

**LLOYDS
BANKING
GROUP**



UBS Annual Global Financial Services Conference

New York – 11 May 2011

Tim Tookey

Group Finance Director

AGENDA



- **Context**
- **Q1 2011 key highlights**
- **Further balance sheet de-risking**
- **Payment Protection Insurance provision**
- **Combined businesses trading performance**

2010 FULL YEAR RESULTS

LLOYDS
BANKING
GROUP



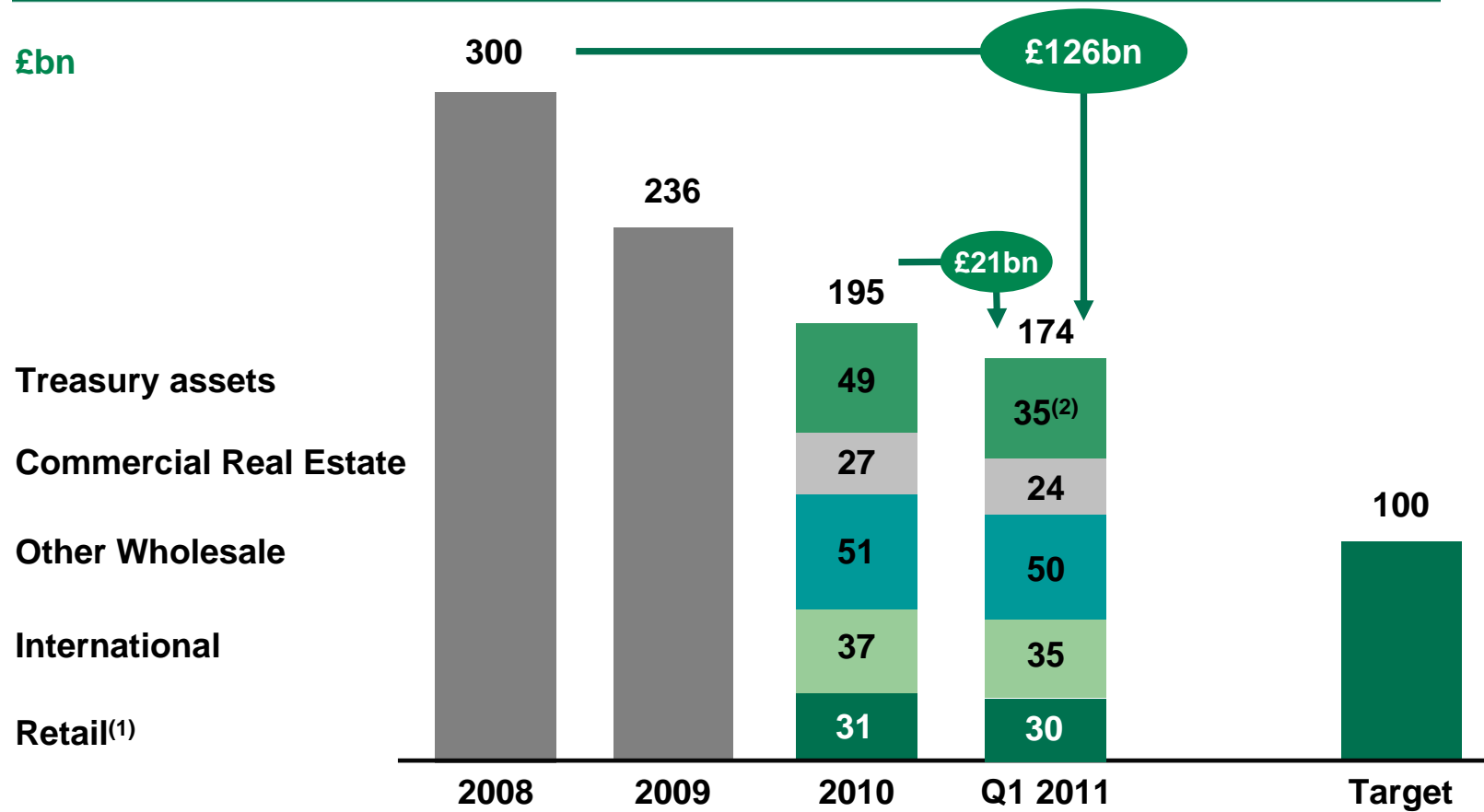
- **Strong progress in balance sheet reduction**
- **Further reduction in risk in the business**
- **Funding and liquidity position much improved**
- **Stronger capital ratios**
- **Substantial reduction in Group impairments**

Q1 2011 KEY HIGHLIGHTS



- **Significant further progress in reducing the Group's risk profile**
 - **£21bn reduction in non-core assets**
 - **Funding position further secured through deposit growth and term issuance**
 - **£26bn reduction in government and central bank funding**
- **Appropriate Payment Protection Insurance provision**
- **Strong capital position maintained**
- **Satisfactory trading performance given subdued UK economy**

