

LLOYDS
BANKING
GROUP



2012 RESULTS

1 March 2013



ACHIEVEMENTS AND GROUP PERFORMANCE **António Horta-Osório, Group Chief Executive**

2012 FINANCIAL RESULTS
George Culmer, Group Finance Director

UPDATE ON COSTS AND SIMPLIFICATION
Mark Fisher, Director, Group Operations

SUMMARY
António Horta-Osório, Group Chief Executive

2012 HIGHLIGHTS

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

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- **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

- **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%

- **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

2012 FINANCIAL PERFORMANCE

Improved underlying performance and strong core returns

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(£m)	GROUP			CORE		
	2012	2011	Change %	2012	2011	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)		—	—	

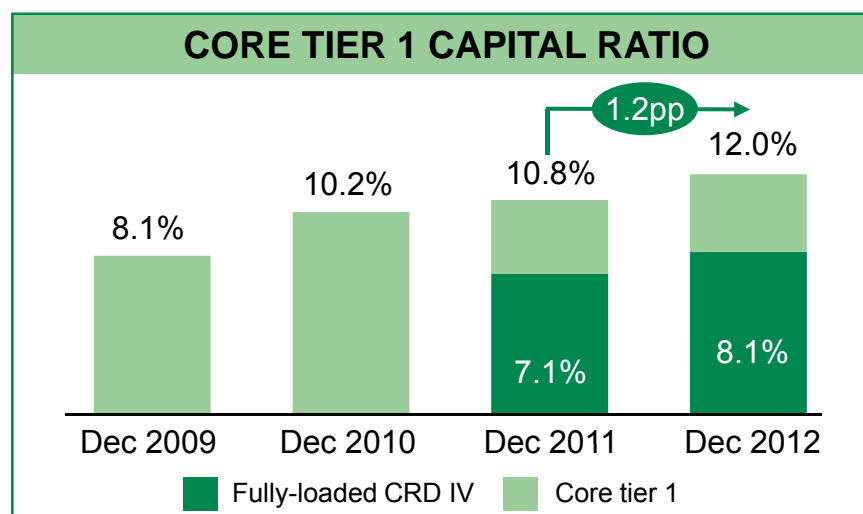
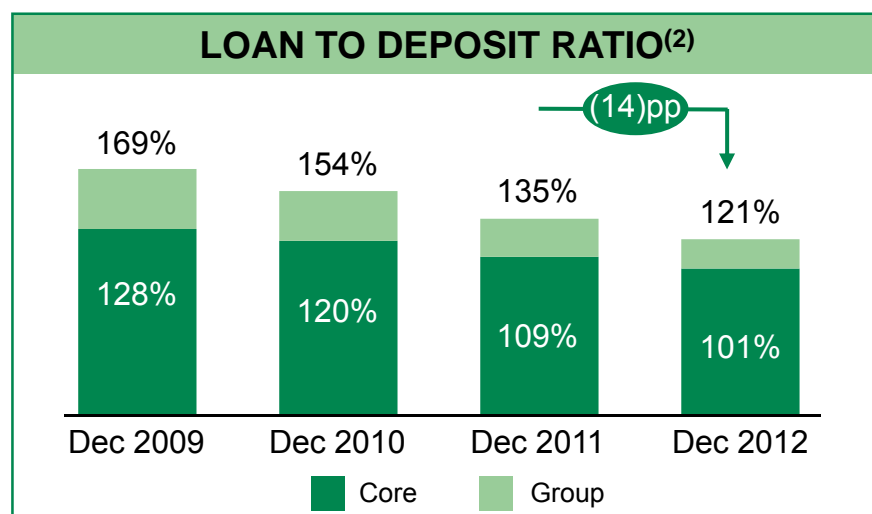
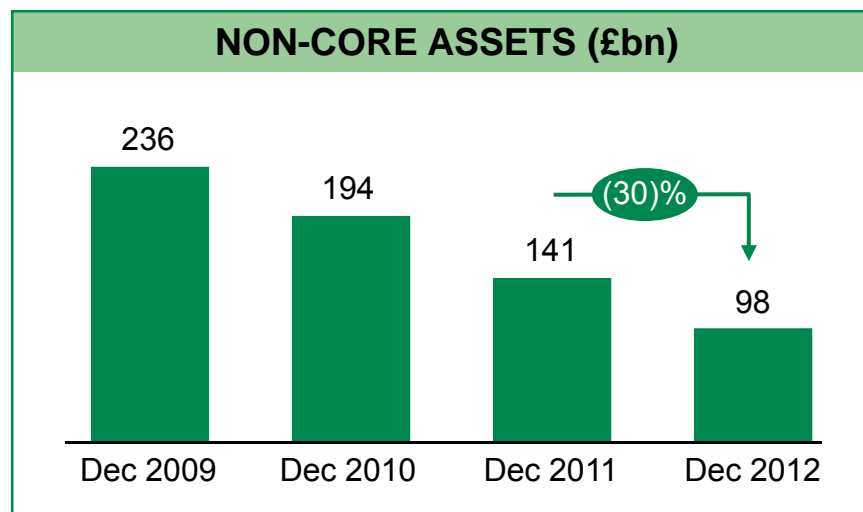
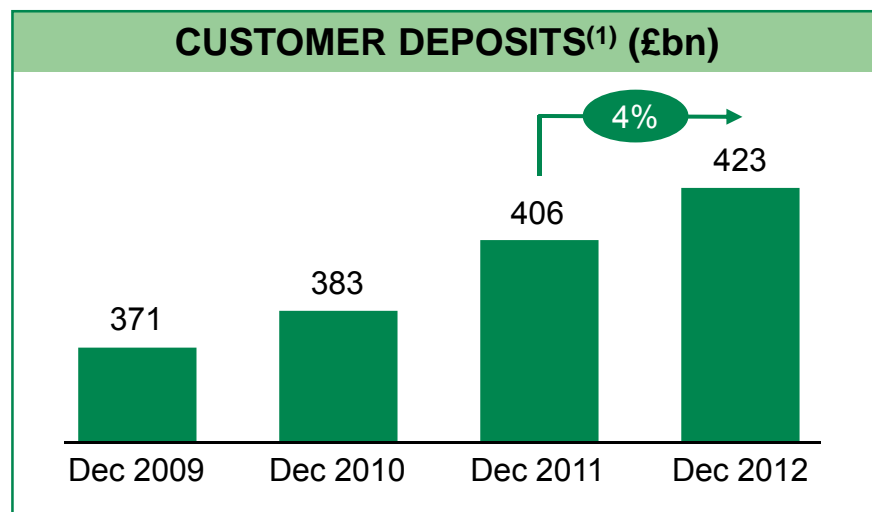
Net interest margin	1.93%	2.07%	2.32%	2.42%
Pre-tax RoRWA ⁽²⁾	0.78%	0.17%	2.56%	2.46%
Impairment as a % of average advances	1.02%	1.62%	0.44%	0.64%

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

BALANCE SHEET FURTHER STRENGTHENED

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

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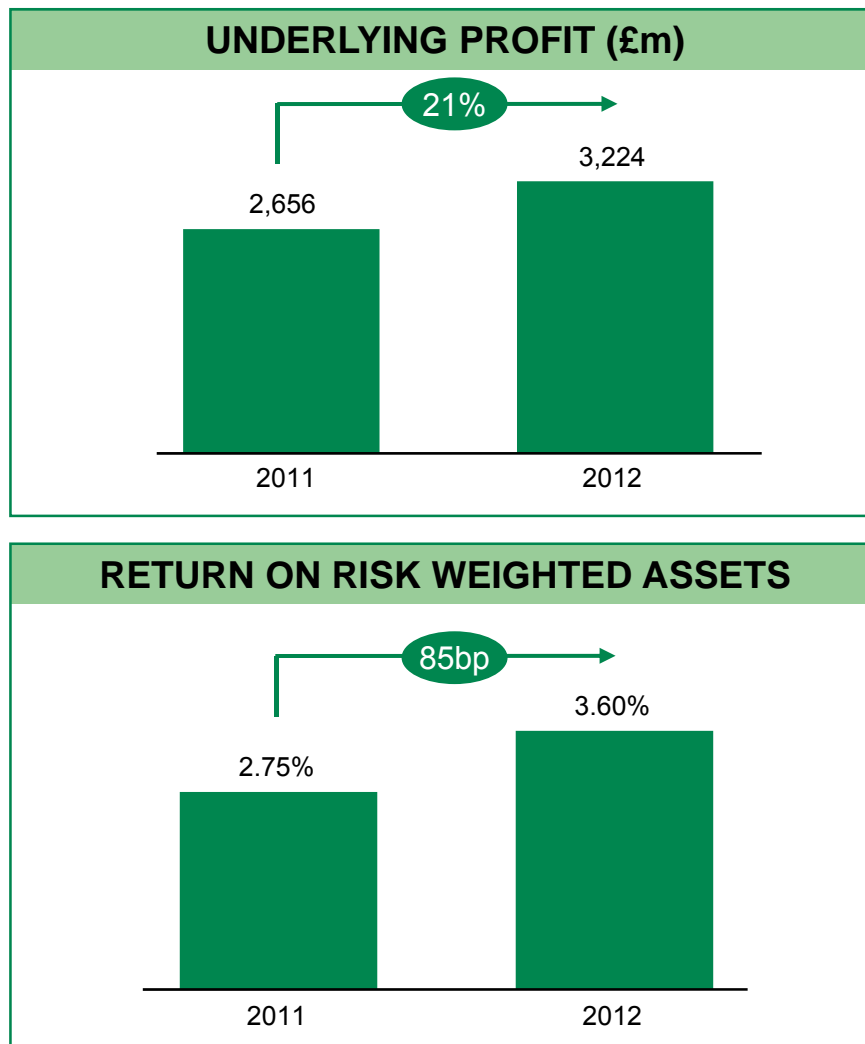


⁽¹⁾Excluding repos. ⁽²⁾Loans and advances to customers (excluding reverse repos) divided by customer deposits (excluding repos).

CORE DIVISIONAL FINANCIAL PERFORMANCE

Further increase in core Retail profit and returns

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Retail

- Strong cost control and credit performance more than offsetting lower income
- Income down 3%, reflecting subdued demand for lending and portfolio de-risking
- Costs reduced 5%, primarily driven by Simplification initiatives, despite increased investment spend
- Credit performance remains strong with impairment down 34%

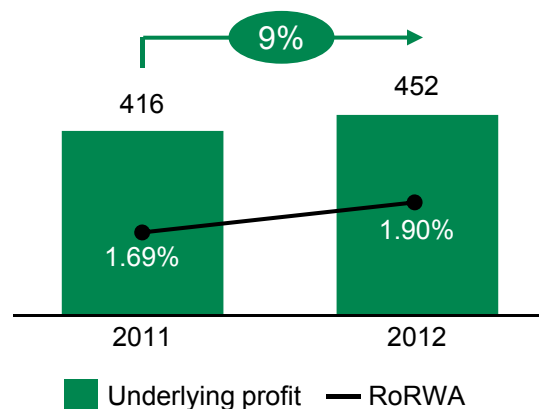
CORE DIVISIONAL FINANCIAL PERFORMANCE

Commercial Banking: stable profitability and improved returns

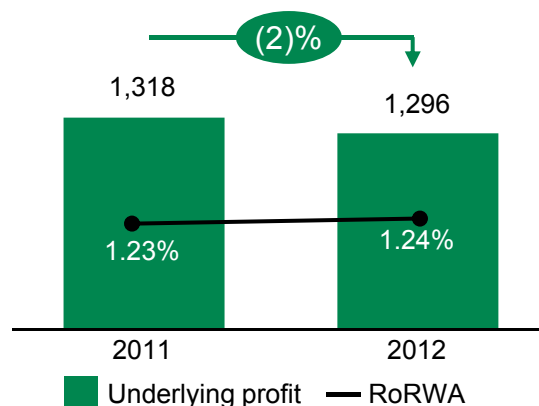
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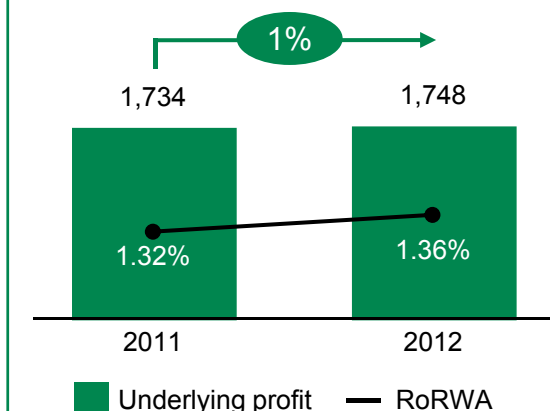
COMMERCIAL (SME) (£m)



WHOLESALE (£m)



COMMERCIAL BANKING (£m)



Commercial (SME)

- Good performance with 4% loan growth and strong cost and risk control

Wholesale

- Stable returns in challenging environment
- Strong markets performance; 12% increase in other income
- Reduced net interest income offset by higher other income and lower impairment

Commercial Banking

- Creation of a client centric, UK focused and capital efficient business
- Focused investment in product capability

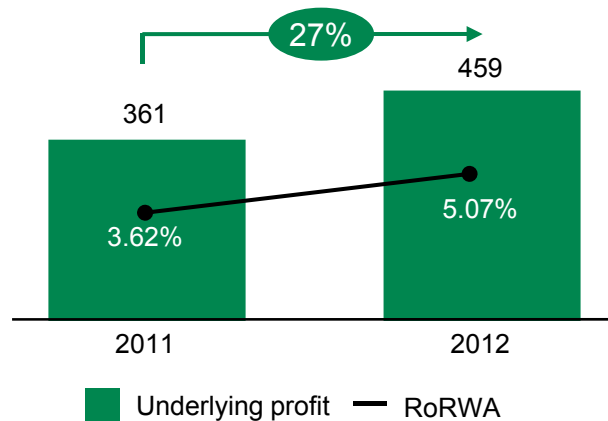
CORE DIVISIONAL FINANCIAL PERFORMANCE

Increased profitability in Wealth and Asset Finance;
Insurance performance impacted by subdued environment

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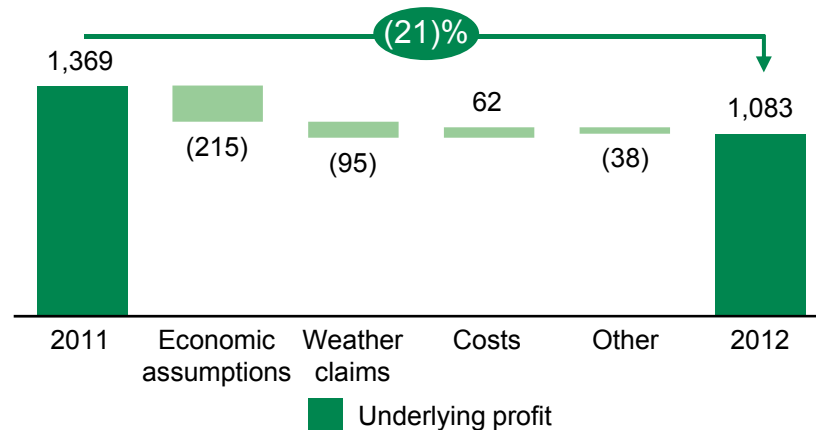
WEALTH, ASSET FINANCE & INTERNATIONAL (£m)



Wealth, Asset Finance & International

- Wealth profit increased by 25%, with strong deposit inflows driving net interest income and margin growth
- Asset Finance profit increased, driven by return to growth strategy in Motor and Contract Hire, up 13%
- Costs reduced 5%, primarily driven by simplification in Wealth

INSURANCE (£m)



Insurance

- Life: strong corporate pension sales offset by lower return assumptions
- General Insurance: strong combined ratio of 72% despite increased weather related claims
- Strong focus on efficiency, costs down 8%

INVESTING IN GROWTH

Building the best bank for customers



- **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

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STRATEGIC INITIATIVES

ACHIEVEMENTS SINCE JUNE 2011

- | | |
|--|---|
| <ul style="list-style-type: none">▪ Reshaping our business portfolio and significantly reducing risk | <ul style="list-style-type: none">✓ 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 |
| <ul style="list-style-type: none">▪ Strengthening the balance sheet | <ul style="list-style-type: none">✓ 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 |
| <ul style="list-style-type: none">▪ Simplifying the Group | <ul style="list-style-type: none">✓ 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 |
| <ul style="list-style-type: none">▪ Investing behind growth | <ul style="list-style-type: none">✓ 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

AGENDA

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FINANCIAL PERFORMANCE

Significantly improved Group performance

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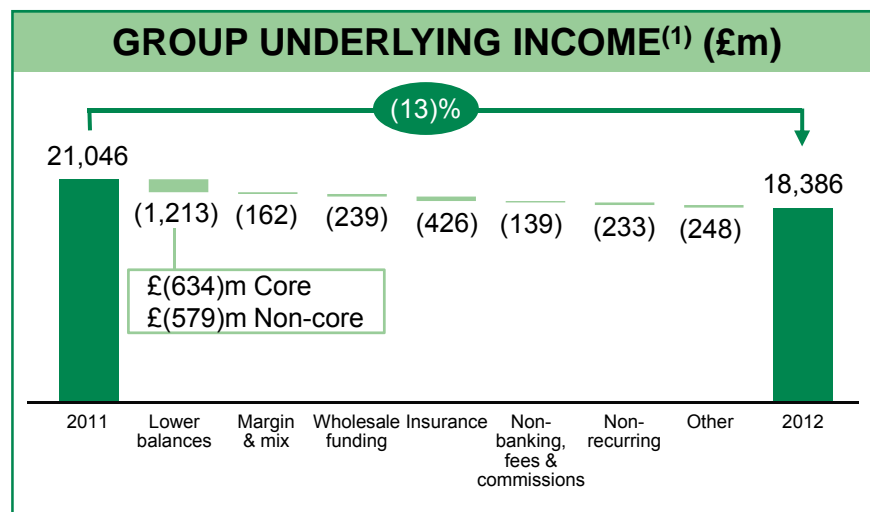
(£m)	GROUP			CORE		
	2012	2011	Change %	2012	2011	Change %
Net interest income	10,335	12,210	(15)%	9,868	10,893	(9)%
Other income ⁽¹⁾	8,051	8,836	(9)%	7,417	7,872	(6)%
Underlying income	18,386	21,046	(13)%	17,285	18,765	(8)%
Total costs	(10,082)	(10,621)	5%	(9,212)	(9,682)	5%
Impairment	(5,697)	(9,787)	42%	(1,919)	(2,887)	34%
Underlying profit	2,607	638	309%	6,154	6,196	(1)%
Other items						
— Asset sales ⁽²⁾	2,547	284		3,194	224	
— Liability management	(229)	1,295		(229)	1,295	
— Own debt volatility	(270)	248		(270)	248	
— Other volatile items	(478)	(986)		(478)	(986)	
— Fair value unwind	650	1,206		(229)	(628)	
Management profit	4,827	2,685	80%	8,142	6,349	28%

⁽¹⁾Net of insurance claims. ⁽²⁾Net of fair value unwind associated with asset sales of £689m in 2012 and £737m in 2011 (all within non-core).

