LLOYDS BANKING GROUP

2016 HALF-YEAR RESULTS

Presentation to Analysts and Investors

28 July 2016

AGENDA

Delivering for our key stakeholders	**António Horta-Osório** Group Chief Executive
Financial results	**George Culmer** Chief Financial Officer
Asset quality	**Juan Colombás** Chief Risk Officer
Summary	**António Horta-Osório** Group Chief Executive

HIGHLIGHTS FOR THE FIRST HALF OF 2016

Differentiated business model continues to provide competitive advantage with good financial performance in the period

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- **Our differentiated retail and commercial business model has delivered another good financial performance**
- **Following the EU referendum the outlook for the UK economy is uncertain**
  - Deceleration of growth anticipated
  - Precise impact depends on a number of factors including political and economic outcomes
  - Given sustainable recovery in recent years, the UK enters this period of uncertainty from a position of strength
- **Transformation of the business since 2010 and low risk business model position us well**
- **Going forward, will continue to help Britain prosper through support to key customer segments**
- **Capital generation guidance for 2016 updated to reflect impact of EU referendum**
- **Interim dividend of 0.85p per share, up 13%, in line with progressive and sustainable ordinary dividend policy**

FINANCIAL PERFORMANCE

Good financial performance with robust underlying profit, improved statutory profit and strong returns

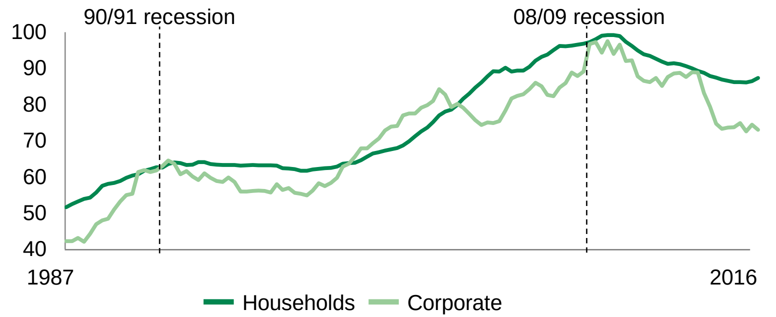
Income	£8.9bn
Cost:income ratio	47.8%
Underlying profit	£4.2bn
Underlying return on required equity	14.0%
Statutory profit before tax	£2.5bn
CET1 ratio	13.0%
Ordinary dividend per share	0.85p

- **Strong underlying return on required equity of 14.0% with statutory return on required equity of 8.3%**
- **Underlying profit of £4.2bn (down 5%, 2% excluding TSB)**
  - Income 1% lower with increased NII driven by improved NIM of 2.74%, offset by 5% decrease in other income
  - Operating costs 3% lower with cost:income ratio further improved to 47.8% after acceleration of cost initiatives – Simplification targets enhanced
  - Asset quality remains strong with AQR of 11bps
- **Statutory profit before tax more than doubled to £2.5bn**
- **CET1 ratio of 13.0% (post dividend), with 50bps capital generation in Q2 after 30bps impact of EU referendum**

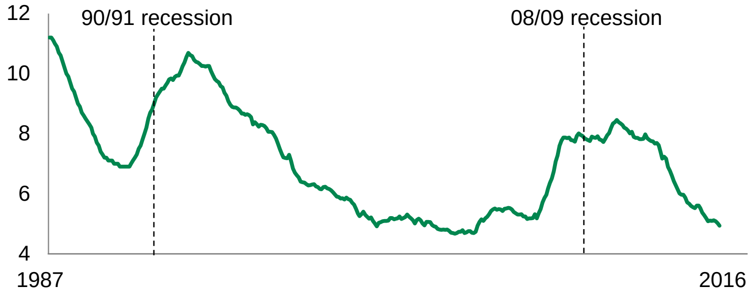
UK ECONOMY

Sustainable economic recovery in recent years positions the UK well for period of uncertainty

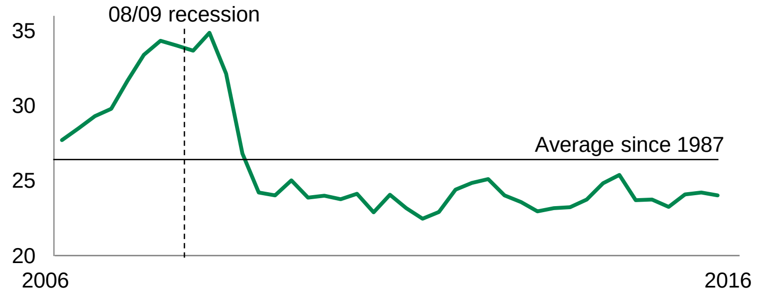
UK private sector debt / GDP[1] (%)



Unemployment rate[3] (%)



UK mortgage affordability[2] (%)



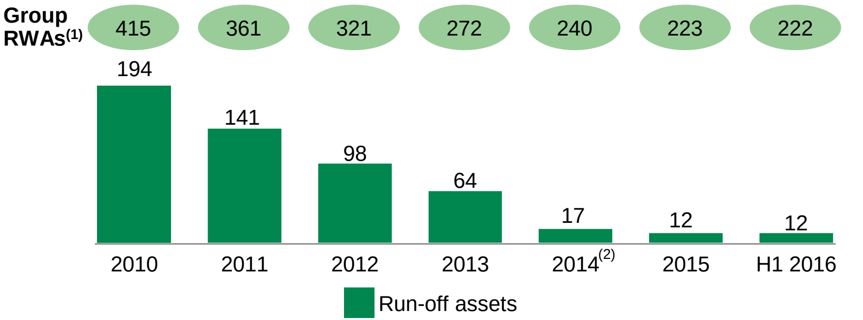
- **Sustainable recovery means economy enters this period of uncertainty from a position of strength**
  - Continued private sector deleveraging
  - Low growth mortgage market with affordability significantly improved compared to 2008
  - Low unemployment levels in recent years
- **Deceleration in the UK economy anticipated**

[1] Source: debt data from Bank for International Settlements; GDP data from ONS. [2] Affordability: mortgage payments as a percentage of earnings, source: ONS, BoE data, LBG calculations. [3] Source: ONS.

