LLOYDS BANKING GROUP

2011 RESULTS

24 February 2012

António Horta-Osório
Group Chief Executive

LLOYDS BANKING GROUP

“Accelerating balance sheet strength, improving customer service and efficiency whilst investing to grow our profitable core business and deliver the best bank for customers”

AGENDA

LLOYDS BANKING GROUP

SUMMARY

2011 IN CONTEXT

PROGRESS AGAINST OUR STRATEGY

FINANCIAL PERFORMANCE

2011 RESULTS

TIM TOOKEY, GROUP FINANCE DIRECTOR

UPDATE ON COSTS AND SIMPLIFICATION

MARK FISHER, DIRECTOR, GROUP OPERATIONS

ECONOMIC AND REGULATORY ENVIRONMENT

GUIDANCE AND SUMMARY

SUMMARY

- Significant reduction in balance sheet risk
- Substantial improvement in funding and capital position
- Resilient core business performance given challenging environment
- Good progress against strategic initiatives
- Tangible improvement in costs, efficiency and customer experience
- Franchise strengthened through investment behind brands, distribution, customer relationships and people
- Group well positioned to leverage future economic growth

Significantly stronger position than twelve months ago

Well placed to realise over time the Group's full potential for growth

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2011 IN CONTEXT

The Group faced many challenges during the year

LLOYDS BANKING GROUP

ECONOMIC

- Weak UK economic recovery
- Continued uncertainty of debt contagion
- Flattening yield curve
- Cost and availability of wholesale funding
- Continued impairment risk

REGULATORY

- Increasing capital and liquidity requirements
- ICB uncertainty
- RDR outlook
- Greater levels of scrutiny

2011

MEETING CUSTOMERS' EXPECTATIONS

- Increasing expectations of value versus service
- Decreased appetite for credit
- Payment Protection Insurance (PPI)
- Lower levels of disposable income

BUILDING THE FOUNDATIONS

- Organisation redesign – more agile and efficient
- Realignment of functions
- Implementation of new governance across the business
- Conservative risk approach embedded in business

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- SUMMARY
- 2011 IN CONTEXT
- **PROGRESS AGAINST OUR STRATEGY**
- FINANCIAL PERFORMANCE
- 2011 RESULTS
  - *TIM TOOKEY, GROUP FINANCE DIRECTOR*
- UPDATE ON COSTS AND SIMPLIFICATION
  - *MARK FISHER, DIRECTOR, GROUP OPERATIONS*
- ECONOMIC AND REGULATORY ENVIRONMENT
- GUIDANCE AND SUMMARY

STRATEGY SUMMARY PRESENTED IN JUNE 2011

Four key pillars to deliver our strategy to be the best bank for customers and shareholders

Continue to ***STRENGTHEN*** our balance sheet and liquidity position	Robust CORE TIER 1 RATIO and stable funding base
RESHAPE our business portfolio to fit our assets, capabilities and risk appetite	Sustainable, predictable RoE, in excess of our CoE
SIMPLIFY the Group to improve agility, service, and efficiency	Significant cost savings and positive operating JAWS
INVEST to grow our core customer businesses	Strong, stable, high quality EARNINGS streams

ACCELERATING BALANCE SHEET STRENGTH

Non-core assets and RWA reduction, above market deposit growth and reduction in wholesale funding requirement

LLOYDS BANKING GROUP

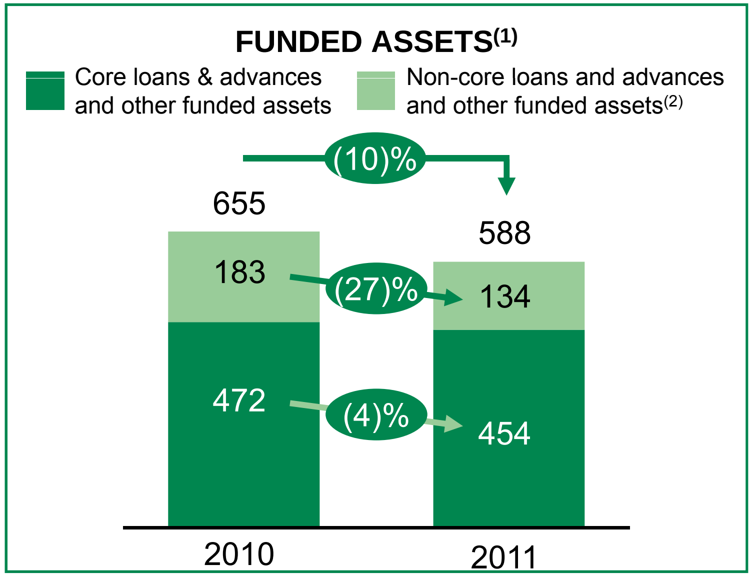
(£bn)

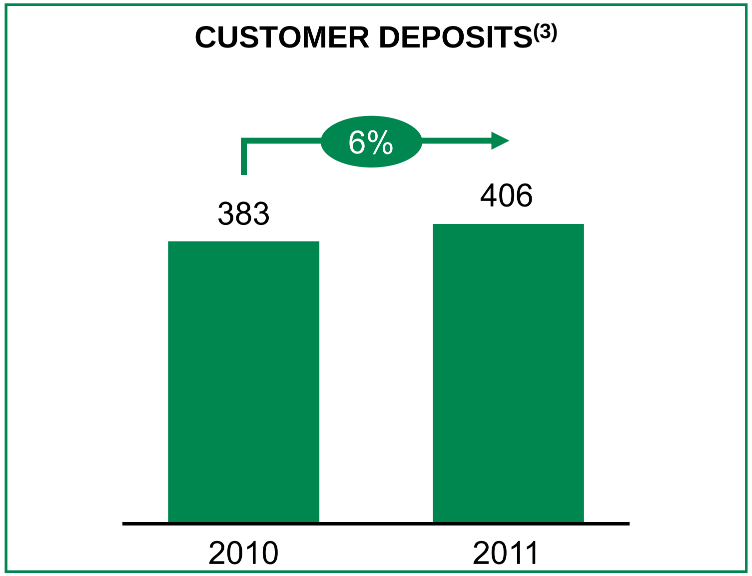
STRENGTHEN our balance sheet and liquidity position

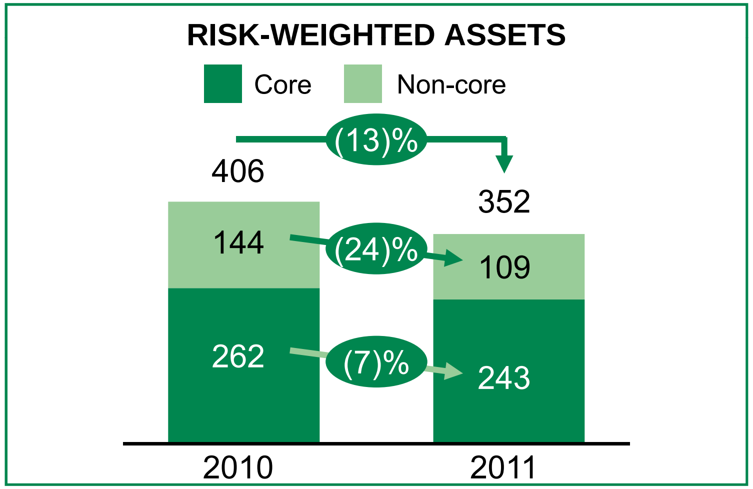
RESHAPE our business portfolio

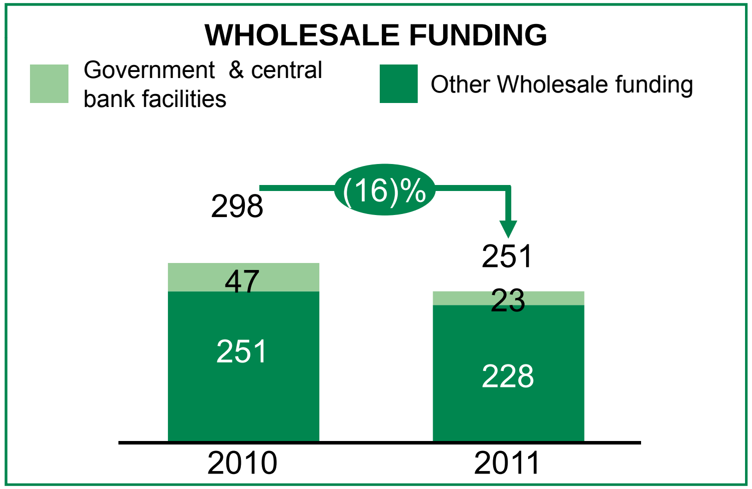
SIMPLIFY the Group

INVEST to grow









[1] Denotes core and non-core loans and advances excluding reverse repos. Other includes loans, debt securities, available for sale financial assets – secondary and cash balances (excl. Primary liquid assets). [2] Total non-core reduction in 2011 was £53bn, and included £4bn of other assets not included in funded assets. [3] Excluding repos.

ACCELERATING BALANCE SHEET STRENGTH

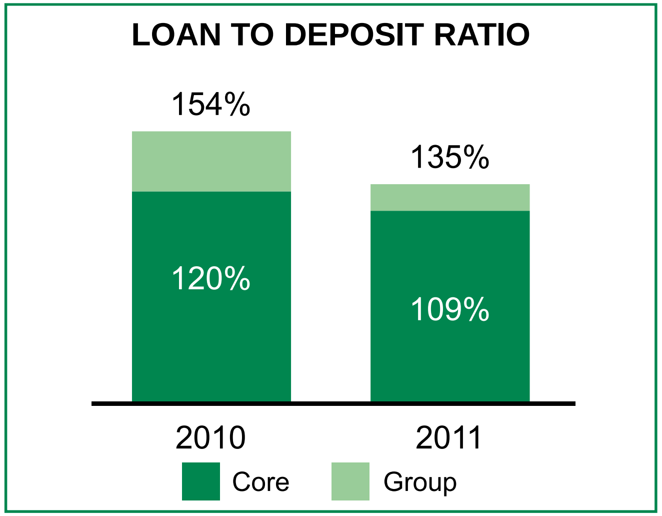
Substantial reduction in our loan to deposit ratio, underpinned by strong capital position

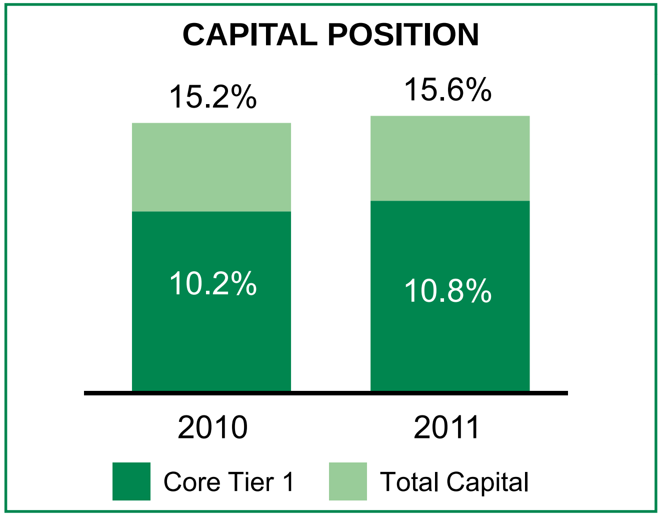
STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow





- £53bn reduction in non-core assets (–27%)[1]
- Non-core run-off released capital in 2011
- 10% reduction in funded assets
- Strong deposit growth of 6%
- 16% reduction in wholesale funding
- 13% reduction in RWAs (24% reduction for non-core RWAs)
- Improving quality of core portfolios - core RWAs fell 7%, against a 4% decrease in core loans and advances[2]

[1] Of which £23.5bn customer loans, and £29.5bn treasury and other assets. [2] Loans and advances to customers (excluding repos)

RESHAPING OUR BUSINESS PORTFOLIO

All core businesses, apart from Wholesale, have good profit growth, while we are exiting non-core activities

LLOYDS BANKING GROUP

STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

FOCUS ON THE CORE UNDERLYING BUSINESS…

Underlying profit before fair value unwind and tax[1] (% change 2011 vs 2010)

RETAIL	9%
WHOLESALE	(32)%
COMMERCIAL	145%
WEALTH & INTERNATIONAL	20%
INSURANCE[2]	11%

…WHILE DECREASING NON-CORE AND STRENGTHENING CAPITAL AND FUNDING

£53bn non-core assets reduction

Exit from operations in seven overseas countries

Total Core Tier 1 ratio increased by 60bps, total risk weighted assets reduced by 13%

[1] Core, excluding the effects of liability management, volatile items and asset sales. [2] Also excludes share of results of joint ventures and associates.

RESHAPING OUR BUSINESS PORTFOLIO

Growth in our core Retail deposit business, above the UK market…

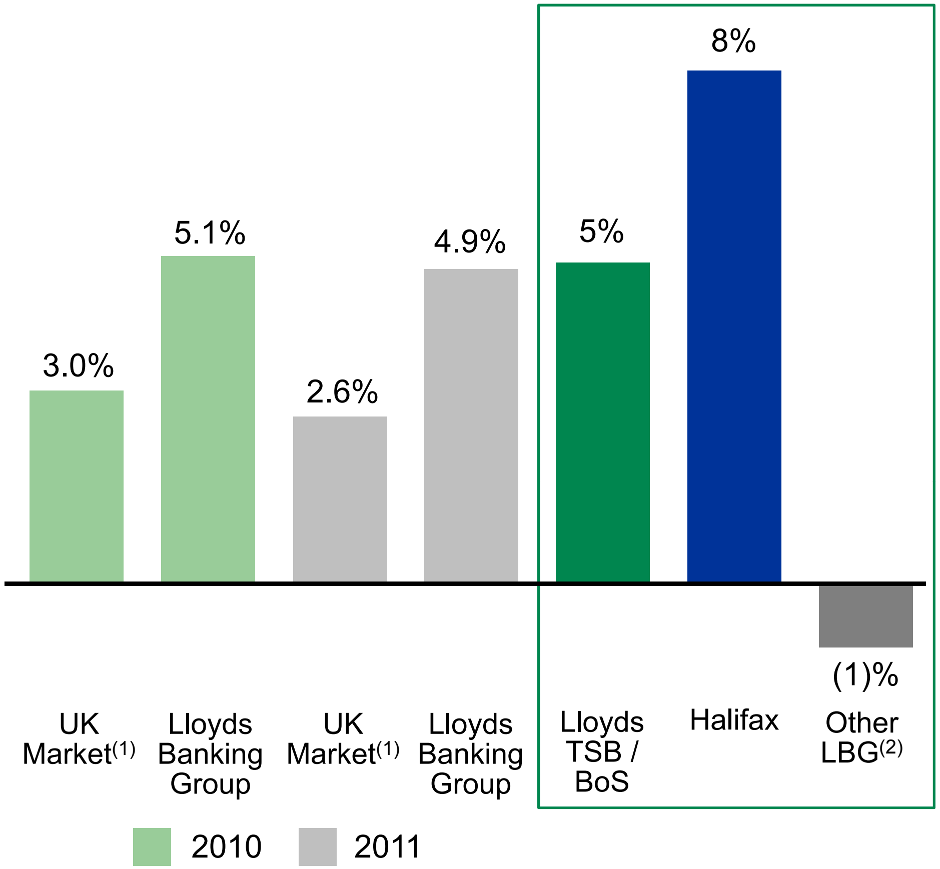
STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

RETAIL DEPOSITS (YEAR-ON-YEAR GROWTH)



- UK household deposit growth has slowed
- LBG increased the growth differential in 2011, growing share of savings balances from 22.4% to 23.2%
- Good performance in our high street brands supported by customer-led products and deepening customer relationships via a multi-brand strategy
- ISAs represent approximately 40% of Lloyds Banking Group growth

[1] Source: Bank of England. [2] Other LBG includes Birmingham Midshires and C&G.

