ShareSoc Webinar
Lloyds Banking Group

Carla Antunes da Silva, Group Strategy, Corporate Development & Investor Relations Director
Douglas Radcliffe, Group Investor Relations Director

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2021 strategic and financial progress

Douglas Radcliffe, Group Investor Relations Director

Solid financial performance in 2021

£15.8bn
Net income up 9% vs 2020

56.7%
Cost:income ratio up 1.4pp vs 2020

13.8%
RoTE up 11.5pp vs 2020

57.5p
TNAV up 5.2p vs 2020

16.3%
Pro forma CET1 ratio up 0.1pp vs 2020[1]

£3.4bn
Total capital returns

- Solid net income, up 9%, NIM 254bps
- Maintained focus on operating costs, 1% higher YoY including variable pay
- Strong asset quality, £1.2bn net impairment credit
- Statutory profit after tax of £5.9bn
- Continued franchise balance sheet growth
- Strong capital build of 210bps, pro forma CET1 ratio 16.3%[1]
- Shareholder returns £3.4bn, equivalent to c.10% of market capitalisation[2]
  - Final ordinary dividend of 1.33p per share; total ordinary dividend of 2p
  - Share buyback £2bn

1 – The pro forma CET1 ratio as at 31/12/2021 reflects both the insurance dividend paid in Q1 2022 and the impact of the announced ordinary share buyback programme. Does not include the impact of capital headwinds on 01/01/2022. 2 – Market capitalisation as at close of business on 31/12/2021.

Helping Britain Recover

Performance against commitments for 2021[1]

>93k
Start-ups and small businesses supported vs target 75k[2]

>£16bn
Lent to first-time homebuyers vs target £10bn

>£3bn
New funding to social housing vs target £1.5bn

c.£5bn
Discounted green finance delivered; funding available expanded from £3bn to £5bn[3]

8.8%
Senior roles held by Black, Asian and minority ethnic colleagues; 2025 target 13%

37.7%
Senior roles held by female colleagues; 2025 target 50%

Group's focus areas for 2021

- Recovery and growth of businesses
- Financial health of households
- Affordable and quality homes
- Transition to a low carbon economy
- Inclusive society and organisation

1 – See the 2021 ESG Report for a full list of 2021 commitments and performance. 2 – Provided to customers through online support, business advice and business banking accounts; not-for-profit enterprises comprise approximately 10% of this figure. 3 – c.£5bn includes Clean Growth Finance Initiative and Commercial Real Estate Green Lending since 2016; expansion of funding available took place in 2021.

Classification: Public

Progress against Strategic Review 2021

Our customer ambitions

+69	Maintained record all-channel NPS (FY21)
£16bn	Net growth in open mortgage book in 2021
>£7bn	Net new open book AuA in Insurance & Wealth
c.60%	Growth in SME products originated via a digital source (target 50%)

Enhanced capabilities

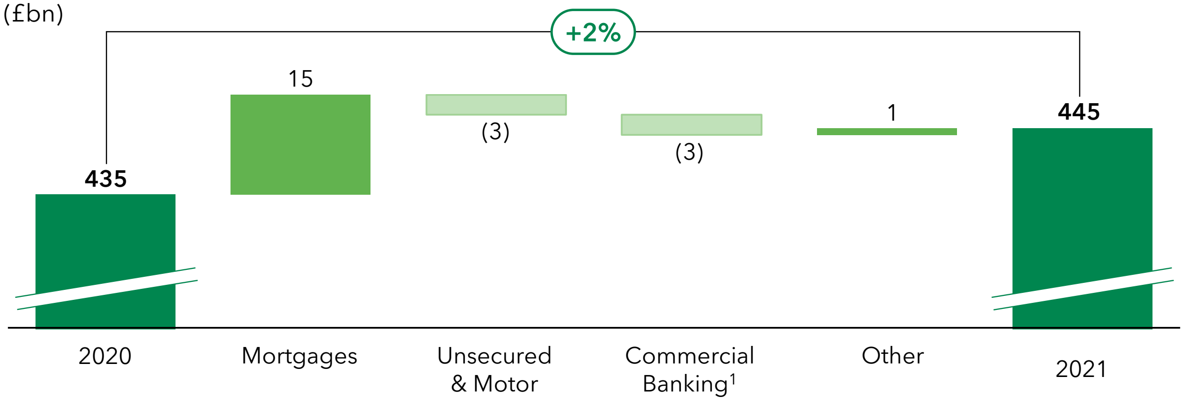
1.8x	Mobile app releases in 2021 vs 2020 (target 2x)
3x	Corporate clients onboarded to new cash management & payments platform (target 3x)
c.120k	Customer accounts safely migrated to pilot of new bank architecture
c.9%	Reduction in office space in 2021 (target 8%)

