UBS
Global Financial Services Conference
12 May 2010

Tim Tookey
Group Finance Director

A LEADING UK FINANCIAL SERVICES COMPANY

All key earnings drivers pointing in the right direction

LLOYDS BANKING GROUP

LEADING MARKET POSITIONS

- The UK's leading provider of banking products and services
- Over 30 million retail and nearly 1 million commercial customers
- Focused on most attractive segments in retail and wholesale

POWERFUL BRAND PRESENCE

Lloyds TSB
BANK OF SCOTLAND
clerical medical
HALIFAX
SCOTTISH WIDOWS

WINNING BUSINESS MODEL

- Deep and enduring customer relationships
- Strong operational efficiency
- Prudent risk disciplines
- Robust capital disciplines

EXCELLENT EARNINGS AND RETURNS POTENTIAL

Income growth (high single digit within 2 years)	2% p.a. cost:income ratio Improvement (higher in earlier years)	On track to achieve £2 billion cost savings p.a.	Run off / redeploy £200 billion of assets

2009: SHAPING THE FUTURE LLOYDS BANKING GROUP

- **Delivered strong core business growth**
- **Exceeded 2009 integration objectives**
  - **synergy run-rate target increased to £2 billion**
- **Embedded Lloyds TSB risk management standards across the combined Group**
- **Improved Group funding position**
  - **including £88 billion liquidity buffer**
- **Strengthened Group capital base in challenging market conditions**

BUILDING STRONG CORE BUSINESS MOMENTUM

Performing in line with or better than recent guidance

LLOYDS BANKING GROUP

	INTERIM 2009 GUIDANCE	2009H2 TREND
REVENUE GROWTH	High single digit growth within 2 years	✓
MARGINS	Lower in 2009H2, rising in 2010	✓✓
COST:INCOME RATIO	c.200 p.a. basis points improvement	✓✓
INTEGRATION BENEFITS	>£1.5 billion run rate savings p.a. by end 2011	✓✓
IMPAIRMENTS	Overall impairments peaked in 2009H1	✓
REDUCTION IN BALANCE SHEET ASSETS	£200 billion asset reduction over 5 years	✓