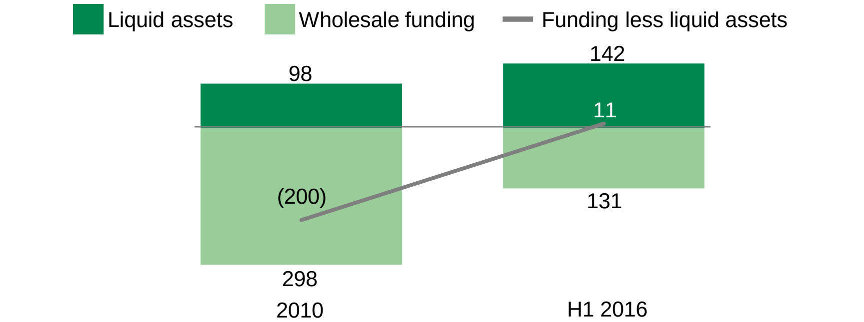
TRANSFORMATION OF THE BUSINESS POSITIONS US WELL

Balance sheet substantially strengthened and business de-risked since 2010 through successful execution of strategy

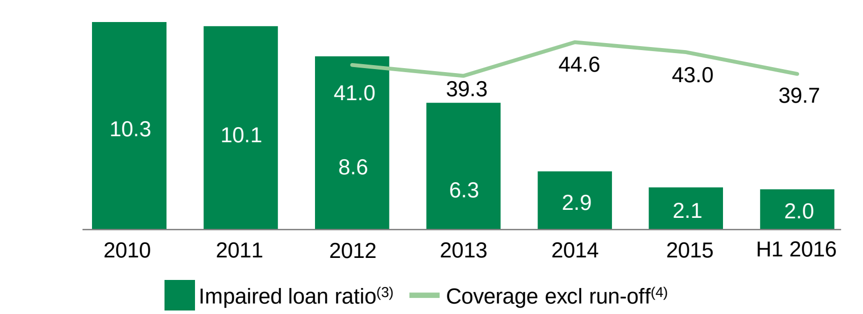
Run-off assets & RWAs (£bn)



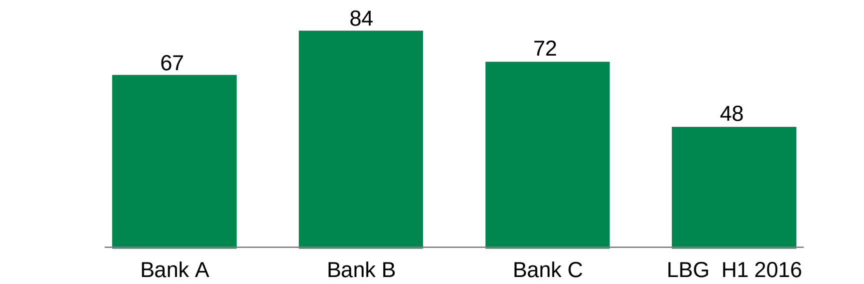
Wholesale funding & liquid assets(5) (£bn)



Impaired loan ratio & coverage (%)



Cost:income ratio – UK peer comparison(6) (%)

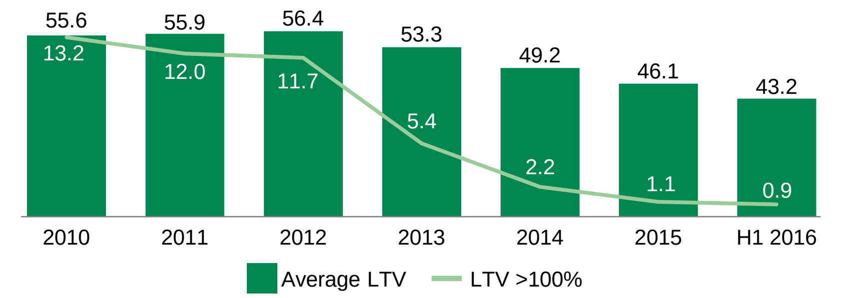


(1) RWAs for 2010 – 2013 reflect CRD IV rules as implemented by PRA at 1 Jan 2014, on a fully loaded basis. (2) After reclassification of £28bn into core business. (3) Impaired loans as a percentage of closing advances. (4) Impairment provisions as a percentage of impaired loans. (5) 2010 ILAS eligible liquid assets; 2016 LCR eligible. (6) Reported peer FY 2015 ratios.

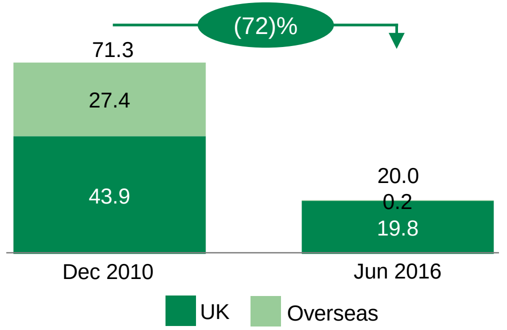
LOW RISK BUSINESS MODEL

Low risk business model and prudent approach to lending position us well

Mortgage portfolio trends (%)



Commercial real estate lending[1] (£bn)



- **Lending reflects prudent risk appetite**
  - Average mortgage LTV of 43%, with less than 1% with LTV of >100% and only 9% with LTV >80%
  - Buy-to-let growth significantly lower than market
  - Restricted share of mortgage flow in London since 2014 through changes to loan to income caps
  - Commercial real estate (CRE) exposures significantly reduced (<5% of total loans and advances)
  - Reduced exposure to higher risk segments in Commercial Banking due to selective participation
  - Strong credit quality within Commercial Banking with LTV profile of CRE portfolio substantially improved
- **PRA stress test results highlight resilience to severe stress scenarios**

[1] Excludes CRE lending in Wealth (Jun 2016: £0.5bn).

OUR STRATEGIC FOCUS

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

Creating the best customer experience

- **Largest UK digital bank with over 12 million active online users; over 7 million mobile users**
- **Digital market share of 21%[(1)] with an award winning digital proposition**
- **Net promoter scores continue to improve across all brands and channels**
- **Complaint levels[(2)] approximately 40% lower than major banking peer average[(3)]**

Becoming simpler and more efficient

- **Ahead of existing Simplification targets and responding to changing customer behaviours**
  - Additional branch closures and FTE reductions by end of 2017
  - Now expect to generate £1.4bn Simplification II annual run-rate savings by the end of 2017
  - In addition, rationalisation of non-branch property portfolio with c.30% reduction by end of 2018

Delivering sustainable growth

- **Committed to Helping Britain Prosper**
  - Largest UK mortgage lender with low risk appetite
  - SME lending growth continues to outperform market
  - Strong growth in UK Consumer Finance

(1) Retail and home insurance digital market share of new business flows. (2) FCA reportable banking complaints per 1,000 accounts (excluding PPI). (3) Comparison at H2 2015.

