AGENDA

ECONOMIC, COMMERCIAL AND REGULATORY ENVIRONMENT

OUR STRATEGY TO BE THE BEST BANK FOR CUSTOMERS

RESILIENT CORE BUSINESS PERFORMANCE

CONCLUSION
MACRO ECONOMIC ENVIRONMENT

Global imbalances start to widen again

- World economy is not yet on a sustainable path and remains vulnerable to shocks
- The UK’s external environment is likely to remain challenging for some time

(1) Source: IMF World Economic Outlook
GLOBAL STRUCTURAL IMBALANCES

Need to deleverage in the Private Sector

Need to deleverage in the Public Sector

- Positive need to deleverage in Private Sector
- Negative need to deleverage in Private Sector
- Positive need to deleverage in Public Sector
- Negative need to deleverage in Public Sector

Countries:
- USA
- Ireland
- Portugal
- UK
- Spain
- Greece
- Japan
- Italy
- China
- Germany
- Brazil
- Russia
- Mexico
MACRO ECONOMIC ENVIRONMENT
A cautious outlook for the UK economy…

- High levels of National Debt with shrinking public deficits
- Weak real growth with inflation coming down
- Flat base rates for longer with stronger QE
- Rising unemployment until 2013
MACRO ECONOMIC ENVIRONMENT

...resulting in subdued market conditions

PRIVATE SECTOR LENDING GROWTH
(Annual growth rate) (%)\(^{(1)}\)

LENDING TO INDIVIDUALS
(Annual growth rate) (%)\(^{(1)}\)

REGULATORY ENVIRONMENT

A STRINGENT REGULATORY ENVIRONMENT….

- Capital and liquidity
  Demanding standards

- Consumer protection
  Greater focus

- Recovery and resolution
  Mechanisms being implemented

- Switching
  New challenges and more transparency

...BUT GREATER CLARITY EMERGING

- ICB Report
  Endorsed by UK Government

- Ring-fencing
  Retail banking operations

- Capital proposals
  Consistent with strategic review

- Switching
  Payments Council proposals endorsed

- White Paper
  To be published in first half
RISING CUSTOMER EXPECTATIONS

CUSTOMERS ARE SEEKING ….

- Simple and transparent products
- Better value for money
- Advice for saving and retirement
- A quality, multi-channel experience
- Community support
AGENDA

ECONOMIC, COMMERCIAL AND REGULATORY ENVIRONMENT

OUR STRATEGY TO BE THE BEST BANK FOR CUSTOMERS

RESILIENT CORE BUSINESS PERFORMANCE

CONCLUSION
Four key pillars to deliver our strategy to be the best bank for customers and shareholders.

- **Continue to **STRENGTHEN** our balance sheet and liquidity position**
- **RESHAPE** our business portfolio to fit our assets, capabilities and risk appetite
- **SIMPLIFY** the Group to improve agility, service, and efficiency
- **INVEST** to grow our core customer businesses

- Robust **CORE TIER 1 RATIO** and stable funding base
- Sustainable, predictable **RoE**, in excess of our CoE
- Significant cost savings and positive operating JAWS
- Strong, stable, high quality **EARNINGS** streams
ACCELERATING BALANCE SHEET STRENGTH

Non-core assets and RWA reduction, above market deposit growth and reduction in wholesale funding requirement

(£bn)

**STRENGTHEN our balance sheet and liquidity position**

**FUNDED ASSETS**

- Core loans & advances and other funded assets
- Non-core loans and advances and other funded assets

