

**LLOYDS
BANKING
GROUP**



2009 RESULTS

26 February 2010

Eric Daniels

Group Chief Executive

KEY MESSAGES

A strong earnings outlook



- 2009 was a year of major progress in shaping the future Group
 - The core business will deliver strong financial performance
 - Our relationship-focused model offers significant, additional, growth potential
-

2009: SHAPING THE FUTURE LLOYDS BANKING GROUP



- Delivered strong core business growth
 - Exceeded 2009 integration objectives
 - synergy run-rate target increased to £2 billion
 - Embedded Lloyds TSB risk management standards across HBOS portfolios
 - Improved Group funding position
 - including £88 billion liquidity buffer
 - Strengthened Group capital base
-

2009 FINANCIAL OVERVIEW

LLOYDS
BANKING
GROUP



Combined businesses – £m	2008	2009	% Change
Total income⁽¹⁾	21,355	23,964	12
Expenses	(12,236)	(11,609)	5
Trading surplus	9,119	12,355	35
Impairment	(14,880)	(23,988)	(61)
Joint ventures/fair value unwind	(952)	5,333	
Loss before tax	(6,713)	(6,300)	6
Statutory profit	760	1,042	37
Net interest margin	2.01%	1.77%	
Cost:income ratio	57.3%	48.4%	

⁽¹⁾ Net of insurance claims

CORE BUSINESS PERFORMANCE

Strong new business growth from the operating divisions

LLOYDS
BANKING
GROUP



RETAIL

- 2 million new personal current accounts
- 5 million new savings accounts
- Gross new mortgage lending £35 billion

WHOLESALE

- £35 billion gross committed lending to SME/Corporate customers
- 100,000 new Commercial accounts opened; 23% share of start-ups
- 49% rise in cross-sales income in Lloyds TSB Corporate Banking

WEALTH AND INTERNATIONAL

- 8% increase in overall Wealth relationship clients
- 13% growth in UK private banking customers
- £7 billion net new inflows into funds under management

INSURANCE

- Established single insurance business
- 12% increase in sales of OEICs

BUILDING STRONG CORE BUSINESS MOMENTUM

Performing in line with or better than recent guidance

LLOYDS
BANKING
GROUP



	RECENT GUIDANCE	2009H2 TREND
REVENUE GROWTH	High single digit growth within 2 years	✓
MARGINS	Lower in 2009H2, rising in 2010	✓ ✓
COST:INCOME RATIO	c.200 p.a. basis points improvement	✓ ✓
INTEGRATION BENEFITS	>£1.5 billion run rate savings p.a. by end 2011	✓ ✓
IMPAIRMENTS	Overall impairments peaked in 2009H1	✓
REDUCTION IN BALANCE SHEET ASSETS	£200 billion asset reduction over 5 years	✓

✓ In-line with guidance

✓ ✓ Better than guidance

BUILDING STRONG CORE BUSINESS MOMENTUM



1. Margin outlook improving
2. Cost synergy target increased
3. Impairments improving in line with guidance



**STRONG FINANCIAL
PERFORMANCE**

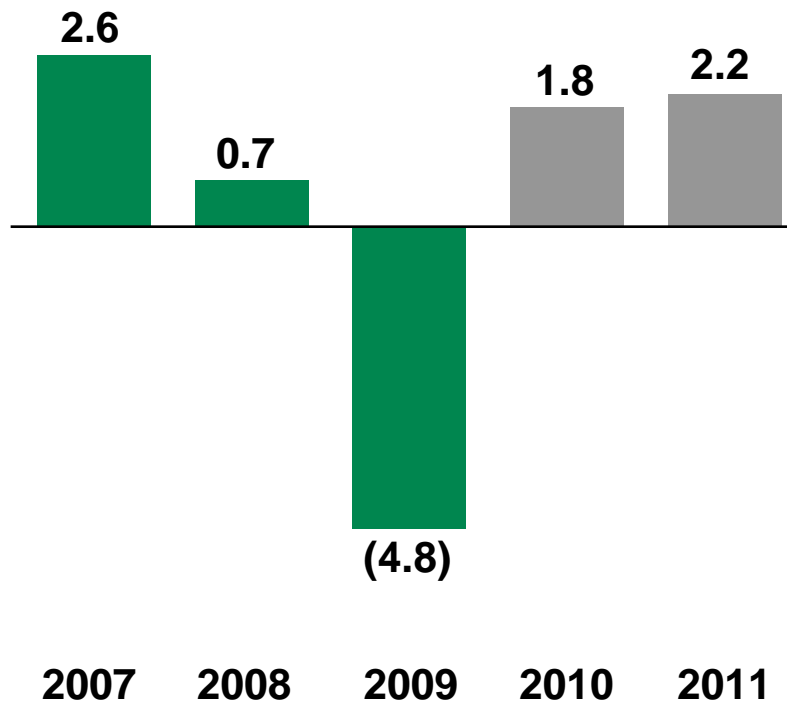
ECONOMIC OUTLOOK

Weak recovery remains most likely scenario



GDP GROWTH IN CENTRAL SCENARIO

% change on year earlier



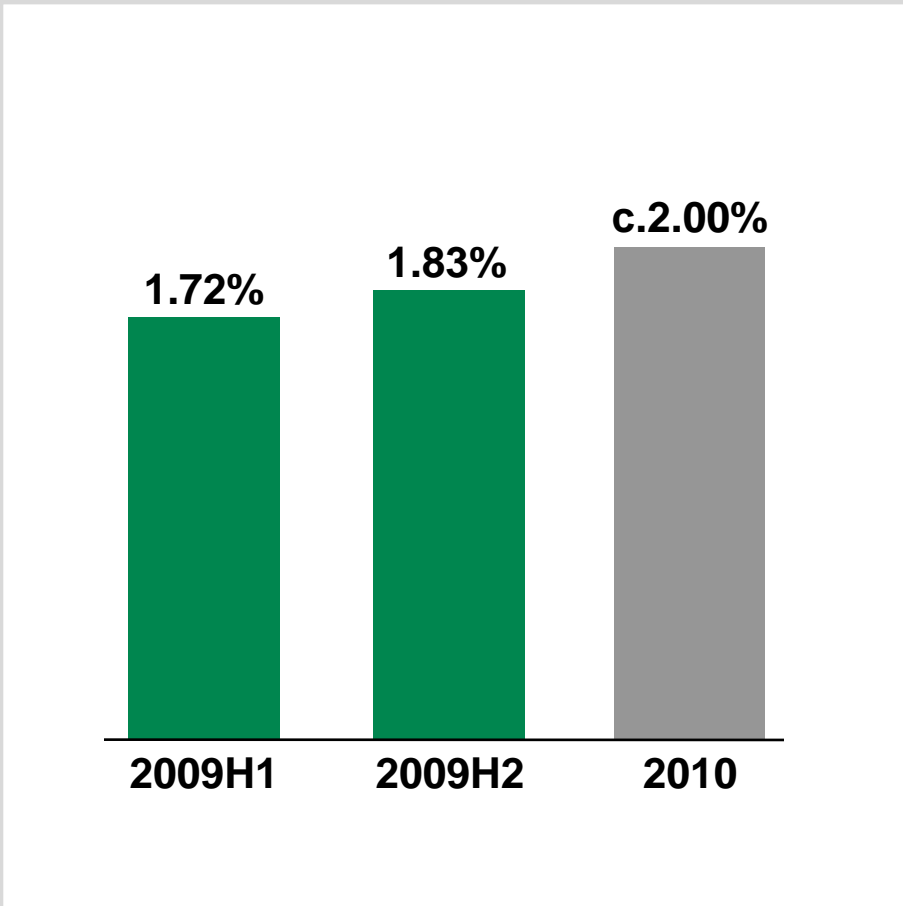
- House prices
 - 5% in 2009
 - 0% in 2010
- Commercial property values
 - (6)% in 2009
 - 1% in 2010
- Company failures
 - Peak in 2010
 - Lower rate than last recession
- Unemployment
 - Peak in 2010
 - Lower rate than last recession

BUILDING REVENUE MOMENTUM

Margin outlook is improving



BANKING NET INTEREST MARGIN (%)



DRIVERS OF FUTURE MARGIN

	2010	MEDIUM TERM
Asset pricing for risk	✓	✓
Base rate movements	✓	✓
Wholesale funding	✗	—

✓ Positive impact

✗ Negative impact

— Minimal impact

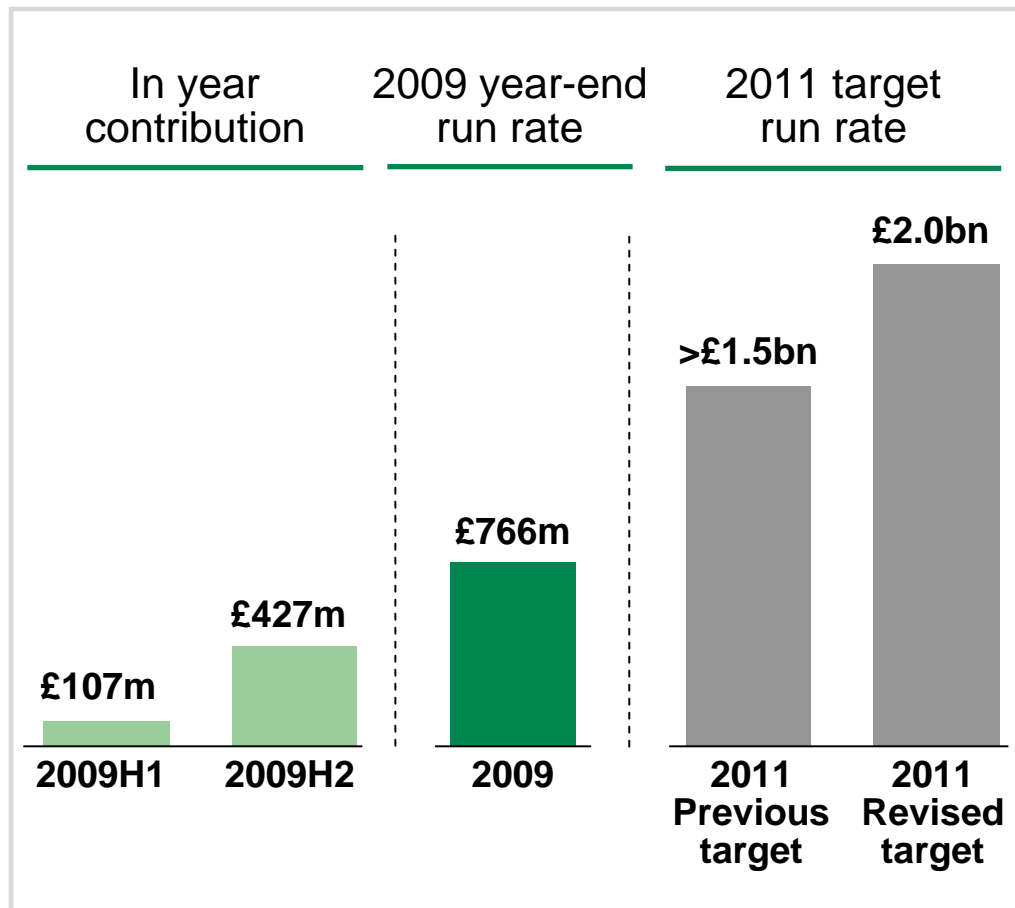


COST SYNERGY TARGET INCREASED

£2 billion run rate per annum by the end of 2011



COST SYNERGIES



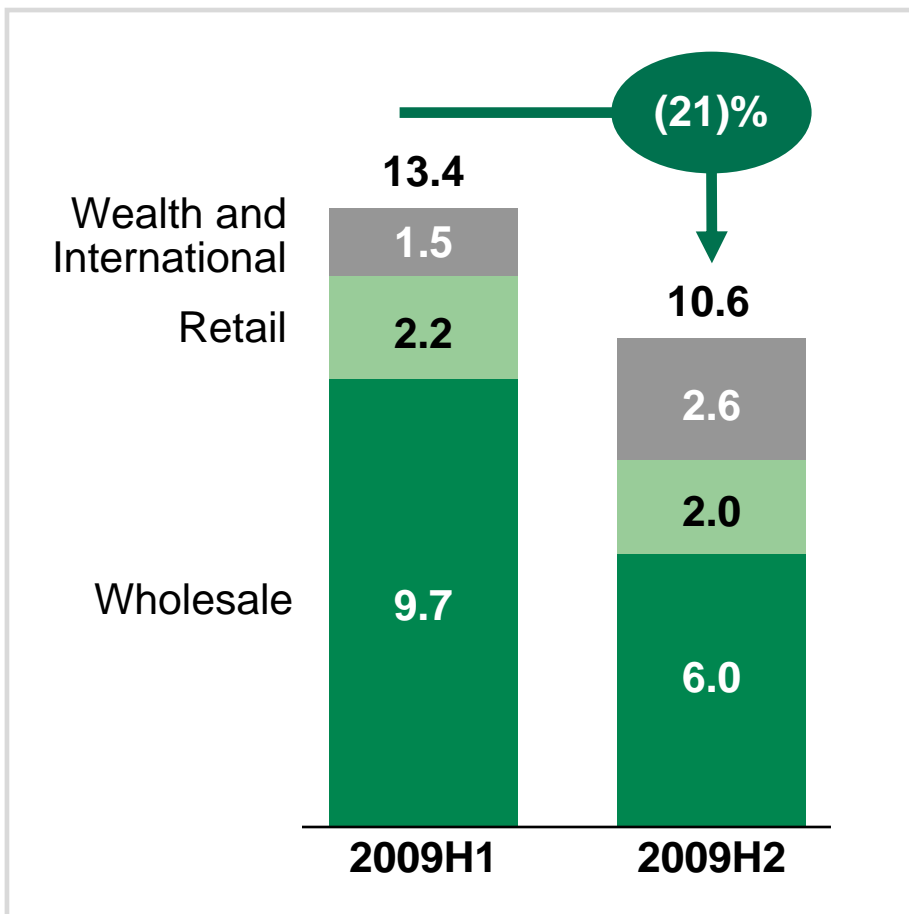
KEY PROGRAMMES

- Business model
- Procurement programme
- Property rationalisation
- IT Integration

IMPAIRMENTS IMPROVING IN LINE WITH GUIDANCE



GROUP IMPAIRMENTS (£bn)



✓ Positive impact

IMPAIRMENT OUTLOOK

Substantial further reduction expected in 2010 and beyond

	2010	2011
Wholesale	✓	✓
Retail	✓	✓
Wealth and International	✓	✓

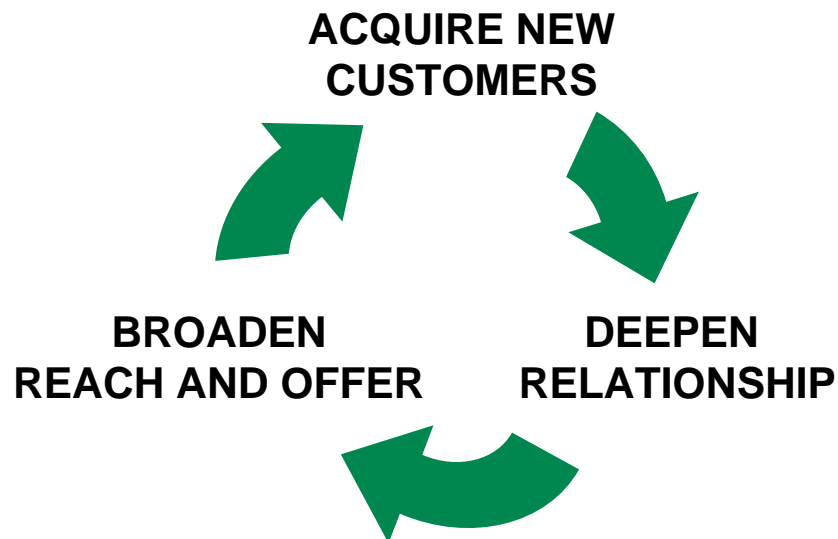
✗ Negative impact

REALISING THE FULL POTENTIAL OF THE NEW GROUP



OUR BUSINESS MODEL

WHY WE WILL OUTPERFORM



- Continue our relationship model in the Lloyds TSB franchise
- Extend the Lloyds TSB model to the enlarged franchise

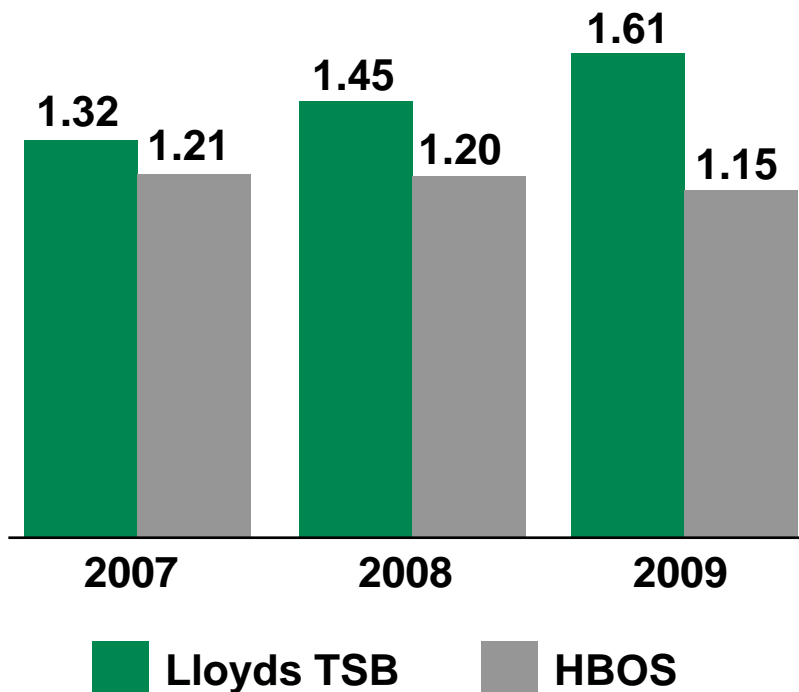
DEEPENING CUSTOMER RELATIONSHIPS

Retail – Acquiring and developing new customer relationships



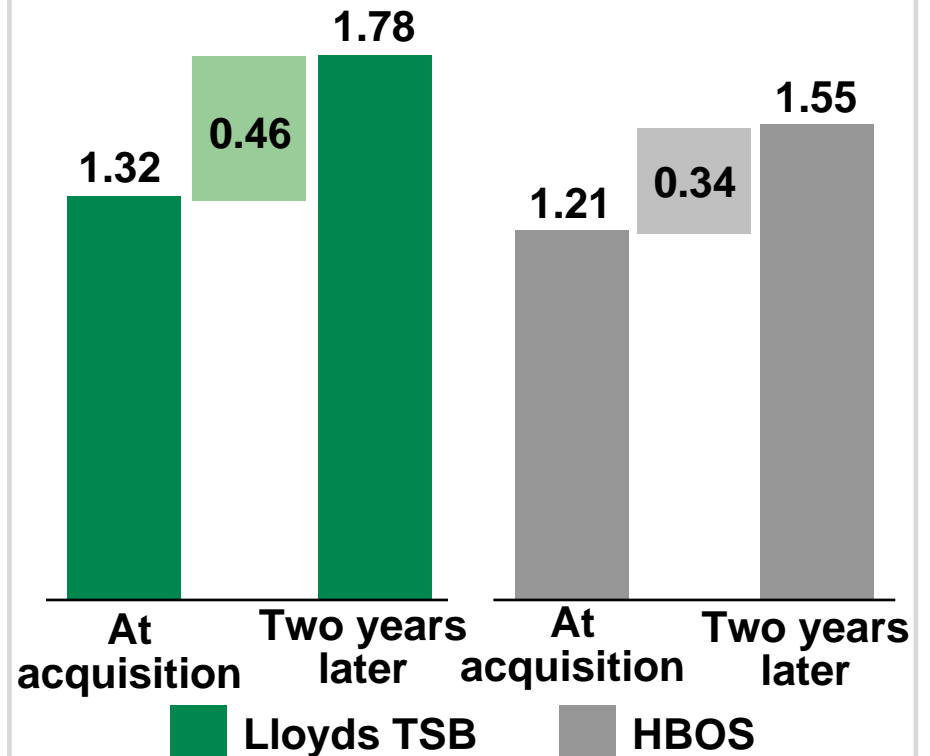
BETTER CROSS-SELL AT CUSTOMER ACQUISITION