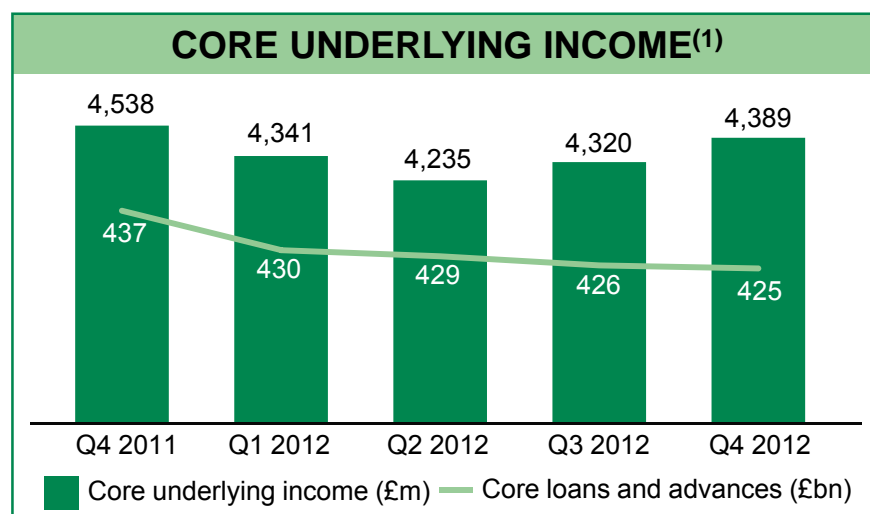
FINANCIAL PERFORMANCE

Stronger core income trends in second half of the year

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- Group income of £18.4bn, down 13%
 - 7% fall in average interest-earning banking assets
 - 14bp decline in net interest margin
 - The impact of revised return assumptions on our insurance business



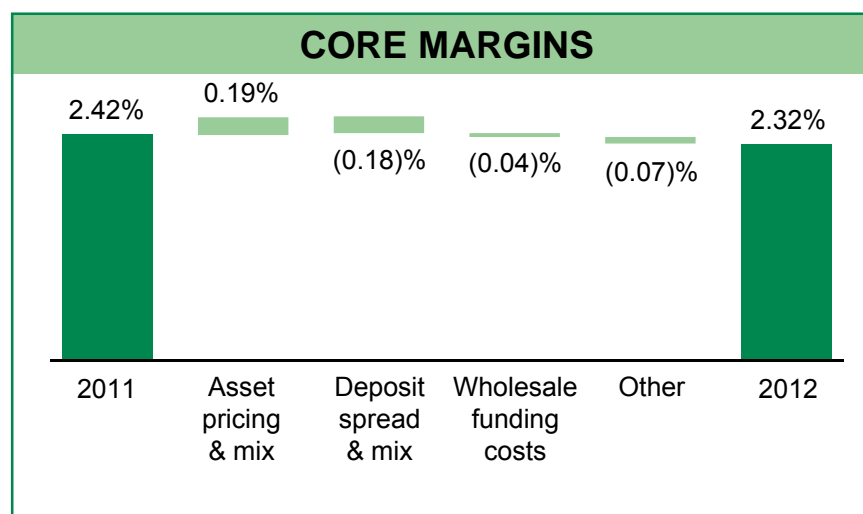
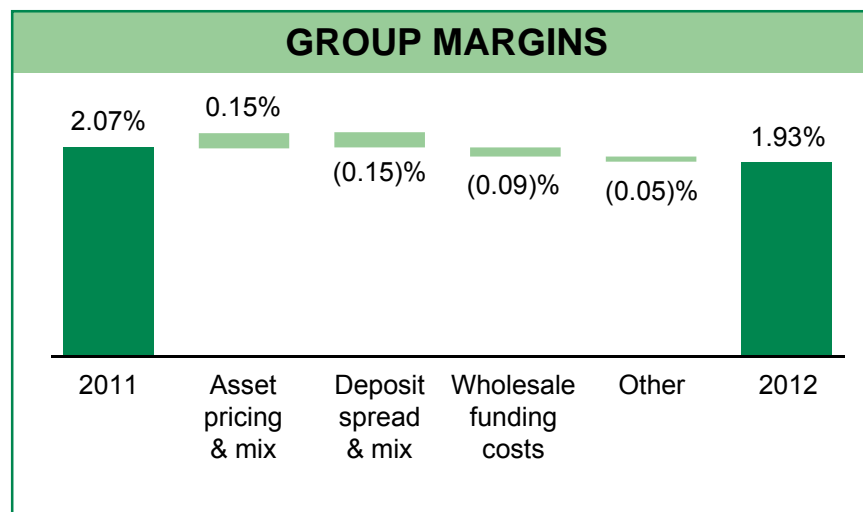
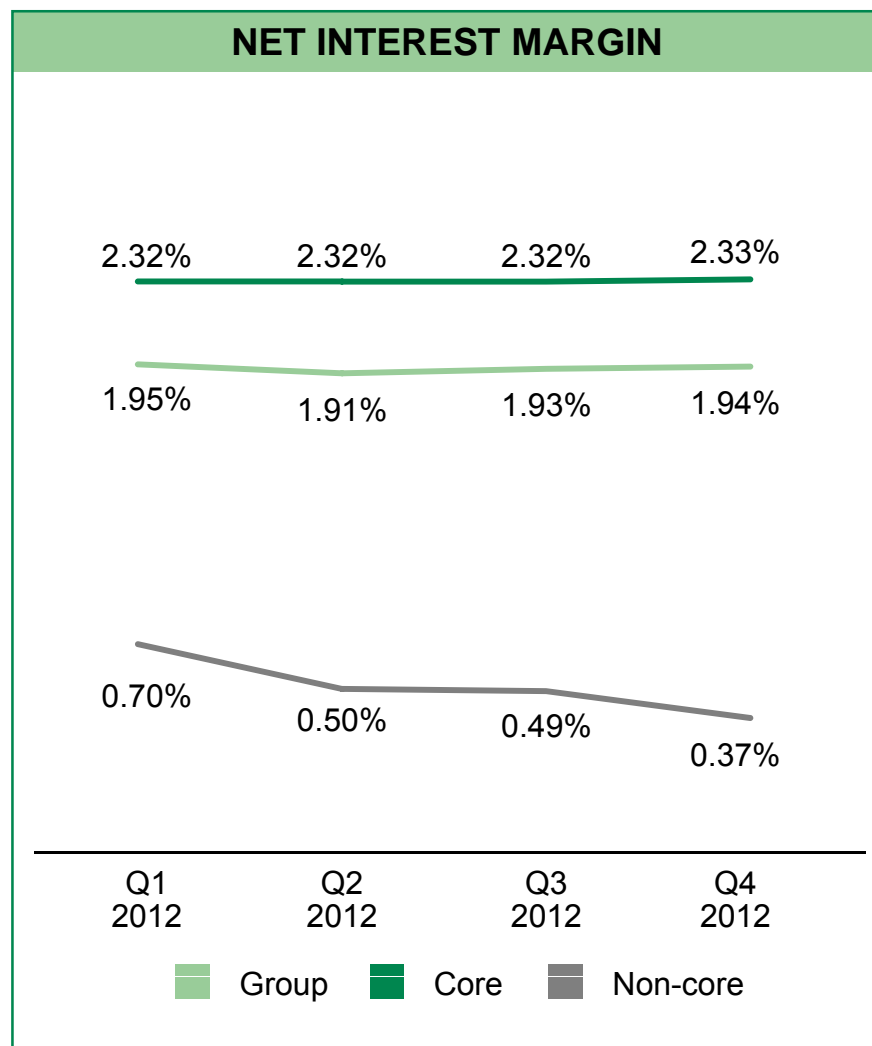
- Core income of £17.3bn, down 8%
- Core income growth from Q2 driven by:
 - Increased other income
 - Stabilisation of core loans and advances

⁽¹⁾Underlying income net of insurance claims.

FINANCIAL PERFORMANCE

2012 Group margin in line with guidance

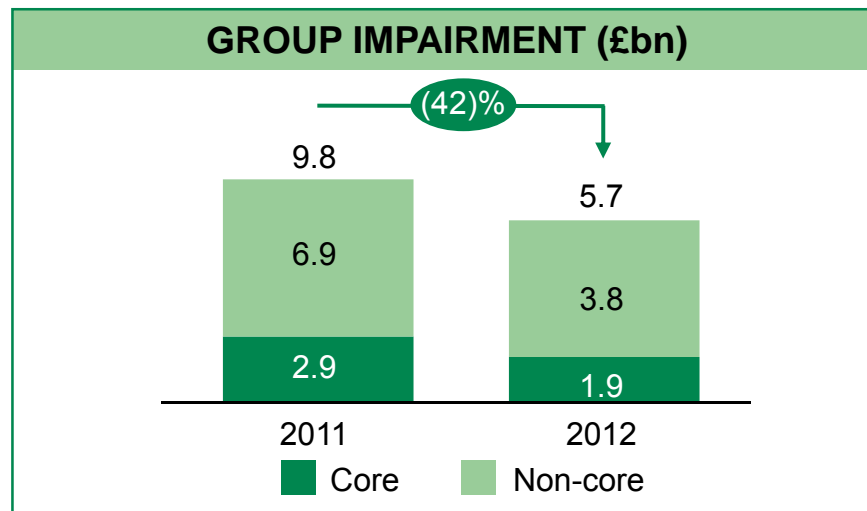
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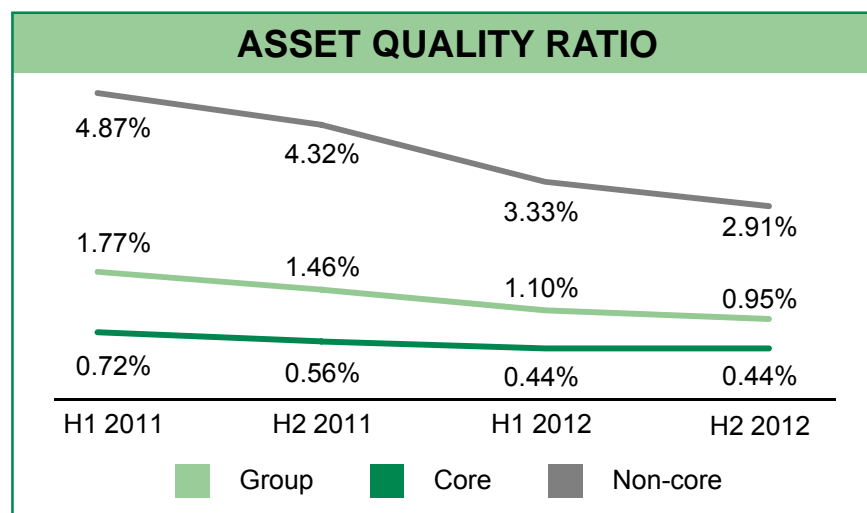
FINANCIAL PERFORMANCE

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

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- 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

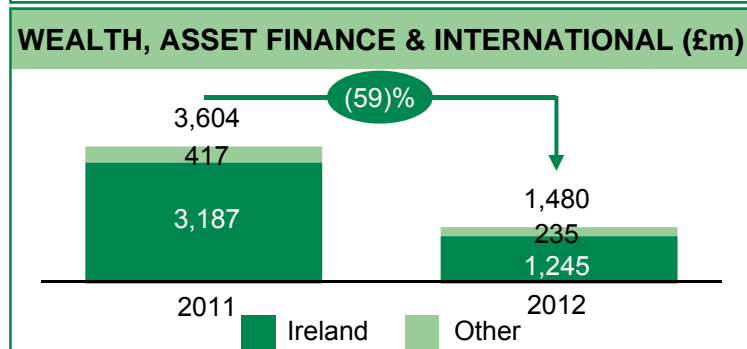
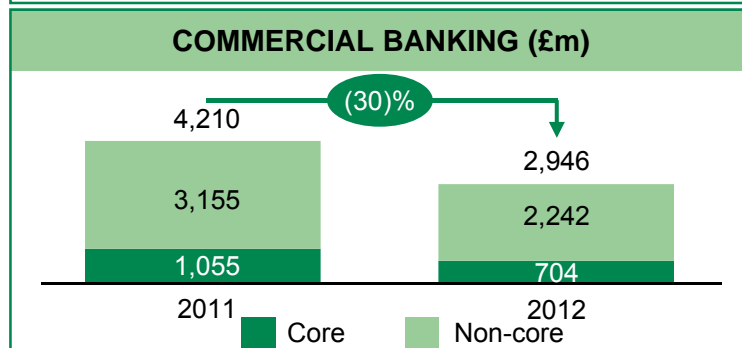
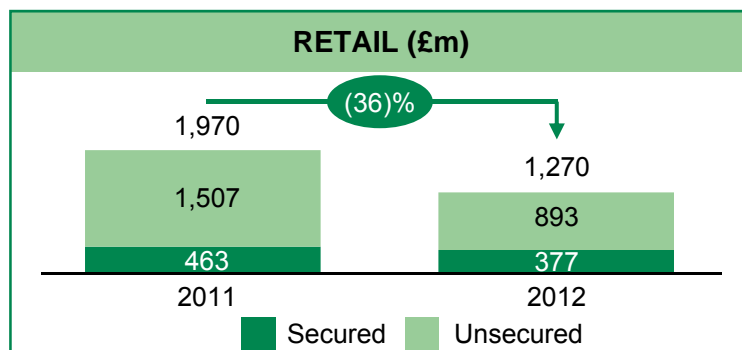


- Full-year AQR improved to 1.02% from 1.62%
- Continued improvement in core asset quality driven by prudent risk appetite and strong risk management controls
- Impaired loans and advances of 8.6% with a coverage ratio of 48.2%, up from 46.9%

FINANCIAL PERFORMANCE

Reduction in impairment charge across all divisions

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- Unsecured reduction driven by proactive approach to collections and recoveries and strong credit management
- Secured decrease reflects improved performance in back book impaired loans.
- Reduction driven by lower charges in the non-core International and Acquisition Finance portfolios
- 33% fall in core charge reflects non-recurrence of specific large impairments taken in 2011
- Substantial reduction primarily driven by lower charges in the non-core Irish portfolio

