

**LLOYDS
BANKING
GROUP**



RESULTS FOR QUARTER ENDED 31 MARCH 2013

30 April 2013

**António Horta-Osório, Group Chief Executive
George Culmer, Group Finance Director**

HIGHLIGHTS FOR THE FIRST THREE MONTHS OF 2013

Strong performance, on track to meet 2013 guidance

LLOYDS
BANKING
GROUP



- Substantial increase in Group underlying and statutory profit
- Group net interest margin increased, consistent with guidance for 2013 full year
- Further substantial reductions in Group costs and impairment
- Corporate lending driving return to growth in core loan book, ahead of guidance
- Core profitability further improved; returns substantially above cost of equity
- Further capital-accretive non-core reduction of £9bn; £6bn after currency effects
- Strongly capital generative business; remain confident in our capital position
- Continue to address legacy issues; now progressing an IPO of Verde

FINANCIAL PERFORMANCE

Profitability and returns substantially improved



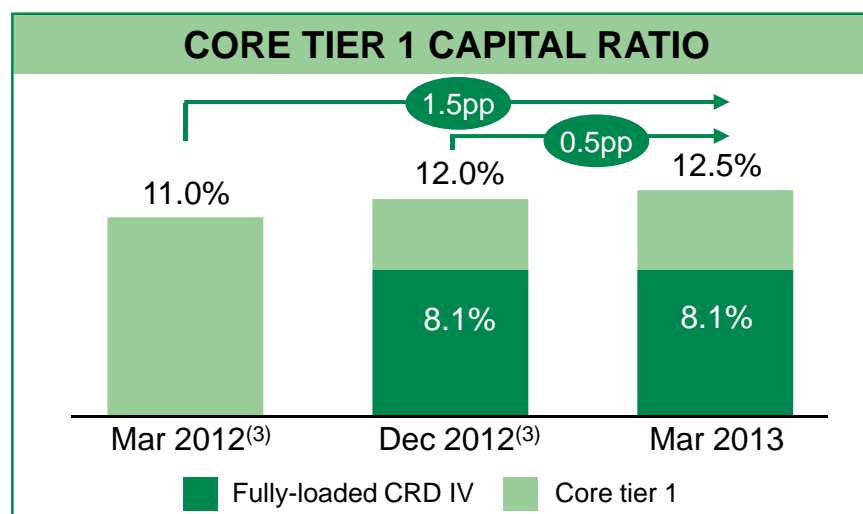
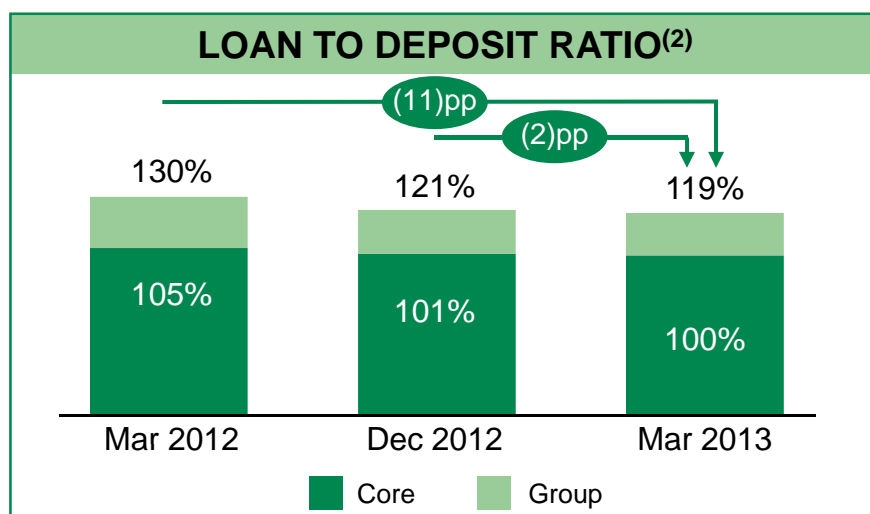
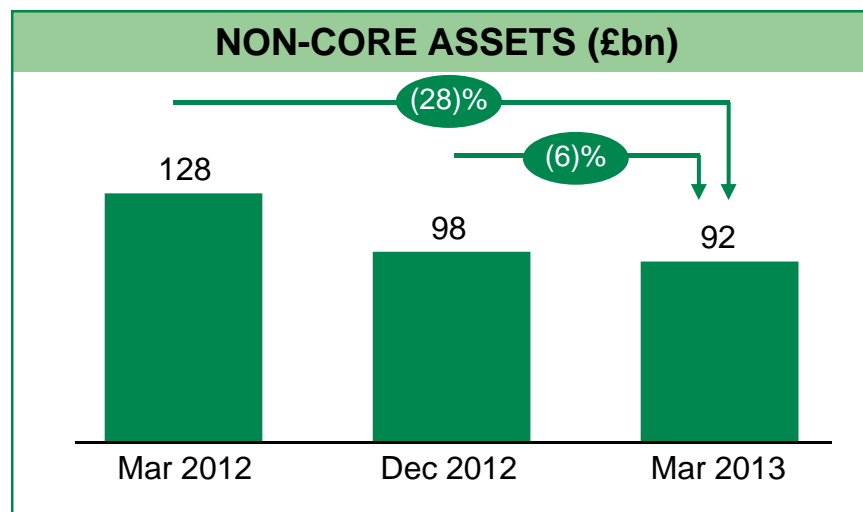
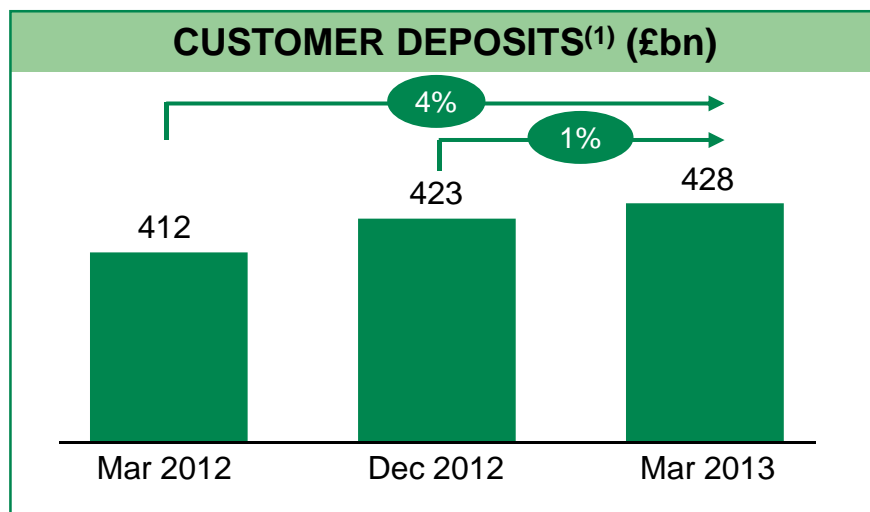
(£m)	Q1 2013	Q1 2012 ⁽¹⁾	Change %
Group income⁽²⁾	4,889	4,728	3%
<i>Group NIM</i>	1.96%	1.95%	1bp
<i>Core income⁽²⁾</i>	4,631	4,341	7%
Group total costs	(2,408)	(2,574)	6%
Group impairment	(1,002)	(1,657)	40%
Underlying profit			
Group	1,479	497	198%
Core	1,871	1,576	19%
Statutory PBT	2,040	280	
RoRWA⁽³⁾			
Group	1.96%	0.57%	139bp
Core	3.20%	2.61%	59bp

