



RESPONSIBLE BUSINESS PERFORMANCE AND HELPING BRITAIN PROSPER PLAN

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Responsible Business

2 October 2015



Performance Update	Mike Butters Director of Investor Relations
Corporate Governance	Paul Turner Director of Sustainable Business
Helping Britain Prosper	Caroline McCarthy-Stout Head of Stakeholder Engagement, Responsible Business
Summary	Mike Butters Director of Investor Relations

DELIVERING FOR OUR CUSTOMERS AND SHAREHOLDERS

Clear strategic focus and differentiated business model providing competitive advantage

LLOYDS
BANKING
GROUP



Our business model

**Simple, low risk, customer focused,
UK retail and commercial bank**

Our strategic priorities

**Creating the
best
customer
experience**

**Becoming
simpler and
more
efficient**

**Delivering
sustainable
growth**

- **Clear strategy: UK retail and commercial focus**
- **Multi brand, multi channel distribution**
- **Market leading cost position**
- **Low risk, leading to lower cost of funds and equity**
- **Strong balance sheet and funding position**
- **Well positioned to meet regulatory requirements**

FINANCIAL PERFORMANCE

Strong improvement in underlying profit



(£m)	H1 2015	H1 2014	Change
Net interest income	5,715	5,404	6%
Other income	3,253	3,376	(4)%
Income	8,968	8,780	2%
Operating costs	(4,150)	(4,134)	–
Operating lease depreciation	(374)	(346)	(8)%
Impairment	(179)	(707)	75%
Underlying profit (excl. TSB)	4,265	3,593	19%
TSB	118	226	
Underlying profit	4,383	3,819	15%

- **Income 2% higher at £9.0bn**
 - Strong net interest income performance, up 6%, largely driven by improvement in NIM
 - Other income lower, but 4% higher in Q2 than Q1
- **Costs remain tightly managed**
 - Operating costs flat with efficiency savings funding additional business investment
 - 1.5% positive jaws
 - Cost:income ratio improved to 48.3%
- **Impairment charge down 75%, AQR of 9bps**
- **Underlying profit up 15% to £4.4bn**

CREATING THE BEST CUSTOMER EXPERIENCE

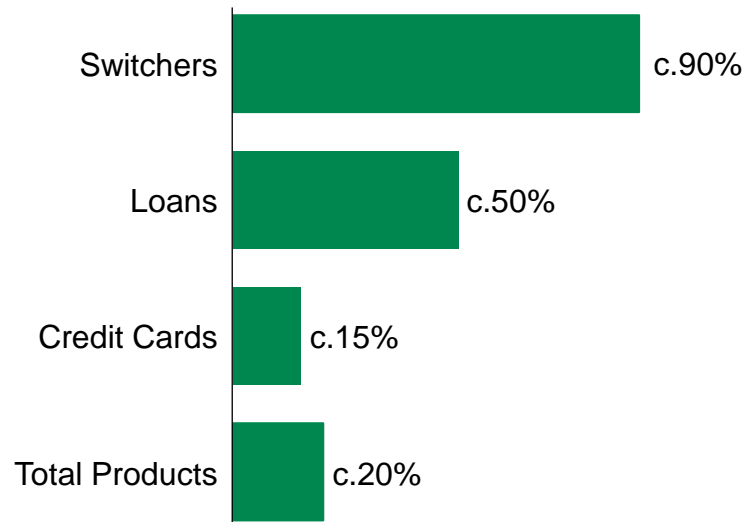
Multi channel focus: Accelerating digital whilst maintaining a significant branch network allows us to better meet customer needs and create value for the bank



Our strategy is multi brand and multi channel

- Branches focused on acquiring new relationships in high value areas eg current accounts & mortgages
- Branch footprint to be optimised
- Branches will focus on complex products and helping customers engage with digital
- >£750m invested in digital since 2011
- Delivery of agile, resilient and scalable digital platforms in Retail and in Commercial Banking
- Digital proposition development to be best bank for customers – Apple Pay now launched
- Further c.£1bn to be invested 2015-2017

