2019 HALF-YEAR RESULTS

Presentation to analysts and investors | 31 July 2019

Introduction	António Horta-Osório Group Chief Executive
Maximising Group Capabilities – Insurance & Wealth	Antonio Lorenzo Group Director, Insurance & Wealth
Financial Update	George Culmer Chief Financial Officer
Q&A	

Introduction

António Horta-Osório
Group Chief Executive

Strong strategic progress and good financial performance

OUR PURPOSE	**Helping Britain Prosper**
OUR AIM	**Best bank for customers, colleagues and shareholders**
OUR BUSINESS MODEL	**Digitised,** simple, low risk, customer focused, UK **financial services provider**

- **Strong strategic progress and the right strategy in the current environment**
- **Good financial performance supporting increased interim dividend**
- **Continue to focus on prudent growth and reducing costs while increasing investment**
- **Business model resilience reflected in 2019 guidance**
- **Longer term targets remain unchanged, although continued economic uncertainty could impact outlook**
- **Well placed to continue supporting customers, Help Britain Prosper and deliver sustainable, superior returns**

Good financial performance with market leading efficiency and returns

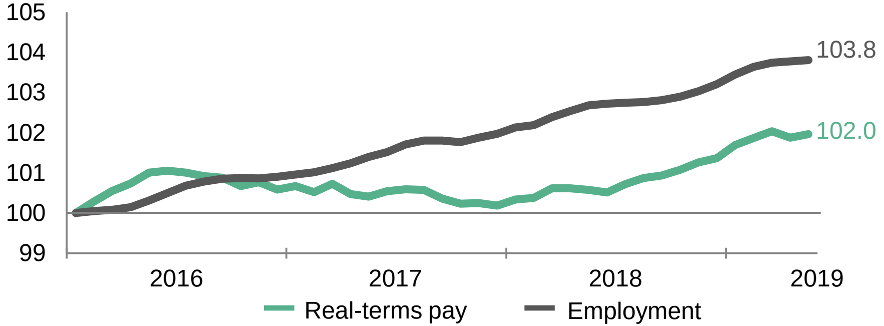
Statutory profit after tax	£2.2bn *(4)%*
Return on tangible equity	11.5% *(0.6)pp*
Underlying profit	£4.2bn *(1)%*
Net income	£8.8bn *(2)%*
Total costs	£4.0bn *5%*
Cost:income ratio	45.9% *1.8pp*
Capital build	70bps
TNAV per share	53.0p –
Earnings per share	2.7p *(7)%*

- **Statutory profit after tax of £2.2bn with strong RoTE of 11.5%**
- **Robust underlying profit of £4.2bn**
  - Net income of £8.8bn, down 2% with resilient NIM of 2.90% and growth in targeted areas
  - Total costs of £4.0bn down 5% with BAU costs down 5%, market leading cost:income ratio further improved to 45.9% and jaws of +3%
  - Credit quality remains strong with net AQR of 26bps
- **Strong CET1 capital build of 70bps even after PPI (33bps) and implementation of IFRS 16 (11bps)**
  - CET1 ratio 14.0% post dividend accrual
  - Interim ordinary dividend 1.12p per share, up 5% on 2018 interim
- **TNAV per share 53.0p up 2.1p on year end 2018 before payment of the 2018 final dividend of 2.14p; EPS of 2.7p**

UK economy has remained resilient but uncertainty remains

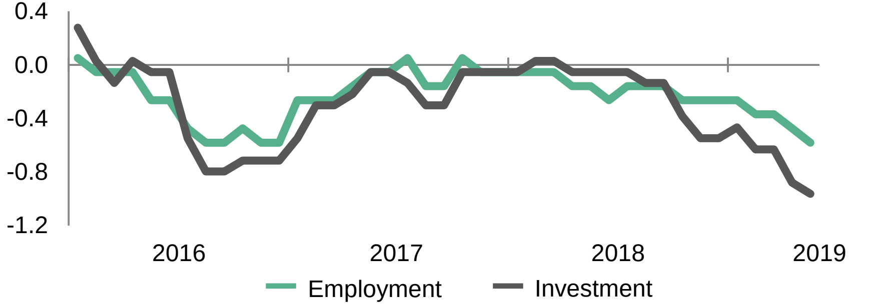
Pay and employment

(Index level, 3 month average, Jan 2016=100)



Companies' employment and investment intentions(2)

(Z-score)



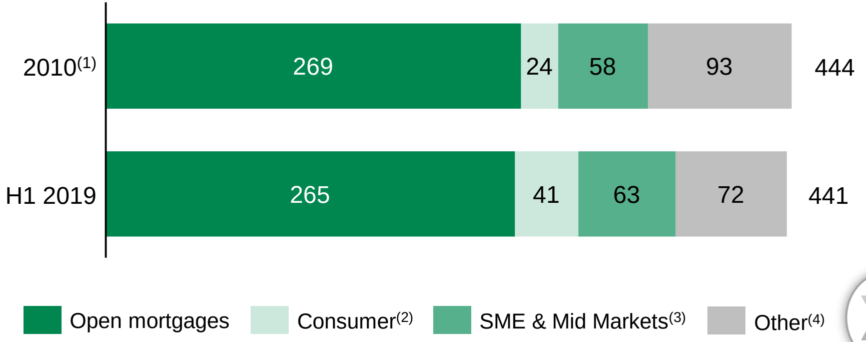
- **Consumers remain well positioned**
  - Employment continues to grow with real wages rising at >1% per year
  - Consumption remains strong supporting GDP growth
- **Continued economic uncertainty resulting in some softening in business confidence**
  - Companies' intentions for employment and investment deteriorated in the quarter
  - PMI surveys declined in Q2, showing lower activity levels across business sectors
- **Global growth softened and interest rate expectations declined in the second quarter**

1 – Source: ONS.   2 – Source: Bank of England Agents' survey

Significant transformation and unique operating model means the Group is well positioned for the future

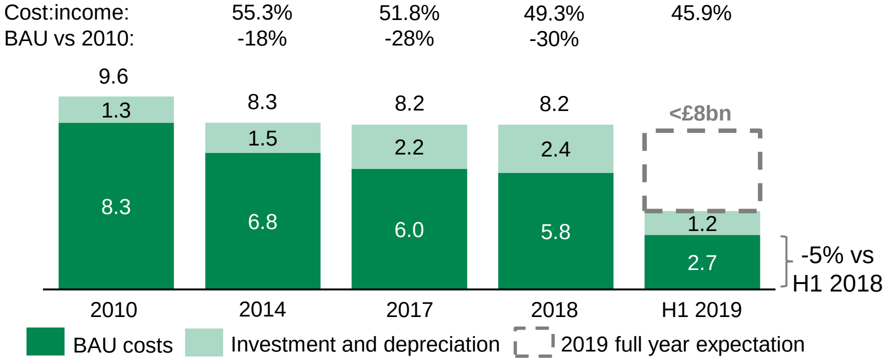
Stable core loan book with growth in targeted segments

(£bn)



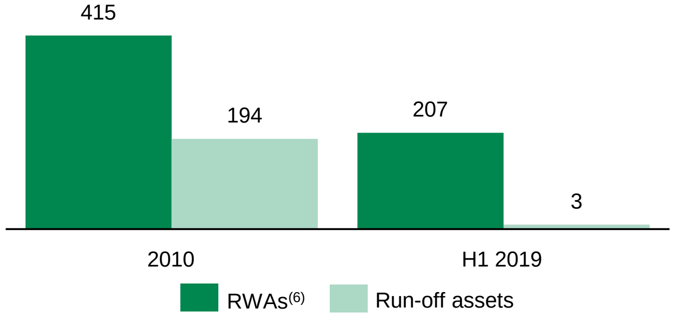
Significant reduction in operating costs(5)

(£bn)



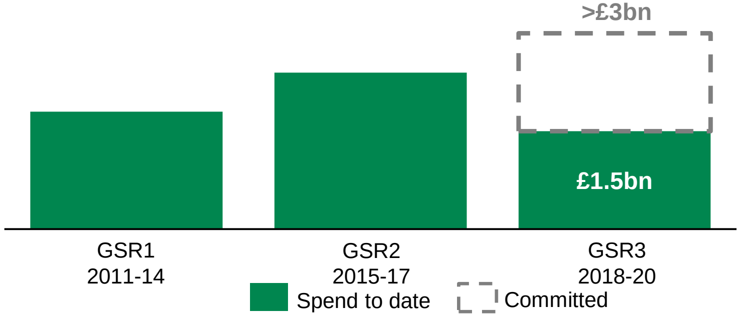
Significant de-risking of the balance sheet

(£bn)



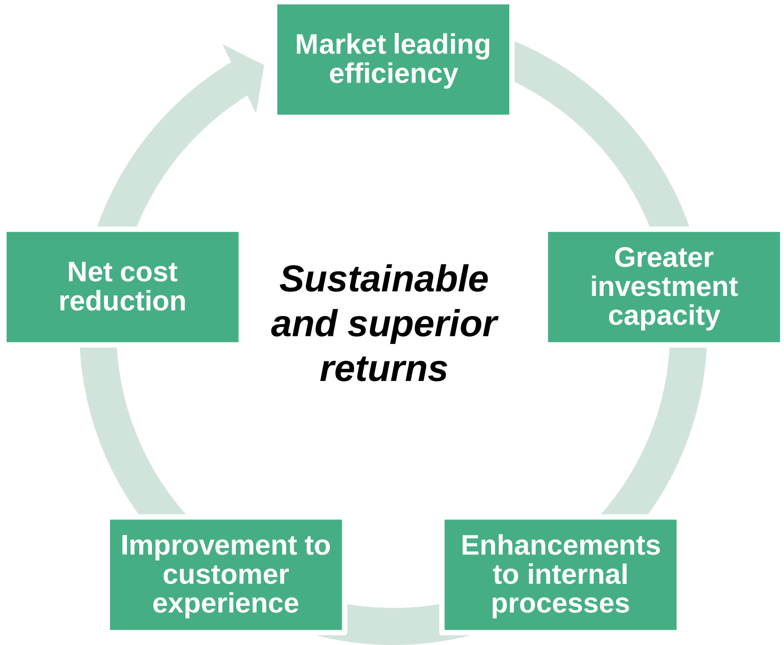
Enabling increased strategic investment

(£bn)



1 – Pro forma based on restated balances. 2 – UK Consumer includes credit cards, motor finance, unsecured personal loans. 3 – Includes Retail Business Banking. 4 – Includes closed mortgage book, European mortgages, Global Corporates, Financial Institutions, other small items. 5 – 2010-2018 adjusted to reflect IFRS 16, excludes TSB, MBNA included from 2017 and Zurich from 2018. 6 – RWAs under current rules.

