

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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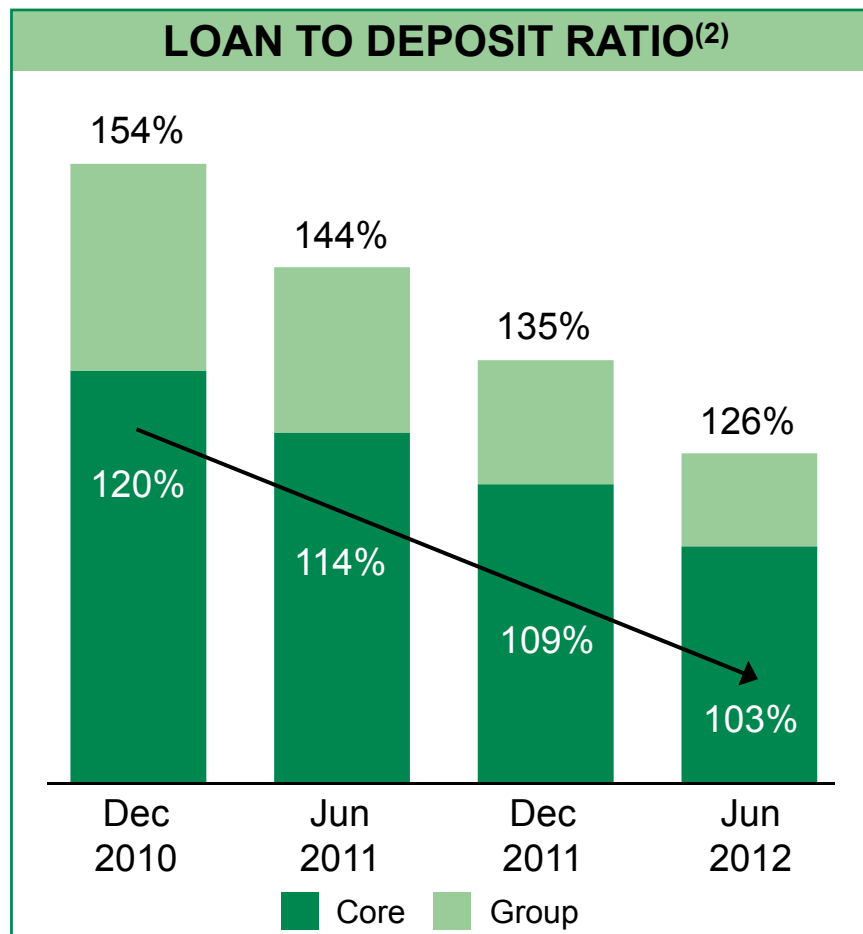
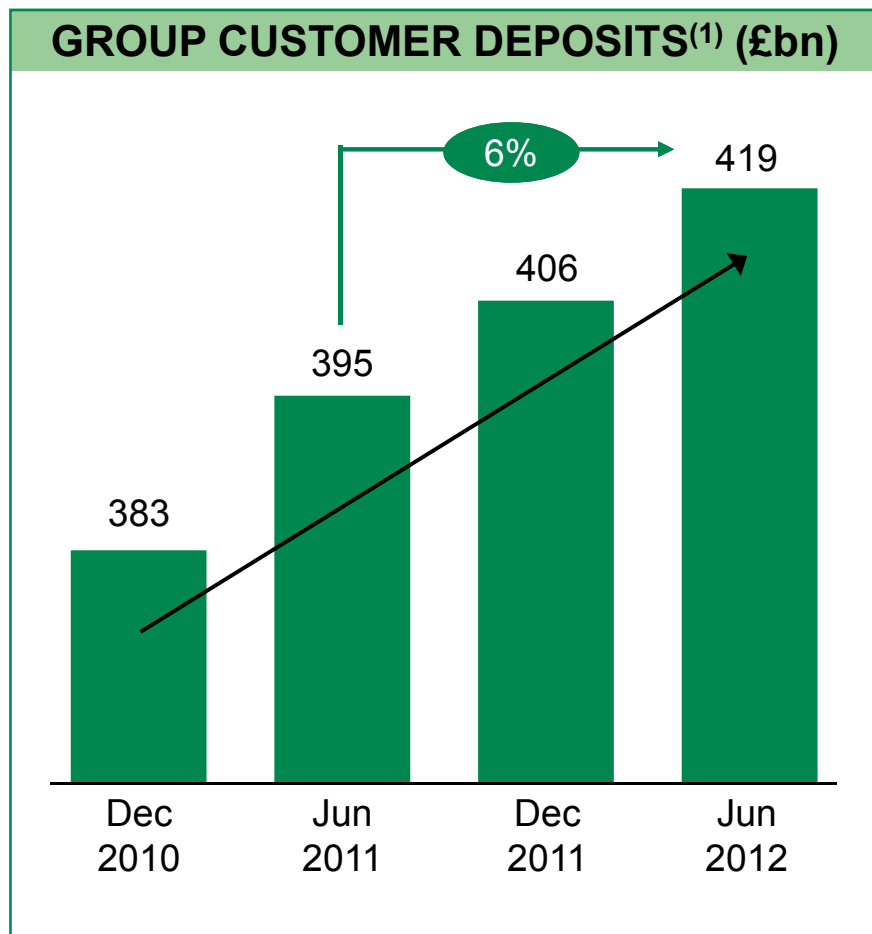


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- Further balance sheet strengthening and risk reduction
 - Resilient underlying performance in challenging environment
 - Good progress on strategic initiatives
 - Strengthened management team working well
 - Continue to work through legacy issues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

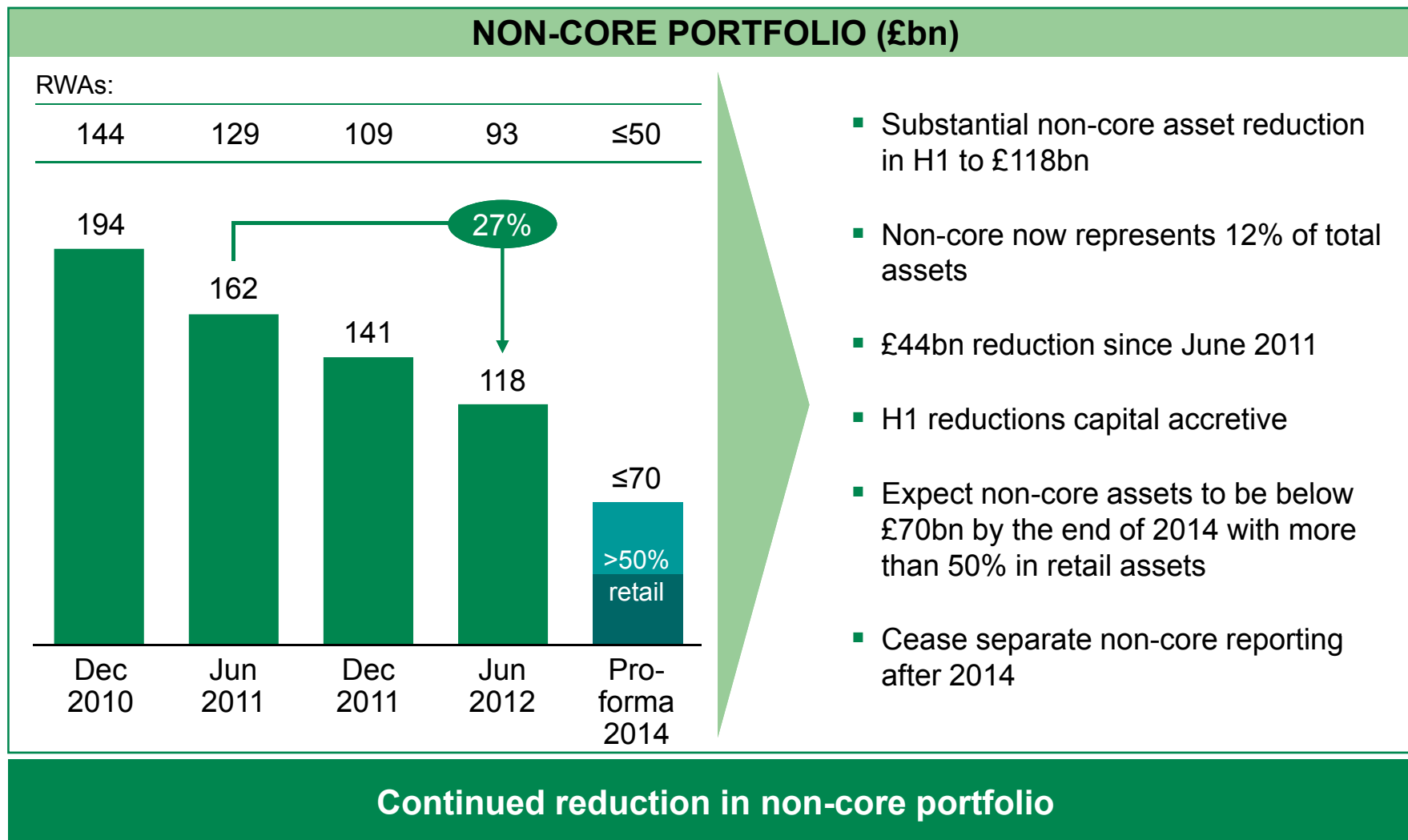


Achievement of long-term loan to deposit ratio target of 120% expected by end of Q1 2013

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

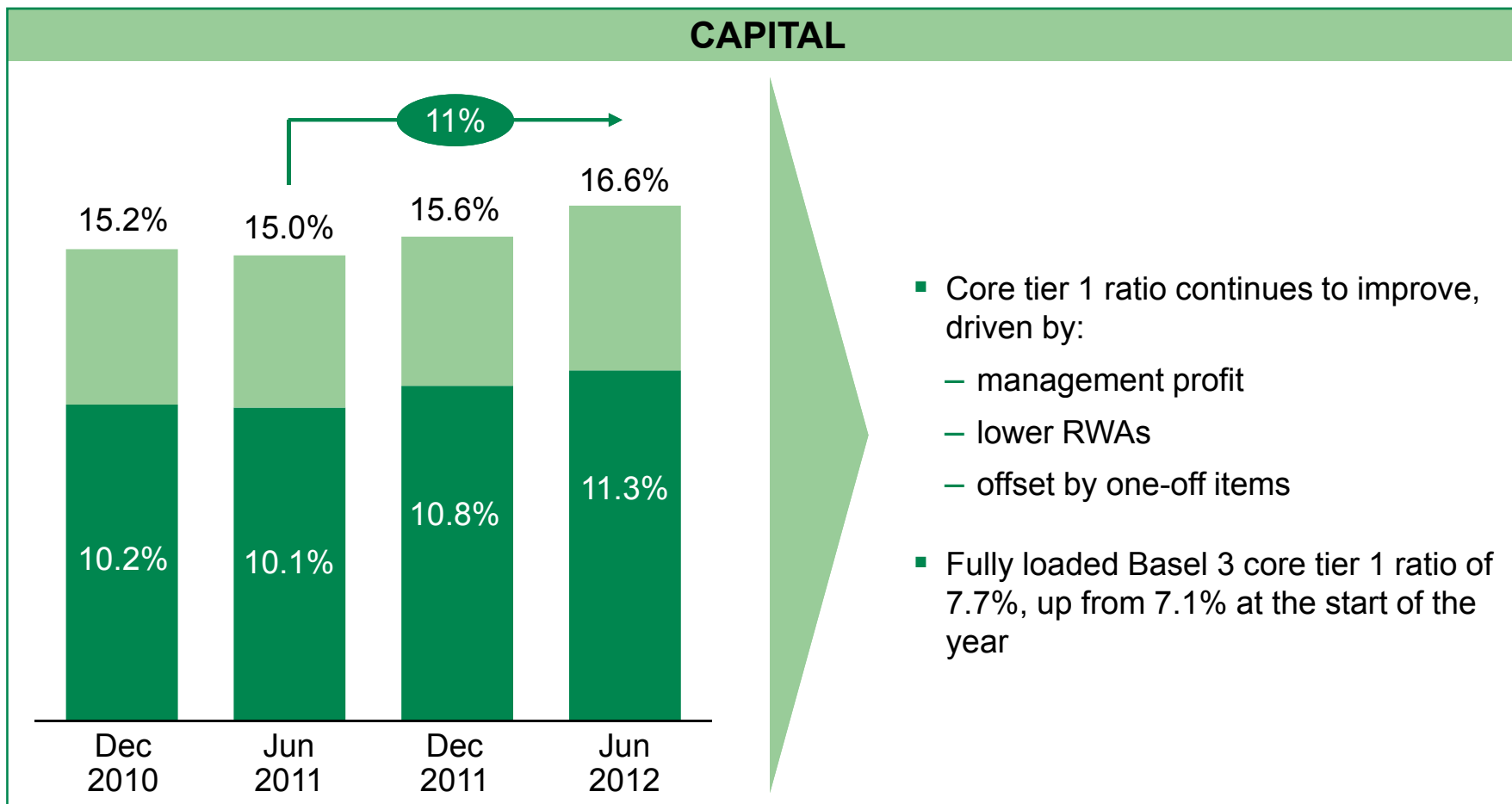
BALANCE SHEET STRENGTHENED

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

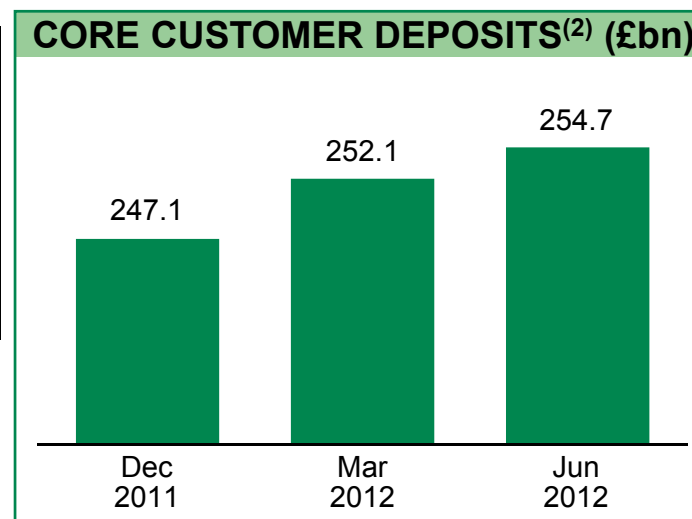
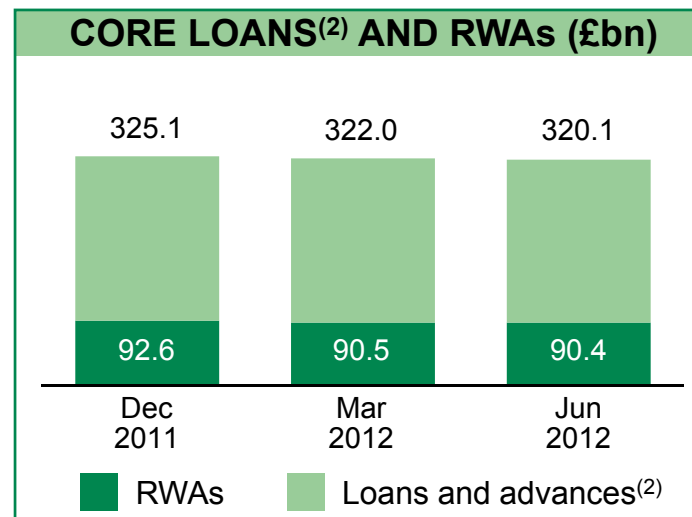
CORE RETAIL PERFORMANCE

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.

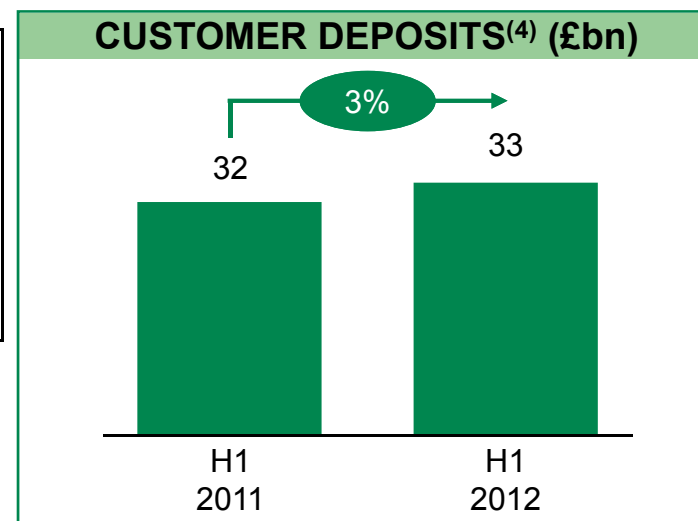
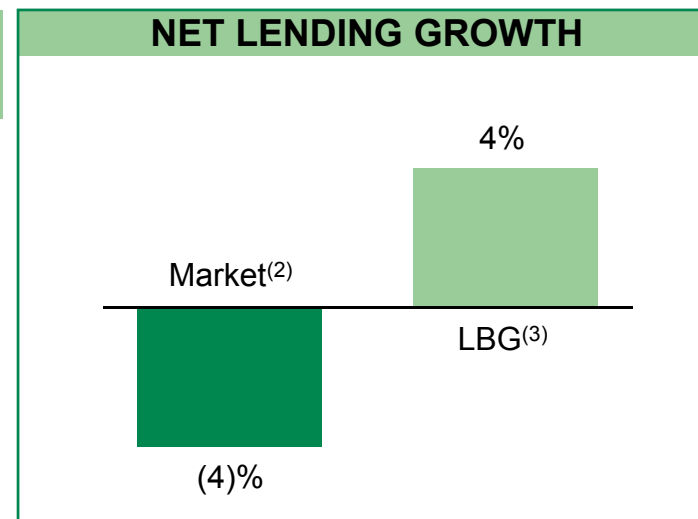
CORE COMMERCIAL PERFORMANCE

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

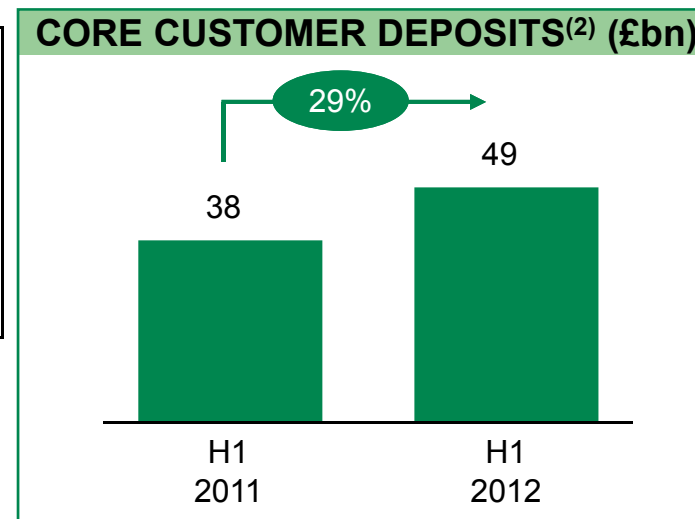
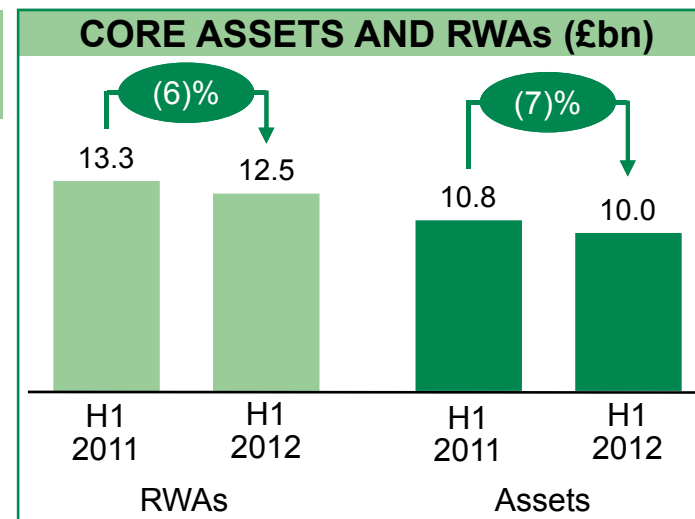
CORE WEALTH, ASSET FINANCE AND INTERNATIONAL PERFORMANCE

