MORGAN STANLEY FINANCIALS CONFERENCE

19 March 2013

António Horta-Osório

Group Chief Executive

2012 HIGHLIGHTS

Significantly improved performance and balance sheet further strengthened and de-risked

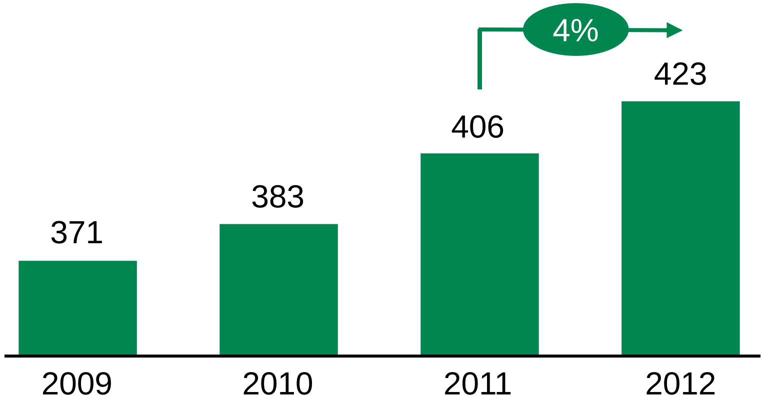
LLOYDS BANKING GROUP

- **Balance sheet further strengthened and de-risked; confident in capital position**
  – Core loan to deposit ratio improved to 101% and Group to 121%
  – £42bn capital accretive non-core asset reduction
  – Core tier 1 ratio improved to 12.0%, fully-loaded ratio increased to 8.1%
- **Significantly improved performance**
  – Substantial increase in Group underlying profit from £0.6bn to £2.6bn
  – Core business delivering strong returns above cost of equity
  – Group costs reduced by 5% to £10.1bn
- **Continue to work through legacy issues, and progress Verde disposal**
- **Further supporting customers and the UK economic recovery**
  – £11bn committed since September launch; first bank to participate in Funding for Lending
  – SME net lending growth of 4%, against a shrinking market

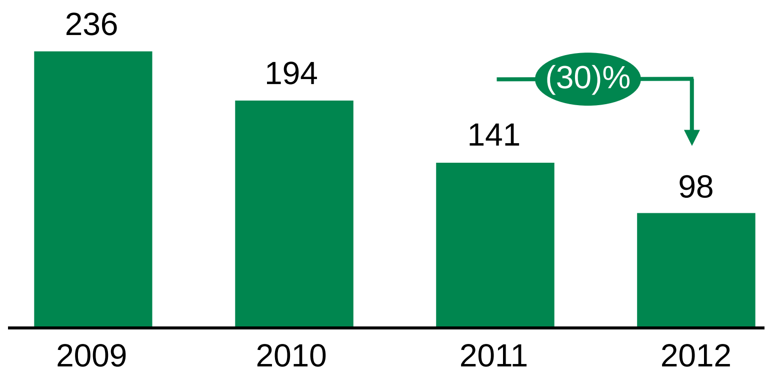
BALANCE SHEET FURTHER STRENGTHENED

Improved loan to deposit ratio and capital position; significant non-core asset reduction

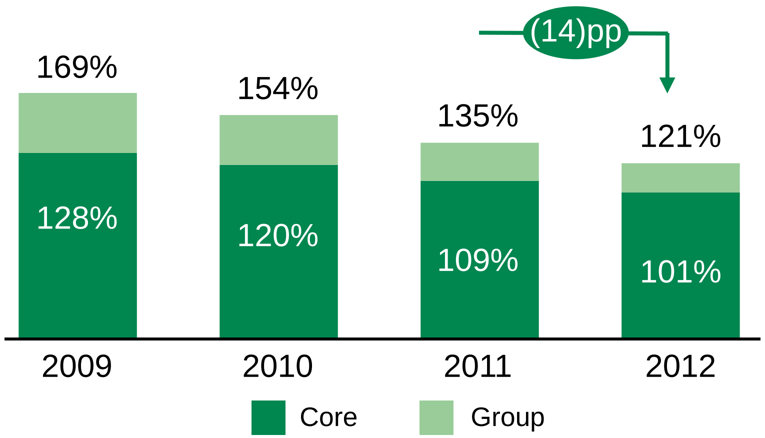
CUSTOMER DEPOSITS[1] (£bn)



