MORGAN STANLEY FINANCIALS CONFERENCE

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21 March 2017

DELIVERING FOR OUR CUSTOMERS AND SHAREHOLDERS

Clear strategic focus and differentiated business model providing competitive advantage

Our business model

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

Our strategic priorities

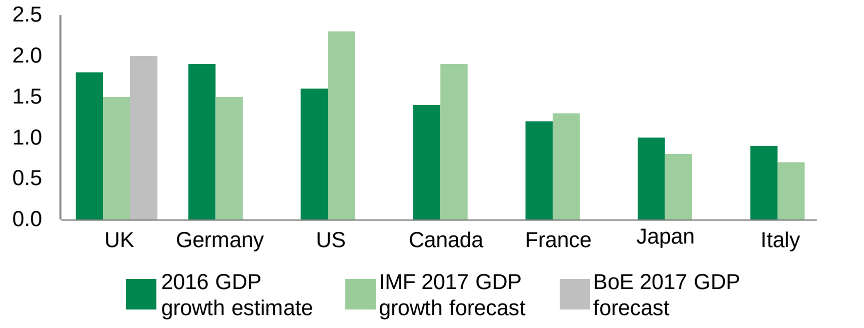
Creating the best customer experience	Becoming simpler and more efficient	Delivering sustainable growth

- **Clear strategy: UK retail and commercial focus**
- **Multi-brand, multi-channel distribution**
- **Simple, efficient business model with a market leading cost position**
- **Low risk, leading to lower cost of funds and equity**
- **Restructuring and transformation now complete**
- **Strong balance sheet and funding position**
- **Strong ongoing capital generation**

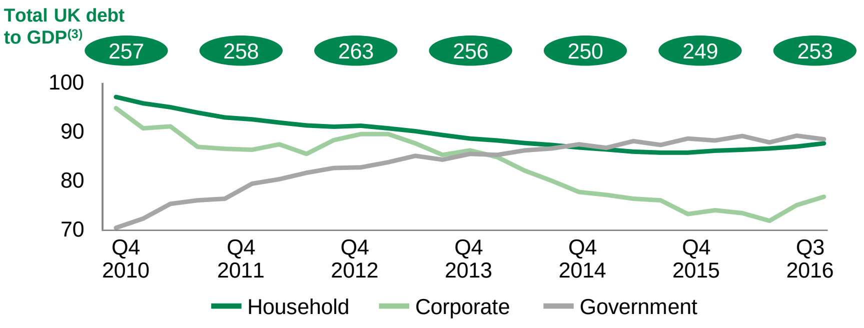
UK ECONOMY

Resilient UK economic performance; UK economy enters 2017 from a position of strength

Real GDP growth[1] (%)



Debt to GDP (%)



Unemployment rate[2] (%)

- **2016 UK GDP growth has outperformed most other major developed economies**
- **GDP forecast to continue its strong growth in 2017**
- **Unemployment of 4.7% at its lowest for over 10 years**
- **Inflation has been low, but is expected to rise in 2017**
- **UK households and corporates have de-levered**

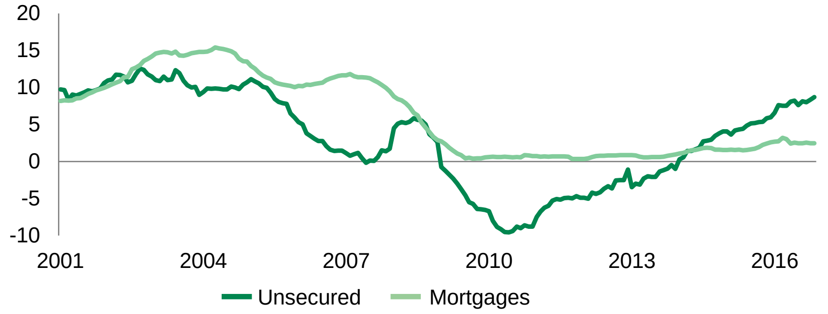
[1] Source: 2016 growth estimates from national statistical offices and IMF January World Economic Outlook update. 2017 growth forecasts from the MPC's February Inflation Report and IMF January World Economic Outlook. [2] Source: ONS. [3] Total debt consists of government, household and non-financial corporate debt. Source: Bank for International Settlements.

