2010 INTERIM RESULTS

4 August 2010

Eric Daniels

Group Chief Executive

A STRONG AND GROWING BUSINESS

- FIRST HALF OVERVIEW AND CONTEXT
- BUILDING SUSTAINABLE GROWTH

FIRST HALF BUSINESS HIGHLIGHTS
Continued good progress

- **Strong first half profit of £1.6 billion[(1)]; statutory profit of £1.3 billion**
  - Continued to build positive momentum across all key line items
- **Strong growth in customer relationship businesses**
  - Further deepening relationships
- **Integration programme on track and delivering synergies**
  - £1,084 million first half run-rate
- **Balance sheet reduction on track**
  - £23 billion of non-relationship assets run-off in the first half
- **Funding and liquidity position strengthened**
  - Wholesale funding down £15 billion with liquid asset buffer of £84 billion
- **Capital strengthened**
  - Core tier 1 ratio of 9.0%

(1) Combined businesses basis

DIVISIONAL PERFORMANCE

RETAIL	▪ **Profit of £2,495 million** ▪ **Income up 18%** ▪ **Operating expenses down 5%** ▪ **Asset quality ratio improved to 72bps** ▪ **Customer deposit growth of £6.6 billion** ▪ **880,000 new current accounts and 2.6m new savings accounts** ▪ **£14.9 billion gross new mortgage lending**
WHOLESALE	▪ **Profit of £742 million** ▪ **Income down 6%** ▪ **Operating expenses down 4%** ▪ **Impairments down 69%** ▪ **60,000 new Commercial accounts** ▪ **£24 billion committed gross lending (Commercial & Corporate)**

DIVISIONAL PERFORMANCE

WEALTH & INTERNATIONAL	• Loss of £1,609 million • Income up 4% • Operating expenses down 3% • Impairments up 52% • Customer deposit growth of £1.3 billion • 13,000 new UK private banking customers
INSURANCE	• Profit of £469 million • Income down 10% • Operating expenses down 15% • Ongoing internal rates of return have improved to over 15% • £2 billion of core tier 1 capital transferred to Group, mitigating potential Basel III impact

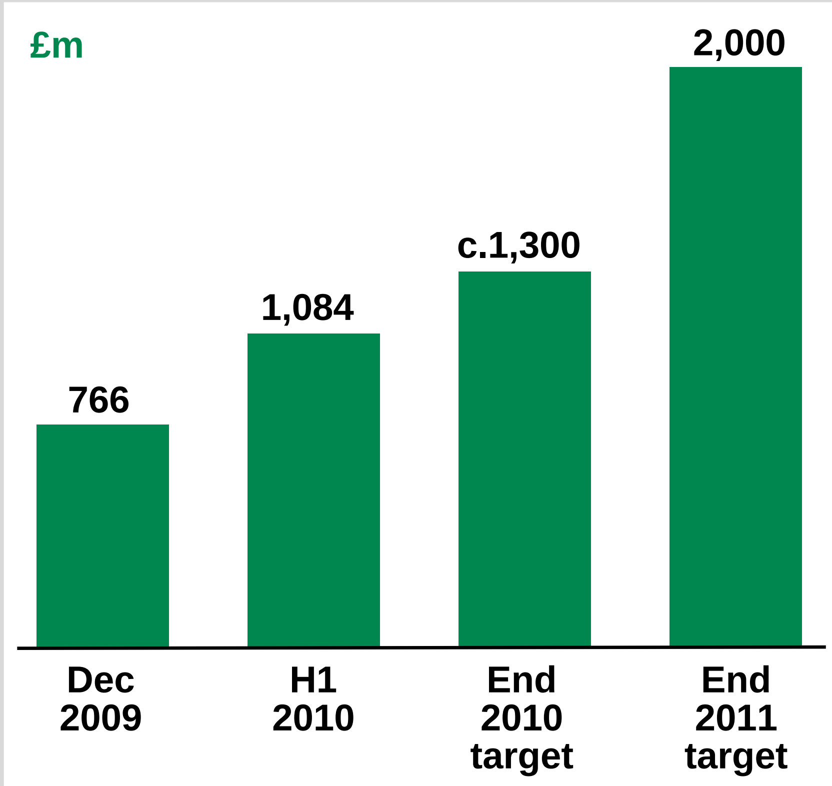
STRONG PERFORMANCE ON INTEGRATION

On track to deliver £2 billion target

MAJOR PROGRAMMES

£m	H1 2010 Run-rate	2011 Run-rate
Organisational design	480	600
Systems and processes	360	900
Property consolidation	64	160
Procurement	180	340
Total	1,084	2,000

Run-rate



GUIDANCE

Performing in line with, or better than, our guidance

LLOYDS BANKING GROUP

	GUIDANCE	H1 2010 TREND(1)
REVENUE GROWTH	High single digit growth within 2 years	✓
MARGINS	Margin expected to increase to c.2%	✓✓
COST:INCOME RATIO	c.200 pa basis points improvement	✓✓
INTEGRATION BENEFITS	Run rate savings of £2 billion pa by end of 2011	✓
IMPAIRMENTS	Half-yearly run rate improvement to continue through 2010	✓✓
BALANCE SHEET REDUCTION	£200 billion asset reduction by 2014	✓

✓ In-line with guidance ✓✓ Better than guidance

(1) Combined businesses basis

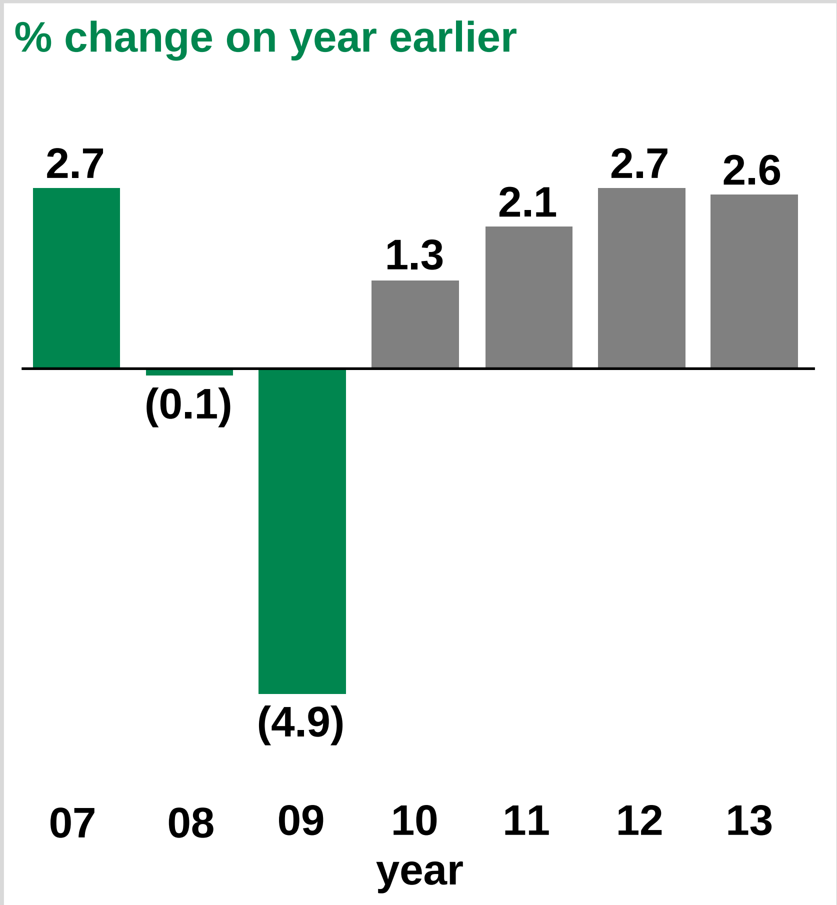
A STRONG AND GROWING BUSINESS

- FIRST HALF OVERVIEW AND CONTEXT
- BUILDING SUSTAINABLE GROWTH

ECONOMIC OUTLOOK

Gradual recovery remains the most likely scenario

GDP GROWTH IN CENTRAL SCENARIO



NEAR TERM IMPACT

- **House prices**
  - 0% in 2010
  - +3% in 2011
- **Commercial property values**
  - +6% in 2010
  - +2% in 2011
- **Company failures**
  - Peak in 2010
  - Lower rate than last recession
- **Unemployment**
  - Peak in 2010
  - Lower rate than last recession

EXTERNAL BACKDROP
Challenging environment

- **Markets**
  - Sovereign risk and bank funding markets
- **Prudential regulation**
  - Basel III and Solvency II
  - Stress testing
- **New regulatory structures**
  - Role of the Bank of England and the Consumer Protection and Markets Authority
  - European changes
- **External reviews**
  - Independent Banking Commission
  - Treasury Select Committee
  - Office of Fair Trading and European Union
- **Customer treatment**
  - Changing standards

THE BUILDING BLOCKS FOR A STRONG BUSINESS

Driving customer value, earnings, capital and returns

Value creation

SUSTAINABLE GROWTH

- Efficiency, effectiveness
- Customer value
- Deep relationships
- Quality market share

PROFITABILITY

- Complete integration
- Drive elements of profit model

CONTROL

- Liquidity profile
- Impairments
- Integration
- Risk framework
- Capital

2009 / 2010 | 2010 / 2011 | 2011 onwards

DELIVERING SUSTAINABLE GROWTH

How we will create value

LLOYDS BANKING GROUP

A UNIQUE BUSINESS MODEL…

- Industry-leading efficiency and effectiveness

+

- Superior customer insight tools and relationship skills

…DESIGNED TO DELIVER CUSTOMER VALUE…

- Better customer understanding
- Better product alignment to need
- Better pricing and service
- Through the cycle

…DRIVING LONG TERM SHAREHOLDER VALUE

- Stronger growth
- Lower risk
- More ‘predictability’
- Better returns

DELIVERING SUSTAINABLE GROWTH

How we will measure and report progress

LLOYDS BANKING GROUP

BUSINESS MODEL METRICS

- Operating leverage
- Cost:income
- Investment levels
- Loss ratios

+

- Target customer acquisition
- Relationship depth

CUSTOMER VALUE METRICS

- Net promoter score (customer satisfaction)
- Service quality
- Retention rates

SHAREHOLDER VALUE METRICS

- Return on equity
- EPS
- Dividend capacity

OUR LONGER TERM GUIDANCE

Linking our strategy to our financials

	STRATEGY	EXPECTED RESULT
REVENUE GROWTH	▪ Relationship deepening ▪ Appropriate pricing for risk	▪ Growth 6-7%[(1)] ▪ Margin above 2.5%
EFFICIENCY	▪ Integration ▪ Operating leverage ▪ Efficiency & effectiveness	▪ Cost:income ratio c.40% ▪ Investment in growth
IMPAIRMENTS	▪ Through the cycle risk appetite ▪ Deep customer insight	▪ Impairments c.50-60bps
BALANCE SHEET REDUCTION	▪ Shrink, de-risk ▪ Reduce capital intensity ▪ Right funding balance	▪ RoE above 15% ▪ LTD ratio below 140% ▪ Dividend capacity

(1) From core businesses, partially offset by the impact of non-relationship asset reductions and before the effect of state aid driven retail divestment

SUMMARY
Building sustainable growth

- **A strong first half**
  - £1.6 billion profit[1]
  - Continued momentum across the business
- **Putting in place the building blocks for a strong business**
  - Control
  - Profitability
  - Growth
- **Building the UK's most customer-focused franchise**
  - Using our efficiency and effectiveness to deliver substantial customer value
  - Using our insight to build deep, valued, customer relationships

Strong and sustainable profit growth

(1) **Combined businesses basis**

2010 INTERIM RESULTS

4 August 2010

Tim Tookey

Group Finance Director

DELIVERING ……

- EARNINGS MOMENTUM
- BALANCE SHEET AND CAPITAL STRENGTH
- A STRENGTHENED FUNDING POSITION
- SUMMARY

DELIVERING EARNINGS MOMENTUM

- Strong growth in relationship businesses
  - Resilient revenue performance
  - Strong cost performance
  - Cost synergies on track
- Delivered strong first half profitability
- Lending portfolios performing very well
  - Significant decrease in Group impairment levels
- Strong capital position
- Funding and liquidity continues to strengthen

The Group has confirmed positive trends and delivered momentum

BUSINESS PERFORMANCE

£m	H1 2009	H1 2010		% Change
Income[1]	11,939	12,481	✓	*5%*
Margin	1.72%	2.08%	✓	
Operating Expenses	(5,718)	(5,435)	✓	(5%)
Impairments	(13,399)	(6,554)	✓	*(51%)*
Profit before tax[2]	(3,957)	1,603	✓	
Core Tier 1	6.3%	9.0%	✓	

The Group has delivered a strong performance in the first half

[1] Net of insurance claims [2] Combined businesses basis

IMPROVING DIVISIONAL PERFORMANCE

Return to profitability

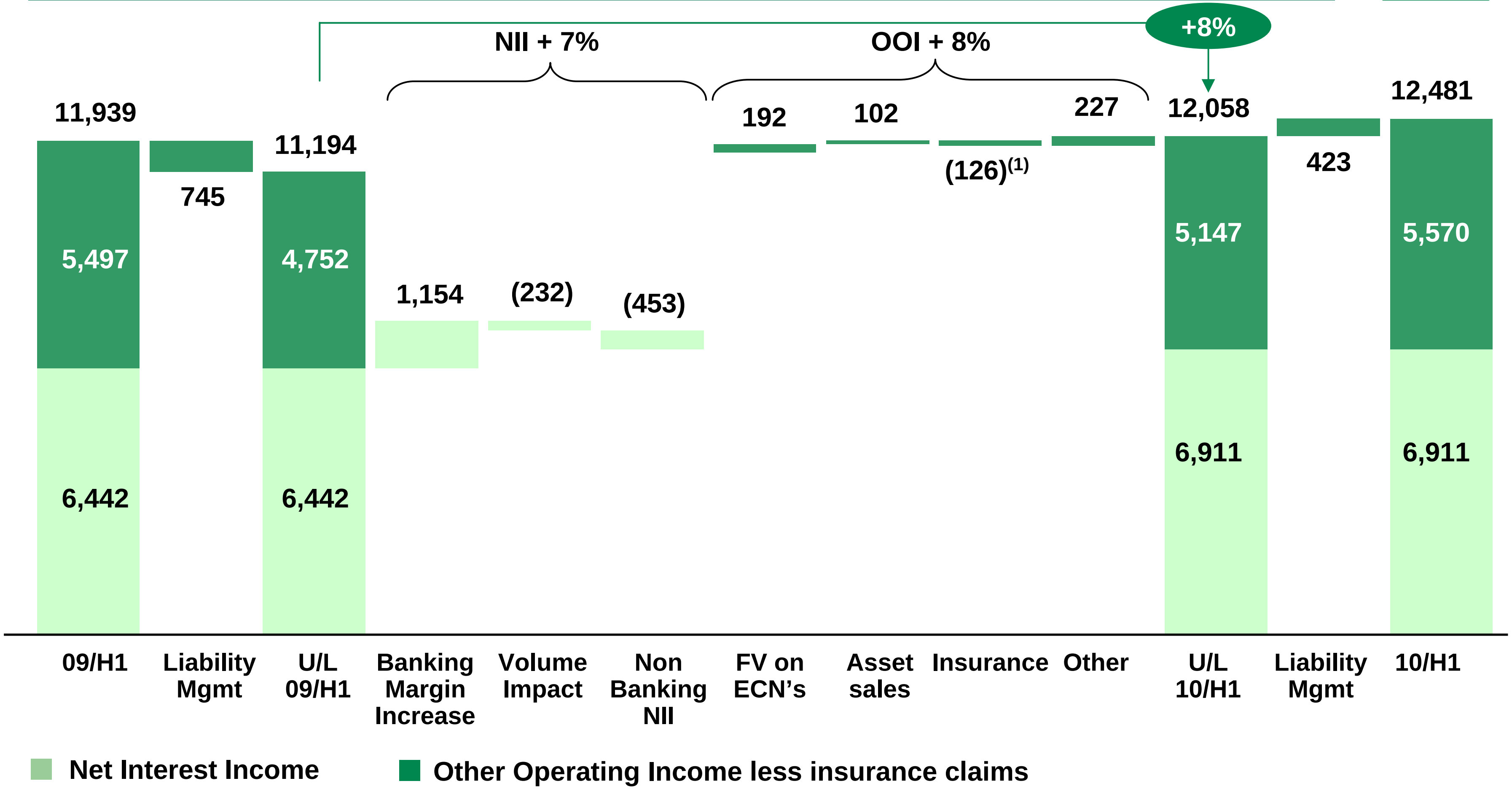
Profit before tax (£m)[1]	H1 2009	H2 2009	H1 2010
Retail	360	1,022	2,495
Wholesale	(3,208)	(1,495)	742
Wealth and International	(342)	(2,014)	(1,609)
Insurance	397	578	469
Group Operations and Central items	(1,164)	(434)	(494)
	(3,957)	(2,343)	1,603

