LLOYDS BANKING GROUP

RESULTS FOR THE QUARTER ENDED 31 MARCH 2014

1 May 2014

António Horta-Osório, Group Chief Executive

George Culmer, Chief Financial Officer

HIGHLIGHTS FOR THE FIRST THREE MONTHS OF 2014

- **Continue to successfully execute on our strategy**
- **Underlying profit increased 22% to £1.8bn and statutory PBT of £1.4bn**
- **Lending and deposit growth in our key customer segments**
- **Customers at the heart of our business; launched Helping Britain Prosper plan**
- **Simplification driving further reduction in our market-leading cost:income ratio**
- **Capital position further strengthened and AT1 requirement now satisfied**
- **UK Government stake now reduced to 24.9%**
- **Supporting and benefiting from the UK economic recovery**

FINANCIAL PERFORMANCE

Profit and returns substantially improved and balance sheet strengthened

UNDERLYING PROFIT	£1.8bn 22%	↑
RETURN ON RWAs	2.71% 75bp	↑
FL CET1 RATIO[1]	10.7% 0.4pp	↑
FL LEVERAGE RATIO[2]	4.5% 0.7pp	↑

- **Group underlying profit increased to £1.8bn**
  - Net interest margin up 36bp to 2.32%
  - Simplification delivering further efficiencies; costs down 5%
  - Substantial 57% reduction in impairment charge
- **Statutory profit before tax of £1.4bn**
- **Strong loan growth in key customer segments**
- **Run-off portfolio reduced by £3.6bn to £29.7bn**
- **Deposits increased £5.3bn; loan to deposit ratio improved to 111%**
- **Fully loaded CET1 and leverage positions improved from underlying profit and management actions**

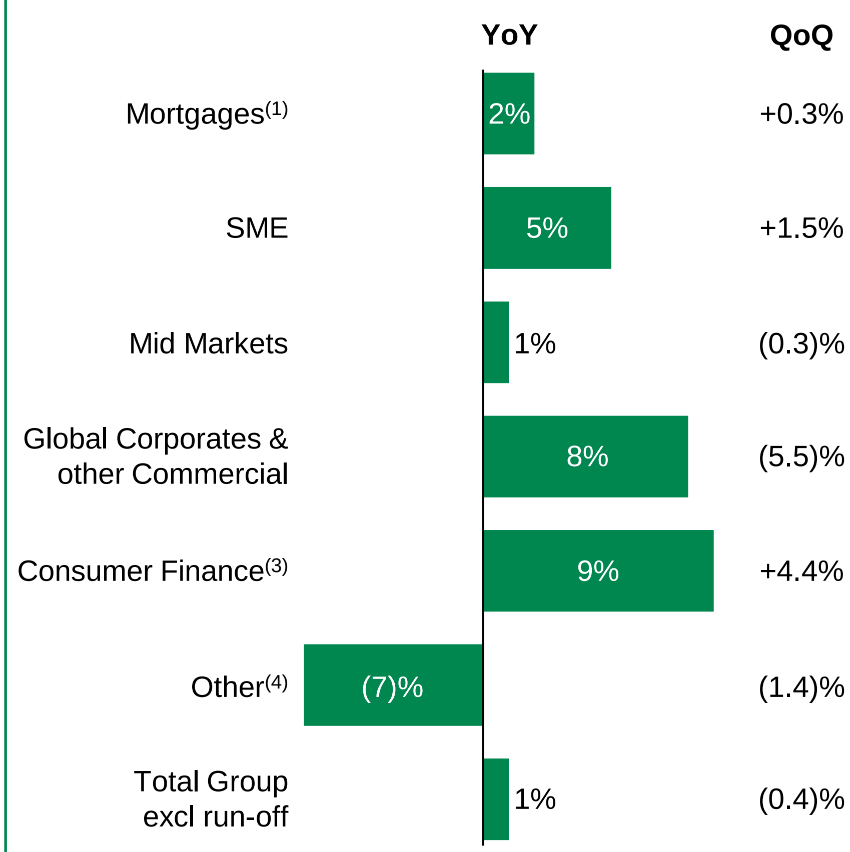
[1] Pro forma. [2] Pro forma Basel III leverage ratio estimated in accordance with Jan 2014 revised Basel III leverage ratio framework.

