

LLOYDS
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GROUP



2012 HALF-YEAR RESULTS

26 July 2012

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

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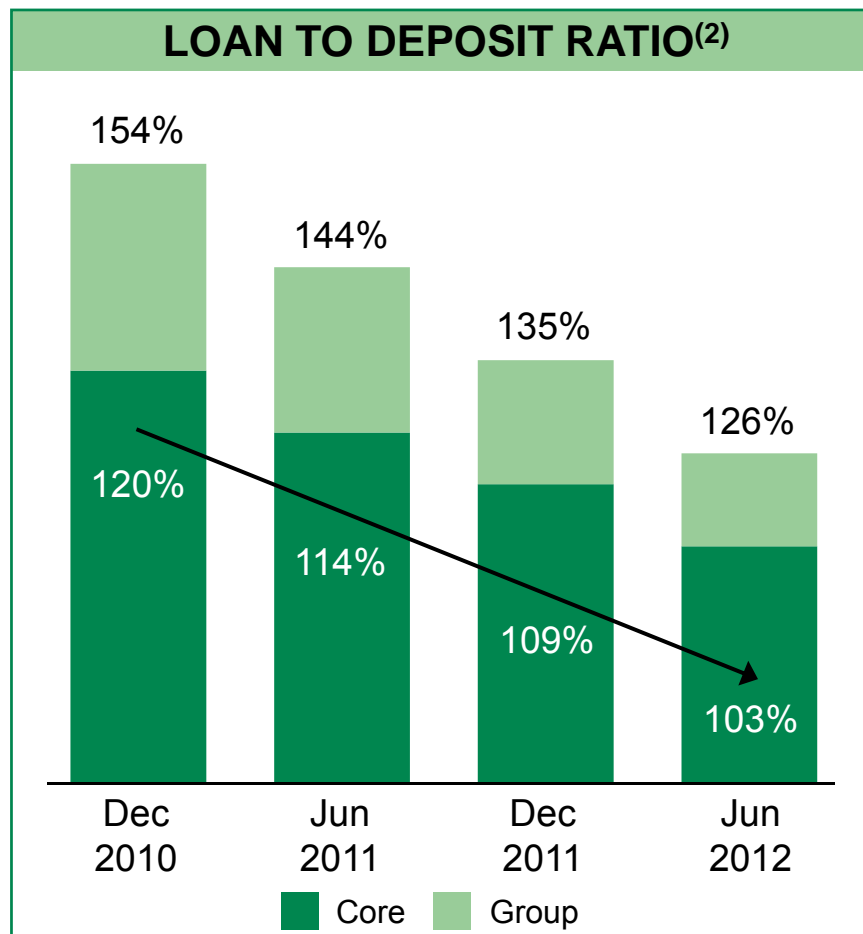
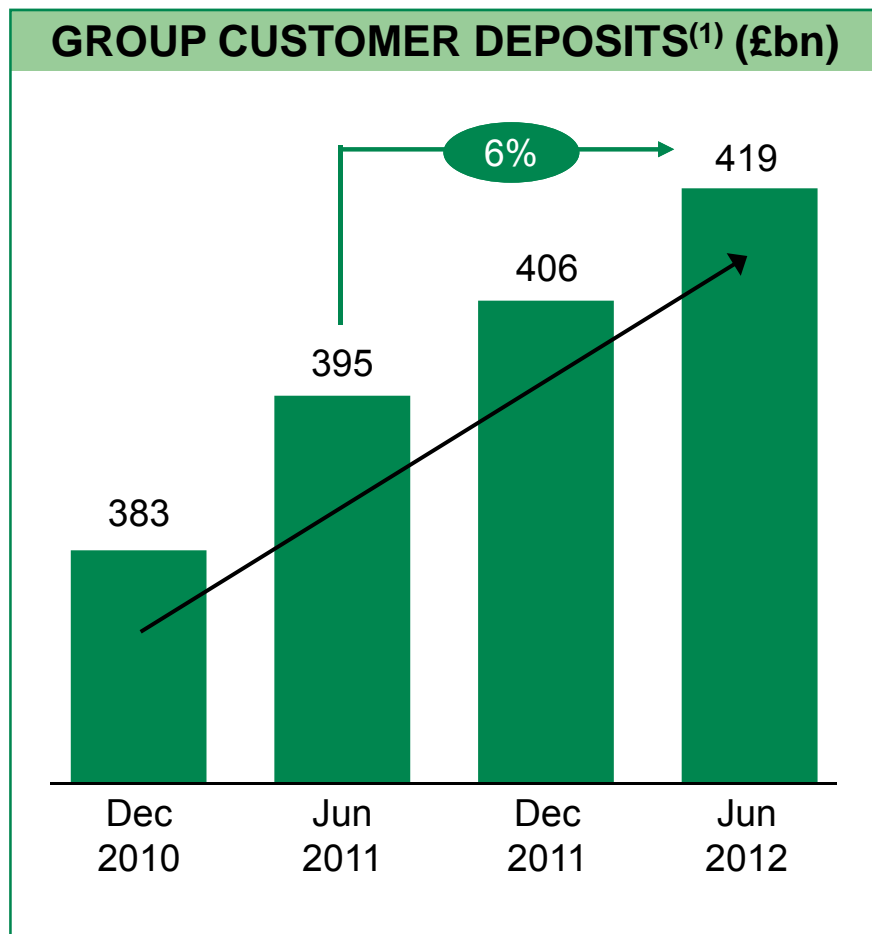


