

LLOYDS
BANKING
GROUP



Barclays Global Financial Services Conference

10 September 2012

George Culmer

Group Finance Director



OUR DIFFERENTIATED FRANCHISE

PROGRESS AGAINST OUR STRATEGY

FUTURE PERFORMANCE

SUMMARY

LLOYDS BANKING GROUP

A differentiated UK-focused Retail and Commercial bank

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- Largest retail bank in the UK
- Multi-brand strategy, with leading financial services brands
- Customer-focused, serving 30m customers
- Voted 'Bank of the Year'⁽¹⁾ for eighth consecutive year by UK corporates
- Rated A equivalent by all three major rating agencies⁽²⁾ including affirmation of Moody's short-term rating in 2012



Lloyds TSB



✦ BANK OF SCOTLAND



A substantial UK franchise focused on serving our customers' needs

(1)FD's Excellence Awards. (2) LTSB Bank PLC.

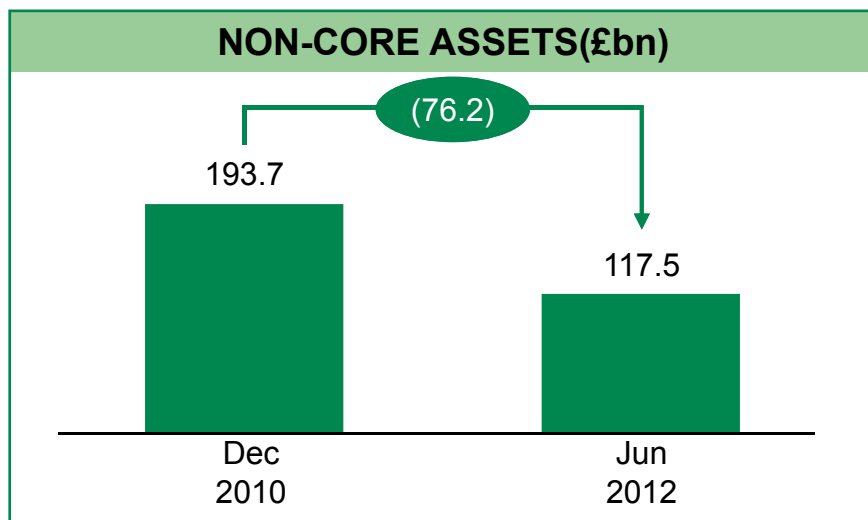
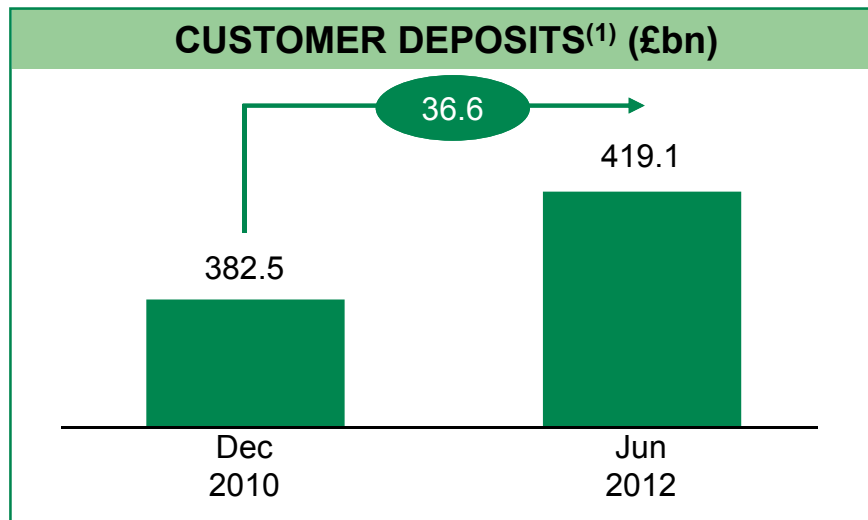
OUR STRATEGY

Building a stronger and safer group, with a lower risk premium and best in-class efficiencies



STRENGTHENING THE BALANCE SHEET

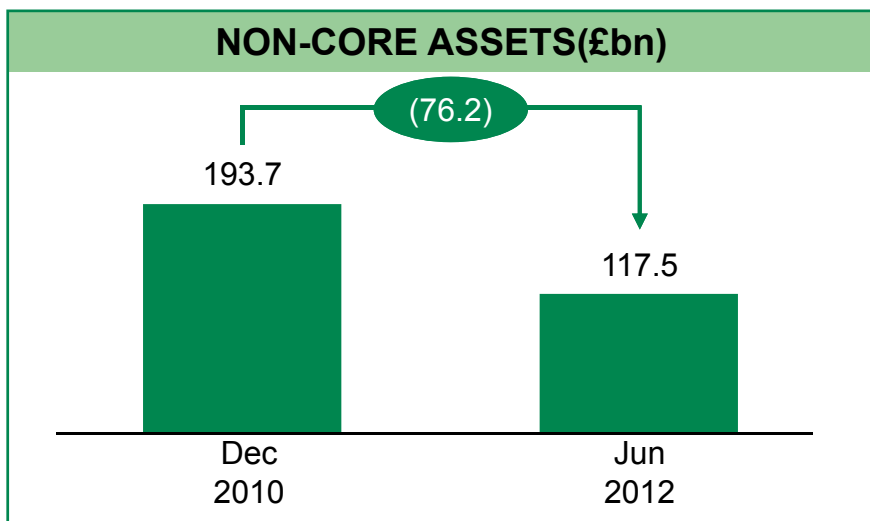
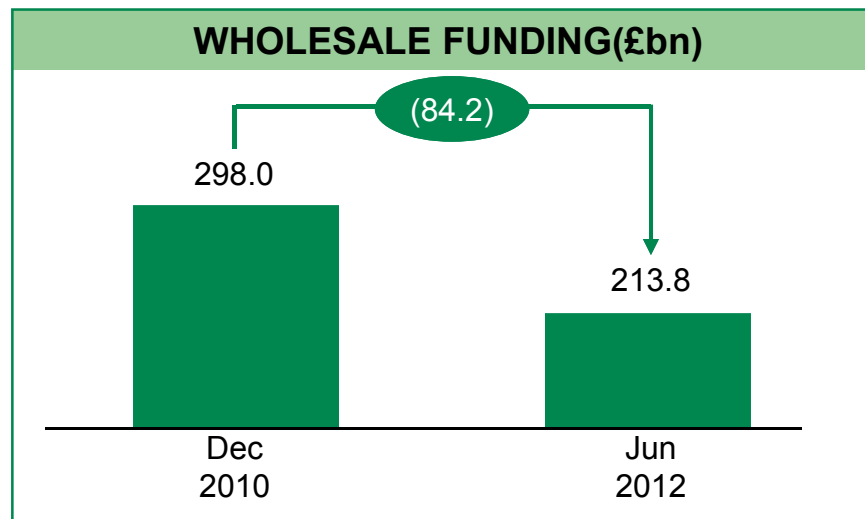
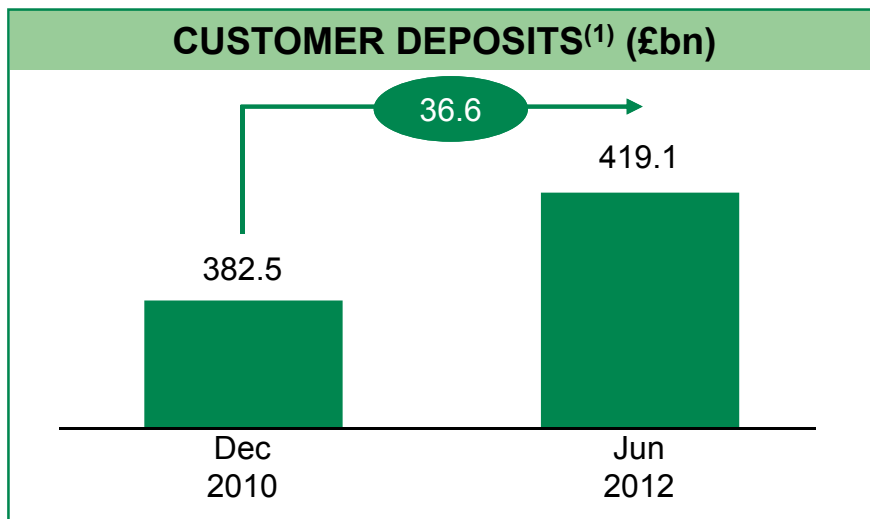
Deposit growth and non-core run-down