Continued improvement in divisional performance

[1] Combined businesses basis

REVENUE TRENDS

Good income growth

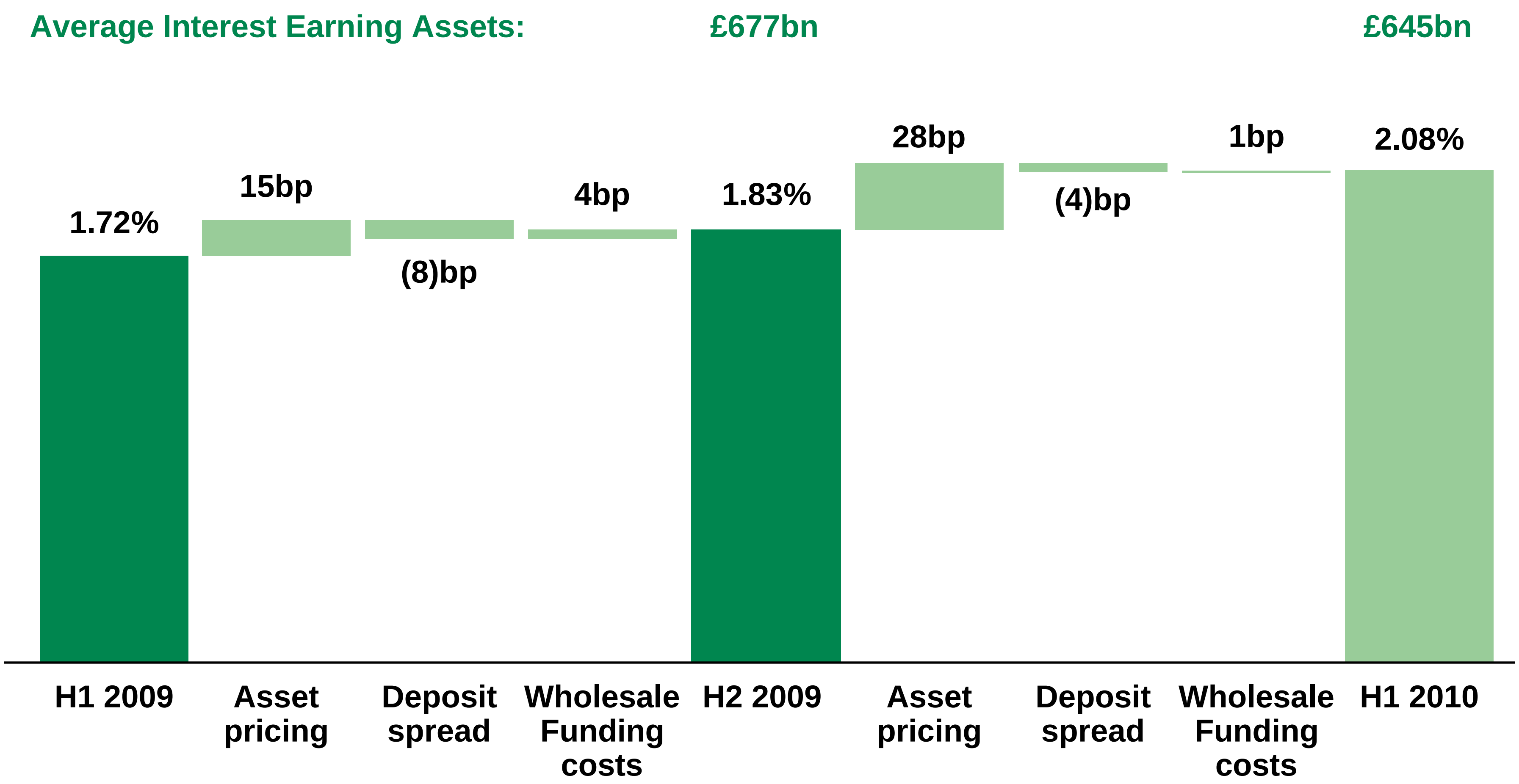


Good income growth balanced across NII and OOI

[1] net of insurance claims

NET INTEREST MARGIN

Strong margin performance with continued asset repricing



BANKING NET INTEREST MARGIN

Over time, Group can return to generating margins over 2.5%

BASE RATE	▪ **Slow and steady rises expected from Q1 2011** ▪ **Rate reaches c.4% in 2014**
ASSET PRICING	▪ **Repricing activity continues – majority already captured** ▪ **Proportion of mortgages on SVR to increase from 45% to 50% by end 2011 with movements thereafter driven by relative pricing**
WHOLESALE FUNDING COSTS	▪ **Blended average rate rises as funding source mix and duration evolves over plan period** ▪ **Reducing reliance on short term money markets**

Margin expected to return to over 2.5% by c.2014

DRIVERS OF FUTURE INCOME

Balanced elements of income growth

NET INTEREST INCOME	OTHER OPERATING INCOME

- NII grows over time reflecting:
  - Margin expected to reach over 2.5% by c.2014
  - AIEA falling due to asset reduction partially offset by core business growth
- Non banking NII broadly stable

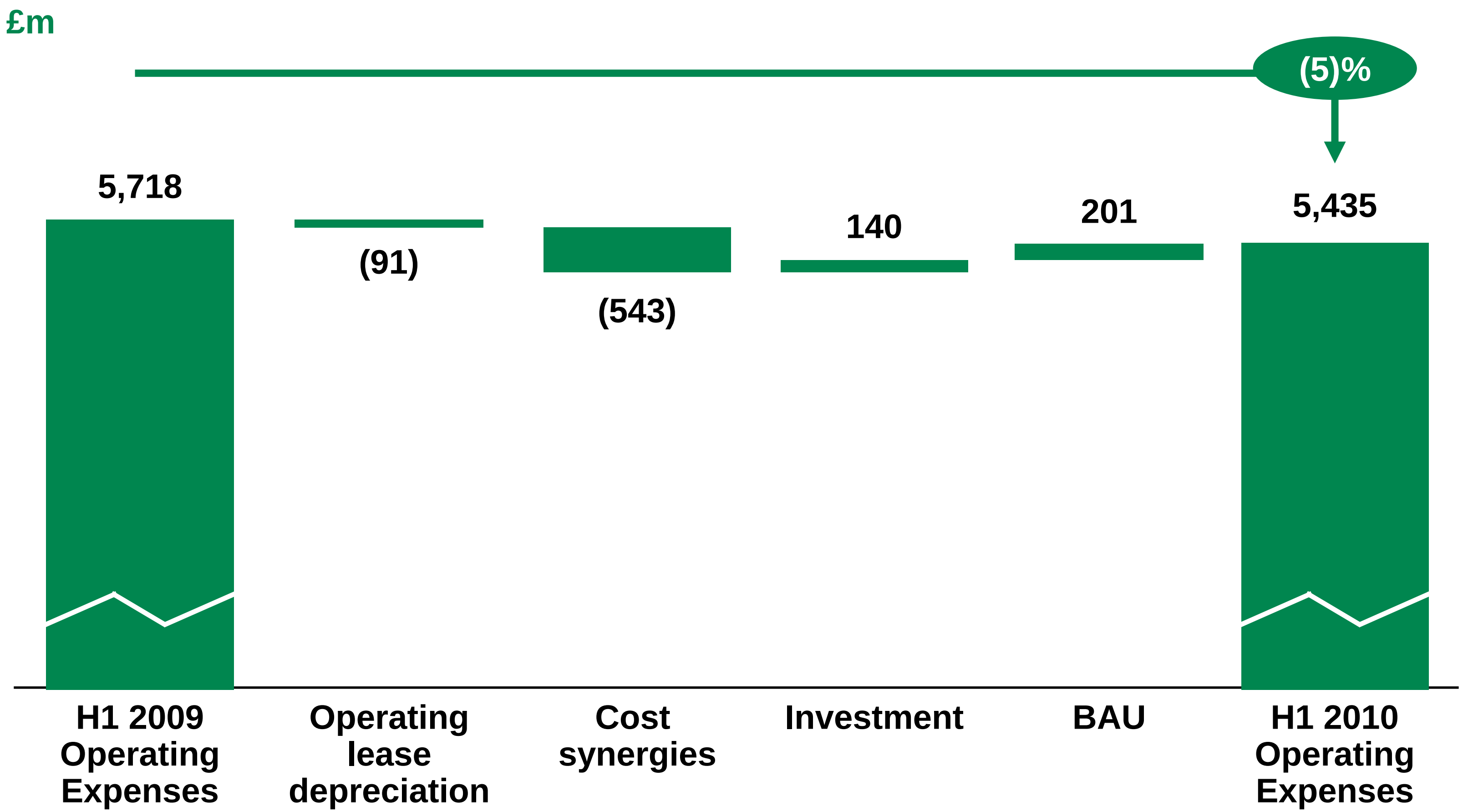
- Relationship banking strategy drives cross sell opportunities
- Sustainable profitable growth in Insurance through leveraging our distribution assets
- Some volatility expected from ECN valuations and hedge effectiveness

Overall, medium term target is 6-7% growth from core businesses, partially offset by impact of non-relationship asset reductions[(1)]

[(1)] and before the effect of the state aid driven retail business disposal

COST PERFORMANCE

Continued strong cost control

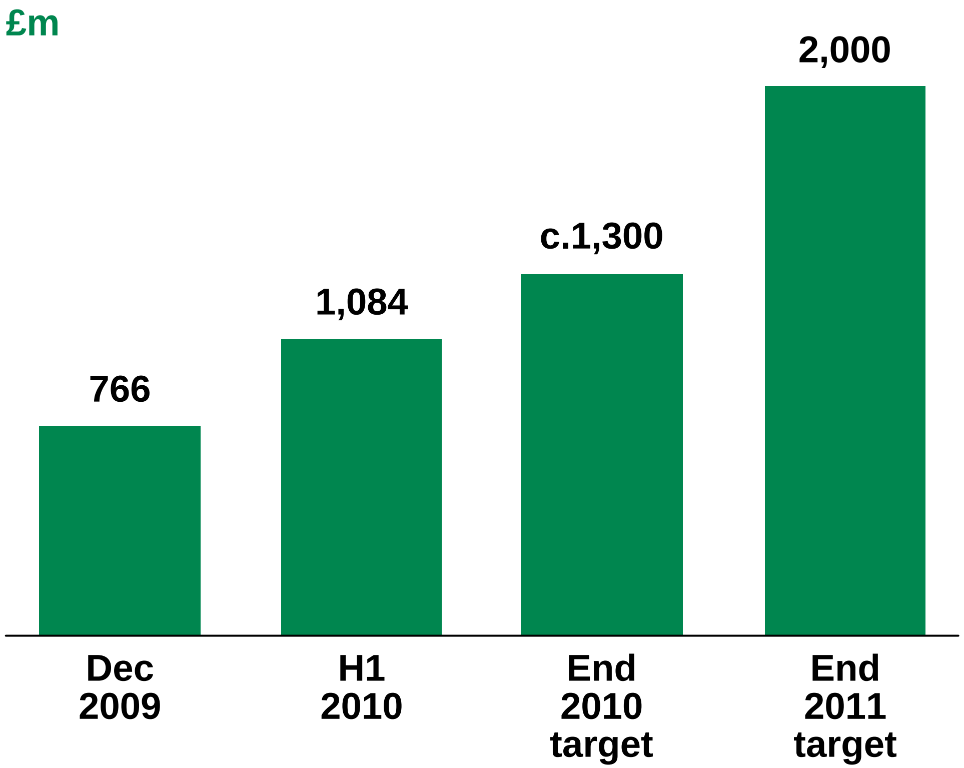


Continued strong cost control and delivery of investment and synergy programmes

SYNERGY PROGRESSION

Strong delivery of synergy programmes

RUN RATE

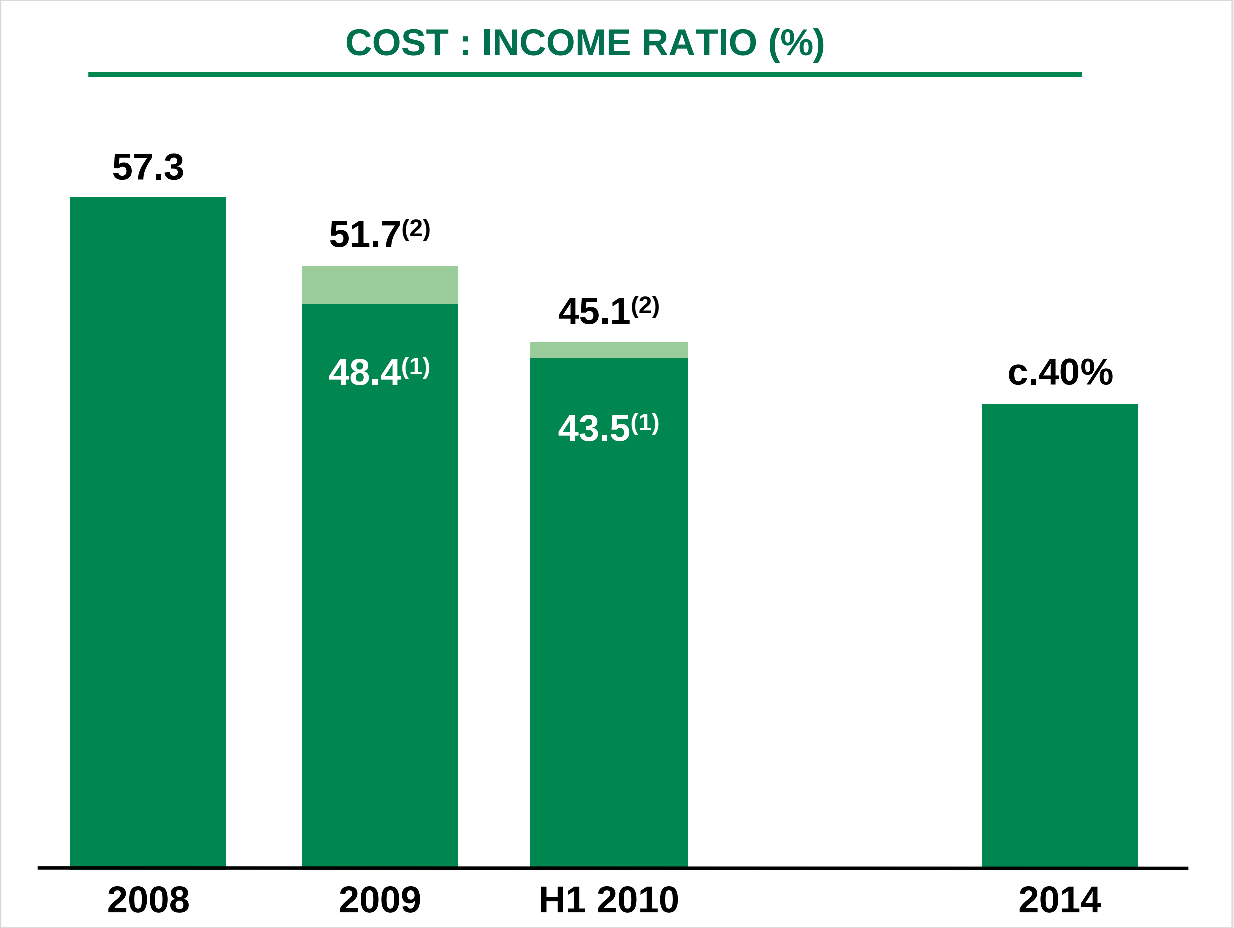


- **Performed strongly in 2010 and integration benefits on track to deliver the 2011 target**
- **Benefits so far driven by non-IT dependent initiatives**
- **£99 million procurement savings realised in the first half**

