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2014 HALF-YEAR RESULTS

Presentation to Analysts and Investors

31 July 2014

PROGRESS IN THE FIRST HALF OF 2014
António Horta-Osório, Group Chief Executive

FINANCIAL RESULTS
George Culmer, Chief Financial Officer

SUMMARY
António Horta-Osório, Group Chief Executive

HIGHLIGHTS FOR THE FIRST HALF OF 2014

Continued successful execution of our strategy

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- **Investment in customer-focused initiatives driving growth**
 - Lending growth in key customer segments and deposit growth in relationship brands
 - Launched Helping Britain Prosper plan
- **Simplification programme continuing to deliver substantial efficiency improvements**
 - Competitive strength from market leading cost:income ratio of 50.5%
- **Reshaping of Group and balance sheet strengthening substantially complete**
 - TSB IPO successfully completed; 38.5% sold
 - Run-off portfolio reduced to £25bn and international presence to 8 countries
 - CET1 ratio increased to 11.1% and leverage ratio of 4.5%
- **Underlying profit increased by 32% to £3.8bn, up 58% excluding St. James's Place (SJP)**
- **Statutory profit before tax of £0.9bn, after restructuring and legacy charges**

SUPPORTING AND BENEFITING FROM THE UK ECONOMIC RECOVERY

FINANCIAL PERFORMANCE

Profit and returns substantially improved and balance sheet further strengthened

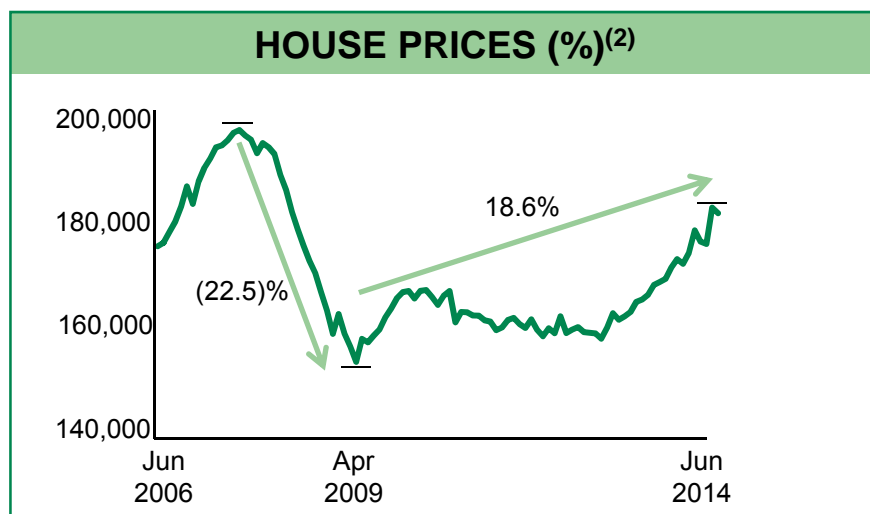
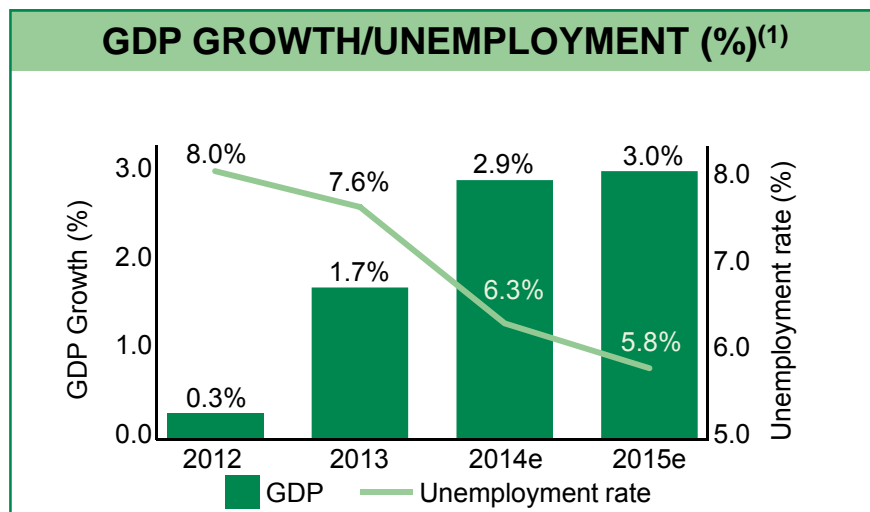
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INCOME (excl SJP)	£9.3bn +4% ↑	<ul style="list-style-type: none">▪ Income growth driven by 12% increase in net interest income<ul style="list-style-type: none">– Net interest margin of 2.40%, up 39bps– Loan growth in targeted segments▪ Underlying profit increased to £3.8bn<ul style="list-style-type: none">– Costs excluding FSCS timing down 6%– 58% reduction in impairment; AQR of 30bps▪ RoRWA improvement driven by underlying profit increase and lower RWAs
UNDERLYING PROFIT	£3.8bn +32% ↑	<ul style="list-style-type: none">▪ Loan to deposit ratio improved to 109%▪ Fully loaded CET1 ratio improvement led by underlying profit
RETURN ON RWAs	2.90% +95bps ↑	<ul style="list-style-type: none">▪ Fully loaded Basel III leverage ratio improvement driven by underlying profit and AT1 issuance
FL CET1 RATIO	11.1% +0.8pp ↑	
LEVERAGE RATIO	4.5% +0.7pp ↑	