SUPPORTING OUR CUSTOMERS AND THE UK ECONOMY

Continued loan growth in key customer segments

- **Stronger UK economic growth**
  - Improving housing market
  - Unemployment falling
  - Strengthening consumer and business confidence
  - Disposable income growing
- **Mortgages[1] continue to grow, in line with stronger market**
  - Gross mortgage lending £9.8bn
  - Lent £2.6bn to more than 20,000 first-time buyers
- **Continued strong performance in SME lending**
  - SME lending up 5%
  - Supported c.29,000 start-ups in Q1
- **Mid Markets is gaining share in a contracting market[2]**
- **Global Corporates impacted by loan repayments in first quarter**
- **Substantial growth in UK Asset Finance**

NET LENDING BALANCES (%)



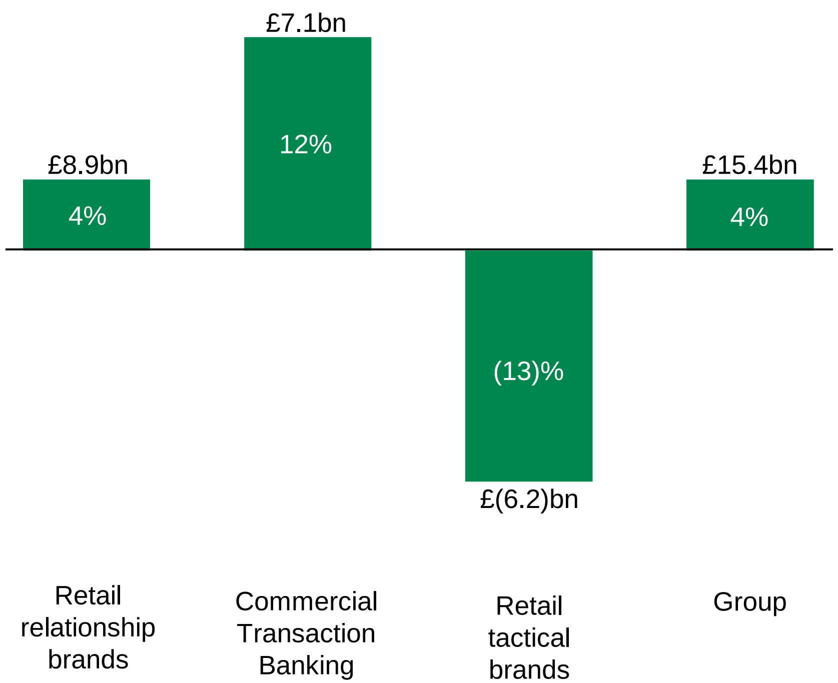
LOAN GROWTH SUPPORTING UK ECONOMIC RECOVERY

[1] Excludes specialist book and Intelligent Finance. [2] BoE Market Data – turnover >£25m. [3] UK Consumer Finance growth. [4] Other includes specialist book, Intelligent Finance, Dutch mortgages and other Retail lending.

GOOD DEPOSIT GROWTH

Relationship strategy continues to deliver

DEPOSIT GROWTH (YoY)



- **Deposit growth reflects strength of our customer franchise**
- **Retail relationship brands driving deposit growth in a low base rate environment**
- **Growth in high quality Transaction Banking deposits**
- **Tactical brands de-emphasised, down 13% in Retail**
- **Greater flexibility in deposit gathering benefiting Group cost of funds**

DELIVERING THROUGH MULTI-BRAND STRATEGY

LOOKING AHEAD
Guidance for 2014

- **Loan growth in all key customer segments**
- **Full year 2014 net interest margin now expected to increase to around 2.40%**[1]
- **Other income will remain challenging**
- **Further benefits from Simplification; guidance for full year costs of £9bn excluding TSB unchanged**
- **Continued risk reduction; full year AQR now expected to reduce to around 45bp**
- **Run-off portfolio to reduce to around £23bn by end of year**
- **Expect to launch TSB IPO in summer, subject to regulatory approval and market conditions**

WELL POSITIONED FOR FURTHER PROGRESS IN 2014

(1) Excluding the effect of TSB disposal.