- **Substantial increase in Group underlying and statutory profit**
 - Includes £394m gain relating to the sale of shares in St. James's Place
 - Non-core losses reduced by 64% to £(392)m
- **Margin increased by 1bp, and by 2bps compared to Q4 2012**
- **Costs further reduced**
 - Simplification run-rate savings increased to over £1bn
- **Further substantial reduction in impairment**
 - Driven by 59% reduction in non-core impairment compared to Q1 2012
 - Group impairment reduced 22% compared to Q4 2012
- **Group returns further improved, and core returns remain substantially above the cost of equity**

⁽¹⁾ Numbers restated to reflect the implementation of IAS19R and IFRS10. ⁽²⁾ Underlying income net of insurance claims. ⁽³⁾ Return on risk-weighted assets: underlying profit divided by average risk-weighted assets.

BALANCE SHEET

Strong balance sheet



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

⁽³⁾ As previously stated.

SUPPORTING OUR CUSTOMERS AND THE UK ECONOMY

Corporate lending driving return to growth in core loan book, ahead of guidance



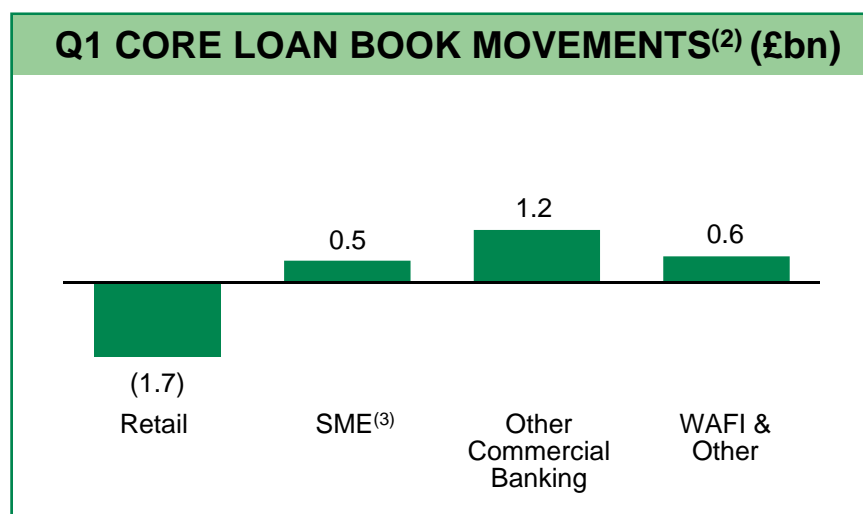
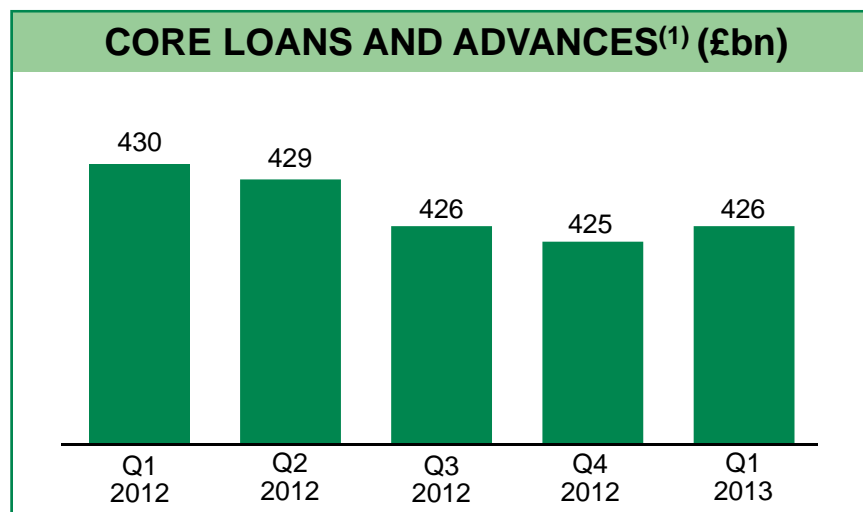
- **Committed more than £18bn to UK customers through Funding for Lending**

