LLOYDS BANKING GROUP

2019 RESULTS

Presentation to analysts and investors | 20 February 2020

Introduction	António Horta-Osório Group Chief Executive
Retail Bank update	Vim Maru Group Director, Retail Bank
Financials	William Chalmers Chief Financial Officer
Q&A	

Full year results – Introduction

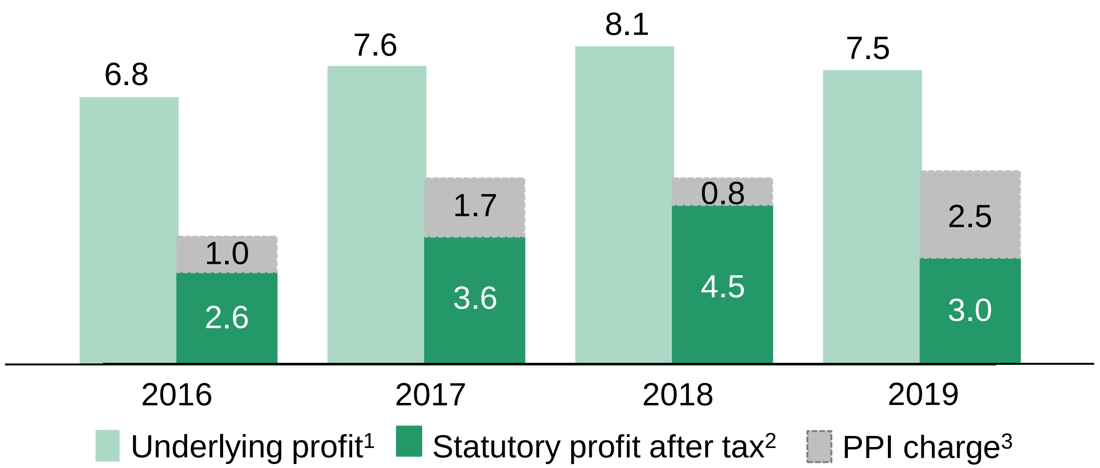
António Horta-Osório
Group Chief Executive

Strategic progress alongside solid financial performance

- **Group continues to Help Britain Prosper, whilst building strategic advantage and delivering strong and sustainable returns**
- **Significant progress against strategic priorities with £2bn investment since launch of GSR3**
- **Solid financial returns in challenging environment with resilient underlying performance offset by PPI charges**
- **Progressive and sustainable total ordinary dividend of 3.37p, up 5%; quarterly dividends commence at Q1 2020**
- **Guidance for 2020 reflects confidence in business model and future performance**

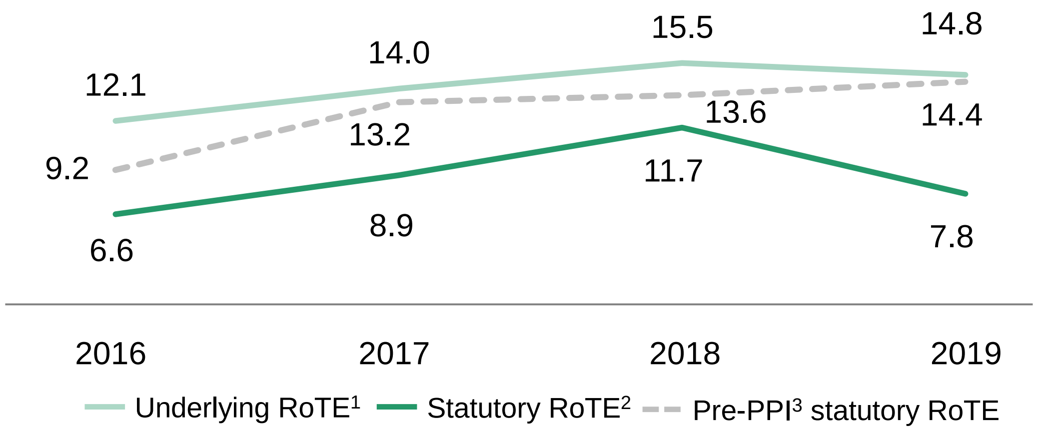
Underlying profit and statutory profit after tax

(£bn)



Return on tangible equity

(%)



1 – 2016 and 2017 restated to show Remediation / Other conduct within Underlying profit. 2 – 2016 to 2018 restated to reflect amendments to IAS12. 3 – Pre-tax PPI charge.

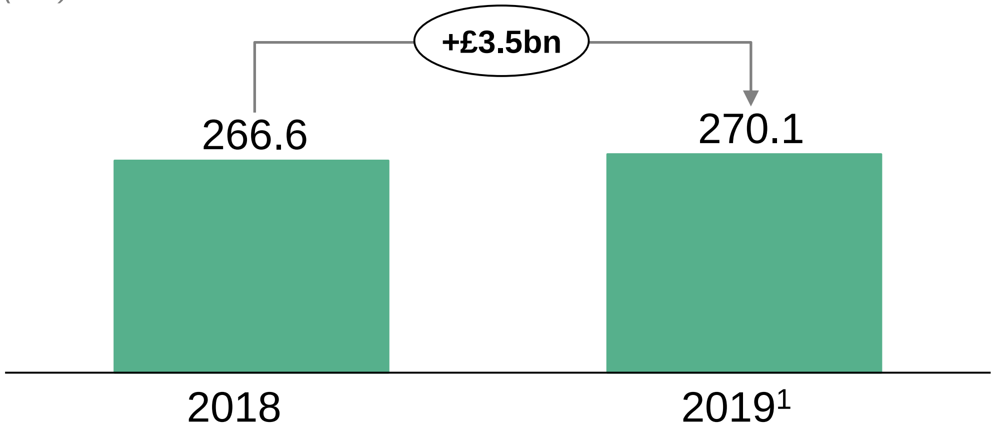
Solid financial performance in a challenging environment

Statutory profit after tax	£3.0bn *(33)%*
Underlying profit	£7.5bn *(7)%*
Net income	£17.1bn *(4)%*
Total costs	£8.3bn *5%*
Cost:income ratio	48.5% *(0.8)pp*
Return on tangible equity	7.8% *(3.9)pp*
Free capital build	86bps

- **Statutory PAT of £3.0bn impacted by PPI charges of £2.45bn**
- **Underlying profit of £7.5bn with underlying RoTE of 14.8%**
  - Net income of £17.1bn, 4% lower, with resilient NIM of 2.88%
  - Total costs of £8.3bn, 5% lower, with BAU costs down 6%, cost:income ratio further improved to 48.5% and positive jaws of 1%
  - Credit quality remains strong with net AQR of 29bps
- **Statutory return on tangible equity of 7.8%**
- **Capital build of 86bps (207bps pre PPI); pro forma CET1 ratio of 13.8% post dividends**
- **TNAV per share of 50.8p**

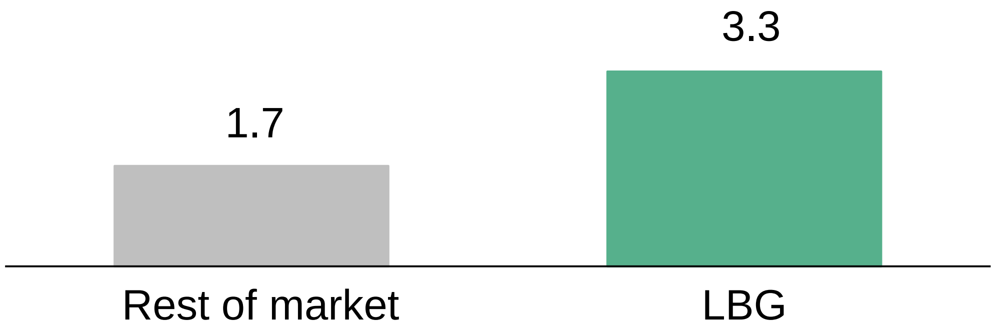
Growth in key segments

Open mortgage book ahead of 2018
(£bn)

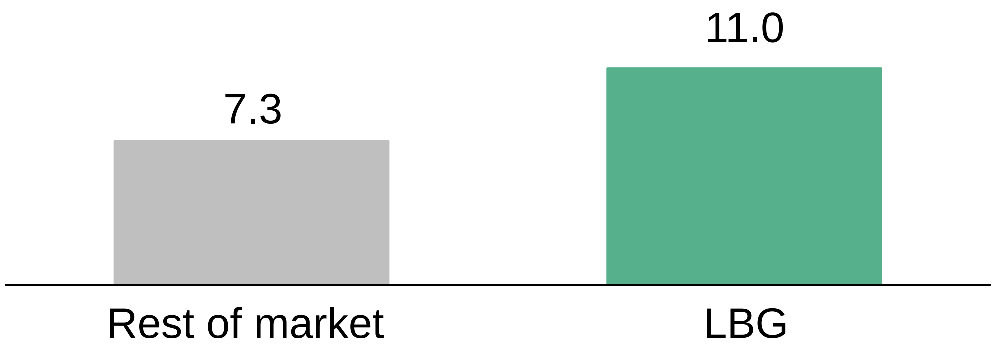


Focused on growth opportunity in Insurance and Wealth
(Open book AUA, £bn)

SME lending growth ahead of market[3]
(Growth since start of GSR 3, %)



Personal current account growth ahead of market[4]
(Growth since start of GSR 3, %)

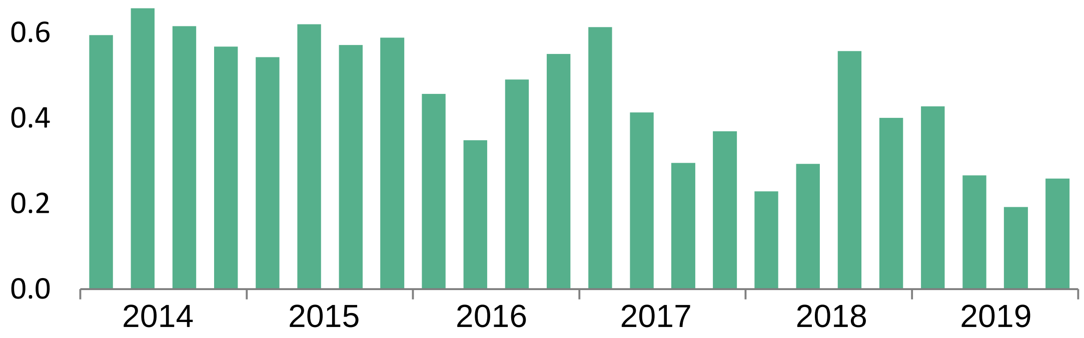


1 – Includes £3.5bn from Tesco book acquisition. 2 – Includes £18bn from Zurich's UK workplace pensions and savings business acquisition. 3 – LBG SME lending balances include Retail Business Banking and commercial cards. Rest of market based on Dec 2019 BoE data excluding LBG's submitted balance. 4 – LBG PCA credit balances exclude non-UK resident balances. Market data source: CACI (Nov 2019).

UK economy resilient in 2019 with some signs of improving outlook

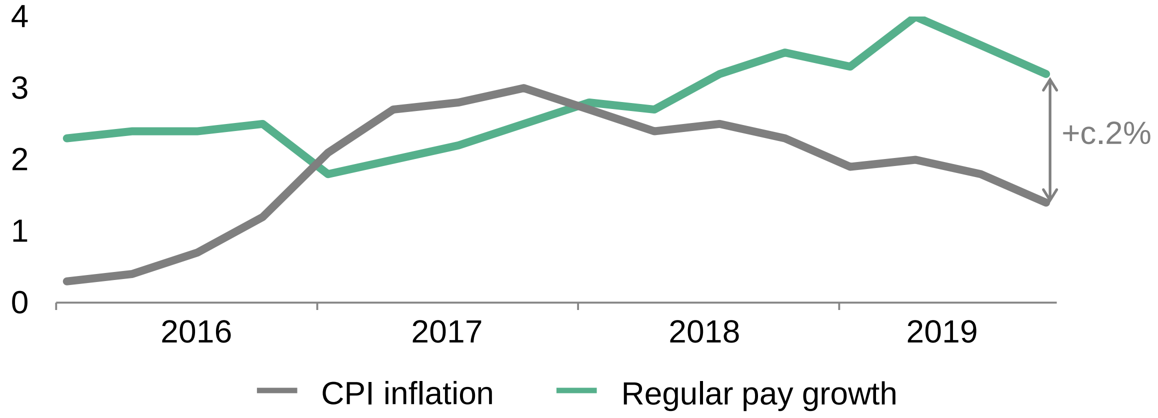
GDP growth[1,2]

(% growth vs. previous quarter)



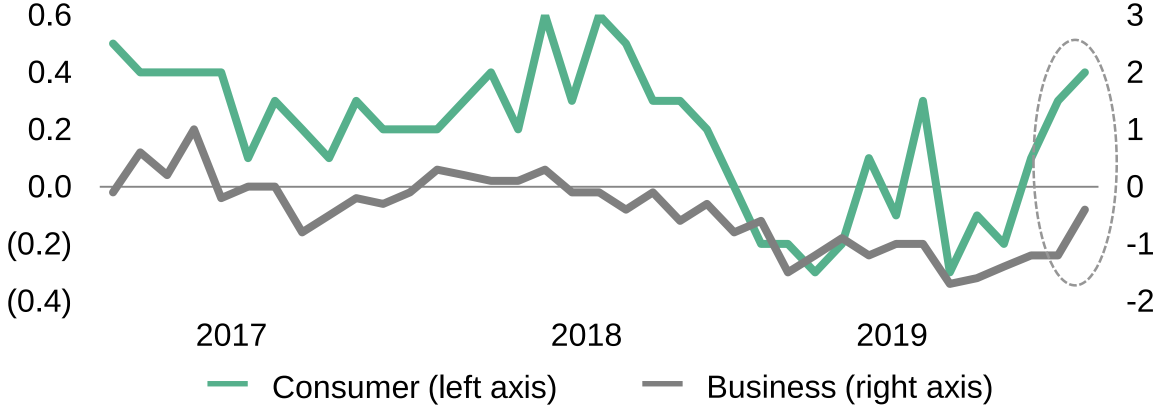
CPI inflation and pay growth[2]

(%)



Business and consumer confidence[3,4]

(# standard deviations from average since 2002)



- **Economy resilient to slowing global growth and elevated political uncertainty during 2019**
- **Some signs of gradually improving outlook**
  - Business and consumer confidence beginning to recover
  - Households' spending power continuing to rise
  - Early signs of upturn in housing market activity and prices
- **Outlook not yet reflected in interest rate yield curves**
- **Uncertainty remains given ongoing trade deal negotiations**

1 – 2-quarter rolling average. 2 – Source: ONS. 3 – Lloyds Business Barometer. 4 – Source: European Commission.

