SHARESOC WEBINAR

LLOYDS BANKING GROUP

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24 May 2021

Strategic update

Carla Antunes da Silva

Classification: Public

UK's largest financial services provider with distinctive strategy and customer focused business model

- **26 million customers** across our key businesses in **Retail**, **Commercial Banking**, **Insurance & Wealth**
- Largest branch network and digital bank in the UK with a **presence in every community**, supporting our purpose of **Helping Britain Prosper**

Distinctive competitive strengths

- Differentiated multi-brand, multi-channel customer propositions
- Market leading efficiency
- Largest digital bank, branch reach and customer franchise
- Prudent, low risk participation choices with strong capital position
- Rigorous execution and management discipline

Classification: Public

Business transformed by our clear strategic path since 2011

	GSR1 (2011-2014)	GSR2 (2015-2017)	GSR3 (2018-2020)
Purpose	**Helping Britain Prosper**		
Key strategic actions	**Reshape** our portfolio	Create the **best customer experience**	**Leading** customer experience
	Simplify the Group	Become **simpler** and **more efficient**	**Digitising** the Group
	Invest in core business	Deliver **sustainable growth**	**Maximising** Group capabilities
	Strengthen balance sheet & liquidity		**Transforming** ways of working

Clear outcomes

>60%
Increase in all channel NPS since 2011[1]

81%
Employee engagement index; +29pp since 2011[2]

>£7bn
Cumulative strategic investment

9.1pp
Increase in CET1 ratio since 2010[4]

17.4m
Digital active users; Largest UK digital bank

>20%
Reduction in operating costs since 2010[3]; market leading CIR

>50%
Reduction in RWAs since 2010[4]

>£12bn
Capital returned to shareholders since 2014

1 – Comparable NPS not available for 2010. 2 – Measurement began in 2011. 3 – 2010 excludes TSB. 4 – 2010 restated to reflect current rules.

Classification: Public

Today's environment brings new challenges and opportunities

Our core capabilities	Challenges	Opportunities
Purpose driven, customer focused business model	Restoring personal and business finances to health Increasing societal expectations	Taking a transformational and leading role in **Helping Britain Recover**
Differentiated and sustainable franchise	Macro environment to remain challenging	Repositioning and **delivering revenue growth** and **diversification**
Digital leadership	Accelerated shift to digital and new technology capabilities, with increased competition	**Deepening customer relationships** and **delivering step change in efficiency** through technology
Efficiency and investment focused	Lasting changes to ways of working	**Investing in people** to support transformation and **deliver a more inclusive organisation**
Low risk business		

Strategic Review 2021: The next evolution of our strategy

Our strategy – Building the UK's preferred financial partner

Our customer ambitions		Our enhanced capabilities
Helping Britain Recover	**Preferred financial partner for personal customers**	**Modernised technology architecture**
		Integrated payments
	Best bank for business	**Data-driven organisation**
		Reimagined ways of working

Our business model

Customer focused, sustainable, efficient and low risk UK financial services leader

- Core purpose of Helping Britain Prosper, with focus of **Helping Britain Recover** at the heart of our strategy
- Unlocking **coordinated growth opportunities** across our core businesses, supported by our **enhanced capabilities**
- **Clear execution outcomes** for 2021, underpinned by **long term strategic vision**
- Supported by significant levels of **strategic investment**

Helping Britain Recover: Focused on where we can make a difference, embedded in the business

Helping Britain Recover priorities

- Help rebuild households' financial health and wellbeing
- Support businesses to recover, adapt and grow
- Expand availability of affordable and quality homes
- Accelerate the transition to a low carbon economy
- Build an inclusive society and organisation

Supporting our enhanced ambitions

>6,500 colleagues trained to support customers build their financial resilience

£10bn FTB[1] lending; continuing to support **good quality social housing**

Supporting **UK's transition to a low carbon economy** with expanded Group target of **net zero by 2050, or sooner:**

- Help reduce carbon emissions we finance by **>50% by 2030**
- **Halve** the carbon footprint of Scottish Widows investments **by 2030**
- Own operations carbon emissions **net zero by 2030**
- Expand funding for **green finance initiatives** from **£3bn** to **£5bn in 2021**

Leadership team **reflecting the society we serve**; aspiration of **50%** women, **3%** Black and **13%** Black, Asian and Minority Ethnic colleagues in senior roles **by 2025**

Note: See more detail on our Helping Britain Recover commitments and our other ESG initiatives in our ESG Investor Presentation available on our Group webpage. 1 – First Time Buyers.

