LLOYDS BANKING GROUP

2012 HALF-YEAR RESULTS

26 July 2012

AGENDA

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

H1 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

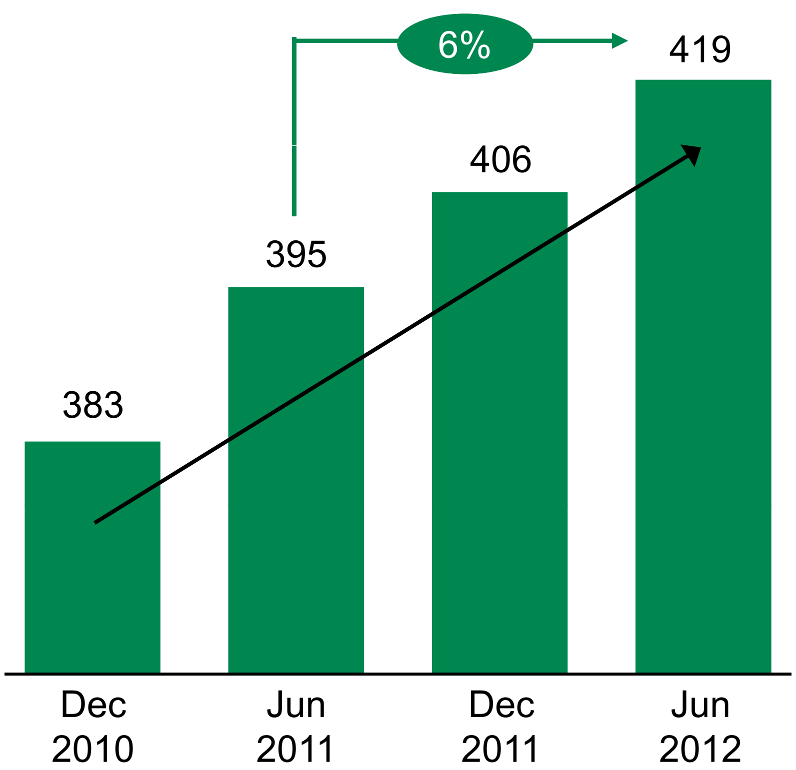
HIGHLIGHTS IN H1 2012
Continued delivery of strategic objectives

- **Further balance sheet strengthening and risk reduction**
- **Resilient underlying performance in challenging environment**
- **Good progress on strategic initiatives**
- **Strengthened management team working well**
- **Continue to work through legacy issues**
- **Agreement with the Co-op on Verde and affirmation of Moody's short-term rating**

Our strategy is right for the external environment and the Group is well positioned to deliver shareholder value

BALANCE SHEET STRENGTHENED
Customer deposits increasing and loan to deposit ratio continues to improve

GROUP CUSTOMER DEPOSITS[1] (£bn)



LOAN TO DEPOSIT RATIO[2]

Achievement of long-term loan to deposit ratio target of 120% expected by end of Q1 2013

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

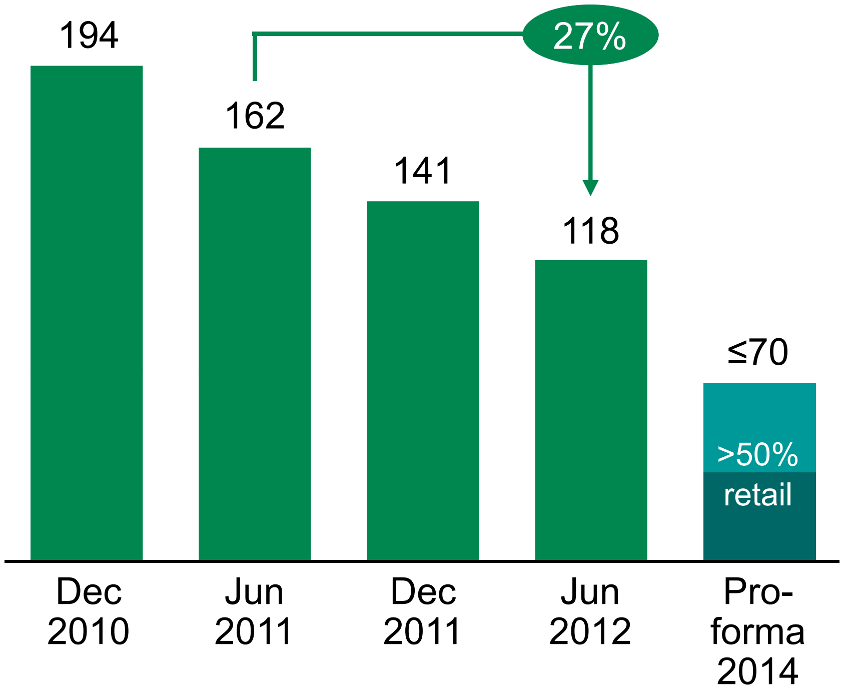
BALANCE SHEET STRENGTHENED

Non-core asset reduction ahead of expectations

NON-CORE PORTFOLIO (£bn)

RWAs:

144	129	109	93	≤50



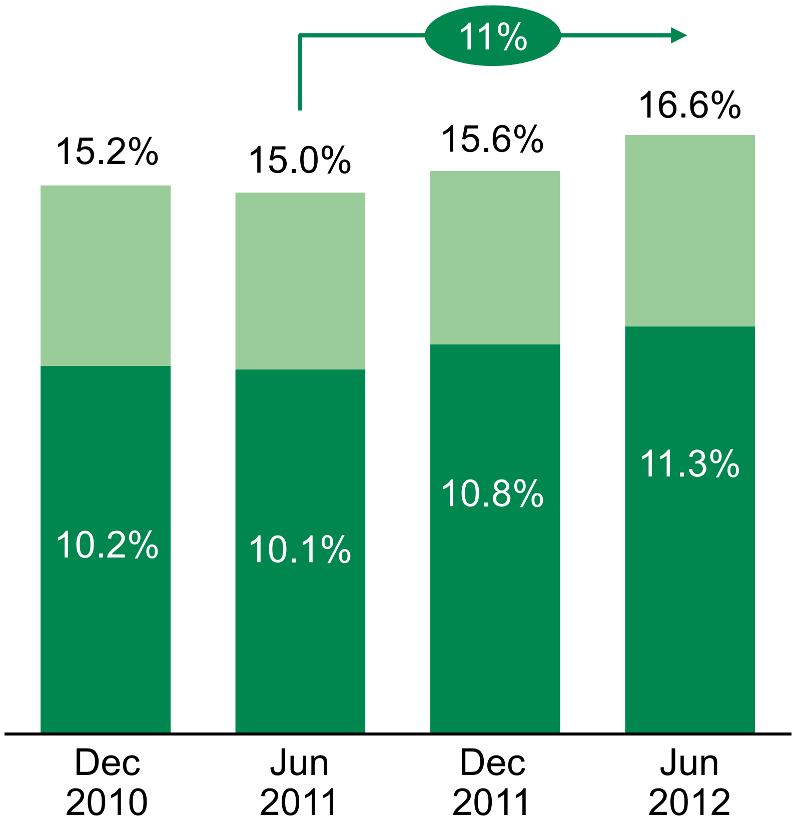
- Substantial non-core asset reduction in H1 to £118bn
- Non-core now represents 12% of total assets
- £44bn reduction since June 2011
- H1 reductions capital accretive
- Expect non-core assets to be below £70bn by the end of 2014 with more than 50% in retail assets
- Cease separate non-core reporting after 2014

Continued reduction in non-core portfolio

BALANCE SHEET STRENGTHENED

Capital position continues to improve

CAPITAL



- Core tier 1 ratio continues to improve, driven by:
  - management profit
  - lower RWAs
  - offset by one-off items
- Fully loaded Basel 3 core tier 1 ratio of 7.7%, up from 7.1% at the start of the year

Continue to target a core tier 1 capital ratio prudently in excess of 10% in 2013 under Basel 3 transitional rules

FINANCIAL PERFORMANCE
Resilient underlying business performance

	GROUP			CORE		
(£m)	**H1 2012**	H1 2011	Change %	**H1 2012**	H1 2011	Change %
Underlying income[1]	**9,246**	11,103	(17)%	**8,602**	9,704	(11)%
Total costs	**(5,025)**	(5,332)	6%	**(4,647)**	(4,860)	4%
Impairment	**(3,157)**	(5,422)	42%	**(978)**	(1,636)	40%
Underlying profit	**1,064**	349	205%	**2,977**	3,208	(7)%
Management profit	**1,165**	1,104	6%	**2,715**	2,866	(5)%
Statutory loss	**(439)**	(3,251)		**–**	–	

Net interest margin	**1.93%**	2.12%		**2.32%**	2.43%	
Pre-tax RoRWA[2]	**0.62%**	0.18%		**2.48%**	2.50%	

Strong cost management and lower impairment offset income pressure

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

INVESTING TO GROW

Investment in strategic initiatives driving franchise forward

- Over 900,000 customer registrations received for the Halifax Savers' Prize Draw, an increase of over 350,000 in the first half of the year
- 9 million active internet banking users and 2.5 million active users of mobile technology
- Enhanced transaction banking capability for corporates with Arena customers more than doubling to over 2,000 accounts in the last 6 months
- On track to exceed SME Charter commitment of £12bn of lending in 2012 and increasing commitment by £1bn given funding for lending scheme
- SME net lending growth of 4% year-on-year against market contraction of 4% and supported 64,000 start up businesses in 2012
- Double digit annualised deposit growth in UK and International Wealth
- Number 1 in vehicle finance and leasing segments supporting the key SME and Corporate segments with 22% year-on-year growth
- Investing to prepare for RDR in Insurance

Continue to make good progress against strategic growth initiatives

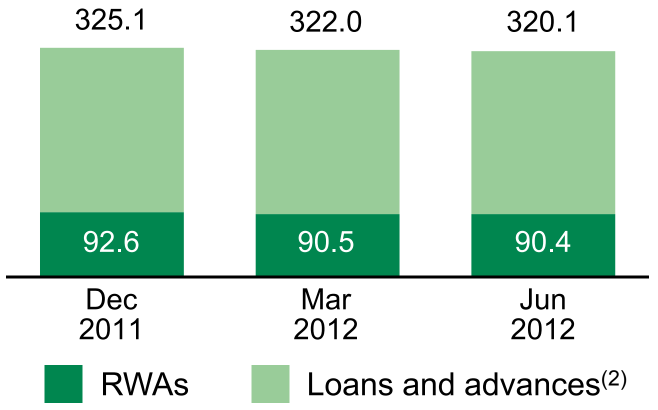
CORE RETAIL PERFORMANCE

Improved profitability from lower costs and reduced impairment

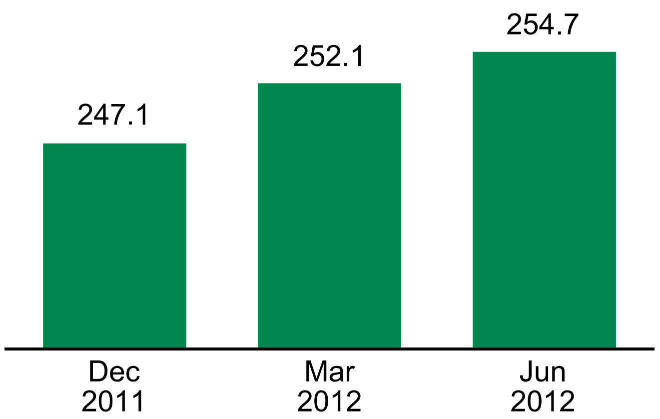
CORE (£m)	H1 2012	H1 2011	Change %
Underlying income	**4,221**	4,524	(7)%
Total costs	**(2,086)**	(2,218)	6%
Impairment	**(735)**	(1,052)	30%
Underlying profit	**1,400**	**1,254**	**12%**

Banking net interest margin	**2.17%**	2.23%
Impairment as a percentage of average advances	**0.45%**	0.63%
Pre-tax RoRWA[1]	**3.09%**	2.58%

CORE LOANS[2] AND RWAs (£bn)



CORE CUSTOMER DEPOSITS[2] (£bn)



[1]Underlying profit divided by average risk-weighted assets. [2]Excludes repos and reverse repos.

CORE WHOLESALE PERFORMANCE

Returns reflect challenging environment

CORE (£m)	H1 2012	H1 2011	Change %
Underlying income	**1,601**	1,907	(16)%
Total costs	**(718)**	(705)	(2)%
Impairment	**(111)**	(407)	73%
Underlying profit	**772**	**795**	**(3)%**

Banking net interest margin	**1.70%**	1.87%
Impairment as a percentage of average advances	**0.25%**	0.96%
Pre-tax RoRWA[1]	**1.54%**	1.50%

KEY MESSAGES

- Underlying income reflects reduced demand for lending and higher wholesale funding costs
- Total costs include continued investment in customer facing resources and systems
- Significantly lower impairments primarily due to our proactive risk management and the low interest rate environment
- Further reshaping will maximise growth from our strong corporate relationship franchise and achieve appropriate returns

[1] Underlying profit divided by average risk-weighted assets.

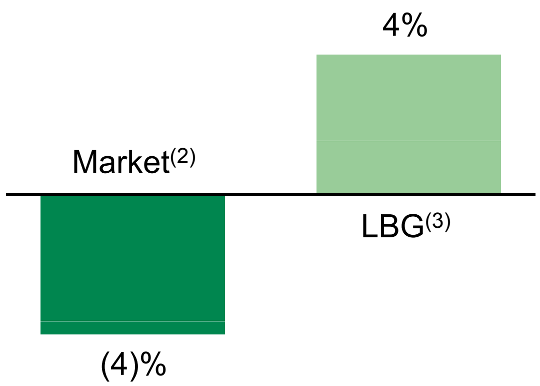
CORE COMMERCIAL PERFORMANCE

Delivering consistent market outperformance

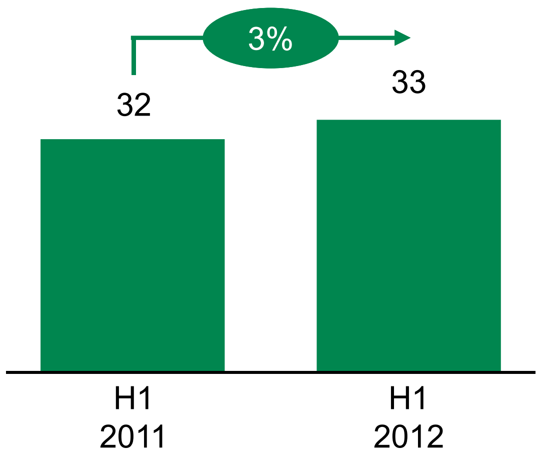
CORE (£m)	H1 2012	H1 2011	Change %
Underlying income	**792**	826	(4)%
Total costs	**(430)**	(468)	8%
Impairment	**(116)**	(160)	28%
Underlying profit	**246**	**198**	**24%**

Banking net interest margin	**4.13%**	4.39%
Impairment as a percentage of average advances	**0.80%**	1.14%
Pre-tax RoRWA[1]	**2.08%**	1.61%

NET LENDING GROWTH



CUSTOMER DEPOSITS[4] (£bn)



[1]Underlying profit divided by average risk-weighted assets. [2]Bank of England net lending to SMEs as reported at July 2012 . [3]Core commercial net lending year-on-year growth June 2011 to June 2012. [4]Excluding repos and reverse repos.

CORE INSURANCE PERFORMANCE

Returns impacted by market volatility and adverse weather conditions

CORE (£m)	H1 2012	H1 2011	Change %
Underlying income	**1,085**	1,252	(13)%
Weather related insurance events	**(80)**	(15)	(433)%
Other insurance claims	**(153)**	(183)	16%
Underlying income less insurance claims	**852**	1,054	(19)%
Total costs	**(365)**	(395)	8%
Underlying profit	**487**	**659**	**(26)%**
EEV new business margin	**3.6%**	4.1%	

KEY MESSAGES

- Underlying income impacted by lower economic assumptions (£99m) and reduced creditor income of £25m
- Weather claims are £65m adverse to prior year following severe flood and storm experience
- Cost savings, including a reduction in FTE and simplification initiatives, have driven a £30m reduction in expenses
- Preparing for RDR introduction in January 2013

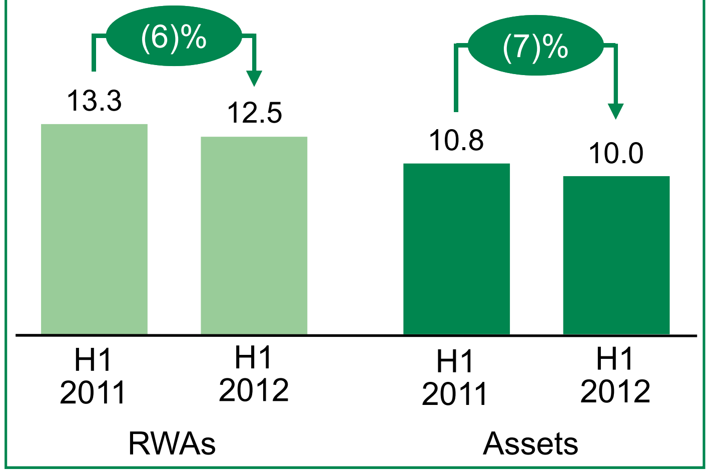
CORE WEALTH, ASSET FINANCE AND INTERNATIONAL PERFORMANCE

Continued good returns and strong deposit growth

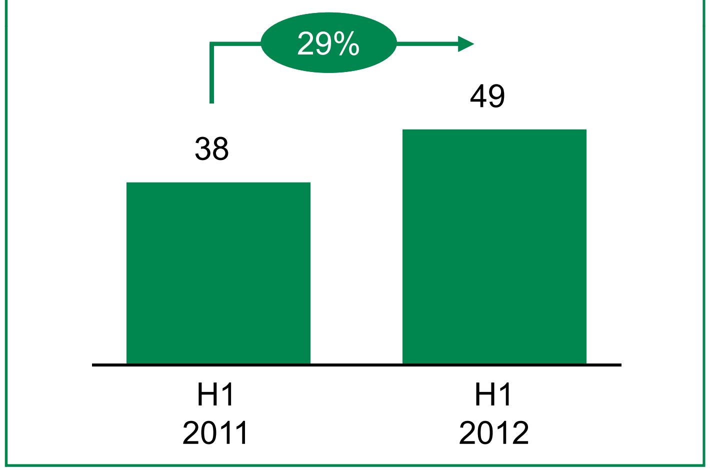
CORE (£m)	H1 2012	H1 2011	Change %
Underlying income	**1,123**	1,163	(3)%
Total costs	**(914)**	(953)	4%
Impairment	**(16)**	(17)	6%
Underlying profit	**193**	**193**	

Banking net interest margin	**3.90%**	3.32%
Impairment as a percentage of average advances	**0.39%**	0.41%
Pre-tax RoRWA[1]	**3.02%**	2.83%

CORE ASSETS AND RWAs (£bn)



CORE CUSTOMER DEPOSITS[2] (£bn)

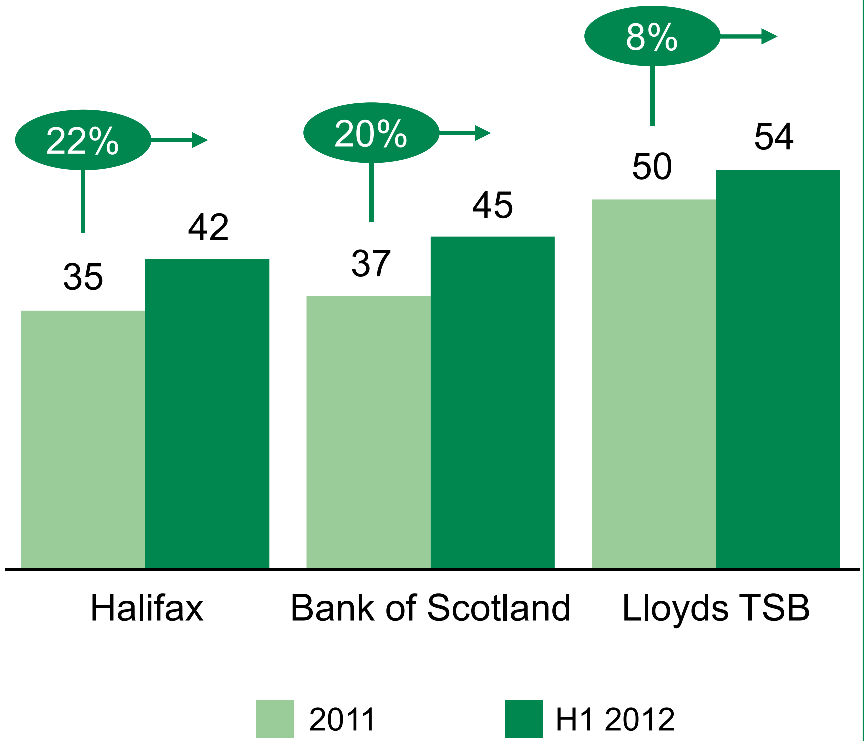


[1]Underlying profit divided by average risk-weighted assets. [2]Excludes repos and reverse repos.

