LLOYDS BANKING GROUP

FIXED INCOME INVESTOR PRESENTATION

Q3 2019

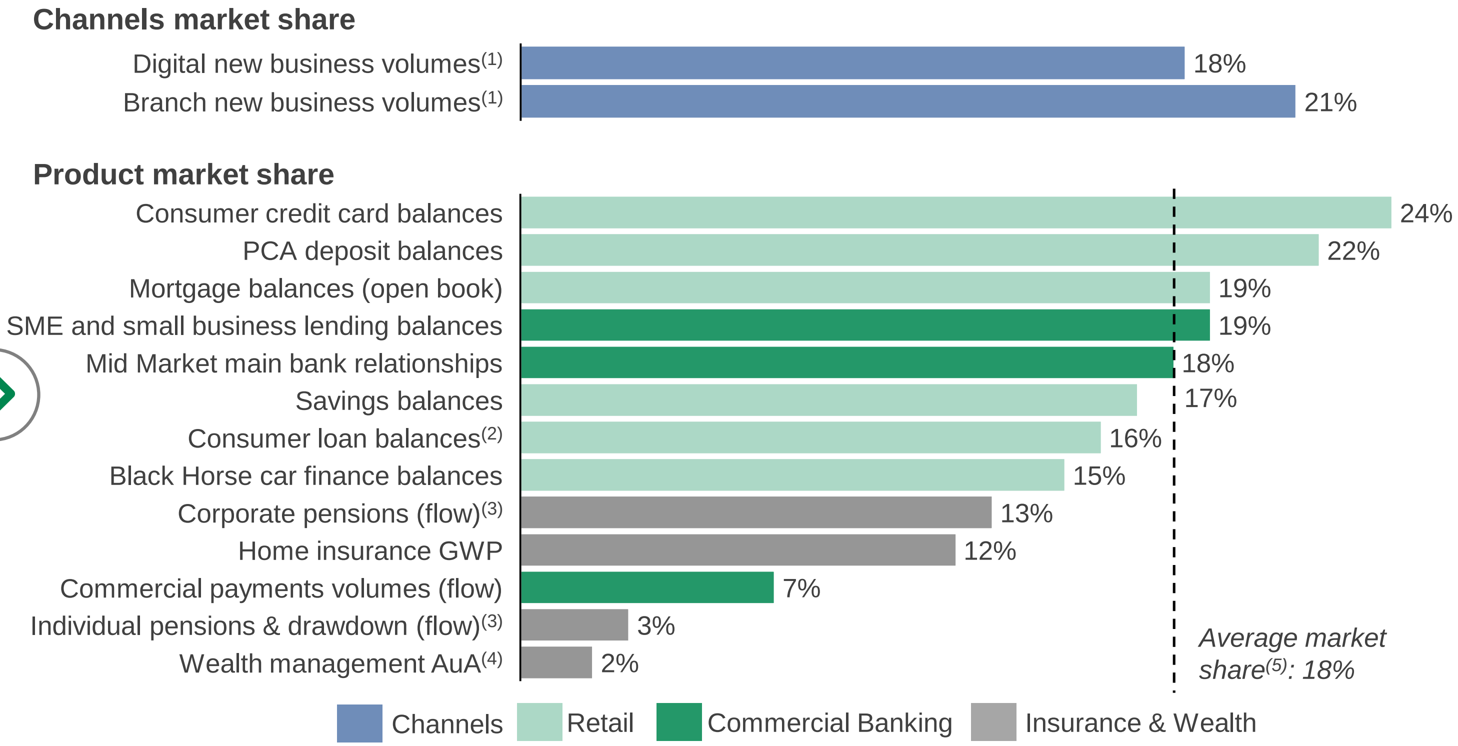
Simple group structure with multiple issuance points

	HoldCo	
Main Entities	**Lloyds Banking Group**	
Ratings	A3 / BBB+ / A+	P-2 / A-2 / F1
Example Products	Senior Unsecured Capital	-

Ring-Fenced Sub-Group		Non-Ring-Fenced Sub-Group		Insurance Sub-Group		Equity Investments Sub-Group	
Lloyds Bank, Bank of Scotland		**Lloyds Bank Corporate Markets**		**Scottish Widows**		**Lloyds Equity Investments**	
Aa3 / A+ / A+	P-1 / A-1 / F1	A1 / A / A	P-1 / A-1 / F1	A2 / A / AA-	- / A-1 / F-1	-	-
Senior Unsecured Covered Bonds ABS	CD, CP	Senior Unsecured	CD, Yankee CD, CP	Capital	-	-	-
L&A: **£472bn**	Assets: **£593bn**	L&A: **£23bn**	Assets: **£87bn**	L&A: **N/A**	Assets: **£155bn**	L&A: **N/A**	Assets: **£3bn**
EU sub: Berlin		**EU sub: Frankfurt**		**EU sub: Luxembourg**			