 - Scheme now extended to January 2015
- **Supporting our corporate clients**

 - Over £700m committed to UK manufacturing in last six months; on track to exceed £1bn target by September 2013
 - New Mid-Corporate Client charter launched
- **Continued support for UK SMEs**

 - Net lending growth of 4% in last twelve months, against market contraction of 4%
 - Supported more than 32,000 start-ups in the quarter; remain committed to supporting 100,000 start-ups this year
- **UK's largest lender to first-time buyers**

 - Helped more than 13,000 customers buy their first home in Q1; 1 in 4 first-time buyers
 - Remain committed to helping around 60,000 first-time buyers in 2013



⁽¹⁾ Excluding reverse repos. ⁽²⁾ Q1 2013 vs Q4 2012. ⁽³⁾ SME has been redefined in period to include clients with turnover of up to £25m, to match lending data supplied by the BoE. No material change in growth profile has arisen from this redefinition.

FINANCIAL PERFORMANCE

Substantial increase in Group underlying and statutory profit

LLOYDS
BANKING
GROUP



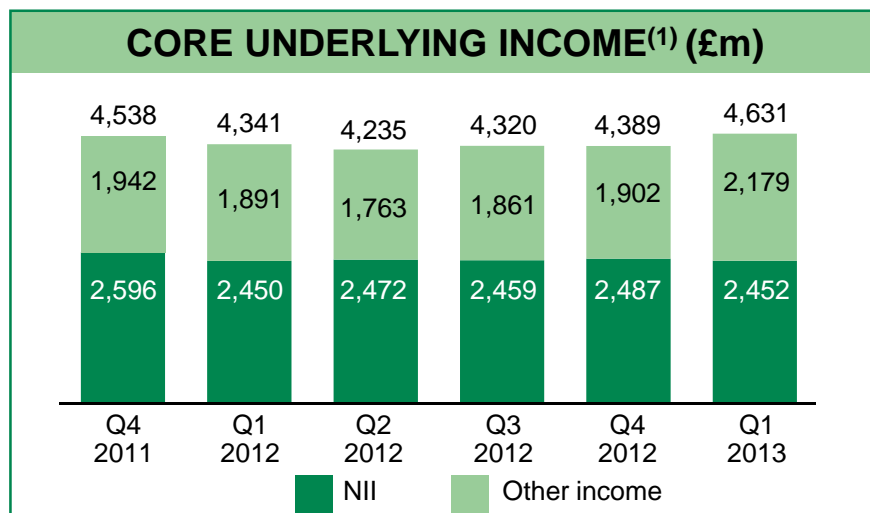
(£m)	GROUP		
	Q1 2013	Q1 2012	Change %
Net Interest Income	2,553	2,633	(3)%
Other Income	2,336	2,095	12%
Underlying income⁽¹⁾	4,889	4,728	3%
Total costs	(2,408)	(2,574)	6%
Impairment	(1,002)	(1,657)	40%
Underlying profit	1,479	497	198%
Core underlying profit	1,871	1,576	19%
Non-core underlying loss	(392)	(1,079)	64%
Asset sales and volatile items	1,073	290	
Simplification / Verde	(409)	(269)	
Legacy Items	-	(375)	
Other items	(103)	137	
Statutory PBT	2,040	280	
Tax	(500)	(277)	
Profit after tax	1,540	3	

- Underlying income higher reflecting the £394m gain relating to the sale of shares in St. James's Place
- Costs and impairments reduced
- Underlying profit:
 - Core profitability increased
 - Reduced non-core losses
- Asset sales include gains on government bond sales of £776m (Q1 2012: £196m)
- Volatile items include positive insurance volatility of £462m
- Simplification costs of £214m contributing to run-rate savings of £1,007m
- Verde costs of £195m (Q1 2012: £108m)

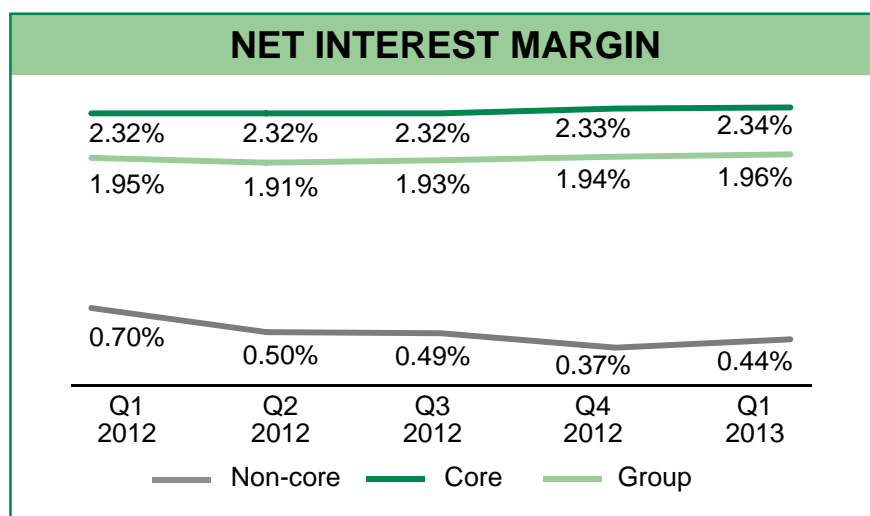
⁽¹⁾ Net of insurance claims.