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Asset quality	**Juan Colombás** Chief Risk Officer
Summary	**António Horta-Osório** Group Chief Executive

FINANCIAL PERFORMANCE

Robust underlying profit reflecting lower costs and strong credit quality

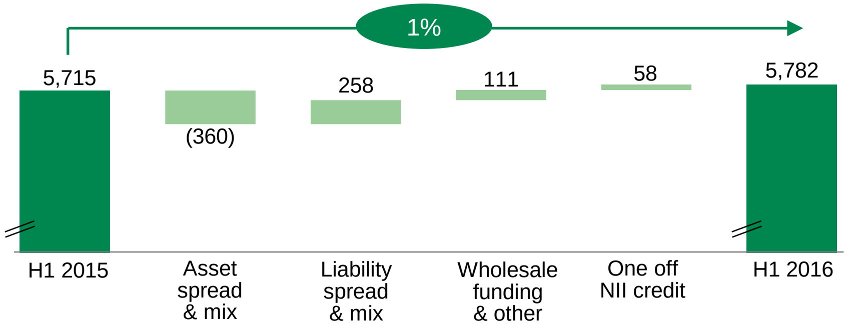
(£m)	H1 2016	H1 2015	Change
Net interest income	**5,782**	5,715	*1%*
Other income	**3,093**	3,253	*(5)%*
Total income	**8,875**	8,968	***(1)%***
Operating costs	**(4,041)**	(4,150)	*3%*
Operating lease depreciation	**(428)**	(374)	*(14)%*
Impairment	**(245)**	(179)	*(37)%*
Underlying profit excl TSB	**4,161**	4,265	***(2)%***
TSB	**–**	118	
Underlying profit	**4,161**	4,383	***(5)%***

- **Income of £8.9bn, down 1%**
  - Net interest income up 1% reflecting 12bps improvement in NIM to 2.74%
  - Other income down 5% after improvement in Q2
- **Further improvements in costs**
  - Operating costs lower after additional investment as we continue to simplify the business
  - Cost:income ratio further improved to 47.8%
- **Credit quality strong with low impairment**
- **Underlying profit down 5% to £4.2bn and 2% excluding TSB**

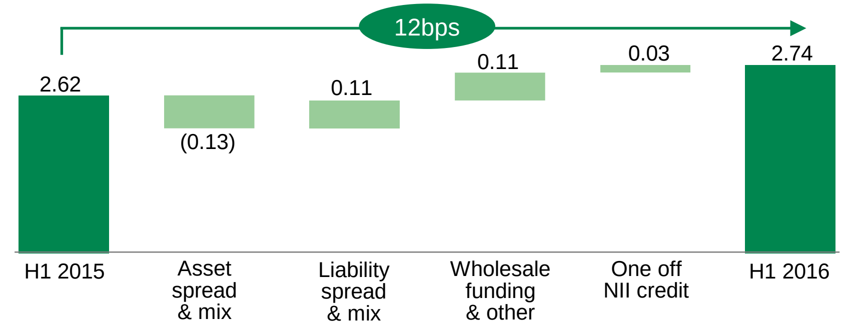
NET INTEREST INCOME

Resilient net interest income driven by further improvements in margin

Net interest income (£m)



Net interest margin (%)



Net interest income (£m)

	H1 2016	H1 2015[(1)]	Change
Retail	**3,296**	3,364	*(2)%*
Commercial Banking	**1,306**	1,266	*3%*
Consumer Finance	**994**	1,005	*(1)%*
Insurance & other	**186**	80	*133%*
Group	**5,782**	5,715	*1%*

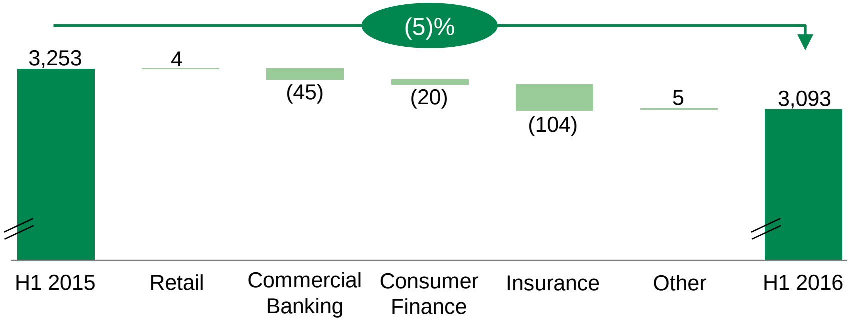
- **Resilient net interest income at £5.8bn**
- **NIM of 2.74%, up 12bps vs H1 2015, driven by**
  - Improved deposit margin and lower funding costs
  - Partly offset by continued pressure on asset pricing
- **AIEAs broadly stable in first half, excluding run-off**
- **Continue to expect 2016 full year NIM of around 2.70%**

(1) Restated for organisational changes effective from 1 Jan 2016.

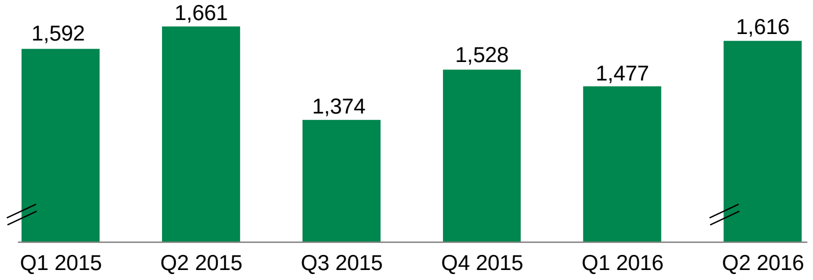
OTHER INCOME

Other income down 5% with improvement in second quarter

Other income (£m)



Other income trend (£m)



Other income (£m)

	H1 2016	H1 2015[(1)]	Change
Retail	**558**	554	*1%*
Commercial Banking	**982**	1,027	*(4)%*
Consumer Finance	**658**	678	*(3)%*
Insurance	**921**	1,025	*(10)%*
Run-off and central items	**(26)**	(31)	*16%*
Group	**3,093**	3,253	***(5)%***

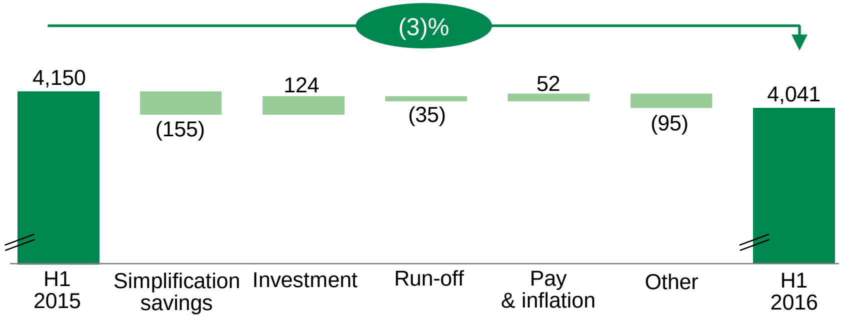
- **Other income down 5% due to lower insurance income, continued pressure on fees and commissions and reduced income from run-off**
- **Improved performance in second quarter despite market conditions**
- **Executed a further three bulk annuity transactions in H1 2016**
- **Quarterly run-rate remains in line with expectations**

(1) Restated for organisational changes effective from 1 Jan 2016.

