Q3 INTERIM MANAGEMENT STATEMENT

Presentation to Analysts and Investors

25 October 2017

HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2017

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

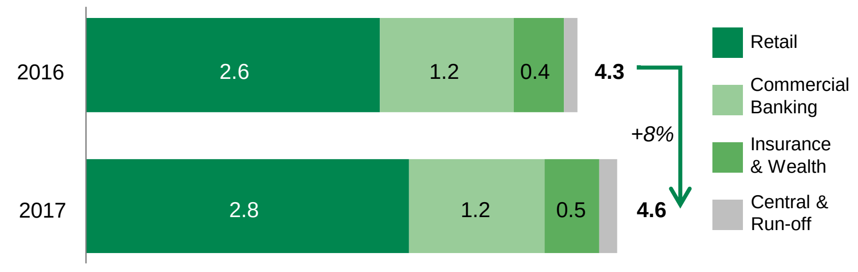
- **Strong financial performance with improved profit and returns on both underlying and statutory bases**
- **Strong third quarter with income up 8% driven by organic growth and MBNA**
- **Growth in targeted segments including the open mortgage book**
- **Improved capital generation and some upward pressure on capital requirements**
- **Guidance enhanced for 2017 net interest margin and capital generation**
- **UK economy remains resilient**
- **Differentiated UK focused business model continues to deliver; well positioned for future growth**

DELIVERING FOR CUSTOMERS AND SHAREHOLDERS

Significant strategic and financial progress in recent years

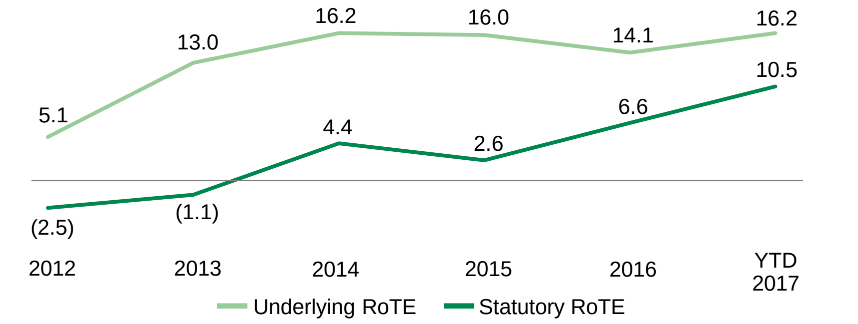
- **Creating the best customer experience**
  - UK's largest and top-ranked digital bank
  - 13.2m online customers, 9m active on mobile
- **Becoming simpler and more efficient**
  - Simplification on target to deliver £1.4bn run rate savings
  - Market-leading cost:income ratio further improved
- **Delivering sustainable growth; Q3 income up 8%**
  - Growth in targeted business segments
  - MBNA integration ahead of schedule; agreed to acquire Zurich's workplace pensions and savings business
- **Becoming the best bank for shareholders**
  - Strong ongoing capital generation
  - Strong returns with double-digit statutory RoTE and underlying RoTE above 2019 statutory target

Q3 income progression (£bn)



Restated for the new divisional structure.

Returns progression (%)



FINANCIAL PERFORMANCE

Strong underlying performance with continued improvement in profit and returns

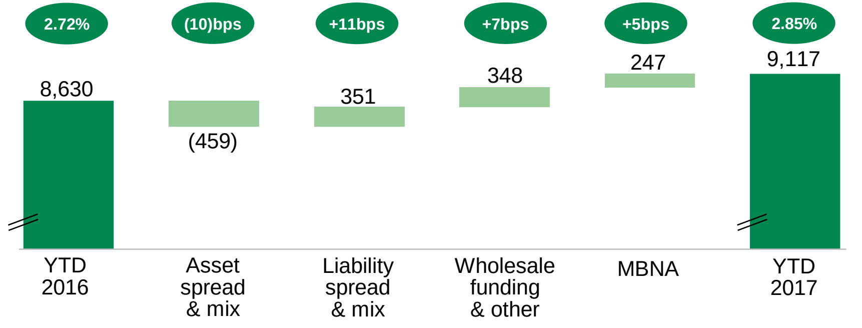
(£m)	YTD 2017	YTD 2016	Change
Net interest income	**9,117**	8,630	*6%*
Other income	**4,776**	4,520	*6%*
Total income	**13,893**	13,150	*6%*
Operating lease depreciation	**(769)**	(669)	*(15)%*
Net income	**13,124**	12,481	*5%*
Operating costs	**(6,019)**	(5,959)	*(1)%*
Impairment	**(538)**	(449)	*(20)%*
Underlying profit	**6,567**	6,073	*8%*
Net interest margin	**2.85%**	2.72%	*13bps*
Cost:income ratio	**45.9%**	47.7%	*(1.8)pp*
Asset quality ratio	**0.16%**	0.14%	*2bps*
Underlying RoTE	**16.2%**	14.8%	*1.4pp*