We are half way through GSR3, with strong progress to date positioning us well to respond to the changing environment



Delivering for customers	Multi-brand, multi-channel distribution model	Data-driven personalised experiences
Future proofing the business	Market leading efficiency	Top quartile investment
	Low risk business model	Rigorous execution and management discipline
Delivering for shareholders	Consistent delivery of market leading returns	

Transforming the Group for success in a digital world

We are Digitising the Group, delivering significant business outcomes

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Top quartile technology spend globally with modular approach to transformation

19%	>20%	>70%
Technology spend as % of operating costs	YoY increase	Spend on new capabilities and enhancement

Channel technology

- Cyber defences
- Branch | Telephony | Digital | API

Virtual assistants managing up to **5,000 conversations daily**; customer satisfaction (NPS) **+10pt** with **25% containment** rate

Insight & data

- Multi-brand, multi-channel servicing platform
- Cognitive and machine learning
- Enterprise data hub
- Core Systems | Single Customer View

Location-based spend searches now used **1.75m times per month**, up from >1m in 2018

Infrastructure

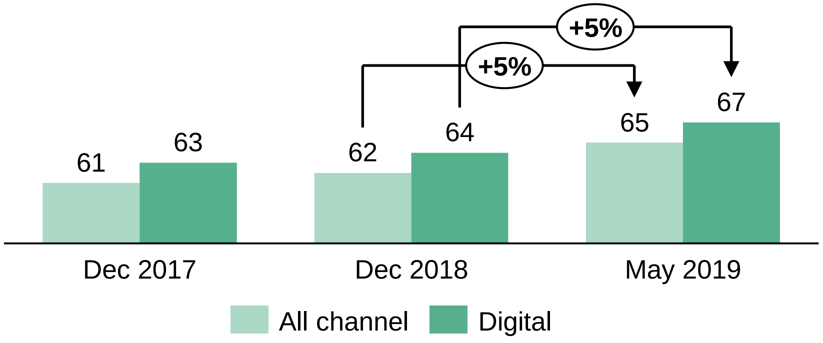
- Software as a service | Cloud hosting | In-house hosting

>400 apps migrated to private cloud, **ahead of schedule**; expect >50% by end-2019 and 100% by end 2020

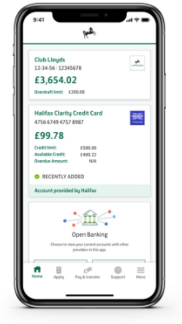
New capabilities | Enhancement | Simplification

By delivering a Leading Customer Experience, we are significantly improving customer satisfaction and deepening relationships

Improving NPS[1]



#1 UK digital bank



15.9m digitally active users

9.8m mobile app users

75% products originated digitally

Refocusing our physical presence

#1

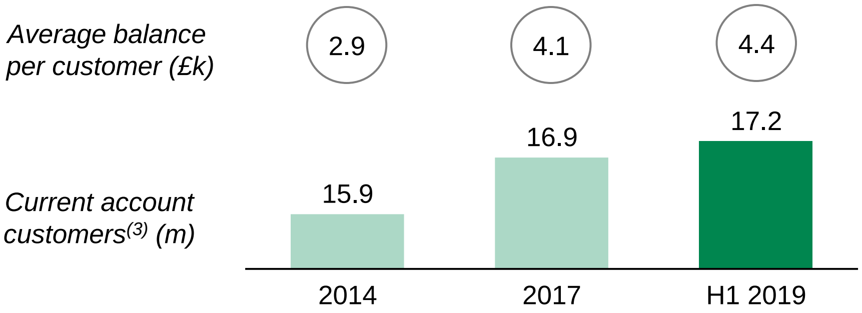
UK branch network

c.50% of customer facing time spent on complex needs; targeting c.60% by 2020

+3pp increase in Relationship Mortgage market share since FY 2017[2]

Will further leverage network to support **Schroders Personal Wealth** and **Business Banking**

Deepening customer relationships



1 – Surveys of customers across Branch, Connect and Digital reflecting the ways in which customers use our services. 2 – Share of value of new business (branch and remote), May YTD.
3 – Retail & Wealth active current account holders across Lloyds Bank, Halifax and Bank of Scotland.

By Maximising Group Capabilities, we are further integrating the benefits of our unique participation choices

Building on early stages of Open Banking…

	Customer penetration
Available to all mobile app users (9.8m)	**100%**
c.100k sign-ups	**1%**
c.30% renew after 3 months[1]	**0.2%**

…with our unique Single Customer View

	Customer penetration
Available to >4m customers with LBG banking and insurance relationship	**100%**
c.600k customers creating 9m pension views each month	**15%**
c.200k (33%) engage with contribution & funds per month[2]	**5%**

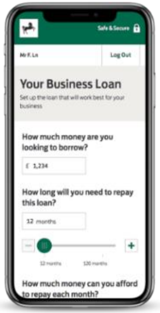
Delivering lending growth

£10bn Gross lending to UK businesses in H1 2019

19.4% SME lending balance share +0.5pp since FY 2017[3]

£6bn Growth in net lending by 2020

Reducing time to cash for simple unsecured lending

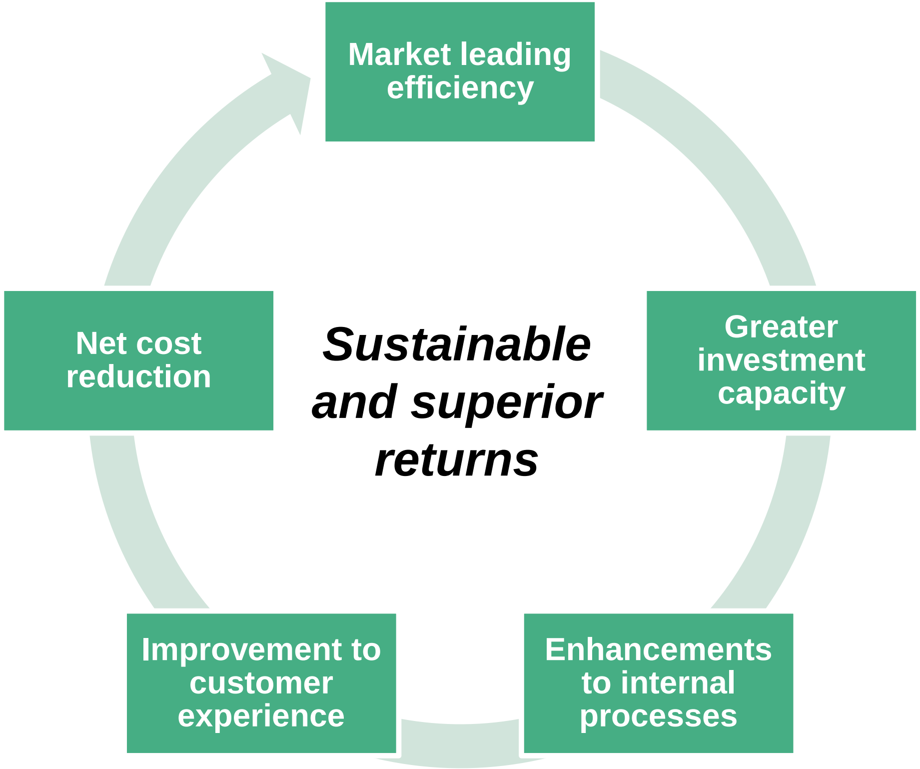


Business Banking lending time to cash

2018	H1 2019	H2 2019
6 days	<1 day	<2 hours

1 – c.15k customers renewed to date, c.30% of all eligible customers. 2 - Customers engaging on pension tile per month. 3 – As at May 2019.