UK ECONOMIC PERFORMANCE

Supporting and benefiting from strengthening UK economy

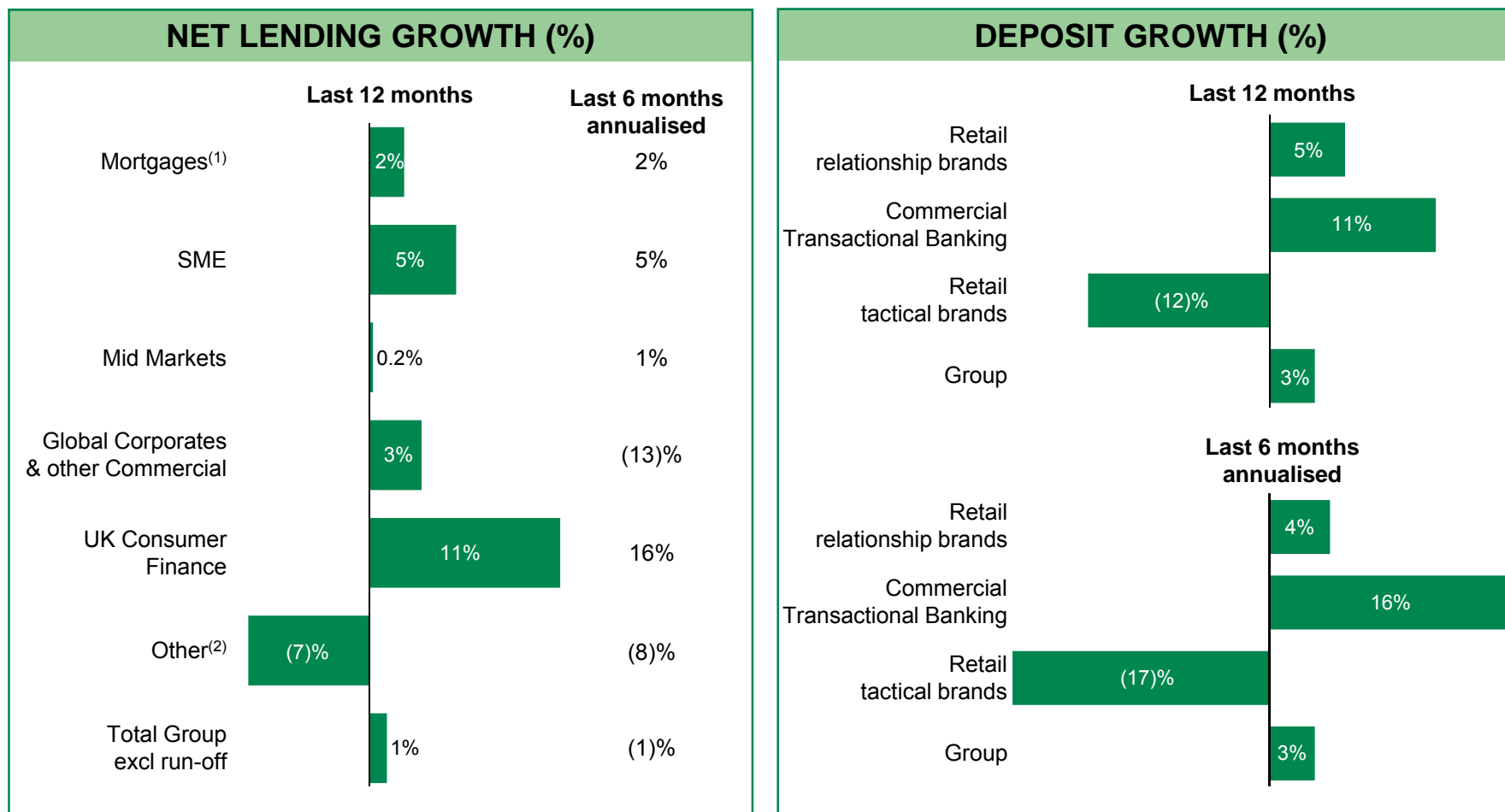


- **Stronger UK economic growth and falling unemployment**
 - Q2 GDP growth of 3.1% year-on-year
 - Unemployment of 6.5% in the 3 months to May
- **Consumer and business confidence continue to rise**
- **Recovery broadening to business investment**
 - Growth of 10.6% year-on-year in Q1
- **Housing market strengthening across the country with year-on-year price increases of 8.8%⁽³⁾**
- **Improving economy benefiting our markets**
 - Increasing lending volumes
 - Improving credit environment
 - Stronger business flows
 - Greater savings potential

⁽¹⁾ Source – 2012-2013: Actual; 2014e-2015e: LBG projections. ⁽²⁾ Source – Halifax Standardised Average House Price/BoE Seasonally Adjusted Mortgage Approval Data. ⁽³⁾ Source – Halifax HPI (June 2014).

SUPPORTING OUR CUSTOMERS AND THE UK ECONOMY

Continued loan growth in key customer segments and deposit growth in relationship brands



LOAN GROWTH SUPPORTING UK ECONOMIC RECOVERY

⁽¹⁾ Excludes specialist book, Intelligent Finance and TSB. ⁽²⁾ Other includes specialist book, Intelligent Finance, Dutch mortgages, TSB and other Retail lending.

INVESTING TO BE BEST BANK FOR CUSTOMERS

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RETAIL

- Strong financial performance; underlying profit up 32%
- Supported over 43,000 first time buyers and 52,000 new business start-ups
- Innovative product launches including Club Lloyds

COMMERCIAL BANKING

- RoRWAs increased to 1.96%; underlying profit up 35%
- Supporting the UK economy, over £6.5bn of FLS lending in the first half
- Helped clients access £3.9bn of non-bank lending

INSURANCE

- Resilient performance in challenging market conditions
- Leveraging Group synergies through operational and balance sheet efficiency
- Dividends of £0.7bn to Group; £2.9bn over the last 18 months

CONSUMER FINANCE

- Underlying profit increased 5%; 11% UK loan growth
- 5% increase in new credit cards; 11% increase in balance transfer volumes
- 17% growth in Lex deliveries; 70% increase in Black Horse new business

PROGRESS IN THE FIRST HALF OF 2014
António Horta-Osório, Group Chief Executive

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SUMMARY
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FINANCIAL PERFORMANCE

Substantial increase in underlying profit

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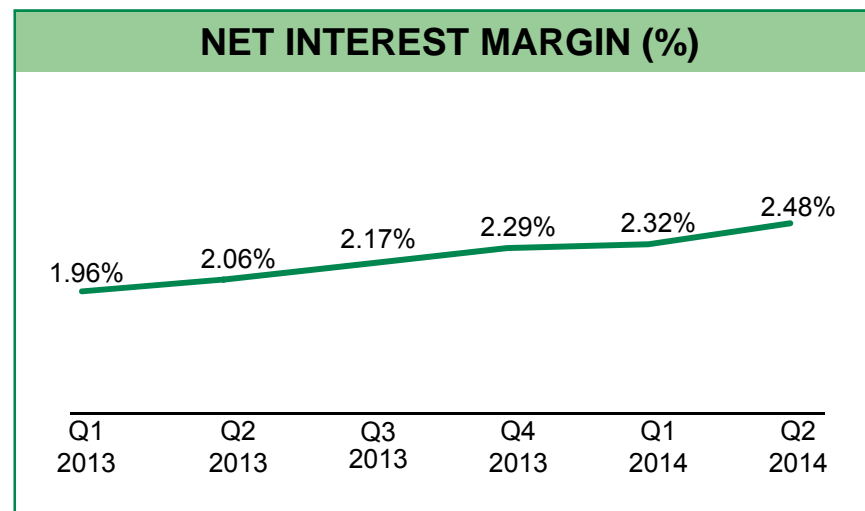
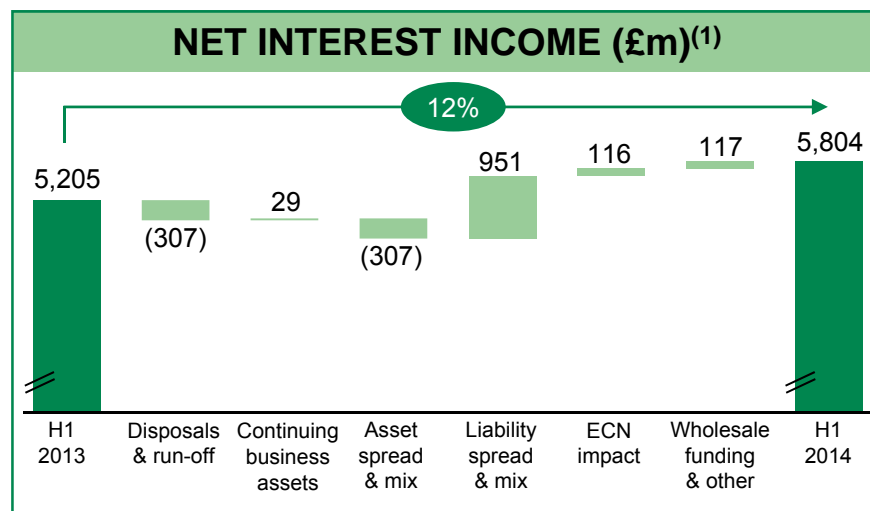


(£m)	H1 2014	H1 2013	Change
Net interest income	5,804	5,205	12%
Other income	3,448	3,729	(8)%
	9,252	8,934	4%
SJP	–	530	
Underlying income	9,252	9,464	(2)%
Costs	(4,675)	(4,749)	2%
Impairment	(758)	(1,813)	58%
Underlying profit	3,819	2,902	32%
Statutory profit before tax	863	2,134	(60)%
Statutory profit after tax	699	1,578	(56)%

- Total income excluding SJP up 4%
- Strong NII performance, up 12%, driven by higher margins
- Other income up 1% in second quarter
- Continued strong progress on costs
 - 6% reduction (excluding FSCS timing)
 - 8% underlying positive jaws, excluding SJP
- Impairment down 58%, AQR of 30bps
- Underlying profit up 32%; up 58% excluding SJP
- Statutory profit includes ECN exchange, legacy and Simplification costs

NET INTEREST INCOME

Strong net interest income performance driven by margin and loan growth in key segments



NET INTEREST INCOME (£m)