RESHAPING OUR BUSINESS PORTFOLIO
…driven by value (ISA example)

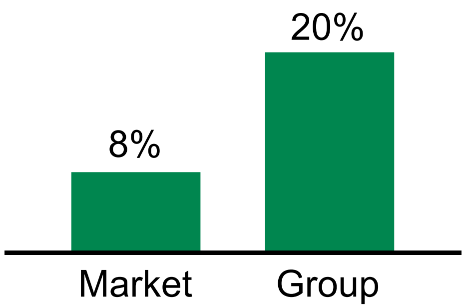
STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

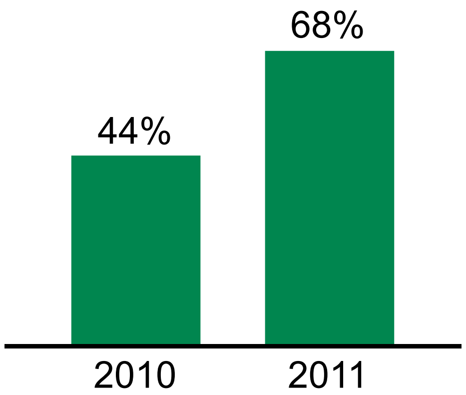
SIMPLIFY the Group

INVEST to grow

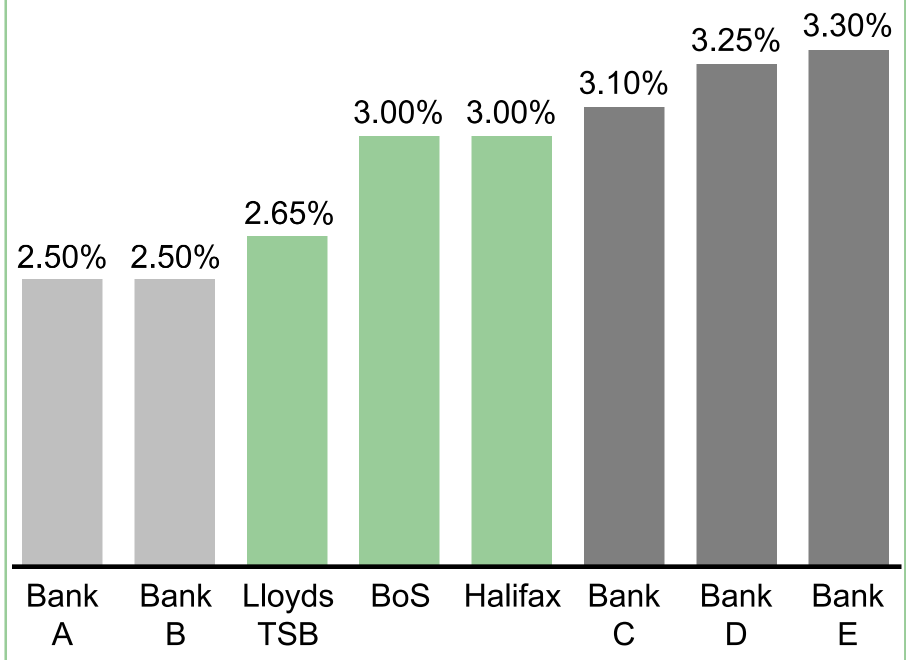
2011 CASH ISA GROWTH[1]



SHARE OF CASH ISA NEW BUSINESS GROWTH[1]



2011 CASH ISAs
(HEADLINE ADVERTISED RATE)



Selected high street banks; variable instant access ISAs; terms and conditions of individual ISAs vary

[1] **LBG Retail, net of gross new business less withdrawals.**

RESHAPING OUR BUSINESS PORTFOLIO

…and growing our core Commercial net lending, in a contracting market

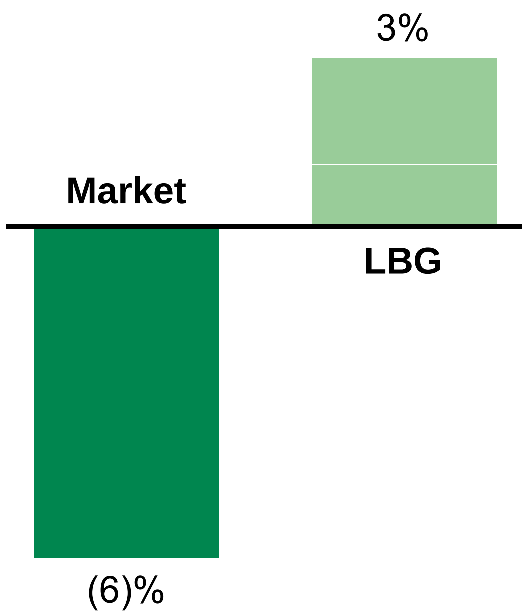
STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

CORE COMMERCIAL NET LENDING (YEAR-ON-YEAR GROWTH 2010-2011)



- £45bn of committed gross lending to UK businesses of which more than £12bn to SMEs
- Supported 124,000 new start ups in 2011
- Actively supporting SME customers through delivery of Business Taskforce recommendations, running nearly 700 'charter' events/conferences

SIMPLIFYING THE GROUP

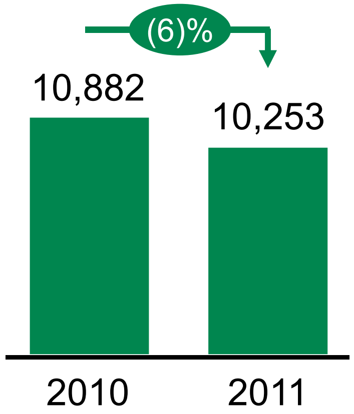
Successful execution of integration, strong initial progress on simplification and a 6% reduction in operating expenses

LLOYDS BANKING GROUP

- STRENGTHEN our balance sheet and liquidity position
- RESHAPE our business portfolio
- **SIMPLIFY the Group**
- INVEST to grow

- Successful execution of integration has resulted in annual run-rate savings of more than £2bn
- Our proven capabilities from integration give us great confidence in realising cost savings from Simplification
- We have made strong initial progress:
  - Run-rate cost savings of £242m at end 2011
  - Supplier numbers reduced by over 2,000
  - Management layers reduced and spans of control increased
  - Organisational structures simplified

OPERATING EXPENSES[1]



(4)%

Total costs 11,078 10,621

We are increasing our 2014 in-year cost saving target by £200m to £1.7bn and our run-rate target to £1.9bn by end 2014

(1) **Total costs excluding bank levy, FSCS, and, in 2010, impairment of tangible fixed assets.**

SIMPLIFYING THE GROUP

…and we are accelerating our Simplification plans whilst we make further progress on customer service

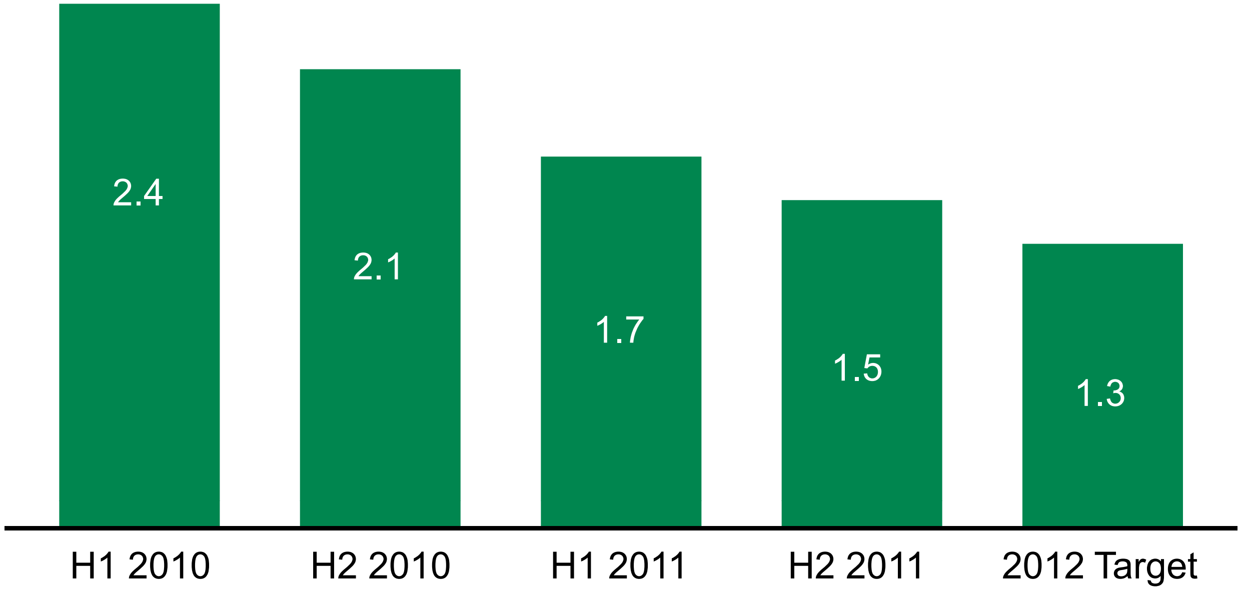
STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

FSA REPORTABLE BANKING COMPLAINTS PER 1,000 ACCOUNTS[1]



In 2011, we achieved a 24% reduction in FSA reportable complaints (excluding PPI) year-on-year, against a 20% target

In 2012 we plan to reduce banking complaints to 1.3 in 1,000 accounts and in 2014 a 1 in 1,000 target

[1] FSA reportable banking complaints excluding PPI.

INVESTING TO GROW OUR CORE CUSTOMER BUSINESSES

We continue to invest to grow our core customer businesses based on the 5 key growth initiatives mentioned in June 2011

STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

Halifax	▪ Successful launch of multibrand strategy ▪ Halifax as a “challenger” brand: deposit growth 3 times UK market growth based on ISA promise and savers prize draw ▪ “Every branch open every Saturday”
SMEs	▪ Merlin commitment exceeded ▪ Charter commitment to lend at least £12bn in 2012 ▪ Good progress on SME Group strategy: Financial markets products income +43%, business insurance +66% and wealth & protection +22%
Bancassurance / Insurance	▪ More focused product suite marketed to Retail and Commercial customers ▪ Continuation of established value over volume strategy ▪ Preparing for RDR which will provide significant opportunities for Bancassurers ▪ Building a more integrated insurance business
Wholesale	▪ Wholesale division refocused ▪ Increased market share in UK Corporate debt capital markets and financial institutions debt capital markets ▪ Arena platform launched, more than 1,000 customers signed up
Wealth	▪ 80% of customers within newly developed Wealth proposition coming from Group customer base ▪ Simpler customer processes for customer transition and on-boarding ▪ Developing enhanced “execution only” service

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PROFIT BEFORE TAX AND FAIR VALUE UNWIND

Combined businesses profit broadly in line with expectations, resilient performance in core business, statutory result includes PPI provision

LLOYDS BANKING GROUP

£m	GROUP		CORE	
	2010	2011	2010	2011
Underlying Income[1]	**23,537**	**21,197** (10)%	**19,972**	**18,933** (5)%
Total Costs	**(11,078)**	**(10,621)** 4%	**(9,884)**	**(9,682)** 2%
Operating expenses[2]	(10,882)	(10,253) 6%	(9,838)	(9,369) 5%
Impairments[3]	**(13,272)**	**(9,760)** 26%	**(3,598)**	**(2,877)** 20%
Underlying profit before tax and fair value unwind[4]	**(813)**	**816**	**6,490**	**6,374** (2)%
Underlying pre-tax return on risk weighted assets[5]	**(0.2)%**	**0.2%**	**2.2%**	**2.5%**
Profit before tax – combined businesses basis	**2,212**	**2,685**		
Profit/(loss) before tax – statutory[6]	**281**	**(3,542)**		

Core business income decreased 5% given the current environment and asset reduction

Core business operating expenses reduced 5%

Over 20% impairment reductions in each division

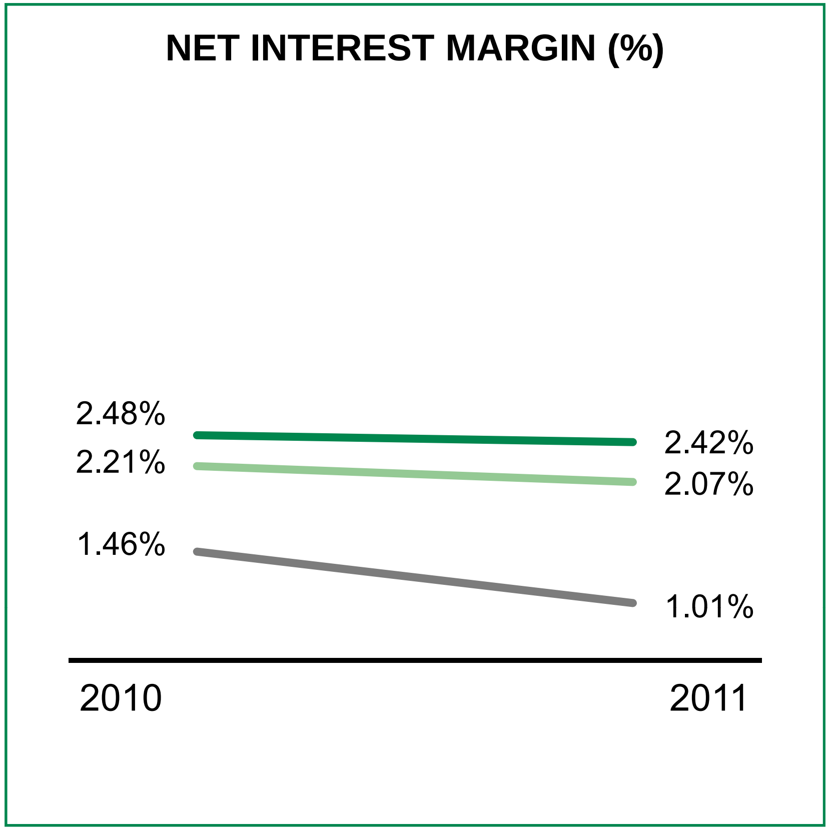
Excludes effects of liability management, volatile items and asset sales which, for the Group, were broadly comparable year-on-year

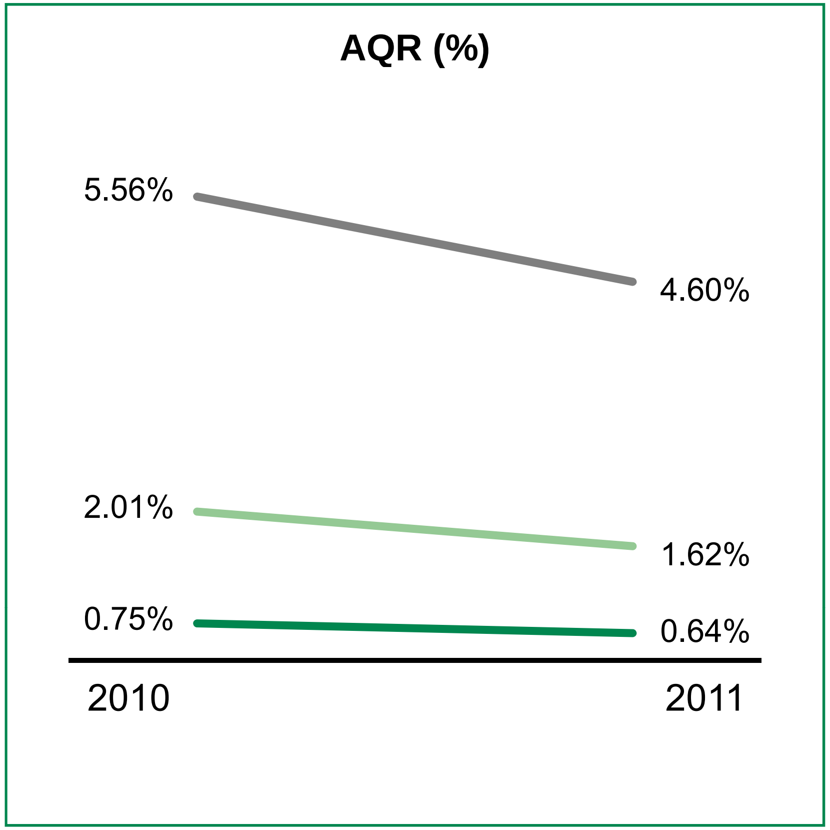
2011 Statutory result includes PPI provision of £3,200m

[1] Net of insurance claims, excluding the effects of liability management, volatile items, and asset sales. [2] Total costs excluding FSCS, Bank levy and impairment of tangible fixed assets. [3] Includes share of results of joint ventures and associates. [4] Adjusted to exclude the effects of liability management, volatile items, and asset sales. [5] Underlying PBT pre-fair value unwind / Average RWAs. Average RWAs are the average of quarter end RWAs. [6] Includes PPI provision, integration costs, insurance volatility and others.