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	

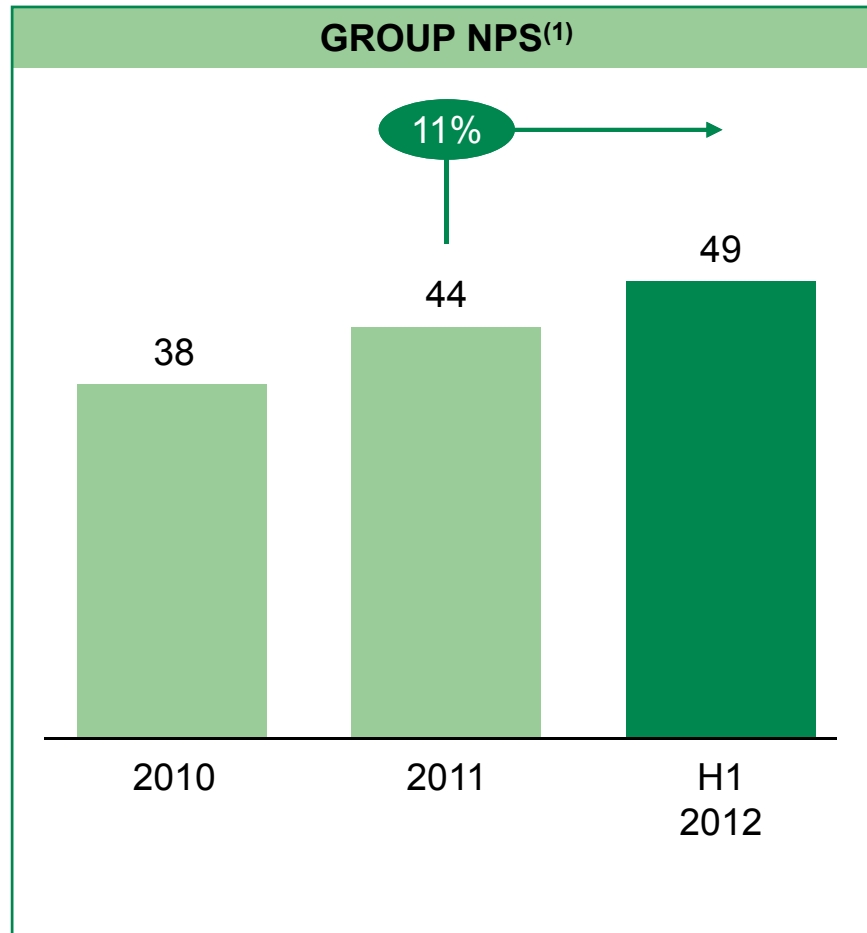
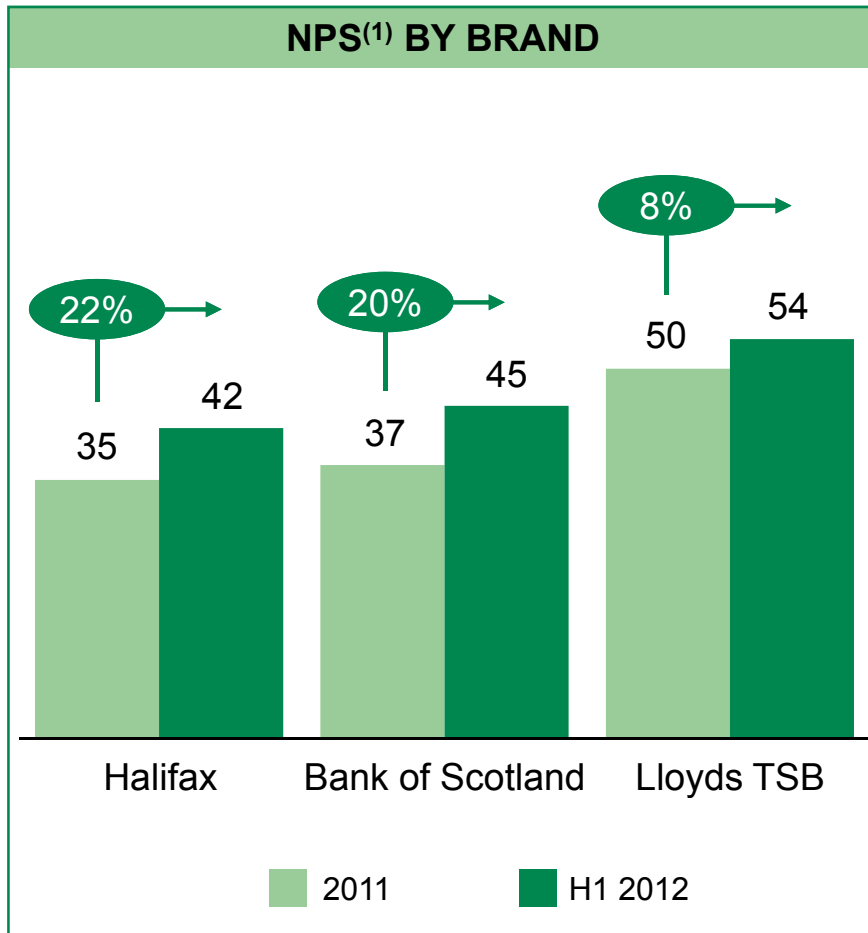
Banking net interest margin	3.90%	3.32%
Impairment as a percentage of average advances	0.39%	0.41%
Pre-tax RoRWA ⁽¹⁾	3.02%	2.83%



⁽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

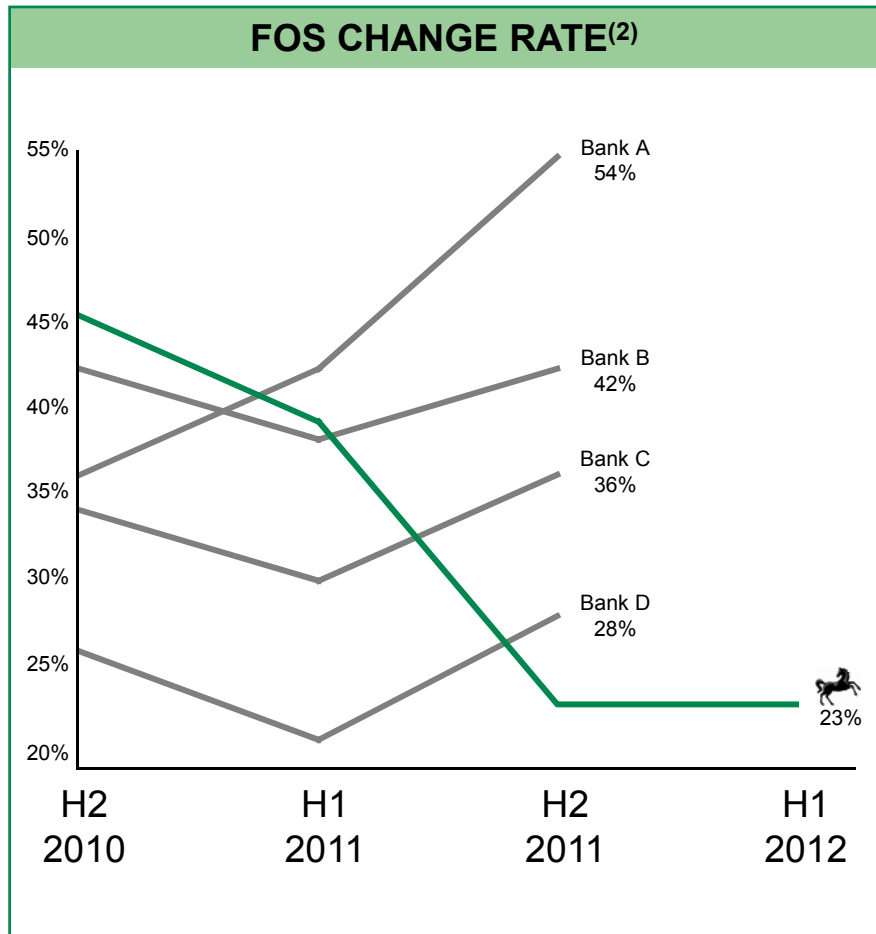
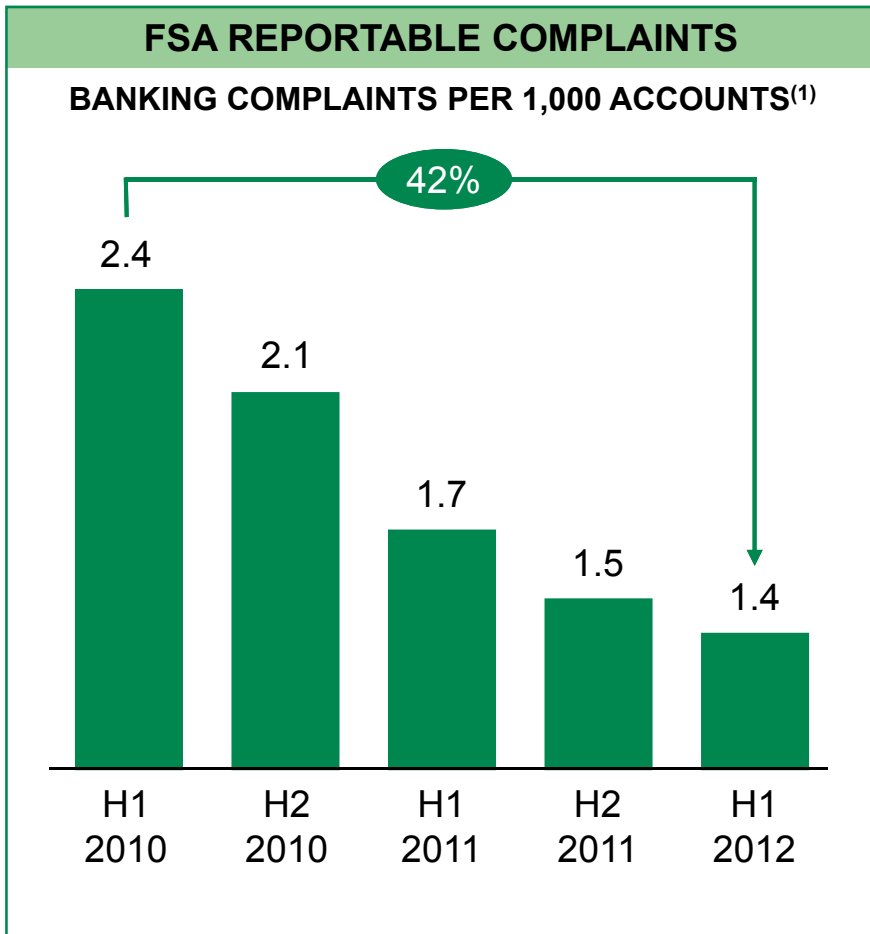


Continued focus on further improving our customer service and advocacy across all brands and channels

⁽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

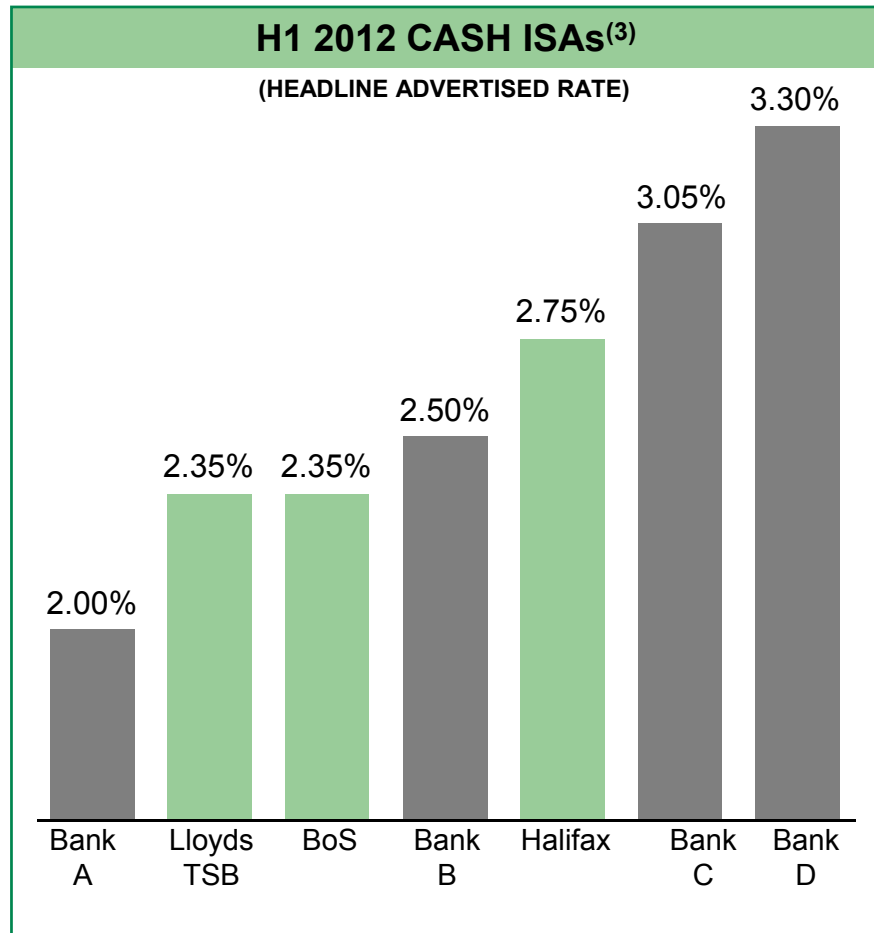
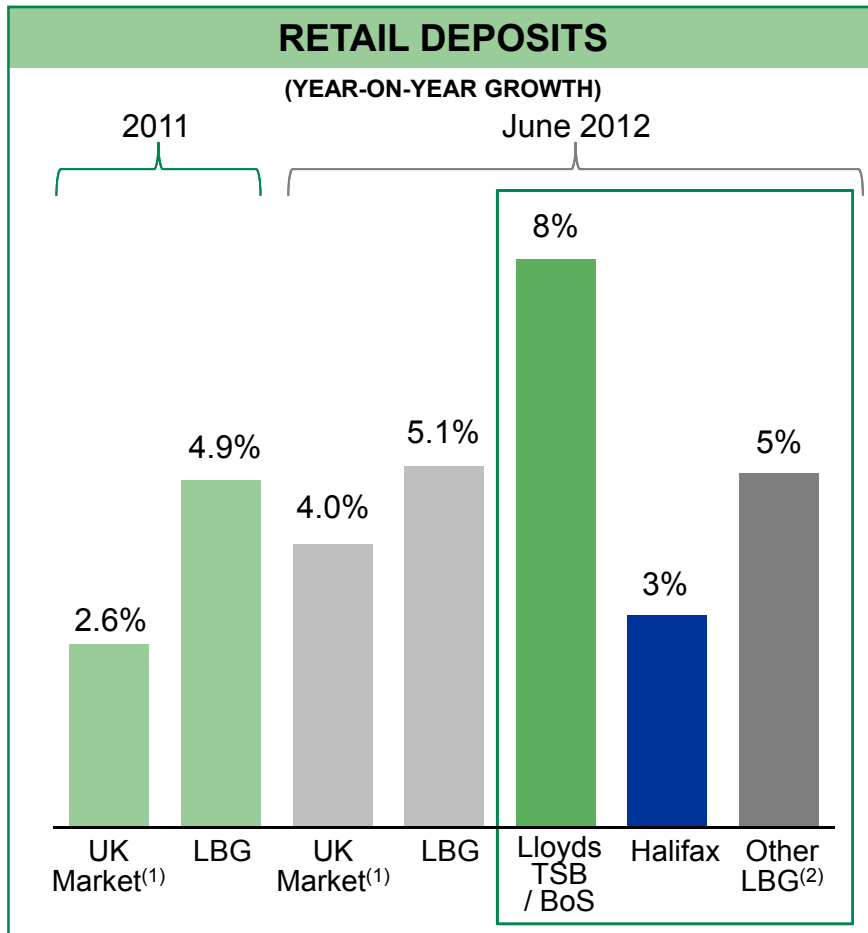


Remain confident in reducing banking complaints to 1.3 per 1,000 accounts in 2012, and 1 per 1,000 in 2014

⁽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.

AGENDA



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FINANCIAL PERFORMANCE

Resilient underlying business performance

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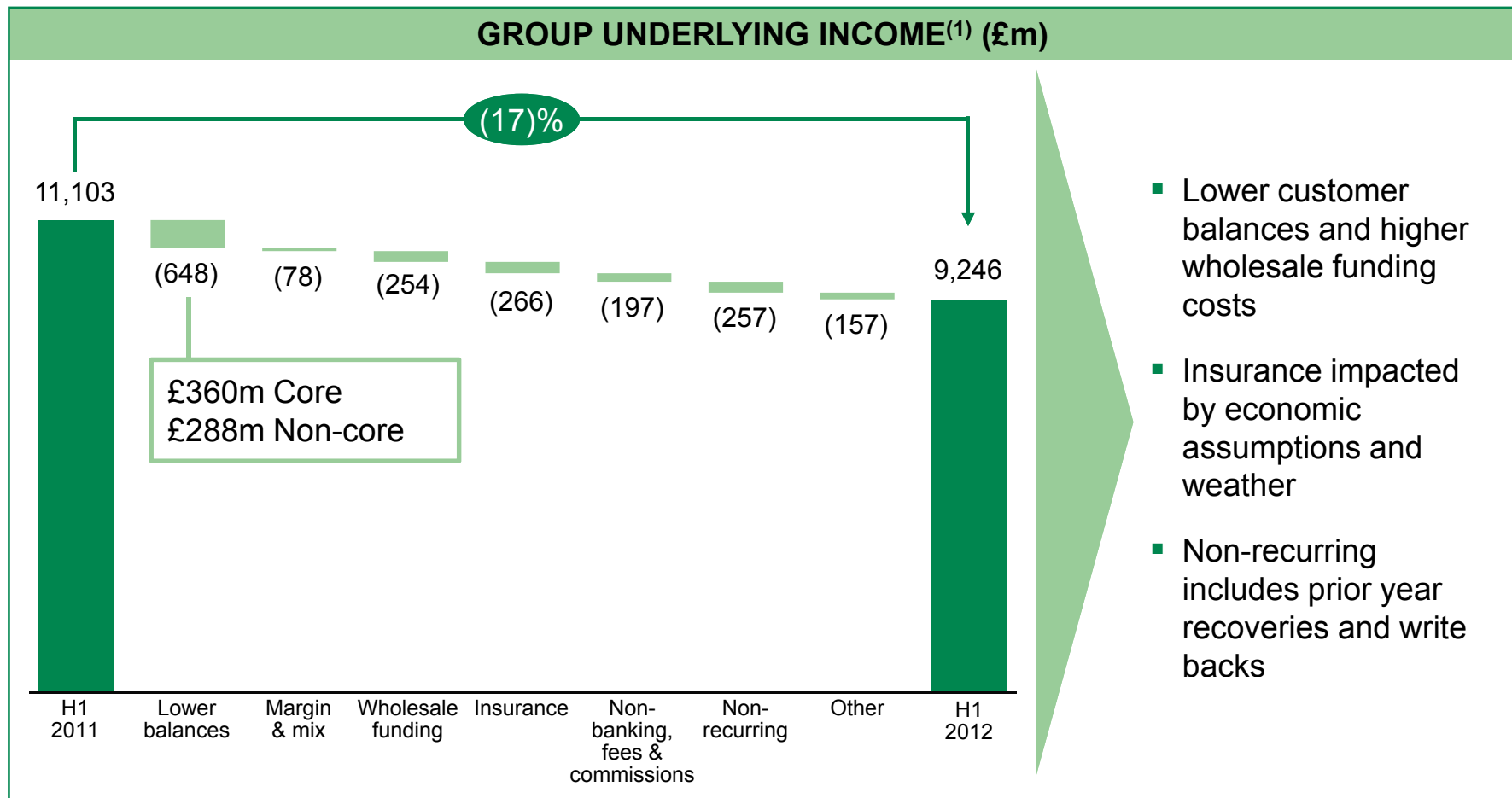
(£m)	GROUP			CORE		
	H1 2012	H1 2011	Change %	H1 2012	H1 2011	Change %
Net interest income	5,215	6,355	(18)%	4,948	5,536	(11)%
Other operating income ⁽¹⁾	4,031	4,748	(15)%	3,654	4,168	(12)%
Underlying income	9,246	11,103	(17)%	8,602	9,704	(11)%
Total costs	(5,025)	(5,332)	6%	(4,647)	(4,860)	4%
Impairment	(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

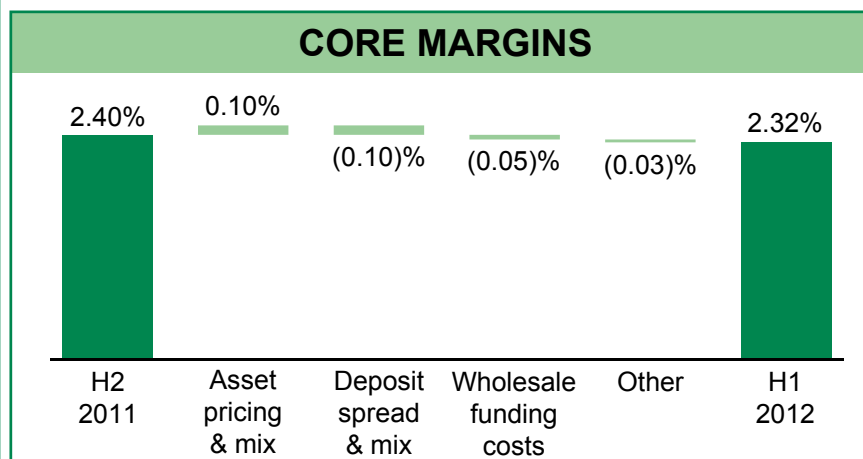
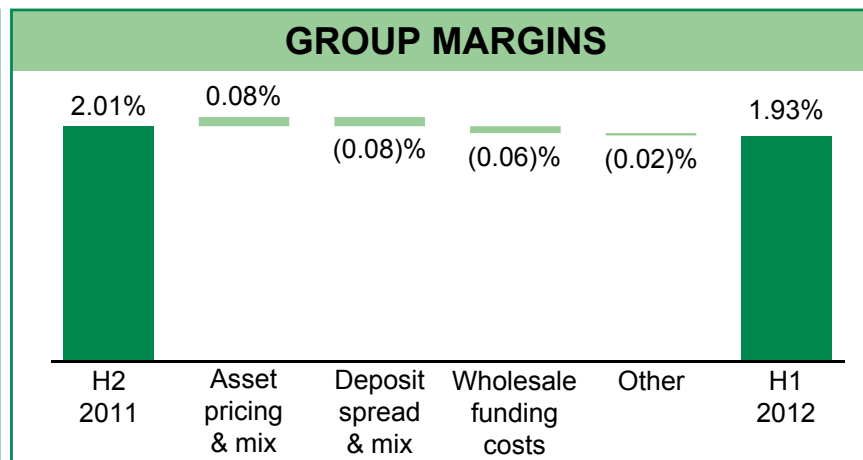
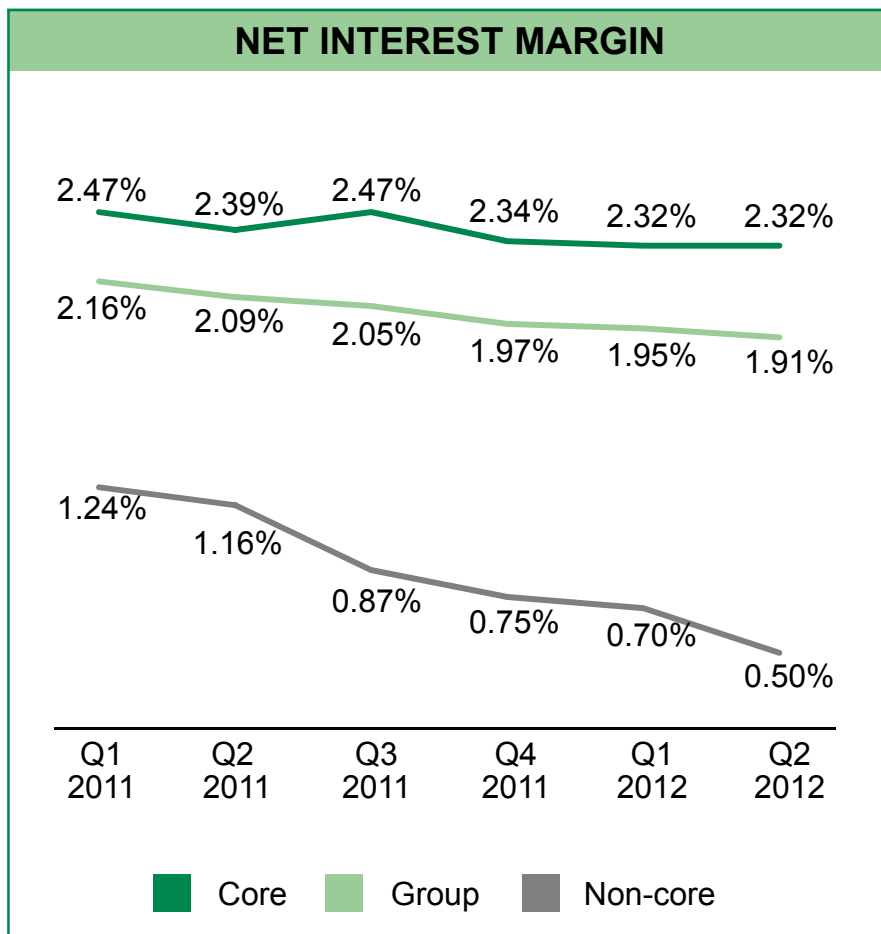


Income will continue to reflect customer deleveraging and higher funding costs

⁽¹⁾Underlying income net of insurance claims.