Average number of product groups bought by new customers⁽¹⁾



BETTER RELATIONSHIP DEEPENING OVER TIME

Product group holding over time of customers acquired in 2007⁽¹⁾



⁽¹⁾ Revised banking group methodology

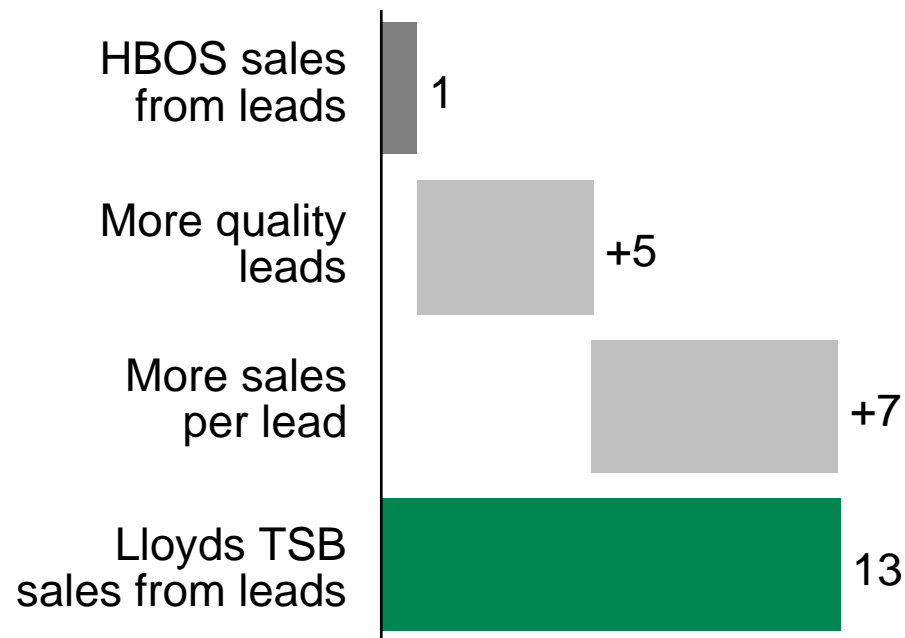
DEEPENING CUSTOMER RELATIONSHIPS

Retail – Deepening relationships with existing HBOS customers



SALES EFFECTIVENESS IS KEY TO IMPROVING HBOS RELATIONSHIP DEPTH

For every HBOS lead-driven sale, Lloyds TSB achieves 13 sales



- Income opportunity from better cross sell to *new* HBOS customers
- Income opportunity from increasing relationship depth for *existing* HBOS customers

Total ~ £500 million

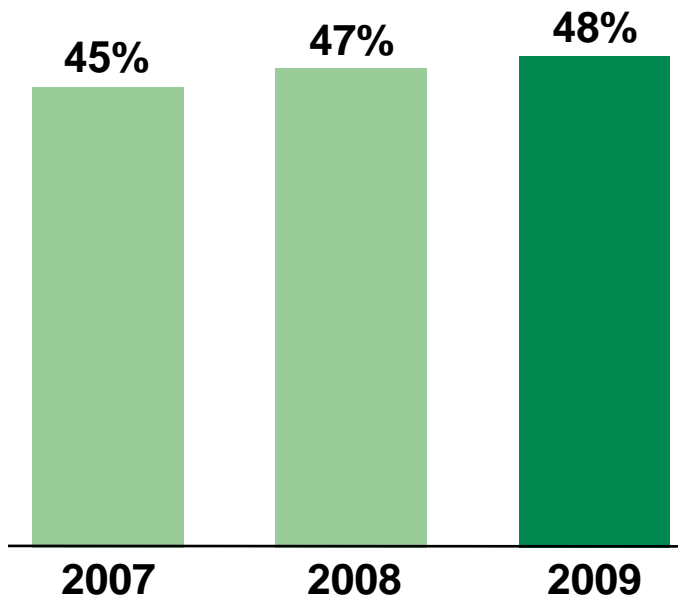
DEEPENING CUSTOMER RELATIONSHIPS

Retail – deepening relationships with existing Lloyds TSB customers



PERCENTAGE OF CUSTOMERS HOLDING TWO OR MORE PRODUCT GROUPS

Lloyds TSB



- Income opportunity from sustaining trend Lloyds TSB growth in relationship depth to achieve 55% multiple product holding

~ £250 million

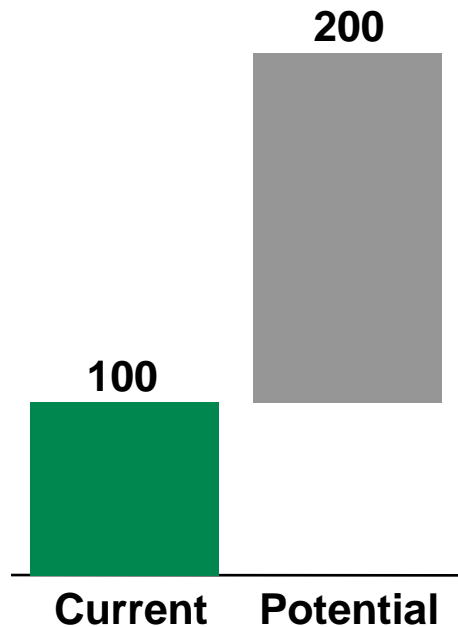
DEEPENING CUSTOMER RELATIONSHIPS

Wholesale – The opportunity in Corporate



POTENTIAL UPLIFT IN 'TRUSTED ADVISOR/SPECIALIST' CUSTOMER NUMBERS

Indexed, current Trusted Advisor/
Specialist customer numbers = 100



- With improved product capability, 'Trusted Advisor/Specialist' customers generate 6 times more revenue
- Income opportunity from converting potential 'Trusted Adviser/Specialist' customers

~ **£600 million**

DEEPENING CUSTOMER RELATIONSHIPS

Opportunities across the Group



EXAMPLE OPPORTUNITY	POTENTIAL GROUP INCOME
<p>Retail</p> <ul style="list-style-type: none">▪ Greater relationship depth with new and existing HBOS customers▪ Sustained trend in growth of multiple product holdings in Lloyds TSB franchise	<p>~ £500 million</p> <p>~ £250 million</p>
<p>Wholesale</p> <ul style="list-style-type: none">▪ Growth in 'Trusted Adviser/Specialist' relationships with Corporate customers▪ HBOS up to Lloyds TSB penetration rates for new business start-ups▪ Cross-sale of other Group products to SME customer base	<p>~ £600 million</p> <p>~ £50 million</p> <p>~ £200 million</p>
<p>Wealth</p> <ul style="list-style-type: none">▪ Private banking services for affluent Group customers	<p>~ £250 million</p>

KEY MESSAGES

A strong earnings outlook

LLOYDS
BANKING
GROUP



BUILDING THE BASE

- In 2009 we shaped the future Group
 - Risk
 - Integration
 - Capital and funding

DELIVERING EARNINGS GROWTH

- The core business will deliver strong financial performance
 - Margin outlook improving
 - Cost synergy target increased
 - Impairments improving in line with guidance

REALISING OUR NEW POTENTIAL

- Our relationship-focused model offers significant additional growth potential
 - Continuing our approach in the Lloyds TSB franchise
 - Applying the model to the enlarged franchise

**LLOYDS
BANKING
GROUP**



2009 RESULTS

26 February 2010

Tim Tookey

Group Finance Director

OVERVIEW

Building strong earnings momentum

LLOYDS
BANKING
GROUP



- **Core business in good shape; excellent progress with integration**
 - Resilient revenue performance in difficult economic environment
 - Excellent cost performance
 - Cost synergies target increased
- **Lending portfolios performing in line with expectations**
 - Overall, Group impairment levels peaked
- **Good progress in reducing non-core balance sheet assets**
- **Significant improvement to both liquidity and capital position**
- **Opportunity for significant growth from relationship model, across enlarged franchise**



Building strong earnings momentum

BUSINESS PERFORMANCE 2009⁽¹⁾

Resilient revenues; solid cost performance

LLOYDS
BANKING
GROUP



£m	2008	2009	% Change
Total income, net of insurance claims	21,355	23,964	12
Expenses	(12,236)	(11,609)	5
Trading surplus	9,119	12,355	35
Impairment	(14,880)	(23,988)	(61)
Joint ventures/associates	(952)	(767)	
Fair value unwind	–	6,100	
Loss before tax	(6,713)	(6,300)	6
Statutory profit before tax	760	1,042	37
Statutory earnings per share	6.7p	7.5p	12

⁽¹⁾ Combined businesses basis

COMBINED BUSINESSES PERFORMANCE 2009

A statutory profit of over £1 billion

LLOYDS
BANKING
GROUP



£m	2008	2009	% Change
<i>Profit before tax – combined businesses</i>	(6,713)	(6,300)	6
Integration costs	–	(1,096)	
Volatility	(2,349)	478	
GAPS payment	–	(2,500)	
Negative goodwill credit	–	11,173	
Results of BankWest and St Andrews	90	–	
Loss on disposal of businesses	(845)	–	
Insurance grossing adjustment	10	–	
Amortisation/goodwill impairment	(258)	(993)	
Pre-acquisition results of HBOS	10,825	280	
<i>Statutory profit before tax</i>	<u>760</u>	<u>1,042</u>	37

DIVISIONAL PERFORMANCE

An improved second half performance

LLOYDS
BANKING
GROUP



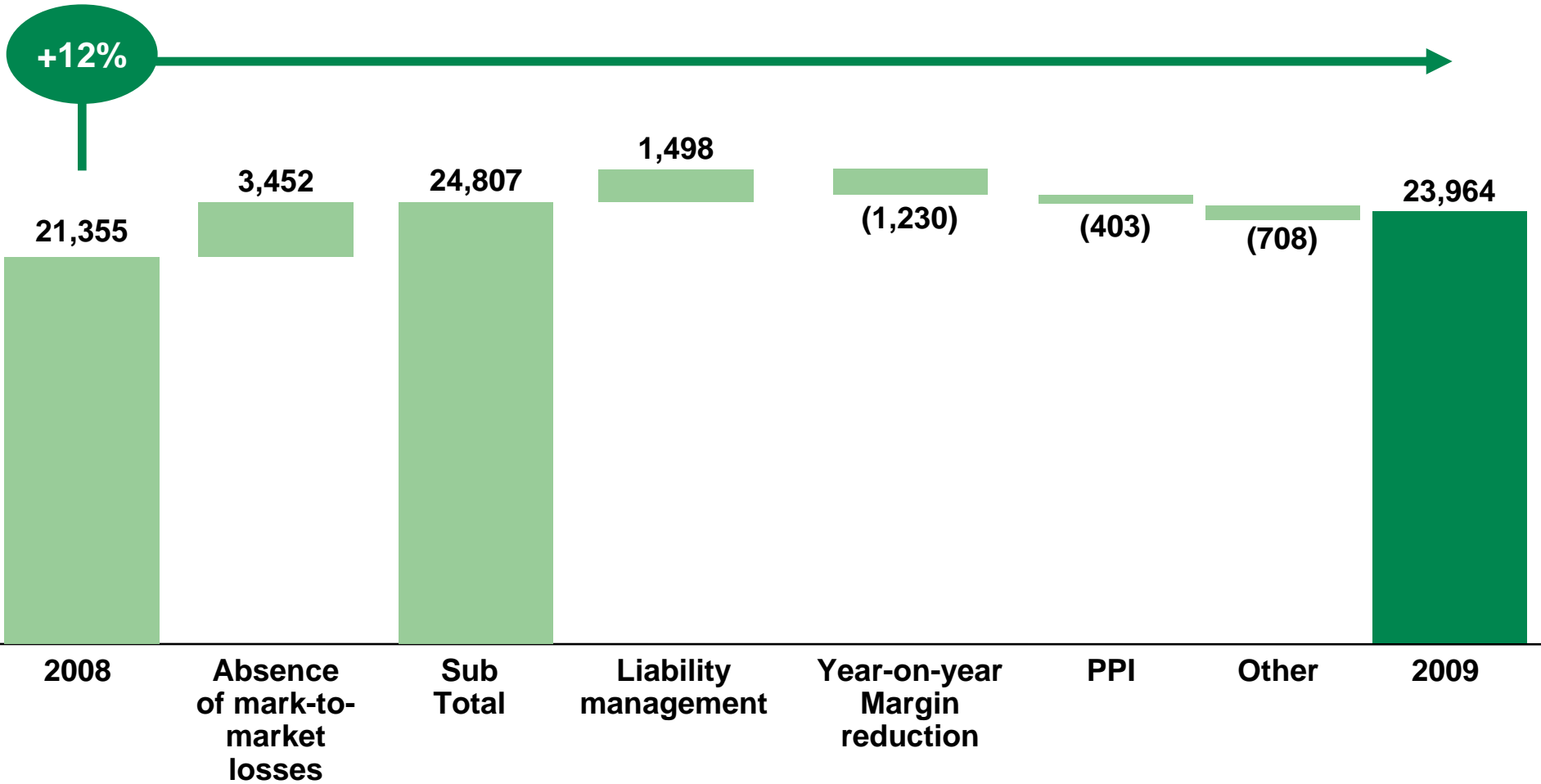
£m	Profit before tax			2009
	2008	H1 2009	H2 2009	
Retail	2,542	360	1,022	1,382
Wholesale	(10,479)	(3,208)	(1,495)	(4,703)
Wealth and International	277	(342)	(2,014)	(2,356)
Insurance	1,540	397	578	975
Group Operations and Central items	(593)	(1,164)	(434)	(1,598)
	<u>(6,713)</u>	<u>(3,957)</u>	<u>(2,343)</u>	<u>(6,300)</u>

