

LLOYDS
BANKING
GROUP



SRI AND RESPONSIBLE BUSINESS UPDATE

Mike Butters, Director of Investor Relations

Damian Leeson, Director, Group Responsible Business

Adam Rainey, Area Director, SME Banking

16 June 2016



Strategy and recent performance	Mike Butters Director of Investor Relations
Responsible Business and Helping Britain Prosper	Damian Leeson Director, Group Responsible Business
SME Charter	Adam Rainey Area Director, SME Banking

A UK FOCUSED, MULTI BRANDED, RETAIL AND COMMERCIAL BANK, WITH MARKET LEADING DISTRIBUTION



Lloyds Bank



Bank of Scotland



Simple, UK focused retail and commercial bank

Multi-brand and multi-channel distribution

Halifax



Scottish Widows



Low risk and low cost business model provides competitive advantage

Creating sustainable value for shareholders and customers

Helping Britain prosper through our unique competitive position

WE ARE MAKING GOOD PROGRESS AGAINST OUR STRATEGIC PRIORITIES



Creating the best customer experience

- **Integrated multi-channel strategy**
- **Leading digital proposition with 12m active online users, including over 7m mobile users**
- **Customer processes enhanced**
- **Net Promoter Score up >50% in last 5 years**
- **Customer complaints remain significantly lower than peer average⁽¹⁾**

Becoming simpler and more efficient

- **Cost leadership with continued reductions in cost:income ratio**
- **Actively responding to lower rates: accelerated cost delivery and targeting further savings**
- **Ahead of target in delivery of £1bn Simplification savings; £0.5bn achieved to date⁽²⁾**
- **Increased automation of end-to-end customer journeys**
- **Investment spend in last 5 years doubled with >£1bn digital investment**

Delivering sustainable growth

- **Growth in targeted areas**
 - SME lending growth of 5% outperforming the market
 - Consumer Finance customer asset growth of £3.2bn
 - Execution of first external bulk annuity transaction
- **Maintain market leadership in key Retail business lines**
 - Largest lender to first-time buyers
- **Low risk profile maintained**

⁽¹⁾ FCA reportable complaints per 1,000 accounts, excluding PPI, comparison at H1 2015. ⁽²⁾ Annualised run-rate savings as at Q1 2016.

FINANCIAL PERFORMANCE – FIRST THREE MONTHS OF 2016

Robust financial performance in a challenging operating environment



Income	£4.4bn (1)%
Operating costs	£(2.0)bn 2%
Underlying profit	£2.1bn –
Underlying capital generation	c.60bps
CET1 ratio (pre dividend accrual)	13.0%
Total capital ratio	21.4%

- **Underlying profit stable at £2.1bn with an underlying return on required equity of 13.8%**
 - Income decreased 1%; 3% improvement in NII reflecting a margin of 2.74%, offset by a decline in other income
 - Operating costs down 2%; actively responding to market conditions through accelerated delivery of cost initiatives
 - Positive operating jaws of 1% achieved, with the cost:income ratio improving to 47.4%
 - Credit quality remains strong; 6% reduction in impairment charge, with an asset quality ratio of 14bps
- **CET1 ratio maintained at 13.0% pre-dividend. Strong underlying capital generation of c.60bps was largely offset by ECN redemption charge**
- **A strong total capital ratio of 21.4% positions the Group well for future regulatory requirements**



Strategy and recent performance

Mike Butters
Director of Investor Relations

**Responsible Business and Helping
Britain Prosper**

Damian Leeson
Director, Group Responsible Business

SME Charter

Adam Rainey
Area Director, SME Banking

HELPING BRITAIN PROSPER – A CLEAR AND DIFFERENTIATING PURPOSE

LLOYDS
BANKING
GROUP



- Core to our strategy and values
- Strong governance
- Our Foundations



 **BANK OF SCOTLAND**
Foundation

 **HALIFAX FOUNDATION**
for Northern Ireland

LLOYDS BANK FOUNDATION
England & Wales



LLOYDS BANK FOUNDATION
for the Channel Islands





Rebuilding trust in our business

We can only achieve sustainable growth if we continue to earn and retain the trust of our customers and other stakeholders.



Being a responsible business

We must run our business responsibly, complying with laws and regulations, and by managing risk carefully.



Improving customer experience

We want to be the best bank for customers, doing the right thing for them by providing products and services they can afford and trust.



Making our products and services clearer

We serve an increasingly diverse customer base of individuals and businesses. We need to serve them all equally well.



Explaining our wider economic contribution

We contribute to the UK economy through our products and services, and through our target to create more apprenticeship roles.

OUR HELPING BRITAIN PROSPER PLAN: TACKLING SOCIAL AND ECONOMIC ISSUES



Helping Britain Prosper Plan 2016

Simpler

Simpler and even more focused – on recognising and doing the things we do for Britain, even better.