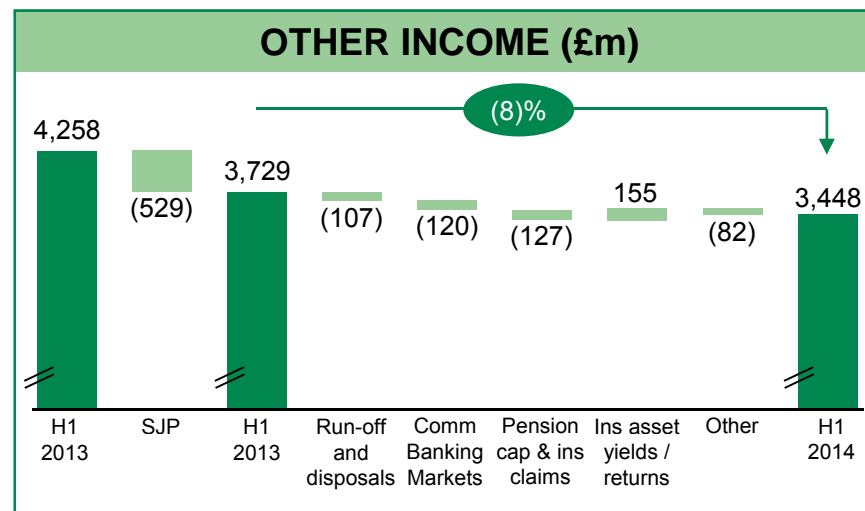
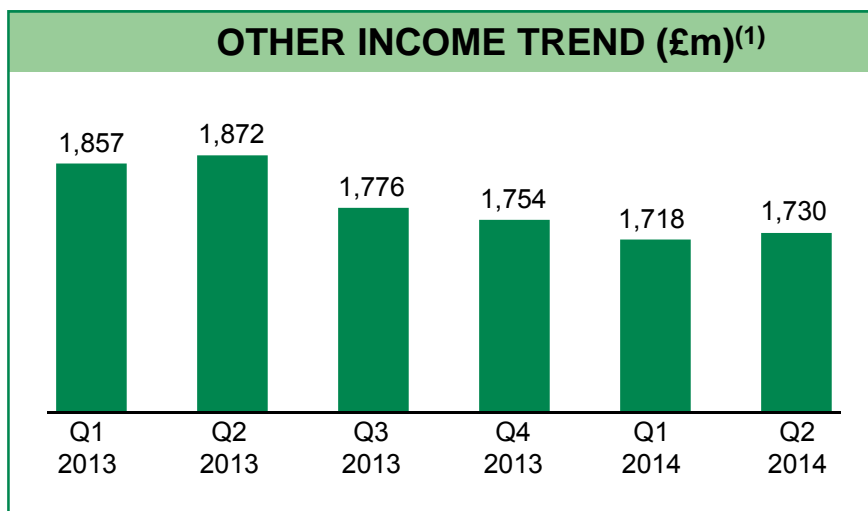
	H1 2014	H1 2013	Change
Retail	3,493	3,036	15%
Commercial Banking	1,234	1,009	22%
Insurance	(64)	(49)	(31)%
Consumer Finance	645	670	(4)%
Run-off ⁽¹⁾	(67)	127	-
TSB	400	305	31%
Other	163	107	52%
Group	5,804	5,205	12%

- Strong improvement in NII reflecting margin expansion and loan growth in key segments
- Margin increase in second quarter reflects impact of ECN exchange, increased deposit margins and lower funding costs
- Full year margin now likely to be around 2.45%

⁽¹⁾ Excludes £1m relating to SJP in 2013.

OTHER INCOME

Second quarter stable in a challenging environment



OTHER INCOME (£m)

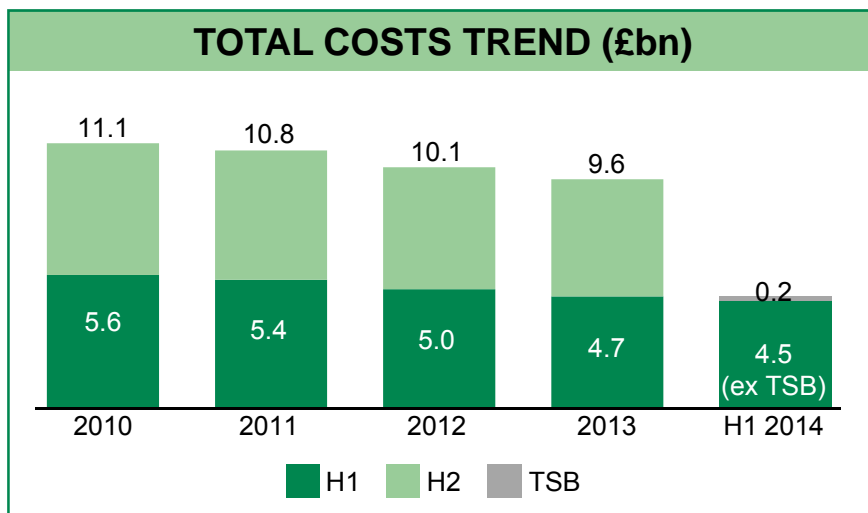
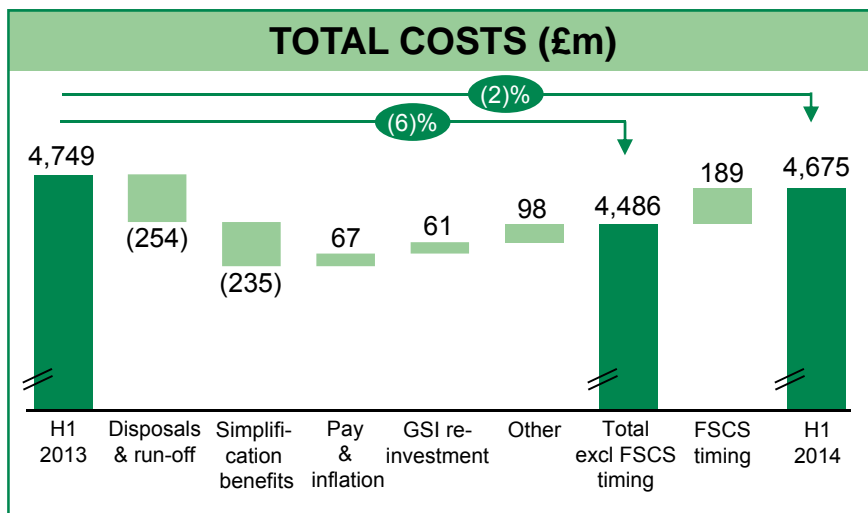
	H1 2014	H1 2013	Change
Retail	700	733	(5)%
Commercial Banking	984	1,154	(15)%
Insurance	854	945	(10)%
Consumer Finance	675	681	(1)%
Run-off	260	367	(29)%
TSB	72	88	(18)%
Other	(97)	(239)	59%
	3,448	3,729	(8)%
SJP	–	529	
Other Income	3,448	4,258	(19)%

- Other income up marginally in second quarter, primarily driven by lower claims
- Other income reduction on H1 2013 reflects disposals and challenging market conditions
- Expect quarterly other income in the second half to be close to the Q2 level

⁽¹⁾ Excluding SJP.