KEY REVENUE TRENDS

A resilient performance in a challenging economic environment

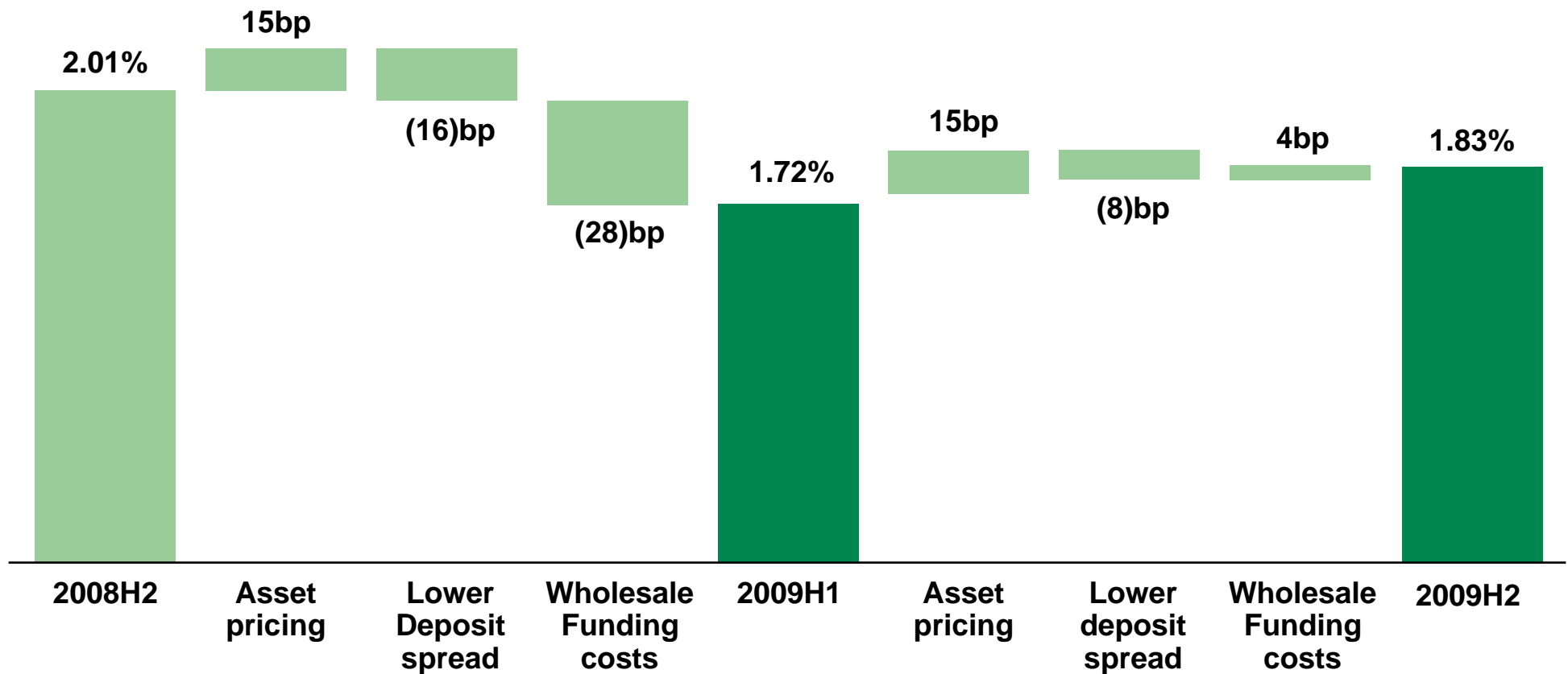


£m



GROUP NET INTEREST MARGIN

Improved margin delivered in second half



EXPECTATIONS FOR FUTURE MARGINS

Margins expected to increase in 2010 and beyond



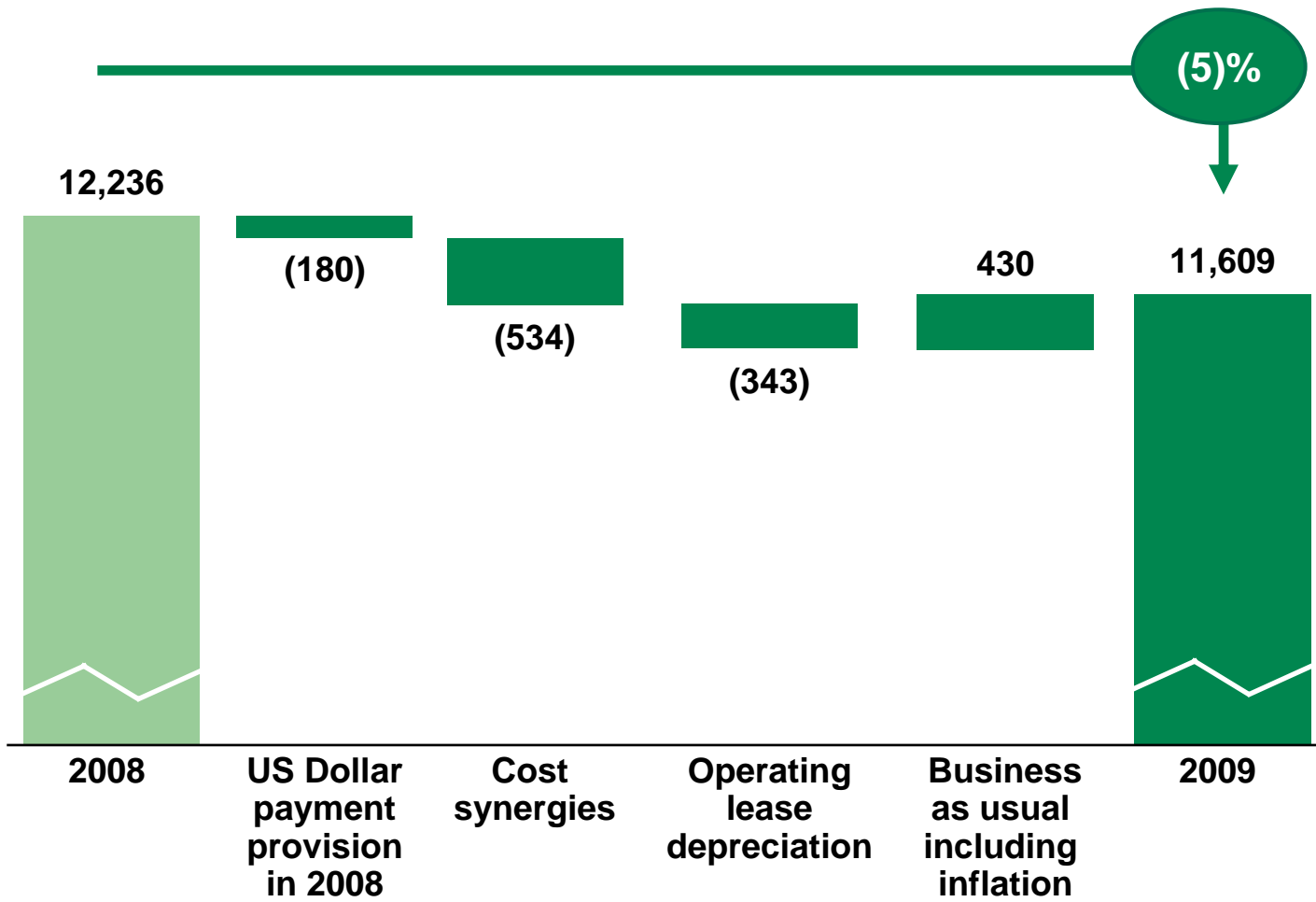
	H1 2009	H2 2009	2010	Medium term
BASE RATE MOVEMENTS				
ASSET PRICING				
COST OF WHOLESALE FUNDING				
OVERALL MARGIN IMPACT				

COST TRENDS

Excellent cost management



£m



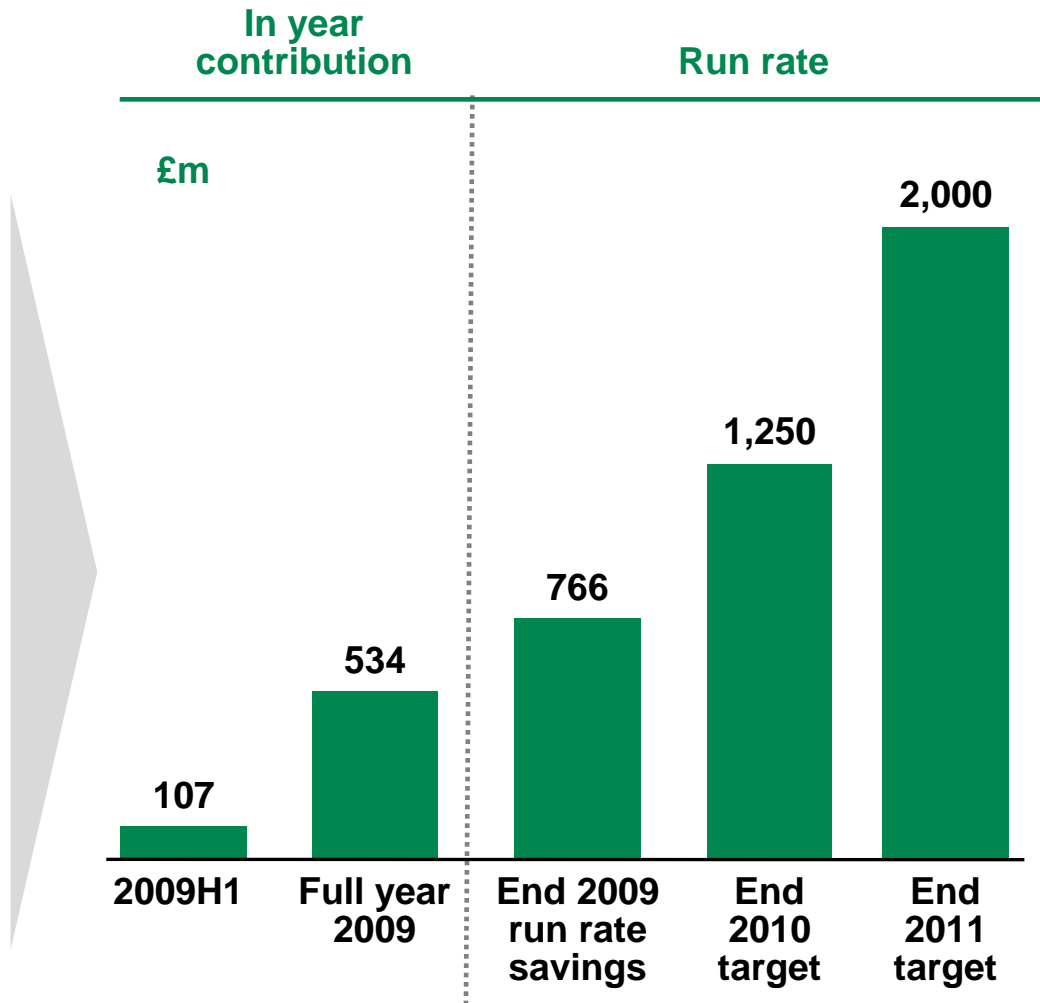
- 2010 and 2011: Significant and increased cost synergies available
- Cost:income ratio targeted to improve by c. 200 basis points per annum

EXCELLENT PROGRESS WITH INTEGRATION

Ahead of schedule – cost synergy target increased



- Integration benefits continue to run ahead of schedule
- Benefits so far driven by non-IT dependent initiatives
- Over 11,500 role reductions
- £126 million procurement savings realised to date
- 83 buildings exited by year end
- Integration costs expected to be approximately 155% of run-rate savings



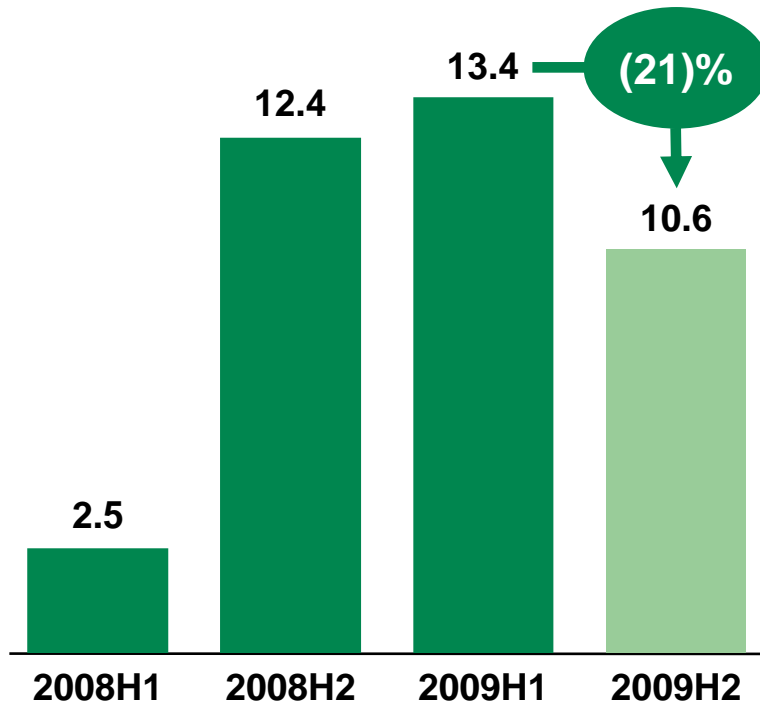
IMPAIRMENT TRENDS IMPROVING IN LINE WITH GUIDANCE

Overall Group impairments peaked



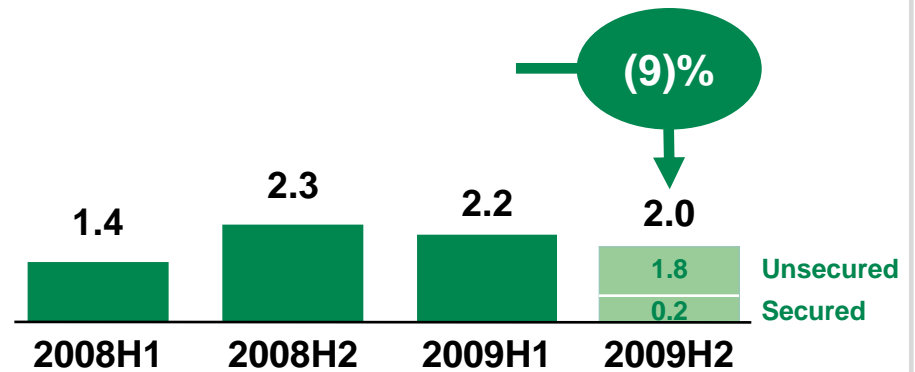
GROUP IMPAIRMENT CHARGES (£24.0bn)

- Run-rate of impairments has slowed in 2009H2
- Continue to expect 2010 charge to be significantly lower than 2009 charge



RETAIL IMPAIRMENT CHARGES (£4.2bn)

- Significant reduction in mortgage impairment run-rate
- Better house price index performance than expected
- Mortgage arrears trends improved
- Unsecured lending portfolio impacted by rising unemployment as expected



IMPAIRMENTS TRENDS IMPROVING IN LINE WITH GUIDANCE

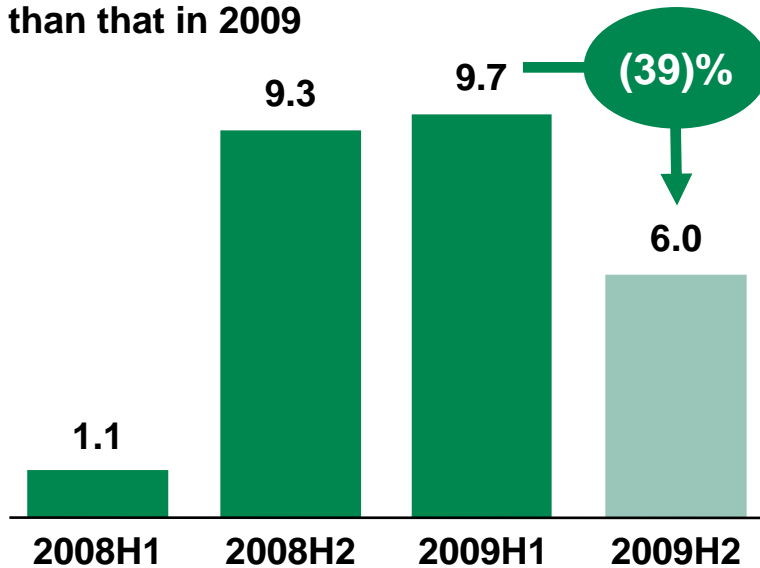
Overall Group impairments peaked



WHOLESALE

IMPAIRMENT CHARGES (£15.7bn)

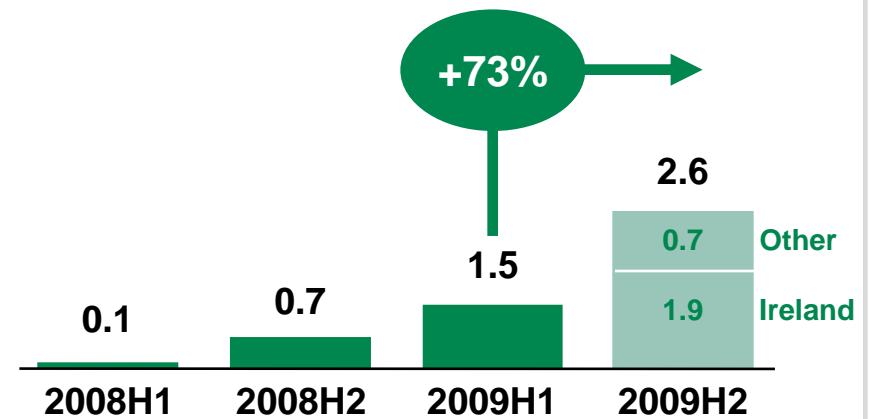
- Significant reduction in impairment charge run-rate as expected
- Reduction driven by sharp fall in commercial real estate impairments
- 2010 charge expected to be significantly lower than that in 2009



WEALTH & INTERNATIONAL

IMPAIRMENT CHARGES (£4.1bn)

- High level of impairments in 2009H1 continued into 2009H2
- Almost three quarters of 2009H2 charge related to Irish exposures
- Expect impairments to have peaked but outlook for Irish economy continues to be difficult



IMPAIRMENT GUIDANCE RECONFIRMED

Overall Group impairments peaked

LLOYDS
BANKING
GROUP



	RECENT GUIDANCE	2009H2 PERFORMANCE	2010 OUTLOOK ⁽¹⁾
GROUP	Expected to have peaked in 2009H1	✓	2010 impairments significantly lower than 2009. Half yearly run-rate to continue
RETAIL	Expected to peak in 2009H2	✓ 2009H2 9% lower than H1	2010 impairments lower than 2009
WHOLESALE	Expected to be significantly lower in 2009H2	✓	2010 impairments significantly lower than 2009
WEALTH & INTERNATIONAL	Expected to be significantly lower in 2009H2 Concern over Irish exposures	Ongoing concerns with Irish economy. High level of impairments to continue throughout 2009	We believe impairments have peaked but concerns over Ireland remain