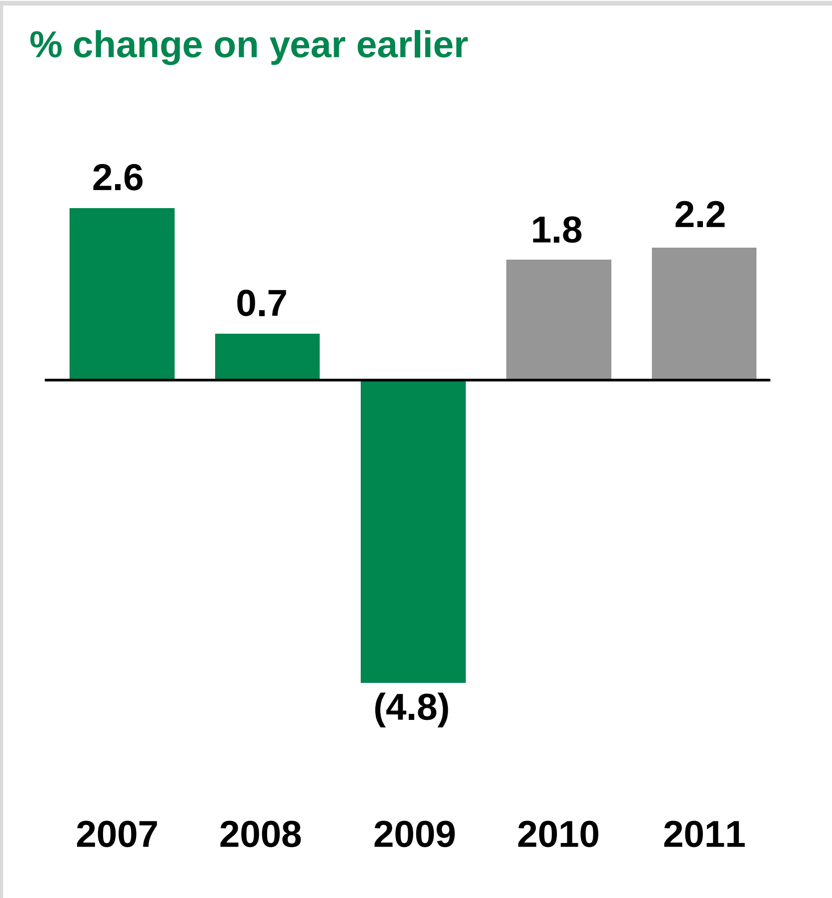
✓ In-line with guidance

✓✓ Better than guidance

THE UK ECONOMIC OUTLOOK

Weak recovery remains most likely scenario

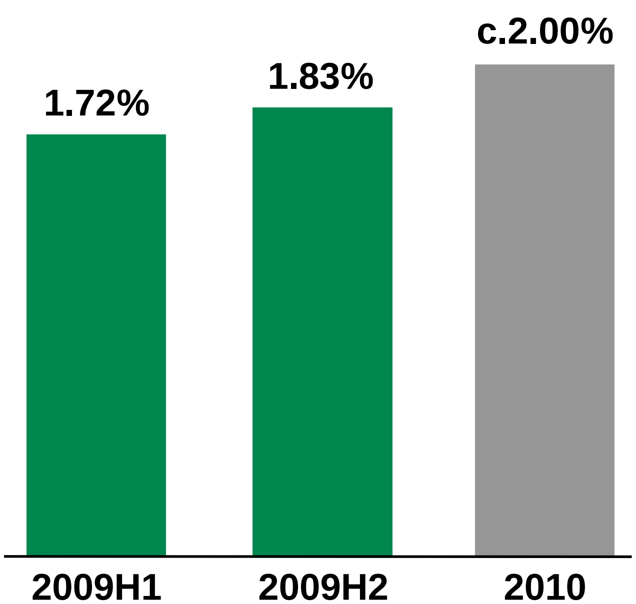
GDP GROWTH IN CENTRAL SCENARIO



- House prices
  - 5% in 2009
  - 0% in 2010
- Commercial property values
  - (6)% in 2009
  - 1% in 2010
- Company failures