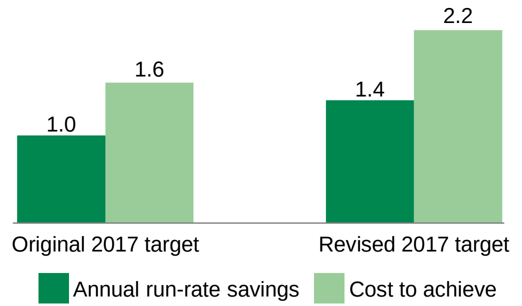
COSTS

Actively responding to changing customer behaviours with further efficiency savings targeted

Operating costs (£m)



Simplification savings and cost spend (£bn)

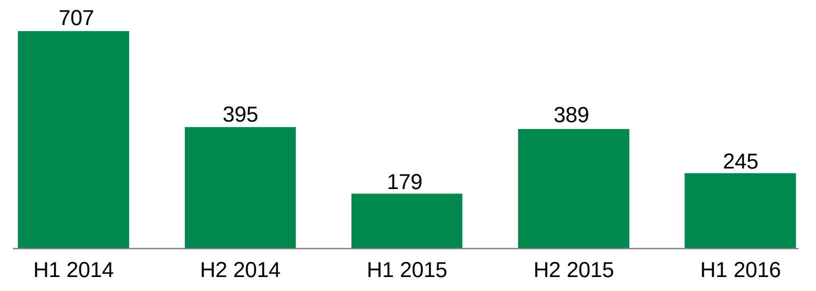


- **£0.6bn of Simplification II run-rate savings to date, ahead of schedule to deliver original plan**
- **Further efficiency savings targeted**
  - Additional c.200 branch closures by end of 2017
  - Additional c.3,000 role reductions by end of 2017
- **Originally targeted delivery of £1.0bn of annual run-rate savings at cost of £1.6bn by end of 2017; now targeting delivery of £1.4bn of savings by end of 2017 at cost of £2.2bn**
- **Spend to date of £1.1bn; a further £1.1bn to be spent by end 2017 of which c.£350m will be below the line**
- **In addition, rationalisation of non-branch property portfolio to be undertaken with c.30% reduction in footprint by end of 2018**

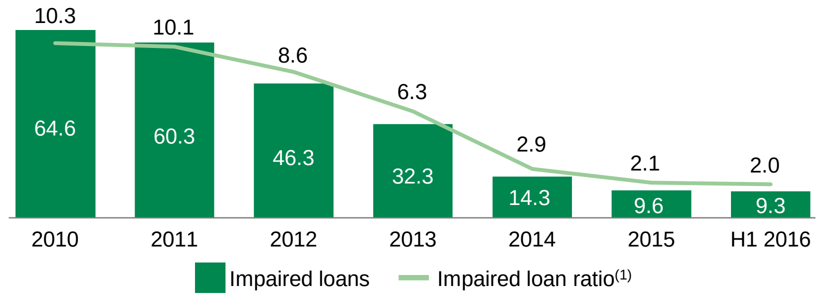
ASSET QUALITY

Credit quality remains strong reflecting lower risk business

Impairment charge (£m)



Impaired loans (£bn) & impaired loan ratio (%)



- **Impairment charge of £245m and AQR of 11bps, reflecting lower levels of releases and write backs**
- **Gross AQR of 26bps demonstrates prudent risk appetite and in line with H1 2015**
- **Impaired loans as a percentage of closing advances continue to reduce and are now 2.0% from 2.1% at the end of December 2015**
- **Now expect 2016 AQR of less than 20bps**

(1) Impaired loans as a percentage of closing advances.

STATUTORY PROFIT

Statutory profit before tax more than doubled, with a significant reduction in conduct charges

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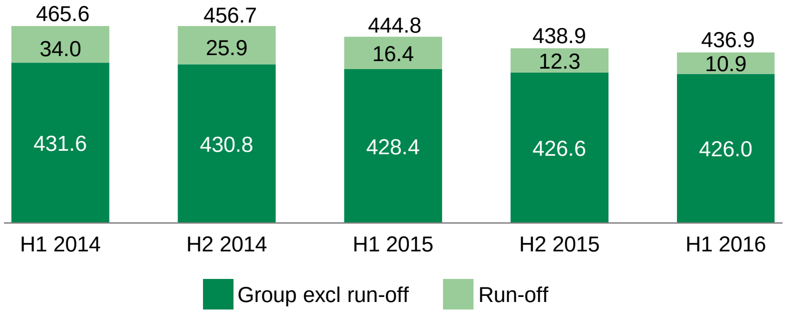
(£m)	H1 2016	H1 2015
Underlying profit	**4,161**	4,383
ECNs	**(790)**	(390)
Market volatility & other items	**(150)**	(188)
Restructuring costs	**(307)**	(32)
PPI & other conduct	**(460)**	(1,835)
TSB disposal costs	**–**	(745)
Statutory profit before tax	**2,454**	1,193
Tax	**(597)**	(268)
Statutory profit after tax	**1,857**	925

- **£790m charge for ECNs taken in Q1, no further charges to be taken following Supreme Court ruling**
- **Market volatility and other items includes gain on Visa sale of £484m and negative insurance volatility of £372m primarily driven by widening of credit spreads**
- **Restructuring costs higher due to further action on costs and ring-fencing spend**
- **No additional PPI provision in H1 2016**
  - Complaints in first half of around 8,500 per week
  - Complaints of around 7,500 per week over last 6 weeks
- **Other conduct provisions of £460m**
- **Effective tax rate of 24%**

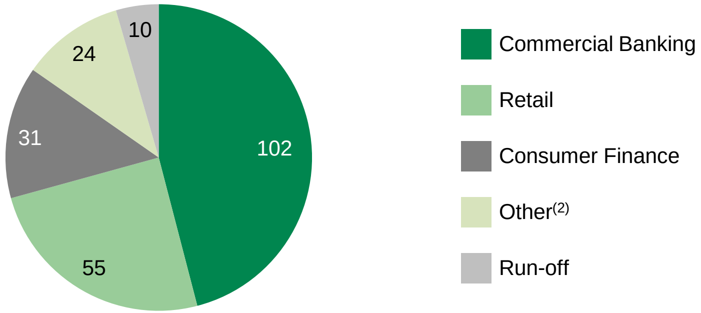
BALANCE SHEET

Average interest earning assets (AIEAs) broadly stable in first half of 2016, excluding run-off

Average interest earning assets (£bn)



Divisional RWAs[1] (£bn)