⁽¹⁾ Based on current economic expectations

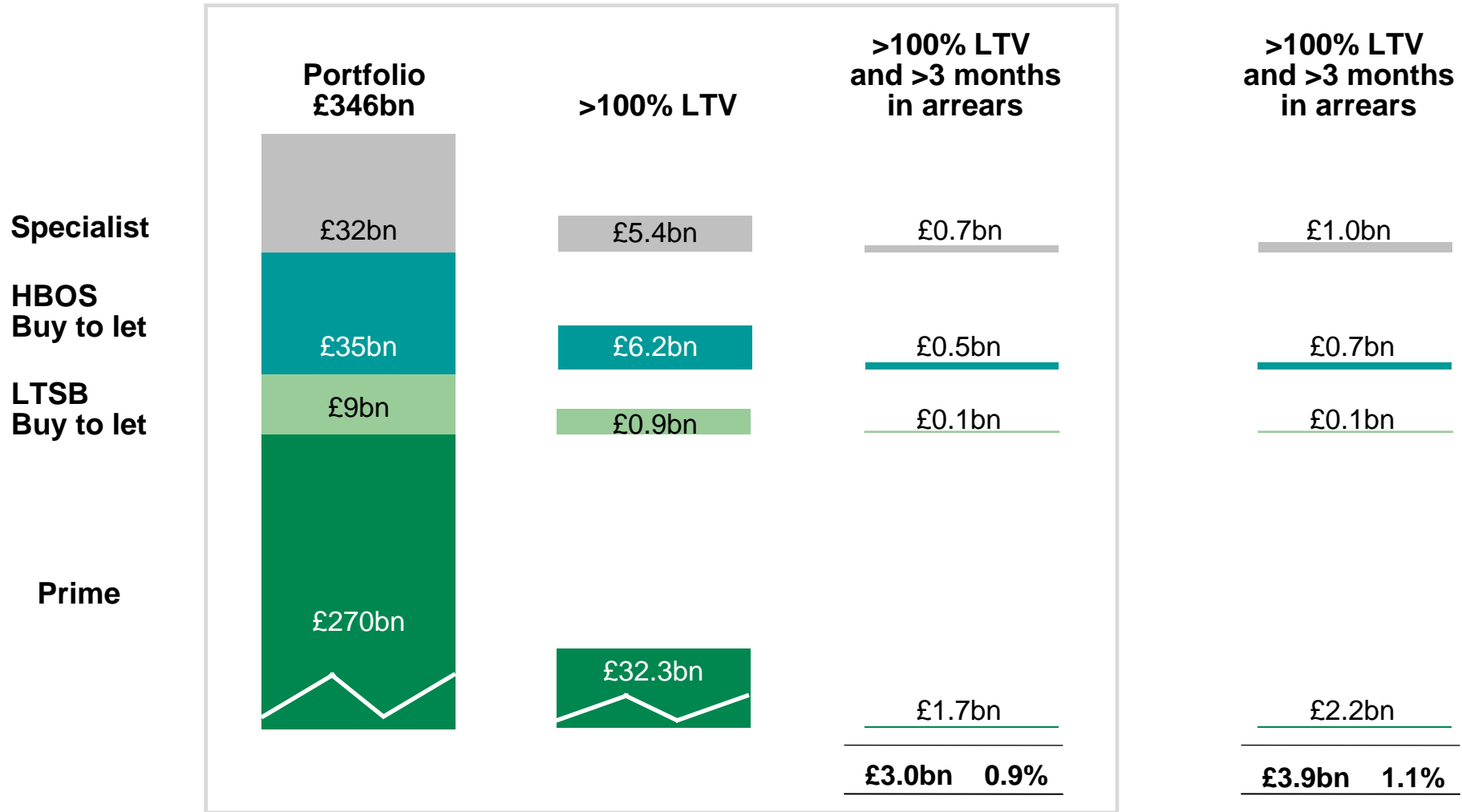
SECURED PORTFOLIO

All new business written within risk appetite



31 Dec 09

30 Jun 09

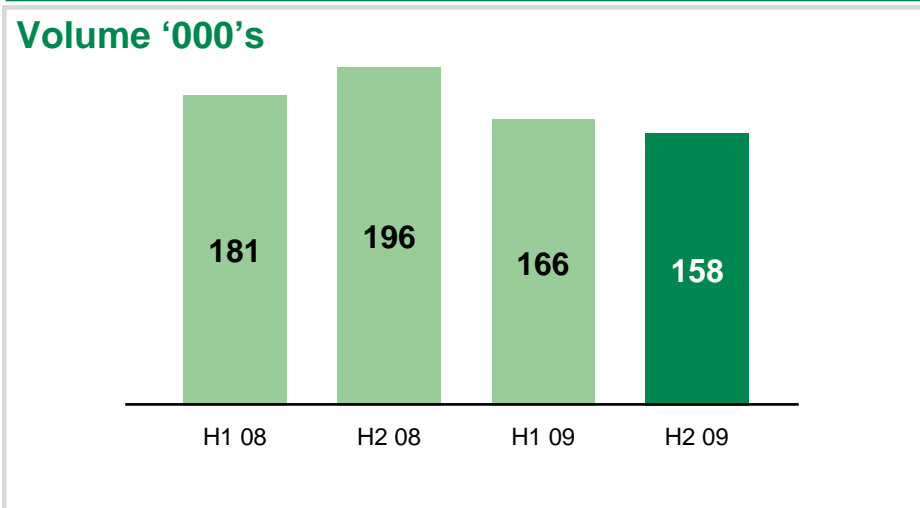


TREND IN SECURED PORTFOLIO ARREARS

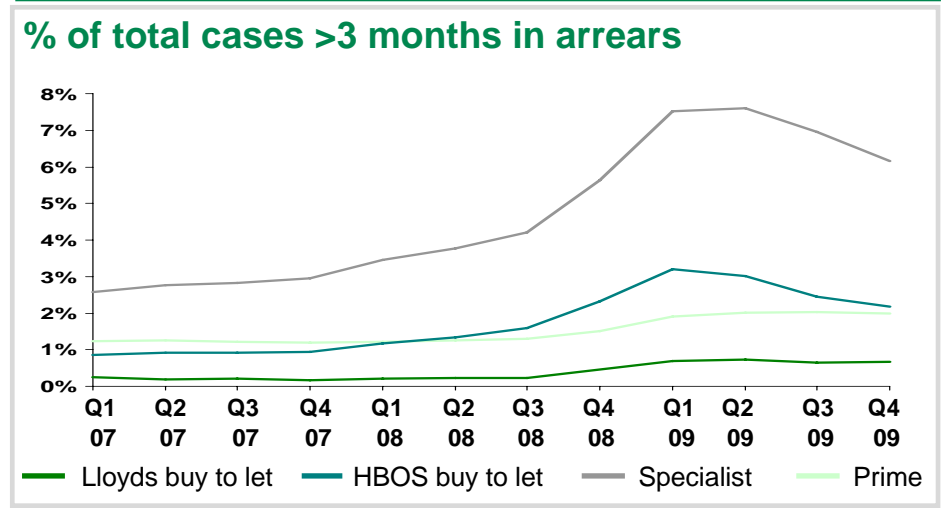
Mortgage portfolio arrears continue to improve



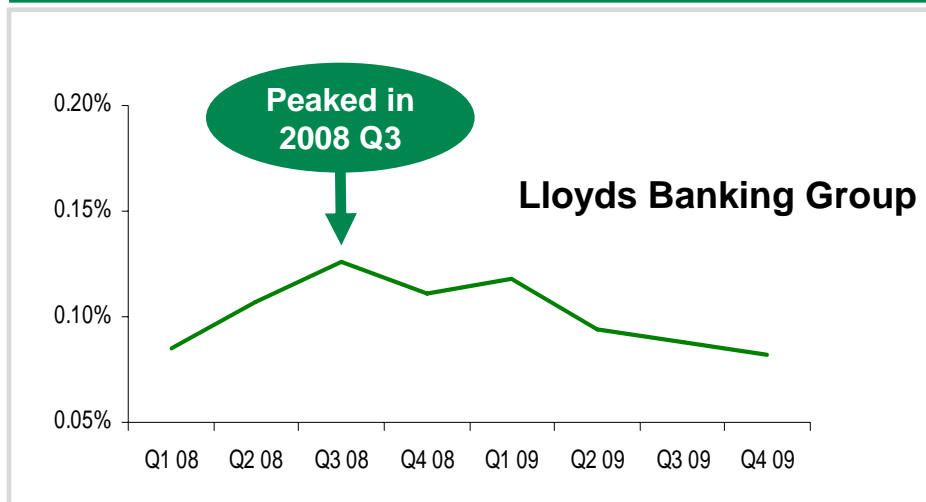
CUSTOMERS NEW TO ARREARS



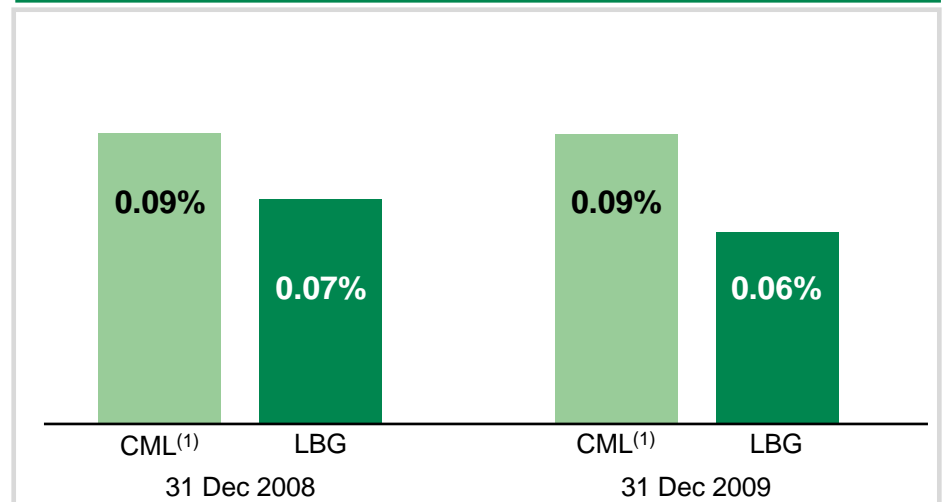
PORTFOLIO BALANCES 3 MONTHS+ IN ARREARS



PROPERTIES IN POSSESSION (% OF MORTGAGE CASES)



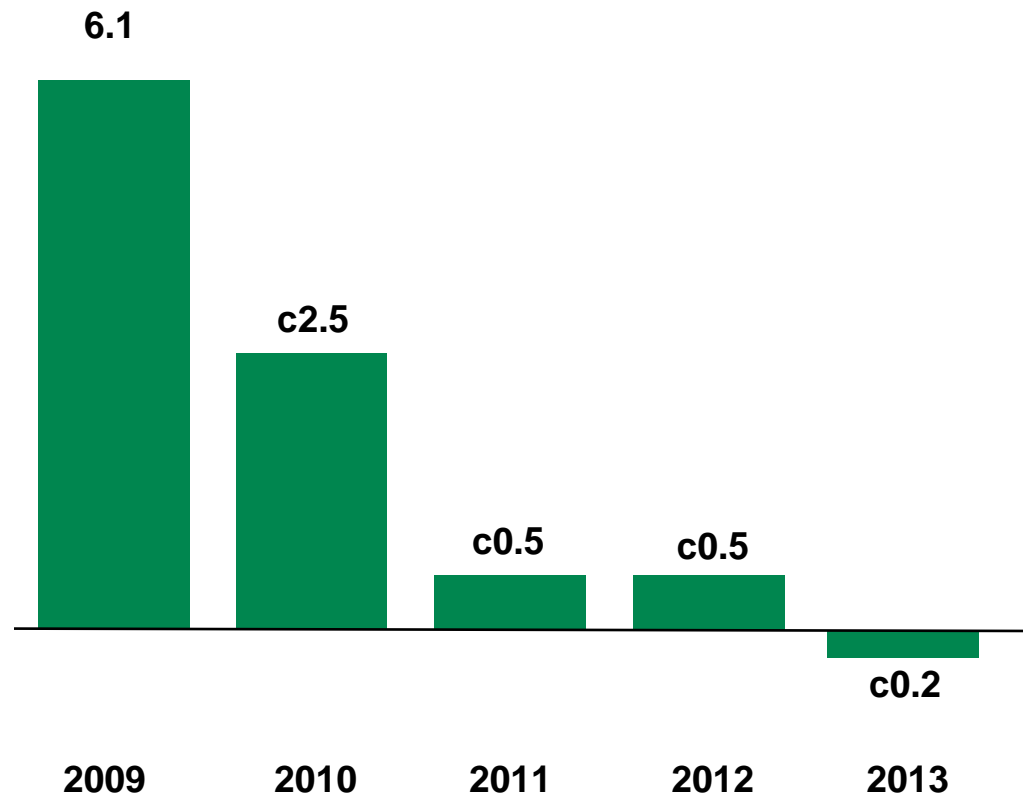
NEW POSSESSIONS (% TOTAL CASES)



(1) Source: Council of Mortgage Lenders

EXPECTED UNWIND OF ACQUISITION RELATED ADJUSTMENTS

£bn



- £6.1 billion unwind during 2009
- c£2.5 billion expected to unwind in 2010
- Smaller level of expected unwind in 2011 - 2013
- Future unwind subject to variation according to timing of future legacy HBOS impairments

Acquisition related adjustments include fair value adjustments to net tangible assets, and the elimination of HBOS's available-for-sale and cash flow hedging reserves

SUMMARY

Earnings outlook



IMPROVING OUR EARNINGS OUTLOOK

- Improved outlook for margins
- Substantial cost synergies targeted
- Impairments to reduce substantially
- Financial performance expected to improve significantly

RIGHTSIZING OUR BALANCE SHEET

IMPROVING OUR FUNDING AND LIQUIDITY POSITION

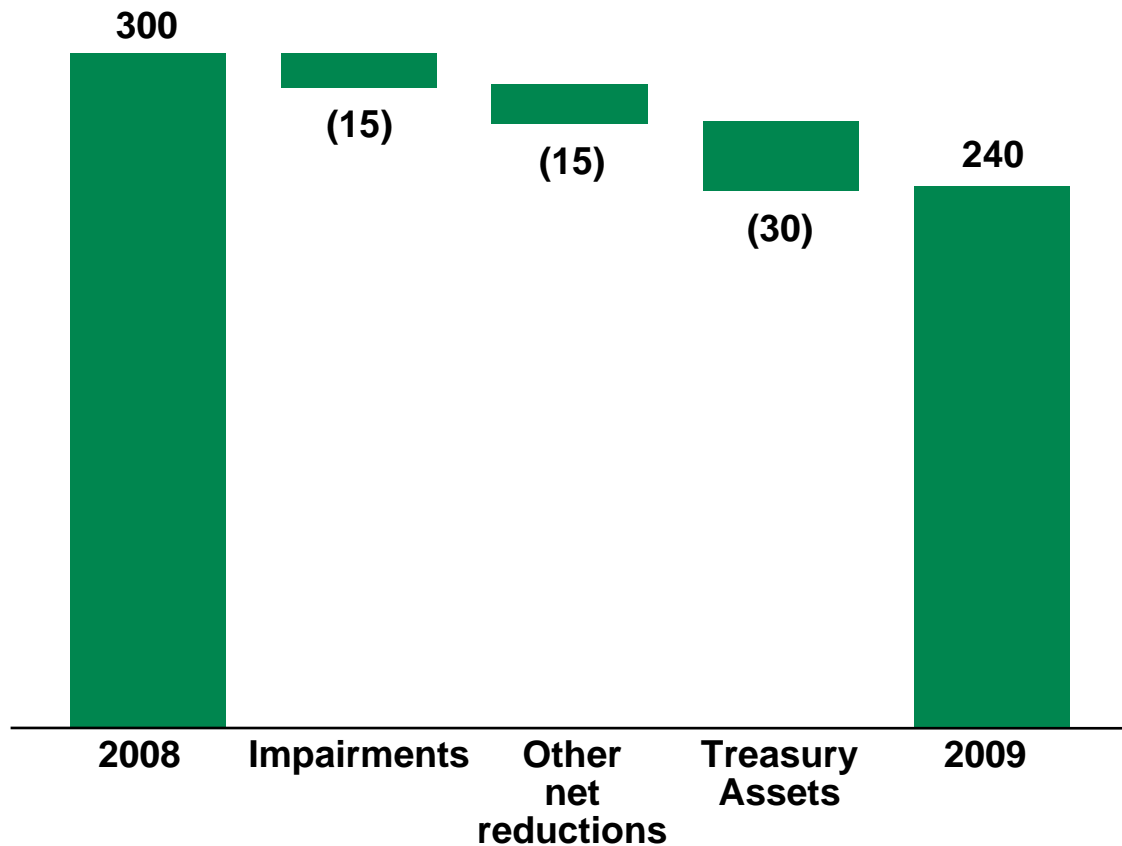
MAINTAINING A ROBUST CAPITAL POSITION

RIGHTSIZING OUR BALANCE SHEET

£60 billion asset reduction in 2009



£bn

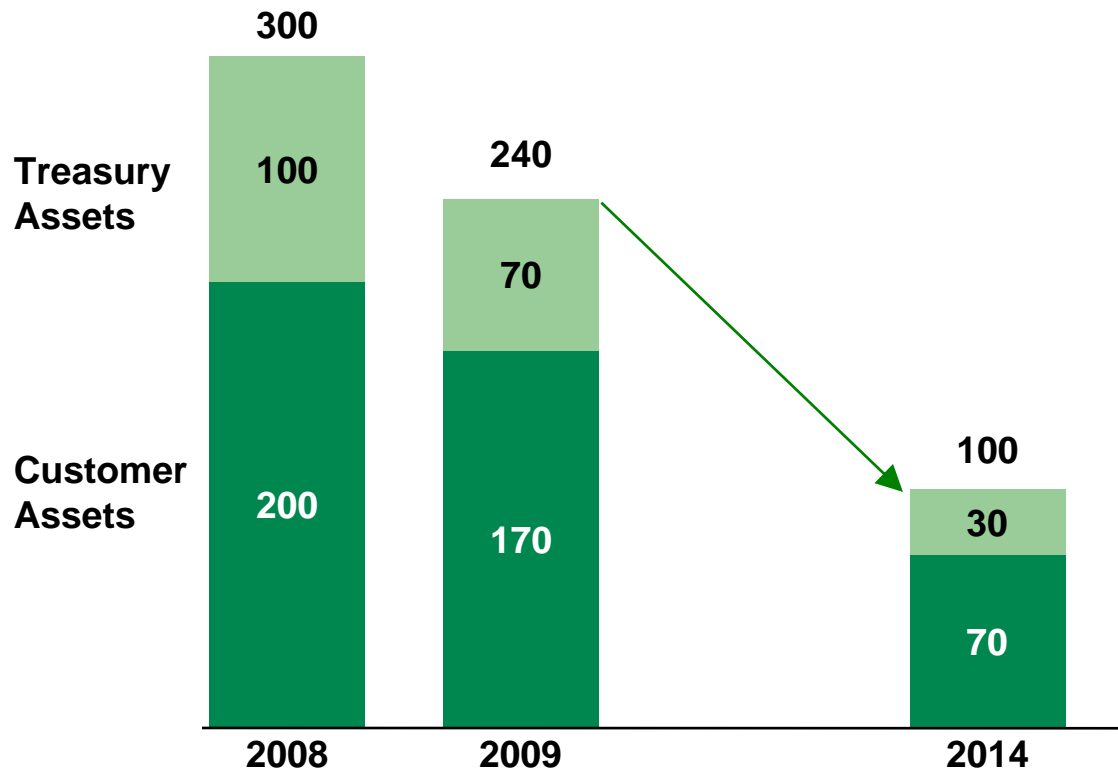


- £200 billion expected to run-off over 5 years
- £60 billion asset reduction during 2009

RIGHTSIZING OUR BALANCE SHEET

£300 billion portfolio of assets in run-off

£bn



- Further reduction of c £140 billion by end of 2014
- Flexibility to reduce wholesale funding levels, improve capital ratios or grow customer relationship lending

SUMMARY

Rightsizing our balance sheet

LLOYDS
BANKING
GROUP



IMPROVING OUR EARNINGS OUTLOOK

- Improved outlook for margins
- Substantial cost synergies targeted
- Impairments to reduce substantially
- Financial performance expected to improve significantly

RIGHTSIZING OUR BALANCE SHEET

- **£200 billion non-core asset reduction over 5 years**
- **£60 billion reduction achieved in 2009**
- **Further £140 billion balance sheet reduction expected**

