BANK OF AMERICA MERRILL LYNCH CONFERENCE

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26 September 2017

DELIVERING FOR OUR CUSTOMERS AND SHAREHOLDERS

Clear strategic focus and differentiated business model providing competitive advantage

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**
- **Simple, efficient business model with a market leading cost:income position**
- **Low risk, leading to lower cost of funds and equity**
- **Strong balance sheet and funding position**
- **Strong ongoing capital generation**

CREATING THE BEST CUSTOMER EXPERIENCE

Investing in key journeys to simplify and speed up the customer experience

- **Transforming 10 key journeys, impacting 80% of our customers, making it simpler, faster and more convenient to meet their financial needs**
- **Enhanced processes have significant benefits**
  – Frees up substantial front line time to serve customers more effectively
  – Reduces the likelihood of errors
  – Strengthens our capability to deliver distinctive customer service
- **Net Promoter Score up c.50% since 2011**
- **Complaints (ex. PPI) down 22% YoY at H1**

Customer journey transformation

Mortgages	**60%**	*of customers receive their offer in <14 days with some offers in two working days*
Savings	**c.90%**	*branch savings accounts (c.300k) opened in 30 mins, with appointment times halved*
SME onboarding	**77%**	*increase in proportion of SME clients onboarded in <30 days, 50% using digital agreement capability*
Corporate pensions	**21 days**	*time saving in processing monthly contributions (22 days to 1 day)*

BECOMING SIMPLER AND MORE EFFICIENT

Being an efficient bank is a central element of our differentiated business model and though progress has been made, there is more to be done

Today

- **Simple, UK-focused operating model**
- **Matrix management approach to operating costs and robust investment programme methodology**
- **Operating costs reduced every year and by c.£2bn over the last 6 years, while investment has increased**
- **On track to deliver Simplification run-rate savings of £1.4bn by end 2017 (£1.2bn achieved to date)**
- **Three key areas of focus**
  - Process re-design and automation
  - Reducing third party spend
  - Organisational design

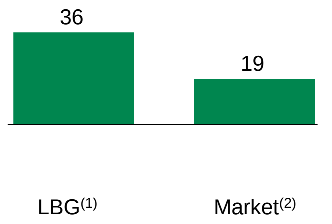
Process Transformation & Digitisation	Extend transformation across the Group, including central functions
Further Business Simplification	Simplify the business front-to-back
IT & Business Architecture	Simplify and use new technologies like cloud and advanced analytics
Distribution	Multi-channel strategy and using more direct channels
Operating Model Evolution	Adapt model (e.g. fintech partnerships) and achieve cost savings from systems consolidation
Ways of Working	Develop new practices such as agile working

DELIVERING SUSTAINABLE GROWTH

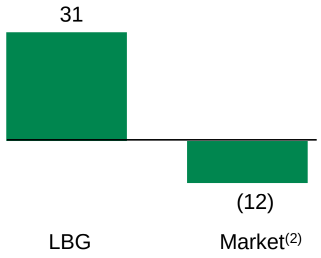
Supporting the UK economy with continued loan growth in our targeted key customer segments

Continued growth in targeted segments

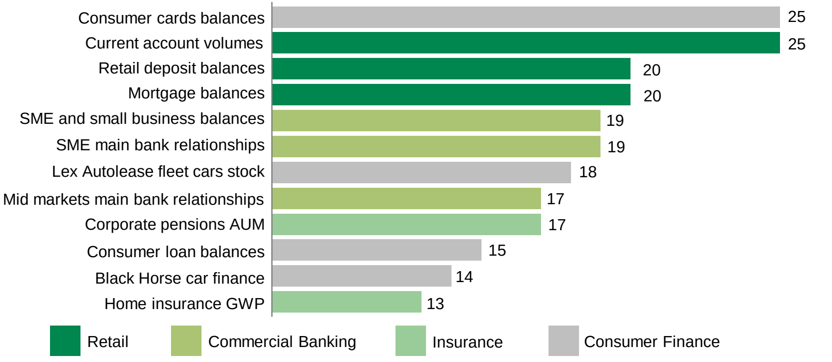
Net lending growth in consumer finance since 2011



Net lending growth to SMEs since 2010



Growth opportunities (%)



- **Open mortgage book now expected to grow in H2 and end the year slightly above Dec 2016**
- **UK Consumer Finance net lending continues to grow**
  - MBNA acquired and organic credit card growth of 4%
  - Continued strong growth in motor finance
- **SME growth continues to outperform market**
- **Continue to target growth in areas where we are under-represented**
  - SME
  - Mid-markets
  - Financial Planning and Retirement

(1) Includes Black Horse, Lex Autolease, credit cards and unsecured personal loans (2) Market figures sourced from the latest published Bank of England data.