Unique business model and increased investment creating competitive advantage

OUR PURPOSE

Helping Britain Prosper

OUR AIM

Best bank for customers, colleagues and shareholders

OUR BUSINESS MODEL

Digitised, simple, low risk, customer focused, UK **financial services provider**

Creating competitive advantage

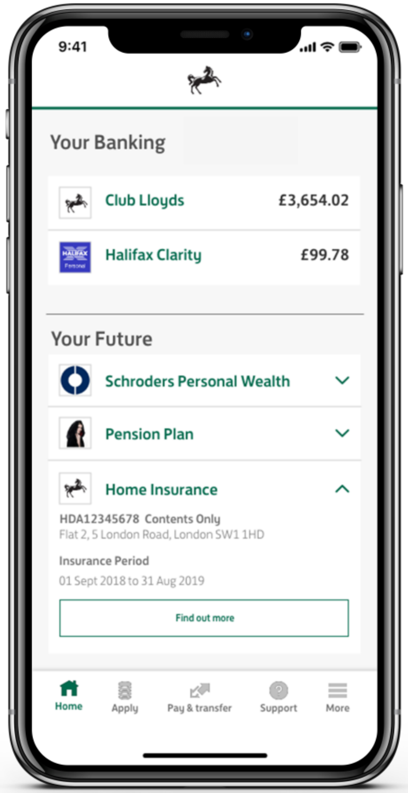
Transforming the Group for success in a digital world

	Targeted outcomes (2020)	Progress to date
Leading Customer Experience	***#1*** *UK digital bank* *Maintain* ***#1*** *branch network* ***More personalised*** *customer propositions*	**16.4m** digitally active users **#1** branch network **>£9bn** balance growth in targeted segments[1]
Maximising Group Capabilities	***Supporting*** *start-ups, SME and MM* ***businesses*** *Sole* ***integrated UK banking and insurance*** *provider*	SME growth **ahead of market** **>1m** new pension customers target surpassed
Digitising the Group & Transforming Ways of Working	*End-to-end transformation covering* ***>70%*** *of cost base* ***Simplification*** *and* ***modernisation*** *of IT architecture* ***Biggest ever investment*** *in our People*	**55%** of cost base covered by transformation **>1m** cumulative hours saved through **automation** **3.2m** additional training hours delivered **33%** of change delivered by Agile methodologies

1 – Balance growth from FY 2017 to October 2019. Aligns to 'Deepen Engagement' segment on slide 19.

2019 strategic progress – Leading Customer Experience

All financial needs in one place



>5m

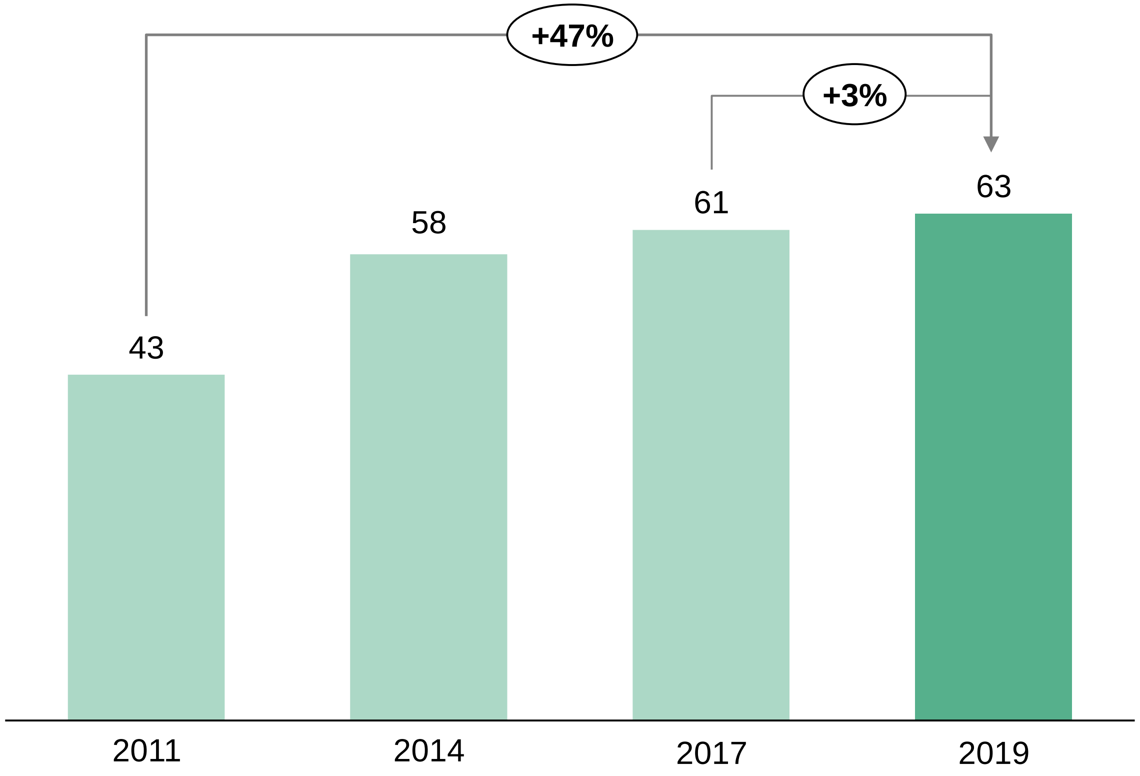
Customers with Single Customer View capability

c.9m

Customers with Single Customer View capability by end 2020

Further improving customer satisfaction

All channel Net Promoter Score

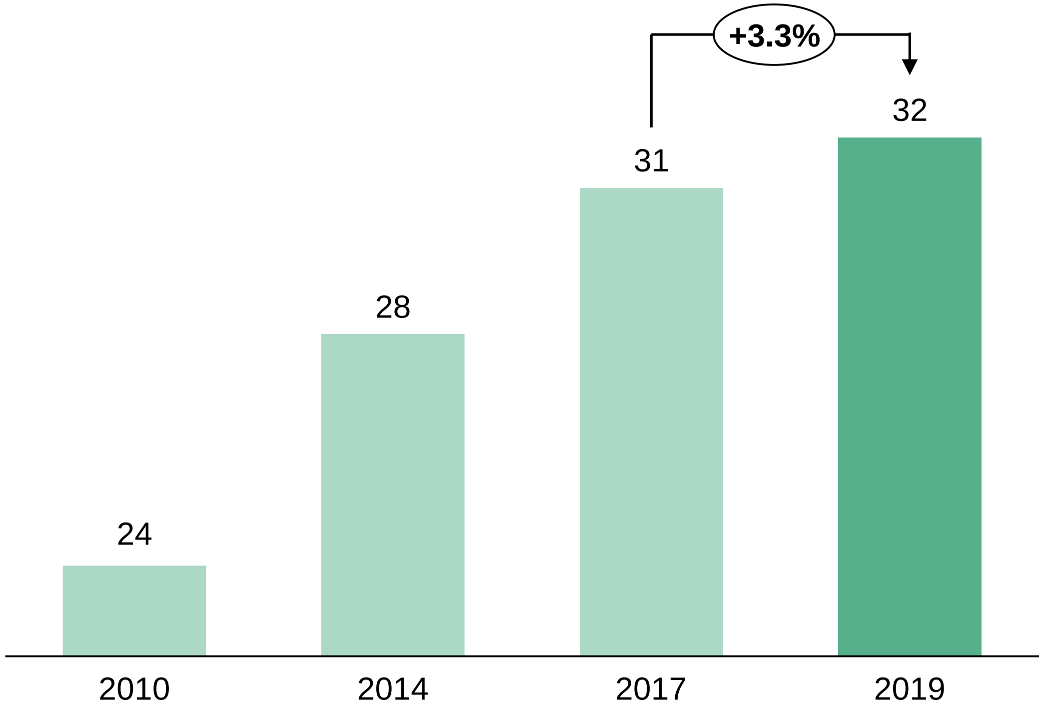


2019 strategic progress – Maximising Group Capabilities

Leading lender to SMEs

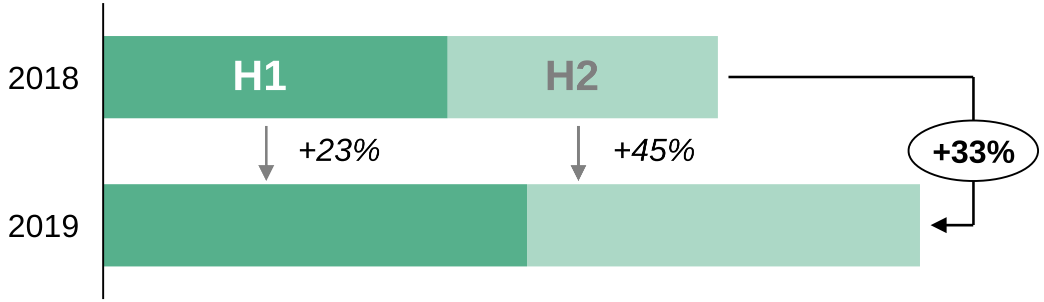
SME lending balances (£bn)[1]

***c.6pp** increase in market share since 2010*

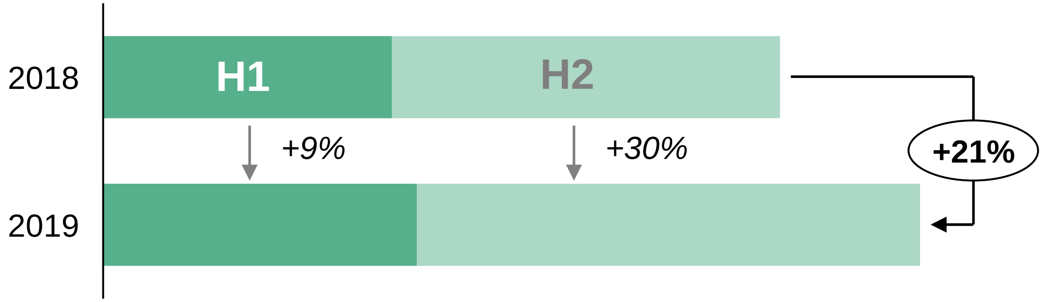


Strong start for Schroders Personal Wealth

LBG Retail wealth referrals



New AuA generated through LBG Retail wealth referrals

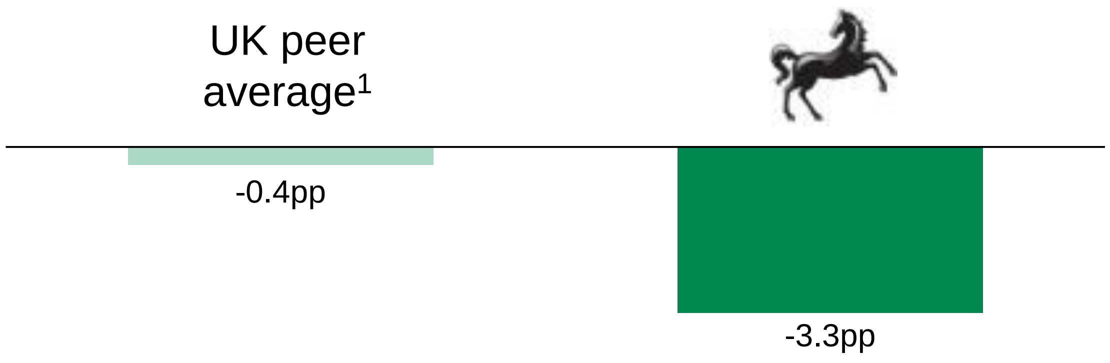


1 – SME lending balances include Retail Business Banking and commercial cards. Market data source: BoE (Dec 2019).

2019 strategic progress – Digitising the Group and Transforming Ways of Working

Enhancing our cost track record

FY 2017-FY 2019 cost:income ratio movement



LBG cost:income ratio differential vs. UK peer average

Fintech collaboration to accelerate transformation

Selected examples

Thought Machine — Cloud native **next generation banking platform**

trōv — Bespoke **digital home insurance** for renters

ONE UP — Online **financial management service** for small businesses

1 – Average underlying cost:income ratio (excluding notable items as highlighted by each institution). Reduction calculated vs. 9M 2019 for peers where FY 2019 not yet published. 2 – Differential calculated vs. 9M 2019 where FY 2019 not yet published.