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- Further balance sheet strengthening and risk reduction
 - Resilient underlying performance in challenging environment
 - Good progress on strategic initiatives
 - Strengthened management team working well
 - Continue to work through legacy issues
 - 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

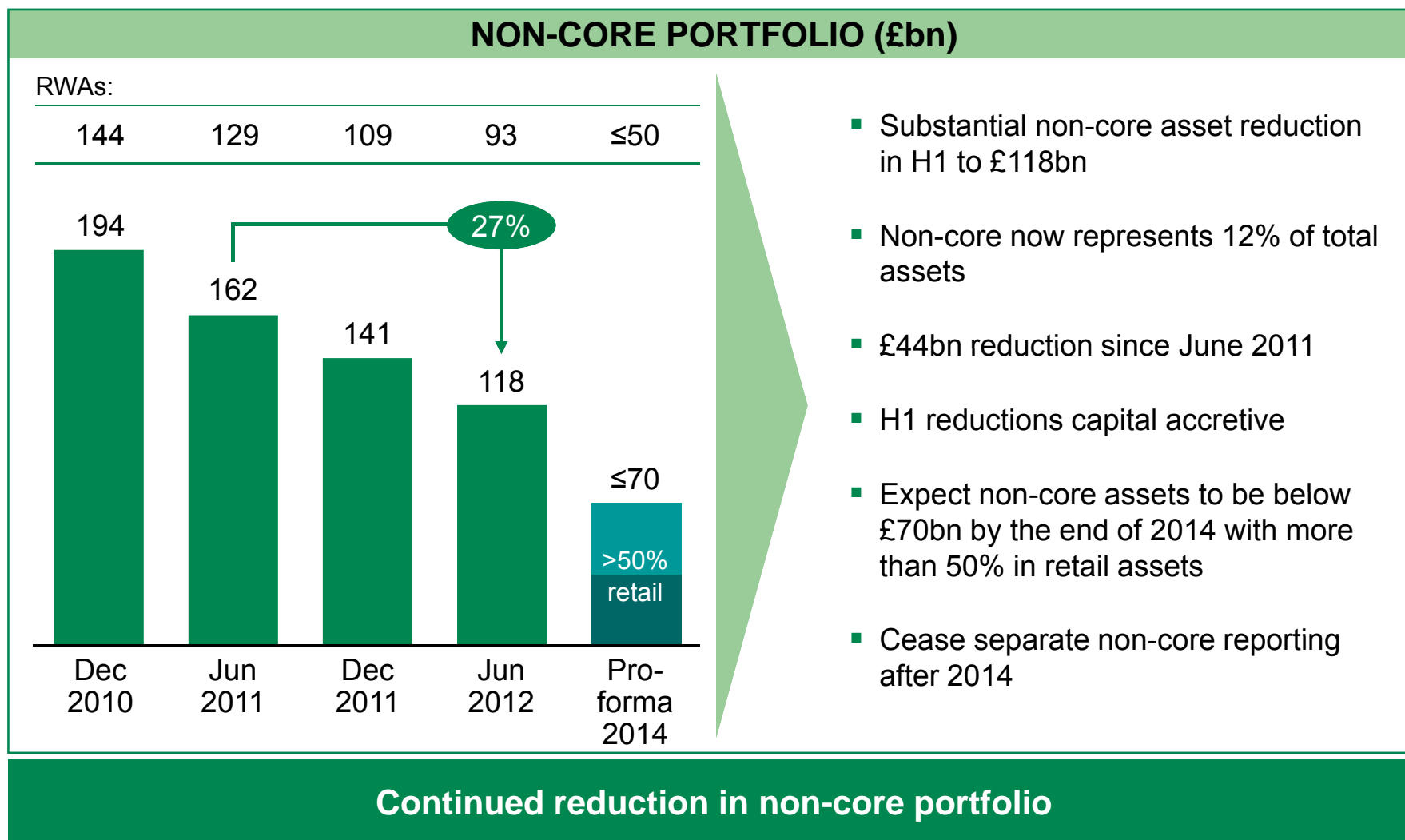


Achievement of long-term loan to deposit ratio target of 120% expected by end of Q1 2013