FINANCIAL PERFORMANCE

Statutory reconciliation

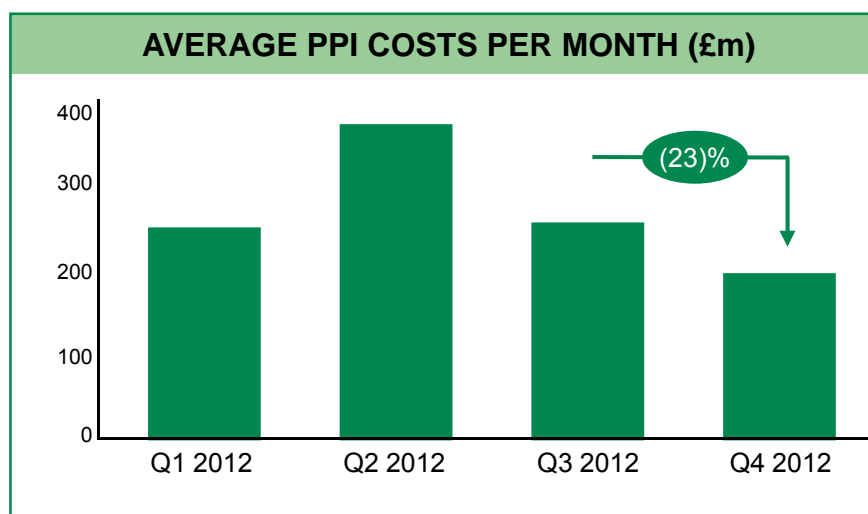
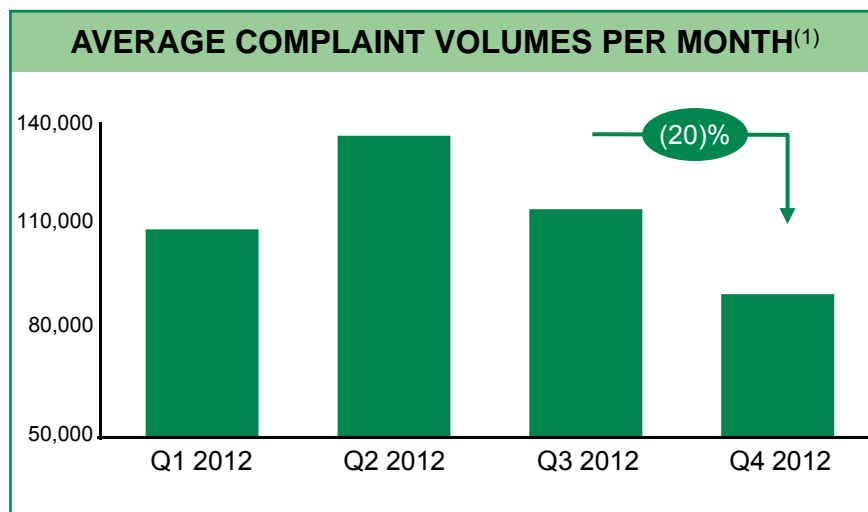
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(£m)	2012	2011
Management profit	4,827	2,685
Integration, Simplification and Verde costs	(1,246)	(1,452)
Payment protection insurance	(3,575)	(3,200)
Other regulatory provisions	(650)	(175)
Past service pension credit	250	–
Amortisation of purchased intangibles	(482)	(562)
Volatility arising in insurance business	306	(838)
Statutory loss before tax	(570)	(3,542)
Tax	(773)	828
Statutory loss after tax	(1,343)	(2,714)

- Simplification costs of £676m contributing to run-rate savings of £847m
- Verde costs of £570m (2011: £170m)
- Further PPI provision in Q4 of £1.5bn, taking total 2012 provision to £3.6bn
- Other regulatory provisions include:
 - £300m for SME derivatives redress
 - £100m for related expenses
 - £150m for German insurance business litigation
 - UK retail provision of £100m
- Pension credit reflects changes in first half to terms of UK defined benefit pension schemes
- Tax charge includes changes to life tax regime and deferred tax asset revaluation

LEGACY ISSUES – PPI



⁽¹⁾Excludes complaints where no PPI policy is held.

- Further experience of volumes, uphold rates, operational and redress costs
- Additional provision of £1,500m taken in Q4 taking total 2012 provision to £3,575m
- Total PPI provision of £6,775m, and spend to date of £4,344m, including c£700m of administrative expenses
- £2,431m of total provision unutilised at end December
- Uncertainties remain, however we expect:
 - Average monthly spend in H1 2013 to reduce by c20% (vs Q4 2012) to approximately £160m
 - Further reduction in the second half of 2013

BALANCE SHEET FURTHER STRENGTHENED

Deposit growth and non-core reduction driving lower wholesale funding

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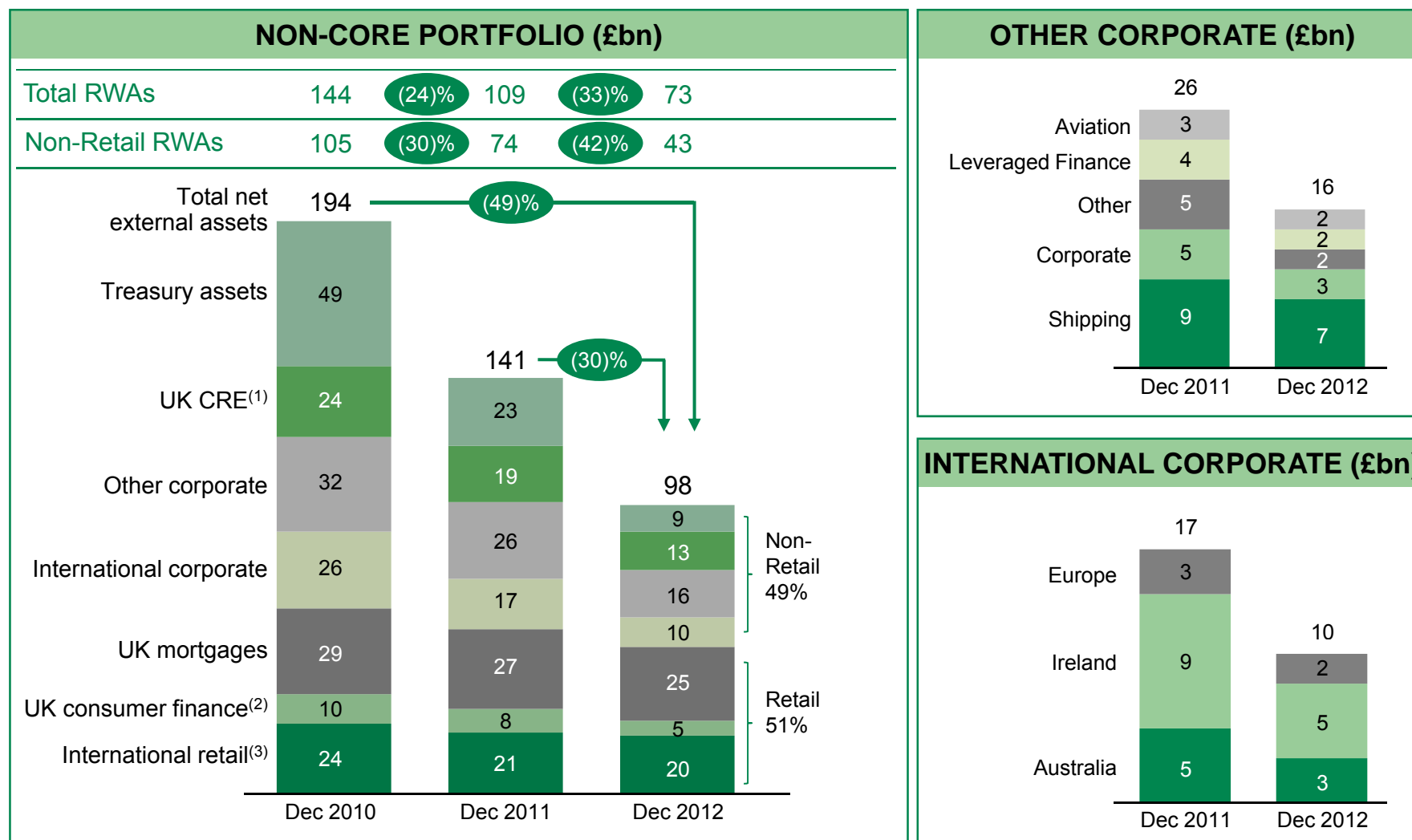
GROUP (£bn)	Dec 2012	Jun 2012	Dec 2011	Change % Dec/Dec	2012 Movements			
					(£bn)	H1	H2	Total
ASSETS								
Core loans and advances ⁽¹⁾	425	429	437	(3)%	Lower core loans and advances	8	4	12
Non-core assets	98	118	141	(30)%	Non-core asset reduction ⁽⁴⁾	23	20	42
Primary liquid assets	88	105	95	(8)%	Primary liquid assets	(10)	17	7
Total banking assets ⁽²⁾	659	703	719	(8)%	Deposit growth	13	4	17
						34	45	79
LIABILITIES								
Customer deposits ⁽³⁾	423	419	406	4%	Wholesale funding	(37)	(44)	(81)
Wholesale funding	170	214	251	(32)%	Other movements	3	(1)	2
						(34)	(45)	(79)
Risk-weighted assets	310	333	352	(12)%				

⁽¹⁾Excludes reverse repos. ⁽²⁾Includes Total Group Assets primarily excluding balances in the Insurance business and the fair value of derivative assets and liabilities. ⁽³⁾Excludes repos. ⁽⁴⁾Non-core assets decreased from £140.7bn in Dec 2011 to £98.4bn in Dec 2012. Numbers may not sum due to rounding.

NON-CORE PORTFOLIO

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

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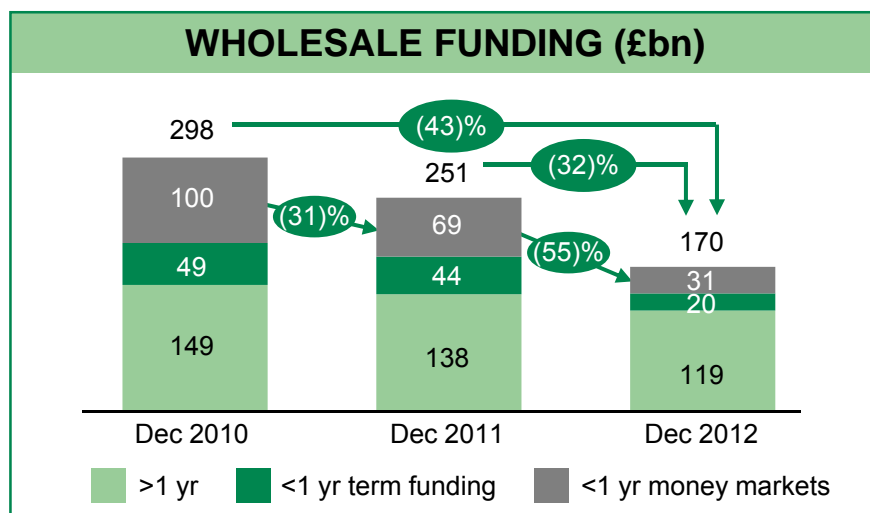


⁽¹⁾ UK CRE includes all non-core CRE BSU (£12bn) and other non-core CRE (£1bn). ⁽²⁾ Asset finance included in UK consumer finance.

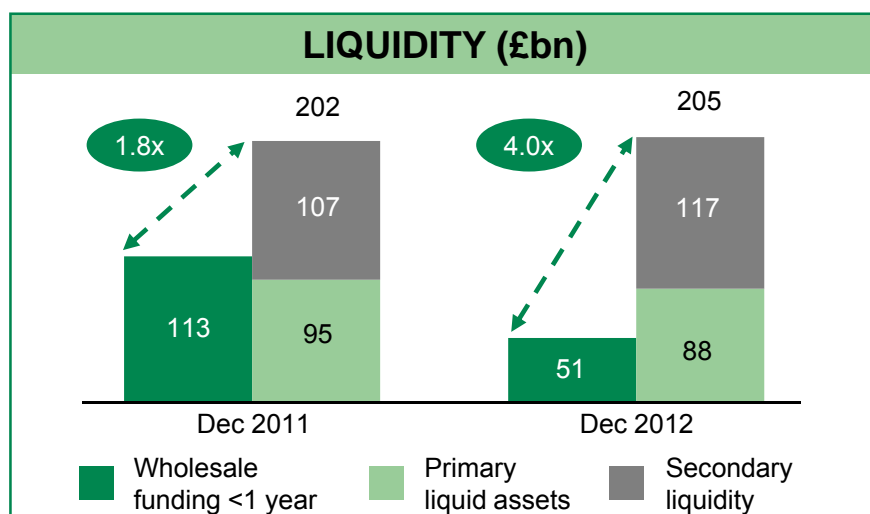
⁽³⁾ International retail includes Spanish, Dutch & Irish mortgages and Australia consumer finance.

BALANCE SHEET FURTHER STRENGTHENED

Funding transformation complete; liquidity coverage further improved



- Wholesale funding reduced by £81bn in 2012
- Short-term wholesale funding of £51bn, down £62bn in the year – now less than 30% of total wholesale funding
- Credit Guarantee Scheme now fully repaid
- £8bn of LTRO repaid in February 2013

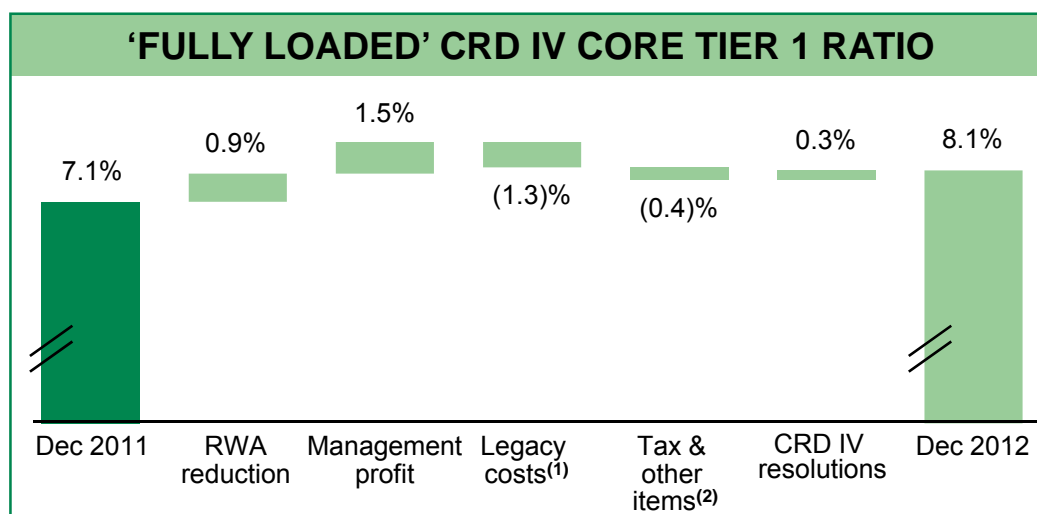
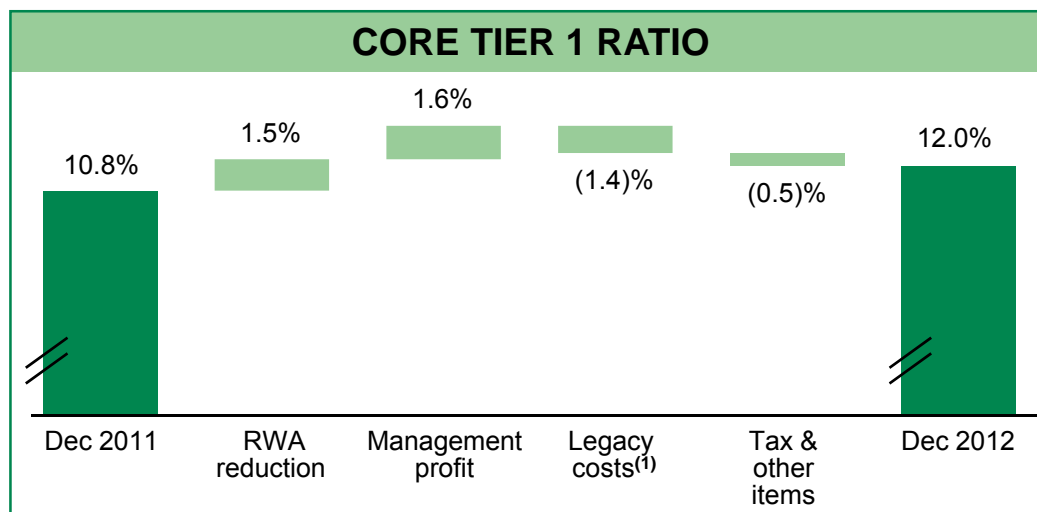


- Strong primary liquidity, substantially in excess of short-term funding requirement
- Surplus liquidity has enabled around £15bn of term wholesale funding to be repurchased in 2012
- No material term wholesale funding requirement expected in 2013

BALANCE SHEET FURTHER STRENGTHENING

Capital position further improved

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- Core tier 1 ratio improved to 12.0%
- Total capital ratio of 17.3% exceeds ICB's PLAC⁽³⁾ recommendation
- Improvements driven by:
 - management profit
 - lower RWAs
 - offset by statutory and other items
- Estimated 'fully loaded' CRD IV core tier 1 ratio increased to 8.1%
 - Includes Q4 £0.7bn dividend payment from Insurance entities
 - Includes expected resolutions of CVA charge and definition of default
 - Continued conservative view on Insurance capital using Article 45
- Remain confident in our capital position

¹⁾PPI and SME. ⁽²⁾Includes other statutory items (incl. simplification costs) and movements in CRD IV adjustments to capital (incl. material holdings, excess expected loss, deferred tax asset and available for sale reserve). ⁽³⁾Primary loss absorbing capacity.