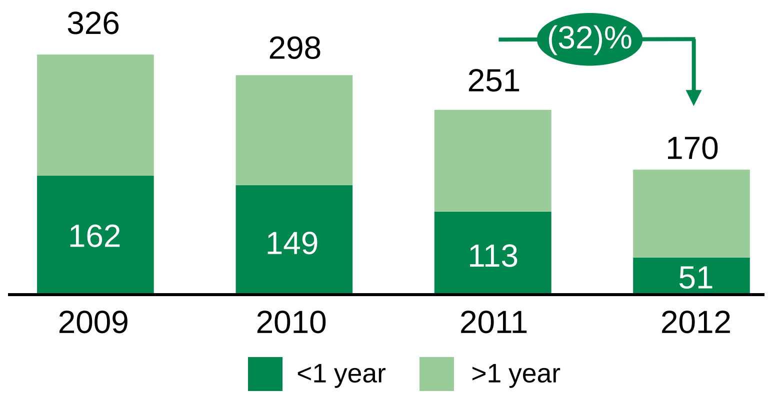
NON-CORE ASSETS (£bn)



LOAN TO DEPOSIT RATIO[2]



WHOLESALE FUNDING (£bn)



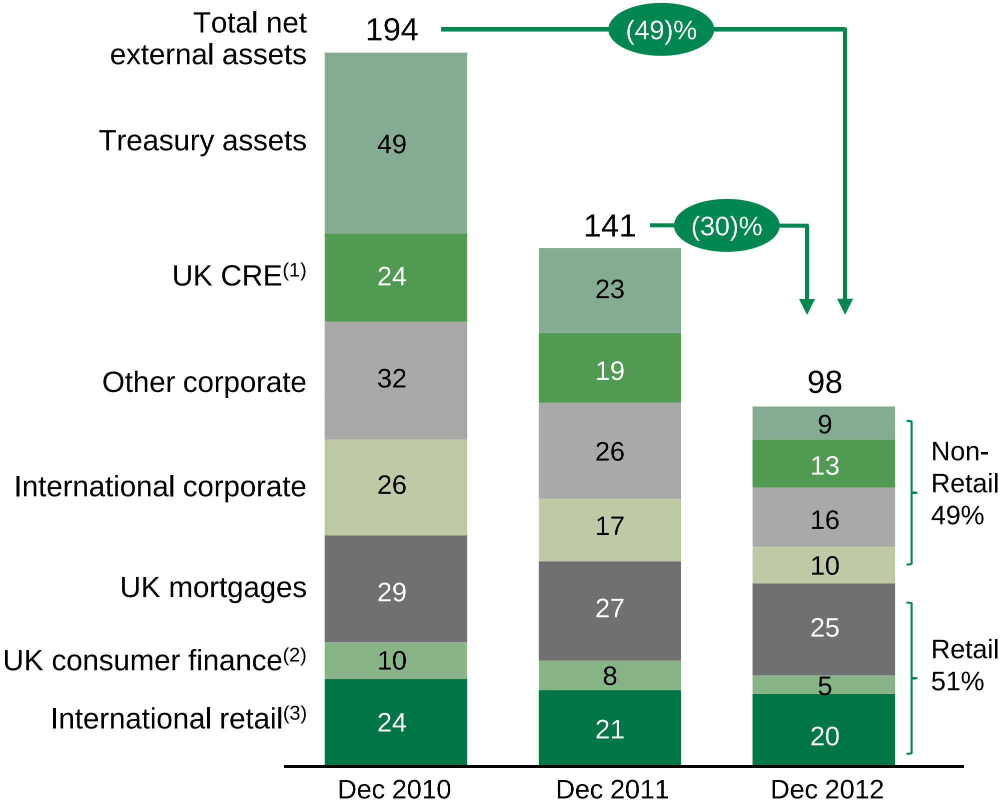
[1]Excluding repos. [2]Loans and advances to customers (excluding reverse repos) divided by customer deposits (excluding repos).