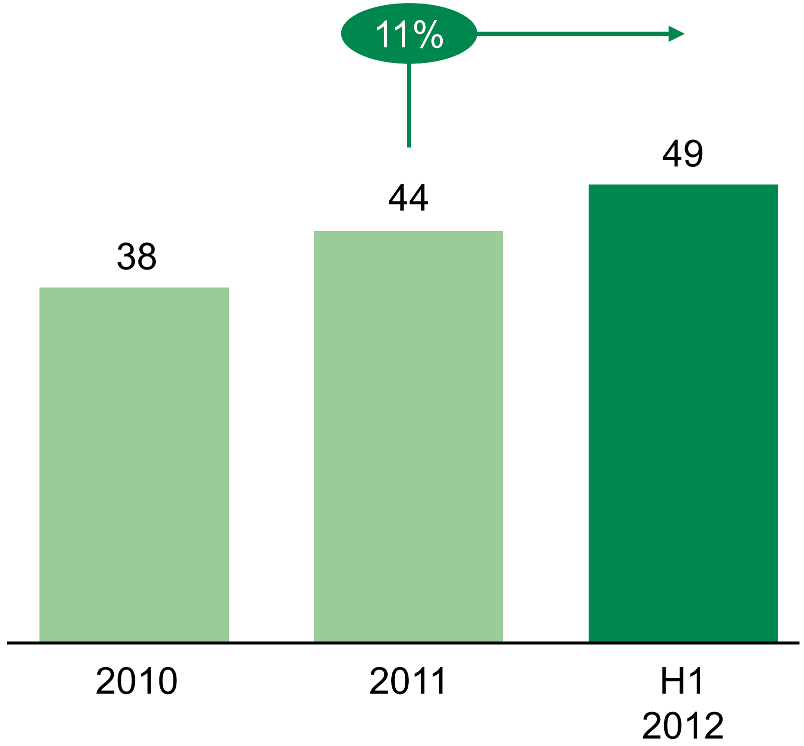
BEST BANK FOR CUSTOMERS

Integrated customer service plans are driving improved customer experience across all brands and channels

NPS[1] BY BRAND



GROUP NPS[1]



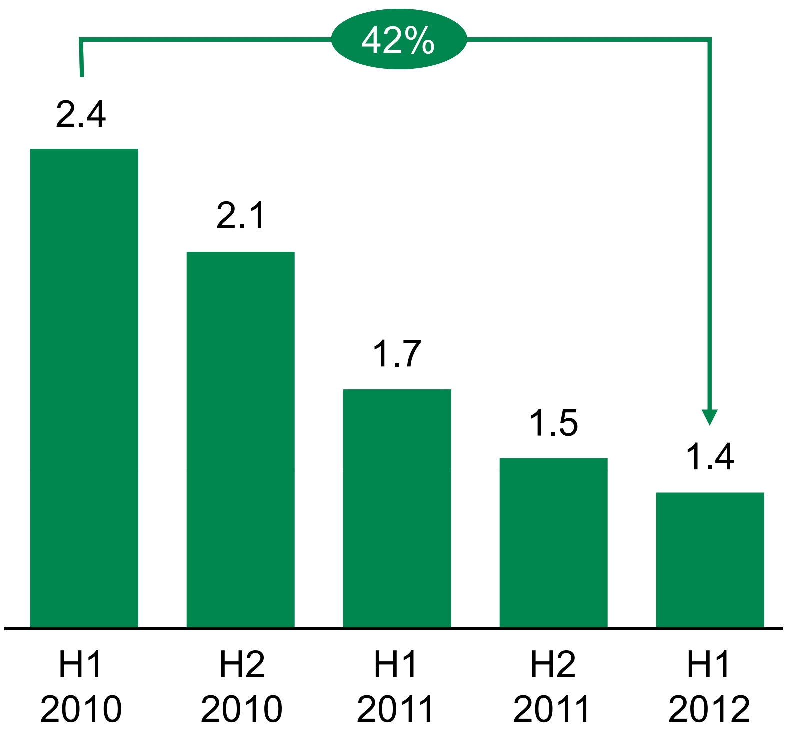
Continued focus on further improving our customer service and advocacy across all brands and channels

[1] Net promoter score – a measure of customers likelihood to recommend our service, percentage change from December 2011 to June 2012.

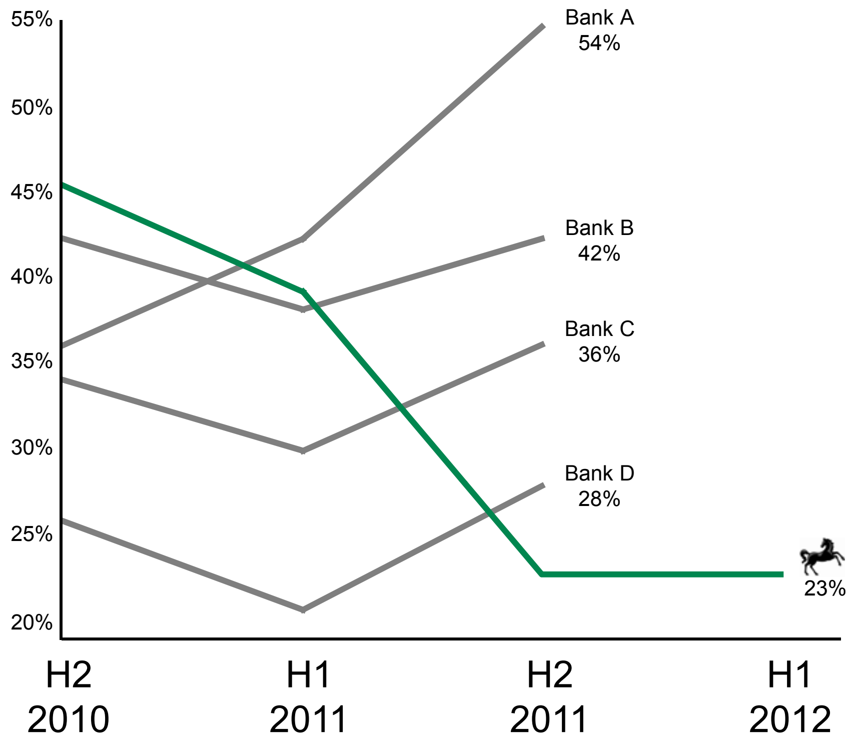
BEST BANK FOR CUSTOMERS
Further good progress on reducing complaints

FSA REPORTABLE COMPLAINTS

BANKING COMPLAINTS PER 1,000 ACCOUNTS[1]



FOS CHANGE RATE[2]



Remain confident in reducing banking complaints to 1.3 per 1,000 accounts in 2012, and 1 per 1,000 in 2014

[1]FSA reportable banking complaints excluding PPI. [2]FOS overturn rate for Banking and Savings.

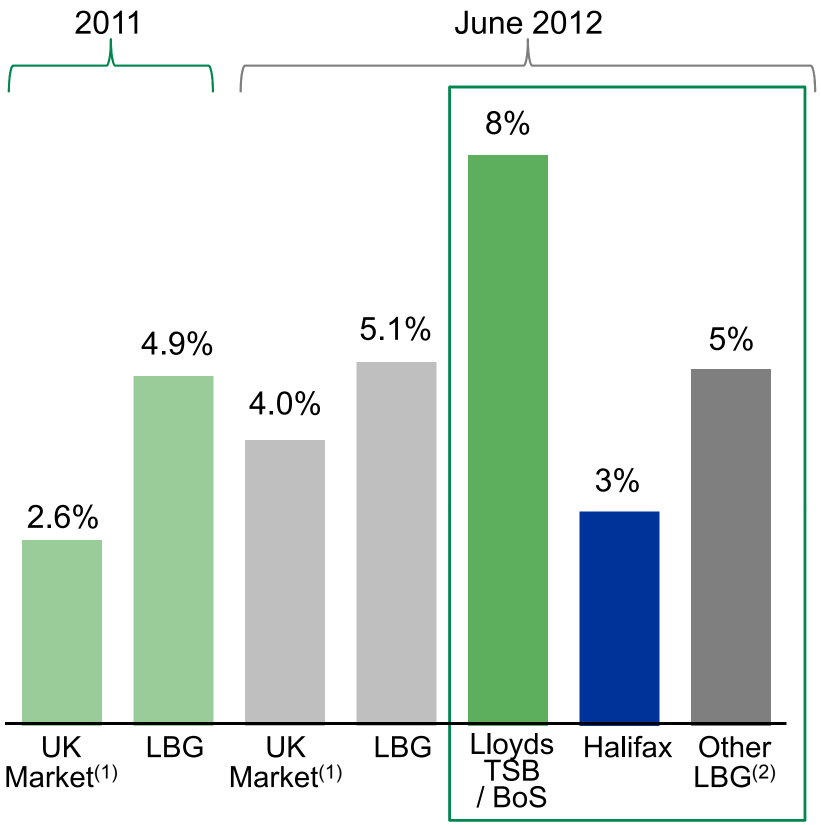
BEST BANK FOR CUSTOMERS

Continued cost-effective growth in customer deposits

LLOYDS BANKING GROUP

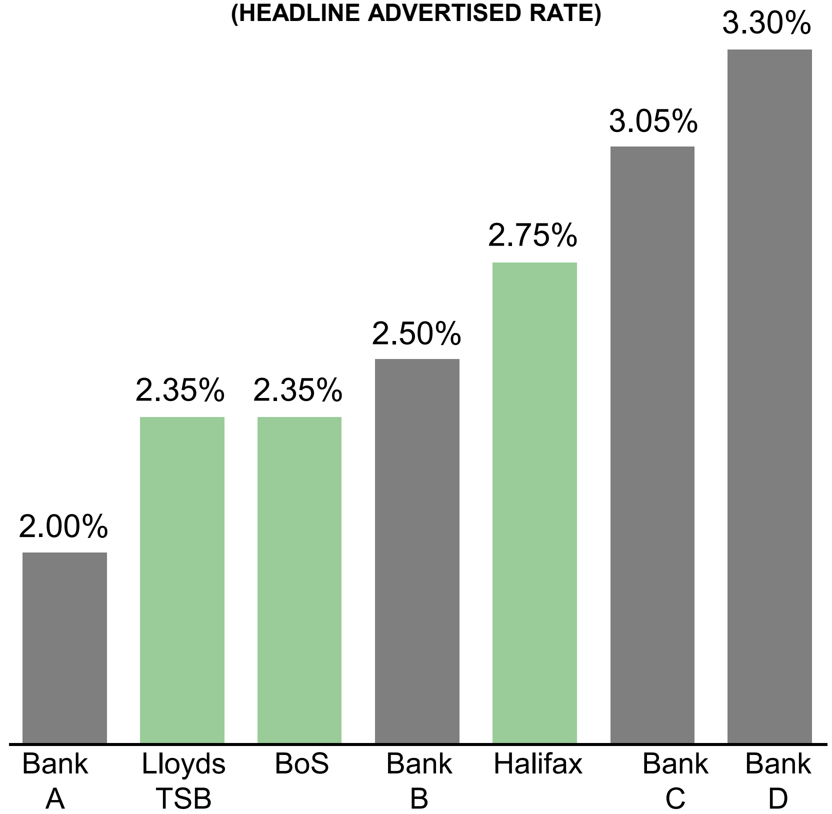
RETAIL DEPOSITS

(YEAR-ON-YEAR GROWTH)



H1 2012 CASH ISAs[3]

(HEADLINE ADVERTISED RATE)



Multi-brand strategy creates optionality

[1]Source: Bank of England, with estimate for June 2012. [2]Other LBG includes Birmingham Midshires, SWB, IF and C&G. [3]Source: MoneyFacts weekly competitor and Deal Time series selected high street banks; variable instant access ISAs; terms and conditions of individual ISAs vary.

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FINANCIAL PERFORMANCE
Resilient underlying business performance

(£m)	GROUP H1 2012	GROUP H1 2011	GROUP Change %	CORE H1 2012	CORE H1 2011	CORE Change %
Net interest income	**5,215**	6,355	(18)%	**4,948**	5,536	(11)%
Other operating income[1]	**4,031**	4,748	(15)%	**3,654**	4,168	(12)%
Underlying income	**9,246**	11,103	(17)%	**8,602**	9,704	(11)%
Total costs	**(5,025)**	(5,332)	6%	**(4,647)**	(4,860)	4%
Impairment	**(3,157)**	(5,422)	42%	**(978)**	(1,636)	40%
Underlying profit	**1,064**	349	205%	**2,977**	3,208	(7)%
Other items						
– Own debt volatility	**(357)**	(250)		**(357)**	(250)	
– Asset and bond sales[2]	**585**	88		**641**	107	
– Other volatile items	**(452)**	(102)		**(452)**	(102)	
– Liability management	**168**	–		**168**	–	
– Fair value unwind	**157**	1,019		**(262)**	(97)	
Management profit	**1,165**	1,104	6%	**2,715**	2,866	(5)%

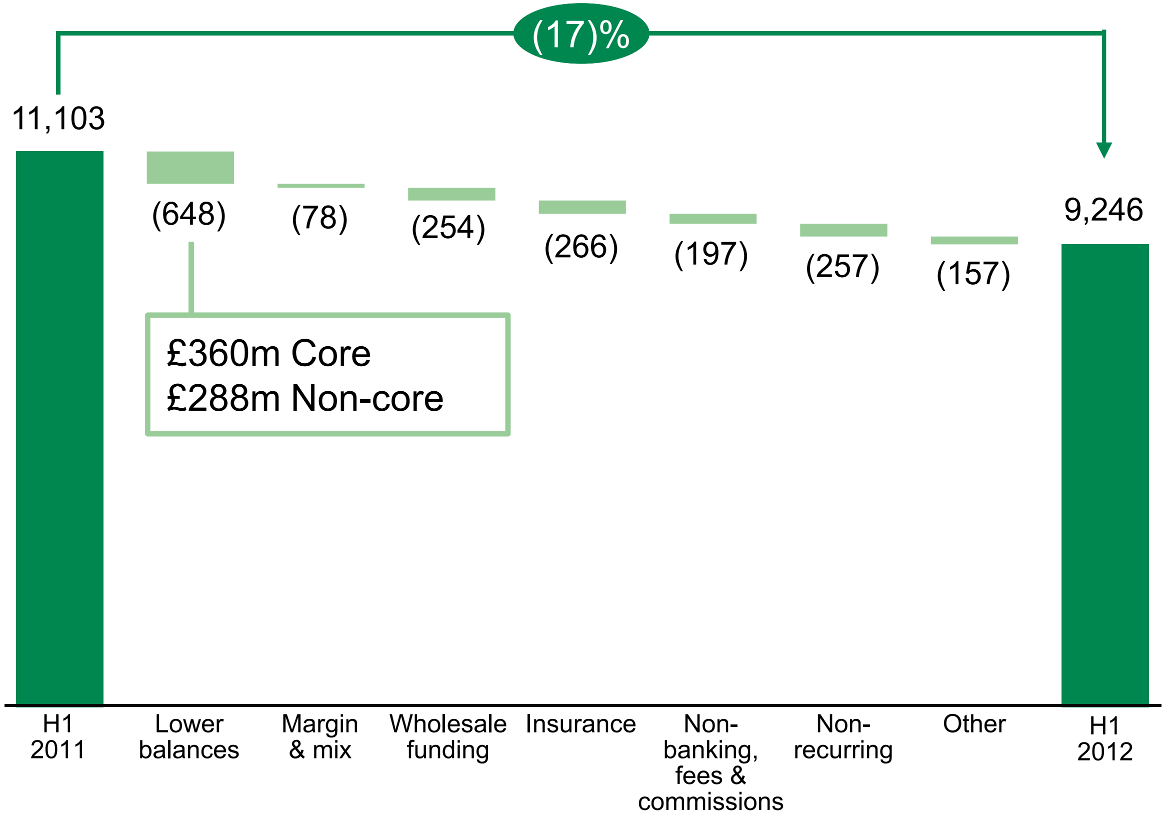
Management actions offsetting subdued environment

[1]Net of insurance claims. [2]Net of associated fair value unwind of £603m in 2012 and £649m in 2011.

INCOME

Income reflects subdued demand, non-core asset reduction and lower margin

GROUP UNDERLYING INCOME[(1)] (£m)



- Lower customer balances and higher wholesale funding costs
- Insurance impacted by economic assumptions and weather
- Non-recurring includes prior year recoveries and write backs

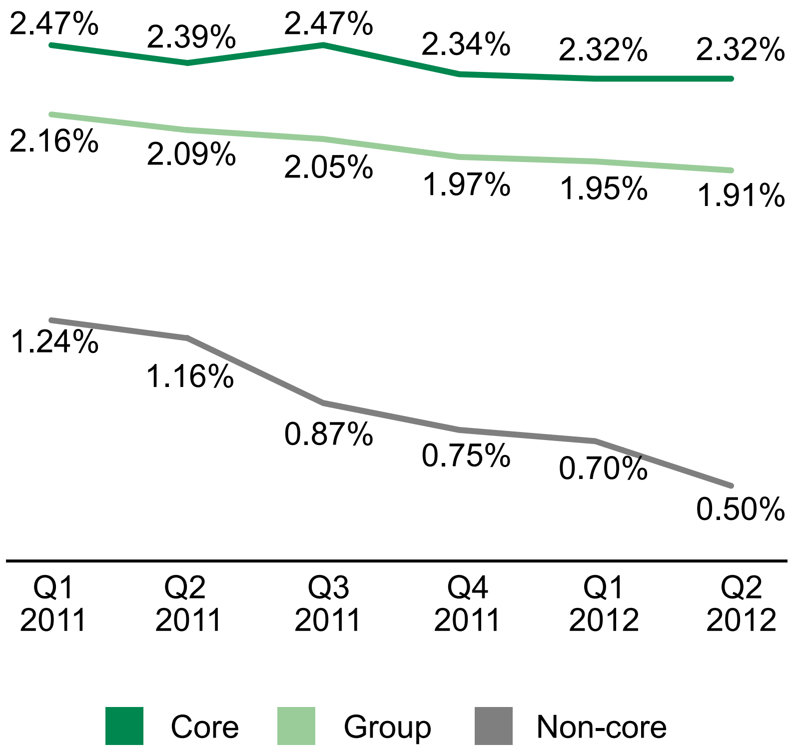
Income will continue to reflect customer deleveraging and higher funding costs

(1) Underlying income net of insurance claims.

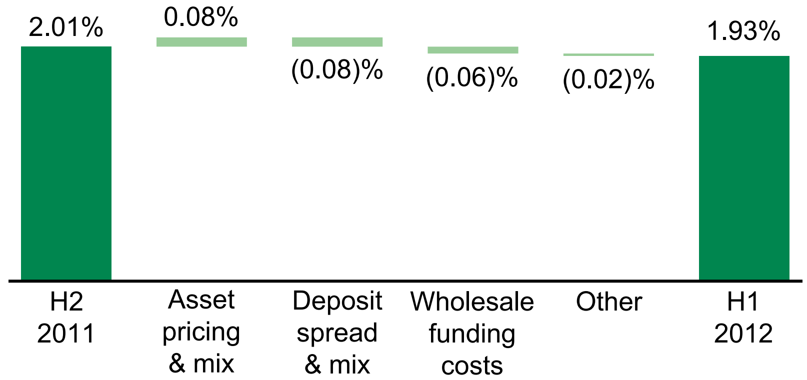
GROUP NET INTEREST MARGIN

Stable core margin

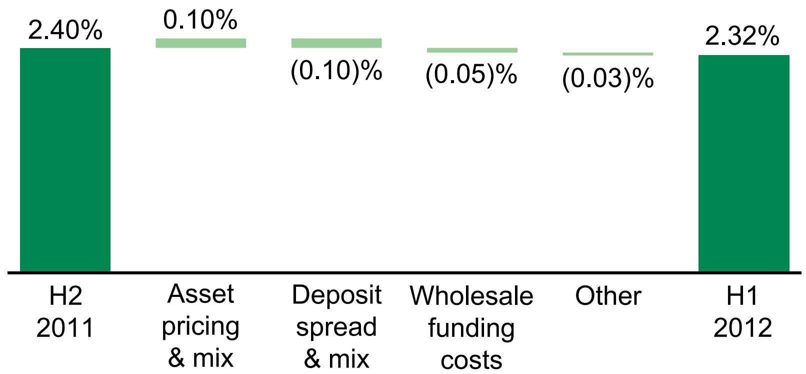
NET INTEREST MARGIN



GROUP MARGINS



CORE MARGINS

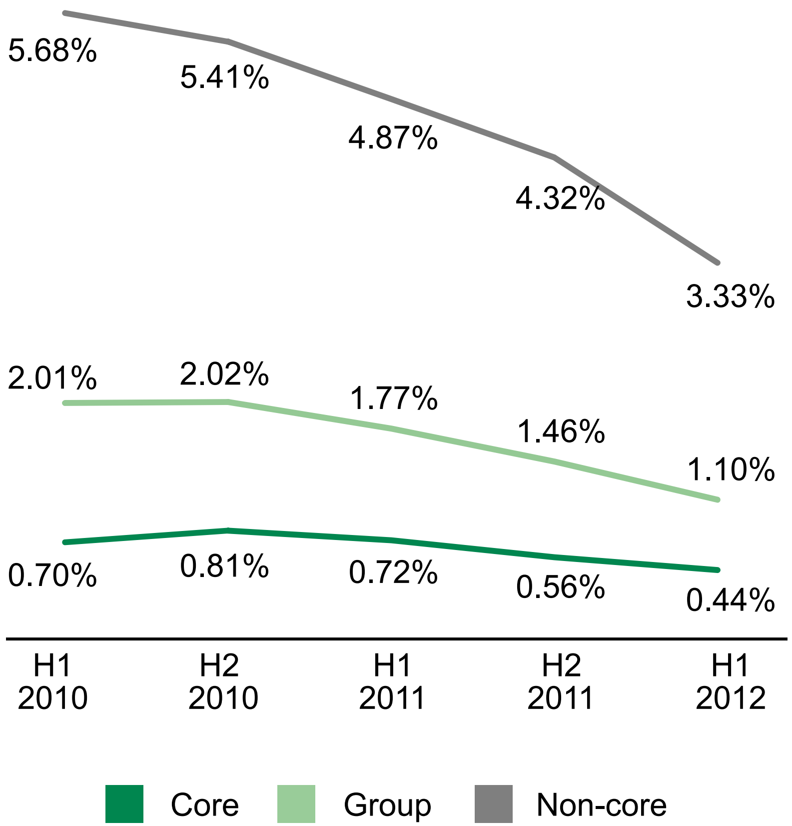


Expect Group margin to stabilise in H2 and full year margin to be in line with guidance of c1.93%

