LLOYDS BANKING GROUP

# 2020 RESULTS

Presentation to analysts and investors | 24 February 2021

| | |
|---|---|
| Introduction | António Horta-Osório, Group Chief Executive |
| Financial Update | William Chalmers, Chief Financial Officer |
| Strategic Review 2021 | William Chalmers, Chief Financial Officer |
| Q&A | |

# Introduction

António Horta-Osório
Group Chief Executive

# Supporting all stakeholders in 2020

## Successfully supporting customers, colleagues and communities through the pandemic

**>£12bn** Government-backed loans for business customers[1]

**c.1.3m** Payment holidays across Mortgages, Cards, Motor Finance and Loans[2]

**>750k** Branch outreach wellbeing calls to customers

**>50k** Colleagues working from home for most of 2020

**£25.5m** Donated to help communities through our charitable Foundations

## Strength of business model enabling continued delivery

- **Digital leader,** with accelerated transformation
- **Record customer satisfaction**
- **Continued efficiency** enabling increased investment
- **Enhanced franchise strength** through the pandemic; £39bn deposit growth
- **All time high employee engagement score;** above UK high performing norm
- **Well positioned to support sustainable and inclusive national recovery**

1 – Data as at 12 Feb 2021. 2 – Cumulative payment holidays granted as at 17 Feb 2021.

# Helping Britain Prosper is at the heart of who we are and underpins our business

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**Driving sustainability** Strategy to **help the transition to a sustainable low carbon economy** launched in 2018

**>10m**

*homes that could be powered as a result of our support to renewable energy projects in 2018-2020*

**>£5.7bn**

*in green finance provided in 2018-2020*

**Championing diversity** First FTSE100 company to set public **gender, Black, Asian and Minority Ethnic** and specific **Black** colleague targets

**37%**

*women in senior roles; up from 28% in 2014*

**c.8%**

*Black, Asian & Minority Ethnic colleagues in senior roles; up from c.6% in 2018*

**Supporting customers** Helping Britain **get a home and supporting businesses to start and grow**

**c.£40bn**

*of lending to help people buy their first home in 2018-2020*

**>265k**

*businesses supported to start up in 2018-2020*

**Strengthening communities** Tackling social disadvantage across Britain through our **charity partnerships** and **staff volunteering**

**>£76m**

*donated to our independent Foundations in 2018-2020*

**1.8m**

*individuals, SMEs and charities trained in digital skills in 2018-2020*

Note: examples of our social and environmental initiatives and Helping Britain Prosper Plan achievements.

# Profit delivered in a highly challenging environment

| | 2020 |
|---|---|
| Net income | £14.4bn *(16)%* |
| Cost:income ratio (incl. remediation) | 55.3% *+6.8pp* |
| Pre-provision operating profit | £6.4bn *(27)%* |
| Impairment | £4.2bn |
| Statutory profit before tax | £1,226m *(72)%* |
| Statutory return on tangible equity[1] | 3.7% *(4.1)pp* |
| TNAV | 52.3p *+1.5p* |
| CET1 ratio | 16.2% |

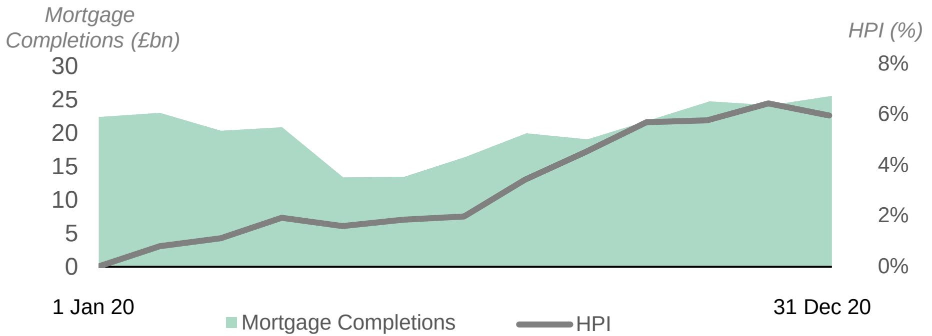
- **NII of £10.8bn down 13%, driven by lower rates and changing asset mix. 2020 NIM 2.52%; Q4 NIM 2.46%**
- **Other income £4.5bn; down 21% with lower customer activity and lower non-recurring items**
- **Total costs of £8.0bn, down 4%**
- **Impairment up, impacted by economic outlook; below Q3 guidance**
- **Statutory profit before tax of £1.2bn**
- **Strong balance sheet and capital build**
  - Increase of £39bn in customer deposits; loan:deposit ratio of 98%
  - RWAs stable
  - CET1 ratio 16.2%; significantly above requirements
- **Final dividend of 0.57p; maximum allowable under PRA guidelines**

1 – Existing basis.