GOOD PROGRESS ON ASSET REDUCTIONS



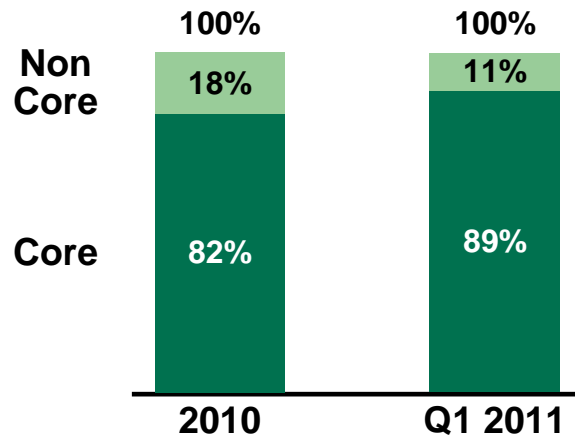
(1) Primarily made up of self cert and sub prime mortgages. Excludes mortgage assets associated with state aid mandated divestments

(2) Reduction in Treasury assets by £14bn consists of £11bn of disposals and £3bn of natural run off

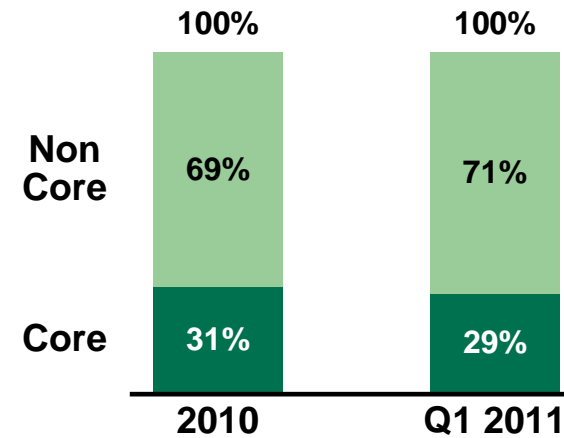
PROFILE OF CORE / NON-CORE BUSINESS



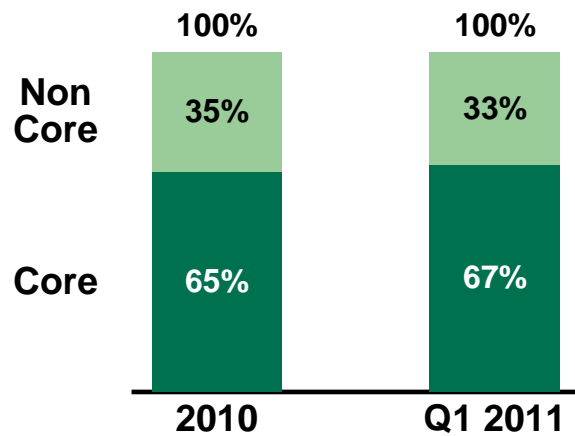
Underlying Income



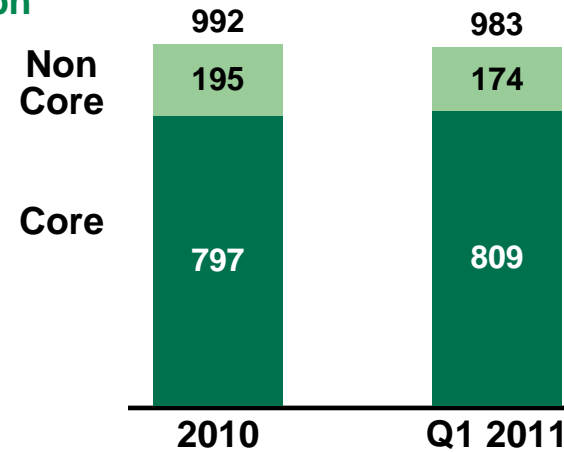
Impairment Charges



Risk Weighted Assets



Total Assets £ bn

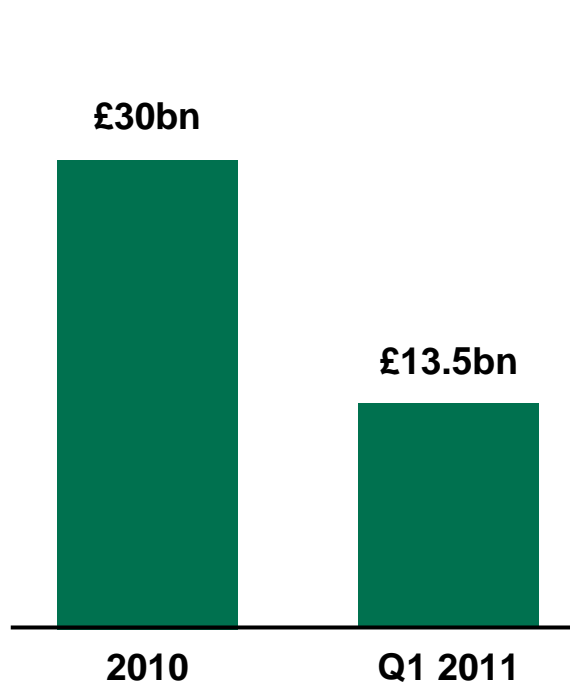


FURTHER PROGRESS IN OUR WHOLESALE FUNDING WITH MATURITY PROFILE MAINTAINED