1 - Ratings shown as Moody's/S&P/Fitch. 2 – Rating shown is for Scottish Widows LTD Insurance Financial Strength Rating. 3 – Insurance assets includes Wealth. 4 – "L&A" refers to Loans & Advances to Customers. 5 – L&A & Total Assets as at H1 2019

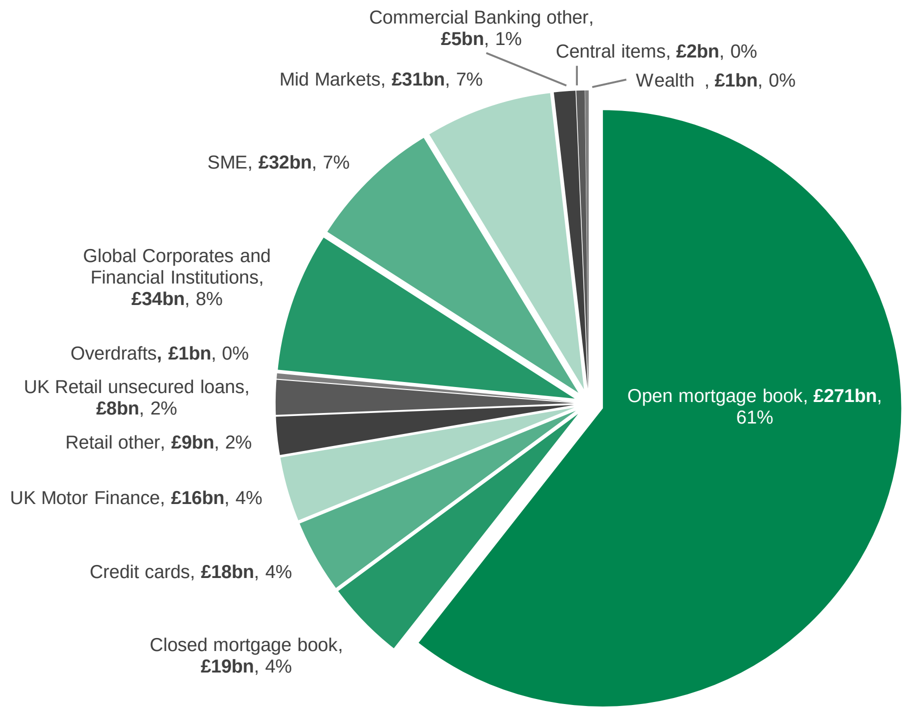
H1 2019 | Opportunities for growth in targeted key segments



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 a 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.
Market shares as of May-19 YTD except (i) Mid market main bank relationships, home insurance GWP and individual pensions & drawdown (1Q19); (iii) Corporate pensions and wealth management AuA (FY18)

Well diversified loan book of £447bn; credit quality remains strong

Q3 2019 Loans & Advances of £447bn



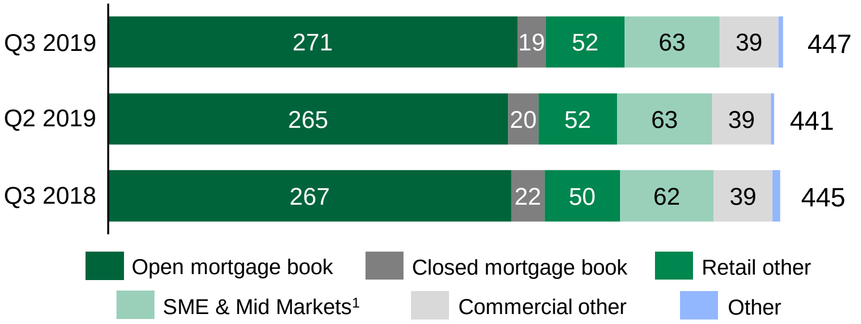
- **Low risk book with over 70% of lending secured**
- **Prudent underwriting discipline maintained**
- **Retail lending-focused loan book (77% of total lending)**
- **Secured mortgages represent 65% of total book with an average LTV of 44% as at Sept-19**

1 - Excludes Reverse Repos of £55.6bn. 2 - SME Includes Retail Business Banking. 3 - Retail Other primarily includes Europe

Balance sheet: ongoing growth in targeted segments while continuing to optimise the portfolio