FINANCIAL PERFORMANCE

Substantial increase in underlying profit

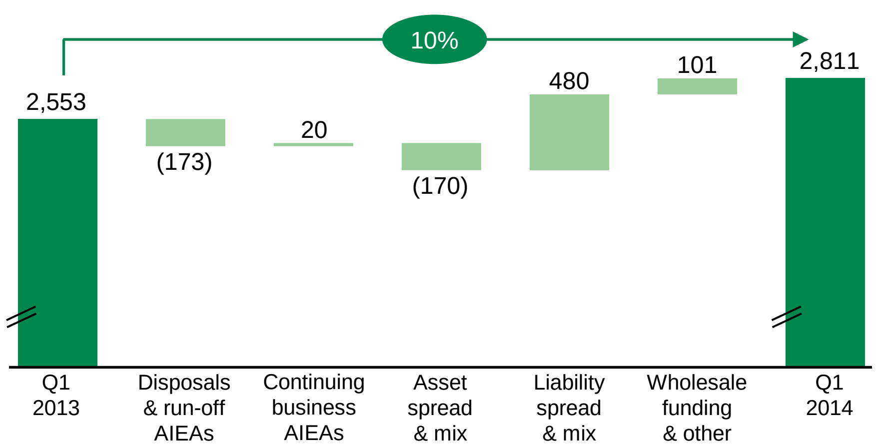
(£m)	Q1 2014	Q1 2013	Change
Net interest income	**2,811**	2,552	*10%*
Other income	**1,718**	1,857	*(7)%*
	4,529	4,409	*3%*
St. James's Place	–	480	–
Underlying income	**4,529**	4,889	*(7)%*
Costs	**(2,298)**	(2,408)	*5%*
Impairment	**(431)**	(1,002)	*57%*
Underlying profit	**1,800**	1,479	*22%*
Underlying profit excl. SJP	*1,800*	*1,043*	*73%*
Statutory profit before tax	**1,369**	2,040	*(33)%*
Statutory profit after tax	**1,162**	1,540	*(25)%*

- **Underlying profit up 22%, up 73% excluding SJP**
- **Total income excluding SJP up 3%**
- **Other income reflects disposals in 2013, weaker Commercial Banking market environment and lower insurance income**
- **Continued strong progress on cost reductions; 6% positive jaws excluding SJP**
- **Impairment down 57%, AQR of 35bp**

FINANCIAL PERFORMANCE

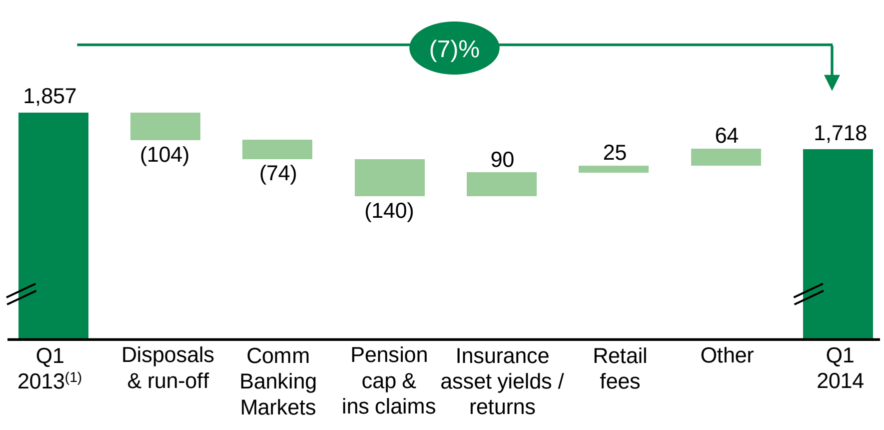
Strong net interest income performance, other income reflects disposals and challenging market environment

NET INTEREST INCOME (£m)



- Net interest income higher driven by improved liability margin and lower cost of funds
- Positive liability trends partly offset by asset pricing headwinds and disposal and run-off effects

OTHER INCOME (£m)



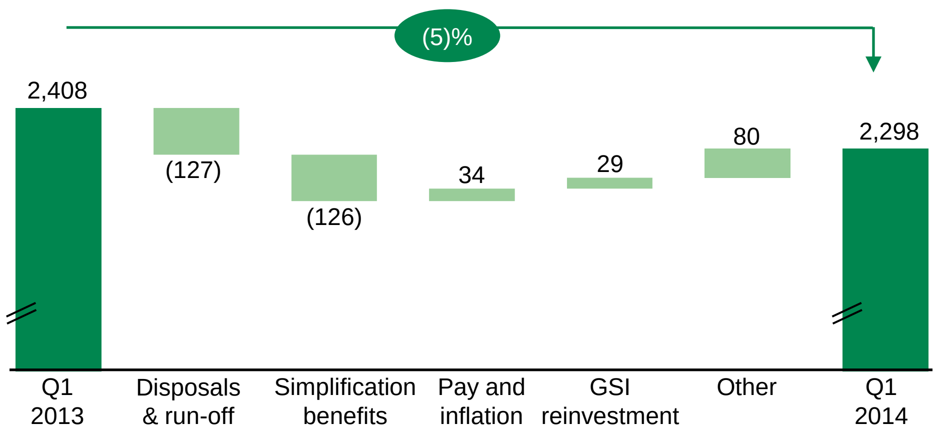
- Other income lower given disposals and operating environment
- Commercial Banking resilient in challenging markets operating environment
- £100m charge for corporate pensions pricing cap and £40m increase in weather related insurance claims
- Insurance income includes the benefit of higher yielding assets

[(1)] Excludes effects of St. James's Place.