Continued successful strategic execution is reinforcing competitive strengths

LLOYDS BANKING GROUP

Delivering for customers

Multi-brand, multi-channel distribution model

Data-driven personalised experiences

>5m

Single Customer View customers

+3%

Improvement in NPS during GSR3

Future proofing the business

Sustainable business model

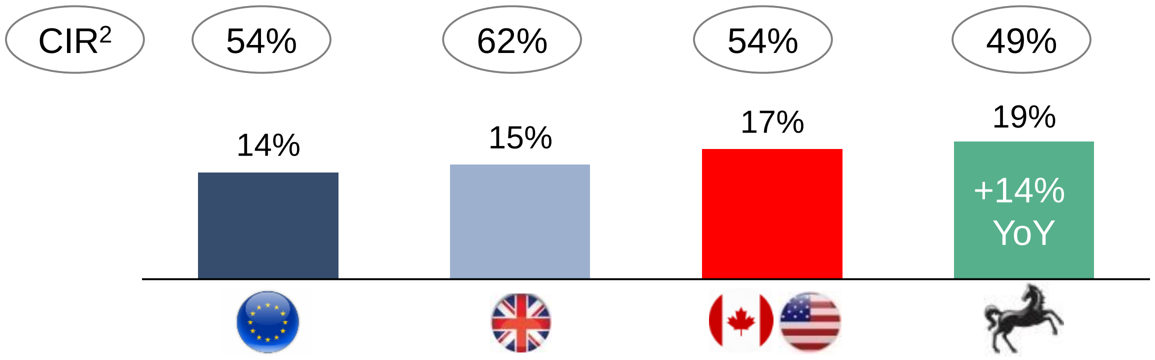
Market leading efficiency

Top quartile investment

Low risk

Rigorous execution and management discipline

Tech spend as % of operating costs[1]

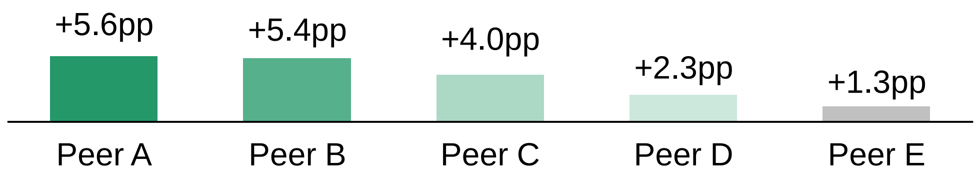


Regional averages

Delivering for shareholders

Consistent delivery of market leading returns

LBG statutory RoTE differential vs. peers (FY 2018-FY 2019)[3]



1 – Estimated. Regional averages based on selection of peers where disclosure exists. Proxy for tech spend calculated based on available disclosure in annual reports or investor presentations and may not be like for like. 2 – Reflects same peer set as that for technology spend, except for UK which reflects a broader set of UK banks, in line with slide 11. 3 – As stated by peers, 9M 2019 where FY 2019 not disclosed.

Significant ESG delivery, supported by Helping Britain Prosper plan

A proven track record

Environmental

- **Raised >£2.8bn in green bonds** for UK corporate issuers, more than any other UK bank
- One of the UK's **leading low emission fleet** through Lex Autolease
- Group carbon emissions **down 63%** since 2009, achieving 2030 target **11 years early**
- One of the **first** businesses to sign up to all three of **The Climate Group's** campaigns

Social

- The **first FTSE100 company** to set public diversity goals on **gender** and **ethnicity**
- **37%** of senior roles held by women, **up 8pp** from 2014; 7% by BAME colleagues
- Donated **>£100m** since 2014 to our **four independent charitable Foundations**
- **Highest corporate payer**[1] of UK taxes **over the last four years**
- **Leading SME lender**, increasing market share by c.6pp to 19% since 2010[2]

Governance

- Dedicated Board-level **Responsible Business Committee** established in 2015
- **Robust governance structures** to protect customers and their data
- **Comprehensive stakeholder consultation** across a variety of topics, including remuneration

New ambitious goal

We aim to help reduce the emissions we finance by

>50%

by 2030

'Our approach to ESG topics'

Investor presentation launched today

1 – As reported in the PWC Total Tax Contribution survey of the 100 Group. 2 – SME lending balances include Retail Business Banking and commercial cards. Market data source: BoE (Dec 2019).

Retail Bank update

Vim Maru
Group Director, Retail Bank

Unique multi-brand, multi-channel strategy and strong franchise

LLOYDS BANKING GROUP

Over 26m retail customers are served by our iconic brands…

Relationship brands

LLOYDS BANK
HALIFAX
BANK OF SCOTLAND

Specialist brands

blackhorse
BM BIRMINGHAM MIDSHIRES
mbna
Schroders personalwealth
SCOTTISH WIDOWS

…and extensive multi-channel strategy…

…with strong customer satisfaction

c.50%

Improvement in NPS since 2011

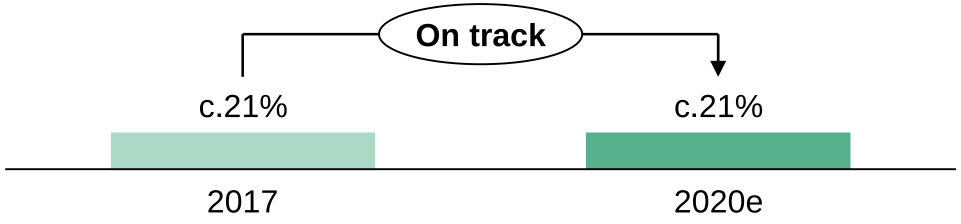
>75%

Reduction in customer complaints since 2011[1]

Delivering on our strategic priorities

#1 branch network

Branch market share



#1 UK digital bank

16.4m *+22%[2]* *Digitally active users*

10.7m *+39%[2]* *Mobile app active users*

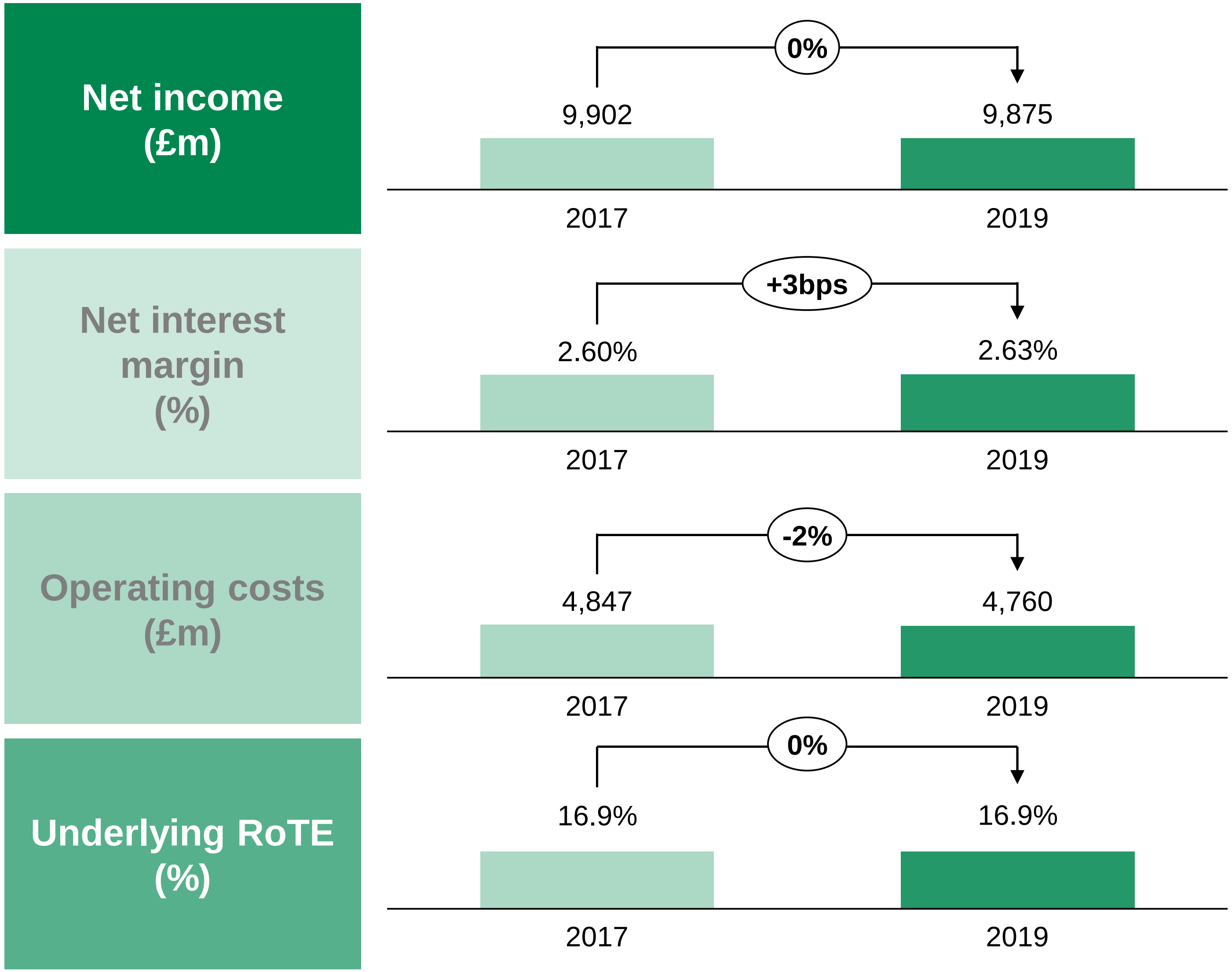
Delivering balance growth in targeted segments

+£9.5bn

Growth since FY17[3]

1 – Excludes PPI, Packaged Bank Accounts and other CMC complaints. 2 – Change since FY 2017. 3 – Balance growth from FY 2017 to October 2019. Aligns to ‘Deepen Engagement’ segment on slide 19.

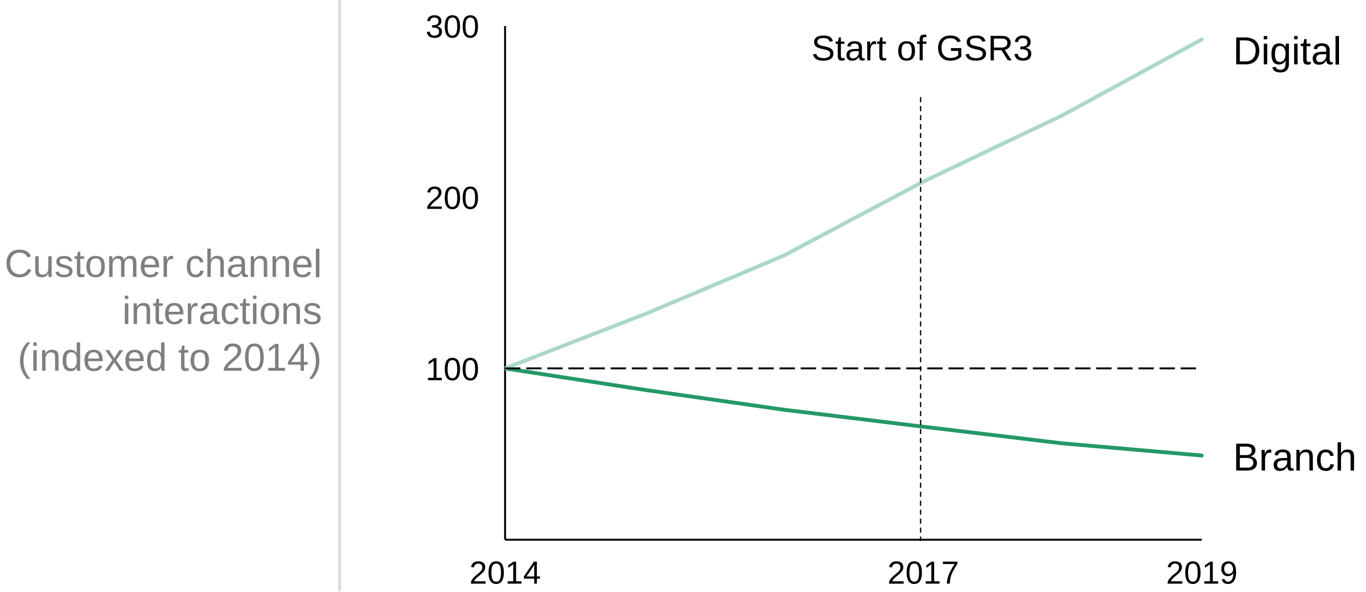
Resilient financial performance despite a number of market headwinds



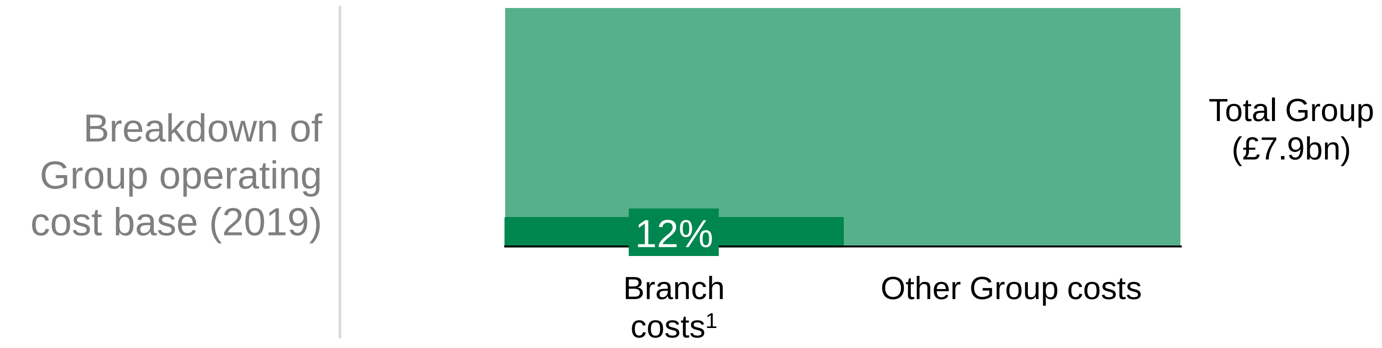
- **Stable income performance** despite a number of market headwinds
  - Increased competition and back book erosion
  - Regulatory changes
  - Fee income pressure
- NIM trend supported by **prioritisation of margin** and risk over volume in intermediary mortgages and **mix improvement** in higher margin consumer lending
- **Strong cost control** while continuing to invest significantly in the business
  - BAU costs **down 7%** since 2017
  - Investment **up 14%**
- Underlying credit quality remains robust
- **c.50%** of both Group underlying PBT and RWAs, with **stable returns above the Group's target level**