Progressing strongly towards the run rate target

TARGET COST : INCOME RATIO

Synergy and efficiency programmes allow for investment expenditure



Cost : income ratio to reduce to c.40% by 2014

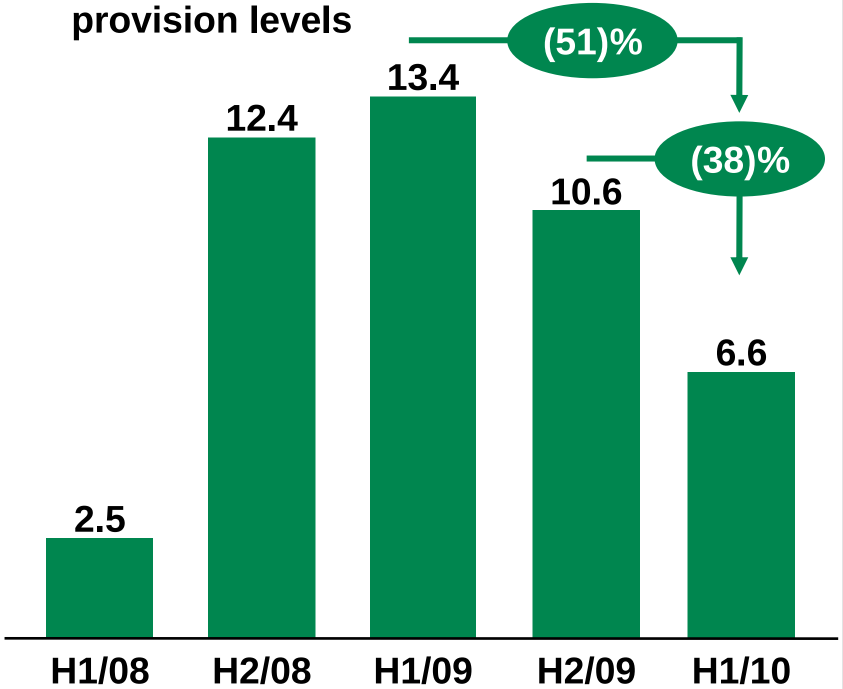
(1) Reported C:I ratio (2) Excluding gains from liability management transactions

IMPAIRMENTS – AHEAD OF RECENT GUIDANCE

Overall charges 51% lower than last year's peak

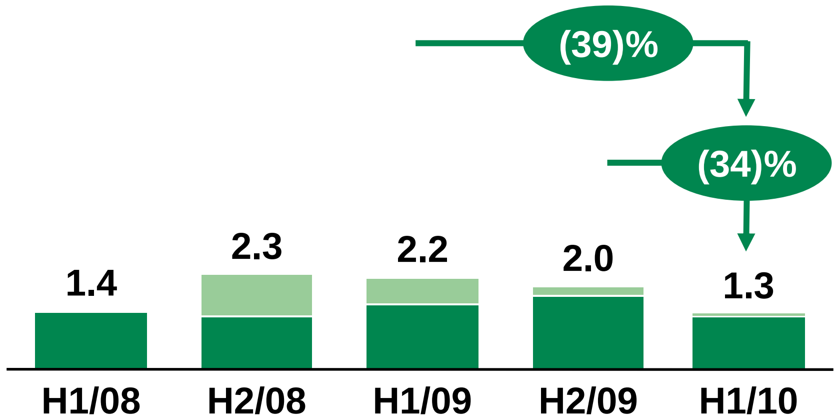
GROUP

- All divisions contributing to significant reduction in impairment charges
- Asset disposals being achieved within provision levels



RETAIL

- Significant reduction in secured and unsecured impairments
- Improving asset quality expected to support future trends



All divisions showing strong trends

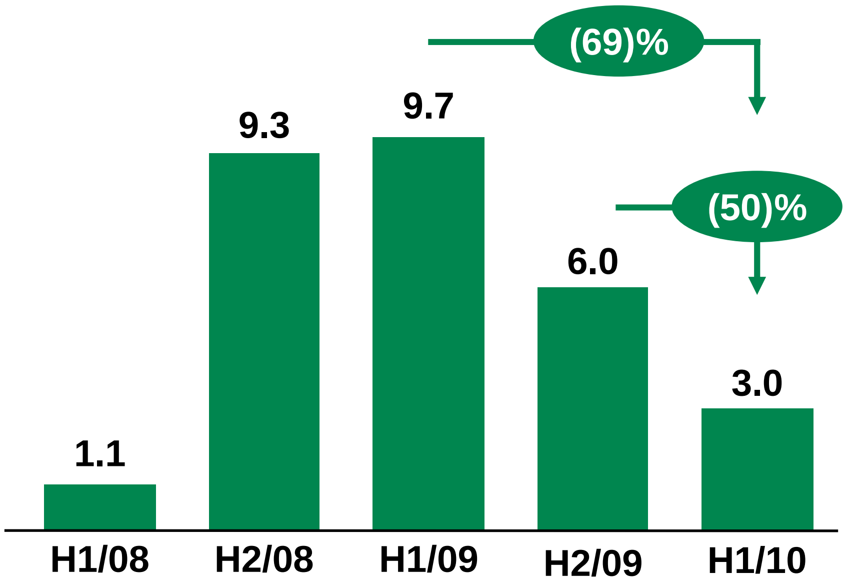
Secured Unsecured

IMPAIRMENTS – AHEAD OF RECENT GUIDANCE

Overall charges 51% lower than last year's peak

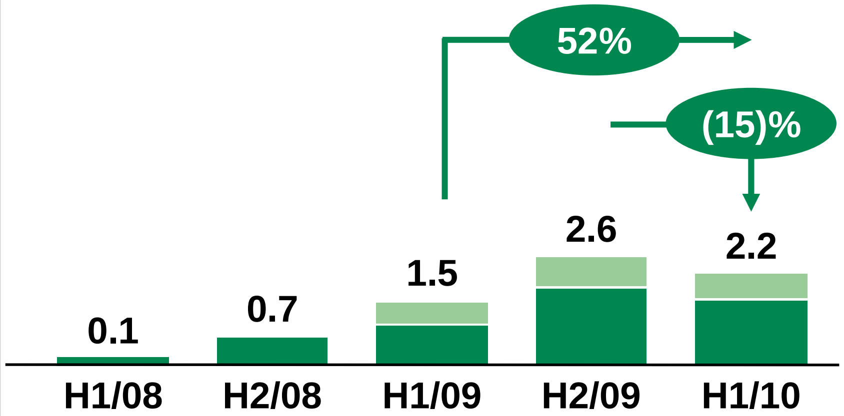
WHOLESALE

- Largest reductions are in corporate real estate and real estate related portfolios
- Traditional business impairments performing as expected



WEALTH & INTERNATIONAL

- Reduction achieved in Irish impairments
- Peak still believed to be H2/09

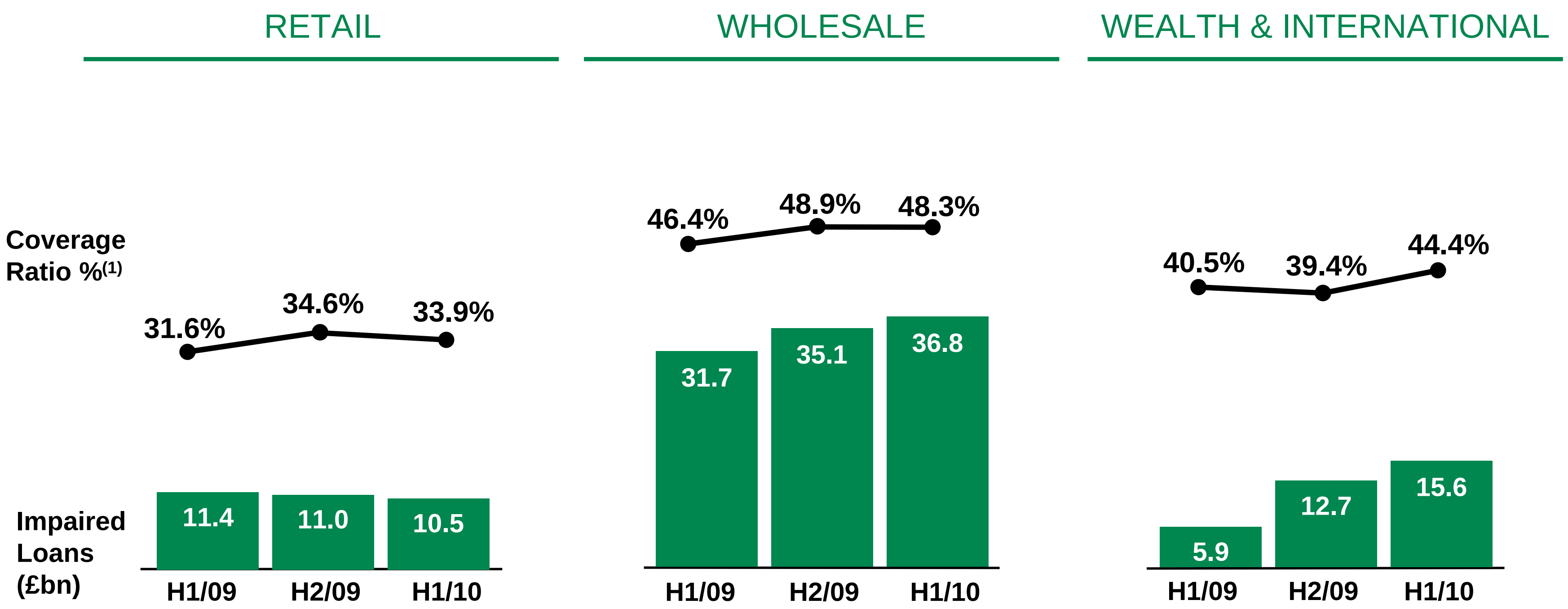


All divisions showing strong trends

Other Ireland

NON-PERFORMING LOANS

Positive trends following expected patterns

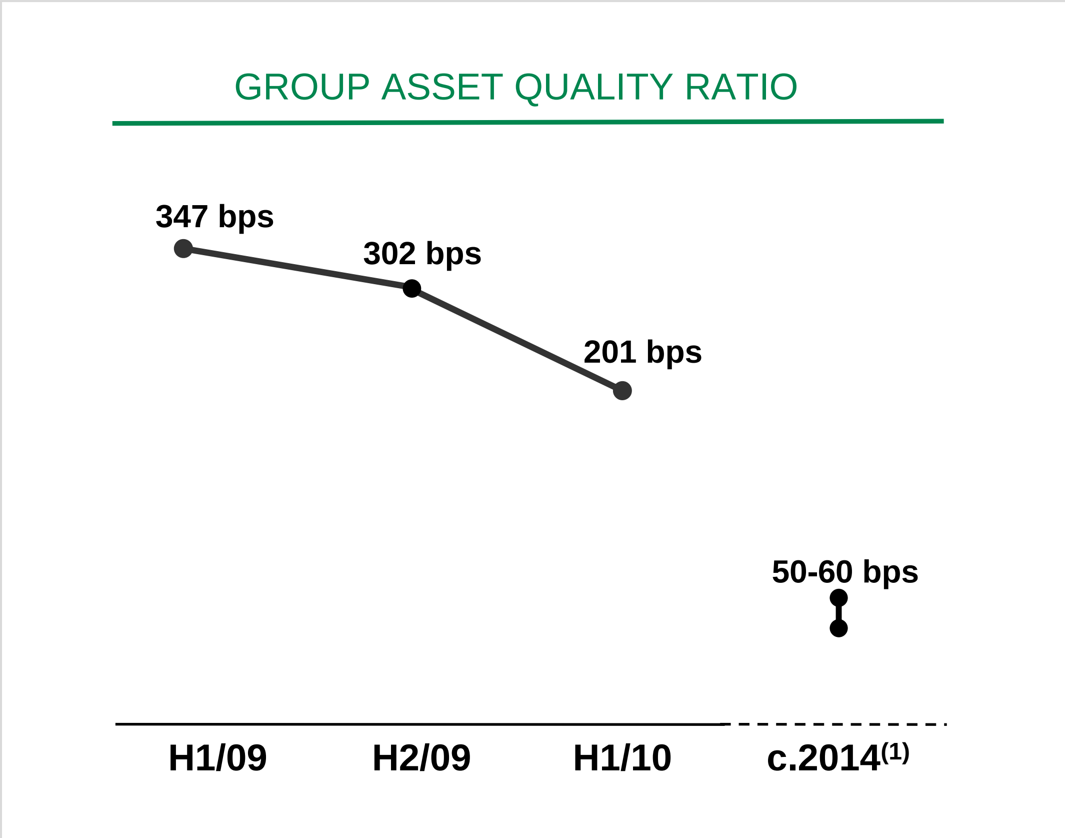


- Significant slowdown in new loans moving into impaired assets
- Patterns reflect longer time period expected for curing non-Retail impaired exposures as situations are worked out for best overall result

[(1)] Impairment provisions as a percentage of impaired loans

IMPROVING ASSET QUALITY

Conservative provisions and improving asset quality



Target normalised AQR range of 50-60[1] bps

[1] Core business, mix dependant, base economic scenario, c.2014

INSURANCE – SOLID PERFORMANCE FROM INCREASINGLY WELL TARGETED PARTICIPATION

Capital intensity reduced

- Strict product and channel choices underpinned by clear strategic choices
- Increasingly capital efficient product design
- Continued margin improvement and cost reduction

- Significantly improved new business profitability from lower PVNBP
- Ongoing IRRs improved to over 15%
- EEV margin 3.4% with EEV new business profits up 19%
- £2bn release from embedded core tier 1 capital
- Material mitigation of potential Basel III impact achieved. More limited mitigation planned in H2

Insurance Division continues to focus on value and is achieving material mitigation of potential Basel III impact