FINANCIAL PERFORMANCE

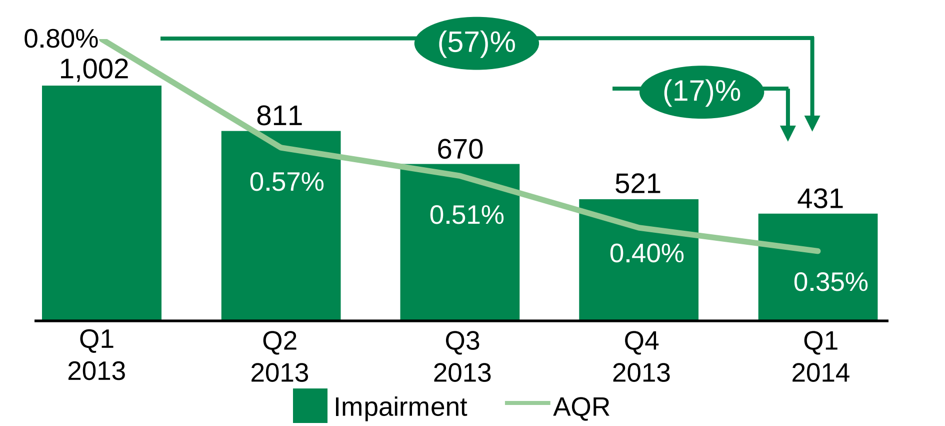
Further improvement in costs and impairment

TOTAL COSTS (£m)



- **5% cost reduction**
- **Simplification run-rate savings of £1.6bn; continue to target exit run-rate of £2bn by end 2014**
- **Continue to expect 2014 costs of around £9bn (excluding TSB costs)**

IMPAIRMENT (£m)



- **Impairment charge down 57% with reductions in all divisions**
- **Impairment driven by prudent credit risk appetite, provision releases and reductions in run-off portfolio**
- **Impaired loans as a percentage of total advances of 5.7% (Dec 2013: 6.3%)**
- **Coverage ratio of 51.1% (Dec 2013: 50.1%)**

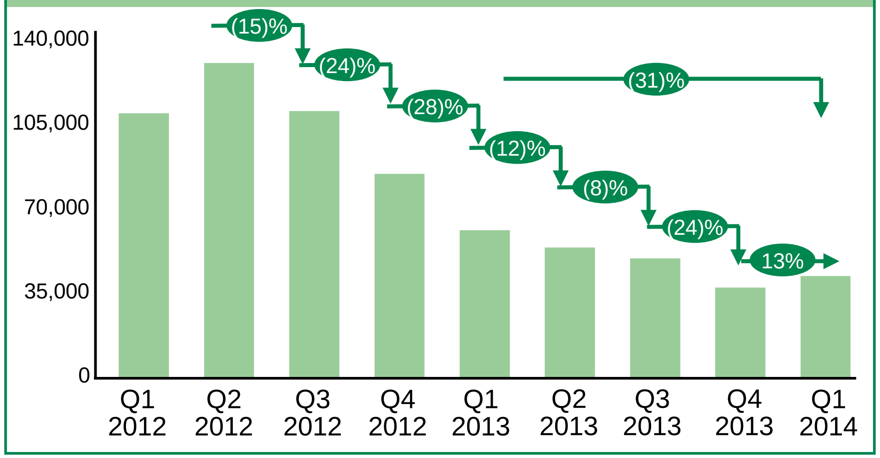
FINANCIAL PERFORMANCE
Strong statutory performance

(£m)	Q1 2014	Q1 2013
Underlying profit	**1,800**	1,479
Asset sales	**126**	823
Volatile items	**(6)**	250
Simplification costs	**(294)**	(214)
TSB costs	**(172)**	(195)
Other statutory items	**(85)**	(103)
Statutory profit before tax	**1,369**	2,040
Tax	**(207)**	(500)
Statutory profit after tax	**1,162**	1,540