UK ECONOMY

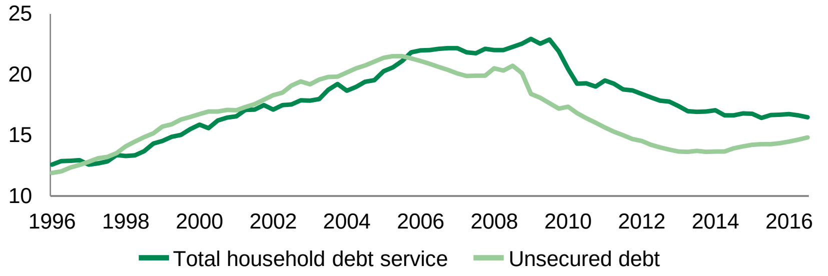
UK unsecured lending has grown but affordability remains good and the recent consumer debt-to-income increase has been driven by student loans

Unsecured lending (%)

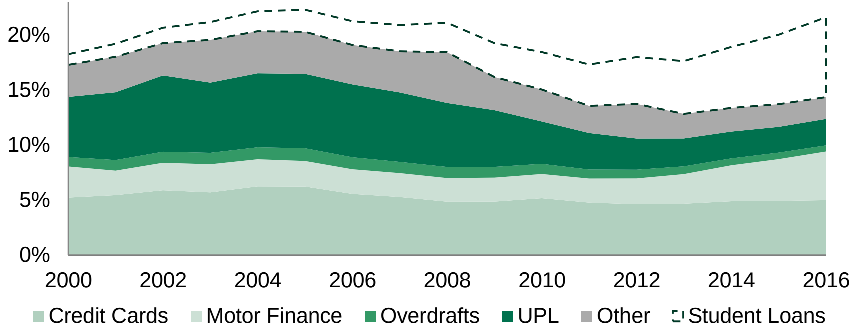
Underlying annual growth in UK lending balances[1]



UK unsecured debt[2] and households' total debt service[3] as proportion of household disposable income



Consumer debt-to-income by product[4] (%)



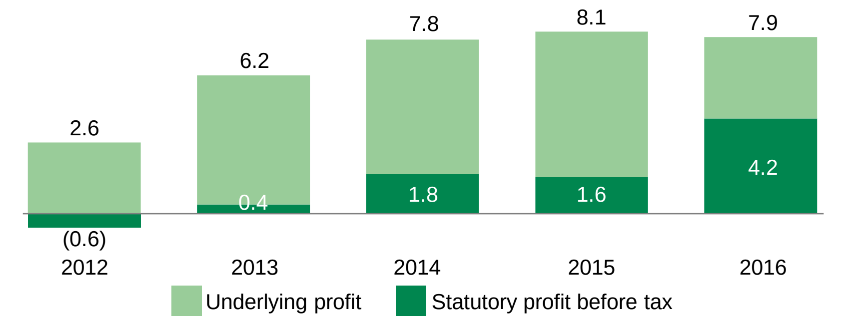
- **Unsecured lending has grown in recent years following a period of contraction post crisis**
- **Consumer debt-to-income increase since 2010 has been driven by student loans; excluding this it is lower than prior to the financial crisis**
- **Mortgage market balance growth remains low at c.2.5%**
- **Total household debt service to disposable income has fallen to its lowest in 15 years**

(1) Source: Debt data from Bank of England and adjusted by LBG for reclassifications. (2) Source: Debt data from Bank of England and adjusted for reclassifications; income data from ONS. (3) Source: Debt service data calculated from BoE data; income data from ONS. (4) Total debt consists of government, household and non-financial corporate debt. Source: BIS. (4) Estimated DTI Ratio = BOE Consumer Credit divided by average annual earnings. Source: Total Consumer Credit = BOE (Student Loans = SLC, UPLs = BBA, Overdrafts = BBA, Motor Finance = FLA, Credit Cards = BOE, Other = remaining BOE Consumer Credit balances).