RESHAPING OUR PORTFOLIO

Asset quality improvement as a result of robust risk management

ASSET QUALITY RATIO



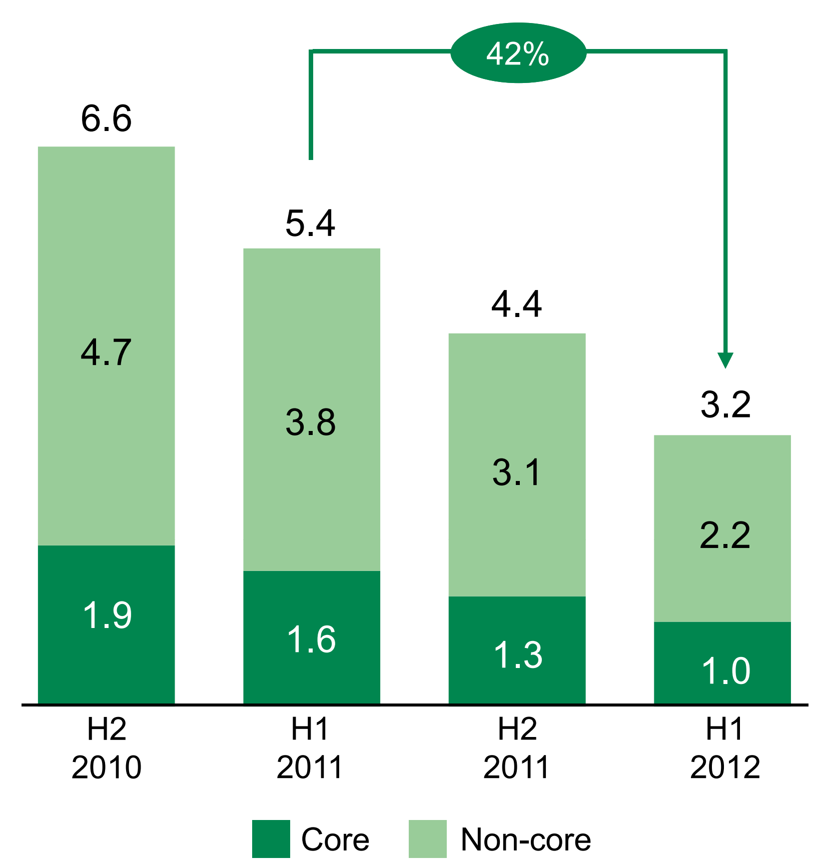
- Overall Group improvement driven by continued good credit experience and reduced non-core assets:
  - Retail: tightened credit policy and ongoing effective portfolio management in the unsecured portfolio
  - Wholesale: lower charges on leveraged acquisition finance exposures
  - Wealth, Asset Finance & International: lower impairment charges in the Group's wholesale Irish and Australasian businesses

Remain confident of attaining Group AQR guidance of 50 – 60bps in 2014

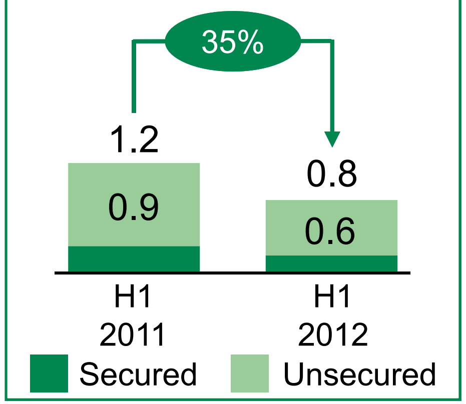
IMPAIRMENT

Improving risk criteria and non-core asset reduction reduce impairment

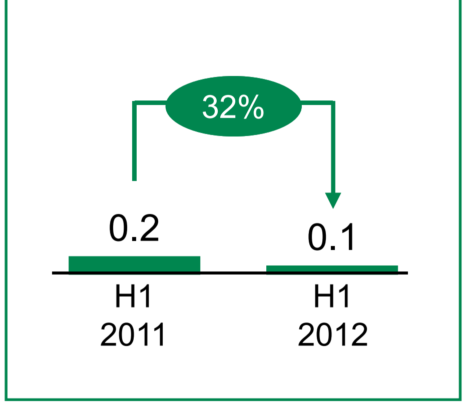
GROUP (£bn)



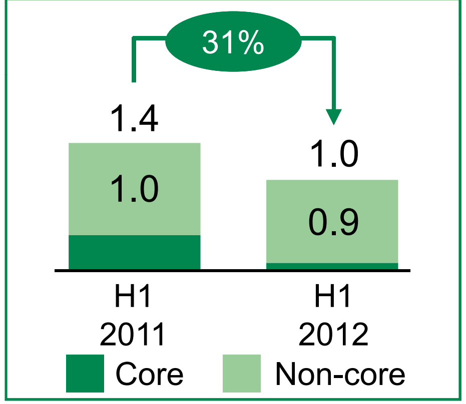
RETAIL (£bn)



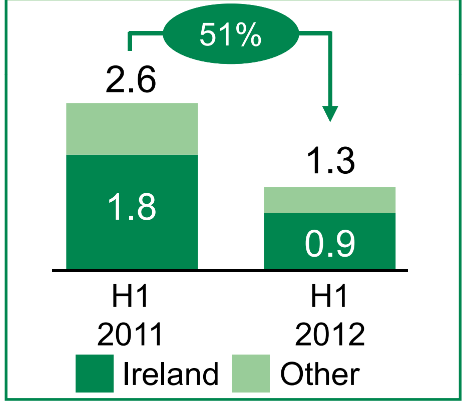
COMMERCIAL (£bn)



WHOLESALE (£bn)



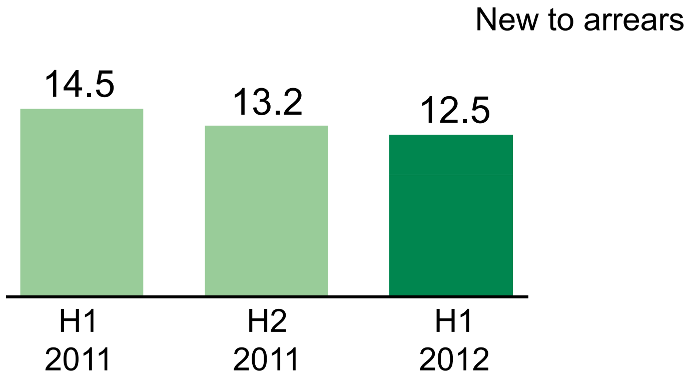
W,AF&I (£bn)



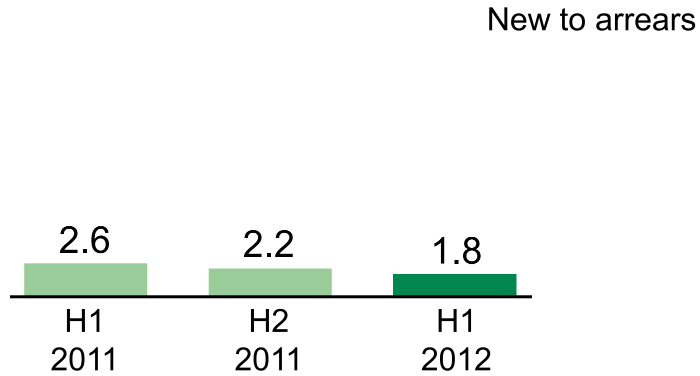
Portfolio trends continue to improve

NEW TO ARREARS AND IMPAIRMENTS
Improving portfolio trends at divisional level

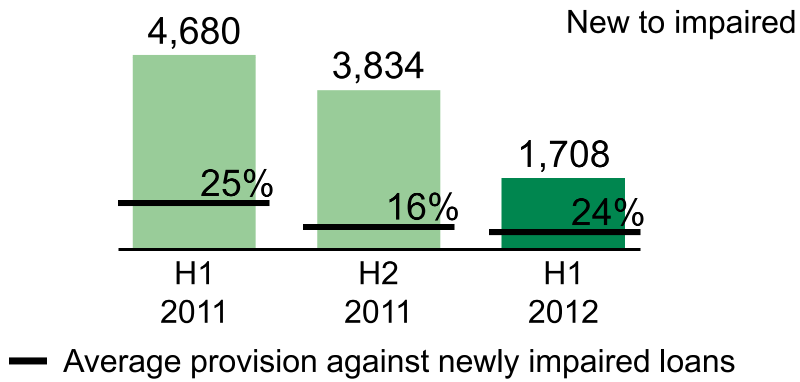
RETAIL SECURED (£bn)



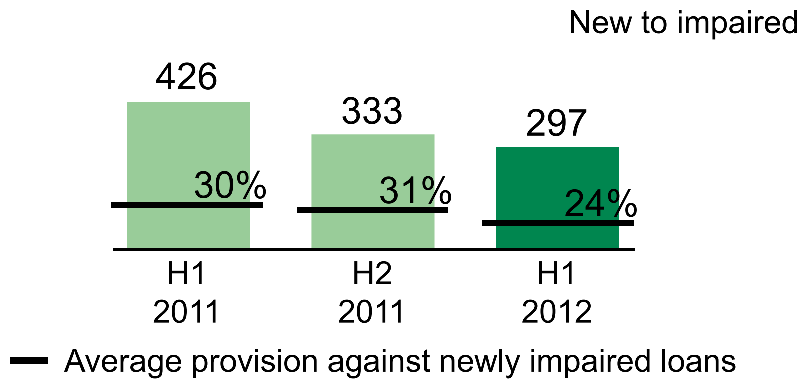
RETAIL UNSECURED (£bn)



WHOLESALE (£m)



COMMERCIAL (£m)



Expect 2012 full year impairment charge to be lower than previous guidance of c£7.2bn

FINANCIAL PERFORMANCE
Statutory reconciliation

(£m)	H1 2012	H1 2011
Management profit	**1,165**	**1,104**
Volatility arising in insurance business	**(24)**	(177)
Integration, Simplification and Verde costs	**(513)**	(689)
Payment protection insurance	**(1,075)**	(3,200)
Past service pension credit	**250**	–
Amortisation of purchased intangibles	**(242)**	(289)
Statutory loss before tax	**(439)**	**(3,251)**
Tax	**(202)**	**973**
Statutory loss after tax	**(641)**	**(2,278)**

KEY MESSAGES

- Simplification costs of £274m with further run-rate savings of £270m
- Verde costs in the first half of £239m
- PPI provision reflects current claims experience and future expectations
- Past service pension credit reflects changes to terms of UK defined benefit pension schemes
- Tax includes impact of changes to UK tax rate and UK policyholder tax

Statutory loss driven by further PPI provision

BALANCE SHEET PROGRESS

Continued risk reduction; key balance sheet ratios improved

GROUP (£bn)	Jun 2012	Mar 2012	Dec 2011	Change % Jun/Dec
ASSETS				
Loans and advances[1]	**529**	536	549	(4)%
–Core loans and advances[1]	**429**	430	437	(2)%
Risk-weighted assets	**333**	346	352	(6)%
–Core RWA's	**239**	242	244	(2)%
Non-core assets	**118**	128	141	(16)%
Primary liquid assets	**105**	106	95	11%
LIABILITIES				
Customer deposits[1]	**419**	412	406	3%
Wholesale funding	**214**	231	251	(15)%
<1yr wholesale funding	**73**	91	113	(35)%
Loan to deposit ratio[2]	**126%**	130%	135%	(9)%

(£bn)	2012 MOVEMENTS		
	Q1	Q2	Total
Deposit growth	6	7	13
Lower core loans and advances	7	1	8
Non-core reduction	13	10	23
LTRO	11	–	11
	37	**18**	**55**
Reduced wholesale funding	(20)	(17)	(37)
Liquid asset build	(11)	1	(10)
	(31)	**(16)**	**(47)**
Other movements	**(6)**	**(2)**	**(8)**

Expect to further strengthen balance sheet in remainder of 2012

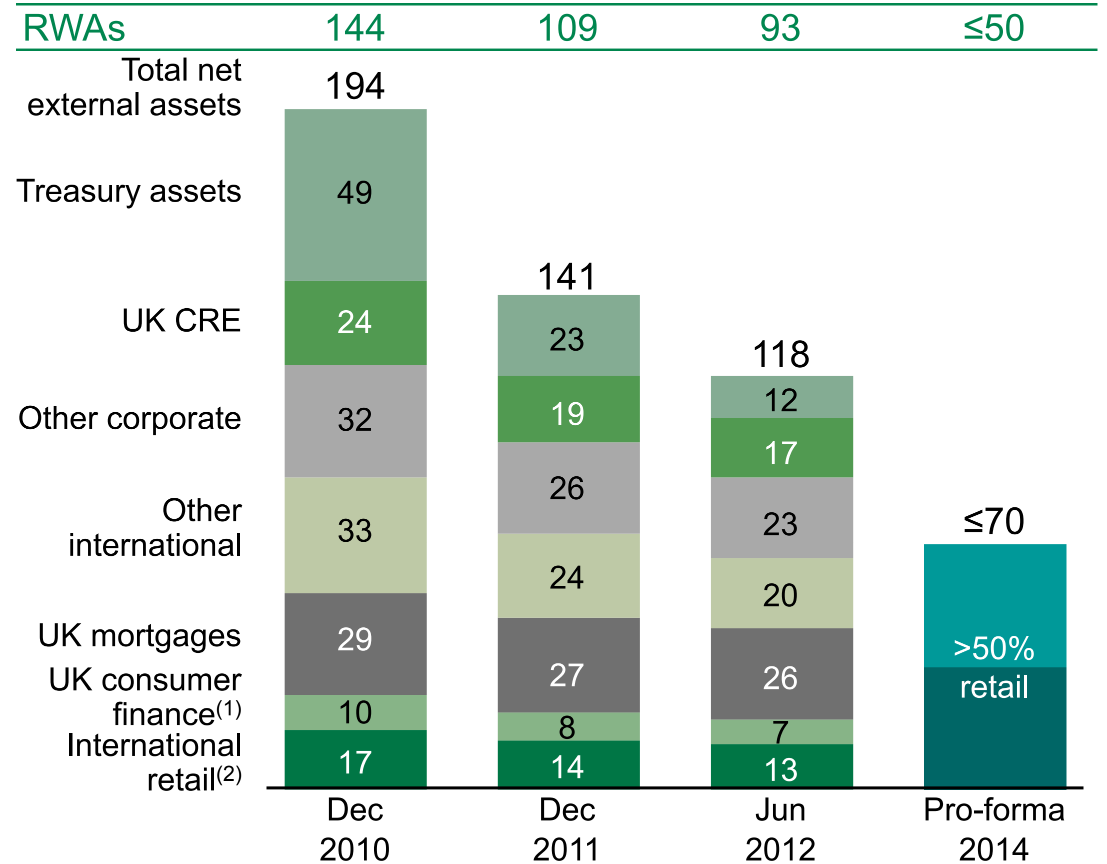
[1]Excludes repos and reverse repos. [2]Loans and advances to customers (excluding reverse repos) divided by customer deposits (excluding repos).

NON-CORE REDUCTIONS

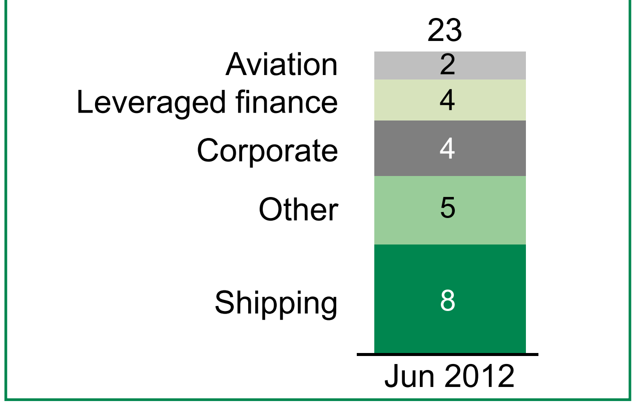
Continued disciplined portfolio and risk reductions

LLOYDS BANKING GROUP

NON-CORE PORTFOLIO (£bn)



OTHER CORPORATE (£bn)



OTHER INTERNATIONAL (£bn)

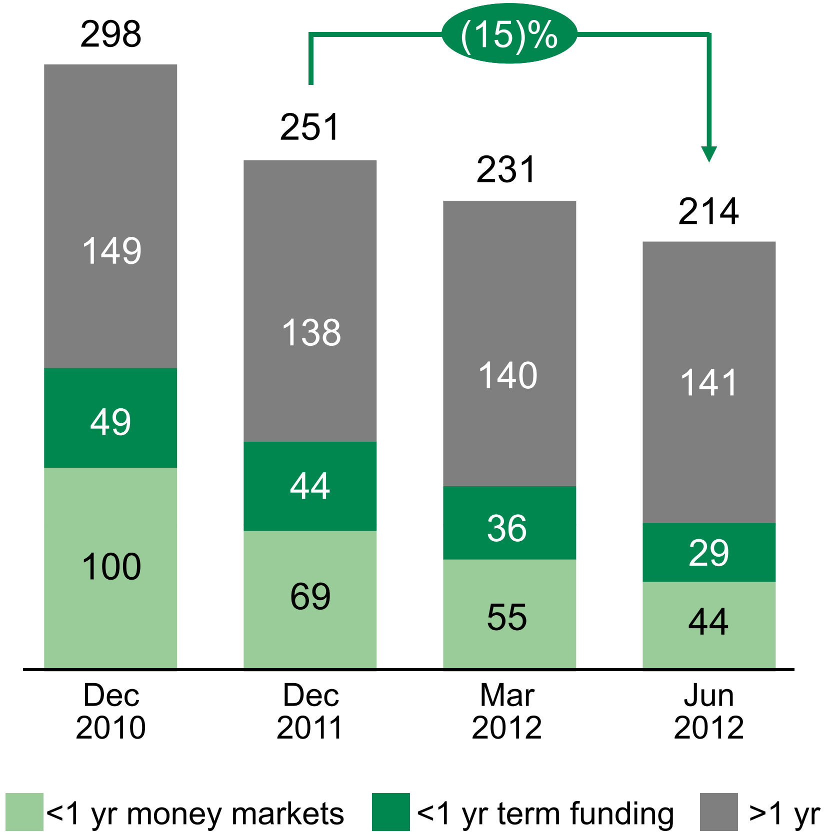
Expect non-core assets to be ≤£70bn in 2014 with >50% in retail assets

(1) Asset finance included in UK consumer finance. (2) International retail includes Spanish, Dutch & Irish mortgages.
(3) Australia split assumed to be 50:50 corporate & consumer finance.