MARKET LEADING DIGITAL PROPOSITION

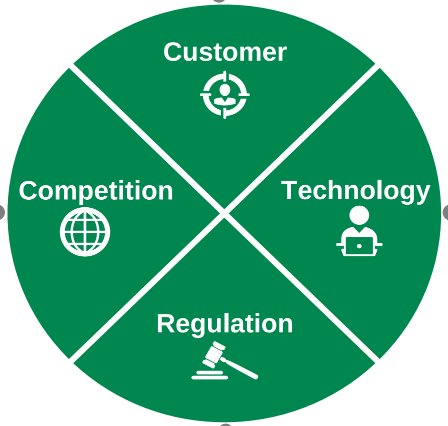
We operate the UK's largest digital bank and are very well positioned to address the new challenges of the digital world

- **UK's largest digital bank with nearly 13m active online users, including over 8m mobile users**
- **Increasing digital market share (21%)**
- **Delivering customer centric digital propositions**
  - Top rated mobile app with market leading functionality
  - >60% of customer needs now being met digitally
- **Focused investment of c.£1bn over 3 years**
- **Transforming customer journeys**
  - Digitally enabled transformation of 10 customer journeys
- **Enhancing digital capabilities and delivery**
  - Strategic partnerships with innovators

Changing digital landscape

- Increasing mobile use
- Expectations set by non-FS

- Incumbents
- Challengers
- FinTechs
- Tech champions



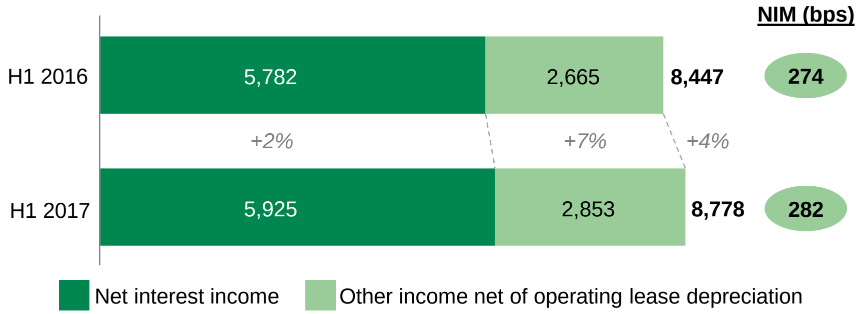
- Low set-up costs
- AI
- Fast adoption
- Rapid scaling

- PSD2, Open Banking
- Data controls

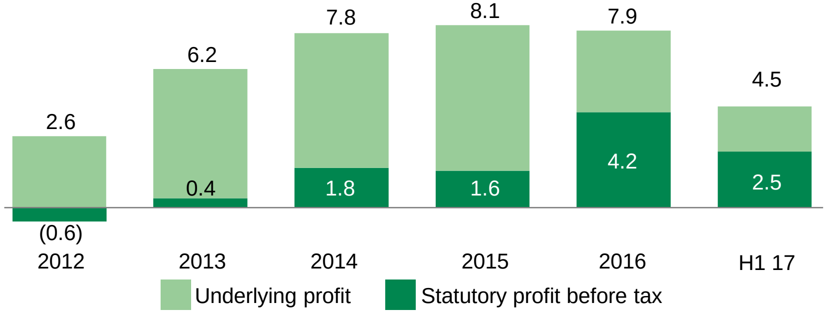
THE BUSINESS IS DELIVERING

Strong financial performance continues to demonstrate the strength of the business model

Net income (£m)



Profit progression (£bn)

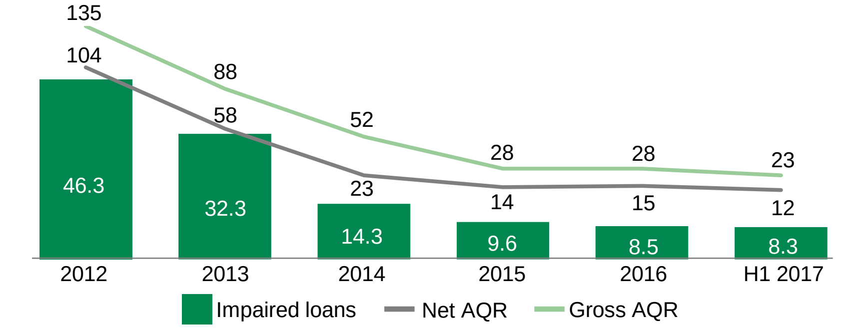


- **Strong first half financial performance**
  - Underlying profit of £4.5bn and statutory profit of £2.5bn
  - Loans & advances now growing
- **Income up 4% with increased NII and Other Income**
  - Improved NII of £5.9bn with 8bps increase to margin
  - Now expect 2017 FY NIM to be close to 2.85%
  - Increased other income through improved divisional performance and £146m gain on sale of VocaLink
- **Positive operating jaws of 5%, with market leading cost:income ratio**

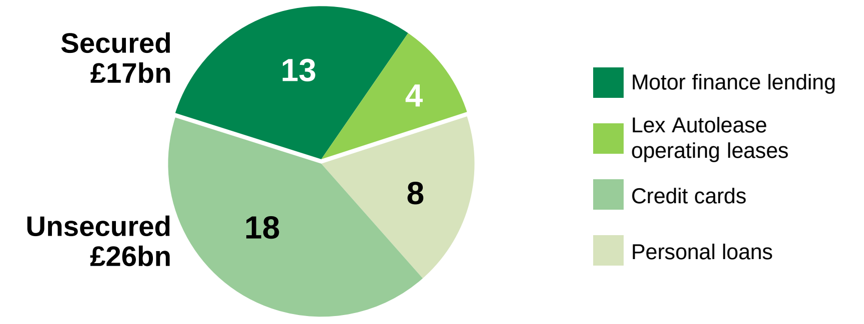
ASSET QUALITY

Credit quality remains strong with no deterioration being seen

Impaired loans (£bn) & asset quality ratio (bps)