There is a clear alignment between strategic execution and financial returns



£1.5bn
Strategic investment in GSR3 to date; >£3bn by 2020

65
Customer NPS, >50% improvement since 2011

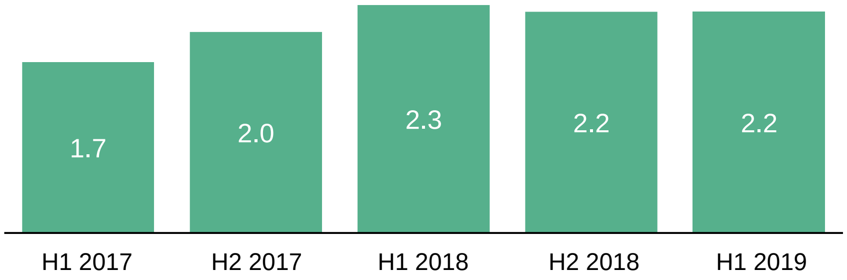
30% reduction
in BAU operating costs 2010-2018

Summary – well placed to deliver sustainable, superior performance

- **Strong strategic progress and the right strategy in the current environment**
- **Good financial performance supporting increased interim dividend**
- **Business model resilience reflected in 2019 guidance**
  - NIM to be around 290bps
  - Operating costs to be below £8bn
  - AQR to be less than 30bps
  - Capital build to be at the lower end of 170-200bps
  - Now expect 2019 RoTE of around 12%, below original guidance given below the line charges
- **Longer term targets remain unchanged, although continued economic uncertainty could impact outlook**
- **Well placed to continue supporting customers, Help Britain Prosper and deliver sustainable, superior returns**

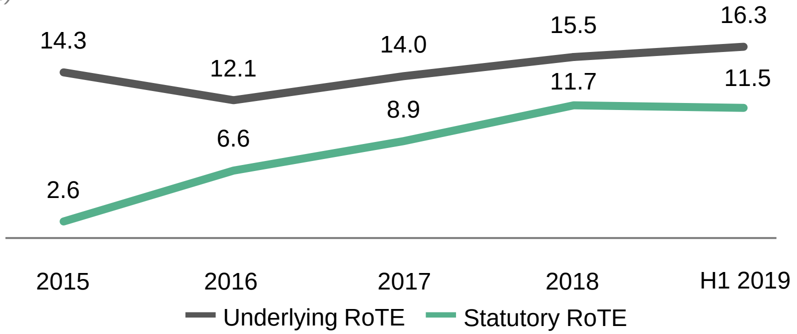
Statutory profit after tax[1]

(£bn)



Return on tangible equity[2]

(%)



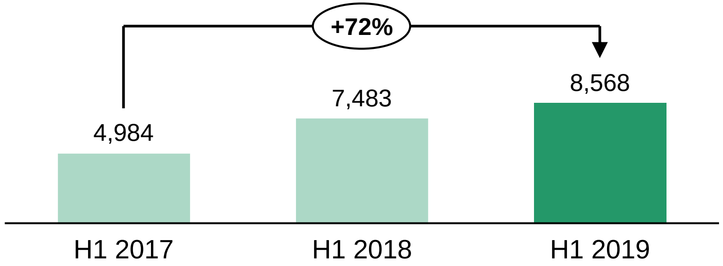
1 – Comparatives restated to reflect amendments to IAS 12. 2 – 2015 to 2017 restated to show Remediation / Other Conduct within underlying profit.

Maximising Group Capabilities – Insurance & Wealth

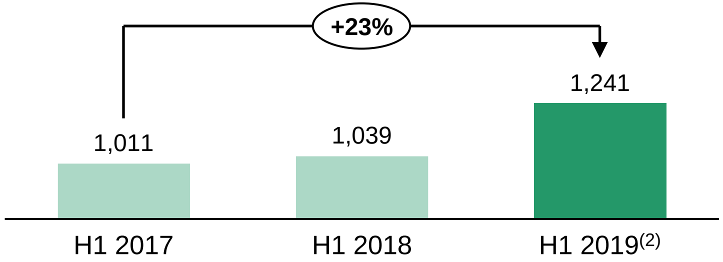
Antonio Lorenzo
Group Director, Insurance & Wealth

Strong financial performance in recent years

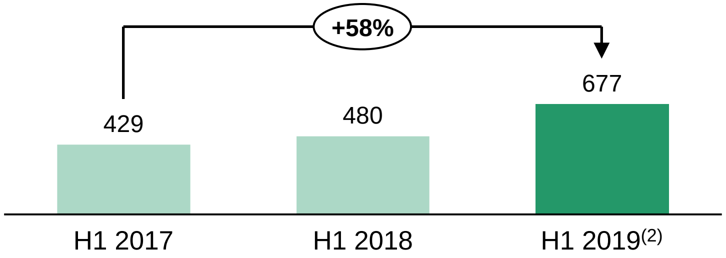
New business premiums[1] (£m)



Net income (£m)



Underlying profit (£m)



- Delivering growth in a number of product areas, benefitting from **increased investment**
- New business premiums **up 72%** vs. H1 2017:
  - Step-up in **auto enrolment** contributions
  - Growth in **individual protection**
- Net income up 23% vs. H1 2017 with new business growth **more than offsetting** reduction in longstanding products
- Underlying profit **up 58%** vs. H1 2017, further supported by cost discipline
- Increasing contribution to Group:
  - **38%** of Group other income in H1 2019 (H1 2018: 31%)
  - **c.£7bn** cumulative dividends paid to Group since 2011[3]

1 – Life and pensions sales (PVNBP). 2 – H1 2019 includes the benefit from the planned change in investment manager provider. 3 – Pro forma for dividend paid in July 2019.

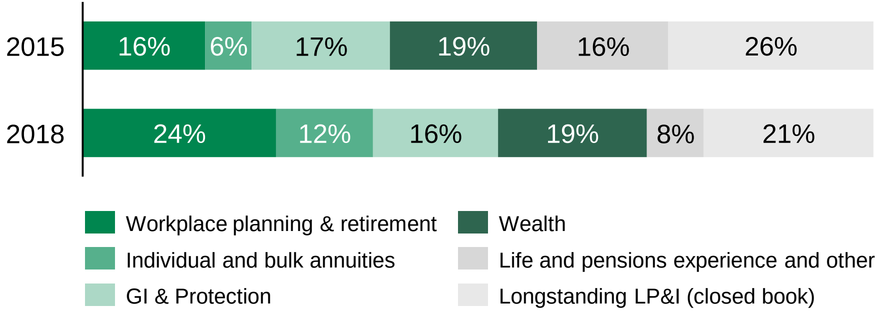
Uniquely positioned, integrated business, targeting growth in a number of attractive markets

Franchise	Direct	Intermediary

Retirement & Investment	General Insurance	Protection

c.10m Customers	£155bn AuA

Net income by product (%)



- **Comprehensive insurance proposition**, providing all financial needs in one place
  - Supported by unrivalled **multi-brand** and **multi-channel** model, including the **largest UK digital bank**
- Strong position in a number of markets following restructuring since 2015 and **significant investment**
- Clear strategy, focused on **leveraging opportunities across the Group** while **extending digital capabilities** to deliver new propositions and enhance engagement
- Provides **capital synergies** for Group, in addition to regular dividend upstreaming
- **Well positioned for growth** over medium term:
  - Full service offering across fast growing and attractive **Financial Planning & Retirement** markets

Our unique Single Customer View and digital capabilities enable us to meet all financial needs in one place

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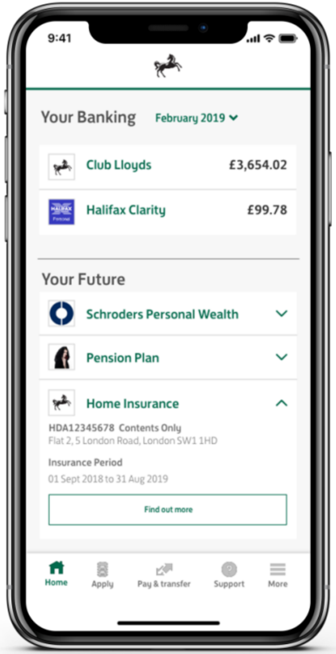
- PCAs
- Savings
- Loans
- Credit cards
- Mortgages



- Protection
- Home insurance
- Retirement
- Corporate pensions
- Individual pensions

LLOYDS BANK | HALIFAX | BANK OF SCOTLAND | mbna | SCOTTISH WIDOWS | Schroders personalwealth

Strong customer engagement

Currently available to **>4m customers**, up >1m in H1 2019; >9m by 2020

9m pension views alongside banking products **monthly**, with **>80% via mobile app**

23 average customer mobile app logons **per month**

60% of pension customers have a multiple touch-point relationship with LBG(1)

With more to come…

- **Pension consolidation**
- **Projections**
- **Fund switching**

Note: smartphone screen is indicative view of the future, as outlined in FY18 results presentation. 1 – Sample of Group pension customers (as at Feb 2019) holding at least 3 LBG products.

Capturing growth across a broad range of opportunities

Market position[1] *(Dec 2018)*	Share	New business CAGR 2015-2018		Market share ambitions
	Flow[2]	*LBG*	*Market*	*Flow*
Corporate pensions *(#3)*	13%	+34%	+21%	**15% by 2020**
Individual annuities *(#4)*	10%	+15%	+1%	**15% by 2020**
Home insurance *(#2)*	11%	+8%	+3%	**#1 medium term**
Individual pensions & drawdown *(Outside top-10)*	3%	+13%	+16%	**Increasing share**
Individual protection *(Outside top-5)*	4%	+51%	+6%	**Top 3 medium term**
Bulk annuities *(#4)*	7%	+9%[3]	+53%[3]	**Price dependent**

Key growth initiatives

- Wider access to corporate pensions market supported **by single, integrated platform**
- Individual annuities **open market proposition** launching in **H2 2019**
- **£50bn** growth in open book AuA by 2020; **£28bn** delivered by H1 2019[4]
- **Increasing reach** through branch network as we re-focus on complex needs
- Individual pensions and drawdown investment **platform** launching **2020**
- Individual protection **platform** launching in **H1 2020**

1 –Market positions based on internal estimates and analysis of various data sources including Corporate Adviser, Ipsos MORI's FRS, Lane, Clarke & Peacock report and published results. 2 – Market data sources: Whole of market internal estimates for Corporate Pensions, Bulk Annuities, Individual Pensions & Drawdown; ABI for Individual Annuities and Individual Protection; e-Benchmarkers for Home Insurance.
3 – 2016-2018 CAGR. 4 – Pro forma for 1 July Zurich transfer.