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

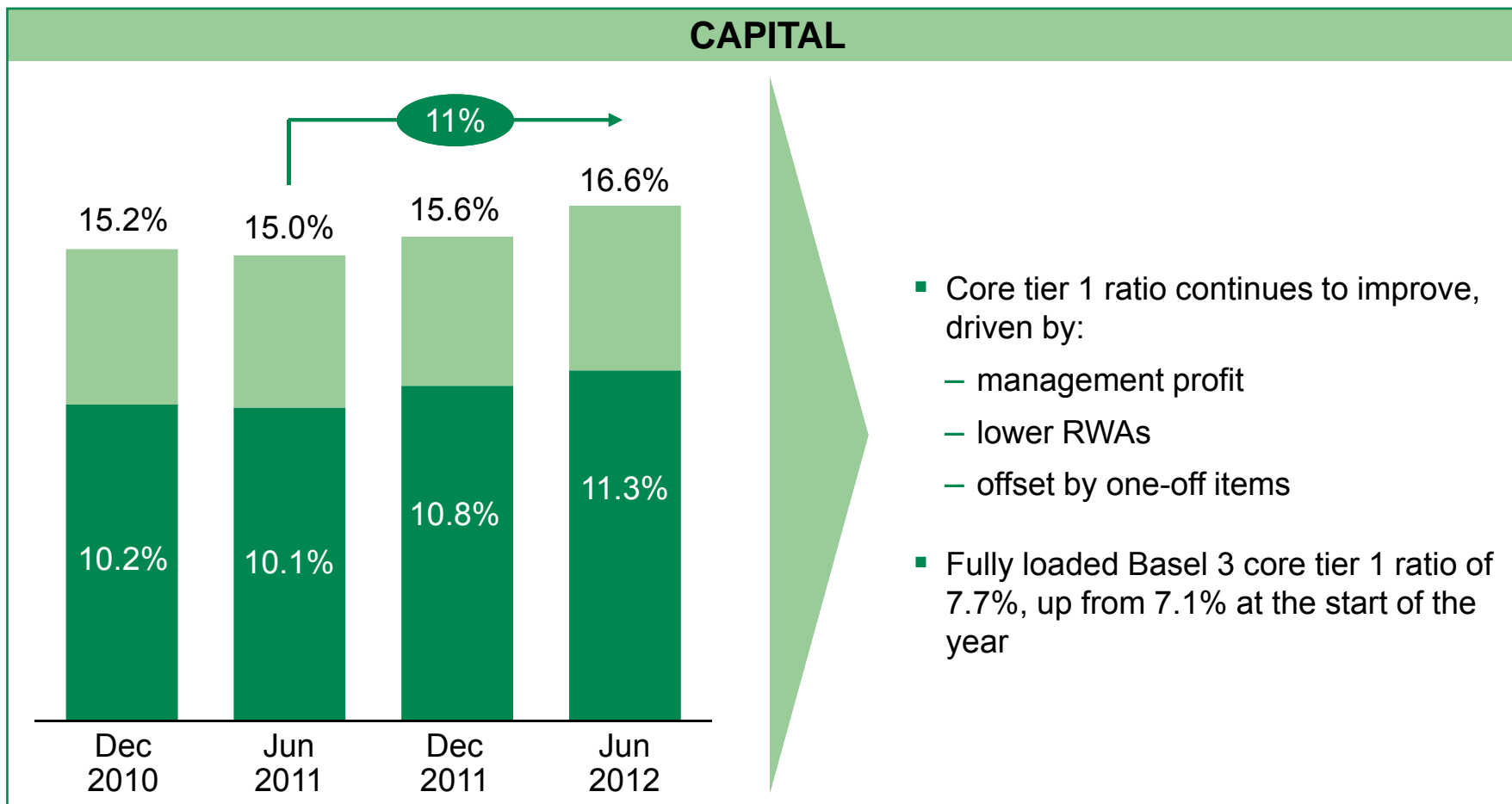
BALANCE SHEET STRENGTHENED

Non-core asset reduction ahead of expectations



BALANCE SHEET STRENGTHENED

Capital position continues to improve



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

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(£m)	GROUP			CORE		
	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

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- 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