GROUP NET INTEREST MARGIN

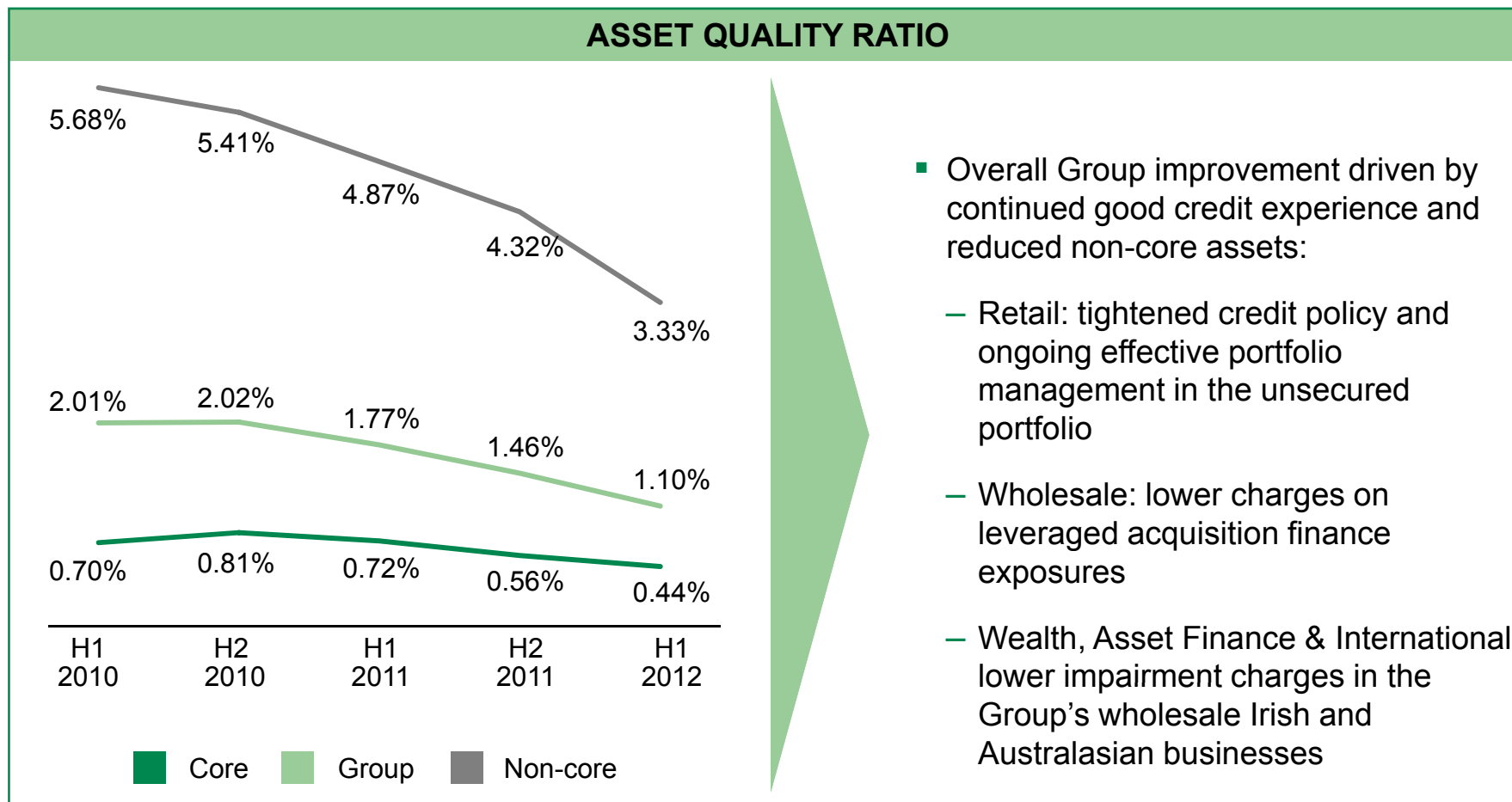
Stable core margin



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

RESHAPING OUR PORTFOLIO

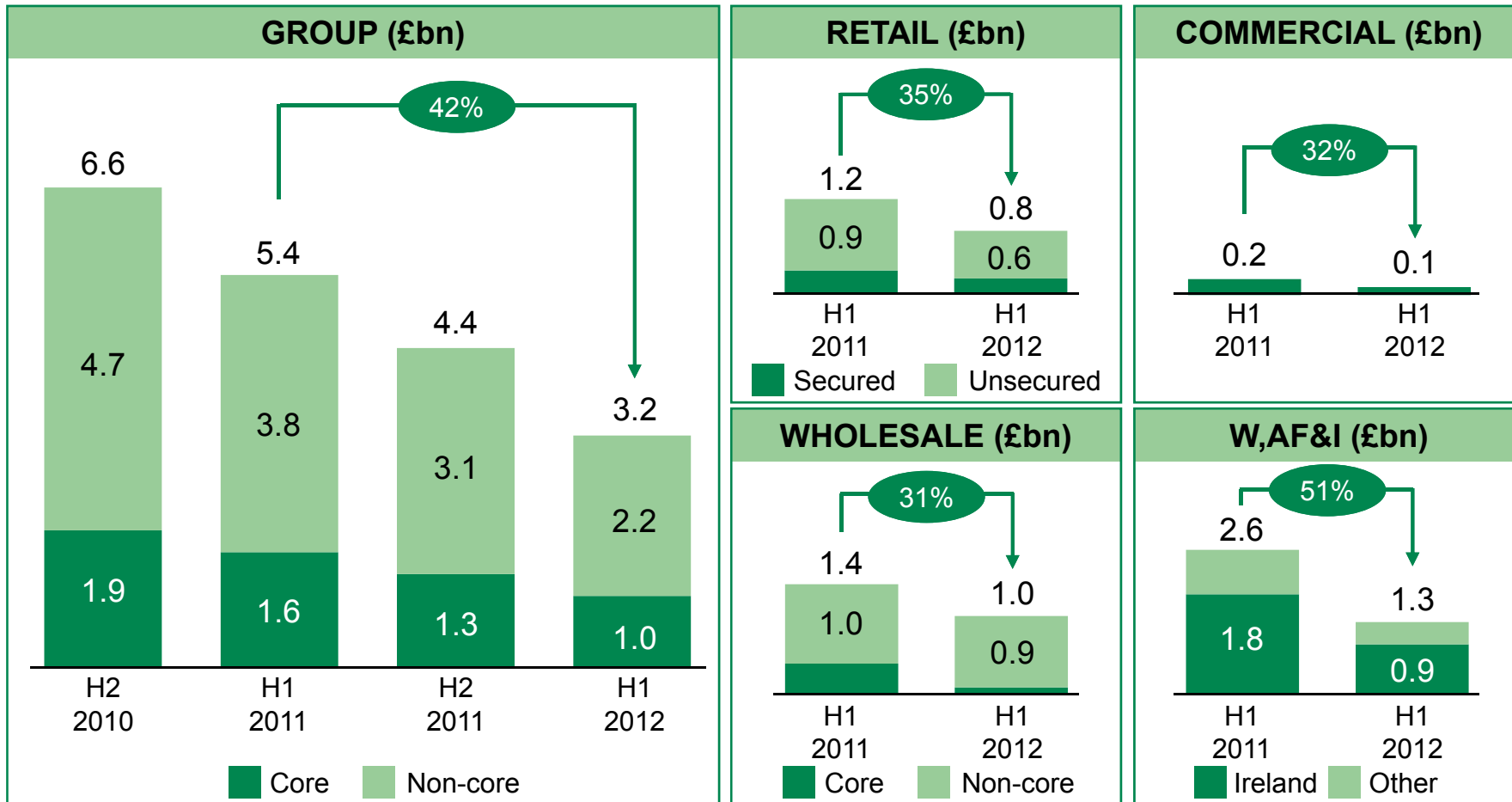
Asset quality improvement as a result of robust risk management



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

IMPAIRMENT

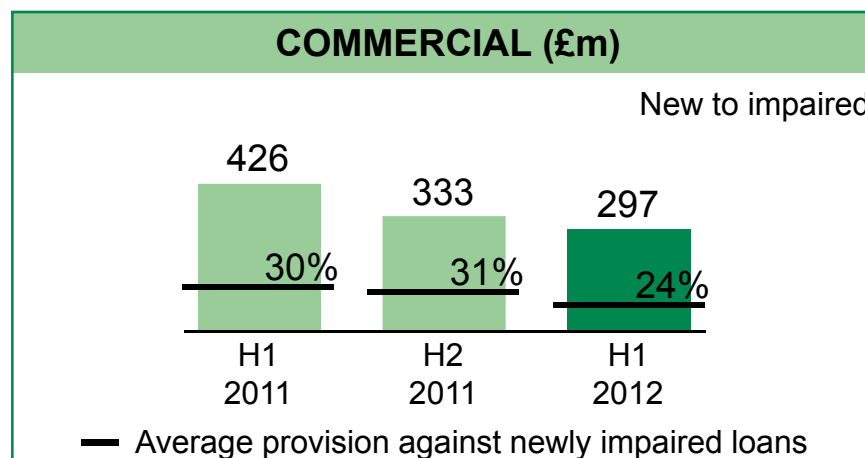
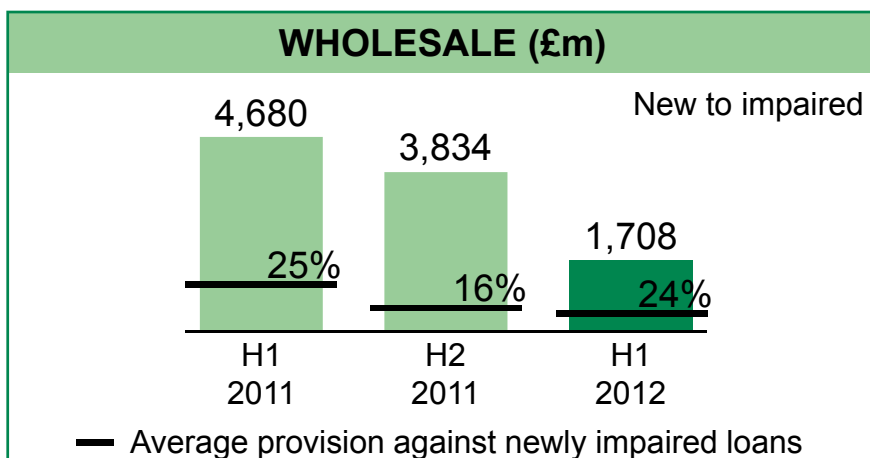
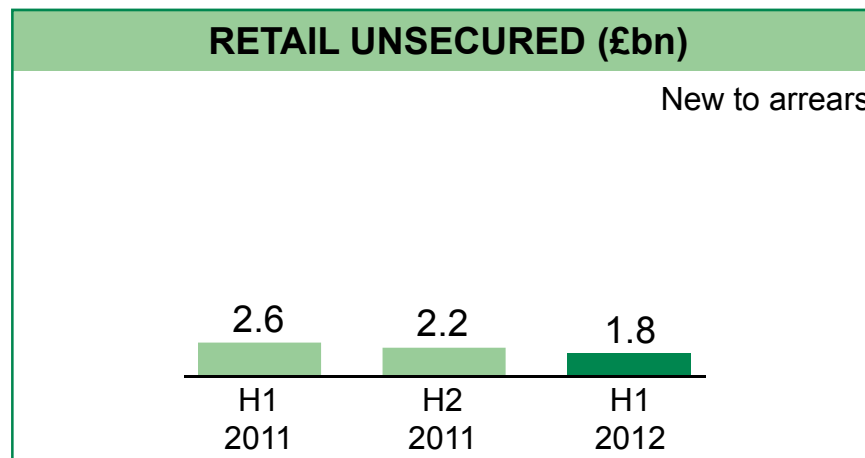
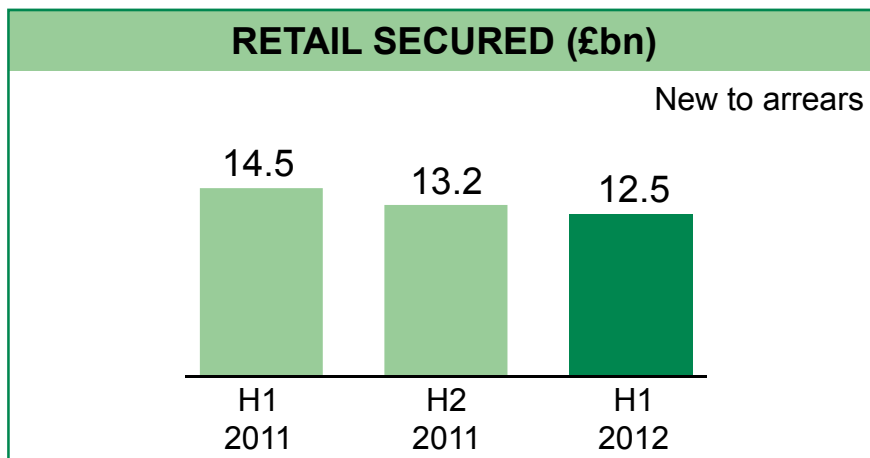
Improving risk criteria and non-core asset reduction reduce impairment



Portfolio trends continue to improve

NEW TO ARREARS AND IMPAIRMENTS

Improving portfolio trends at divisional level



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

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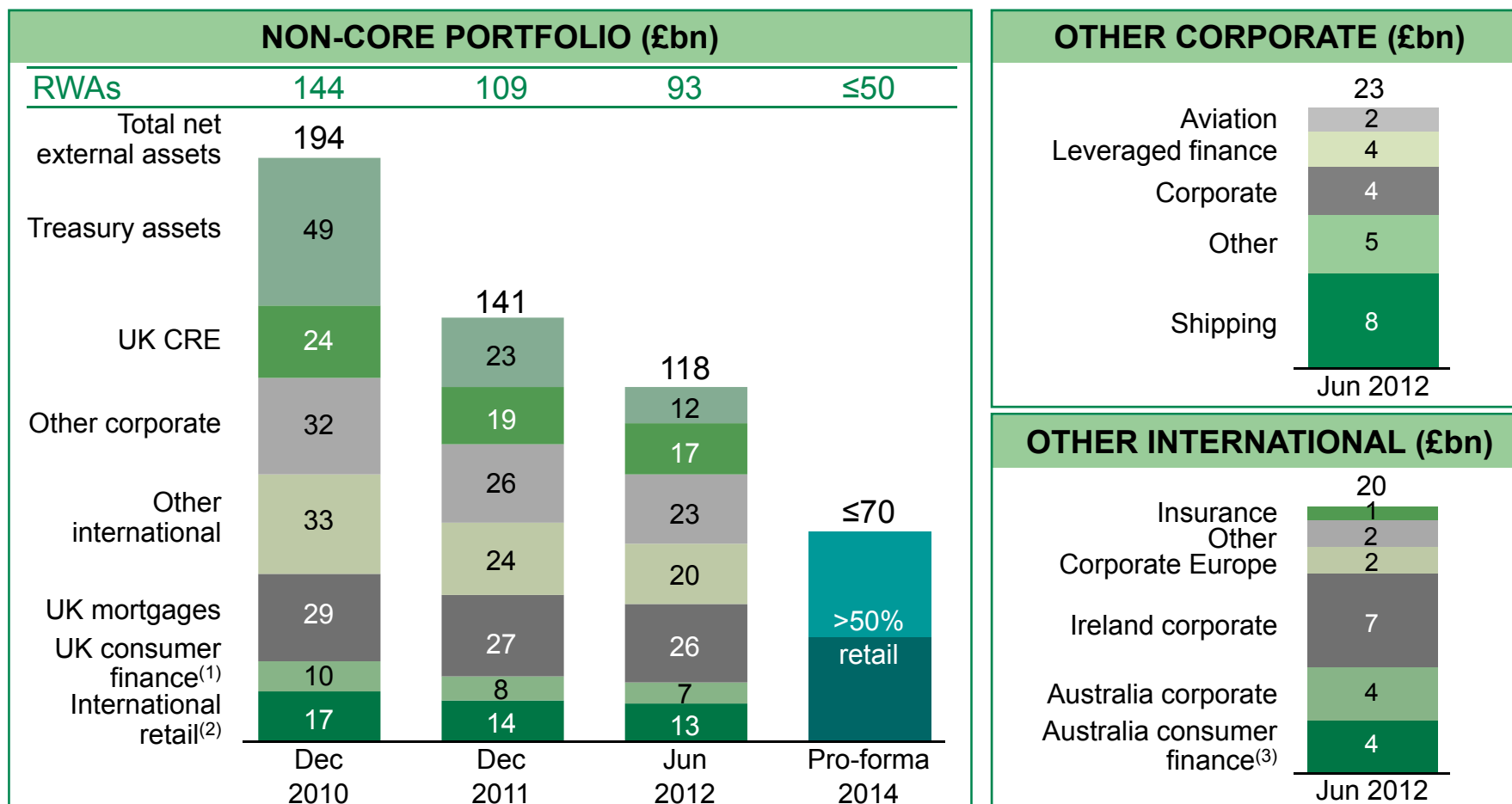
GROUP (£bn)	Jun 2012	Mar 2012	Dec 2011	Change % Jun/Dec	2012 MOVEMENTS (£bn)	2012 MOVEMENTS		
						Q1	Q2	Total
ASSETS								
Loans and advances ⁽¹⁾	529	536	549	(4)%	Deposit growth	6	7	13
–Core loans and advances ⁽¹⁾	429	430	437	(2)%	Lower core loans and advances	7	1	8
Risk-weighted assets	333	346	352	(6)%	Non-core reduction	13	10	23
–Core RWA's	239	242	244	(2)%	LTRO	11	–	11
Non-core assets	118	128	141	(16)%		37	18	55
Primary liquid assets	105	106	95	11%				
LIABILITIES								
Customer deposits ⁽¹⁾	419	412	406	3%	Reduced wholesale funding	(20)	(17)	(37)
Wholesale funding	214	231	251	(15)%	Liquid asset build	(11)	1	(10)
<1yr wholesale funding	73	91	113	(35)%		(31)	(16)	(47)
Loan to deposit ratio ⁽²⁾	126%	130%	135%	(9)%	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



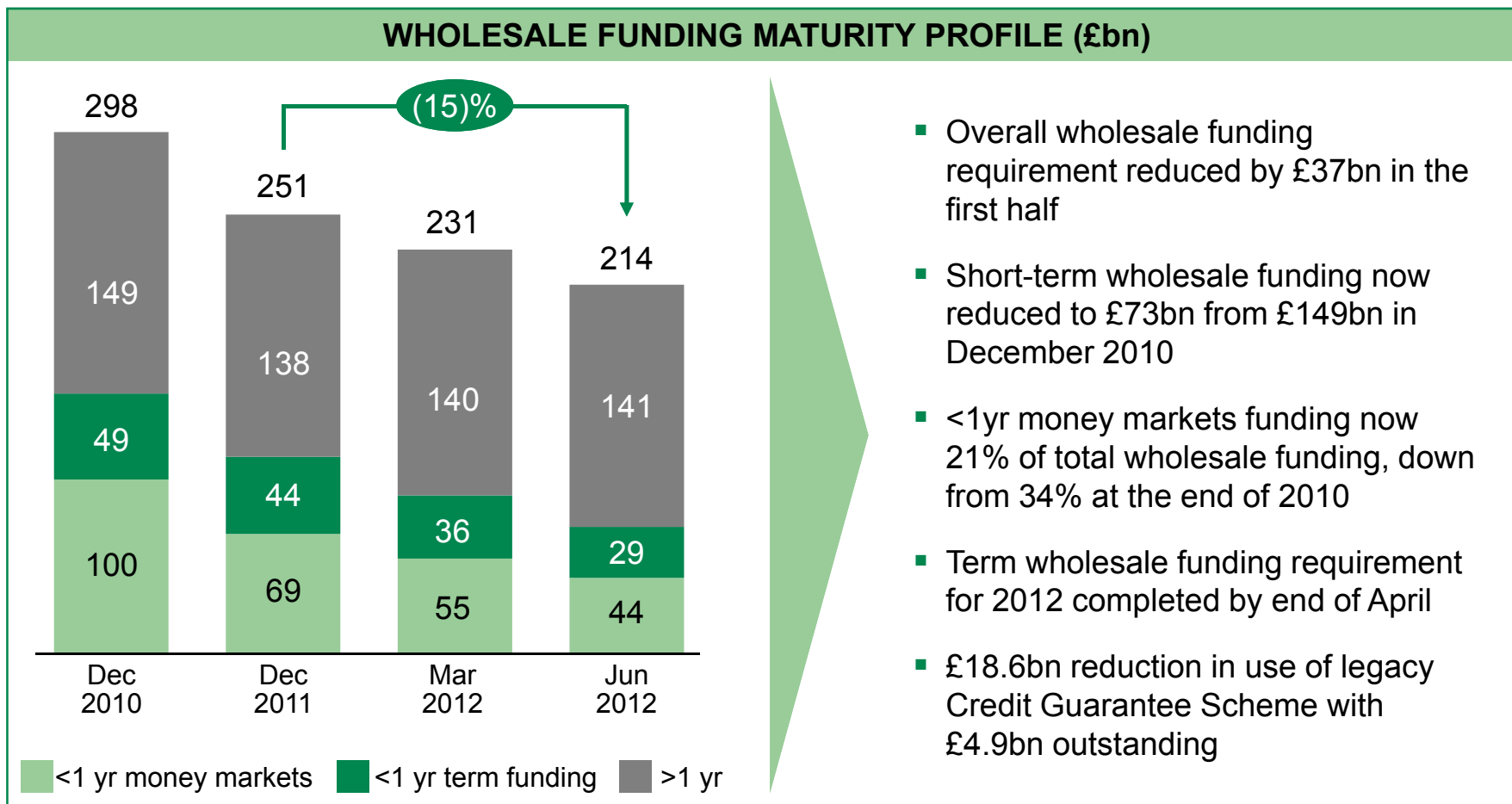
Expect non-core assets to be ≤£70bn in 2014 with >50% in retail assets