IMPROVING OUR FUNDING AND LIQUIDITY POSITION

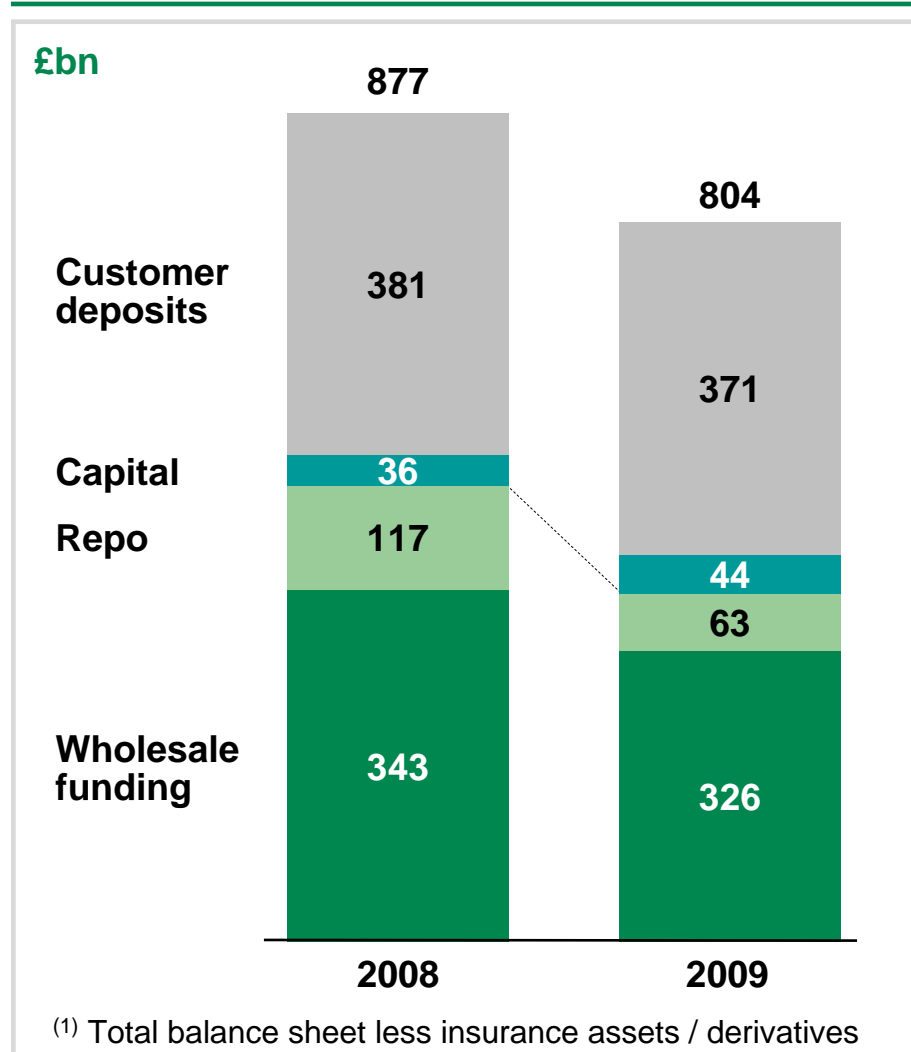
MAINTAINING A ROBUST CAPITAL POSITION

REDUCING OUR WHOLESALE FUNDING REQUIREMENT

Asset run-off to reduce our wholesale funding requirements



Funding our banking assets⁽¹⁾



- Asset run-off expected to significantly reduce wholesale funding requirement over next few years
- Refinancing of wholesale funding expected to have less than 10 basis points impact on Group margin
- Blended cost of Government and Central Bank funding schemes similar to current market rates

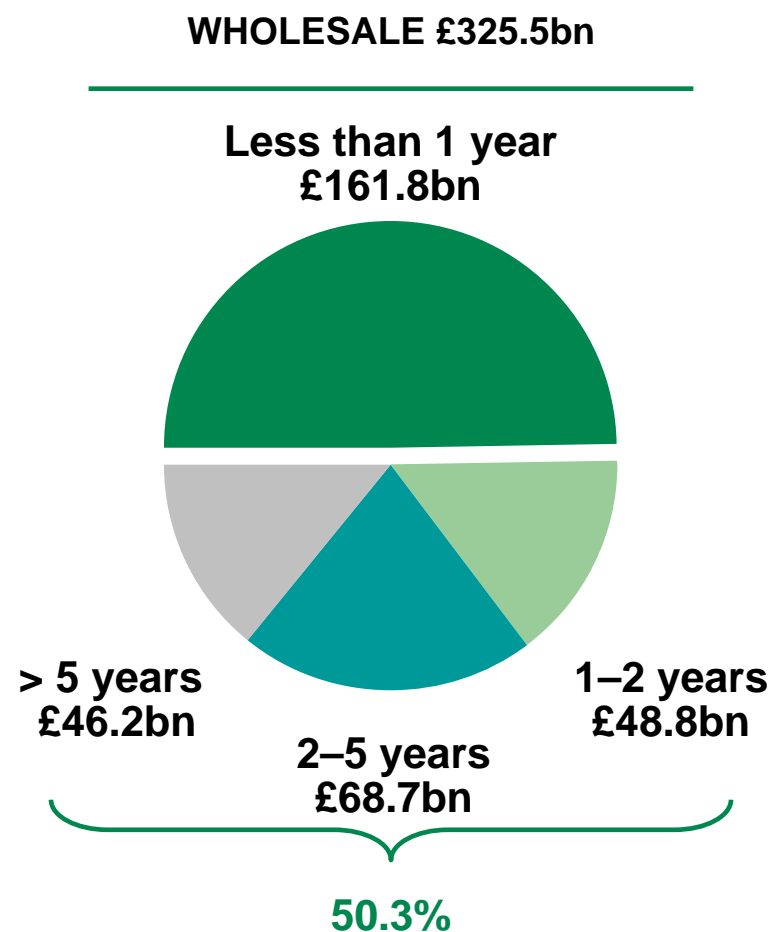
REDUCING OUR WHOLESALE FUNDING REQUIREMENT

Diverse funding sources with prudent maturity profile

LLOYDS
BANKING
GROUP



£bn	31 Dec 2008	31 Dec 2009
Bank deposits ⁽¹⁾	54.9	48.6
Certificates of deposit	77.5	50.9
Medium-term notes	63.5	89.7
Covered bonds	29.1	28.1
Commercial paper	28.9	35.0
Securitisation	43.6	35.8
Subordinated debt	45.4	37.4
Wholesale (excluding customer deposits)	342.9	325.5
Customer deposits ⁽¹⁾	381.0	371.2
Total Group funding	723.9	696.7



⁽¹⁾ Excluding repos

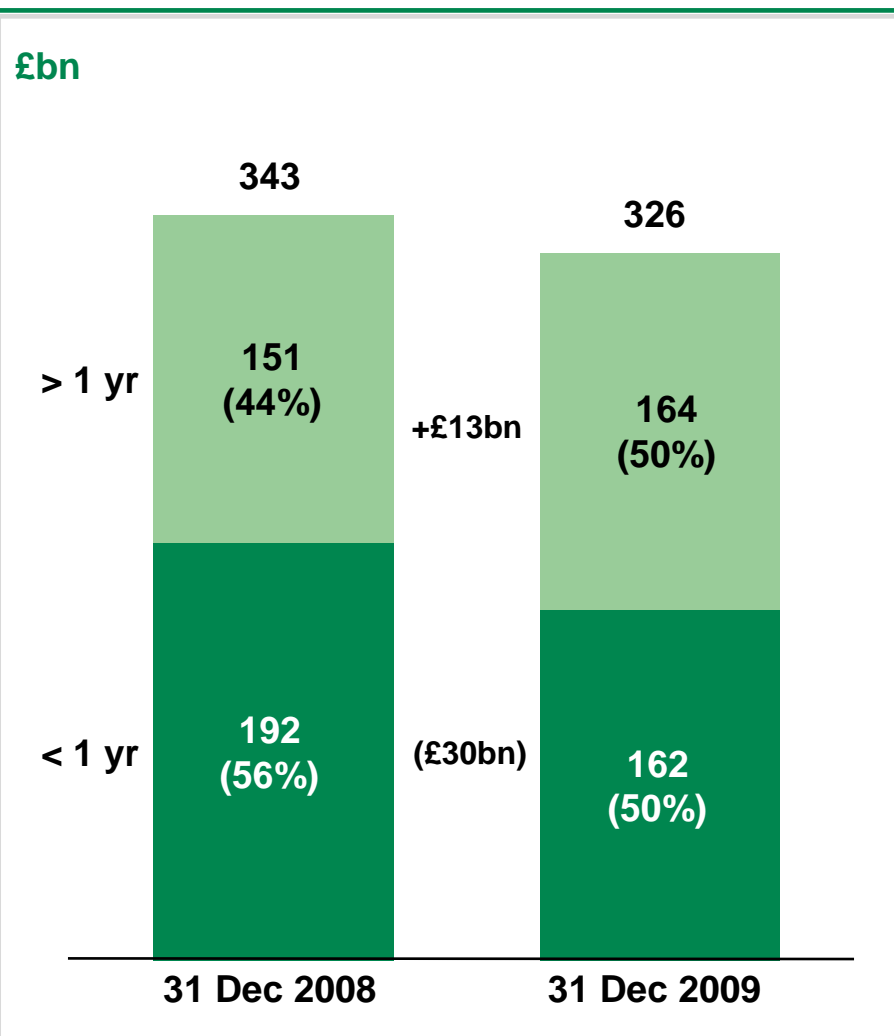
REDUCING OUR WHOLESALE FUNDING REQUIREMENT

Improving our wholesale funding maturity profile

LLOYDS
BANKING
GROUP



WHOLESALE FUNDING MATURITY PROFILE



TERM ISSUANCE

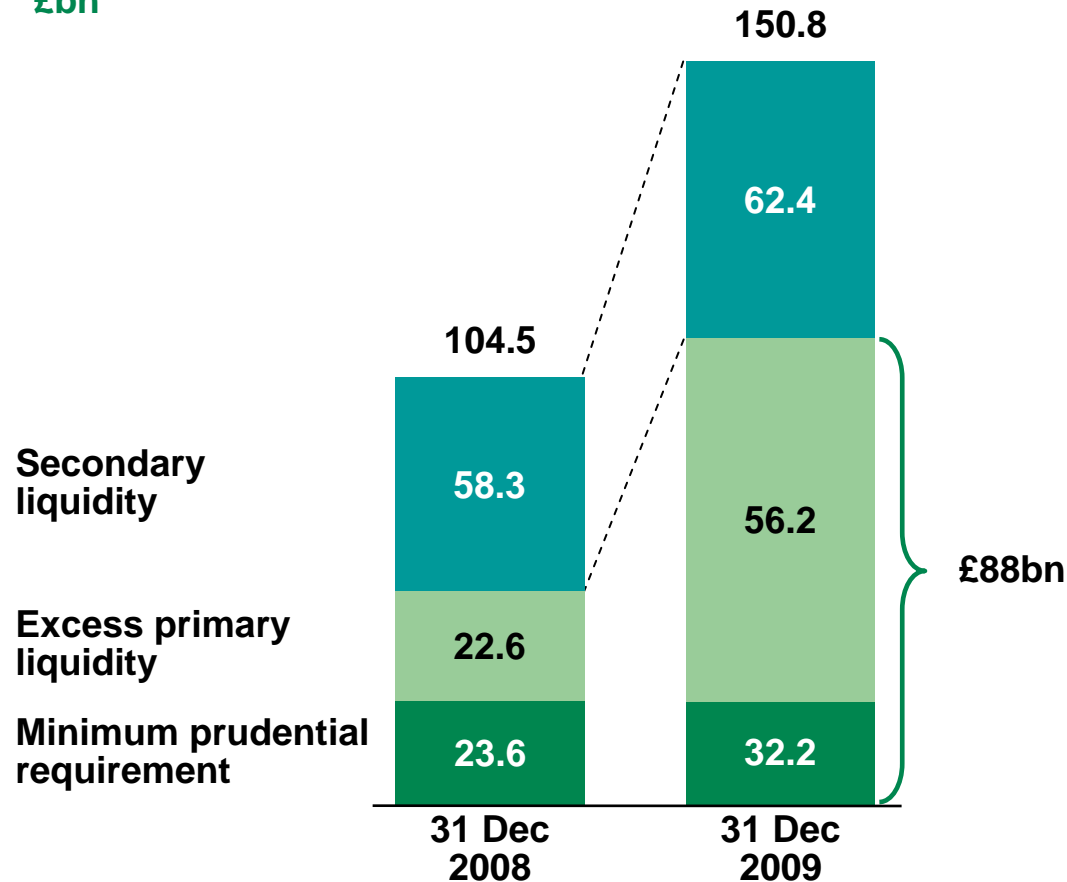
- Expected public term issuance of c. £20–25 billion p.a. over next 3 years
- 2010 term issuance already completed:
 - December 2009 \$2 billion innovative tier 1
 - January 2010 \$5 billion US MTN issuance
 - January 2010 £2.5 billion RMBS transaction
- On track to meet 2010 term issuance requirements

IMPROVING OUR LIQUIDITY POSITION

A material increase in our liquid assets



£bn



- Liquidity buffer of 19% of total net banking assets
- £88 billion primary FSA eligible liquidity
- A multiple of current regulatory requirements

Definitions:

Minimum prudential requirement = minimum FSA liquid asset holding

Excess primary liquidity = eligible primary liquidity per FSA PS09/16 definition, less minimum prudential requirement

Secondary liquidity = unencumbered Central Bank eligible liquid assets (pre haircuts)

SUMMARY

Improving our funding and liquidity position

LLOYDS
BANKING
GROUP



IMPROVING OUR EARNINGS OUTLOOK

- Improved outlook for margins
- Substantial cost synergies targeted
- Impairments to reduce substantially
- Financial performance expected to improve significantly

RIGHTSIZING OUR BALANCE SHEET

- £200 billion non-core asset reduction over 5 years
- £60 billion reduction achieved in 2009
- Further £140 billion balance sheet reduction expected

IMPROVING OUR FUNDING AND LIQUIDITY POSITION

- **Asset run-off to reduce wholesale funding requirements**
- **Re-financing cost not expected to be material**
- **Significant increase in liquid asset holdings**

MAINTAINING A ROBUST CAPITAL POSITION

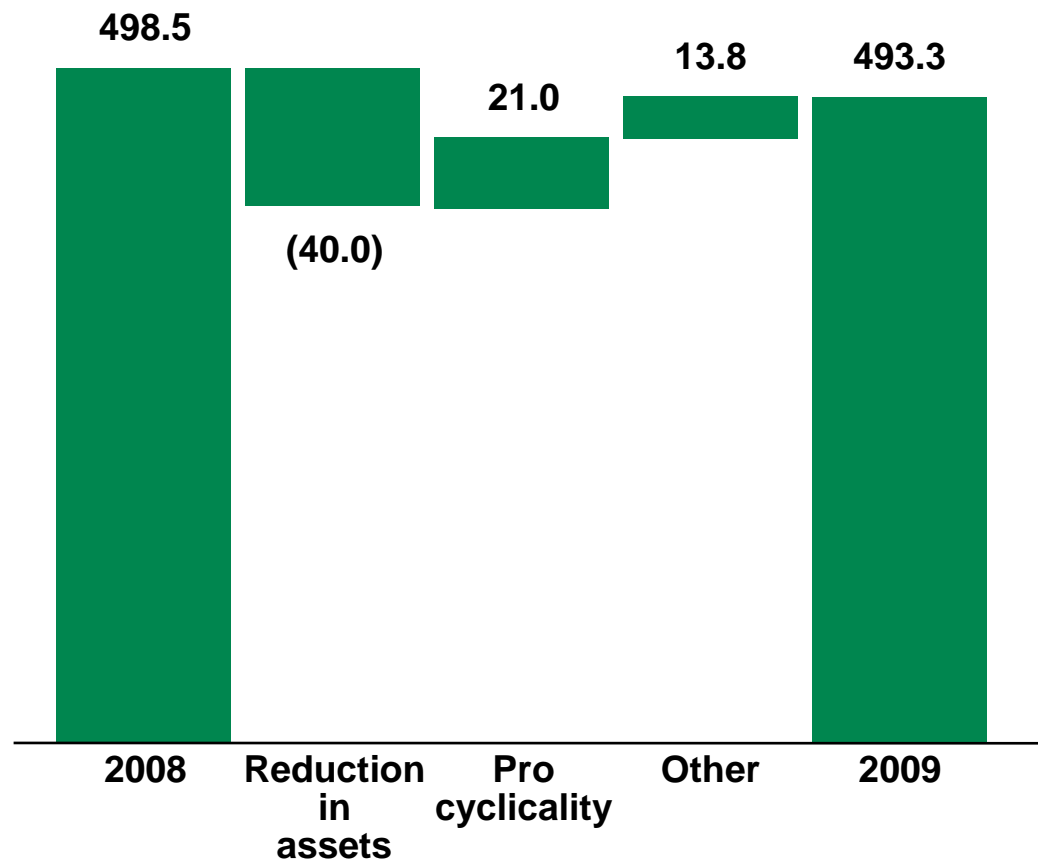


MAINTAINING A ROBUST CAPITAL POSITION

Reducing our risk-weighted assets



£bn



- Reduction in assets partly offset by impact of Basel procyclicality
- Further risk-weighted asset reductions expected over next few years

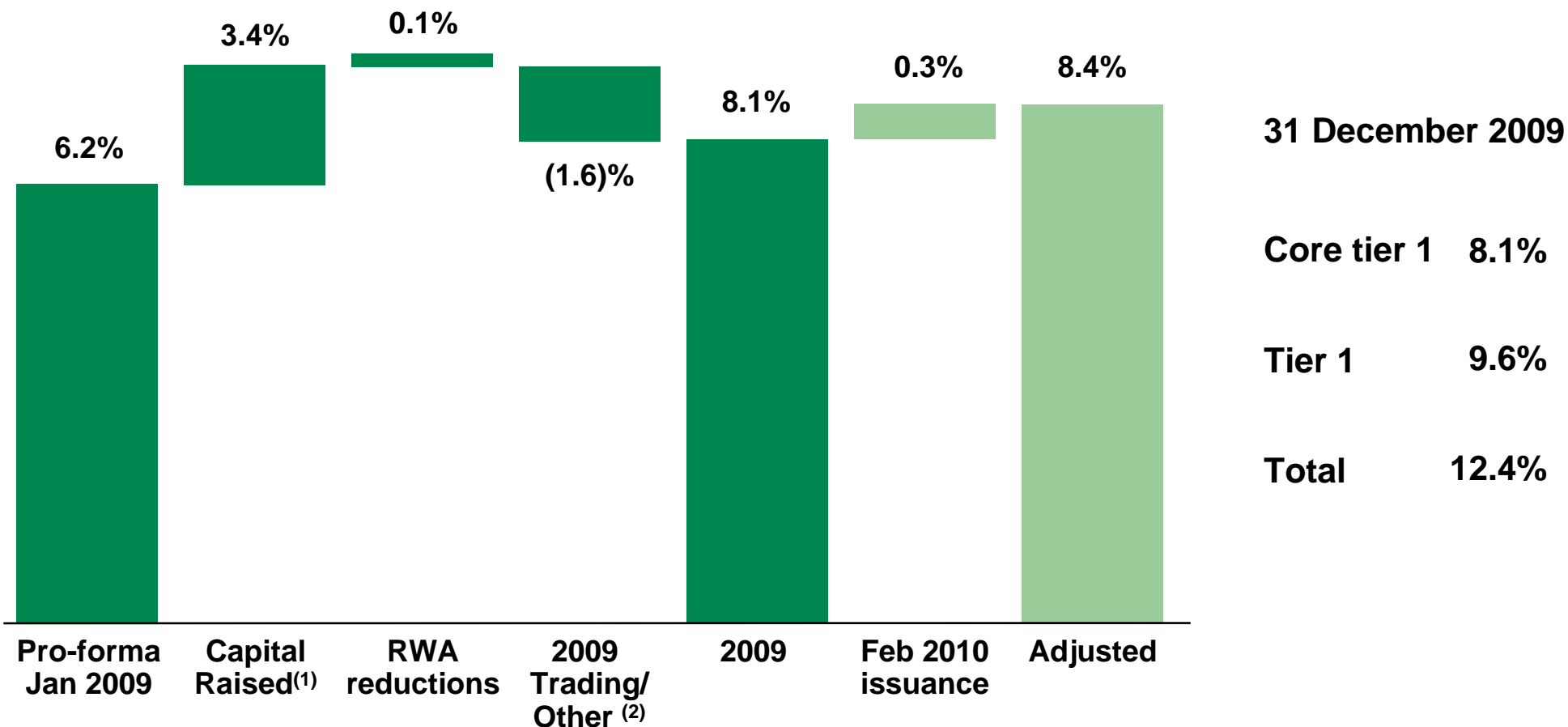
MAINTAINING A ROBUST CAPITAL POSITION

Improving capital ratios

LLOYDS
BANKING
GROUP



Core Tier 1 Capital Ratio



(1) Excludes £7.2 billion Enhanced Capital Notes, equivalent of 1.5% of Core Tier 1 capital