DELIVERING ……

- EARNINGS MOMENTUM
- BALANCE SHEET AND CAPITAL STRENGTH
- A STRENGTHENED FUNDING POSITION
- SUMMARY

REDUCING BALANCE SHEET

Banking balance sheet reduction continues as planned

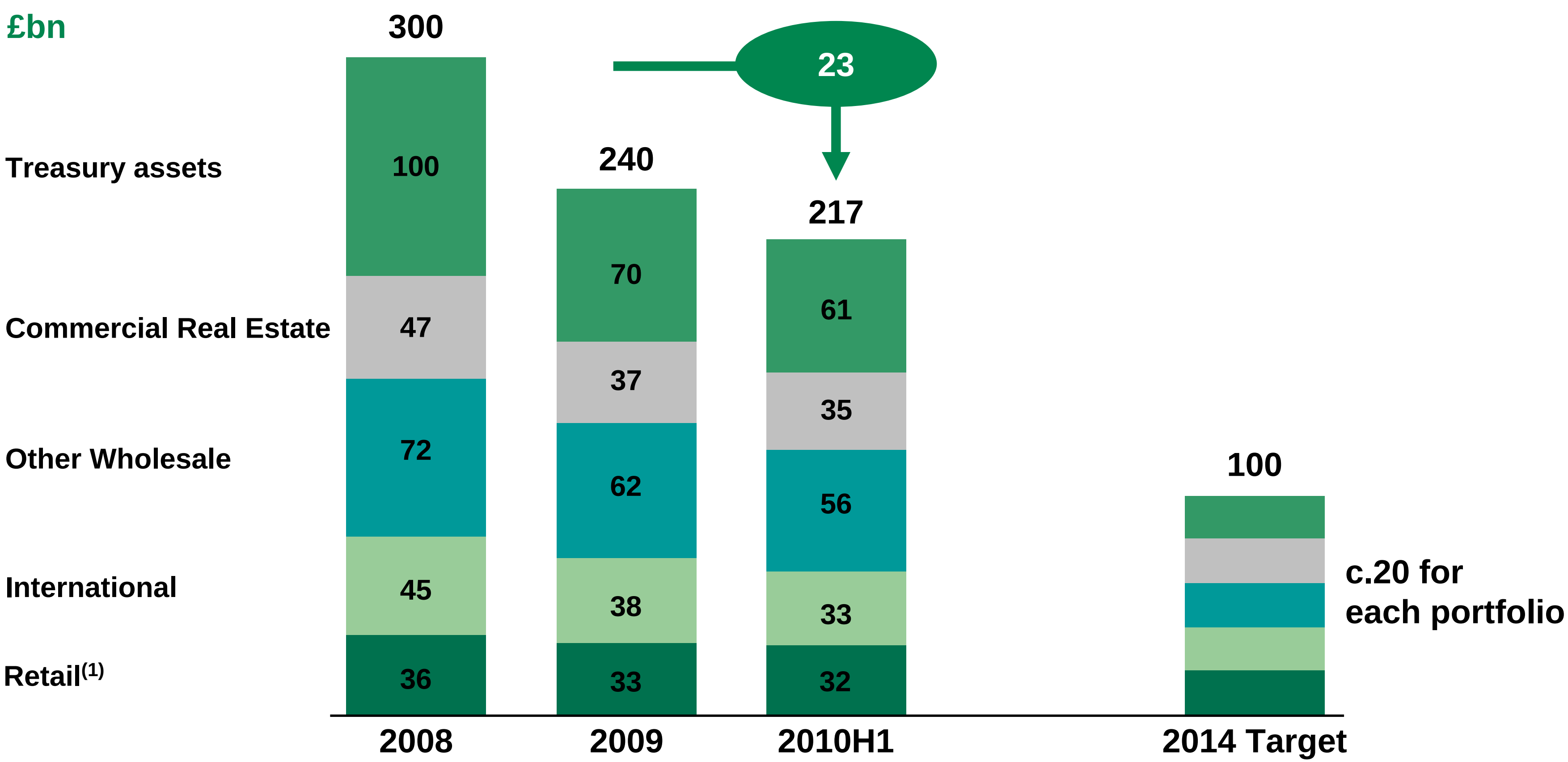
Banking assets less cash[1]

Banking balance sheet reduction from asset disposals[2], customer repayment and impairment, partially offset by continued lending to core relationship customers

(1) Loans and advances to customers plus available-for-sale financial assets (2) In line with state aid commitments

GOOD PROGRESS ON ASSET REDUCTIONS

On target to achieve £200 billion asset run-off

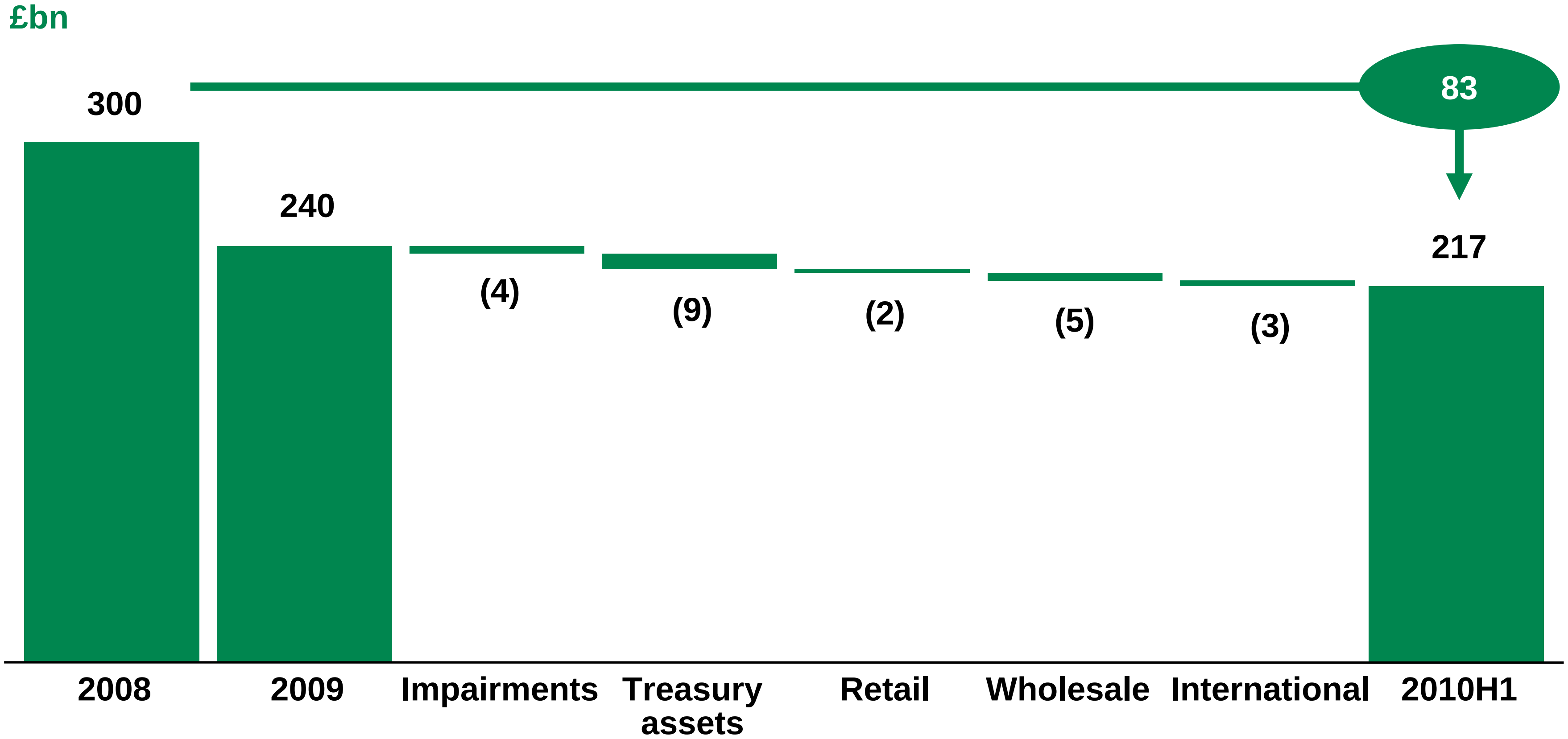


Balance sheet reduction on track

(1) Primarily made up of self cert and sub prime mortgages. Excludes mortgage assets associated with state aid retail business disposal

GOOD PROGRESS ON ASSET REDUCTIONS

£83 billion asset reduction since end 2008

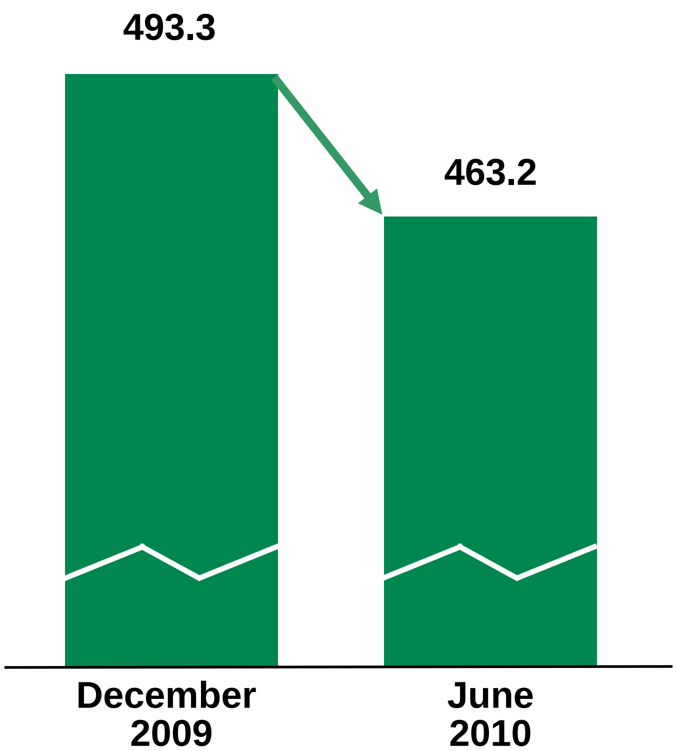


Good progress on balance sheet reduction in more difficult conditions than the second half of 2009

MAINTAINING A STRONG CAPITAL POSITION

Reducing our risk-weighted assets

RWAs (£bn)



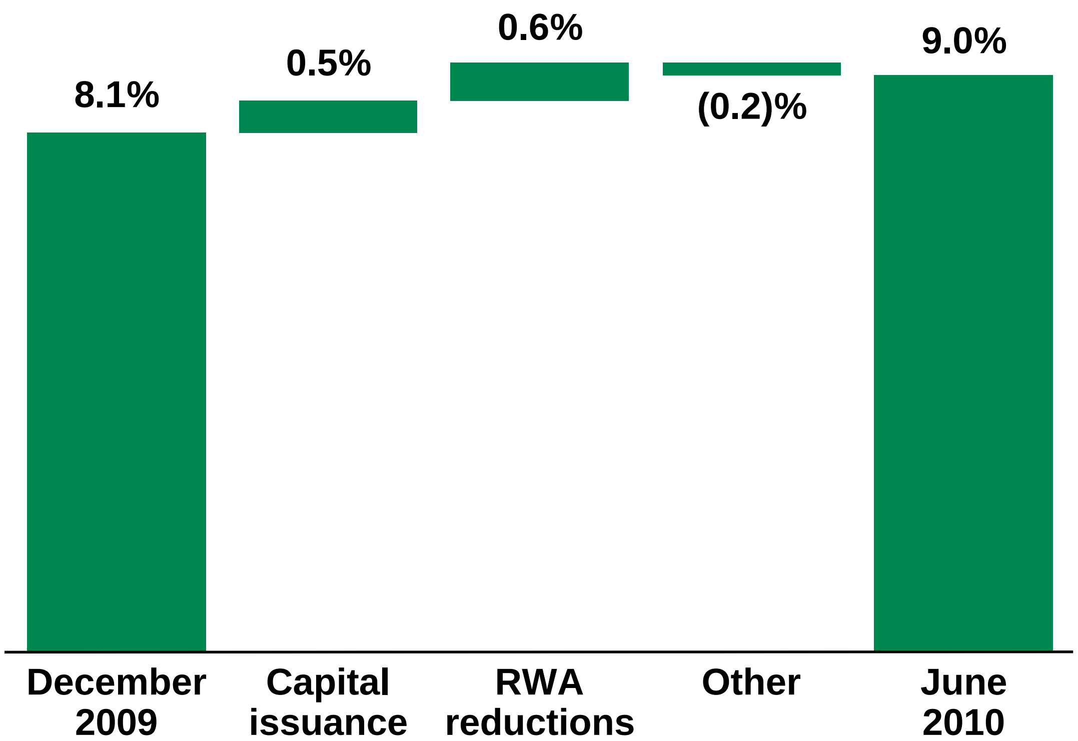
- Reduction driven by asset sales and reduction in procyclicality
- Further risk-weighted asset reductions expected over next few years:
  - Further asset reduction
  - Improving economic conditions

Gradual reduction of risk-weighted assets expected over next few years

A STRONG CAPITAL POSITION

Improving quality and quantity of capital

Core Tier 1 ratio (%)



- Tier 1 ratio: 10.3%
- Total capital ratio: 13.4%

- Core tier 1 ratio including ECNs would be 10.5%
- Improved quality of capital base including Basel III mitigation
- Return to profitability accelerates deferred tax asset consumption

UPDATE ON BASEL III

Basel Committee's consultative proposals

	February 2010	July 2010
Regulatory capital required	**Calibration and transition outstanding**	**Expected 2010 H2**
Raising the quality of the capital base		
Remove insurance capital from core tier 1 capital		- Allow up to 10% of equity - Insurance capital transferred
Deferred tax assets		- Profit accelerates DTA consumption
Other deductions from core tier 1 capital		- No change to potential procyclical effects
Restrict tier 1 capital securities		- No change
Other areas		
Risk weightings on investment banking activities		- Not material
Leverage ratio		- Deferred to 2018
Net stable funding ratio		- Deferred to 2018. Improvement to weightings
Liquidity coverage ratio		- Broader range of eligible assets