We are refocusing our physical presence to serving complex needs

Adapting to changing behaviours

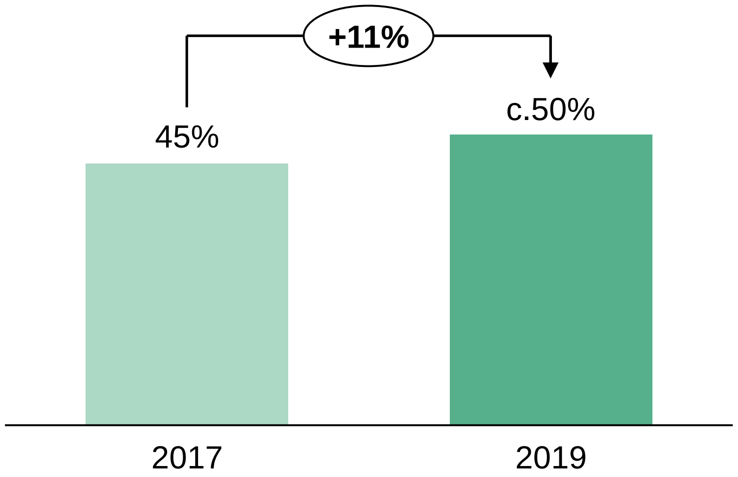


Branches are not the primary cost lever for the Group



Refocusing on serving complex needs

Customer-facing time spent serving complex needs



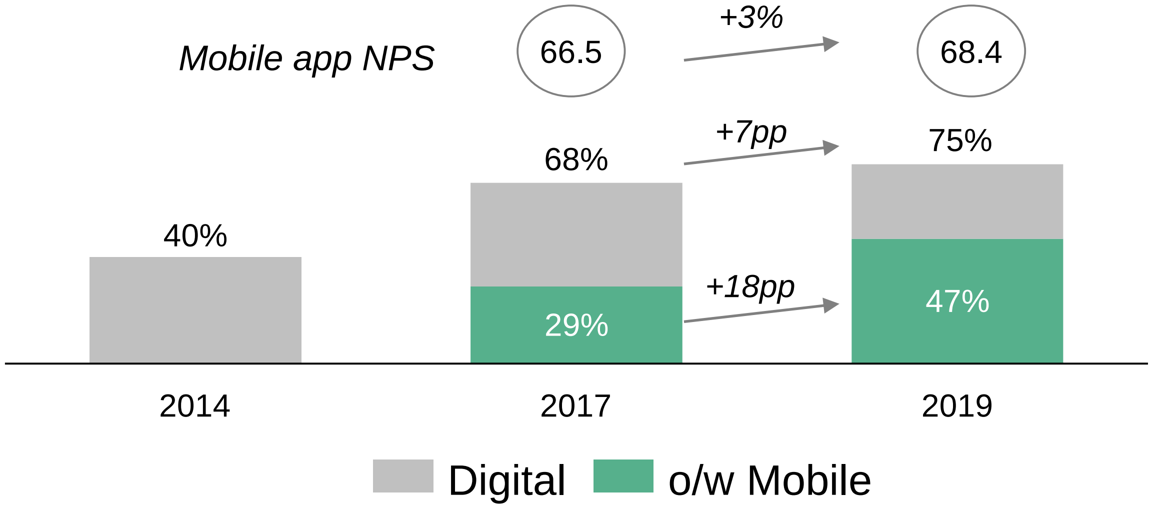
- **Mortgages** – Relationship channel share up **3pp** since 2017 to **17%**[2]
- **Insurance & Wealth** – Mortgages protected through branches **up 19%** YoY in 2019
- **Business Banking** – Business Current Account balance share **up 0.5pp** to **20%** since 2017[3]

1 – Predominantly FTE and branch property costs (>95% of total). 2 – Share of value of new business (branch and remote). Market data source: UK Finance (Nov 2019 YTD). 3 – Market data source: UK Finance (Sep 2019).

Responding to changing customer preferences, digital is now our largest channel

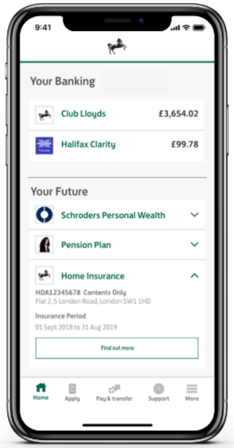
Continuing to see increasing levels of digital penetration

Products originated via digital and mobile channels



Meeting all financial needs in one place

PCAs
Savings
Loans
Credit cards
Mortgages



Protection
Home insurance
Retirement
Corporate pensions
Individual pensions

23 average customer logons per month[3]

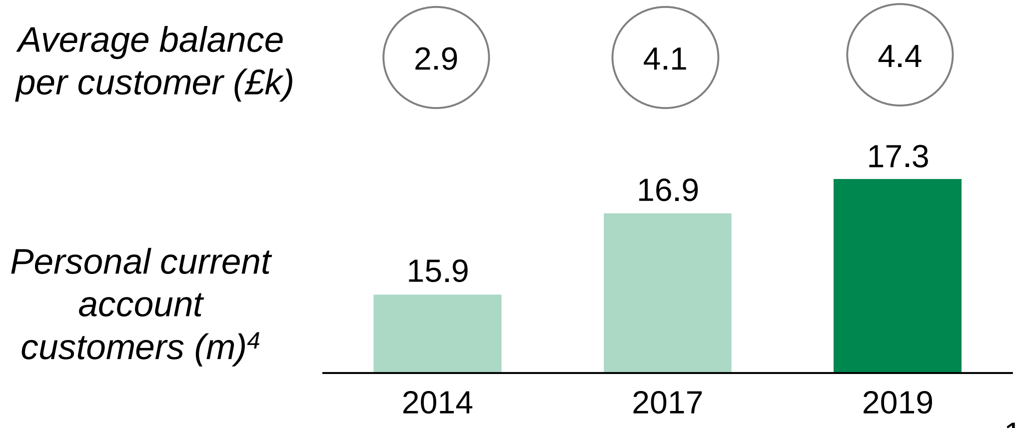
…supported by enhancements to functionality

Google Maps search
Launched 2018 (First to market)
c.1.1m map views per month[1]

App statement search
Launched 2019
c.1.2m monthly uses[2]

Save the change
Extended 2019
c.1.3m registered users

Strong customer relationships



1 – 3 month average. 2 – Based on 4Q 2019. 3 - Average customer mobile app logons. 4 – Retail & Wealth active current account holders across Lloyds Bank, Halifax and Bank of Scotland.

Targeted propositions with increasing personalisation

LLOYDS BANKING GROUP

Greater understanding of our diverse customer base

	Deepen engagement	Retain relationships	Deliver brilliant basics
Complexity of needs	High		Low
% of customers[1]	c.50%	c.25%	c.25%
% of customer deposits[1]	c.65%	c.25%	c.10%

Driving growth through more tailored propositions

Club Lloyds

Club Saver

Lend a Hand

Schroders personalwealth

1.6m customers

2.7x average deposit balances[2]

72% digital users

HALIFAX

Prize Draw

1.8m customers

4x average savings balances[3]

11pts higher NPS[4]

1 – Represents c.95% of Retail customer base. 2 – Club vs. Non-Club. 3 – Registered Halifax Prize Draw customers vs Non-registered eligible Halifax Prize Draw customers. 4 – As at June 2019.

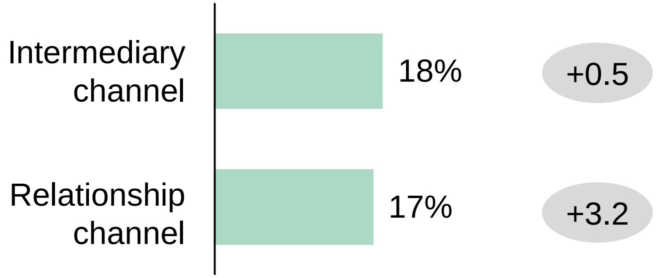
We continue to see opportunities across the business

A leading, diversified franchise

Market share and movement since FY17

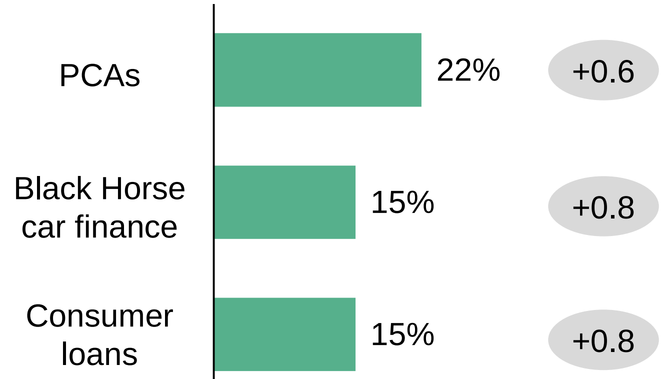
Distinct channel strategy in mortgages (open book)

Gross lending share



Increasing share

Stock lending share



With a clear strategy across all businesses

Deliver sustainable returns

- Retain **channel specific strategy** in mortgages
  - **Intermediary channel** participation influenced by market pricing
  - Significantly increasing share through **Relationship channel**
- Cards portfolio to be managed within **low risk appetite**
- Consider 'bolt-on' **inorganic opportunities** where appropriate

Increase participation

- **MBNA** to be leveraged into **new areas** e.g. personal loans
- **Motor Finance** relationship with JLR renewed[1]

Maximising Group Capabilities

- Increasing referrals to **Schroders Personal Wealth** advisers
- **All financial needs in one place** through Single Customer View
- Growing **Home** and **Protection** through multiple channels
- Collaborating with fintechs to provide **financial management services** to Business Banking customers

1 – Subject to contract.

Full year results – Financials

William Chalmers
Chief Financial Officer

Resilient underlying performance in a challenging environment

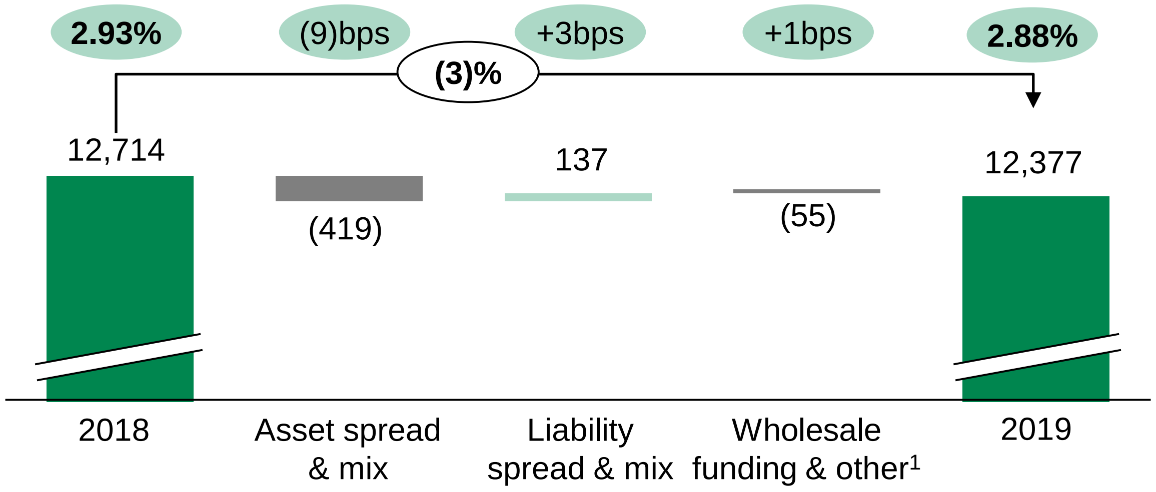
(£m)	2019	2018	Change
Net interest income	**12,377**	12,714	*(3)%*
Other income (incl. Vocalink)	**5,732**	6,010	*(5)%*
Operating lease depreciation	**(967)**	(956)	*(1)%*
Net income	**17,142**	17,768	*(4)%*
Operating costs	**(7,875)**	(8,165)	*4%*
Remediation	**(445)**	(600)	*26%*
Total costs	**(8,320)**	(8,765)	*5%*
Trading surplus	**8,822**	9,003	*(2)%*
Impairment	**(1,291)**	(937)	*(38)%*
Underlying profit	**7,531**	8,066	*(7)%*
PPI	**(2,450)**	(750)	
Other below the line items	**(688)**	(1,356)	*49%*
Statutory profit before tax	**4,393**	5,960	*(26)%*
Earnings per share	**3.5p**	5.5p	*(36)%*
Net interest margin	**2.88%**	2.93%	*(5)bp*
Cost:income (incl. remediation)	**48.5%**	49.3%	*(0.8)pp*
Asset quality ratio	**0.29%**	0.21%	*8bp*

- **Net income down 4% at £17.1bn**
  - NII 3% lower; stable AIEAs, resilient NIM
  - Other income of £5.7bn; Insurance growth offset by lower Commercial Banking revenues and gilt gains
- **Total costs reduced by 5%**
  - Operating costs <£7.9bn, down 4%
  - Continued significant investment in business
  - Remediation down 26%
  - Cost:income ratio of 48.5%, below prior year
- **Solid trading surplus of £8.8bn**
- **Credit quality strong with net AQR of 29bps**
- **Underlying profit of £7.5bn, down 7%**
- **Statutory PBT of £4.4bn, down 26%, impacted by PPI**