⁽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

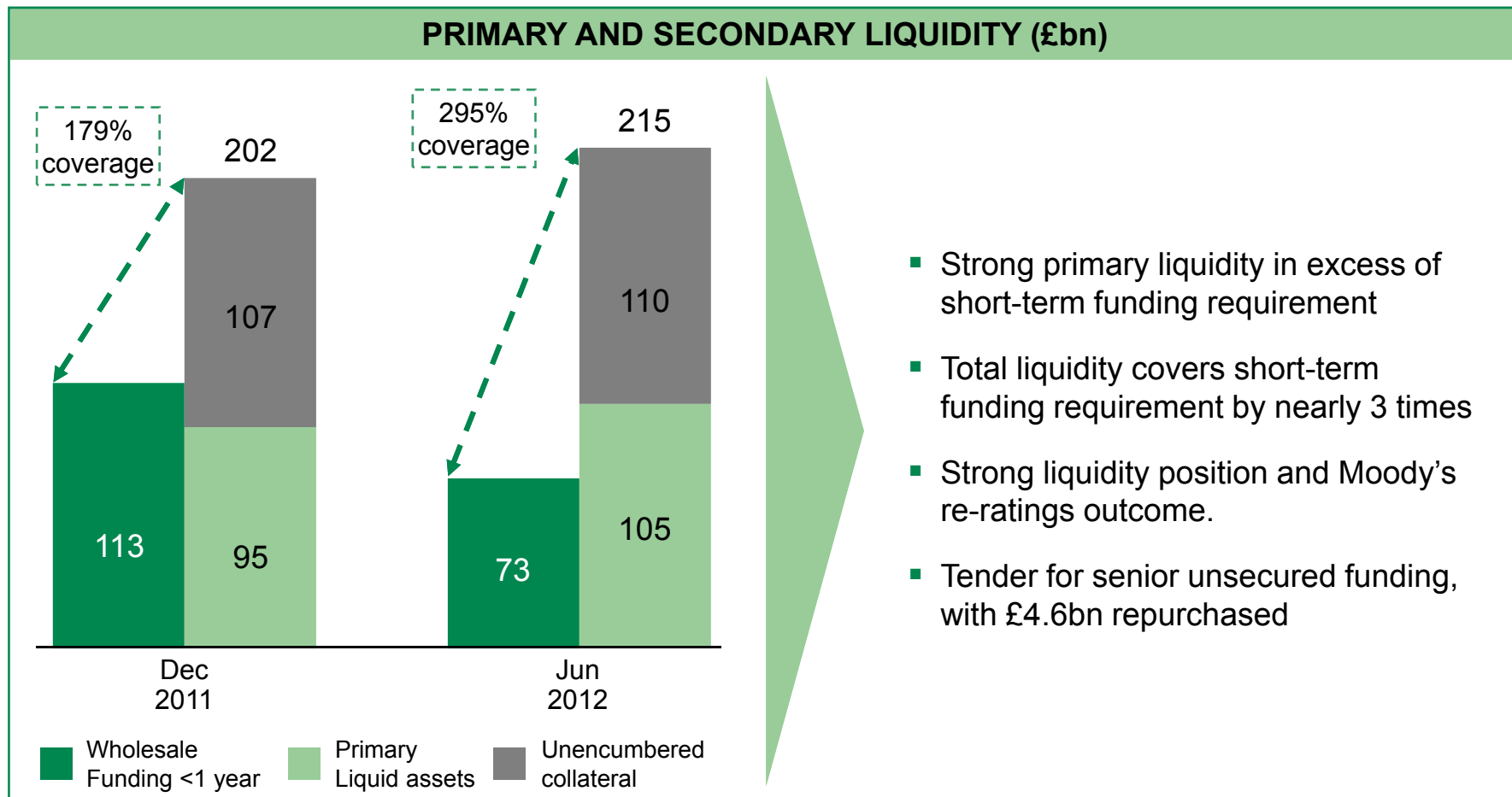
Lower wholesale funding due to non-core reduction and strong deposit growth



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

LIQUIDITY

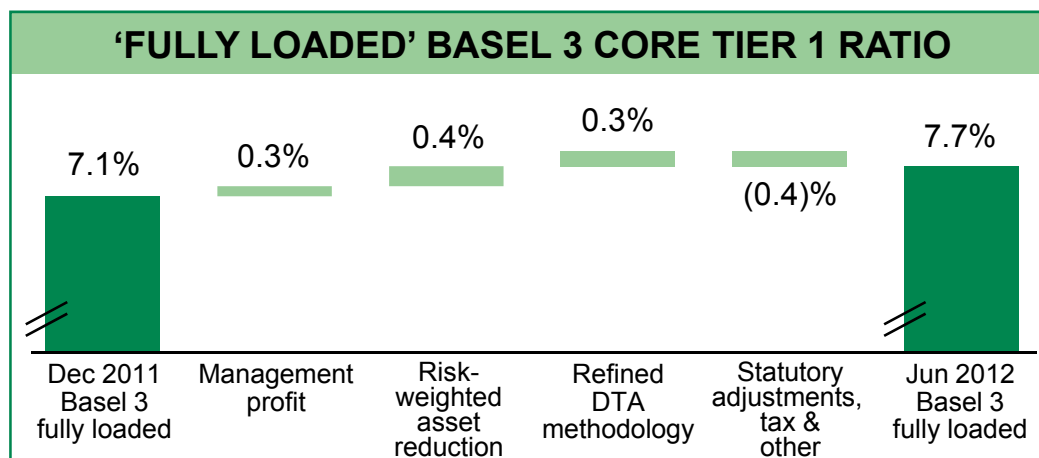
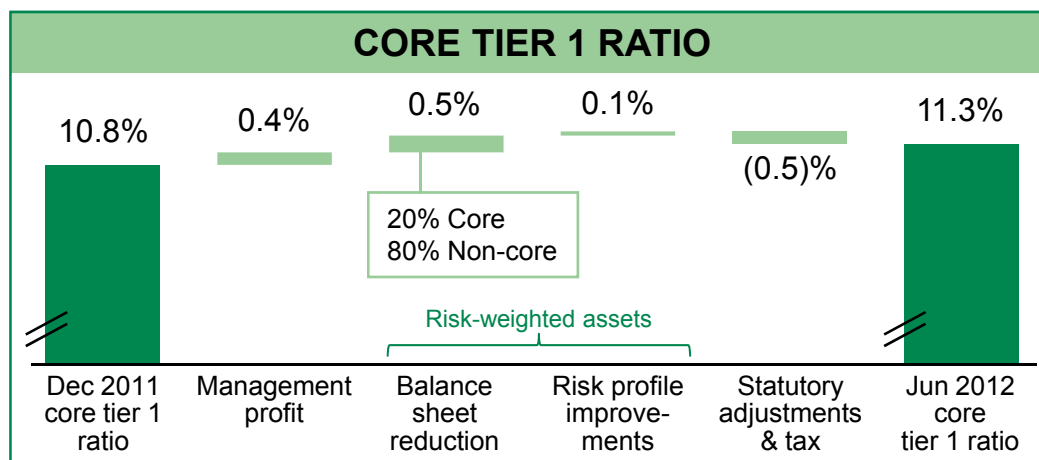
Strong liquid asset positions provide future flexibility



Strong liquidity coverage provides optionality

CAPITAL

Strong capital position



- 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



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H1 2012 TOTAL COSTS

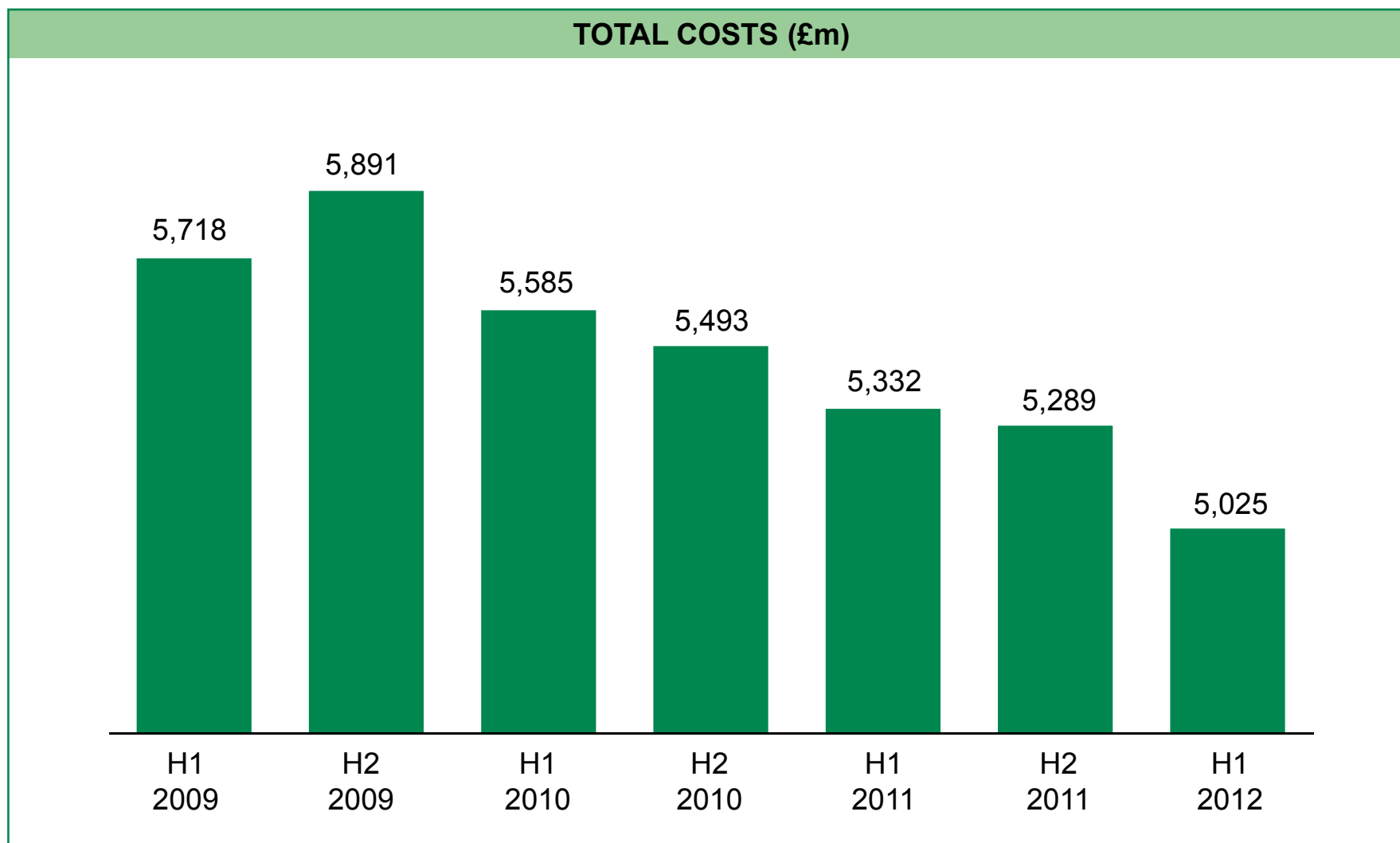
Total costs reduced 6% H1 2012 vs. H1 2011



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

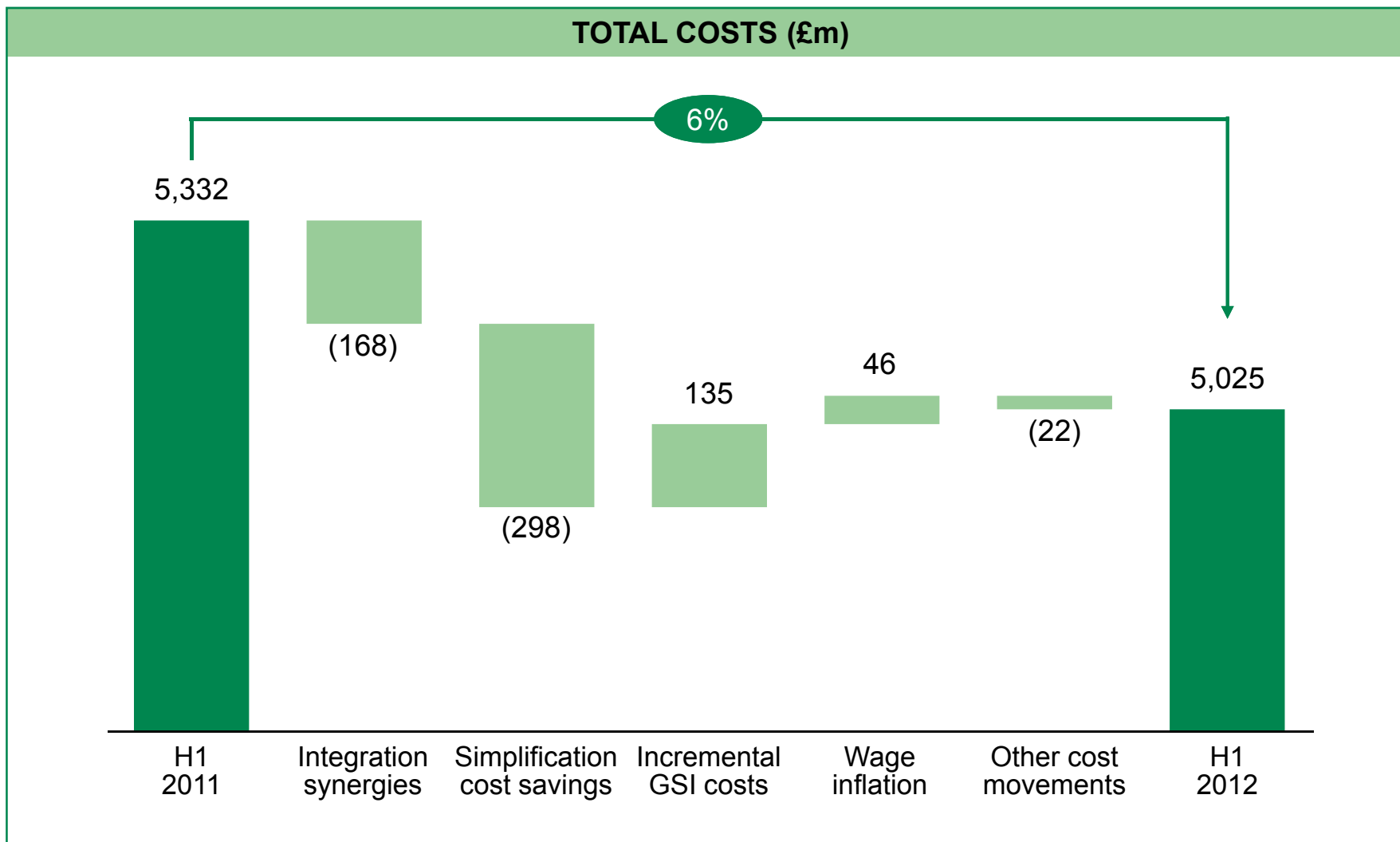
TOTAL COSTS – TREND 2009 TO 2012

Good momentum in cost reduction



TOTAL COSTS – H1 2011 TO H1 2012

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



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

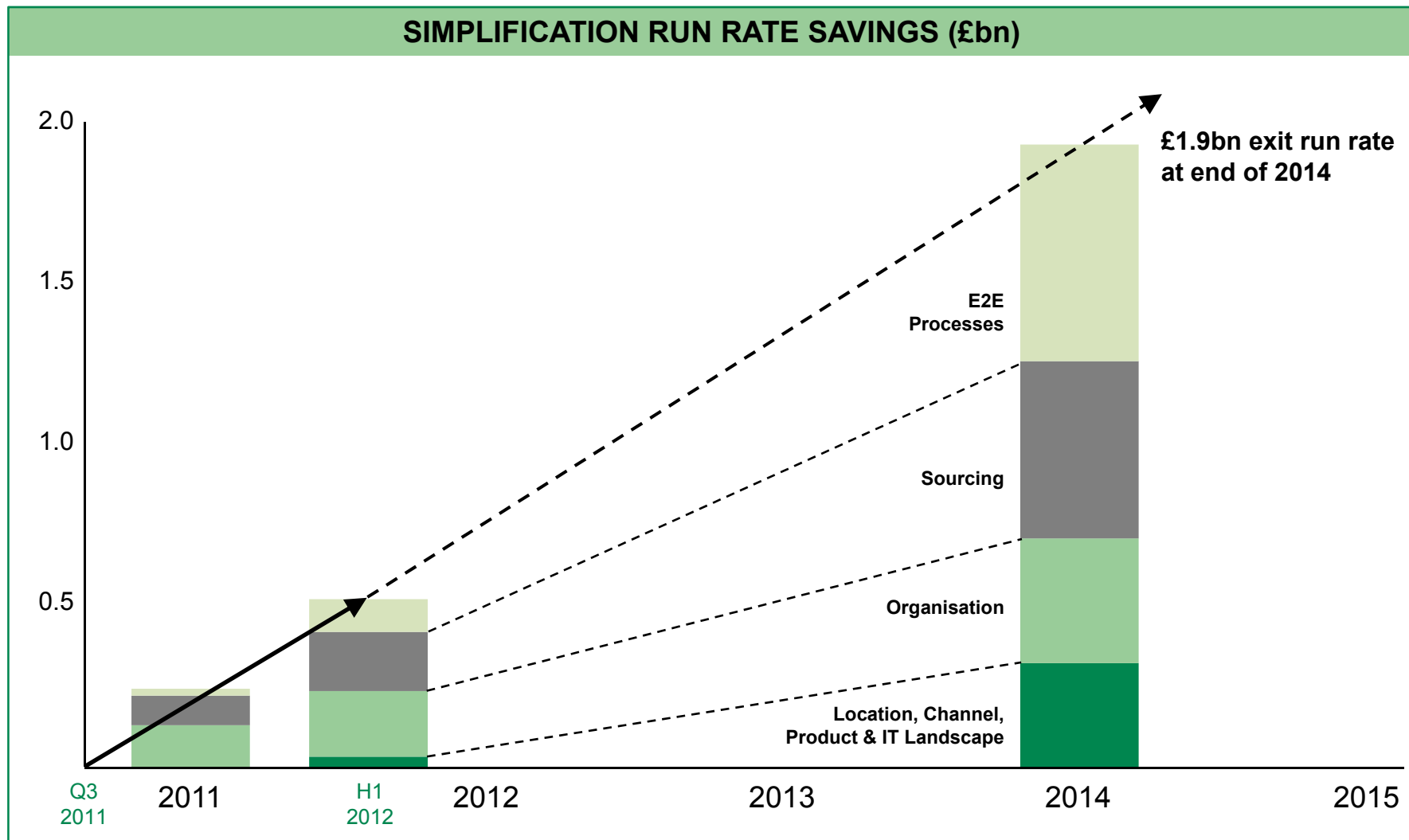
Simplification is improving the customer experience, examples include



Switchers (Account Transfer)	<ul style="list-style-type: none">▪ 100,000+ account transfers since launch in April▪ Error rates reduced by two-thirds
ISA / Fixed Term Deposits	<ul style="list-style-type: none">▪ 69% higher tax year end volumes managed successfully▪ Ability to reinvest funds online
Commercial Lending	<ul style="list-style-type: none">▪ 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)	<ul style="list-style-type: none">▪ Customer claims handled by a dedicated advisor▪ Up to 40% reduction in follow-up calls; 30% faster settlement time
Internet Banking	<ul style="list-style-type: none">▪ 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



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SUMMARY

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

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- **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

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- **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

