

PERFORMANCE SUMMARY 2012

LLOYDS
BANKING
GROUP



Dear Shareholder

I am pleased to invite you to the annual general meeting (AGM) of Lloyds Banking Group plc (Group) to be held in Edinburgh on Thursday 16 May 2013 at 11.00 am.

Our notice of AGM, annual report and accounts and the annual review for the year ending 31 December 2012 have been published and can now be viewed online at www.lloydsbankinggroup.com. A brief review of our performance in 2012 can be found in this summary.

2012 has seen another year of progress for the Group against a still challenging economic and regulatory backdrop. We are ahead of our plan to transform the Group and create an efficient, lower risk retail and commercial bank, focused on being the best bank for customers. Consequently, we are well positioned to realise the Group's full potential for growth, help Britain prosper and deliver sustainable returns for our shareholders.

Enclosed is a proxy form or, if you hold shares in either the Lloyds Banking Group Shareholder Account or Share ISA, a voting form to enable you to exercise your voting rights at our AGM. Further information about the AGM can be found on the back page of this summary.

Your directors consider that all resolutions being proposed are in the best interests of Lloyds Banking Group and shareholders as a whole and we recommend that you vote in favour of them.

Sir Winfried Bischoff
Chairman

Shareholder communications

We would like to thank our shareholders for the huge support you have shown for paperless communications, allowing us significantly to reduce the amount of paper used in producing our end of year and AGM communications. Should you wish to make changes to the way we communicate with you, please contact our Registrar, Equiniti Limited, using the contact details on the back page of this summary.

Directors

Biographical details of each director seeking election or re-election are included in the notice of AGM. Further information, including remuneration, is set out in the annual report and accounts and annual review for the year ended 31 December 2012. All of these documents can be found online at www.lloydsbankinggroup.com

View our report ONLINE

A full version of our annual report and accounts and information relating to Lloyds Banking Group is available at:
www.lloydsbankinggroup.com



GROUP CHIEF EXECUTIVE'S REVIEW



“Significantly improved Group performance with core business increasingly well positioned for growth.”

Summary

In 2012, we accelerated the delivery of our strategic initiatives and are now ahead of our plan to transform the Group, despite the challenging economic environment and continued regulatory uncertainty. As a result of our actions, the Group is now in a far stronger position, with capital ratios further improved, our funding position transformed, a significant and capital-accretive reduction in non-core assets achieved, costs reduced in absolute terms and asset quality further improved.

While legacy issues, notably payment protection insurance (PPI), resulted in the Group still reporting a loss at the statutory level, our achievements resulted in a significant improvement in both Group underlying and statutory performance, and continued strong returns, above our cost of equity, being delivered in our core business. We expect these initiatives, together with our focus on lower-volatility retail and commercial banking, to reduce the risk in the business, and give us a significant competitive advantage.

2012 results overview

The Group reported an underlying profit of £2,607 million in 2012, a substantial increase of £1,969 million since 2011, reflecting a significant reduction in losses in our non-core business and stable profitability in the core business. We significantly reduced costs, which fell 5 per cent. On a statutory basis the Group reported a loss before tax of £570 million. This reflected our continued actions to address legacy issues, including payment protection insurance. This represented a significant improvement on last year's statutory loss of £3,542 million.

The core business continues to deliver strong and stable returns above our cost of equity despite the challenging environment, with a small reduction in underlying profit to £6,154 million. We have transformed our funding position and continued to reduce costs in the core business, where they fell 5 per cent and the continued application of our conservative risk appetite meant that asset quality remains strong in our portfolios.

We have made substantial progress in reshaping the Group and strengthening the balance sheet. We have proactively managed the run-down of our non-core assets, reducing the portfolio by almost a third in 2012, and continued to do so in a capital-accretive way.

The non-core reduction, together with above market deposit growth of 4 per cent, resulted in the Group's loan to deposit ratio reducing to 121 per cent, with the core loan to deposit ratio at 101 per cent. We continue to be confident in our capital position, with our core tier 1 capital ratio further strengthened to 12.0 per cent in 2012.

We continue to make significant progress in driving further cost savings and efficiencies throughout the business whilst improving the customer experience. The success of this approach is evidenced by our achievement of run-rate cost savings of £847 million from our Simplification programme at the end of 2012. This has enabled us to increase investment in the core franchise allowing us to provide greater levels of service and support to customers.

Supporting the UK economic recovery

We play an active part in supporting the UK economy, to which our success is inextricably linked, and in 2012 we confirmed our commitment to helping Britain prosper through a number of initiatives. These included leading the way in participating in the Government's Funding for Lending Scheme and growing our lending to small and medium-sized businesses against the backdrop of a contracting market.



Mortgages

We provided £26.2 billion of gross new mortgage lending in 2012. This included supporting over 55,000 customers in buying their first home, equivalent to one in every four first time buyers.

We made strong commitments to supporting sectors, such as manufacturing, that play a key role in economic recovery. We also underlined our support to the UK housing market by continuing to be the UK's largest mortgage provider to first time buyers, helping over 55,000 customers take their first steps onto the property ladder.