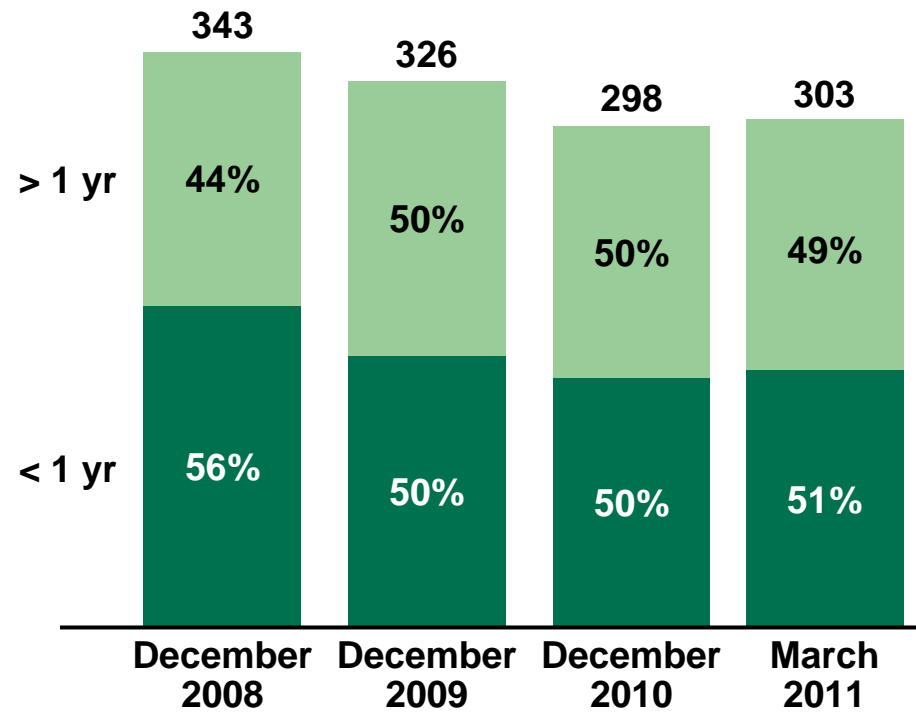
PUBLIC TERM ISSUANCE

£bn



WHOLESALE FUNDING MATURITY PROFILE

£bn

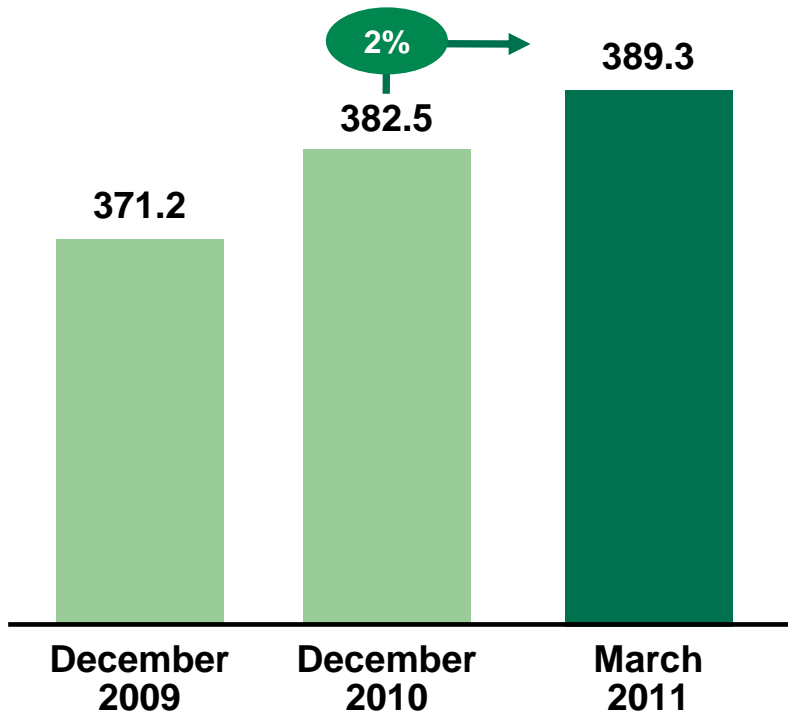


GROWING CUSTOMER DEPOSIT BASE



CUSTOMER DEPOSITS

£bn

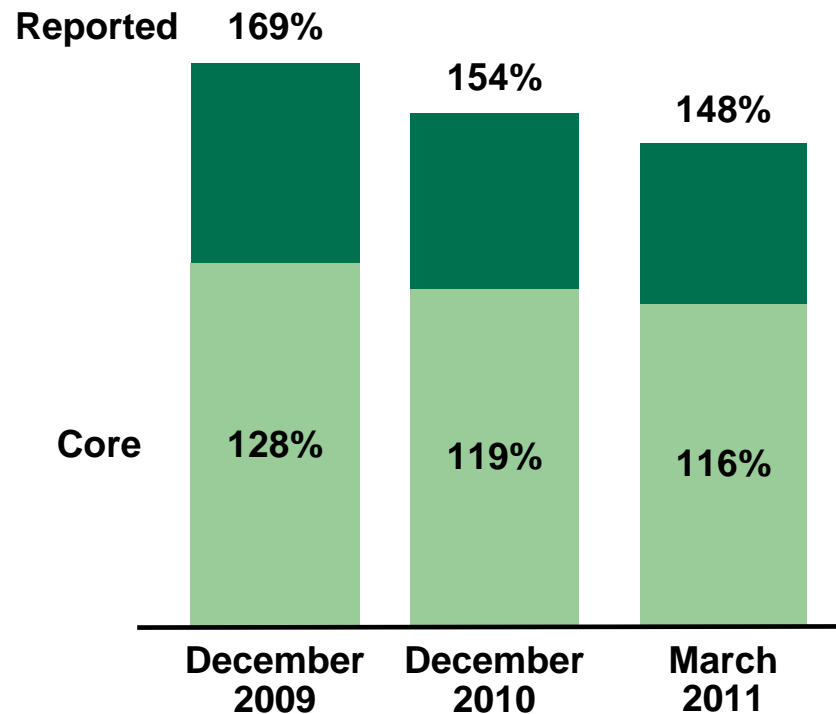


- Increase in customer deposits of £6.8 billion in Q1
- Continuing to build current account and savings franchises
- Market for customer deposits remains competitive

FURTHER IMPROVEMENTS IN OUR LOAN TO DEPOSIT RATIO



LOAN TO DEPOSIT RATIO



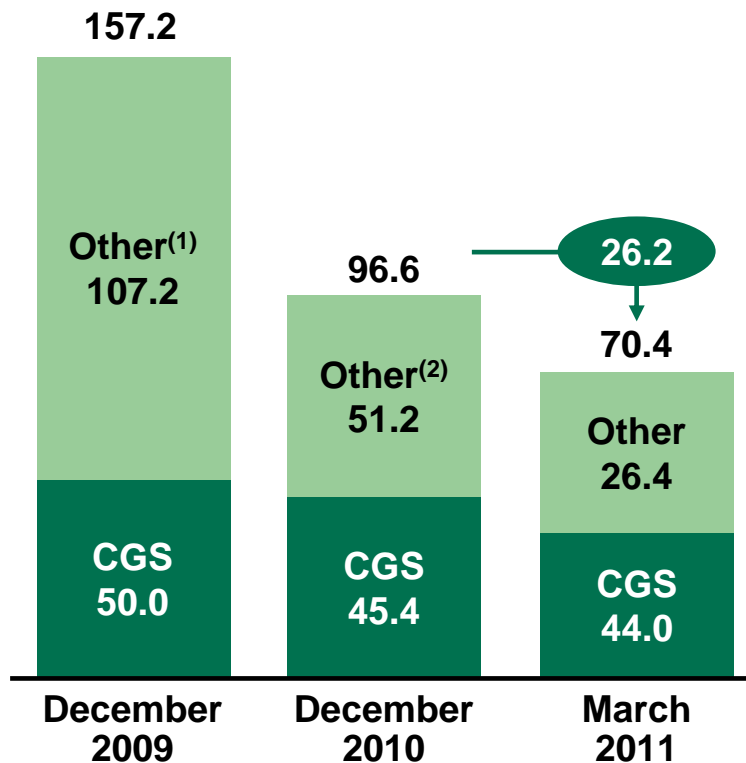
- Loan to deposit ratio continues to improve due to:
 - Non-core assets reduction
 - Excellent relationship deposit growth
- Loan to deposit ratio on core book improves further to 116%

REDUCTION IN GOVERNMENT AND CENTRAL BANK FUNDING



GOVERNMENT & CENTRAL BANK FUNDING

£bn



- Substantial reduction in liquidity support from government and central bank sources of £26.2 billion
- £70.4 billion of government and central bank funding outstanding, of which £44 billion relates to the UK CGS
- Primary liquidity assets of £98.8 billion (December 2010: £97.5 billion)

(1) Other: UK Special Liquidity Scheme facilities, US Federal Reserve, ECB, Bank of Japan and Reserve Bank of Australia
 (2) Other: UK Special Liquidity Scheme facilities and Reserve Bank of Australia