NON-CORE PORTFOLIO

Substantial, capital accretive non-core reduction; RWA reduction ahead of asset reduction and greater than 2011

NON-CORE PORTFOLIO (£bn)

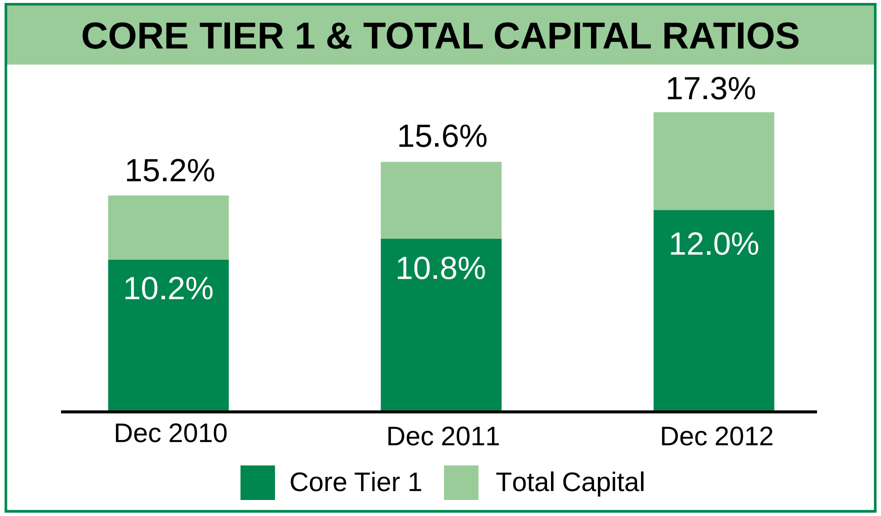
Total RWAs	144	(24)%	109	(33)%	73
Non-Retail RWAs	105	(30)%	74	(42)%	43

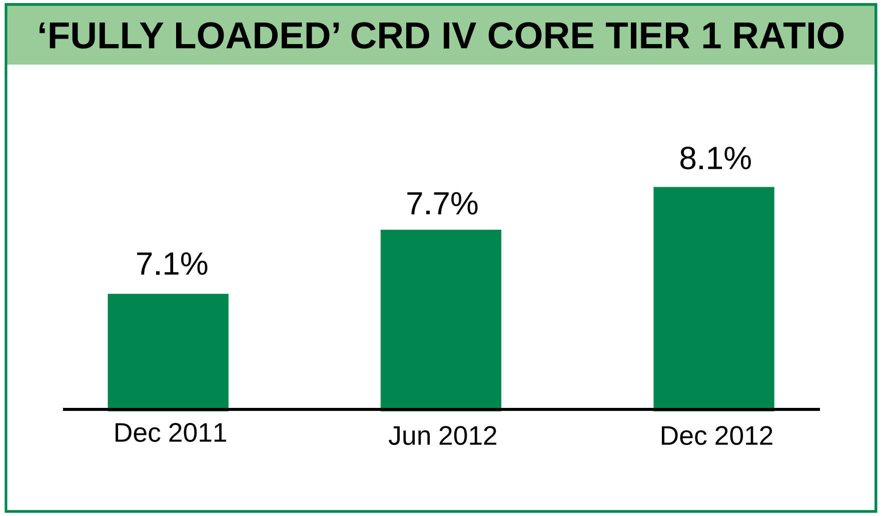


- Non-core portfolio reduced by £42bn in 2012
- Continued to achieve reduction in a capital accretive way
- Target a further £20bn reduction in 2013
- Expect non-core assets to be £70bn or less by the end of 2014

(1) UK CRE includes all non-core CRE BSU (£12bn) and other non-core CRE (£1bn). (2) Asset finance included in UK consumer finance.
(3) International retail includes Spanish, Dutch & Irish mortgages and Australia consumer finance.

