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.

AS AT 30 JUNE 2013	CRD IV Transitional Estimate £m	Movement from Transitional to Fully Loaded £m	CRD IV Fully Loaded Estimate £m	Note Reference
Common equity tier 1 (CET1) capital: instruments and reserves				
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
Common equity tier 1 (CET1) capital before regulatory adjustments	43,395	(31)	43,364	
Common equity tier 1 (CET1) capital: regulatory adjustments				
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	(112)	–	(112)	
of which: securitisation positions	(112)	–	(112)	Note 6

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
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)	
Regulatory adjustments applied to common equity tier 1 (CET1) in respect of amounts subject to pre-CRR treatment				
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	
Total regulatory adjustments applied to common equity tier 1 (CET1)	(2,891)	(11,856)	(14,747)	
COMMON EQUITY TIER 1 (CET1) CAPITAL	40,504	(11,887)	28,617	
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	4,512	(4,512)	–	
of which: classified as liabilities	4,512	(4,512)	–	
Additional tier 1 (AT1) capital before regulatory adjustments	4,512	(4,512)	–	Note 9
Additional tier 1 (AT1) capital: regulatory adjustments				
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)	–	
Total regulatory adjustments applied to additional tier 1 (AT1) capital	(4,512)	4,512	–	
Additional tier 1 (AT1) capital	–	–	–	
TIER 1 CAPITAL	40,504	(11,887)	28,617	

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
Tier 2 (T2) capital: Instruments and provisions				
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	
Tier 2 (T2) capital before regulatory adjustments	22,237	(3,061)	19,176	Note 11
Tier (T2) capital: regulatory adjustments				
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	–	
Total regulatory adjustments applied to tier 2 (T2) capital	(2,211)	989	(1,222)	
TIER 2 (T2) CAPITAL	20,026	(2,072)	17,954	
TOTAL CAPITAL	60,530	(13,959)	46,571	

Notes on Transitional Phasing

[1] 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.

[2] 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.

[3] 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.

[4] 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.

[5] 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.

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

[7] 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.

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

[9] 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.

[10] 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.

[11] 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.

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

[13] 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

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