Classification: Public

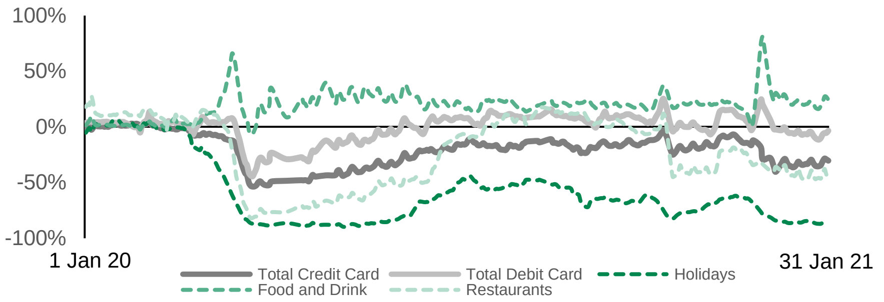
# Economy supported by Government actions with strong housing market

## HPI & mortgage market completions[1]

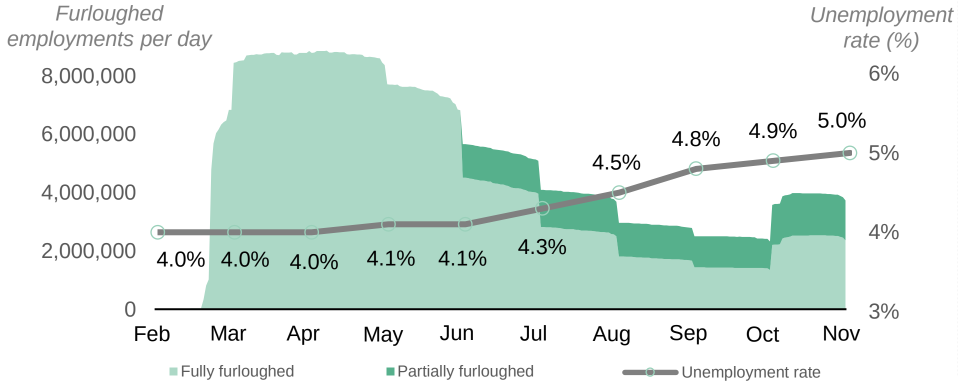



## LBG customers' card spend[2]

*(5-day rolling average, % change vs same period a year earlier)*

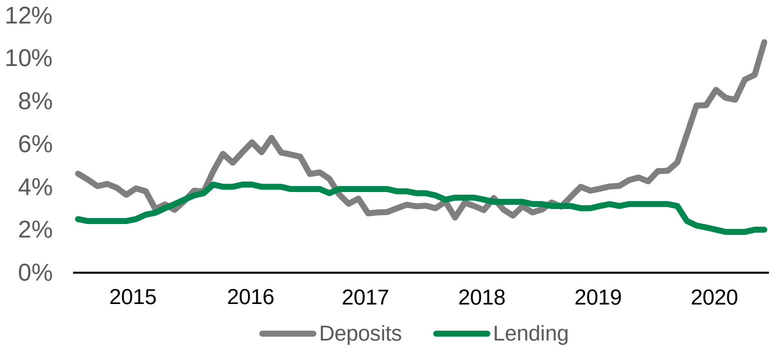



## Unemployment rate & employment furloughed[3]




## Households deposit & credit growth[4]

*(% change vs same period a year earlier)*




1 – Sources: Bank of England, non seasonally adjusted; Halifax HPI, non seasonally adjusted percentage change from Dec 2019. 2 – Excludes financial services spend and MBNA. 3 – Sources: HMRC & ONS.
4 – Source: Bank of England, growth measure, excludes write-offs.

# 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<br>**Simplify** the Group<br>**Invest** in core business<br>**Strengthen** balance sheet & liquidity | Create the **best customer experience**<br>Become **simpler** and **more efficient**<br>Deliver **sustainable growth** | **Leading** customer experience<br>**Digitising** the Group<br>**Maximising** Group capabilities<br>**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.

# GSR3 laid the foundations for Strategic Review 2021

*Overview of selected GSR3 outcomes*

## Leading customer experience

### Improved customer satisfaction to record levels across multiple channels

*All channel NPS[1]*


*Digital NPS[1]*

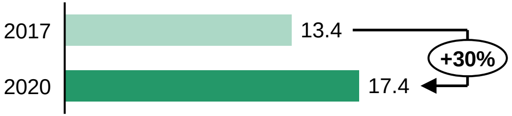

## Digitising the Group

### Exceeded end-to end transformation target

*% of cost base covered by digital transformation*


### #1 UK digital bank

*Digital active users, m*




## Maximising Group Capabilities

### Supported UK businesses

*Financial support provided to UK manufacturing sector (£bn)*


### Integrated banking and insurance provider

*Open book AuA, £bn*


## Transforming Ways of Working

### Record high colleague engagement

*Employee engagement score, % favourable*


### Colleague training focused on future skills

*Hours of training, m*


1 – Annual average NPS.