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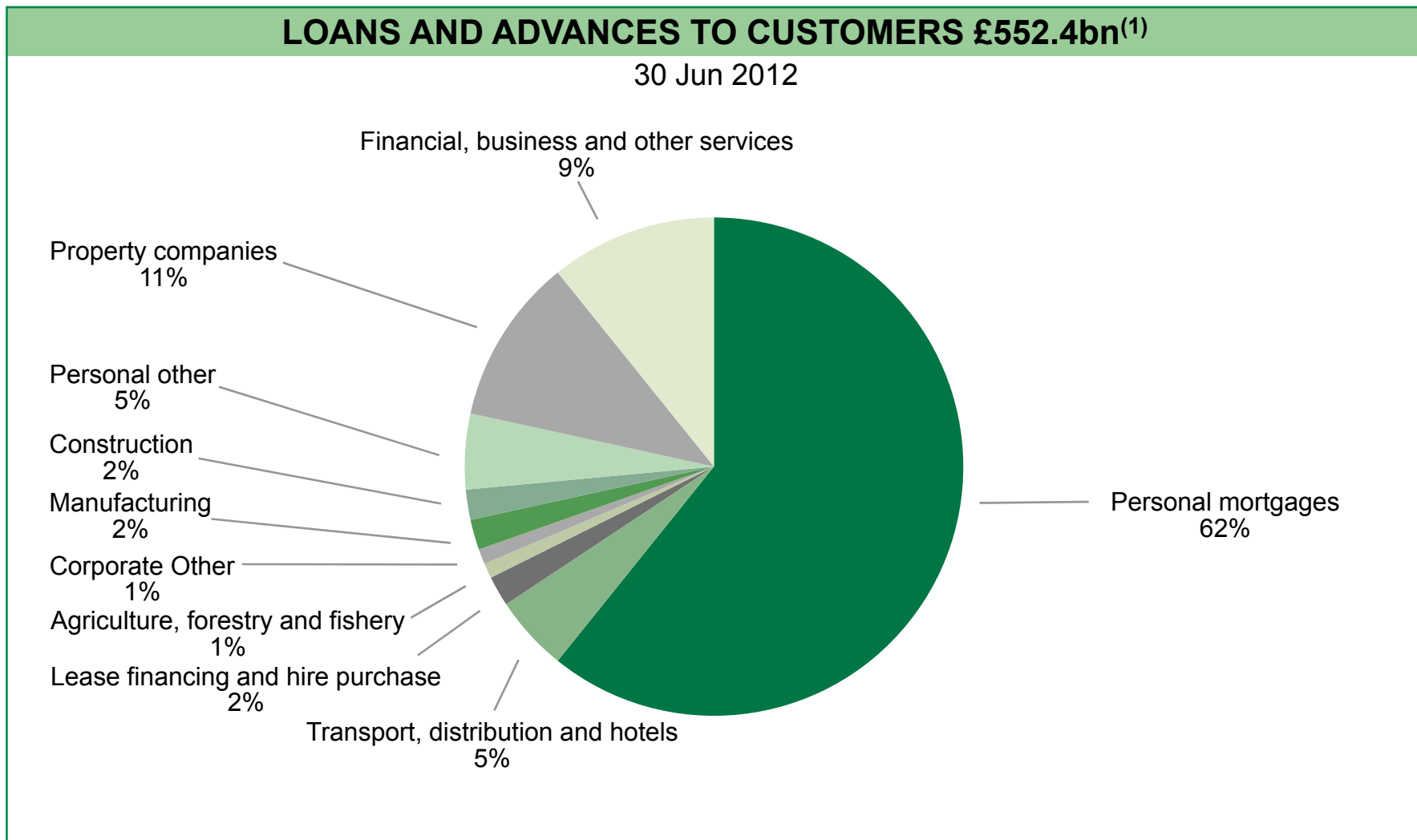
QUESTIONS & ANSWERS

**LLOYDS
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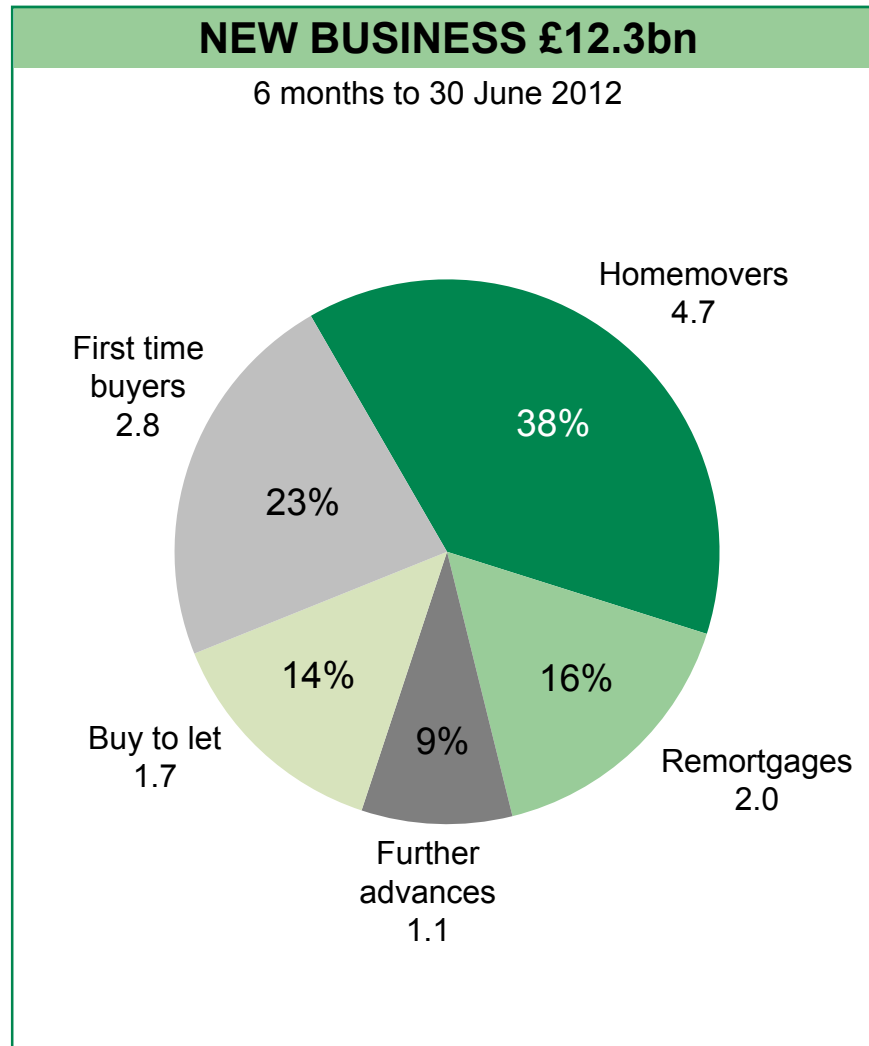
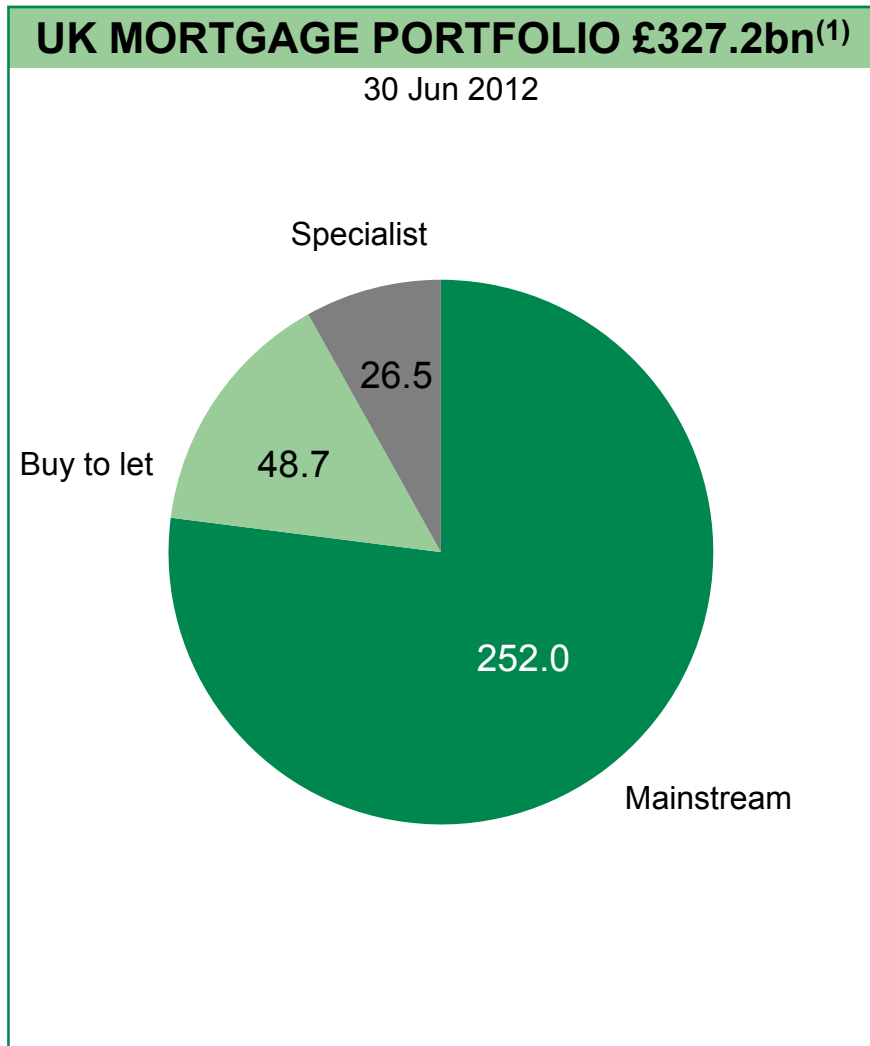
APPENDIX

LOANS AND ADVANCES TO CUSTOMERS



⁽¹⁾Before allowance for impairment losses.

MORTGAGE NEW BUSINESS DISTRIBUTION



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

MORTGAGE PORTFOLIO LTVs

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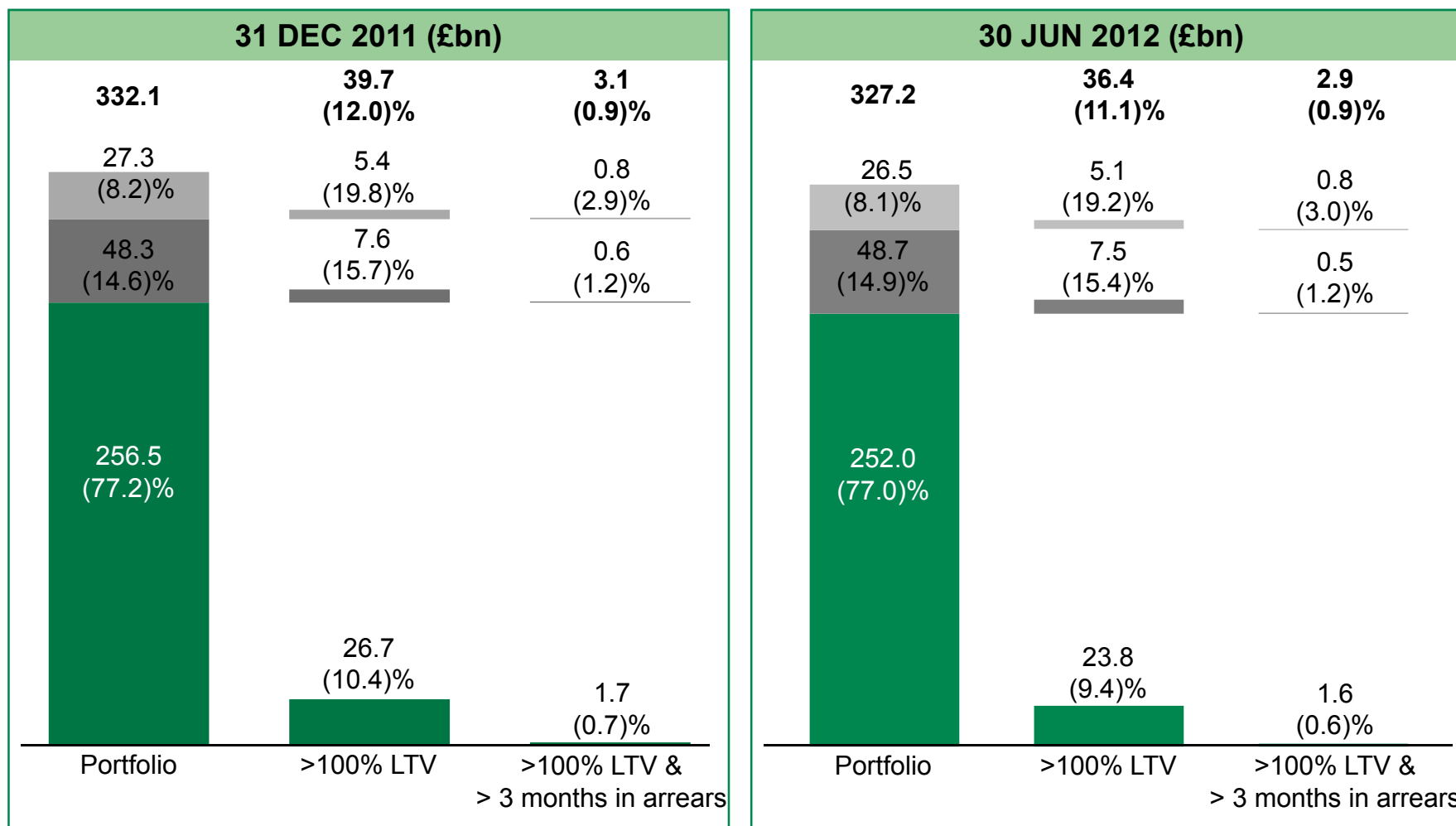


	Mainstream	Buy to let	Specialist	Total
Average LTVs	52.1%	73.5%	72.2%	55.7%
New business LTVs	62.0%	63.9%	n/a	62.3%
≤80% LTV	63.6%	52.1%	42.3%	60.1%
>80–90% LTV	16.4%	16.3%	19.9%	16.7%
>90–100% LTV	10.6%	16.4%	18.5%	12.1%
>100% LTV	9.4%	15.2%	19.3%	11.1%
Value >100% LTV	£23.8bn	£7.5bn	£5.1bn	£36.4bn

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

UK MORTGAGE PORTFOLIO

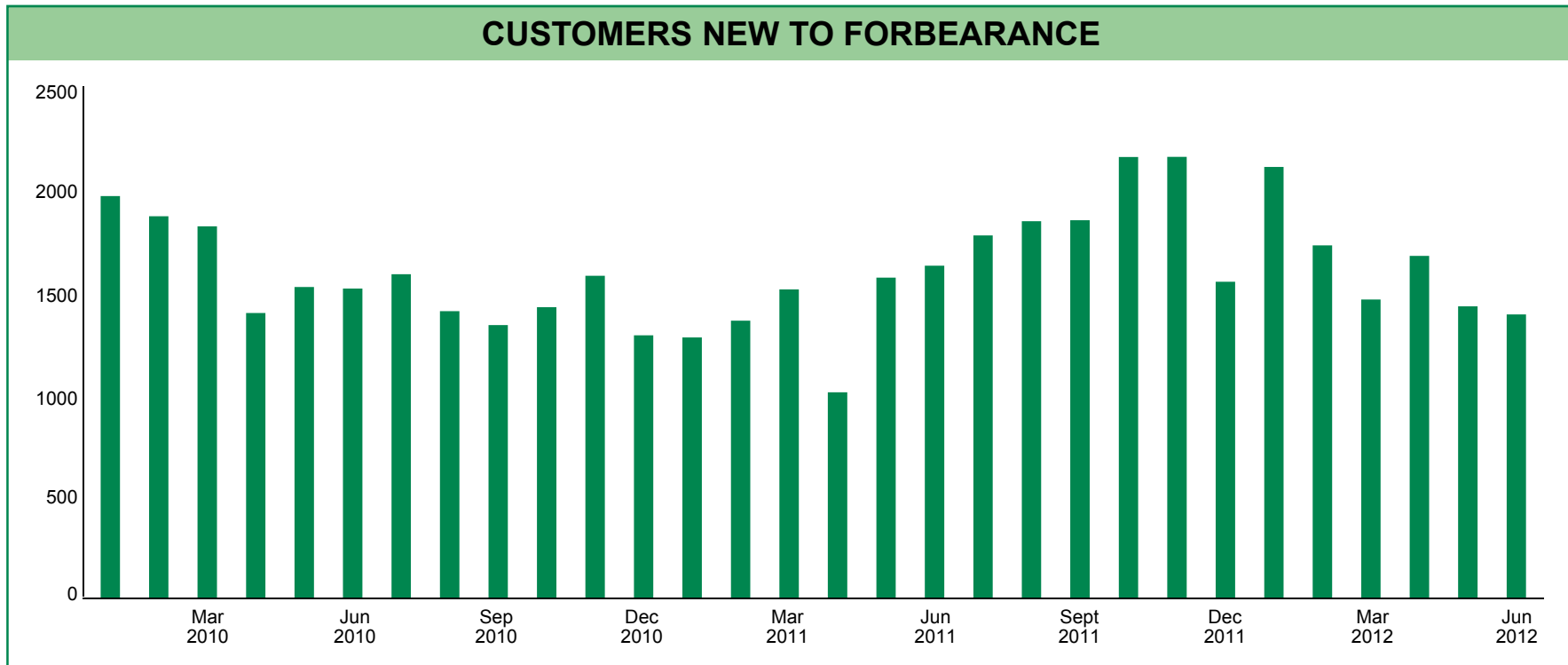
Books performing satisfactorily with stable profiles



■ Mainstream
 ■ Buy to let
 ■ Specialist

UK MORTGAGE FORBEARANCE

Stable forbearance activity



- 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

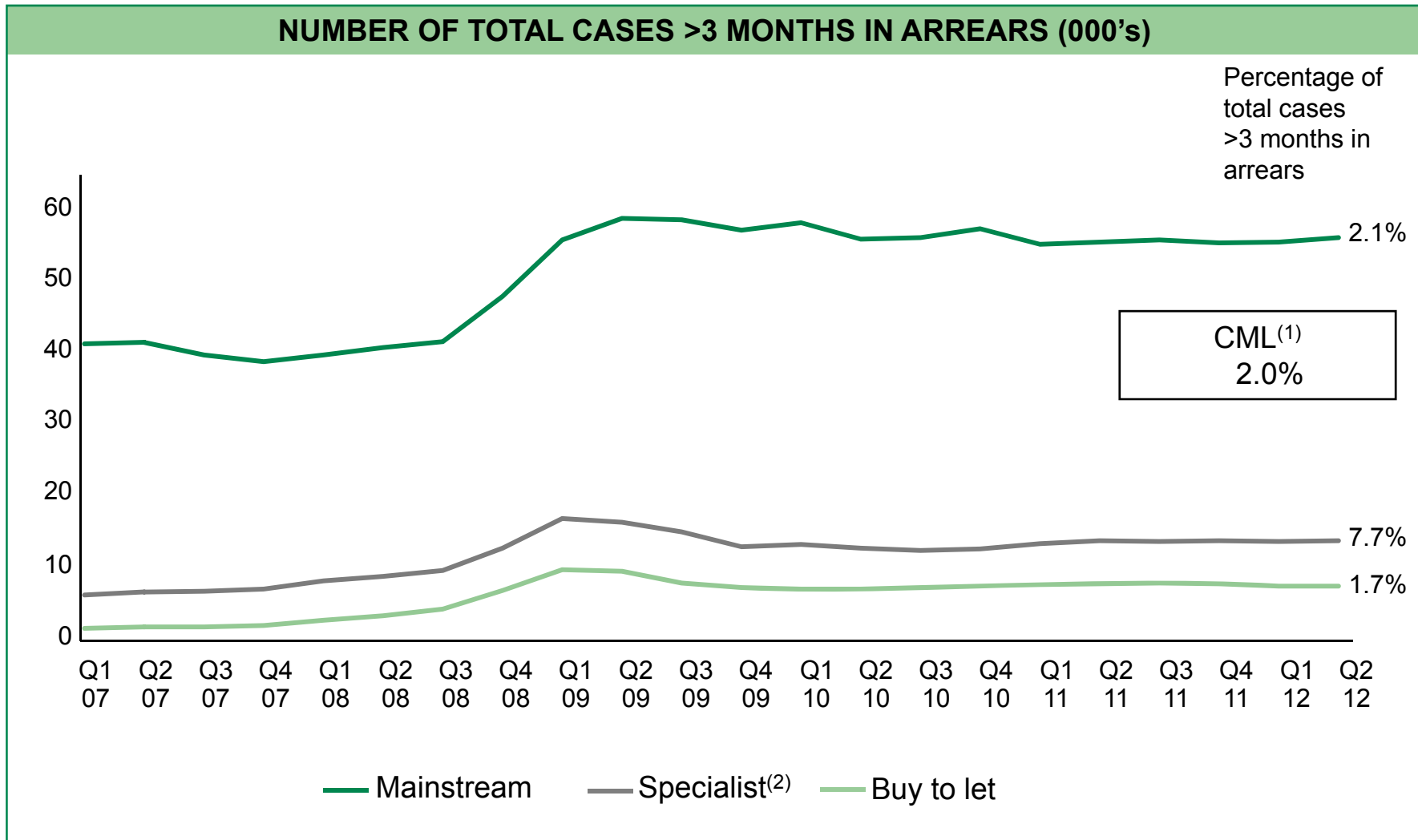
UK MORTGAGE PORTFOLIO IMPAIRMENT COVERAGE



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%

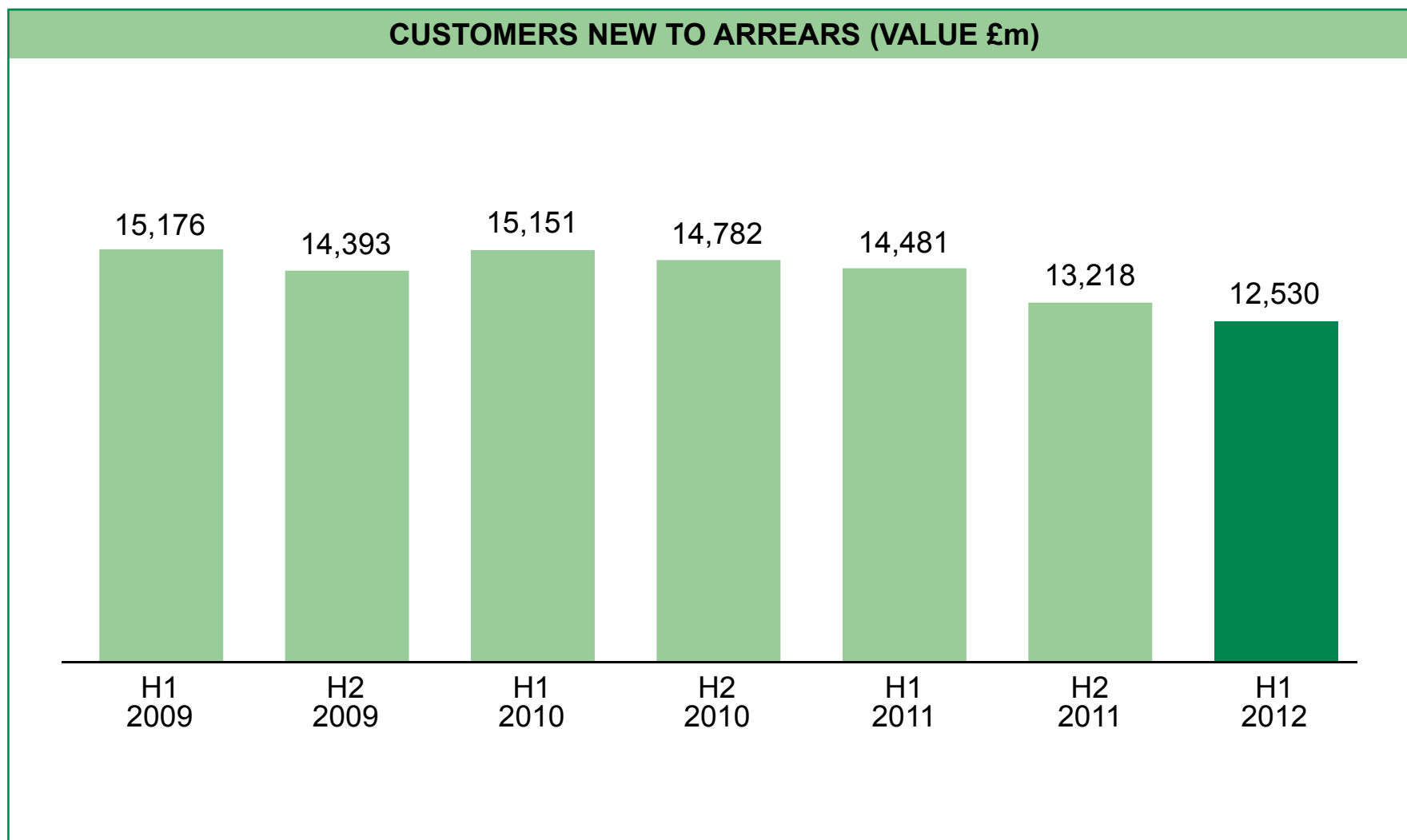
⁽¹⁾Before allowance for impairment losses and fair value adjustments.