BALANCE SHEET FURTHER STRENGTHENED
Capital position further improved





- Core tier 1 ratio improved to 12.0%
- Total capital ratio of 17.3% exceeds ICB's PLAC[1] recommendation
- Estimated 'fully loaded' CRD IV core tier 1 ratio increased to 8.1%
- Remain confident in our capital position

[1] Primary loss absorbing capacity.

2012 FINANCIAL PERFORMANCE

Improved underlying performance and strong core returns

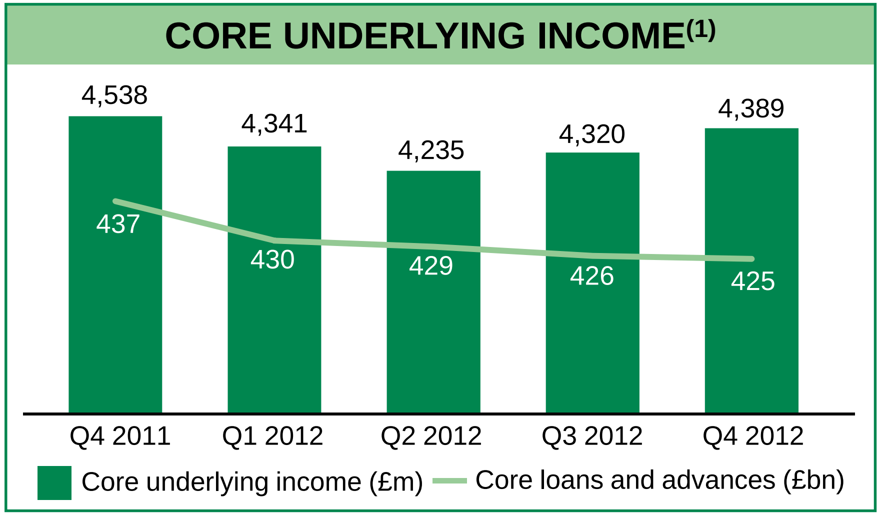
(£m)	GROUP 2012	GROUP 2011	GROUP Change %	CORE 2012	CORE 2011	CORE Change %
Underlying income[1]	**18,386**	21,046	(13)%	**17,285**	18,765	(8)%
Total costs	**(10,082)**	(10,621)	5%	**(9,212)**	(9,682)	5%
Impairment	**(5,697)**	(9,787)	42%	**(1,919)**	(2,887)	34%
Underlying profit	**2,607**	638	309%	**6,154**	6,196	(1)%
Statutory loss before tax	**(570)**	(3,542)		**–**	–	

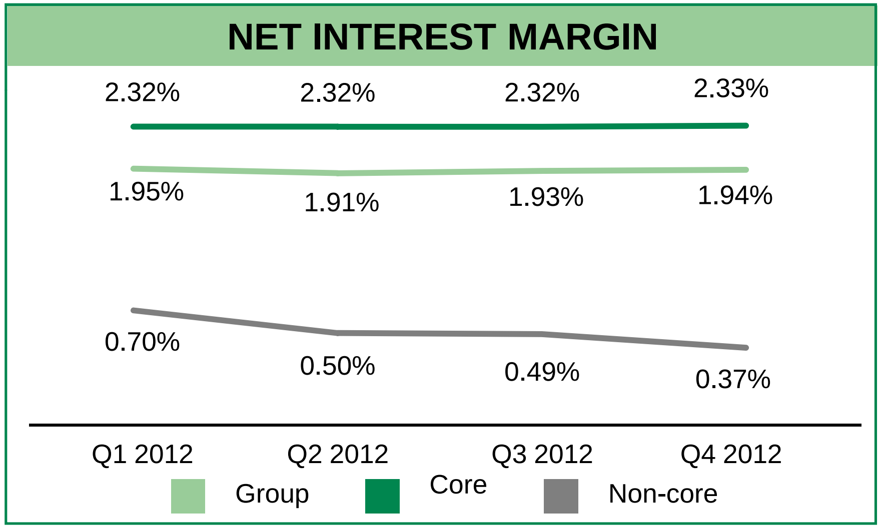
Net interest margin	**1.93%**	2.07%	**2.32%**	2.42%
Pre-tax RoRWA[2]	**0.78%**	0.17%	**2.56%**	2.46%
Impairment as a % of average advances	**1.02%**	1.62%	**0.44%**	0.64%

[1]Net of insurance claims. [2]Underlying profit before tax divided by average risk-weighted assets.