COSTS

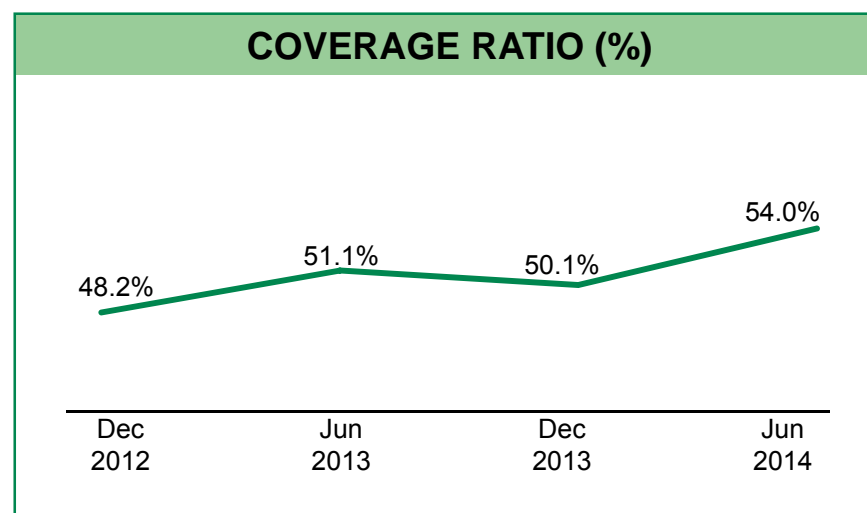
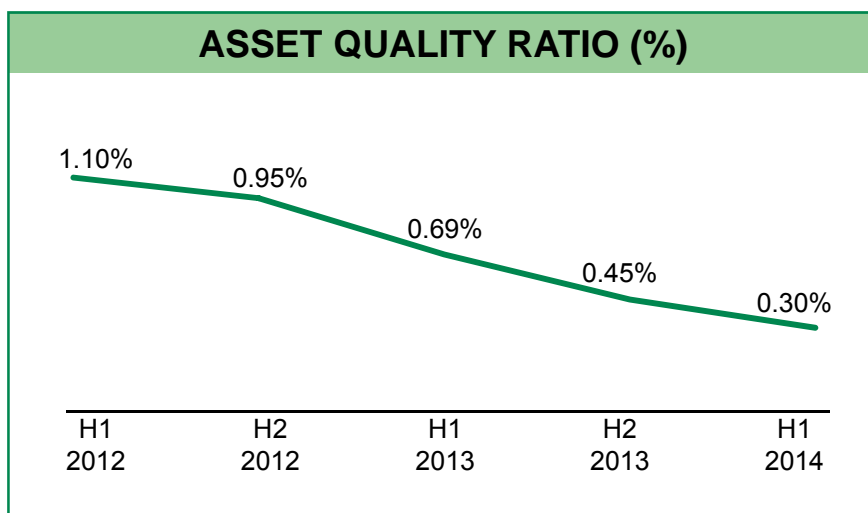
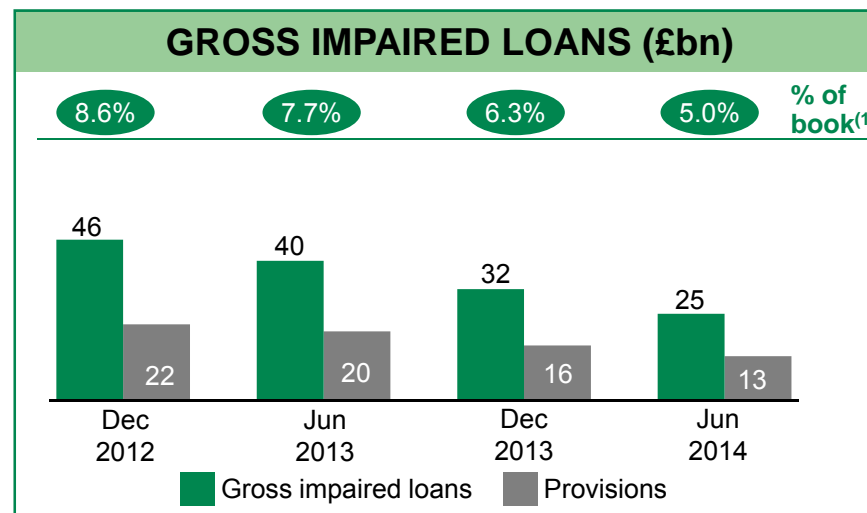
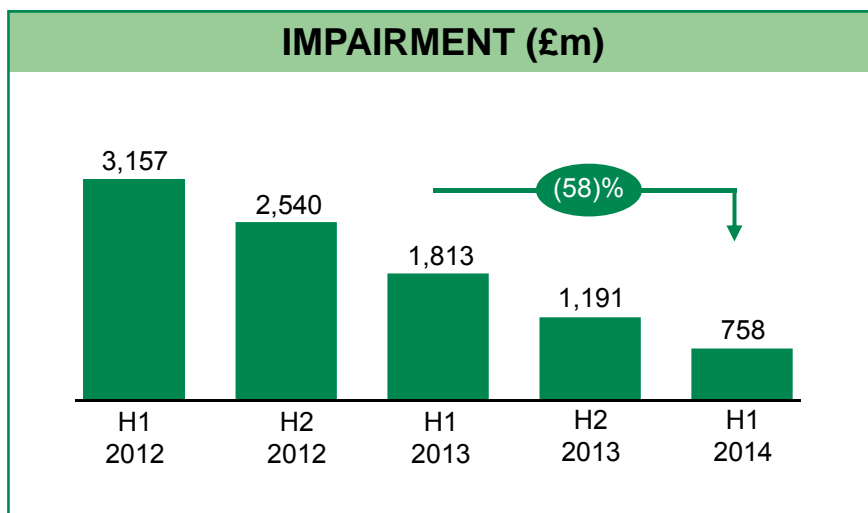
Further cost improvement from disposals, run-off and Simplification



- Continued reduction in underlying costs; down 6% excluding FSCS timing
- Simplification run-rate savings of £1.8bn
 - Expect to achieve exit run-rate savings of £2bn by end 2014
- Market leading cost:income ratio of 50.5%
- Total costs excluding TSB of £4.5bn in the first half of 2014
- Continue to expect full year 2014 costs of around £9bn (excluding TSB costs)

ASSET QUALITY

Further improvement reflecting a lower risk business; AQR guidance reduced to around 35bps for full year 2014



⁽¹⁾ Gross impaired loans as a percentage of total loans and advances to customers.

DIVISIONAL FINANCIAL PERFORMANCE

Substantial improvement in profitability and returns



(£m)	Underlying profit				RoRWA		
	H1 2014	H1 2013	Change		H1 2014	H1 2013	Change (bps)
Retail	1,710	1,300	32%	Retail	4.82%	3.21%	161
Commercial Banking	1,156	854	35%	Commercial Banking	1.96%	1.38%	58
Insurance	461	559	(18)%	Consumer Finance	5.20%	4.67%	53
Consumer Finance	534	509	5%				
Run-off	(300)	(737)	59%				
TSB and other	258	(69)					
Group excl SJP	3,819	2,416	58%				
SJP	–	486					
Group	3,819	2,902	32%				

- Strong underlying profit growth in Retail and Commercial Banking, driven by income growth and reduced impairments
- Insurance underlying profit impacted by regulatory change and weather related claims
- Improved run-off performance reflects lower impairment
- RoRWAs improving in all banking divisions due to underlying profits and reduced RWAs

FINANCIAL PERFORMANCE

Statutory profit of £863m after restructuring and legacy charges



(£m)	H1 2014	H1 2013
Underlying profit	3,819	2,902
Asset sales & volatile items	(857)	793
Simplification costs	(519)	(409)
TSB costs	(309)	(377)
Legacy	(1,100)	(575)
Other statutory items	(171)	(200)
Statutory profit before tax	863	2,134
Tax	(164)	(556)
Statutory profit after tax	699	1,578

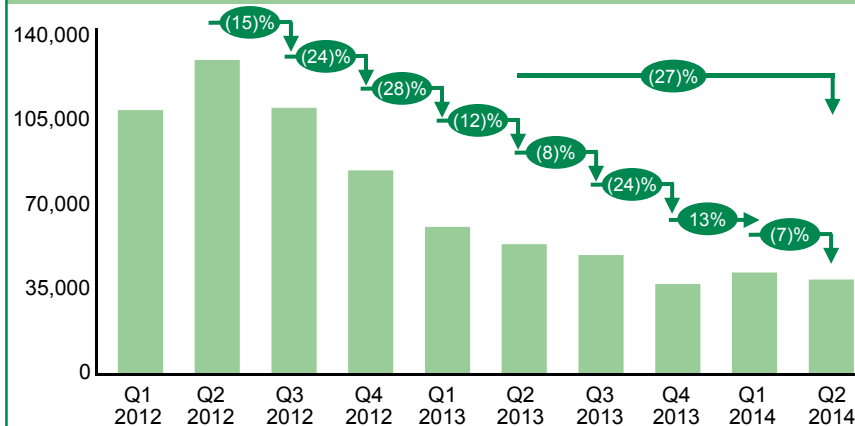
- Asset sales & volatile items includes loss on ECN exchange and pension credit; 2013 includes gain on sale of government bonds
- Simplification costs of £2.2bn to date; programme to finish by end 2014
- TSB build and dual running costs of £1.8bn to date
- Legacy predominantly reflects PPI, Retail conduct provisions and LIBOR / repo settlement
- Effective tax rate of 19% reflects tax-exempt gains on disposals in first quarter
- Expect full year statutory profit to be significantly ahead of the first half