Classification: Public

2020 highlights show significant progress across our ESG ambitions

LLOYDS BANKING GROUP

Environmental

- Ambitious goal to help reduce emissions we finance by **>50% by 2030**, **on path to net zero by 2050 or sooner**
- Developed three new operational climate pledges including **net zero carbon operations by 2030**
- Calculated initial estimate of our **2018 financed emissions baseline** covering c.70% of Group's balance sheet [1]
- Through Scottish Widows announced **£440m divestment** from companies that fail to meet our ESG standards

Social

- Launched our **Race Action Plan** to help drive cultural change, recruitment and progression across the Group
- **First FTSE100 company** to set a public goal for **senior roles held by Black colleagues** (3% by 2025)
- Developed **new gender and ethnic diversity aspirations** for colleagues in senior roles
- **>£51m total community investment**, including **£25.5m** for our **four independent charitable Foundations**

Governance

- **Leadership succession** confirmed with Board approving appointment of new Group Chair and new Group CEO
- Comprehensive **shareholder engagement** incl. Board Governance Event and retail investor briefing
- **Employee engagement** at all-time high at **81%** reflecting continued support to colleagues through the pandemic
- New **ESG Report**, including **enhanced TCFD disclosures** and **new SASB index**

[1]Excluding the Insurance & Wealth division

Strong start on delivering Strategic Review 2021

Selected examples of 2021 progress

Helping Britain Recover	Customer ambitions	Enhanced capabilities

Helping Britain Recover

Pay As You Grow and **Recovery Loan Scheme** launched to support customers

>6,500 colleagues trained to support customers in **building financial resilience**

On track for **£10bn first time buyer mortgages** in 2021 (Q1: £3.8bn)

Founding member of the **Net Zero Banking Alliance**

Building an inclusive organisation with >8,000 enrolled on new **Line Manager Race Education** training

Customer ambitions

Preferred financial partner for personal customers:

- **£6bn** open book mortgage growth
- **c.75% increase**[1] in Schroders Personal Wealth introductions
- New Halifax branded **digital-first protection** product launched

Best bank for business:

- **Business Finance Assistant** accounting proposition extended; **>130% increase** in users in Q1
- **Improved ranking** across core Markets products from **10th to 6th**[2]

Enhanced capabilities

Modernised technology architecture: **Mobile app NPS of 74**, **+5pts** vs. FY 2020 average

Integrated payments: **c.50%** increase in clients onboarded to Cash Management & Payments platform

Data-driven organisation: Deposit balance management enhanced through embedding the use of **advanced analytics techniques**

Reimagined ways of working: Preparing for pilot use of **above branch 'community offices'** to offer flexible work spaces

1 – Compared to Q1 2020. 2 – Combined Tradeweb and Bloomberg GBP IRS (Rates) ranking.

Classification: Public

Solid financial performance, ahead of expectations

	Q1 2021
Net income[1]	£3.7bn *(7)% / +2%*
Cost:income ratio (incl. remediation)[1]	52.3% *+2.6pp / (7.6)pp*
Pre-provision operating profit[1]	£1.7bn *(12)% / +21%*
Impairment credit	£323m
Statutory profit before tax	£1.9bn
Statutory return on tangible equity	13.9%
TNAV	52.4p
CET1 ratio	16.7%

- **Net income recovering**
  - NII of £2.7bn; Q1 NIM of 2.49% and AIEAs of £439bn, both ahead of our expectations
  - Other income of £1.1bn
- **Total costs of £1.9bn, 2% lower year on year**
- **Underlying asset quality remains strong. Impairment credit of £323m driven by release of £459m given improved economic outlook**
- **Statutory profit before tax of £1.9bn**
- **Strong balance sheet and capital build**
  - Open mortgage book growth of £6.0bn in Q1
  - Deposit growth of £11.7bn
  - 16.7% CET1, with capital build of 54bps
- **2021 guidance enhanced**