FINANCIAL PERFORMANCE

Margin performance in line with guidance and improvement in AQR

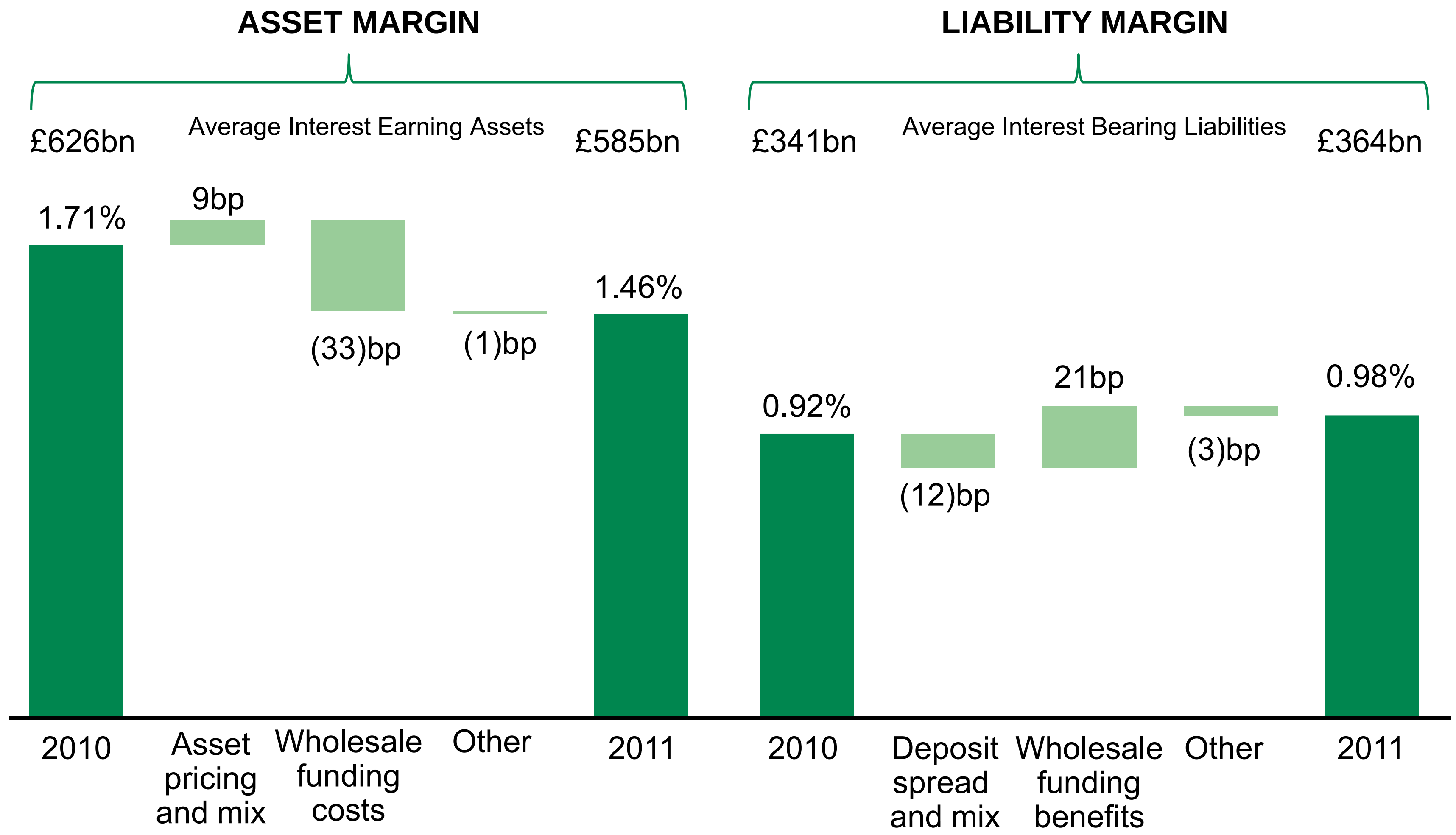




Core Group Non-core

GROUP ASSET & LIABILITY MARGINS

Funding cost pressure partly offset by liability funding benefits



CORE ASSET & LIABILITY MARGINS

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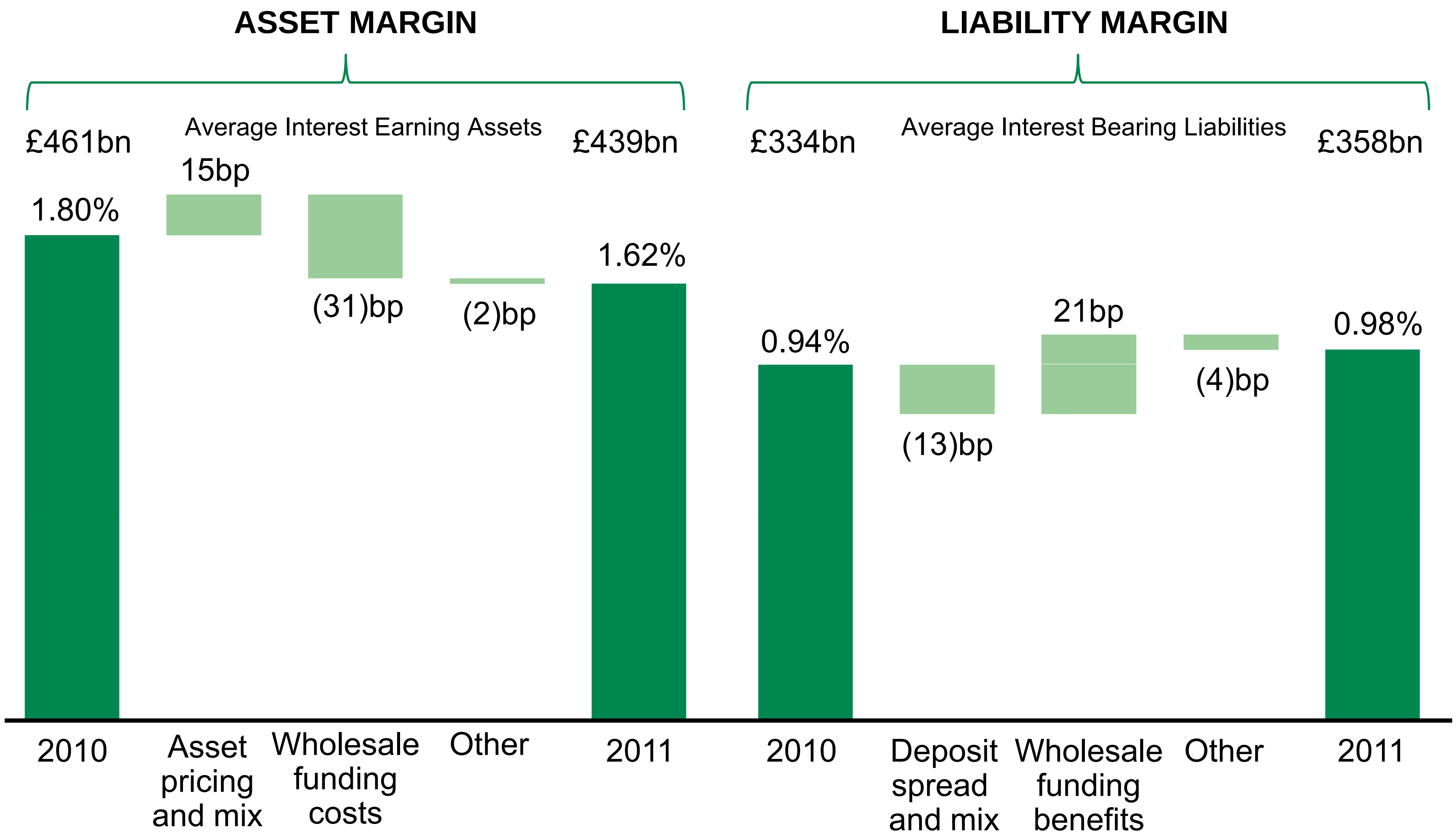
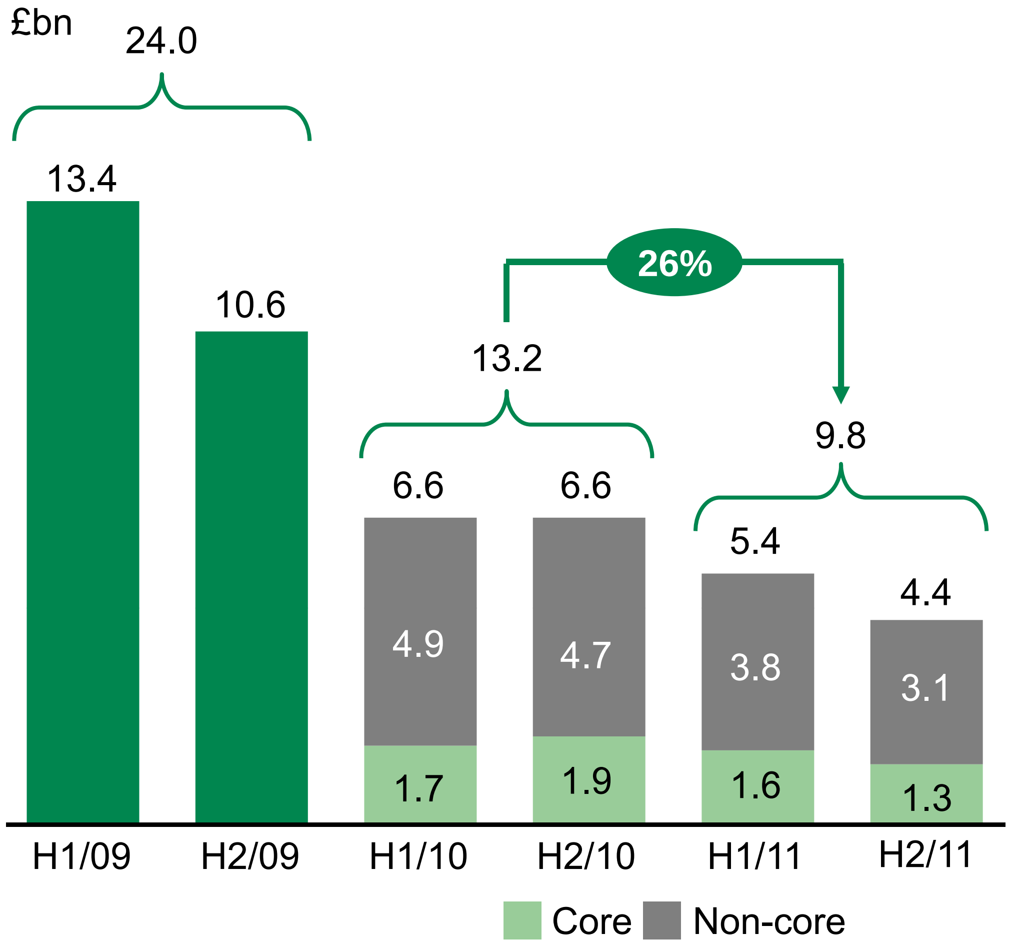


FINANCIAL PERFORMANCE

Improving asset quality driving a 26% impairment reduction



Conservative approach to risk fully embedded across the business

▪ Group	↓	£3.4bn	26%
▪ Retail	↓	£0.8bn	28%
▪ Wholesale	↓	£1.2bn	29%
▪ Commercial	↓	£0.1bn	21%
▪ W&I	↓	£1.4bn	23%

CORE RETAIL BUSINESS PERFORMANCE

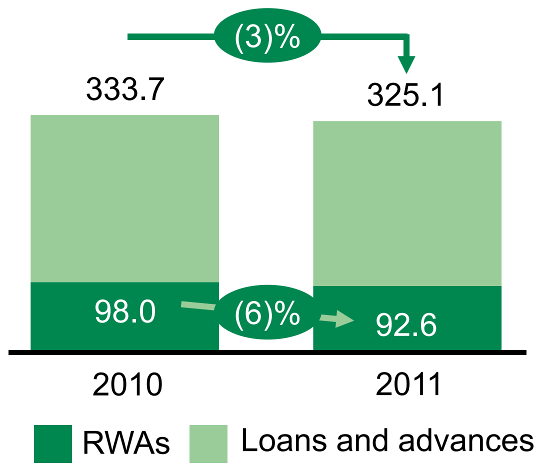
Resilient performance given funding headwinds and muted demand

UNDERLYING CORE BUSINESS (£m)[1]	2010	2011	% Change
Underlying income	9,695	8,874	(8)%
Total costs	(4,637)	(4,432)	4%
Impairment[2]	(2,612)	(1,786)	32%
Underlying profit before tax and fair value unwind	**2,446**	**2,656**	**9%**
Banking net interest margin	2.37%	2.20%	
Impairment as a percentage of average advances	0.77%	0.54%	
Underlying pre-tax return on risk weighted assets[3]	2.4%	2.8%	

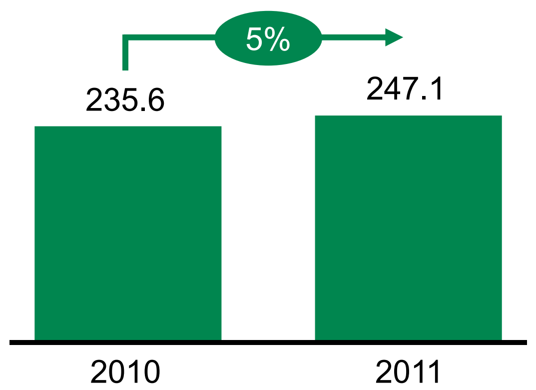
2011 HIGHLIGHTS

- Loan-to-deposit ratio improvement of 10 percentage points to 132%, growing core customer balances by 1%
- 20% market share in mortgage gross lending (24% first time buyers)
- Accelerating multichannel strategy: 9% increase in active online customers
- 1.5m Mobile apps downloaded to date

CORE LOANS[4] AND RWAs (£bn)



CORE CUSTOMER DEPOSITS[4] (£bn)



[1] Excludes the effects of liability management, volatile items, and asset sales. [2] Includes profit/(loss) from joint ventures. [3] Underlying PBT pre fair value unwind / Average RWAs. Average RWAs are the average of quarter end RWAs. [4] Excludes repos and reverse repos

CORE WHOLESALE BUSINESS PERFORMANCE

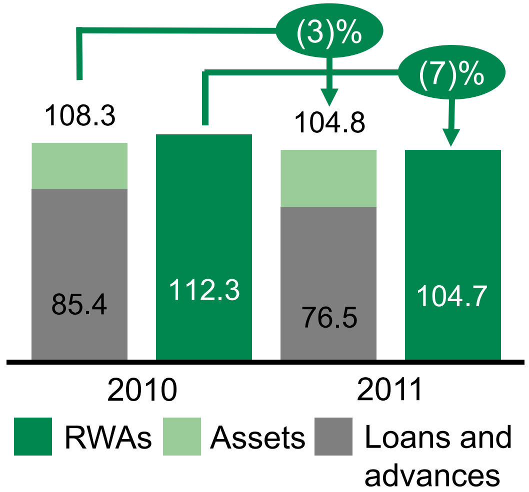
A challenging trading environment

UNDERLYING CORE BUSINESS (£m)[1]	2010	2011	% Change
Underlying income	4,907	4,297	(12)%
Total costs	(2,191)	(2,107)	4%
Impairment[2]	(574)	(741)	(29)%
Underlying profit before tax and fair value unwind	**2,142**	**1,449**	**(32)%**
Banking net interest margin	1.59%	1.80%	
Impairment as a percentage of average advances	0.57%	0.89%	
Underlying pre-tax return on risk weighted assets[3]	1.6%	1.4%	

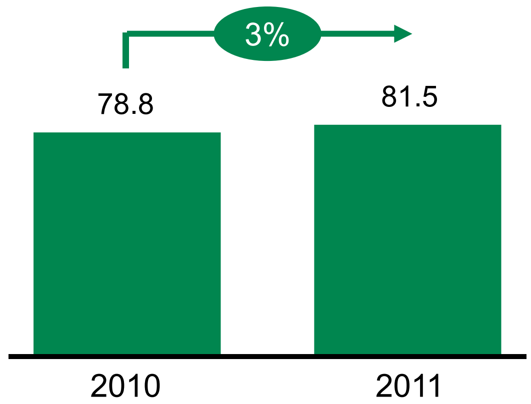
2011 HIGHLIGHTS

- Good progress in the “value over volume” strategy
- Improvement in market share for Sterling Corporate Investment Grade Bonds and Sterling Corporate Syndicated Lending
- Core customer deposit growth of 3% and loan to deposit ratio has improved by 14 percentage points to 94%

CORE ASSETS[4], LOANS[5] AND RWAs (£bn)



CORE CUSTOMER DEPOSITS[5] (£bn)



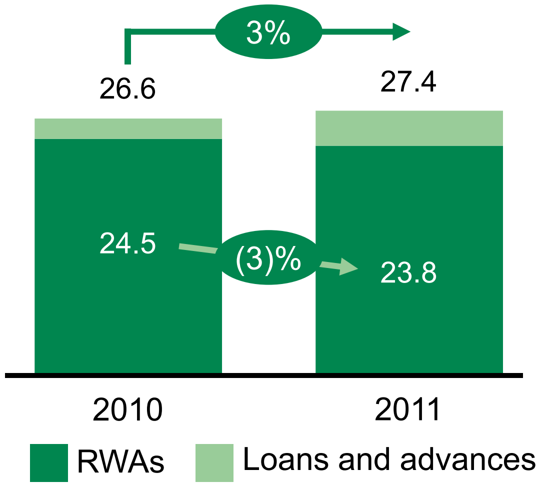
[1] Excludes the effects of liability management, volatile items, and asset sales. [2] Includes profit/(loss) from joint ventures. [3] Underlying PBT pre fair value unwind / Average RWAs. Average RWAs are the average of quarter end RWAs. [4] Core assets are loans and advances to customers and to banks, including reverse repos, and debt securities, and available-for-sale financial assets. [5] Excludes repos and reverse repos.

CORE COMMERCIAL BUSINESS PERFORMANCE

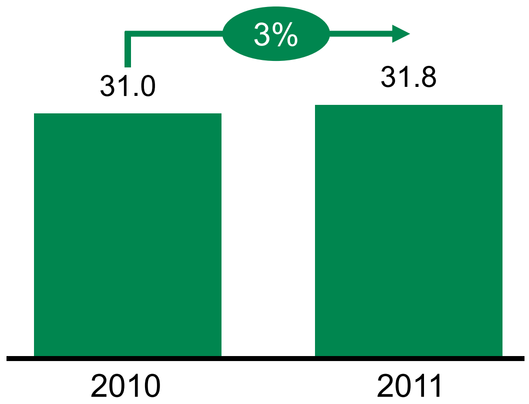
Strong performance despite challenging markets

UNDERLYING CORE BUSINESS (£m)[1]	2010	2011	% Change
Underlying income	1,543	1,674	8%
Total costs	(984)	(942)	4%
Impairment[2]	(381)	(296)	22%
Underlying profit before tax and fair value unwind	**178**	**436**	**145%**
Banking net interest margin	3.86%	4.37%	
Impairment as a percentage of average advances	1.34%	1.09%	
Underlying pre-tax return on risk weighted assets[3]	0.7%	1.8%	

CORE LOANS[4] AND RWAs (£bn)



CORE CUSTOMER DEPOSITS[4] (£bn)



2011 HIGHLIGHTS

- Leveraging a strong commercial franchise: 3% core commercial net lending growth in a contracting market (6%)
- 30,000 customers signed up for Monthly Price Plans
- Exceeded full year contribution to 'Merlin' lending commitments

[1] Excludes the effects of liability management, volatile items, and asset sales. [2] Includes profit/(loss) from joint ventures. [3] Underlying PBT pre fair value unwind / Average RWAs. Average RWAs are the average of quarter end RWAs. [4] Excludes repos and reverse repos

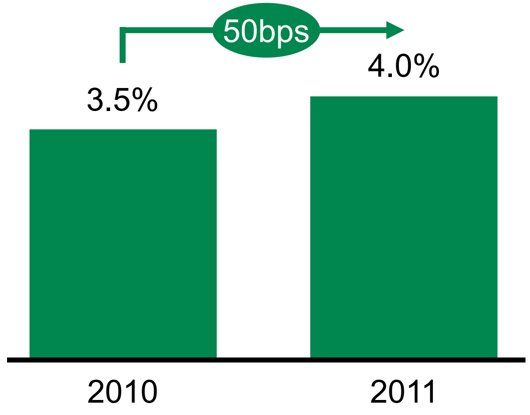
CORE INSURANCE BUSINESS PERFORMANCE
Margin improved and costs reduced

UNDERLYING CORE BUSINESS (£m)[1]	2010	2011	% Change
Underlying income	2,588	2,484	(4)%
Insurance claims	(542)	(343)	37%
Income less insurance claims	**2,046**	**2,141**	**5%**
Total costs	(813)	(772)	5%
Underlying profit before tax and fair value unwind	**1,233**	**1,369**	**11%**
EEV new business margin	3.5%	4.0%	

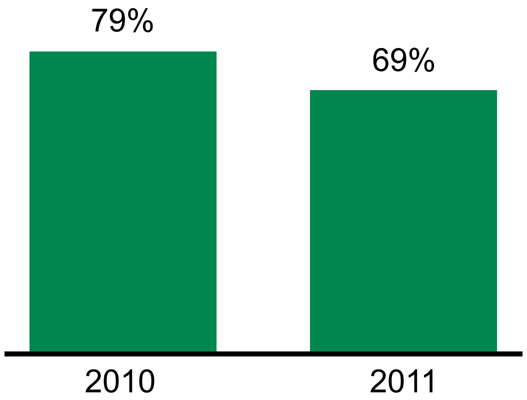
2011 HIGHLIGHTS

- Continue the established "value over volume" driven strategy, delivering a 50bps increase in EEV new business margin
- 24% increase in LP&I UK total new business profit despite 1% decrease in sales (PVNBP)
- Focus on customer needs delivering a 23% increase in LP&I UK protection sales (PVNBP), which now account for 22% (2010: 13%) of Bancassurance sales
- Corporate pension sales increased by 61%

EEV NEW BUSINESS MARGIN



GENERAL INSURANCE COMBINED RATIO



[1] **Excludes the effects of liability management, volatile items, asset sales, and the share of results of joint ventures and associates.**

CORE WEALTH AND INTERNATIONAL BUSINESS PERFORMANCE

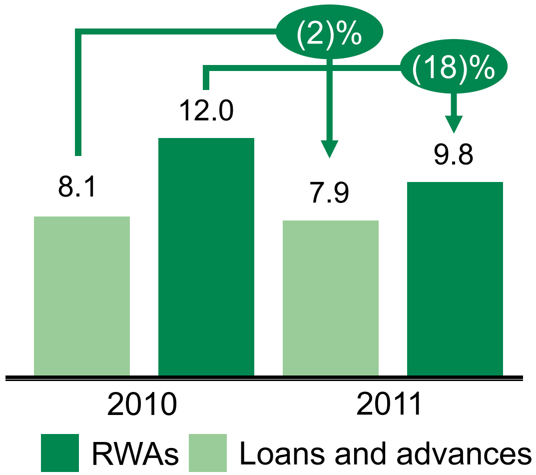
Good income growth and deposit performance

UNDERLYING CORE BUSINESS (£m)[1]	2010	2011	% Change
Underlying income	1,295	1,369	6%
Total costs	(1,109)	(1,127)	(2)%
Impairment[2]	(26)	(50)	(92)%
Underlying profit before tax and fair value unwind	**160**	**192**	**20%**
Banking net interest margin	3.31%	4.16%	
Impairment as a percentage of average advances	0.31%	0.63%	
Underlying pre-tax return on risk weighted assets[3]	1.3%	1.8%	

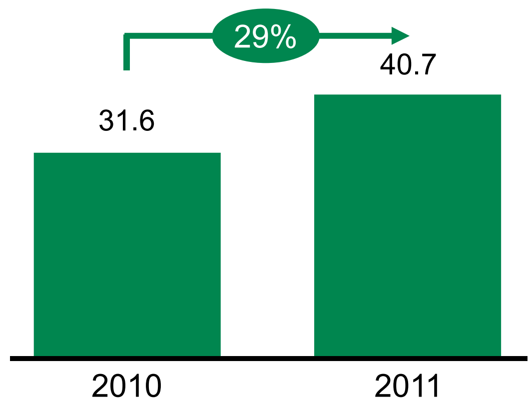
2011 HIGHLIGHTS

- 8% Affluent customer growth
- Progress in relationship strategy with Wealth and International customers: 22% growth in customer balances driving a 20% growth in core net interest income
- Strong growth in deposits

CORE LOANS[4] AND RWAs (£bn)



CORE CUSTOMER DEPOSITS[4] (£bn)



[1] Excludes the effects of liability management, volatile items, and asset sales. [2] Includes profit/(loss) from joint ventures. [3] Underlying PBT / Average RWAs. Average RWAs are the average of quarter end RWAs. [4] Excludes repos and reverse repos.