WHOLESALE FUNDING

Lower wholesale funding due to non-core reduction and strong deposit growth

WHOLESALE FUNDING MATURITY PROFILE (£bn)

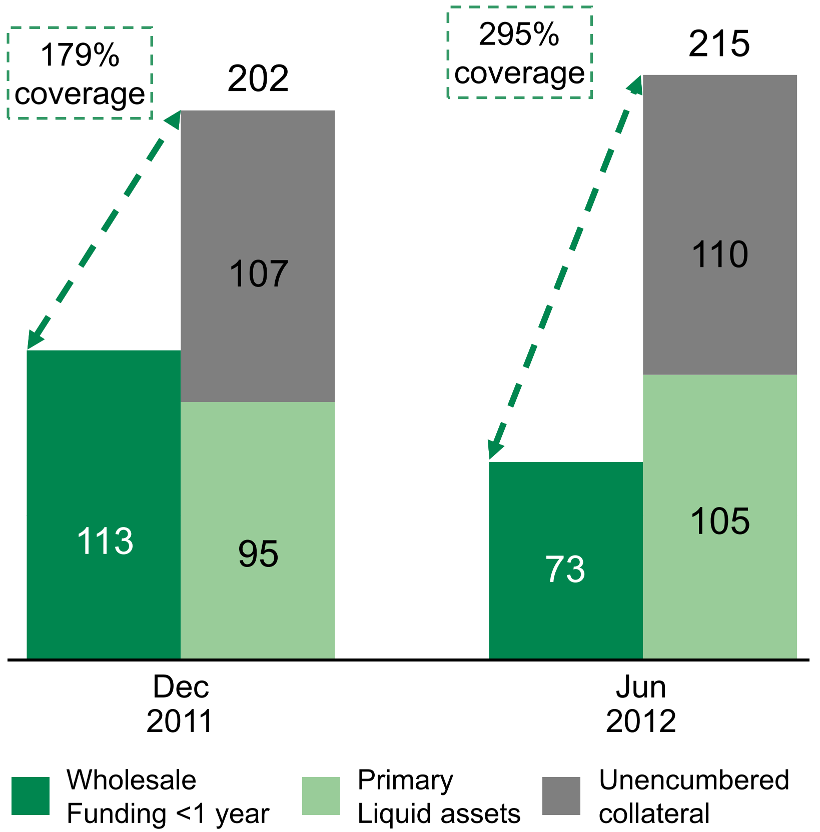


- Overall wholesale funding requirement reduced by £37bn in the first half
- Short-term wholesale funding now reduced to £73bn from £149bn in December 2010
- <1yr money markets funding now 21% of total wholesale funding, down from 34% at the end of 2010
- Term wholesale funding requirement for 2012 completed by end of April
- £18.6bn reduction in use of legacy Credit Guarantee Scheme with £4.9bn outstanding

Expect lower funding requirement and short term money market usage going forward

LIQUIDITY
Strong liquid asset positions provide future flexibility

PRIMARY AND SECONDARY LIQUIDITY (£bn)

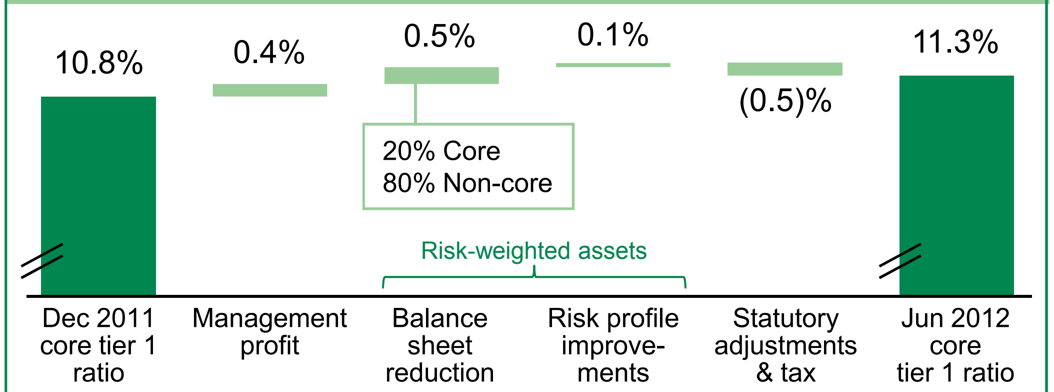


- Strong primary liquidity in excess of short-term funding requirement
- Total liquidity covers short-term funding requirement by nearly 3 times
- Strong liquidity position and Moody's re-ratings outcome.
- Tender for senior unsecured funding, with £4.6bn repurchased

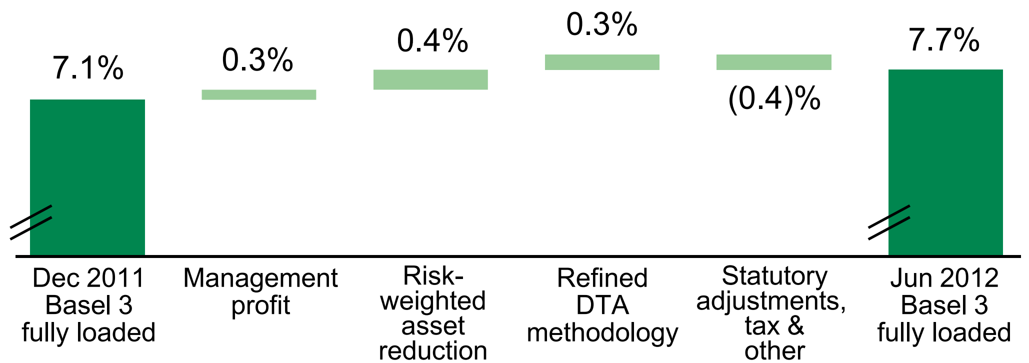
Strong liquidity coverage provides optionality

CAPITAL
Strong capital position

CORE TIER 1 RATIO



'FULLY LOADED' BASEL 3 CORE TIER 1 RATIO



- Core tier 1 ratio improved to 11.3% and 'fully loaded' Basel 3 core tier 1 ratio increased to 7.7%
- Improvements driven by:
  - Management profits
  - RWA reductions through run-off of non-core assets
  - offset by statutory adjustments
- The Basel 3 fully loaded ratio also benefited from refinement of DTA methodology
- CRD IV remains subject to agreement with material changes still to be decided

Capital ratios continue to improve ahead of regulatory requirements

AGENDA

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

H1 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

H1 2012 TOTAL COSTS

Total costs reduced 6% H1 2012 vs. H1 2011

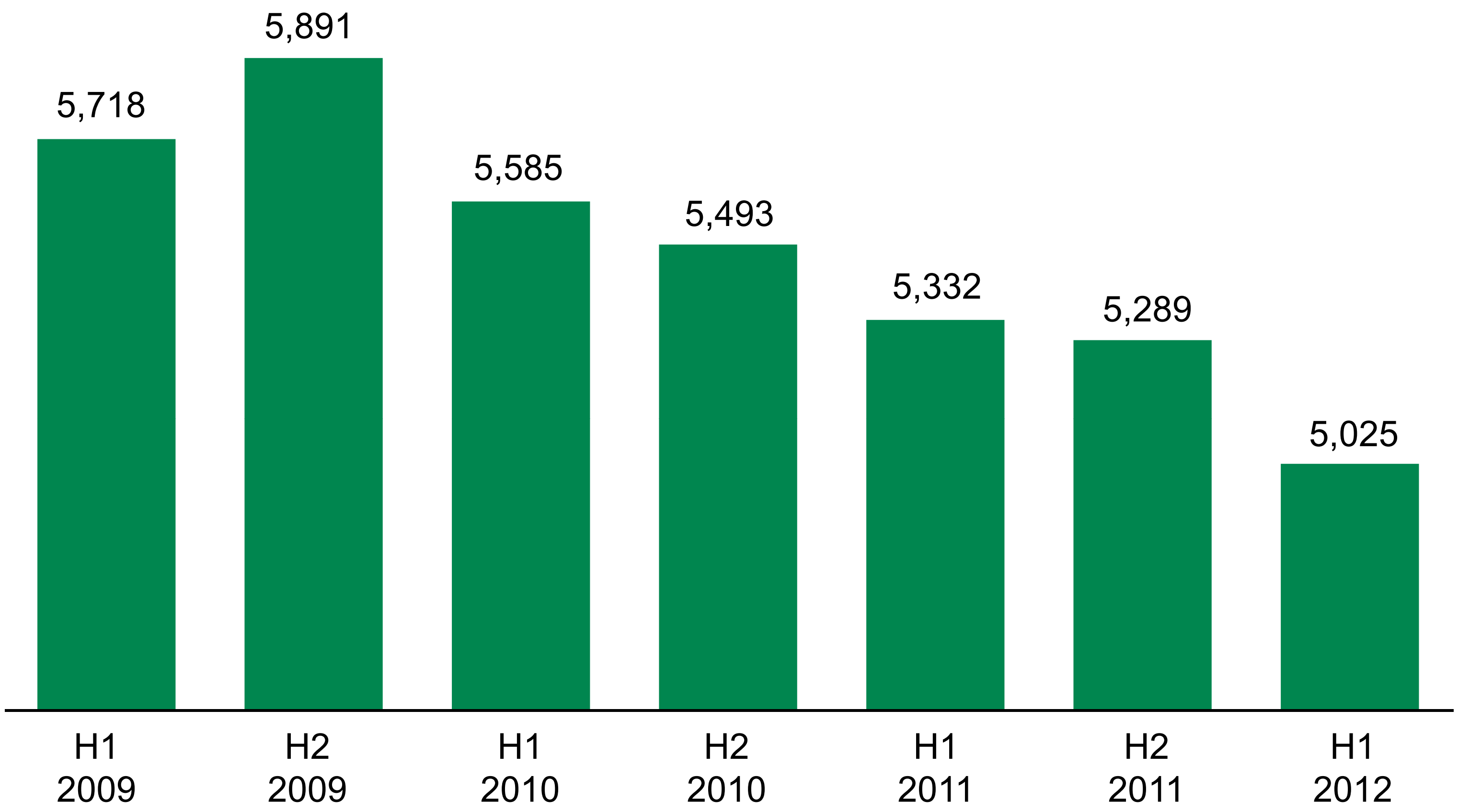
LLOYDS BANKING GROUP

TOTAL COSTS (£m)	H1 2012	H1 2011	Change %	H2 2011
Total costs	**5,025**	5,332	6%	5,289
Simplification savings annual run rate	**512**	–	–	242
Simplification investment costs	**274**	–	–	185

TOTAL COSTS – TREND 2009 TO 2012

Good momentum in cost reduction

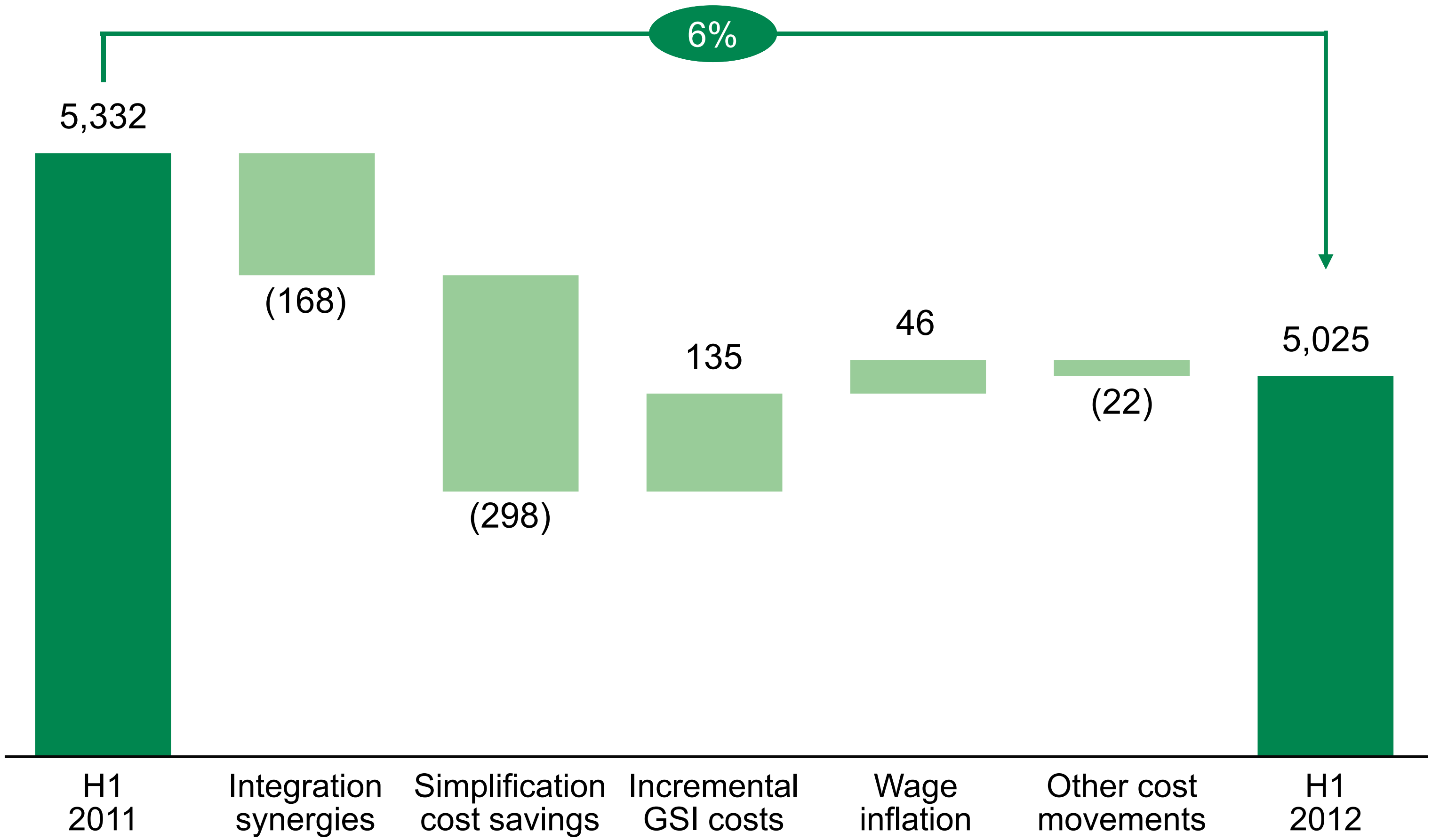
TOTAL COSTS (£m)



TOTAL COSTS – H1 2011 TO H1 2012

Simplification and remaining integration synergies drive a cost reduction of £307m (6%) from H1 2011

TOTAL COSTS (£m)



SIMPLIFICATION ON TRACK
Strong progress in first half of 2012

- £512m annual run rate savings
- 4,555 FTE reductions announced YTD and 6,653 cumulative
- Over half FTE reductions through natural attrition, management of existing vacancies and redeployment
- Number of suppliers now reduced from c18,000 to <14,000
- Simplifying the business continues…….
  – Commenced Group Operations site consolidation from 27 to 15
  – Centralised talent management and training teams into Group HR
  – Group Finance shared service model extended
  – Global IT delivery model extended

BENEFITS FOR CUSTOMERS BEING DELIVERED

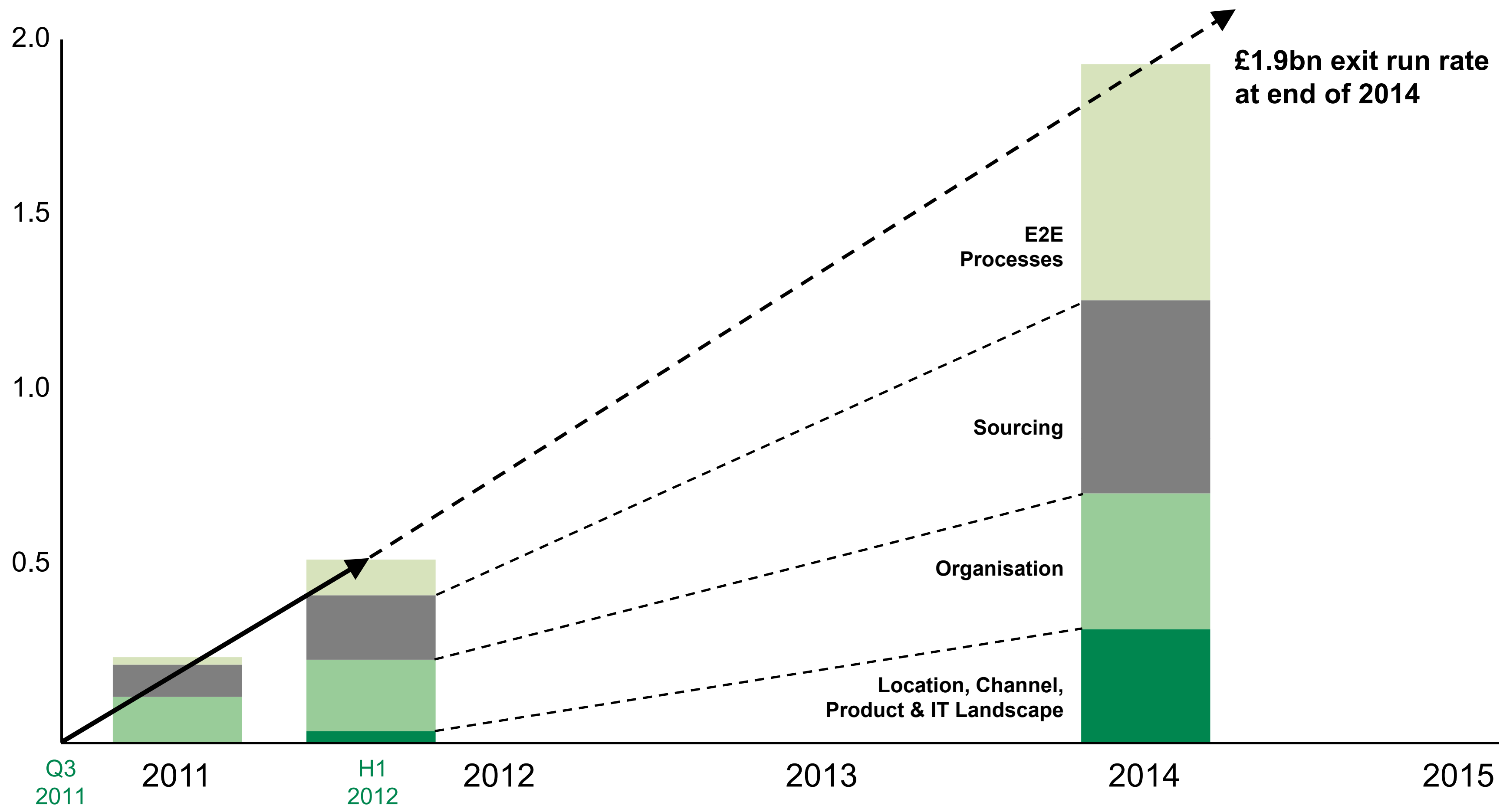
Simplification is improving the customer experience, examples include

Switchers (Account Transfer)	▪ 100,000+ account transfers since launch in April ▪ Error rates reduced by two-thirds
ISA / Fixed Term Deposits	▪ 69% higher tax year end volumes managed successfully ▪ Ability to reinvest funds online
Commercial Lending	▪ More efficient, higher quality credit sanctioning and securities process ▪ Customers receive funds 45% quicker on agreed secured loans
General Insurance Claims Management (Escape of water)	▪ Customer claims handled by a dedicated advisor ▪ Up to 40% reduction in follow-up calls; 30% faster settlement time
Internet Banking	▪ Peak of 4.2 million internet banking log-ons on 30 April ▪ c25% Internet Banking log-ons via mobile / tablet, with 2.5 million active users

SIMPLIFICATION COST SAVINGS

Good pipeline of early deliverables in first year of programme

SIMPLIFICATION RUN RATE SAVINGS (£bn)



AGENDA

LLOYDS BANKING GROUP

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

SUMMARY

Continued reshaping of the balance sheet and risk reduction together with resilient business performance

- **Continued progress in strategy implementation**
  - Balance sheet further strengthened and risk reduced
  - Resilient earnings in challenging environment
  - Strengthened management team working well
  - Continue to work through legacy issues
  - Agreement with the Co-op on Verde and affirmation of Moody's short-term ratings
- **Guidance reaffirmed or improved**
  - 2012 NIM guidance reaffirmed while impairment charge expected to be lower than original guidance
  - Expect achievement of long-term loan to deposit ratio target of 120% by early 2013
  - Non-core assets expected to reduce to below £70bn by end 2014 when separate reporting will cease

We remain confident of delivering our medium-term financial targets

OUTLOOK

Our strategy and operating model positions us well to deliver in the new external environment

- **The operating environment remains challenging**
  - The outlook for the UK economy remains uncertain
  - Deleveraging will continue and interest rates likely to remain lower for longer
  - Regulatory costs are increasing
  - A number of sector issues remain unresolved and restoring trust will take time
- **We welcome recent policy changes**
  - Well positioned for Banking Reform – business model well aligned with ring fencing goals
  - FPC growth objective/funding for lending scheme
- **Reinforces our belief in our simple, customer focused, UK retail and commercial banking model**

Well on track to create leadership cost position and lower risk premium over time which will deliver strong and sustainable returns