Execution in 2021 provides a strong foundation for our new strategy

Solid net interest income performance

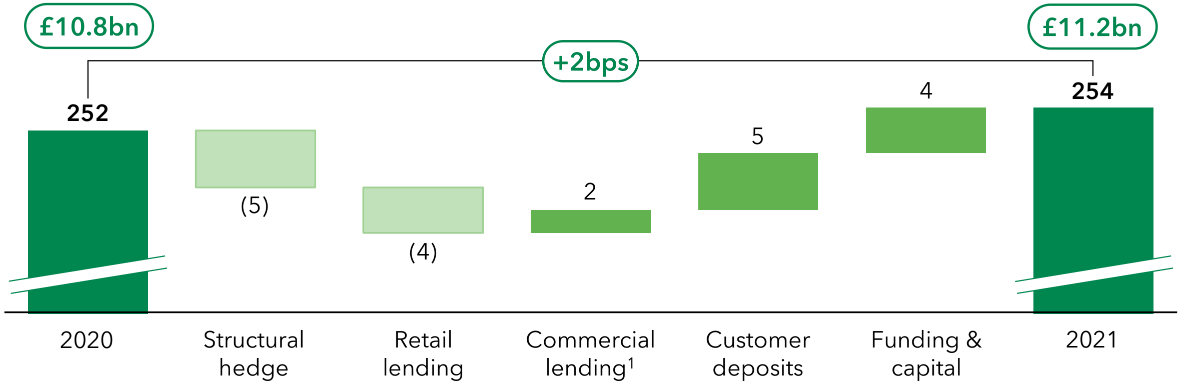
Average interest-earning assets (AIEAs)

(£bn)



Net interest income (NII) and banking net interest margin (NIM)

(£bn, bps)



- NII £11.2bn, up 4% on 2020, benefitting from increased AIEAs and stronger NIM
  - 2021 AIEAs £445bn, up £10bn on 2020
  - Full year NIM 254bps, 257bps in Q4, up 2bps on Q3
- Positive impact from rising rates despite ongoing mortgage pricing pressure
- Illustrative c.£200m additional NII in year 1 for a 25bps parallel increase in rates[2]
- Low single-digit percentage growth in AIEAs expected in 2022
- 2022 NIM expected to be above 260bps

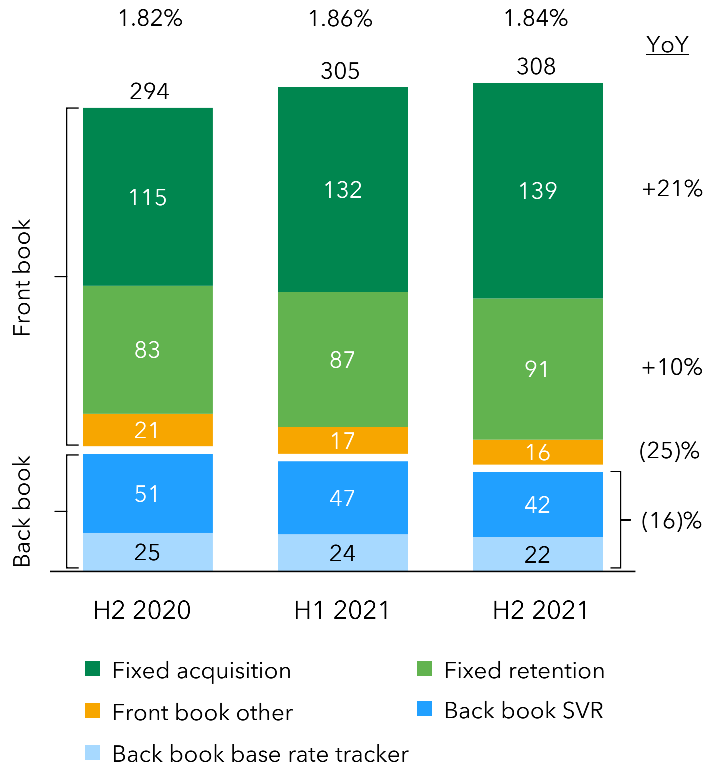
1 – Retail Business Banking included within Commercial for reporting purposes. 2 – Illustrative interest rate sensitivity; based on the assumptions shown in the appendix on slide 57.