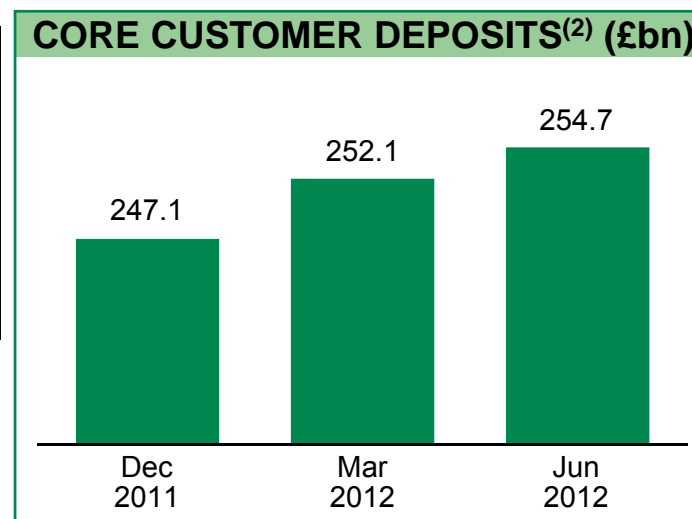
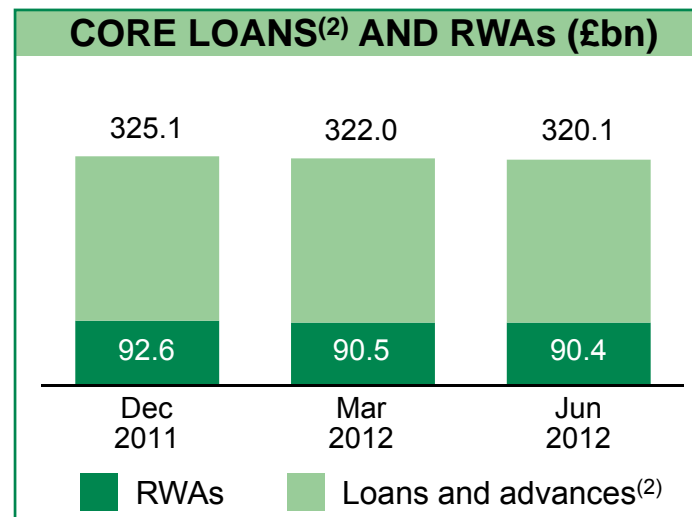
CORE RETAIL PERFORMANCE

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%



⁽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.

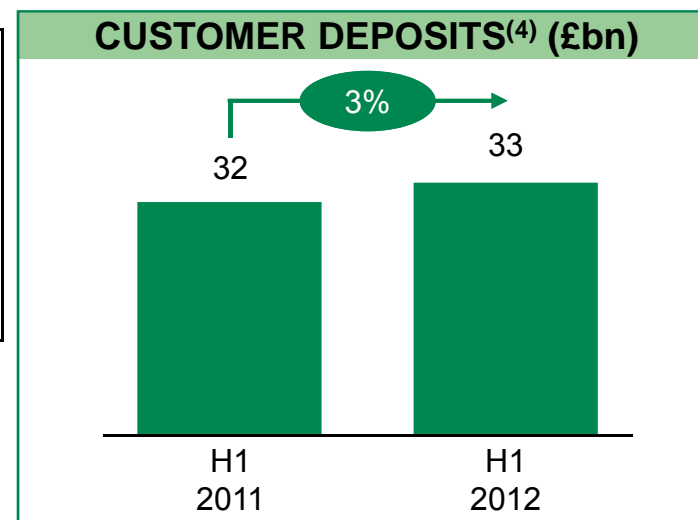
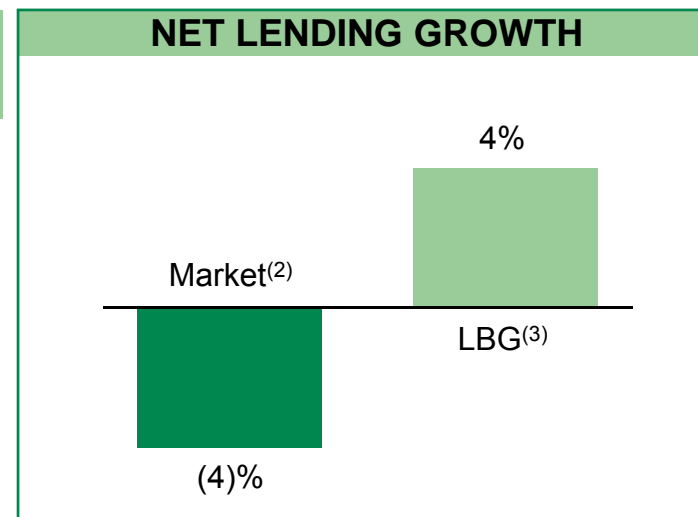
CORE COMMERCIAL PERFORMANCE