More ambitious

Taking us beyond business as usual – demonstrating how we put Britain's prosperity first, by setting stretching and measurable targets.

Focused on outcomes

Measuring our progress based on the positive difference the Plan really makes for people, businesses and communities.

Focused on three themes

- People
- Business
- Communities





People



- Buying a first home
- Saving for the future
- Securing a job

Businesses



- Support to start up
- Funding to grow
- Building trade overseas

Communities



- Addressing inequality
- Supporting disadvantaged people
- Championing Britain's diversity

2015 PROSPER PLAN PERFORMANCE



Helping Britain Prosper Plan 2015

This is the second year we have tracked and reported performance against all our Prosper Plan metrics and targets.

		NUMBER OF METRICS	ACHIEVED	NOT ACHIEVED
1	We'll help more customers get on the housing ladder – and more customers climb up it	3	●	
2	We'll help our customers plan and save for later life	1		●
3	We'll take a lead in financial inclusion to enable all individuals to access and benefit from the products and services they need to make the most of their money	4	●	
4	We'll help UK business to start up, scale up, and trade internationally to support the long term strength of the UK economy	6	●	
5	We'll help businesses and individuals to succeed with expert mentoring and training	5	●	
6	We'll be the banking Group that brings communities closer together to help them thrive	4	●	
7	We'll better represent the diversity of our customer base and our communities at all levels of the Group	5	●	

CASE STUDY: INCENTIVISING CARBON EFFICIENCY

Lloyds Bank Commercial Banking Green Loan Fund

LLOYDS
BANKING
GROUP



Lloyds launches £1bn green fund for property owners
The Telegraph, 11 March 2016

Lloyds to offer £1bn in cut-rate loans for green buildings

FT, 11 March 2016

- UK first
- Incentivise adoption of energy efficiency measures
- Expected savings equivalent to 110,000 tonnes of carbon



Strategy and recent performance

Mike Butters
Director of Investor Relations

**Responsible Business and Helping
Britain Prosper**

Damian Leeson
Director, Group Responsible Business

SME Charter

Adam Rainey
Area Director, SME Banking



5%

YEAR-ON-YEAR NET
GROWTH IN LENDING
TO SMEs

£1.4bn

IN FUNDING SUPPORT
TO THE MANUFACTURING
SECTOR

103,000

START-UPS SUPPORTED

£11.3bn

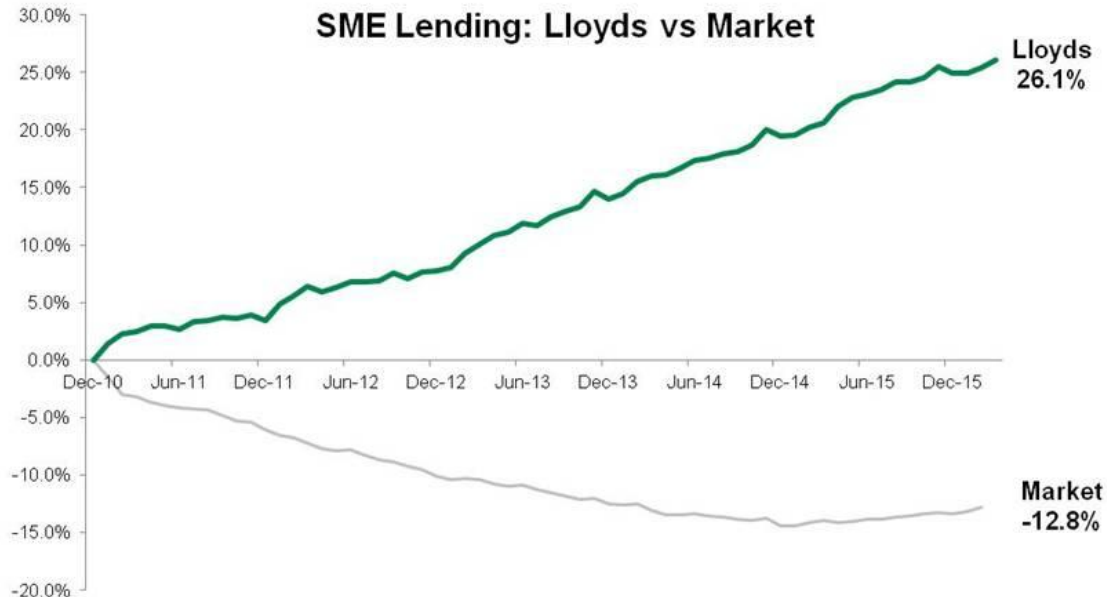
OF FINANCING FOR
UK INFRASTRUCTURE
PROJECTS

28,000

JOBS PROTECTED
THROUGH OUR BUSINESS
SUPPORT UNIT



- In the 12 months to March 2016 we increased net lending to SMEs by **£1.3bn**, or 5% year on year net growth
- Since the start of 2011, we have grown our lending to SMEs by 26% net, while the market has contracted by 13%
- Through our SME Charter, we have pledged to increase our lending to SMEs on a net basis by more than another **£1bn** during 2016, building on our six years of consistent lending growth during a time when industry lending has declined