Dividends

Although we made considerable progress in 2012, given regulatory uncertainty and the statutory loss in the year, no dividend is being paid this year. We remain committed to recommencing dividend payments when the financial position of the Group and market conditions permit and after regulatory capital requirements are clearly defined and prudently met.

EC mandated business disposal (Project Verde)

We continue to make good progress in the creation of Verde as a stand-alone bank which, as contemplated from the start of the process, will allow the Group to divest the business either through a sale or an Initial Public Offering. We reached an agreement on non-binding Heads of Terms with The Co-operative Group plc in July 2012 and continue to make progress with these discussions towards signing a binding sales purchase agreement.

Addressing legacy issues including payment protection insurance

The Group continues to address legacy issues, and remains committed to resolving them and treating our customers fairly. As a consequence, we have made a further provision of £3,575 million in 2012, bringing the total amount provided to £6,775 million.

Greater clarity emerging on UK regulatory framework

In October the Government published the draft Financial Services Bill, the first step in implementing the recommendations of the Independent Commission on Banking. We support the recommendation to ring-fence retail banking operations which is closely aligned to our simple UK focused retail and commercial banking model, and we believe that it will result in a safer, more stable UK banking sector and economy.

OUR CORPORATE STRATEGY

We agree with the Financial Policy Committee that banks need to focus on strengthening their balance sheets in order to become increasingly resilient and to support the economy, and this is entirely consistent with the Group's strategy and the progress we continue to deliver.

Outlook

After a year of challenging economic conditions in 2012, we expect to see some economic growth in 2013, although this is expected to be below-trend, with the Bank of England base rate remaining at current levels. Future economic developments do, however, remain dependent on progress in the Eurozone, and the impact of new banking regulation on the supply of credit to the economy.

We have delivered a substantial transformation of Lloyds Banking Group in the first 18 months of delivery on our strategy. We are making significant progress despite a challenging environment and the need to address legacy issues, and are now ahead of our plan to create a competitively-advantaged UK focused retail and commercial bank with a lower risk premium and best-in-class efficiency, which is focused on supporting our customers and helping Britain prosper. We expect this to enable us to return to profitability and to grow our core business, to realise our full potential to deliver strong, stable and sustainable returns to shareholders, and to allow UK taxpayers' investment in the Group to be repaid.

António Horta Osório
Group Chief Executive

Lloyds Banking Group operates a simple, lower risk, customer focused UK retail and commercial banking business model. Our strategy is built around becoming the best bank for customers and creating value by investing in areas that make a real difference to these customers.

The four key elements of our action plan to deliver our strategy are:

RESHAPE

our business portfolio to fit our assets, capabilities and risk appetite.

STRENGTHEN

the Group's balance sheet and liquidity position.

SIMPLIFY

the Group to improve agility and efficiency.

INVEST

to be the best bank for customers.

Customers are at the heart of the organisation and by leveraging our strategic assets and capabilities effectively in all of our divisions, and delivering our action plan, we believe we can help Britain prosper and deliver strong, stable and sustainable returns for shareholders.

KEY HIGHLIGHTS

Significantly improved Group performance and core business increasingly well positioned for growth

- ▶ Substantial increase in Group underlying profit from £638 million to £2,607 million
- ▶ Full year Group net interest margin of 1.93 per cent, in line with guidance at the 2011 full year results
- ▶ Costs further reduced by 5 per cent to £10.1 billion, in line with strategic review target and two years ahead of plan
- ▶ Credit quality continues to improve; 42 per cent impairment reduction to £5.7 billion, impairment charge as a percentage of average advances improved to 1.02 per cent (2011: 1.62 per cent)
- ▶ Statutory loss of £570 million (2011: £3,542 million) primarily due to PPI provisions of £3,575 million
- ▶ Core business delivering strong returns above cost of equity

Funding position transformed with improved capital ratios and balance sheet further derisked

- ▶ Strong underlying capital generation with core tier 1 capital ratio increased to 12.0 per cent
- ▶ Continued capital-accretive non-core asset reduction of £42.3 billion. Non-core portfolio now less than £100 billion, at £98.4 billion
- ▶ Deposit growth of 4 per cent; core loan to deposit ratio of 101 per cent, in line with long-term target of 100 per cent; Group loan to deposit ratio of 121 per cent, achieving target two years in advance
- ▶ Total wholesale funding reduced by £81.6 billion to £169.6 billion; maturity profile further improved with less than 30 per cent (2011: 45 per cent) of total wholesale funding with a maturity of less than one year

Further improving products and services to support customers and the UK economic recovery

- ▶ UK's largest lender to first time buyers, helping over 55,000 customers, and exceeding £5 billion lending target for 2012
- ▶ SME net lending growth of 4 per cent against a shrinking market; exceeded 2012 SME net lending commitment of £13 billion and three year target of assisting 300,000 new start-ups by the end of 2012
- ▶ First participant in Funding for Lending Scheme, further enabling us to support the UK economy; £11 billion committed
- ▶ Increased Net Promoter Score in all three brands and a further reduction in FSA reportable banking complaints (excluding PPI) to 1.1 per 1,000, more than halving complaints in two years

SHAREHOLDER INFORMATION

Annual general meeting (AGM)

The AGM provides an opportunity for shareholders to express their views directly with the board. If you cannot attend the meeting in person, we strongly encourage you to exercise your right to vote by appointing a proxy to vote at the AGM on your behalf.