FINANCIAL PERFORMANCE

Stabilising income trends and improved margin



- Core income of £4.6bn, up 7% year-on-year
- Other income was down 3% compared to Q4 2012, excluding gain relating to the sale of St. James's Place and insurance claims

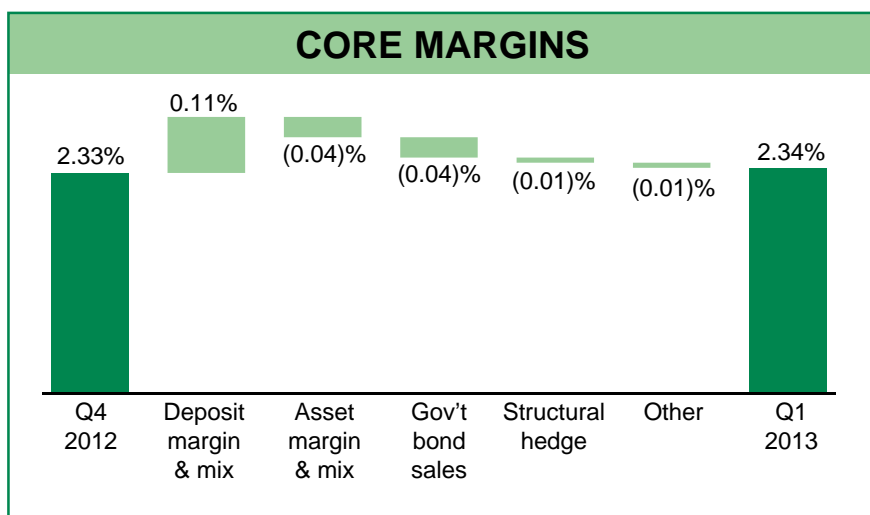
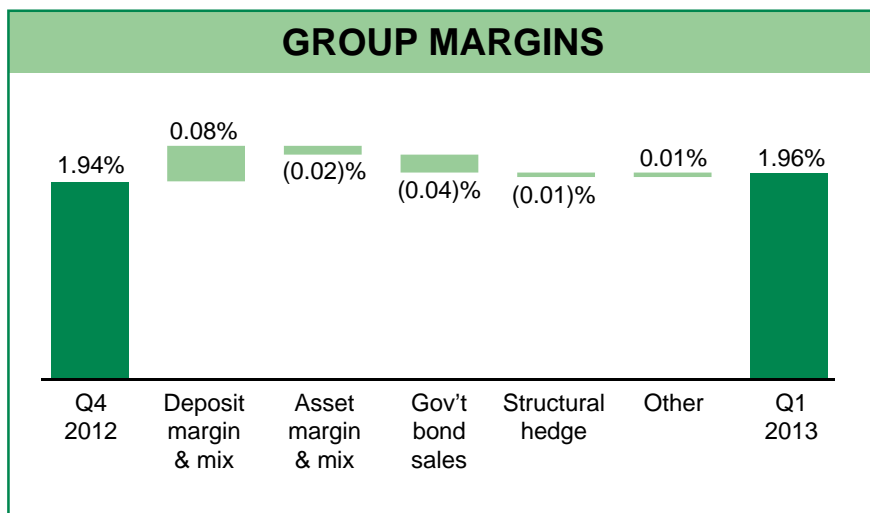


- Group margin improved to 1.96% in the quarter
- Improvement consistent with guidance for Group NIM of around 1.98% for full year 2013
- Core NIM increased to 2.34% driven by improved deposit margin in the quarter

⁽¹⁾ Net of insurance claims.

FINANCIAL PERFORMANCE

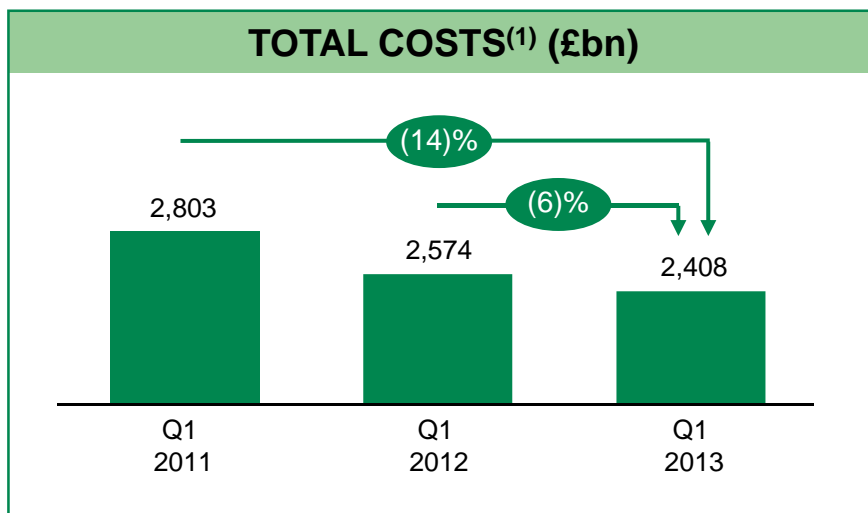
Improving Group margin driven by positive deposit margin