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%



⁽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

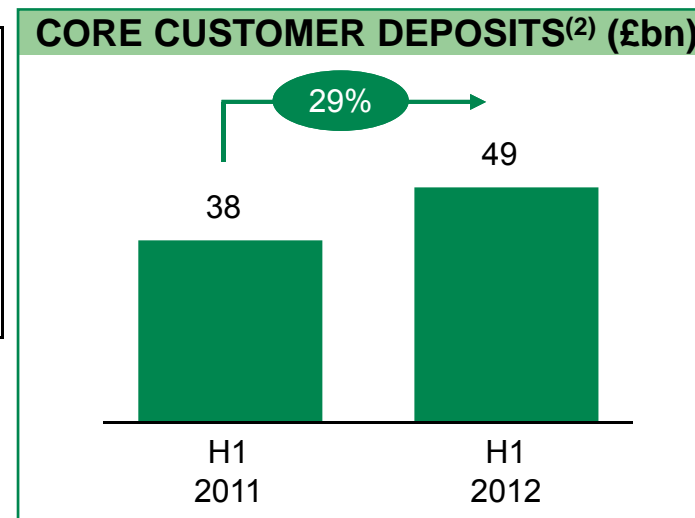
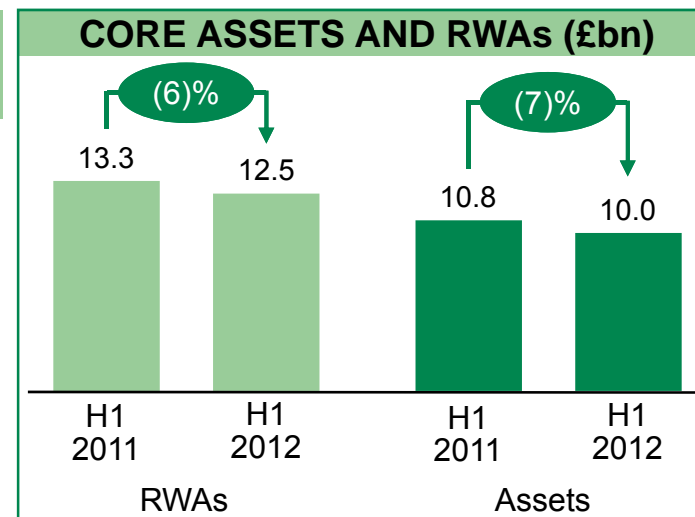
CORE WEALTH, ASSET FINANCE AND INTERNATIONAL PERFORMANCE