Where is the AGM being held?

The AGM is being held at the Edinburgh International Conference Centre, The Exchange, Edinburgh EH3 8EE on Thursday 16 May 2013 at 11.00 am.

How do I find out more about the resolutions?

Information regarding the resolutions can be found in the notice of AGM, available online at www.lloydsbankinggroup.com

How do I vote?

Please complete the proxy form or, if you hold shares in either the Lloyds Banking Group Shareholder Account or Share ISA, the voting form of direction and return it in the reply paid envelope provided. Alternatively, you can appoint a proxy online at www.sharevote.co.uk using the details on the enclosed form. Instructions must be received by our Registrar, Equiniti Limited, no later than 11.00 am on Tuesday 14 May 2013.

What is a proxy and who can be one?

A proxy is someone appointed by you to attend the AGM on your behalf and to carry out your voting instructions. This can be a person of your choosing or the Chairman of the meeting.

Can I attend the AGM?

To be eligible to attend, speak and vote at the AGM, shareholders' names must be entered in the register of members by 6.00 pm on Tuesday 14 May 2013. If you are planning to attend, please bring the attendance card with you which is attached to the enclosed form.

Appointing a proxy, or registering your vote in advance will not prevent you from attending and voting at the meeting in person if you find that you are able to do so.

Webcast

The AGM will be broadcast live by webcast on Thursday 16 May 2013 from 11.00 am at www.lloydsbankinggroupagm.com

Voting at the AGM

The resolutions proposed in the notice of AGM will be decided on a poll which ensures that all shareholders who are either in attendance, or have submitted their instructions in advance of the AGM, have their votes taken into account according to the number of shares they hold.

Questions

All shareholders in attendance will have the chance to ask questions relating to the business of the AGM. You may register these in advance by email at agmquestions@lloydsbanking.com

Results

The results of the poll will be announced as soon as possible after the AGM through the London Stock Exchange information service and will appear on our website www.lloydsbankinggroup.com

Share price and dealing

Information about our share price and share dealing facilities can be found in the shareholder information page in our annual report and accounts or online at www.lloydsbankinggroup.com

Shareholder enquiries

Ordinary shareholders and the Lloyds Banking Group Shareholder Account

Contact our Registrar, Equiniti Limited, using the details below if you have enquiries about your shareholding, including:

- Change of name or address
- Loss of share certificate
- Dividend information, including loss of dividend warrant or tax voucher.

Equiniti Limited
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
Telephone 0871 384 2990¹
Textphone 0871 384 2255
Overseas +44 (0)121 415 7066
Lines are open 8.30 am to 5.30 pm, Monday to Friday.

Equiniti operates a web based enquiry and portfolio management service for you to receive shareholder communications electronically and to register your proxy appointments or voting instructions online.

You can also change your address or bank details either by telephone or online. Visit www.shareview.co.uk or help.shareview.co.uk for details.

Lloyds Banking Group Share ISA – to be used by ISA customers only

The Lloyds Banking Group Share ISA is maintained by Halifax Investment Services Limited. Contact them if you have any enquiries at:
Halifax Investment Services Limited
BNY Mellon House
Ingrave Road, Brentwood
Essex CM15 8TG
Telephone 0870 606 6417¹

¹Calls to 0871 numbers are charged at 8p per minute plus network extras. Calls to 0870 numbers may be free from a BT landline, subject to individual phone packages. Calls from outside the UK are charged at applicable international rates. The call prices we have quoted were correct in March 2013.

Forward looking and cautionary statements

This Performance Summary 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 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 on circumstances that will or may occur in the future. The Group's actual future business, strategy, plans and/or results may differ materially from those expressed or implied in this document as a result of a variety of economic, commercial, legal and regulatory risks, uncertainties and other factors, including, without limitation, those set out in Lloyds Banking Group's 2012 annual report and accounts. Please also refer to Lloyds Banking Group's 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 document are made as at the date of this document, and the Group undertakes no obligation to update any of its forward looking statements.

This Performance Summary is extracted (without material adjustment) from, and should be read in conjunction with, Lloyds Banking Group's 2012 annual report and accounts. The Performance Summary is provided for information only, and is not intended to be a substitute for reading the annual report and accounts. In particular, the Performance Summary does not constitute Summary Financial Statements and does not contain sufficient information to allow for a full understanding of the results of the Group. Shareholders may view a copy of the annual report and accounts on www.lloydsbankinggroup.com or obtain a hard copy, free of charge, by contacting our Registrar. If you have sold or transferred all your ordinary shares in Lloyds Banking Group plc, please give this and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was made.