2010 | 2011
---|---
655 | 588
183 | 134
472 | 454

6\% growth and reduction in wholesale funding requirement

**CUSTOMER DEPOSITS**

2010 | 2011
---|---
383 | 406

**RESHAPE our business portfolio**

**RISK-WEIGHTED ASSETS**

- Core
- Non-core

2010 | 2011
---|---
406 | 352
144 | 109
262 | 243

**SIMPLIFY the Group**

**WHOLESALE FUNDING**

2010 | 2011
---|---
298 | 251

(1) Denotes core and non-core loans and advances excluding reverse repos. Other includes loans, debt securities, available for sale financial assets – secondary and cash balances (excl. Primary liquid assets). (2) Total non-core reduction in 2011 was £53bn, and included £4bn of other assets not included in funded assets. (3) Excluding repos.
ACCELERATING BALANCE SHEET STRENGTH

Substantial reduction in our loan to deposit ratio, underpinned by strong capital position

**STRENGTHEN**
our balance sheet and liquidity position

**RESHAPE**
our business portfolio

**SIMPLIFY**
the Group

**INVEST**
to grow

**LOAN TO DEPOSIT RATIO**

- **2010:** 154%
- **2011:** 135%
- **2012 Target:** 130%

**CORE TIER 1 CAPITAL POSITION**

- **2010:** 10.2%
- **2011:** 10.8%
- **1 Jan 2013 Target:** $>10\%$\(^{(2)}\)

**IMPROVEMENTS IN 2011**

- 10% reduction in funded assets
- Strong deposit growth of 6%
- 16% reduction in wholesale funding
- 13% reduction in RWAs (24% reduction for non-core RWAs)
- Improving quality of core portfolios - core RWAs fell 7%, against a 4% decrease in core loans and advances\(^{(1)}\)

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\(^{(1)}\) Loans and advances to customers (excluding repos)\(^{(2)}\) Prudently in excess of 10%
RESHAPING OUR BUSINESS PORTFOLIO
Continued disciplined reductions in non-core portfolio

<table>
<thead>
<tr>
<th></th>
<th>£bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>RWA</td>
<td>144</td>
</tr>
<tr>
<td>Total assets</td>
<td>194</td>
</tr>
<tr>
<td>Treasury Assets</td>
<td>49</td>
</tr>
<tr>
<td>Commercial Real Estate</td>
<td>26</td>
</tr>
<tr>
<td>Other Wholesale</td>
<td>37</td>
</tr>
<tr>
<td>International</td>
<td>52</td>
</tr>
<tr>
<td>Retail</td>
<td>30</td>
</tr>
</tbody>
</table>

- **27% Reduction in 2011**
- **£4.8bn UK CRE disposals; c. 80% of which is outside London**
- **Substantial run-off of treasury assets**
- **Cash received from Irish portfolio disposals and repayments of €2.1bn**
- **£4.3bn reduction in Australia and New Zealand assets. One third of impaired assets sold. No Gold Coast exposure remains**
- **Disposals avoid further impairments of non-core assets**
- **Targeting net capital release over 2012 – 2014 period**

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(1) Includes FX benefits of c. £1.2bn
RESHAPING OUR BUSINESS PORTFOLIO

All core businesses, apart from Wholesale, have good profit growth, while we are exiting non-core activities

FOCUS ON THE CORE UNDERLYING BUSINESS…
Underlying profit before fair value unwind and tax\(^{(1)}\) (% change 2011 vs 2010)

<table>
<thead>
<tr>
<th>Business</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETAIL</td>
<td>9%</td>
</tr>
<tr>
<td>WHOOLESALE</td>
<td>(32)%</td>
</tr>
<tr>
<td>COMMERCIAL</td>
<td>145%</td>
</tr>
<tr>
<td>WEALTH &amp; INTERNATIONAL</td>
<td>20%</td>
</tr>
<tr>
<td>INSURANCE(^{(2)})</td>
<td>11%</td>
</tr>
</tbody>
</table>

...WHILE DECREASING NON-CORE AND STRENGTHENING CAPITAL AND FUNDING

- £53bn non-core assets reduction
- Exit from operations in seven overseas countries
- Total Core Tier 1 ratio increased by 60bps, total risk weighted assets reduced by 13%

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\(^{(1)}\) Core, excluding the effects of liability management, volatile items and asset sales.  
\(^{(2)}\) Also excludes share of results of joint ventures and associates.
RESHAPING OUR BUSINESS PORTFOLIO

Growth in our core Retail deposit business, above the UK market...