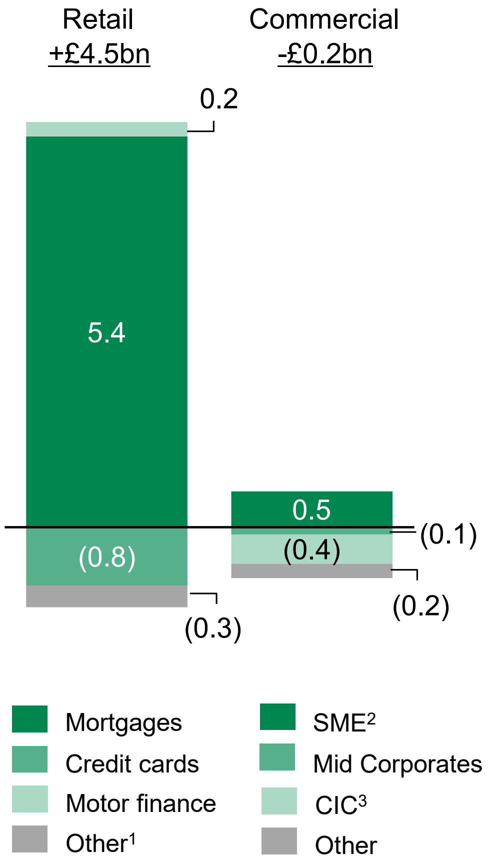
1 – Q1 2021 variance quoted against Q1 2020 / Q4 2020.

Classification: Public

Continued franchise growth

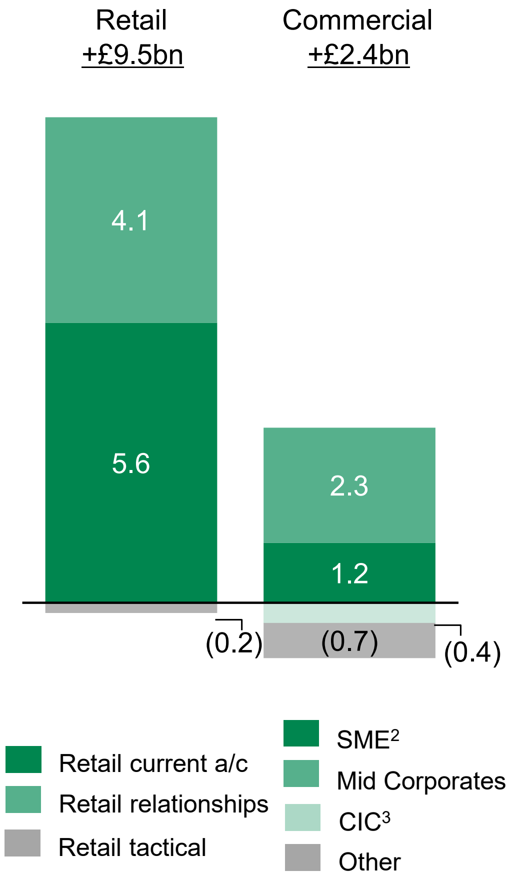
Q1 lending change

(£bn)



Q1 deposit change

(£bn)



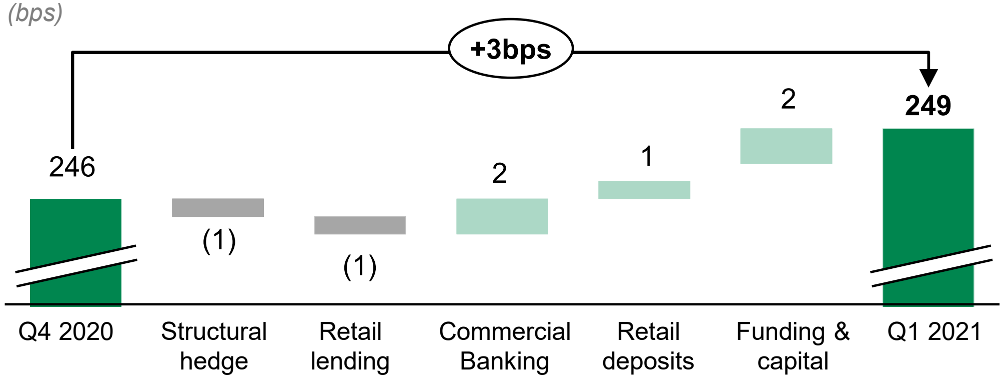
- **Total mortgage balances up £5.4bn to £299.2bn, driven by £6bn increase in open mortgage book**
- **Unsecured balances down c.£1bn and Commercial Banking balances broadly flat**
- **Retail deposits up £9.5bn, reflecting continued low spend and inflows to trusted brands**
- **Low single-digit percentage growth in AIEAs is now expected in 2021**
  - Continued mortgage strength in Q2
  - Modest recovery in unsecured balance in H2
  - Further optimisation in Commercial Banking

1 – Includes Unsecured loans, Overdrafts and Europe. 2 – Retail Business Banking included within SME for reporting purposes. 3 – Corporate and Institutional Clients.