Net interest income lower; Resilient margin of 2.88 per cent in 2019

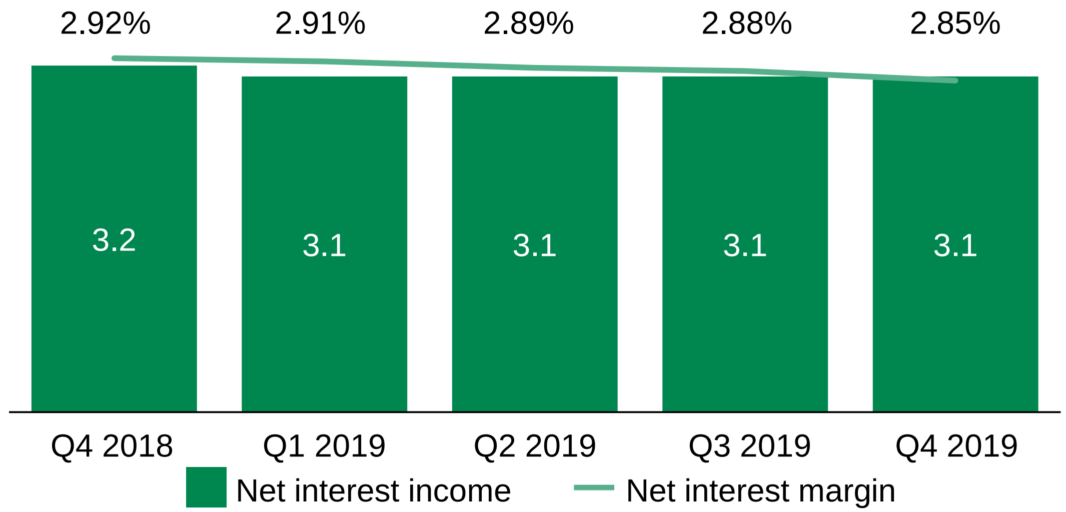
Net interest income and banking net interest margin

(£m)



Quarterly net interest income and margin

(£bn, %)



Average interest-earning assets

(£bn)

- **NII down slightly, resilient NIM and stable AIEAs**
  - Asset pricing pressure partly offset by lower deposit costs
  - Targeted asset growth vs. closed book run off and Irish mortgage book sale
- **NIM for 2020 expected to be 2.75 – 2.80%**

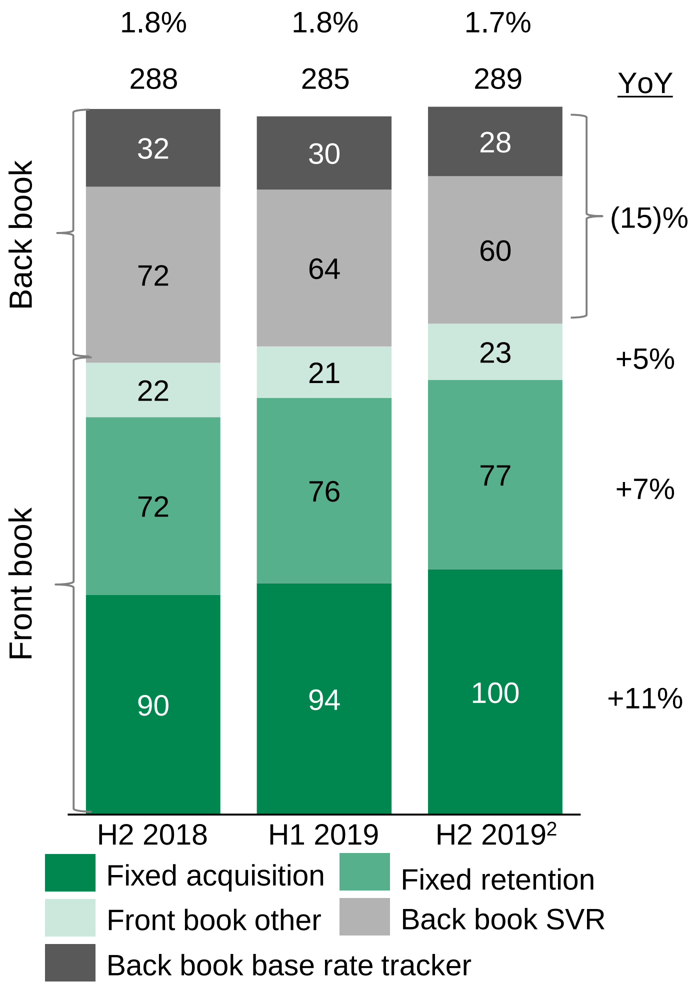
1 – Other includes non-banking net interest income.

Asset margins: Remain resilient in a competitive market

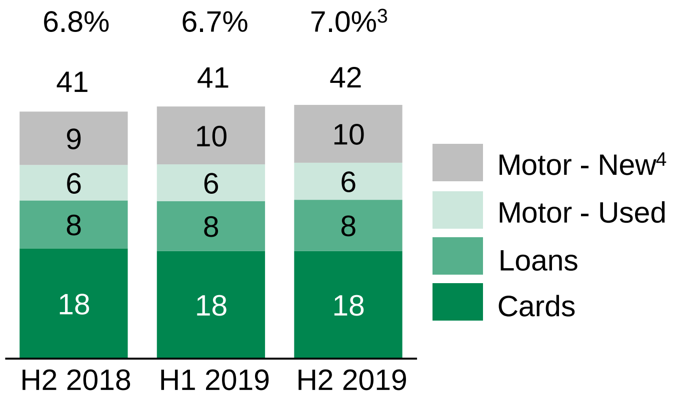
Changing asset mix

(Book size £bn, Gross margin %[1])

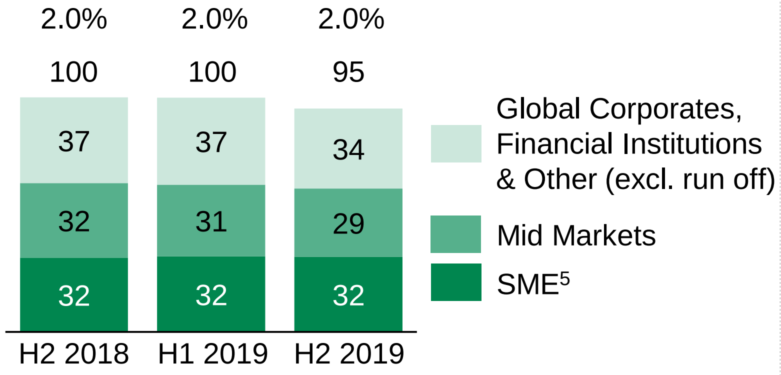
Mortgage book



UK consumer finance



Commercial Banking incl. Retail Business Banking



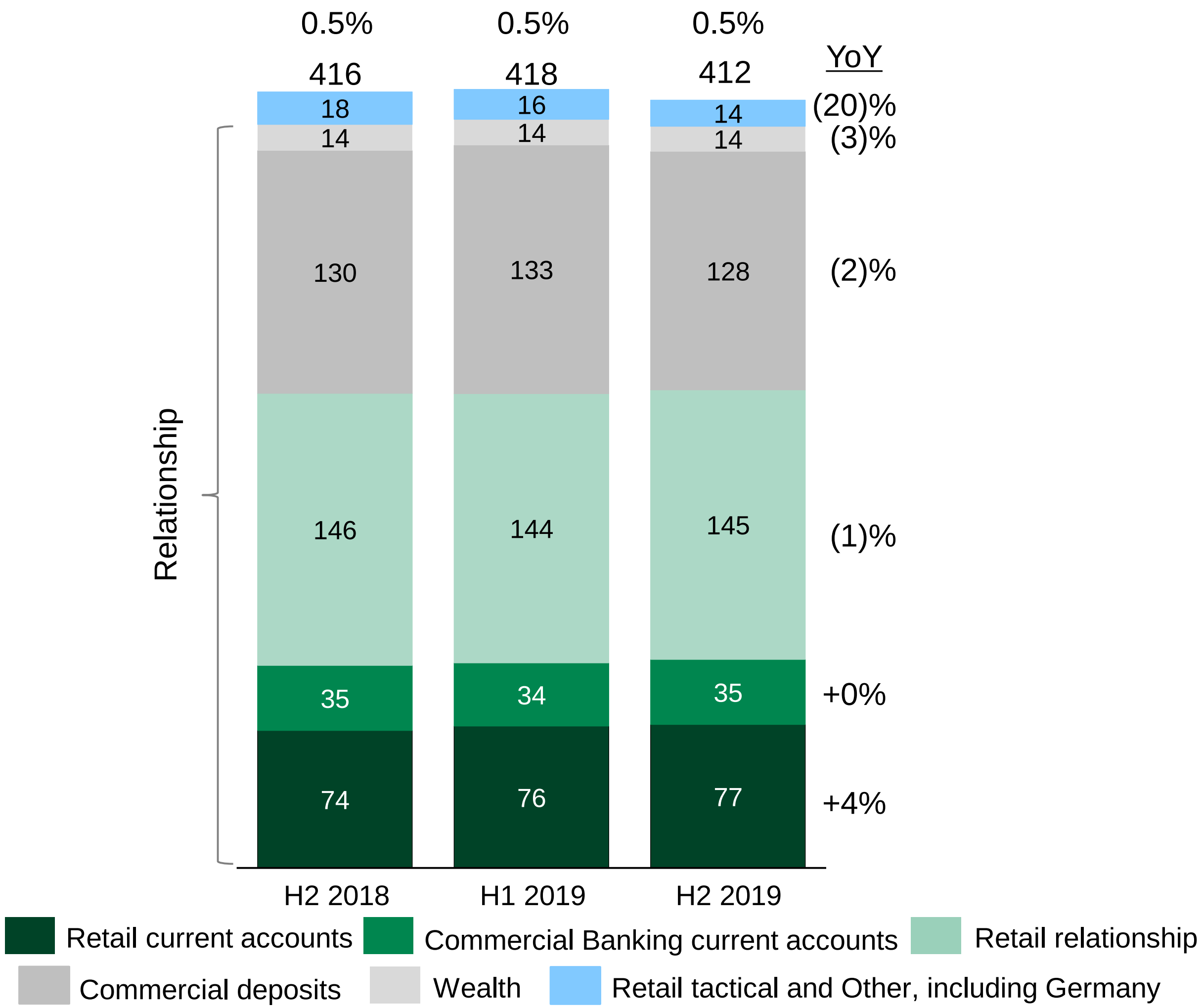
- **Resilient asset margin across key segments**
- **Open mortgage book ahead of 2018, enhanced by Tesco book acquisition**
- **Mortgage back book attrition of c.15%**
- **Targeted growth in consumer finance supporting Group margin**
- **Rebalancing Commercial portfolio towards higher return relationships**

1 – Gross margin is gross customers receivables or payables, less short term funding costs (LIBOR or relevant swap rates). 2 – Including Tesco mortgage book. 3 – Includes c.0.4% benefit from card terms alignment in H2 2019. 4 – Includes Fleet, Stocking and Lex Finance. 5 – Includes Retail Business Banking.

Liability margins: Improving mix and structural hedge supporting resilient margin despite lower rates

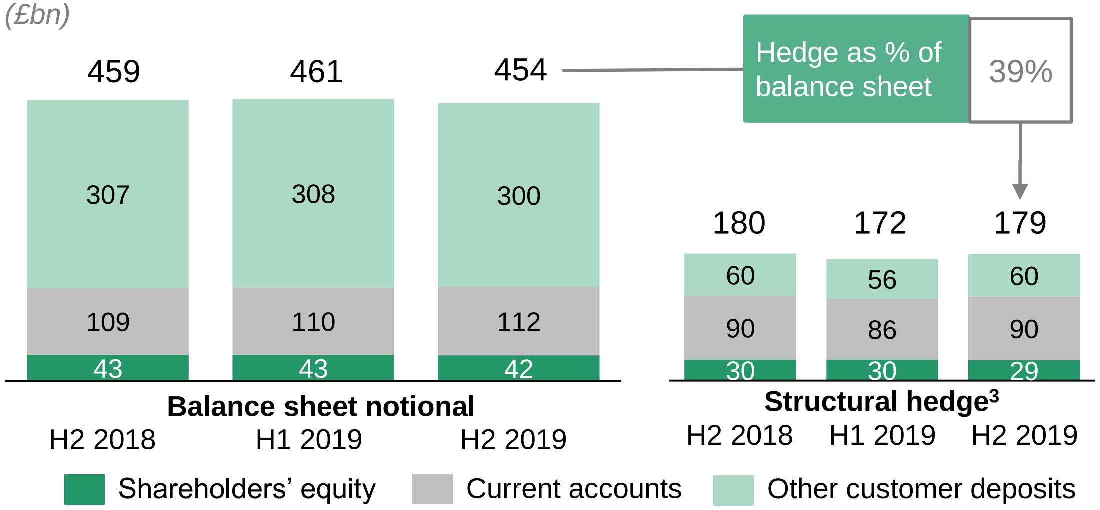
Improving liability mix[1]

(Book size £bn, Gross margin %[2])



Hedged balances

(£bn)



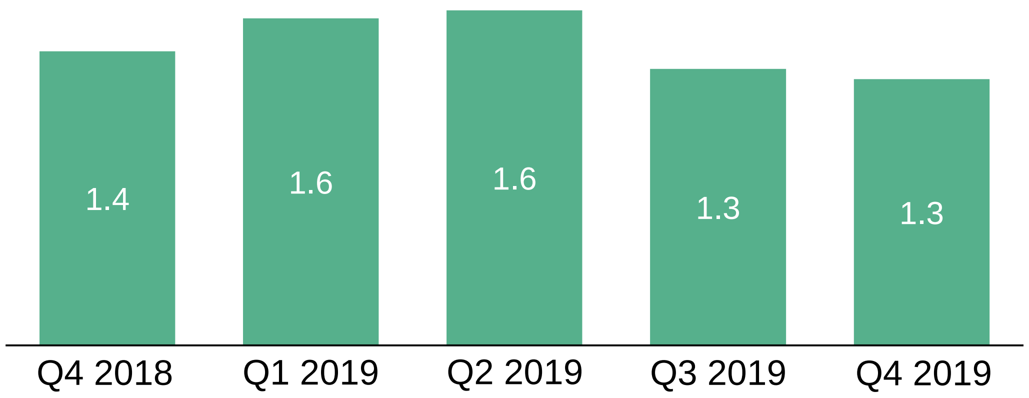
- **Further opportunity to grow current accounts, reduce tactical balances and optimise mix**
  - Current accounts now 27% of deposits (16% in 2014)
- **Structural hedge of £179bn; c.3 years weighted avg. life**
  - Hedge earnings of 0.7% or £1.1bn over LIBOR
  - Reinvested upcoming maturities in Q4 to protect income
  - c.£6bn uninvested with around £30bn maturing in 2020

1 – Includes Retail Business Banking within SME and other reclassifications. 2 – Gross margin is gross customers receivables or payables, less short term funding costs (LIBOR or relevant swap rates). 3 – The external structural hedge notional is managed as a portfolio, split shown is indicative.