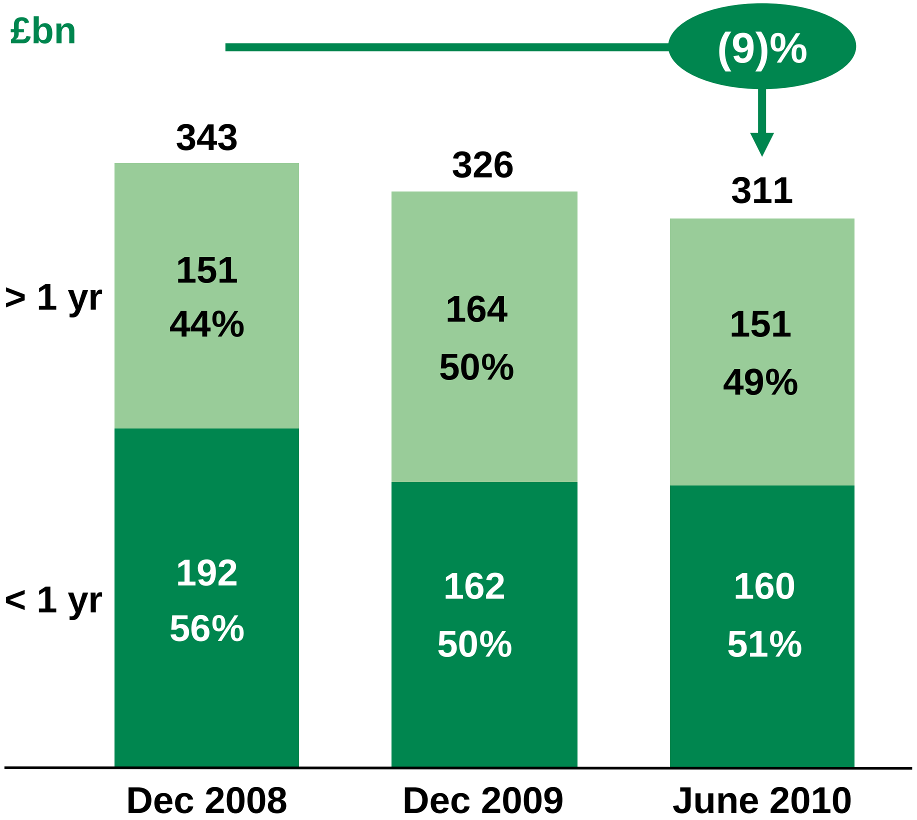
DELIVERING ……

- EARNINGS MOMENTUM
- BALANCE SHEET AND CAPITAL STRENGTH
- A STRENGTHENED FUNDING POSITION
- SUMMARY

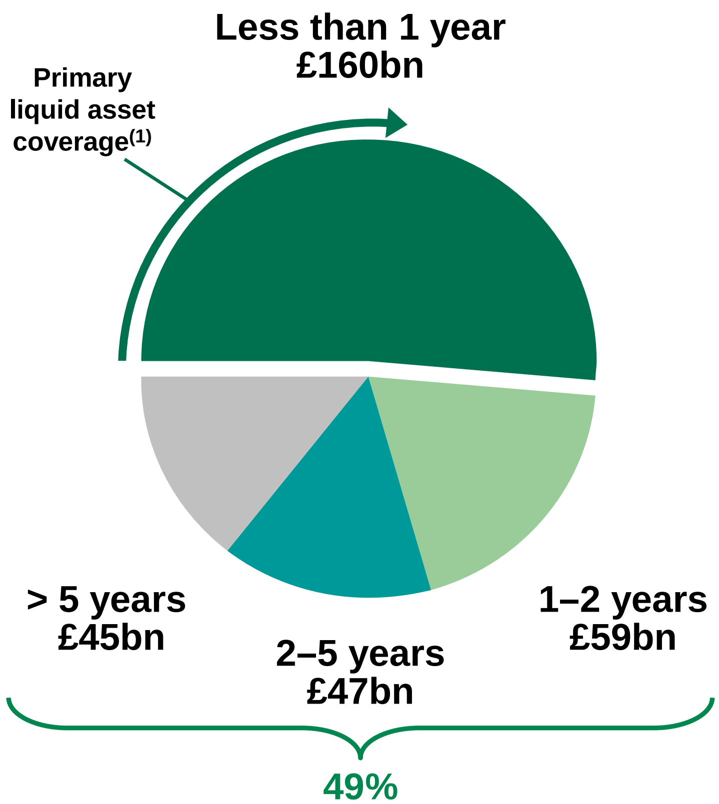
REDUCING OUR WHOLESALE FUNDING REQUIREMENTS

Total wholesale funding declining

WHOLESALE FUNDING MATURITY PROFILE



WHOLESALE FUNDING £311bn



Continued progress in improving wholesale funding position

(1) Primary liquidity of £84 billion

REDUCING OUR WHOLESALE FUNDING REQUIREMENTS

Maintaining broad spread of wholesale funding

£bn	Dec 2009	June 2010
Bank deposits[1]	49	48
Certificates of deposit	51	40
Medium-term notes	90	89
Covered bonds	28	28
Commercial paper	35	33
Securitisation	36	36
Subordinated debt	37	37
Wholesale (excluding customer deposits)	326	311
Customer deposits[1]	371	375
Total Group funding	697	686

- Good relationship customer deposit growth (£12 billion), partially offset by lower overnight institutional deposits (£8 billion)
- £25 billion reduction in Government & central bank funding
- Primary liquid assets maintained at £84 billion

Increasing strength of funding position enables pay down of Government & central bank funding

(1) Excluding repos

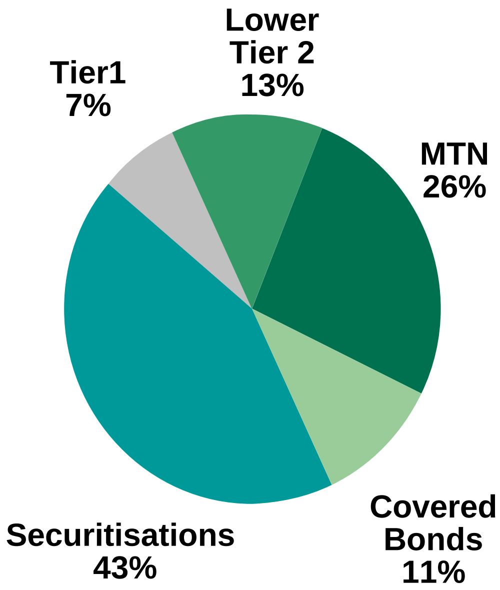
SUCCESSFUL TERM ISSUANCE

Utilising a wide variety of funding products and sources

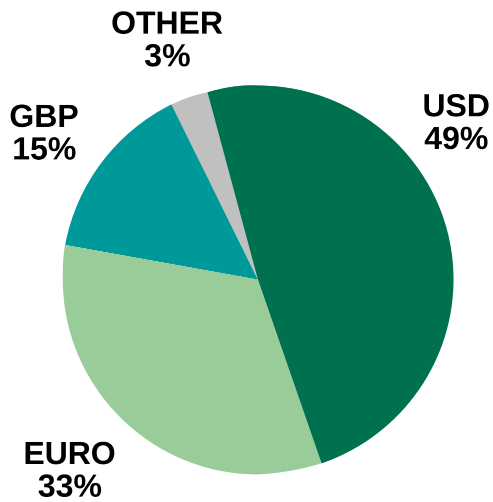
TERM ISSUANCE

- Expected public term issuance of c.£20-25 billion per annum over next 3 years
- c.£18 billion of 2010 term issuance requirement completed to date in first half
- An additional c.£8 billion of term funding via private placements was completed in the first half
- On track to meet ongoing term issuance requirements

H1 TERM ISSUANCE BY PRODUCT



H1 TERM ISSUANCE BY CURRENCY



Diverse range of funding products and sources

FUNDING SUMMARY

Executing a broad funding strategy

- Reduced absolute level of wholesale funding ✓
- Reducing reliance on short-term funding ✓
- Good deposit growth ✓
- Substantial liquid asset buffer maintained at £84 billion ✓
- Reduced Government and central bank support by £25 billion ✓
- Completed c.£18 billion of 2010 public issuance plan ✓
- Diverse range of funding products and sources ✓
- Plans to reduce wholesale funding further while reinvesting for growth ✓

A strengthened funding position

DELIVERING ……

- EARNINGS MOMENTUM
- BALANCE SHEET AND CAPITAL STRENGTH
- A STRENGTHENED FUNDING POSITION
- SUMMARY

SUMMARY SLIDE

Delivering on our promises

- Income up, costs down, impairments significantly reduced ✓
- Realising earnings potential of core business ✓
- Non-relationship assets being run down for value over time – reducing capital intensity of, and volatility in, the balance sheet ✓
- Funding and liquidity position continues to strengthen ✓
- Strong capital position – improving quality and quantity ✓

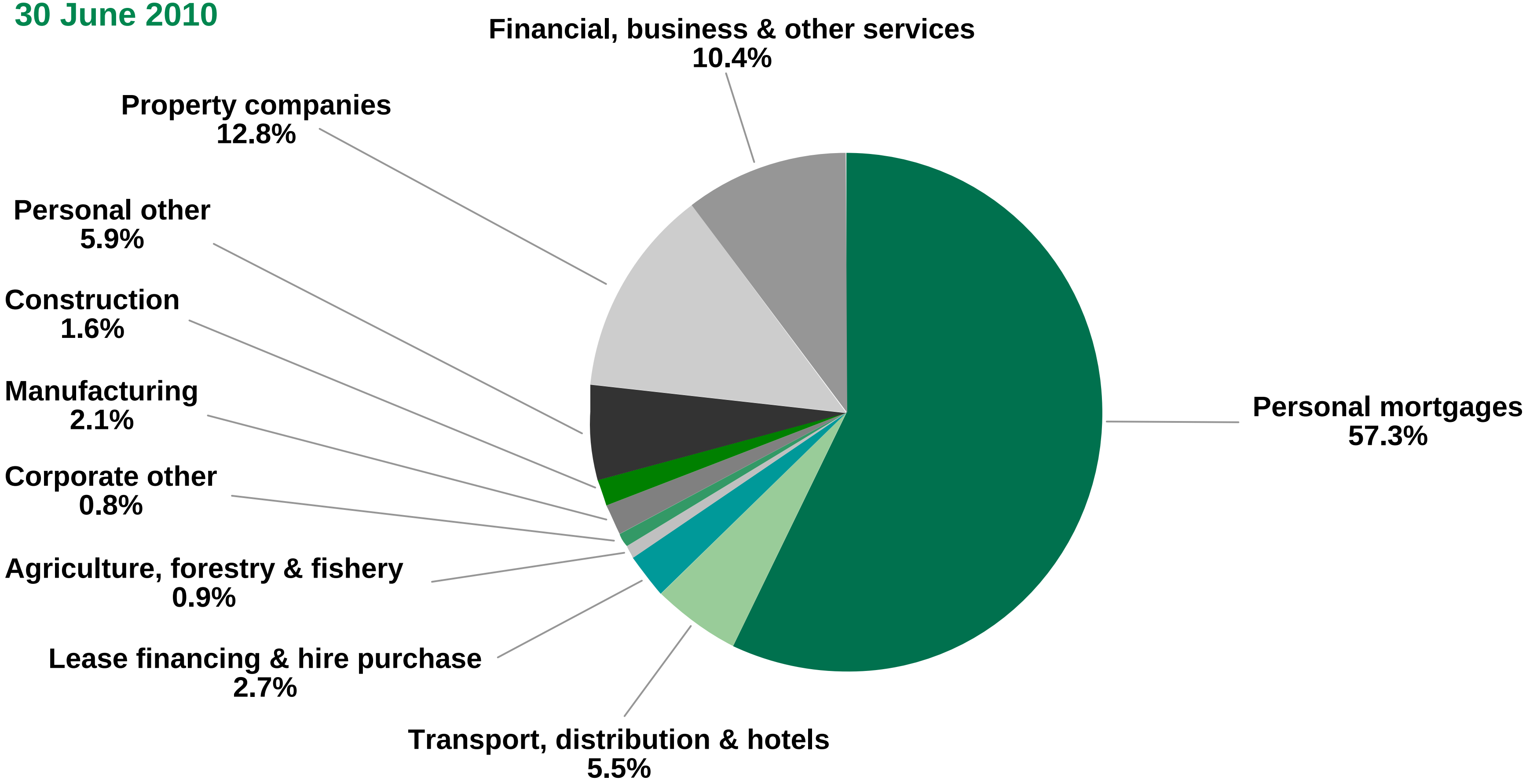
A clear strategy for earnings momentum and value generation

APPENDIX

LOANS AND ADVANCES TO CUSTOMERS

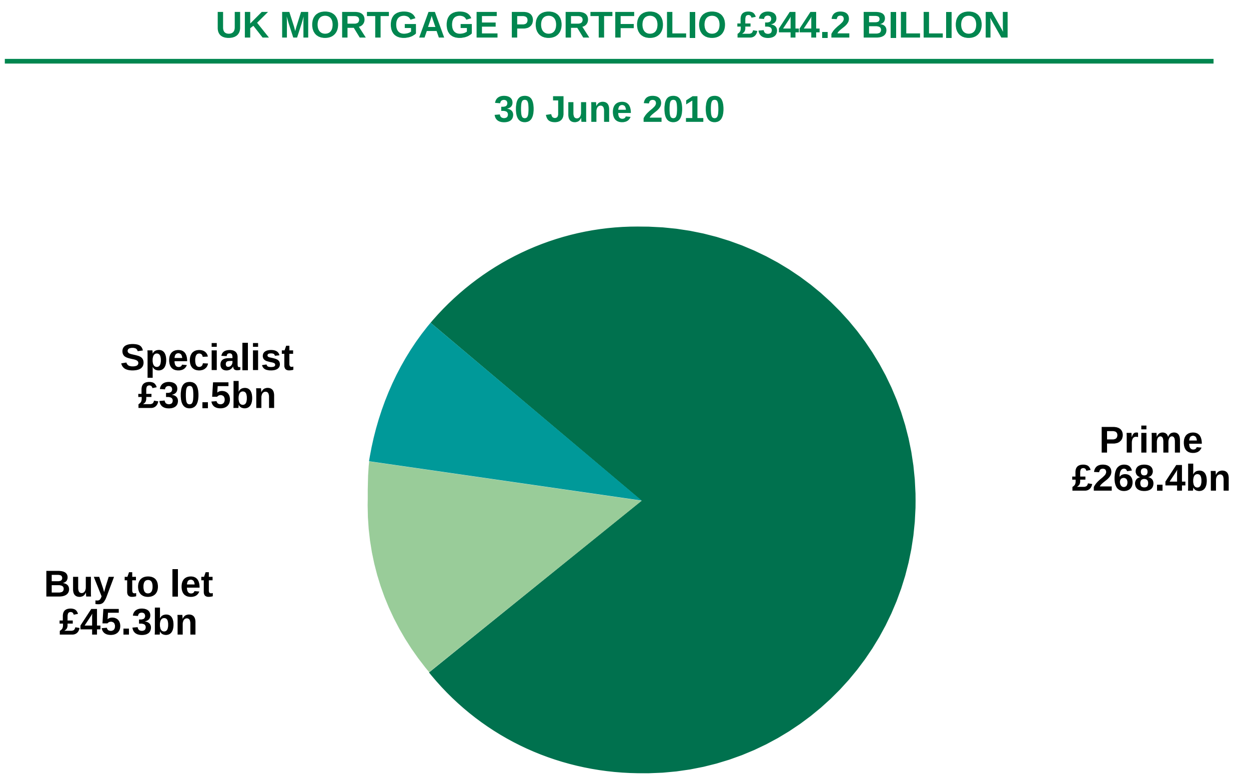
LOANS AND ADVANCES TO CUSTOMERS £628.8 BILLION[1]

30 June 2010



(1) Before allowance for impairment losses totalling £16.7 billion and fair value adjustments

MORTGAGE PORTFOLIO



MORTGAGE PORTFOLIO LTVs [1]

LLOYDS BANKING GROUP

	Mainstream	Buy to let	Specialist	Group
Average LTVs	50.1%	73.1%	70.6%	53.7%
New business LTVs	59.3%	66.4%	n/a [2]	60.3%
<= 80% LTV	65.0%	48.8%	45.4%	61.1%
> 80–90% LTV	14.8%	18.7%	21.2%	15.9%
> 90–100% LTV	11.4%	21.8%	19.8%	13.5%
> 100% LTV	8.8%	10.6%	13.5%	9.5%
Value > 100% LTV	£23.7bn	£4.8bn	£4.1bn	£32.6bn