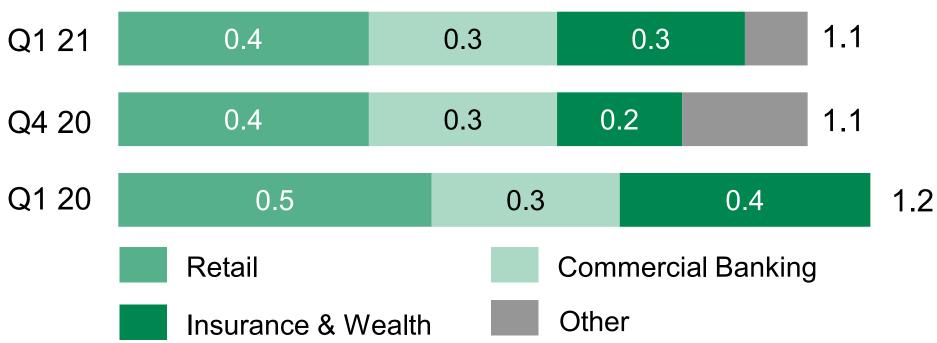
Classification: Public

Resilient income with improved margins

Net interest margin
(bps)



Other income
(£bn)

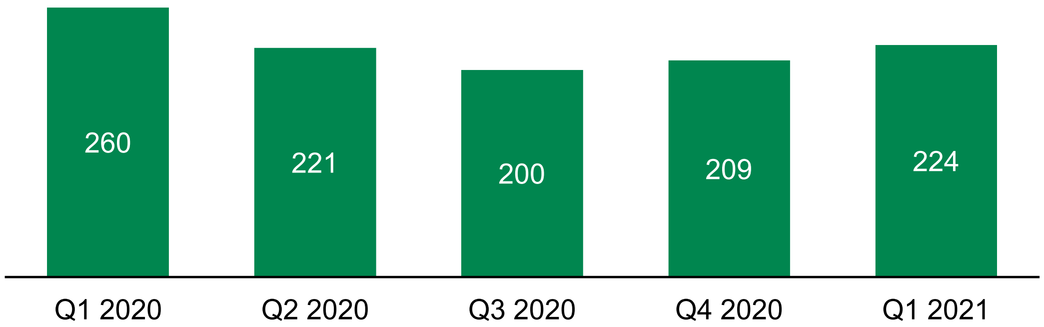


- **NII of £2.7bn in line with Q4 2020**
- **Q1 NIM of 2.49% and AIEAs of £439bn**
- **2021 NIM now expected to be in excess of 245bps**
  - Recent positive yield curve developments
- **Other income of £1.1bn, impacted by lockdown**
  - Gradual recovery expected in line with activity and investment

Operating costs continue to provide competitive advantage

Total costs
(£m)

Strategic investment spend
(£m)

