

LLOYDS
BANKING
GROUP



OPPORTUNITIES AND CHALLENGES FACING THE UK MORTGAGE INDUSTRY

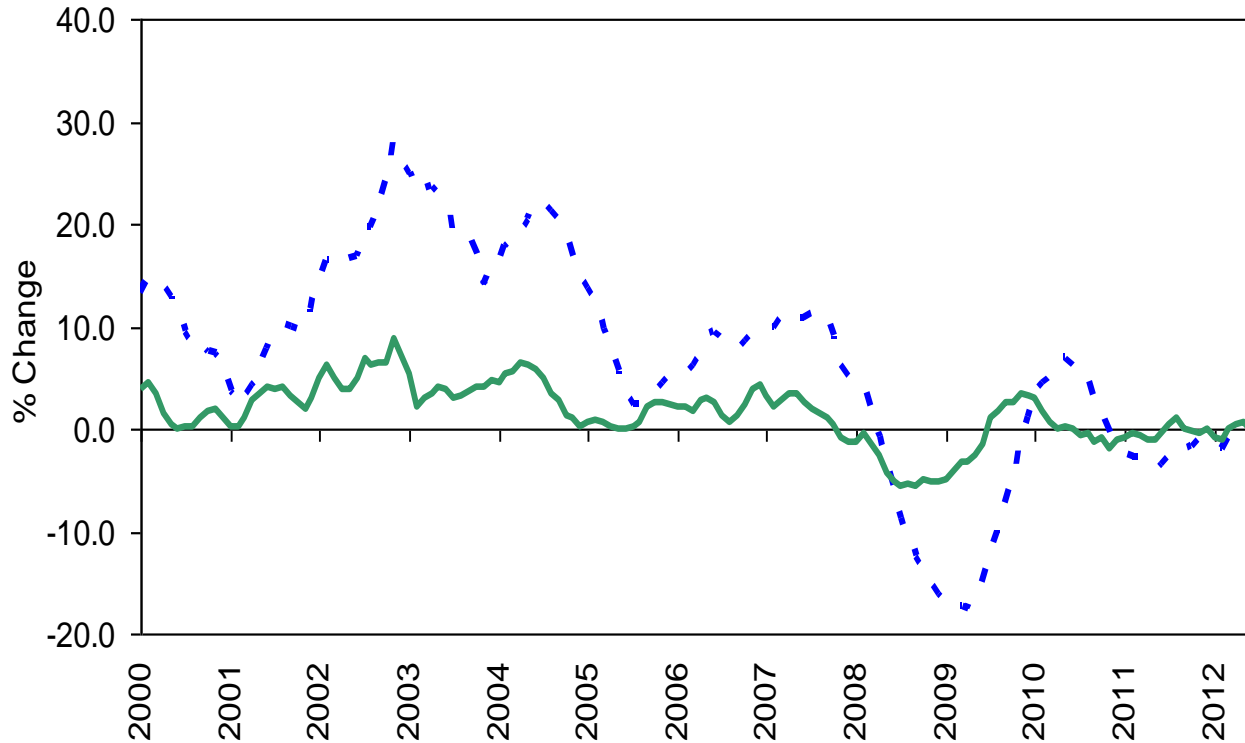
Stephen Noakes, Mortgage Director,
Lloyds Banking Group

October 2012

WHO WANTS A MORTGAGE?



SLUGGISH GROWTH IN HOUSE PRICES WILL SUPPRESS PURCHASE DEMAND ..