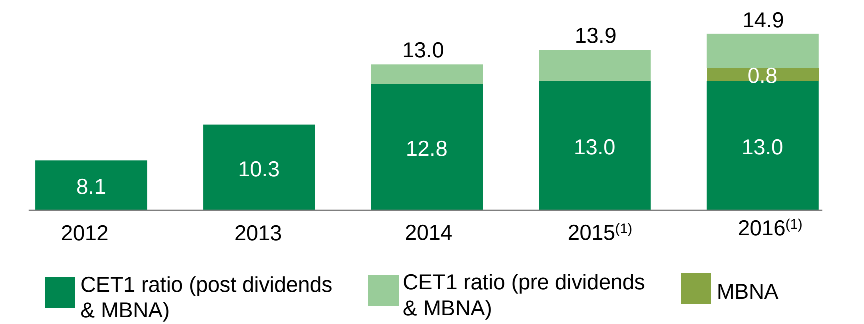
DIFFERENTIATED BUSINESS MODEL

Our simple, low risk, UK focused business model is now delivering increased statutory profit as well as strong capital generation

Profit progression (£bn)



CET1 capital progression (%)



- **Simple, efficient and low risk business model provides competitive advantage**
- **Business delivering consistently good underlying profit**
- **Strong statutory profit and capital generation is now being delivered as the gap to underlying profit narrows**
- **Strong underlying RoTE of 14.1%, with a statutory RoTE of 6.6%**
- **PRA Buffer reduced reflecting de-risking of the Group; target CET1 ratio maintained at c.13%**
- **Expect ongoing CET1 capital generation of between 170 and 200bps per annum, pre dividend**

(1) Pro forma, including Insurance dividend.

SIMPLE, EFFICIENT BUSINESS MODEL

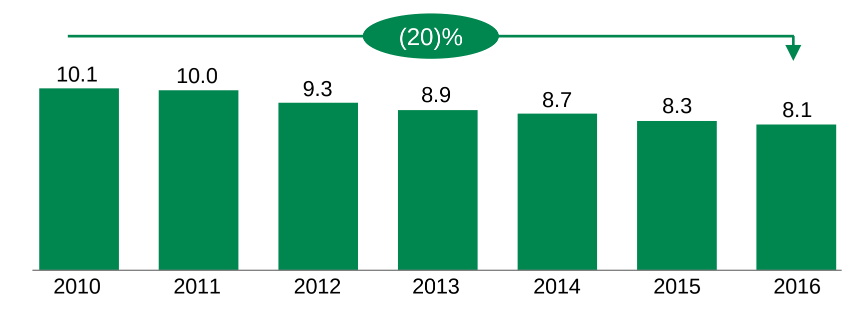
Being an efficient bank is a central element of our differentiated business model

- **Our cost management process includes a matrix management approach to operating costs and a robust investment programme methodology**

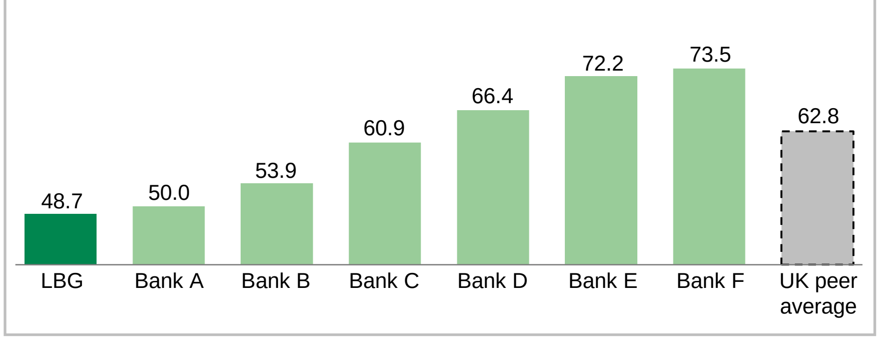
- **Operating costs have reduced by c.£2bn over the last 6 years, whilst investment has increased significantly and our NPS scores have continued to improve (up c.50% since 2011)**

- **One of our strategic priorities is 'becoming simpler and more efficient' and comprises three key areas of focus**
  - Process Redesign & Automation
  - Reducing Third Party Spend
  - Organisational Design

Operating costs trajectory (£bn)



Cost:income ratio[1] (%)



[1] Source: Reported company results as at FY 2016. Average underlying cost:income ratio (excluding notable items as highlighted by each institution).