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	

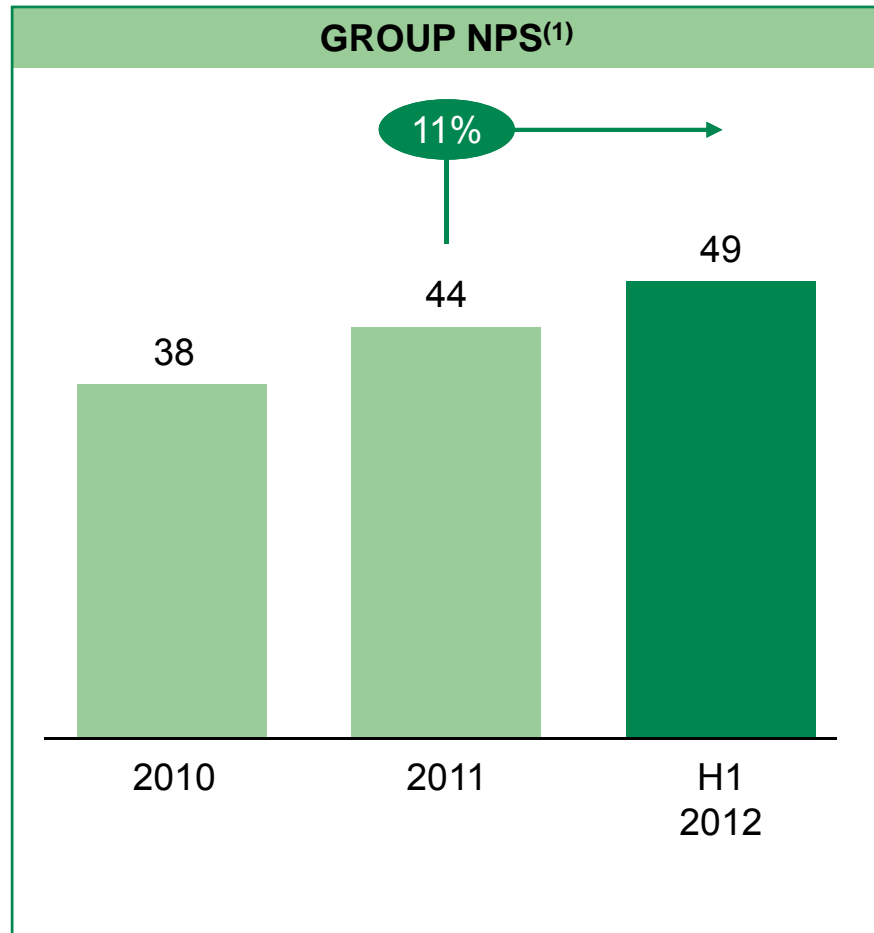
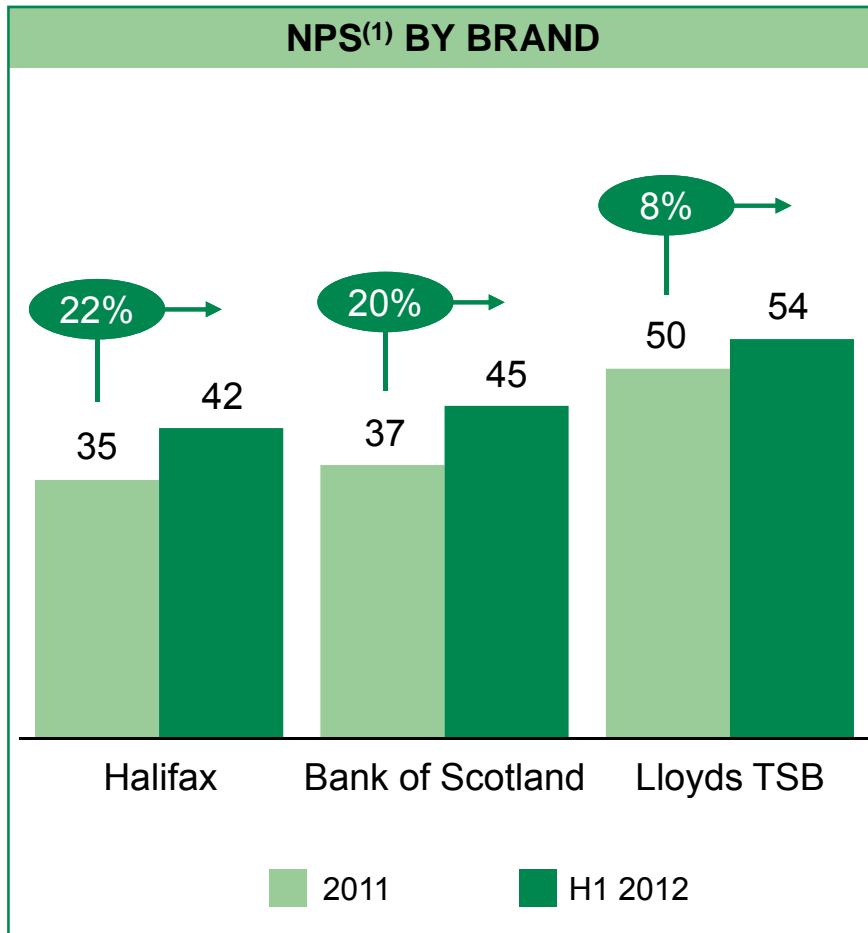
Banking net interest margin	3.90%	3.32%
Impairment as a percentage of average advances	0.39%	0.41%
Pre-tax RoRWA ⁽¹⁾	3.02%	2.83%