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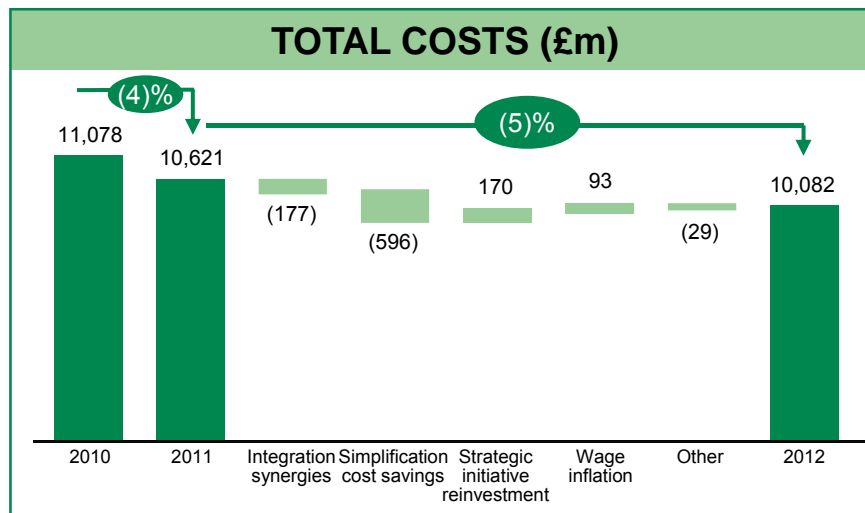
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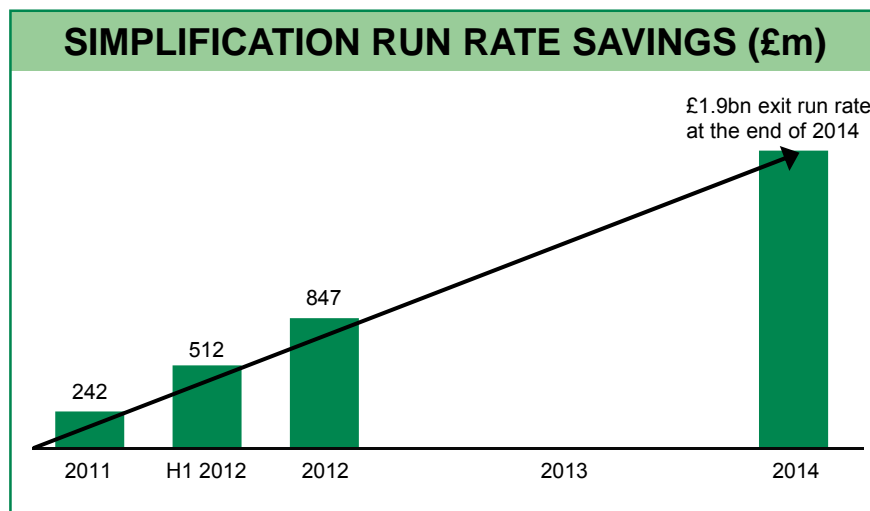
FINANCIAL PERFORMANCE

Delivered Strategic Review cost target 2 years ahead of plan

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- 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



- 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

OPERATIONAL IMPROVEMENTS

Simplifying the Group continues, reducing costs and improving performance

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SOURCING

Working
Smarter...

with fewer suppliers and
more partners...

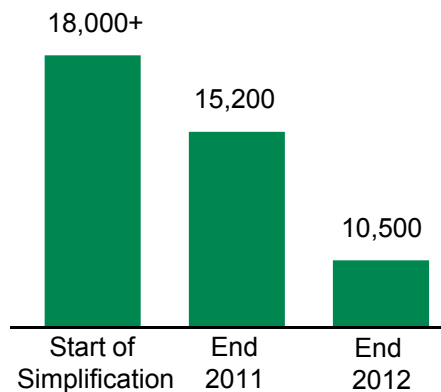
DEMAND
MANAGEMENT

RIGHT
SPECIFICATION

SOURCING

SIMPLER SUPPLY
CHAINS

Lloyds Banking Group Suppliers



to reduce costs...

**£300m per annum
savings to date**

OPERATIONAL IMPROVEMENTS

- Operational centres of excellence
- Fewer, larger scale efficient centres
- Streamlined paperless processing
- Greater flexibility within and between centres
- Multi-skilled colleagues

BENEFITS FOR CUSTOMERS BEING DELIVERED

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

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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)

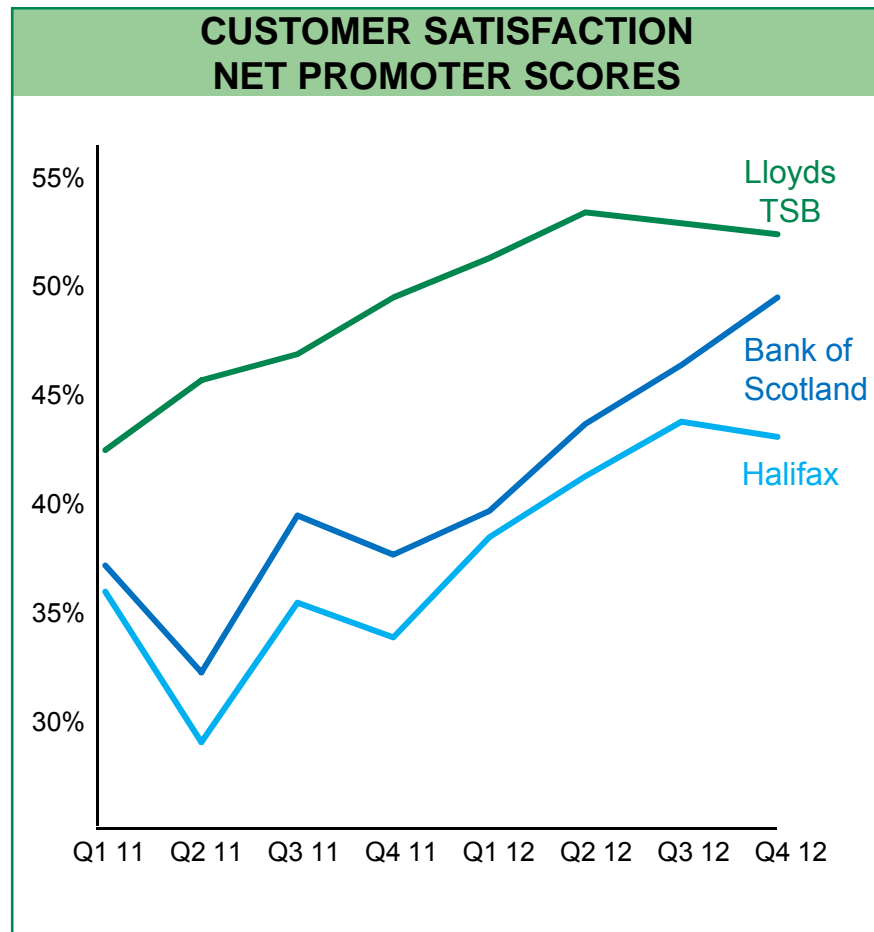
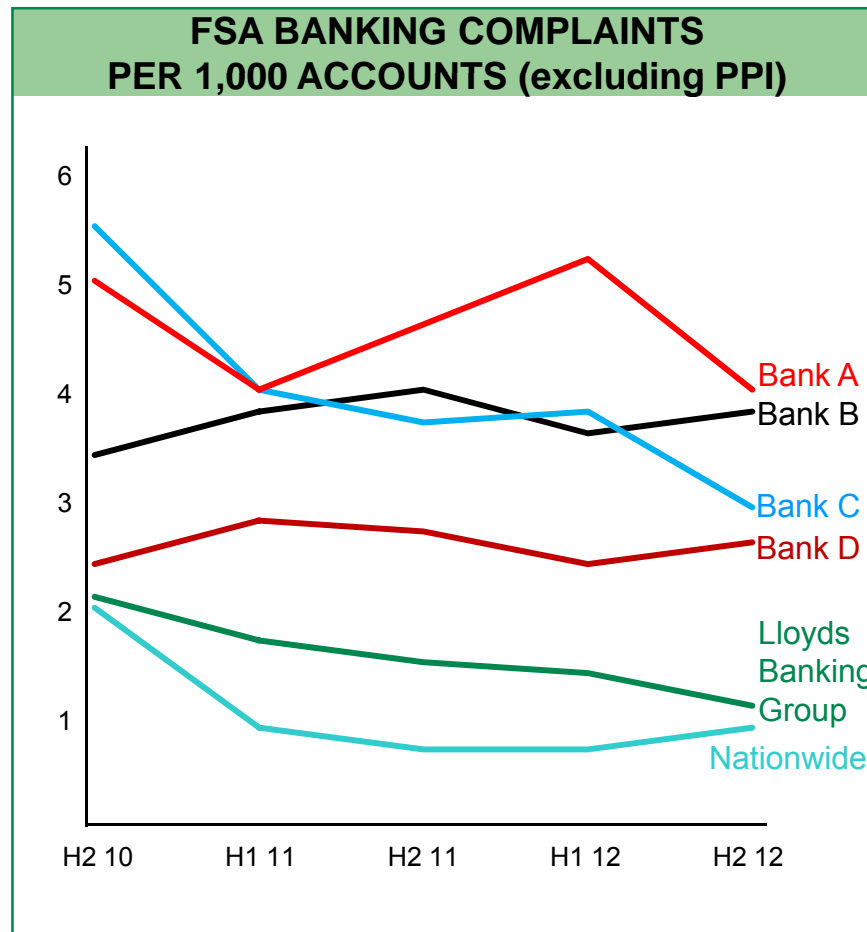
- 23 process steps removed; error rates reduced by two-thirds
- Over 300,000 account transfers in since launch in April

ACCOUNT CLOSURE

- Process steps reduced by two-thirds
- Closure time reduced from 30 mins to 3 mins

BEST BANK FOR CUSTOMERS

Improving customer service



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

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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

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- 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

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APPENDIX

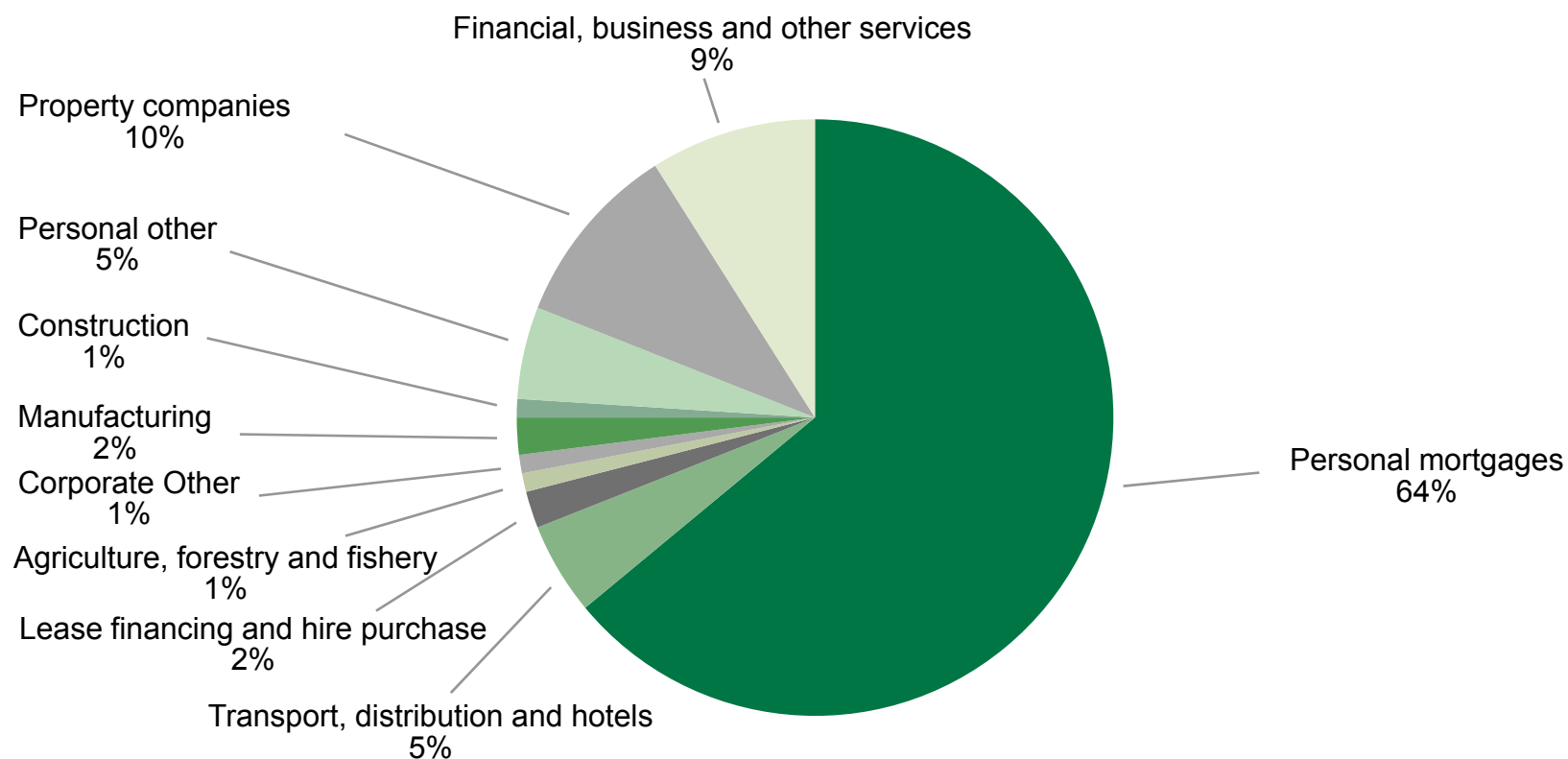
LOANS AND ADVANCES TO CUSTOMERS

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LOANS AND ADVANCES TO CUSTOMERS £532.5bn⁽¹⁾

31 Dec 2012



⁽¹⁾Before allowance for impairment losses.