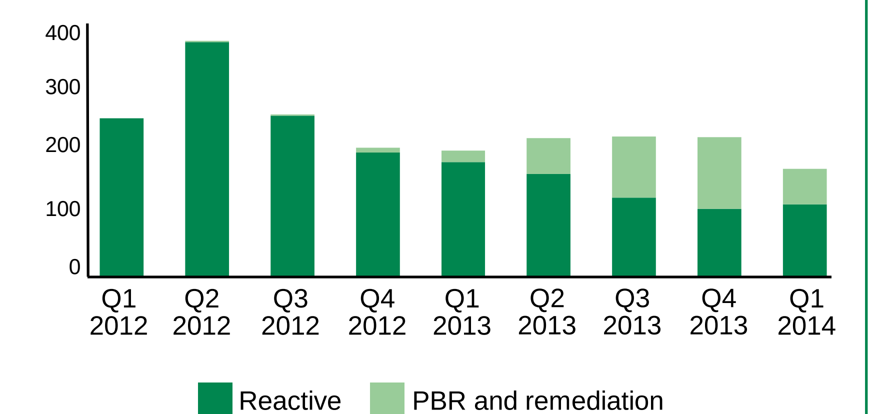
- **Asset sales includes gain on sale of SWIP of £105m; Q1 2013 includes gain on sale of government bonds of £776m**
- **Volatile items includes £204m gain on ECN derivative offset by fair value unwind and negative insurance volatility; Q1 2013 included £462m insurance volatility gain**
- **Simplification costs of £2.0bn to date**
- **TSB costs of £1.6bn to date**
- **Effective tax rate of 15% reflects tax-exempt gains on disposals**

LEGACY ISSUES
No change to PPI provision

AVERAGE COMPLAINT VOLUMES PER MONTH[1]



AVERAGE PPI COSTS PER MONTH (£m)



- **Complaint volumes marginally above projections in Q1**
  - Q1 monthly average of c.42,000 complaints
  - Down 31% vs. Q1 2013
- **Reactive uphold rates and average redress slightly lower than projected**
- **Proactive mailings on track to be substantially complete by end of first half**
- **Q1 costs of £0.5bn, marginally lower than projections**
- **£2.3bn of provision remains unutilised**
- **Risks and uncertainties remain**

[1] Excludes complaints where no PPI policy is held.

BALANCE SHEET HIGHLIGHTS
Strong balance sheet

GROUP (£bn)	Mar 2014	Dec 2013	Change
ASSETS			
Loans and advances[1]	**466**	**468**	*0%*
Global Corporates	***33***	***37***	*(10)%*
Other loans and advances	***433***	***431***	*0%*
Run-off assets	**30**	**33**	*(11)%*
Liquid assets[2]	**95**	**89**	*7%*
LIABILITIES			
Customer deposits[1]	**444**	**438**	*1%*
Wholesale funding	**130**	**138**	*(6)%*
Shareholder equity	**41**	**39**	*4%*

2014 MOVEMENTS (£bn)	Q1 2014
SOURCE OF FUNDS	
Deposit growth[1]	5.3
Loans and advances[1]	2.0
Run-off asset reduction	3.6
Other movement	2.8
	13.7
USE OF FUNDS	
Liquid assets[2]	6.1
Reduced wholesale funding	7.6
	13.7

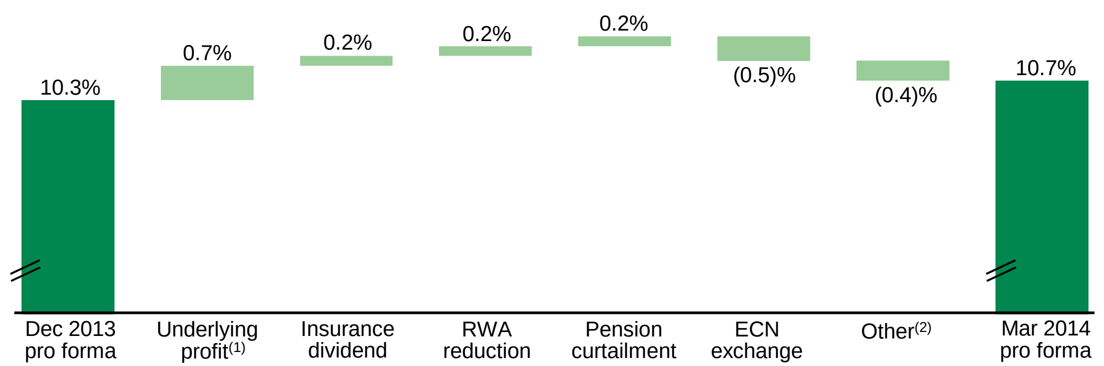
	Mar 2014	Dec 2013	Change
Loan to deposit ratio	*111%*	*113%*	*(2)pp*
Risk-weighted assets[3]	*267*	*272*	*(2)%*
TNAV per share	*50.7p*	*48.5p*	*2.2p*

(1) Excludes repos and reverse repos. (2) On balance sheet LCR eligible liquid assets. (3) Restated to reflect impact of CRD IV rules as at 1 January 2014.