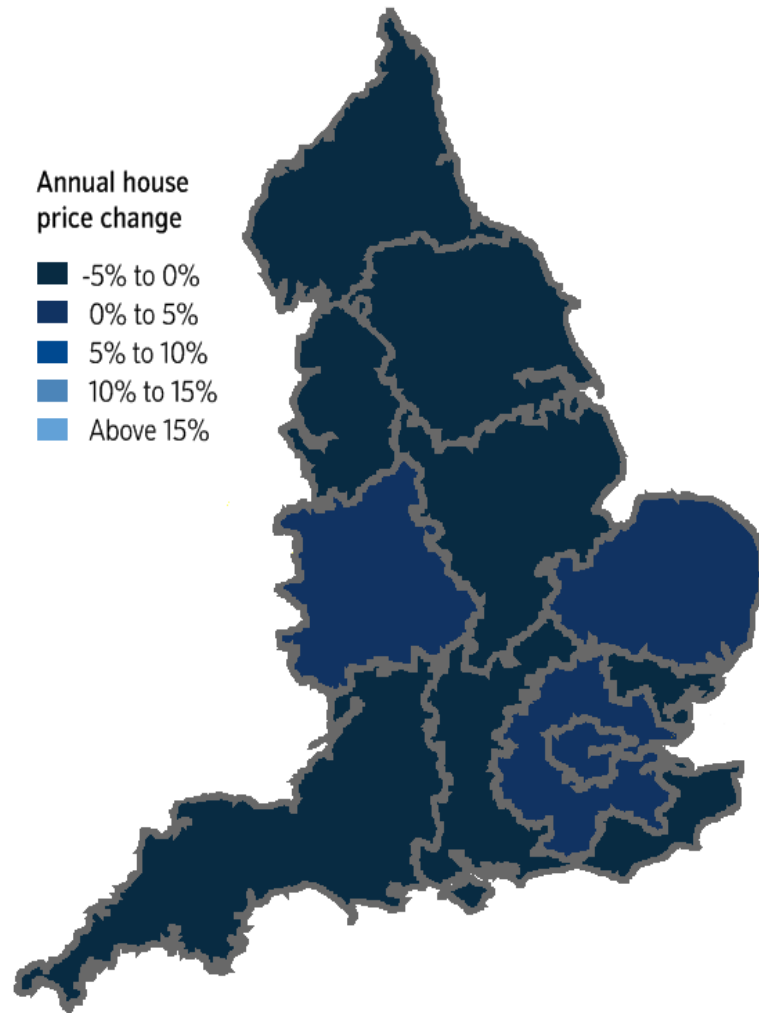
■ ■ Annual % Change

— 3 month on 3 month % change

- A 23% decline in prices was seen from August 2007 to April 2009.
- The underlying rate has been broadly flat since early 2010.

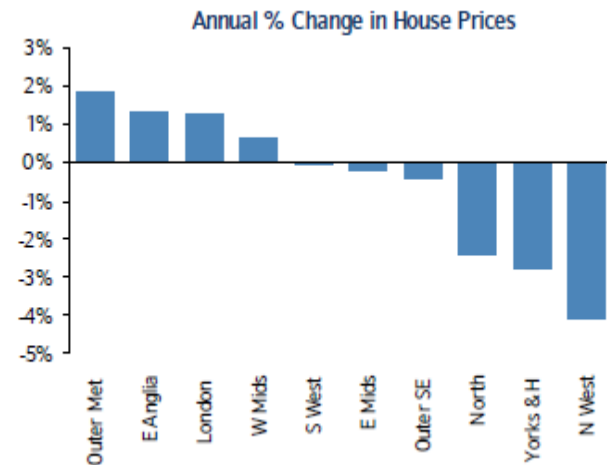
Source: Halifax

.. WITH LONDON BUCKING THE TREND



England	
Average house price	£186,671
Annual percentage change	-0.1%
Quarterly change*	0.0%
Most expensive region	London
Least expensive region	North
Strongest annual price change	Outer Metropolitan
Weakest annual price change	North West