SIMPLE, EFFICIENT BUSINESS MODEL

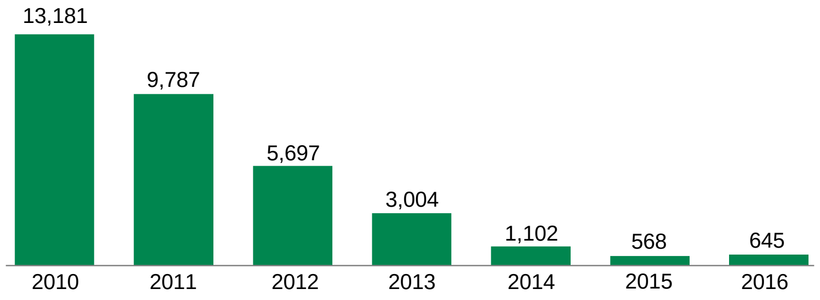
Longer term cost opportunities will allow the Group to become even more efficient

End-to-End Process Transformation & Digitisation	Extend approach to end-to-end journey transformations **across the whole organisation** including central functions
Further Business Simplification	Simplify the business **front-to-back**
IT & Business Architecture	Simplify **IT and business architecture** and employ **new technologies** such as cloud and advanced analytics
Distribution	Respond to **changes in customer behaviour** with a multi-channel strategy, using more direct channels and less frequent access through the branch network
Operating Model Evolution	**Adapt operating model** (e.g. partnerships with FinTechs) and/or achieve **cost savings from consolidation**
Ways of Working	Develop **new ways of working** (e.g. agile working practices, zero based budgeting)

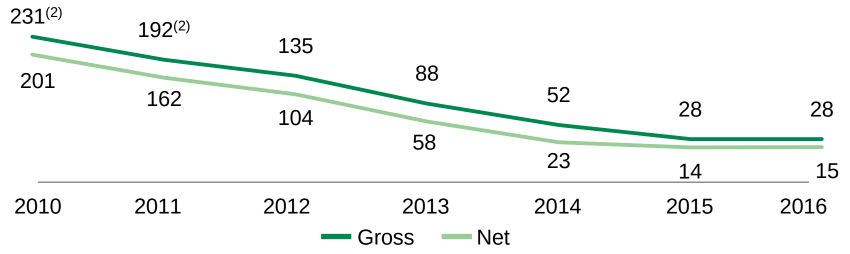
LOW RISK BUSINESS MODEL

Credit quality remains strong with no signs of deterioration in the portfolio

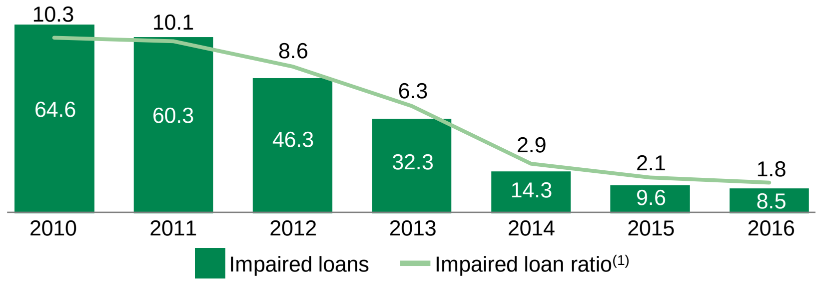
Impairment charge (£m)



Asset quality ratio (bps)



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



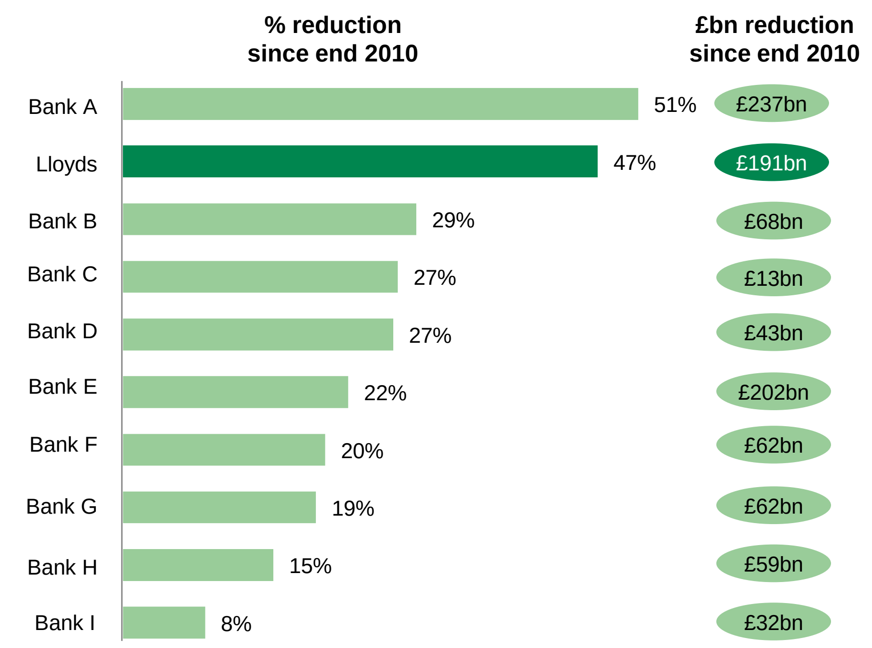
- **Impairment of £645m and AQR of 15bps increased slightly due to lower levels of releases and write backs**
- **Stable gross AQR of 28bps due to prudent risk appetite**
- **Impaired loans as a percentage of closing advances now 1.8% from 2.1% at the end of December 2015**
- **LTV profile continues to improve; 44% average LTV**
- **Expect 2017 AQR of around 25bps (pre MBNA) reflecting a stable gross AQR**