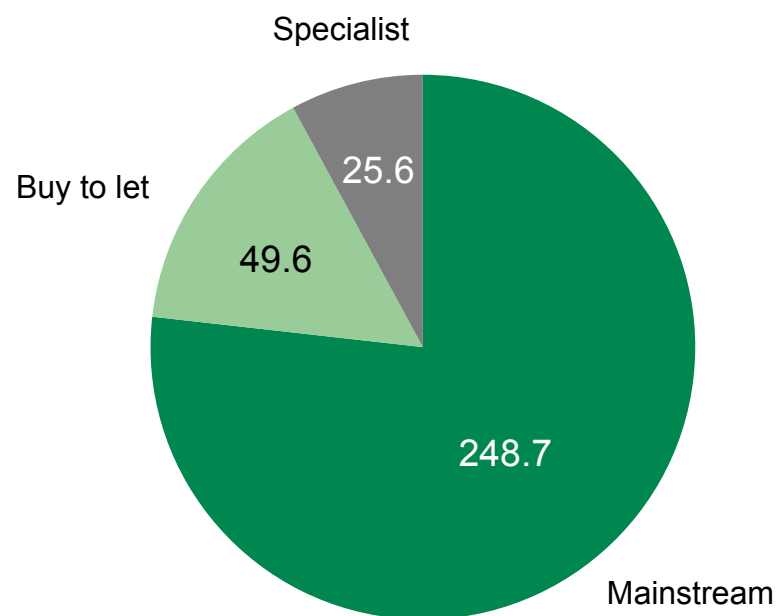
MORTGAGE NEW BUSINESS DISTRIBUTION

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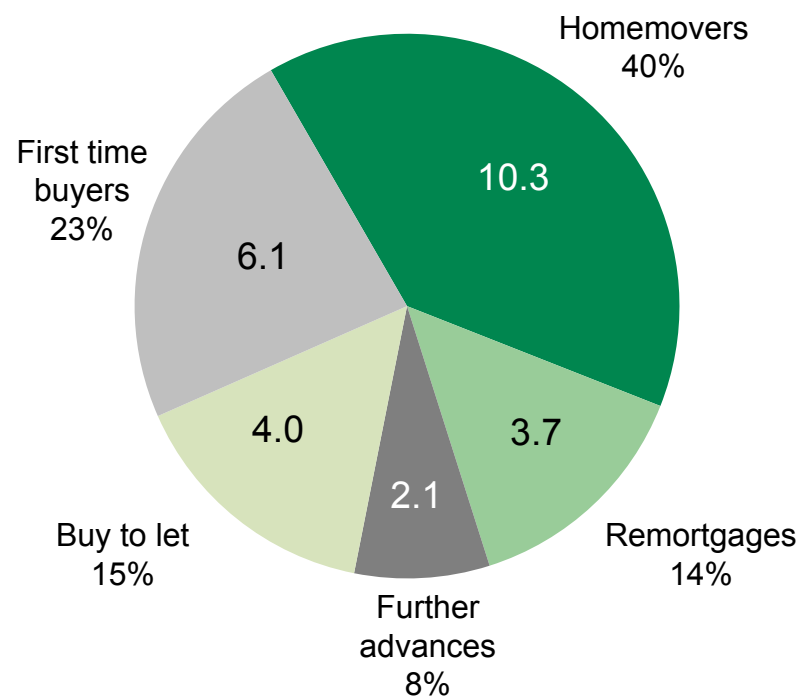
UK MORTGAGE PORTFOLIO £323.9bn⁽¹⁾

31 Dec 2012



NEW BUSINESS £26.2bn

12 months to 31 Dec 2012



⁽¹⁾Before allowance for impairment losses and fair value adjustments.

MORTGAGE PORTFOLIO LTVs

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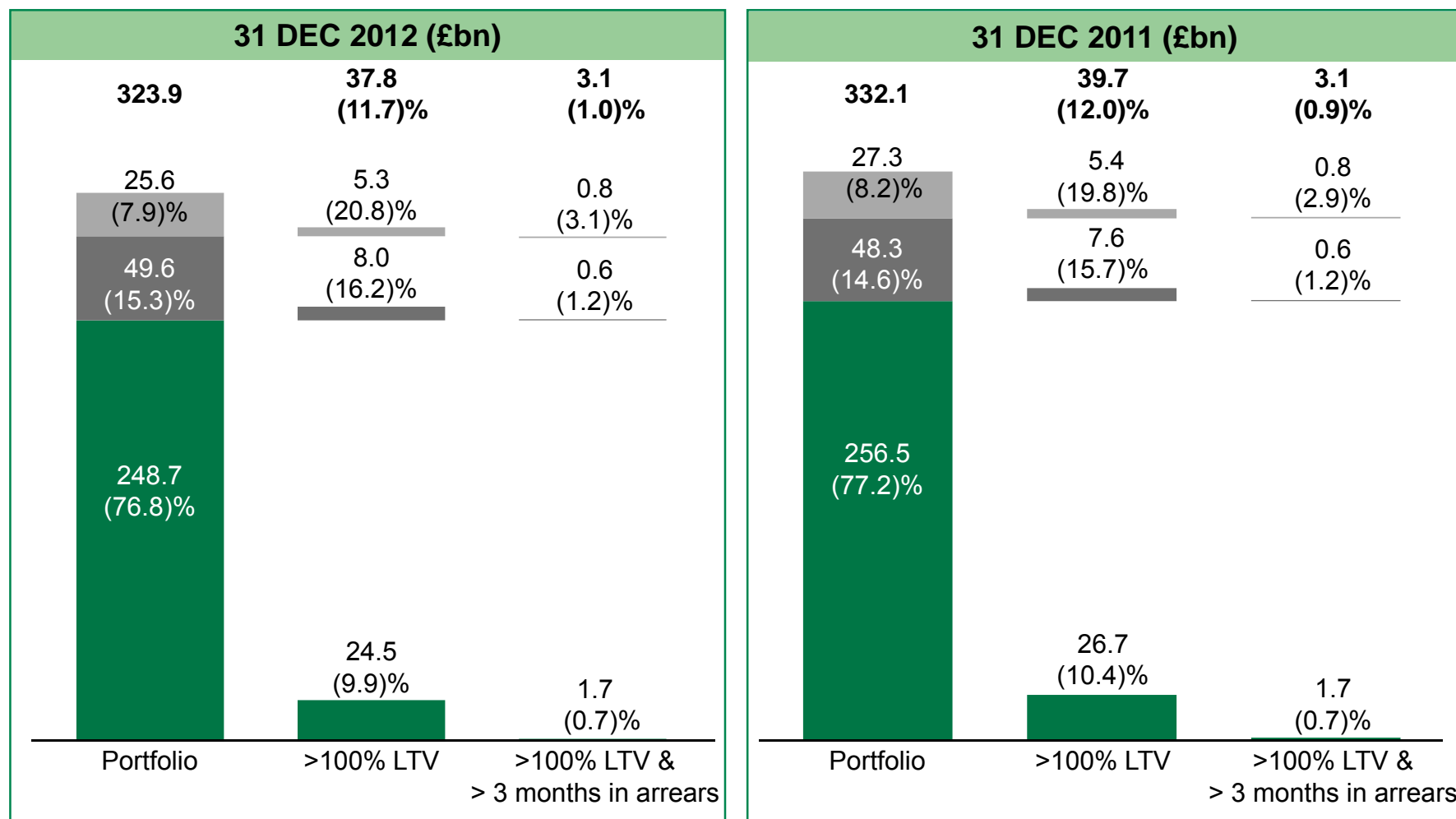
	Mainstream	Buy to let	Specialist	Total
Average LTVs	52.7%	73.6%	72.6%	56.4%
New business LTVs	62.3%	64.5%	n/a	62.6%
≤80% LTV	63.0%	51.9%	41.6%	59.6%
>80–90% LTV	16.6%	16.5%	19.1%	16.8%
>90–100% LTV	10.5%	15.4%	18.5%	11.9%
>100% LTV	9.9%	16.2%	20.8%	11.7%
Value >100% LTV	£24.5bn	£8.0bn	£5.3bn	£37.8bn

Indexed by value at 31 December 2012. Specialist lending is closed to new business.

UK MORTGAGE PORTFOLIO

Books performing satisfactorily with stable profiles

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■ Mainstream
 ■ Buy to let
 ■ Specialist

⁽¹⁾Before allowance for impairment losses and fair value adjustments.

UK MORTGAGE PORTFOLIO IMPAIRMENT COVERAGE

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UK MORTGAGES	DEC 2012	DEC 2011
Loans and advances to customers (gross) ⁽¹⁾	£323.9bn	£332.1bn
Impaired loans	£6.3bn	£6.5bn
Impaired loans as % of closing advances	1.95%	1.94%
Impairment provisions	£1.6bn	£1.7bn
Impairment provisions as % of impaired loans	25.6%	25.6%

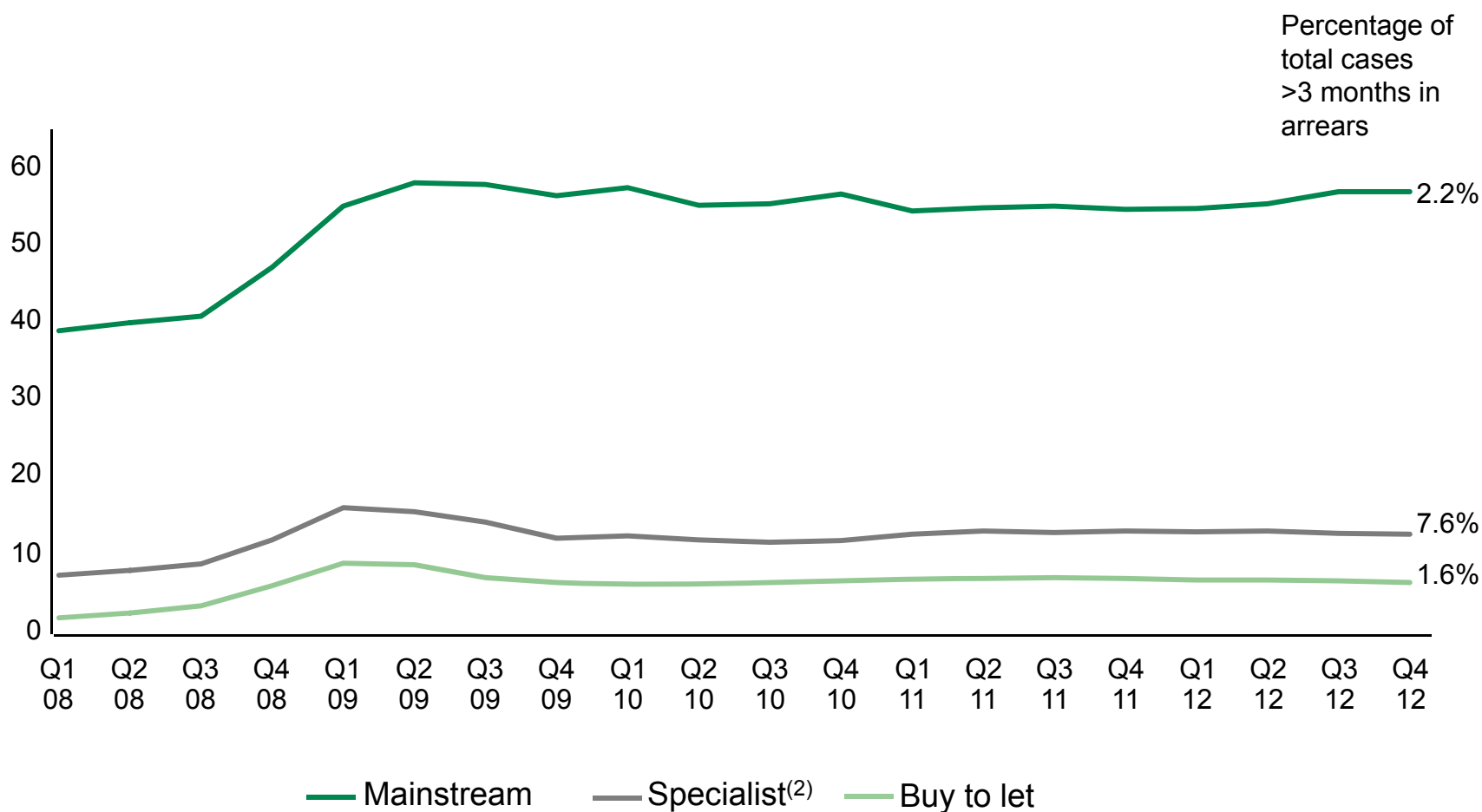
⁽¹⁾Before allowance for impairment losses and fair value adjustments.

MORTGAGE PORTFOLIO TRENDS

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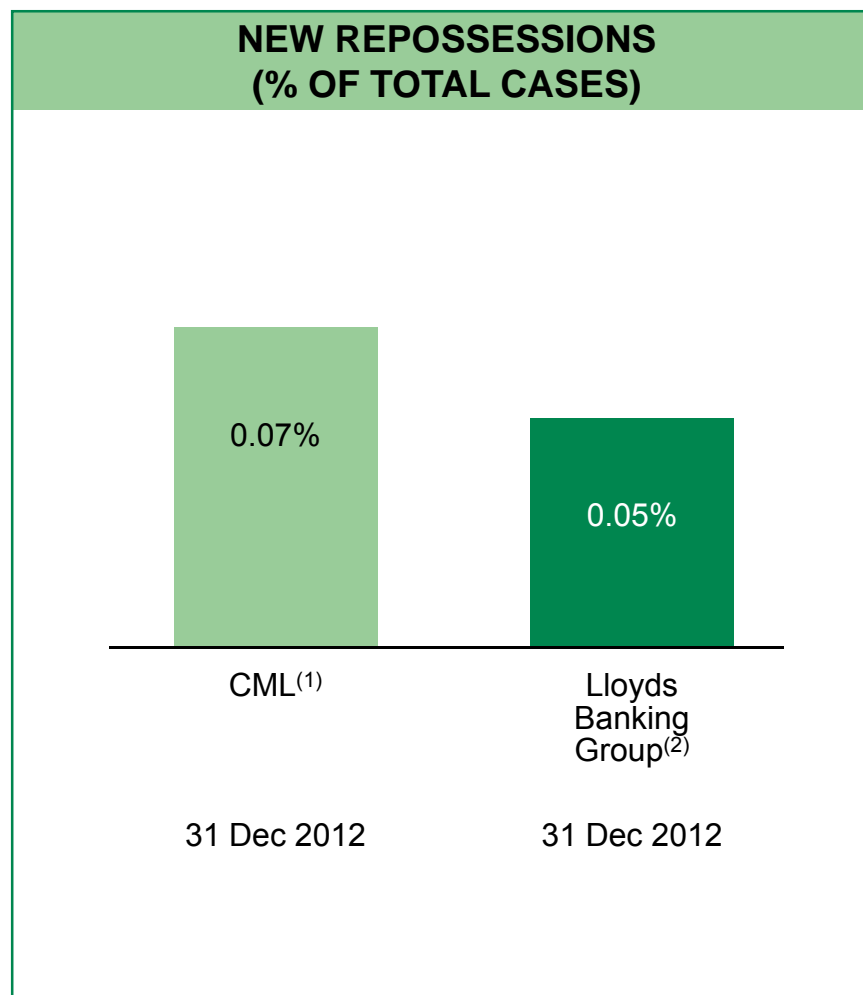
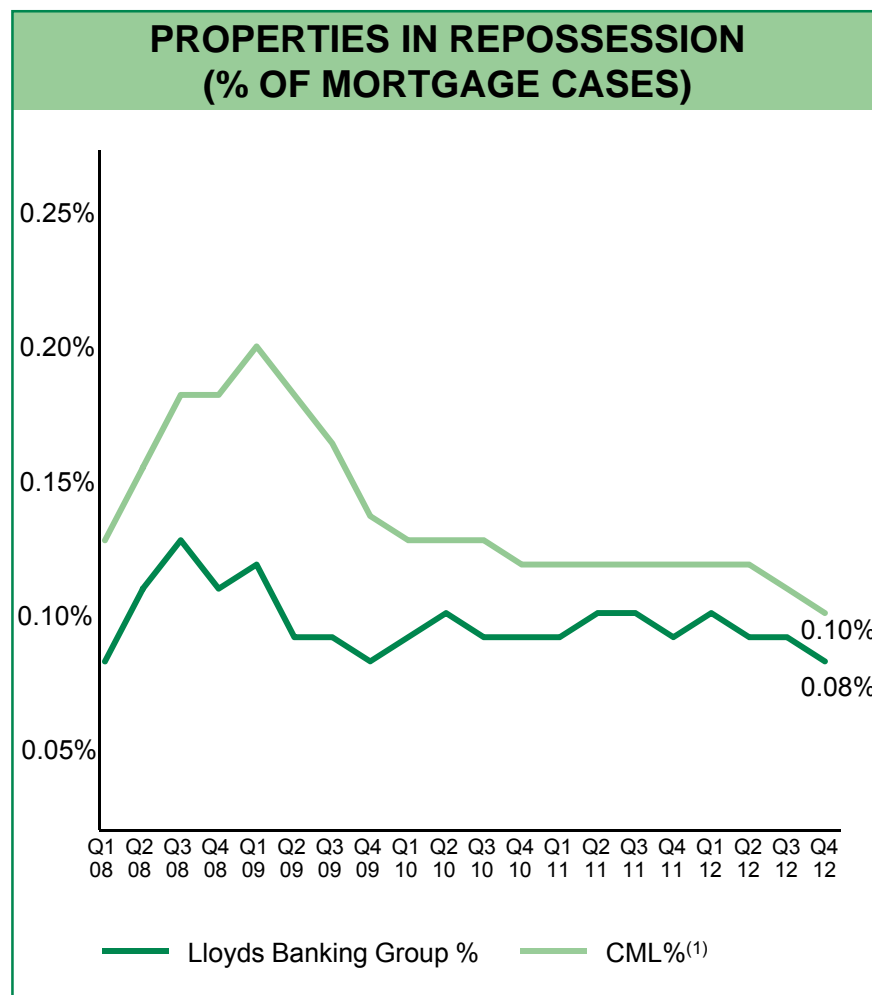
NUMBER OF TOTAL CASES >3 MONTHS IN ARREARS (000's)



⁽¹⁾Source: Council of Mortgage Lenders Dec 2012. ⁽²⁾This book has been closed to new business since 2009.