Economic Advice

In 2015 we launched a new suite of economic and market insight reports designed specifically for the **small business audience**. Customers can sign up free of charge

We also make insight available through our **Business in Britain reports**. The latest (January 2016) shows that business confidence has fallen in recent months, but remains above the long term average

Mentoring

We have been leading the Business Finance Taskforce mentoring initiative and now have more than **450 mentors across the UK** – more than any other bank. We have helped to mentor over 1,000 businesses since 2011

Digital

We have recruited over **11,000 Digital Champions** against our 2017 target of 20,000 and we are working with the Government's Digital Economy Unit to improve digital skills for individuals and small businesses

We also work hard to support our clients with a programme of activities to build awareness and knowledge so they can take proactive steps to protect themselves against the threats of cyber crime and fraud





- In 2015 we opened the Lloyds Bank **Advanced Manufacturing Training Centre** in Coventry. The Bank is contributing an investment of **£5m over five years to help** address the skills gap in the sector and help improve UK productivity and competitiveness
- Lloyds Banking Group and the UK Government launched the **Housing Growth Partnership** in 2015, which will see small house builders benefit from a **£100m** equity fund. The partnership expects to make around 50 investments, which will deliver an additional 2,000 homes
- Hundreds of farmers have accessed our **£500m Farmers' Fund** which we set up to help them after the recent floods and delays to their EU subsidies



...AT HOME AND ABROAD...



80% FTSE 100

We bank over 80% of the FTSE 100, with offices across Europe, North America and Asia to help strengthen investment into the UK

Singapore

Our recently opened office in Singapore serves as a gateway for UK clients operating in the key trade hubs of Asia and Australia

UKTI

We are working closely with UKTI to support the UK's export ambitions. We provide insight and introductions for businesses looking at overseas markets

ESG Projects

We launched a second £250m bond in 2015 for Environmental, Social and Governance (ESG) projects, supporting 1,145 SMEs across 19 different sectors



...AND COMMITMENT FOR THE FUTURE



- Following the launch of the Group's **Helping Britain Prosper Plan** at the start of the year, in April 2016 we launched the [SME Charter](#)
- This Charter outlines 12 key pledges outlining our support for SMEs in exports, growth and innovation through our lending, mentoring and expertise
- This was followed up by the launch of the [Mid Markets Charter](#) in May, which outlines our commitments to support larger businesses

LLOYDS BANKING GROUP

HELPING BRITAIN PROSPER PLAN

2015/2016 update

COMMERCIAL BANKING

Our Signature Commitments

Mid Market Charter

The full range of pledges in the Lloyds Bank 2016 Mid Market Charter are as follows:

Building effective relationships	We will spend time getting to know your business, including offering to spend at least one full day a year with you and our team, listening and learning. We will build strong relationships with your company, and provide you with access to our leadership team.
Bring you expert advice	Our local relationship and specialist teams will proactively support your business' financial management needs by offering advice on your Working Capital, Risk Management, Debt Capacity and Liquidity Management.
Accessing our Group	We will proactively offer you access to all of our Group offerings to support your business and personal needs including Retail Banking, Scottish Widows, L&A Autolase, Black Horse Finance and L&A.
Local credit engagement	Our local credit teams are committed to delivering quick and well informed decisions. We will offer you the opportunity to meet with your dedicated Credit Analyst as part of our transparent and open process.
Investing in digital	We will continue to invest in our digital capability to help simplify your products and services.
Helping us protect your business	We will help you protect your business against fraud and cyber crime with a programme of activities to build awareness and offer practical advice on safeguarding assets.
Making switching easy	When you switch to us, we will agree with you at the outset how long the process will take and appoint a dedicated team with a named leader to handle the transition from the desired timeframe.
Raising productivity	We will introduce our manufacturing clients to the Manufacturing Technology Centre to see how they can benefit from a full day factory assessment and then work to identify opportunities for cost saving and improved productivity.
Helping British Prosper	Under Lloyds Banking Group's Helping Britain Prosper plan Mid Markets and SME Banking have committed to: 1. Increase the amount of new lending by £2 billion per year 2. Arrange and provide new funding support of £500 million for the Social Housing Sector 3. Provide £1 billion of new funding to UK manufacturers 4. Train 120 apprentices a year through our sponsorship of the Lloyds Bank Advanced Manufacturing Training Centre 5. Help 5,000 businesses (can be joining their products and services for the first time in 2016)

All lending's subject to status.

LLOYDS
BANKING
GROUP



QUESTIONS & ANSWERS



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 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 potential for one or more countries to exit the Eurozone or European Union (EU) (including the UK as a result of a referendum on its EU membership) 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 further Scottish devolution; 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 imposed 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 page 11 of the Q1 2016 Interim Management Statement.