Classification: Public

Strong mortgage growth with tighter new business margins

Mortgage book

(Book size £bn, Gross margin %[1])

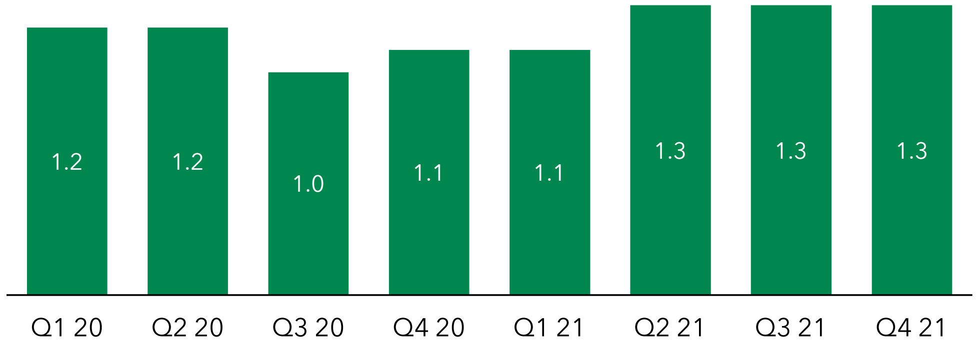


- Mortgage balances up £13.7bn to £307.5bn, open book growth £16bn
- Back book c.£64bn, Q4 YoY attrition c.16%
- 2021 new business[2] c.£90bn
  - 2021 front book maturities at c.150bps
  - Average completion margin c.160bps (2020: c.170bps), c.115bps in Q4[3]
- 2022-24 Group NIM impacted by maturities of high-yielding 2020-21 business
- Mortgage lending remains attractive from a returns and economic value perspective

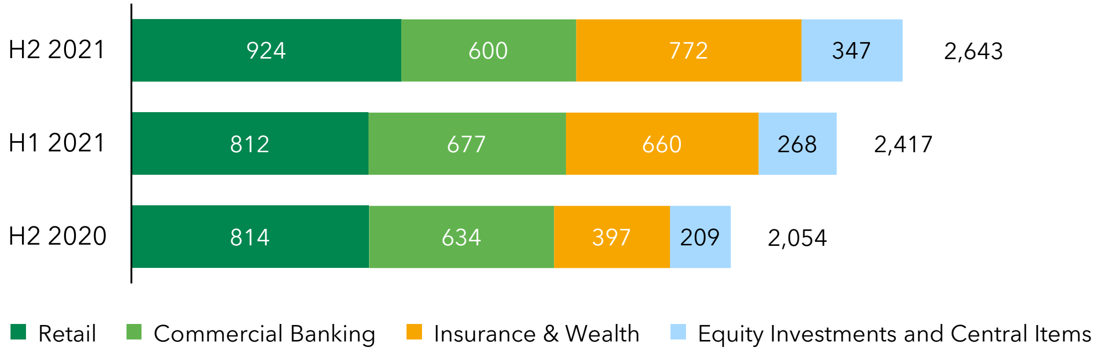
1 – Gross margin is gross customer receivables, less short-term funding costs; references SONIA. Chart uses rounded inputs. 2 – Includes retention of existing customers on new deals.
3 – Total completion margins include new business and product transfers and is the difference between the customer rate and the relevant funding rate.