⁽¹⁾ Excluding repos.

STRENGTHENING THE BALANCE SHEET

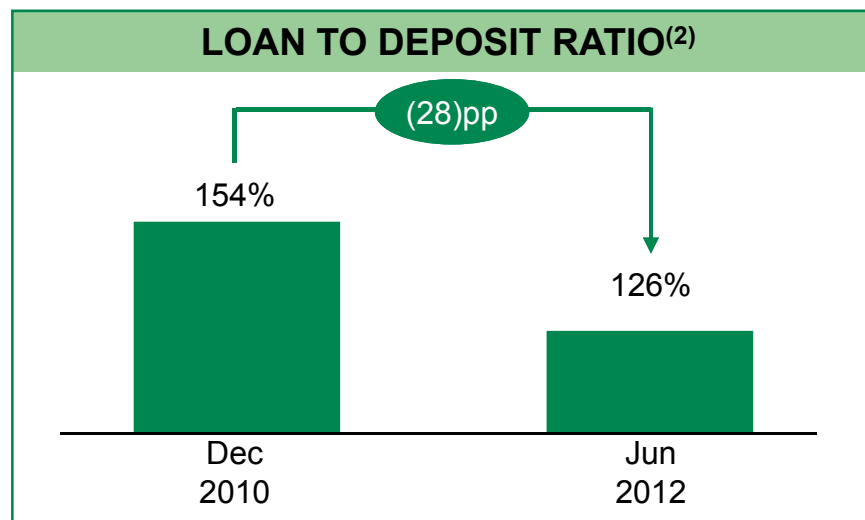
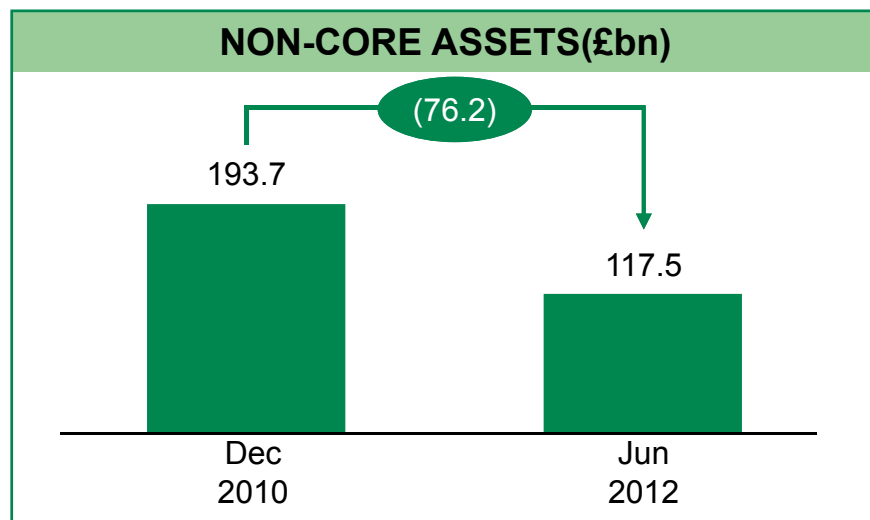
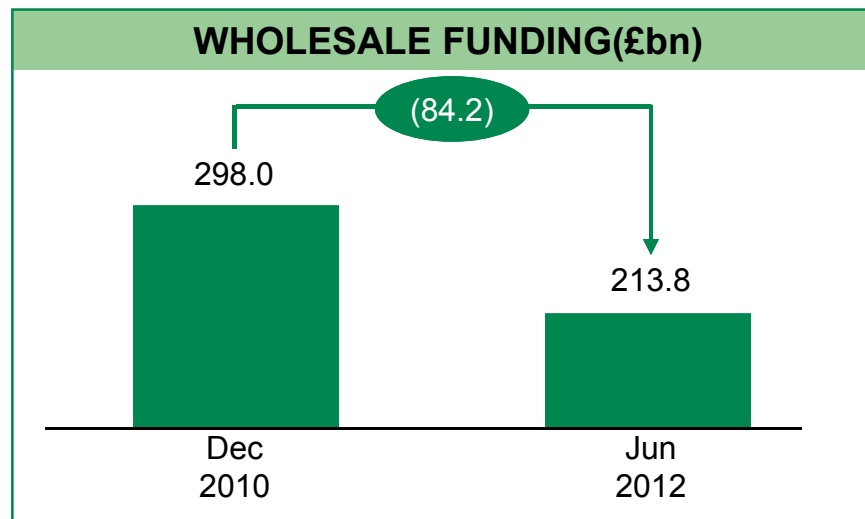
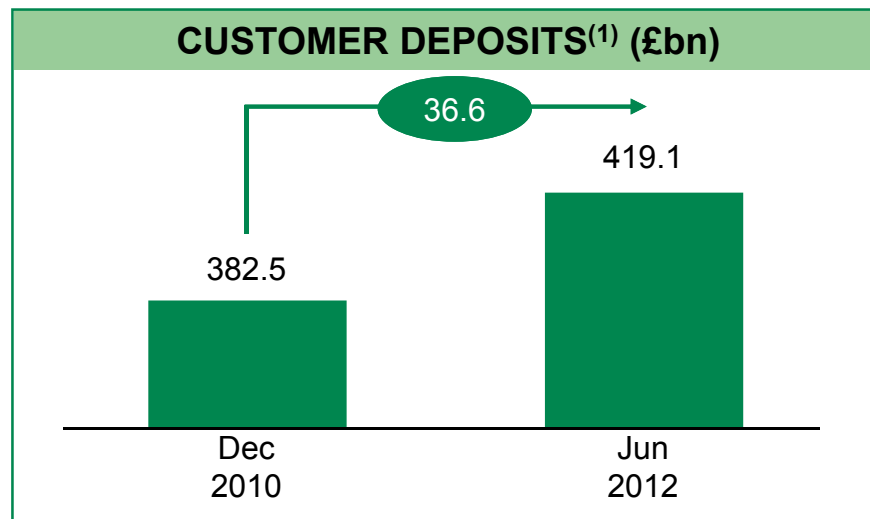
Deposit growth and non-core run-down driving reduction in wholesale funding