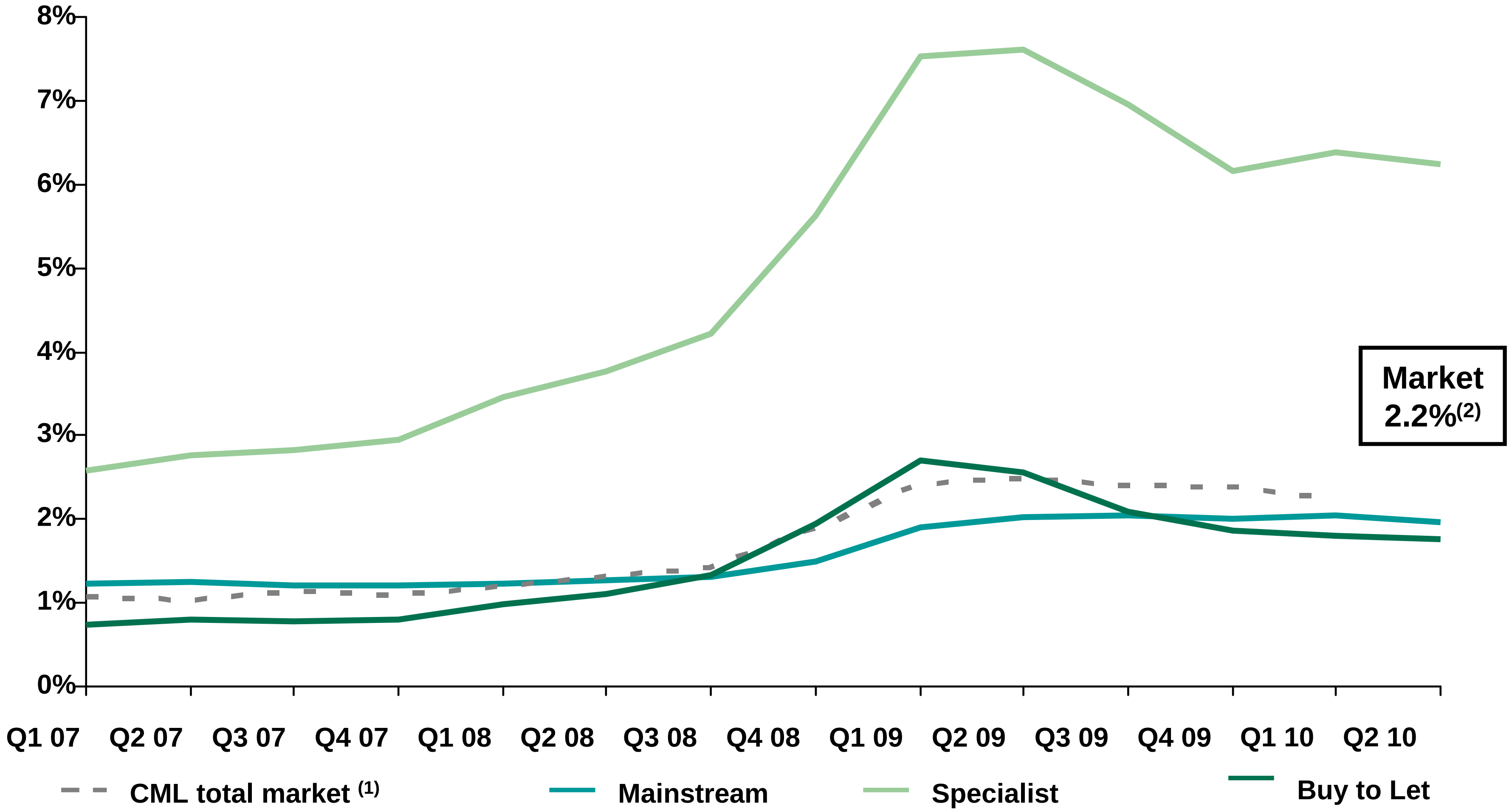
[1] Indexed by value at 30 June 2010
[2] Specialist lending is closed to new business

MORTGAGE PORTFOLIO

	30 June 10			30 June 09
	Portfolio £344bn	>100% LTV	>100% LTV and >3 months in arrears	>100% LTV and >3 months in arrears
Specialist	£30.5bn 8.8%	£4.1bn (13.5%)	£0.6bn (1.9%)	£1.0bn (3.1%)
Buy to let	£45.3bn 13.2%	£4.8bn (10.6%)	£0.5bn (1.1%)	£0.7bn (1.7%)
Mainstream	£268.4bn 78.0%	£23.7bn (8.8%)	£1.4bn (0.5%)	£2.2bn (0.8%)
			£2.5bn (0.7%)	£3.9bn (1.1%)

MORTGAGE ARREARS TRENDS

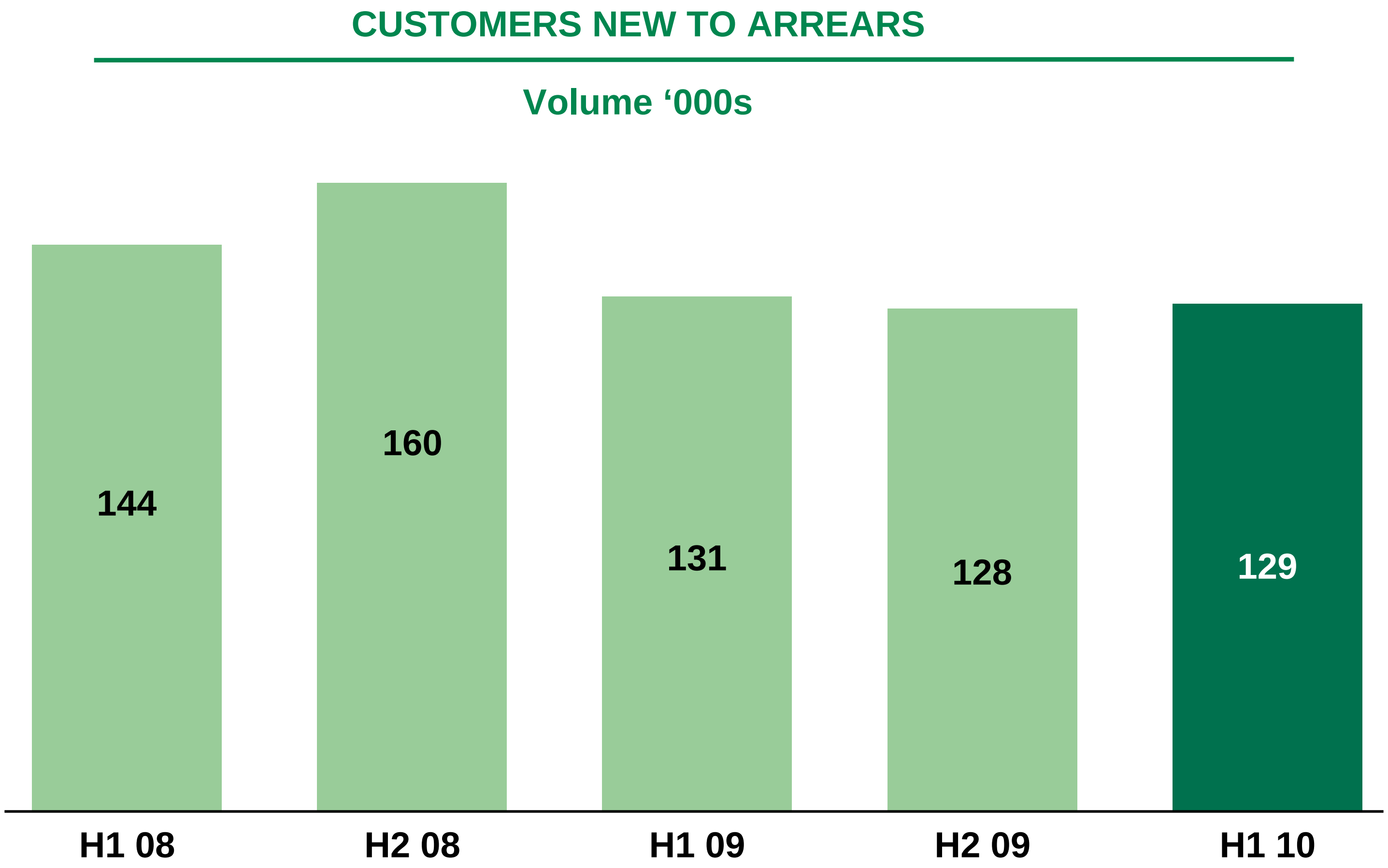
% of total cases >3 months in arrears



(1) Source: Council of Mortgage Lenders (2) CML Q1 10

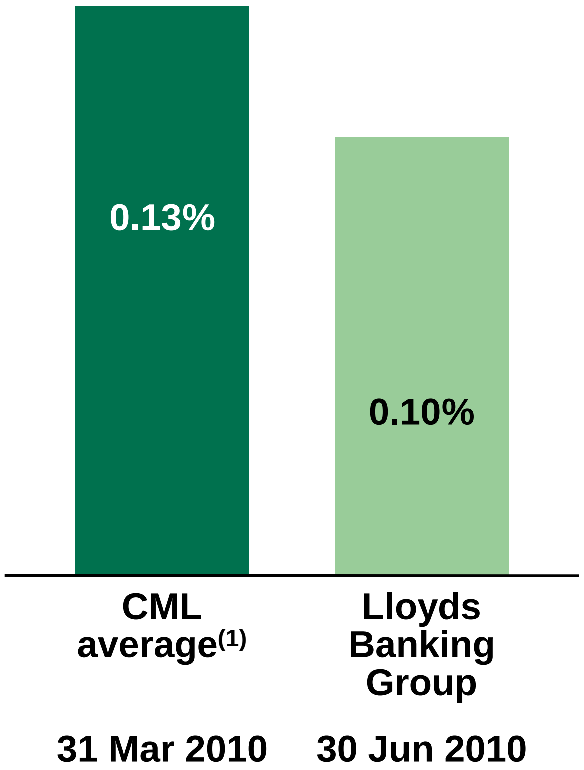
Note: chart shows mortgages >3 months in arrears excluding possessions stock as a proportion of total cases

TREND IN MORTGAGE PORTFOLIO ARREARS

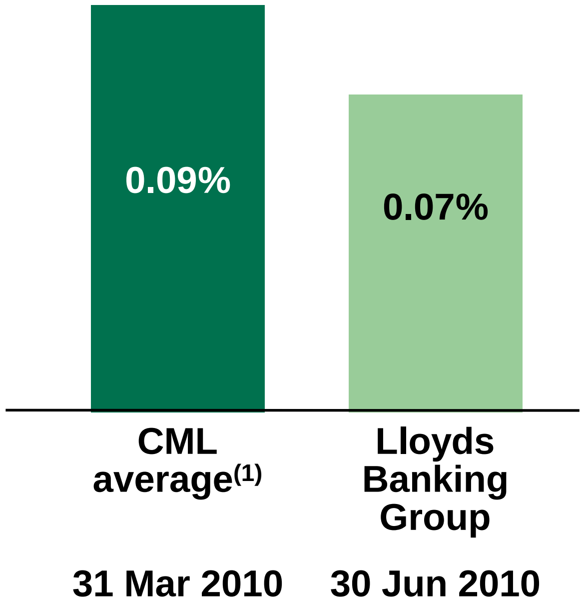


MORTGAGE PORTFOLIO – PROPERTIES IN POSSESSION

Properties in possession (% of total mortgage cases)

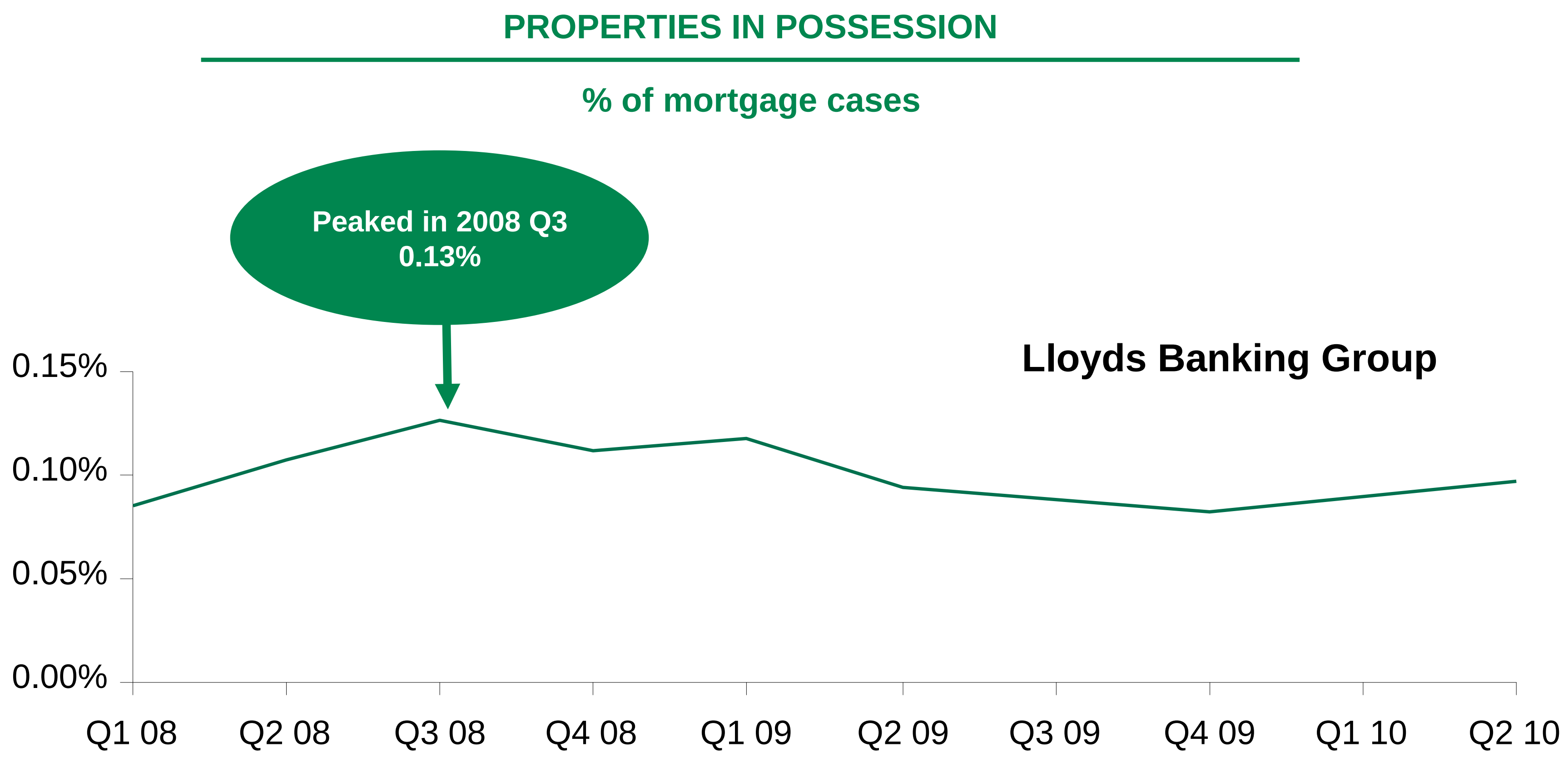


New possessions (% of total mortgage cases)