AGENDA

LLOYDS BANKING GROUP

- SUMMARY
- 2011 IN CONTEXT
- PROGRESS AGAINST OUR STRATEGY
- FINANCIAL PERFORMANCE
- **2011 RESULTS**
  TIM TOOKEY, GROUP FINANCE DIRECTOR
- UPDATE ON COSTS AND SIMPLIFICATION
  MARK FISHER, DIRECTOR, GROUP OPERATIONS
- ECONOMIC AND REGULATORY ENVIRONMENT
- GUIDANCE AND SUMMARY

LLOYDS BANKING GROUP

2011 RESULTS

24 February 2012

Tim Tookey

Group Finance Director

DELIVERING ……

LLOYDS BANKING GROUP

PERFORMANCE IN LINE WITH EXPECTATIONS

PRUDENT MANAGEMENT OF NON-CORE BUSINESS

SIGNIFICANTLY IMPROVED CAPITAL RATIOS, STRENGTHENED LIQUIDITY AND FUNDING POSITION

SUMMARY

INCOME STATEMENT

Combined businesses profit broadly in line with expectations

£m	GROUP 2010	GROUP 2011	CORE 2010	CORE 2011
Underlying income[1]	**23,537**	**21,197** *(10)%*	**19,972**	**18,933** *(5)%*
Total costs	**(11,078)**	**(10,621)** *4%*	**(9,884)**	**(9,682)** *2%*
Impairment	**(13,181)**	**(9,787)** *26%*	**(3,612)**	**(2,887)** *20%*
Profit before tax – combined businesses basis	**2,212**	**2,685** *21%*	**6,152**	**6,349** *3%*
Underlying profit (loss) before tax and fair value unwind (see next slide)	**(813)**	**816**	**6,490**	**6,374** *(2)%*
Margin	**2.21%**	**2.07%**	**2.48%**	**2.42%**
AQR	**2.01%**	**1.62%**	**0.75%**	**0.64%**

[1] **Total income net of insurance claims, excluding effects of liability management, volatile items and asset sales**

RESILIENT UNDERLYING PROFITS

Liability management gains more than offset volatile items

£m	2010	2011	% Change
Profit before tax – combined businesses basis	2,212	2,685	*21%*
Adjust to exclude effects of liability management, volatile items and asset sales			
Gains and losses on asset sales	(453)	(88)	
Banking volatility	(347)	(3)	
Fair value movement of ECN conversion feature	620	5	
Net derivative valuation adjustments	42	718	
Liability management gains	(423)	(1,295)	
Effects of liability management, volatile items and asset sales	(561)[1]	(663)[2]	
Underlying profit before tax	**1,651**	**2,022**	***22%***
Adjust to remove fair value unwind	(2,464)	(1,206)	
Underlying profit (loss) before tax and fair value unwind	**(813)**	**816**	

(1) £(51)m core and £(510)m non-core
(2) £(603)m core and £(60)m non-core

BUSINESS PERFORMANCE
Statutory result principally reflecting PPI provision

LLOYDS BANKING GROUP

£m	2010	2011	*% Change*
Profit before tax – combined businesses basis	**2,212**	**2,685**	***21%***
Integration, simplification and EC mandated retail business disposal costs	(1,653)	(1,452)	
Volatility arising in insurance businesses	306	(838)	
Amortisation of purchased intangibles	(629)	(562)	
Provision in relation to German insurance business litigation	–	(175)	
Payment protection insurance provision	–	(3,200)	
Customer goodwill payments provision	(500)	–	
Pension curtailment gain	910	–	
Loss on disposal of businesses	(365)	–	
Profit (loss) before tax – statutory	**281**	**(3,542)**	

PERFORMANCE OF CORE BUSINESS

Resilient performance despite challenging market conditions

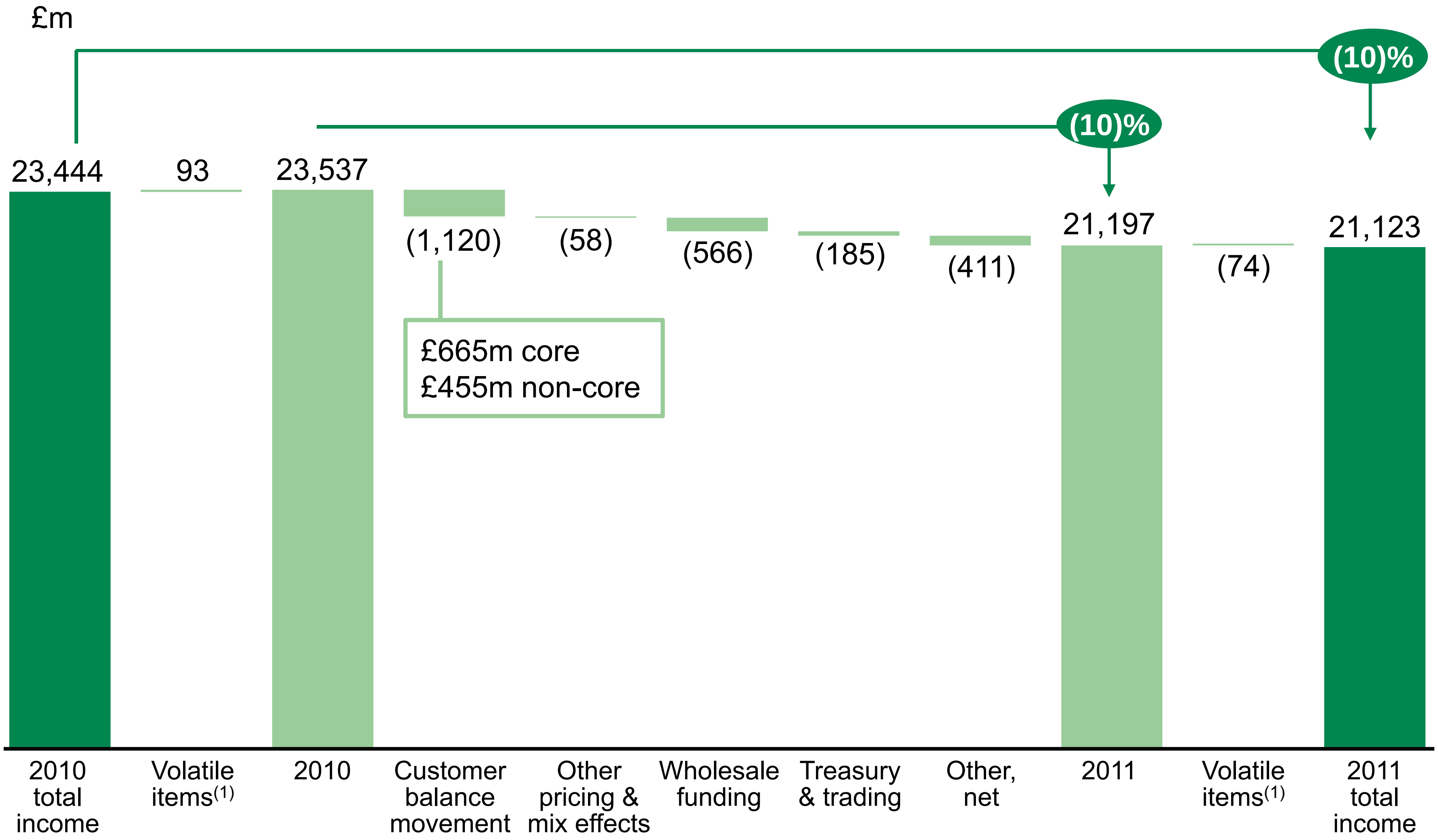
£m	2010	2011	% Change
Net interest income	**11,745**	**10,916**	***(7)%***
Other operating income			
Other	8,769	8,360	*(5)%*
Insurance claims	(542)	(343)	*37%*
Effects of liability management, volatile items and asset sales	51	603	
Total income	**20,023**	**19,536**	***(2)%***
Costs	(9,884)	(9,682)	*2%*
Impairment	(3,612)	(2,887)	*20%*
FV unwind & share of JVs/assoc	(375)	(618)	*(65)%*
Profit before tax – combined businesses basis	**6,152**	**6,349**	***3%***
Underlying profit before tax and fair value unwind[1]	**6,490**	**6,374**	***(2)%***
Margin	2.48%	2.42%	*(2)%*
Loans and advances to customers (£bn)[2]	454.2	437.0	*(4)%*
AIEA (£bn)	460.8	438.7	*(5)%*

(1) **Net of insurance claims, excluding the effects of liability management , volatile items and asset sales**

(2) **Excluding reverse repos**

BUSINESS PERFORMANCE – INCOME

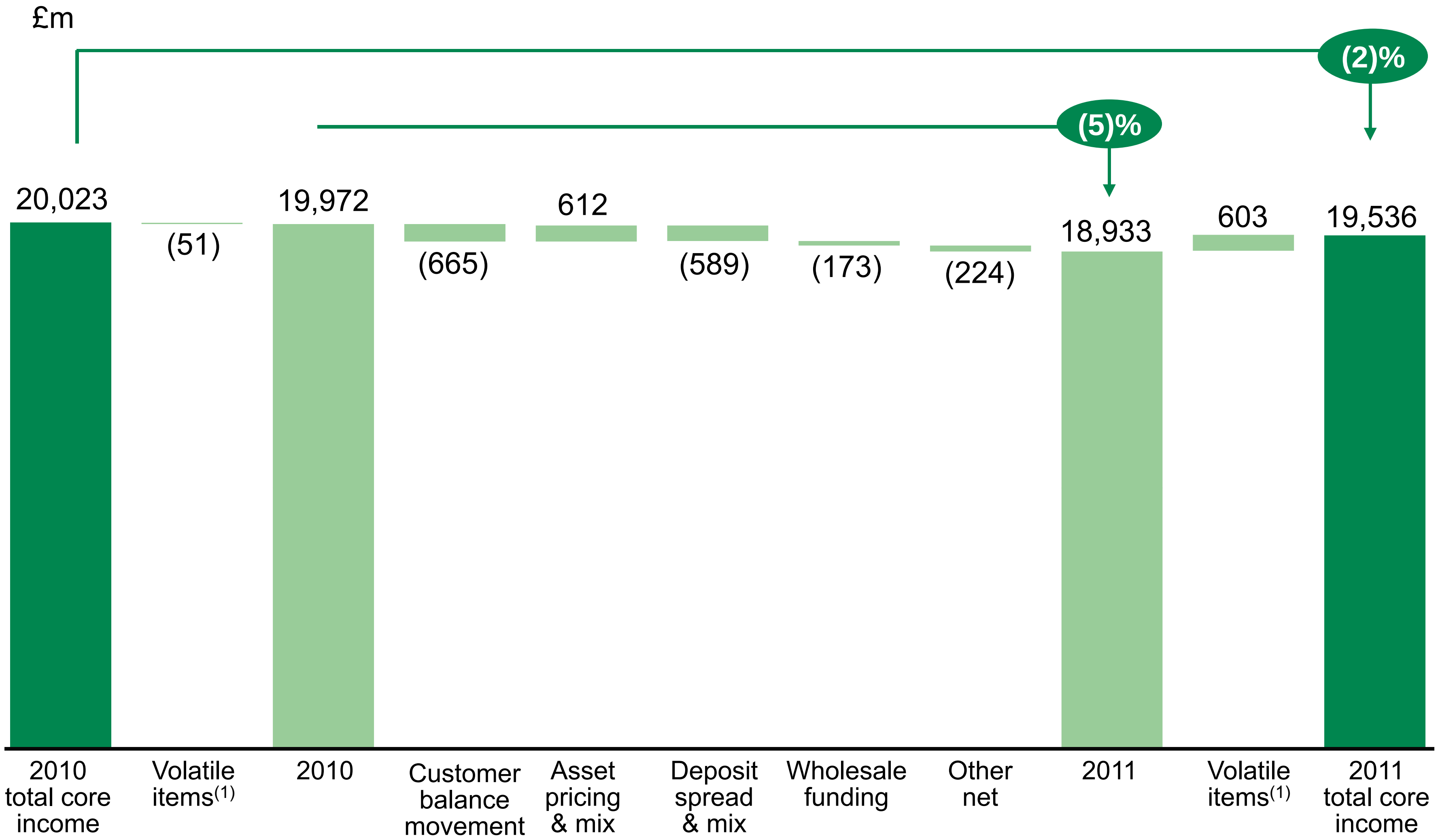
Reductions as a result of smaller balance sheet and subdued demand



(1) Effects of liability management, volatile items and asset sales

BUSINESS PERFORMANCE – CORE INCOME

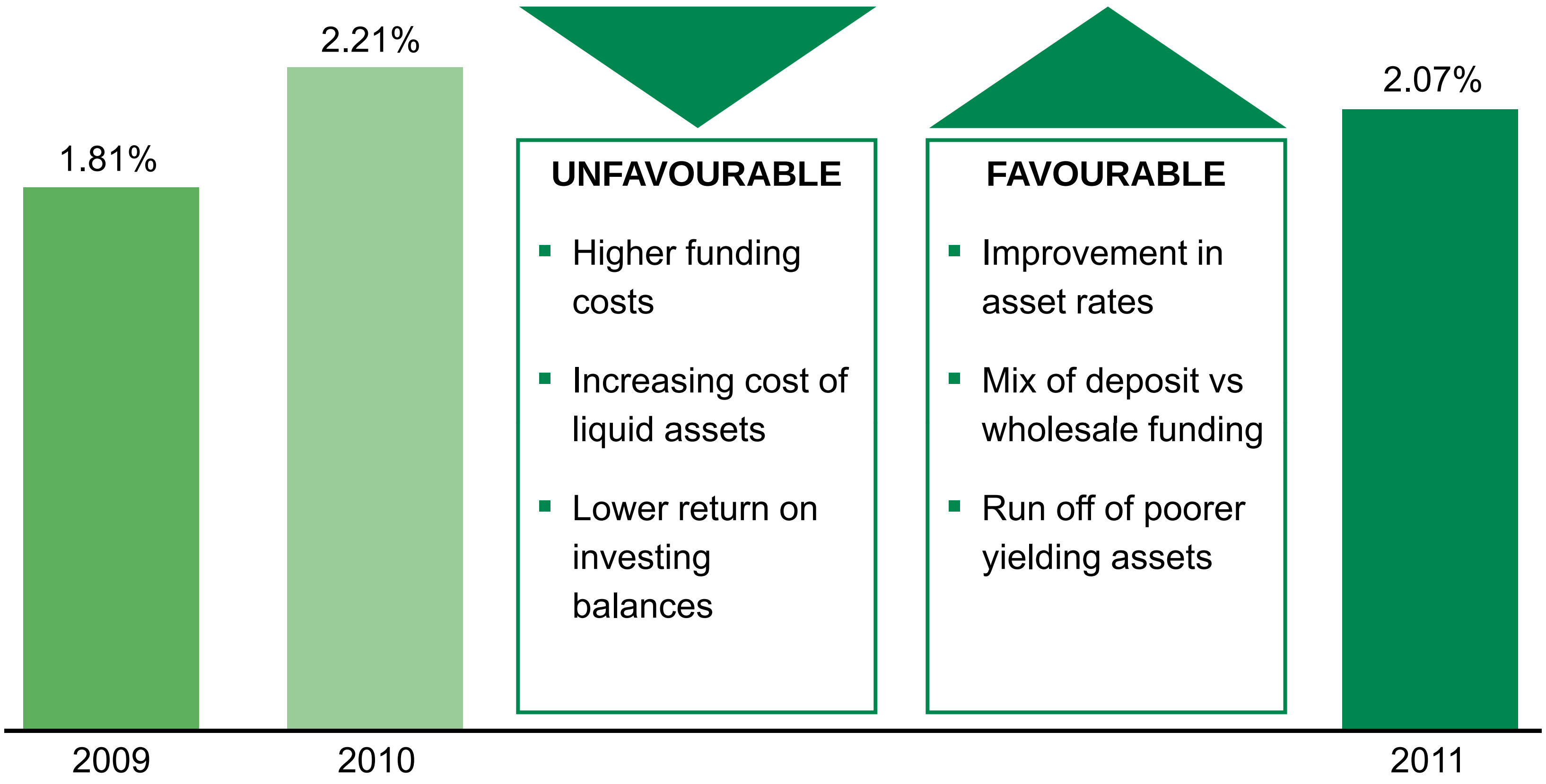
Reductions principally due to subdued demand and customer deleveraging