⁽¹⁾ Excluding repos.

STRENGTHENING THE BALANCE SHEET

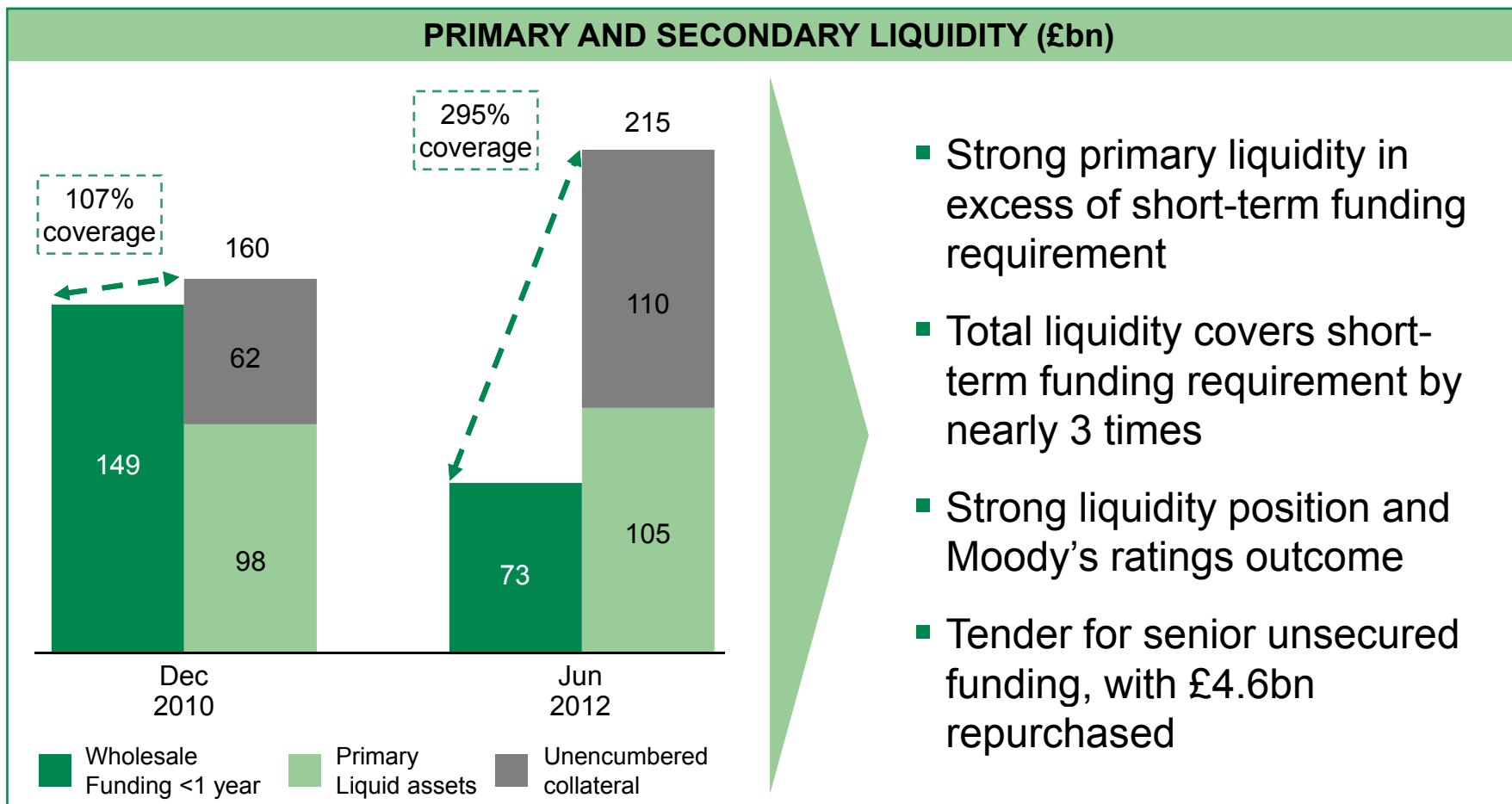
Deposit growth and non-core run-down driving reduction in wholesale funding and loan to deposit ratio



⁽¹⁾ Excluding repos. ⁽²⁾ Loans and advances to customers (excluding reverse repos) divided by customer deposits (excluding repos).

