

LLOYDS  
BANKING  
GROUP



# Lloyds Banking Group plc

## CRD IV Transitional and Fully Loaded Capital Positions – Detailed Analysis

30 June 2013

## CRD IV TRANSITIONAL AND FULLY LOADED CAPITAL POSITIONS

The following table, disclosed at the request of the Prudential Regulatory Authority, provides a detailed reconciliation between accounting capital at 30 June 2013, as published in the 2013 half-year results news release, and the CRD IV transitional and fully loaded capital positions. A similar table was published at December 2012 and can be found within the Group's Pillar 3 disclosures.

The reconciliation between accounting capital and the CRD IV transitional capital position is shown as if 2013 was Year 1 of the transition period. The format and content of the reconciliation follows the instructions and format set out in Annex VI (Transitional own fund disclosure template) to the EBA Consultation Paper on Draft Implementing Technical Standards on Disclosures for Own funds by institutions.

This table lays out the estimated CRD IV capital position for 30 June 2013 on the same basis as the summarised table on pages 96 to 103 of the Group's June 2013 News Release.

<b>AS AT 30 JUNE 2013</b>	<b>CRD IV Transitional Estimate £m</b>	<b>Movement from Transitional to Fully Loaded £m</b>	<b>CRD IV Fully Loaded Estimate £m</b>	<b>Note Reference</b>
<b>Common equity tier 1 (CET1) capital:</b>				
<b>instruments and reserves</b>				
Capital instruments and related share premium accounts	24,407	–	24,407	
of which: called up share capital	7,141	–	7,141	
of which: share premium	17,266	–	17,266	
Retained earnings	7,214	–	7,214	
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	11,743	–	11,743	
Minority interests (amount allowed in consolidated CET1)	31	(31)	–	Note 1
<b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>	<b>43,395</b>	<b>(31)</b>	<b>43,364</b>	
<b>Common equity tier 1 (CET1) capital: regulatory adjustments</b>				
Debit valuation adjustments (DVA) and prudent valuation adjustments (PVA)	(461)	–	(461)	
Intangible assets (net of related tax liability)	(762)	(3,048)	(3,810)	Note 2
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	–	(5,558)	(5,558)	Note 3
Fair value reserves related to gains or losses on cash flow hedges	(124)	–	(124)	
Negative amounts resulting from the calculation of expected loss amounts	(134)	(536)	(670)	Note 4
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	213	–	213	
Defined benefit pension fund assets	(662)	–	(662)	
Direct, indirect and synthetic holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(723)	(2,877)	(3,600)	Note 5
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative of which: securitisation positions	(112)	–	(112)	
	(112)	–	(112)	Note 6

<b>AS AT 30 JUNE 2013 (continued)</b>				
	<b>CRD IV Transitional Estimate £m</b>	<b>Movement from Transitional to Fully Loaded £m</b>	<b>CRD IV Fully Loaded Estimate £m</b>	<b>Note Reference</b>
Amount exceeding the 15% threshold	–	(311)	(311)	
of which: deferred tax assets arising from temporary differences	–	(91)	(91)	Note 3
of which: Direct, indirect and synthetic holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities	–	(220)	(220)	
<b>Regulatory adjustments applied to common equity tier 1 (CET1) in respect of amounts subject to pre-CRR treatment</b>				
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468 of the CRR	447	(447)	–	Note 7
of which: unrealised available-for-sale debt instruments	490	(490)	–	
of which: unrealised available-for-sale equity instruments	(43)	43	–	
Qualifying AT1 deductions that exceed the AT1 capital of the Group	(921)	921	–	Note 8
Other adjustments	348	–	348	
<b>Total regulatory adjustments applied to common equity tier 1 (CET1)</b>	<b>(2,891)</b>	<b>(11,856)</b>	<b>(14,747)</b>	
<b>COMMON EQUITY TIER 1 (CET1) CAPITAL</b>	<b>40,504</b>	<b>(11,887)</b>	<b>28,617</b>	
<b>Additional tier 1 (AT1) capital: instruments</b>				
Capital instruments and related share premium accounts	4,512	(4,512)	–	
of which: classified as liabilities	4,512	(4,512)	–	
<b>Additional tier 1 (AT1) capital before regulatory adjustments</b>	<b>4,512</b>	<b>(4,512)</b>	<b>–</b>	Note 9
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>				
Residual amounts deducted from additional tier 1 (AT1) capital with regard to deductions from common equity tier 1 (CET1) capital during the transitional period pursuant to Article 472 of the CRR	(4,756)	4,756	–	Note 10
of which: significant investments	(1,440)	1,440	–	
of which: excess of expected losses over impairment provisions	(268)	268	–	
of which: intangible assets	(3,048)	3,048	–	
Residual amounts deducted from additional tier 1 (AT1) capital with regard to deductions from tier 2 (T2) capital during the transitional period pursuant to Article 477 of the CRR	(677)	677	–	
of which: significant investments	(677)	677	–	
Qualifying AT1 deductions that exceed the AT1 capital of the Group	921	(921)	–	
<b>Total regulatory adjustments applied to additional tier 1 (AT1) capital</b>	<b>(4,512)</b>	<b>4,512</b>	<b>–</b>	
<b>Additional tier 1 (AT1) capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	
<b>TIER 1 CAPITAL</b>	<b>40,504</b>	<b>(11,887)</b>	<b>28,617</b>	