Transforming our Corporate Pensions offering

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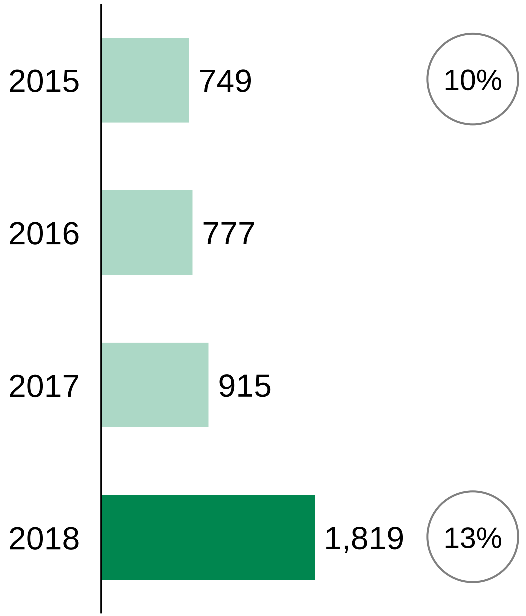
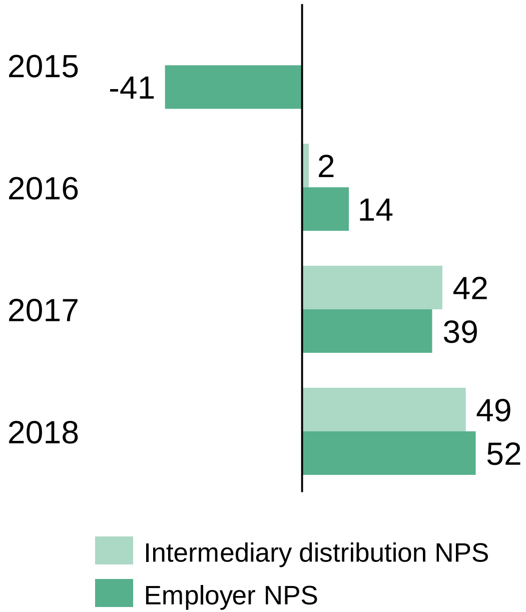
Increasing business momentum

New business premiums (APE[1] £m) | Flow share (%)



Transforming customer experience

Net Promoter Score



Broadening panel reach[2]

Pre-2015	**5**	*Out of 15*
2015	**10**	*Out of 15*
2019	**15**	*Out of 15*

1 – Annualised value of new monthly premiums plus one tenth of single premiums. 2 – Reflective of workplace pension adviser willingness to recommend to new and existing clients.

Creating a market leading wealth proposition

A full service offering for LBG clients

Partnership will provide a full service offering for LBG clients…

LLOYDS BANK HALIFAX **Mass Market** – Digitally enabled direct FP&R offering

Market launch 2020

<£100k investable assets or income (Execution only / robo-advice)

Schroders personalwealth **Mass Affluent** – 50.1% stake[1] in newly created JV

Market launch H2 2019

>£100k investable assets or income, seeking advice

Cazenove Capital **HNW/UHNW** – 19.9% stake[1]; leading wealth management and investment business

Live to customers

>£1m investable assets, with more complex needs

Supported by a number of key differentiators

Leveraging the strengths between two of the UK's strongest financial services businesses…

Multi-channel distribution model	Adviser access to **UK's largest branch network**	Largest digital bank in the UK
Investment & wealth management expertise	**400+** years of combined financial services experience	300 advisers from day 1, with ambition for future expansion
Unique client base	**£13bn** AuA from day 1	Access to LBG customer base through referrals
Leading digital and expert technology capabilities	**Award-winning** adviser platform technology deployed	Digital, real-time portfolio access for customers

1 – To be effective from the point of investment in H2 2019. Reflects agreed investment in Schroders Personal Wealth and holding company of Schroders' UK wealth management business, which provides access to Cazenove Capital (both subject to regulatory approval).

Schroders Personal Wealth – aiming to become a top 3 financial planning business by end of 2023

A unique proposition…

Innovative product offering with wide range of best-in-class solutions

Backed by trusted brands

Significant distribution footprint and digital reach

…in an attractive market…

Referral channel allows for inflows from >1m LBG customers with a potential wealth advice need, with **referrals up >20% YoY**

Tapping into the growing mass affluent market backed by world-class investment expertise and technology

Potential inorganic expansion to accelerate growth in line with our strategic priorities

…well positioned to be top 3

A clear ambition…

Top 3 financial planning business by end of 2023

Measuring growth across **four** areas…

Assets under administration FY 2018: £13bn	**Advisers** FY 2018: c.300 (>£40m AUA per adviser)
Net new business flow	**Profitability** FY 2018: c.£30m(1)

1 – Estimated PBT for the JV

Financial Update

George Culmer
Chief Financial Officer

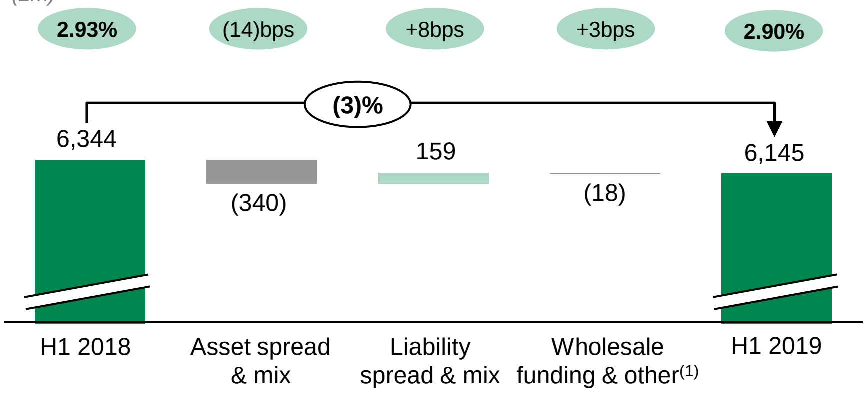
Good financial performance with market leading efficiency and returns

(£m)	H1 2019	H1 2018	Change
Net interest income	**6,145**	6,344	*(3)%*
Other Income	**3,100**	3,124	*(1)%*
Operating lease depreciation	**(473)**	(497)	*5%*
Vocalink	**50**	–	–
Net income	**8,822**	8,971	*(2)%*
Operating costs	**(3,906)**	(4,024)	*3%*
Remediation	**(143)**	(257)	*44%*
Total costs	**(4,049)**	(4,281)	*5%*
Impairment	**(579)**	(456)	*(27)%*
Underlying profit	**4,194**	4,234	*(1)%*
Statutory profit after tax	**2,225**	2,317	*(4)%*
Earnings per share	**2.7p**	2.9p	*(7)%*
Net interest margin	**2.90%**	2.93%	*(3)bp*
Cost:income (incl. remediation)	**45.9%**	47.7%	*(1.8)pp*
Asset quality ratio	**0.26%**	0.20%	*6bp*

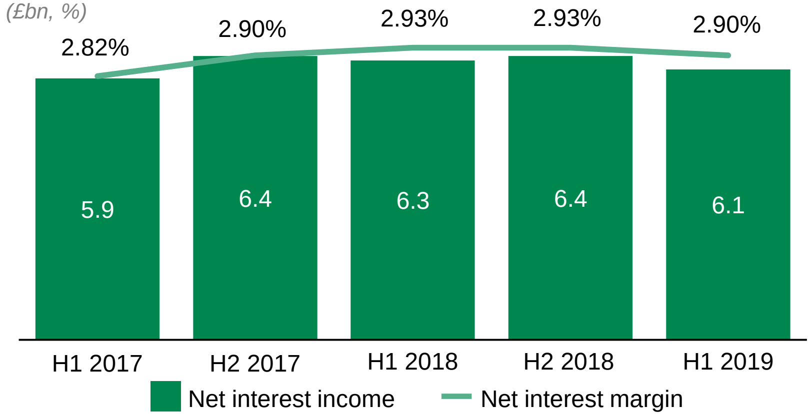
- **Robust underlying profit of £4.2bn with reduction in costs more than offsetting lower income**
- **Net income down 2% at £8.8bn**
  - NII down 3% with resilient NIM of 2.90% and AIEAs of £433bn
  - Other income of £3.1bn with strong performance from Insurance
- **Total costs 5% lower at £4.0bn**
  - Cost:income ratio further improved to 45.9% with BAU costs down 5% year on year
  - Remediation down 44%
- **Credit quality remains strong with net AQR 26bps**
- **Statutory profit after tax down 4% to £2.2bn due to below the line charges including £550m PPI in Q2**

Net interest income down slightly with resilient margin of 290 basis points

Net interest income and banking net interest margin



Net interest income and margin



Average interest-earning assets

- **NII of £6.1bn with growth in targeted segments**
  - Improved deposit costs and positive mix change partially offset continued asset pricing pressure
  - AIEAs down £3bn on H1 2018 with growth in targeted segments offset by continued run off in closed mortgage book and sale of the Irish portfolio
- **Continue to expect NIM for 2019 to be c.2.90%**