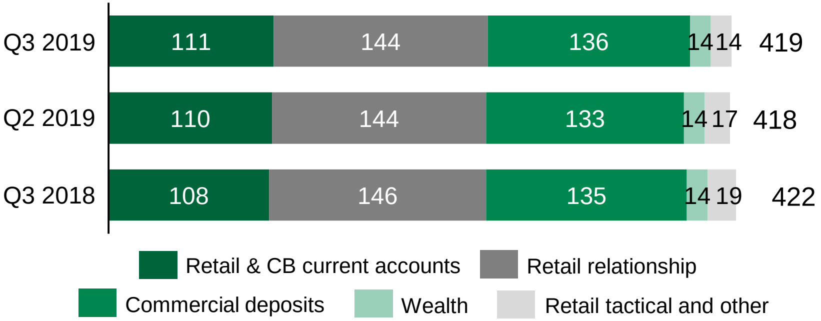
Loans and advances

(£bn)



Liability mix

(£bn)



- **Prudent lending growth in targeted segments**
  - Open mortgage book up £6.1bn on Q2 due to £3.7bn Tesco portfolio acquisition and strong organic growth of £2.4bn, taking advantage of improved market pricing
  - Tesco acquisition provides participation flexibility; total open book expected to end 2019 ahead of 2018
  - Continued year on year growth in SME[1] (up 2%) and Motor Finance (up 8%)
- **Continue to target current account balances, reduce tactical balances and optimise mix**
  - Current account balances up £3bn on Q3 2018 with continued growth in PCA ahead of the market
  - Hedgeable balance £185bn, with c.£13bn unused
- **RWAs up £3bn on year end with optimisation of Commercial partly offsetting impact of IFRS 16 and increase in Retail, including the Tesco acquisition**

1 – Includes Retail Business Banking.

Strong strategic progress and solid financial performance position the Group well

LLOYDS BANKING GROUP

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**

- **Strong strategic progress and the right strategy in the current challenging market environment**
- **Business model resilience reflected in 2019 guidance**
  - NIM expected to be 288bps and AQR less than 30bps
  - Operating costs now expected to be less than £7.9bn, ahead of previous guidance, with cost:income ratio lower than 2018
  - Free capital build now expected to be c.75bps after PPI charges
  - Continue to target a progressive and sustainable ordinary dividend
- **Continued economic uncertainty could further impact the outlook**
- **Maintain focus on prudent growth and reducing costs, whilst further investing in the business**
- **Well placed to support customers and continue to Help Britain Prosper**

Q3 2019 Results

Solid financial performance in a challenging environment

LLOYDS BANKING GROUP

Q3 2019 Year to date

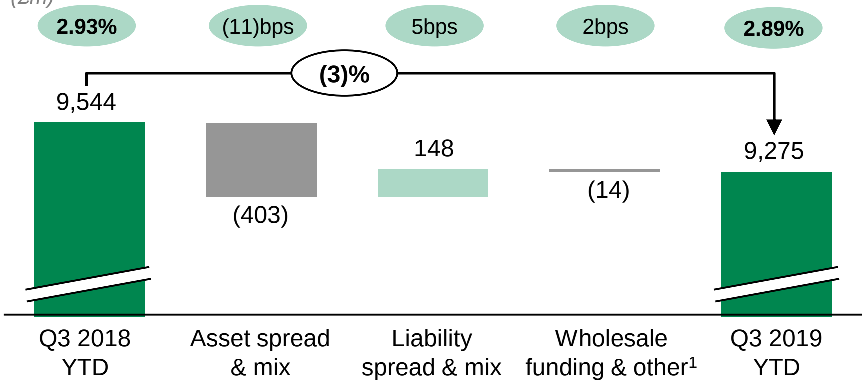
Net income	**£13.0bn** ***(3)%***
Cost:income ratio (incl. remediation)	**46.5%** ***(1.0)pp***
Underlying profit	**£6.0bn** ***(5)%***
Statutory profit before tax	**£2.9bn** ***(40)%***
Earnings per share	**2.2p** ***(53)%***
Return on tangible equity	**6.8%** ***(6.2)pp***
Free capital build (pre-PPI)	**149bps**

- **Statutory profit before tax of £2.9bn for the nine months, down 40%, significantly impacted by additional PPI charge of £1.8bn in Q3**
- **Underlying profit of £6.0bn, down 5%, with underlying RoTE of 15.7%**
  - Net income of £13.0bn, 3% lower, with NIM of 289bps
  - Continued reduction in total costs, down 5%, with BAU costs down 6% and cost:income ratio further improved to 46.5%
  - Credit quality remains strong; net AQR increased to 29bps including a single large corporate charge in Q3
- **Statutory RoTE of 6.8% and TNAV down 1.0p on year end to 52.0p**
- **Free capital build of 149bps, before 121bps PPI impact of which 88bps in Q3**
- **Further 10bps reduction in Pillar 2A with CET1 target maintained at c.12.5% plus a management buffer of c.1%**
- **Continue to target a progressive and sustainable ordinary dividend**