MORTGAGE PORTFOLIO – NEW REPOSSESSIONS

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⁽¹⁾Source: Council of Mortgage Lenders Dec 2012. ⁽²⁾Lloyds Banking Group Dec 2012.

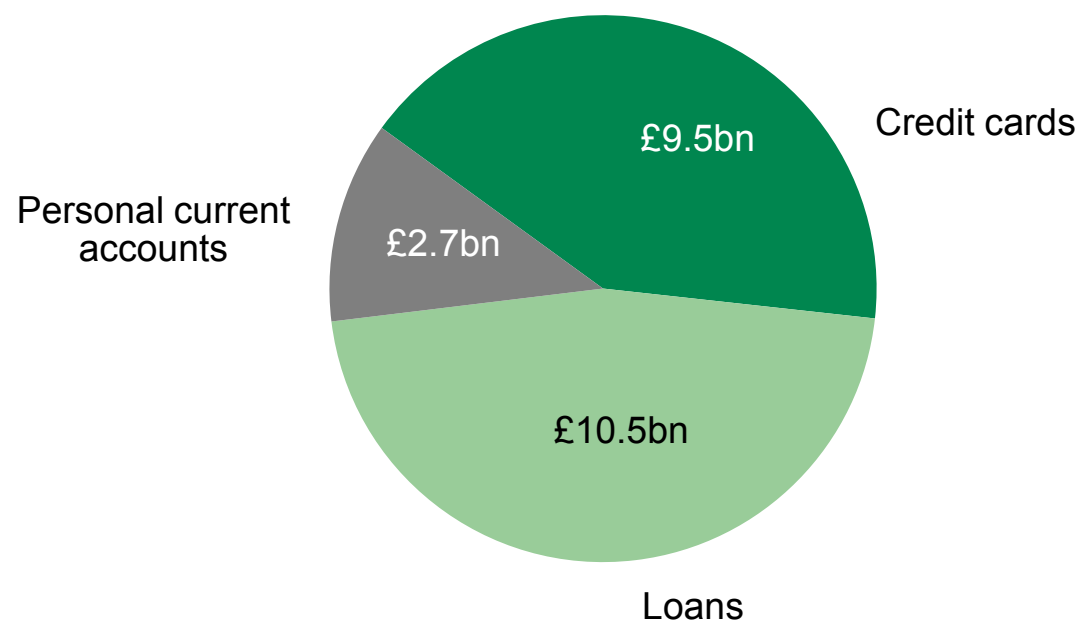
UNSECURED LENDING PORTFOLIO

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UNSECURED PORTFOLIO £22.7bn⁽¹⁾

31 Dec 2012



Impairment charge as a % of average lending

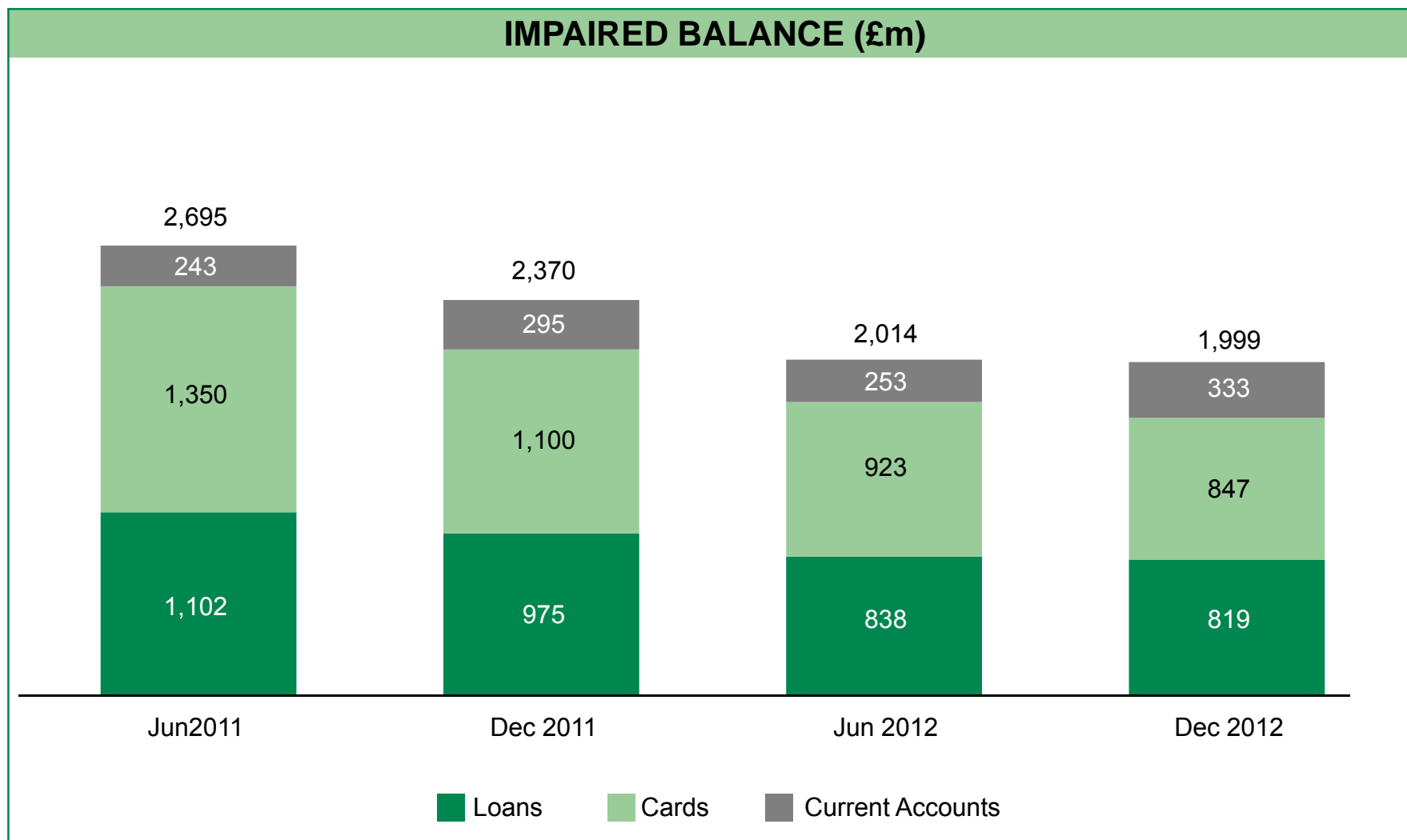
Cards
3.43%

Loans
2.25%

⁽¹⁾Before allowance for impairment losses and fair value adjustments.

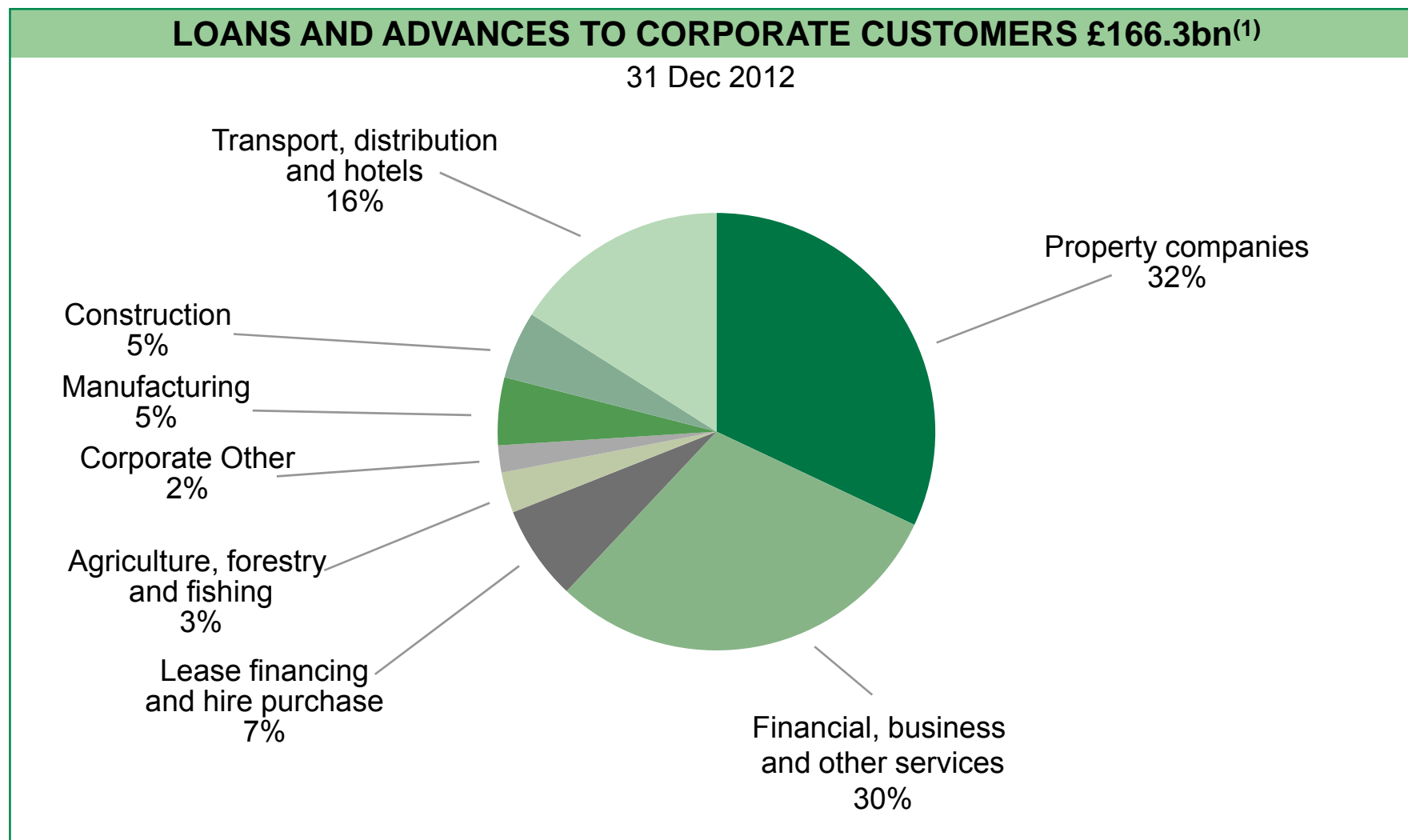
UNSECURED LENDING PORTFOLIO

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LOANS AND ADVANCES TO CORPORATE CUSTOMERS

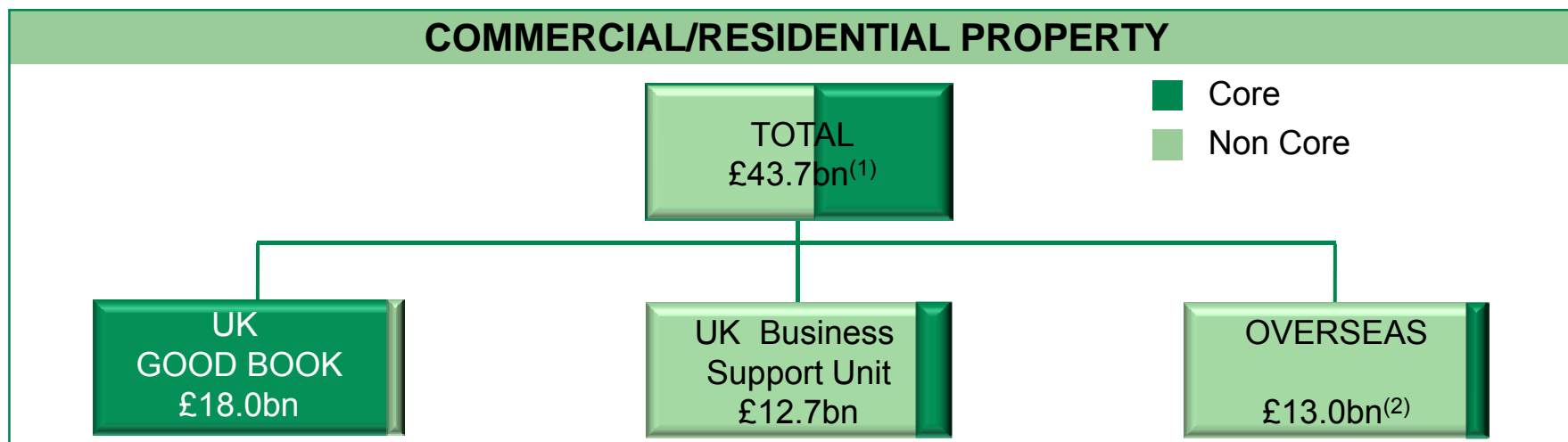
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⁽¹⁾Before allowance for impairment losses.

DIRECT REAL ESTATE LENDING – Commercial/Residential property

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- c72% Commercial Real Estate
 - c£9bn is based on heritage LTSB appetite (other £4bn is heritage HBOS)
 - Portfolio weighted toward investment (85%) over development (15%)
- c28% Residential & Other
 - Larger residential property companies
 - Buy-to-let in Commercial and larger, professional landlords
- Gross £12.7bn/Net £8.8bn
- Robustly and extensively reviewed, and is well-provided for. Allowance is taken for greater proportion of secondary real estate assets in portfolio
- 73% impaired, with a coverage of 42%
- c80% Commercial Real Estate
- c20% Residential & Other
- Ireland (Gross £7.4bn/Net £2.7bn) 91% impaired, with a coverage of 70%
 - 58% Property investment, of which 85% is impaired
 - 42% Property development, of which 99% is impaired
- Wholesale Europe (Gross £1.9bn/Net £1.6bn). 45% impaired, with a coverage of 38%
- £3.7bn relates to other lending to non-UK residents

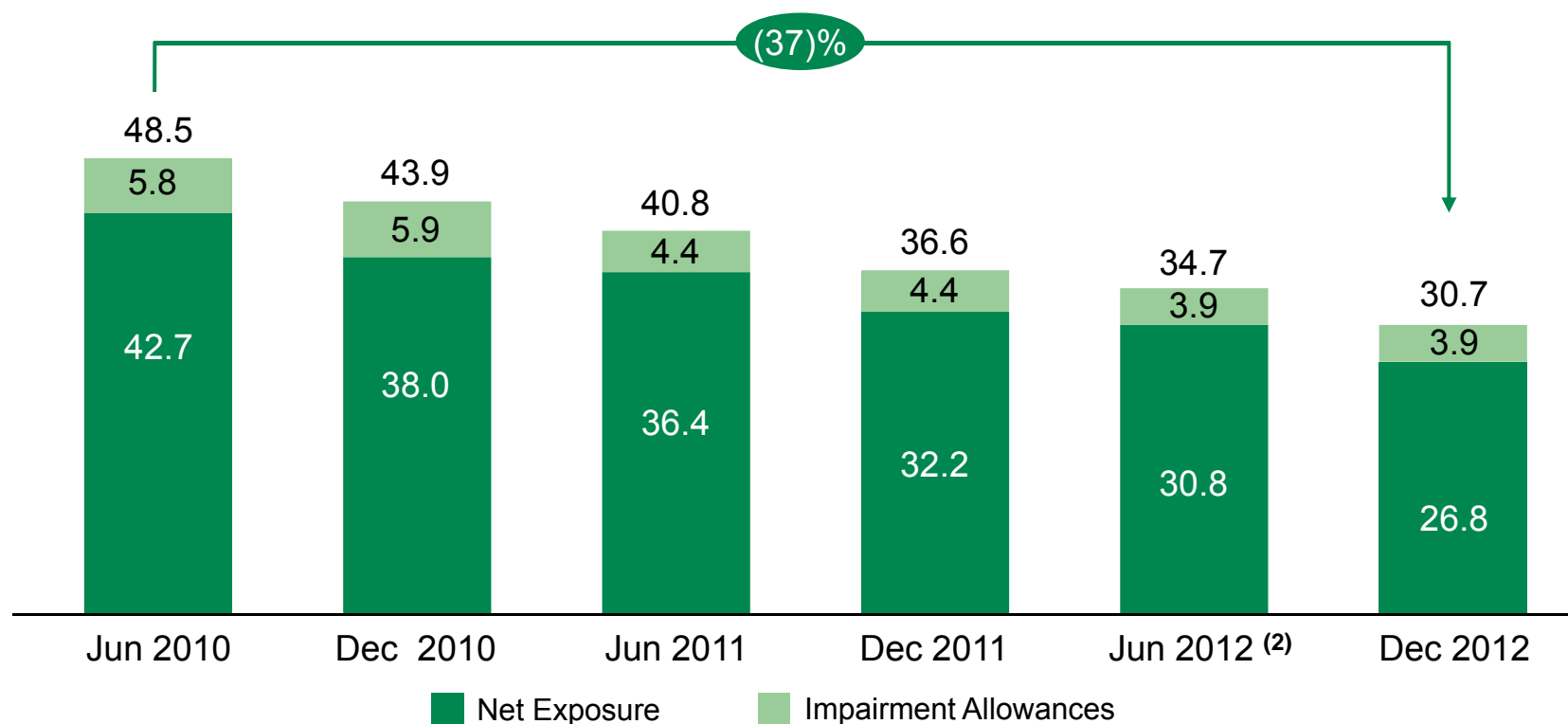
⁽¹⁾Gross (pre FV adjustment and impairment). Excludes £9.2bn of social housing exposure (local authority cashflows) and £2.1bn of housebuilder lending. ⁽²⁾Also includes lending to non UK residents (but excludes residential mortgages).