PAYMENT PROTECTION INSURANCE PROVISION



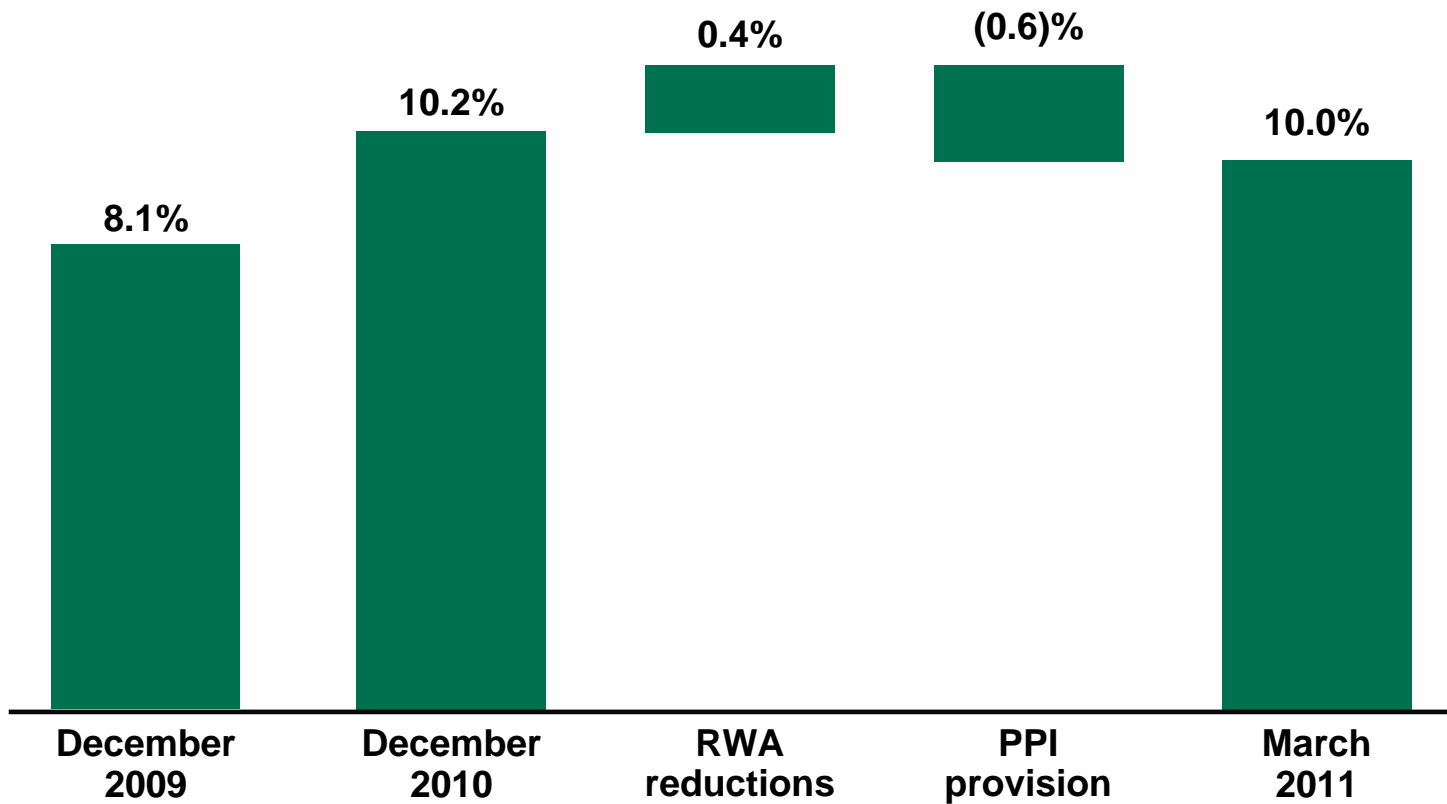
- **20 April 2011 - High Court dismisses BBA application to seek judicial review**
- **Discussions with the FSA have also increased clarity around the implementation of Policy Statement on customer complaints and redress**
- **We have concluded that customer contact and redress appropriate in certain circumstances**
- **We want to achieve the right outcome for customers and clarity for shareholders**
- **An appropriate provision of £3.2 billion has been made**

A STRONG CAPITAL POSITION



CORE TIER 1 RATIO

%



BUSINESS PERFORMANCE - INCOME

LLOYDS
BANKING
GROUP



	Q1 2011	Q4 2010	Change
Total income⁽¹⁾	£4,805m	£5,437m	(12)%
Underlying income⁽²⁾	£5,203m	£5,748m	(9)%
<i>Underlying income excluding loss on sale of treasury assets</i>			(2)%
<i>Average interest earning banking assets</i>	£612bn	£629bn	(3)%
Margin	2.07%	2.12%	

⁽¹⁾ Net of insurance claims

⁽²⁾ Underlying income is total income excluding the mark-to-market losses arising from the equity conversion feature of the Group's ECNs

BUSINESS PERFORMANCE

LLOYDS
BANKING
GROUP



	Q1 2011	Q4 2010	Change
Operating expenses	£2,751m	£2,787m	1%
<i>Integration savings run-rate</i>	<i>£1,570m</i>	<i>£1,379m</i>	
Impairment	£2,608m	£3,755m	31%
Profit before tax ⁽¹⁾	£284m	£276m	3%
Statutory loss before tax	(£3,470m)	(£1,686)m	