Other income showing signs of recovery

Other income
(£bn)



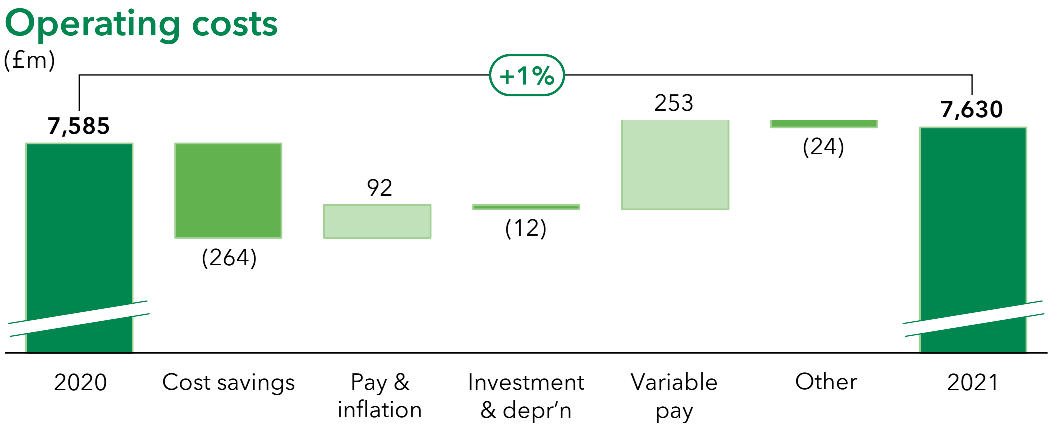
Divisional other income
(£m)

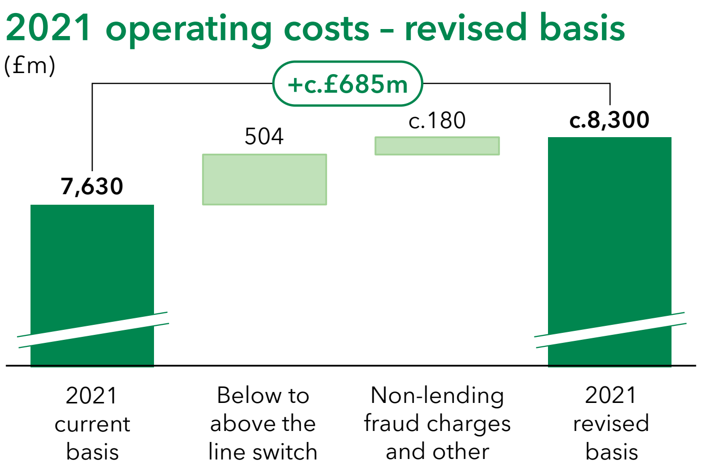


- Other income of £5.1bn in 2021, with £1.3bn in Q4
  - Retail seeing recovering customer activity levels, offset by reduced Lex fleet
  - Broadly stable performance overall in Commercial Banking year on year
  - Increased activity across life, pensions and investments excluding bulk annuities
  - Q4 benefits from c.£80m insurance assumption and methodology changes
  - Equity Investments, including LDC, c.£100m above typical run rate in 2021
- Continued recovery expected, dependent on customer activity, supported by ongoing and new investments