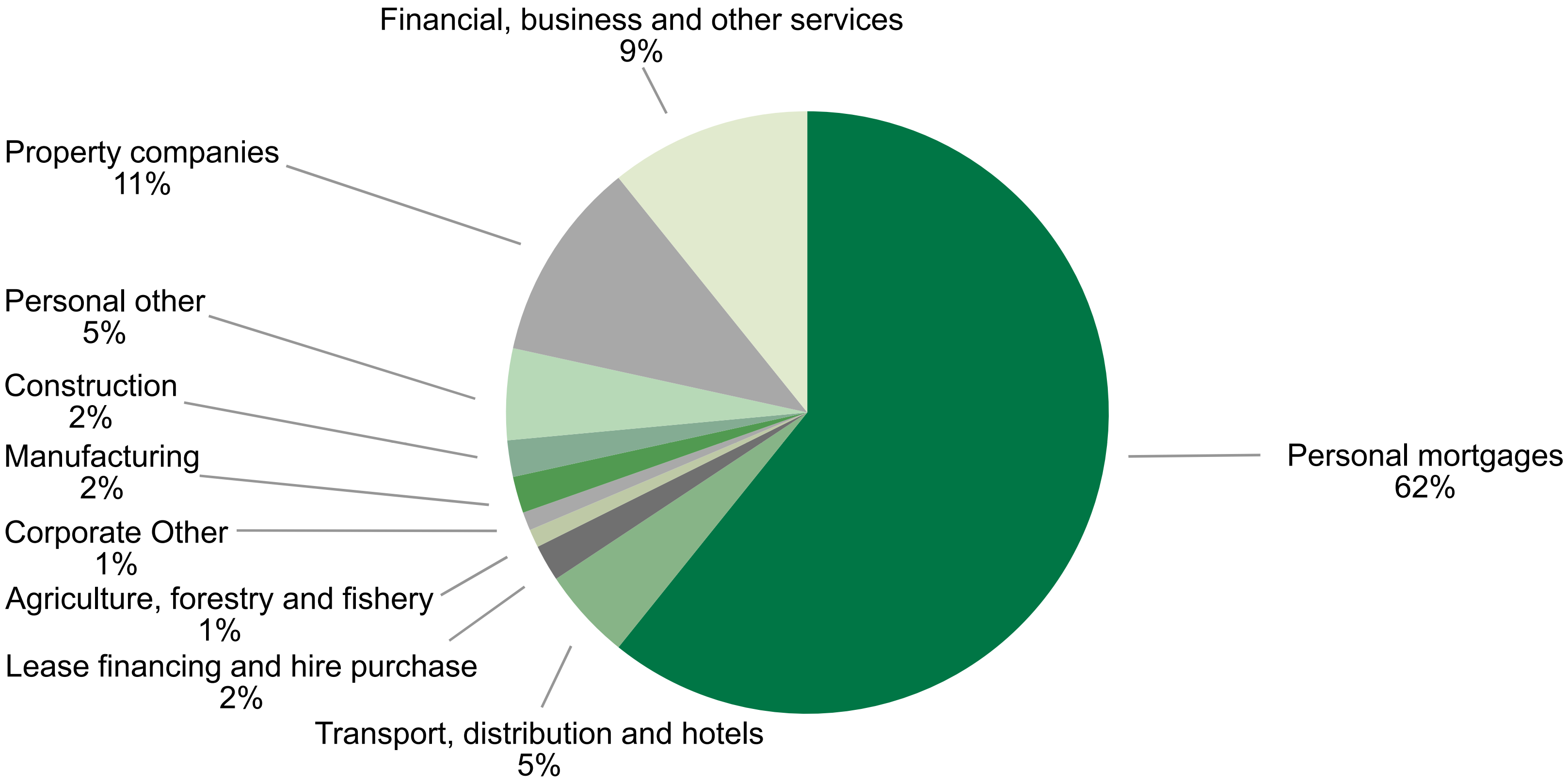
QUESTIONS & ANSWERS

APPENDIX

LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS £552.4bn[(1)]

30 Jun 2012



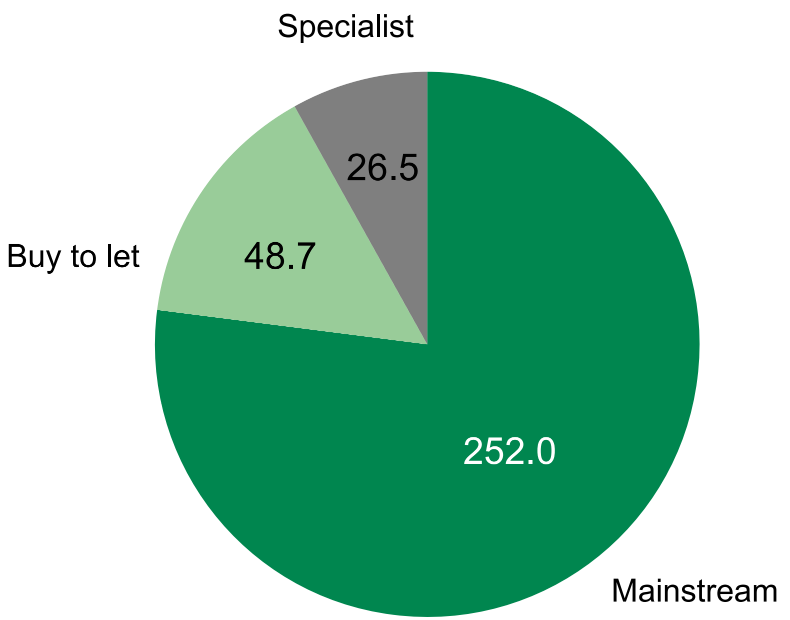
(1)Before allowance for impairment losses.

MORTGAGE NEW BUSINESS DISTRIBUTION

LLOYDS BANKING GROUP

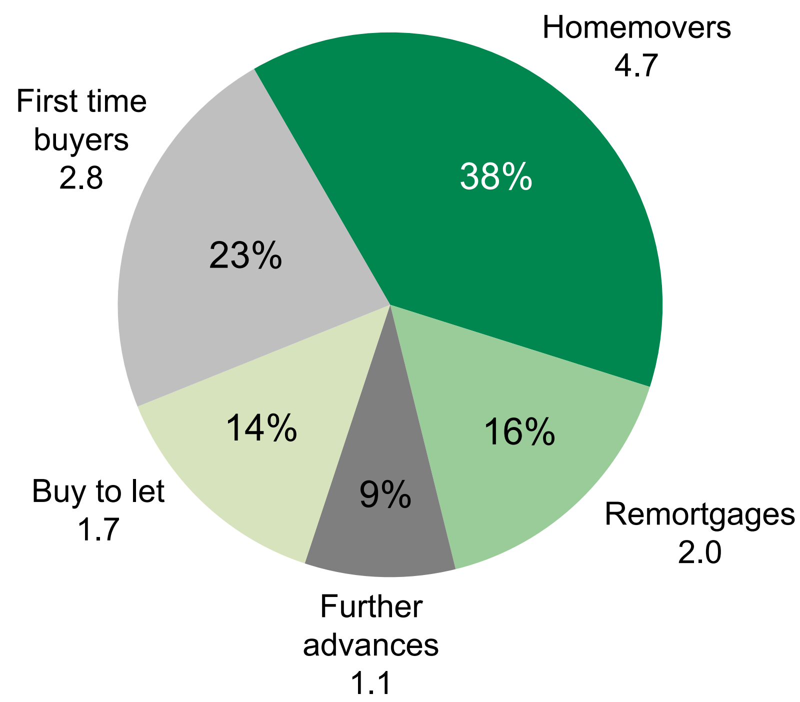
UK MORTGAGE PORTFOLIO £327.2bn[1]

30 Jun 2012



NEW BUSINESS £12.3bn

6 months to 30 June 2012



[1]Before allowance for impairment losses and fair value adjustments.

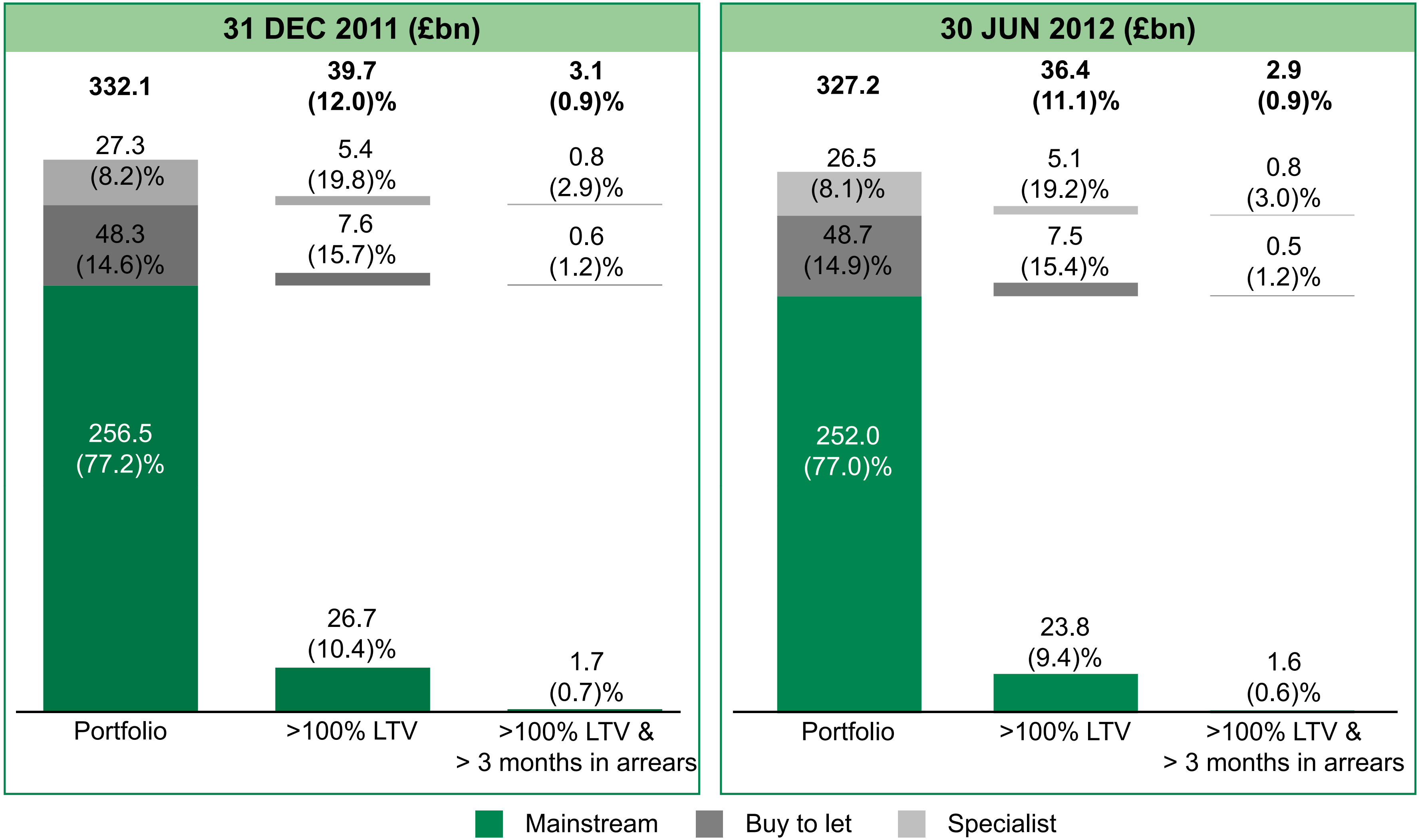
MORTGAGE PORTFOLIO LTVs

	Mainstream	Buy to let	Specialist	Total
Average LTVs	52.1%	73.5%	72.2%	55.7%
New business LTVs	62.0%	63.9%	n/a	62.3%
≤80% LTV	63.6%	52.1%	42.3%	60.1%
>80–90% LTV	16.4%	16.3%	19.9%	16.7%
>90–100% LTV	10.6%	16.4%	18.5%	12.1%
>100% LTV	9.4%	15.2%	19.3%	11.1%
Value >100% LTV	£23.8bn	£7.5bn	£5.1bn	£36.4bn

Indexed by value at 30 June 2012. Specialist lending is closed to new business.

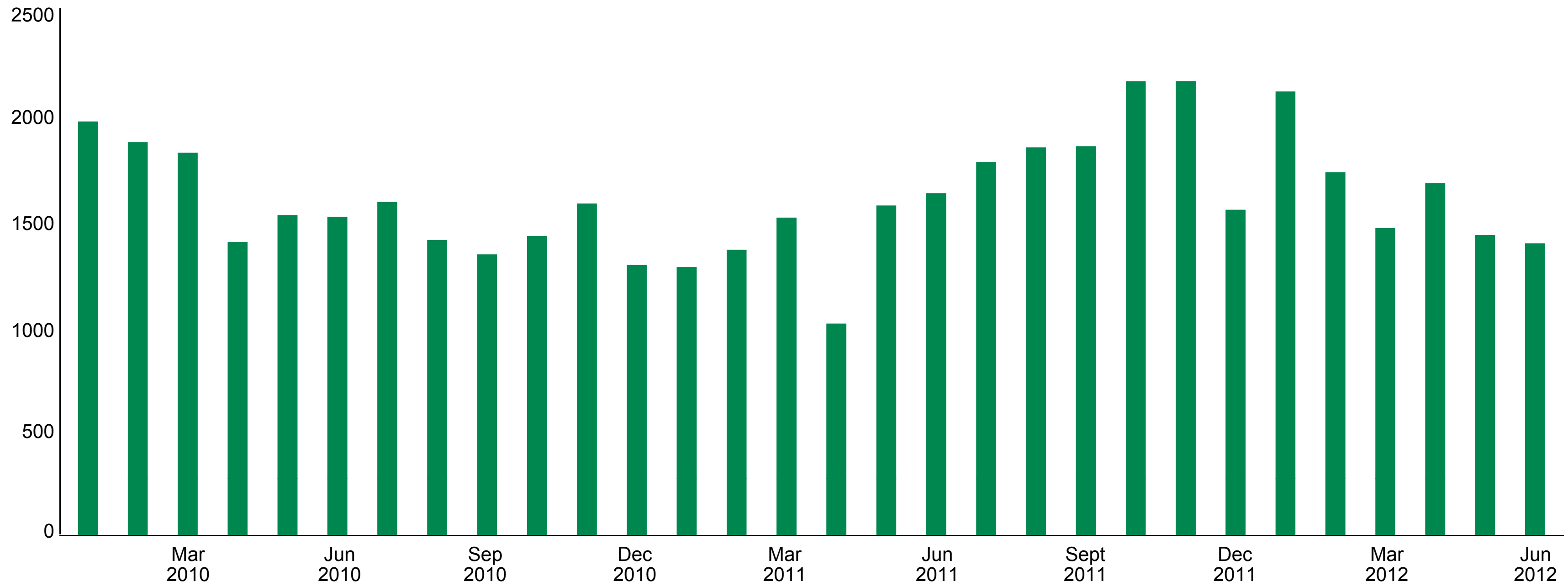
UK MORTGAGE PORTFOLIO

Books performing satisfactorily with stable profiles



UK MORTGAGE FORBEARANCE
Stable forbearance activity

CUSTOMERS NEW TO FORBEARANCE



- Based on the UK Secured June 2012 numbers, payment assistance breaks and term extensions offered to customers in financial distress are not material as a percentage of treatments offered

Forbearance only applies to 1.1% of the portfolio, is well controlled and adequately provided for

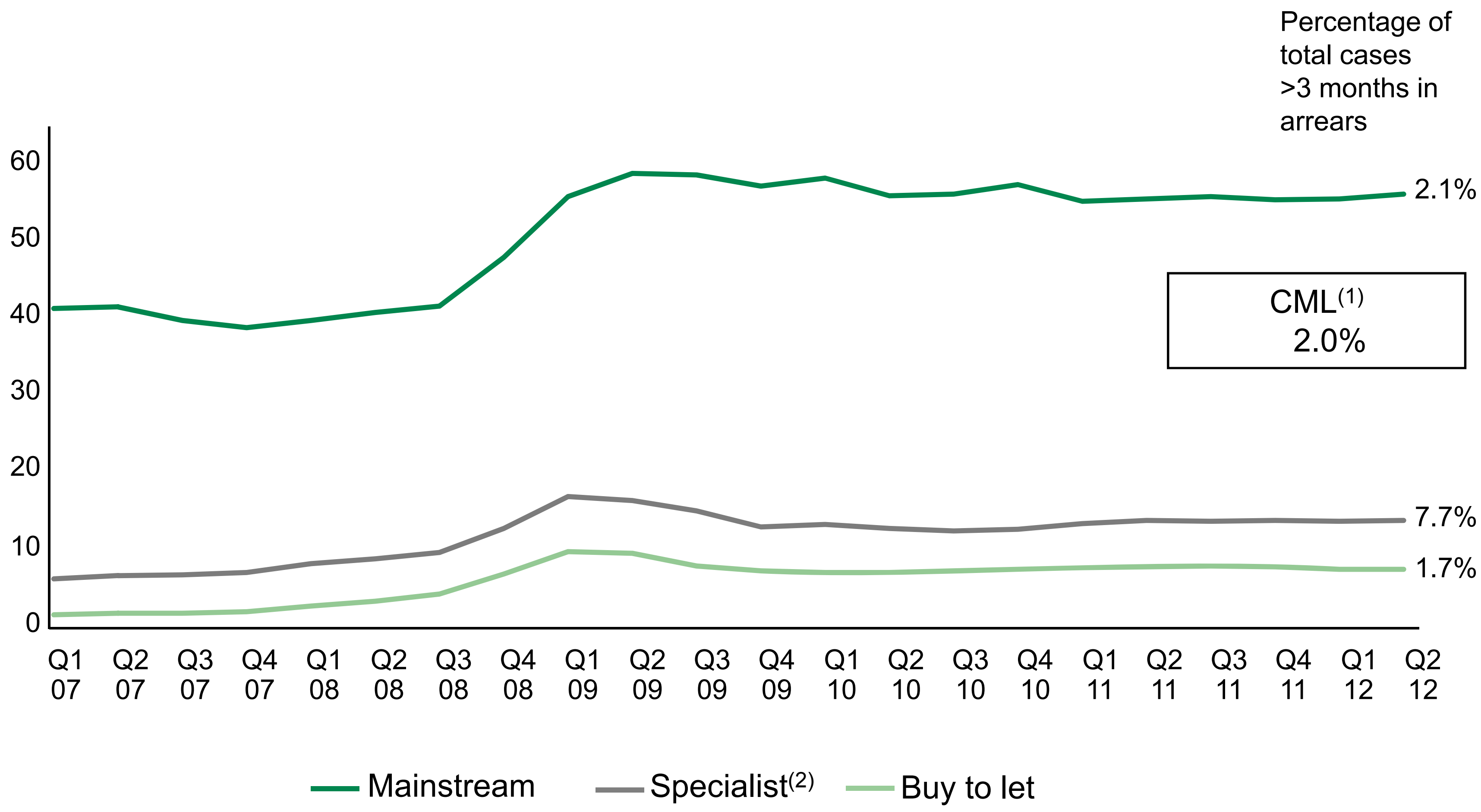
UK MORTGAGE PORTFOLIO IMPAIRMENT COVERAGE

UK MORTGAGES	JUN 2012	JUN 2011
Loans and advances to customers (gross) (1)	£327bn	£336bn
Impaired loans	£6.4bn	£6.7bn
Impaired loans as % of closing advances	1.9%	2.0%
Impairment provisions	£1.6bn	£1.7bn
Impairment provisions as % of impaired loans	25.5%	25.3%

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

MORTGAGE PORTFOLIO TRENDS

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

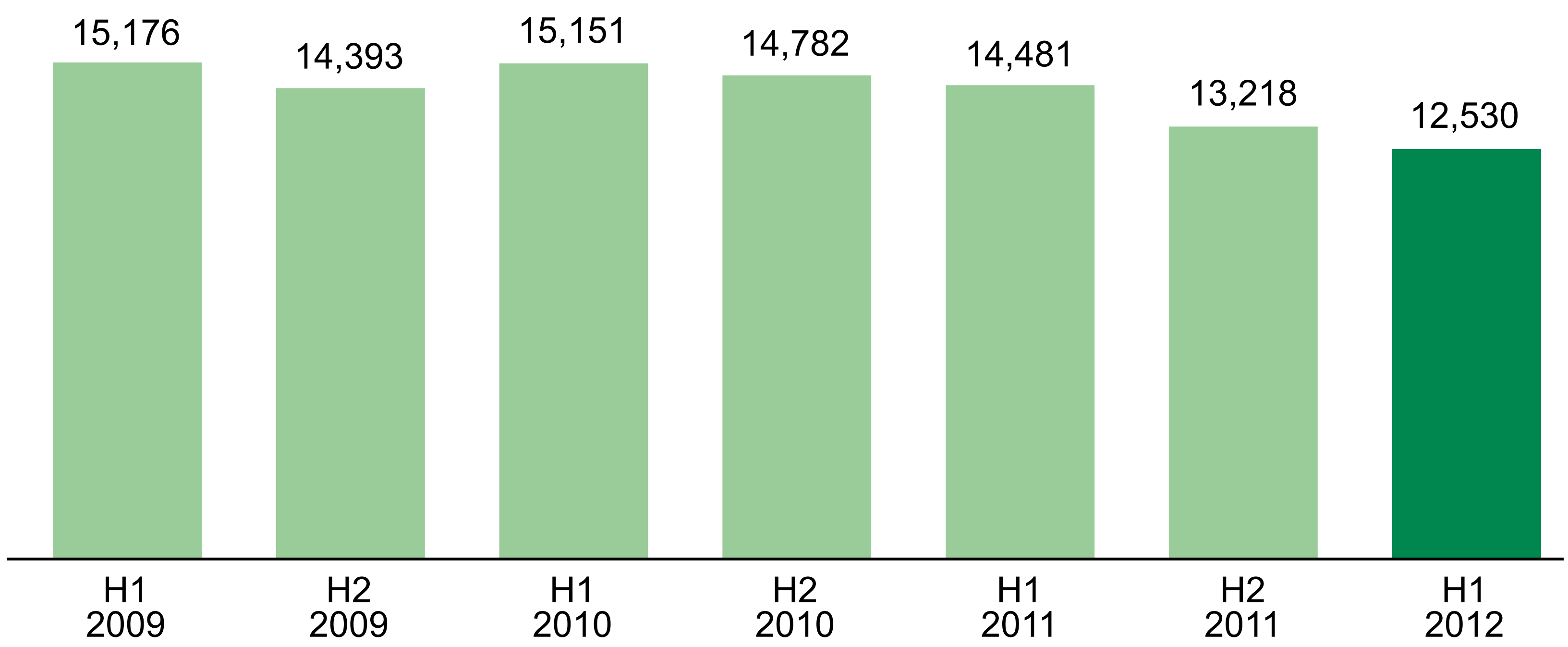


[1]Source: Council of Mortgage Lenders Q1 2012. [2]This book has been closed to new business since 2009.