⁽¹⁾ Combined businesses basis

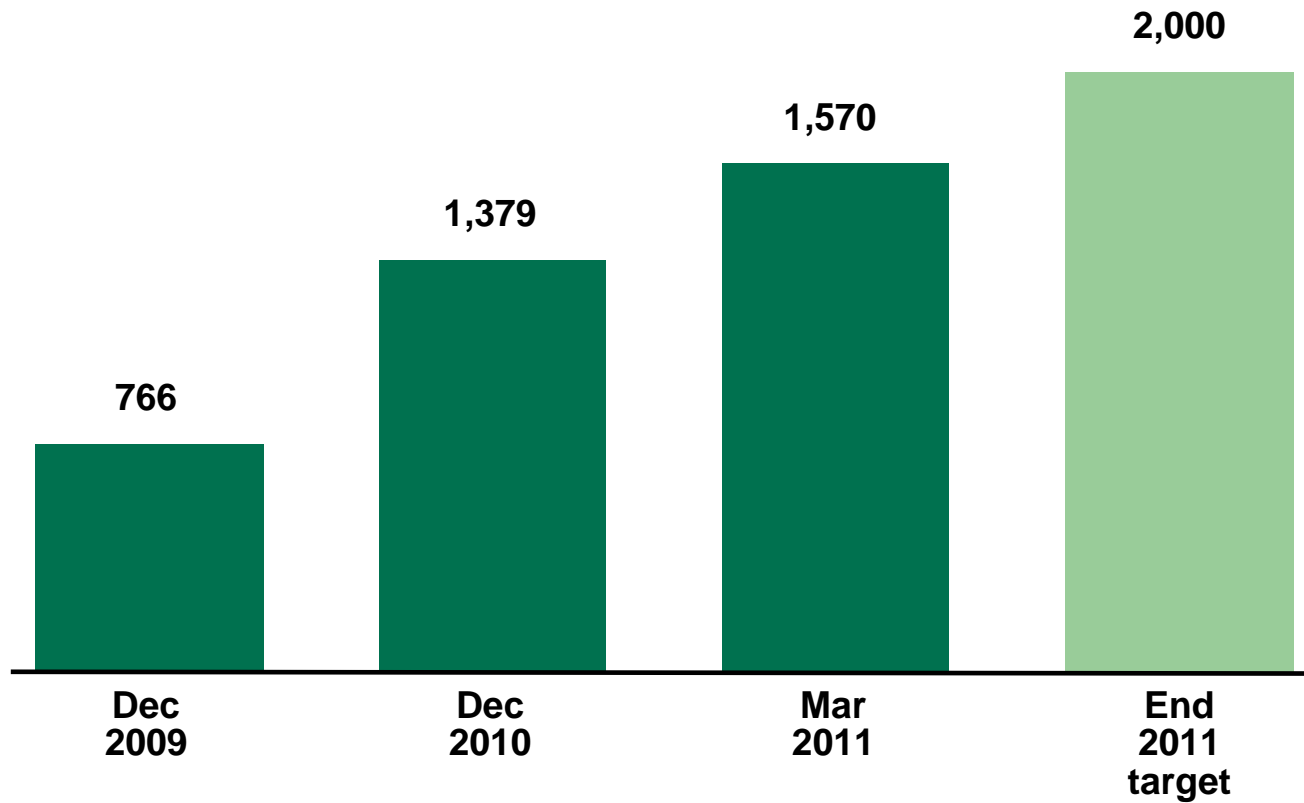
SYNERGY PROGRESSION

Strong delivery of synergy programmes



ANNUAL COST SAVINGS RUN RATE

£m



BUSINESS PERFORMANCE

LLOYDS
BANKING
GROUP



	Q1 2011	Q4 2010	Change
Operating expenses	£2,751m	£2,787m	1%
<i>Integration savings run-rate</i>	<i>£1,570m</i>	<i>£1,379m</i>	
Impairment	£2,608m	£3,755m	31%
Profit before tax ⁽¹⁾	£284m	£276m	3%
Statutory loss before tax	(£3,470m)	(£1,686)m	