FINANCIAL PERFORMANCE

Stronger core income trends in second half of the year





- Core income of £17.3bn, down 8%
- Core income growth from Q2 driven by:
  - Increased other income, including 12% YoY growth in the Wholesale business
  - Stabilisation of core loans and advances, will increase from H2 2013 onwards
- Core margin stable throughout 2012
- Group margin stabilised, will increase further in 2013 to 1.98% in full year 2013

[(1)]Underlying income net of insurance claims.

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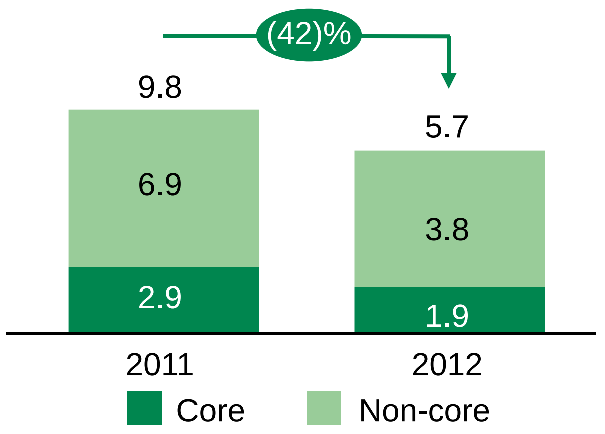
FINANCIAL PERFORMANCE

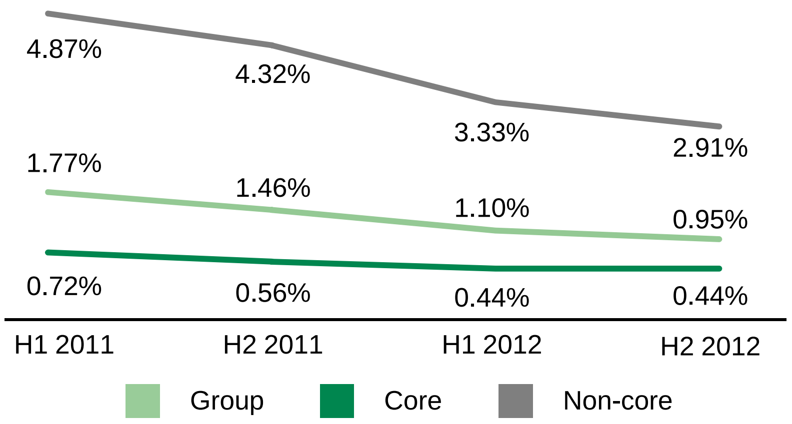
Further reduction in impairment, ahead of original guidance, driven by improving asset quality

GROUP IMPAIRMENT (£bn)



- Impairment charge down 42% to £5.7bn, ahead of original guidance
- Significant reduction in non-core impairment charge of 45%
- Core impairment continues to fall, driven primarily by the Retail unsecured portfolio