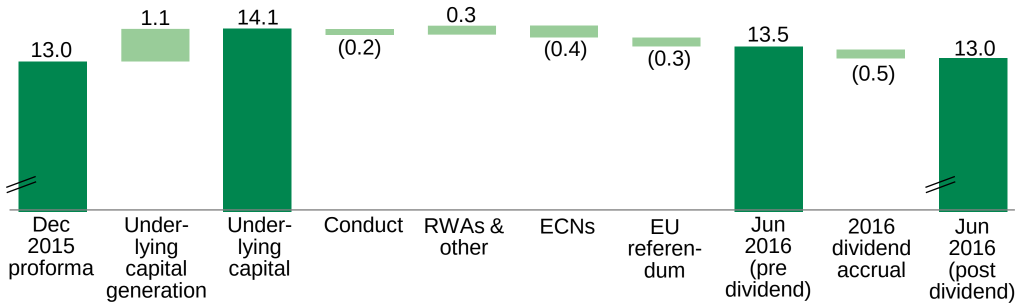
- **AIEAs were broadly stable in the first half of 2016, excluding run-off**
  – Growth in Consumer Finance and SME lending offset by reductions in mortgages and Global Corporates
- **Total AIEAs at £436.9bn are down 2% YoY, primarily driven by lower run-off assets**
- **RWAs flat at £222bn**
  – Modest RWA decreases driven by active portfolio management, disposals and improved asset quality
  – Offset by FX movements, notably following the EU referendum, and model updates

(1) RWAs reflect CRD IV rules as implemented by the PRA at 1 Jan 2014, on a fully loaded basis. (2) Other includes central items and threshold RWAs.

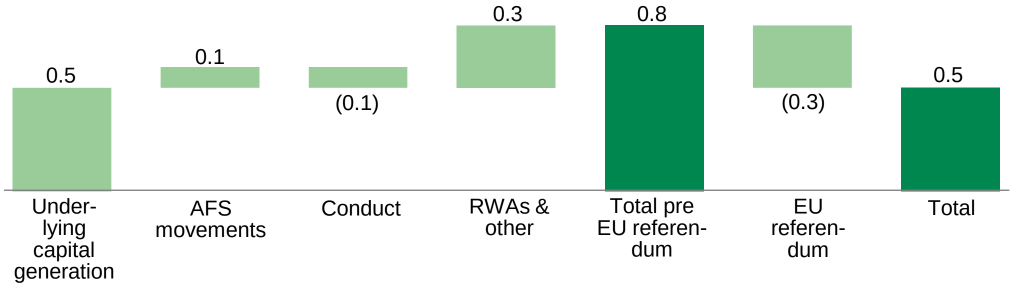
BALANCE SHEET

Capital generation remains strong

Common equity tier 1 ratio (%) – Dec to Jun



Common equity tier 1 ratio (%) – Mar to Jun movements



- **50bps capital generation in Q2 after 30bps impact of EU referendum**
  - EU referendum impact primarily relates to FX movement on RWAs
- **Now expect to generate around 160bps CET1 in 2016, pre dividend**
- **Total capital ratio of 21.8%**
- **Dividend accrual higher than interim dividend reflecting market convention**
- **Interim ordinary dividend of 0.85p per share with final dividend to be assessed by Board at full year**

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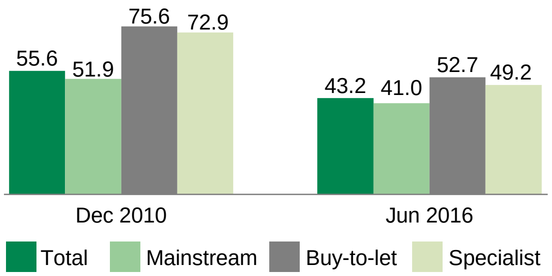
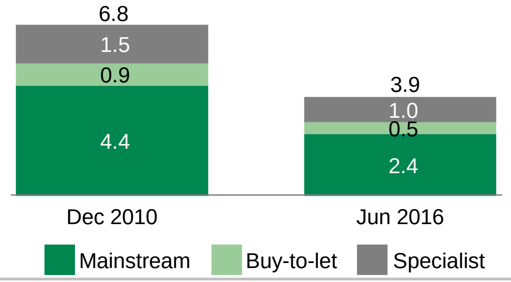
ASSET QUALITY – MORTGAGES

Continued improvement in risk profile of mortgage book

Average LTV[1] (%)



Impaired loans (£bn)



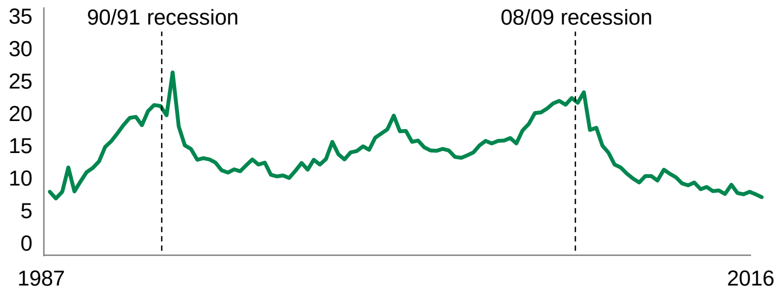
- **Equity levels have increased significantly**
  - Average LTV of 43%, with less than 1% >100% LTV
- **Underweight in London**
- **Prudent risk appetite with strong new business quality**
- **Impaired loans 43% lower than 2010 with improvements across all portfolios**
- **Pre-2009 lending is well seasoned with an average LTV of less than 50%**
- **Provisioning is prudent – have taken a conservative view of recent house price increases**

[1] Indexed by value. 2010 includes TSB.

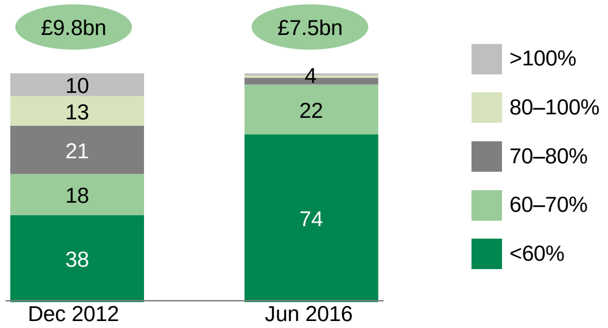
ASSET QUALITY – COMMERCIAL BANKING

Substantially de-risked portfolio with limited exposure to higher risk segments

Corporate gearing[1] (%)



Commercial real estate LTVs[2] (%)