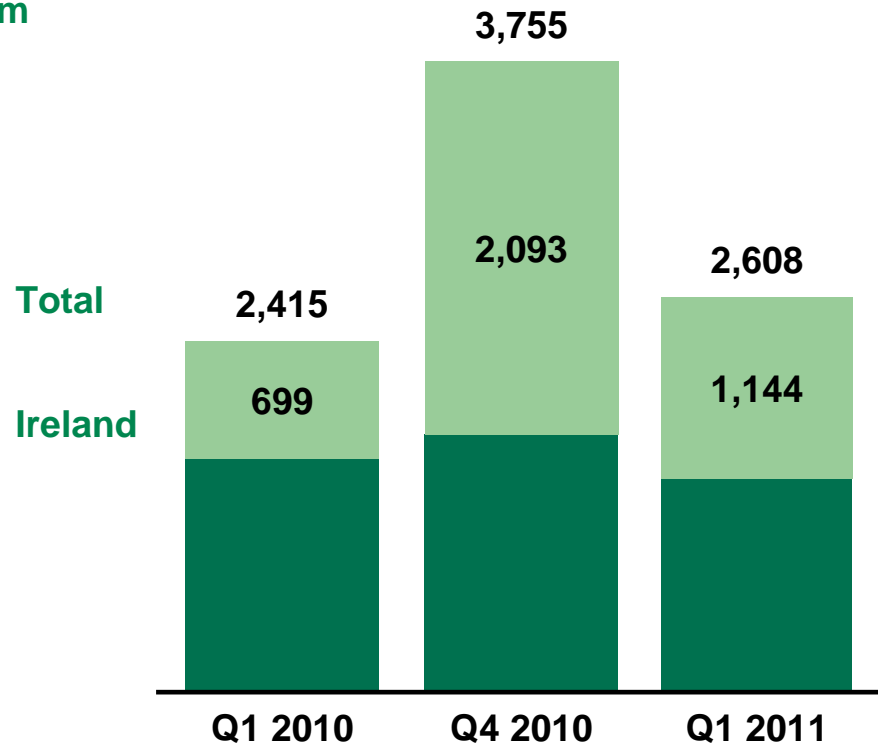
⁽¹⁾ Combined businesses basis

IMPAIRMENT CHARGE



TOTAL IMPAIRMENT CHARGE

£m



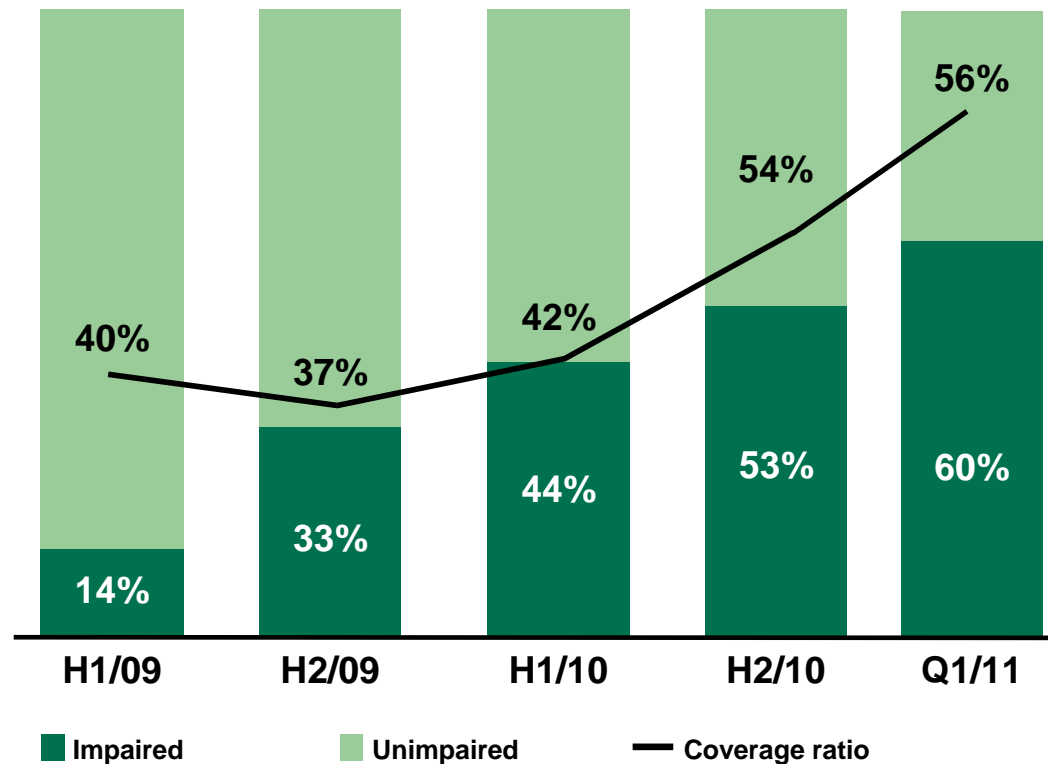
- Impairments charge in Q1 2011 c. £500 million above expectations, due to Ireland
- Impairment charge in the remainder of the portfolio in line with expectations