STRENGTHENING THE BALANCE SHEET

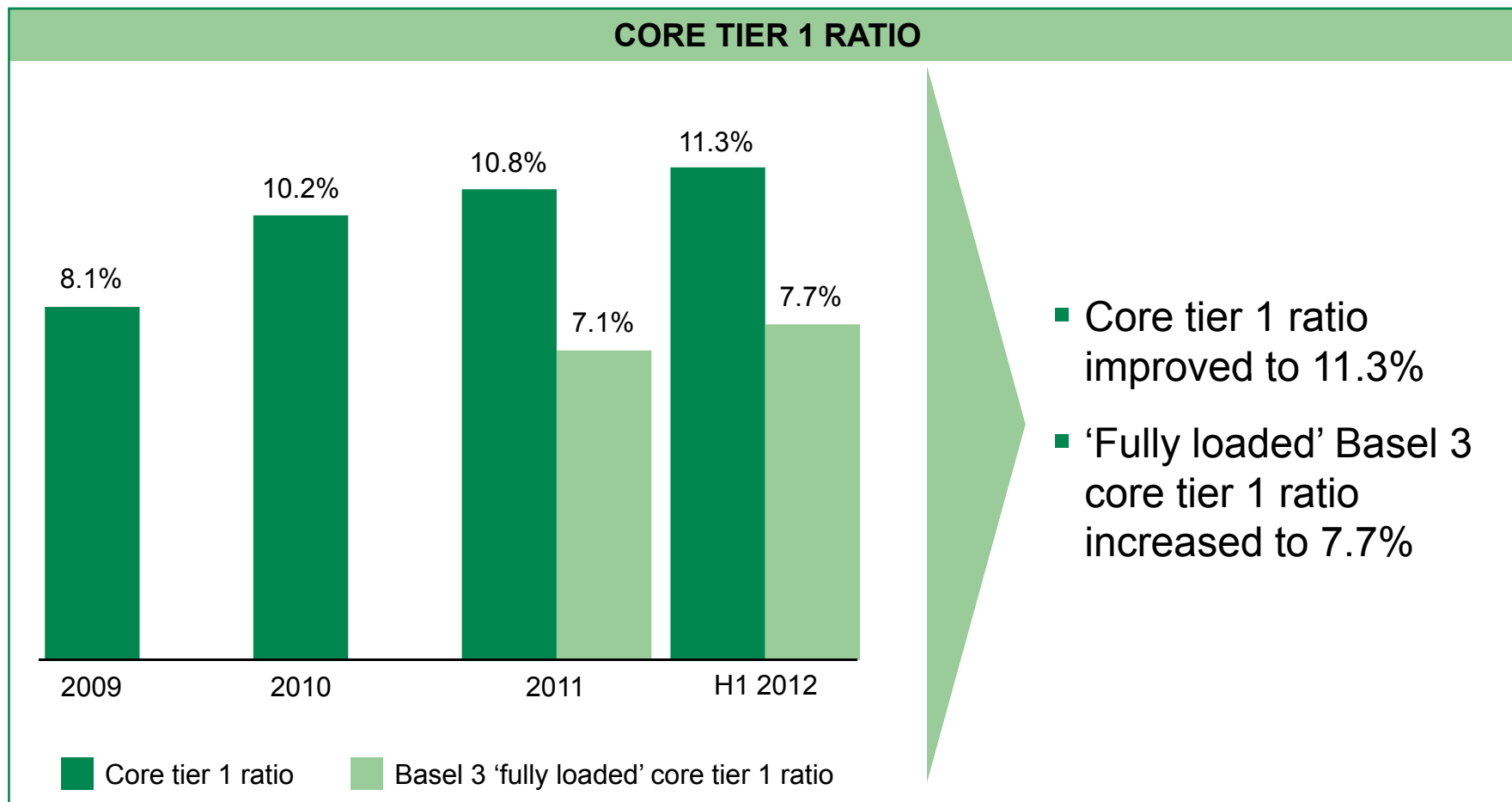
Strong liquid asset positions provide future flexibility



Strong liquidity coverage provides optionality

STRENGTHENING THE BALANCE SHEET

Significant improvement in capital position



Capital ratios continue to improve ahead of regulatory requirements

FINANCIAL PERFORMANCE

Resilient underlying business performance

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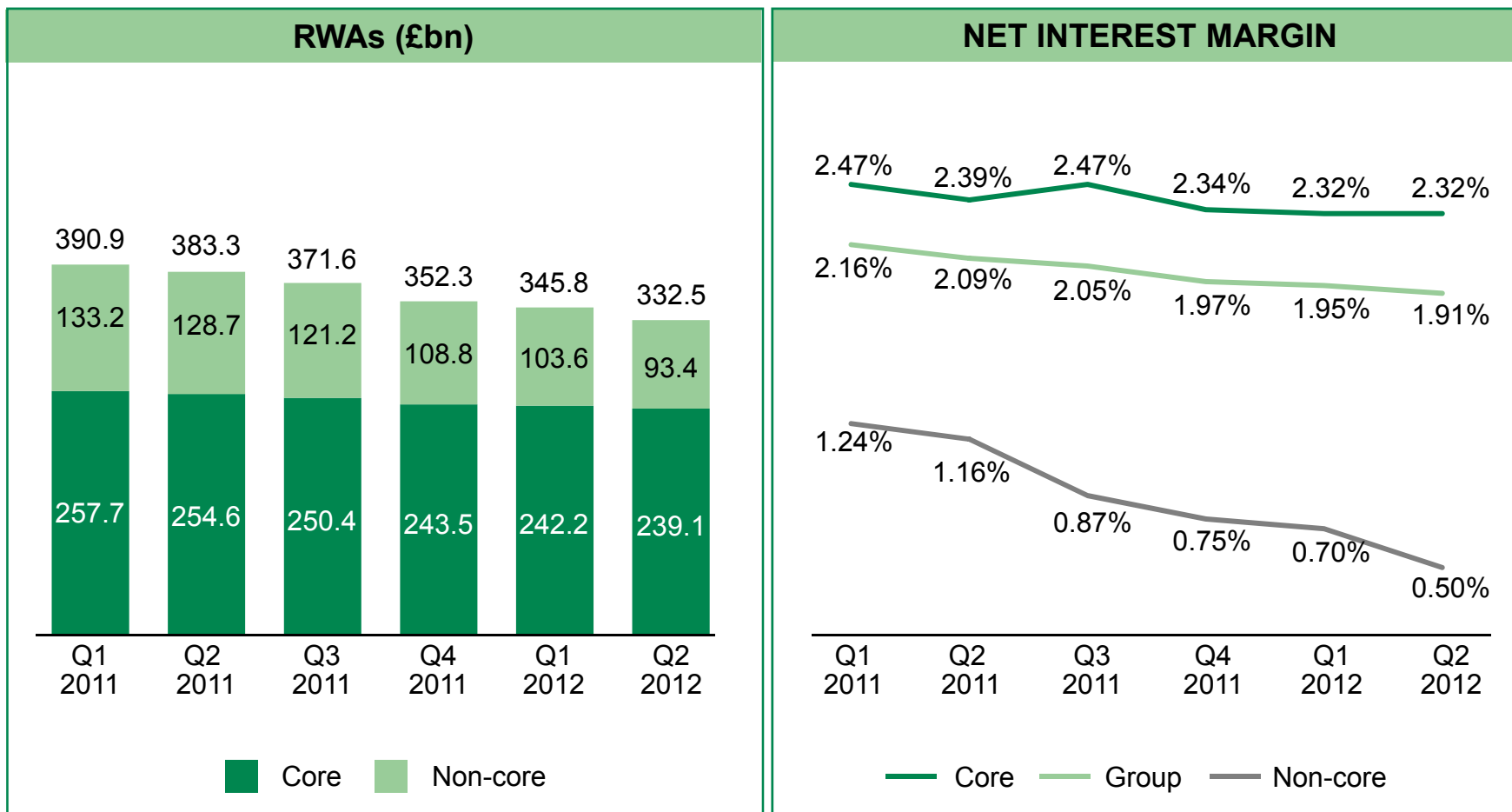
(£m)	GROUP			CORE		
	H1 2012	H1 2011	Change %	H1 2012	H1 2011	Change %
Underlying income⁽¹⁾	9,246	11,103	(17)%	8,602	9,704	(11)%
Total costs	(5,025)	(5,332)	6%	(4,647)	(4,860)	4%
Impairment	(3,157)	(5,422)	42%	(978)	(1,636)	40%
Underlying profit	1,064	349	205%	2,977	3,208	(7)%
Management profit	1,165	1,104	6%	2,715	2,866	(5)%
Payment protection insurance	(1,075)	(3,200)				
Simplification, Verde costs and integration	(513)	(689)				
Other	(16)	(466)				
Statutory loss before tax	(439)	(3,251)				