2015 YTD Digital growth vs. prior year



LEGACY ISSUES – PPI

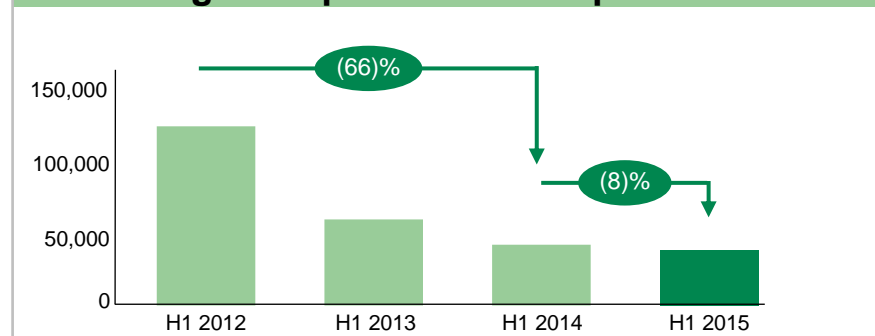
Additional PPI provision of £1.4bn for H1 2015



PPI provision analysis⁽¹⁾ (bn)

	H1 charge	Cumulative provision	Unutilised June 2015
Past business review	–	1.7	0.2
Remediation	0.4	1.5	0.4
Reactive	1.0	10.2	1.6
Total	1.4	13.4	2.2

Average complaint volumes per month⁽²⁾



- **Past business review**

- 98% of programme complete with final 2% to be completed in second half – no further provision

- **Remediation**

- Provision reflects increased scope to 1.4m cases as well as higher overturn and redress rates
- Review of all remediation cases now expected to be substantially completed by year end

- **Reactive**

- Complaint volumes down year on year but above Q4 2014 levels
- Average redress above expectations
- Future complaint volumes largely driven by Claims Management Company (CMC) activity

- **Cash spend will fall with completion of PBR and remediation**

- **Risks and uncertainties remain**

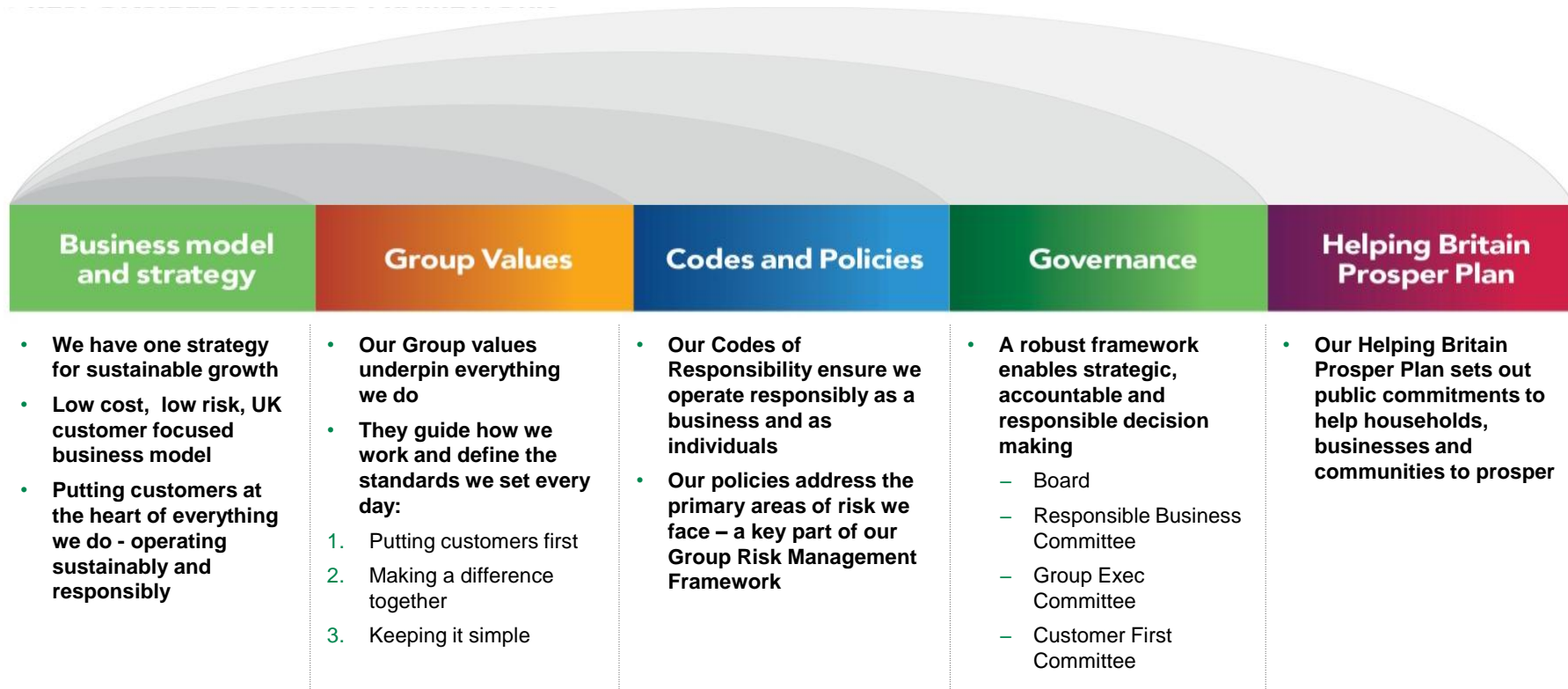
⁽¹⁾ Costs include an apportionment of administration costs. ⁽²⁾ Excludes complaints where no PPI policy is held.



