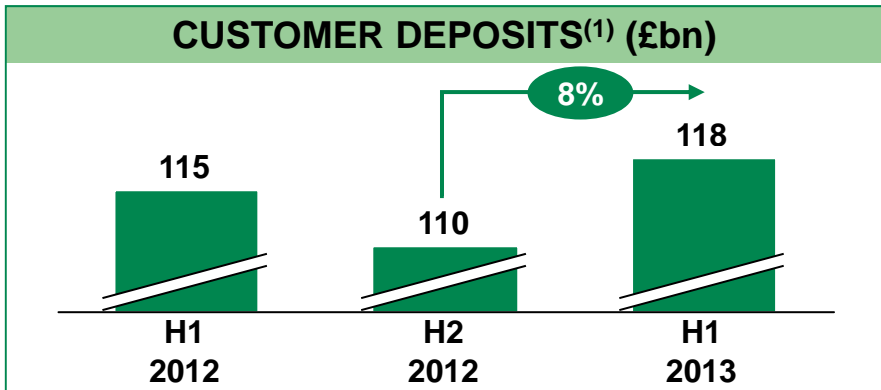
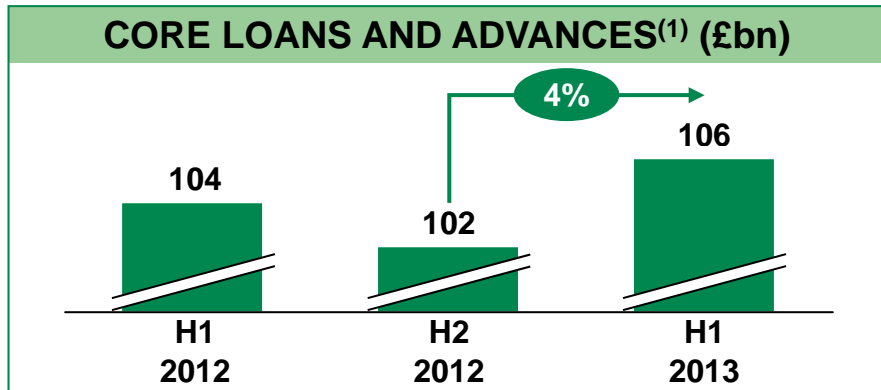
▪ **Growing income**, driven by NII