Classification: Public

Maintained focus on efficiency

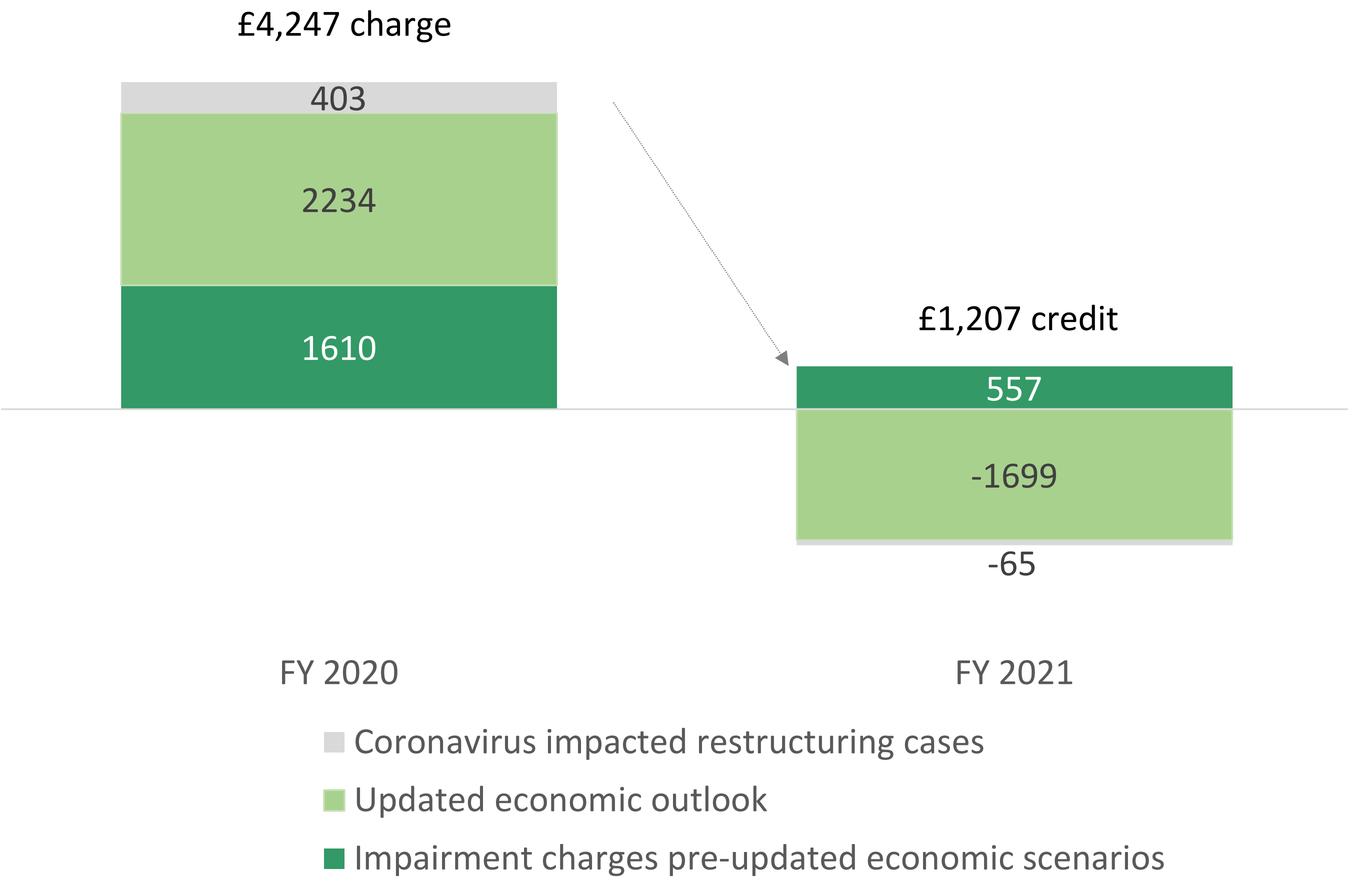




- Sustained cost discipline; cost:income ratio of 56.7% and operating costs of c.£7.6bn
- Remediation of £1.3bn includes £790m for HBOS Reading, £600m in Q4 reflecting estimated future cost
- From Q1, restructuring costs, except M&A-related costs, to be shown above the line
  - Equivalent to £504m in 2021
  - Fraud charges also to be reported in operating costs (previously impairment)
- 2022 operating costs expected to be c.£8.8bn on new basis (2021: c.£8.3bn)
  - Stable before increased investment and new Embark and Citra businesses

Strong asset quality and low new to arrears

Total impairment costs
(£m)