# Digitising the Group: Digital leadership increases value of multi-brand, multi-channel model

## Largest digital bank in the UK

Continued growth in GSR3…

**30%** Increase in digital active users

**>60%** Increase in mobile app users

…with record high customer engagement

**69** Mobile app NPS[1], up 2% in GSR3, within a leading multi-channel offering

**26** Average mobile app customer logins per month

## A key component of our differentiated multi-brand, multi-channel model

**Responding to changing customer behaviours**

**85%** Products originated via digital channel in 2020; **+17pp in GSR3**

**51%** Products originated via mobile channel in 2020; **+22pp in GSR3**

**Increasing value of multi-channel**

**>40%** more financial needs met on average for multi-channel customers vs. other customers

**Creating capabilities to compete with new challengers**

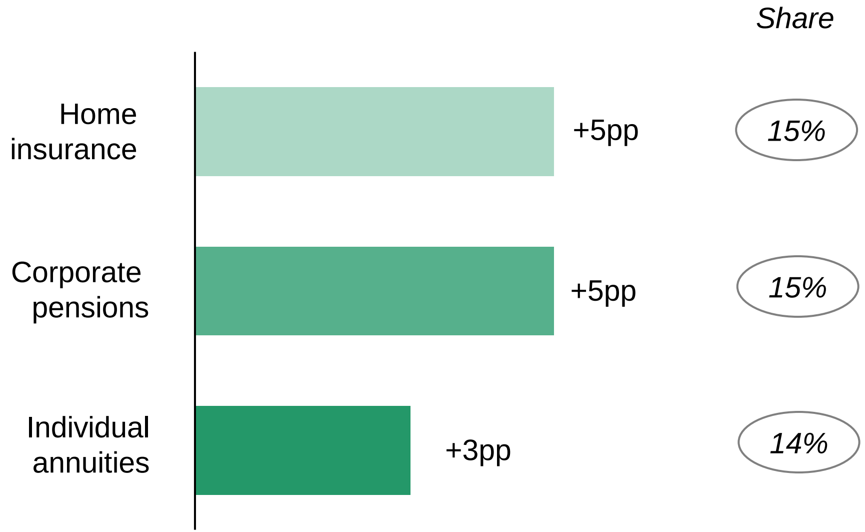
**£15** *per customer* Digital-native marginal customer operating and technology cost per annum[2]

1 – Annual average NPS. 2 – Digital native = PCA digital only and App / telephony only customers. Marginal cost = LBG estimates.

# Maximising Group Capabilities: We have created a comprehensive Insurance & Wealth customer offering

## Growth delivered across a number of core markets

Increase in new business market share since FY 2017[1]




**£46bn** growth in open book AuA in GSR3

## Strategic actions enable enhanced wealth offering

**HNW/UHNW**

Cazenove Capital

***>£1m investable assets, with more complex needs***

**Mass affluent**

Schroders personalwealth

***>£100k investable assets or income, seeking advice***

***Targeting top-3 financial planning business by end of 2025***

1 – Home - new business policies (eBenchmarkers, FY 2020); Corporate pensions – new business APE (ABI and internal whole of market estimates, FY 2020); Individual annuities - new premiums (ABI, 9M20).

# Our strategic progress has created capabilities that position us well for the future

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## Efficiency has created capacity for new investment and opportunities


## Our core capabilities

- Purpose driven, customer focused business model
- Differentiated and sustainable franchise
- Digital leadership
- Efficiency and investment focused
- Low risk business

***Well positioned for Strategic Review 2021***

# Financial update

William Chalmers
Chief Financial Officer

# Resilient business model, returning to profitability in the second half

| | Q4 2020[1] | 2020[1] |
|---|---|---|
| Net income | £3.6bn *+6%* | £14.4bn *(16)%* |
| Cost:income ratio (incl. remediation) | 59.9% *+3.0pp* | 55.3% *+6.8pp* |
| Pre-provision operating profit | £1.4bn *(2)%* | £6.4bn *(27)%* |
| Impairment | £128m | £4.2bn |
| Statutory profit before tax | £792m *(24)%* | £1,226m *(72)%* |
| Statutory return on tangible equity[2] | 7.2% *(0.2)pp* | 3.7% *(4.1)pp* |
| TNAV | 52.3p *+0.1p* | 52.3p *+1.5p* |
| CET1 ratio | 16.2% | |

- **NII of £10.8bn down 13%, driven by lower rates and changing asset mix. 2020 NIM 2.52%; Q4 NIM 2.46%**
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- **Strong balance sheet and capital build**
  - Increase of £39bn in customer deposits; loan:deposit ratio of 98%
  - RWAs stable
  - CET1 ratio 16.2%; significantly above requirements

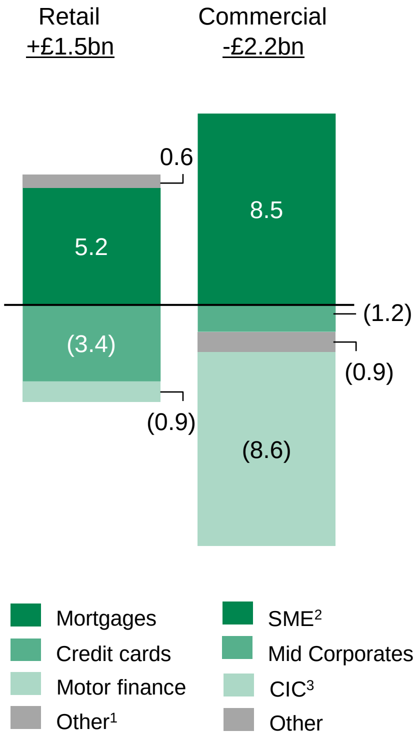
1 – Q4 2020 variance quoted against Q3 2020; 2020 variance quoted against 2019. 2 – Existing basis. FY 2020 2.3% and Q4 2020 5.9% on new basis.