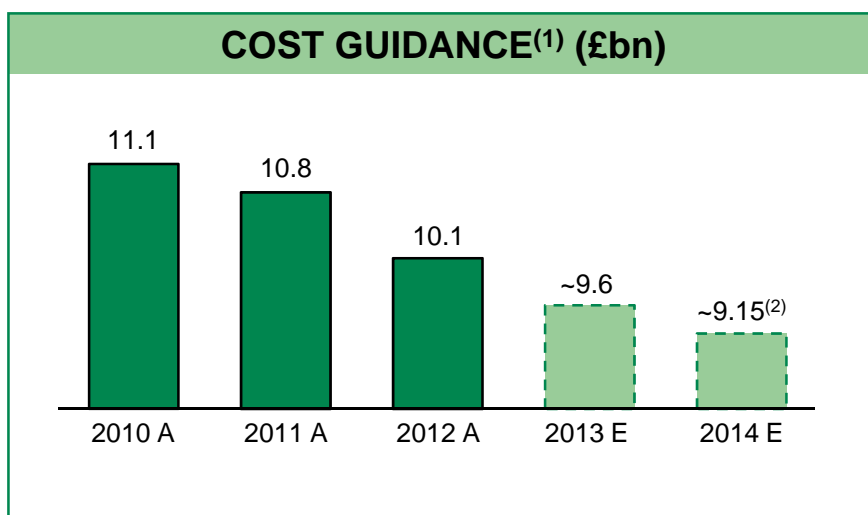
- Positive deposit margin more than offsetting lower asset margins, and impact, as expected, of government bond sales and structural hedge
- Deposit margin improvement driven by:
 - repricing of Retail deposits, and of online deposits in Wealth, Asset Finance and International
 - increased Group funding benefit from deposits
- Benefit to Group margin of 1bp from non-core asset reduction

FINANCIAL PERFORMANCE

Further reduction in Group costs



- Total costs decreased by 6% vs. Q1 2012
- Simplification run-rate savings increased to £1,007m (at December 2012: £847m)

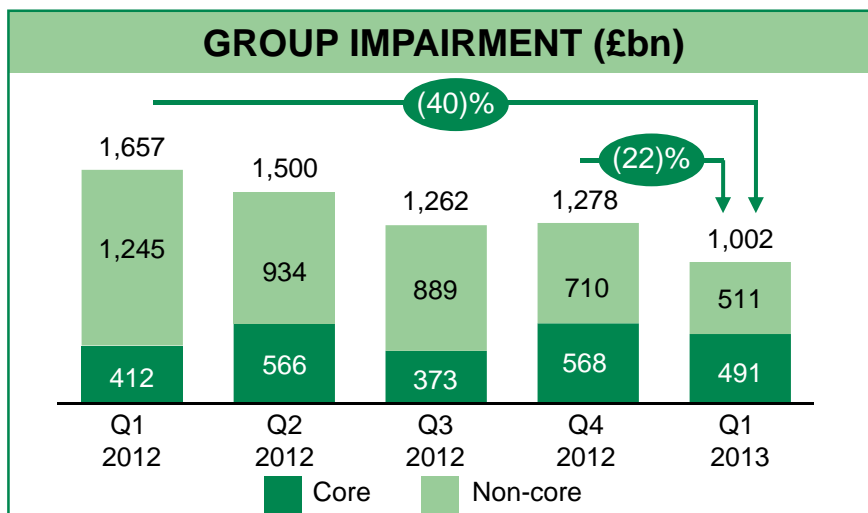


- Now expect 2013 Group total costs of around £9.6bn driven by c.£0.1bn from SJP deconsolidation and further cost savings
- Targeting further reduction to around £9.15bn in 2014
 - Reflects Simplification and other savings
 - Assumes Verde IPO in mid 2014

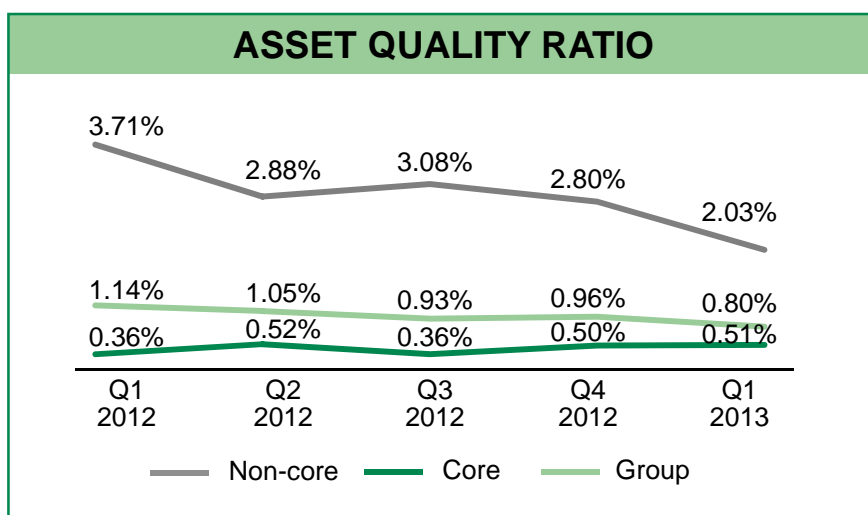
⁽¹⁾ Prior periods restated to reflect the implementation of IAS 19R. ⁽²⁾ Assumes Verde IPO in mid-year 2014.