(1) Impaired loans as a percentage of closing advances. (2) Estimated gross asset quality ratio.

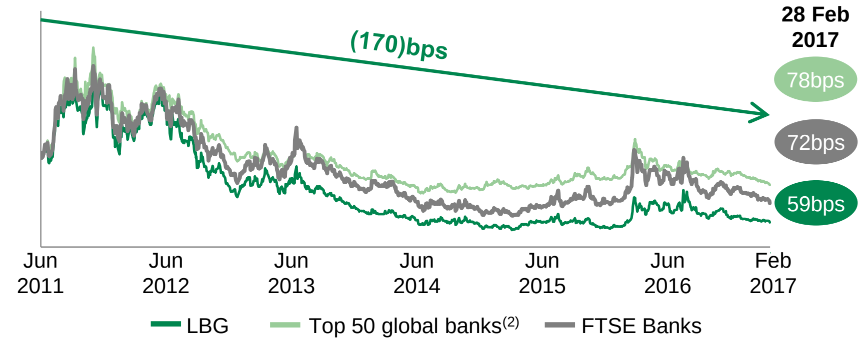
LOW RISK BUSINESS MODEL

Business transformation has enabled significant de-risking of the balance sheet

Top 10 global bank RWA reductions since 2010[1]



CDS spreads



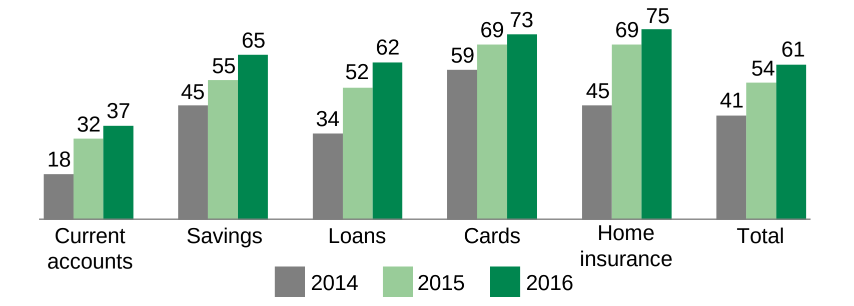
- **Group's restructuring and transformation now complete**
- **Successful de-risking and non-core asset disposal has resulted in a 47% RWA reduction since 2010, the second largest reduction of the top 50 global banks**
- **Strong PRA stress test results highlight the Group's resilience to severe stress scenarios**

(1) RWA percentage reduction since end 2010 calculated on a constant currency basis. Source: Bloomberg. (2) Top 50 banks identified by Total Tier 1 Capital as at June 2011. Average CDS for Top 50 global banks where available. Source: Datastream.