LEGACY ISSUES

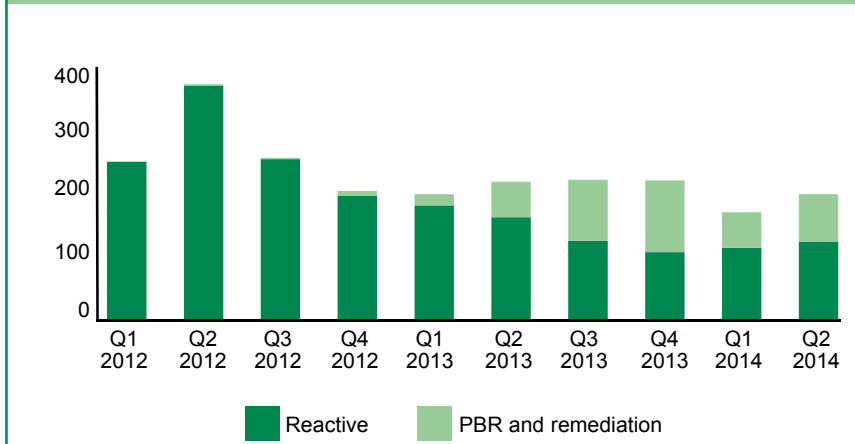
PPI provision increased by £600m



AVERAGE COMPLAINT VOLUMES PER MONTH⁽¹⁾



AVERAGE PPI COSTS PER MONTH (£m)



- Additional provision of £600m reflects higher than expected complaint volumes and related costs
- £2.3bn of provision remains unutilised
- Complaint volumes down 7% in the second quarter and down 27% vs. Q2 2013
- Proactive mailings substantially complete
- Current run-rate of cash spend of about £200m per month
- Spend expected to fall significantly on completion of PBR and remediation activity
- Risks and uncertainties remain

⁽¹⁾ Excludes complaints where no PPI policy is held.

FURTHER STRENGTHENING THE BALANCE SHEET

Strong balance sheet. Run-off reduction ahead of expectations: now expect run-off to be <£20bn by end of 2014



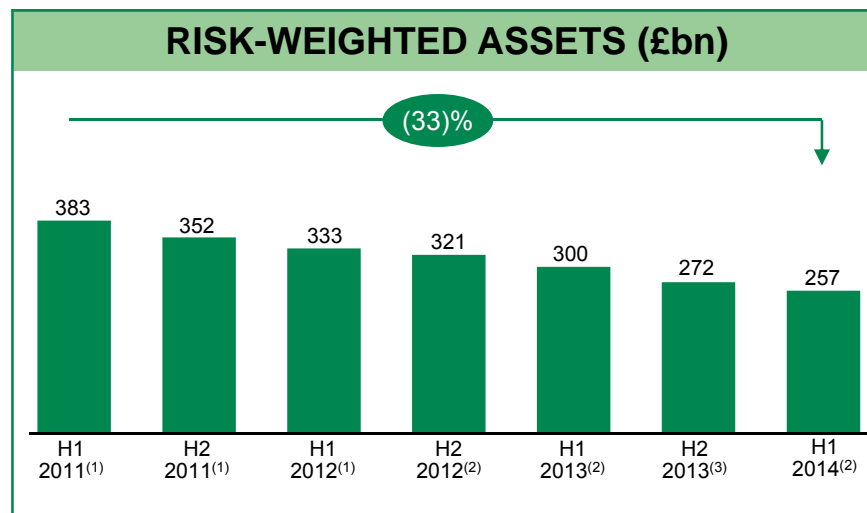
(£bn)	Jun 2014	Dec 2013	Change	(£bn)	H1 2014
ASSETS				SOURCE OF FUNDS	
Loans and advances ⁽¹⁾	466	468	–	Deposit growth ⁽¹⁾	7
<i>Global Corporates</i>	33	38	(12)%	Loans and advances ⁽¹⁾	2
<i>TSB</i>	23	24	(4)%	Run-off asset reduction	8
<i>Other loans and advances</i>	410	406	1%	Other movement	2
Run-off assets	25	33	(24)%		19
Primary liquid assets	89	88	1%	USE OF FUNDS	
				Primary liquid assets	1
LIABILITIES				Reduced wholesale funding	18
Customer deposits ⁽¹⁾	445	438	2%		19
<i>TSB</i>	24	23	3%		
<i>Other</i>	421	415	1%		
Wholesale funding	120	138	(13)%		
Equity ⁽²⁾	46	39	17%		

	Jun 2014	Dec 2013	Change
Loan to deposit ratio	109%	113%	(4)pp
Risk-weighted assets⁽³⁾	£257bn	£272bn	(6)%
TNAV per share	49.4p	48.5p	0.9p

⁽¹⁾ Excludes run-off, repos and reverse repos. ⁽²⁾ Includes AT1 of £5.3bn in June 2014. ⁽³⁾ Fully loaded, December 2013 on a pro forma basis.

FURTHER STRENGTHENING THE BALANCE SHEET

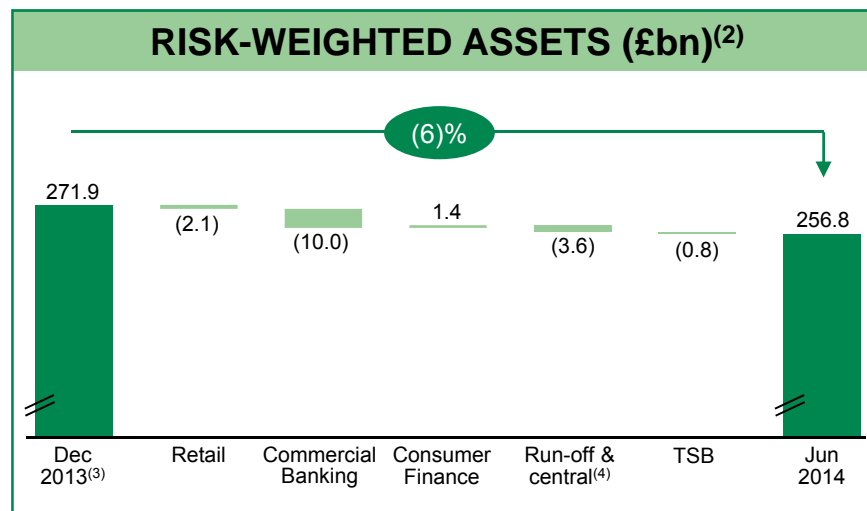
Implementation of low risk strategy reflected in substantial reduction in risk-weighted assets



- RWA reduction reflects balance sheet de-risking, non-core asset reductions and disposals

- Reduction in RWAs greater than that in loans and advances since H1 2011

- RWAs reduced by 33%
- Loans and advances reduced by 14%
- Total balance sheet reduced by 14%



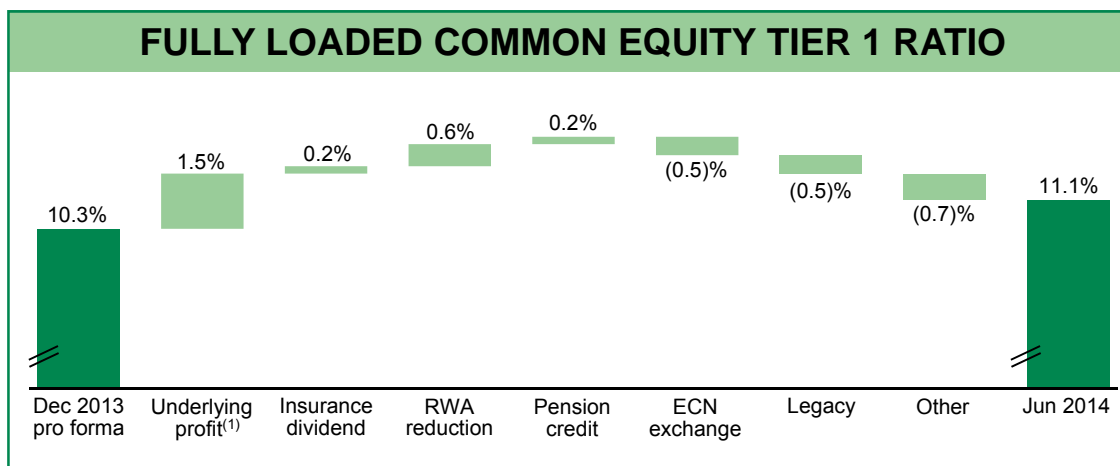
- Continued balance sheet de-risking in first half of 2014

- 6% reduction in RWAs
- 2% reduction in loans and advances

⁽¹⁾ Prevailing rules. ⁽²⁾ Fully loaded rules. ⁽³⁾ Fully loaded pro forma basis. ⁽⁴⁾ Includes threshold RWAs and pro forma adjustments.