DIRECT REAL ESTATE LENDING – Commercial/Residential property

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UK COMMERCIAL/RESIDENTIAL PROPERTY BOOK £30.7bn⁽¹⁾

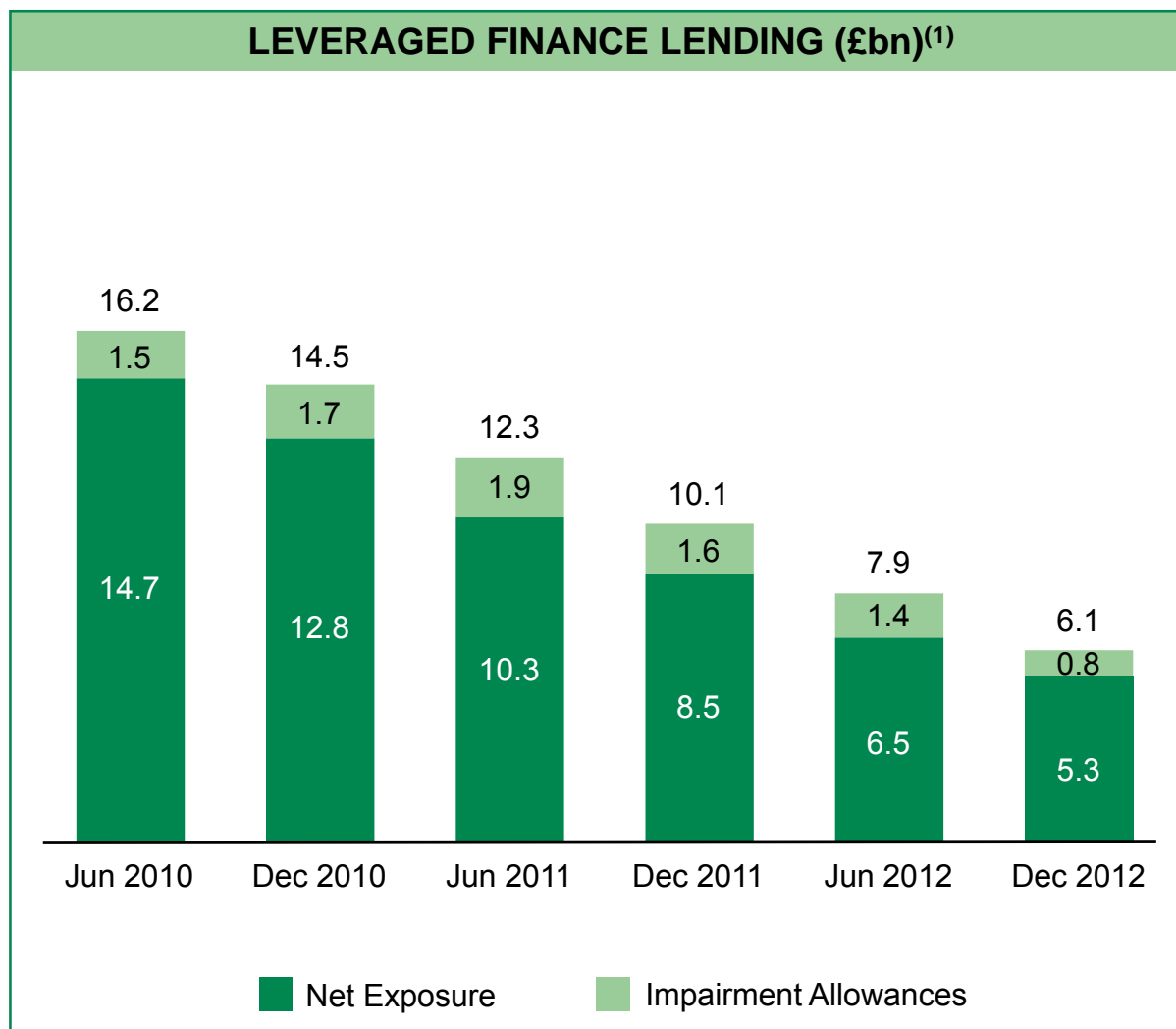


Reductions reflect strategic focus

⁽¹⁾Gross (pre FV adjustment and impairment). Includes Joint Ventures. Excludes £9.2bn of Social Housing exposure (local authority cashflows) and £2.1bn of Housebuilder lending. ⁽²⁾June 2012 net exposure restated by £0.3bn to include provisions across all businesses with UK Direct Real Estate Lending.

LEVERAGED FINANCE LENDING

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⁽¹⁾May not sum due to roundings

Acquisition Finance

Gross £5.76bn / Net £5.01bn

- Portfolio exposure has reduced with new business more than offset by asset repayment, sales & write offs
- A highly selective origination strategy. Predominantly UK focused
- Assets monitored closely, especially those considered substandard, stressed or impaired

Lloyds International

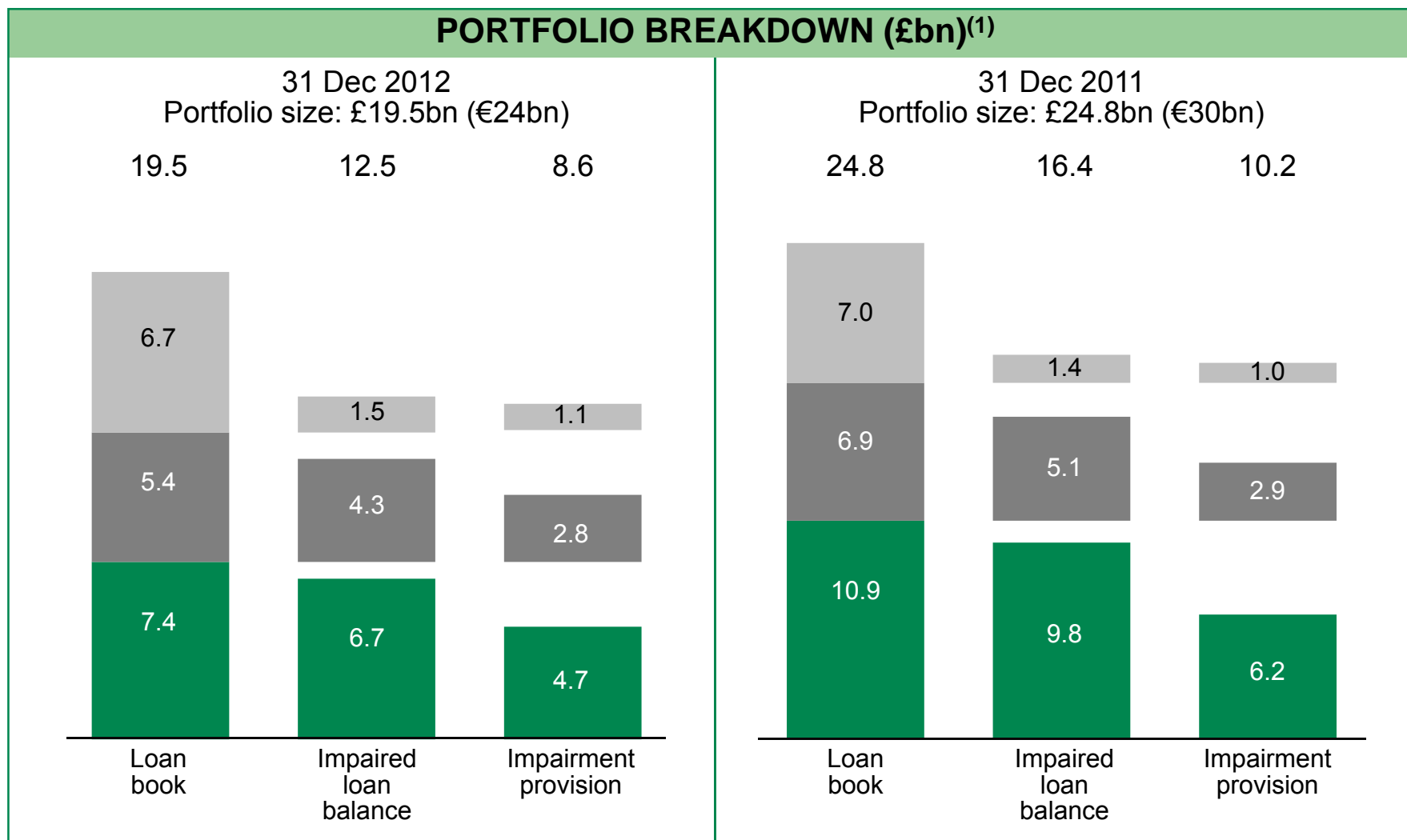
Gross £0.33bn / Net £0.27bn

- 91% of country risk in portfolio is Australia or New Zealand
- No new business being originated and portfolio reductions reflect strategic focus to exit

IRISH PORTFOLIO

Robust coverage which minimises downside risks

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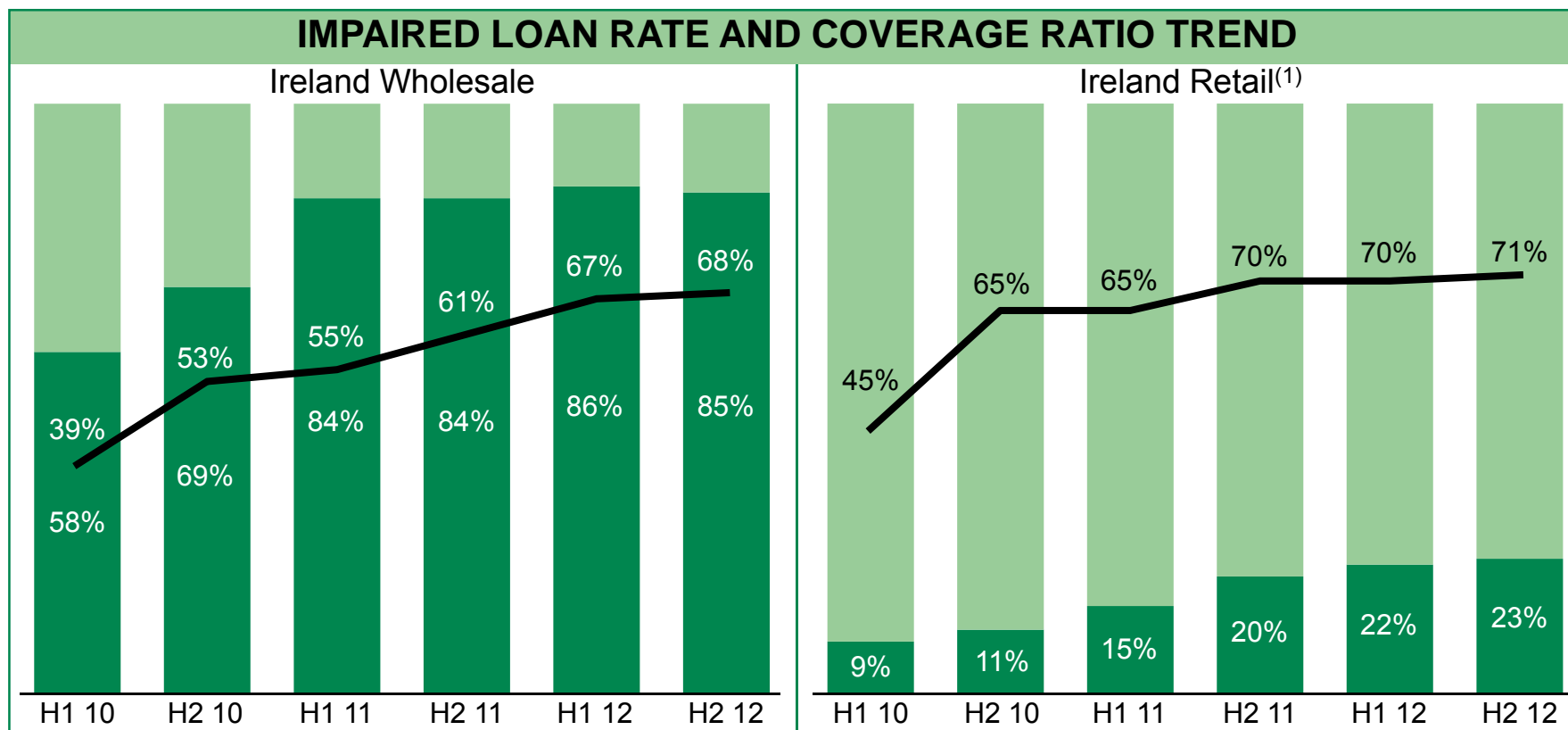
⁽¹⁾May not sum due to roundings

Commercial Real Estate Corporate & Other Retail

IRISH PORTFOLIO

Robust coverage which minimises downside risks

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- Total Irish portfolio of £19.5bn (€24.0bn), split Wholesale (£12.8bn) and Retail (£6.7bn)
- Continued weakness in the Irish real estate market
- Reflecting further falls in the commercial real estate market
- Low levels of redemptions and recoveries due to severe lack of liquidity
- On the Irish Wholesale portfolio, 85% of the portfolio is now impaired at the coverage ratio of 68%
- Wind down managed by dedicated UK based Business Support Unit credit team

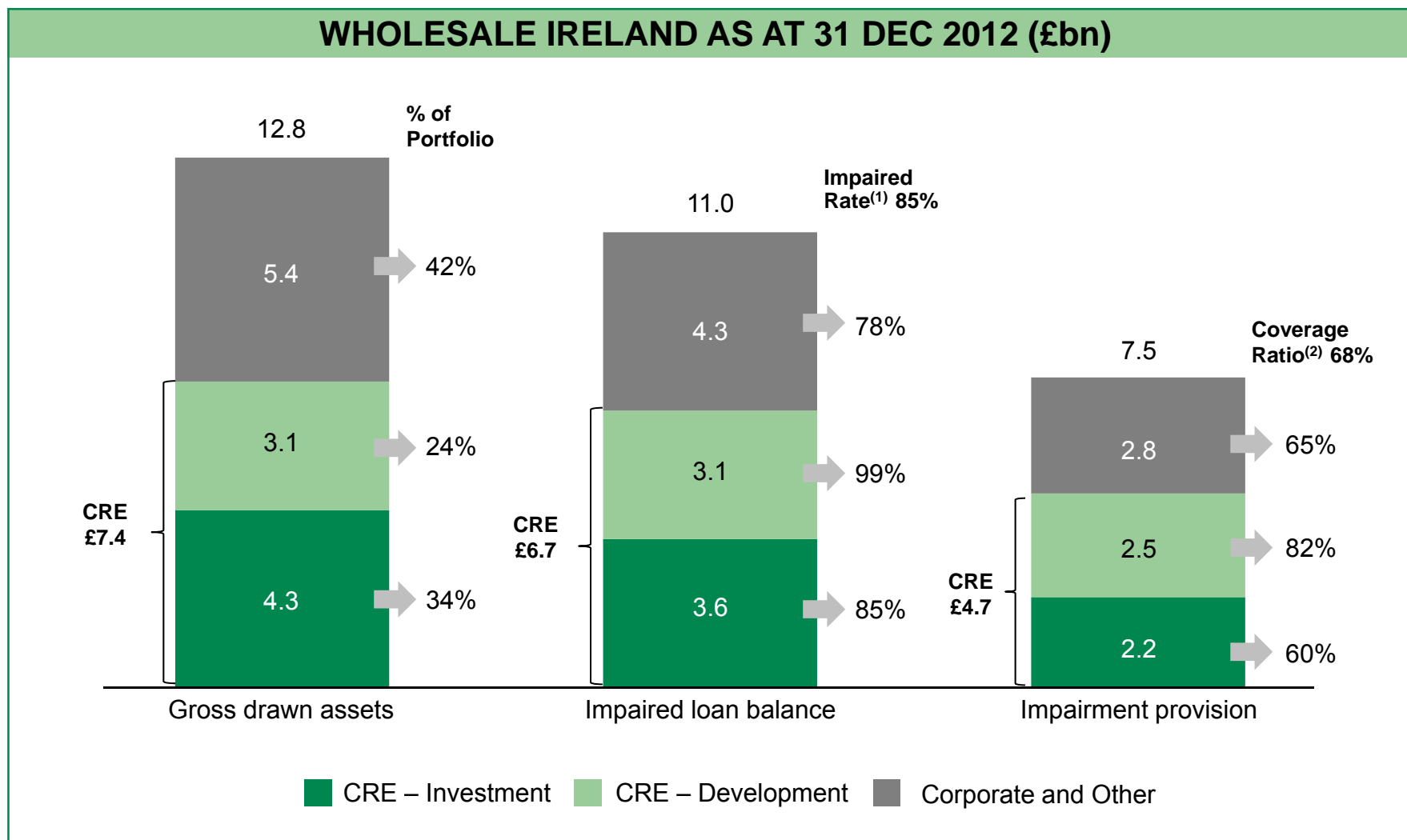
⁽¹⁾Excludes unsecured book of £33m.