(2) Excludes 1.6% benefit from negative goodwill which is included in pro-forma January 2009 ratio

MAINTAINING A ROBUST CAPITAL POSITION

Possible impact of Basel Committee's consultative proposals

LLOYDS
BANKING
GROUP



Regulatory capital required

Not yet calibrated

Raising the quality of the capital base

Remove insurance capital from core tier 1 capital



Deferred tax assets



Other deductions from core tier 1 capital



Restrict tier 1 capital securities



Other areas to be clarified

Risk weightings on investment banking activities

Leverage ratio



SUMMARY

Maintaining a robust capital position

LLOYDS
BANKING
GROUP



IMPROVING OUR EARNINGS OUTLOOK

- Improved outlook for margins
- Substantial cost synergies targeted
- Impairments to reduce substantially
- Financial performance expected to improve significantly

RIGHTSIZING OUR BALANCE SHEET

- £200 billion non-core asset reduction over 5 years
- £60 billion reduction achieved in 2009
- Further £140 billion balance sheet reduction expected

IMPROVING OUR FUNDING AND LIQUIDITY POSITION

- Asset run-off to reduce wholesale funding requirements
- Re-financing cost not expected to be material
- Significant increase in liquid asset holdings

MAINTAINING A ROBUST CAPITAL POSITION

- Robust capital position maintained, 8.4% core tier 1
- Enhanced Capital Notes provide further capital support in severe stresses
- Engaged in capital consultation studies

SUMMARY

A challenging year, but one of significant achievement

LLOYDS
BANKING
GROUP



IMPROVING OUR EARNINGS OUTLOOK

- Improved outlook for margins
- Substantial cost synergies targeted
- Impairments to reduce substantially
- Financial performance expected to improve significantly

RIGHTSIZING OUR BALANCE SHEET

- £200 billion non-core asset reduction over 5 years
- £60 billion reduction achieved in 2009
- Further £140 billion balance sheet reduction expected

IMPROVING OUR FUNDING AND LIQUIDITY POSITION

- Asset run-off to reduce wholesale funding requirements
- Re-financing cost not expected to be material
- Significant increase in liquid asset holdings

MAINTAINING A ROBUST CAPITAL POSITION

- Robust capital position maintained, 8.4% core tier 1
- Enhanced Capital Notes provide further capital support in severe stresses
- Engaged in capital consultation studies

**LLOYDS
BANKING
GROUP**



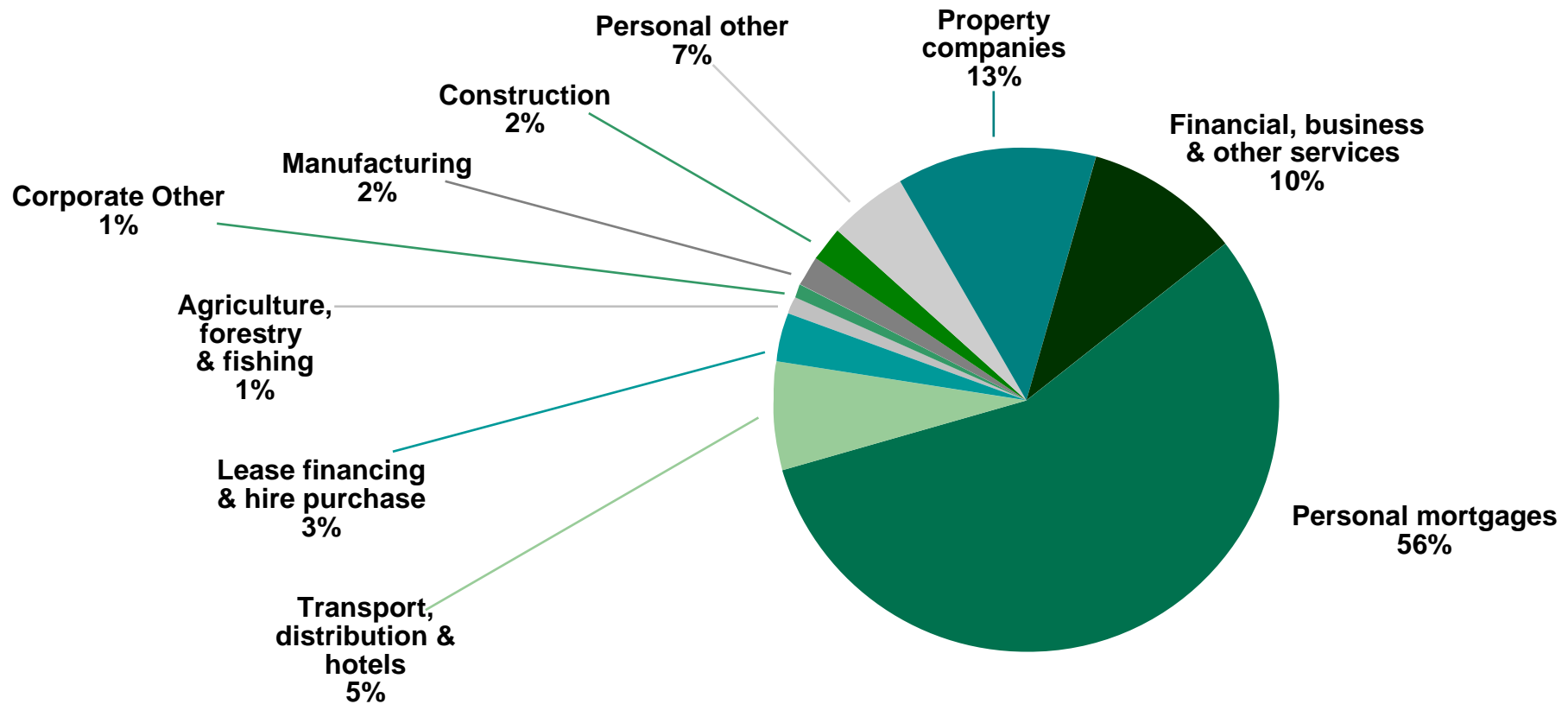
APPENDIX

LOANS AND ADVANCES TO CORPORATE CUSTOMERS



Loans and advances to customers £660billion⁽¹⁾

31 December 2009



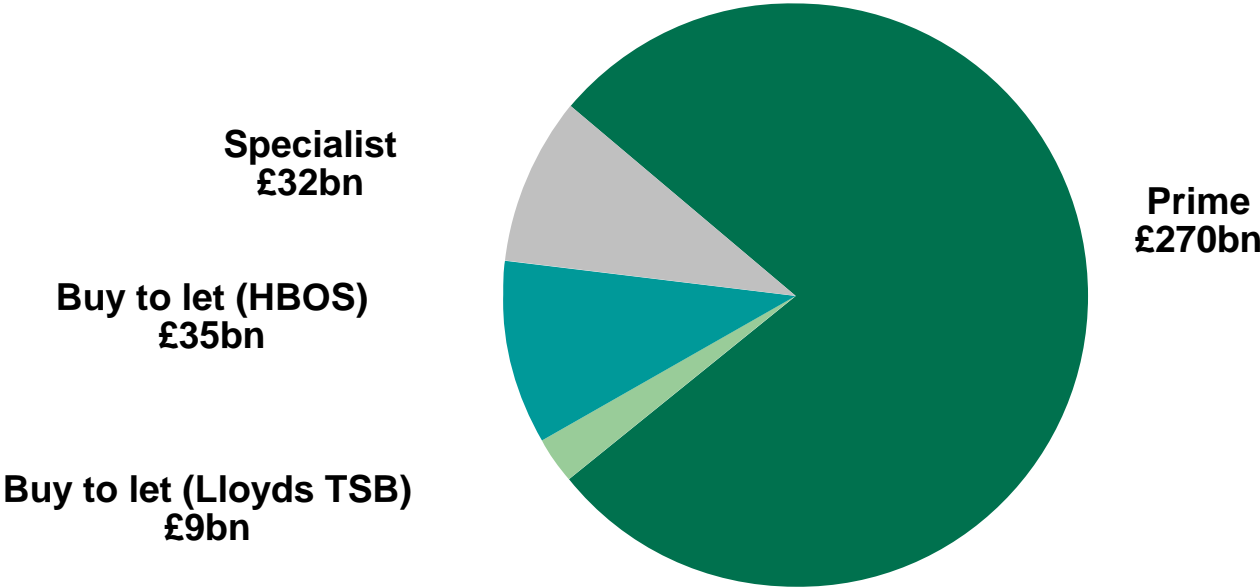
⁽¹⁾ Before allowance for impairment losses totalling £26 billion and fair value adjustments

MORTGAGE PORTFOLIO



UK mortgage portfolio £346 billion

31 December 2009



MORTGAGE PORTFOLIO LTVs

LLOYDS
BANKING
GROUP



	Prime	Buy to let Lloyds TSB	Buy to let HBOS	Specialist	Group
Average LTVs	51.0%	66.8%	77.8%	72.3%	54.8%
New business 2009 LTVs	58.3%	61.7%	67.3%	73.7%	59.3%
<= 80% LTV	61.5%	56.0%	40.1%	41.0%	57.3%
> 80–90% LTV	14.3%	14.7%	20.3%	21.5%	15.6%
> 90–100% LTV	12.2%	19.8%	21.8%	20.3%	14.1%
> 100% LTV	12.0%	9.4%	17.8%	17.2%	13.0%
Value > 100% LTV	£32.3bn	£0.9bn	£6.2bn	£5.4bn	£44.8bn

Indexed by value at 31 December 2009

MORTGAGE PORTFOLIO

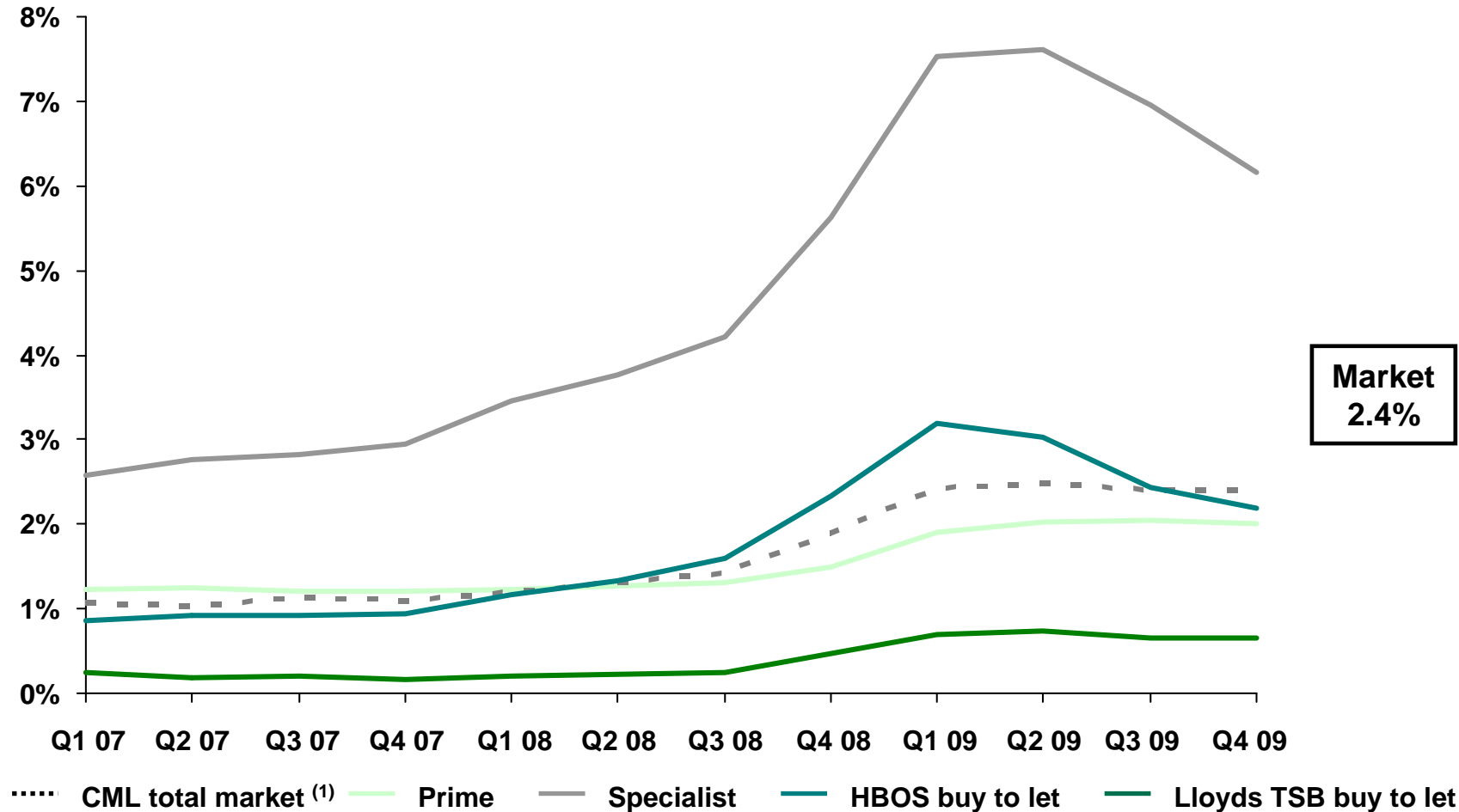


	31 Dec 09	30 June 09
	Portfolio £346bn	
	>100% LTV	>100% LTV and >3 months in arrears
Specialist	£32bn-9.1%	£5.4bn-17.2%
HBOS Buy to let	£35bn-10.1%	£6.2bn-17.8%
LTSB Buy to let	£9bn-2.7%	£0.9bn-9.4%
Prime	£270bn-78.0%	£32.3bn-12.0%
		£0.7bn 2.3%
		£0.5bn 1.3%
		£0.1bn 0.5%
		£1.7bn 0.6%
		£3.0bn 0.9%
		£1.0bn 3.1%
		£0.7bn 2.1%
		£0.1bn 0.6%
		£2.2bn 0.8%
		£3.9bn 1.1%

MORTGAGE ARREARS TRENDS



% of total cases >3 months in arrears



(1) Source: Council of Mortgage Lenders

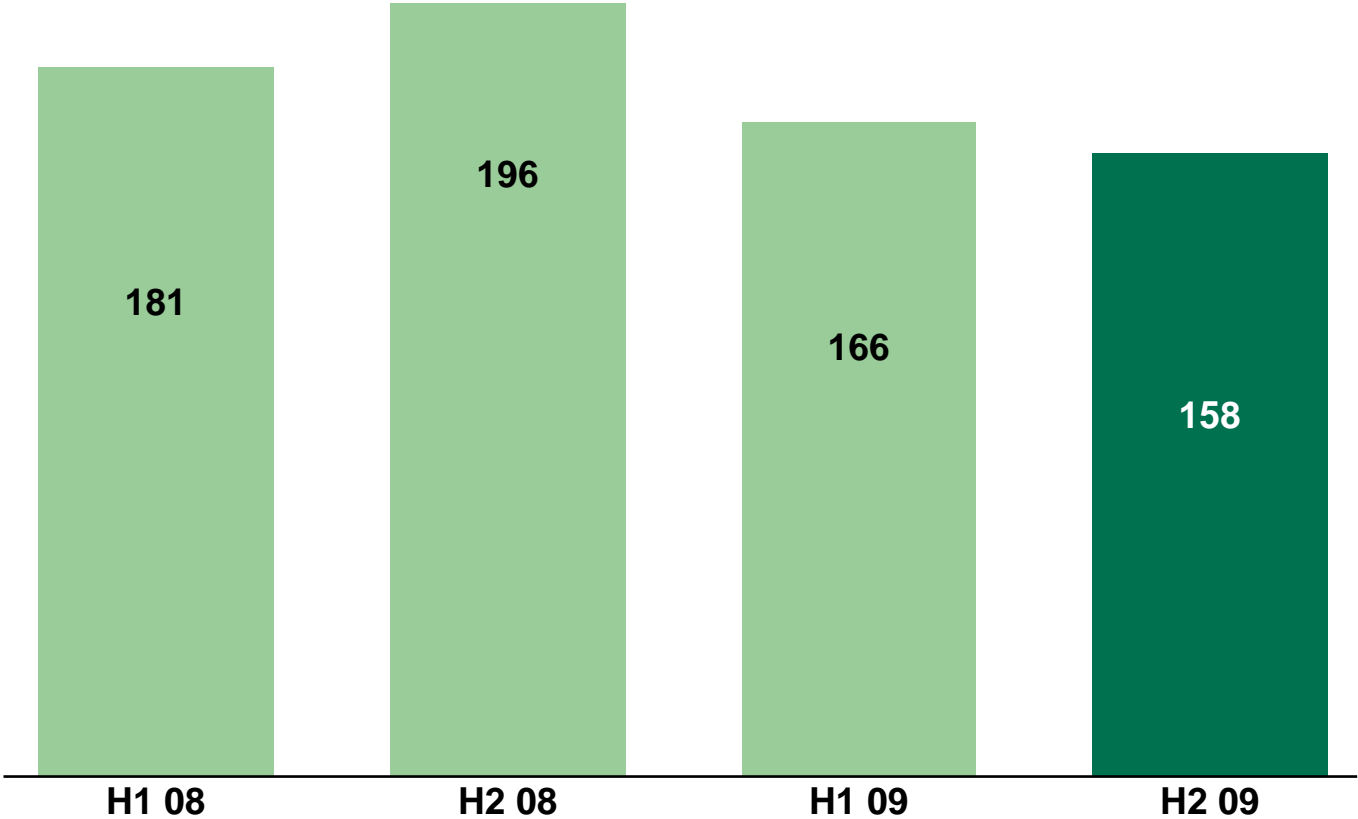
Note: chart shows mortgages >3 months in arrears excluding possessions stock as a proportion of total cases

