thesharecentre:

press release

5 May 2011

Higher than expected provisions and Irish debt impact Lloyds' figures

- Lloyds reports a £3.47bn loss for Q1 of 2011
- Lloyds put aside £3.2bn of provisions for PPI misspelling claims
- The Share Centre currently list Lloyds as a 'hold' preferring Barclays in the sector

As Lloyds announce disappointing Q1 results Graham Spooner, investment adviser at The Share Centre explains what this means for investors.

"Lloyds' profits for Q1 fell sharply. The bank that is 40% owned by the tax payer and still finding its feet after the acquisition of HBOS, reported a fall in pre tax profits from £1104m to £284m on a combined business basis.

"The main concern is the larger than expected provision of £3.2bn to cover the costs of misselling payment protection insurance. Investors will be hoping this is the last of these charges and the bank can begin to move forward.

"Troubles remain in Ireland and this was to blame for the £500m larger than expected rise in provisions against property loans. The impairment charge was £1144m for Q1 as the bank allowed for a further 10% fall in commercial real estate prices.

"As early morning trading sees the share price fall 5% to 55p, these results enforce our view that investors holding onto Lloyds in the hope of a recovery will have to be very patient indeed.

"We currently see no reason for investors to rush to the banking sector. However, for investors seeking exposure to this turbulent sector our preferred play is Barclays, who unlike Lloyds, is able to offer a dividend, has stronger profit growth and international exposure."

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For further information please contact:

The Share Centre
Rebecca Kempsell
PR Executive
01296 439 426
Rebecca.kempsell@share.co.uk

Stephanie Reynolds
PR Manager
01296 439 256
Stephanie.reynolds@share.co.uk

Lansons Communications
Inez de Koning / Lucy Willatt / Lisa Grando
0207 294 3623 / 020 7566 9717/ 0207 294 3669
Inezd@lansons.com / lucyw@lansons.com / Lisag@lansons.com

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About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPPs are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on www.share.com. Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our Investment Research Policy. The Share Centre blog is also available at http://blog.share.com.

In addition, account customers can receive individual telephone advice on UK-listed shares and on funds traded via the CoFunds trading platform.

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