MORTGAGE PORTFOLIO TRENDS

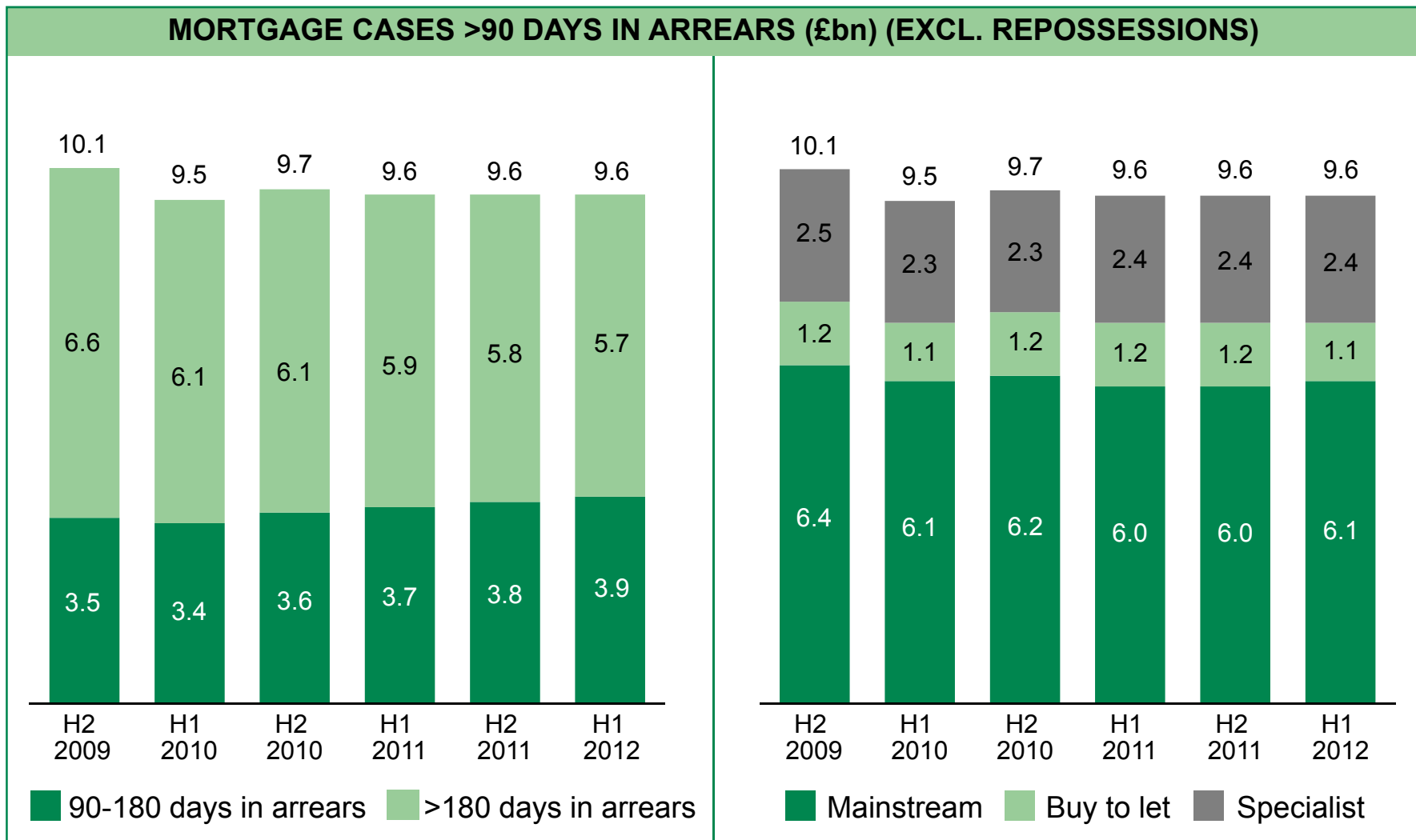


⁽¹⁾Source: Council of Mortgage Lenders Q1 2012. ⁽²⁾This book has been closed to new business since 2009.

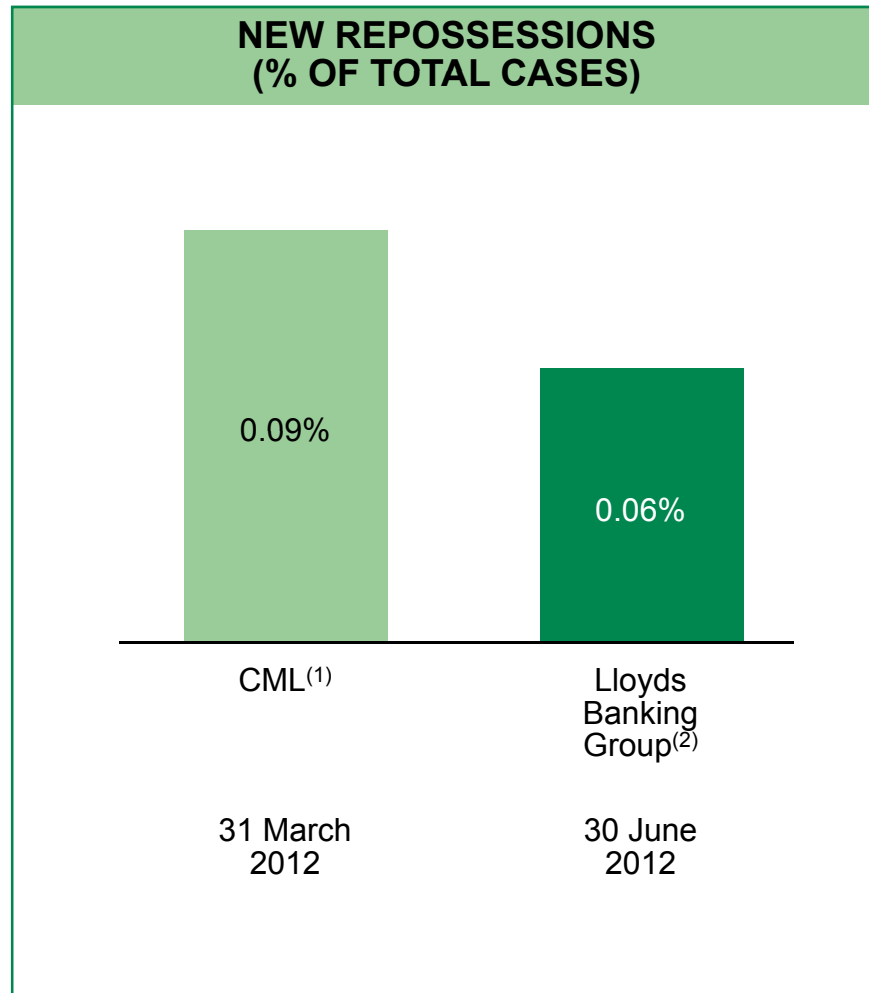
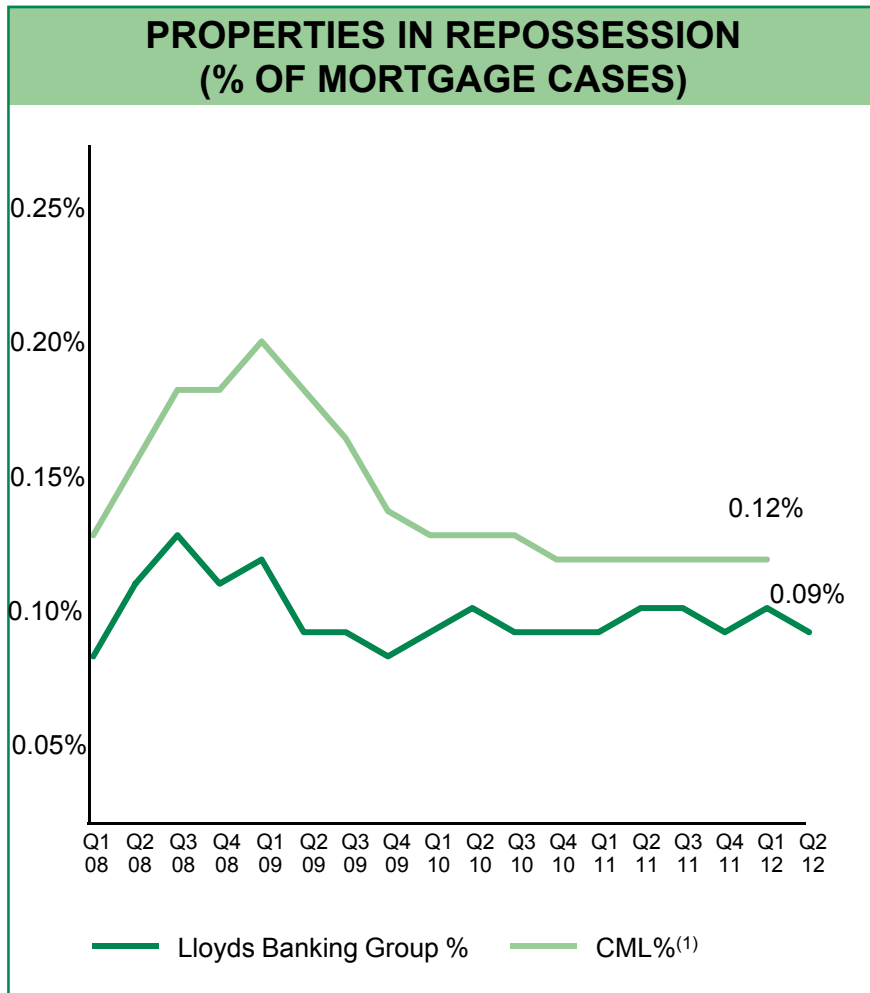
TREND IN MORTGAGE PORTFOLIO ARREARS



SECURED ARREARS STABLE

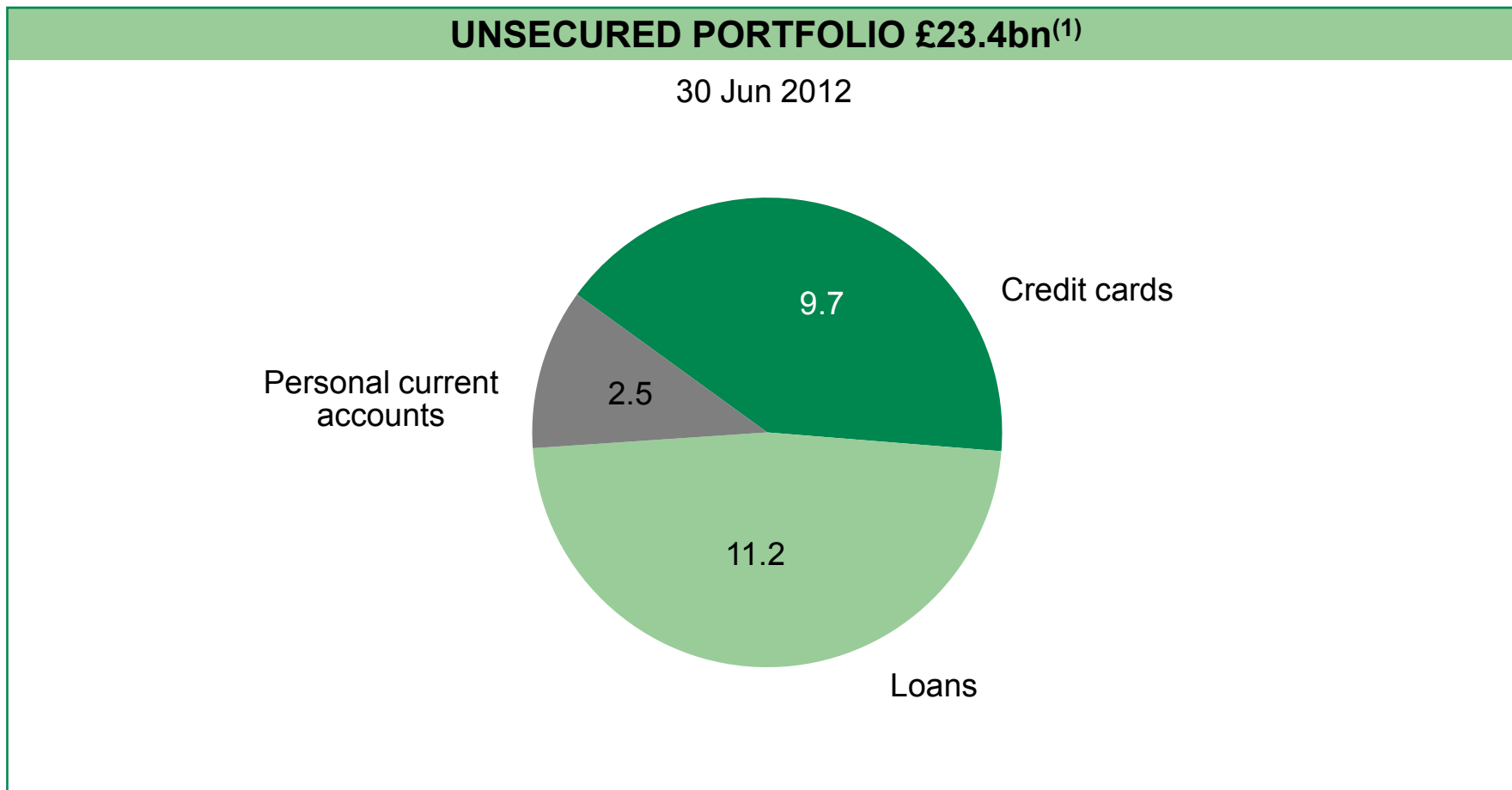


MORTGAGE PORTFOLIO – NEW REPOSSESSIONS



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

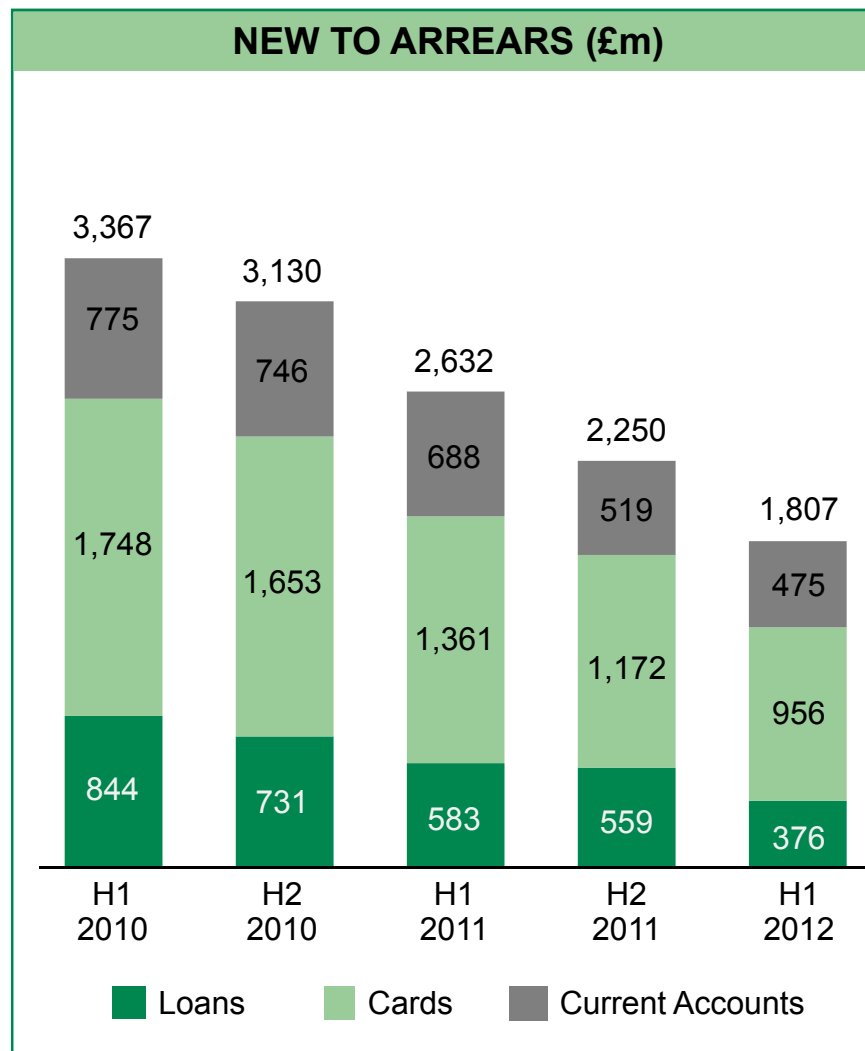
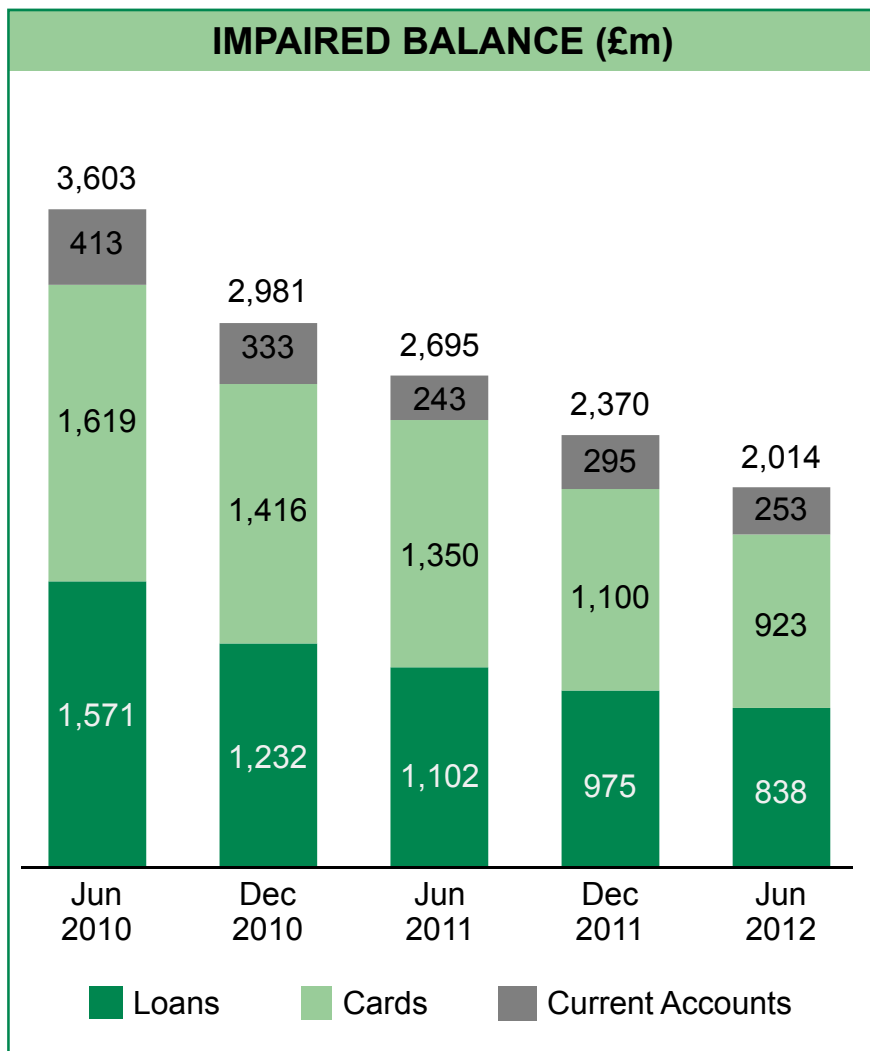
UNSECURED LENDING PORTFOLIO