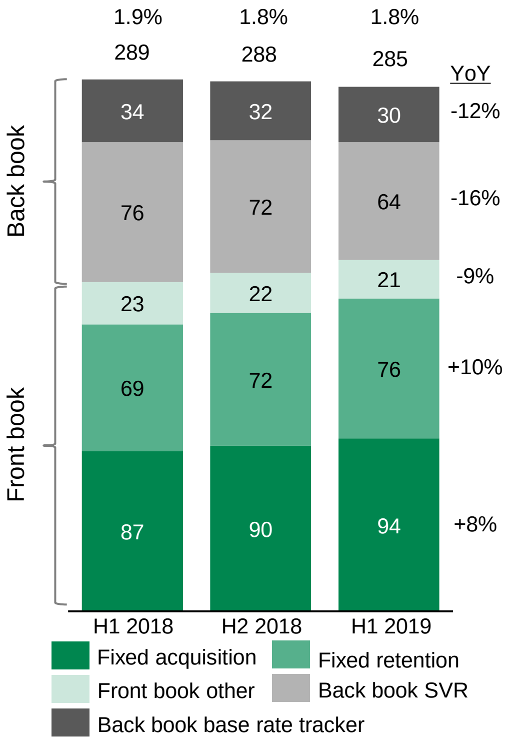
1 – Other includes non-banking net interest income.

Asset pricing and mix: mortgage pricing remains competitive but margin resilient

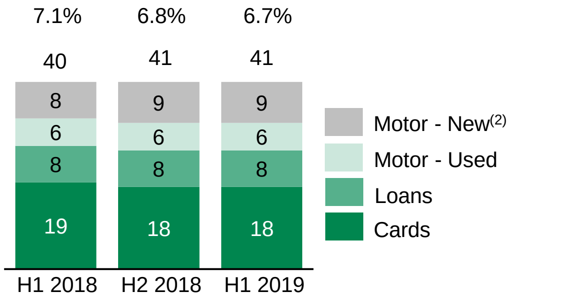
Changing asset mix

(Book size £bn, Gross margin %[1])

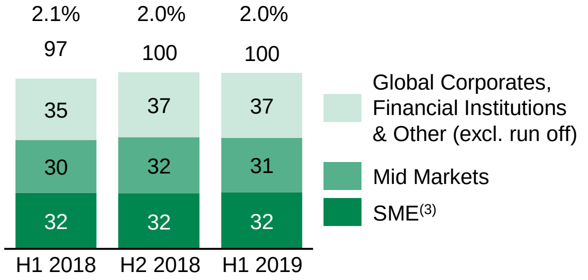
Mortgage book



UK consumer finance



Commercial Banking incl. Retail Business Banking



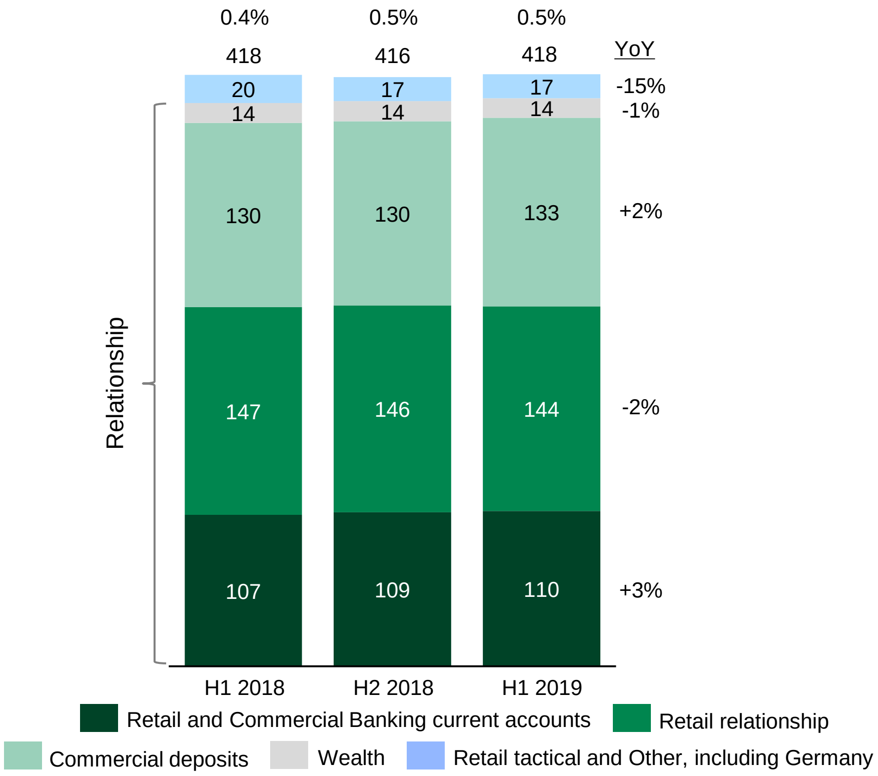
- **Mortgage market remains very competitive but Group margin resilient given targeted approach to pricing**
  - Continue to focus on margin ahead of volume
  - Annualised back book attrition increased slightly to c.15%
- **Targeted growth in higher margin consumer finance businesses**
  - Motor Finance up £0.9bn on year end
- **Continued SME balance growth in first half of 2019, up 2%**

1 – Gross margin is gross customers receivables or payables, less short term funding costs (LIBOR or relevant swap rates). 2 – Includes Fleet, Stocking and Lex Finance. 3 – Includes Retail Business Banking.

Liability pricing and mix: current account growth ahead of the market and prudent structural hedging programme

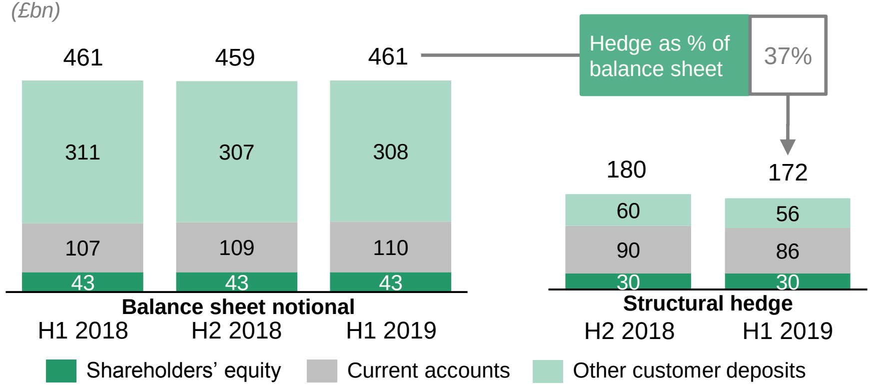
Improving liability mix[1]

(Book size £bn, Gross margin %)



Hedged balances[2]

(£bn)



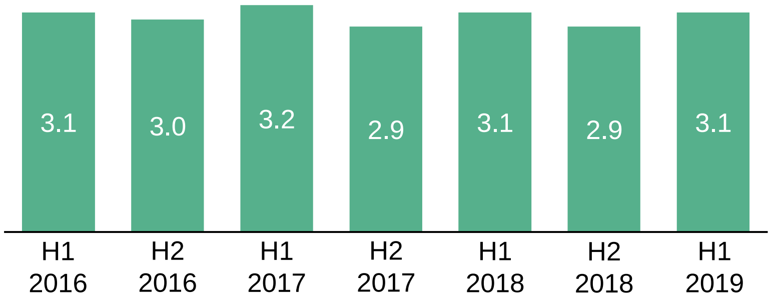
- **Stable liability margin with continued growth in targeted high quality current accounts**
  - Current accounts £110bn, up £1bn in H1 and continued reduction in tactical balances
- **Structural hedge £172bn; weighted average life c.3 years**
  - Not currently investing hedge capacity due to market rates; currently around 90% invested
  - £13bn hedgeable capacity available to invest

1 – Includes Retail Business Banking within SME and other reclassifications. 2 – Equity, savings and current accounts assume a behavioural life of up to 10, 5 and 10 years respectively; the external structural hedge notional is managed as a portfolio, split shown is indicative.