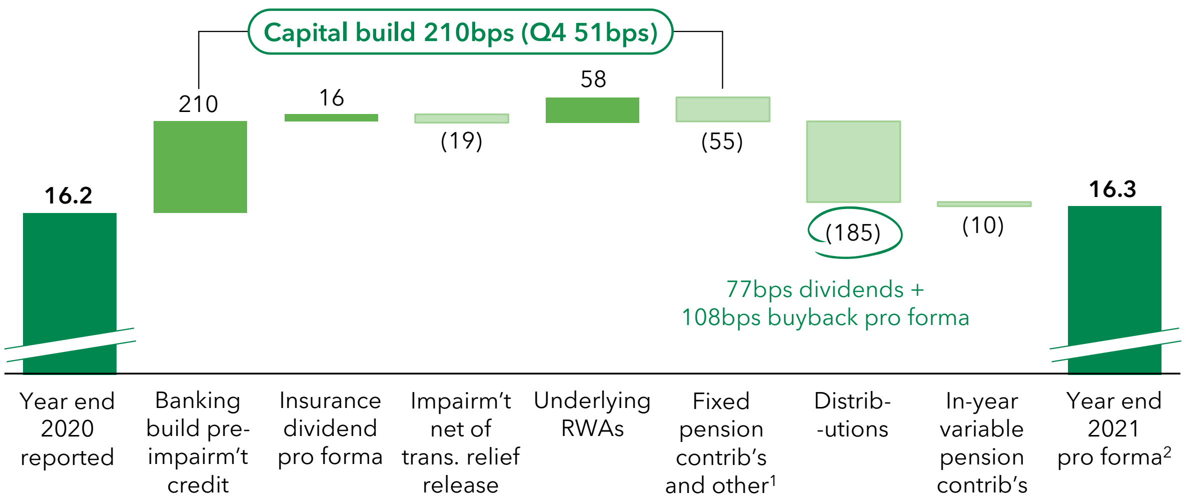


- £1.2bn net impairment credit for 2021, £467m credit in Q4, both given improved macroeconomic outlook
- Sustained low levels of new to arrears and underlying charges below pre-Covid levels
- Stock of Expected Credit Losses (ECL) reduced to £4.5bn, c.£0.3bn higher than year end 2019
- 2022 asset quality ratio expected to be c.20bps

Strong capital build enabling total distribution of £3.4bn

Common equity tier 1 ratio

(%, bps)



- Total capital return equivalent to £3.4bn, c.10% of market cap
  - Final ordinary dividend of 1.33p per share; total ordinary dividend of 2p
  - Share buyback of £2bn
- Pro forma CET 1 ratio 16.3% reflecting strong capital build of 210bps, including £300m insurance dividend
- Headwinds of c.230bps on 1 January 2022 given regulatory changes
  - 14% pro forma CET1, post-headwinds
  - Remain ahead of ongoing target of c.12.5% plus a c.1% management buffer
- Expect resilient capital build in 2022, excluding headwinds

1 – Includes 41bps in respect of the Group's fixed contributions to its defined benefit pension schemes. Also includes the capital impact of funding the acquisition of Embark, net of other small movements.
2 – Year end 2021 pro forma CET1 ratio reflects both the insurance dividend paid in Q1 2022 and the impact of the announced ordinary share buyback programme (neither of which impacted 2020). Does not include the impact of capital headwinds on 01/01/2022.

Strategy update

Carla Antunes da Silva, Group Strategy, Corporate Development & Investor Relations Director

Classification: Public

Key messages

Transformation plan

Higher, more diversified, revenues

c.£0.7bn additional revenues from strategic initiatives in 2024; c.£1.5bn with a 50:50 NII/OOI split by 2026

Maintaining strong focus on cost discipline

Flat costs in 2024 vs. 2022, with savings offsetting cost pressures; cost:income ratio <50% by 2026

Enabling our strategy through our people, technology and data

Destination employer with purpose of Helping Britain Prosper; investing in end-to-end efficiency and upgrading data and technology capabilities

Delivering a step change in profitability

Higher, more sustainable, returns

>10% RoTE by 2024, with a step-change to >12% RoTE by 2026 as full investment benefits are realised

Higher, more sustainable, capital generation

Average capital generation of c.150bps per annum 2022-2024, sustainably improving to 175-200bps by 2026; committed to returning excess capital and paying down to target CET1 ratio by 2024

Classification: Public

Building on our strong foundations

Our strong foundations…

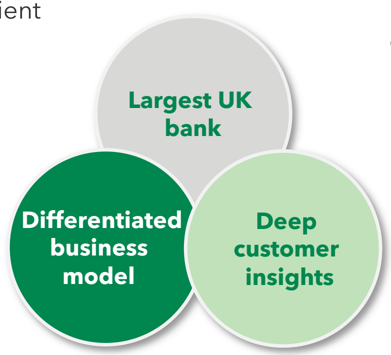
- Leading UK customer franchise with trusted brands
- Largest UK digital bank
- Operating at scale with strong cost discipline
- Financial strength and disciplined risk management
- Dedicated colleagues with strong values