ASSET QUALITY RATIO

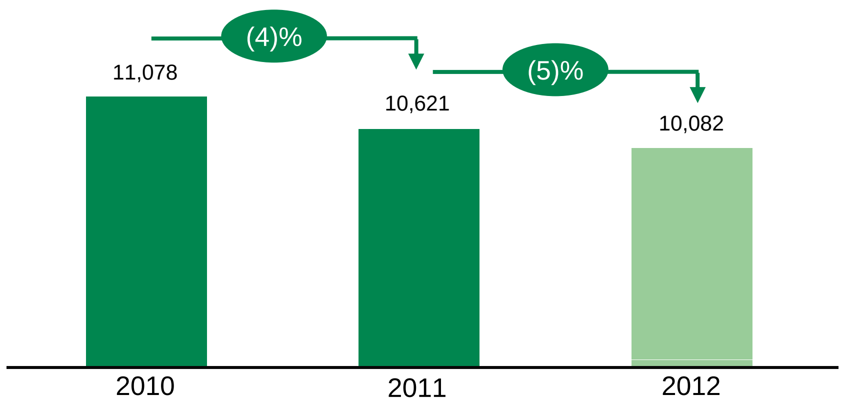


- Full-year AQR improved to 1.02% from 1.62%
- Continued improvement in core asset quality driven by prudent risk appetite and strong risk management controls
- Impaired loans and advances of 8.6% with a coverage ratio of 48.2%, up from 46.9%

FINANCIAL PERFORMANCE

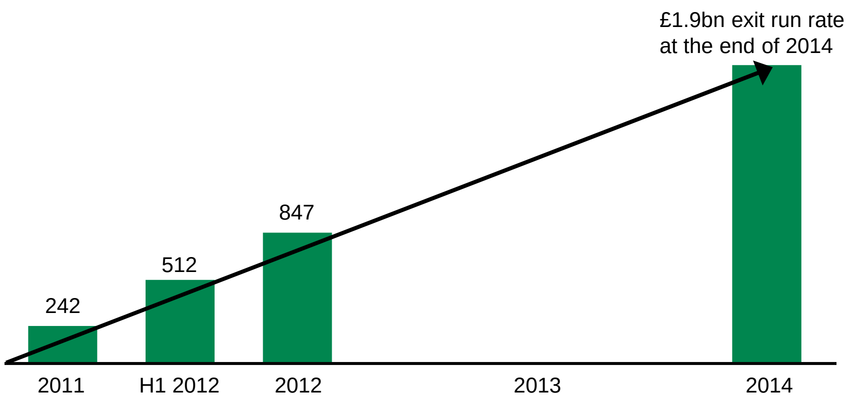
Delivered Strategic Review cost target 2 years ahead of plan

TOTAL COSTS (£m)



- Costs decreased 5%, including reinvestment of Simplification savings in core business
- Reduction of approximately £1bn over last 2 years
- Now close to Strategic Review target of around £10bn, 2 years ahead of plan

SIMPLIFICATION RUN RATE SAVINGS (£m)



- Strong delivery of benefits in first 18 months of programme
- Run-rate savings increased by £605m in the year, to £847m at end 2012
- Well on track to meet target of £1.9bn run-rate savings by end of 2014