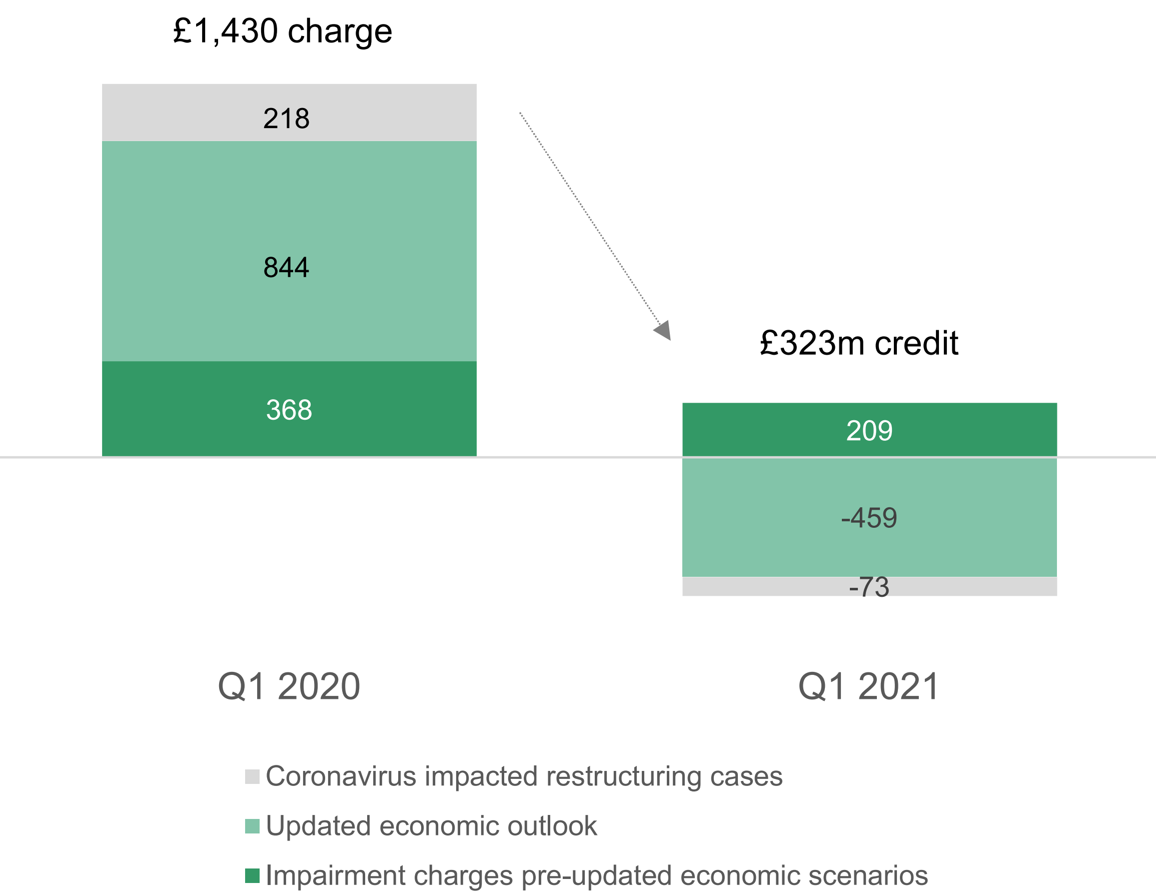


- **Total costs of £1.9bn down 2% with operating costs 1% lower**
  - Sustained cost discipline
- **Strategic investment spend of £0.2bn on track for £0.9bn target**
  - Continued focus on strategic priorities including technology and data
- **Operating costs to reduce to c.£7.5 billion in 2021**
  - Including net Covid-related costs and compensation headwinds in 2021 of £100m to £150m

Strong asset quality and improved economic outlook resulting in impairment release in the quarter

Total impairment costs

(£m)

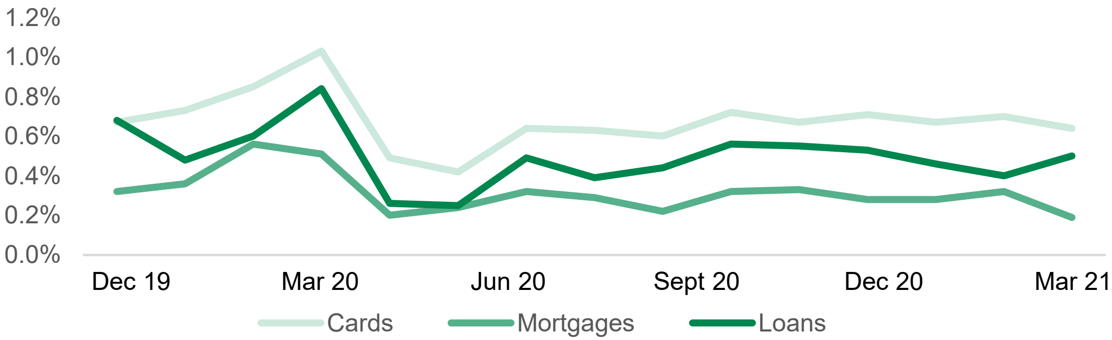


- **Asset quality strong with new to arrears stable**
  - Retail credit experience remains benign and in line with pre-Covid levels
  - Commercial credit performance robust, benefitting from improved restructuring outcomes and lower defaults
- **Impairment credit of £323m, driven by improved economic outlook since Q4 20**
- **Stock of Expected Credit Losses (ECL) reduced to £6.2bn, £2bn higher than year-end 2019**
  - Based on 4 probability-weighted scenarios
  - Base Case (weighted at 30%) now includes peak unemployment of 7% in Q4 2021 (reduced from 8% at Q420) and HPI fall c.(1%) (reduced from c.(4)%)
  - Severe scenario (weighted at 10%) generates £8.9bn ECL; peak unemployment 10.4% in Q4 21
- **Based on current economic assumptions, FY 2021 net Asset Quality Ratio now expected to be below 25bps**