UK household deposit growth has slowed

LBG increased the growth differential in 2011, growing share of savings balances from 22.4% to 23.2%

Good performance in our high street brands supported by customer-led products and deepening customer relationships via a multi-brand strategy

ISAs represent approximately 40% of Lloyds Banking Group growth

(1) Source: Bank of England. (2) Other LBG includes Birmingham Midshires and C&G.
RESHAPING OUR BUSINESS PORTFOLIO
...driven by value (ISA example)

STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

2011 CASH ISA GROWTH\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>Market</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>8%</td>
<td>20%</td>
</tr>
</tbody>
</table>

SHARE OF CASH ISA NEW BUSINESS GROWTH\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>44%</td>
<td>68%</td>
</tr>
</tbody>
</table>

2011 CASH ISAs (HEADLINE ADVERTISED RATE)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank A</td>
<td>2.50%</td>
</tr>
<tr>
<td>Bank B</td>
<td>2.50%</td>
</tr>
<tr>
<td>Lloyds</td>
<td>2.65%</td>
</tr>
<tr>
<td>TSB</td>
<td></td>
</tr>
<tr>
<td>BoS</td>
<td>3.00%</td>
</tr>
<tr>
<td>Halifax</td>
<td>3.00%</td>
</tr>
<tr>
<td>Bank C</td>
<td>3.10%</td>
</tr>
<tr>
<td>Bank D</td>
<td>3.25%</td>
</tr>
<tr>
<td>Bank E</td>
<td>3.30%</td>
</tr>
</tbody>
</table>

Selected high street banks; variable instant access ISAs; terms and conditions of individual ISAs vary

\(^{(1)}\) LBG Retail, net of gross new business less withdrawals.
RESHAPING OUR BUSINESS PORTFOLIO
…and growing our core Commercial net lending, in a contracting market

- **STRENGTHEN** our balance sheet and liquidity position
- **RESHAPE** our business portfolio
- **SIMPLIFY** the Group
- **INVEST** to grow

### CORE COMMERCIAL NET LENDING (YEAR-ON-YEAR GROWTH 2010-2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3%</td>
</tr>
<tr>
<td>2012</td>
<td>(6)%</td>
</tr>
</tbody>
</table>

- **Market**:
  - Positive growth in net lending to SMEs
  - At least £12bn of gross new lending made available to SMEs

- **LBG**
  - £45bn of committed gross lending to UK businesses of which more than £12bn to SMEs
  - Supported 124,000 new start ups in 2011
  - Actively supporting SME customers through delivery of Business Taskforce recommendations, running nearly 700 ‘charter’ events/conferences
SIMPLIFYING THE GROUP

Successful execution of integration, strong initial progress on simplification and a 6% reduction in operating expenses

£bn

2011

10,882

2010

10,253

2011

OPERATING EXPENSES(1)

(6)%

2012 / 2014

£bn

11,078

2010

10,621

2011

Total costs

(4)%

STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

£1.7bn

Further cost reduction in 2012

2014 cost saving targets increased by £200m

2014 in-year target now £1.7bn

2014 end year run-rate target now £1.9bn

(1) Total costs excluding bank levy, FSCS, and, in 2010, impairment of tangible fixed assets.
SIMPLIFYING THE GROUP
…and we are accelerating our Simplification plans whilst we make further progress on customer service

STRENGTHEN our balance sheet and liquidity position

RESHAPE our business portfolio

SIMPLIFY the Group

INVEST to grow

FSA REPORTABLE BANKING COMPLAINTS PER 1,000 ACCOUNTS(1)