Other income challenging, but building resilience

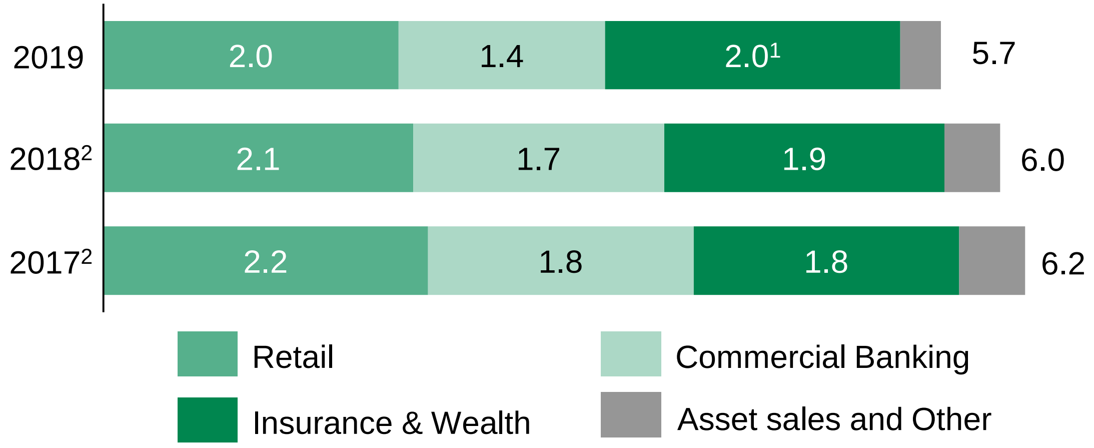
Other Income (including Vocalink)

(£bn)



Divisional Other Income (including Vocalink)

(£bn)

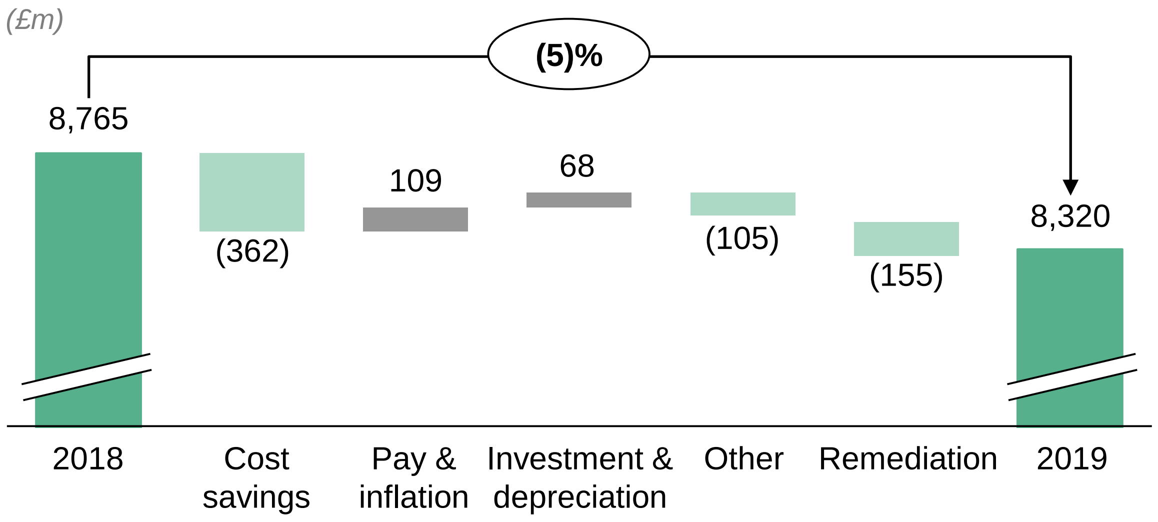


- **Other income of £5.7bn, down 5%**
- **Key drivers in 2019**
  - **Commercial**: softness in large corporates markets activity
  - **I&W**: workplace pensions, GI growth, benefit from change in investment manager, longevity benefits
  - **Retail**: lower fleet volumes in Lex
  - **Central**: lower LDC and gilt gains
- **Expected to remain challenging in 2020, but ongoing investment to build resilience**
  - **I&W**: Financial Planning & Retirement, Protection and Home Insurance product capabilities
  - **Commercial**: Corporate payments platform
  - **Retail**: value adding current account rewards and loyalty propositions

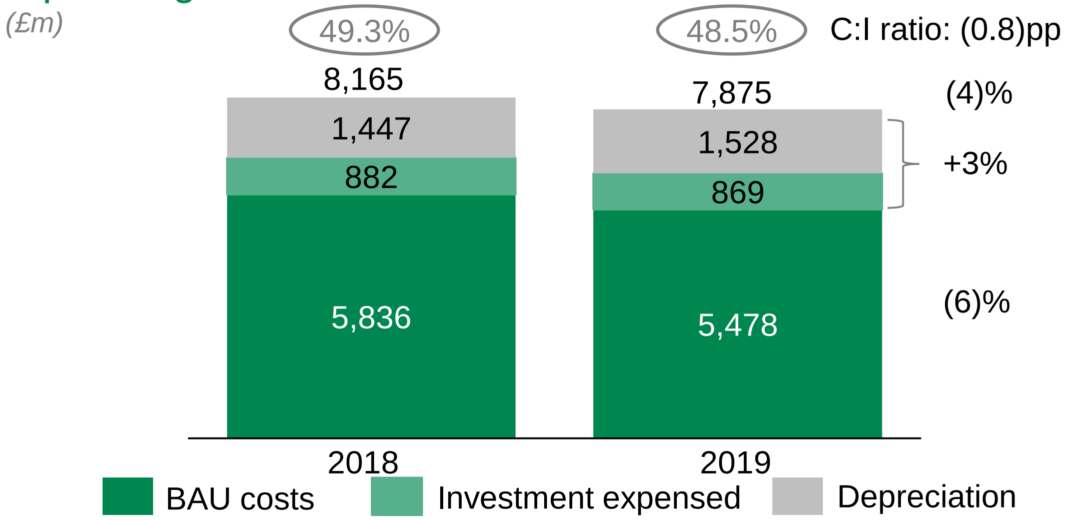
1 – Includes £136m benefit from the change in investment manager provider. 2 – 2017 and 2018 segmental comparatives restated.

Continued delivery on operating costs while maintaining strategic investment

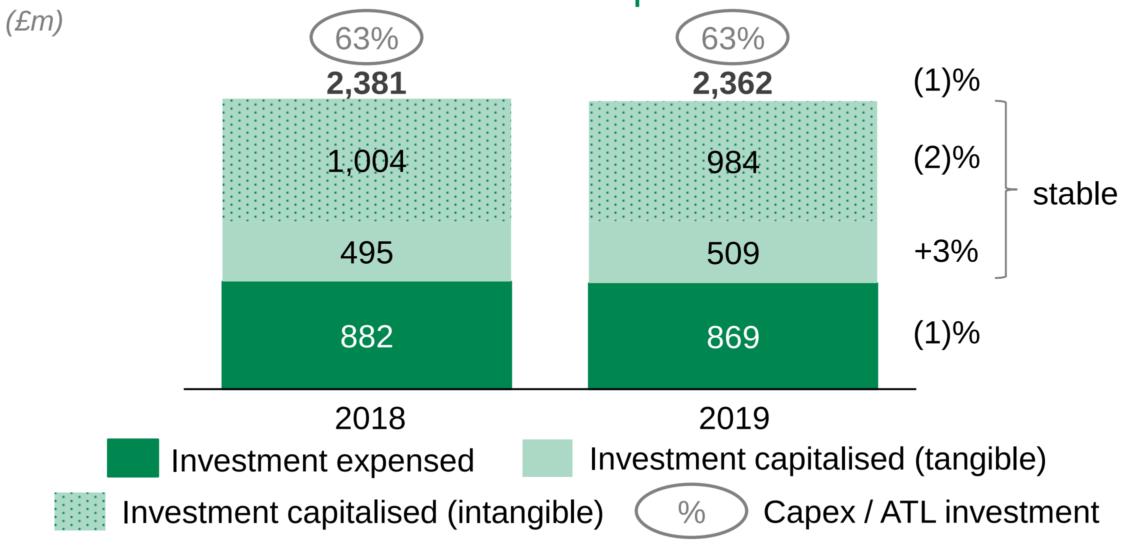
Total costs[1]



Operating costs[1]



Above the line cash investment spend



- **Total costs down 5%; BAU costs down 6%; investment expensed and depreciation £2.4bn, up 3%**
- **Above the line cash investment spend of £2.4bn, including strategic investment of £1.0bn**
- **c.£2.0bn of strategic investment since launch of GSR3**
- **Capitalisation stable at c.60% of above the line investment or c.50% of total investment**
- **Remediation down 26%, expected to reduce further**

1 – 2018 adjusted to reflect impact of IFRS16.

Efficiency opportunities driven by investment, flexibility and focus

- **Strong track record of delivery**
  - Operating costs from c.£10bn in 2010 to <£7.9bn in 2019, with significant increases in investment
  - Cost guidance enhanced twice during 2019
- **Operating costs expected to be <£7.7bn in 2020**
  - Cost:income ratio to be lower than in 2019
- **Strategic investment in cost reduction**
  - Automation to improve efficiency of processes and customer service
  - Decommissioning legacy systems
  - Infrastructure rationalisation
- **Doing things smarter**
  - Organisational structure

Examples of cost saving initiatives

Automation
Use of new technologies (e.g. robotics, AI)
Simplification of customer and internal processes

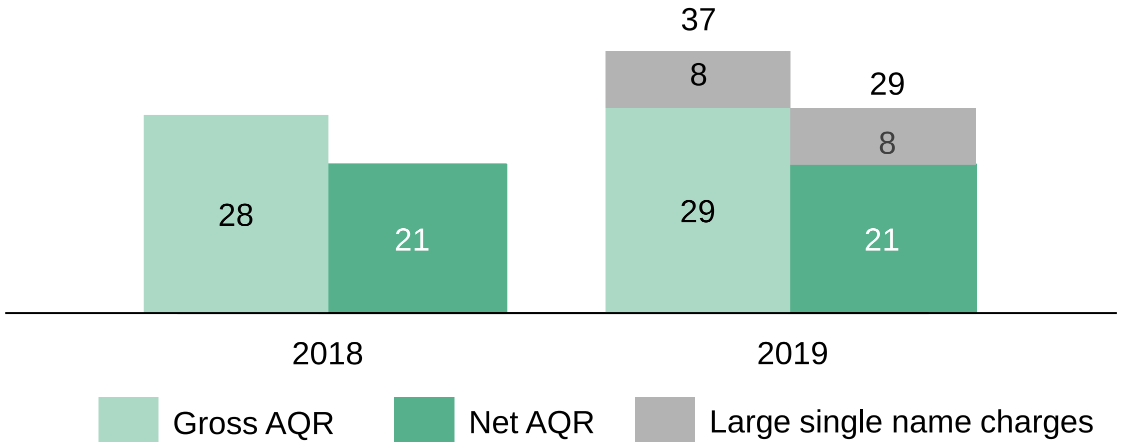
Rationalisation of HQ properties
Reducing property footprint

Cloud strategy
Increasing use of private and public cloud

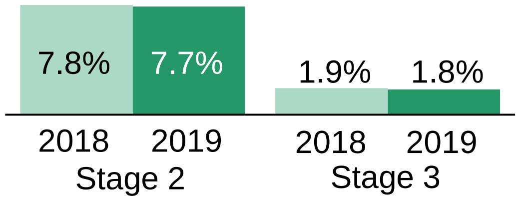
Organisational effectiveness
Simplification of management and team structures

Asset quality remains strong reflecting prudent approach to risk

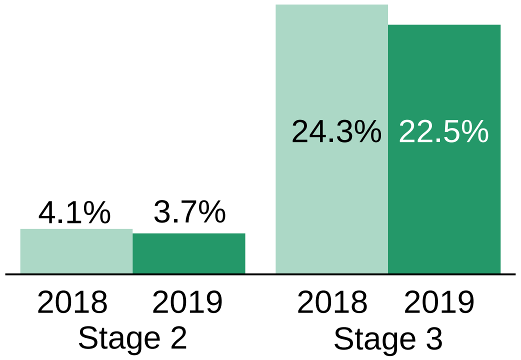
Asset quality ratio
(bps)



IFRS 9 Stage 2 and 3 as proportion of total customer loans and advances[1]
(%)



Stage 2/3 coverage[1,2]
(%)



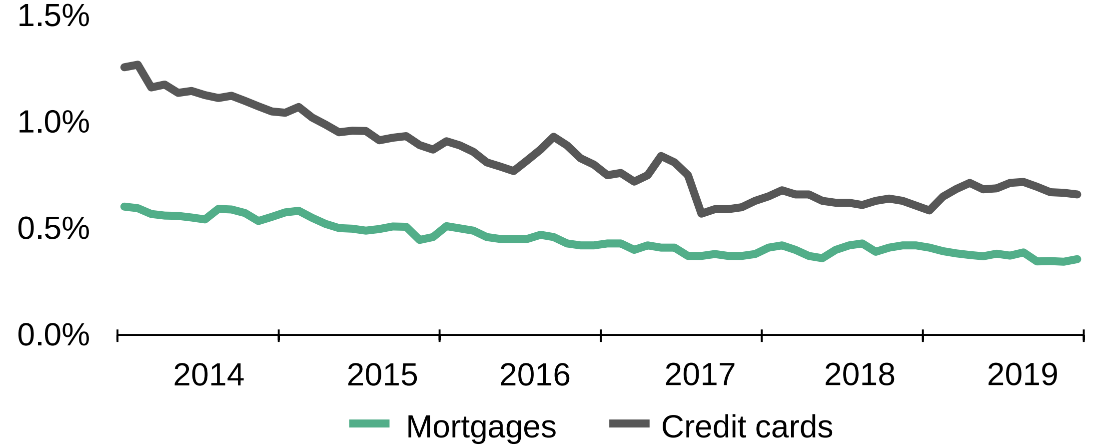
- **Gross AQR of 37bps, net AQR of 29bps**
  - Asset quality remains stable excluding two material corporate cases
  - Benefit from continued debt sales, write backs
- **Stage 2 and 3 balances as % of Group lending broadly stable, coverage slightly lower**
  - Stage 2 coverage at 3.7% due to IFRS 9 methodology refinements across Commercial portfolios
  - Stage 3 coverage at 22.5% due to change in asset mix in Stage 3 in Commercial Banking
- **Underlying credit portfolio remains strong**
- **Expect net AQR to be less than 30bps in 2020**

1 – Shown on an underlying basis. 2 – Stage 2/3 expected credit loss allowance as a proportion of Stage 2/3 drawn balances.