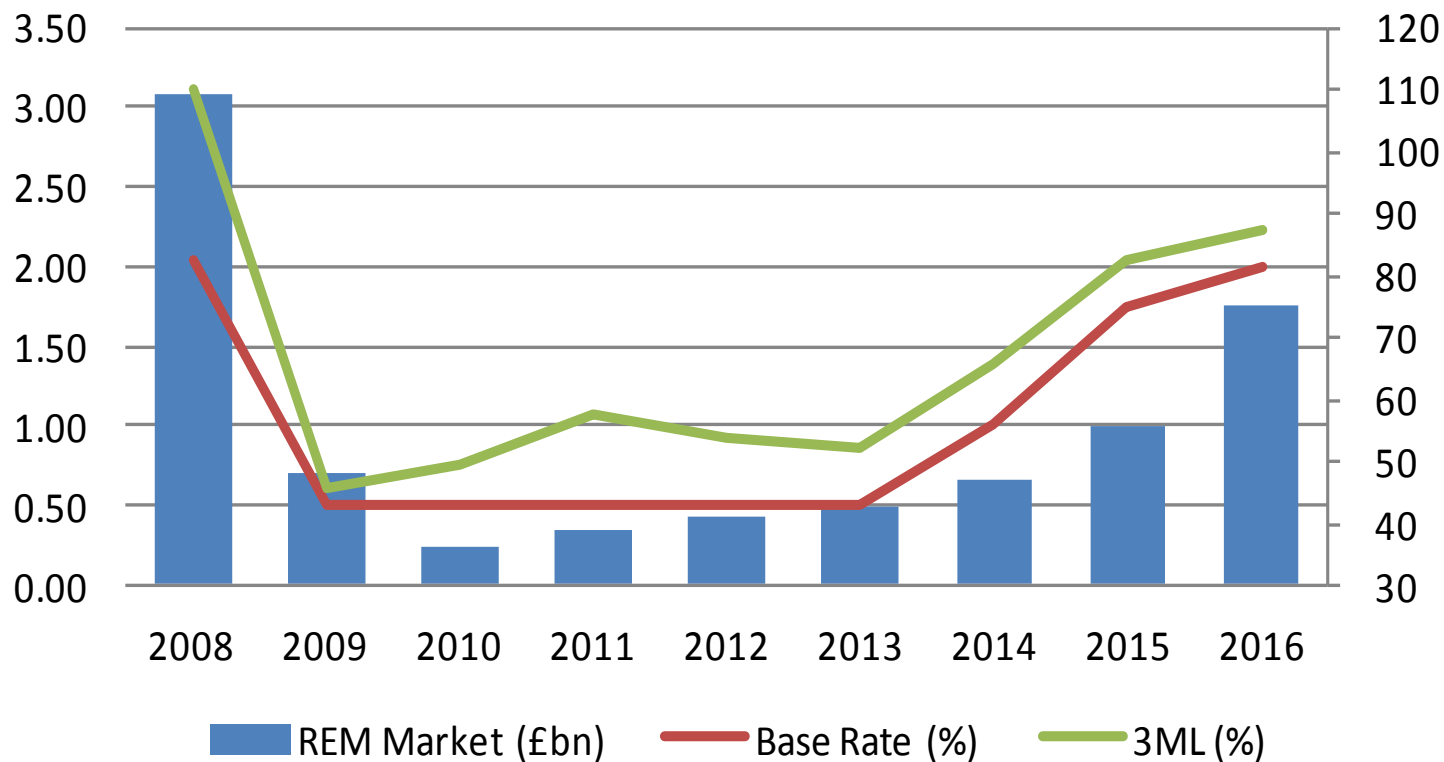
* Seasonally adjusted



MARKET VIEW ON RATES WILL LIMIT REMORTGAGE



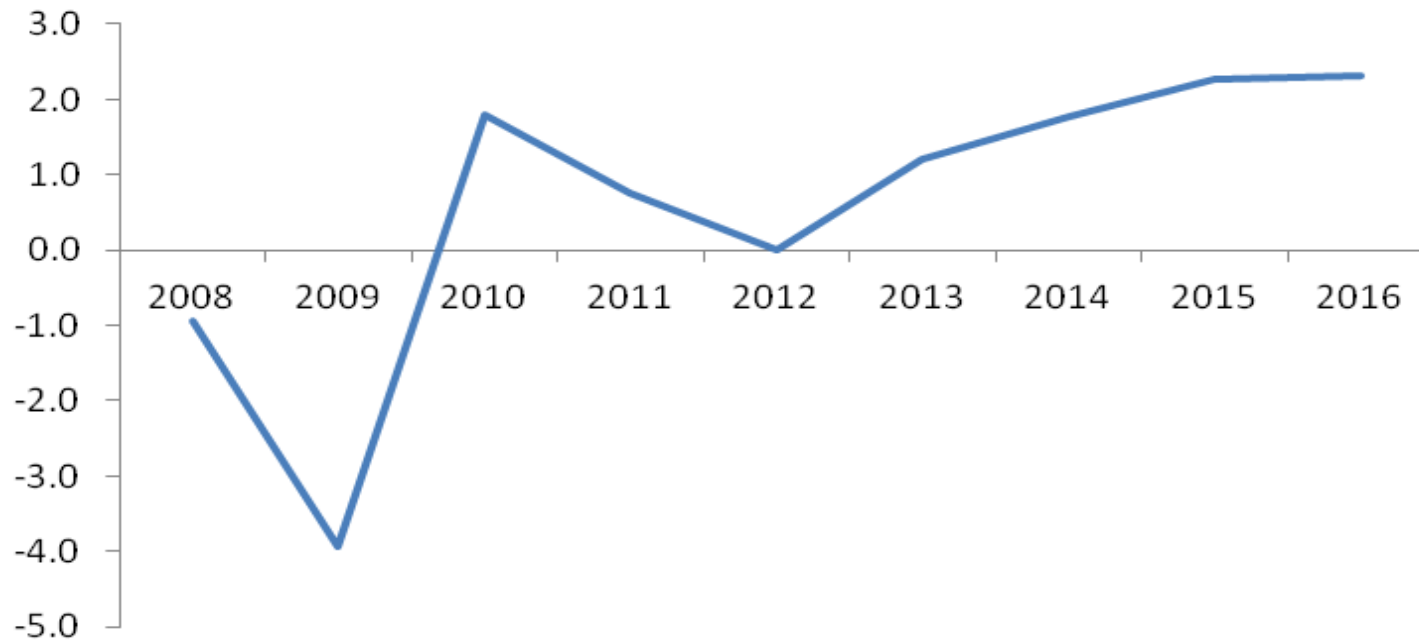