⁽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

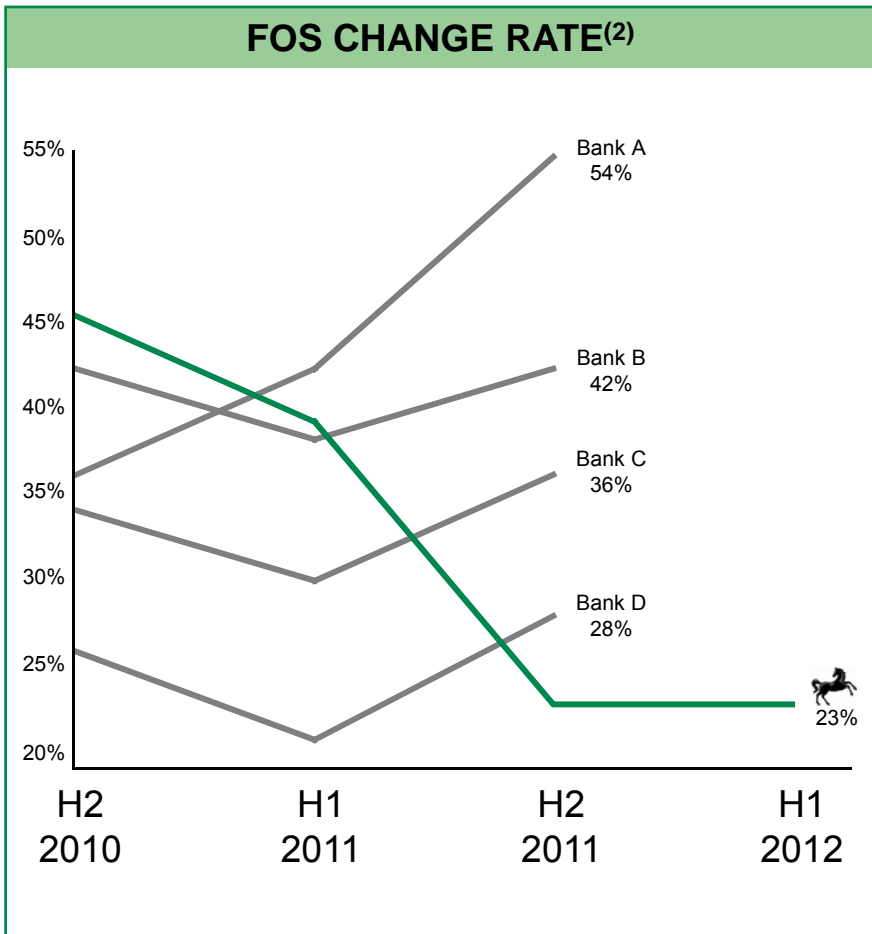
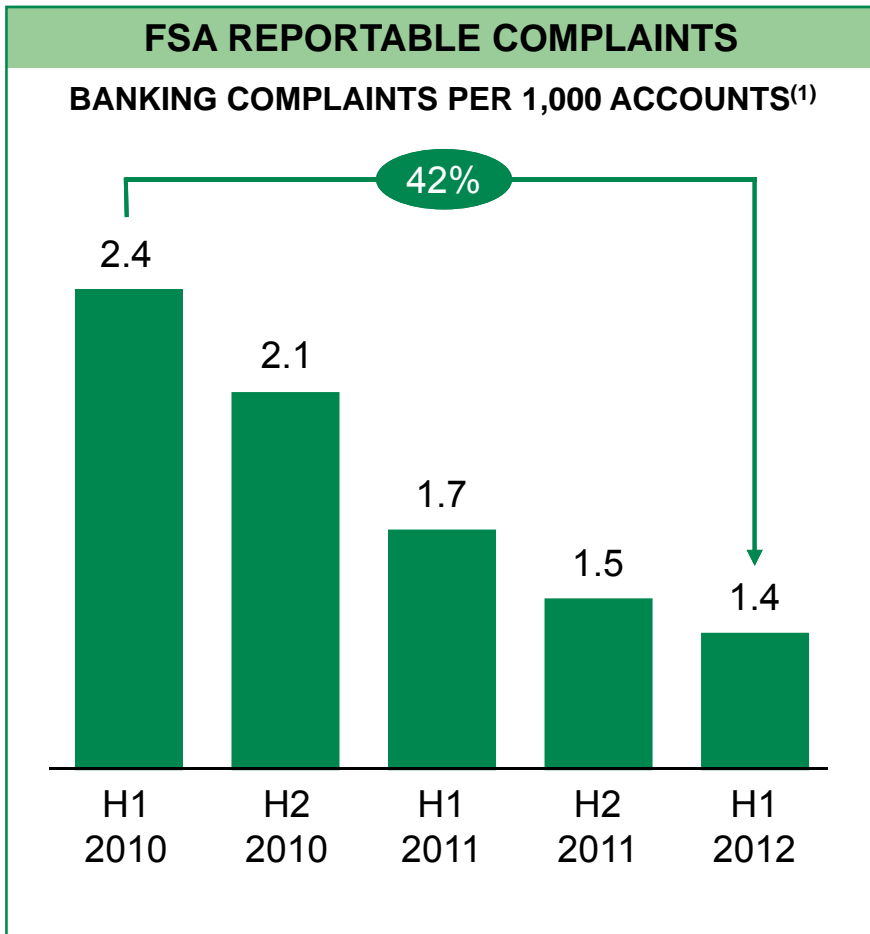


Continued focus on further improving our customer service and advocacy across all brands and channels