(1) Council of Mortgage Lenders Q1 2010

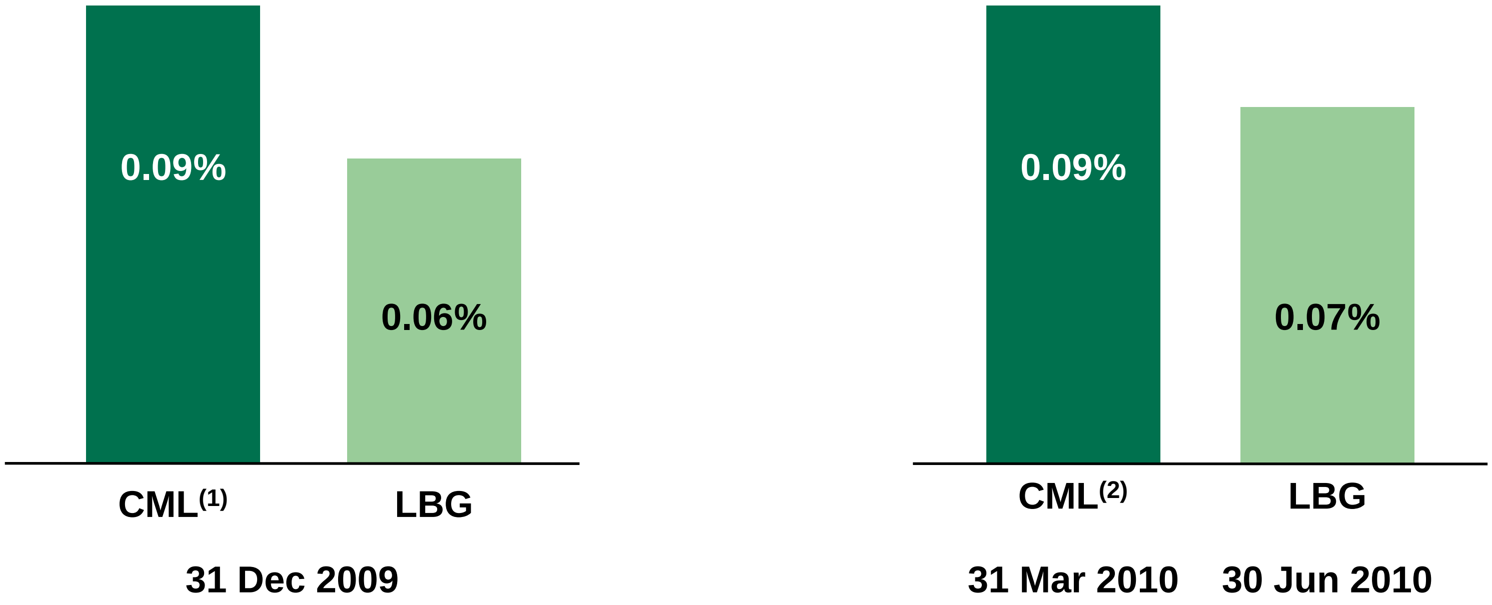
MORTGAGE PORTFOLIO – PROPERTIES IN POSSESSION



MORTGAGE PORTFOLIO – NEW POSSESSIONS

NEW POSSESSIONS

% of total cases

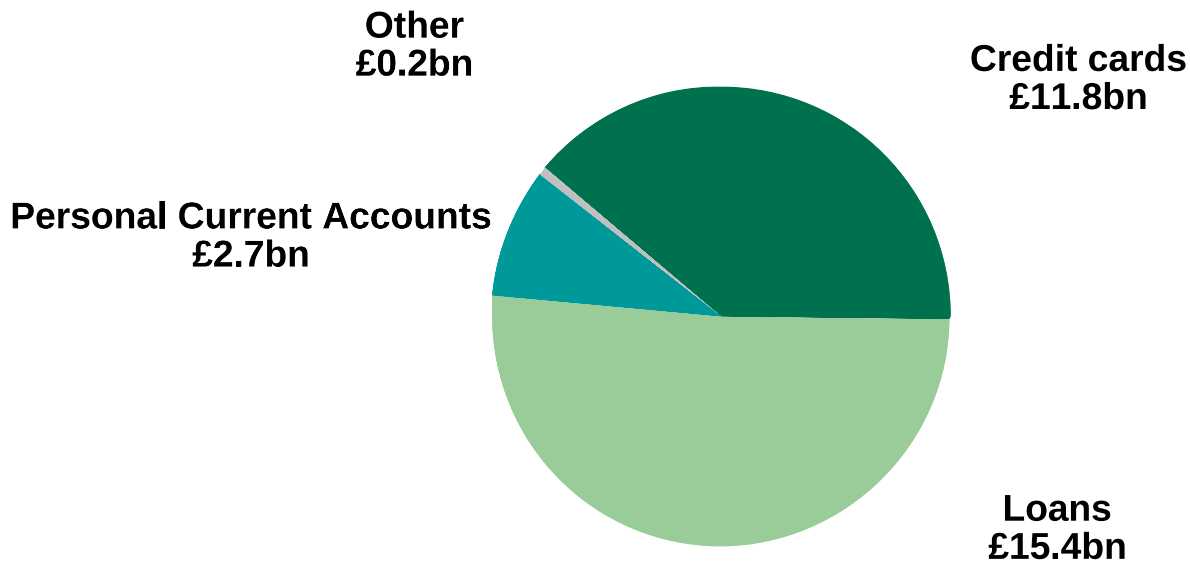


(1) Source: Council of Mortgage Lenders (2) Source: Council of Mortgage Lenders Q1 2010

UNSECURED LENDING PORTFOLIO

UNSECURED PORTFOLIO £30.1 BILLION

30 June 2010

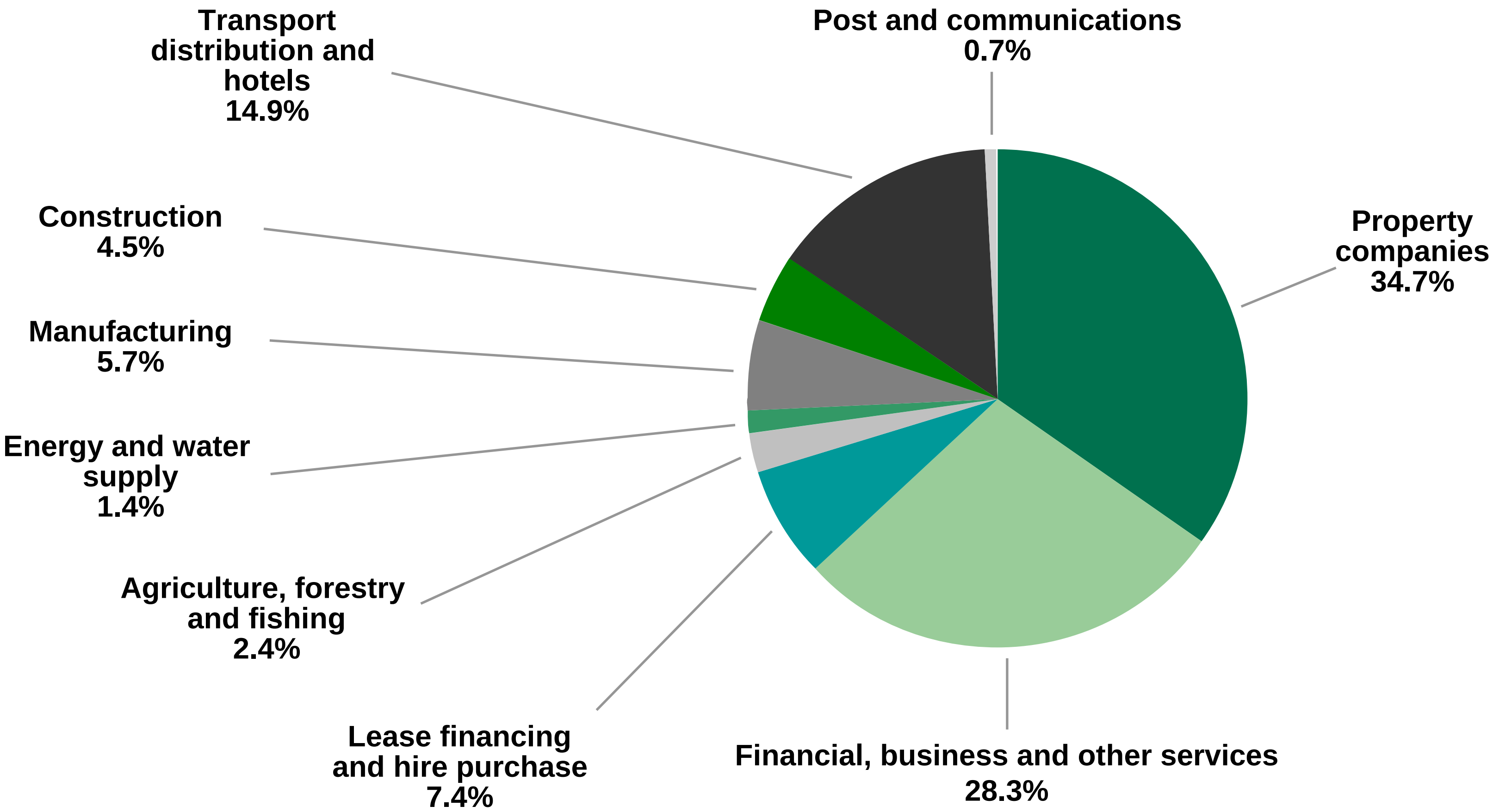


	Cards	Loans
Impairment charge as a % of average lending	9.5%	6.3%

LOANS AND ADVANCES TO CORPORATE CUSTOMERS

LOANS AND ADVANCES TO CORPORATE CUSTOMERS £231.7 BILLION[1]

30 June 2010

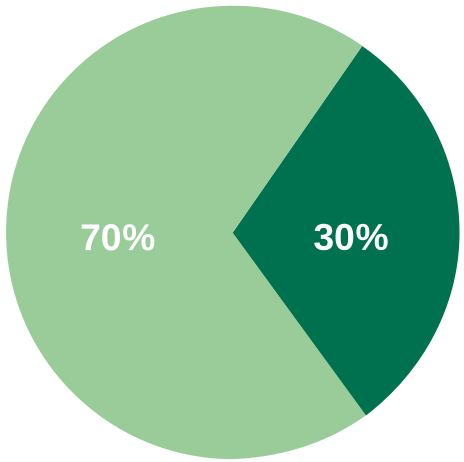


[1] Before allowance for impairment losses and fair value adjustments

COMMERCIAL/RESIDENTIAL PROPERTY & HOUSEBUILDER LENDING

£87.5bn

Lloyds Banking Group UK
£61.2bn



Lloyds Banking Group Overseas [1]
£26.3bn

Gross (pre FV adjustment and impairment)
Includes debt formerly managed in HBOS Joint Ventures

[1] Includes lending to non UK residents, and excludes residential mortgages

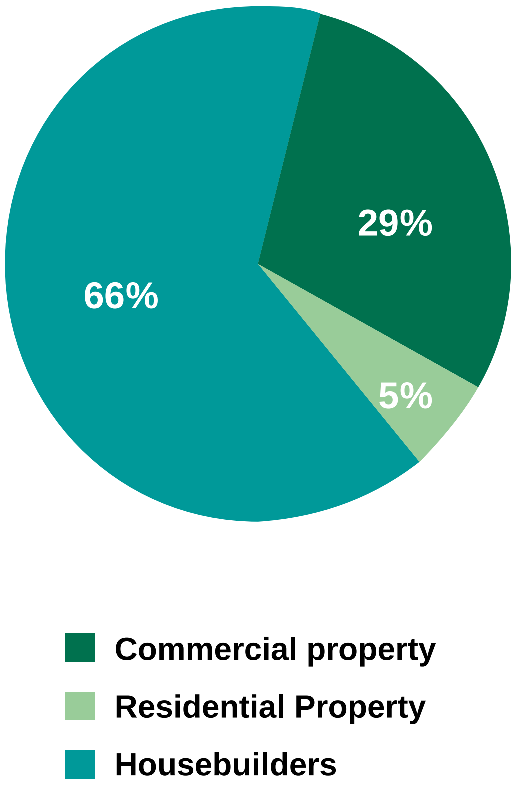
UK COMMERCIAL/RESIDENTIAL PROPERTY & HOUSEBUILDER LENDING

LLOYDS BANKING GROUP

Commercial property (£40.3bn)

- 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
- Key development origination criteria:
  - ✓ 60% of gross development value or 65% project costs
  - ✓ Min 100% cover from pre-lets
  - ✓ Avoid pure speculative development

£61.2bn



Residential property (£17.5bn)

- 54% Housing Associations (local authority cash flows)
- Larger residential property companies

Housebuilders (£3.4bn)

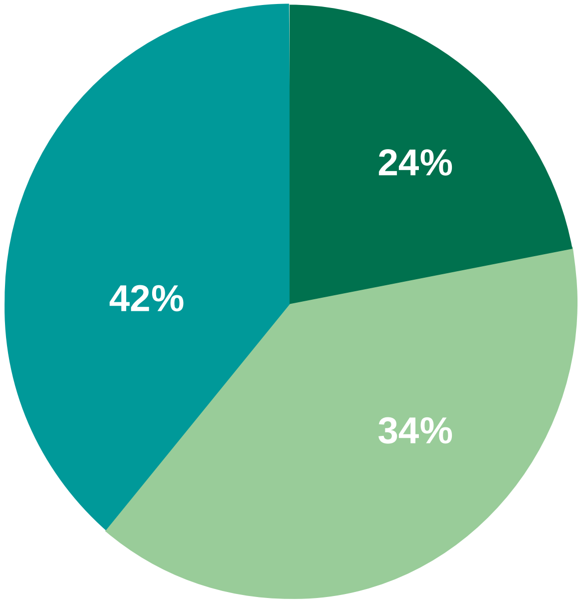
- LTSB heritage exposure mainly to the national housebuilders.
- HBOS previously focused on regional housebuilders

OVERSEAS PROPERTY LENDING [1]

Ireland (£11.1bn)

- **54% Property Investment, of which 45% is impaired**
- **46% Property Development, of which 90% is impaired**

£26.3bn



Australia (£6.2bn)

- **35% Property Investment, of which 18% is impaired**
- **54% Property Development, of which 40% is impaired**
- **11% Property Holdco’s, of which 27% is impaired**

Europe, N. America & Other (£9bn) [1]

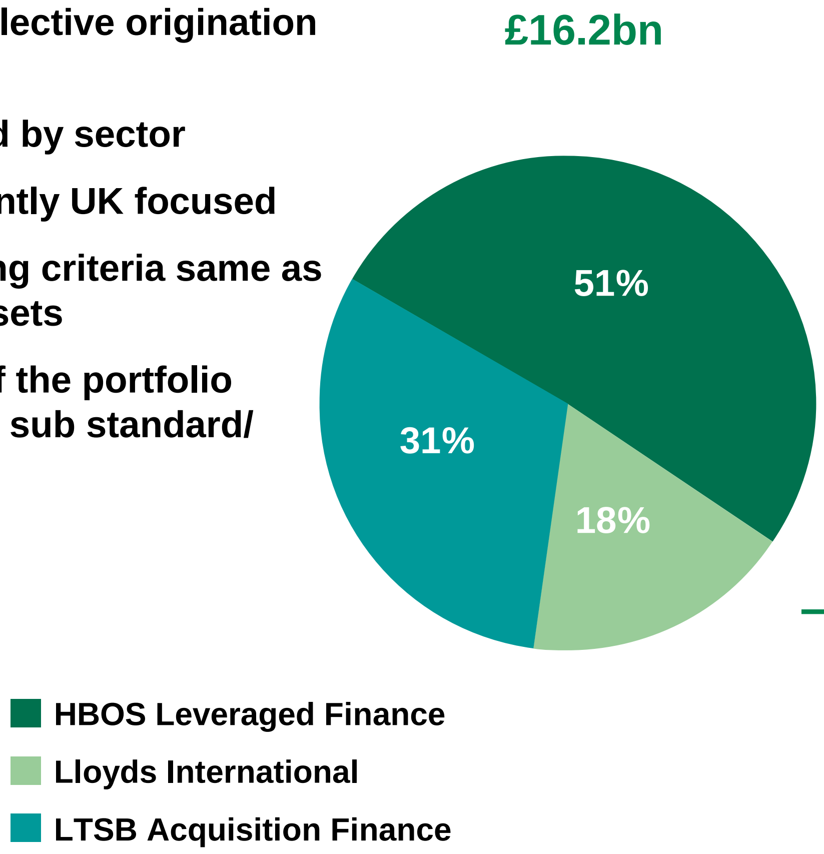
- **Split Non-UK residents £7.7bn and North America £1.3bn**
- **£3.3bn of Non-UK residents exposure relates to Wholesale Europe (WE) business**