H1 2010 2.4 2.1 1.7 1.5 1.3 1.0
H2 2010 H1 2011 H2 2011 2012 Target 2014 Target

(1) FSA reportable banking complaints excluding PPI.
**INVESTING TO GROW OUR CORE CUSTOMER BUSINESSES**

We continue to invest to grow our core customer businesses based on the 5 key growth initiatives mentioned in June 2011.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
</table>
| STRENGTHEN our balance sheet and liquidity position | Halifax  
- Multibrand strategy  
- Halifax as a “challenger” brand  
- “Every branch open every Saturday” |
| RESHAPE our business portfolio | SMEs  
- Merlin commitment exceeded  
- Charter commitment to lend at least £12bn in 2012  
- Good progress on SME Group strategy |
| SIMPLIFY the Group | Bancassurance / Insurance  
- More focused product suite marketed to Retail and Commercial customers  
- Preparing for RDR  
- Building a more integrated insurance business |
| INVEST to grow | Wholesale  
- Wholesale division refocused  
- Increasing market share in debt capital markets  
- Arena platform launched, more than 1,000 customers signed up |
|               | Wealth  
- Newly developed Wealth proposition  
- Simpler customer processes for customer transition and on-boarding  
- Developing enhanced “execution only” service |
AGENDA

- Economic, Commercial and Regulatory Environment
- Our Strategy to Be the Best Bank for Customers
- Resilient Core Business Performance
- Conclusion
CORE BUSINESS PERFORMANCE
Resilient income statement performance

Underlying Income\(^{(1)}\) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19,972</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>18,933</td>
<td>-5%</td>
</tr>
</tbody>
</table>

Operating expenses\(^{(2)}\) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>9,838</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>9,369</td>
<td>5%</td>
</tr>
</tbody>
</table>

Underlying profit before tax and fair value unwind\(^{(4)}\) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6,490</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>6,374</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Net interest margin (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.48%</td>
</tr>
<tr>
<td>2011</td>
<td>2.42%</td>
</tr>
</tbody>
</table>

Impairments \(^{(3)}\) (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3,598</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2,877</td>
<td>-20%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Net of insurance claims, excluding the effects of liability management, volatile items, and asset sales.

\(^{(2)}\) Total costs excluding FSCS, Bank levy and impairment of tangible fixed assets.

\(^{(3)}\) Includes share of results of joint ventures and associates.

\(^{(4)}\) Adjusted to exclude the effects of liability management, volatile items, and asset sales.
Balance sheet further strengthened

**Core loan to deposit ratio (%)**

- 2010: 120%
- 2011: 109%

**Core customer deposits (ex repos) (£bn)**

- 2010: 402
- 2011: 377

**Underlying pre-tax return on risk weighted assets**

- 2010: 2.2%
- 2011: 2.5%

**Core loans and advances and RWAs (£bn)**

- 2010: 454
- 2011: 437

- 2010: 262
- 2011: 243

**Group Core Tier 1 Capital ratio (%)**

- 2010: 10.2%
- 2011: 10.8%

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(1) Underlying PBT pre-fair value unwind / Average RWAs. Average RWAs are the average of quarter end RWAs.
CONCLUSION
Building a strong and resilient core bank

- High capital levels
- Improving portfolio quality
- Stronger funding position
- Building high levels of efficiency
- Strengthening the franchise through investment
- Single-minded focus on customer needs

Well positioned to:
- Realise over time the Group’s full potential for growth
- Deliver strong, stable and sustainable returns for shareholders
Presentation to the Morgan Stanley European Financials Conference
27 March 2012
António Horta-Osório
Group Chief Executive
FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

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 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 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, without limitation, UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, as a result of the integration of HBOS and 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 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 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 EU state aid obligations; the extent of any future impairment charges or write-downs caused by depressed asset valuations; exposure to regulatory scrutiny, legal proceedings or complaints, actions of competitors 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 announcement are made as at the date of this announcement, 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 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.