…have created distinct competitive strengths

Maintained leading market shares;
19% since 2017

>1m business client relationships

Relationship with c.50% of UK adults



UK's only integrated financial services provider

Significant data asset;
1bn monthly transactions

18.3m digitally active customers;
45% growth over last 5 years

Record all-channel NPS;
7pt growth over last 5 years

Classification: Public

Changing environment, opportunity to do more

Key challenges

- High NII dependency in a low rate environment
- Customer behaviour and competition driving disintermediation
- Accelerated shift to digital
- Need to enhance and simplify technology infrastructure
- Heightened societal, environmental and colleague expectations

Key opportunities

- **Grow and diversify revenue base**
- **Create more valuable relationships as integrated provider**
- **Drive end-to-end efficiency through digitisation**
- **Modernise technology to drive efficiency**
- **Align purpose to value for all our stakeholders**

Transforming to create higher and more sustainable value

A clear strategic vision… | …with a transformation plan… | …creating higher and more sustainable value

Purpose

Helping Britain Prosper

Strategic vision

UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale

Building an inclusive society

Supporting the transition to a low carbon economy

Grow — **Drive revenue growth and diversification**

Focus — **Strengthen cost and capital efficiency**

Change — **Maximise the potential of people, technology and data**

Higher, more sustainable, returns and capital generation

Classification: Public

Higher, more sustainable, returns and capital generation

c.£3bn incremental strategic investment by 2024… | …will create higher, more sustainable, returns

Grow — **Drive revenue growth and diversification**

Focus — **Strengthen cost and capital efficiency**

Change — **Maximise the potential of people, technology and data**

>10% RoTE by 2024

c.£0.7bn additional revenues from strategic initiatives

c.£8.8bn operating costs, flat on 2022

c.150bps capital generation per annum

>12% RoTE by 2026

c.£1.5bn additional revenues from strategic initiatives

<50% cost:income ratio

175-200bps capital generation per annum

Drive revenue growth and diversification

1 **Deepen and innovate in Consumer**

2 **Create a new mass affluent offering**

3 **Digitise and diversify our SME business**

4 **Target our Corporate and Institutional offering**

Key outcomes from strategic initiatives

c.£1.5bn per annum

Additional revenues in 2026 (c.£0.7bn in 2024)

50:50

NII/OOI split from strategic initiatives by 2026

>2pp RoTE

Contributes to 2024-2026 RoTE uplift

Strengthen cost efficiency

Key priorities: c.£1bn incremental strategic investment over 3 years

Lower cost of technology	Simplify our technology estate through decommissioning or migration to more efficient infrastructure
Lower cost of change	Modernise technology applications and infrastructure, reducing cost of ownership and driving greater agility
Lower cost to serve	Enhance self-service capabilities across distribution and customer operations Deliver further end-to-end digitisation of customer journeys
Central functions and offices	Improve productivity through automation and simplification Optimise office portfolio in line with hybrid ways of working

2024 outcomes:

>15%

Reduction in legacy applications

15%

Gross reduction in run and change technology costs

>10%

Increase in customers served per distribution FTE

>30%

Reduction in office footprint

Classification: Public

Maximise the potential of people, technology and data

People

Transforming ways of working, recruiting and developing new skills; building an inclusive organisation

Technology

Further embedding an agile technology model, driving scale, efficiency and business value

Data

Leveraging data-driven insights to create value for customers from our information flows

2024 outcomes:

Improve
Employee Engagement Index

20%
Applications on cloud (private and public)

60%
Business new lending decisions automated

Classification: Public

Strategic vision delivering higher, more sustainable, returns

A clear strategic vision… | …to create higher, more sustainable, returns

UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale

Higher, more diversified, revenues

Strong focus on cost discipline

Enabling our strategy through people, technology and data

Higher, more sustainable, returns

Higher, more sustainable, capital generation

Q&A