TREND IN MORTGAGE PORTFOLIO ARREARS

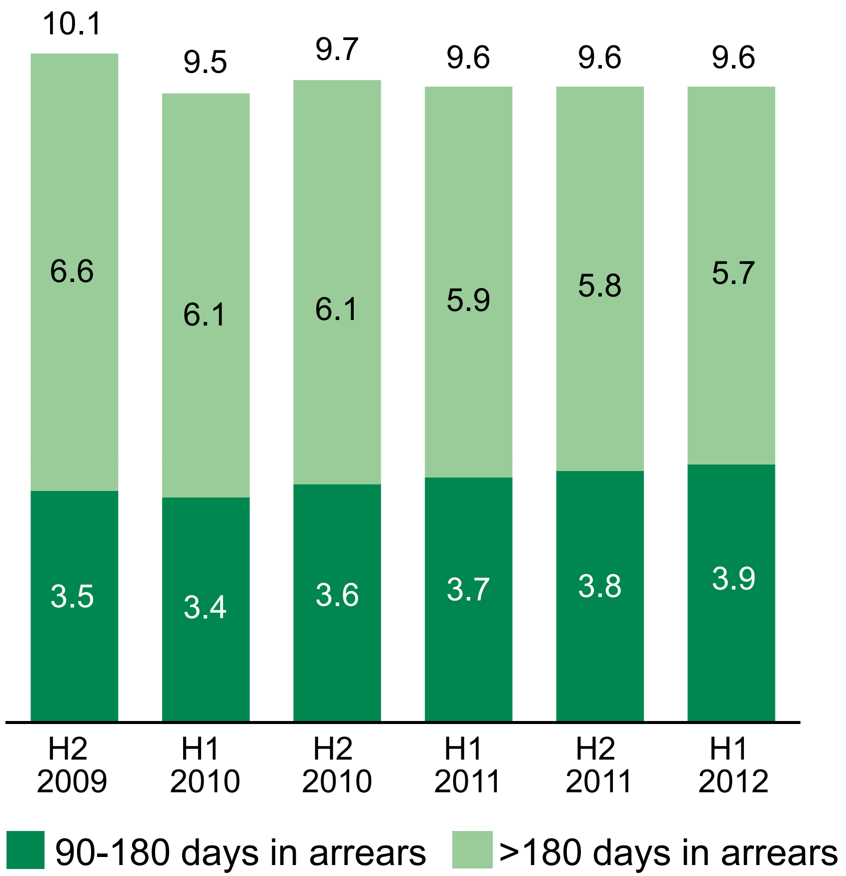
LLOYDS BANKING GROUP

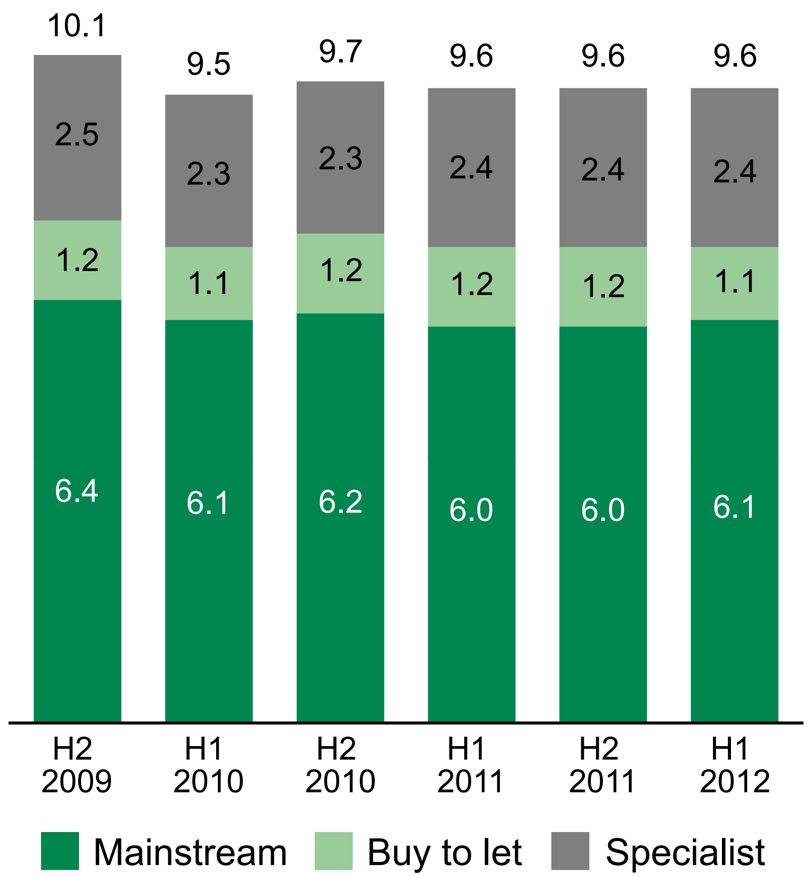
CUSTOMERS NEW TO ARREARS (VALUE £m)



SECURED ARREARS STABLE

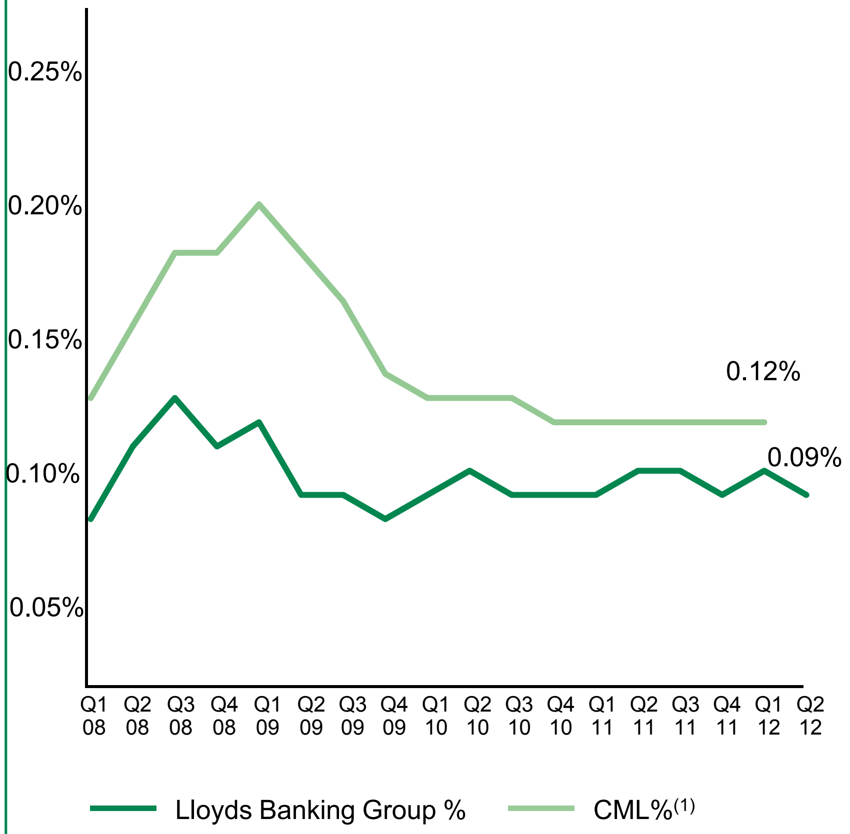
MORTGAGE CASES >90 DAYS IN ARREARS (£bn) (EXCL. REPOSSESSIONS)



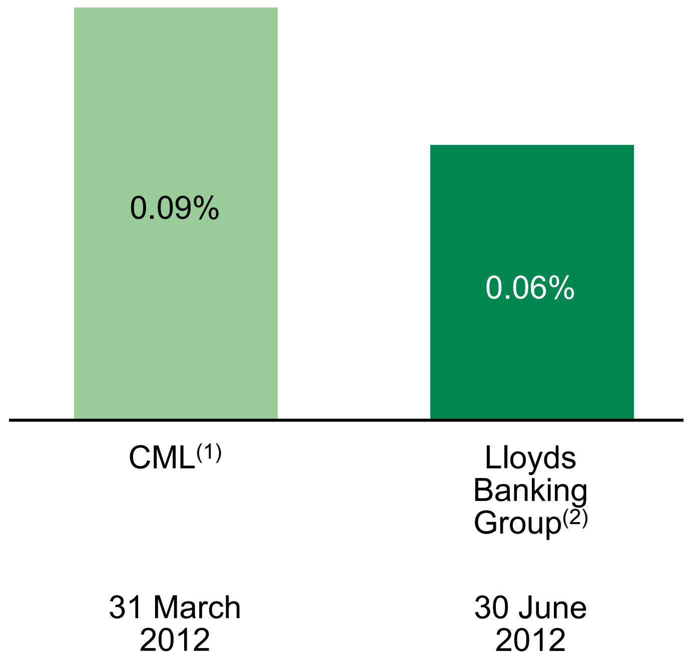


MORTGAGE PORTFOLIO – NEW REPOSSESSIONS

PROPERTIES IN REPOSSESSION (% OF MORTGAGE CASES)



NEW REPOSSESSIONS (% OF TOTAL CASES)

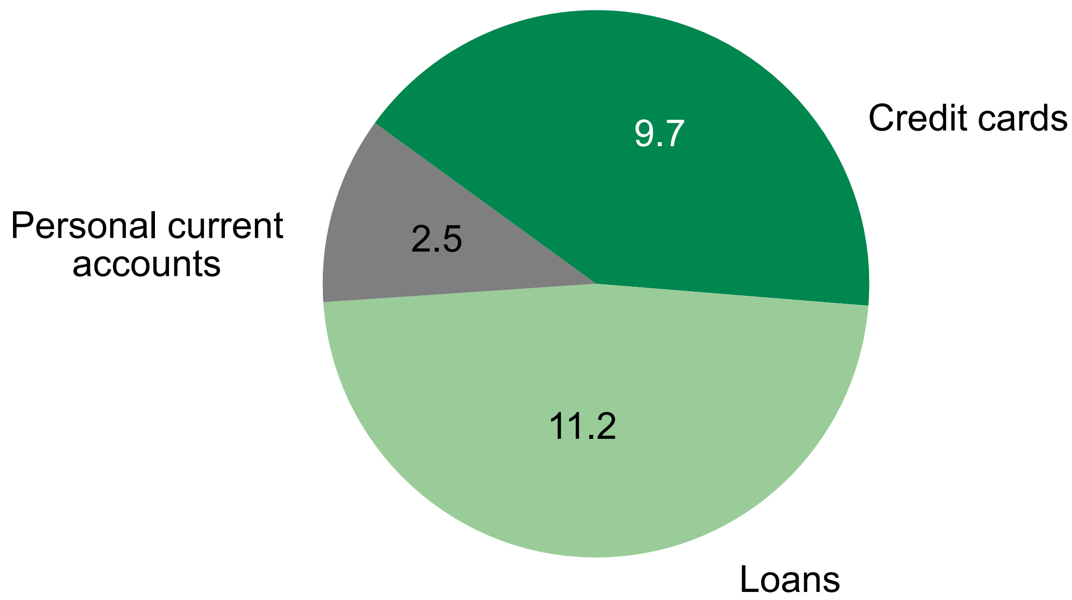


(1)Source: Council of Mortgage Lenders Q1 2012. (2)Lloyds Banking Group Q2 2012.

UNSECURED LENDING PORTFOLIO

UNSECURED PORTFOLIO £23.4bn[1]

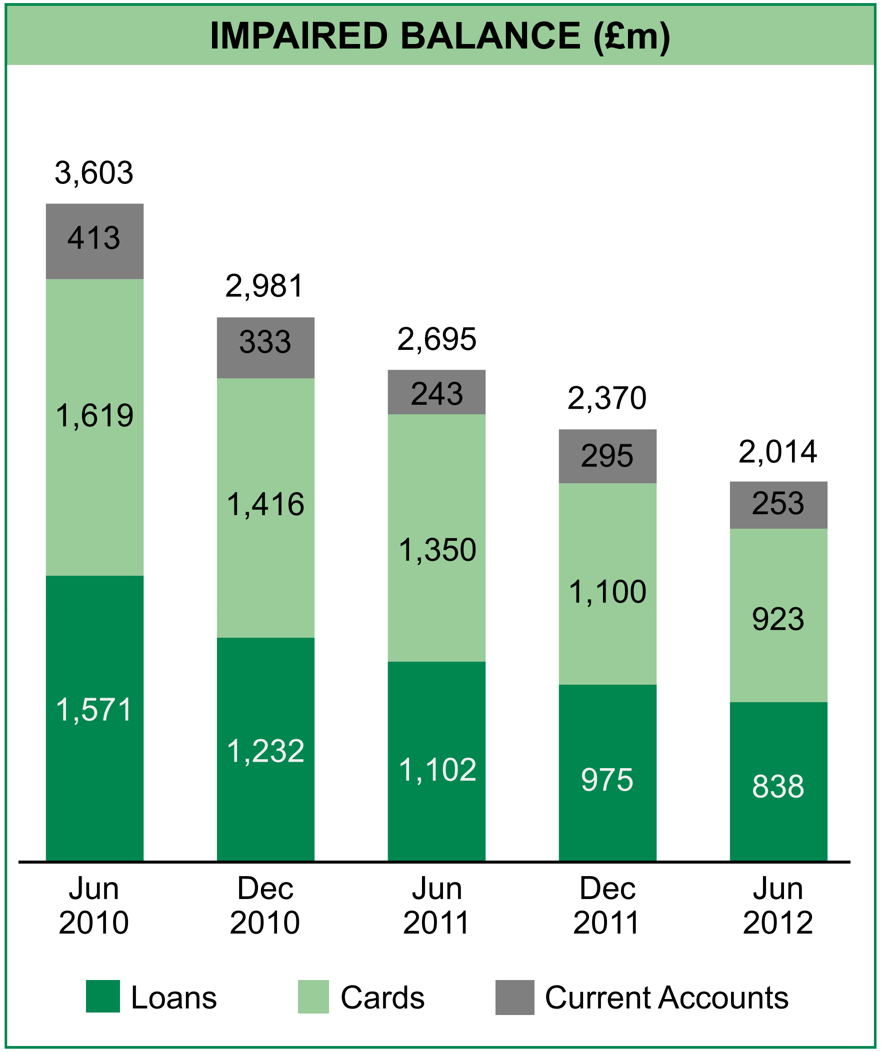
30 Jun 2012

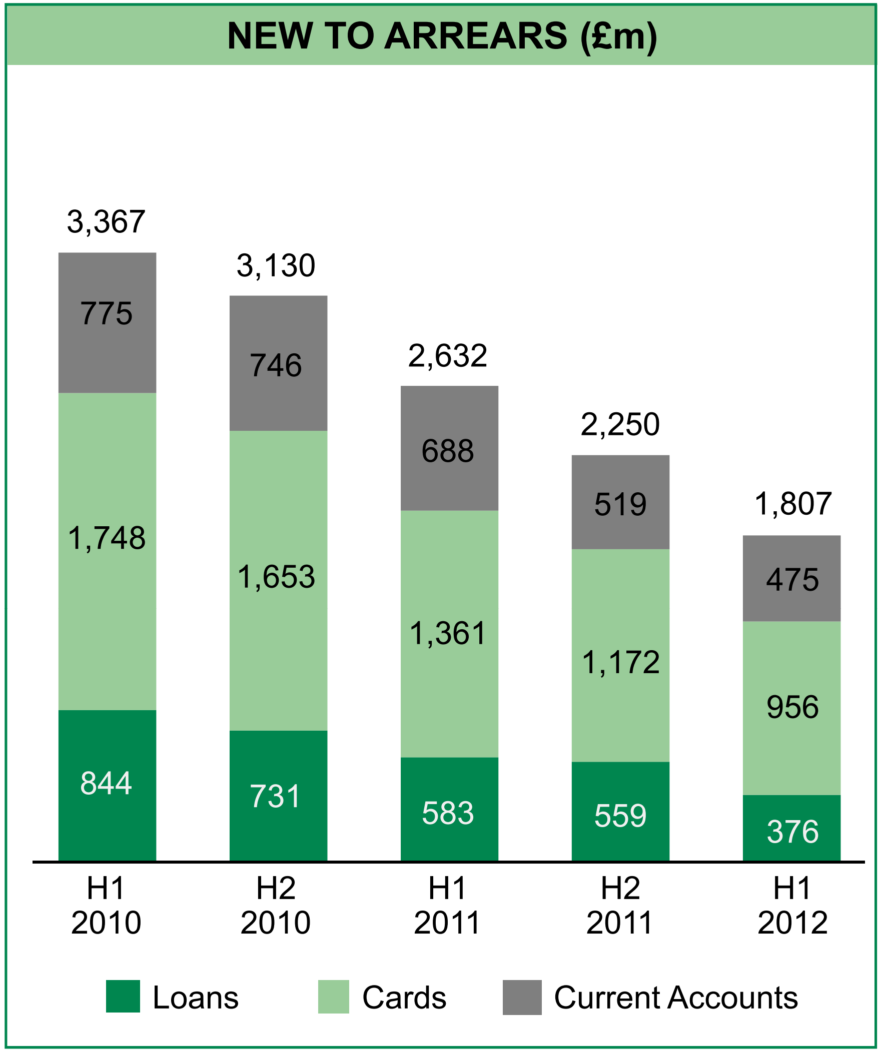


	Cards	Loans
Impairment charge as a % of average lending	4.38%	3.55%

[1] Before allowance for impairment losses and fair value adjustments.

UNSECURED LENDING PORTFOLIO

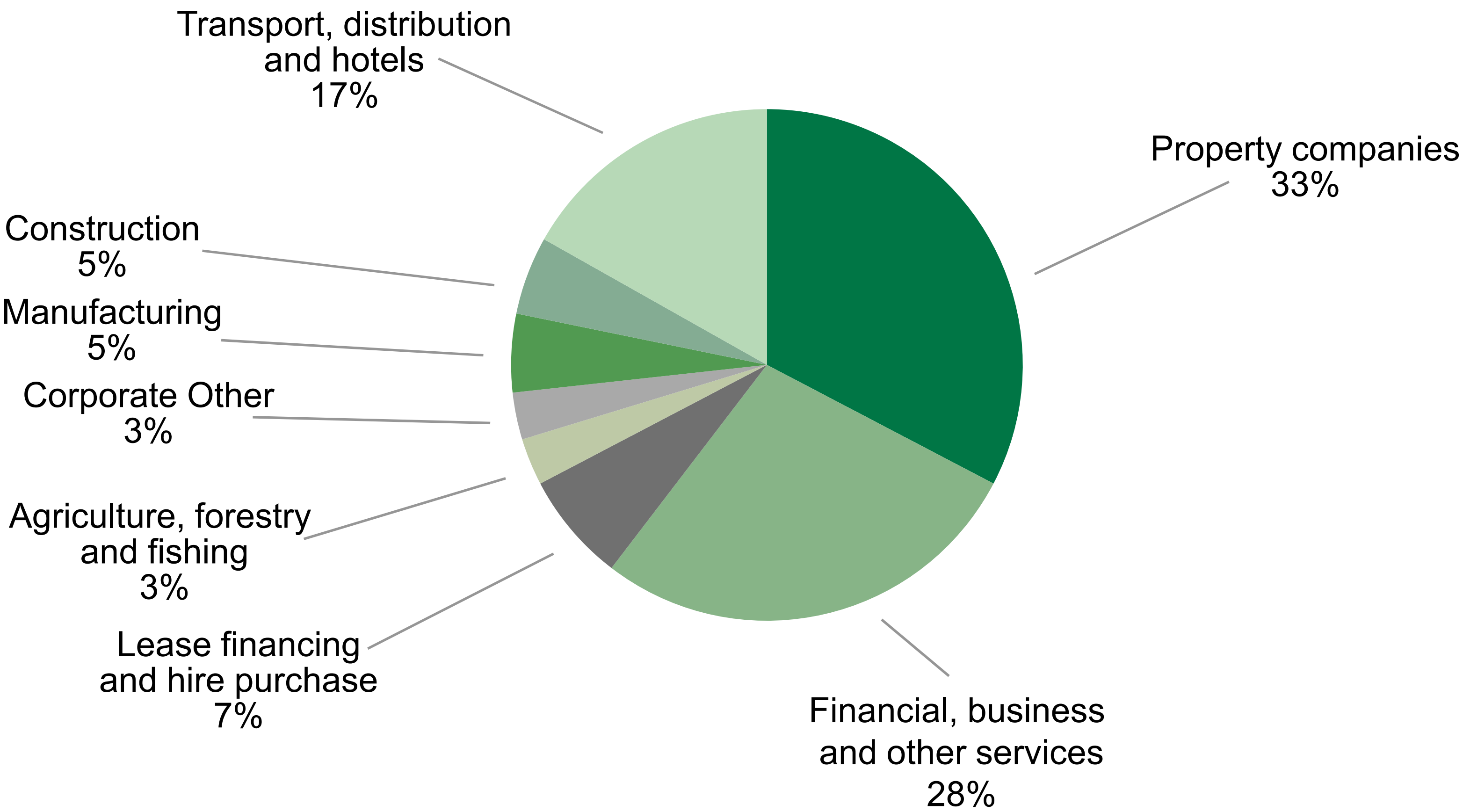




LOANS AND ADVANCES TO CORPORATE CUSTOMERS

LOANS AND ADVANCES TO CORPORATE CUSTOMERS £181.2bn[1]

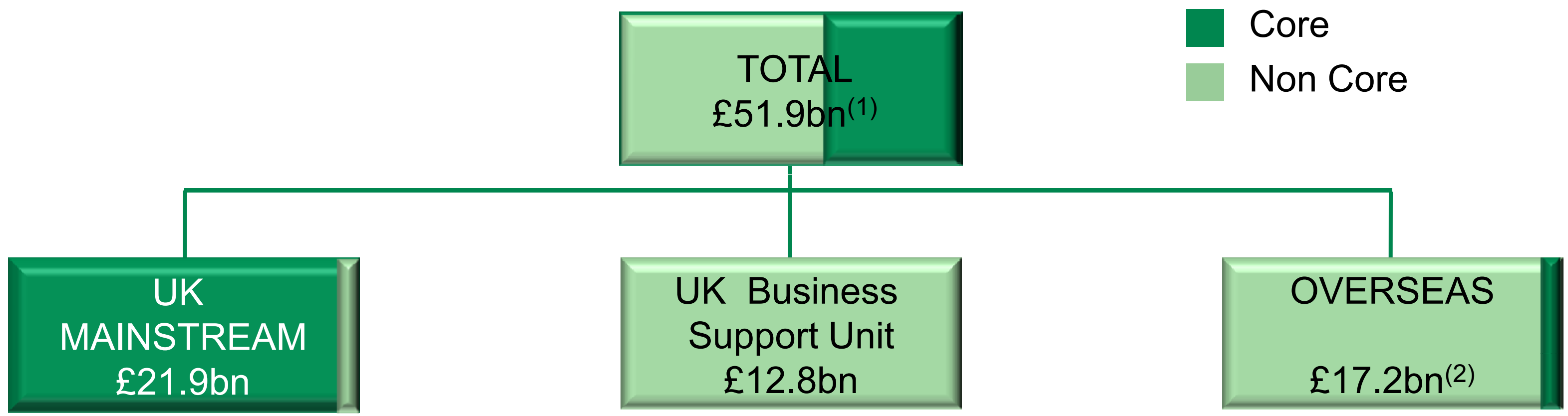
30 Jun 2012



[1]Before allowance for impairment losses.