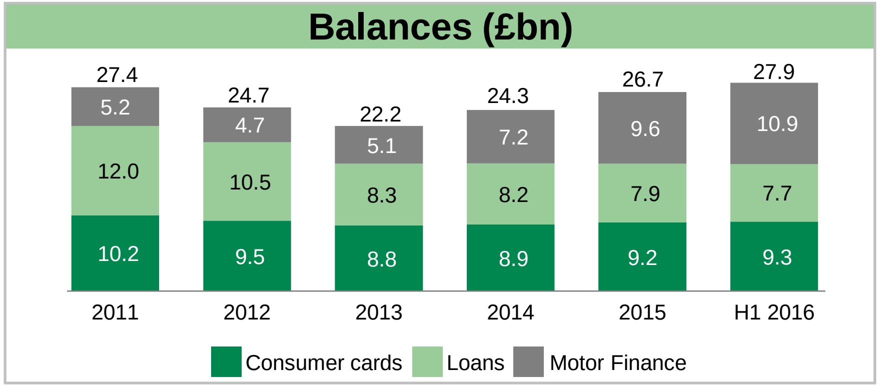


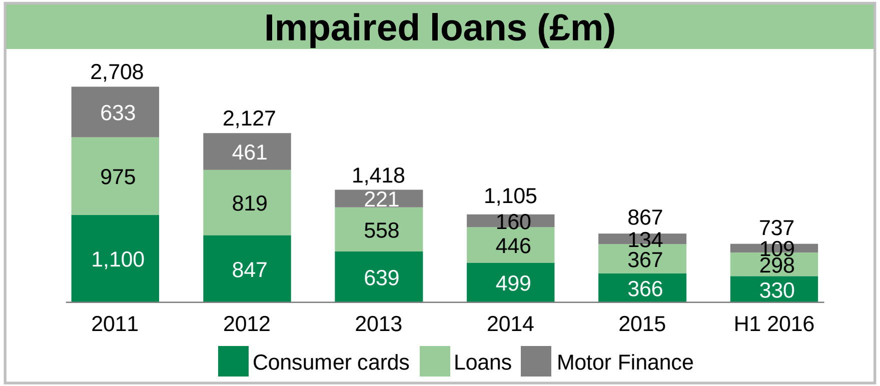
- **Corporate gearing has fallen since 2008 easing debt burdens and helping reduce repayment costs**
- **Limited exposure to higher risk segments**
  - Oil & gas, mining and commodities in total less than c.1% of loans and advances (c.75% investment grade)
- **Low risk appetite for commercial real estate (CRE) with £20bn exposure now less than 1/3 of 2010 level**
  - CRE lending less than 5% of total loans and advances
  - High quality LTV profile reflects prudent new business policy
  - UK focus with investment transactions accounting for more than 90% of portfolio
  - Focus on good quality clients with proven track record

[1] Source: ONS National Accounts. [2] Exposures greater than £5m, excludes run-off, CRE lending in Wealth and unsecured investment grade corporate CRE lending.

ASSET QUALITY – UK CONSUMER FINANCE

Growing in an under represented area with a prudent risk appetite





- **Portfolio performance reflects prudent approach to lending with impaired loans down in all segments**
- **New business quality is strong**
  - No sub-prime
  - No credit repair cards
  - Robust affordability checks
  - Robust indebtedness checks
- **The relationship with Jaguar Land Rover is a significant driver of UK Motor Finance growth (>60% of balance growth since Dec 2013), producing high-prime quality lending**

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DELIVERING FOR OUR CUSTOMERS AND SHAREHOLDERS

Our differentiated business model is delivering and given the transformation of the business and prudent approach to risk we are well placed

- **Our differentiated business model is delivering**
  - Cost discipline and low risk business model continue to provide competitive advantage
  - Continued successful execution of strategy
  - Strong capital generation
- **Following the EU referendum the outlook for the UK economy is uncertain, however**
  - The UK enters this period of uncertainty from a position of strength
  - Transformation of our business and low risk model position us well

Helping Britain Prosper

- **Remain open for business and committed to supporting the UK economy**

Best bank for customers

- **Delivering the best customer experience**

Best bank for shareholders

- **Delivering superior and sustainable returns**
- **Interim dividend of 0.85p**

APPENDIX

MORTGAGE PORTFOLIO LTVS

Further improvement in LTVs

	Jun 2016				Dec 2015	Dec 2014	Dec 2010
	Mainstream	**Buy-to-let**	**Specialist**	**Total**	**Total**	**Total**	**Total[1]**
Average LTVs	41.0%	52.7%	49.2%	**43.2%**	**46.1%**	49.2%	55.6%
New business LTVs	64.8%	62.3%	N/A	**64.3%**	**64.7%**	64.8%	60.9%
≤ 80% LTV	90.9%	91.6%	85.0%	**90.7%**	**86.4%**	81.9%	57.0%
>80–90% LTV	6.8%	6.3%	8.5%	**6.8%**	**9.0%**	10.7%	16.2%
>90–100% LTV	1.6%	1.3%	2.8%	**1.6%**	**3.5%**	5.2%	13.6%
>100% LTV	0.7%	0.8%	3.7%	**0.9%**	**1.1%**	2.2%	13.2%
Value >100% LTV	£1.6bn	£0.4bn	£0.7bn	**£2.7bn**	**£3.4bn**	£6.7bn	£44.9bn

Indexed by value at 30 Jun 2016. Specialist lending is closed to new business. [1] Includes TSB.

AVERAGE INTEREST EARNING ASSETS

AIEAs broadly stable in first half of 2016, excluding run-off

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AIEAs & customer loans (£bn)

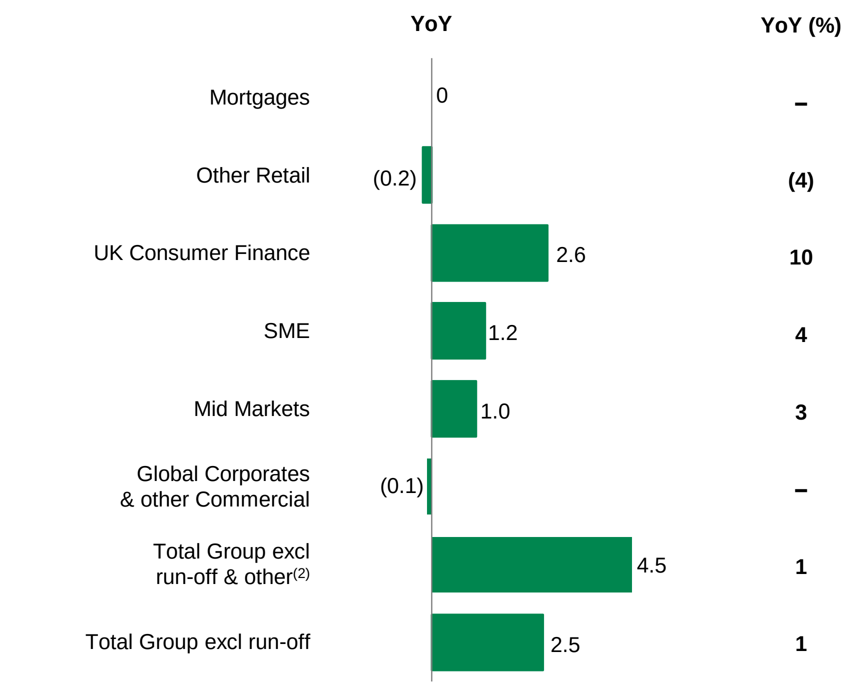
	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net loans and advances	**453.0**	**456.7**	455.2	455.0	452.3
Impairment provisions	**4.1**	**4.3**	4.4	4.9	7.0
Non banking items					
Fee based loans & advances	**(9.1)**	**(10.9)**	(10.1)	(8.0)	(7.2)
Sale of assets to Insurance	**(6.1)**	**(5.7)**	(5.7)	(5.3)	(5.2)
Other non-banking	**(4.9)**	**(5.3)**	(5.6)	(6.2)	(5.5)
Gross loans and advances (banking)	**437.0**	**439.1**	438.2	440.4	441.4
Averaging	**(1.4)**	**(0.9)**	1.0	(1.7)	1.8
AIEAs (banking)	**435.6**	**438.2**	439.2	438.7	443.2
AIEAs (banking YTD)	***436.9***	***438.2***	*441.9*	*442.8*	*444.8*