TREND IN MORTGAGE PORTFOLIO ARREARS



Customers new to arrears

Volume '000's

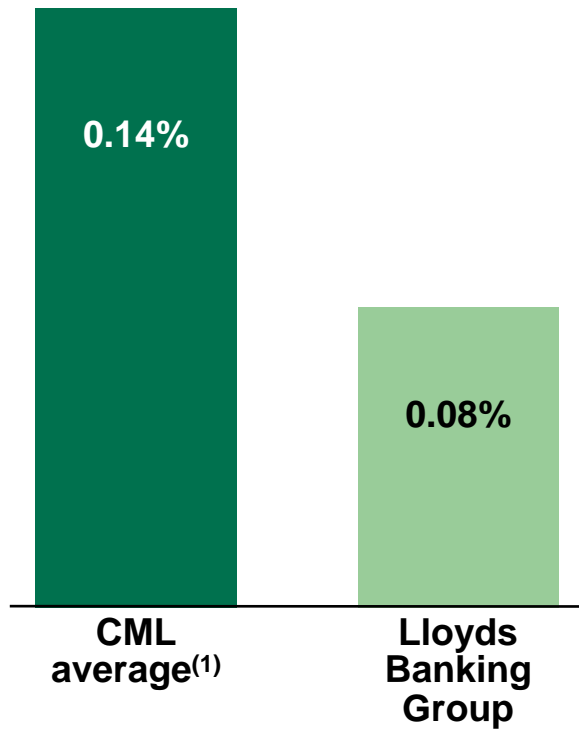


MORTGAGE PORTFOLIO – PROPERTIES IN POSSESSION

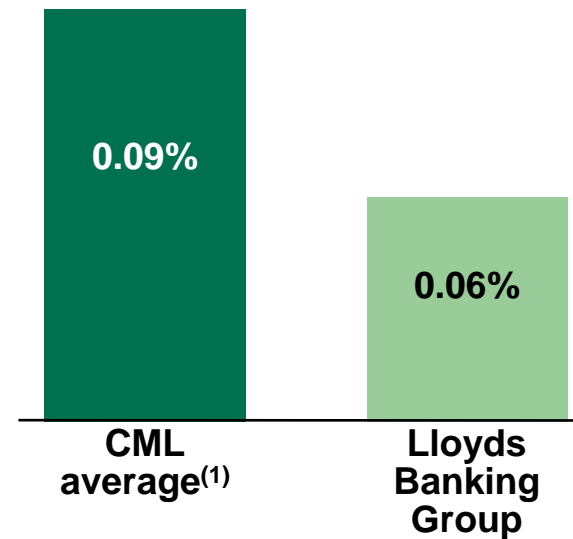


Properties in possession
(% of mortgage cases)

New possessions
(% total cases)



31 Dec 2009



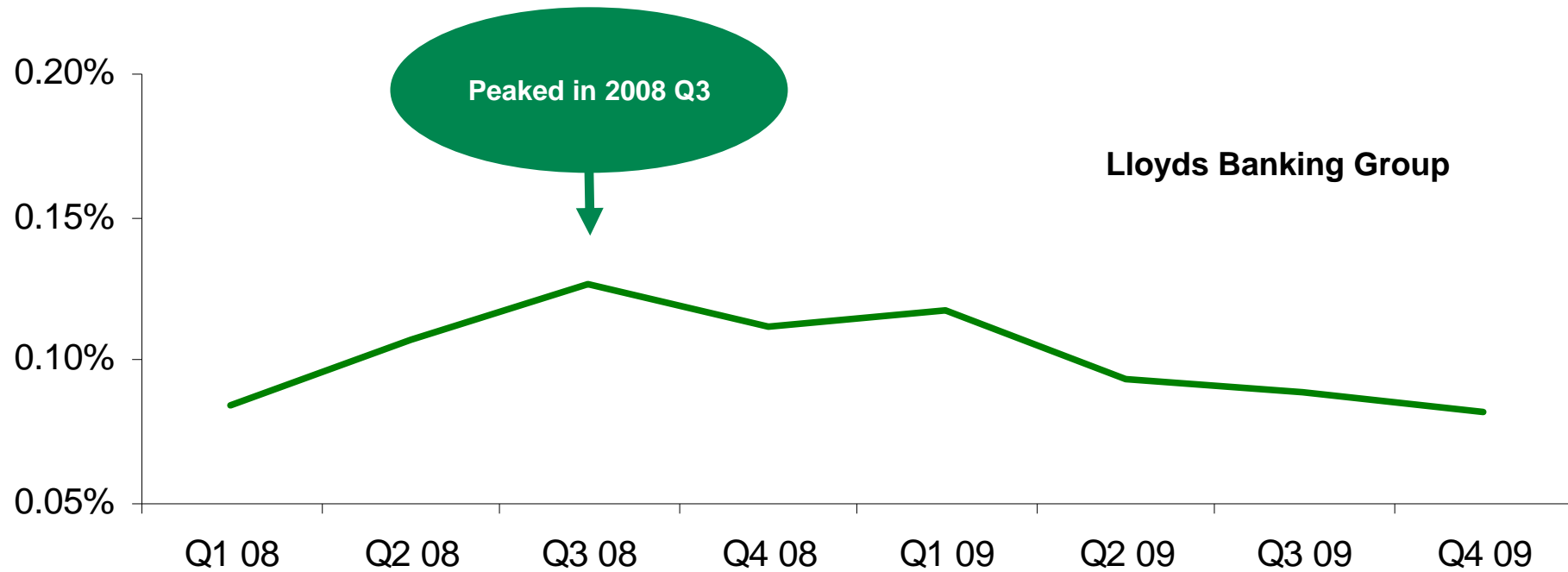
31 Dec 2009

⁽¹⁾ Council of Mortgage Lenders 2009Q4

MORTGAGE PORTFOLIO – PROPERTIES IN POSSESSION



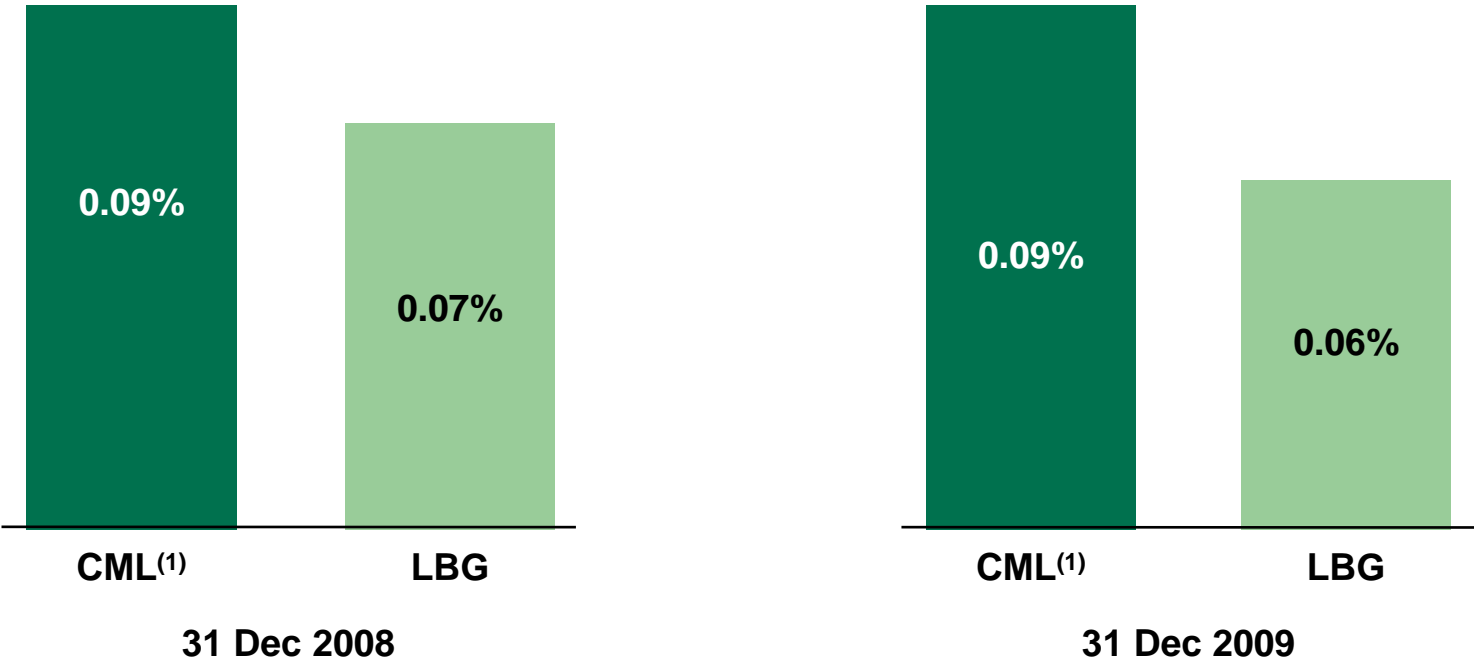
Properties in possession (% of mortgage cases)



MORTGAGE PORTFOLIO – NEW POSSESSIONS



New possessions (% total cases)



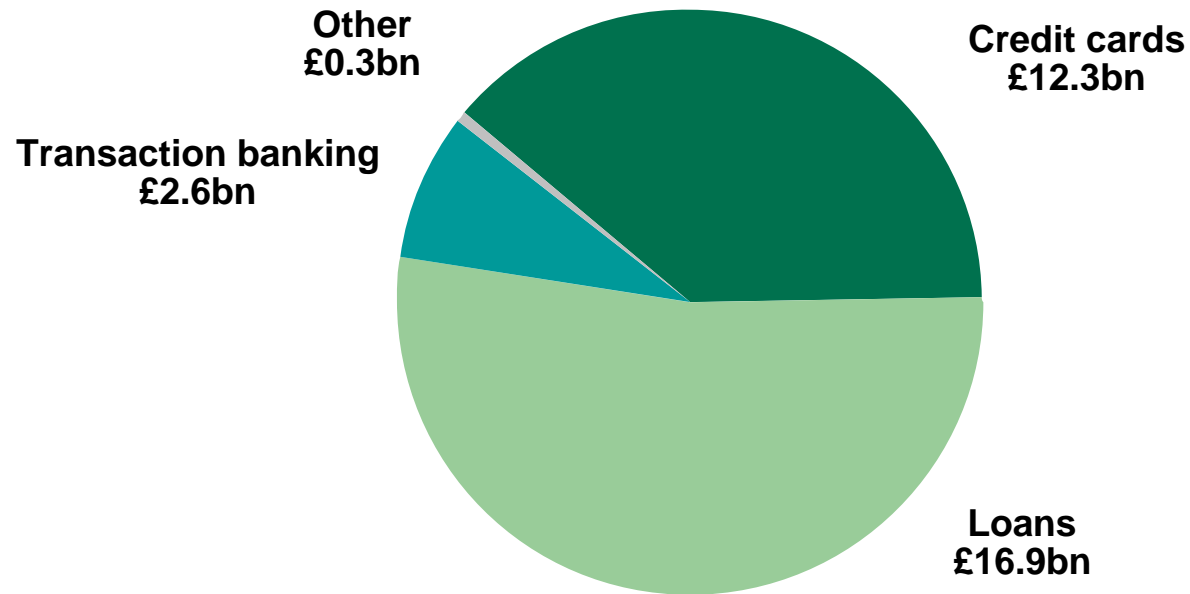
⁽¹⁾ Source: Council of Mortgage Lenders

UNSECURED LENDING PORTFOLIO



Unsecured portfolio £32.1 billion

31 December 2009



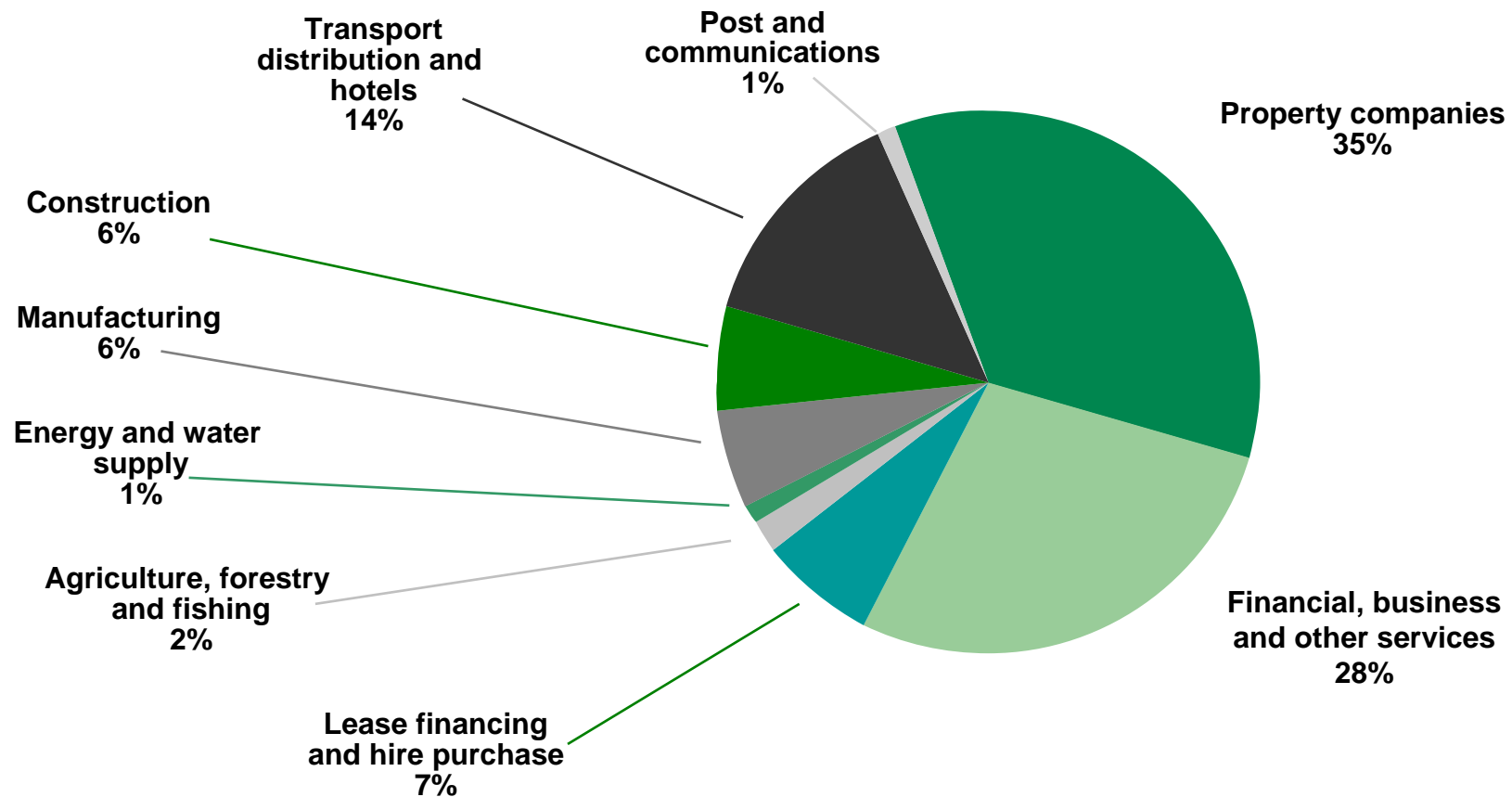
	<u>Cards</u>	<u>Loans</u>
Impairment charge as a % of average lending	11.4%	7.7%

LOANS AND ADVANCES TO CORPORATE CUSTOMERS



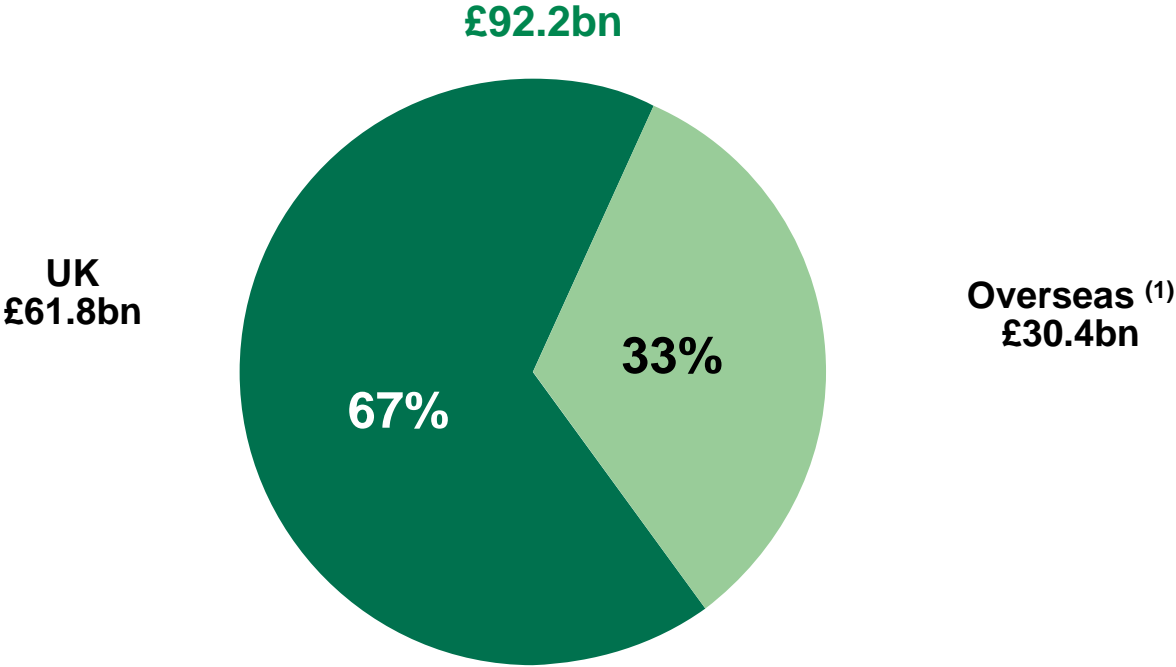
Loans and advances to corporate customers £249 billion⁽¹⁾

31 December 2009



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

COMMERCIAL/RESIDENTIAL PROPERTY AND HOUSEBUILDER LENDING



Gross (pre FV adjustment and impairment)
Includes Joint Ventures

⁽¹⁾ Includes lending to non UK residents, and excludes residential mortgages

UK COMMERCIAL/RESIDENTIAL PROPERTY & HOUSEBUILDER LENDING



Commercial property (£41.0bn)