COMMERCIAL/RESIDENTIAL PROPERTY

COMMERCIAL/RESIDENTIAL PROPERTY



- c78% (£17.0bn) Commercial Real Estate
  - c£11bn is based on heritage LTSB appetite (other c£6bn is heritage HBOS)
  - Portfolio weighted toward investment (86%) over development (14%)
- c22% (£4.9bn) Residential & Other
  - Larger residential property companies
  - Buy-to-let in Commercial and larger, professional landlords

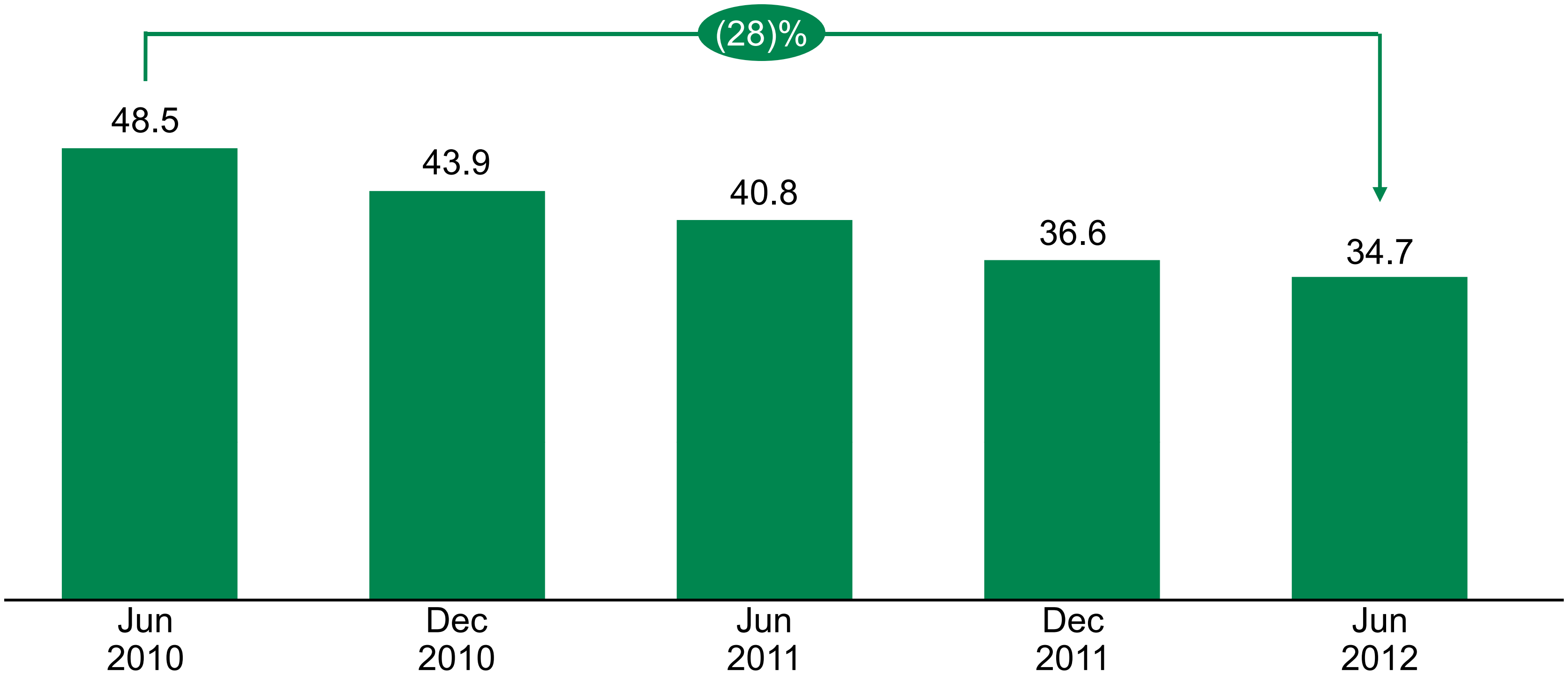
- Gross £12.8bn/Net £9.2bn
- Robustly and extensively reviewed, and is well-provided for
- 73% impaired, with a coverage of 40%
- c80% Commercial Real Estate
- c20% Residential & Other

- Ireland (Gross £10.0bn/Net £3.8bn) 92% impaired, with a coverage of 68%
  - 54% Property investment, of which 85% is impaired
  - 46% Property development, of which 99% is impaired
- Wholesale Europe (Gross £2.2bn/ Net £1.9bn). 45% impaired, with a coverage of 38%
- £5.0bn relates to other lending to Australia and non-UK residents

(1)Gross (pre FV adjustment and impairment). Excludes £10.0bn of social housing exposure (local authority cashflows) and £2.4bn of housebuilder lending. (2)Also includes lending to non UK residents (but excludes residential mortgages).

UK COMMERCIAL/RESIDENTIAL PROPERTY

UK COMMERCIAL/RESIDENTIAL PROPERTY BOOK £34.7bn(1)

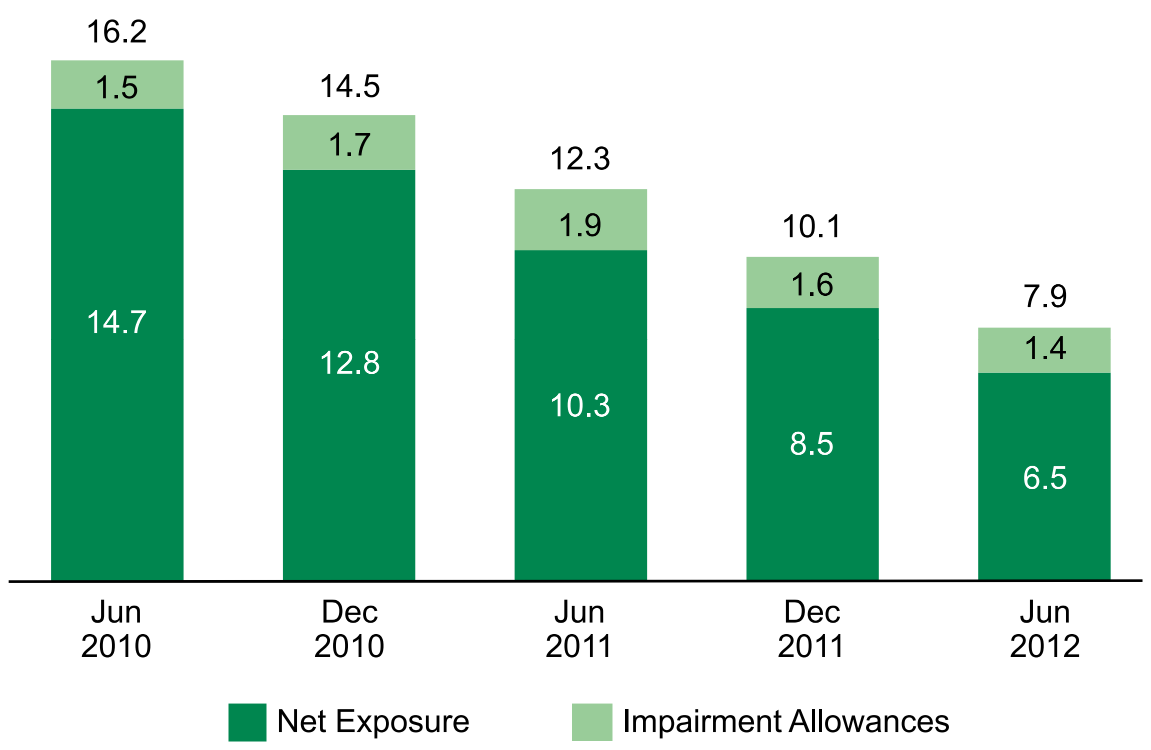


Recent reduction reflects strategic focus

(1)Gross (pre FV adjustment and impairment). Includes Joint Ventures. Excludes £10.0bn of Social Housing exposure (local authority cashflows) and £2.4bn of Housebuilder lending.

LEVERAGED FINANCE LENDING

LEVERAGE FINANCE LENDING (£bn)



Lloyds Acquisition Finance

Gross £7.1bn / Net £5.8bn

- 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

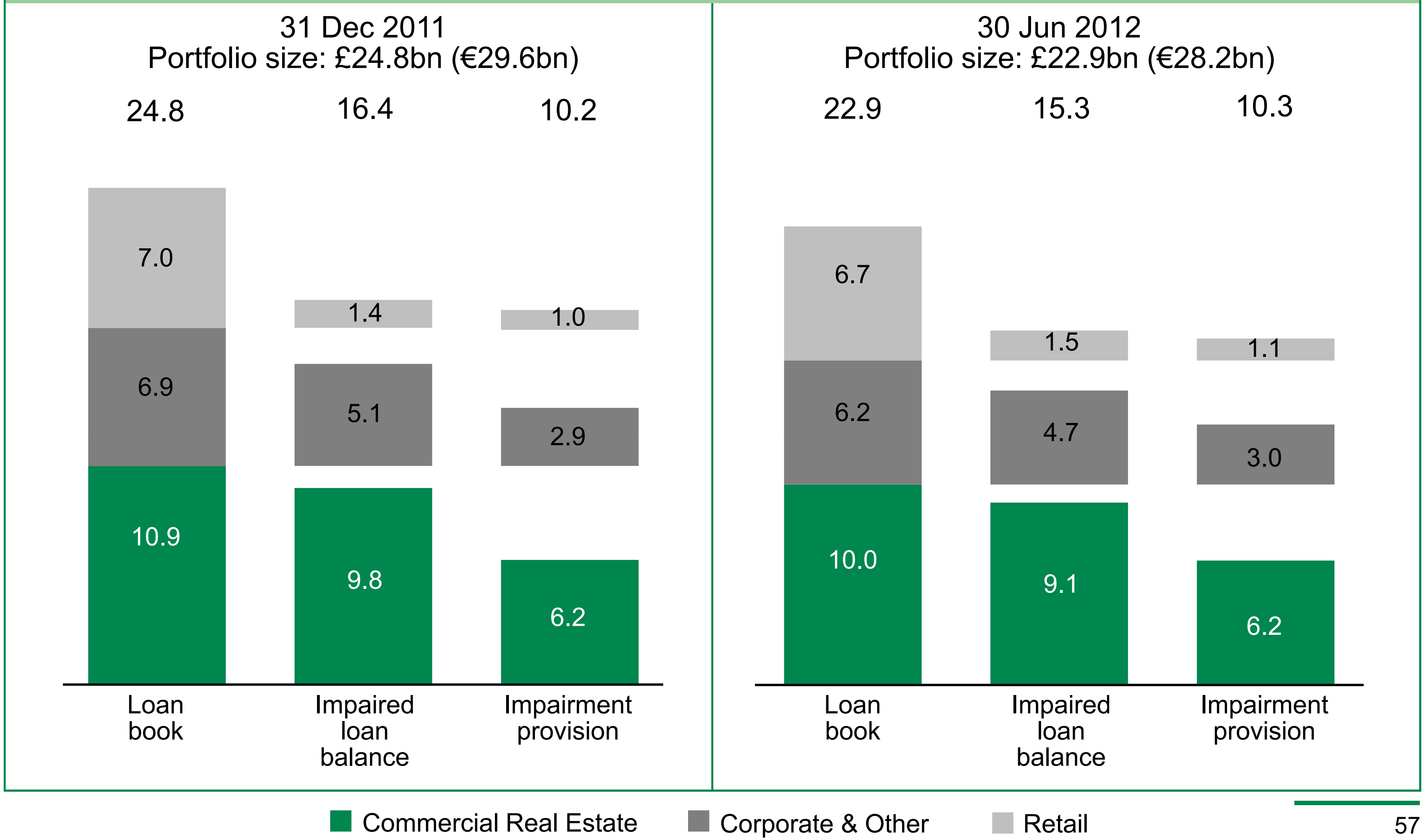
Gross £0.8bn / Net £0.7bn

- 95% of country risk in portfolio is Australia or New Zealand, with remainder relating to Asia
- Well spread by industry sector
- No new business being originated

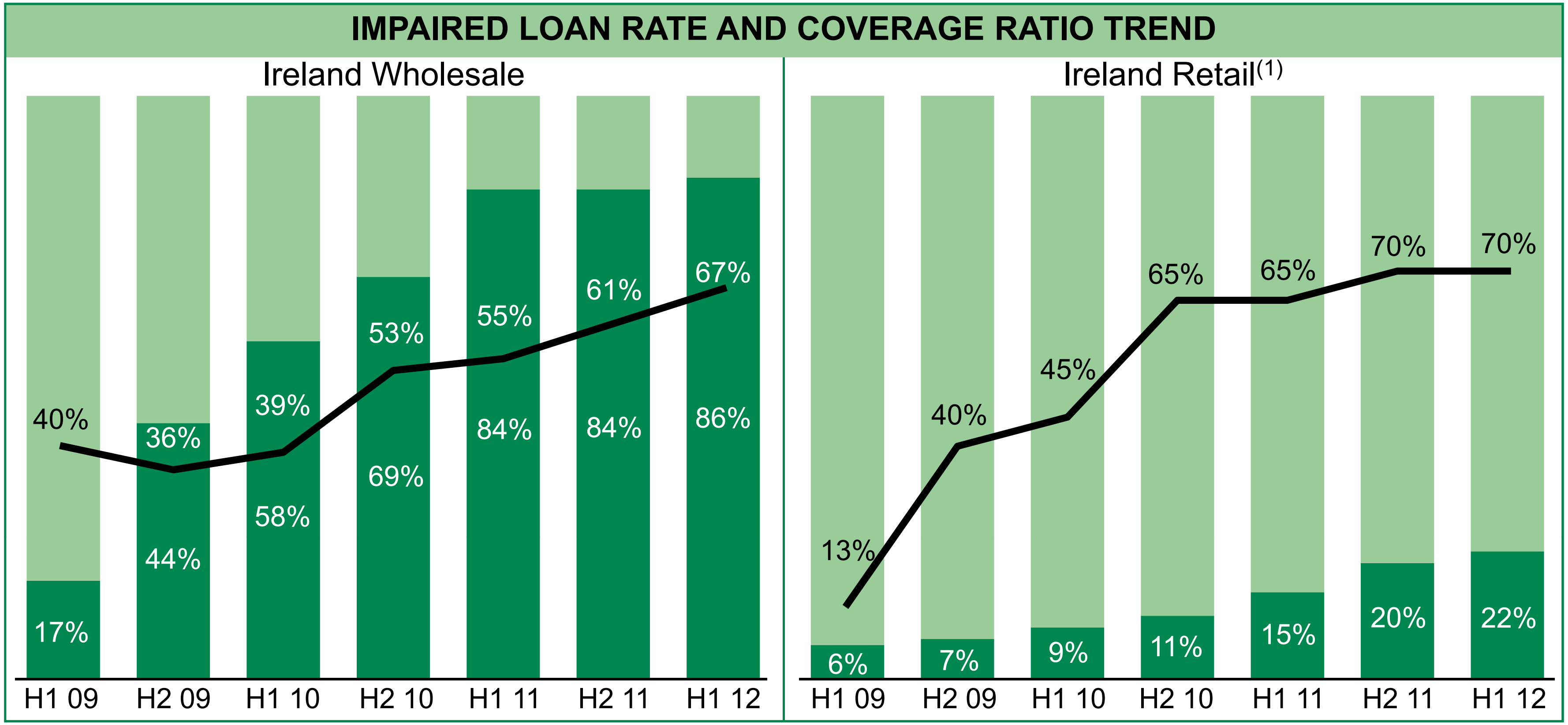
IRISH PORTFOLIO

Robust coverage which minimises downside risks

PORTFOLIO BREAKDOWN (£bn)



IRISH PORTFOLIO
Robust coverage which minimises downside risks

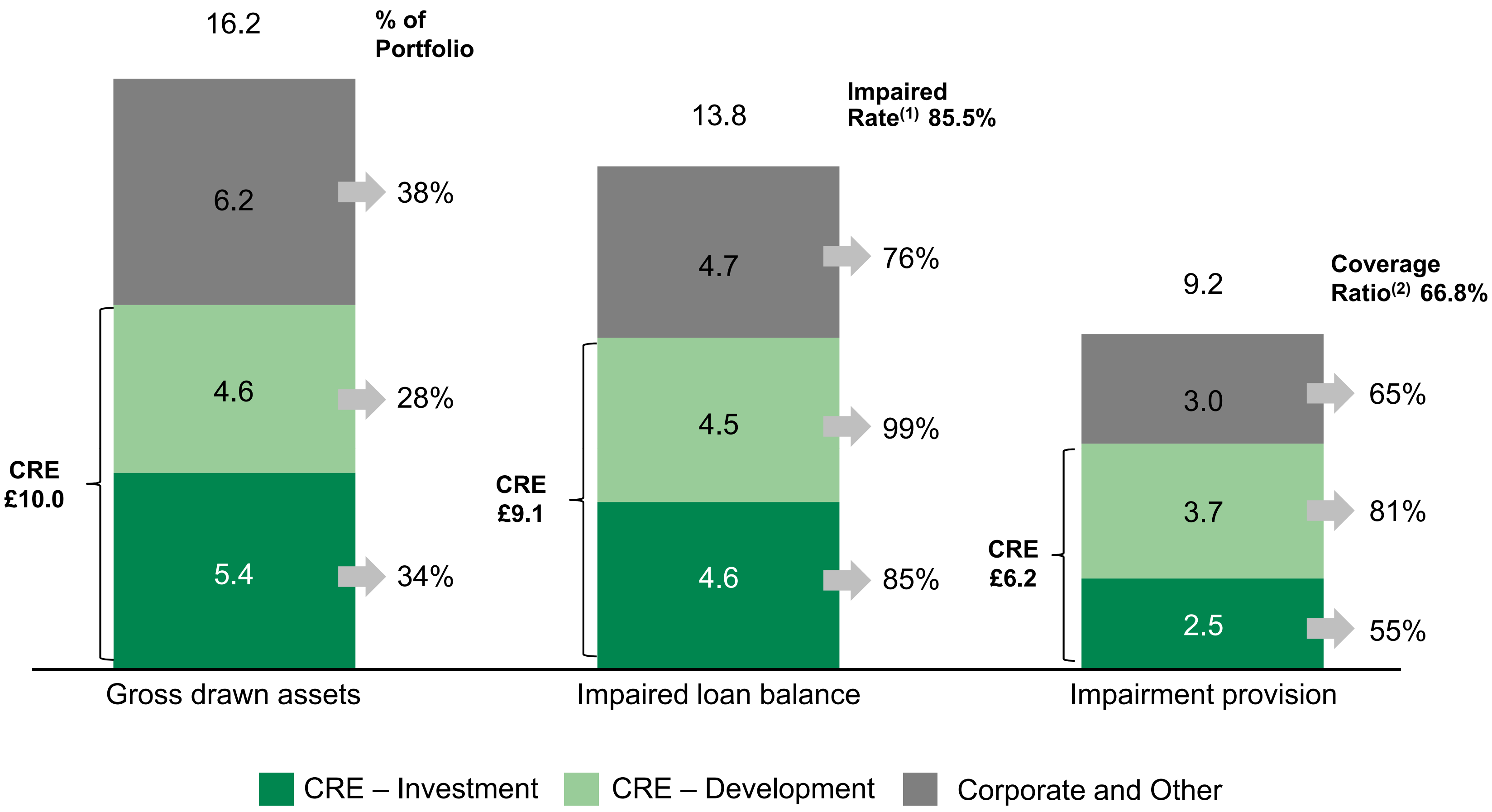


- Total Irish portfolio of £22.9bn (€28.2bn), split Wholesale (£16.2bn) and Retail (£6.7bn)
- Weakness in Irish economy continues
- Reflecting further falls in the commercial real estate market
- Low levels of redemptions and recoveries due to severe lack of liquidity
- On the Irish Wholesale portfolio, 86% of the portfolio is now impaired at the coverage ratio of 67%
- Wind down managed by dedicated UK based Business Support Unit credit team

(1) Excludes unsecured book of £43m.