Remortgage Market vs Funding Rates



.. AND THE FRAGILE ECONOMY WILL CURB DEMAND FOR FURTHER LENDING



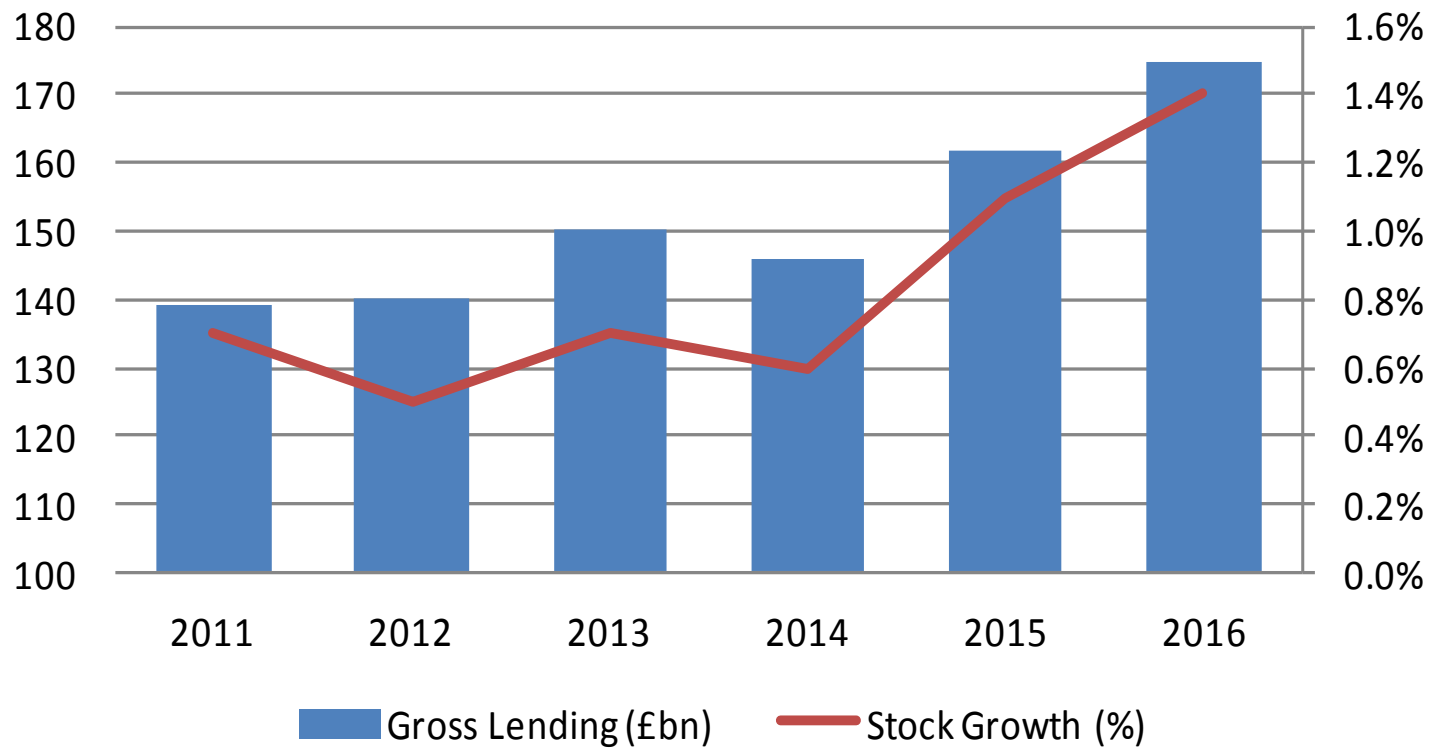
UK GDP (Growth %)