(1) Effects of liability management, volatile items and asset sales

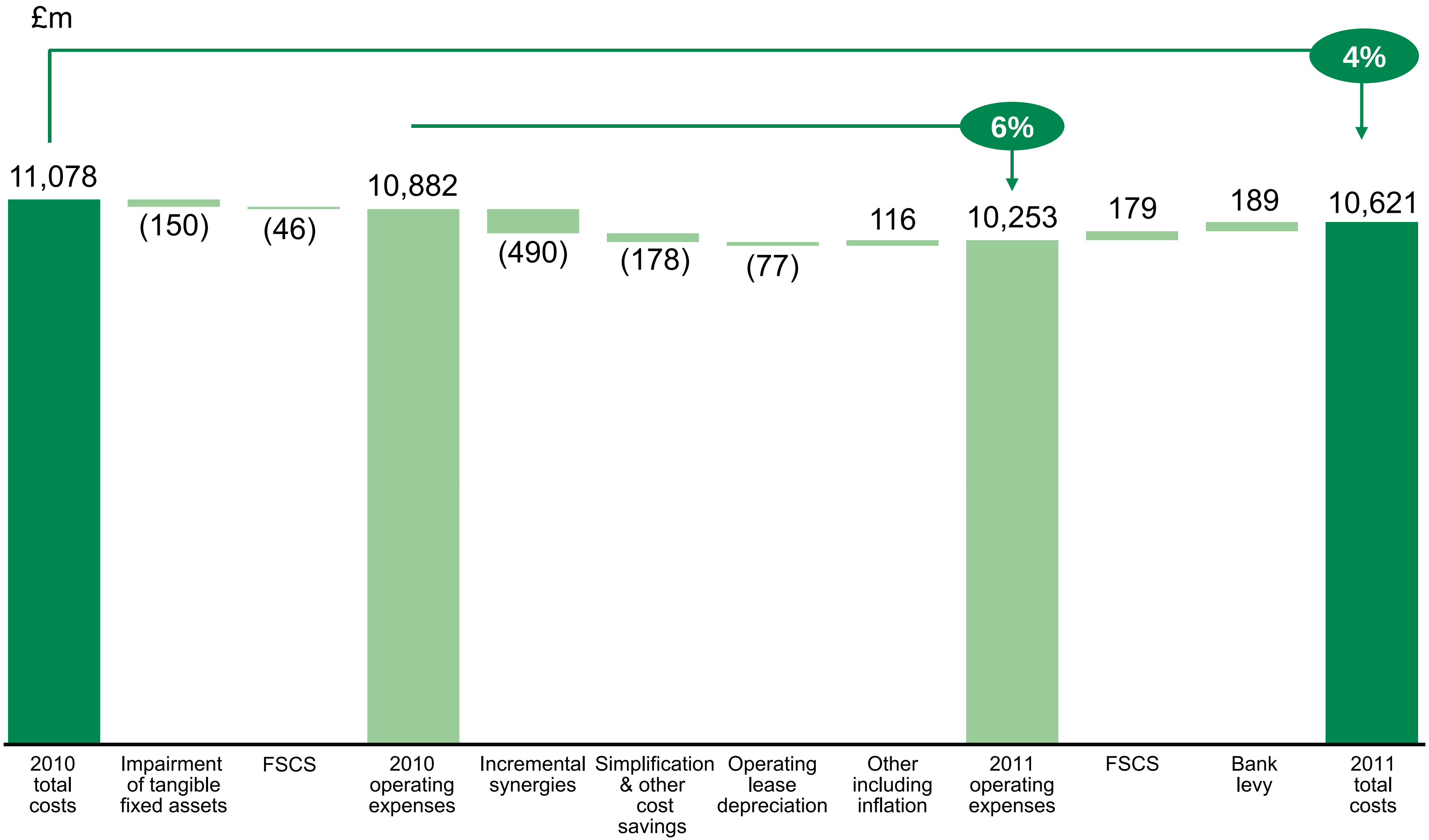
GROUP NET INTEREST MARGIN

Reduced banking margins reflecting continued high funding cost



COST PERFORMANCE

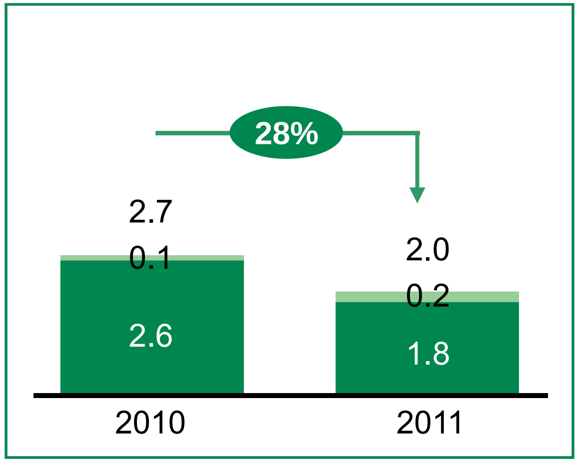
Continued strong cost control and delivery of operating efficiencies



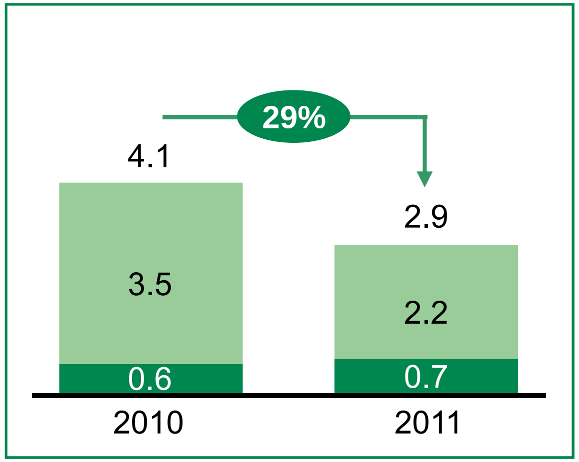
FINANCIAL PERFORMANCE

Improving asset quality driving over 20% impairment reductions in each division

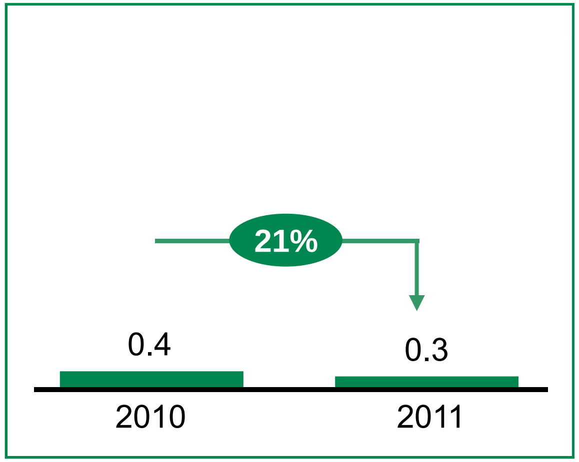
RETAIL (£bn)



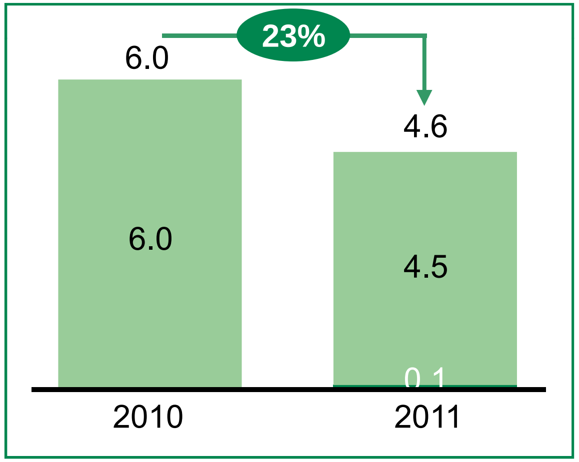
WHOLESALE (£bn)



COMMERCIAL (£bn)



W&I (£bn)



Core   Non-core

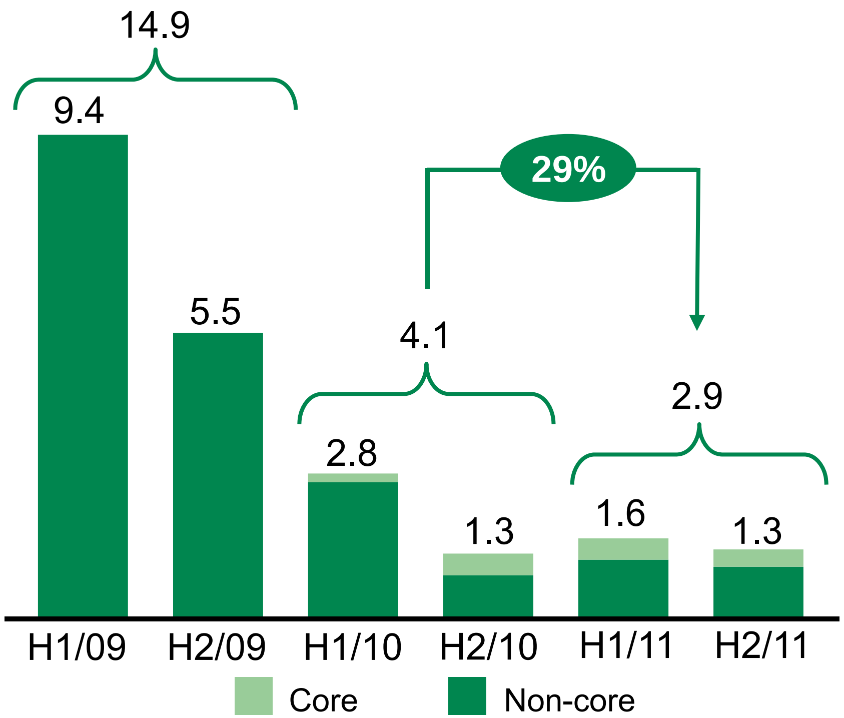
PRINCIPAL DRIVERS

- **Retail** – decrease in the unsecured charge
- **Wholesale** – reduced impairment in real estate portfolios
- **Commercial** – improvements in portfolio credit quality
- **Wealth and International** – lower charges in the Irish portfolio

IMPAIRMENT CHARGE
Substantial further reductions

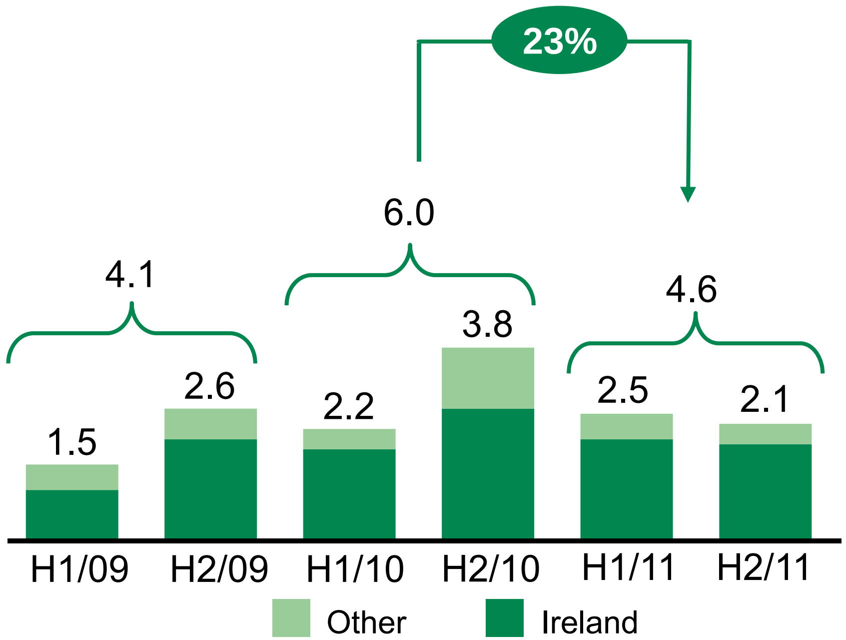
WHOLESALE (£bn)

- Material reduction primarily in corporate real estate and related portfolios
- Supported by the stabilising UK and US economic environment and low interest rates



W&I (£bn)

- Trend continues to be dominated by Ireland
- Decline in valuations of Australasian property
- One third of Australasian impaired assets disposed of in 2011

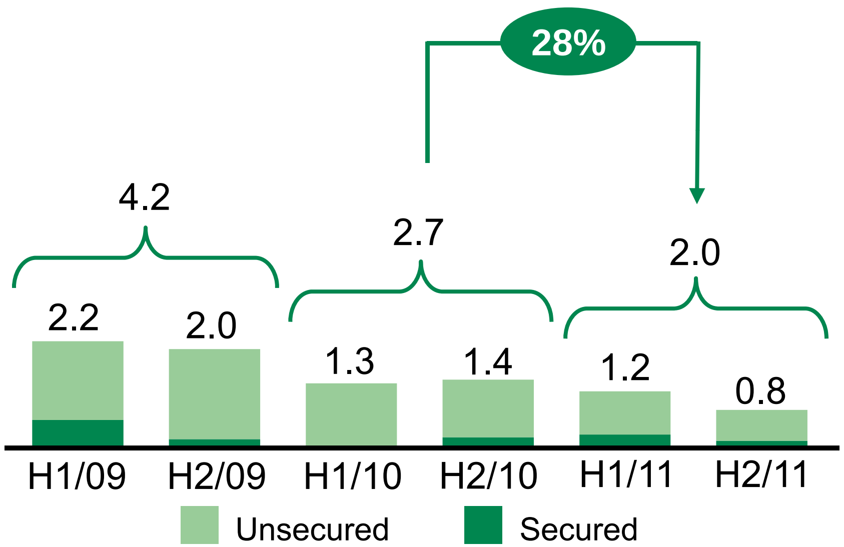


IMPAIRMENT CHARGE

Substantial further reductions

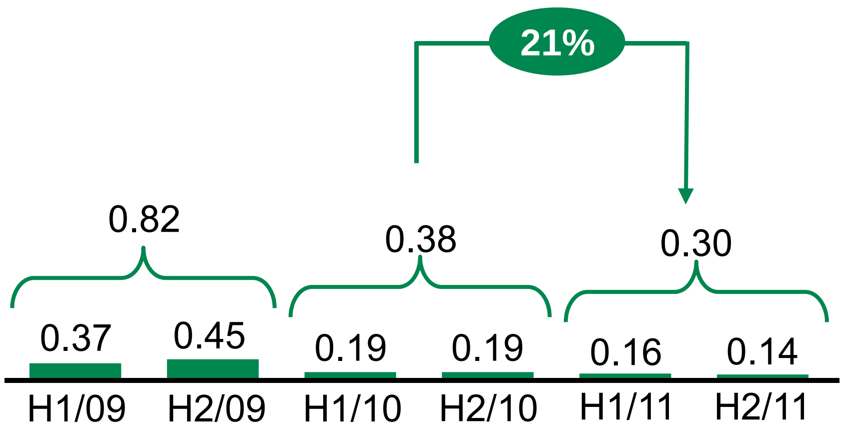
RETAIL (£bn)

- Lower unsecured impairments reflect improved risk management and business quality
- Secured charges reflect forward looking house price movements and stable arrears



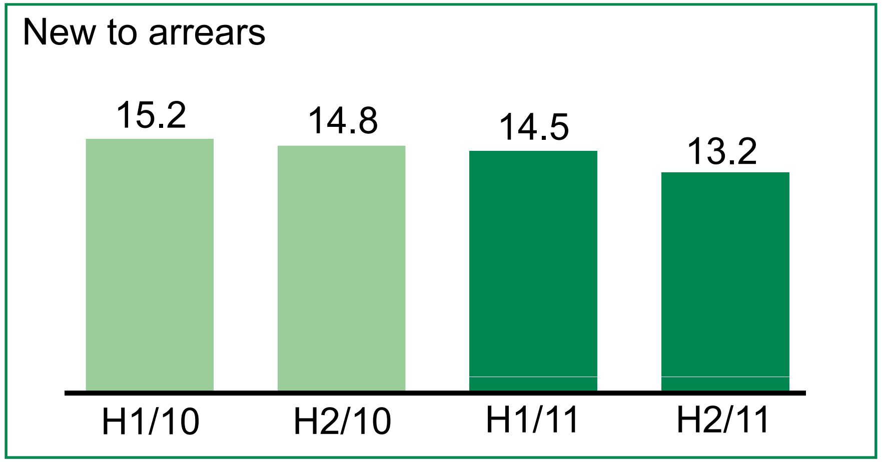
COMMERCIAL (£bn)

- Lower default levels in a subdued UK economy
- Our outlook remains cautious

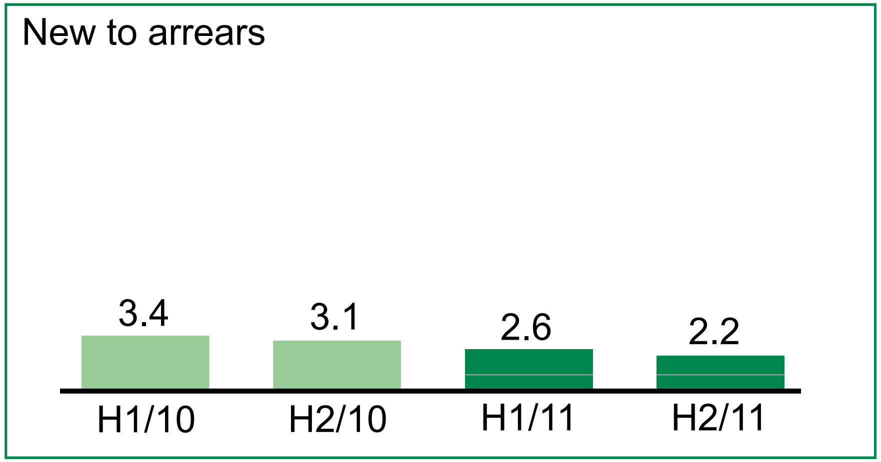


NEW TO ARREARS AND IMPAIRMENTS
Continuing improvement in credit quality

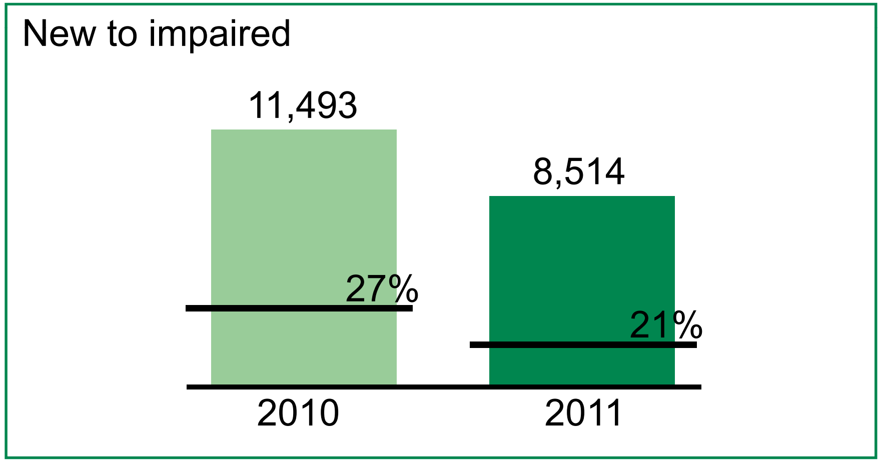
RETAIL SECURED (£bn)