Management actions offsetting subdued environment

⁽¹⁾Net of insurance claims.

RISK WEIGHTED ASSETS AND NET INTEREST MARGIN

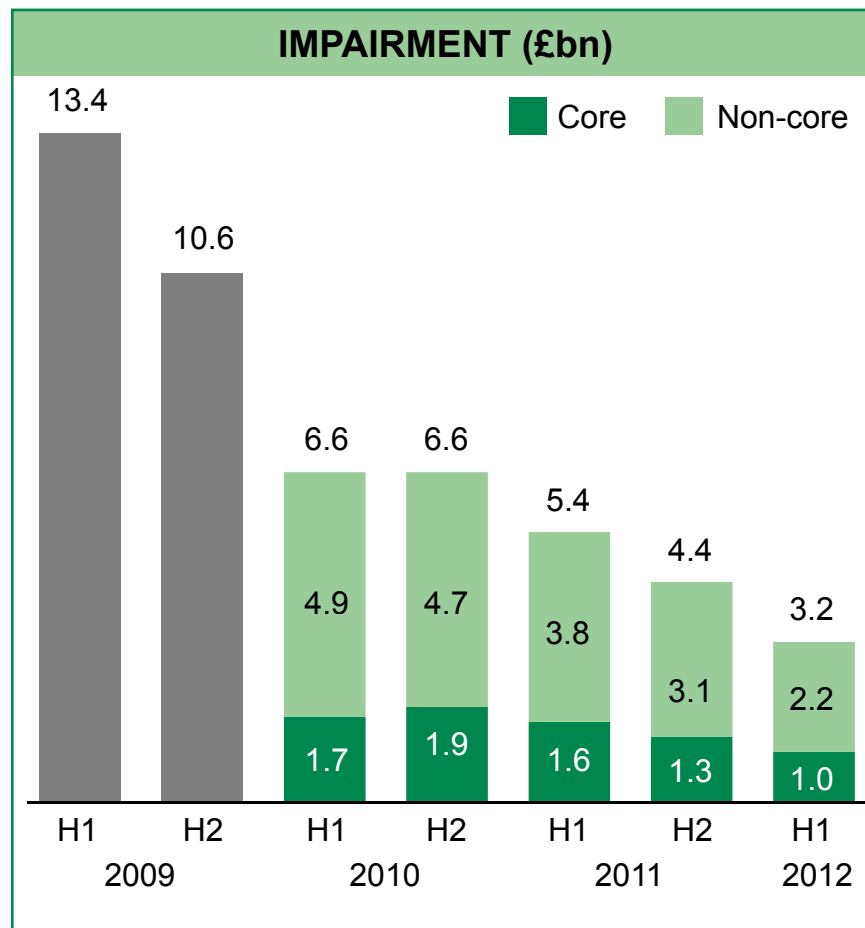
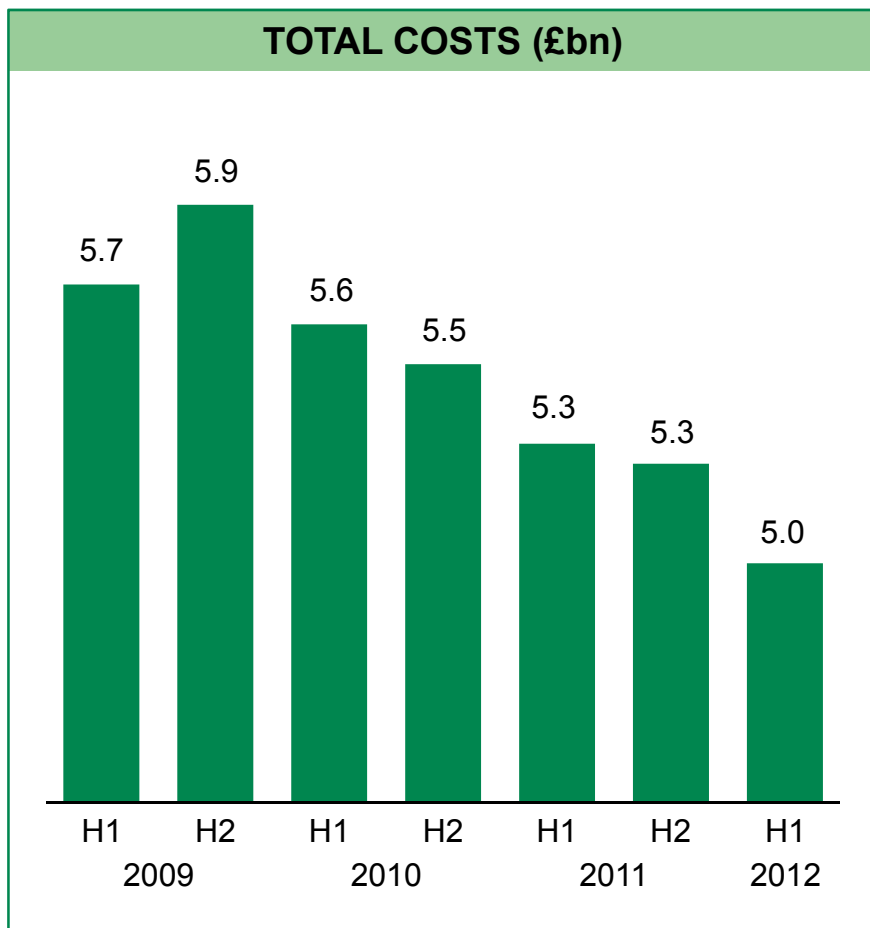
Income trends reflect non-core risk reduction and resilient core margin