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RESPONSIBLE BUSINESS FRAMEWORK

How it all fits together



GOVERNANCE

High standards of corporate governance

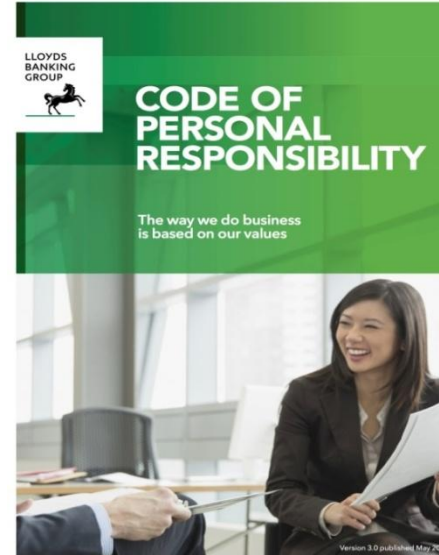
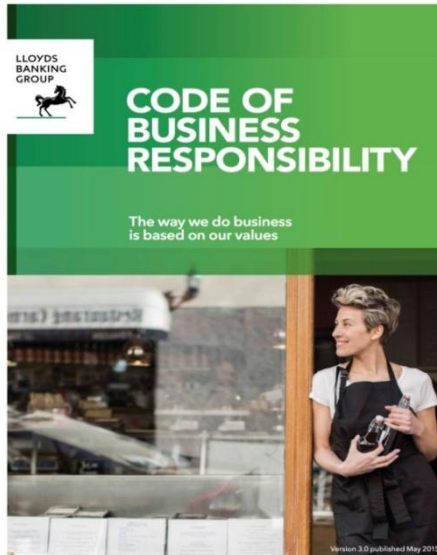
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- Our Group Ethics and Responsible Business policy is part of the Group's policy framework
- It is underpinned by our two Codes of Responsibility



- Our Codes of Responsibility define the behaviours required to live up to our Group values – as a business, as individual colleagues or as suppliers
- We have worked hard to ensure that our Codes of Responsibility are embedded across the business and all colleagues are aware of their responsibilities



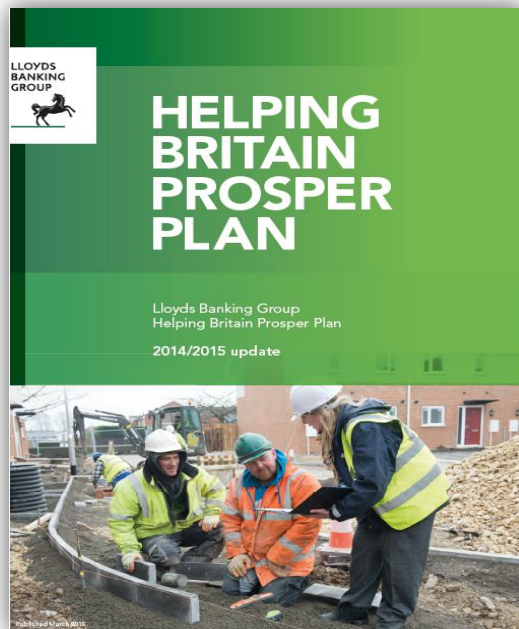


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HELPING BRITAIN PROSPER PLAN