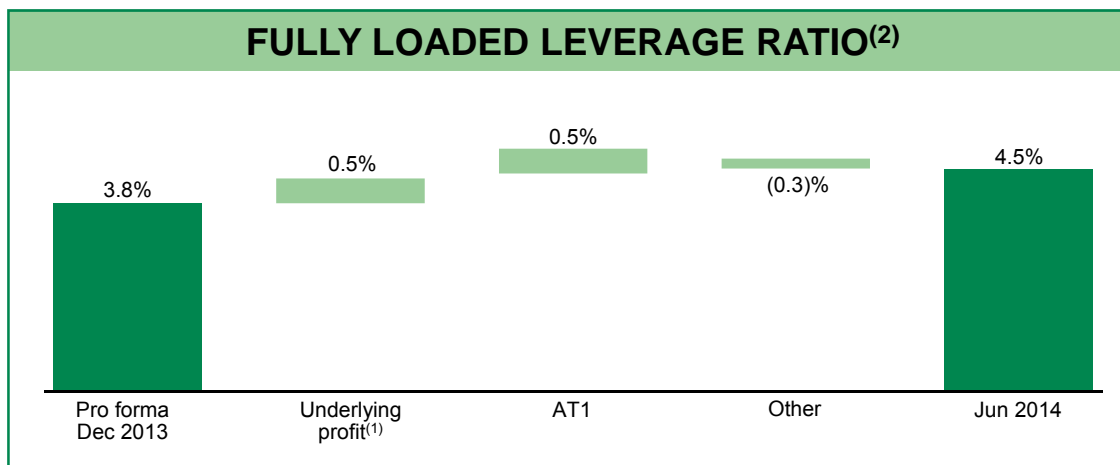
FURTHER STRENGTHENING THE BALANCE SHEET

Common equity tier 1 and leverage positions further strengthened



- **Stronger capital position principally driven by underlying profit**

- Insurance dividends paid to Group in first quarter
- ECN exchange effect partly offset by pension credit



- **Fully loaded CET1 ratio improved to 11.1%**

- **Leverage ratio substantially improved through profitability and AT1 issuance**

A STRONGLY CAPITAL GENERATIVE BUSINESS

⁽¹⁾ Excl profit in Insurance business. ⁽²⁾ Estimated in accordance with the revised Basel III leverage ratio framework issued in January 2014.



PROGRESS IN THE FIRST HALF OF 2014
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FINANCIAL RESULTS
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António Horta-Osório, Group Chief Executive

SUMMARY

Supporting and benefiting from the UK economic recovery

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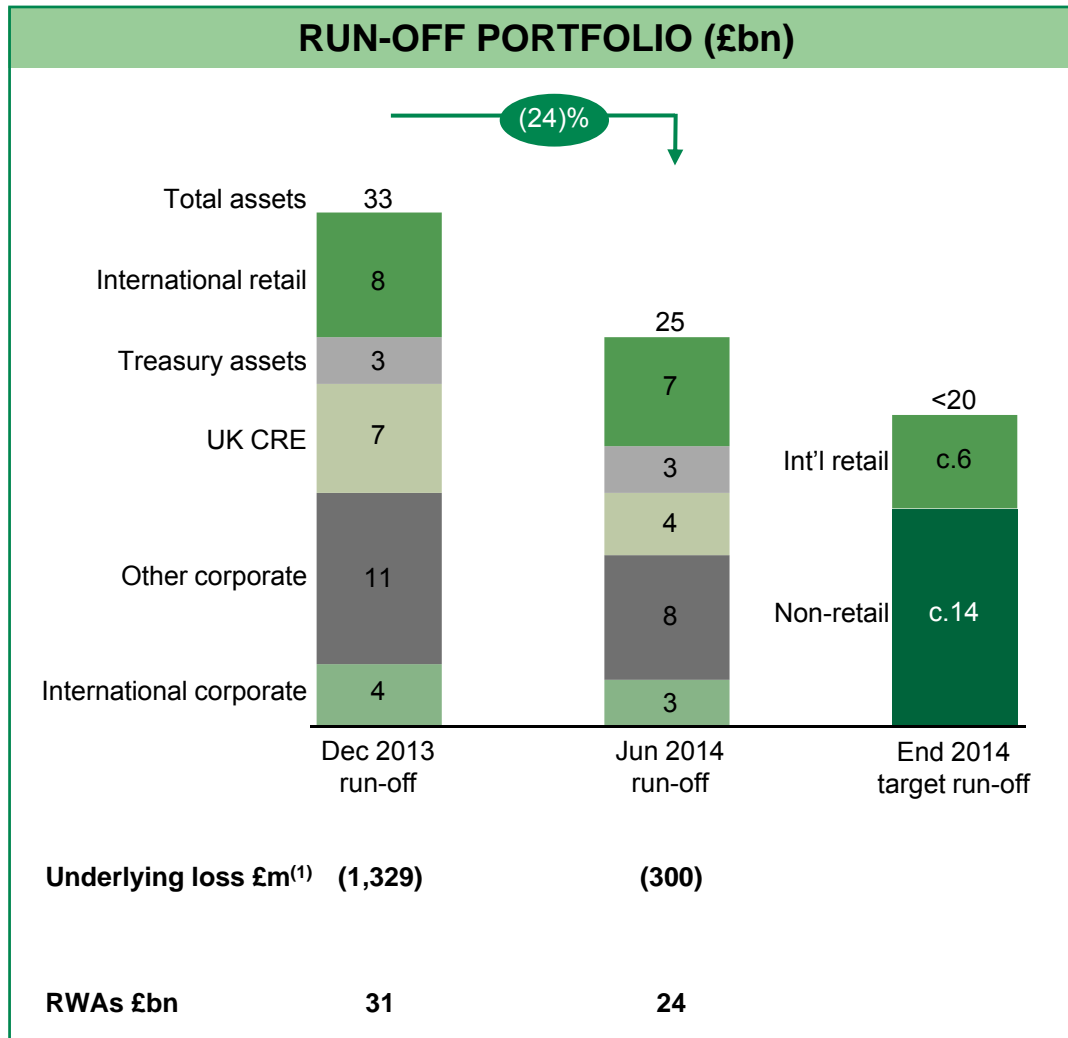
- **2011-2014 strategic plan now substantially delivered**
- **Continued successful execution of strategy**
 - Continued loan growth in key customer segments
 - 32% increase in underlying profit to £3.8bn; 58% increase excluding SJP
 - Substantial increase in returns, with RoRWA of 2.90%
- **Well positioned in evolving regulatory environment**
 - Further strengthening of capital position, with fully loaded CET1 ratio of 11.1%
 - Leverage ratio of 4.5%
- **UK government stake reduced to 24.9%**
- **Will apply to the PRA in the second half of 2014 to restart dividend payments**
- **Strategic update to be presented to the market in the Autumn**