- **Strong Q3 performance, with NII up 12% and underlying profit up 9%**
- **YTD underlying profit of £6.6bn up 8%**
  - 6% improvement in NII reflecting an increased margin of 2.85%, in part due to the consolidation of MBNA
  - 6% improvement in other income at £4.8bn, including £146m gain on sale of VocaLink in Q2
  - Positive operating jaws of 4%, with the cost:income ratio improving to 45.9%
  - Credit quality remains strong; with a net AQR of 16bps and gross AQR stable at 26bps
- **Underlying return on tangible equity of 16.2%**

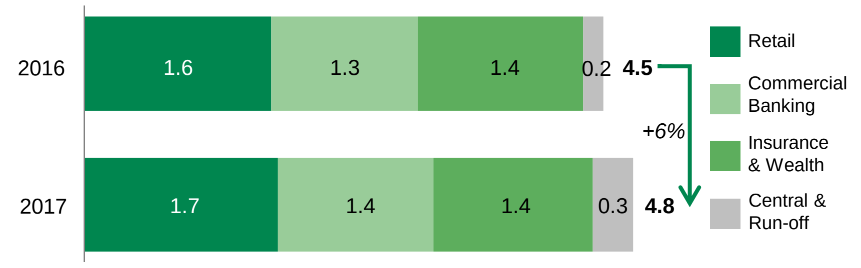
FINANCIAL PERFORMANCE

Total income up 6% with improvements in net interest income and other income

NII and NIM vs YTD 2016 (£m)

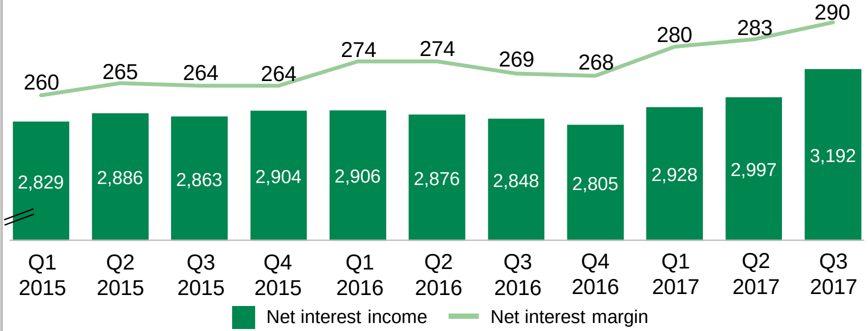


Other income YTD (£bn)



Restated for the new divisional structure.

Quarterly NII and NIM (£m, bps)

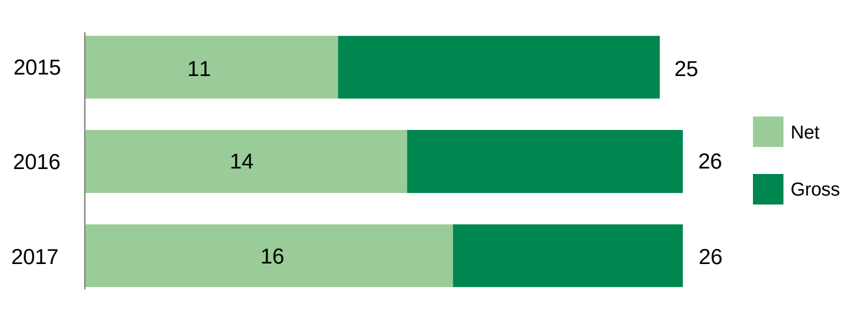


- **Improved NII of £9.1bn with 13bps increase in margin**
  - NIM: lower funding and deposit costs more than offset continued asset pressure; MBNA benefit of 5bps
  - Expect Q4 NIM to be the same level as Q3
- **Q3 other income of £1.4bn in line with Q3 2016**
  - £4.8bn year to date 6% higher than prior year due to VocaLink sale and improved divisional performance