Classification: Public

# Strong customer franchise: resilient lending and Retail deposit growth ahead of market

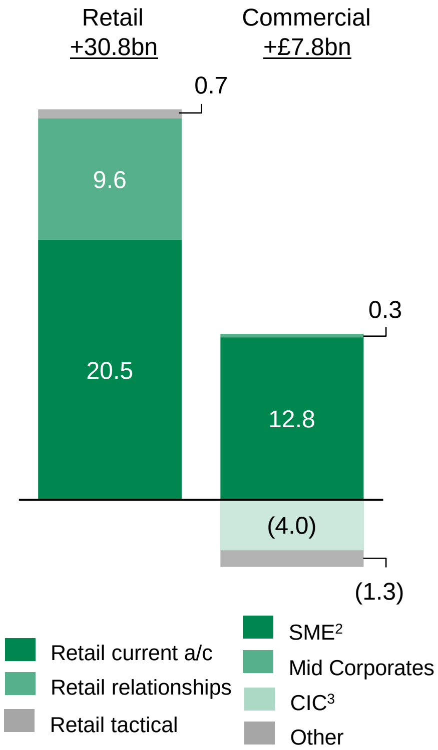
## 2020 lending change

*(£bn)*




## 2020 deposit change

*(£bn)*



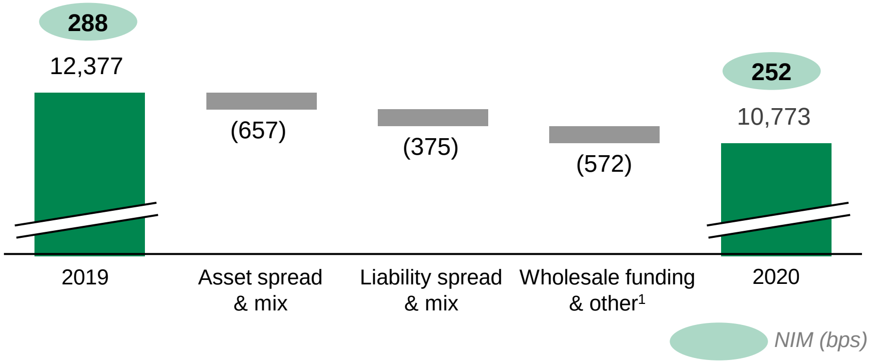

- **Mortgage balances up £5.2bn, to £293.8bn; including Q4 open book growth of £6.7bn**
- **Credit card balances down £3.4bn, to £14.3bn; including 6% reduction in H2**
- **SME balances up £8.5bn, predominately driven by BBLs**
- **Corporate and Institutional balances decline a result of continued optimisation and reduced RCF[4] demand**
- **Total deposits up £38.9bn**
  - Retail deposits up £30.8bn, reflecting low spend and inflows to trusted brands, ahead of market
  - SME deposits up £12.8bn, partially driven by Government-backed lending held on deposit
  - Corporate and Institutional deposit reduction driven by pricing optimisation
- **Flat to modest AIEA growth expected in 2021**

1 – Includes Unsecured loans, Overdrafts and primarily Europe. 2 – Retail Business Banking included within SME for reporting purposes. 3 – Corporate and Institutional Clients. 4 – Revolving Credit Facility.

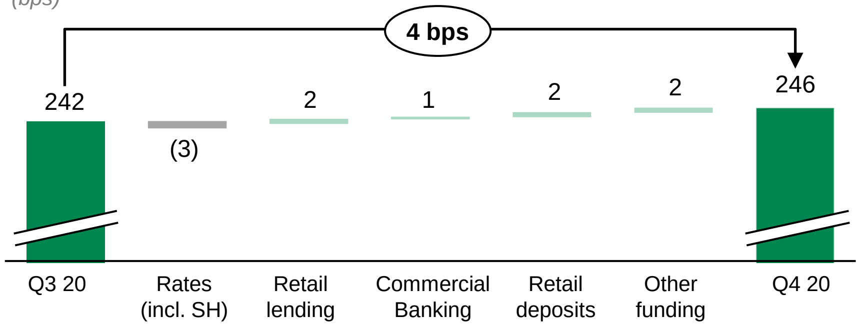
Classification: Public

# Rate and yield curve headwinds, partly offset by strong mortgage activity

## Net interest income and banking net interest margin




## Q4 Net interest margin




- **2020 NII £10.8bn, down 13% on prior year; NIM at 252bps**
  - NIM decrease impacted by lower rates and asset mix
  - Q4 NIM of 2.46% ahead of guidance; benefitting from lower funding costs, strong mortgage margins and Corporate and Institutional lending balance reductions
  - Q4 AIEAs broadly stable at £437bn
- **NIM expected to be in excess of 240bps in 2021**
  - Strength in mortgage new business margins continuing, helping offset back book attrition
  - Unsecured balances likely to fall in H1 before recovering in H2
  - Continued optimisation in Commercial
  - High quality deposit growth reducing other funding needs
  - Structural hedge headwinds in a lower rate environment