CONFIDENT IN DELIVERY OF STRONG AND SUSTAINABLE RETURNS

APPENDIX

RUN-OFF PORTFOLIO

Reduction of £8bn in the first half of 2014

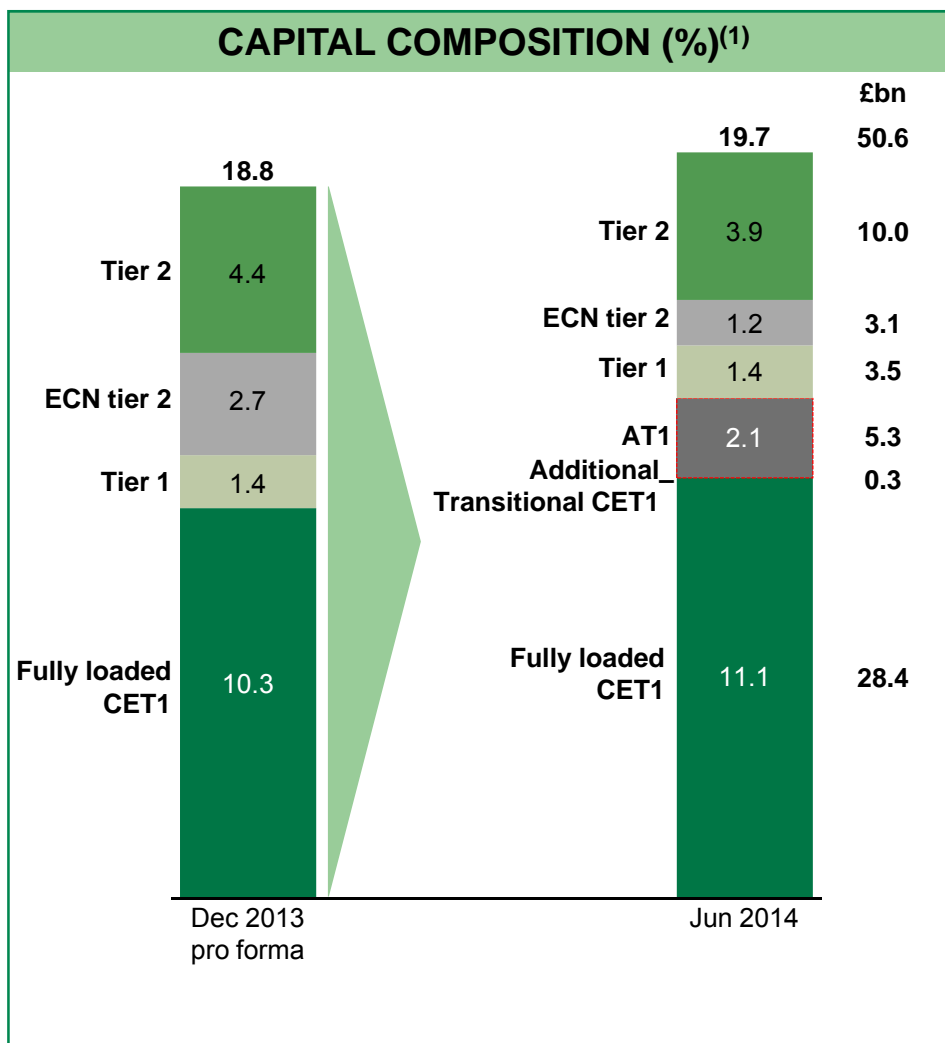


- Run-off assets reduced 24% to £25bn
- Underlying loss decreased to £300m
- Risk-weighted assets now £24bn
- Run-off assets now expected to be less than £20bn at the end of 2014

⁽¹⁾ Excludes SJP.

FURTHER STRENGTHENING THE BALANCE SHEET

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

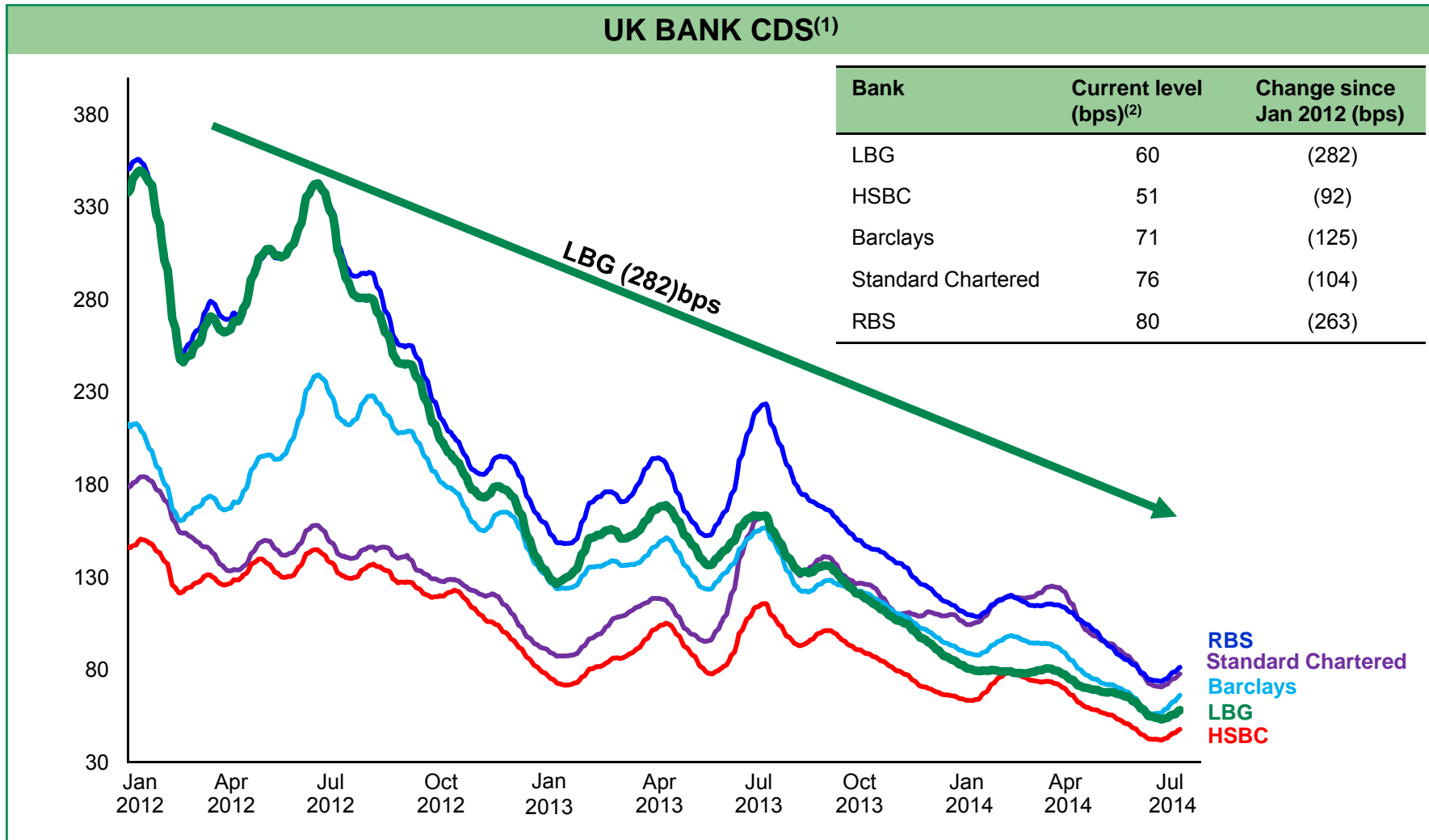


- Strong total capital ratio of 19.7%
- Substantially improved quality of capital with c.£5.3bn of new AT1 (2.1% of RWAs)
- Improved leverage and rating agency capital measures
- Continue to review capital base to meet regulatory requirements and optimise costs
- Will apply to the PRA in the second half to restart dividend payments

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

LOW RISK BUSINESS MODEL

Further recognition of balance sheet strength and de-risking



⁽¹⁾ Source: Bloomberg 5-year senior mid (4 week rolling average). ⁽²⁾ As at 25 July 2014.