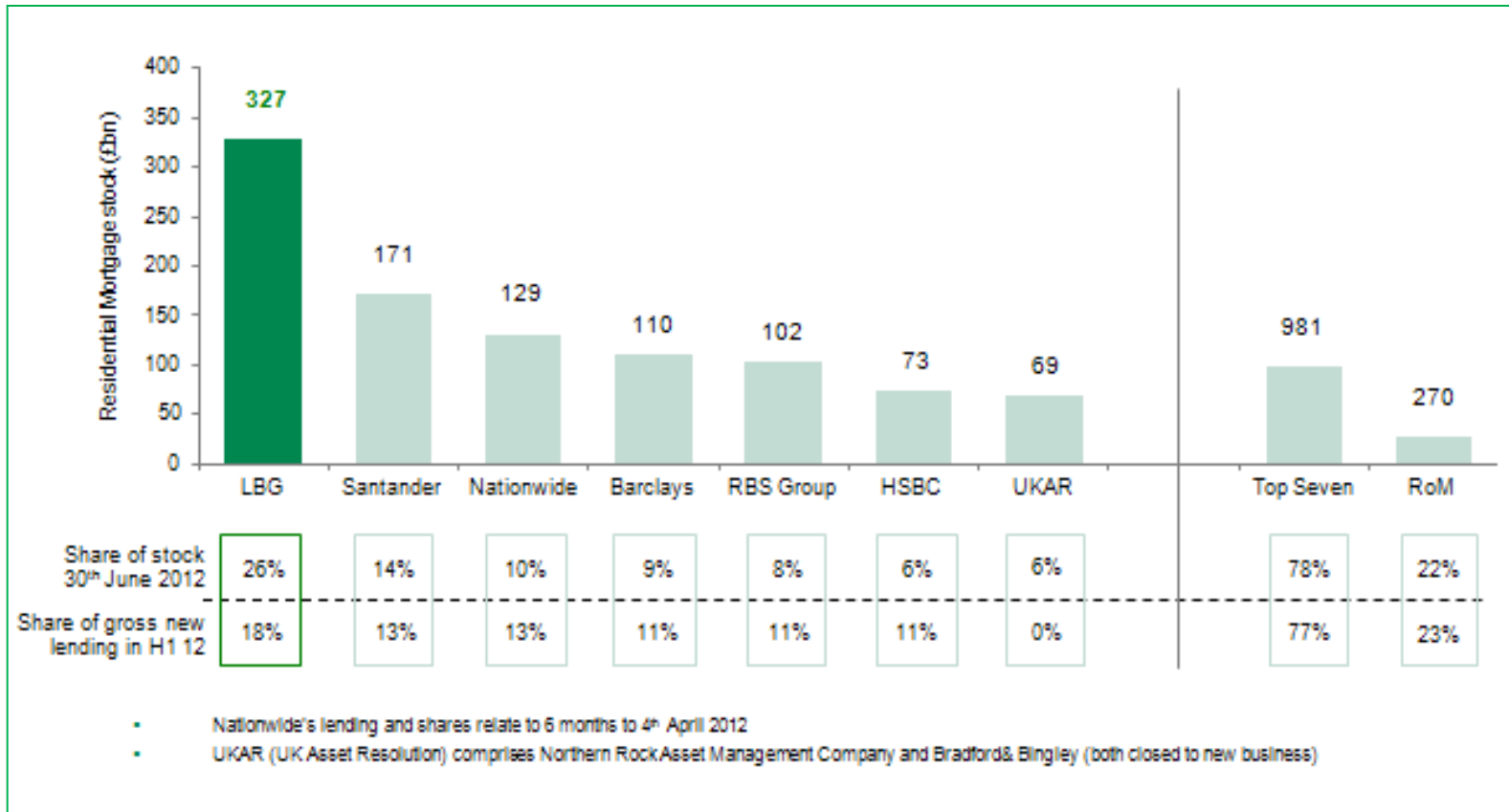
SO OUR FORWARD MARKET FORECAST IS FOR SLOW GROWTH