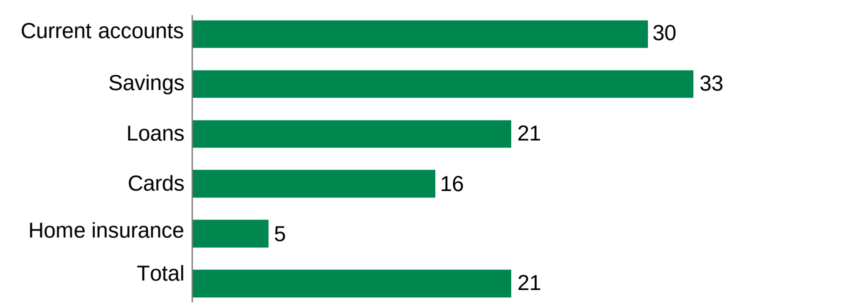
CREATING THE BEST CUSTOMER EXPERIENCE

Significant growth across the digital channel and major progress in our customer journey transformations delivered

Needs met via digital[1] (%)



Digital market share[2] (%)



Customer journey transformation

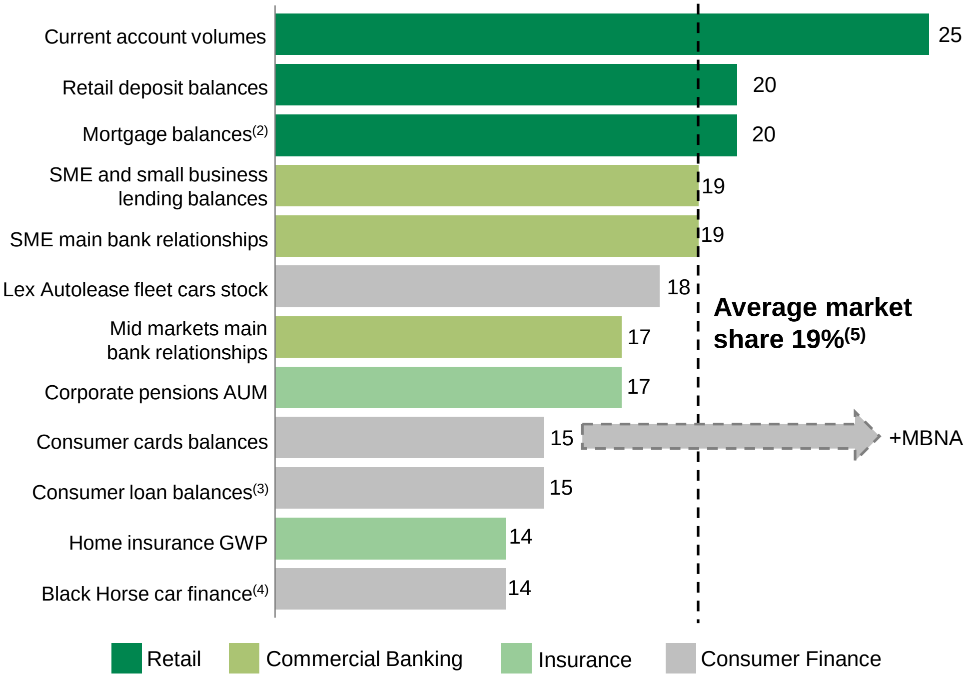
Mortgages	**55%**	**of approved applications proceed to offer within 14 calendar days** ***up from 37% in 2015***
Savings	**c.50%**	**reduction in time taken to open savings account in branch** ***from 45mins to 15-30mins***
SME onboarding	**1**	**digital application form rather than 15 paper forms previously** ***15 forms down to 1***
Corporate pensions	**21 days**	**reduction in time taken to process monthly contributions** ***22 days to 1 day***

(1) Simple customer needs – % of total accounts purchased at LBG through digital channel. (2) Flow volume of new accounts opened digitally as a % of the market volume of digitally opened accounts as measured by eBenchmarkers.

DELIVERING SUSTAINABLE GROWTH

Well positioned to grow the business where we are underrepresented

LBG market shares[1] (%)



MBNA acquisition rationale

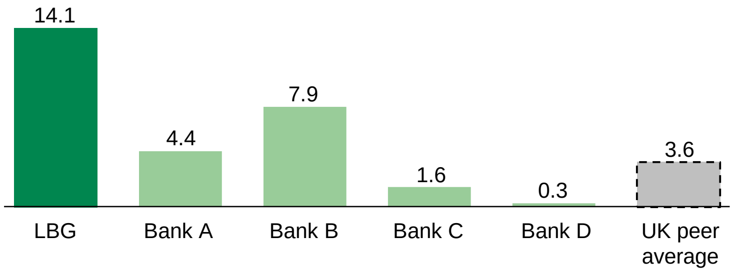
- **Creates a best in class UK credit card business**
  - Combined c.£16bn prime credit card portfolio
  - Low risk portfolio with strong asset quality
- **In line with strategic goal to grow in consumer finance**
  - Underrepresented segment
  - Diversification of Group loans
- **Strong financial returns with significant shareholder value creation**
  - EPS accretion of c.5% in second full year
  - RoI of c.17% exceeds cost of equity
  - Cost synergies of c.£100m p.a.
- **Funded through organic capital generation**