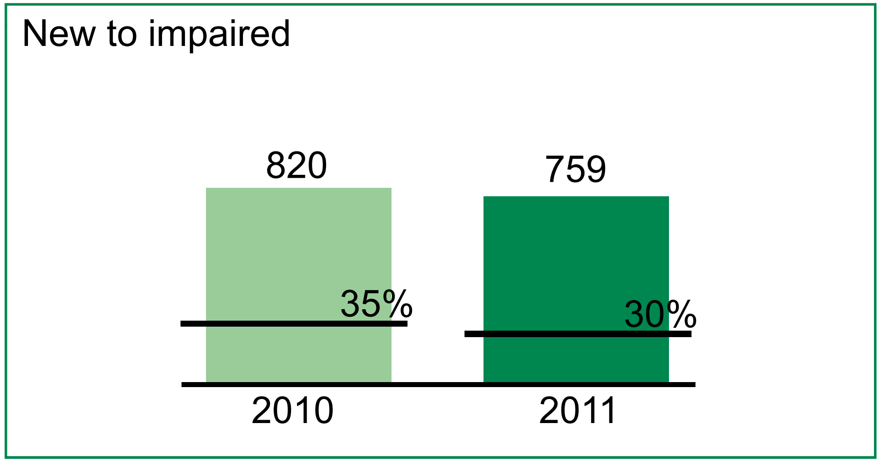
RETAIL UNSECURED (£bn)



WHOLESALE (£m)



COMMERCIAL (£m)

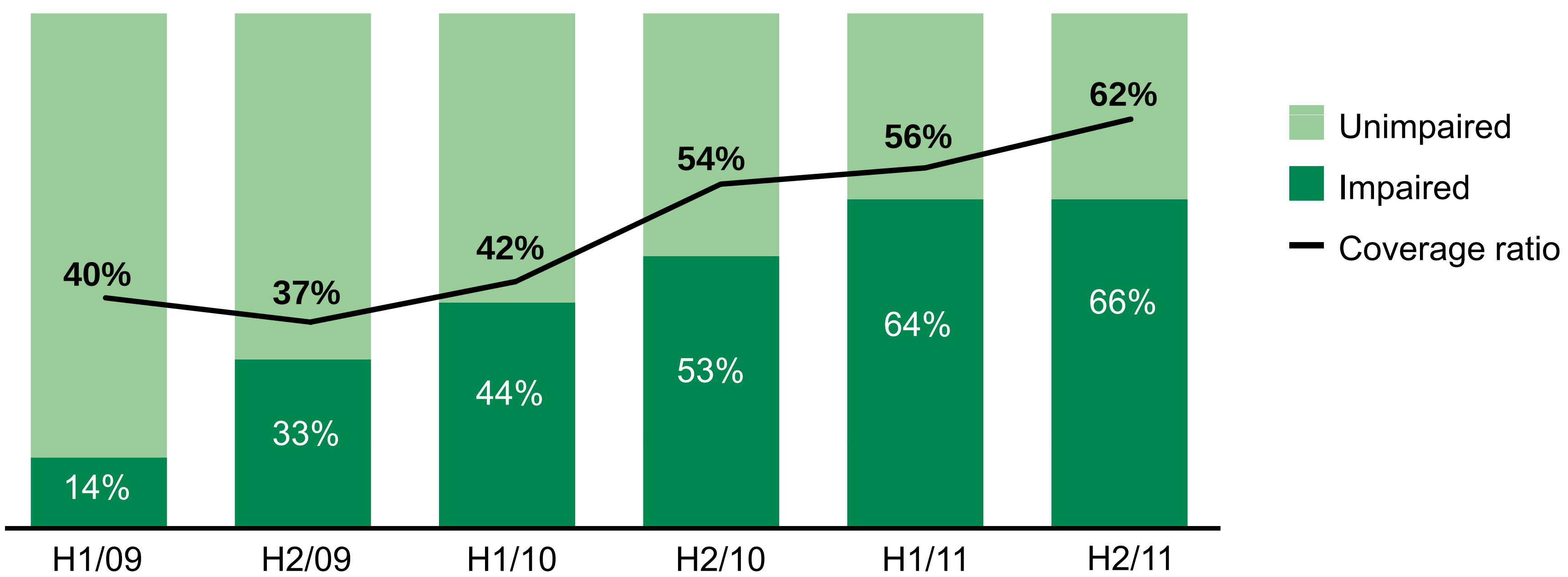


— Average provision of newly impaired loans

IRISH PORTFOLIO

Coverage level increased due to economic uncertainties but portfolio stabilised

IMPAIRED / UNIMPAIRED ASSETS (%)



- Weakness in Irish economy continues
- €2.1bn cash from repayments and disposals of assets
- Wind down managed by dedicated UK based Business Support Unit credit team
- Irish portfolio reduced to £14.6bn (net of provisions)[1]

[1] **Loans and advances to customers.**

PERFORMANCE SUMMARY
Performing in line with expectations

- Income reductions result from smaller balance sheet and subdued demand
- Margin guidance achieved despite challenging funding environment
- Successful liability management exercise more than offsets volatile items and asset sales
- Excellent progress on cost reduction initiatives
- Substantial reduction in impairments in all banking divisions
- Another year of substantial risk reduction

DELIVERING ……

PERFORMANCE IN LINE WITH EXPECTATIONS

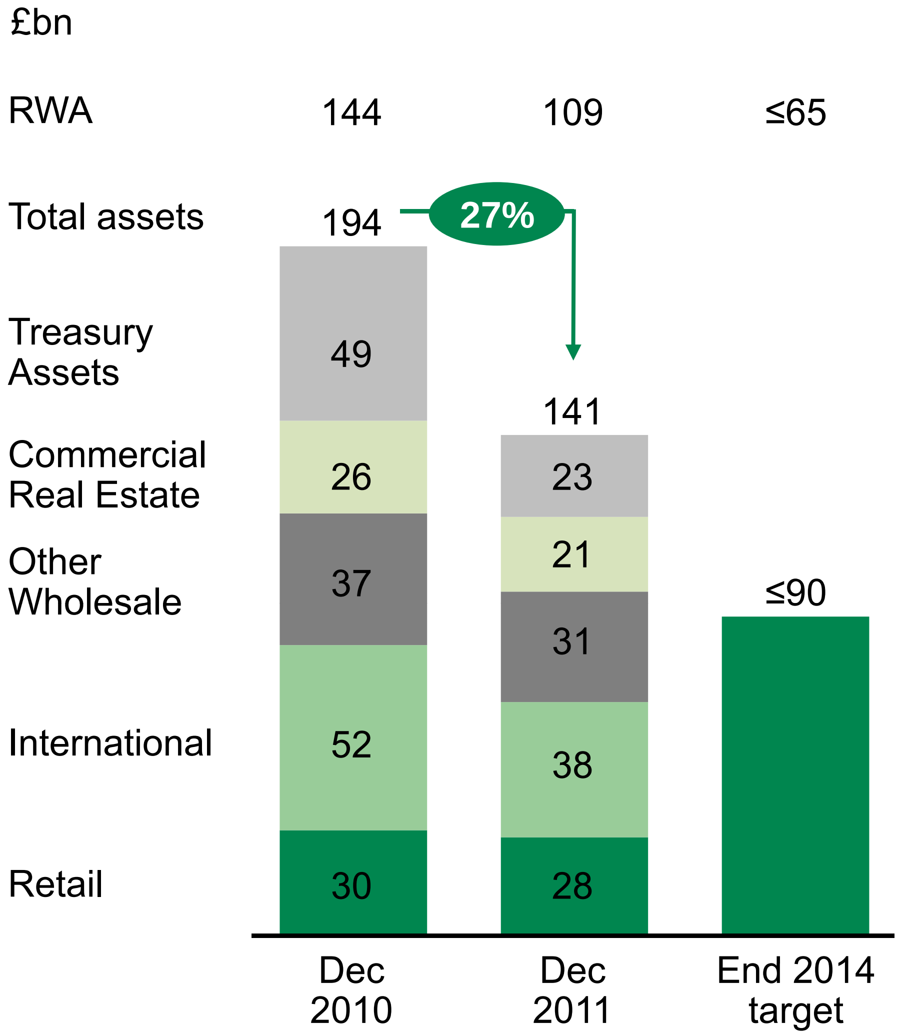
PRUDENT MANAGEMENT OF NON-CORE BUSINESS

SIGNIFICANTLY IMPROVED CAPITAL RATIOS,
STRENGTHENED LIQUIDITY AND FUNDING POSITION

SUMMARY

NON-CORE PORTFOLIO

Continued disciplined reductions in non-core portfolio



£53BN[1] NON-CORE REDUCTION IN 2011

- £4.8bn UK CRE disposals; c. 80% of which is outside London
- Substantial run-off of treasury assets
- Cash received from Irish portfolio disposals and repayments of €2.1bn
- £4.3bn reduction in Australia and New Zealand assets. One third of impaired assets sold. No Gold Coast exposure remains
- Disposals avoid further impairments of non-core assets

(1) **Includes FX benefits of c. £1.2bn**

PERFORMANCE OF NON-CORE BUSINESS

Reductions in impairments and costs partially offset by lower income and lower fair value unwind

£m	2010	2011	Movement
Net interest income	**2,398**	**1,317**	**(1,081)**
Other operating income	1,167	947	(220)
Effects of liability management, volatile items and asset sales	(144)	(677)	(533)
Total income	**3,421**	**1,587**	**(1,834)**
Costs	(1,194)	(939)	255
Impairment	(9,569)	(6,900)	2,669
FV unwind & share of JVs/assoc	3,402	2,588	(814)
Loss before tax – combined businesses basis	**(3,940)**	**(3,664)**	**276**
Underlying (loss) before tax and fair value unwind[1]	**(7,303)**	**(5,558)**	**1,745**
Margin	1.46%	1.01%	(31)%
Total assets (£bn)	193.7	140.7	(53)
AIEA (£bn)	165.1	146.7	(18)

[1] Net of insurance claims, excluding the effects of liability management, volatile items and asset sales

NON-CORE CAPITAL CONSUMPTION / RELEASE

£0.3bn capital release; real benefit even greater due to avoidance of future impairments

	H1 2011	H2 2011	FY 2011
Loss before tax[1] (£m)	(1,762)	(1,902)	(3,664)
Post tax loss → 'capital consumed' (£m)	**(1,295)**	**(1,398)**	**(2,693)**
Reduced RWAs (£bn)	15.2	19.9	35.1
at 10% → 'capital released' (£m)	1,520	1,993	3,513
Increase in EEL[2] (£m)	(487)	(28)	(515)
Net capital (consumed)/released (£m)	**(262)**	**567**	**305**
Non-core asset reduction (£bn)	31.3	21.7	53.0
Funding benefit (£bn)	26.8	18.5	**45.3**
Closing core tier 1 capital allocated to non-core[3] (£bn)	13.4	11.4	11.4

(1) Combined businesses basis
(2) 50% core tier 1 impact
(3) 10% RWA + 50% of EEL

EXPOSURES TO SELECTED EUROZONE COUNTRIES

Substantial reductions achieved and minimal sovereign exposures remain

LLOYDS BANKING GROUP

£m	Direct sovereign & central bank balances	Banks & other financial institutions	Insurance shareholder assets	ABS	Corporate	Retail	Total
Greece	–	–	–	55	431	–	**486**
Italy	16	521	47	39	81	–	**704**
Portugal	–	161	–	341	298	11	**811**
Spain	52	1,719	39	375	2,935	1,649	**6,769**
Dec 2011	**68**	**2,401**	**86**	**810**	**3,745**	**1,660**	**8,770**
	(47)%	*(36)%*	*(79)%*	*(61)%*	*(0)%*	*(7)%*	***(26)%***
Dec 2010	*129*	*3,757*	*404*	*2,103*	*3,737*	*1,779*	*11,909*

DELIVERING ……

LLOYDS BANKING GROUP

PERFORMANCE IN LINE WITH EXPECTATIONS

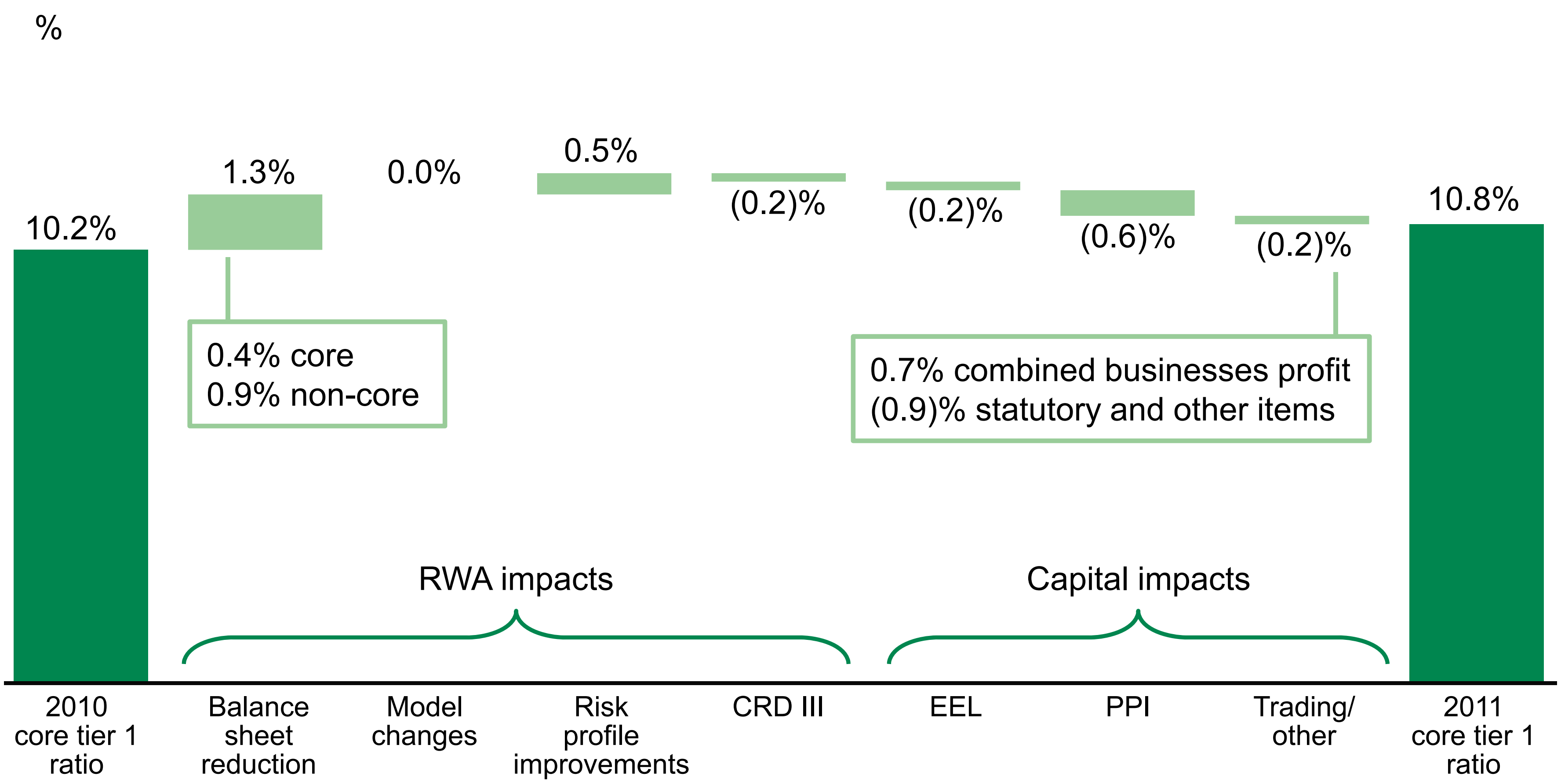
PRUDENT MANAGEMENT OF NON-CORE BUSINESS

SIGNIFICANTLY IMPROVED CAPITAL RATIOS, STRENGTHENED LIQUIDITY AND FUNDING POSITION

SUMMARY

CAPITAL STRENGTHENED WITH ASSET REDUCTION OFFSETTING PPI & TRADING IMPACT

Lower capital intensity of new business



Core tier 1 capital ratio 10.8%; total capital ratio 15.6%

CAPITAL: CRD IV

Maintaining prudent capital reserves over and above regulatory requirements

Date of rule change			Estimated impact if applied to December 2011 core tier 1
January 2013	RWA increases largely from derivative valuation adjustments, changes in definition of default for retail mortgages and insurance allowances		c. £25-30bn RWAs c. (0.8)% Proforma c. 10.0% core tier 1
2014–2018 Transitional rules	Permanent adjustments	Insurance deduction and other transitional adjustments including excess expected losses	Impact: c. (0.25)% pa
	Diminishing adjustments	Phased deduction of residual deferred tax assets	Illustrative impact: (1.6)%

December 2011:

- Core tier 1 ratio with CRD IV 2013 rules: c.10.0%
- Core tier 1 ratio with fully implemented CRD IV rules: illustrative 7.1%

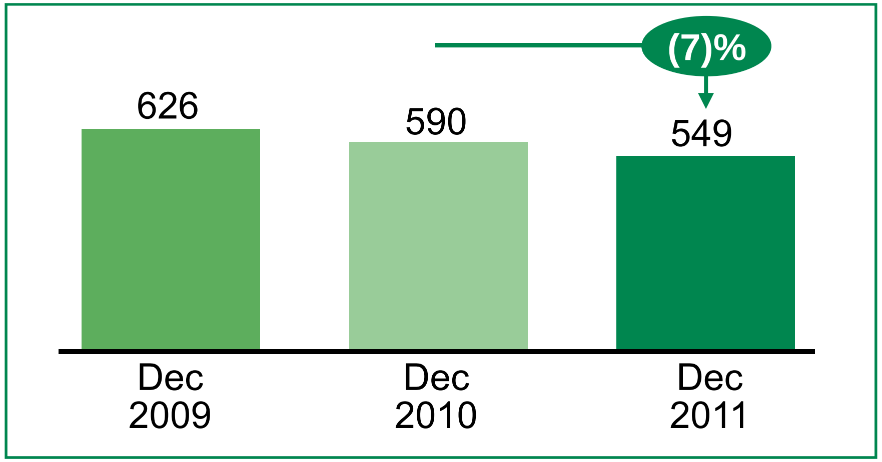
All impacts are before any further mitigating actions, earnings progression or capital benefits of future non-core run down