FINANCIAL PERFORMANCE

Further reduction in impairment



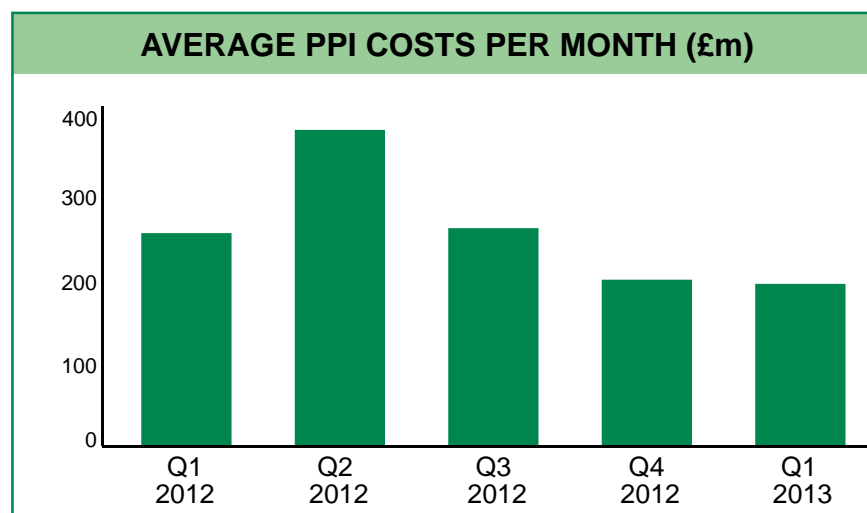
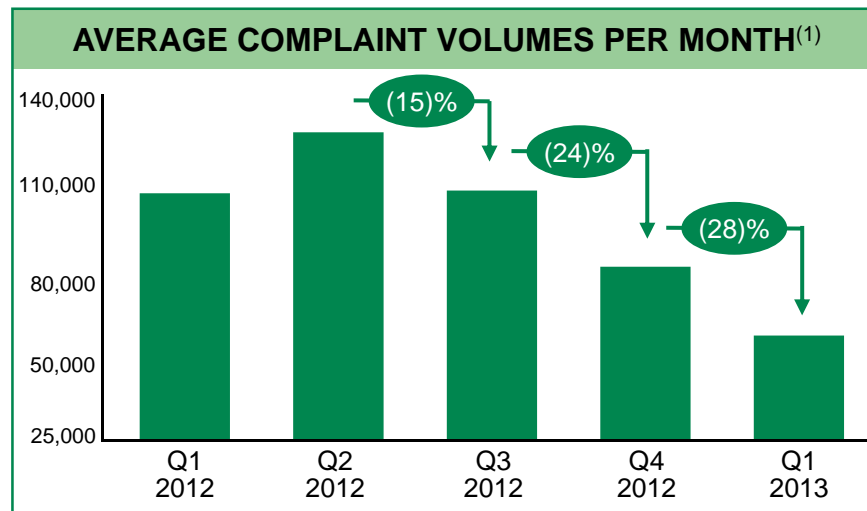
- Impairment charge down by 40% vs. Q1 2012
 - Further improvement in portfolio and asset quality
 - Non-core asset reduction
- Core down 14% in the quarter; 19% increase year on year reflects releases in the Commercial Banking portfolio in Q1 2012



- Group AQR continues to fall
- Core AQR remains at low levels
- Improving non-core AQR reflects portfolio reduction
- Remain confident of attaining Group AQR of 50-60 bps in 2014

LEGACY ISSUES – PPI

Complaint volumes declining in line with expectations



- No further PPI provision taken in Q1 2013
- Complaint volumes continue to fall:
 - Down 28% on the last quarter
 - Over 50% down on Q2 2012
- Total costs of £0.6bn in Q1 2013, including c.£0.2bn of related administrative costs
- H1 2013 costs expected to be marginally higher than expectations due to:
 - Acceleration of settlement of cases currently held with the Financial Ombudsman Service
 - One-off VAT payments
- Continue to expect average monthly costs to decline in the second half of 2013

⁽¹⁾ Excludes complaints where no PPI policy is held.