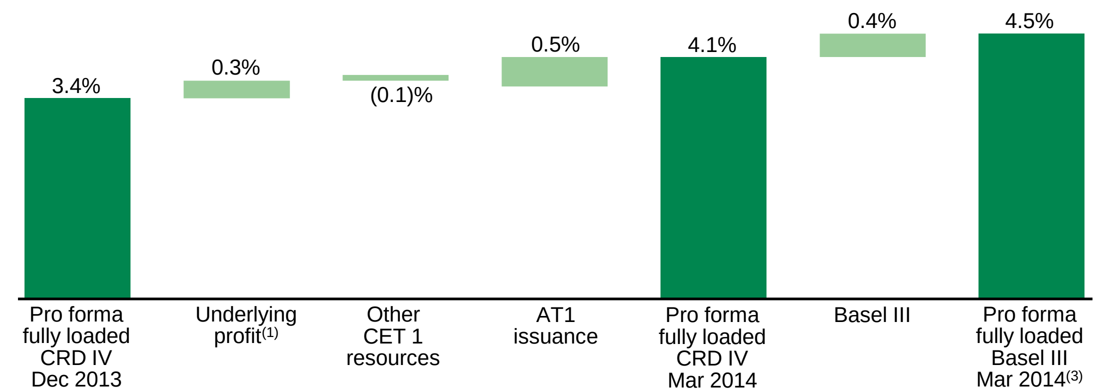
FURTHER STRENGTHENING THE BALANCE SHEET

Common equity tier 1 and leverage positions further strengthened

FULLY LOADED COMMON EQUITY TIER 1 RATIO – DEC TO MAR



FULLY LOADED LEVERAGE RATIO – DEC TO MAR



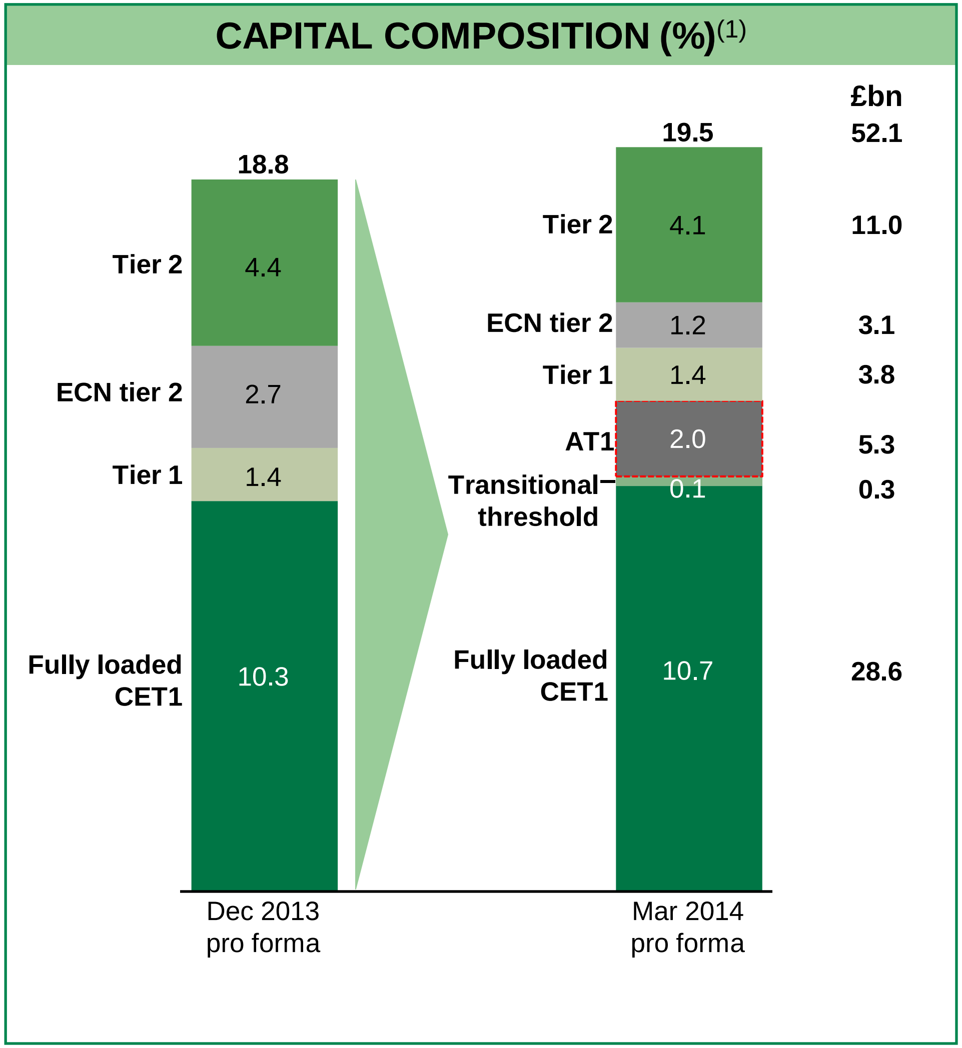
- **Stronger capital position principally driven by underlying profit**
  - £400m insurance dividend paid to Group in Q1
  - Pro forma ECN exchange effect partly offset by benefit of pension scheme change
- **Estimated pro forma fully loaded CET1 ratio improved to 10.7%**
- **Pro forma leverage ratio substantially improved through AT1 issuance**