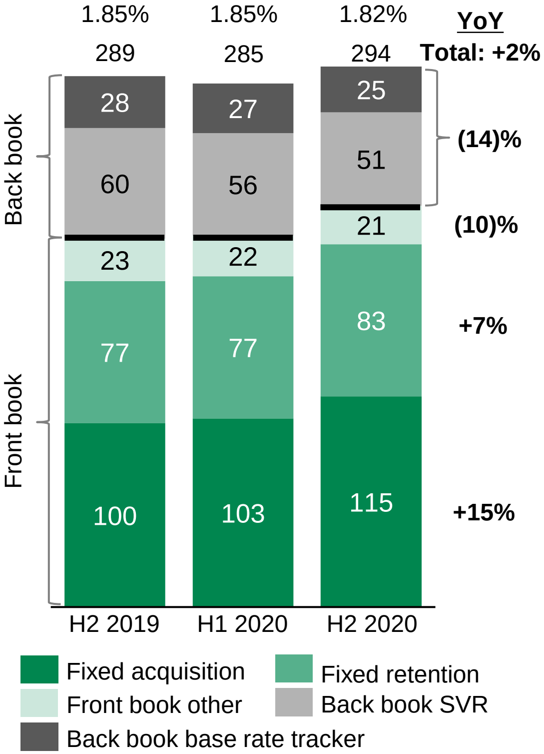
1 – Includes income on the Group's structural hedge and non-banking net interest income.