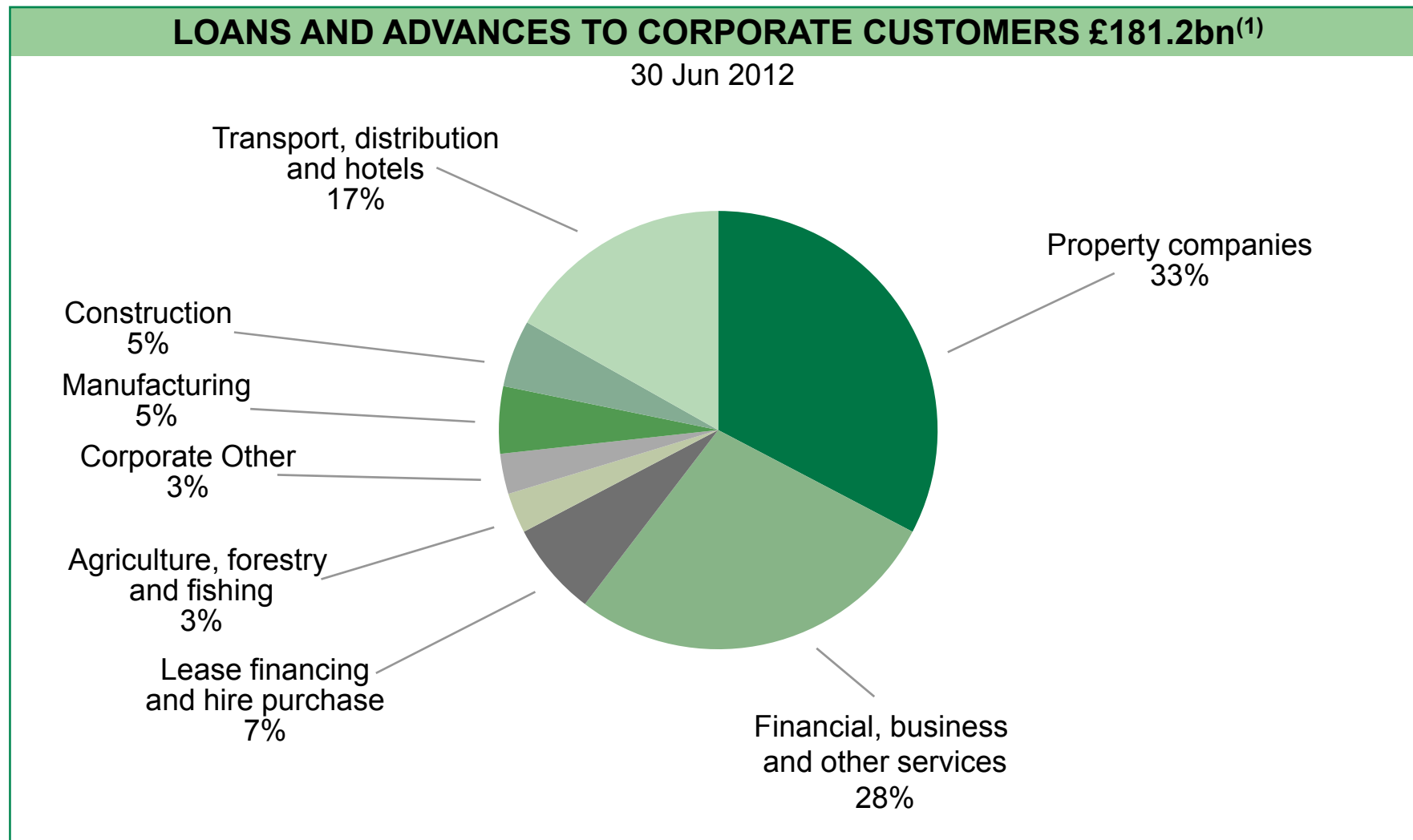
Impairment charge as a % of average lending	<u>Cards</u>	<u>Loans</u>
	4.38%	3.55%

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

UNSECURED LENDING PORTFOLIO

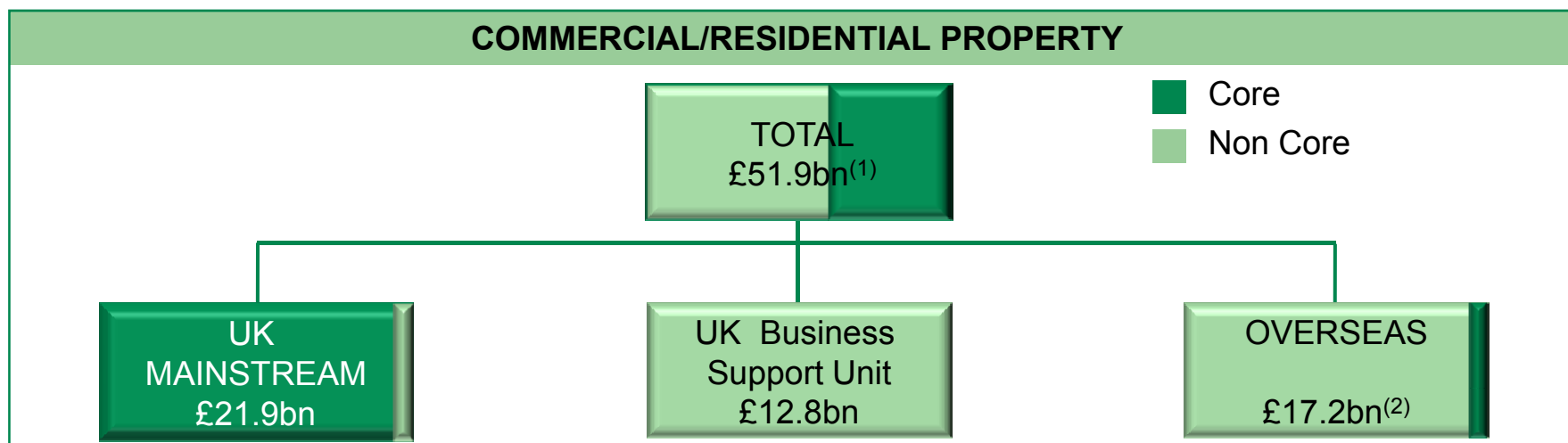


LOANS AND ADVANCES TO CORPORATE CUSTOMERS



⁽¹⁾Before allowance for impairment losses.

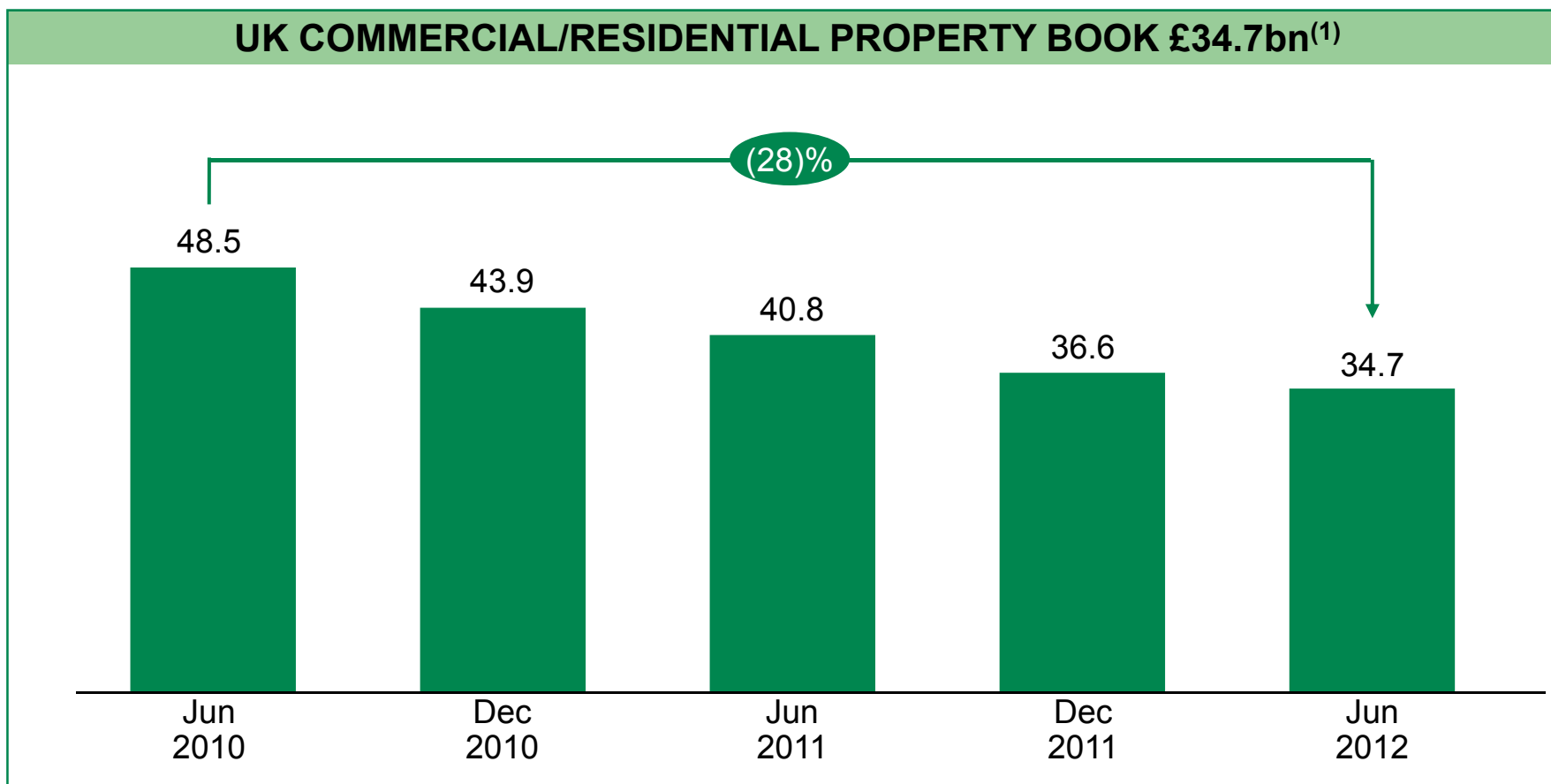
COMMERCIAL/RESIDENTIAL PROPERTY



- 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).

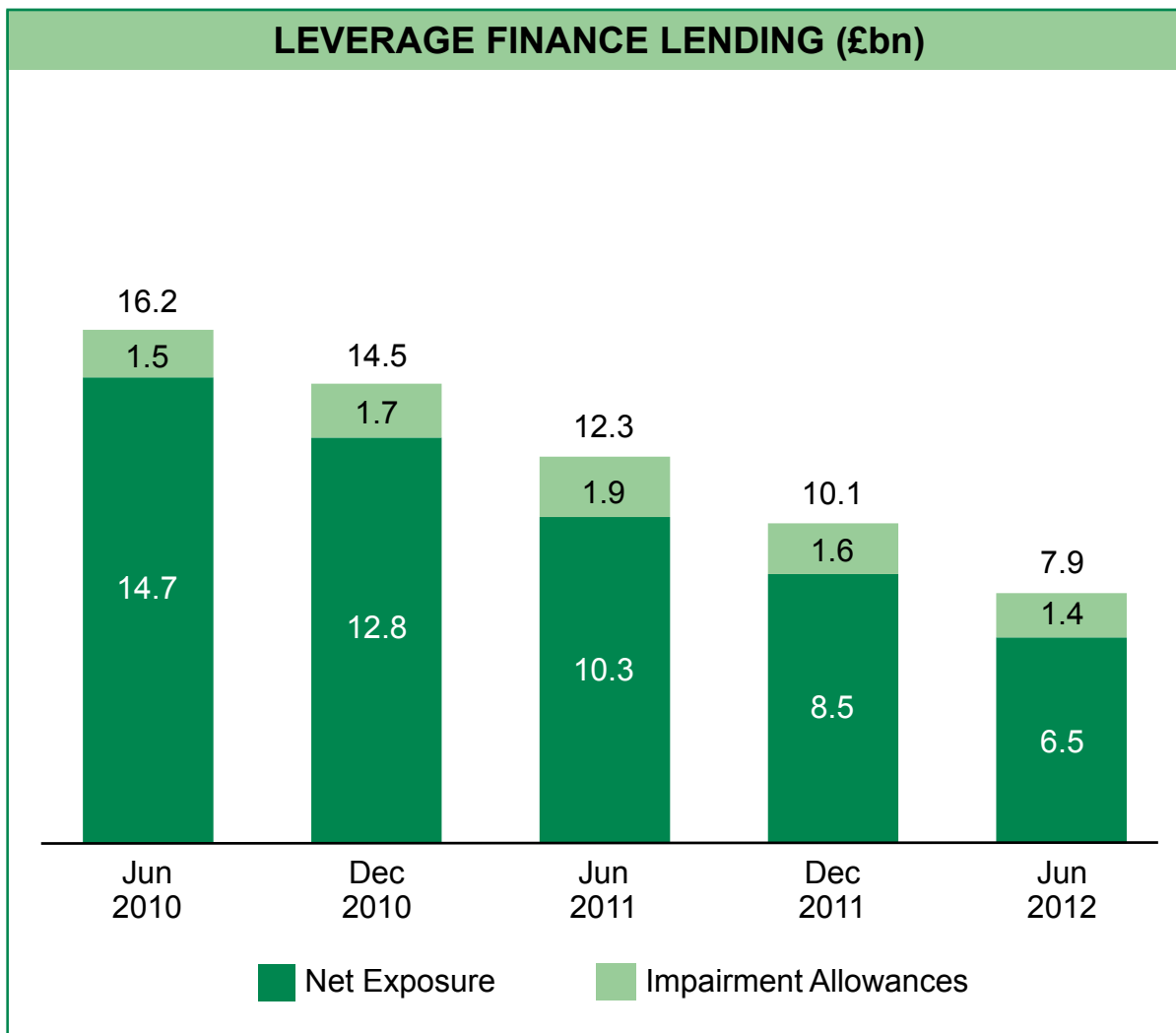
UK COMMERCIAL/RESIDENTIAL PROPERTY



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



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

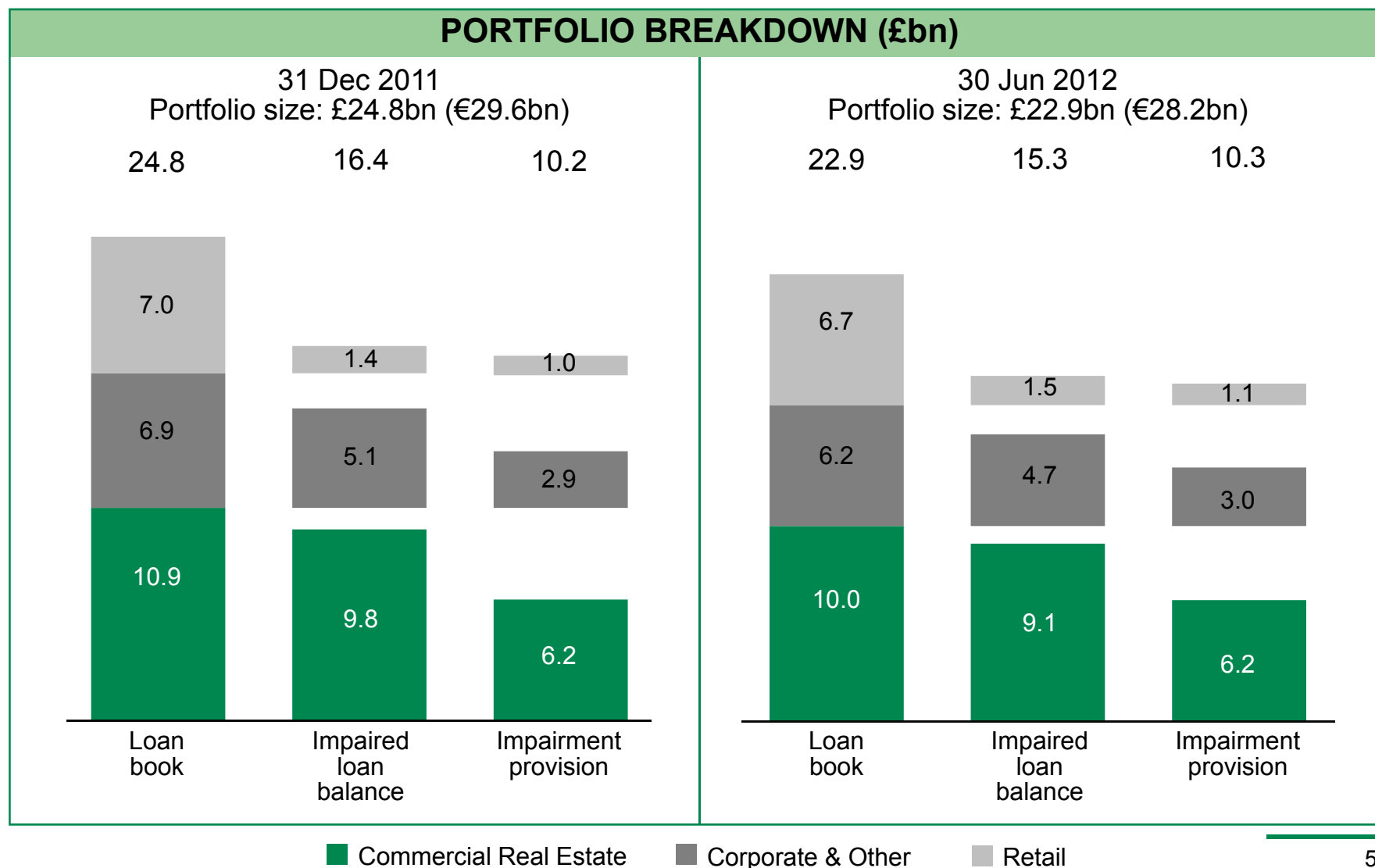
Lloyds International

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

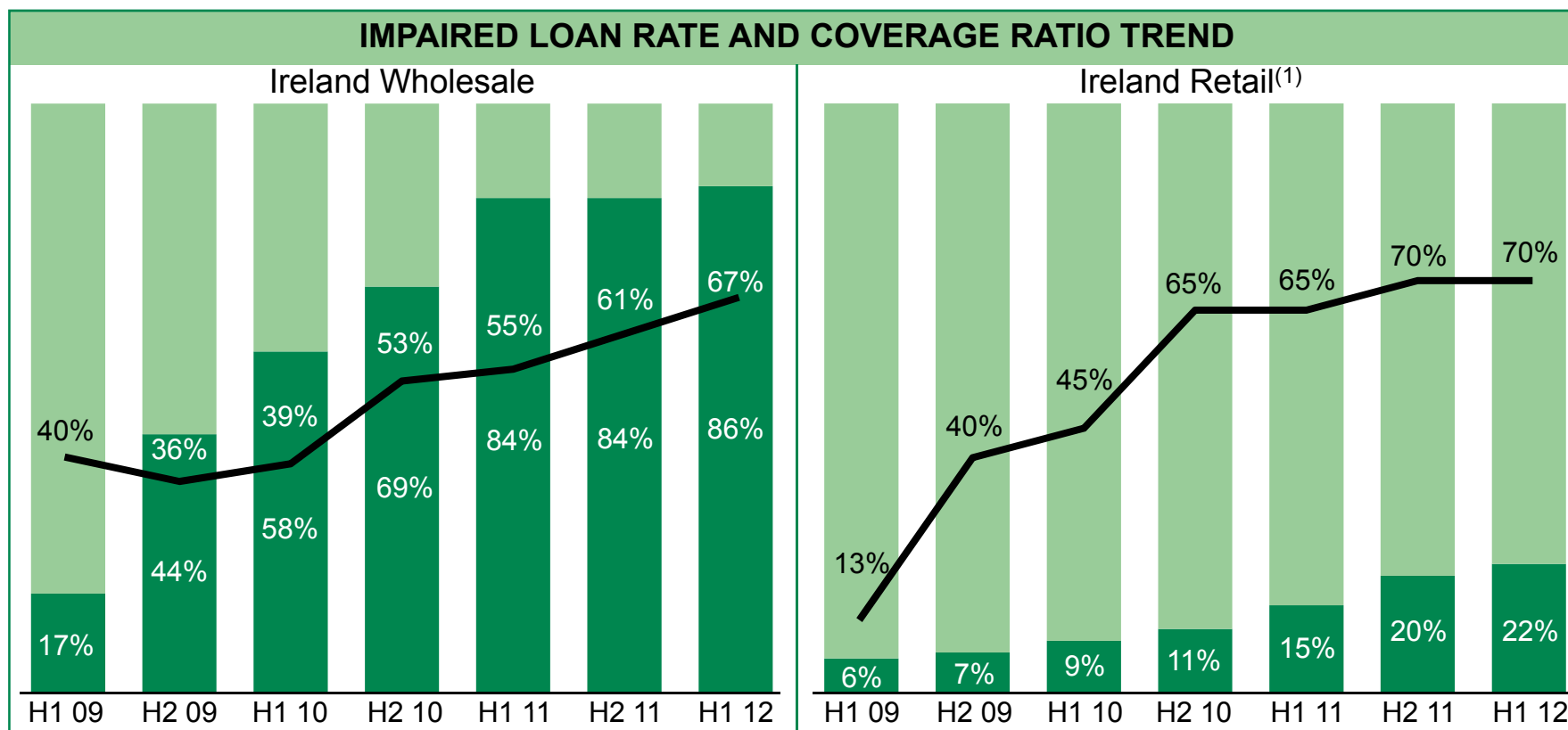
IRISH PORTFOLIO

Robust coverage which minimises downside risks



IRISH PORTFOLIO

Robust coverage which minimises downside risks



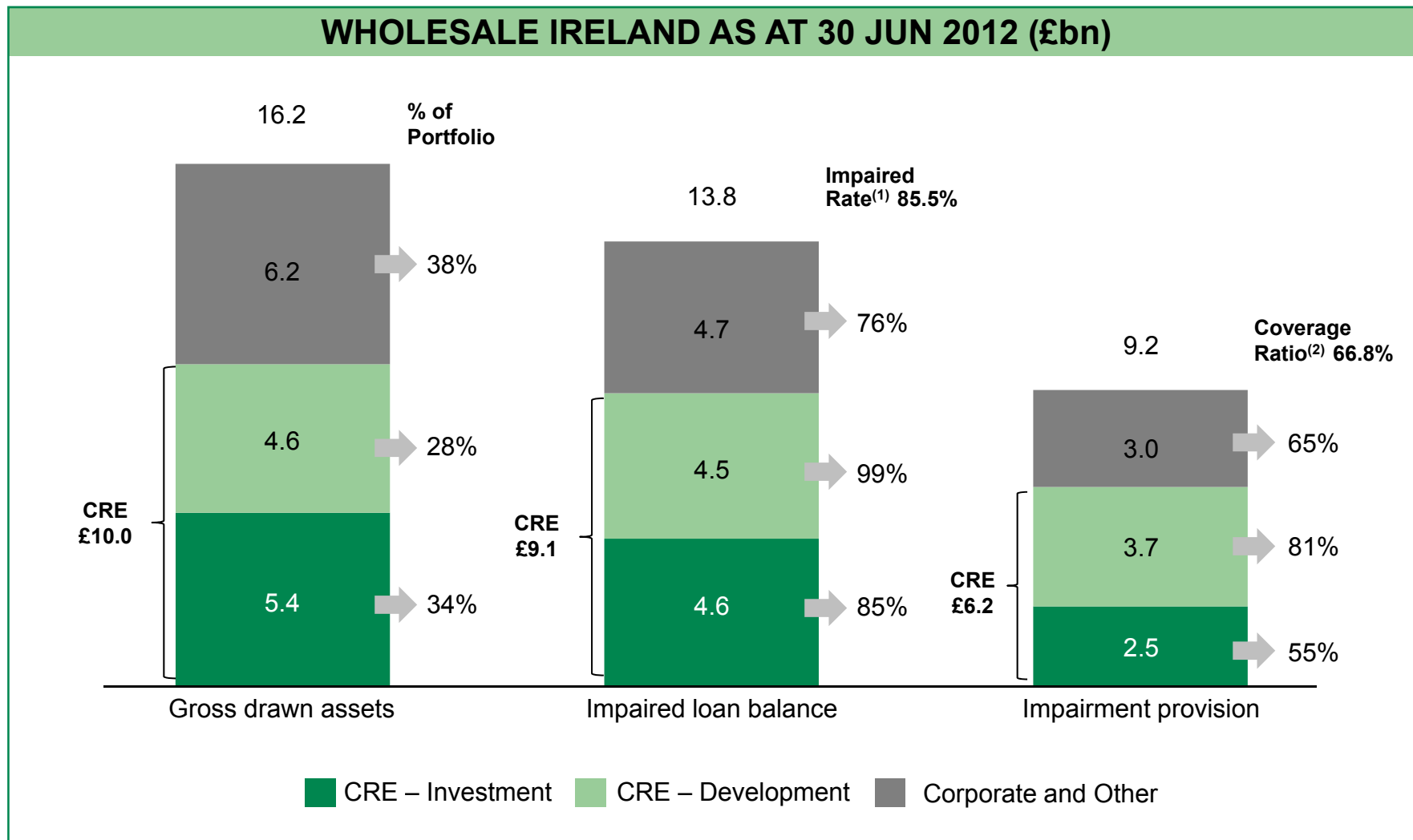
- Total Irish portfolio of £22.9bn (€28.2bn), split Wholesale (£16.2bn) and Retail (£6.7bn)
- Weakness in Irish economy continues
- Reflecting further falls in the commercial real estate market
- Low levels of redemptions and recoveries due to severe lack of liquidity
- On the Irish Wholesale portfolio, 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

- Impaired
- Unimpaired
- Coverage ratio

⁽¹⁾Excludes unsecured book of £43m.