IRISH WHOLESALE PORTFOLIO
Robust coverage which minimises downside risks

WHOLESALE IRELAND AS AT 30 JUN 2012 (£bn)

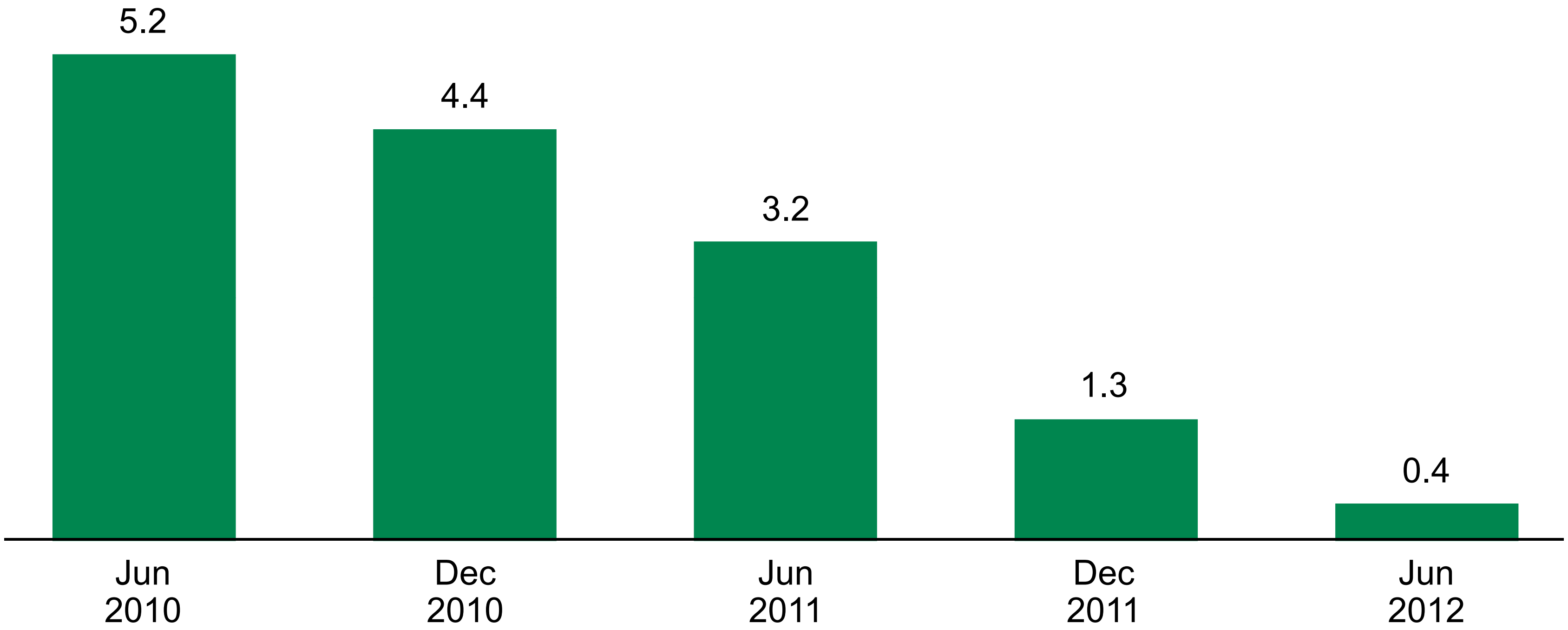


[1] Impaired rate = Impaired loan balance / Gross drawn assets. [2] Coverage ratio = Impairment provision / Impaired loan balance.

AUSTRALASIAN WHOLESALE CRE PORTFOLIO

Significant progress made in de-risking the Australasian CRE portfolio

NET EXPOSURE (£bn)



IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

	H1 2012	H1 2011	% of average lending	
Impairment	**£m**	**£m**	**H1 2012**	**H1 2011**
Retail	758	1,173	*0.43%*	*0.65%*
– *Secured (mortgages)*	*173*	*295*	*0.11%*	*0.18%*
– *Unsecured*	*585*	*878*	*4.80%*	*6.46%*
Wholesale	993	1,442	*1.52%*	*1.98%*
Commercial	109	160	*0.72%*	*1.07%*
Wealth, Asset Finance and International	1,297	2,647	*4.31%*	*7.21%*
Total	3,157	5,422	*1.10%*	*1.77%*

IMPAIRED ASSET RATIOS – GROUP

30 Jun 2012	Retail	Wholesale	Commercial	Wealth, Asset Finance and International	Group[1]
Loans and advances to customers (gross)[2]	£350.6bn	£118.0bn	£30.2bn	£56.5bn	£561.3bn
Impaired loans	£8.4bn	£22.5bn	£2.9bn	£19.2bn	£53.0bn
Impaired loans as % of closing advances	2.4%	19.1%	9.6%	34.0%	9.4%
Impairment provisions	£2.4bn	£9.4bn	£0.9bn	£12.6bn	£25.3bn
Impairment provisions as % of impaired loans	33.5%[3]	41.6%	30.5%	65.5%	48.7%[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

	H1 2012	FY 2011
Loss before tax[1] (£m)	(1,550)	(3,664)
Post tax loss ⟶ 'capital consumed' (£m)	**(1,163)**	**(2,693)**
Reduced RWAs (£bn)	15.4	35.1
at 10% ⟶ 'capital released' (£m)	1,540	3,513
Increase in EEL[2] (£m)	14	(515)
Net capital released (£m)	**391**	**305**

[1]Management basis. [2]50% core tier 1 impact.

SELECTED EUROZONE EXPOSURES

Substantial reductions achieved and minimal sovereign exposures remain

LLOYDS BANKING GROUP

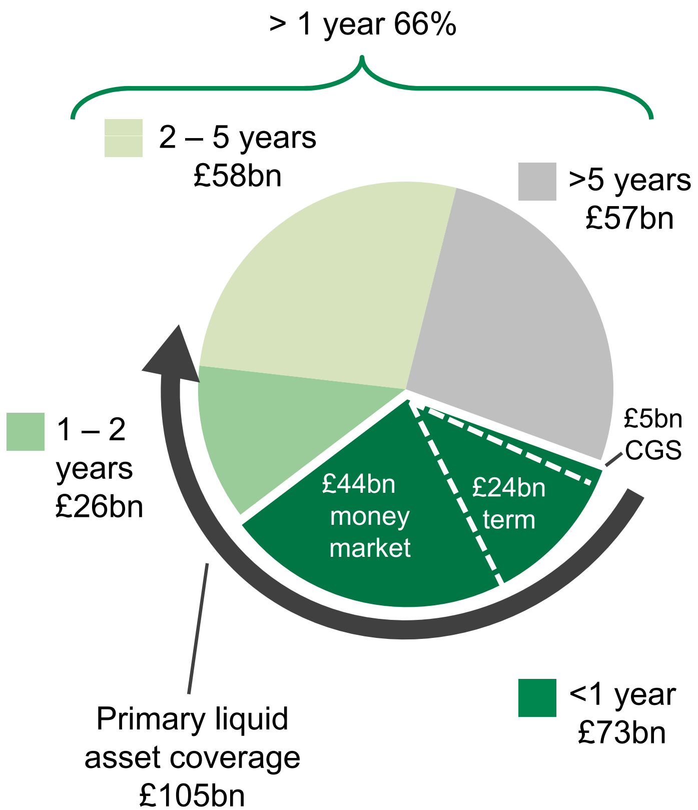
£m	Sovereign debt	Banks & other financial institutions	ABS	Wholesale	Personal	Insurance shareholder assets	Total
Ireland	–	895	344	7,603	5,410	111	**14,363**
Spain	31	1,261	206	2,545	1,566	22	**5,631**
Portugal	–	102	226	245	10	–	**583**
Italy	9	227	11	115	–	32	**394**
Greece	–	–	–	353	–	–	**353**
Jun 2012	**40**	**2,485**	**787**	**10,861**	**6,986**	**165**	**21,324**
	(41.2)%	*(10.5)%*	*(33.6)%*	*(14.8)%*	*(9.1)%*	*7.1%*	***(13.4)%***
Dec 2011	*68*	*2,778*	*1,186*	*12,741*	*7,687*	*154*	*24,614*

REDUCING OUR WHOLESALE FUNDING REQUIREMENTS
Maintaining broad spread of wholesale funding

£bn	Jun 2012	Dec 2011
Bank deposits[1]	22	25
Certificates of deposit	17	28
Medium-term notes	53	70
Covered bonds	41	37
Commercial paper	8	18
Securitisation	38	37
Subordinated debt	35	36
Wholesale (excl. customer deposits)	214	251
Customer deposits[1]	419	406
Total Group funding	633	657

- Clear benefit delivered by managing balance sheet down
- Good relationship customer deposit growth of £13bn
- Primary liquid asset holding of £105bn

WHOLESALE FUNDING £214bn



[1]Excluding repos.

SUCCESSFUL TERM ISSUANCE – ACHIEVED IN H1 2012

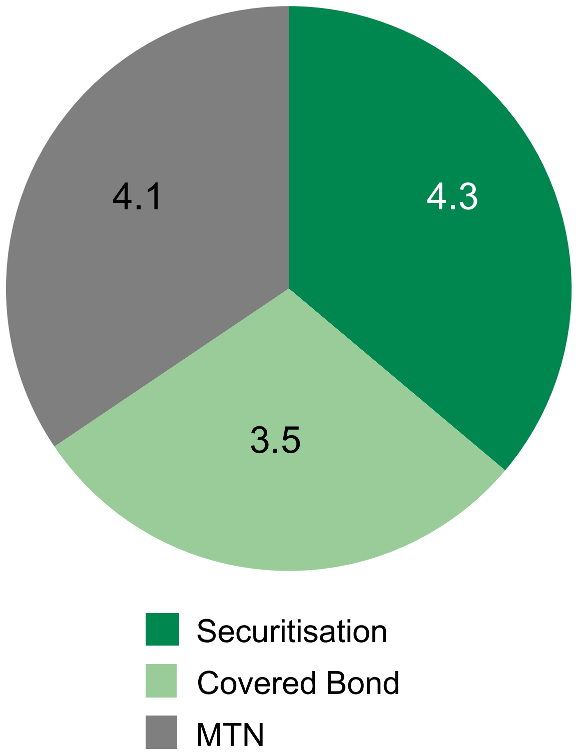
Utilising a wide variety of funding products and sources

LLOYDS BANKING GROUP

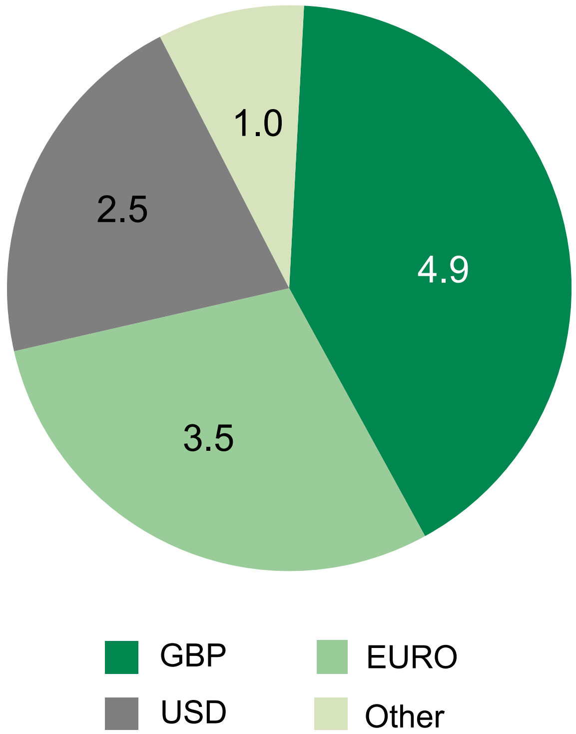
TERM ISSUANCE

- c£11.9bn of public term issuance and c£7.6bn of private placements completed in H1 2012
- Looking ahead to 2013 we expect the public term funding requirement to be £10bn

H1 2012 PUBLIC TERM ISSUANCE BY PRODUCT (£bn)



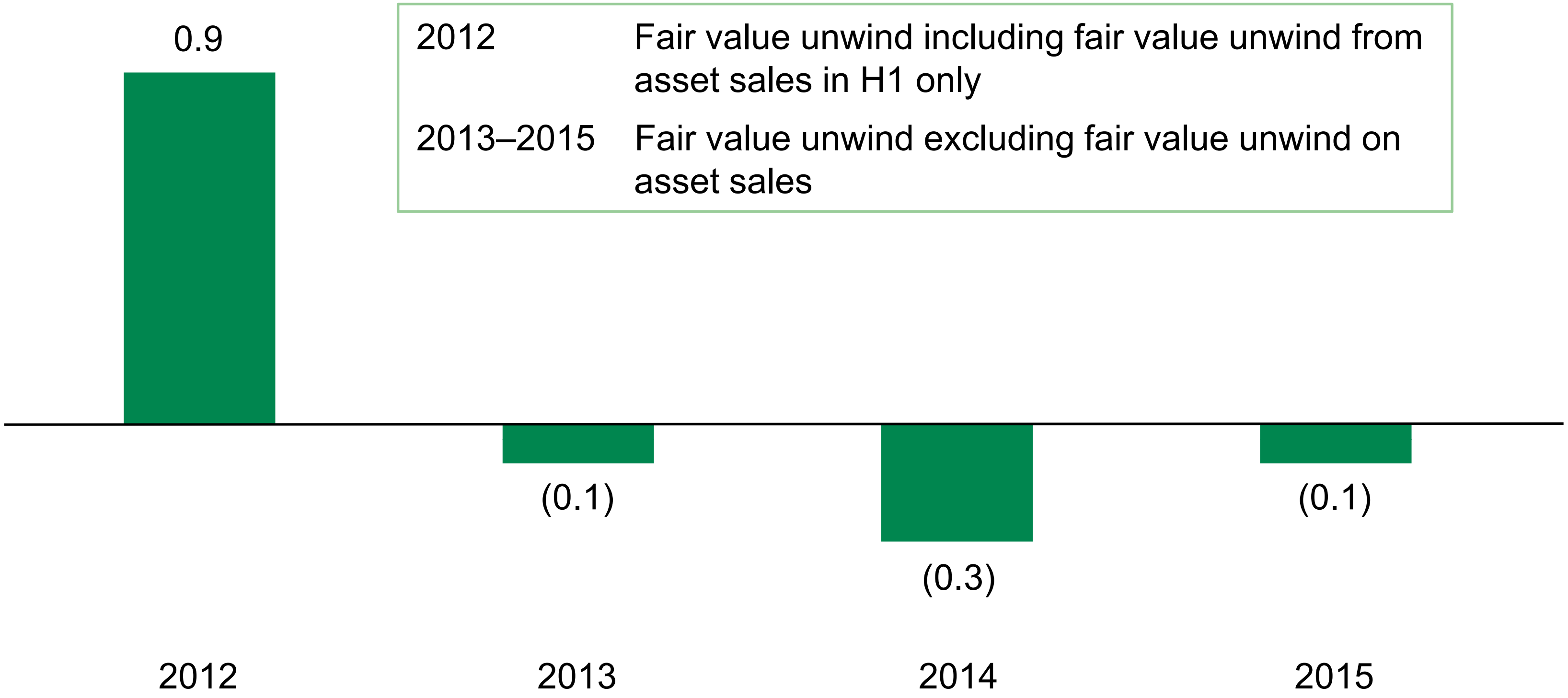
H1 2012 PUBLIC TERM ISSUANCE BY CURRENCY (£bn)



Diverse range of funding products and sources

PROJECTED FAIR VALUE UNWIND

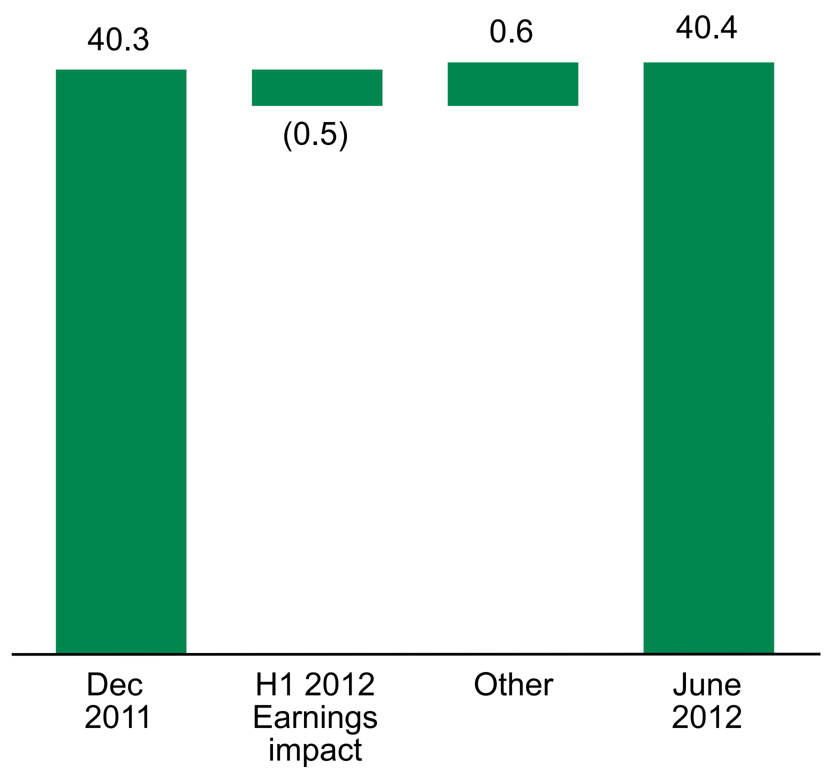
PROJECTED FAIR VALUE UNWIND (£bn)



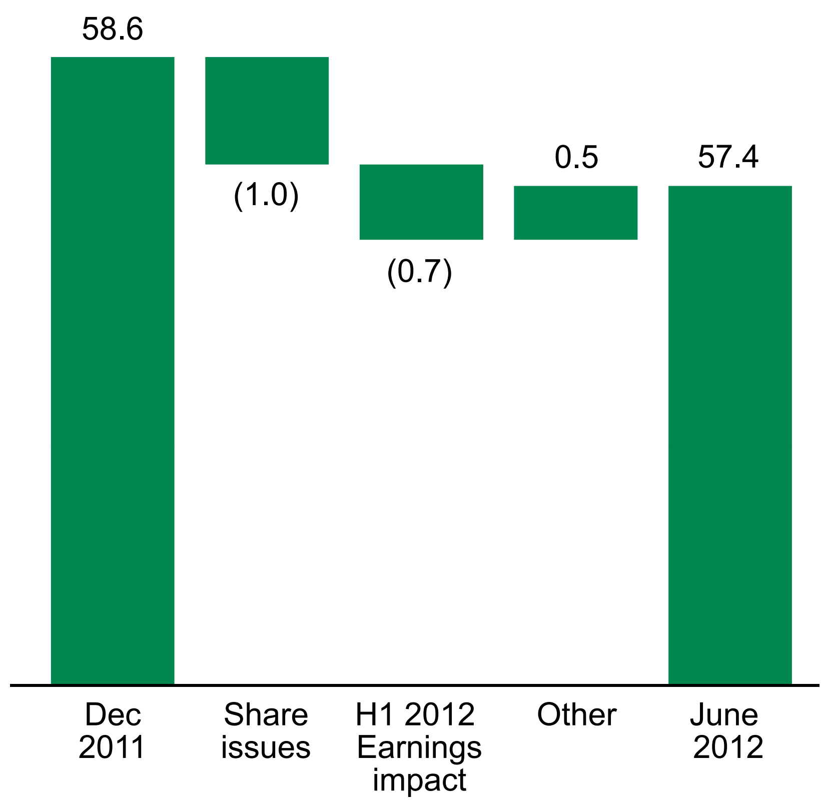
Further fair value unwind expected

NET TANGIBLE ASSETS

NET TANGIBLE ASSETS (£bn)



NET TANGIBLE ASSETS PER SHARE (p)



FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

FORWARD LOOKING STATEMENTS

This presentation contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group, its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group or the Group's management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future. The Group's actual future business, strategy, plans and/or results may differ materially from those expressed or implied in these forward looking statements as a result of a variety of risks, uncertainties and other factors, including UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's simplification programme; the ability to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; risks concerning borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability; changing demographic and market related trends; changes in customer preferences; changes to laws, regulation, accounting standards or taxation, including changes to regulatory capital or liquidity requirements; the policies and actions of governmental or regulatory authorities in the UK, the European Union, or jurisdictions outside the UK, including other European countries and the US; the implementation of the draft EU crisis management framework directive and banking reform following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EC state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. The forward looking statements contained in this presentation are made as at the date of this presentation, and the Group undertakes no obligation to update any of its forward looking statements.

BASIS OF PRESENTATION

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