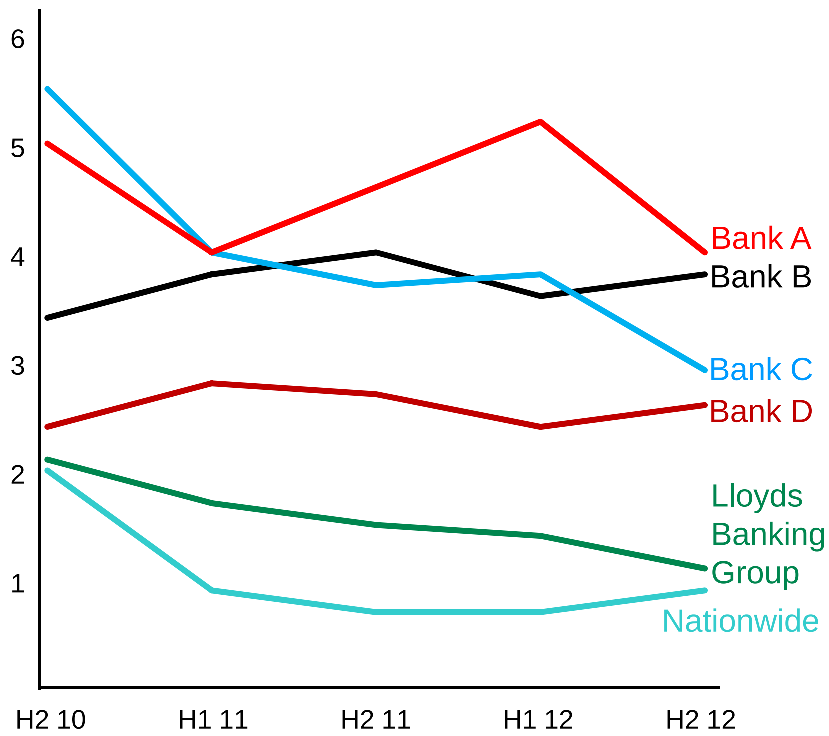
BENEFITS FOR CUSTOMERS BEING DELIVERED

Over 200 initiatives, with many significant improvements for customers, including…

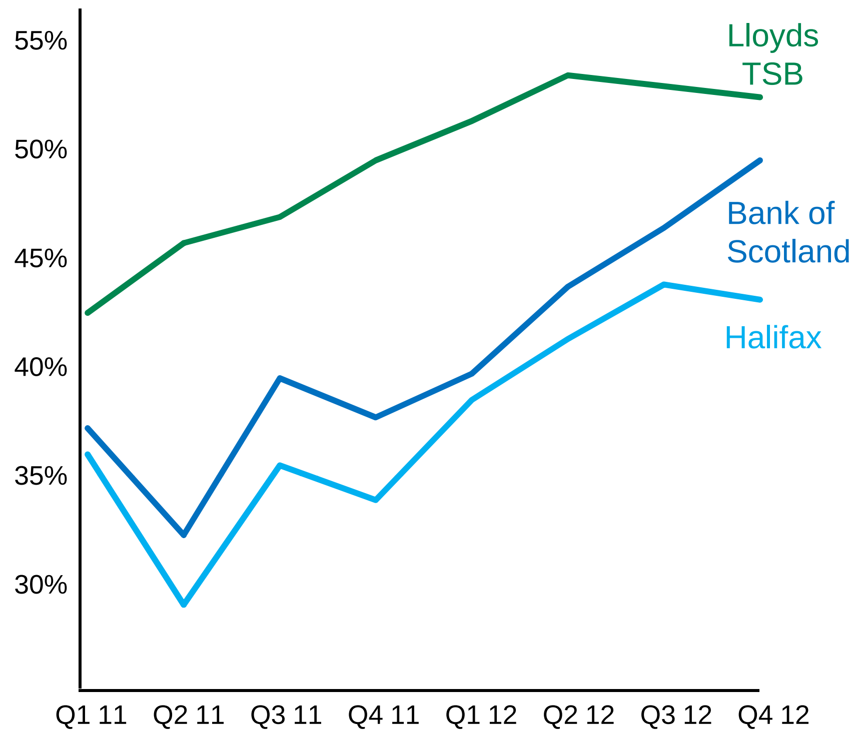
DIGITAL	▪ Simpler internet banking activation; 1.2m additional online users ▪ 9.5m internet banking customers, >1bn logons, 3.3m mobile users
GENERAL INSURANCE CLAIMS MANAGEMENT	▪ Customer claims handled by a dedicated advisor ▪ Up to 40% reduction in follow up calls; 30% faster settlement time
SWITCHERS 'IN' (ACCOUNT TRANSFER)	▪ 23 process steps removed; error rates reduced by two-thirds ▪ Over 300,000 account transfers in since launch in April
ACCOUNT CLOSURE	▪ Process steps reduced by two-thirds ▪ Closure time reduced from 30 mins to 3 mins

BEST BANK FOR CUSTOMERS
Improving customer service

FSA BANKING COMPLAINTS PER 1,000 ACCOUNTS (excluding PPI)