Core metrics resilient in challenging environment

COSTS AND IMPAIRMENT

Further cost reduction and declining impairment charge



Strong cost management and lower impairment offset income pressure

FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency

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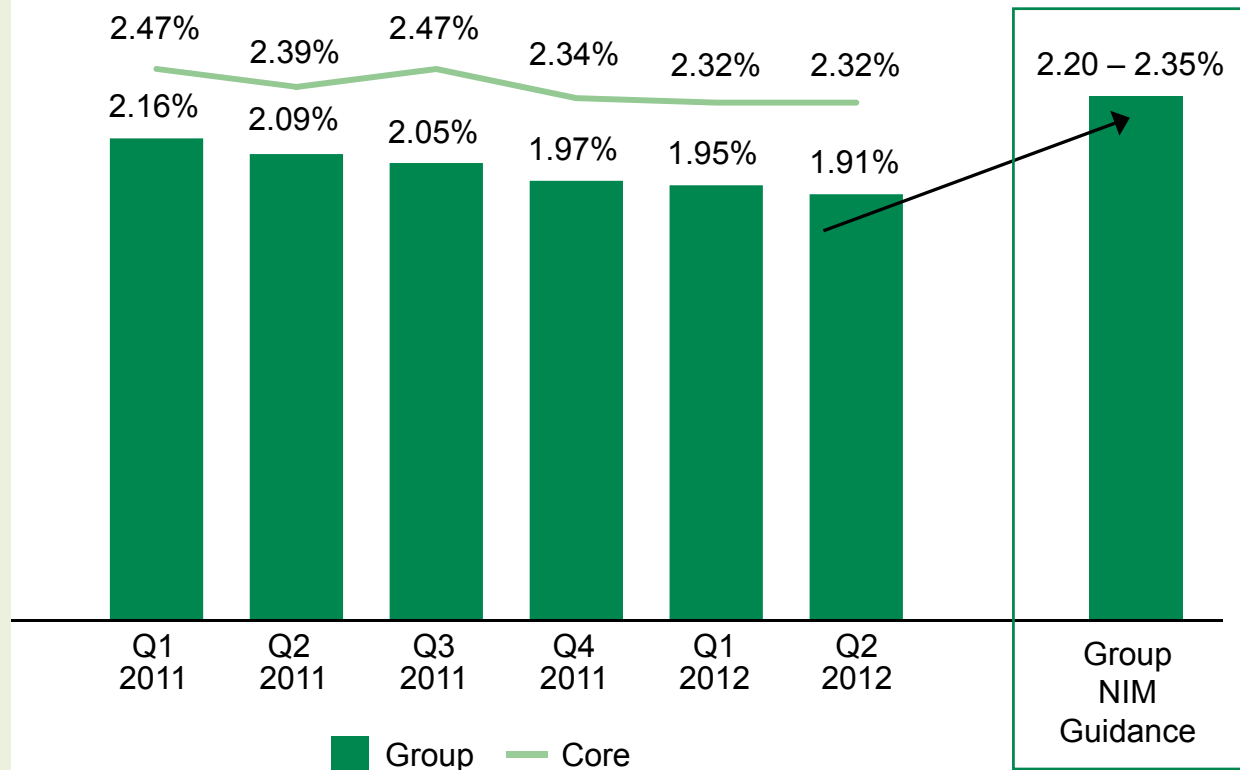
FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency



Targeting net interest margin of 2.20 – 2.35%

Income trends



FUTURE PERFORMANCE

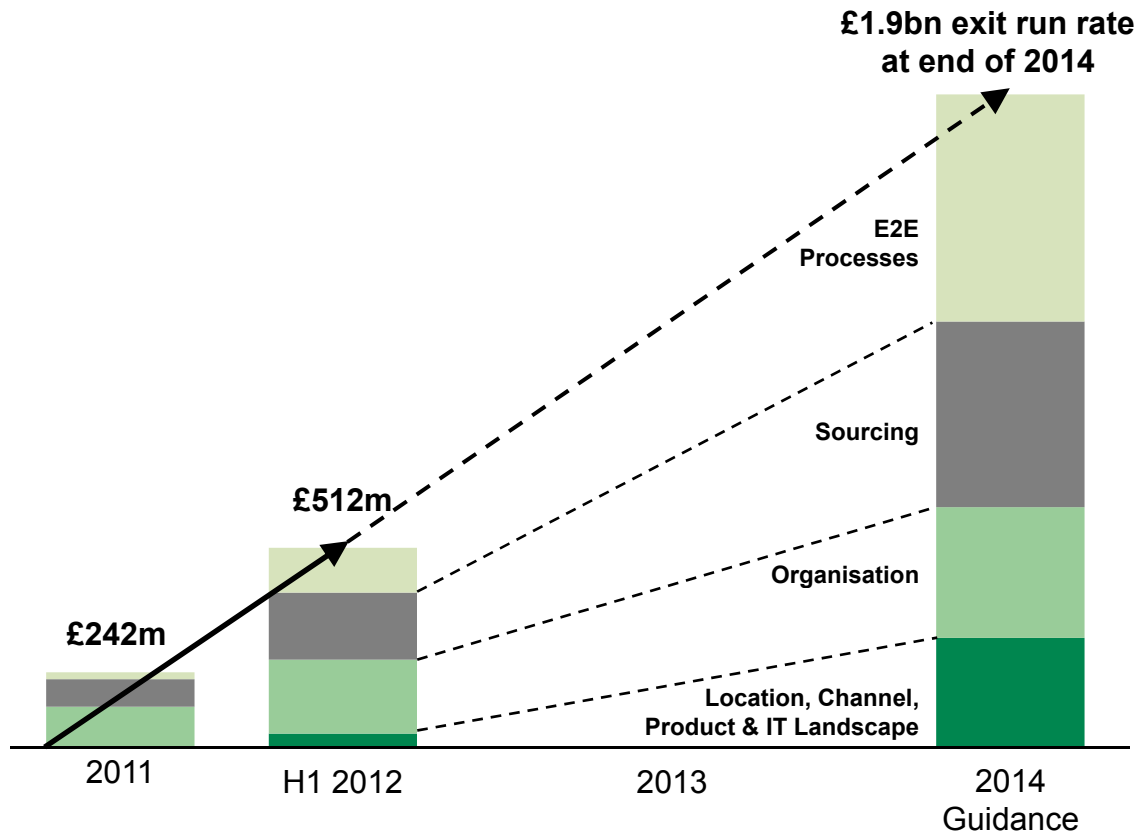
Creating competitive advantage through a lower risk premium and best-in-class efficiency