BALANCE SHEET HIGHLIGHTS

Strong balance sheet

LLOYDS
BANKING
GROUP

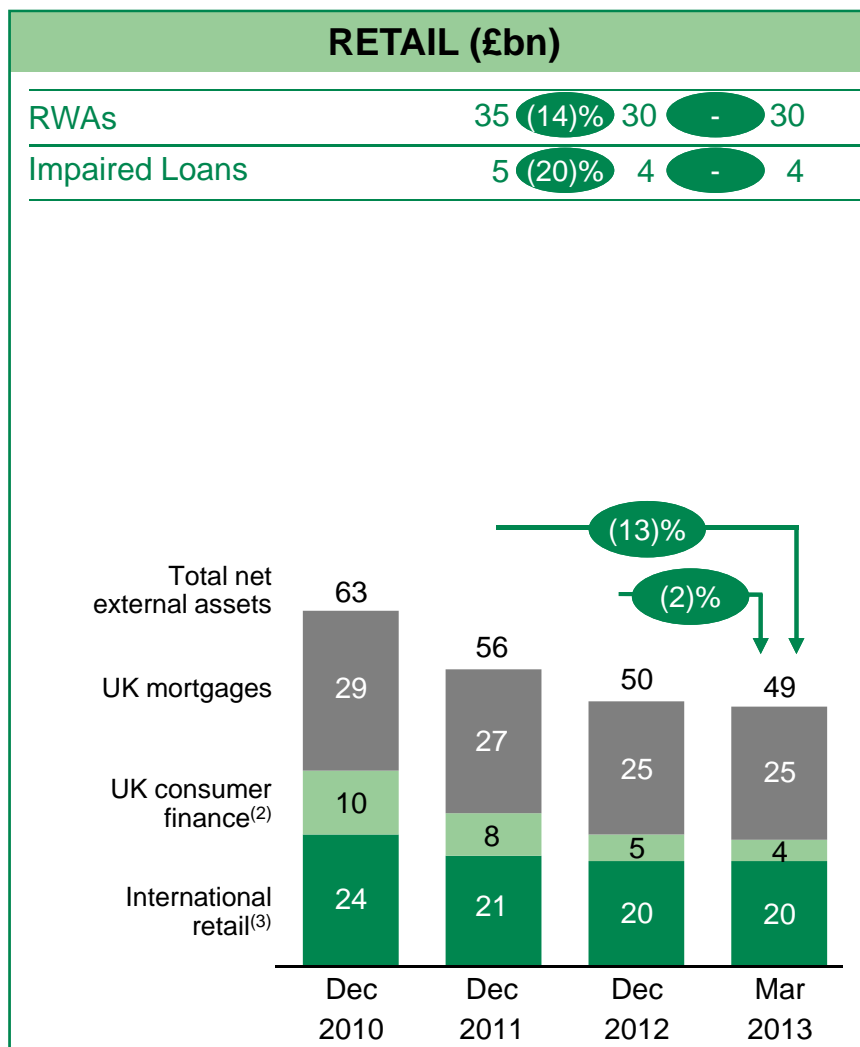
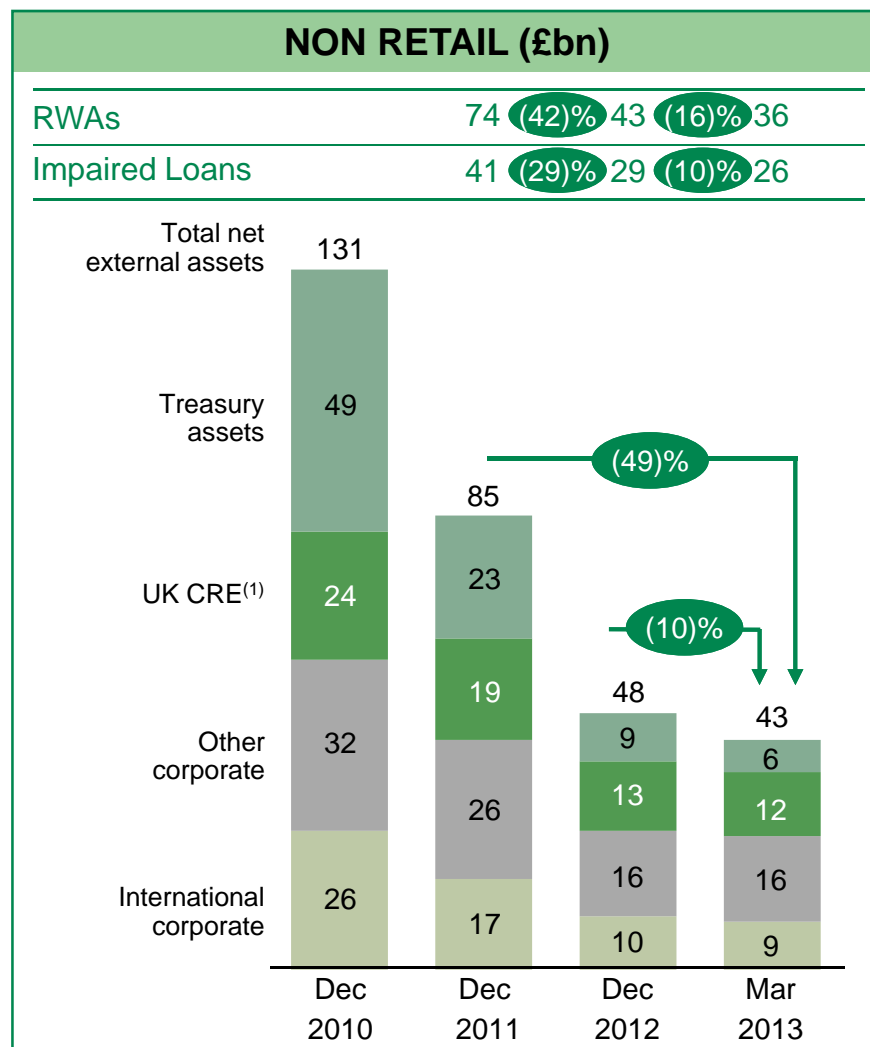


GROUP (£bn)	Mar 2013	Dec 2012	Sep 2012	Change % Mar/Dec		QoQ Movements	
						(£bn)	Q1 2013
ASSETS							
Core loans and advances ⁽¹⁾	426	425	426	-	Non-core asset reduction ⁽⁴⁾	6	12
Non-core assets	92	98	110	(6)%	Primary liquid asset decrease	7	7
Primary liquid assets	81	88	95	(7)%	Deposit growth	5	2
						18	21
Total banking assets ⁽²⁾	642	659	678	(3)%	Core loans and advances	(1)	1
LIABILITIES							
Customer deposits ⁽³⁾	428	423	421	1%	Wholesale funding	(8)	(16)
Wholesale funding	162	170	186	(4)%	LTRO Repayment	(8)	-
					Other movements	(1)	(6)
<i>Risk-weighted assets</i>	303	<i>310</i>	<i>324</i>	<i>(3)%</i>		(18)	(21)

⁽¹⁾ Excludes reverse repos. ⁽²⁾ Includes Total Group Assets primarily excluding balances in the Insurance business and the fair value of derivative assets and liabilities. ⁽³⁾ Excludes repos. ⁽⁴⁾ Non-core assets decreased from £98.4bn in Dec 2012 to £92.1bn in Mar 2013.