People across Britain are facing some big issues

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- 1 We'll help more customers get on the housing ladder – and more customers climb up it.
- 2 We'll help our customers plan and save for later life.
- 3 We'll take a lead in financial inclusion to enable all individuals to access and benefit from the products and services they need to make the most of their money.
- 4 We'll help UK business to start up, scale up, and trade internationally to support the long term strength of the UK economy.
- 5 We'll help businesses and individuals to succeed with expert mentoring and training.
- 6 We'll be the banking Group that brings communities closer together to help them thrive.
- 7 We'll better represent the diversity of our customer base and our communities at all levels of the Group.

2015 HELPING BRITAIN PROSPER PLAN

Seven bold public commitments supported by 28 metrics



HELPING BRITAIN PROSPER PLAN			TARGET		PERFORMANCE
		METRICS	THIS YEAR (2015)	LONG TERM (2017)	2014
1	We'll help more customers get on the housing ladder – and more customers climb up it	1.1 Number of first-time buyers supported through delivering the most comprehensive mortgage proposition in the UK mortgage market	1 in 4	1 in 4	●
		1.2 Share of new-build mortgages provided ¹	1 in 4	1 in 4	●
		1.3 Amount invested in smaller house-builders' projects via our Housing Growth Fund to support the house building sector	£6m	£35m (cumulative)	○
2	We'll help our customers plan and save for later life	2.1 Number of customers we help to plan for later life through company pension schemes	100,000	1.7m (cumulative)	●
		★ 2.2 Due to significant changes to personal pension rules, a new metric will be published once these changes are fully determined in order to provide our customers with the best possible outcomes	N/A	N/A	N/A
3	We'll take a lead in financial inclusion to enable all individuals to access, and benefit from, the products and services they need to make the most of their money	3.1 Amount of additional funding provided to support credit unions per year	£1m	£4m (cumulative)	●
		3.2 Share of social banking accounts we will support	1 in 4	1 in 4	●
		★ 3.3 Number of colleagues helping people and organisations use the internet to improve digital skills and financial capability ²	7,000	20,000 (cumulative)	○
4	We'll help UK businesses to start up, scale up, and trade internationally to support the long-term strength of the UK economy	3.4 Number of community support workers accredited to deliver financial education ³	900	4,000 (cumulative)	●
		4.1 Number of start-up businesses we will help to get off the ground	1 in 5	1 in 5	●
		★ 4.2 Increased amount of net lending to SMEs and Mid Markets companies per year (total cumulative)	>£2bn (£47bn)	>£2bn (£35bn)	●
		4.3 Increased amount of new funding support provided to UK manufacturing businesses per year	£1bn	£4bn (cumulative)	●
		★ 4.4 Number of businesses helped to trade internationally	72,000	75,000 (cumulative)	○
		★ 4.5 Value of UK infrastructure projects in the government's National Infrastructure Plan supported	£10bn	£30bn (cumulative)	○
5	We'll help businesses and individuals succeed with expert mentoring and training	★ 4.6 % of supplier invoices paid within 30 days	96%	99%	●
		5.1 Number of colleagues trained to mentor SMEs and social entrepreneurs ⁴	260	1,800 (cumulative)	●
		5.2 Number of entrepreneurs supported through the Lloyds Bank and Bank of Scotland Social Entrepreneurs programmes	270	1,300 (cumulative)	●
		5.3 Number of new Lloyds Banking Group Apprenticeship positions created with permanent employment	1,000	5,000 (cumulative)	●
		5.4 % of Lloyds Banking Group Apprenticeships taken up by external candidates from the UK's most disadvantaged areas	15%	30%	N/A
		5.5 % of undergraduates from low-income families (Lloyds Scholars) who have secured a job within six months of graduating from university ⁵	90%	90%	●
METRICS			THIS YEAR (2015)	LONG TERM (2020)	2014
6	We'll be the banking group that brings communities closer together to help them thrive	6.1 Number of paid volunteer hours used by colleagues to support community projects	320,000	>2.3m (cumulative)	●
		★ 6.2 Number of community organisations and schools supported by our volunteers or funding	19,500	60,000 (cumulative)	●
		6.3 Amount donated to the Bank's Foundations to help tackle disadvantage (£)	£17m	>£100m (cumulative)	●
		★ 6.4 Amount raised by colleagues and communities for our Charity Partners (including Matched Giving) to support those in need in our communities (£)	£4m	£22m (cumulative)	●
7	We'll better represent the diversity of our customer base and our communities at all levels of the Group	7.1 % of senior roles ⁶ to be held by women	31%	40%	●
		7.2 We will consistently increase the engagement levels of ethnic minority colleagues in all roles	66% (Colleague Survey Score)	>70% ⁷	●
		7.3 We will consistently increase the engagement levels of disabled colleagues in all roles	55% (Colleague Survey Score)	>70% ⁷	●
		7.4 We will consistently increase the engagement levels of LGBT colleagues in all roles	60% (Colleague Survey Score)	>70% ⁷	●
		★ 7.5 Maintain Gold status (>90% score) with the Business Disability Forum on our journey to be the Best Bank for colleagues and customers with disabilities ⁸	GOLD	GOLD	●