Continue to take action on costs

- Income trends
- Costs

SIMPLIFICATION RUN RATE SAVINGS



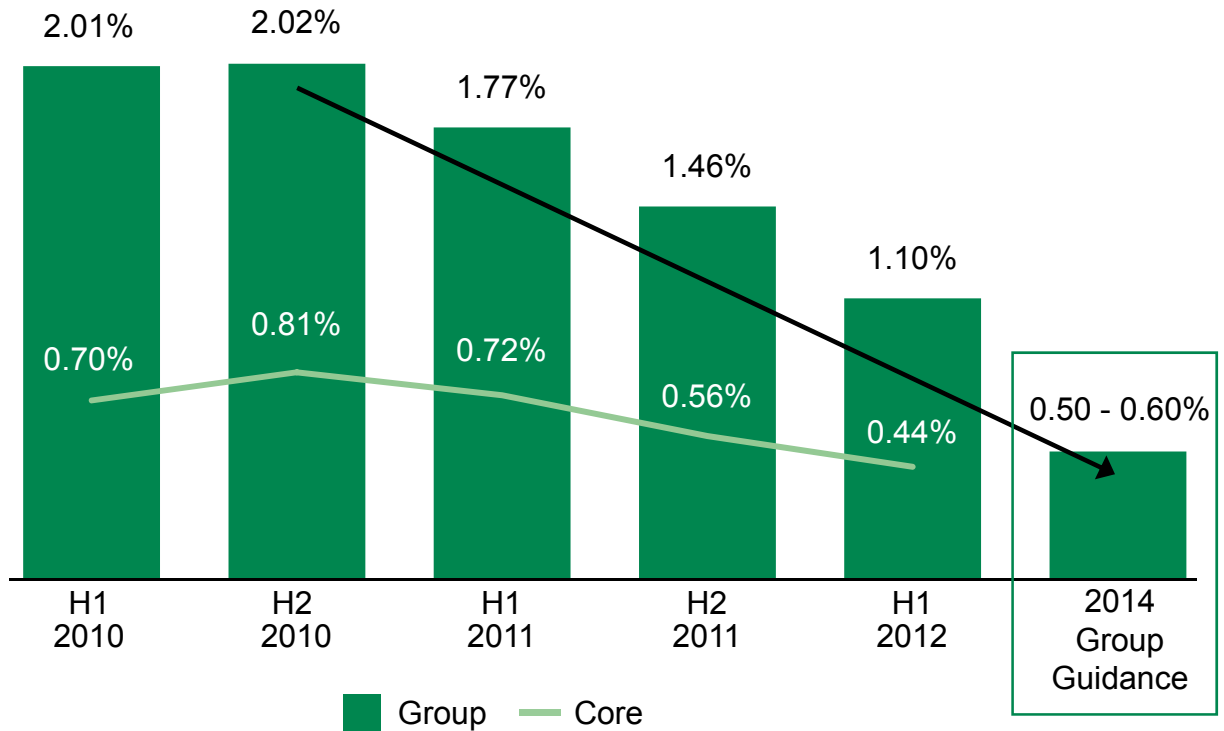
FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency



Targeting Group AQR of 50-60bps in 2014

- Income trends
- Costs
- Impairment



FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency



Proactively addressing legacy issues

- **Income trends**

- **Costs**

- **Impairment**

- **Legacy issues**

- **Verde**

Signed Heads of Terms with the Co-operative Group; on track to complete divestment beyond November 2013

- **PPI**

Additional provision in 2012 based on current complaint levels and projected future trends; remains dependent on future claim levels

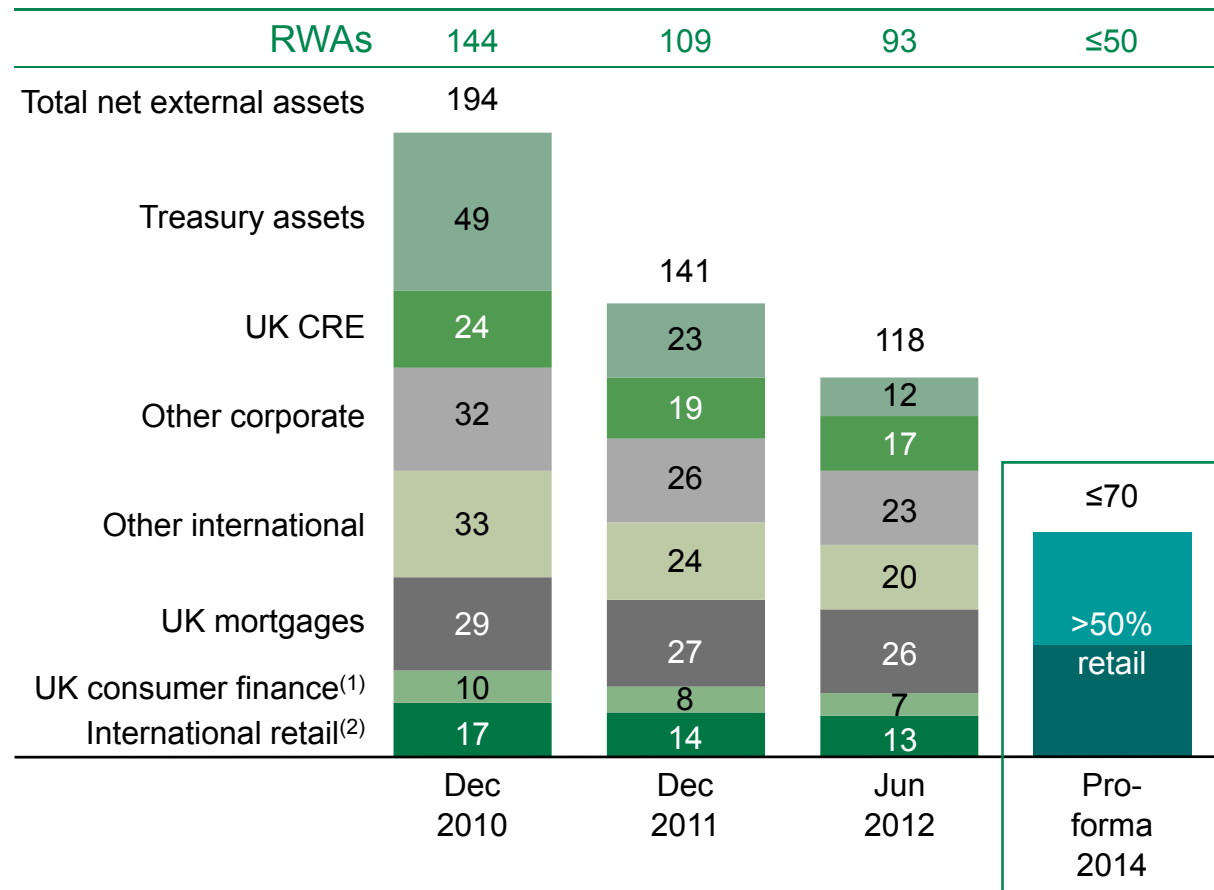
FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency



≤£70bn of non-core assets by end 2014 when separate reporting will cease

- Income trends
- Costs
- Impairment
- Legacy issues
- Non-core reduction



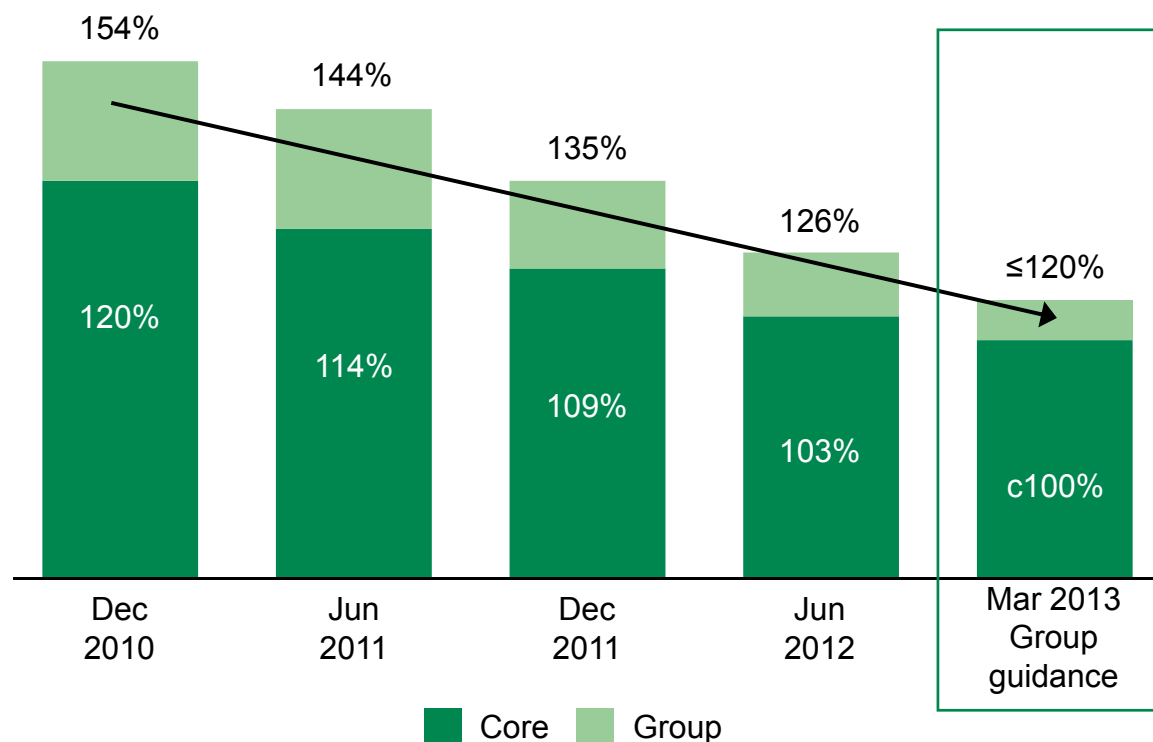
FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency



Achievement of long-term loan to deposit ratio target of 120%⁽¹⁾ expected by March 2013

- Income trends
- Costs
- Impairment
- Legacy issues
- Non-core reduction
- Loan to deposit ratio



⁽¹⁾Loans and advances to customers (excluding reverse repos) divided by customer deposits (excluding repos).

FUTURE PERFORMANCE

Creating competitive advantage through a lower risk premium and best-in-class efficiency



Confident in capital position and outlook

- **Income trends**
 - **Costs**
 - **Impairment**
 - **Legacy issues**
 - **Non-core reduction**
 - **Loan to deposit ratio**
 - **Capital**
- Continue with our strategy to maximise capital generation
 - CRD IV remains subject to agreement with material changes still to be decided
 - Core tier 1 capital ratio prudently in excess of 10% when the transition period to Basel 3 commences

SUMMARY

Reshaping the balance sheet, reducing risk, and delivering resilient business performance

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- **Balance sheet strengthened and risk reduced**
- **Resilient earnings in challenging environment**
- **Continue to work through legacy issues**
- **Guidance re-affirmed or improved**
- **Our model is well positioned for banking reform**
- **Reinforces our belief in our simple customer focused, UK retail and commercial banking model**

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FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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FORWARD LOOKING STATEMENTS

This presentation 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 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 these forward looking statements as a result of a variety of risks, uncertainties and other factors, including UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's simplification programme; 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; instability in the global financial markets, including Eurozone instability; changing demographic and market related trends; changes in customer preferences; changes to laws, 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 implementation of the draft EU crisis management framework directive and banking reform following the recommendations made by the Independent Commission on Banking; 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 EC state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, 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 certain factors together with examples of forward looking statements. The forward looking statements contained in this presentation are made as at the date of this presentation, and the Group undertakes no obligation to update any of its forward looking statements.

BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on a combined businesses basis and include certain income statement, balance sheet and regulatory capital analysis between core and non-core portfolios to enable a better understanding of the Group's core business trends and outlook. Please refer to the Basis of Presentation in the 2012 half-year Results News Release which sets out the principles adopted in the preparation of the combined businesses basis of reporting as well as certain factors and methodologies regarding the allocation of income, expenses, assets and liabilities in respect of the Group's core and non-core portfolios.