Resilient Other Income performance

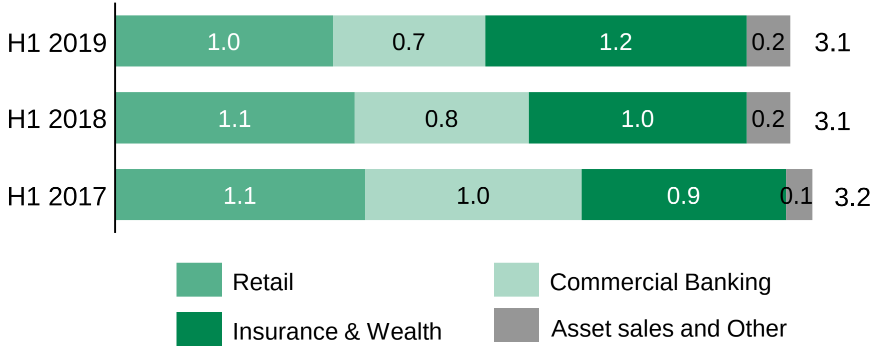
Other Income (excluding Vocalink)

(£bn)



Divisional Other Income (excluding Vocalink)

(£bn)

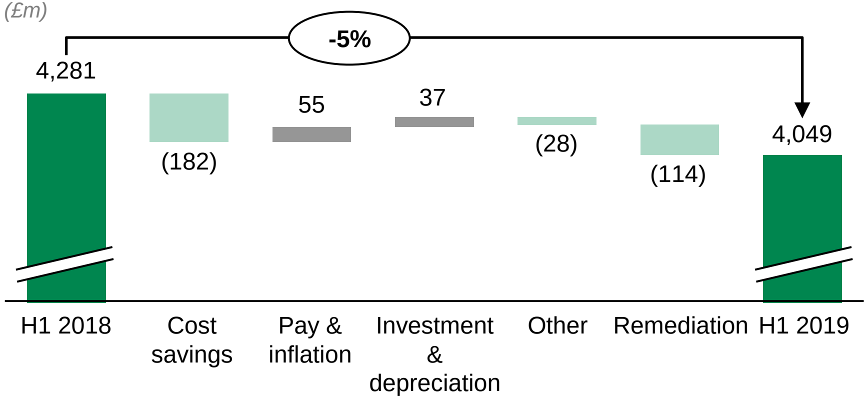


- **Other Income £3.1bn in H1 in line with recent years**
- **Divisional performance driven by**
  - Strong Insurance new business, led by workplace pension income up c.50%
  - Slightly lower Retail other income with higher current account fee income more than offset by lower Lex Autolease volumes
  - Lower income in Commercial due to lower levels of client activity in markets business
- **Continued to sell gilts and other liquid assets with £6bn sold in H1, realising £181m (£191m in H1 2018)**
- **Operating lease depreciation down 5% on prior year but up on Q1**

Costs continue to provide competitive advantage and enable increased strategic investment

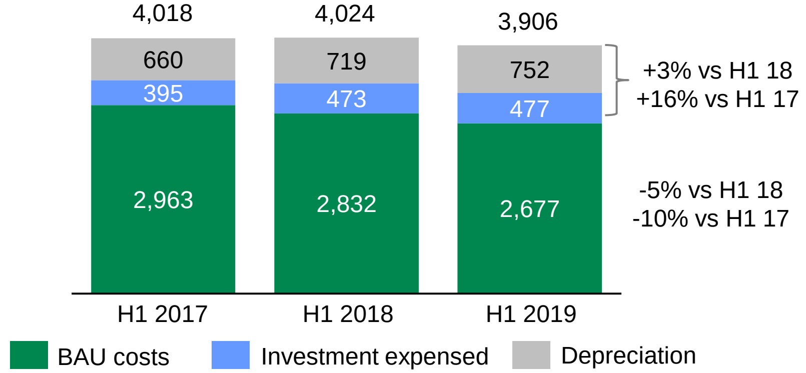
Total costs[1]

(£m)



Operating costs[1]

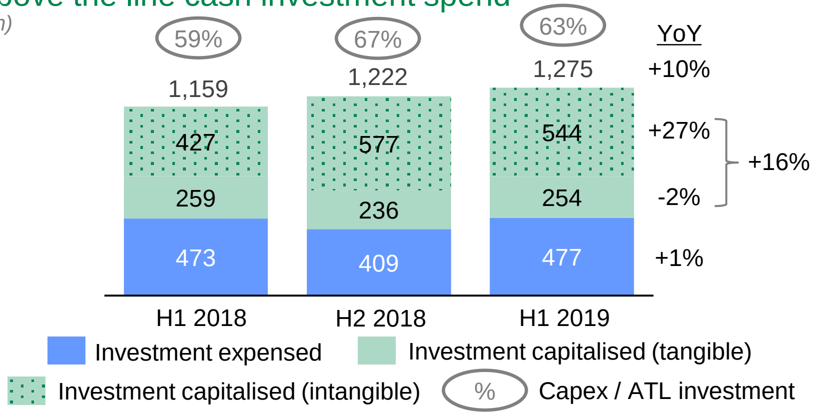
(£m)



- **Total costs of £4.0bn down 5% with operating costs 3% lower and remediation down 44%**
- **Within operating costs, 5% reduction in BAU enabling 3% increase in investment expensed and depreciation**
- **Cash investment of £1.3bn includes £0.6bn strategic spend; capitalisation stable at c.60%**
- **Industrialised approach to cost management driving operating costs <£8bn; further opportunity exists**

Above the line cash investment spend

(£m)

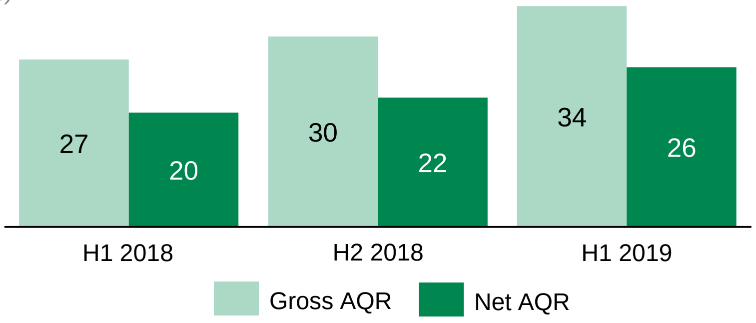


1 – H1 2017 and H1 2018 adjusted to reflect impact of IFRS 16.

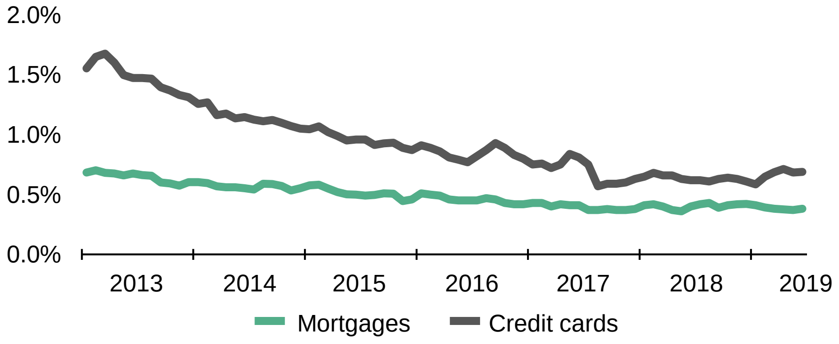
Credit quality remains strong reflecting a continued prudent approach to risk

Asset quality ratio

(bps)



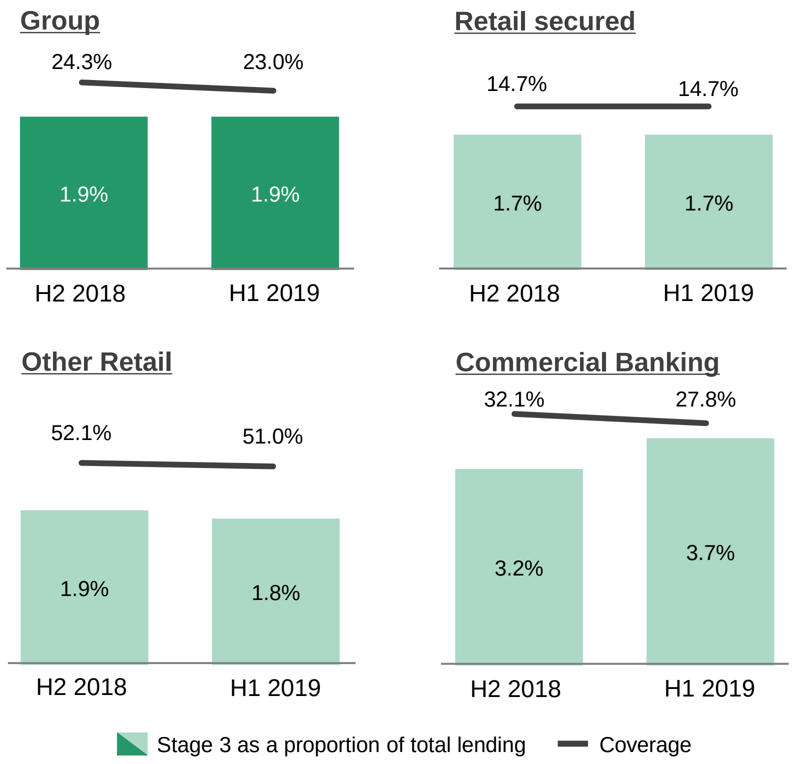
Mortgages and credit cards – new to arrears as proportion of total book



- **Low risk book with over 75% of lending secured and underwriting discipline maintained**
  - >60% of lending in UK mortgages
  - Motor Finance predominantly secured and subject to prudent assumptions and provisioning
  - Prime credit card book with conservative risk appetite
  - Diversified, high quality Commercial portfolio with prudent approach to sectors and significant collateral
- **Continue to expect net AQR <30bps in 2019**
- **Gross AQR higher than prior year at 34bps, largely due to alignment of credit card provisioning methodologies, softer used car prices and two corporate names**
- **Mortgage and credit card new to arrears remain low**

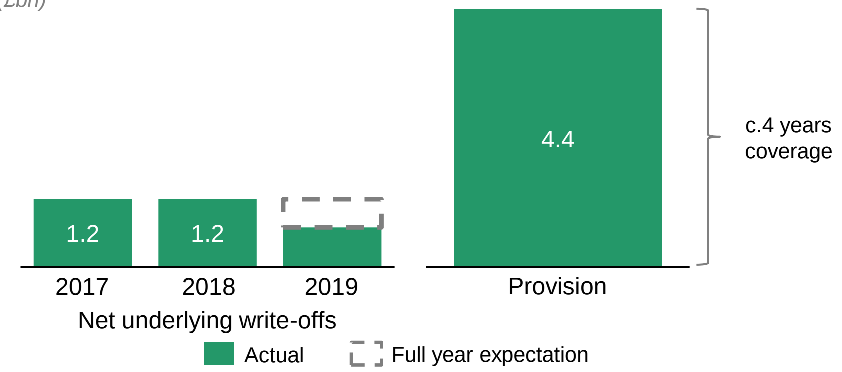
Credit quality remains strong reflecting a continued prudent approach to risk