CUSTOMER SATISFACTION NET PROMOTER SCORES



2014 Target of 1.0 complaint per 1,000 accounts brought forward to 2013

INVESTING IN GROWTH
Building the best bank for customers

LLOYDS BANKING GROUP

- **Investing to be the best bank for personal customers**
  – Increased investment in technology and digital and mobile proposition: 9.5m online users
  – Improved branch services: 421 branches refurbished; opening hours extended
  – Simpler process for customer referrals through Private Banking Client Centre; 115,000 referrals in 2012
- **Investing to be the best partner for commercial clients**
  – Enhanced corporate transaction banking platform with additional capabilities
  – Debt Capital Markets capability providing clients with alternative financing option
  – Commercial Banking forex volumes increased 19% through investment in online channels
- **Investing to be the best insurer for customers**
  – New enhanced annuity and protection products
  – Strong corporate pensions proposition, including auto-enrolment, driving 23% growth

Driving returns in core business through focused investment

HELPING BRITAIN PROSPER
Supporting personal and commercial customers

- **UK's largest lender to first-time buyers**
  – Helping more than 55,000 customers buy their first home in 2012; 1 in 4 first-time buyers
  – Committed to helping around 60,000 in 2013
- **Continued support for UK SMEs**
  – Gross lending in excess of our commitment of £13bn
  – Net lending growth of 4% in 2012, against market contraction of 4%
  – Supported more than 120,000 start-ups in the year
- **Supporting our corporate clients**
  – £1bn commitment to UK manufacturing by September 2013
  – Raised £12.8bn of financing for clients through Debt Capital Markets enabling them to finance and grow their businesses
- **Committed greater than £11bn to UK customers through Funding for Lending**
  – First bank to access scheme

Supporting UK economic growth through our customer-focused business model

DELIVERING ON OUR STRATEGIC PLAN

Substantial transformation of the Group in the first 18 months of our 3 to 5 year plan

LLOYDS BANKING GROUP

STRATEGIC INITIATIVES	ACHIEVEMENTS SINCE JUNE 2011
▪ Reshaping our business portfolio and significantly reducing risk	✓ More than 90% of original non-core reduction target achieved; target increased by £20bn ✓ More than half of target AQR reduction achieved ✓ 12 countries exited or exit announced out of 15 target
▪ Strengthening the balance sheet	✓ Increased core tier 1 and fully-loaded CRD IV capital ratios ✓ Loan to deposit ratios already in line with target ✓ Total wholesale funding reduced by £126bn and short-term by £101bn ✓ Wholesale funding structure transformed; short-term funding now less than 30% of total
▪ Simplifying the Group	✓ Over 200 initiatives delivered across the Group ✓ Improving customer feedback, reducing complaints ahead of plan ✓ Costs reduced by £1bn since 2010, ahead of target; now expect c£9.8bn cost base in 2013
▪ Investing behind growth	✓ Targeting £2bn incremental investment in customer-focused products and capabilities – Remain confident in achieving income related targets in the medium-term ✓ Halifax challenger brand revitalised; Commercial (SME) core lending increased by 6%

Ahead of our plan to transform the Group, despite a challenging environment

SUMMARY

Well-positioned for success given our clear strategy and differentiated model

- Our strategy is the right one for current and expected economic conditions
- The regulatory environment is uncertain, but we remain confident in our capital position and will continue to support initiatives to stimulate growth
- Our customer-focused UK retail and commercial banking model is well aligned with the regulatory reform agenda, including the implementation of ring-fencing
- We are building competitive advantage through creating a simple, cost-efficient, lower-risk bank
- We are supporting growth in the UK economy, and rebuilding trust by focusing on our customers' needs and addressing legacy issues

Increasingly well-positioned to deliver strong, stable and sustainable returns

SUMMARY

We expect further progress in 2013 and beyond

- Group net interest margin expected to be around 1.98% in full year 2013
- Expect Group total costs of around £9.8bn in 2013
- Expect further improvement in asset quality, driving a substantial reduction in 2013 impairment charge
- Targeting core loan growth in second half of 2013
- Expect at least £20bn non-core asset reduction in 2013

Further significant improvement in Group profitability

Continue to strengthen capital position

We remain confident of delivering our medium-term financial targets

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

LLOYDS BANKING GROUP

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, but not limited to, 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 and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market related risks including, but not limited to, changes in interest rates and exchange rates; 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 management 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 Results News Release which sets out the principles adopted in the preparation of the management 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.