  - Peak in 2010
  - Lower rate than last recession
- Unemployment
  - Peak in 2010
  - Lower rate than last recession

MARGIN OUTLOOK IS IMPROVING

BANKING NET INTEREST MARGIN (%)



DRIVERS OF FUTURE MARGIN

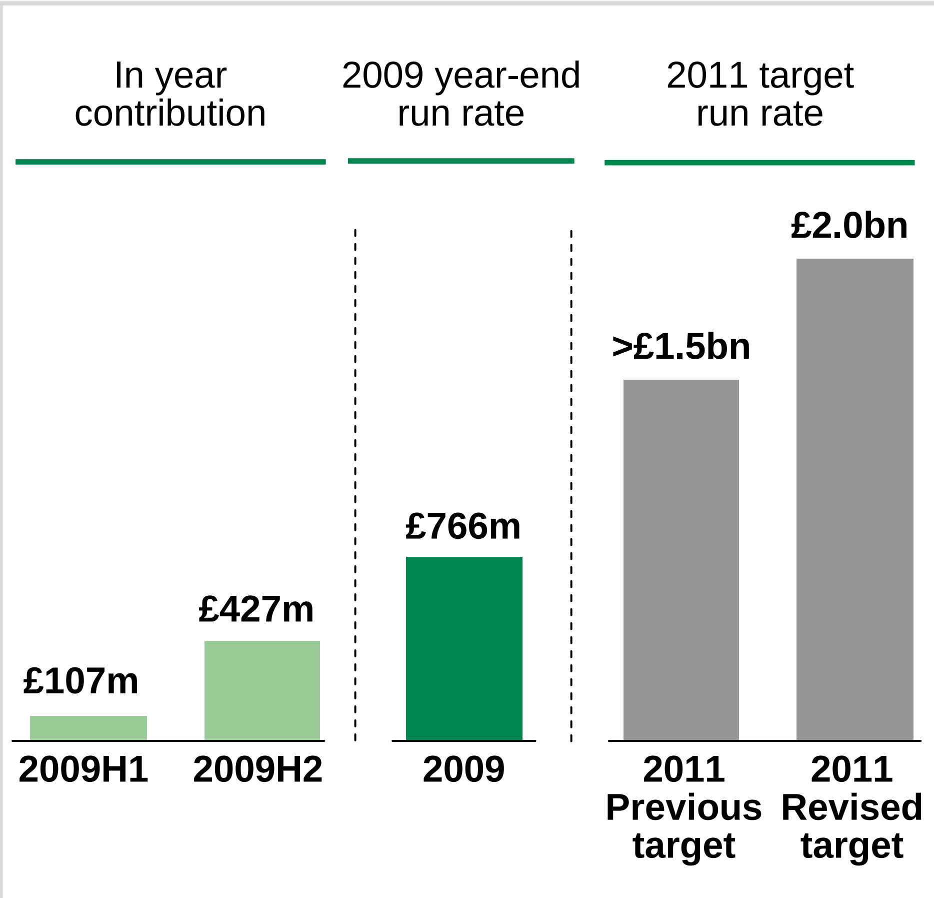
	2010	MEDIUM TERM
Asset pricing for risk	✓	✓
Base rate movements	✓	✓
Wholesale funding	✗	–