MORTGAGE PORTFOLIO LTVs

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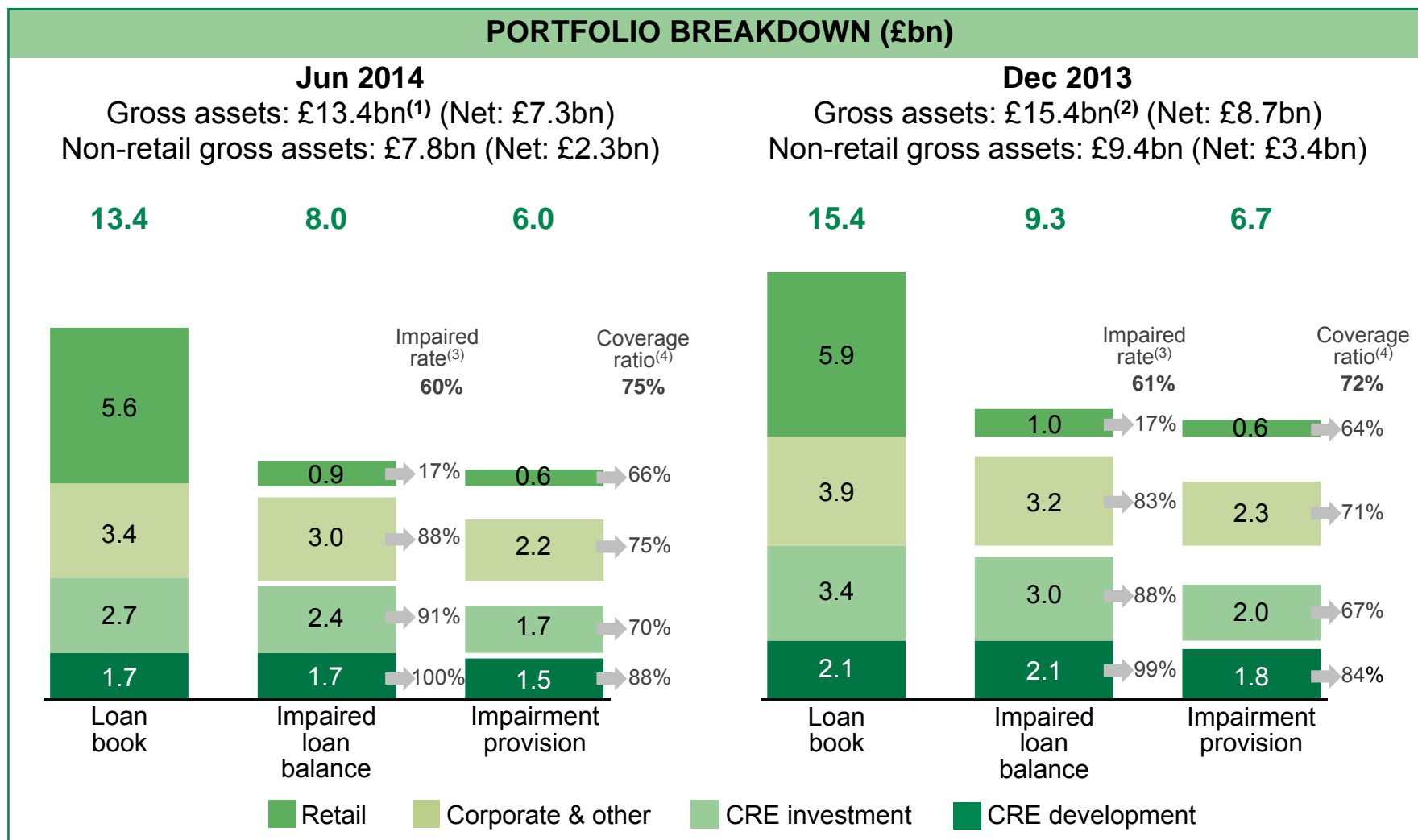


	Mainstream Jun 2014	Buy to let Jun 2014	Specialist Jun 2014	Total Jun 2014	Total Dec 2013	Total Dec 2012 ⁽¹⁾
Average LTVs	47.3%	63.4%	61.8%	50.4%	53.3%	56.4%
New business LTVs	64.5%	63.6%	n/a	64.3%	64.0%	62.6%
≤80% LTV	80.7%	76.7%	65.8%	79.0%	70.4%	59.6%
>80–90% LTV	11.9%	12.1%	17.2%	12.3%	15.6%	16.8%
>90–100% LTV	4.7%	8.6%	10.3%	5.8%	8.6%	11.9%
>100% LTV	2.7%	2.6%	6.7%	2.9%	5.4%	11.7%
Value >100% LTV	£6.1bn	£1.3bn	£1.5bn	£8.9bn	£16.2bn	£37.8bn

Indexed by value at 30 June 2014. Specialist lending is closed to new business. ⁽¹⁾ Includes TSB.

IRISH PORTFOLIO

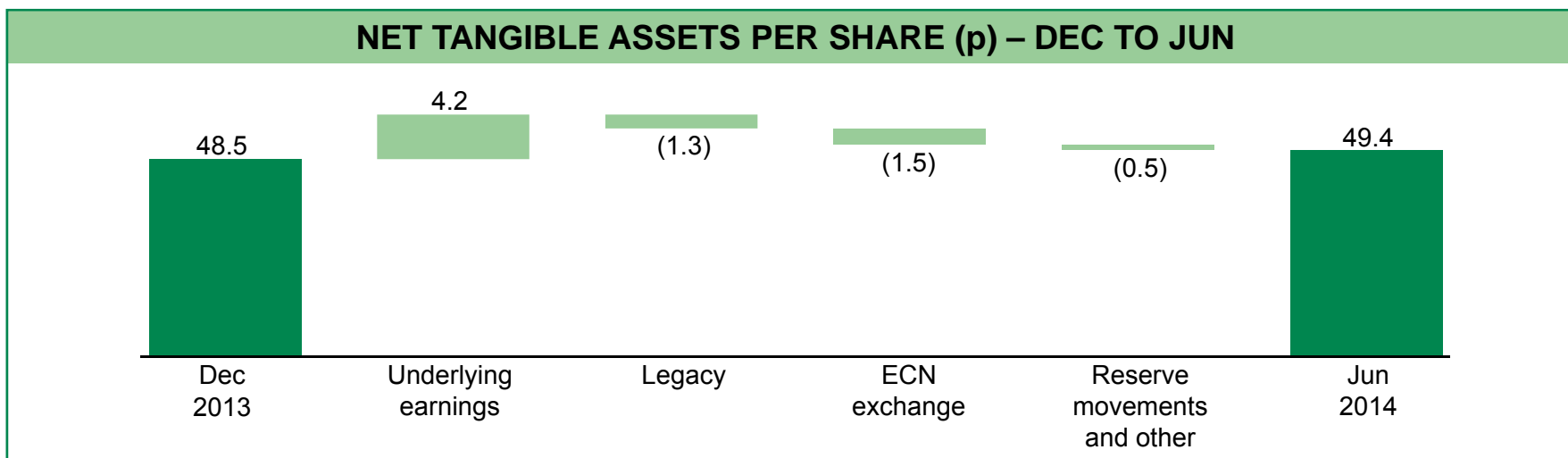
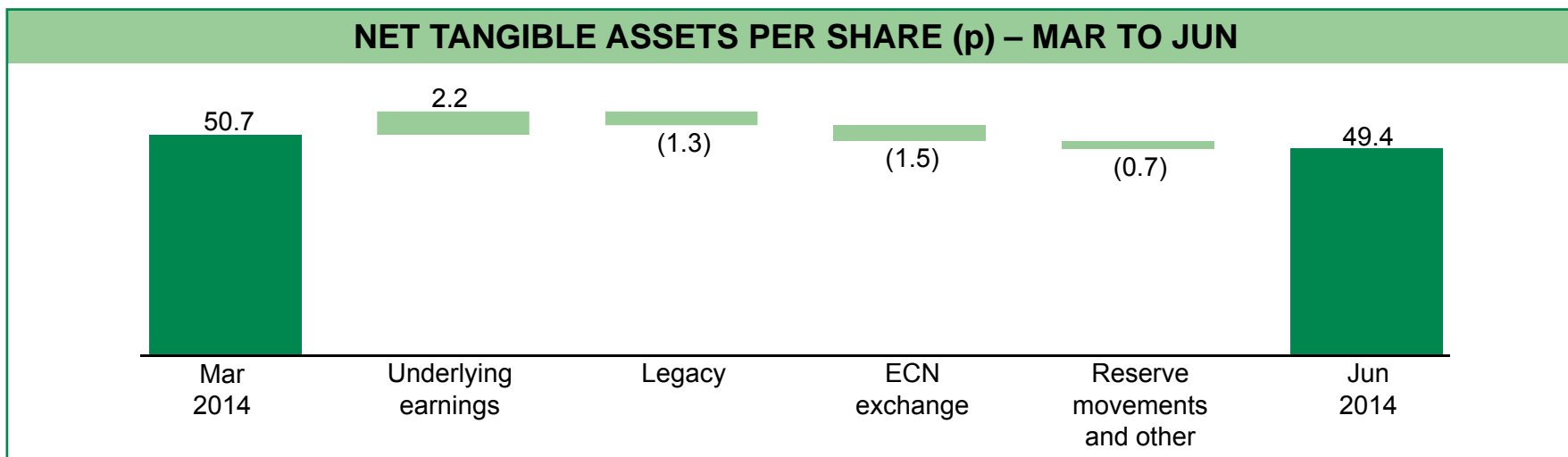
Robust coverage which minimises downside risks



⁽¹⁾€16.7bn in local currency. ⁽²⁾€18.5bn in local currency. ⁽³⁾ Impaired loan balance / gross drawn assets. ⁽⁴⁾ Impairment provision / impaired loan balance.
May not sum due to rounding.

NET TANGIBLE ASSETS

Reduction in last quarter primarily driven by legacy items and ECN exchange



FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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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, decisions 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 provision of a range of banking operations services to TSB; 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 2014 Half-Year Results which sets out the principles adopted in the preparation of the underlying basis of reporting.