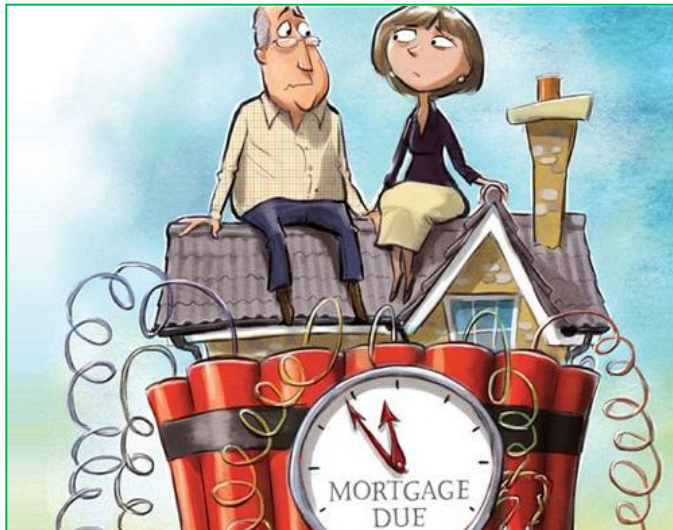
Mortgage Market



WHO'S OFFERING MORTGAGES



WHERE REGULATION WILL INCREASE THE COSTS FOR NEW ENTRANTS



Mortgage Advice

Worried that you can't get a mortgage?
Like to find out how much you can borrow?

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BASEL III WILL CONTINUE TO SHAPE RISK APPETITE



- Changes to definitions and requirements for capital will increase pressure on banks and likely increase cost of capital
- Increased requirement for liquidity will further increase pressure
- As a result banks are likely to optimise their portfolio management and increase focus on return on capital across all products
- From a mortgage perspective its likely there will be ongoing performance measurement against other products as well as increased focus on risk appetite / return on capital across our customer segments

AND FUNDING 4 LENDING WILL HAVE WELCOME SHORT TERM BUT INDISCRIMINATE IMPACT



- Scheme is designed to reduce funding costs for banks
- Can borrow from the Bank of England to January 2014, for up to 4 years
- Able to borrow up to 5% of eligible loan stock (c £80bn across market), and any eligible loan expansion
- Eligible means sterling lending to UK resident households or private non-financial corporations
- Fees (above base rate) are designed to promote lending in eligible assets – 25bps for positive or stable eligible net lending, rising to 150bps for reduction of 5% or more
- **There is though no restriction on how loans provided can be used by participants**