UK Consumer Finance customer assets (£bn)

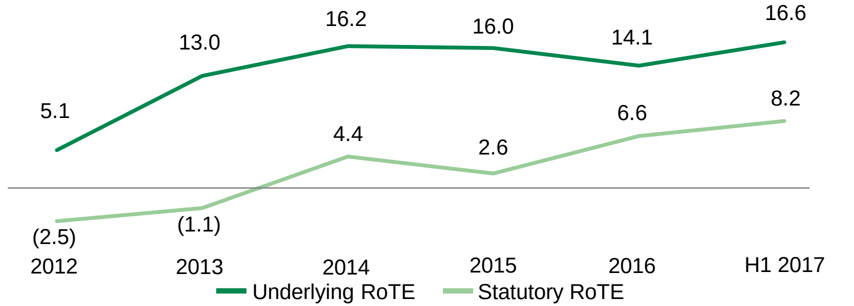


- **Credit quality remains strong, with prudent provisioning**
  - Net AQR of 12bps and improved gross AQR of 23bps
  - Now expect 2017 AQR of less than 20bps, reflecting a stable gross AQR and lower write-backs and recoveries
  - Impaired loan ratio of 1.8%, down from 2.0% at H1 2016
- **UK Consumer Finance constitutes 9% of customer assets**
  - Low risk approach to motor finance with conservative residual values (RVs)
  - Prime UK credit card book with low risk appetite and a conservative approach to balance transfer business
  - MBNA business performing in line with existing book

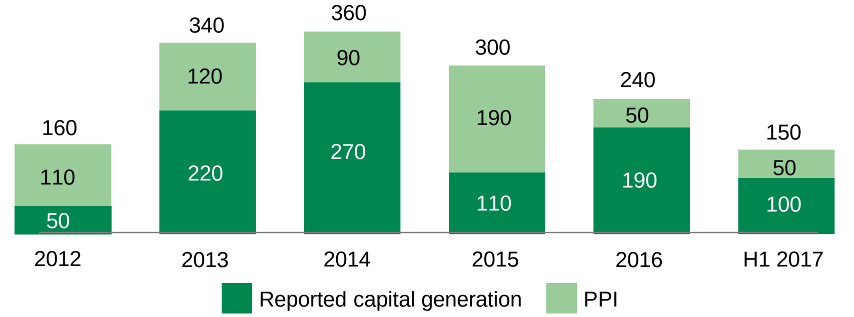
BALANCE SHEET AND RETURNS

Optimising the business mix helped to drive strong capital generation in H1

Returns progression (%)



Capital generation pre-dividend & PPI (bps)



- **Underlying RoTE 16.6% and statutory RoTE 8.2%, improved significantly in recent years**
- **Continue to expect statutory RoTE of 13.5-15% in 2019**
- **Gap from underlying to statutory returns expected to reduce further as conduct and restructuring fall**
- **Low volatility of earnings drives predictable returns and confidence in future financial performance**
- **Capital generation of 1.0% in H1**
  - Good underlying performance partly offset by conduct
  - Expect to deliver top end of ongoing 170–200bps range
- **Interim dividend of 1.0p, up 18% on 2016**

SUMMARY

Delivery of the current strategic plan and responding to the evolving environment

LLOYDS BANKING GROUP

- **Confidence in Group's prospects reflected in financial targets**
  - In 2017 expect NIM close to 2.85 per cent and AQR of less than 20 basis points
  - Continue to expect 2017 capital generation at the top end of the 170-200 basis points ongoing guidance range
  - Longer term targets for cost: income ratio (45%) and return on tangible equity (13.5% - 15.0%) remain unchanged
- **Started work on our next three year strategic plan (2018–2020)**
  - Organisational / management changes made
  - Plan to be announced with FY 2017 results in February 2018

Helping Britain Prosper

- **Supporting and benefiting from UK economic performance**

Best bank for customers

- **Delivering the best customer experience**

Best bank for shareholders

- **Delivering superior and sustainable returns**
- **Progressive and sustainable dividend policy with interim dividend of 1.0p**

FORWARD LOOKING STATEMENT AND BASIS OF PRESENTATION

FORWARD LOOKING STATEMENTS 2017 HALF YEAR RESULTS

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 (including but not limited to the payment of dividends) 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 interest rates (including low or negative rates), 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 and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; 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, instability as a result of the exit by the UK from the European Union (EU) and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic 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 the exit by the UK from the EU, or a further possible referendum on Scottish independence; 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 or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation; the ability to attract and retain senior management and other employees; 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 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, lending companies and digital innovators and disruptive technologies; 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. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

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 2017 Half-Year Results News Release.