✓ **Positive impact** ✗ **Negative impact** – **Minimal impact**

COST SYNERGY TARGET INCREASED

£2 billion run rate per annum by the end of 2011

COST SYNERGIES



KEY PROGRAMMES

- **Implementing business model**
- **Procurement programme**
- **Property rationalisation**
- **IT Integration**

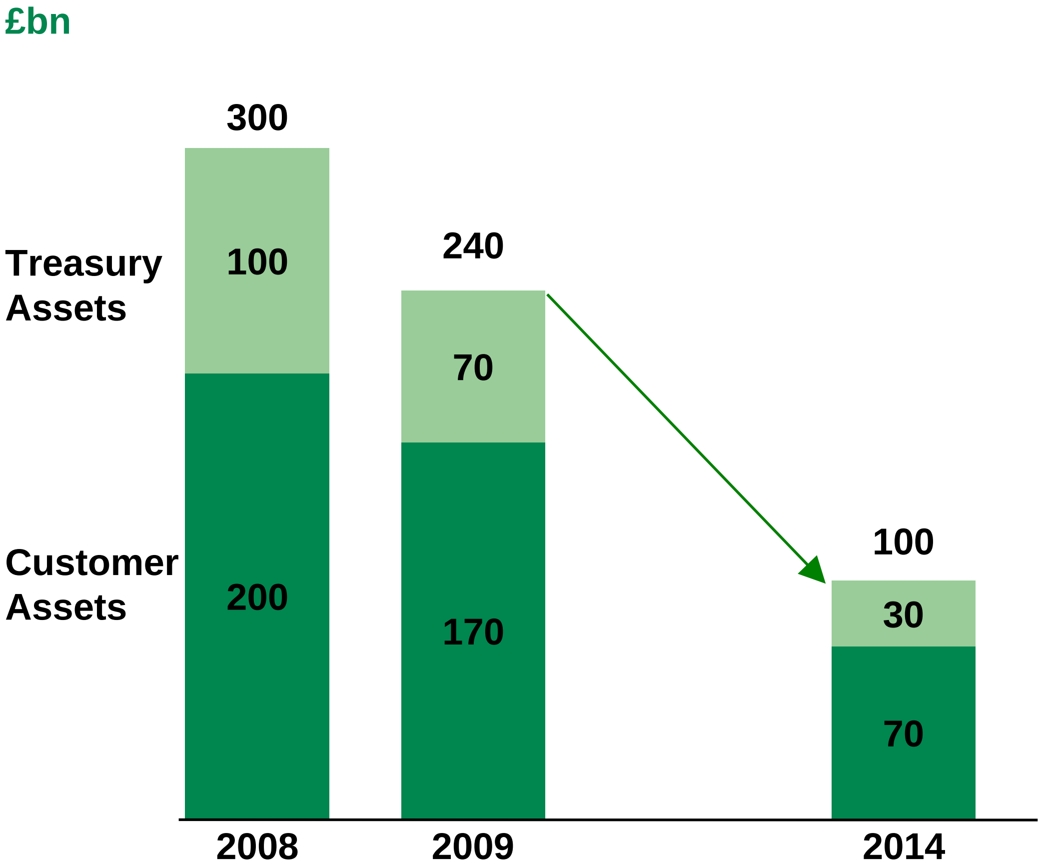
IMPAIRMENT GUIDANCE RECONFIRMED

Overall Group impairments peaked

	RECENT GUIDANCE	2009H2 PERFORMANCE	2010 OUTLOOK[1]
GROUP	Expected to have peaked in 2009H1	✓	2010 impairments significantly lower. Performing better than recent guidance.
RETAIL	Expected to peak in 2009H2	✓ 2009H2 9% lower than H1	2010 impairments lower than 2009 in both secured and unsecured
WHOLESALE	Expected to be significantly lower in 2009H2	✓	2010 impairments significantly lower than 2009
WEALTH & INTERNATIONAL	Expected to be significantly lower in 2009H2 Concern over Irish exposures	Ongoing concerns with Irish economy. Impairments increased in 4th quarter	We believe impairments are past their peak but concerns over Ireland remain

[1] Based on current economic expectations

RIGHTSIZING OUR BALANCE SHEET
£300 billion portfolio of assets in run-off

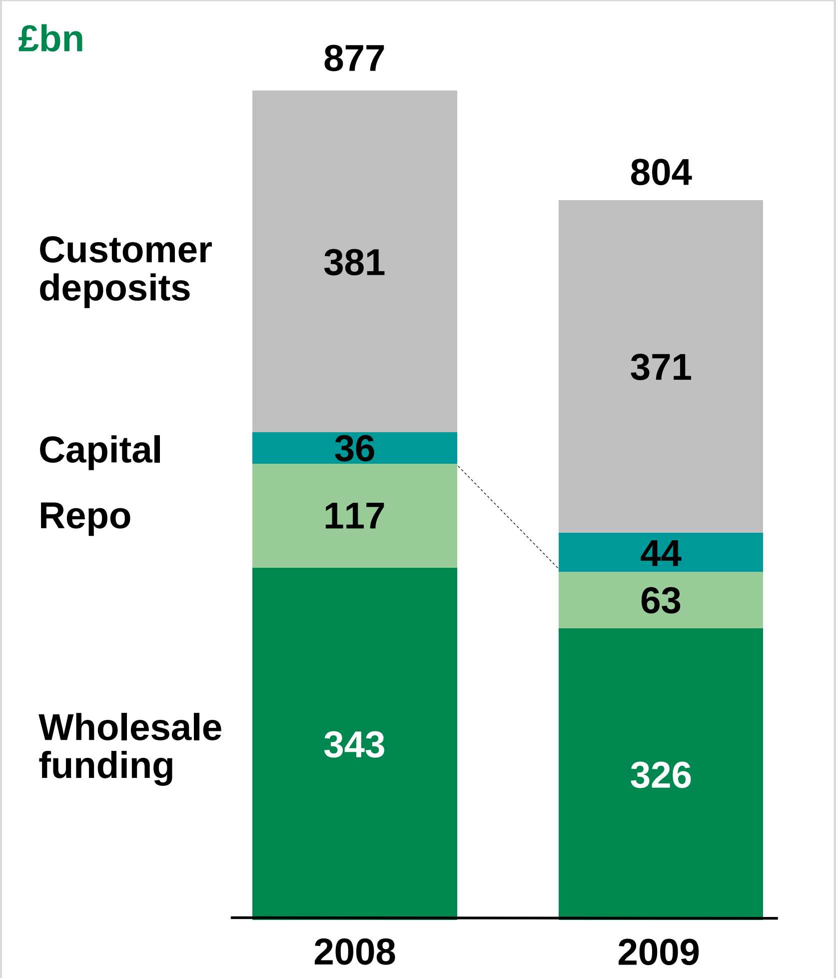


- **Further reduction of c £140 billion by end of 2014**
- **Flexibility to reduce wholesale funding levels, improve capital ratios, grow customer relationship lending or a combination of these**

REDUCING OUR WHOLESALE FUNDING REQUIREMENT

Asset run-off to reduce our wholesale funding requirements

FUNDING OUR BANKING ASSETS[1]