■ Impaired
■ Unimpaired
— Coverage ratio

IRISH WHOLESALE PORTFOLIO

Robust coverage which minimises downside risks

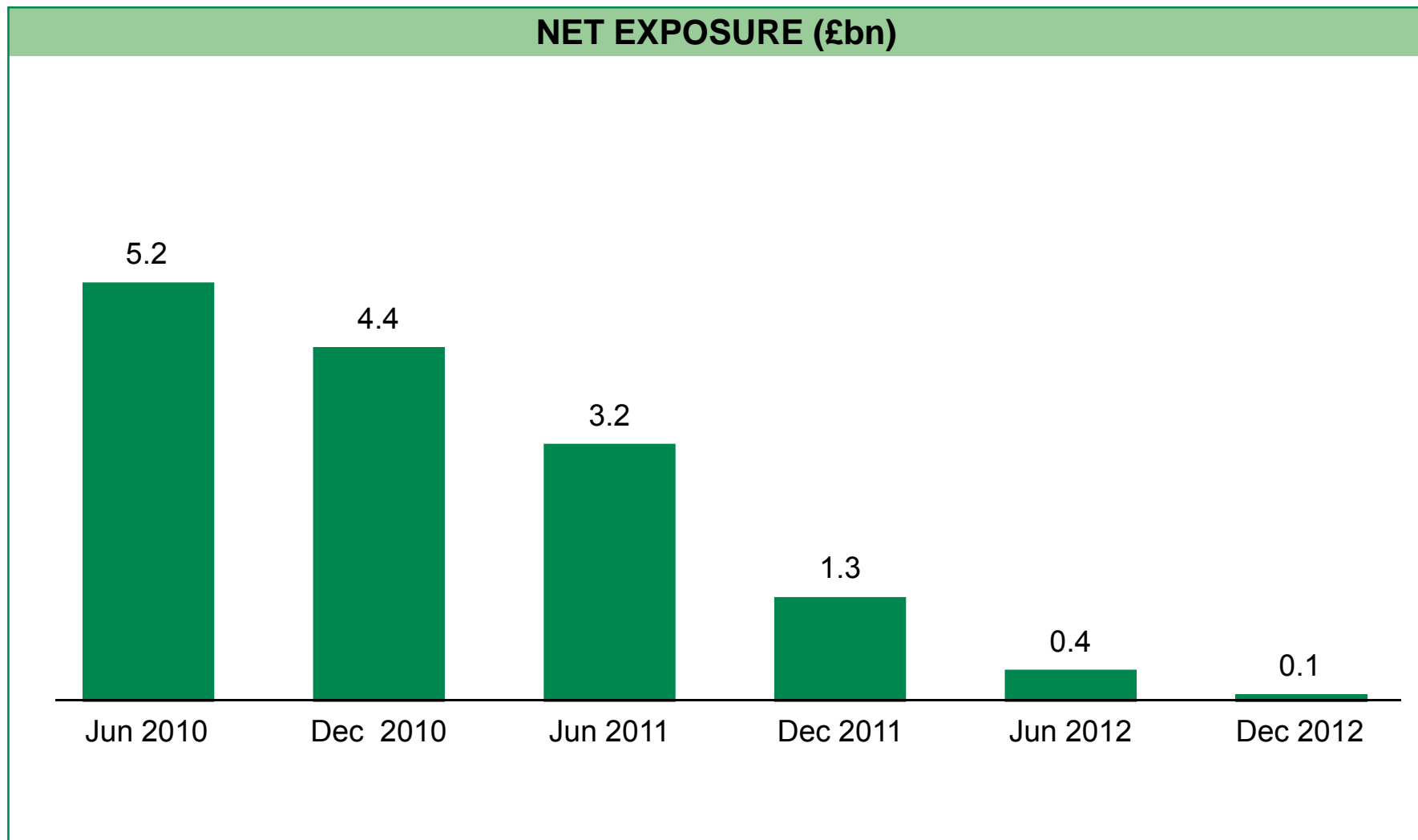
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⁽¹⁾Impaired rate = Impaired loan balance / Gross drawn assets. ⁽²⁾Coverage ratio = Impairment provision / Impaired loan balance.

AUSTRALASIAN WHOLESALE CRE PORTFOLIO

Significant progress made in de-risking the wider portfolio



IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

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Impairment	2012	2011	% Impairment of average loans and advances	
	£m	£m	2012	2011
Retail	1,270	1,970	0.36%	0.54%
— Secured (mortgages)	377	463	0.12%	0.14%
— Unsecured	893	1,507	3.74%	5.65%
Commercial Banking	2,946	4,210	1.85%	2.32%
Wealth, Asset Finance and International	1,480	3,604	3.12%	6.48%
Other	1	3	—	—
Total	5,697	9,787	1.02%	1.62%

IMPAIRED ASSET RATIOS – GROUP

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31 Dec 2012	Retail	Commercial Banking	Wealth, Asset Finance and International	Group ⁽¹⁾
Loans and advances to customers (gross) ⁽²⁾	£346.6bn	£144.8bn	£42.9bn	£540.1bn
Impaired loans	£8.3bn	£24.0bn	£14.0bn	£46.3bn
Impaired loans as % of closing advances	2.4%	16.6%	32.6%	8.6%
Impairment provisions	£2.3bn	£10.0bn	£9.5bn	£21.8bn
Impairment provisions as % of impaired loans	32.5% ⁽³⁾	41.7%	67.5%	48.2% ⁽³⁾

⁽¹⁾Includes reverse repos and other items. ⁽²⁾Excludes fair value adjustment. ⁽³⁾Excluding loans in recoveries.

NON-CORE REDUCTIONS

Non-core reductions continue to be capital accretive

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	2012	2011
Loss before tax ⁽¹⁾ (£m)	(3,315)	(3,664)
Post tax loss → 'capital consumed' (£m)	(2,503)	(2,693)
Reduced RWAs (£bn)	35.9	35.1
at 10% → 'capital released' (£m)	3,590	3,513
Decrease / (Increase) in EEL ⁽²⁾ (£m)	131	(515)
Net capital released (£m)	1,218	305

⁽¹⁾Management basis. ⁽²⁾50% core tier 1 impact.

SELECTED EUROZONE EXPOSURES

Substantial reductions achieved and minimal sovereign exposures remain

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(£m)	Sovereign Debt ⁽¹⁾	Banks & other financial institutions	ABS	Corporate	Personal	Insurance shareholder assets	Total
Ireland	–	759	305	5,972	5,559	111	12,706
Spain	19	1,177	132	2,110	1,472	25	4,935
Portugal	–	118	224	187	10	–	539
Greece	–	–	–	277	–	–	277
Italy	5	44	10	150	–	37	246
Dec 2012	24	2,098	671	8,696	7,041	173	18,703
	(65)%	(24)%	(43)%	(32)%	(8)%	12%	(24)%
Dec 2011	68	2,778	1,186	12,741	7,687	154	24,614

⁽¹⁾Includes cash at Central banks of £14 million in 2012 (£35 million in 2011)

REDUCING OUR WHOLESALE FUNDING REQUIREMENTS

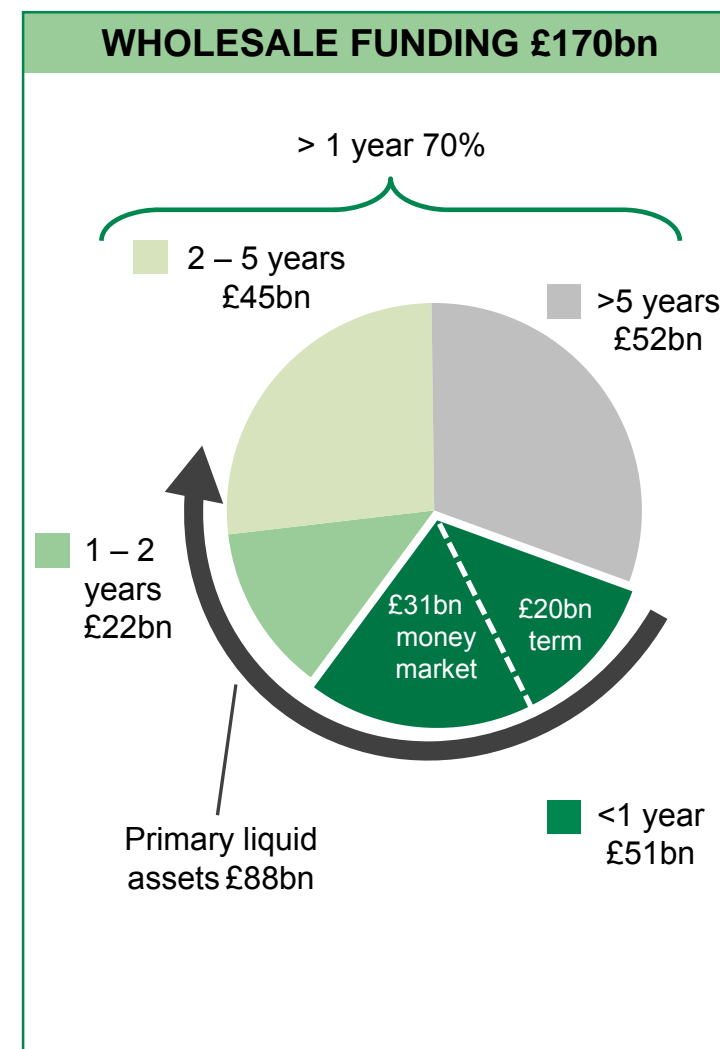
Broad spread of Wholesale funding with increasing asset coverage

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£bn	Dec 2012	Dec 2011
Bank deposits ⁽¹⁾	15	25
Certificates of deposit	11	28
Medium-term notes	35	70
Covered bonds	39	37
Commercial paper	8	18
Securitisation	28	37
Subordinated debt	34	36
Wholesale (excl. customer deposits)	170	251
Customer deposits ⁽¹⁾	423	406

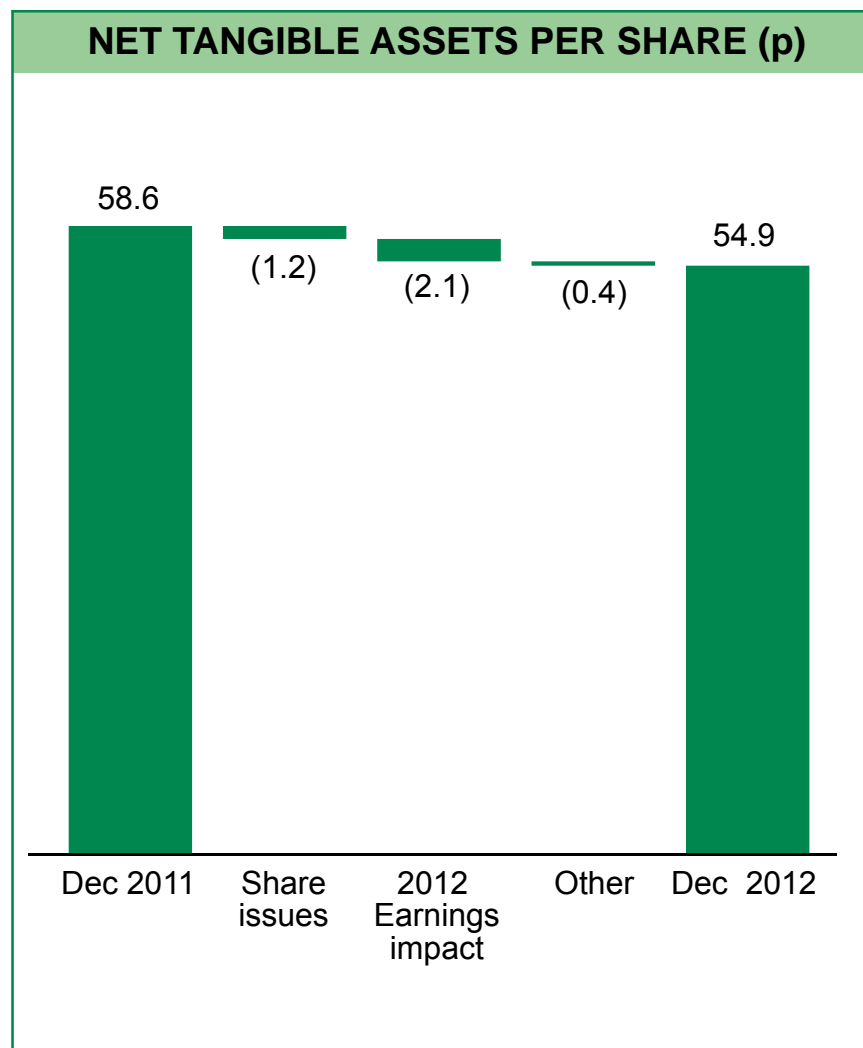
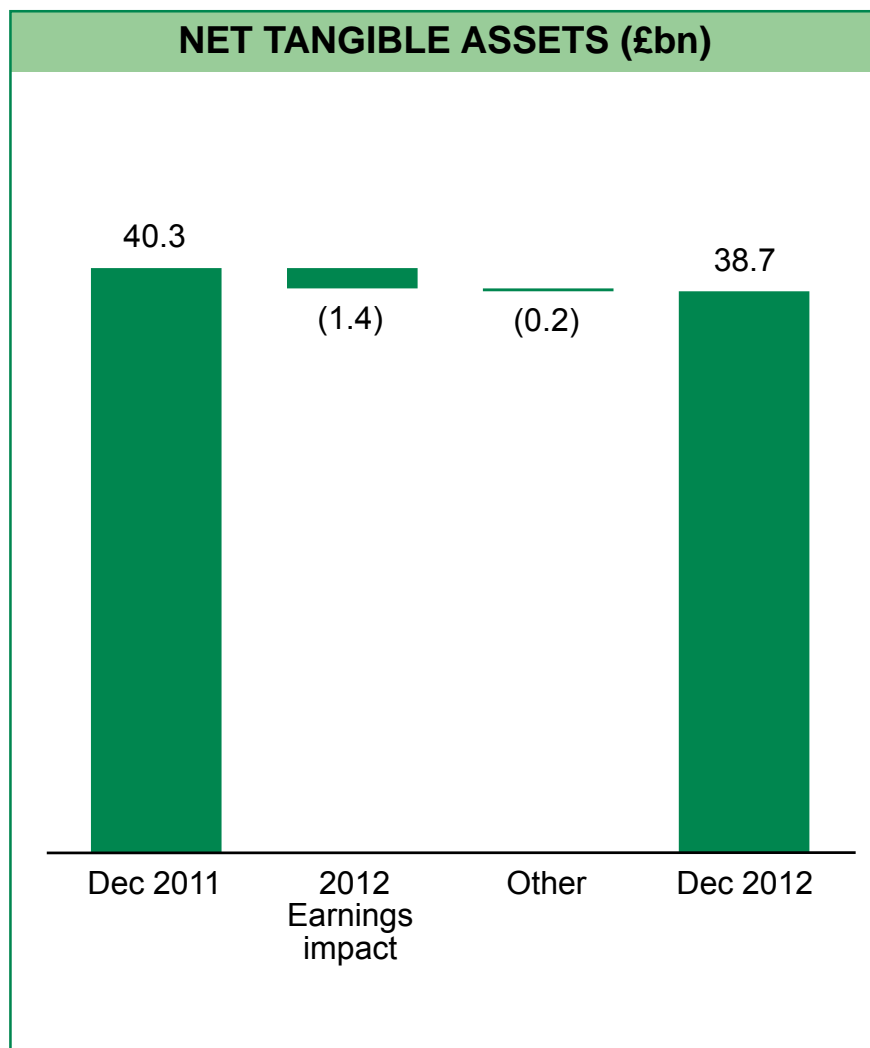
- Clear benefit delivered by managing balance sheet down
- Good relationship customer deposit growth of £17bn



⁽¹⁾Excluding repos.

NET TANGIBLE ASSETS

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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, 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.