Stable and well-covered Stage 3 books



Balance sheet provision and underlying cash write-offs

(£bn)



- **Group Stage 3 balances in line with H2 2018 at 1.9% of loans with lower Retail Other partially offsetting increase in Commercial Banking**
- **Stage 3 coverage down slightly to 23% due to increased Commercial Stage 3 balances with lower likelihood of net loss**
- **Total £4.4bn provision covers range of economic scenarios and c.4 years expected write-offs**

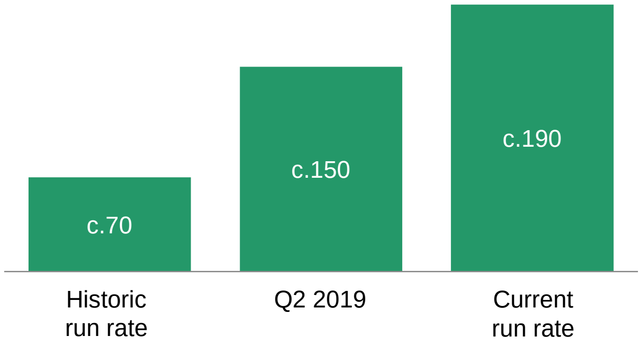
Statutory profit after tax of £2.2 billion despite increased below the line charges

(£m)	H1 2019	H1 2018	Change
Underlying profit	**4,194**	4,234	*(1)%*
Restructuring costs	**(182)**	(377)	*52%*
Volatility and other items	**(465)**	(190)	
PPI	**(650)**	(550)	*(18)%*
Statutory profit before tax	**2,897**	3,117	*(7)%*
Tax expense	**(672)**	(800)	*16%*
Statutory profit after tax	**2,225**	2,317	*(4)%*
Effective tax rate	**23%**	26%	*(3)pp*
Statutory RoTE	**11.5%**	12.1%	*(0.6)pp*

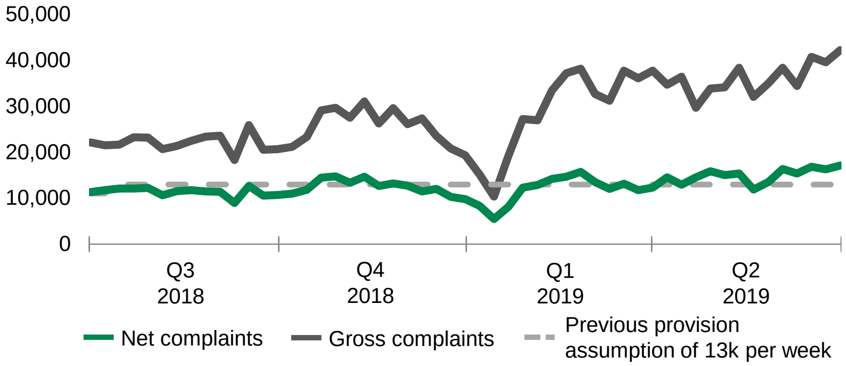
- **Statutory profit after tax of £2.2bn**
  - Restructuring now largely comprises severance and non-branch property rationalisation
  - Volatility and other items includes charge relating to change in asset manager
  - PPI charge includes £550m in Q2 primarily reflecting significant increase in information requests
- **Lower effective tax rate of 23%**
- **Strong statutory return on tangible equity of 11.5%; expect 2019 RoTE of around 12%, below original guidance given unexpected below the line charges**

PPI activity significantly increased in the second quarter

PPI information requests received
(Average per week, #k)



Net and gross PPI complaints
(#)



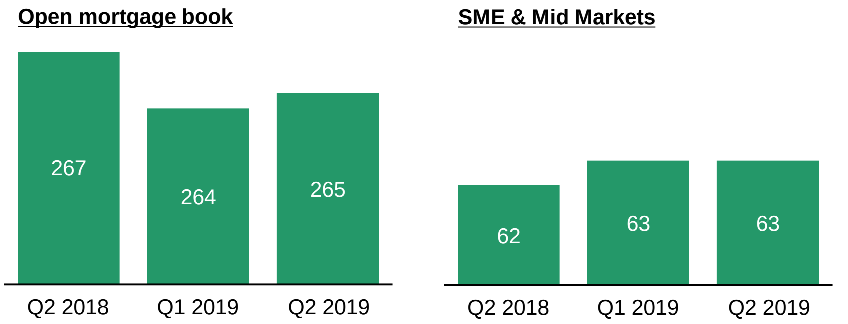
- **£550m charge in Q2 primarily driven by significant increase in PPI information request (PIR) volumes**
- **PIRs are first stage in CMC complaints process**
- **Historic run rate of c.70k PIRs driving c.9k complaints per week with a further c.4k complaints coming direct**
- **Average c.150k PIRs per week in Q2 and c.190k currently; will drive higher complaints in Q3**
- **Outstanding provision of £1.1bn assumes 190k PIRs per week with lower quality until 29 August industry deadline**
- **PIR and complaint volumes remain uncertain**

Balance sheet – growth in targeted segments while optimising the portfolio

- **Loans and advances £441bn, flat on Q1**
  - Open mortgage book up £0.8bn on Q1 and expect to close 2019 in line with 2018
  - Loan growth in targeted segments offsetting reduction in closed mortgage portfolio
  - SME[1] growth continues ahead of the market
  - Continued high-quality growth in consumer portfolio including £0.9bn in Motor Finance since year end
- **RWAs down £1bn in Q2 to £207bn**
  - Improved capital returns and RWA efficiency through business mix optimisation

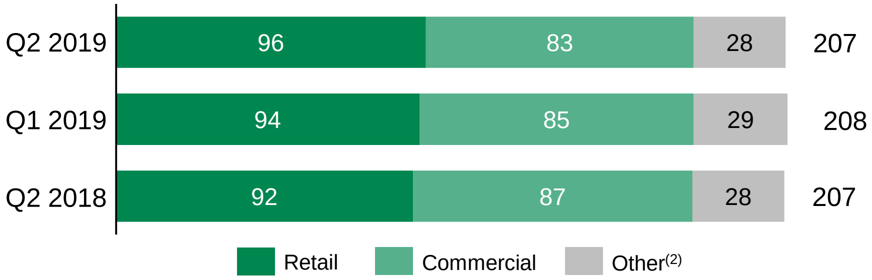
Prudent growth in targeted segments in Q2

(£bn)



Risk-weighted assets

(£bn)

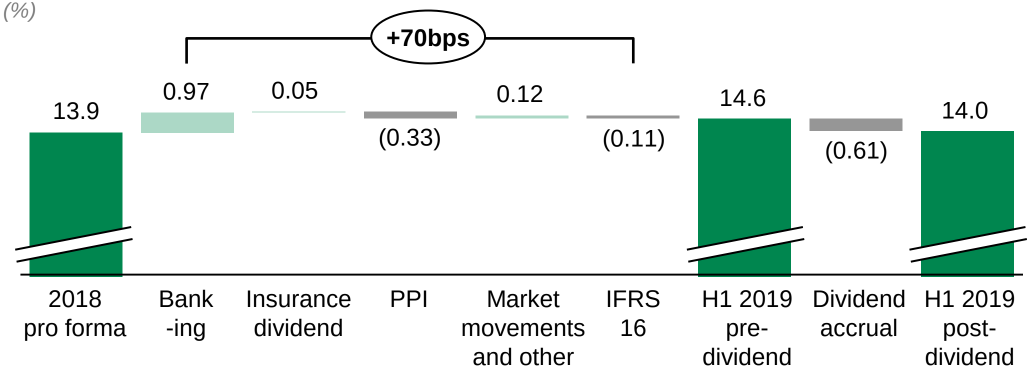


1 – Retail Business Banking included within SME. 2 – Other includes Insurance & Wealth, Central, threshold RWAs and reflects the sale of the Group's Irish mortgage portfolio in H1 2018 (c.£4bn).