Solid financial performance: ongoing cost reduction continues to partly offset income pressure in a challenging rate environment

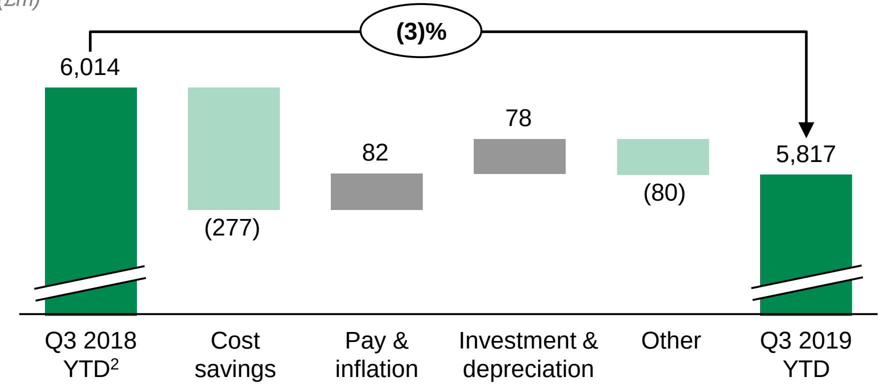
Net interest income

(£m)



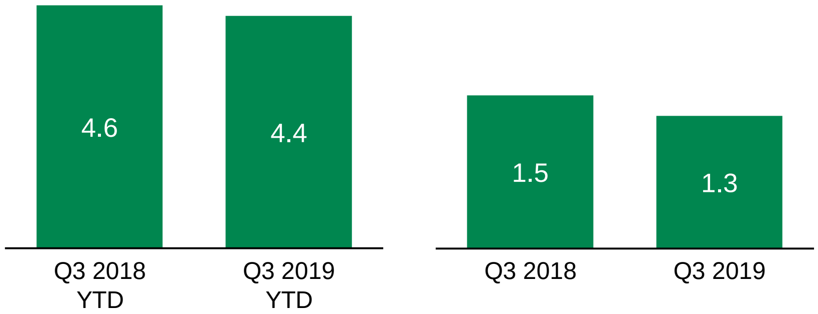
Operating costs

(£m)



Other income

(£bn)



- **Net income of £13.0bn year to date, down 3%**
  - NII down with slightly lower AIEAs and NIM of 2.89% (2.88% in Q3); expect 2019 margin of 2.88%
  - Other income of £4.4bn down 4% impacted by lower client activity in Commercial markets and lower gilt sales
- **Continued reduction in operating costs, down 3%, with cost:income ratio further improved to 46.5%**
- **Now expect operating costs less than £7.9bn in 2019**

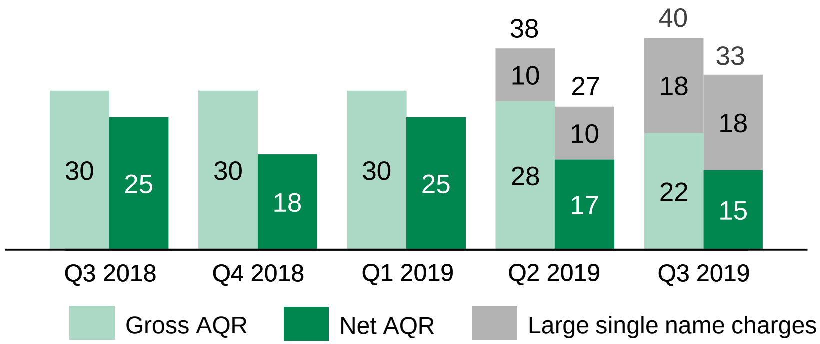
1 – Other includes non-banking net interest income. 2 – Q3 2018 adjusted to reflect the impact of IFRS 16.

LLOYDS BANKING GROUP

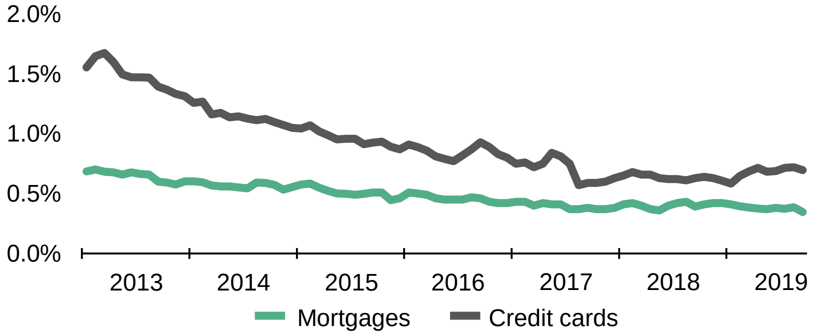
Low risk business model with prudent participation choices: underlying credit quality remains strong