- **Reduction in AIEAs in recent years primarily driven by disposal of run-off assets**
- **AIEAs are gross of impairments**
- **AIEAs are customer and product balances in banking businesses on which interest is earned**
- **Non-banking items largely comprise**
  - Fee based loans & advances in Commercial Banking
  - Loans sold to the Insurance business to support the annuity business

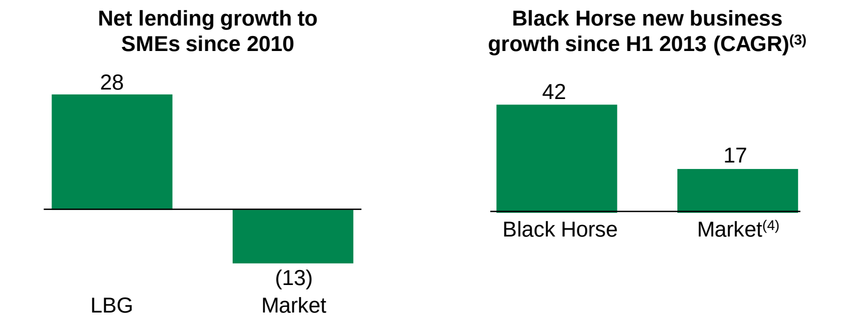
DELIVERING PRUDENT LOAN GROWTH

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

Net lending growth[1] (£bn)



Growth in targeted segments (%)



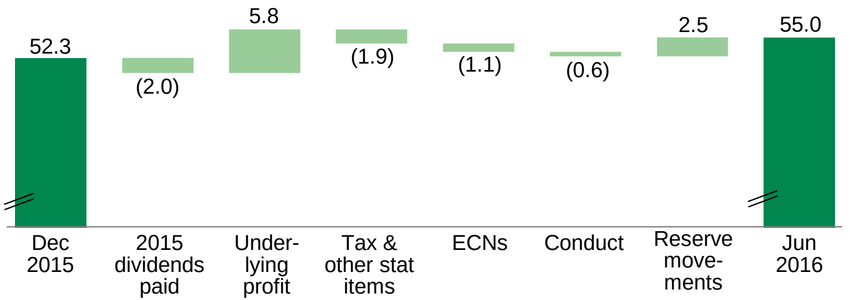
- **Continued focus on margin over volume in mortgages; retain support to first time buyers**
- **SME lending growth continues to outperform market**
- **Continued strong growth in UK Consumer Finance within prudent risk appetite**
- **Further success in bulk annuities market following entry to the market in 2015**

[1] Restated for organisational changes effective from 1 Jan 2016. [2] Other includes, specialist mortgage book, Intelligent Finance and Dutch mortgages. [3] Black Horse point of sale car finance growth versus market. [4] May 2013 – May YTD.

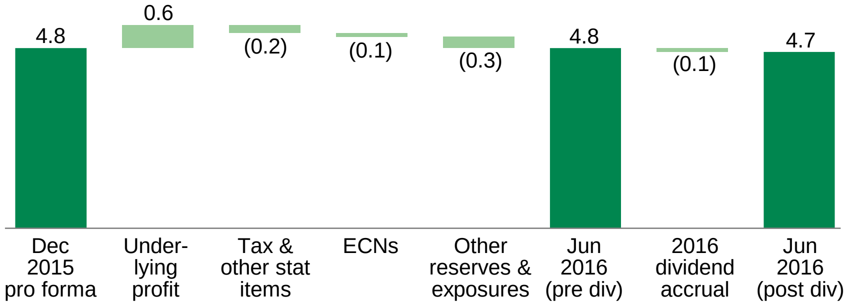
TANGIBLE NET ASSET VALUE AND LEVERAGE RATIO

Movement in TNAV per share reflects movements in underlying profit and reserves offset by conduct, the impact of ECNs, and dividend payments

Tangible net assets per share (p) – Dec to Jun



Leverage ratio (%)