▪ **Strict cost discipline**, creating capacity for investment

▪ **Declining impairments**

COMMERCIAL BANKING BALANCE SHEET

Core balance sheet continuing to grow, whilst reducing RWAs



⁽¹⁾ Excluding repos and reverse repos

COMMERCIAL BANKING TARGETS & PROGRESS

A levered approach to enhancing core returns

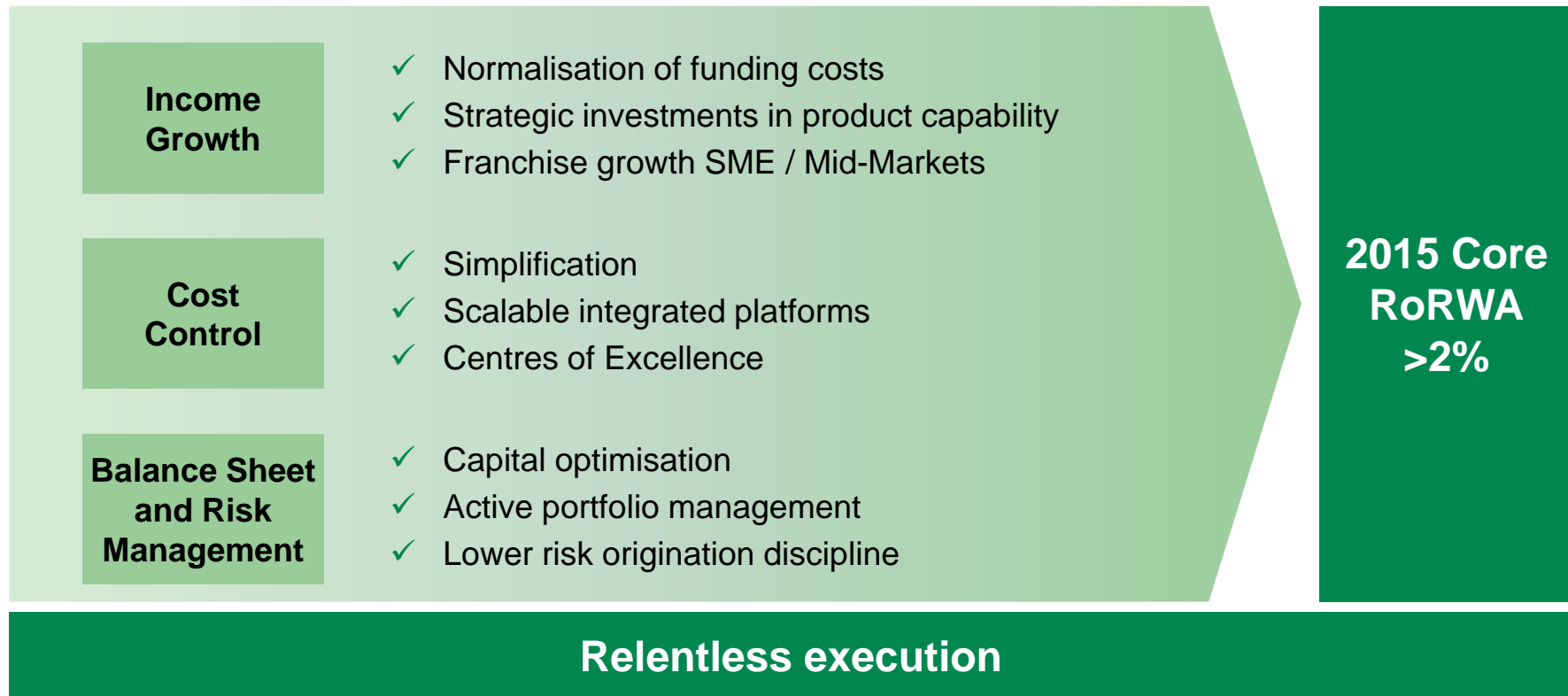
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		H1 12	H2 12	FY12	H1 13	2015
Income Growth	Banking net interest margin	2.21%	2.22%	2.22%	2.48%	↑
	Income (£bn)	2.3	2.3	4.7	2.4	↑
	Other Income as a % of income	50%	52%	52%	52%	↑
Cost Control	Cost:Income Ratio	50%	46%	48%	48%	↓
Balance Sheet & Risk Mgt	Impairment charge as a % of average advances	0.40%	0.93%	0.67%	0.57%	↓
	RWA (£bn)	127	128	128	126	~125
	Return on Risk-Weighted Assets	1.45%	1.27%	1.36%	1.51%	>2.00%

COMMERCIAL BANKING TRANSFORMATION JOURNEY

To deliver returns in advance of the cost of equity



COMMERCIAL BANKING SUMMARY

A core part of the Group proposition



- A single division serving all the Group's business clients
- Leveraging Commercial Banking as an integral part of the Group
- A clear plan to improve Commercial Banking's returns
- Good progress against strategic targets

SUMMARY OF LLOYDS BANKING GROUP PROGRESS

Strong progress in delivering clearly differentiated strategy

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- Significant progress in delivering our strategy and supporting customers
- Substantial increase in Group underlying profit and returns
- Strong core business performance, with net lending growing in all divisions
- Continued capital and balance sheet strengthening with non-core risk reduction in a capital accretive way

- Remain confident in delivering our strategic plan
- UK government commenced returning Group to full private ownership at a profit
- Discussions commenced with regulators on the timetable and conditions for dividend payments

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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FORWARD LOOKING STATEMENTS

This presentation contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group and 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 future events and circumstances that will or may occur. 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 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; and 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 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 other jurisdictions in which the Group operates, including the US; the implementation of Recovery and Resolution 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 satisfactorily dispose of certain assets or otherwise meet 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 underlying 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. In addition, certain items are reported on a pro forma -basis. Please refer to the Basis of Presentation in the Q3 2013 Interim Management Statement which sets out the principles adopted in the preparation of the underlying 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.