Asset quality ratio

(bps)



Mortgages and credit cards – new to arrears as proportion of total book

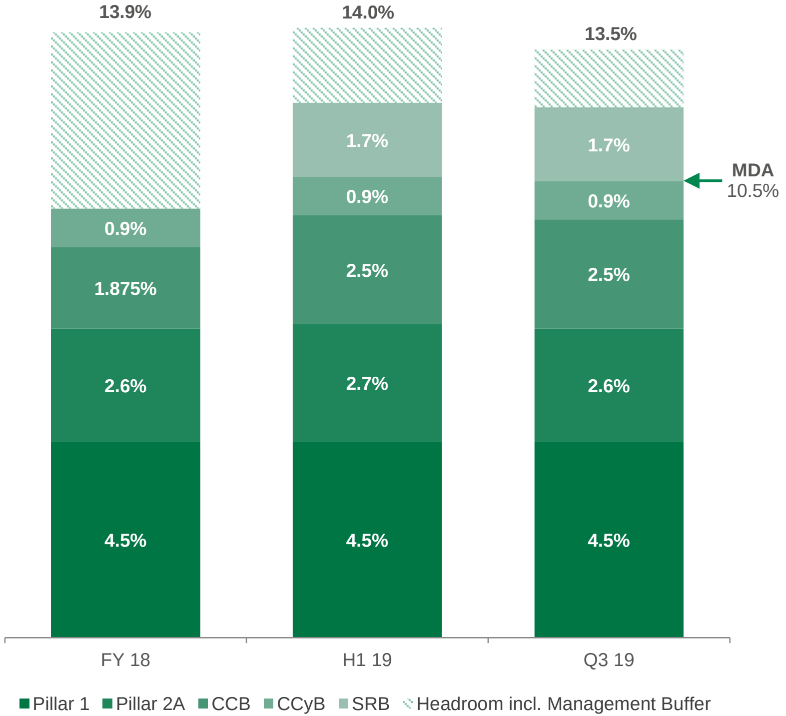


- **Gross AQR in Q3 of 40bps with net AQR of 33bps, both impacted by a single large corporate charge and lower used car prices**
  - AQRs remain low in recent quarters excluding the large single name charges
- **Underlying credit quality remains strong though economic uncertainty persists**
  - Low average Retail mortgage LTV of 44% with stable new to arrears; average LTV of new business 64% and c.90% of portfolio has LTV ≤80%
  - Prime credit card book; new to arrears remaining low
  - Motor finance predominantly secured and subject to prudent assumptions and provisioning
  - Diversified, high quality Commercial book
- **Continue to expect 2019 net AQR of less than 30bps**

Capital, Funding & Liquidity

Robust capital position with lower Pillar 2A requirement

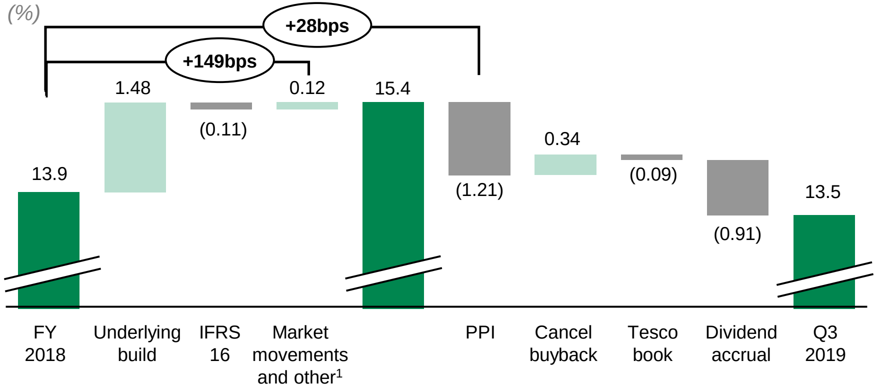
CET1 Ratio



- **Pillar 2A down 10bps in Q3 to 2.6%**
- **Free capital build YTD of 149bps pre-PPI ; 28bps after PPI**
  - Total PPI charge of £2.45bn YTD (-121 bps)
  - Share buyback cancellation c.£650m (+34bps)
- **c.75bps free capital build now expected for 2019, after PPI**
- **Maintained CET1 target of around 12.5% plus a management buffer of around 1%**
- **Continue to target a progressive and sustainable ordinary dividend**