# Asset margins impacted by mix in 2020

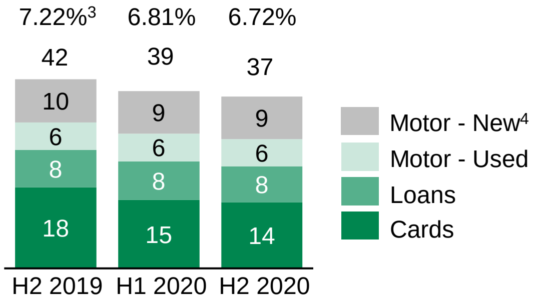
## Changing asset mix

*(Book size £bn, Gross margin %[1])*

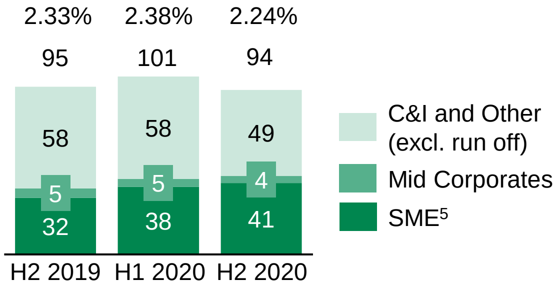
### Mortgage book




### UK consumer finance[2]




### Commercial Banking incl. Retail Business Banking



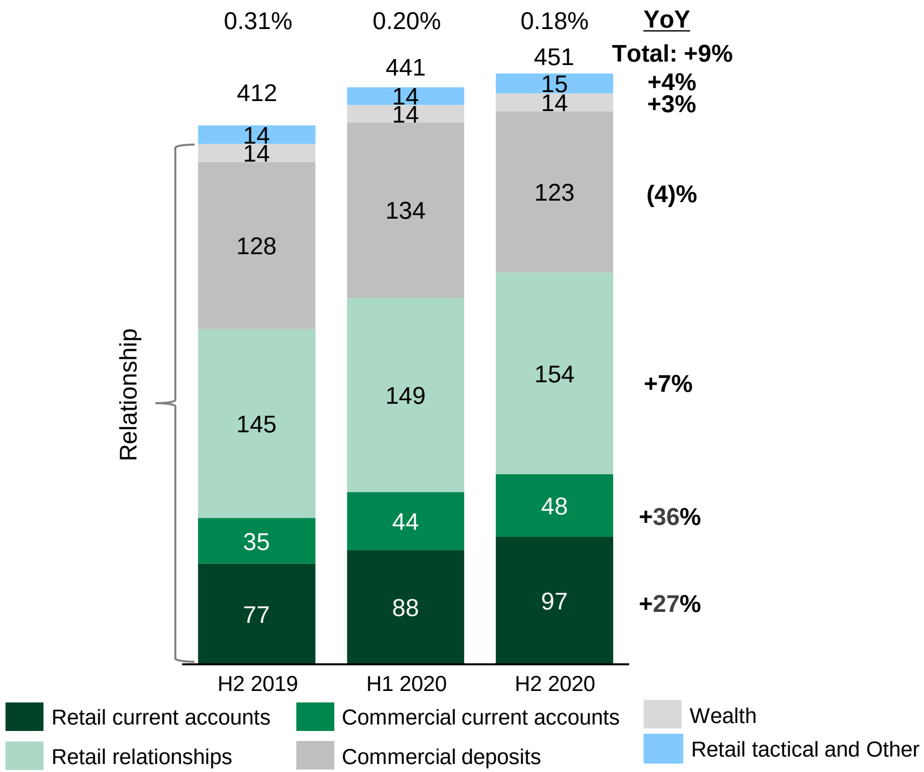

- **Total mortgage book up £9bn in H2 driven by strong front book growth**
- **Mortgage new business margins remain strong, partially offsetting back book attrition of 13.9%**
- **Consumer finance margin impacted by lower Cards balances; recovery in lending expected as activity resumes**
- **Reduction in Commercial portfolio in H2 2020 largely driven by RCF repayments**
- **Commercial H2 2020 margin dilution partly driven by Government-backed lending benefitting from guarantee**

1 – Gross margin is gross customers receivables or payables, less short term funding costs; restated for SONIA. 2 – Excluding overdrafts. 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.

# Significant deposit growth given low customer spend, Government schemes and strong franchise

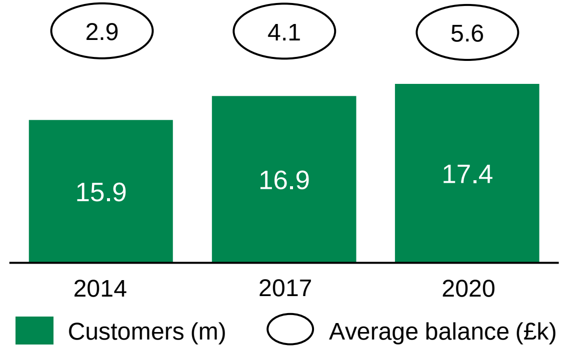
## Increase in customer deposits[1,2]

*(Book size £bn, Gross margin %)*




## Retail current account customers and average balances

*(#m, £k)*



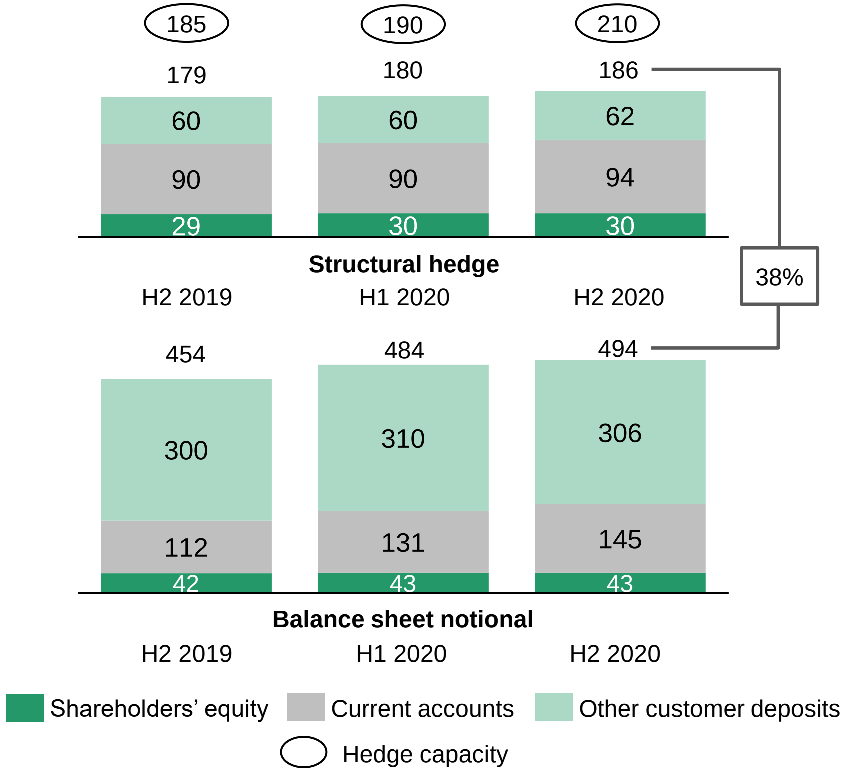

- **Significant £38.9bn increase in deposits in 2020**
  - Reduced retail customer spending and inflows to trusted brands in an uncertain environment, ahead of the market
  - Increase in Commercial current accounts offsetting optimisation of other Commercial deposits
- **Margin impacted by lower rates; limited ability to further reprice**
- **Strong performance in savings presents opportunities to serve customer needs through enhanced wealth offering**

1 – Retail Business Banking shown within Commercial. 2 – Gross margin is gross customers receivables or payables, less short term funding costs; restated for SONIA and includes income from the Group's structural hedge.