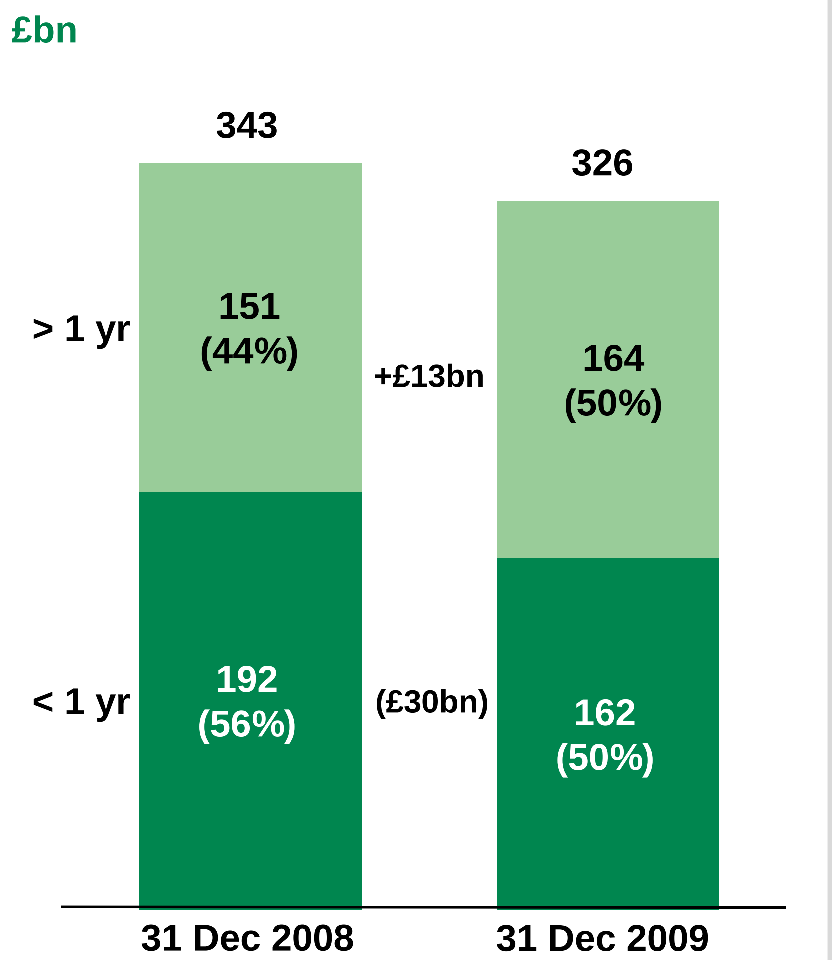
- **Asset run-off expected to significantly reduce wholesale funding requirement over next few years**
- **Refinancing of wholesale funding expected to have less than 10 basis points impact on Group margin**
- **Blended cost of Government and Central Bank funding schemes similar to current market rates**

[1] Total balance sheet less insurance assets/derivatives

REDUCING OUR WHOLESALE FUNDING REQUIREMENT
Improving our wholesale funding maturity profile

LLOYDS BANKING GROUP

WHOLESALE FUNDING MATURITY PROFILE



TERM ISSUANCE

- Expected public term issuance of c. £20–25 billion p.a. over next 3 years
- Over £15 billion term issuance to date:
  - $2 billion innovative tier 1
  - $5 billion US MTN issuance
  - £2.5 billion RMBS transaction
  - €1.5 billion Covered Bond
  - €1.5 billion lower tier 2 bond
  - €1.25 billion EMTN issuance
  - AUD500 million FRN
  - £750 million lower tier 2
  - £3.4 billion RMBS transaction
- On track to meet 2010 term issuance requirements

MAINTAINING A ROBUST CAPITAL POSITION
Improving capital ratios

CORE TIER 1 CAPITAL RATIO

Outlook over next few years:

- **Retained earnings**
- **Reduction in risk-weighted assets**

2010: OUTLOOK

Returned to profit in 2010Q1 with all trends on track

	CURRENT GUIDANCE	2010 TREND[1]
REVENUE GROWTH	High single digit growth within 2 years	✓
MARGINS	Margin expected to increase to c 2%	✓
COST:INCOME RATIO	c.200 p.a. basis points improvement	✓
INTEGRATION BENEFITS	Run rate savings increased to £2 billion pa by end of 2011	✓
IMPAIRMENTS	Half-yearly run rate improvement to continue through 2010	✓✓
REDUCTION IN BALANCE SHEET ASSETS	£200 billion asset reduction over 5 years	✓

✓ In-line with guidance ✓✓ Better than guidance

(1) Combined businesses basis

INTERIM MANAGEMENT STATEMENT – 27 APRIL 2010
Returning to profitability in first quarter of 2010