Credit quality remains strong across all portfolios

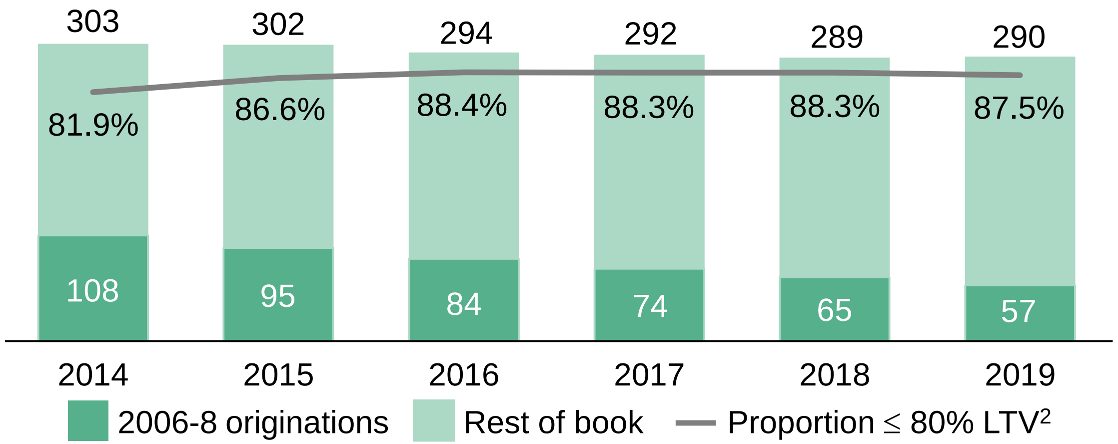
New to arrears as proportion of total book

(%)



Mortgage book quality

(£bn[1],%)



- **Strong credit performance across Mortgage portfolio, new to arrears remain low**
  - Low average LTV of <45%; average LTV of new business c.64% and c.90% of portfolio has LTV ≤80%[2]
  - Legacy balances declining: 2006-8 originations down 12% in 2019
- **Prime Credit Card book**
  - New to arrears remain low, charge-off rates stable
- **Prudent approach to Motor Finance**
  - Predominantly secured with conservative provisioning; used car prices stabilised in Q4
- **Diversified and high quality Commercial portfolio**
  - SME portfolio largely secured
  - Prudent approach to vulnerable sectors; CRE exposure reduced to <£15bn with LTVs improved
  - Large single name charges not typical of wider portfolio

1 – Gross lending mortgage balances. Pre-2017 balances not adjusted for IFRS9. 2 – 2019 Loan to Values use Markit's 2019 Halifax House price index; 2014 - 2018 values have been restated on the same basis.

Statutory performance impacted by PPI

(£m)	2019	2018[1]	Change
Underlying profit	**7,531**	8,066	*(7)%*
Market volatility and asset sales	**126**	(50)	
Fair value unwind and other[2]	**(343)**	(427)	*20%*
Restructuring costs	**(471)**	(879)	*46%*
PPI	**(2,450)**	(750)	
Statutory profit before tax	**4,393**	5,960	*(26)%*
Tax expense	**(1,387)**	(1,454)	*5%*
Statutory profit after tax	**3,006**	4,506	*(33)%*
Effective tax rate	**32%**	24%	*8pp*
Underlying RoTE	**14.8%**	15.5%	*(0.7)bp*
Statutory RoTE	**7.8%**	11.7%	*(3.9)bp*

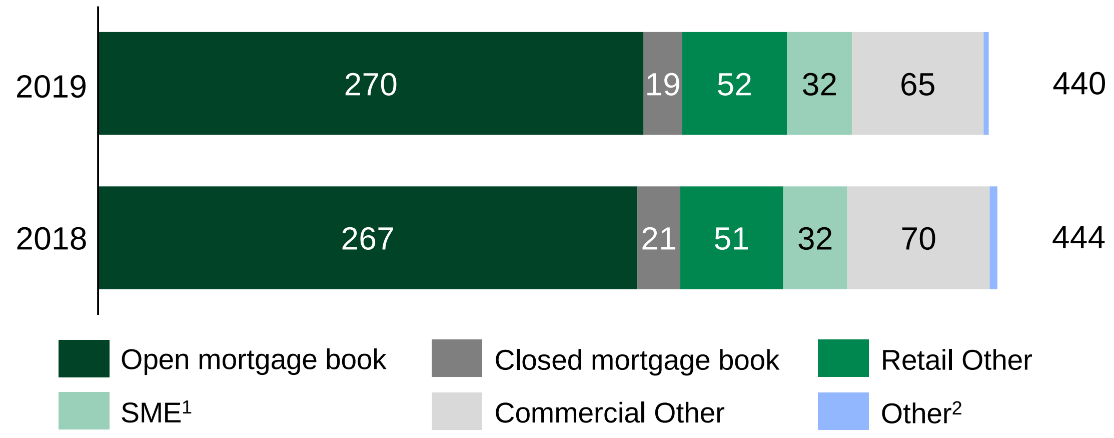
- **Statutory profit after tax down 33%**
  - Restructuring: major projects completed, severance and initial costs for Schroders joint venture
  - PPI: no provision in Q4; conversion in line with 10% assumption, agreement reached with Official Receiver
- **Higher effective tax rate of 32% due to PPI**
  - Guidance remains c.25%, although likely lower in 2020
- **Statutory RoTE of 7.8% impacted by PPI**
  - Strong underlying RoTE of 14.8%
- **Statutory RoTE expected to be 12 – 13% in 2020**

1 – Restated to reflect amendments to IAS12. 2 – Including amortisation of purchased intangibles.

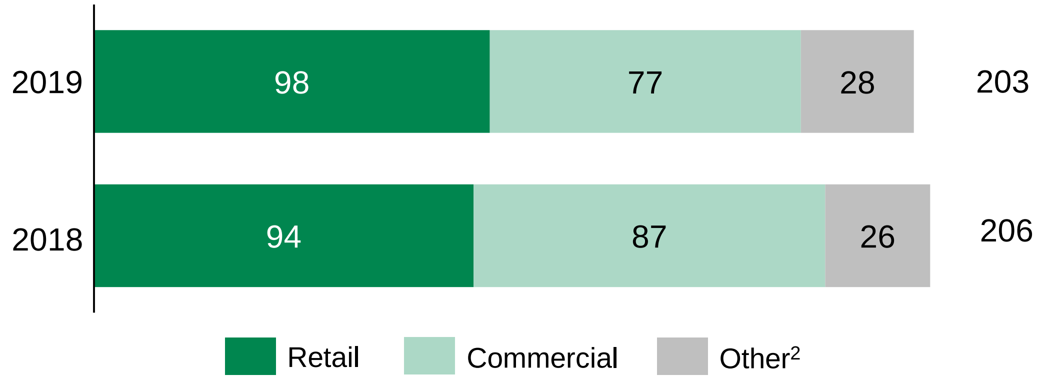
Growth in targeted segments with continued portfolio optimisation

- **Loans and advances £440bn**
  - **Open mortgage book** ahead of prior year while focusing on margin and risk, particularly in intermediary channel
  - Continued high-quality growth in consumer portfolio, particularly **Motor Finance**
  - **SME**[1] growth c.1% continues ahead of market
  - **Commercial Other** down c.£5bn; portfolio optimisation to focus on higher risk-adjusted return business
- **Reduction in RWAs to £203bn**
  - Optimisation of Commercial offsetting impact of IFRS16, increase in Retail and Tesco book acquisition
  - Optimisation driving improved Commercial returns and RWA efficiency
  - Expect RWAs in 2020 to be broadly in line with 2019, despite regulatory headwinds

Loans and advances
(£bn)



Risk-weighted assets
(£bn)

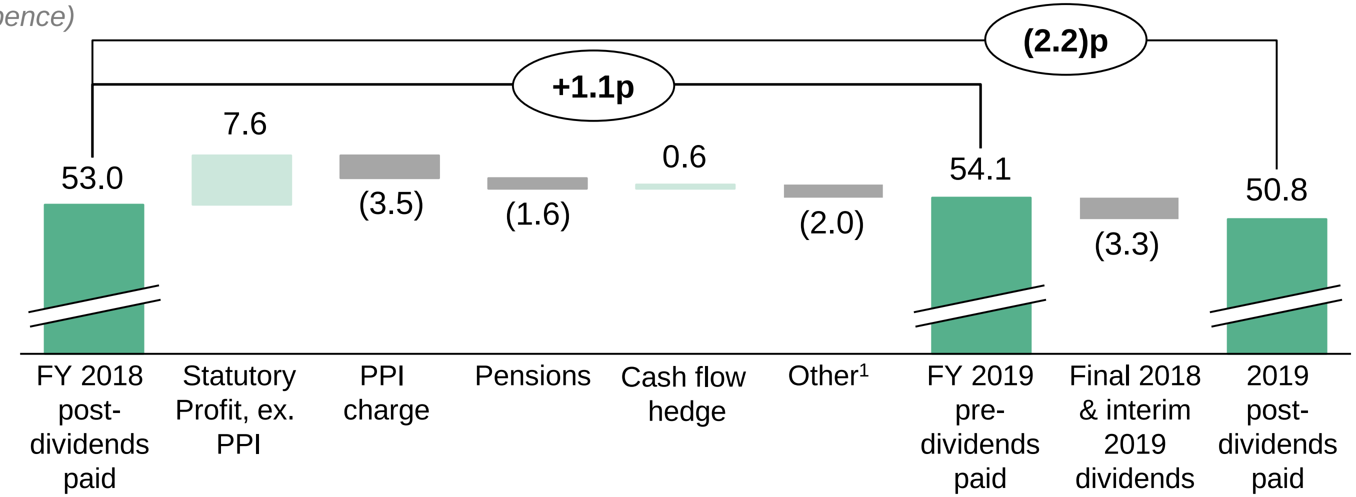


1 – Retail Business Banking included within SME. 2 – Other includes Insurance & Wealth and Central; Other RWAs also include threshold RWAs.

Tangible net asset value impacted by PPI and market movements

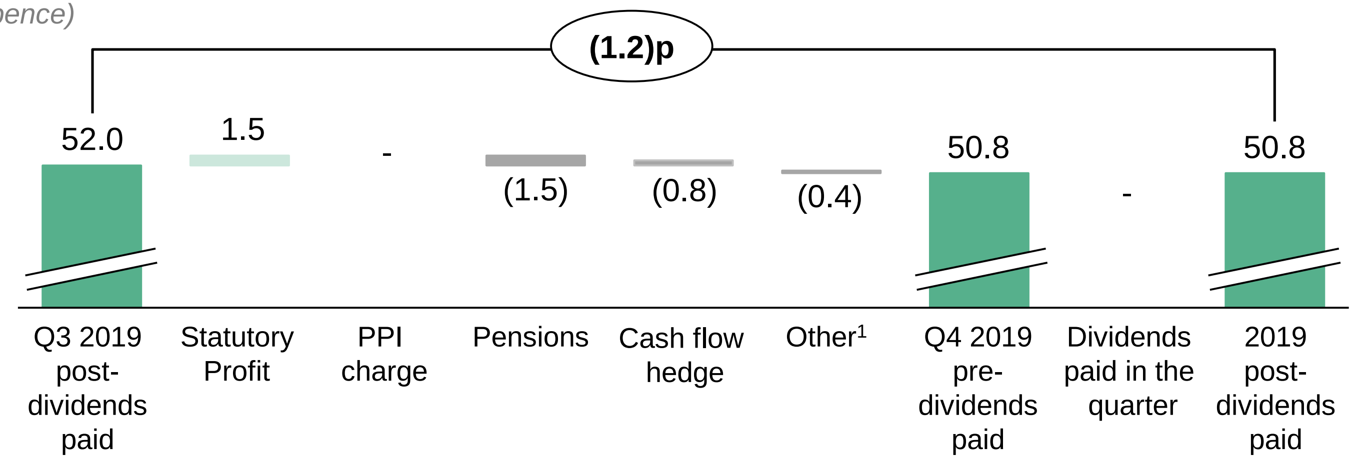
TNAV per share year on year

(pence)



TNAV per share quarter on quarter

(pence)