# Increased hedge capacity

## Hedged balances[1]

*(£bn)*



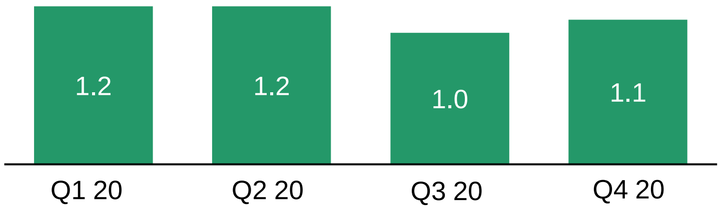

- **Structural hedge notional balance of £186bn**
  - c.2.5 year weighted average life, up from c.2 years in Q3
- **Hedge capacity of £210bn, increase of £25bn in 2020**
- **£24bn unhedged capacity provides flexibility**
- **Income of £2.4bn from structural hedge in 2020**
- **c.£60bn of maturities and hedge income expected to be c.£400m lower in 2021**
- **Materially lower income headwind from hedge in 2022 and 2023 based on expected maturities and yield curve**

1 – The external sterling structural hedge notional is managed as a portfolio, split shown is indicative.

# Other income stabilising, geared to customer activity and ongoing investment

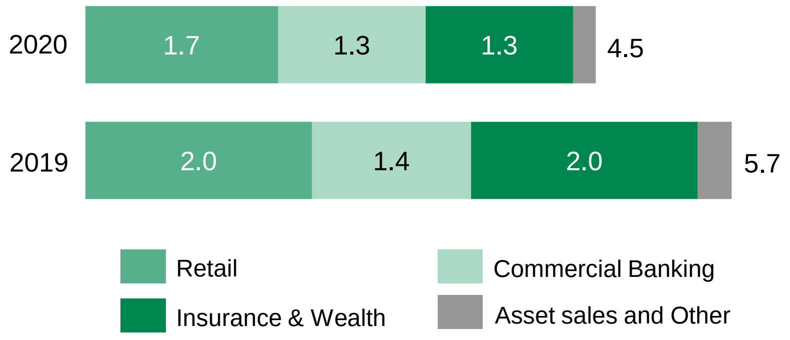
## Other income

(£bn)




## Divisional other income

(£bn)

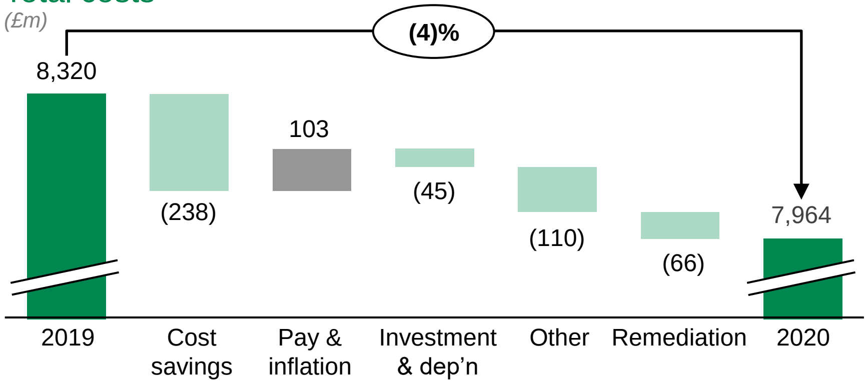



- **Other income £4.5bn; impacted by lower customer activity and lower non-recurring items vs. 2019**
  - Retail impacted by lower interchange income and Lex fleet volumes
  - Lower transaction banking volumes in Commercial
  - Insurance & Wealth impacted by lower new business, assumption changes and reduction in non-recurring items; including AMMR[1] charge
- **Q4 improvement in markets activity and LDC performance, in part offset by Insurance assumptions review**
- **Activity expected to recover in 2021 with gradual easing of restrictions**
- **Ongoing investment to build the business and increase diversification over medium term**

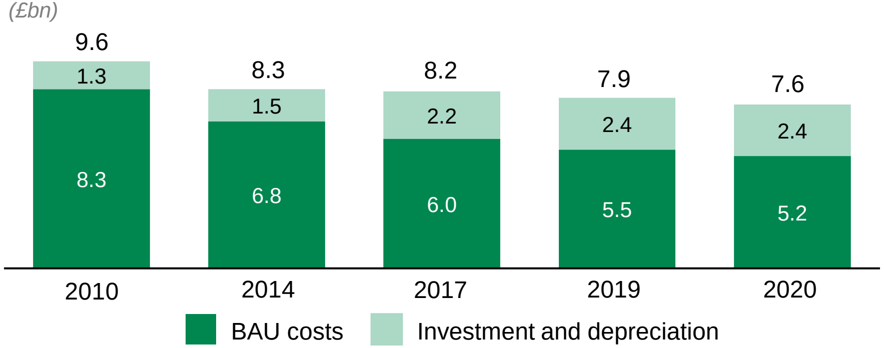
1 – Asset Management Market Review.