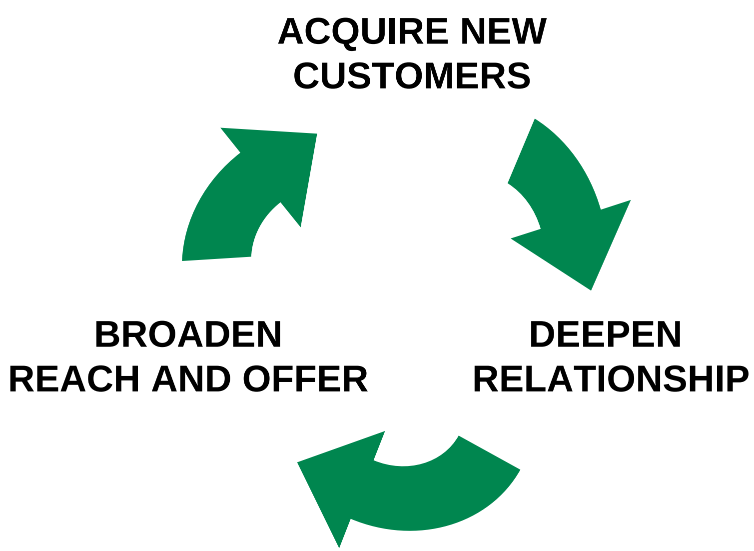
LLOYDS BANKING GROUP

- **Delivering good levels of income growth**
- **Margins running in line with guidance of circa 2% for the full year**
- **Good growth in customer deposits**
- **Costs well controlled and lower than last year**
- **Run-rate of impairments has slowed significantly**

In the first quarter of 2010, the Group returned to profitability

REALISING THE FULL POTENTIAL OF THE NEW GROUP

OUR BUSINESS MODEL



WHY WE WILL OUTPERFORM

- **Continue our relationship model in the Lloyds TSB franchise**
- **Extend the Lloyds TSB model to the enlarged franchise**

DEEPENING CUSTOMER RELATIONSHIPS
Opportunities across the Group

	EXAMPLE OPPORTUNITY	POTENTIAL GROUP INCOME
Retail	Greater relationship depth with new and existing HBOS customers	**~ £500 million**
	Sustained trend in growth of multiple product holdings in Lloyds TSB franchise	**~ £250 million**
Wholesale	Growth in ‘Trusted Adviser/Specialist’ relationships with Corporate customers	**~ £600 million**
	HBOS up to Lloyds TSB penetration rates for new business start-ups	**~ £50 million**
	Cross-sale of other Group products to SME customer base	**~ £200 million**
Wealth	Private banking services for affluent Group customers	**~ £250 million**

LLOYDS BANKING GROUP

A unique relationship based strategy

STRONG FINANCIAL PERFORMANCE OVER NEXT FEW YEARS	▪ Improved margin outlook ▪ Cost advantage through acquisition related synergies ▪ Significant reduction in impairment provisions ▪ Lower asset dependence
EXCELLENT EARNINGS POTENTIAL OVER MEDIUM TO LONG TERM	▪ Extend relationship model across Group franchise ▪ Proprietary customer insight advantage ▪ Positive operating leverage ▪ Rigorous risk disciplines ▪ Efficient capital management

Predictable sustained earnings growth

BUILDING STRONG CORE BUSINESS MOMENTUM
A strong earnings outlook

- **2009 was a year of major progress in shaping the future of the Group particularly with respect to funding and capital issues post acquisition**
- **2010 delivering positive trends, in particular, impairments have slowed significantly**
- **The Group returned to profitability in the first quarter. We expect this momentum to be maintained throughout 2010.**
- **Our relationship-focused model offers significant, additional, growth potential**

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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, its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's 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 events and depend on circumstances that will occur in the future. The Group's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including, without limitation, UK domestic and global economic and business conditions, the ability to derive cost savings and other benefits, as well as the ability to mitigate exposures from the acquisition and integration of HBOS, risks concerning borrower credit quality, market related trends and developments, changing demographic trends, changes in customer preferences, changes to regulation, the policies and actions of Governmental and regulatory authorities in the UK or jurisdictions outside the UK, including other European countries and the US, exposure to regulatory scrutiny, legal proceedings or complaints, competition and other factors. Please refer to the rights issue prospectus issued by Lloyds Banking Group plc on 3 November 2009 for a discussion of such 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.