Common equity tier 1 ratio

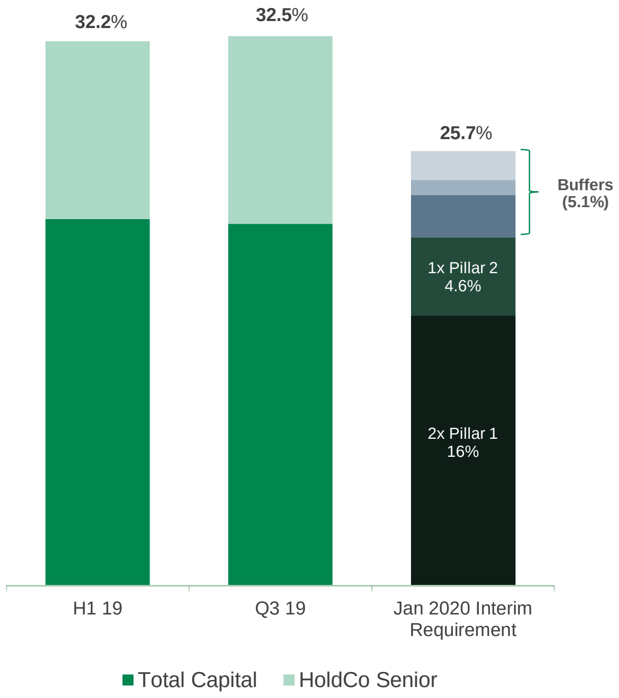
(%)



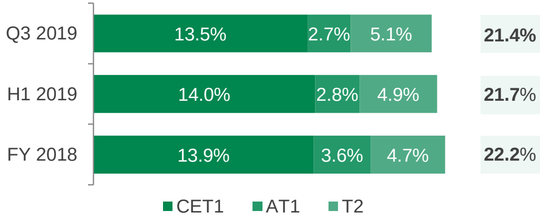
1 - Systemic Risk Buffer of 2.0%, applicable to the RFB sub-group. This equates to 1.7% at Group level. 2 - Pillar 2A reviewed annually by the PRA. 3 – FY 18 CET1 ratio of 13.9% is pro-forma, reflecting the Insurance dividend received in February 2019, ordinary dividends and the share buyback. 4 - Half year CET1 ratios are shown pro-forma for the insurance dividend received in July, post ordinary dividends and post the share buyback

Interim MREL requirement met, on-track for end-state

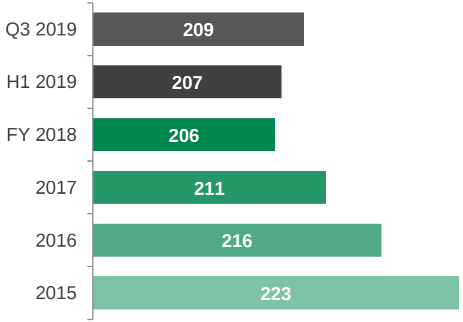
Transitional MREL Ratio



Total Capital Ratio



RWAs (£bn)

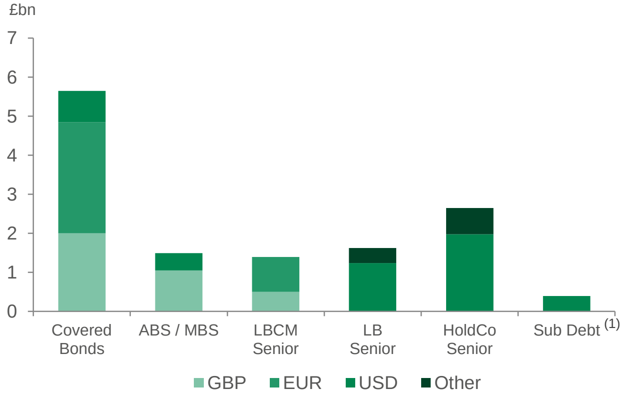


- **Transitional MREL ratio of 32.5%. Final MREL requirements to be communicated in 2020**
- **Future capital and MREL issuance needs focused on maintaining prudent buffers to regulatory requirements given current strong ratios**

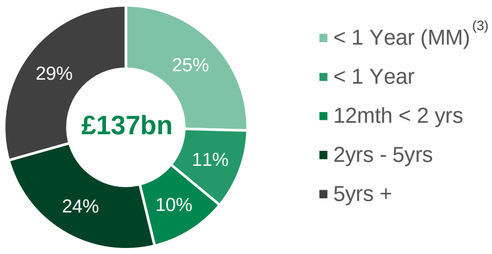
1 - FY 18 CET 1 ratio of 13.9% is shown pro-forma, reflecting the Insurance dividend received in February 2019, ordinary dividends and the share buyback. 2 - Interim MREL Requirements = (2x P1) + P2A + buffers. 3 - Indicative final MREL Requirement = (2x P1) + (2x P2A) + buffers. Final requirement to be confirmed following Bank of England review in 2020. 4 - H1 19 MREL ratio is shown pro-forma for the insurance dividend received in July, post ordinary dividends and post the share buyback