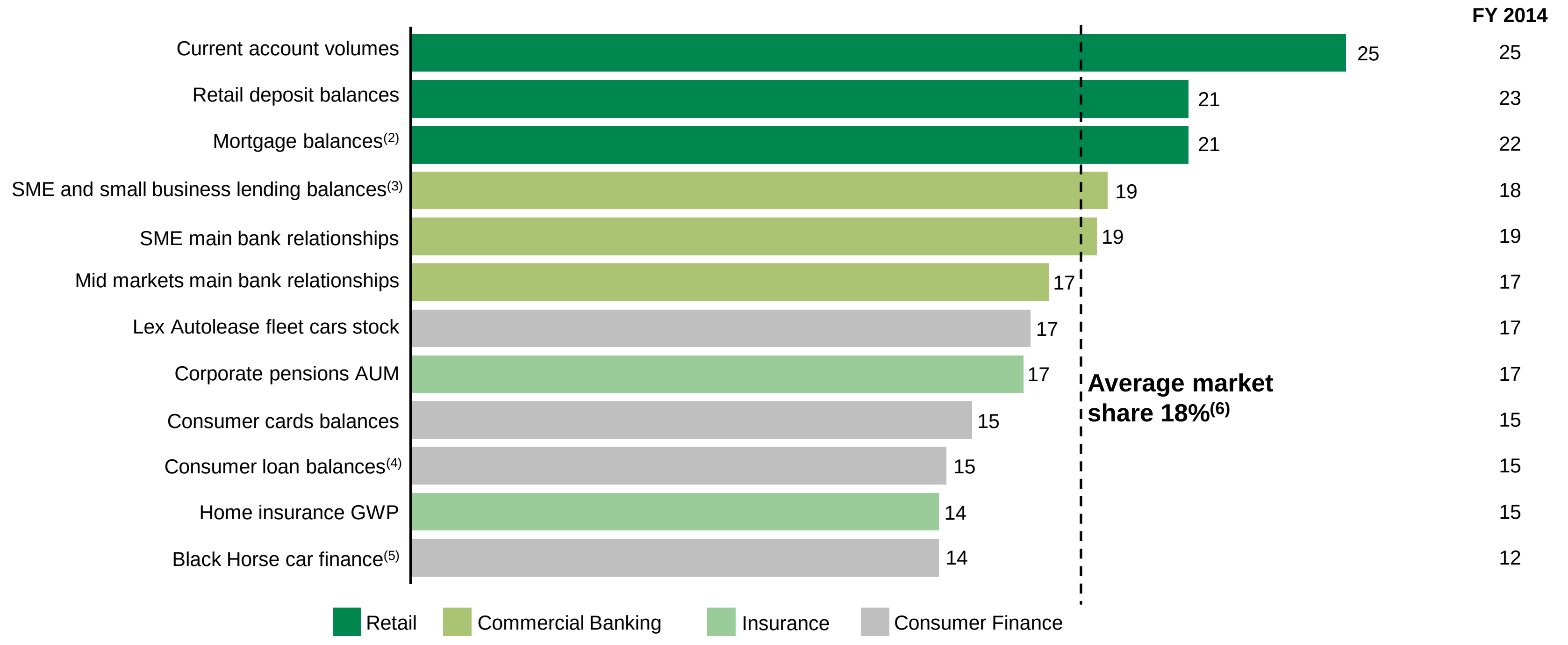


- **TNAV per share increased to 55.0p, reflecting**
  - Underlying profit
  - Positive reserve movements
  - Conduct charges
  - Impact of ECNs
  - Dividends
- **Dividends recognised on a paid basis**
  - Movement reflects payment of dividends announced at FY 2015
- **Leverage ratio flat at 4.8% pre dividend accrual, 4.7% post dividend accrual**

MARKET SHARE

Continue to deliver sustainable growth in targeted areas

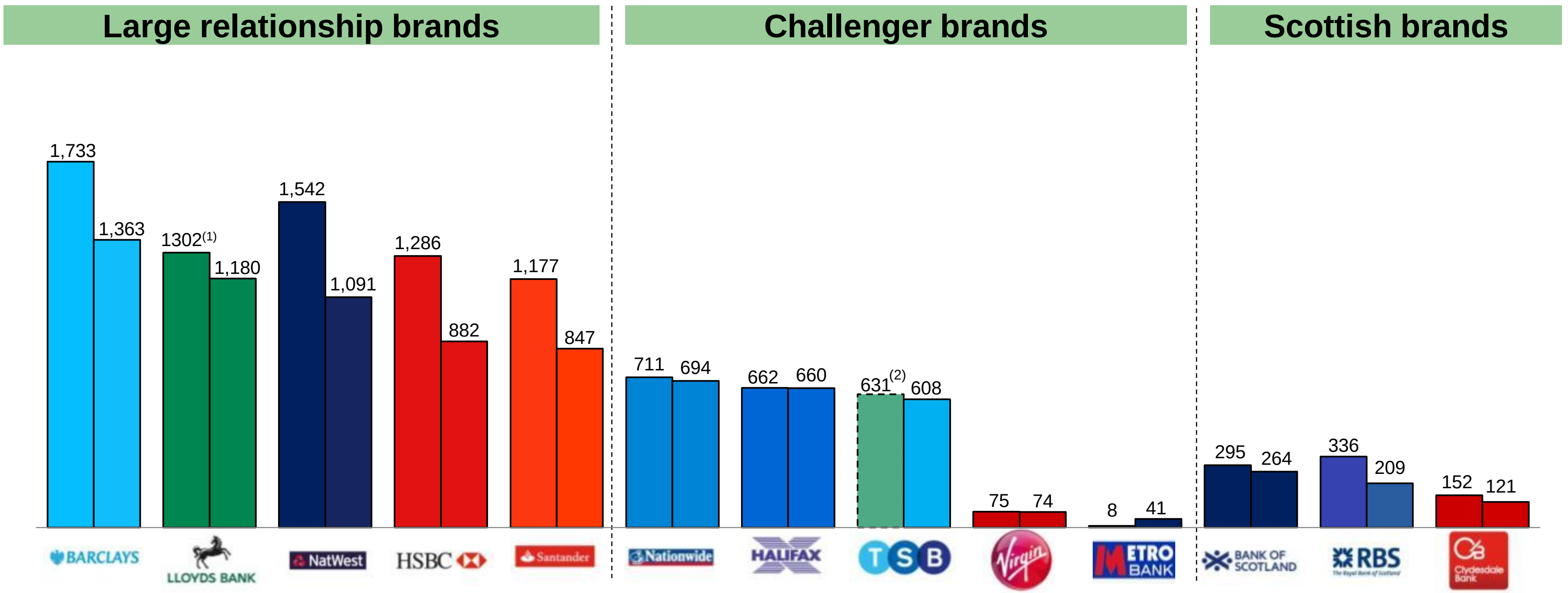
LBG market share[1] (%)



[1] Source: CACI, BoE, BVRLA, FLA, Experian, BBA, ABI. All positions at Q1 2016, except Lex Autolease and Corporate pensions both at FY15 due to market data availability. [2] Open book only. [3] BoE restated market size during Q1 2016. [4] Consumer loans comprises unsecured personal loans, overdrafts, and Black Horse retail lending balance share of BoE consumer lending. Internal update during Q1 2016 to exclude stocking balances from Black Horse retail lending. [5] Black Horse point of sale new business flow share. [6] Average market share calculated for 'core banking products'.

BRANCH PRESENCE

Multi-brand strategy serving different segments of the market



H1 2011 vs H1 2016 branch presence by brand. Source CACI (May 2016) Branch Base, except: Virgin, sourced company website, and Lloyds Banking Group own brand figures as at 27 Jul 2016 (Lloyds Bank, Halifax and BoS). (1) Does not include 631 divested TSB branches. (2) TSB did not exist in H1 2011, these 631 branches were part of Lloyds Banking Group.

FORWARD LOOKING STATEMENT AND BASIS OF PRESENTATION

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 (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; 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 exit by the UK from the European Union (EU) and the potential for one or more 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 cyber security; 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 an exit by the UK from the EU, 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; requirements or limitations 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. The information, statements and opinions contained in this document and subsequent discussion 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 2016 Half-Year Results News Release.