A STRONGLY CAPITAL GENERATIVE BUSINESS

(1) Excl profit in Insurance business. (2) Including other statutory items and movements in CRD IV adjustments to capital (including EEL, DTA and AFS reserve).
(3) Estimated in accordance with January 2014 revised Basel III leverage ratio framework.

FURTHER STRENGTHENING THE BALANCE SHEET

Strong capital position with medium term AT1 requirement met through recent ECN exchange



- Strong total capital ratio of 19.5%
- Substantially improved quality of capital with c.£5.3bn of new AT1 (2.0% of RWAs)
- Improved leverage and rating agency capital measures
- Continue to review capital base to meet regulatory requirements and optimise costs
- Expect to apply to the PRA in the second half to restart dividend payments

(1) As a percentage of risk weighted assets; includes grandfathered capital securities.

SUMMARY

Successful execution of our simple, clear strategy

- **Supporting our customers and helping Britain prosper**
- **UK economic recovery gathering momentum**
- **Financial performance further improved, with stronger underlying profitability**
- **Guidance for margin and impairments improved**
- **Continue to strengthen capital, medium-term AT1 requirement met**

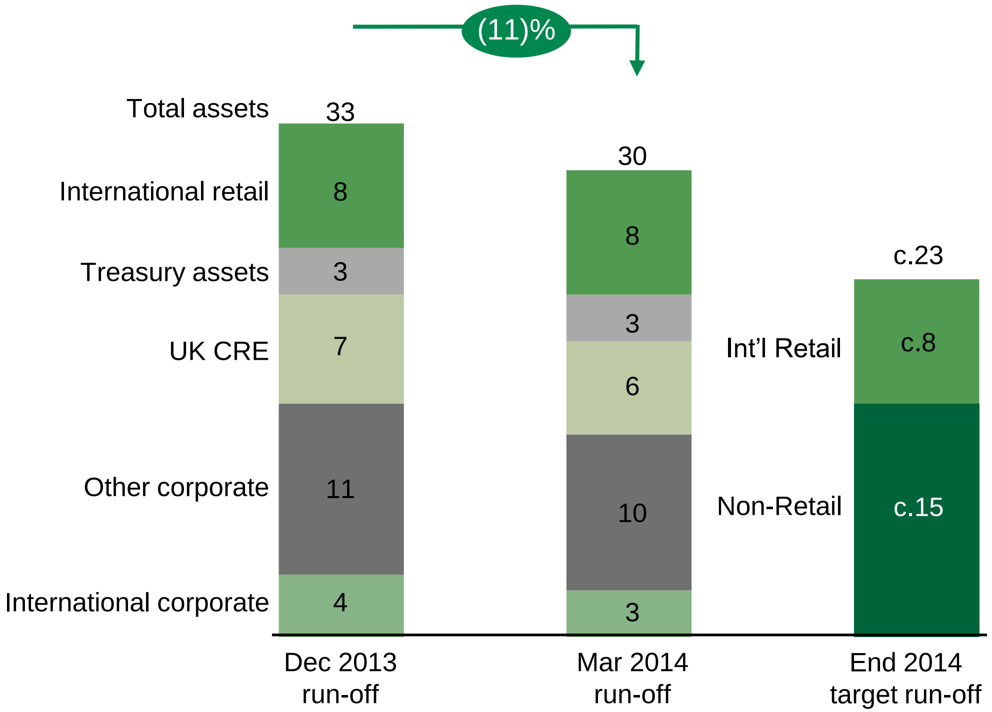
CONFIDENT IN DELIVERY OF STRONG AND SUSTAINABLE ECONOMIC RETURNS

APPENDIX

RUN-OFF PORTFOLIO

Reduction of £3.6bn in the first quarter

RUN-OFF PORTFOLIO (£bn)