IRISH PORTFOLIO

Coverage level increased due to economic uncertainties

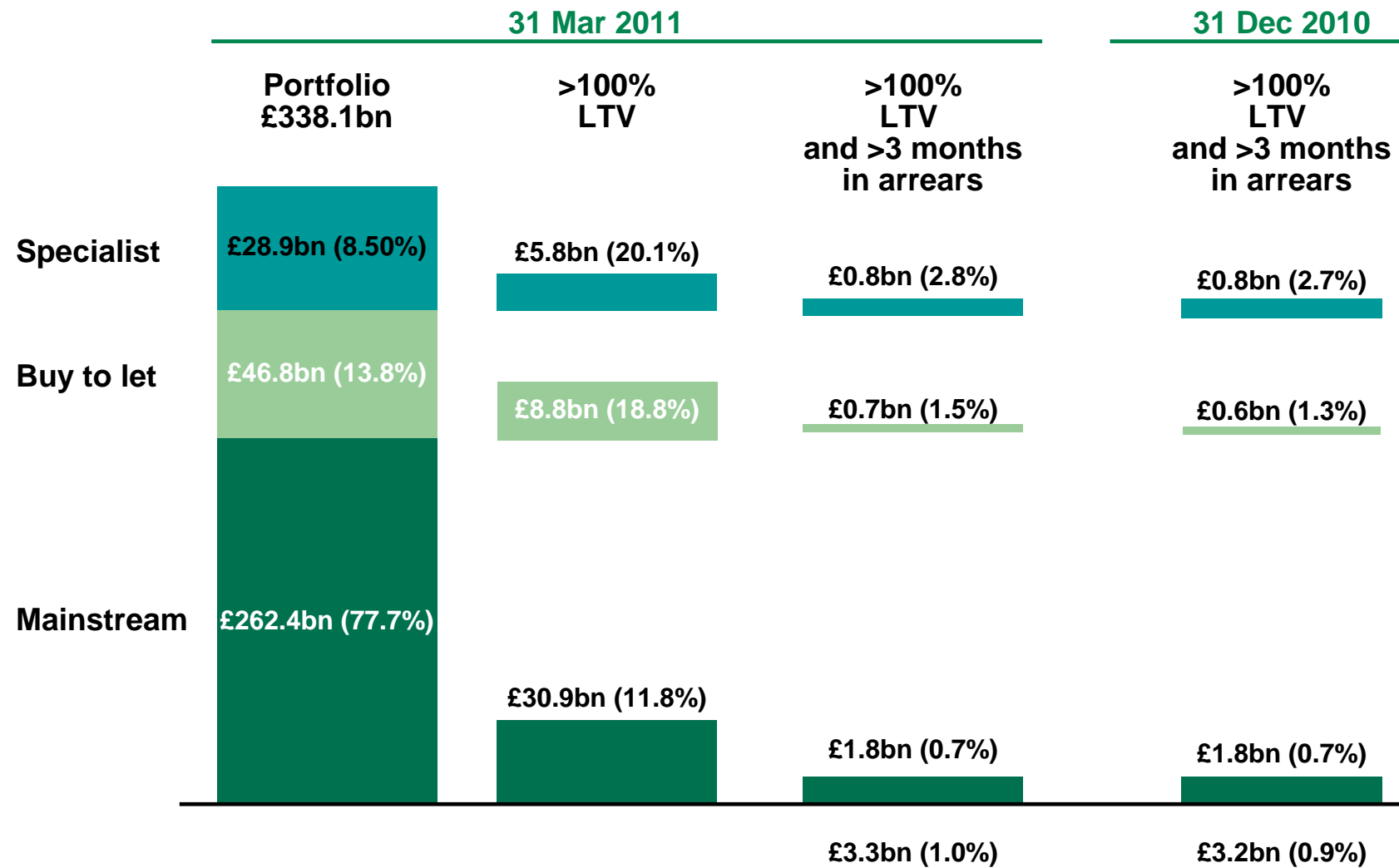


IMPAIRED/UNIMPAIRED ASSETS



- Market sentiment adversely impacted by downturn and EU-IMF bail out
- Consequently asset prices expected to be depressed for longer
- Further potential falls in CRE of c. 10%
- Coverage ratio increased to 56% (from 54% at H2/10)
- Downside risks still remain

UK MORTGAGE PORTFOLIO



SUMMARY



- **Significant further progress in reducing the Group's risk profile**
 - **£21bn reduction in non-core assets**
 - **Funding position further secured through deposit growth and term issuance**
 - **£26bn reduction in government and central bank funding**
- **Appropriate Payment Protection Insurance provision**
- **Strong capital position maintained**
- **Satisfactory trading performance given subdued UK economy**

FORWARD LOOKING STATEMENTS

LLOYDS
BANKING
GROUP



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 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 business, strategy, plans and/or results may differ materially from those expressed or implied in these forward looking statements as a result of a variety of risks, uncertainties and other 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 integrate successfully the acquisition of HBOS; the ability to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; risks concerning borrower or counterparty credit quality; market related trends and developments; changing demographic trends; changes in customer preferences; changes to regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of Governmental or regulatory authorities in the UK, the European Union, or jurisdictions outside the UK, including other European countries and the US; 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; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU State Aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations; exposure to regulatory scrutiny, legal proceedings or complaints, actions of competitors and other factors. Please refer to the latest Annual Report on form 20-F filed with the US Securities and Exchange Commission 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.

**LLOYDS
BANKING
GROUP**



UBS Annual Global Financial Services Conference

New York – 11 May 2011

Tim Tookey

Group Finance Director