2015 HELPING BRITAIN PROSPER PLAN

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**Supporting infrastructure projects
to the value of £10bn**



**Investing the first £6m of our
£35m Housing Growth Fund
in smaller house builders**



**20,000 colleagues helping
individuals and businesses
make the most of digital
services over 3 years**

**Helping 72,000 British
businesses access
international markets**

REPORTING

Moving further towards an integrated approach

Annual Report and Accounts



Responsible Business Review



Helping Britain Prosper Plan



MATERIAL ISSUES

What our stakeholders tell us



Treating customers fairly

- Fairer products
- Improving accessibility
- Disability
- Customer complaints
- Financial crime

£750M
invested in
digital over
last 3 years

Responsible lending for all customers

- Ethical Social and Environmental risk
- Help for homebuyers and SMEs financial inclusion and education
- Vulnerable customers

107,000 SME
start ups
supported

£25bn
new lending
to house
purchase
customers

Being honest and transparent

- Addressing past mistakes
- Branch access
- Tax contributions

£1bn
Over 3 years -
invested to
create seamless
customer
experience

£1.7bn
paid in tax

Building a more responsible culture

- Making our codes and values more meaningful
- Integrating responsible business
- Rewarding colleagues

400 + colleagues
Business
Finance
Taskforce
mentors

85%
colleague
employee
engagement
score



- **Renewable Energy**

- As part of the HPB Plan, LBG committed in 2015 to provide financial assistance to infrastructure and energy projects, which are part of the National Infrastructure Plan, with a total project value of £30bn by end 2017
- Lloyds Bank is an active financier in the Renewable Energy sector in the UK. With a growing pipeline of projects, the Bank is well positioned to play an important role in the financing of forthcoming large renewables projects, such as Offshore Wind Farms

- **Commercial Real Estate**

- We have hired Trucost to advise on an exploratory piece of work to assess the environmental risks and opportunities across the CRE lending book
- Our the aim is to factor this into our lending and product development decisions

- **ESG products**

- ESG deposits
- Energy efficient (Pay-as-you-save) financing
- ESG supplier finance



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SUMMARY

Becoming the best bank for our customers and shareholders while supporting the UK economic recovery and helping Britain prosper

Our business model

Low cost,
Low risk,
Customer
focused,
UK Retail and
Commercial
bank

Our strategic priorities

Creating the
best customer
experience

Becoming
simpler and
more efficient

Delivering
sustainable
growth

Our aim

Best bank for
customers

Strong and
sustainable
shareholder
returns



FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy and plans of 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 Lloyds Banking Group's or its directors' and/or 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 upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the potential for one or more countries to exit the Eurozone or European Union (EU) (including the UK as a result of a referendum on its EU membership) and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; pandemic, natural and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of further Scottish devolution; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities in the UK, the EU, the US or elsewhere including the implementation of key legislation and regulation; 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; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the provision of banking operations services to TSB Banking Group plc; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. 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. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements.

BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out on the inside front cover of the 2015 Half-Year Results News Release.