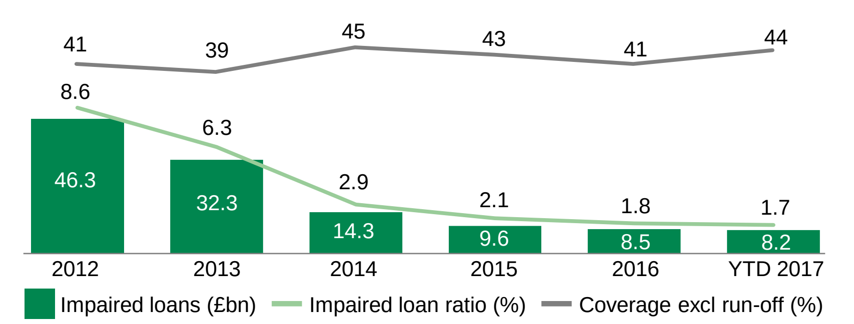
ASSET QUALITY

Asset quality remains strong reflecting Group's continued prudent approach to risk

Asset quality ratio YTD (bps)



Impaired loans



- **Gross AQR in line with previous years, despite single large corporate impairment in the third quarter**
- **Net AQR for the nine months increased to 16bps, reflecting expected lower releases and write-backs**
- **Continuing to benefit from Group's low risk approach**
  - Strong mortgage affordability and LTV profiles
  - Good quality commercial book with reduced RWAs following portfolio optimisation
- **Low risk approach to growth in consumer segments**
  - Conservative residual values with prudent provision
  - Prime UK credit card book with prudent EIR assumptions and conservative risk appetite
- **Impaired loan ratio lower at 1.7% and coverage 44%**
- **IFRS 9 day 1 capital impact currently expected to be 10 to 30bps, before transitional arrangements**

STATUTORY FINANCIAL PERFORMANCE

Significant improvement in statutory profit reflecting improvement in underlying profit and lower below the line charges

LLOYDS BANKING GROUP

(£m)	YTD 2017	YTD 2016
Underlying profit	**6,567**	6,073
Market volatility and other items	**(13)**	(808)
Restructuring costs	**(469)**	(390)
PPI	**(1,050)**	(1,000)
Other conduct	**(540)**	(610)
Statutory profit before tax	**4,495**	3,265
Taxation	**(1,386)**	(1,189)
Statutory profit after tax	**3,109**	2,076
Statutory RoTE	**10.5%**	7.6%

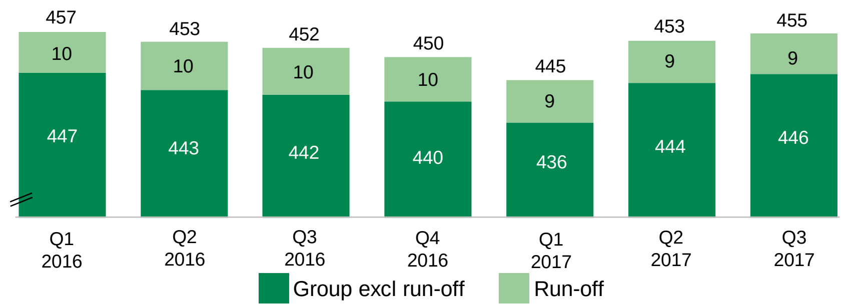
- **Statutory profit after tax of £3.1bn, up 50%**
  - Market volatility and other items in 2016 included the £790m charge for redemption of ECNs
  - Restructuring costs include Simplification, non-branch property rationalisation, ring-fencing spend and MBNA integration costs
  - No additional PPI or other conduct provisions in Q3 and outstanding PPI provision of £2.3bn
  - Effective tax rate 31% primarily due to conduct
- **Statutory return on tangible equity of 10.5% YTD and 15.3% in Q3**

BALANCE SHEET

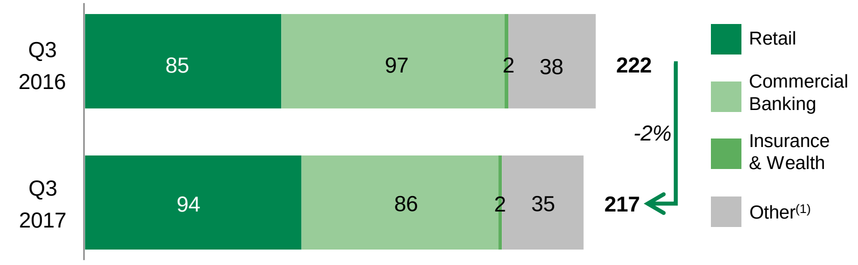
Customer balances now growing while continuing to optimise the portfolio