IN THIS ENVIRONMENT LBG WILL CONTINUE TO FOCUS ON DRIVERS OF THE UK ECONOMY FOR FTB



NewBuy is a new government backed 95% mortgage scheme



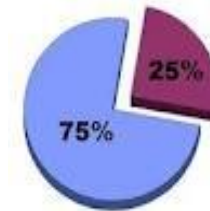
GOVERNMENT
BACKED
SCHEME

95%
MORTGAGES
AVAILABLE

JUST 5%
DEPOSIT
REQUIRED

AVAILABLE
TO
ALL

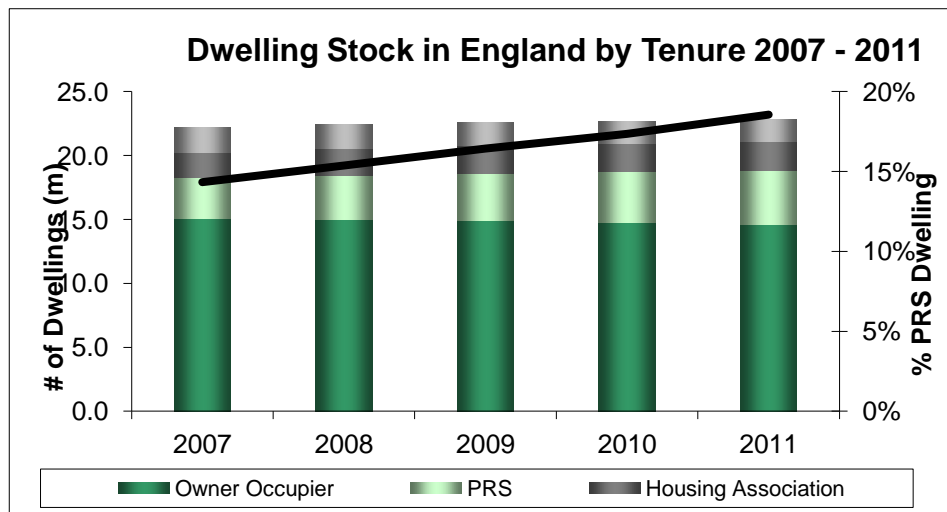
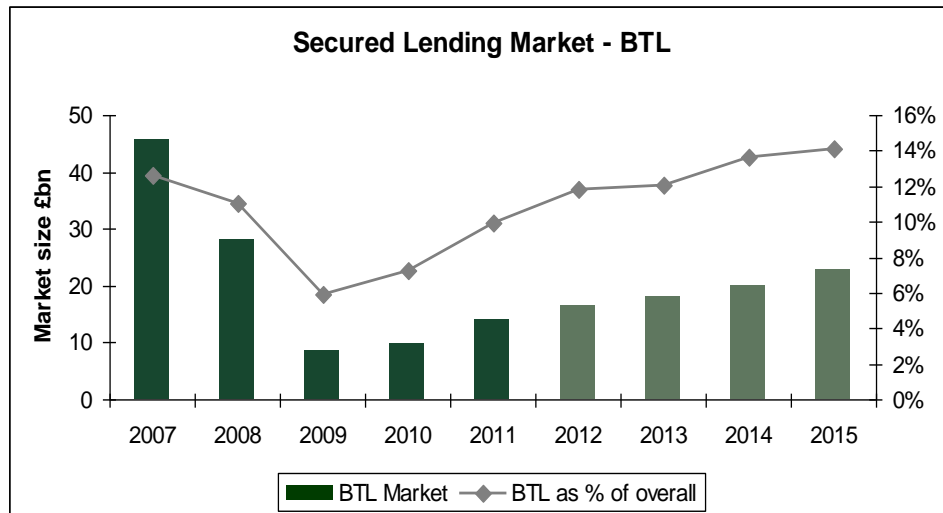
*Terms and conditions apply. Please ask for details.



NewBuy

**Local
Lend a Hand**

**Shared Equity/Shared
Ownership**



NEWBUY – DRIVERS FOR GROWTH



WHAT WOULD MAKE A DIFFERENCE