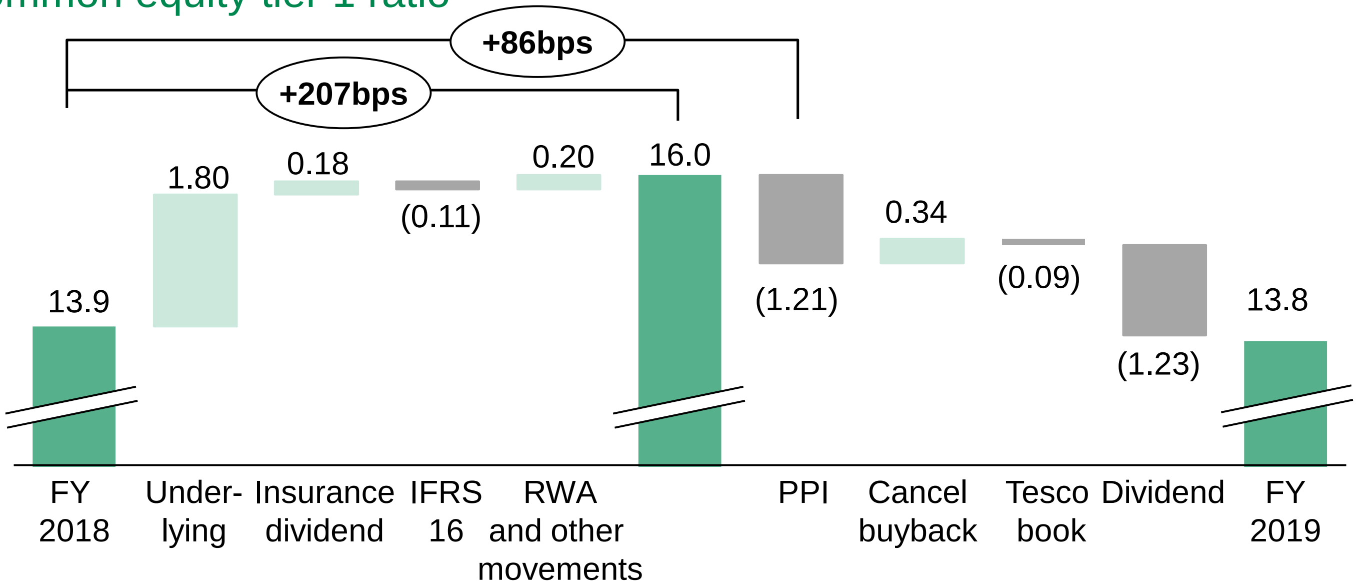
- **TNAV of 50.8p per share, down 2.2p in the year**
- **Gross TNAV generation of 1.1p in 2019**
  - Pre-PPI statutory profit of 7.6p per share
  - PPI charge of (3.5)p per share
  - Pensions impact of (1.6)p per share driven by tightening credit spreads
  - 0.6p per share movement in cash flow hedge reserve due to lower swap rates
- **Dividends paid in the year of 3.3p per share**
- **Full year reserve movements largely driven by market movements in Q4**

1 – Other includes AT1 coupon and other reserve movements.

Strong capital build excluding PPI charge

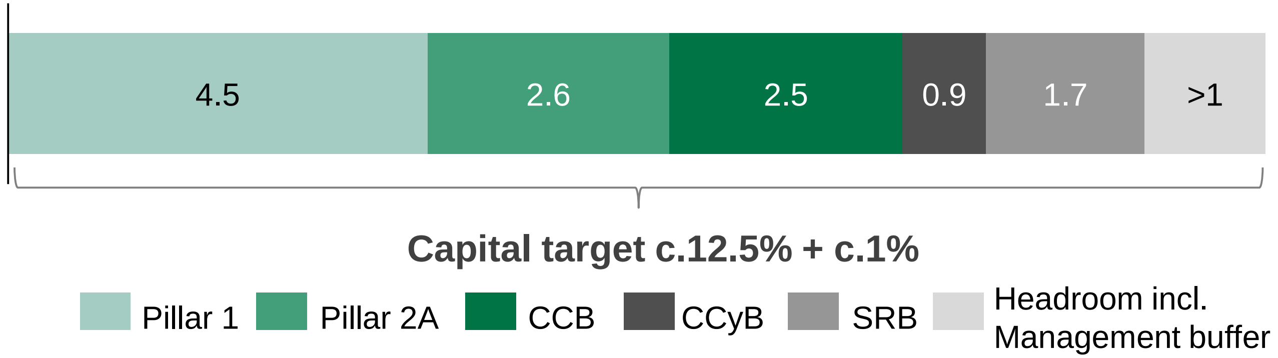
Common equity tier 1 ratio

(%)



Group capital structure

(%)



- **Capital build 207bps pre-PPI, 86bps after PPI**
- **Pro forma CET1 13.8% after dividend**
  - Final ordinary dividend 2.25p per share; total ordinary dividend 3.37p per share, up 5%
- **Ongoing CET1 target remains c.12.5% plus a management buffer of c.1%**
  - CCyB 1.8% with partial P2A offset expected, both at end of 2020
  - Expect P2A to reduce over time
- **Organic capital build expectation within ongoing guidance of 170 – 200bps p.a.**
- **Total pro forma capital remains strong at 21.5%; pro forma UK leverage ratio of 5.2%**

Strategic progress alongside solid financial performance

- **Group continues to Help Britain Prosper, whilst building strategic advantage and delivering strong and sustainable returns**
- **Significant progress against strategic priorities with £2bn investment since launch of GSR3**
- **Solid financial returns in challenging environment with resilient underlying performance offset by PPI charges**
- **Progressive and sustainable total ordinary dividend of 3.37p, up 5%; quarterly dividends commence at Q1 2020**
- **Guidance for 2020 reflects confidence in business model and future performance**

Guidance for 2020

- **NIM of 2.75 – 2.80%**
- **Operating costs less than £7.7bn with cost:income ratio lower than in 2019**
- **Net AQR ratio less than 30bps**
- **Capital build expected within the Group's ongoing guidance of 170 – 200bps p.a.**
- **RWAs to be broadly in line with 2019**
- **Statutory RoTE of 12 – 13%, driven by resilient underlying profit and lower below the line charges**

Appendix

Quarterly P&L and key ratios – solid financial performance

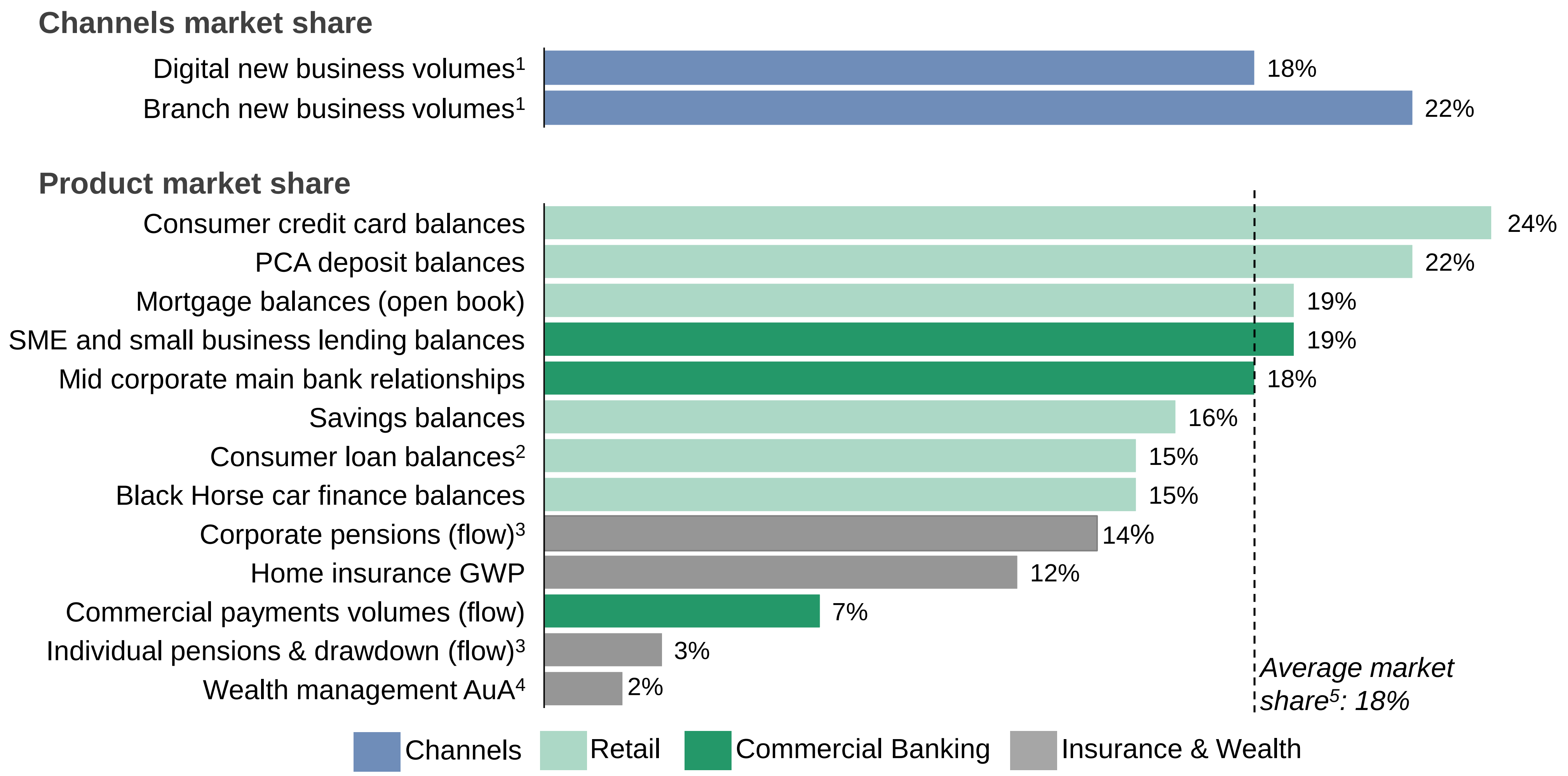
(£m)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	**3,102**	3,130	3,062	3,083	3,170
Other Income	**1,267**	1,315	1,594	1,556	1,400
Operating lease depreciation	**(236)**	(258)	(254)	(219)	(225)
Net income	**4,133**	4,187	4,402	4,420	4,345
Operating costs	**(2,058)**	(1,911)	(1,949)	(1,957)	(2,151)
Remediation	**(219)**	(83)	(123)	(20)	(234)
Total costs	**(2,277)**	(1,994)	(2,072)	(1,977)	(2,385)
Trading surplus	**1,856**	2,193	2,330	2,443	1,960
Impairment	**(341)**	(371)	(304)	(275)	(197)
Underlying profit	**1,515**	1,822	2,026	2,168	1,763
PPI	**–**	(1,800)	(550)	(100)	(200)
Other below the line items	**(69)**	28	(182)	(465)	(537)
Statutory profit before tax	**1,446**	50	1,294	1,603	1,026
Statutory profit after tax	**1,019**	(238)	1,025	1,200	766
Net interest margin	**2.85%**	2.88%	2.89%	2.91%	2.92%
Cost:income (incl. remediation)	**55.1%**	47.6%	47.1%	44.7%	54.9%
Asset quality ratio	**0.30%**	0.33%	0.27%	0.25%	0.18%
Underlying RoTE	**12.2%**	14.3%	15.6%	17.0%	13.6%
Statutory RoTE	**11.0%**	(2.8)%	10.5%	12.5%	7.8%
TNAV per share	**50.8p**	52.0p	53.0p	53.4p	53.0p

Mortgage portfolio LTV breakdown – continued low LTVs

	Dec 2019[1]				Dec 2018[1]	Dec 2010[2]
	Mainstream	Buy to let	Specialist	Total	Total	Total
Average LTVs	43.6%	52.3%	44.0%	**44.9%**	44.3%	55.6%
New business LTVs	65.2%	58.2%	n/a	**64.3%**	62.5%	60.9%
≤ 80% LTV	85.1%	97.2%	91.9%	**87.5%**	88.3%	57.0%
>80–90% LTV	12.0%	2.0%	4.1%	**10.0%**	9.3%	16.2%
>90–100% LTV	2.6%	0.4%	1.2%	**2.1%**	1.9%	13.6%
>100% LTV	0.3%	0.4%	2.8%	**0.4%**	0.5%	13.2%
Value >80% LTV	£33.8bn	£1.4bn	£1.0bn	**£36.2bn**	£33.8bn	£146.6bn
Value >100% LTV	£0.7bn	£0.2bn	£0.3bn	**£1.2bn**	£1.4bn	£44.9bn
Gross lending	£229bn	£49bn	£12bn	**£290bn**	£289bn	£341bn

1 – 2019 Loan to Values use Markit's 2019 Halifax House price index; 2018 values have been restated on the same basis. 2 – 2010 Loan to Values use Markit's pre 2019 Halifax House price index and includes TSB.

Market shares - opportunities for growth in targeted key segments



1 – Average volume share across PCAs, loans, savings, cards and home insurance. 2 – Comprises unsecured personal loans, overdrafts and Black Horse retail lending balances. 3 – Annualised Premium Equivalent new business on an estimated whole of market basis. 4 – Excludes execution-only stockbrokers. 5 – Average market share calculated for core financial services products.

Market data sources: ABI, BoE, CACI, Compeer, eBenchmarkers, Experian pH, FLA, Ipsos MORI FRS, PayUK, Spence Johnson and internal estimates. Note: Market shares as of FY 2019 with exception of PCA and Savings balances (Nov 2019), Home insurance GWP and Individual Pensions and Drawdown (Sep 2019) and Wealth management AuA (Dec 2018).

Forward looking statements and basis of presentation

Forward looking statements

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and 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 its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. Examples of such forward looking statements include, but are not limited to: projections or expectations of the Group's future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; statements of plans, objectives or goals of the Group or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report or Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements. Lloyds Banking Group may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Lloyds Banking Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

Basis of presentation

The results of the Group and its business are presented in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out within the 2019 Results News Release (2019 News Release). This presentation is derived from the 2019 News Release and readers of this presentation should refer to the 2019 News Release for the underlying information.