Strong capital build with capital ratios and targets maintained

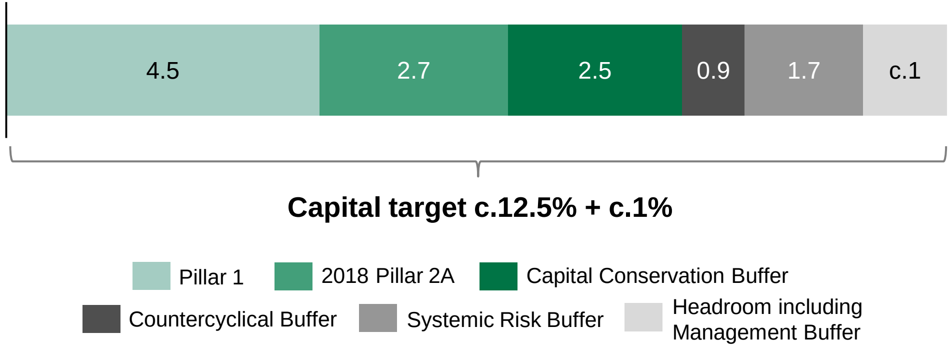
Common equity tier 1 ratio

(%)



Group capital structure

(%)



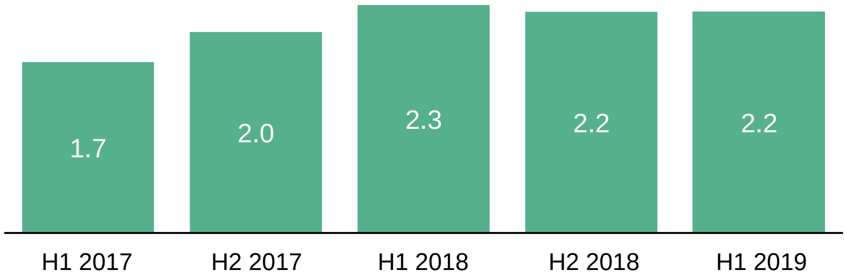
- **CET1 capital build of 70bps with CET1 ratio 14.0% post-dividend and buyback**
  - Includes (33)bps impact of PPI and (11)bps impact of IFRS 16
  - Interim ordinary dividend 1.12p per share, up 5% on 2018 interim dividend
  - Quarterly dividends beginning for Q1 2020
- **Continue to expect ongoing free capital build of 170-200bps p.a.; lower end of range in 2019 due to below the line charges**
- **CET1 targeted around 12.5% plus a management buffer of around 1%**
  - SRB 40bps lower than expected in Q1 and Pillar 2A reduced by net 30bps in 2018
- **Progressive and sustainable ordinary dividend with flexibility to distribute surplus**

Summary – well placed to deliver sustainable, superior performance

- **Strong strategic progress and the right strategy in the current environment**
- **Good financial performance supporting increased interim dividend**
- **Business model resilience reflected in 2019 guidance**
  - NIM to be around 290bps
  - Operating costs to be below £8bn
  - AQR to be less than 30bps
  - Capital build to be at the lower end of 170-200bps
  - Now expect 2019 RoTE of around 12%, below original guidance given below the line charges
- **Longer term targets remain unchanged, although continued economic uncertainty could impact outlook**
- **Well placed to continue supporting customers, Help Britain Prosper and deliver sustainable, superior returns**

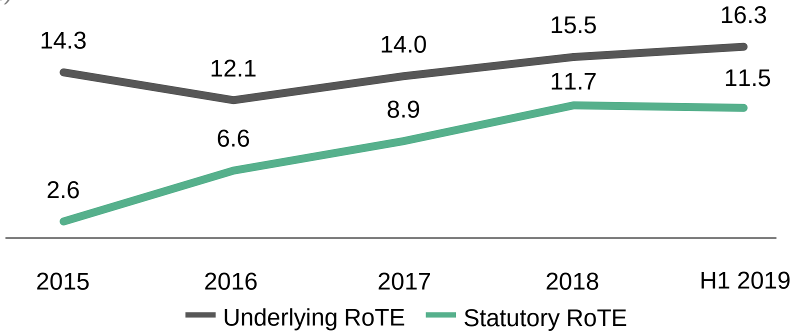
Statutory profit after tax[1]

(£bn)



Return on tangible equity[2]

(%)



1 – Comparatives restated to reflect amendments to IAS 12. 2 – 2015 to 2017 restated to show Remediation / Other Conduct within underlying profit.

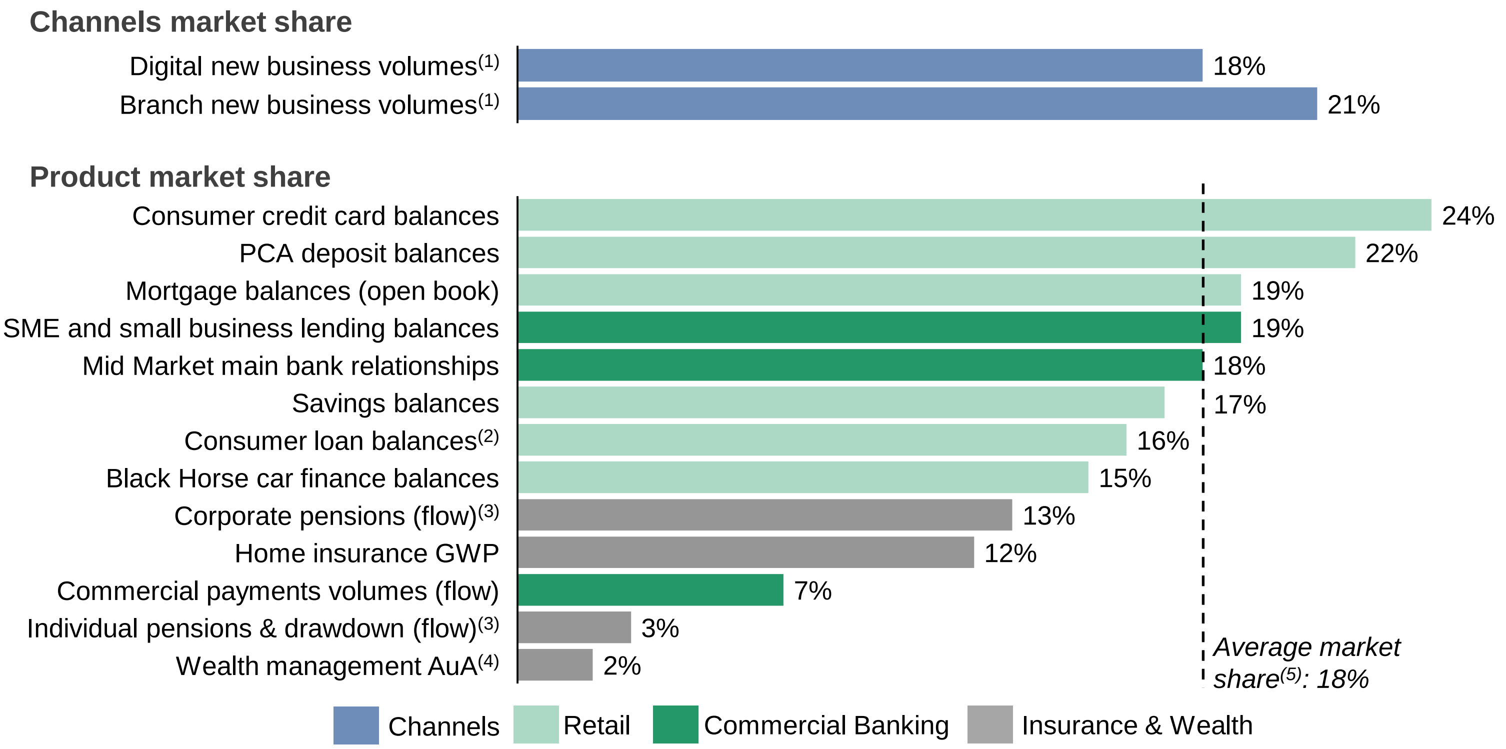
Appendix

Good financial performance with market leading efficiency and returns

LLOYDS BANKING GROUP

(£m)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net interest income	**3,062**	3,083	3,170	3,200	3,173
Other Income	**1,594**	1,506	1,400	1,486	1,713
Vocalink	**–**	50	–	–	–
Operating lease depreciation	**(254)**	(219)	(225)	(234)	(245)
Net income	**4,402**	4,420	4,345	4,452	4,641
Operating costs	**(1,949)**	(1,957)	(2,151)	(1,990)	(2,016)
Remediation	**(123)**	(20)	(234)	(109)	(197)
Total costs	**(2,072)**	(1,977)	(2,385)	(2,099)	(2,213)
Impairment	**(304)**	(275)	(197)	(284)	(198)
Underlying profit	**2,026**	2,168	1,763	2,069	2,230
PPI	**(550)**	(100)	(200)	-	(460)
Other below the line items	**(182)**	(465)	(537)	(252)	(255)
Statutory profit before tax	**1,294**	1,603	1,026	1,817	1,515
Statutory profit after tax	**1,025**	1,200	766	1,423	1,146
Net interest margin	**2.89%**	2.91%	2.92%	2.93%	2.93%
Cost:income (incl. remediation)	**47.1%**	44.7%	54.9%	47.1%	47.7%
Asset quality ratio	**0.27%**	0.25%	0.18%	0.25%	0.18%
Statutory RoTE	**10.5%**	12.5%	7.8%	14.8%	11.9%
TNAV per share	**53.0p**	53.4p	53.0p	51.3p	52.1p

Opportunities for growth in targeted key segments



1 – Average volume share across PCAs, loans, savings, cards and home insurance. 2 – Comprises unsecured personal loans, overdrafts and Black Horse retail lending balances. 3 – Annualised Premium Equivalent new business on a whole of market basis. 4 – Excludes execution-only stockbrokers. 5 – Average market share calculated for core financial services products.

Market data sources: ABI, BoE, CACI, Compeer, eBenchmarkers, Experian pH, FLA, Ipsos MORI FRS, PayUK, Spence Johnson and internal estimates.

Market shares as of May-19 YTD except (i) Mid market main bank relationships, home insurance GWP and individual pensions & drawdown (1Q19); (iii) Corporate pensions and wealth management AuA (FY18)

Forward looking statements and basis of presentation

Forward looking statements

This document contains certain forward looking statements with respect to the business, strategy, plans and/or results of the 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'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 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, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; 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; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit 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; political instability including as a result of any UK general election; 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; risks relating to climate change; changes in laws, regulations, practices and 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 together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; 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 and risks 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 the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. 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 2019 Half-Year Results News Release.