[1] Includes lending to non UK residents, and excludes residential mortgages

LEVERAGED FINANCE LENDING

Lloyds TSB Acquisition Finance (£5.0bn)

- A highly selective origination strategy
- Well spread by sector
- Predominantly UK focused
- Underwriting criteria same as for held assets
- c. £1.2bn of the portfolio considered sub standard/ impaired



HBOS Leveraged Finance (£8.2bn)

- 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. £3.6bn considered sub standard/ impaired

Lloyds International (£3bn)

- Well spread by industry sector
- 95% of country risk in portfolio is Australia or New Zealand, with remainder relating to Asia
- C.£1bn considered sub standard/ impaired

RISK CAPITAL PORTFOLIO AT CARRY VALUE [1]

LLOYDS BANKING GROUP

MANAGE FOR GROWTH

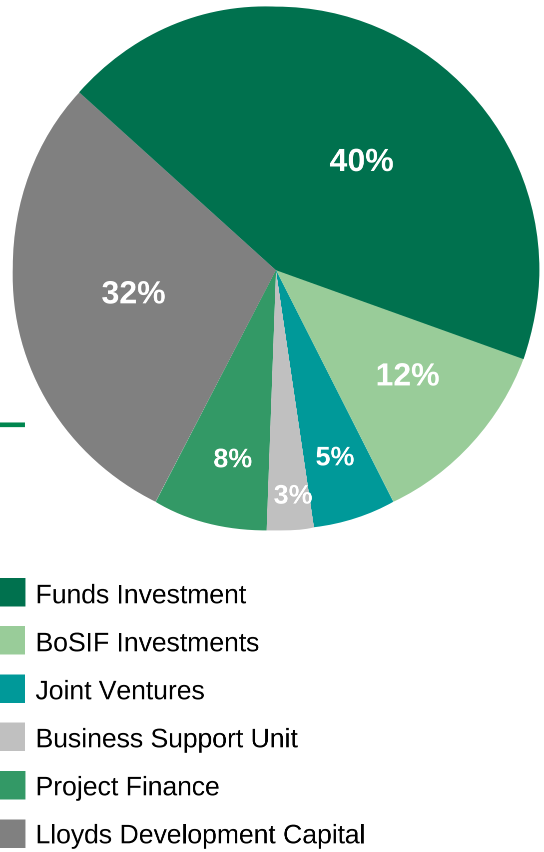
Lloyds Development Capital (£1.3bn)

- Ongoing direct equity business being managed for growth
- LDC has been profitable throughout the last economic cycle
- Portfolio is highly diversified by sector, UK geography and, through investing consistently through the cycle, by vintage
- Portfolio consists of c.70 investments, average size of investment is c.£17m

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

£4.0bn [2]



MANAGE FOR VALUE

Fund Investments (£1.6bn)

- 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

BoSIF Investments (£0.5bn)

- Portfolio of c.60 investments into UK based MBO's
- Sale of the majority of the portfolio has been agreed and is due to complete in early August, with Lloyds Banking Group retaining a 30% stake in the managed JV company

Joint Ventures (£0.2bn)

- Asset backed investments, principal sectors Real Estate (UK & Europe), Hotels and House builders

MANAGE FOR RECOVERY

Business Support Unit (£0.1bn)

- To manage equity positions resulting from restructuring activity across Wholesale and other legacy assets

(1) Excludes undrawn commitments of c.£1.7bn
(2) Excludes £0.1bn of funds investments managed by BoS USA and £0.2bn carry value of Risk Capital held by W&I Division

TREASURY DEBT SECURITIES PORTFOLIO

30.06.10	Loans and Advances (£bn)	Available for sale (£bn)	Fair Value through P&L (£bn)	Total (£bn)
Asset Backed Securities	26.2	10.7	1.3	38.2
Covered bonds	-	3.5	-	3.5
Bank / Financial Institution Fixed and Floating Rate Notes	1.1	12.2	2.3	15.6
Bank Certificate of Deposits	-	0.6	2.4	3.0
Treasury Bills and other bills	-	4.3	0.5	4.8
Other [1]	1.0	0.1	4.0	5.1
Total	28.3	31.4	10.5	70.2

(1) Includes £0.6bn relating to Landale

ASSET BACKED SECURITIES PORTFOLIO

LLOYDS BANKING GROUP

	Net exposure 30.06.2010 (£bn)	Carry Value as at 30.06.2010 (%)
Mortgage Backed Securities		
- US RMBS	4.5	52
- Non-US RMBS	8.8	93
- CMBS	3.6	83
	16.9	75
Collateralised Debt Obligations		
- Corporate	0.1	89
- Commercial Real Estate	0.4	55
- CLO	5.0	90
- Other	0.2	29
	5.7	82
Personal sector		
- Auto loans	1.3	98
- Credit Cards	2.6	96
- Personal loans	1.0	86
	4.9	94
Student loans	8.6	93
Other ABS	1.0	76
Total uncovered ABS	36.9	82
Negative basis	1.3	50
Total ABS	38.2	80

IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Impairment	2009 H1 £m	2010 H1 £m	% of Average lending 2009 H1	% of Average lending 2010 H1
Retail	2,188	1,335	*1.15*	*0.72*
– Secured (mortgages)	*591*	*53*	*0.34*	*0.03*
– Unsecured	*1,597*	*1,282*	*9.06*	*8.27*
Wholesale	8,343	2,937	*6.87*	*2.85*
Wealth and International	1,461	2,227	*4.55*	*6.56*
Total	11,992	6,499		

IMPAIRED ASSET RATIOS – GROUP

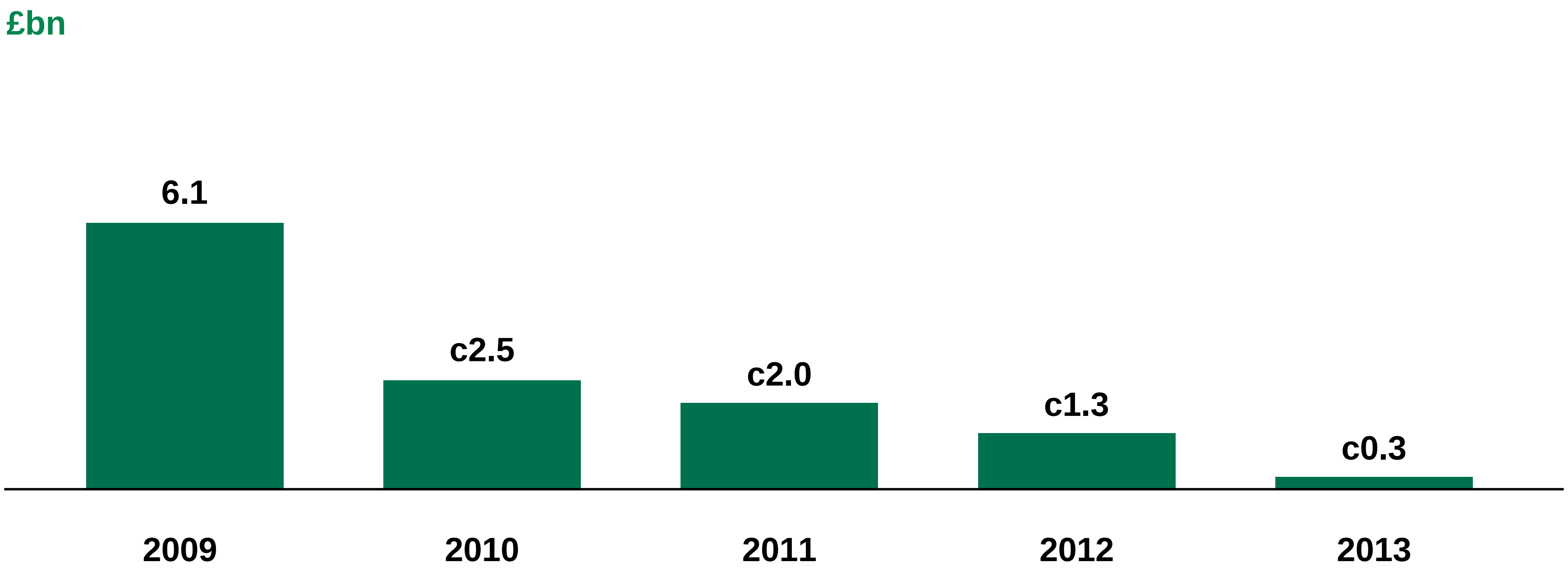
2010	Retail	Wholesale	Wealth & Int'l	Group
Loans and advances to customers (gross)	£374.2bn	£205.2bn	£65.0bn	£645.8bn
Impaired assets	£10.5bn	£36.8bn	£15.6bn	£62.9bn
Impaired assets as % of closing balance	2.8%	17.9%	24.0%	9.7%
Impairment provisions	£3.6bn	£17.8bn	£6.9bn	£28.3bn
Impairment provisions as % of impaired assets	33.9%	48.3%	44.4%	45.0%

GOOD PROGRESS ON VALUE ENHANCING ASSET RUNDOWN

Disposed Asset	Vs. mark
Insight Investment	✓
Halifax Estate Agents; Portfolio of investment businesses; & HBOS Employee Equity Solutions	✓
70% stake in esure	✓
Bank of Scotland Integrated Finance portfolio	✓
Commercial Real Estate	✓
Mortgages	n/a
Treasury Assets	✓

Run off being achieved within our marks

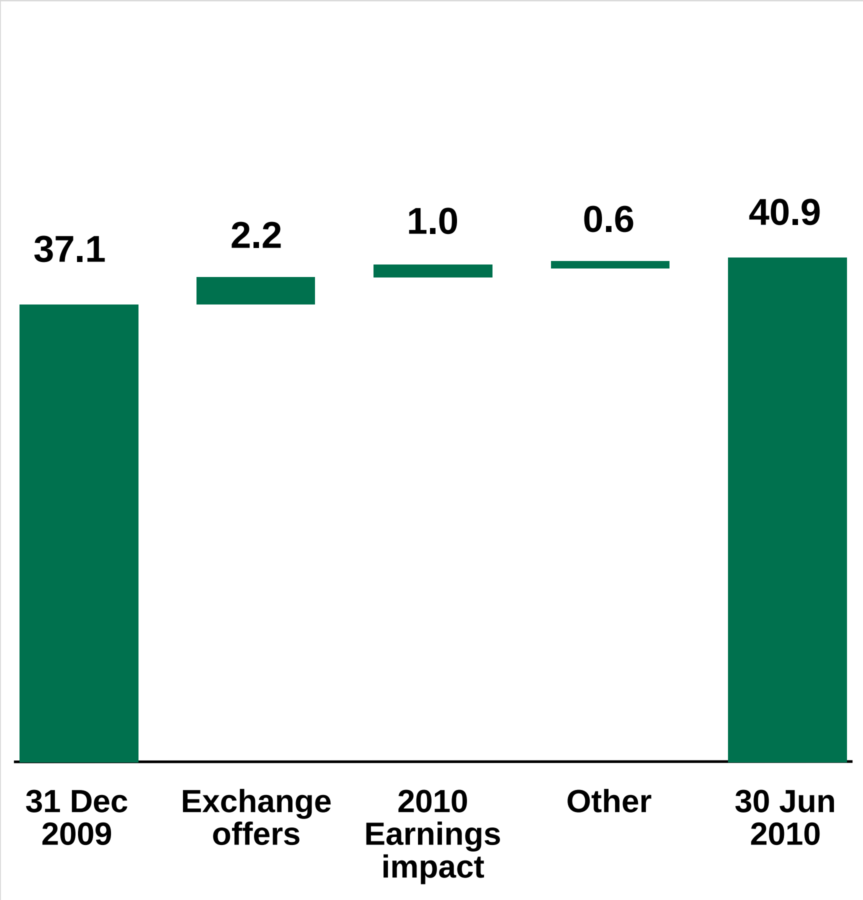
FAIR VALUE UNWIND



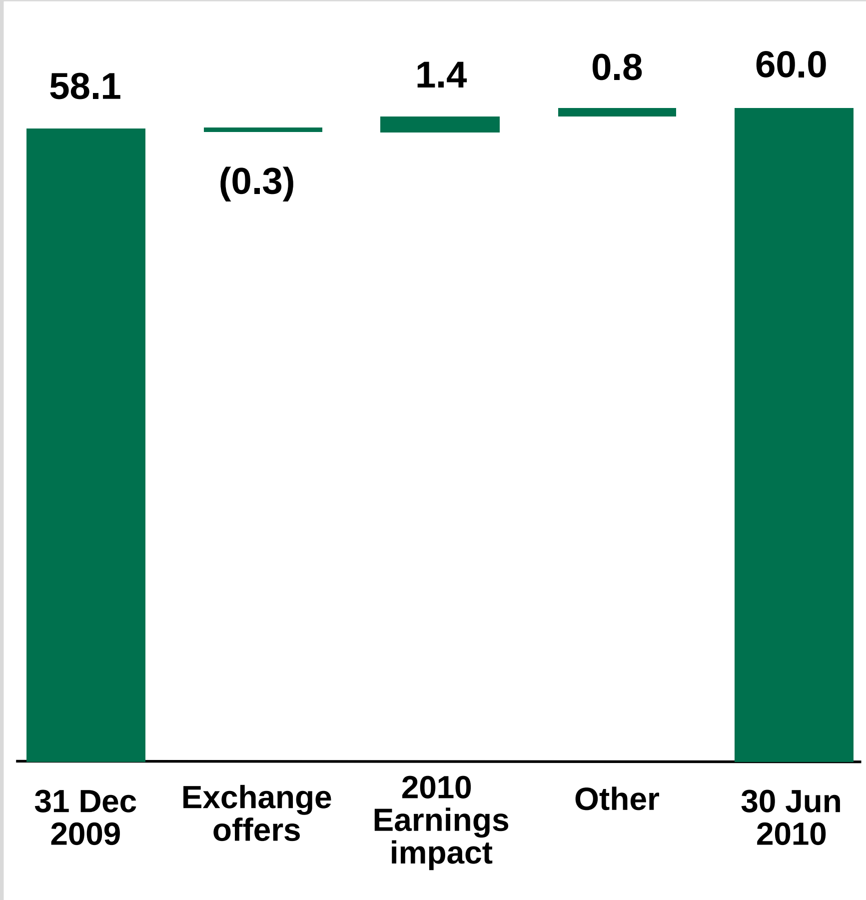
Further fair value unwind through 2013

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 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 well as the ability to integrate successfully the acquisition of HBOS; 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; market related trends and developments; changing demographic 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 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.