Successful execution of 2019 funding plan with continued diversification

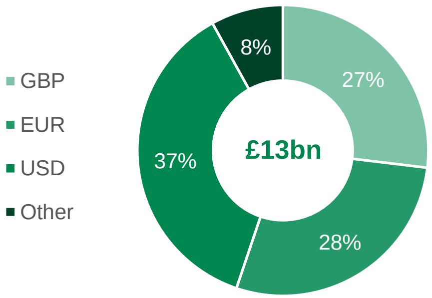
9M 2019 Public Funding by Product [2]



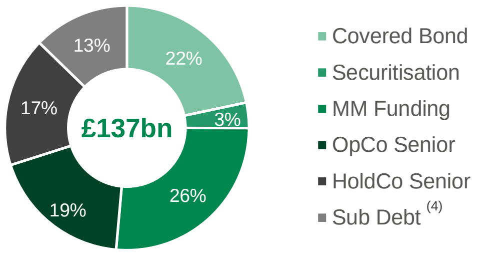
Funding Portfolio by Maturity (at Q3 19)



9M 2019 Public Funding by Currency [2]



Funding Portfolio by Product (at Q3 19)

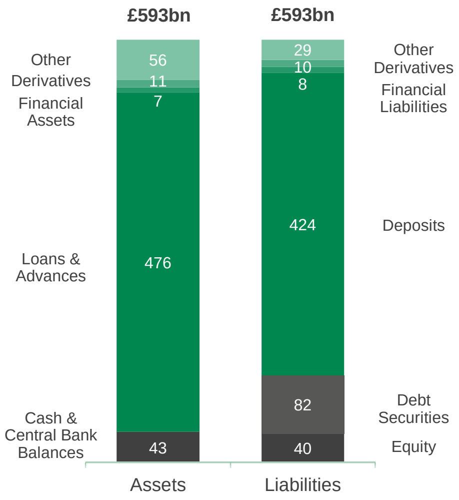


- **Successful execution of plan over 2019 despite market volatility**
- **Potential to pre fund some of 2020 plan, should markets be conducive**
- **Continue to implement a diversified funding plan across:**
  - Core markets - USD, EUR and GBP
  - Strategic markets - AUD, JPY, CAD and CHF

1 – Includes AT1. 2 - Excluding private placements, total YTD wholesale funding = £13.2bn. 3 – Includes margins & settlements. 4 – Excludes AT1

H1 2019 | Legal entity balance sheet analysis

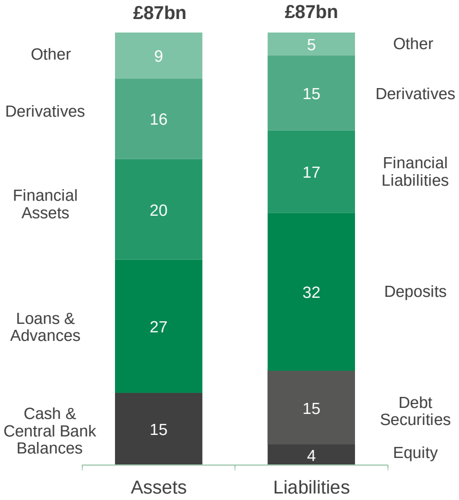
Lloyds Bank Plc (RFB)



RWAs	£173.8bn
CET1 Ratio	14.4%
Tier 1 Ratio	17.5%
Total Capital Ratio	21.0%
CRD IV Leverage	4.5%

- **Over 95% of Group loans & advances remain within the ring-fenced bank**
- **Majority of Lloyds Bank, Bank of Scotland and Halifax banking activities including current accounts, savings and deposits**

Lloyds Bank Corporate Markets Plc (NRFB)



RWAs	£19.7bn
CET1 Ratio	14.6%
Tier 1 Ratio	18.4%
Total Capital Ratio	21.8%

- **Provides products/services to Group customers which cannot be provided by the RFB, for example lending to financial institutions, capital markets and non-EEA activity**
- **Strong capital position with lower requirements than the RFB**

1 - Charts not to scale. 2 – Source: Lloyds Bank Plc 2019 H1 2019 Management Report & Lloyds Bank Corporate Markets Plc 2019 H1 2019 Management Report

Appendix

Creating a market leading wealth proposition

A full service offering for LBG clients

Partnership will provide a full service offering for LBG clients…

LLOYDS BANK HALIFAX **Mass Market** – Digitally enabled direct FP&R offering

Market launch 2020

<£100k investable assets or income (Execution only / robo-advice)