AS AT 30 JUNE 2013 (continued)	CRD IV Transitional Estimate £m	Movement from Transitional to Fully Loaded £m	CRD IV Fully Loaded Estimate £m	Note Reference
<b>Tier 2 (T2) capital: Instruments and provisions</b>				
Capital instruments and related share premium accounts	16,916	(1,524)	15,392	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1 issued by subsidiaries and held by third parties)	5,321	(1,537)	3,784	
<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>22,237</b>	<b>(3,061)</b>	<b>19,176</b>	Note 11
<b>Tier (T2) capital: regulatory adjustments</b>				
IRB excess of provisions over expected losses	470	–	470	Note 12
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(339)	(1,353)	(1,692)	
Residual amounts deducted from tier 2 (T2) capital with regard to deductions from common equity tier 1 (CET1) capital during the transitional period pursuant to Article 472 of the CRR	(1,708)	1,708	–	Note 13
of which: significant investments	(1,440)	1,440	–	
of which: excess of expected losses over impairment provisions	(268)	268	–	
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Article 477 of the CRR				
Amount to be deducted from or added to additional tier 2 (AT2) capital with regard to additional filters and deductions required pre CRR	43	(43)	–	
of which: filter for unrealised available-for-sale equity gains	43	(43)	–	
Direct, indirect and synthetic holdings by the Group of the T2 instruments of financial sector entities where the Group has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(677)	677	–	
<b>Total regulatory adjustments applied to tier 2 (T2) capital</b>	<b>(2,211)</b>	<b>989</b>	<b>(1,222)</b>	
<b>TIER 2 (T2) CAPITAL</b>	<b>20,026</b>	<b>(2,072)</b>	<b>17,954</b>	
<b>TOTAL CAPITAL</b>	<b>60,530</b>	<b>(13,959)</b>	<b>46,571</b>	

### Notes on Transitional Phasing

<sup>[1]</sup> Minority interests included in common equity tier 1 capital will be phased out from year one of transition, at a rate of 20% per annum.

<sup>[2]</sup> Common equity tier 1 capital regulatory adjustments for intangible assets will be phased in from year one of transition, at a rate of 20% per annum.

<sup>[3]</sup> Common equity tier 1 capital regulatory adjustments for deferred tax assets existing at the implementation date will be phased in, starting at 0% of the balance in the first year of transition, increasing to 10% from the second year of transition and then a further 10% per annum thereafter.

<sup>[4]</sup> Common equity tier 1 capital regulatory adjustments for negative amounts resulting from the calculation of expected loss amounts will be phased in from year one of transition, at a rate of 20% per annum.

<sup>[5]</sup> Common equity tier 1 capital regulatory adjustments for direct, indirect and synthetic holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities will be phased in from year one of transition, at a rate of 20% per annum.

<sup>[6]</sup> Securitisation positions will be fully deducted from common equity tier 1 capital in the first year of transition.

<sup>[7]</sup> Common equity tier 1 capital regulatory adjustments relating to unrealised gains and losses on available-for-sale debt and equity instruments will be phased out from year one of transition, at a rate of 20% per annum.

<sup>[8]</sup> Reallocation to additional tier 1 capital regulatory adjustments (Qualifying AT1 deductions that exceed the AT1 capital of the Group).

<sup>[9]</sup> Capital instruments recognised as additional tier 1 capital instruments under current rules will continue to be recognised as such under grandfathering provisions that apply during the transitional period. The amounts recognised will be reduced by 20% in year one of transition with a further reduction of 10% per annum thereafter.

<sup>[10]</sup> Residual amounts deducted from additional tier 1 capital with regard to deductions from common equity tier 1 capital during the transitional period will be phased into common equity tier 1 capital from year one of transition at a rate of 20% per annum.

<sup>[11]</sup> Capital instruments recognised as tier 2 capital instruments under current rules will continue to be recognised as such under grandfathering provisions that apply during the transitional period. The amounts recognised will be reduced by 20% in year one of transition with a further reduction of 10% per annum thereafter.

<sup>[12]</sup> Excess of IRB provisions over expected losses on defaulted portfolios restricted from offset to Excess Expected Loss calculation are eligible provisions within tier 2 capital.

<sup>[13]</sup> Residual amounts deducted from tier 2 capital with regard to deductions from common equity tier 1 capital during the transitional period will be phased into common equity tier 1 capital from year one of transition at a rate of 20% per annum.

## **FORWARD LOOKING STATEMENTS**

This announcement 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 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 announcement are made as at the date of this announcement, and the Group undertakes no obligation to update any of its forward looking statements.

## **CONTACTS**

For further information please contact:

### **INVESTORS AND ANALYSTS**

Charles King  
Investor Relations Director  
020 7356 3537  
charles.king@finance.lloydsbanking.com

### **CORPORATE AFFAIRS**

Matthew Young  
Group Corporate Affairs Director  
020 7356 2231  
matt.young@lloydsbanking.com

Ed Petter  
Group Media Relations Director  
020 8936 5655  
ed.petter@lloydsbanking.com