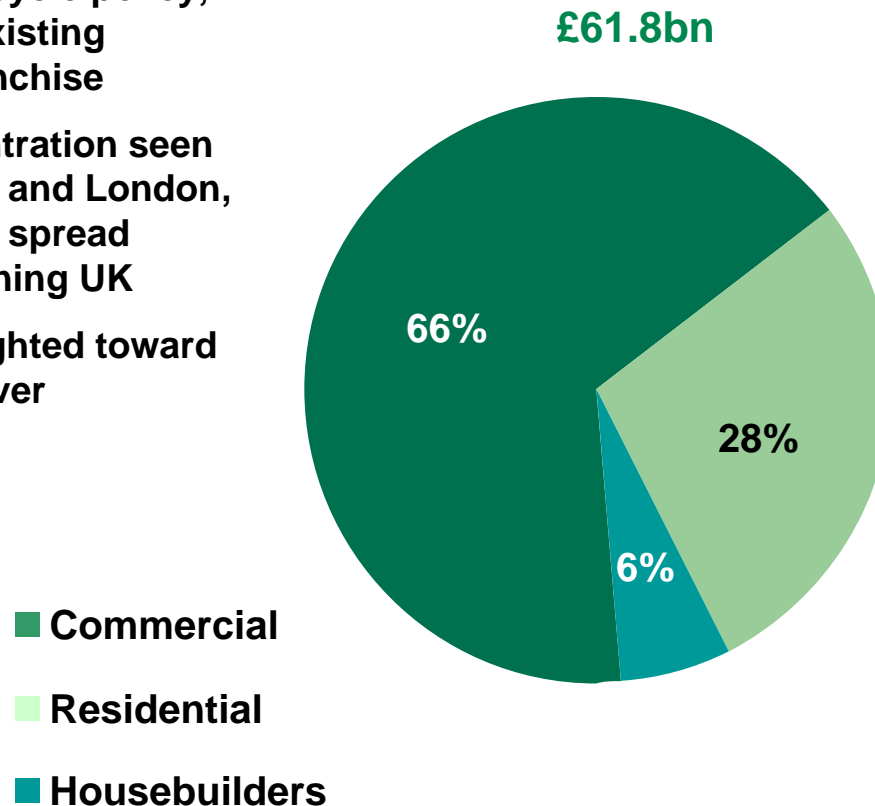
- Through the cycle policy, supporting existing customer franchise
- Some concentration seen in South East and London, although well spread across remaining UK
- Portfolio weighted toward investment over development

Residential property (£17.3bn)

- 55% Housing Associations (local authority cash flows)
- Larger residential property companies

Housebuilders (£3.5bn)

- LTSB heritage exposure mainly to the national housebuilders
- HBOS previously focused on regional housebuilders



OVERSEAS PROPERTY LENDING (1)



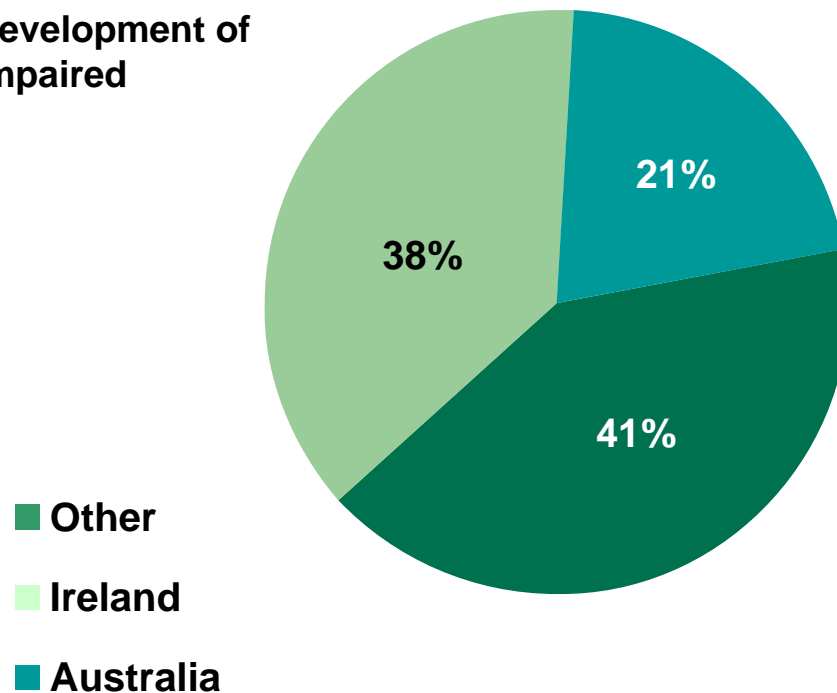
Ireland (£11.7bn)

- 55% property investment of which 34% is impaired
- 45% property development of which 75% is impaired

Australia (£6.3bn)

- 43% property investment of which 14% is impaired
- 46% property development of which 29% is impaired
- 11% Property Holdco's of which 25% is impaired

£30.4bn (1)



Europe, North America & Other (£12.4bn)

- North America £1.3 billion
- Non-UK residents £11.1 billion – concentration in Europe

(1) Includes lending to non UK residents, and excludes residential mortgages

LEVERAGED FINANCE LENDING

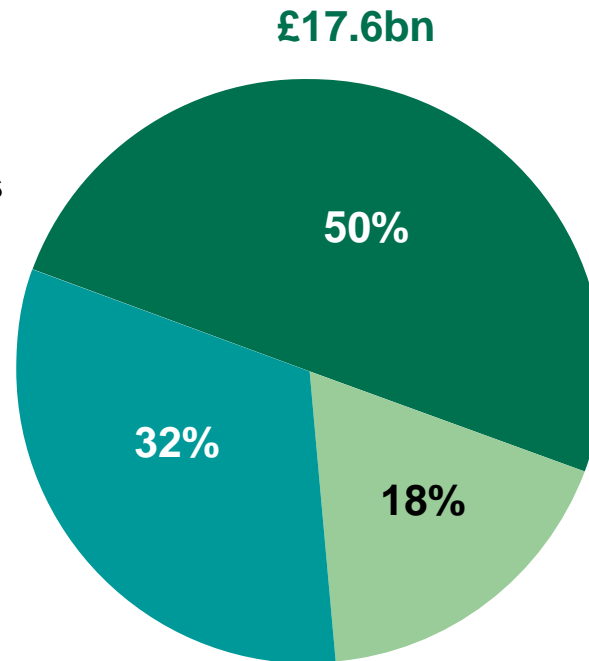


Lloyds TSB Acquisition Finance (£5.6bn)

- A highly selective origination strategy
- Well spread by sector
- Predominantly UK focused
- Underwriting criteria same as for held assets
- c£1.1 billion of the portfolio considered sub standard/ impaired

HBOS Leveraged Finance (£8.8bn)

- Includes loans and advances transferred from HBOS Integrated Finance business during 2009
- Well spread by sector
- Predominantly UK focused
- Underwriting criteria same as for held assets
- c£3.4 billion considered sub standard/ impaired



- HBOS Leveraged & Integrated Finance
- Lloyds International
- LTSB Acquisition Finance

Lloyds International (£3.2bn)

- Well spread by industry sector and across Australia, New Zealand and Asia
- c£0.7bn considered high risk / impaired

RISK CAPITAL PORTFOLIO AT CARRY VALUE (1)



Manage for Growth

Lloyds Development Capital (£1.1bn)

- Direct equity business being managed for growth
- Portfolio is highly diversified by sector, geography and, through investing consistently through the cycle, by vintage.
- Largest investment accounts for 9% of the portfolio by value.

Project Finance (£0.3bn)

- Portfolio of high-quality, predominantly operational, PFI/PPP assets largely based in the UK.
- Primarily availability driven these investments are structured with the objective of providing long-term, secure cash flows.

■ Funds Investments

■ Joint Ventures

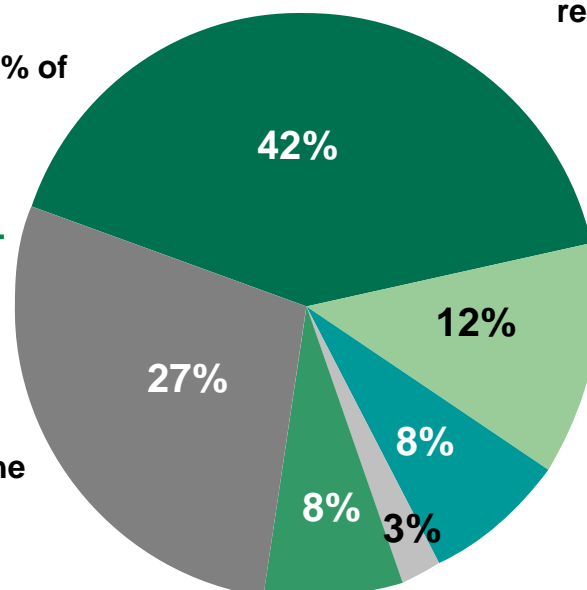
■ Project Finance

■ Bosif Investments

■ Business Support Unit

■ Lloyds Development Capital

£4.0bn (2)



Manage for Value

Bosif Investments (£0.5bn)

- Portfolio of c.60 investments into UK based MBO's
- Well spread with largest single investment representing 15% by value

Business Support Unit (£0.1bn)

- Portfolio of debt for equity swaps completed in 2009 and small residual HBOS equity portfolio

Joint Ventures (£0.3bn)

- Asset backed investments, principal sectors are Real Estate UK and Europe, Hotels and House builders

Funds Investments (£1.7bn)

- Generally, Limited Partner Investments in private equity funds; well diversified underlying exposure principally in UK and Europe
- Includes a small direct investment portfolio of private equity deals.

(1) Excludes £0.1bn of carry value of Risk Capital in Wealth & International

(2) Excludes undrawn commitments of £2.2bn

TREASURY DEBT SECURITIES PORTFOLIO

LLOYDS
BANKING
GROUP



31.12.09	Loans and Advances (£bn)	Available for sale (£bn)	Fair Value through P&L (£bn)	Total (£bn)
Asset Backed Securities	29.3	12.4	1.2	42.9
Covered bonds	-	3.9	-	3.9
Bank / Financial Institution Fixed and Floating Rate Notes	1.6	15.7	3.2	20.5
Bank Certificate of Deposits	-	1.0	2.0	3.0
Treasury Bills and other bills	-	3.0	2.0	5.0
Other*	1.2	0.6	2.6	4.4
Total	32.1	36.6	11.0	79.7

* Includes 0.7 re Landale

ASSET BACKED SECURITIES PORTFOLIO

LLOYDS
BANKING
GROUP



	Net exposure 31.12.2009 (£bn)	Carry Value as at 31.12.2009 (%)
Mortgage backed securities		
– US RMBS	4.8	54
– Non-US RMBS	9.7	90
– CMBS	3.7	80
	<hr/> 18.2	<hr/> 75
Collateralised Debt Obligations		
– Corporate	0.1	91
– Commercial Real Estate	0.5	51
– CLO	5.8	91
– Other	0.2	14
	<hr/> 6.5	<hr/> 74
Personal sector		
– Auto loans	1.7	95
– Credit cards	3.7	96
– Personal loans	1.0	85
	<hr/> 6.4	<hr/> 94
Student loans	9.2	93
Other ABS	1.2	76
	<hr/> 41.6	<hr/> 81
Total uncovered ABS		
Negative basis	1.2	51
	<hr/> 42.9	<hr/> 80
Total ABS		

IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

LLOYDS
BANKING
GROUP



Impairment	2008	2009	% of Average lending	
	£m	£m	2008	2009
Retail	3,695	4,221	0.97	1.11
– Secured (mortgages)	1,295	789	0.38	0.23
– Unsecured	2,400	3,432	6.65	9.94
Wholesale	7,869	14,031	3.32	5.92
Wealth and International	695	4,058	1.05	6.04
Total	12,259	22,310		

IMPAIRED ASSET RATIOS – GROUP

LLOYDS
BANKING
GROUP

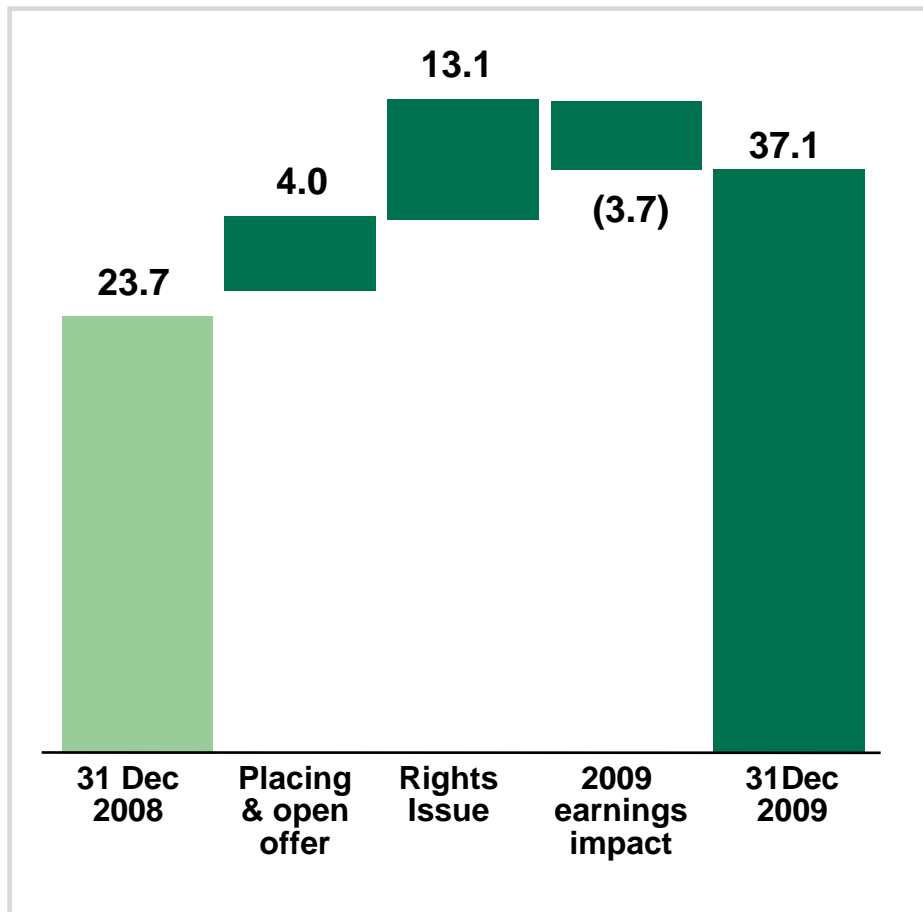


2009	Retail	Wholesale	Wealth and International	Group
Loans and advances to customers (gross)	£378.0bn	£210.9bn	£69.4bn	£660.0bn
Impaired assets	£11,015m	£35,114m	£12,704m	£58,833m
Impaired assets as % of closing balance	2.9%	16.6%	18.3%	8.9%
Impairment provisions	£3,806m	£17,179m	£5,003m	£25,988m
Impairment provisions as % of impaired assets	34.6%	48.9%	39.4%	44.2%

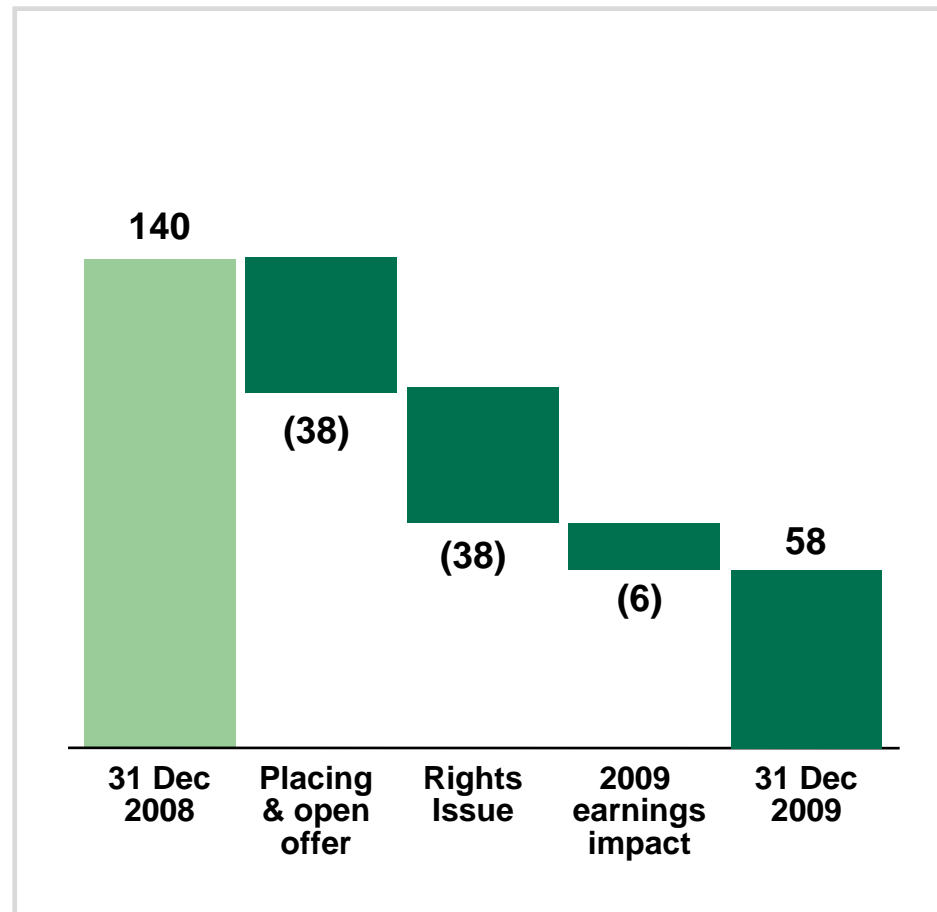
NET TANGIBLE ASSETS



NET TANGIBLE ASSETS (£BN)



NET TANGIBLE ASSETS PER SHARE (P)



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's 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 results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including, without limitation, UK domestic and global economic and business conditions, the ability to derive cost savings and other benefits, as well as the ability to mitigate exposures from the acquisition and integration of HBOS, risks concerning borrower credit quality, market related trends and developments, changing demographic trends, changes in customer preferences, changes to regulation, the policies and actions of Governmental and regulatory authorities in the UK or jurisdictions outside the UK, including other European countries and the US, exposure to regulatory scrutiny, legal proceedings or complaints, competition and other factors. Please refer to the rights issue prospectus issued by Lloyds Banking Group plc on 3 November 2009 for a discussion of such 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.