IRISH WHOLESALE PORTFOLIO

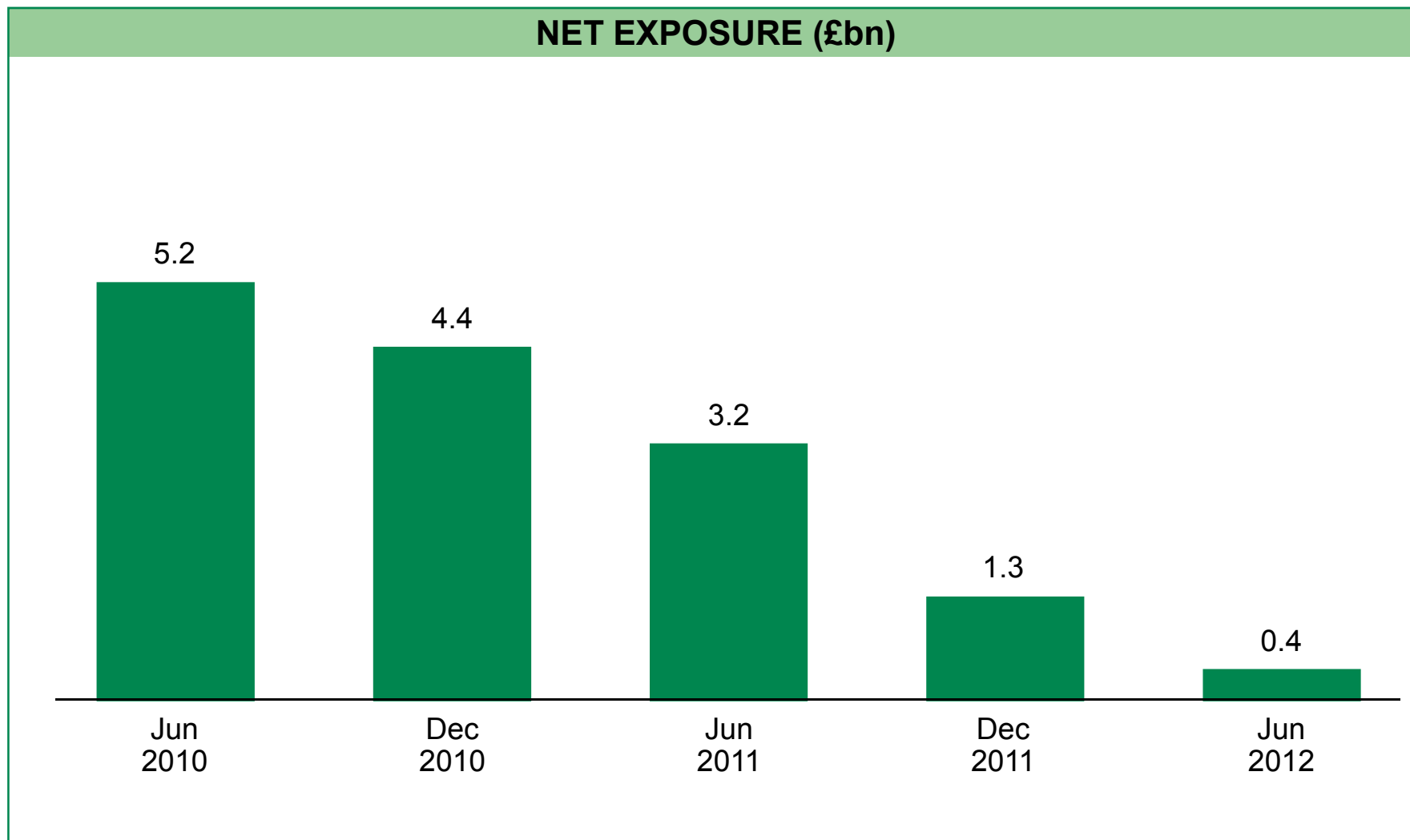
Robust coverage which minimises downside risks



⁽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



IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

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	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

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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

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£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)%
<i>Dec 2011</i>	<i>68</i>	<i>2,778</i>	<i>1,186</i>	<i>12,741</i>	<i>7,687</i>	<i>154</i>	<i>24,614</i>

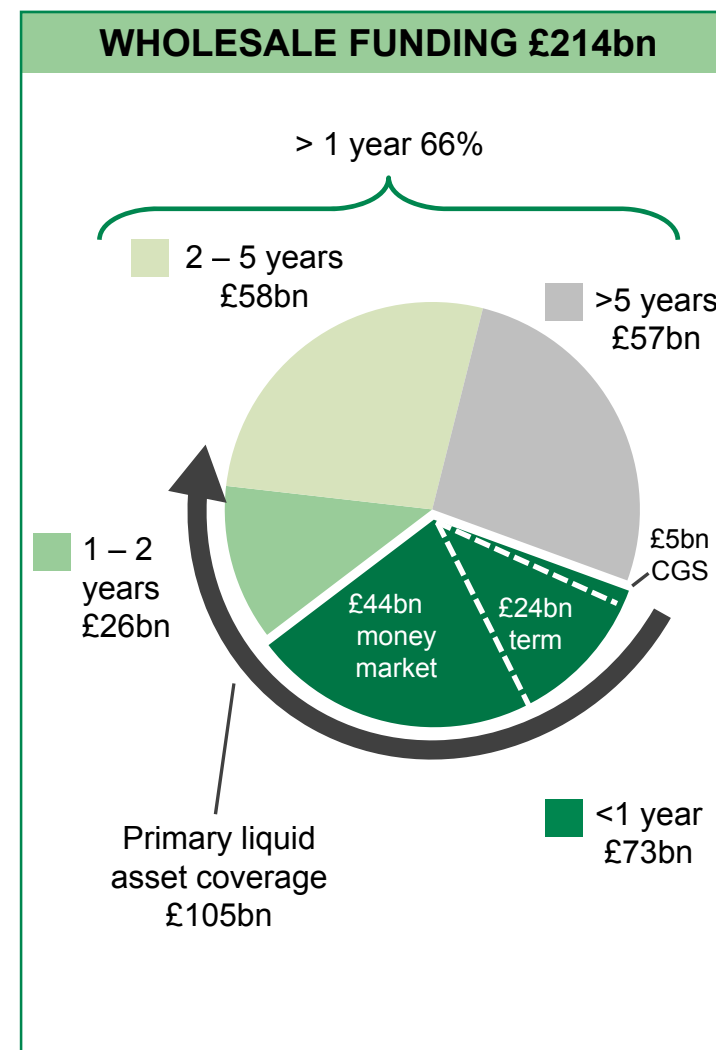
REDUCING OUR WHOLESALE FUNDING REQUIREMENTS

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

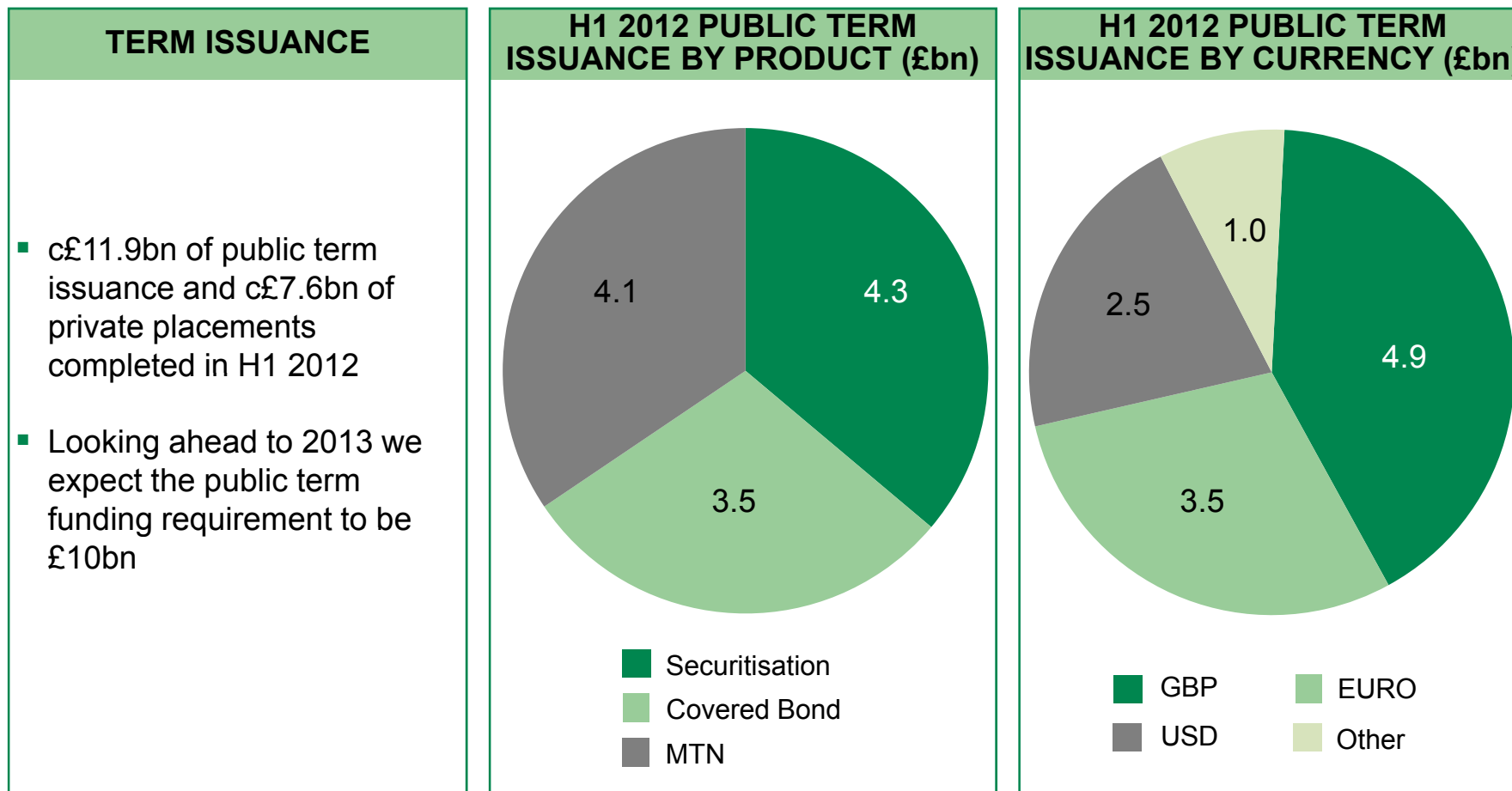
- Clear benefit delivered by managing balance sheet down
- Good relationship customer deposit growth of £13bn
- Primary liquid asset holding of £105bn



⁽¹⁾Excluding repos.

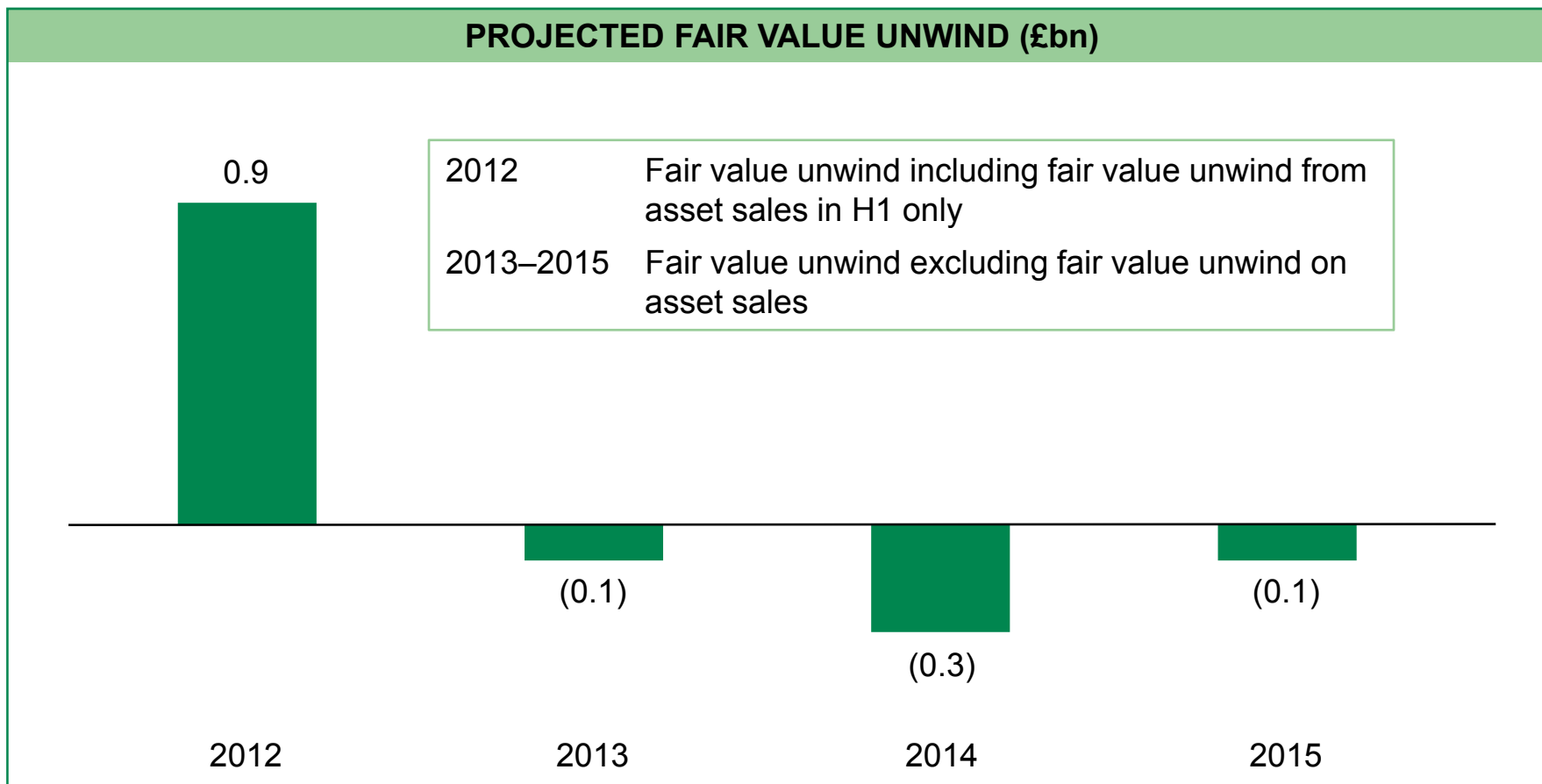
SUCCESSFUL TERM ISSUANCE – ACHIEVED IN H1 2012

Utilising a wide variety of funding products and sources



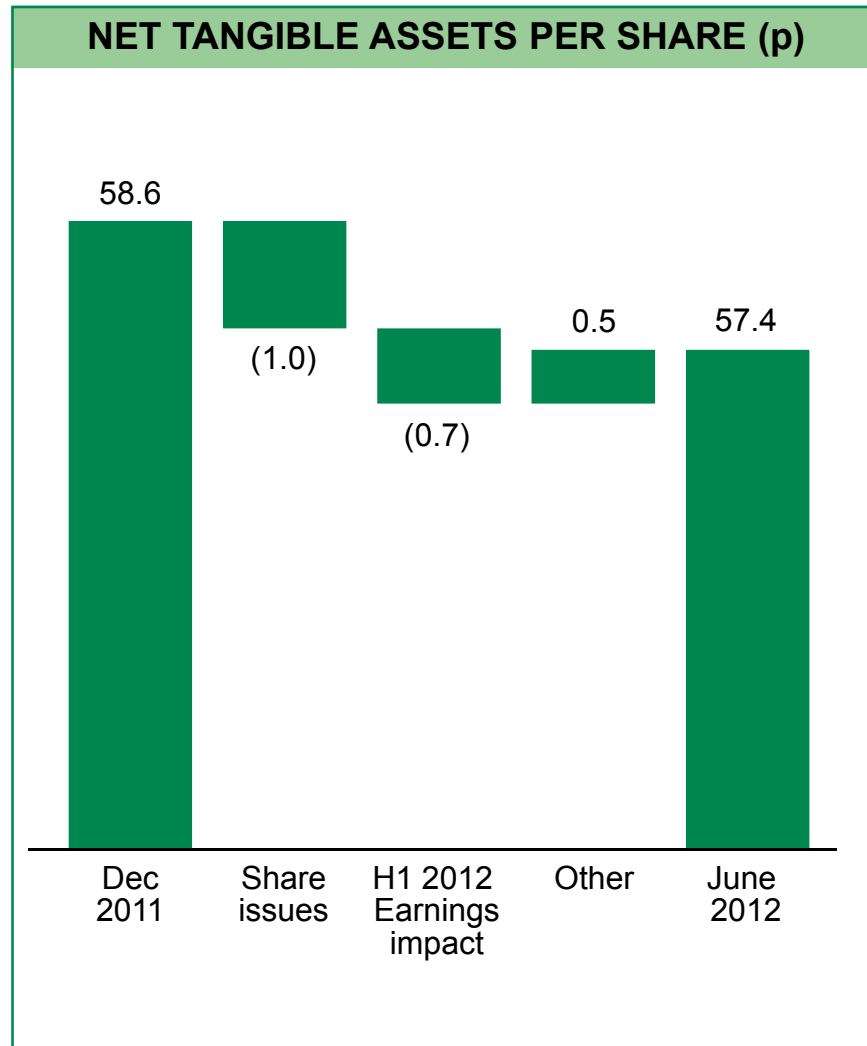
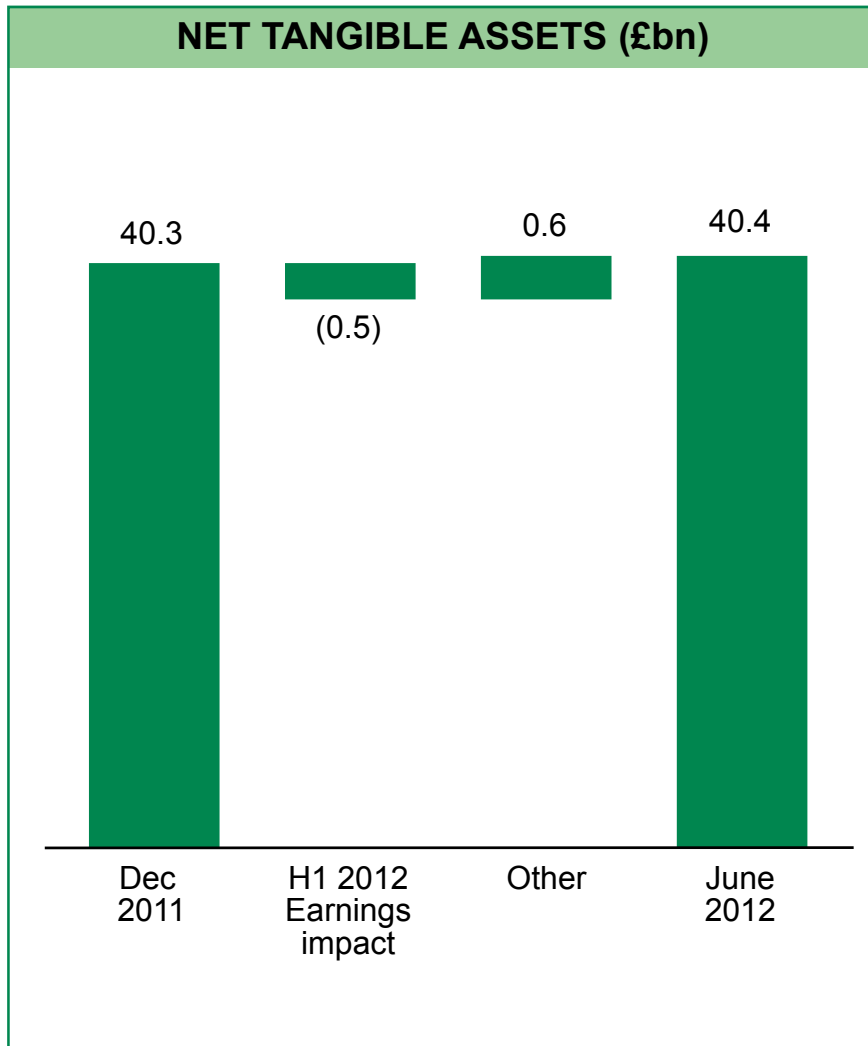
Diverse range of funding products and sources

PROJECTED FAIR VALUE UNWIND



Further fair value unwind expected

NET TANGIBLE ASSETS



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.