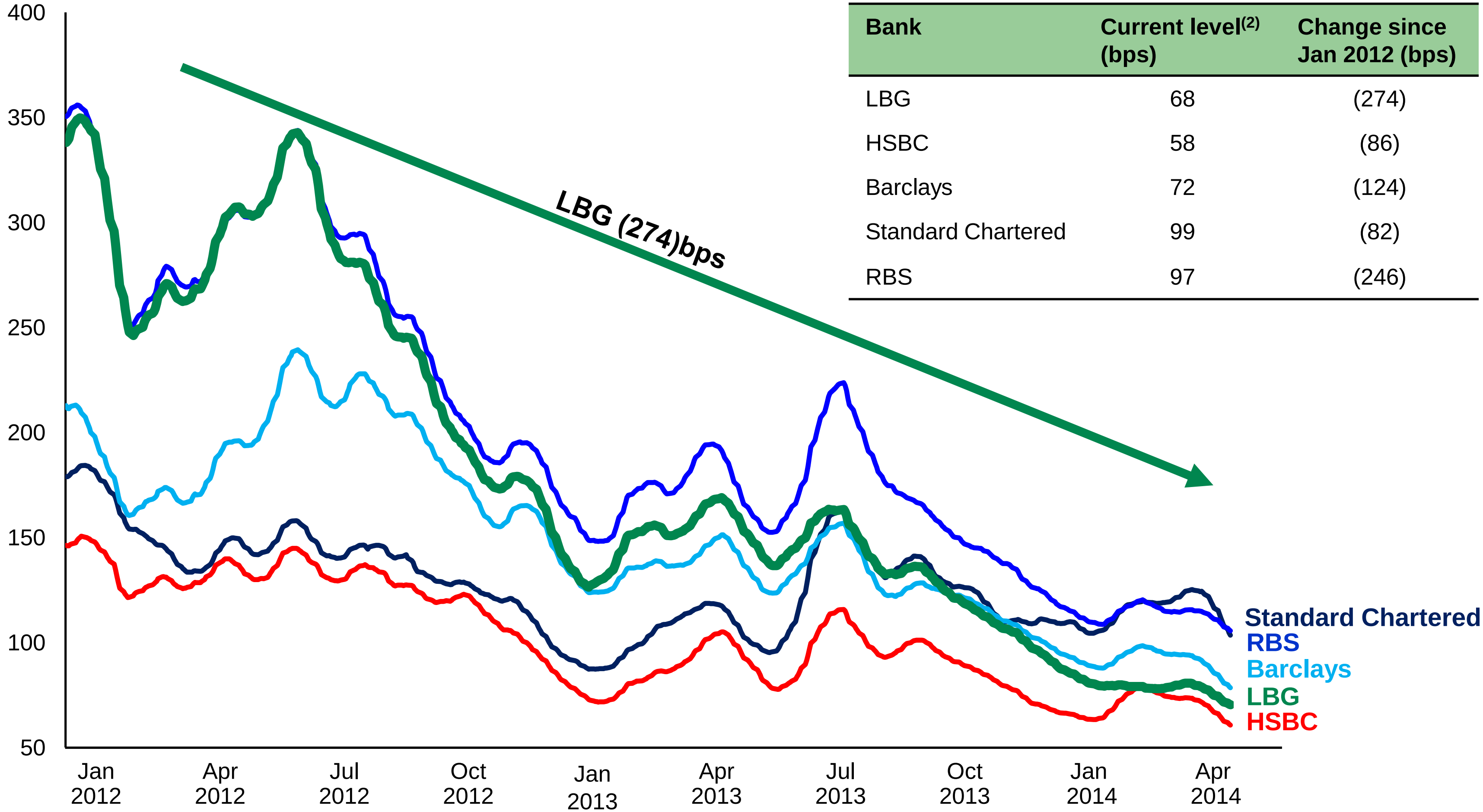
	Dec 2013 run-off	Mar 2014 run-off
Underlying loss £m	**(1,309)**	**(183)**
RWAs £bn	**31**	**29**

- **Run-off assets reduced 11% to £29.7bn**
- **Underlying loss decreased to £183m**
- **Risk-weighted assets now £29bn**

LOW RISK BUSINESS MODEL

Increasing recognition of balance sheet strength and de-risking

UK BANK CDS[1]



Bank	Current level[2] (bps)	Change since Jan 2012 (bps)
LBG	68	(274)
HSBC	58	(86)
Barclays	72	(124)
Standard Chartered	99	(82)
RBS	97	(246)

(1) Source: Bloomberg 5-year senior mid (4 week rolling average). (2) As at 30 April 2014.

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

LLOYDS BANKING GROUP

FORWARD LOOKING STATEMENTS

This announcement 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; the ability 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 as a possible result of the referendum on Scottish independence and also including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK and other jurisdictions in which the Group operates; the implementation of the Bank Recovery and Resolution Directive and Banking Reform Act; 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 and competition 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.

BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on a underlying basis. Please refer to the Basis of Presentation in the Q1 2014 Interim Management Statement which sets out the principles adopted in the preparation of the underlying basis of reporting.