Estimates based on applying CRD IV (as issued July 2011) to Lloyds Banking Group consolidated position as at 31 December 2011

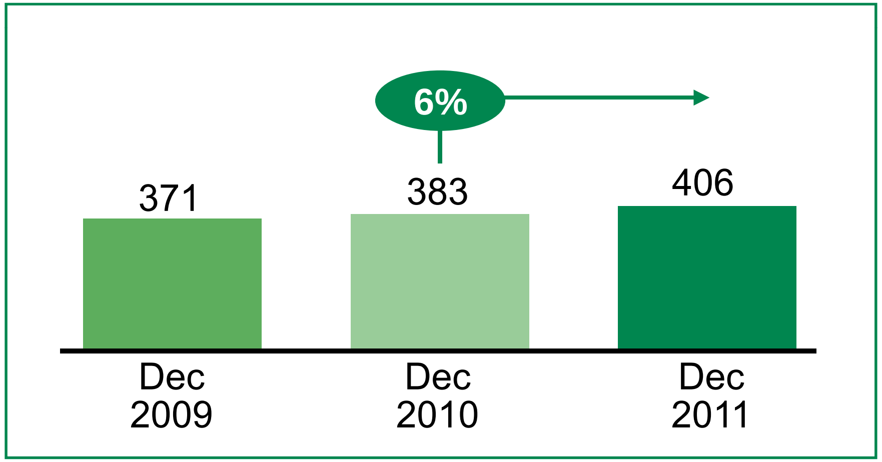
LOAN TO DEPOSIT RATIO

Further improvement driven by deposit growth and reduction in lending balances

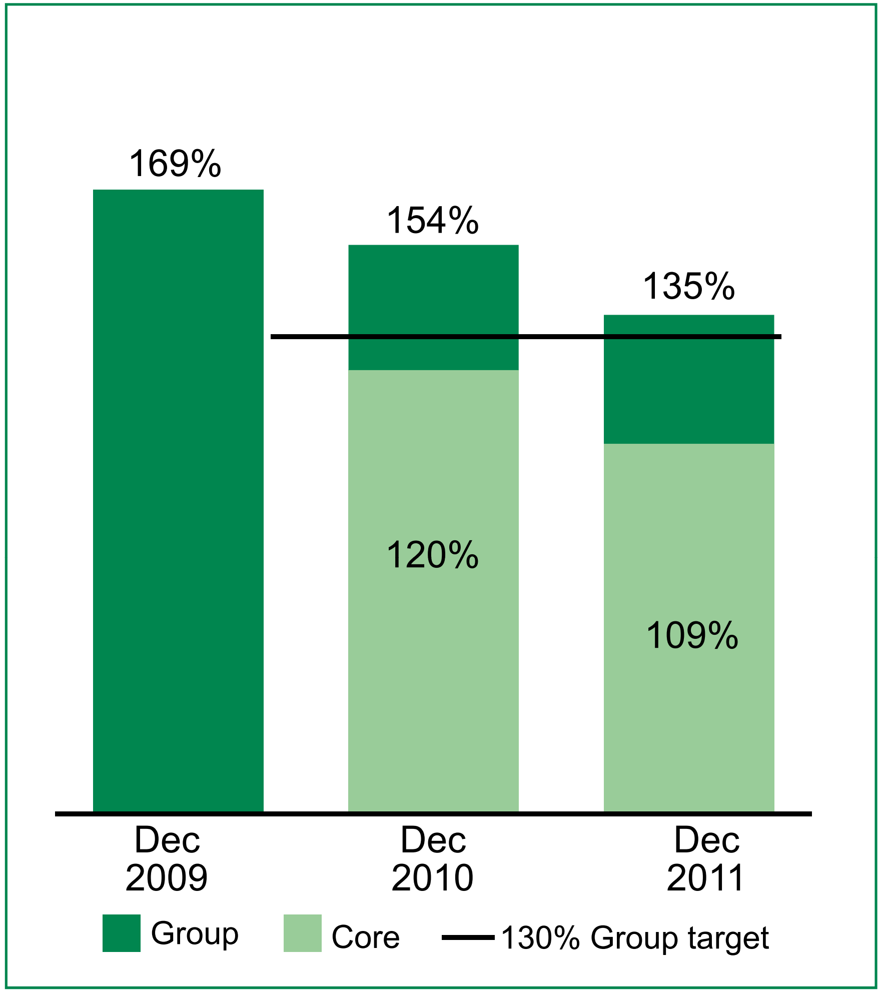
LOANS AND ADVANCES[1] (£bn)



CUSTOMER DEPOSITS[2] (£bn)



LOAN TO DEPOSIT RATIO (%)

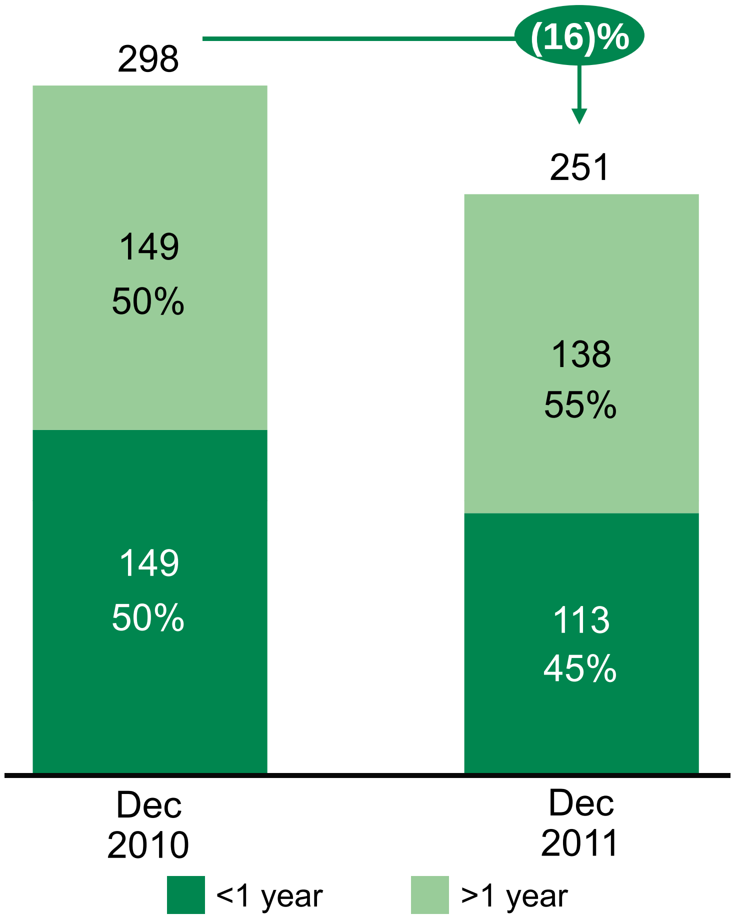


[1] Loans and advances to customers excluding reverse repos
[2] Excluding repos

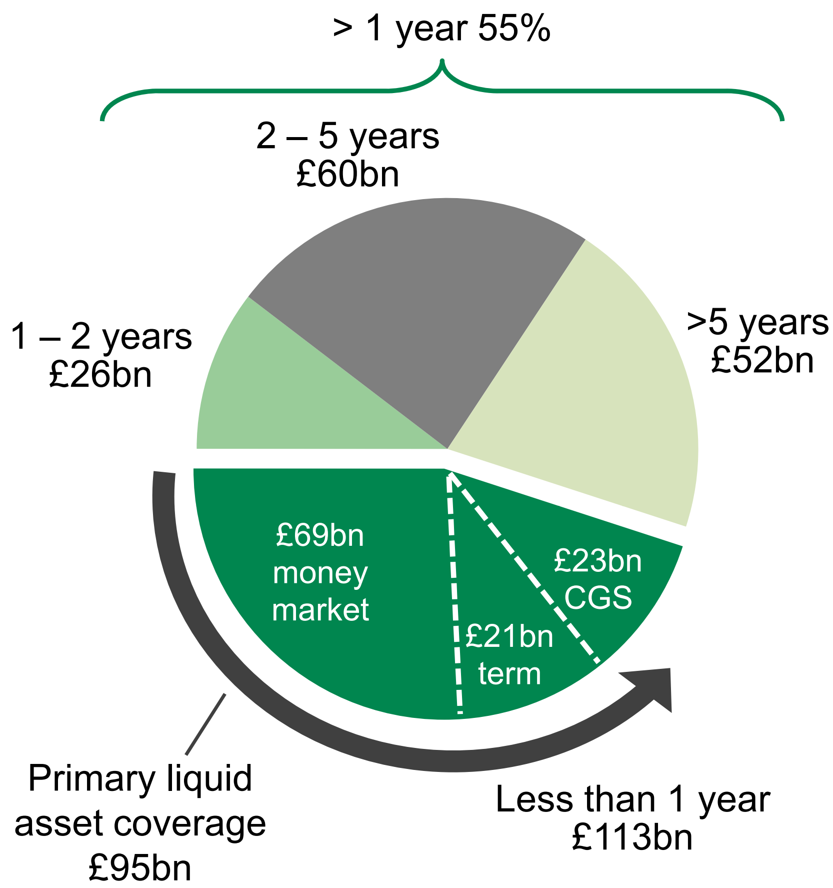
FURTHER IMPROVEMENT IN WHOLESALE FUNDING

Prudent maturity profile driven by successful issuance programme

WHOLESALE FUNDING MATURITY PROFILE (£bn)

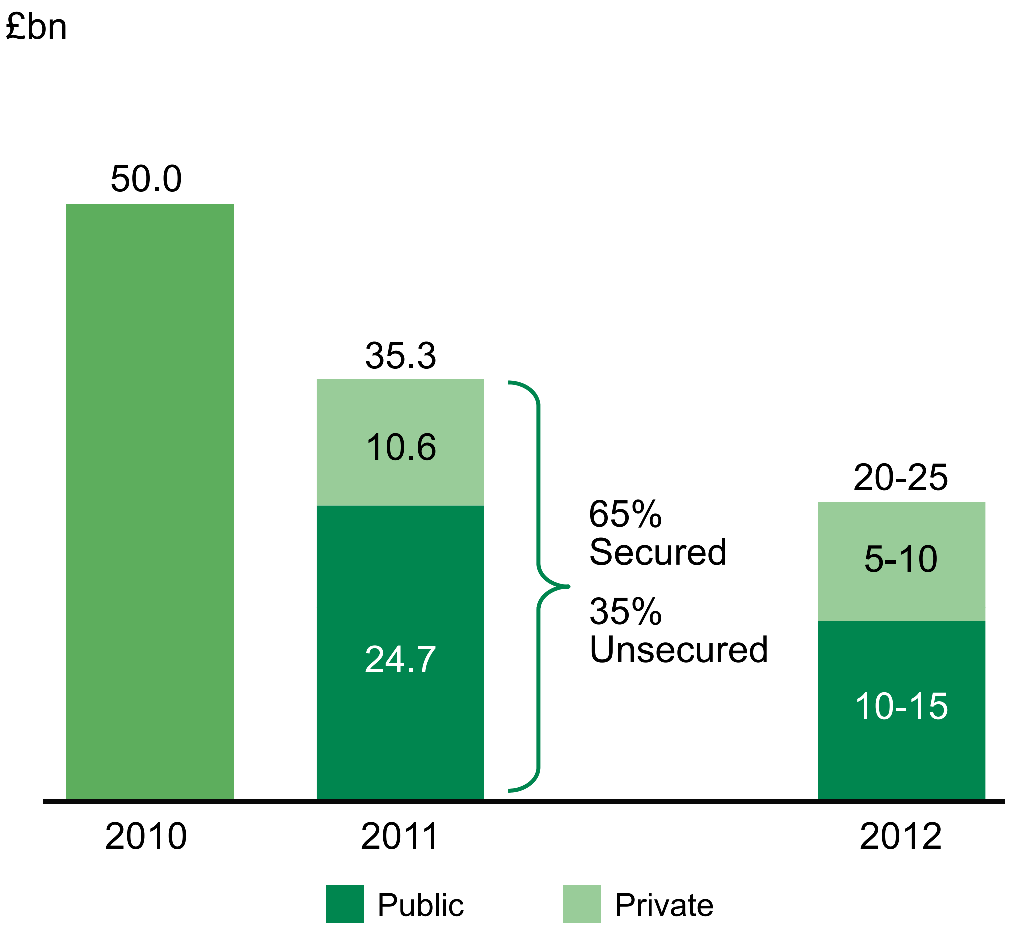


WHOLESALE FUNDING £251BN



Total primary and secondary liquidity assets of £202bn (primary: £95bn / secondary: £107bn)

WHOLESALE FUNDING – TERM ISSUANCE
£15bn of 2012 requirements already completed

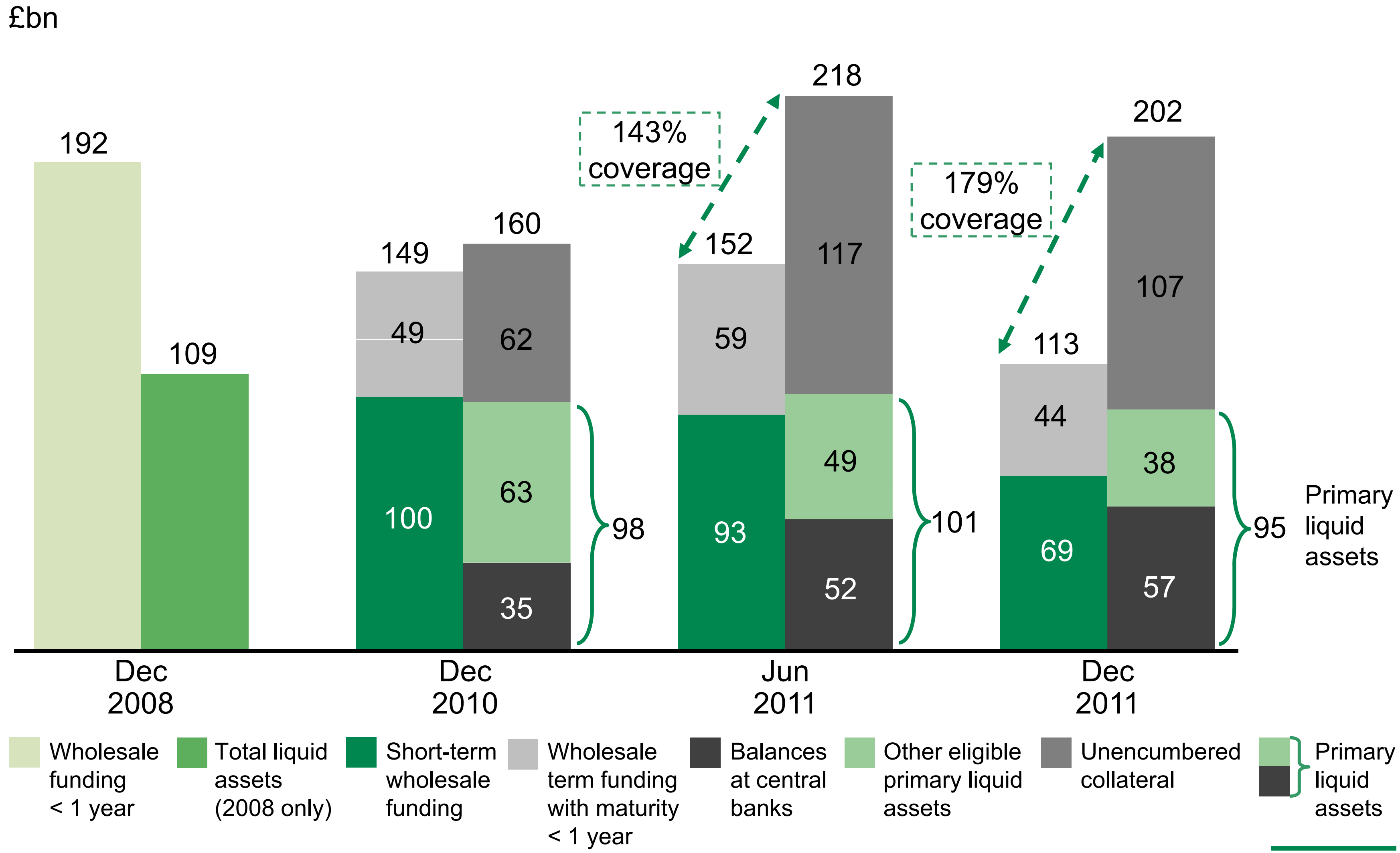


2012 ISSUANCE YTD

- £2bn pre-funded in 2011
- £5bn liability management exercise contributes towards funding plans
- 2012 YTD term funding volume £8bn
  - €1.25bn 5yr covered bond
  - £1.25bn 13yr covered bond
  - €1.5bn 5yr senior unsecured
  - c. £3.25bn RMBS
  - c. £1bn of private placement issuance

SHORT-TERM WHOLESALE FUNDING & LIQUIDITY

Liquidity significantly exceeds short-term funding and regulatory requirements



DELIVERING ……

LLOYDS BANKING GROUP

PERFORMANCE IN LINE WITH EXPECTATIONS

PRUDENT MANAGEMENT OF NON-CORE BUSINESS

SIGNIFICANTLY IMPROVED CAPITAL RATIOS, STRENGTHENED LIQUIDITY AND FUNDING POSITION

SUMMARY

SUMMARY

- Resilient performance in line with expectations in a difficult economic environment
- Core business performance reflects subdued demand in key markets and the benefits of improved funding profile
- Prudent management of the non-core business with disciplined approach to non-core asset reduction
- Another successful delivery against the competing demands of risk reduction, capital requirements and funding cost
- Continuing the successful track record of funding improvements:
  - Growth in relationship deposits
  - Loan reductions, principally non-core
  - Substantial reduction in wholesale funding in very difficult credit markets

AGENDA

LLOYDS BANKING GROUP

SUMMARY

2011 IN CONTEXT

PROGRESS AGAINST OUR STRATEGY

FINANCIAL PERFORMANCE

2011 RESULTS
TIM TOOKEY, GROUP FINANCE DIRECTOR

UPDATE ON COSTS AND SIMPLIFICATION
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ECONOMIC AND REGULATORY ENVIRONMENT