⁽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

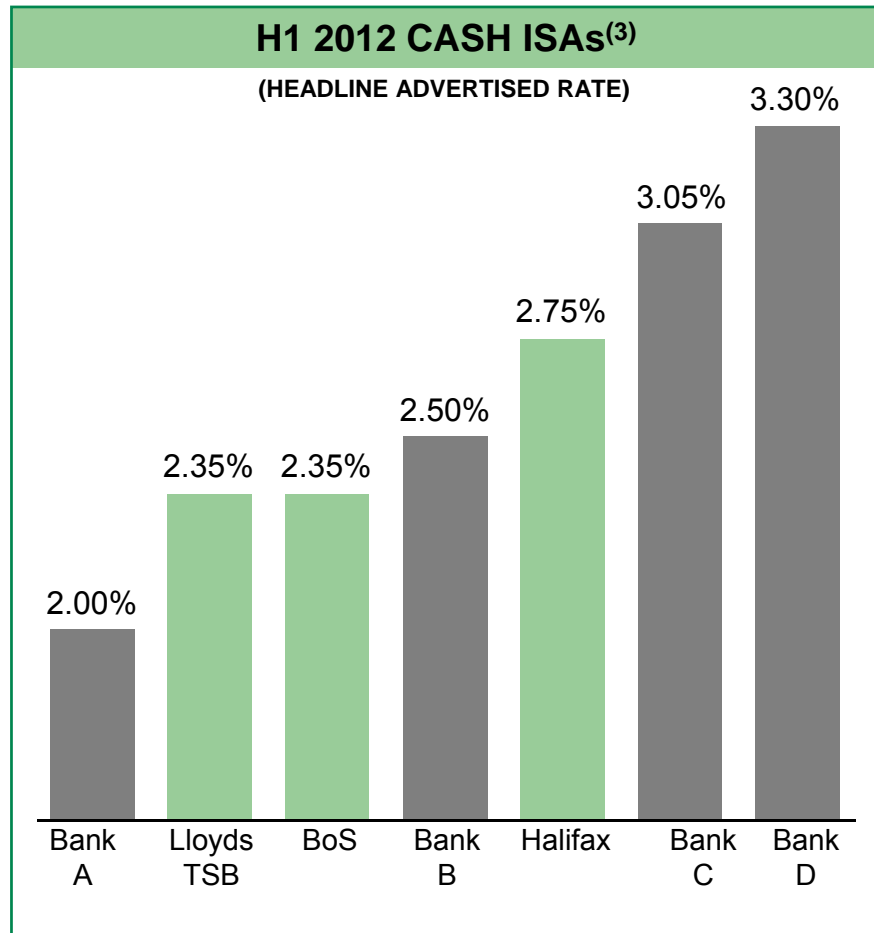
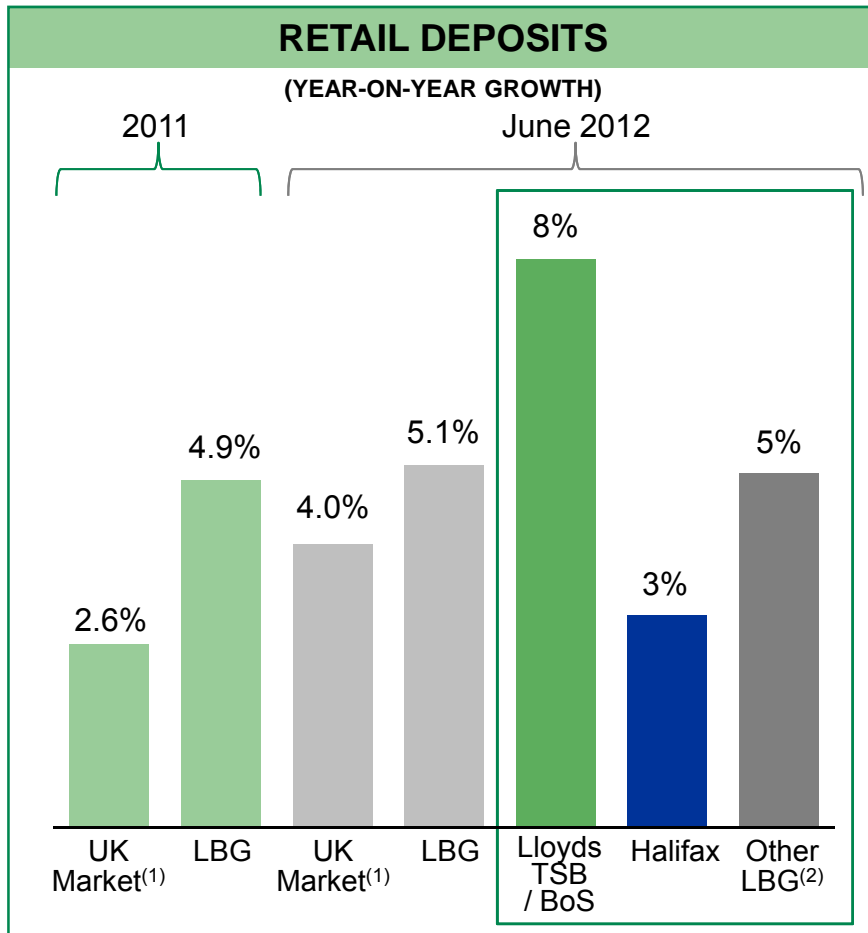


Remain confident in reducing banking complaints to 1.3 per 1,000 accounts in 2012, and 1 per 1,000 in 2014

⁽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



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.

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 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.