(1) Source: CACI, BoE, Experian, Spence Johnson, BVRLA, BBA, ABI. All positions at FY 2016, except current account volumes (Nov 2016) due to market data availability. (2) Open book only. (3) Consumer loans comprises unsecured personal loans, overdrafts, and Black Horse retail lending balance share of BoE consumer lending. (4) Black Horse point of sale and LBG's Online Car Finance new business flow share. (5) Average market share calculated for 'core banking products' (including MBNA portfolio).

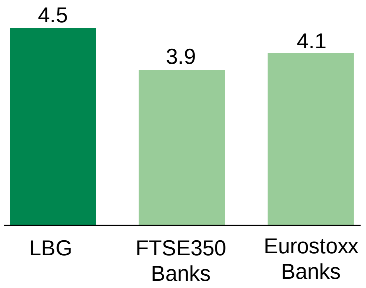
STRONG RELATIVE POSITIONING ON KEY METRICS

Strong performance versus peers

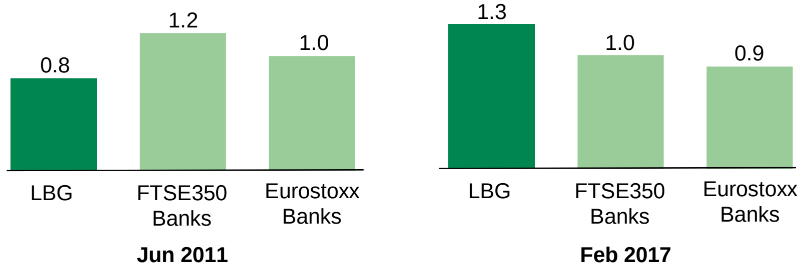
Underlying return on tangible equity[(1)] (%)



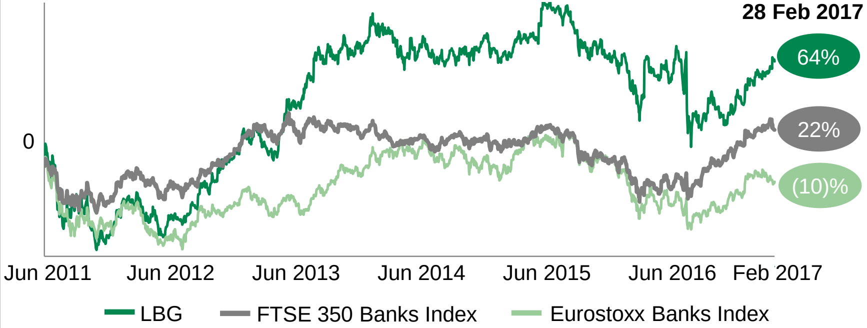
Dividend yield[(3)] (%)



Evolution of price to TNAV multiple[(2)]



Total shareholder return[(4)]



[(1)] Source: Reported company results, adjusted to include bank levy where applicable [(2)] Source: Bloomberg. [(3)] Source: Bloomberg. 2016 data based on share price as at 15/03/2017. Index dividend yield based on dividends paid during the financial year, Lloyds based on total dividend declared in relation to the financial year. [(4)] Source: Datastream.

SUMMARY

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

- **Our differentiated business model is delivering**
  - Simple, efficient and low risk business model provide competitive advantage
  - Multi-brand and multi-channel operating model
  - Improved financial performance with increased statutory profit and continued strong capital generation
  - Increasing dividend capacity
- **UK economy enters 2017 from a position of strength**
- **Focused on delivering final year of current strategic plan and preparing next three year plan**

Financial targets

- **Strong financial targets reflecting strength of business model**
  - NIM >2.70% in 2017 (pre MBNA)
  - AQR of around 25bps in 2017 (pre MBNA)
  - Cost:income ratio of around 45% exiting 2019, with reductions every year
  - Ongoing CET1 capital generation of between 170 and 200bps per annum, pre dividend
  - RoTE of 13.5 to 15.0% in 2019

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, 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 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; 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 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 on the inside front cover of the 2016 Results News Release.