GUIDANCE AND SUMMARY

2011 RESULTS

24 February 2012

Mark Fisher

Director, Group Operations

LLOYDS BANKING GROUP

UPDATE ON COSTS AND SIMPLIFICATION

2011 TOTAL COSTS

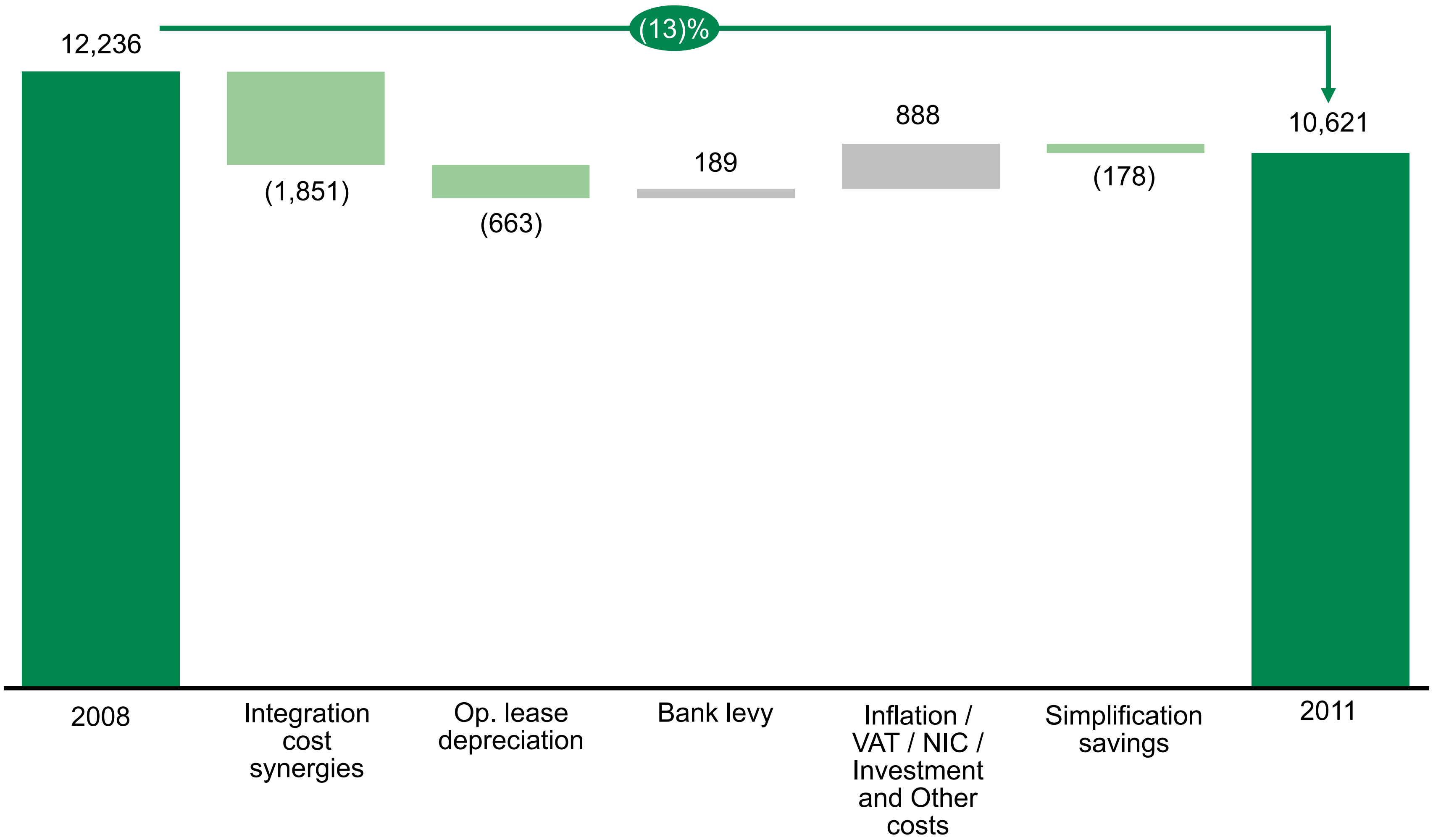
Total costs reduced 4%, operating expenses down 6%

LLOYDS BANKING GROUP

TOTAL COSTS	2010 £m	2011 £m	Change %
Operating expenses	10,882	10,253	(6)
UK bank levy	-	189	
FSCS Costs	46	179	
Impairment of tangible fixed assets	150	-	
Total costs	**11,078**	**10,621**	**(4)**
Integration synergies annual run-rate	1,379	2,054	
Simplication savings annual run-rate	-	242	

TOTAL COSTS

Integration synergies delivered with costs down £1.6bn (13%) from 2008



SIMPLIFICATION

The Simplification Programme is central to becoming the best bank for customers and a high performing organisation

LLOYDS BANKING GROUP

SIMPLIFYING OUR BUSINESS

CUSTOMER BENEFITS	▪ Enhanced customer experience ▪ Reduced errors and complaints ▪ Faster, more efficient service
FINANCIAL BENEFITS	▪ Reduced cost ▪ Increased productivity ▪ Reduced risk ▪ Save to Invest
COLLEAGUE BENEFITS	▪ Eliminate highly manual tasks ▪ Greater cross-skilling ▪ Increased time to focus on customers

SIMPLIFICATION

Fast start and strong momentum gives us confidence that savings can be accelerated

WHAT WE SAID IN JUNE…

- Invest significantly in technology, people and processes to deliver Simplification
- Tighter cost management
- Re-invest £0.5bn savings

4 KEY WORKSTREAMS	Savings in 2014 (£bn)	Number of initiatives
Operations and Processes Implement workflow, automate, improve IT landscape, establish centres of excellence	0.6	25
Sourcing Improve demand management, simplify specifications, strengthen supplier relationships	0.5	23
Organisation Flatten organisational structure, consolidate / rationalise international business	0.3	34
Channels and Products Continue to innovate, reduce product variants, increase pricing flexibility	0.1	29
TOTAL	1.5	111

Now increasing 2014 savings target by £200m to £1.7bn

SIMPLIFICATION

Fast start to cost savings with early deliverables achieved

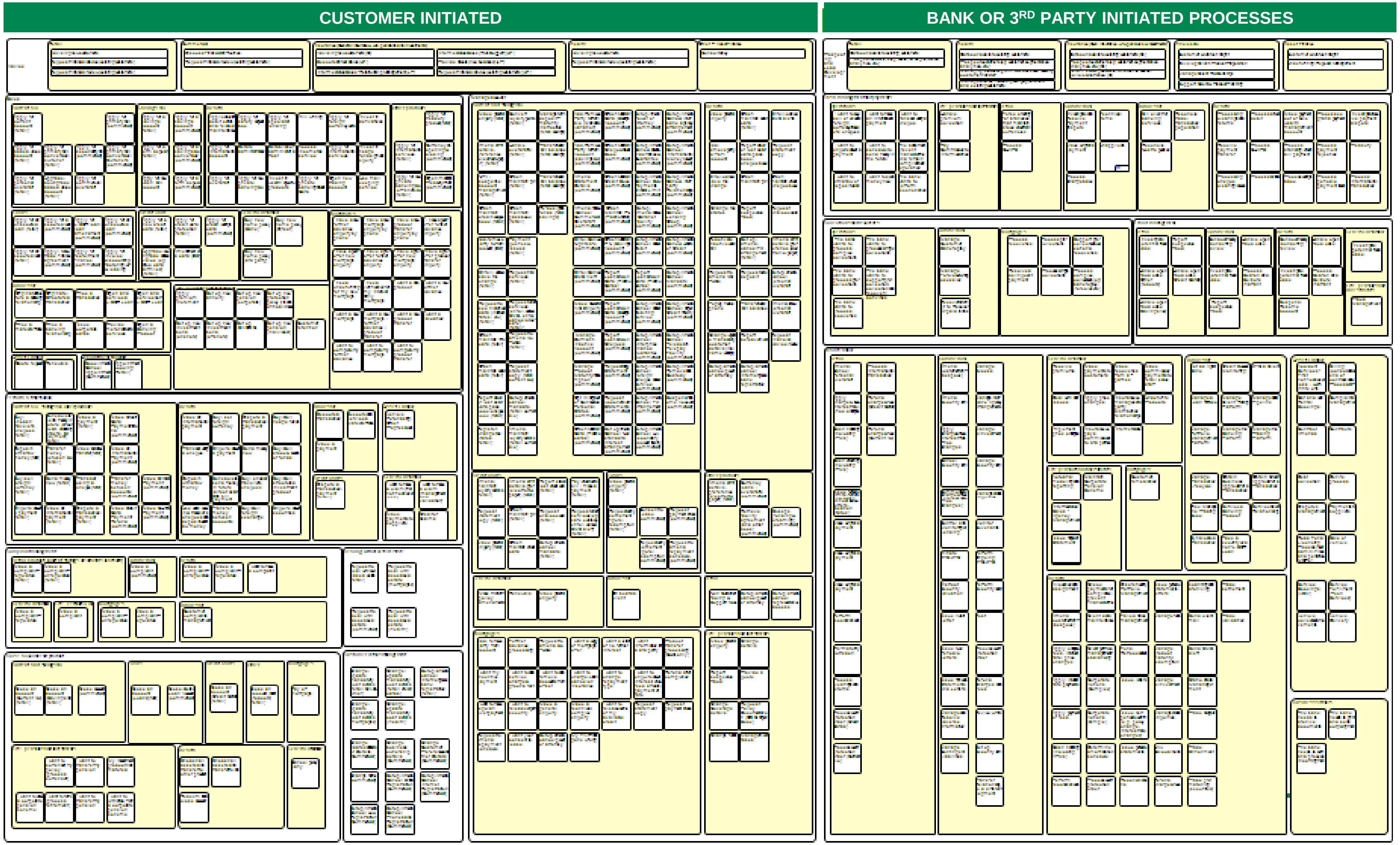
LLOYDS BANKING GROUP

SIMPLIFICATION MOBILISED

- £178m benefits in 2011 / Run-rate £242m
- 2,098 role reductions announced – 1,665 FTE reductions by year end
- Corporate functions (eg Risk, HR, Finance) centralised
- Wholesale and Retail Bank restructured
- Reducing layers from 8 to 7 and increasing spans of control
- Number of suppliers reduced by over 2,000

SIMPLIFICATION

We have analysed our processes across the Group

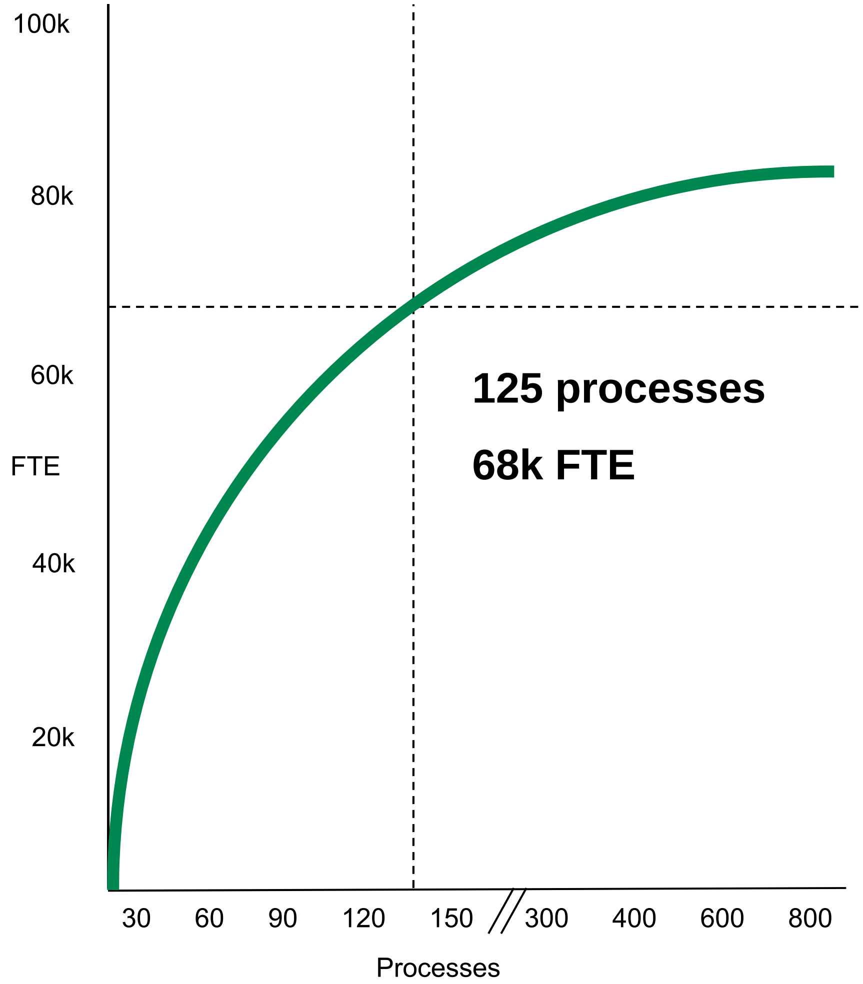


SIMPLIFICATION

We are focussing on the processes that will both maximise cost savings and simplify customer service

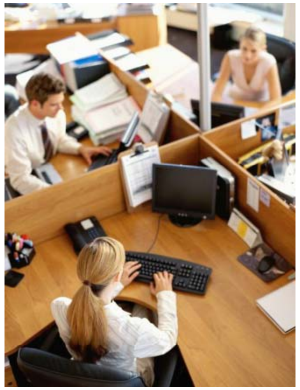
- 85k FTEs mapped to 910 end-to-end processes
- 16k FTE involved in top 5 processes
- Focus on top 125 processes

FTE VOLUME BY PROCESS NUMBERS



SIMPLIFICATION

Industrial scale process re-engineering focused on three core customer treatments

ONE TOUCH	SEMI AUTOMATED	EXPERT HANDLING
		
Fully Automated	**Image & Workflow**	**Centres of Excellence**

Level of Automation

SIMPLIFICATION
Early momentum carried into 2012, with over 180 initiatives now underway

EARLY 2012 DELIVERIES

- Further 1,690 role reductions announced
- Efficiency improvements in
  - Account Transfer (Switchers) process - April
  - Improved Commercial Lending process rolling out
  - ISA account process improvements in Q1
- Online channels continue to grow
  - 1.5m Mobile app downloads
  - 3.7m customer logons on first business day of 2012

COST POSITION

SUMMARY

- Integration synergies £2bn delivered
- Total Cost base reduced by 13% since 2008 and 4% in 2011, with Operating Expenses reducing by 6% in 2011
- Fast start to Simplification Programme and tight cost management process implemented
- Strong momentum and mobilising at scale to deliver
- Cost savings target for 2014 increased by £200m to £1.7bn

2011 RESULTS

24 February 2012

Mark Fisher

Director, Group Operations

AGENDA

LLOYDS BANKING GROUP

- SUMMARY
- 2011 IN CONTEXT
- PROGRESS AGAINST OUR STRATEGY
- FINANCIAL PERFORMANCE
- 2011 RESULTS
  - *TIM TOOKEY, GROUP FINANCE DIRECTOR*
- UPDATE ON COSTS AND SIMPLIFICATION
  - *MARK FISHER, DIRECTOR, GROUP OPERATIONS*
- **ECONOMIC AND REGULATORY ENVIRONMENT**
- GUIDANCE AND SUMMARY

ECONOMIC AND REGULATORY ENVIRONMENT

LLOYDS BANKING GROUP

WEAK SHORT-TERM OUTLOOK FOR THE UK ECONOMY

GDP

Flat in 2012, with modest recovery in 2013

UK BASE RATE

To remain at current low levels into 2013

UNEMPLOYMENT

Peaking at around 9% in 2013

PROPERTY PRICES

Broadly flat

UK BANKING INDUSTRY

DEMANDING REGULATORY ENVIRONMENT

GREATER CLARITY EMERGING ON UK REGULATORY FRAMEWORK

- ICB report and Government response provides greater clarity
  - Capital proposals consistent with targets set in Strategic Review
  - Ring-fence of retail banking operations
  - White Paper due to be published in the first half
- Substantial opportunity arising from Retail Distribution Review

AGENDA

SUMMARY

2011 IN CONTEXT

PROGRESS AGAINST OUR STRATEGY

FINANCIAL PERFORMANCE

2011 RESULTS

TIM TOOKEY, GROUP FINANCE DIRECTOR

UPDATE ON COSTS AND SIMPLIFICATION

MARK FISHER, DIRECTOR, GROUP OPERATIONS

ECONOMIC AND REGULATORY ENVIRONMENT

GUIDANCE AND SUMMARY

GUIDANCE

2012 Guidance – our expectations are…

Income	▪ Income will be lower than in 2011, given the economic outlook and further non-core asset reductions, subdued demand in the core loan book, higher wholesale funding costs, and interest rates likely to remain lower for longer
Net interest margin	▪ Full year banking net interest margin will be below 2%, falling year-on-year by approximately the same amount in 2012 as in 2011, primarily driven by continuing high wholesale funding costs
Costs	▪ Costs will reduce further, driven primarily by Simplification
Impairment charge	▪ The Group impairment charge will reduce by a similar percentage to the reduction in 2011 as a result of further asset quality improvements across the divisions, with the largest improvement coming from International
Fair value unwind	▪ Fair value unwind benefit will be around £0.5bn
Balance sheet	▪ In the balance sheet, we will continue to strengthen our position through –Further reduction in non-core assets of around £25bn –Further improving our funding position through deposit growth and completion of 2012 term wholesale funding programme –Based on a continuation of current market conditions, expect deposit growth at least in line with market

We retain significant capacity to grow core business, subject to demand and our prudent appetite for risk

GUIDANCE
Medium-term guidance

- Remain confident that Strategic Review targets are achievable over time
- As indicated in Q3 IMS, expect attainment of income-related targets, including for Other Operating Income, to be delayed as a result of the weaker-than-expected economic outlook
- As a consequence, we also now expect the attainment of our return on equity target of 12.5% to 14.5% to be delayed beyond 2014
- Continue to expect to deliver balance sheet, cost and impairment targets in 2014, and in some cases sooner
- In-year cost savings target for 2014 increased by £200m to £1.7bn; end 2014 run-rate target increased to £1.9bn
- Given our expectation of further deposit growth in 2012, we expect to attain our medium term Group loan to deposit ratio target of equal to or less than 130% in 2012, two years ahead of plan

SUMMARY

- Significant reduction in balance sheet risk
- Substantial improvement in funding and capital position
- Resilient core business performance given challenging environment
- Good progress against strategic initiatives
- Tangible improvement in costs, efficiency and customer experience
- Franchise strengthened through investment behind brands, distribution, customer relationships and people
- Group well positioned to leverage future economic growth

Significantly stronger position than twelve months ago

Well placed to realise over time the Group's full potential for growth

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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 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 a result of the integration of HBOS and 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 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 certain 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.

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 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.