Schroders personalwealth **Mass Affluent** – 50.1% stake[1] in newly created JV

Live to customers

>£100k investable assets or income, seeking advice

Cazenove Capital **HNW/UHNW** – 19.9% stake[1]; leading wealth management and investment business

Live to customers

>£1m investable assets, with more complex needs

Supported by a number of key differentiators

Leveraging the strengths between two of the UK's strongest financial services businesses…

Multi-channel distribution model	Adviser access to **UK's largest branch network**	Largest digital bank in the UK
Investment & wealth management expertise	**400+** years of combined financial services experience	300 advisers from day 1, with ambition for future expansion
Unique client base	**£13bn** AuA from day 1	Access to LBG customer base through referrals
Leading digital and expert technology capabilities	**Award-winning** adviser platform technology deployed	Digital, real-time portfolio access for customers

1 – To be effective from the point of investment in H2 2019. Reflects agreed investment in Schroders Personal Wealth and holding company of Schroders' UK wealth management business, which provides access to Cazenove Capital (both subject to regulatory approval).

Group's strong focus on sustainability reflected in ESG ratings

Environmental

BUSINESS

GREEN / SUSTAINABLE BONDS

LBG FOOTPRINT

- £2bn Clean Growth Finance Initiative: Metroline low emission bus fleet; and the world's largest wind farm. Updated sector policies for Coal, Defence, Oil & Gas etc.
- €1bn Debut Green Senior Unsecured Bond for Telefonica, £300m Sustainability Bond for Co-operative Group. Published updated Sustainability Bond Framework
- RE100 accreditation: 97% of Group's electricity from renewables

Social

SOCIAL DISADVANTAGE

DIVERSITY

DEVELOPING SKILLS

- £56m community investment in 2018 through colleague time, direct donations and giving through Foundations. Over £8m raised for MentalHealth UK
- Ambitious targets for 2020: Senior roles to be 40% women and 8% BAME colleagues
- Pledged to train 750 apprentices, graduates and engineers through our £1m annual investment in Lloyds Bank Advanced Manufacturing Training Centre

Governance

ENHANCED GOVERNANCE

AMBITIOUS, PUBLIC TARGETS

CONTINUOUS INNOVATION

- Responsible Business Committee (Board sub-committee) and Group Executive Sustainability Committee. Build out of Responsible Business team
- 'Helping Britain Prosper Plan' mapped to UN Sustainable Development Goals. TCFD Working Group established
- Lloyds Banking Group Centre for Responsible Business joint venture with University of Birmingham Business School

RECOGNITION

- MSCI - Received a rating of BBB (on a scale of AAA-CCC) in 2018
- Sustainalytics Risk Rating of 27 in 2018 (out of 100 where 0 is lowest risk)
- Only UK bank to make the CDP 'A' List

Notes

Debt Investor Relations Contacts

Website: www.lloydsbankinggroup.com/investors/fixed-income-investors

INVESTOR RELATIONS

LONDON

Douglas Radcliffe
Group Investor Relations Director
+44 (0)20 7356 1571
Douglas.Radcliffe@lloydsbanking.com

Edward Sands
Director, Investor Relations
+44 (0)20 7356 1585
Edward.Sands@lloydsbanking.com

Nora Thoden
Director, Investor Relations
+44 (0)20 7356 2334
Nora.Thoden@lloydsbanking.com

GROUP CORPORATE TREASURY

LONDON

Richard Shrimpton
Group Capital Management and Issuance Director
+44 (0)20 7158 2843
Richard.Shrimpton@lloydsbanking.com

Peter Green
Head of Senior Funding & Covered Bonds
+44 (0)20 7158 2145
Peter.Green@lloydsbanking.com

Gavin Parker
Head of Securitisation and Collateral
+44 (0)20 7158 2135
Gavin.Parker@lloydsbanking.com

Tanya Foxe
Head of Capital Issuance, Ratings & Debt IR
+44 (0)20 7158 2492
Tanya.Foxe2@lloydsbanking.com

Blake Foster
Capital Issuance, Ratings & Debt IR
+44 (0)20 7158 3880
Blake.Foster@lloydsbanking.com

ASIA

Peter Pellicano
Regional Treasurer, Asia
+65 6416 2855
Peter.Pellicano@lloydsbanking.com

Forward looking statements and basis of presentation

Forward looking statements

This document contains certain forward looking statements 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. 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 on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements. 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 Q3 Interim Management Statement (Q3 IMS). This presentation is derived from the Q3 IMS and readers of this presentation should refer to the Q3 IMS for the underlying information.