Credit quality remains strong with new to arrears stable

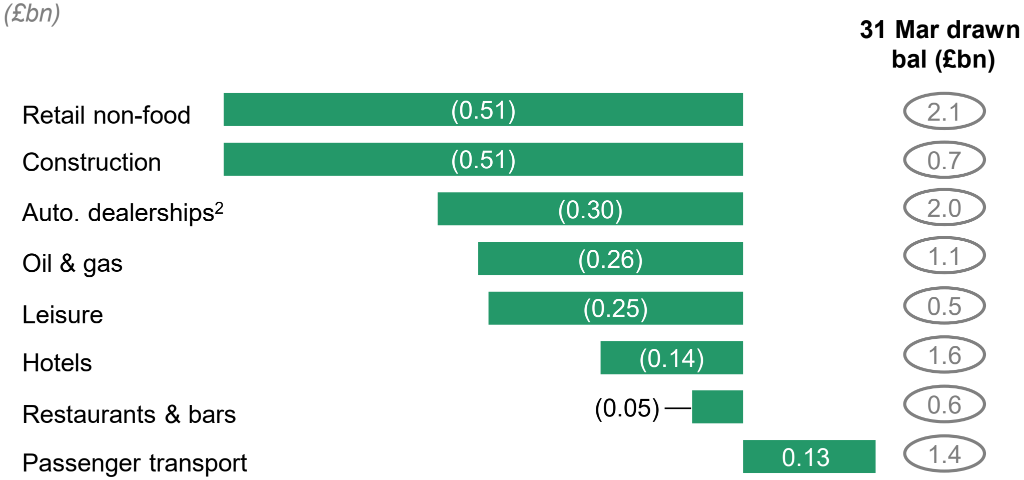
Retail new to arrears

(%)



Key coronavirus-impacted sectors net lending utilisation change[1]

(£bn)



- **Observed credit experience remains benign, with support schemes effective**
- **Strong performance on Retail payment holidays with 95% now fully matured; of which 94% repaying**
- **c.70% of Commercial exposure[3] at investment grade**
- **New to Business Support Unit levels remain in line with pre-crisis levels**
- **Supporting Commercial clients; selectively managing lending in key coronavirus-impacted sectors**
  - Exposure to key coronavirus-impacted sectors remains modest at c.2% of Group lending
  - Net reduction of c.£1.9bn[4] in lending utilisation of key coronavirus-impacted sectors since March 2020
- **New to arrears levels forecast to increase later in 2021 consistent with economic outlook, but remain well provisioned**

1 – Lending classified using ONS SIC codes at legal entity level. Net lending utilisation change from Q1 2020 to Q1 2021. Balances exclude c.£1.0bn of BBLs/CBILS lending. 2 – Automotive dealerships includes Black Horse Motor Wholesale lending (within Retail). 3 – Commercial Banking excluding SME. 4 – Excluding BBLs/CBILS.

Summary - solid business momentum in Q1 with enhanced 2021 guidance

- Helping Britain Recover: continued support for customers
- Strategic Review 2021 delivering momentum
- Solid financial performance with balance sheet momentum
- Strong capital position with 16.7% CET 1 ratio; Board intends to resume its progressive & sustainable dividend policy during 2021, at a level higher than 2020, subject to PRA guidance
- 2021 guidance enhanced, though uncertainties remain

2021 guidance based on Group's current economic assumptions:

- **Net interest margin now expected to be in excess of 245bps**
- **Operating costs to reduce to c.£7.5 billion**
- **Net asset quality ratio now expected to be below 25bps**
- **RWAs to be broadly stable on 2020**
- **Statutory RoTE now expected to be between 8% and 10%, excluding c.2.5pp benefit from tax rate changes**

Targeting medium term statutory RoTE in excess of cost of equity

Questions and Answers

Carla Antunes da Silva, Fiona Cannon & Douglas Radcliffe