- **Loans and advances £455bn, up £5bn since year end**
  - Open mortgage book growth whilst still focusing on margin; book expected to end 2017 slightly above 2016
  - SME growth continues to outperform the market
  - Continued high-quality growth in underlying consumer finance portfolio
  - Consolidated the £7.9bn prime MBNA credit card book in Q2; book quality in line with expectations
- **RWAs include £7bn for MBNA from Q2 2017**
  - Improved capital returns and RWA efficiency through business mix optimisation
  - Continued de-risking of portfolio

Loans and advances (£bn)



Risk-weighted assets (£bn)



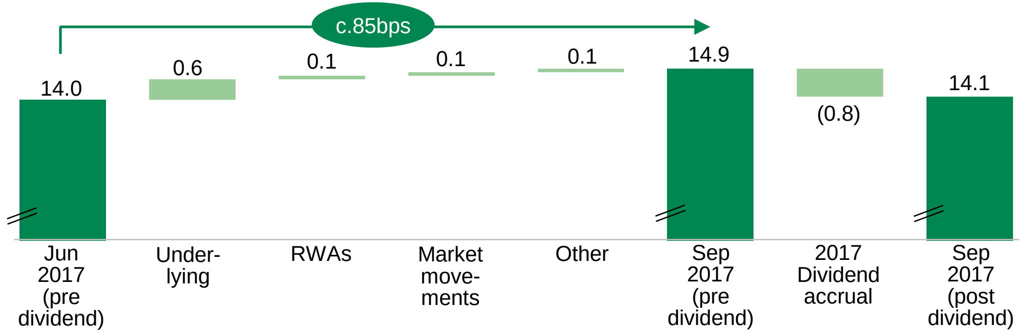
Restated for the new divisional structure.

(1) Other includes central, run-off and threshold RWAs.

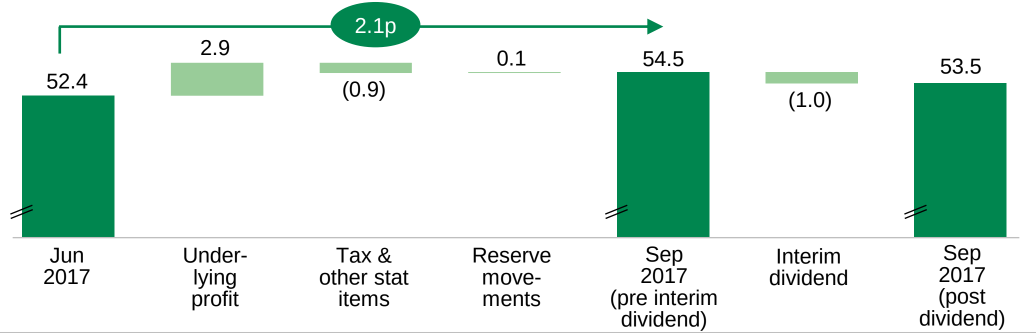
BALANCE SHEET

Capital generation very strong with 2017 guidance enhanced

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



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



- **Q3 CET1 capital generation of 85bps**
  - Strong underlying performance
  - CET1 ratio of 14.9%, pre dividend
- **Enhanced 2017 guidance of 225 to 240bps**
- **Increased Pillar 2A resulting in some upward pressure on capital requirements**
- **Total capital remains strong at 21.2%; UK leverage ratio of 5.4%**
- **TNAV increased 1.1p in Q3 to 53.5p**
  - Strong statutory financial performance after tax offset by the interim dividend

SUMMARY

Confidence in the Group's future prospects is reflected in our financial targets

- **Continued strong financial performance**
  - Cost discipline and low risk business model continue to provide competitive advantage
  - Strong profit, returns and capital generation
- **2017 guidance improved for capital and margin**
  - Net interest margin expected to be stable in Q4 and around 2.85% for the full year
  - Capital generation guidance enhanced to 225 to 240bps range
  - Continue to expect net AQR less than 20bps

- **Focused on delivering the final stages of our current strategic plan**
- **The Group is well positioned for the future**
  - Market-leading digital proposition
  - MBNA integration ahead of schedule
  - Announced the acquisition of Zurich's workplace pensions and savings business
  - Key organisational and senior management changes now implemented
- **Working on next phase of our strategy, to be announced with 2017 results in February**

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 and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, instability as a result of the exit by the UK from the European Union (EU) and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out in the Q3 2017 Interim Management Statement.