NON-CORE PORTFOLIO

Further capital accretive reduction of £9bn (£6bn after currency effects), driven by non-retail reduction

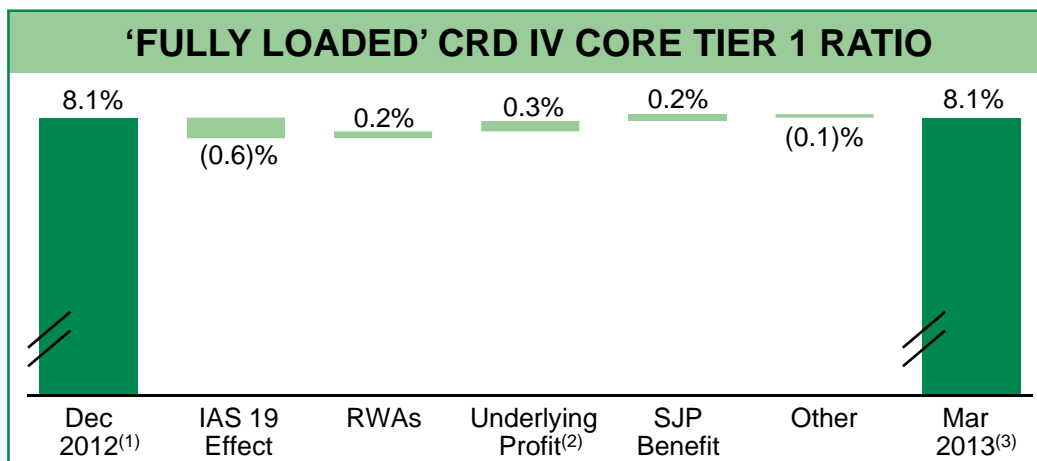
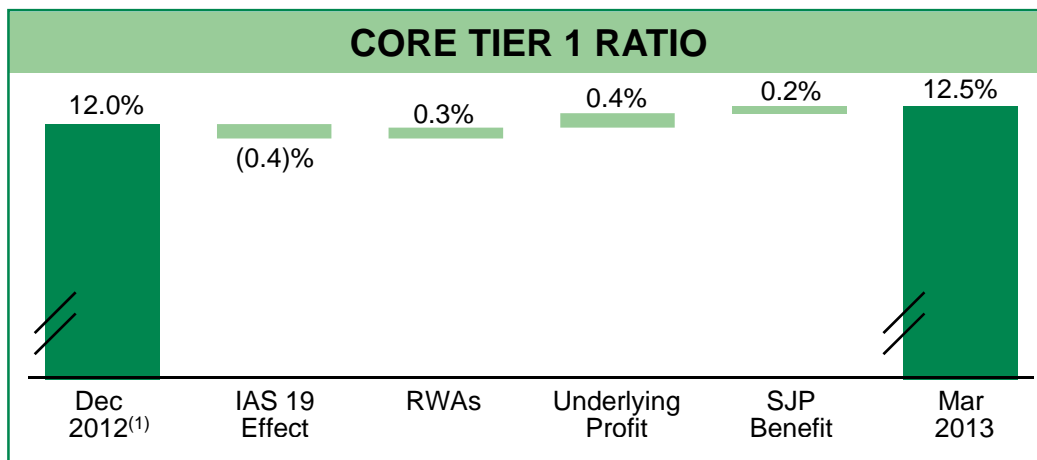


⁽¹⁾ UK CRE includes all non-core CRE BSU (£10.4bn) and other non-core CRE (£1.1bn). ⁽²⁾ Asset finance included in UK consumer finance.

⁽³⁾ International retail includes Spanish, Dutch & Irish mortgages and Australia asset finance.

FURTHER STRENGTHENING THE BALANCE SHEET

A strongly capital generative business



- Core tier 1 ratio improved to 12.5%
- Pension accounting changes more than offset by
 - Reduction in risk-weighted assets
 - Underlying profit
 - Benefit from sale of St. James's Place
- Estimated fully loaded CRD IV core tier 1 ratio unchanged at 8.1%

Expect estimated fully loaded CRD IV core tier 1 ratio to be above 9% by end 2013 and above 10% by end 2014

⁽¹⁾ As previously stated. ⁽²⁾ Includes the impact of profit retained within the Insurance business under fully-loaded CRD IV. ⁽³⁾ Includes benefit from £350m share capital issuance and movements in CRD IV adjustments to capital (incl. excess expected loss, deferred tax assets and available for sale reserve).

SUMMARY



- **Strong performance in the first three months of 2013**
 - Substantial increase in Group underlying and statutory profit
 - Core profitability and returns further improved
 - Strongly capital generative business; remain confident in capital position
- **On track to meet guidance for 2013**
- **Expect 2013 Group total costs of c.£9.6bn; c.£9.15bn in 2014**
- **Expect fully loaded CRD IV core tier 1 ratio to be above 9% by end 2013 and above 10% by end 2014**

We remain confident of delivering our medium-term financial targets

FORWARD LOOKING STATEMENTS AND BASIS OF PRESENTATION

LLOYDS
BANKING
GROUP



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, but not limited to, 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 and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market related risks including, but not limited to, changes in interest rates and exchange rates; 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 in which the Group operates, 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 underlying 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 Q1 2013 Interim Management Statement which sets out the principles adopted in the preparation of the underlying 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.