# Continued strong focus on costs, alongside investment in the future of the business

## Total costs




## Operating costs over time[1]



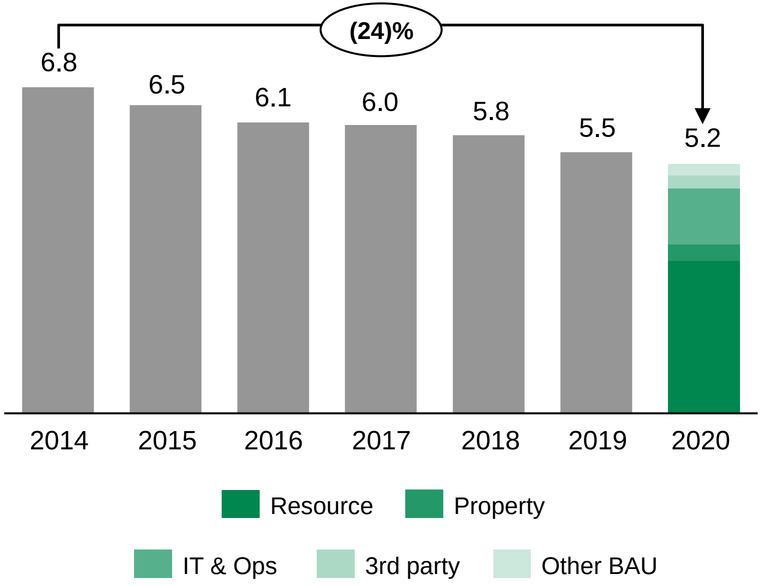

- **Total costs of £8.0bn down 4% with operating costs 4% lower and remediation costs 15% lower**
- **Delivery on operating cost target of <£7.6bn**
- **BAU costs 4% lower, driven by sustained cost reduction delivery, lower remuneration; partially offset by increased pensions and Covid-related costs**
- **Covid has created near term challenges, but accelerates opportunity in the medium term**
  - Covid-related costs and compensation headwinds in 2021 of £100m to £150m
  - Travel savings from new working patterns
  - Acceleration of new technology adoption and property optimisation plans
- **Operating costs to reduce further to c.£7.5bn in 2021**

1 – 2010 to 2017 adjusted to reflect the impact of IFRS 16.

# Committed to further efficiency improvements, supporting continued investment

## Proven record of managing costs

*(BAU costs[1], £bn)*




## Cost framework presents opportunities

| | |
|---|---|
| **BAU costs** *(Ongoing)* | • Rigorous matrix approach to BAU costs<br>• Productivity and 3rd party management (e.g. suppliers) improvements to continue |
| **Covid-related costs** *(Ongoing – Medium-term)* | • Covid relief costs to continue but increasing automation improves efficiency (e.g. BBLs)<br>• One-off pandemic costs unlikely to be repeated (e.g. overtime, IT equipment)<br>• New ways of working (e.g. travel) |
| **Strategic opportunity enabled by investment** *(Medium-term)* | • Further adoption of new technologies likely to drive transformational shift in costs (e.g. cloud)<br>• Customer behaviour driving future distribution strategy; expect to rationalise while maintaining largest branch network in the UK<br>• Property footprint reducing as we adopt new working patterns |

1 – 2014 to 2018 adjusted to reflect the impact of IFRS 16.

Classification: Public

# Solid underlying impairment performance, with lower charges expected in 2021

| Impairment charges (£m) | 2020 | Q4 20 | 2019 | *Incr. vs 2019* |
|---|---|---|---|---|
| **Charges pre-updated MES** | **1,610** | 418 | 1,291 | *319* |
| Retail | **1,359** | 383 | 1,038 | *321* |
| Commercial Banking | **252** | 41 | 306 | *(54)* |
| Other | **(1)** | (6) | (53) | *52* |
| **Coronavirus impacted restructuring cases**[1] | **403** | (31) | – | *403* |
| **Updated economic outlook** | **2,234** | (259) | – | *2,234* |
| Retail | **1,025** | (417)[2] | – | *1,025* |
| Commercial Banking | **809** | (42)[2] | – | *809* |
| Management overlay | **400** | 200 | – | *400* |
| **Total impairment charge** | **4,247** | 128 | 1,291 | *2,956* |

| Expected credit loss | Prob. -weighted | Upside | Base Case | Downside | Severe downside |
|---|---|---|---|---|---|
| *Weighting* | | *30%* | *30%* | *30%* | *10%* |
| Balance sheet ECL | £6,860m | £5,766m | £6,354m | £7,468m | £9,838m |

- **Stable observed credit experience in Q4**
  - Support schemes remaining effective
- **Improved outlook since Q3 and FY impairment charge lower than expected at Q3**
  - Peak unemployment forecast now 8.0% in Q3 2021 (9.0% at Q3)
  - HPI outturn in 2020 of 5.9% (2.0% at Q3)
- **Additional £400m overlay incorporated, reflecting wider uncertainties around outcomes**
- **Base case univariate sensitivities:**
  - 1% increase in unemployment £205m
  - 10% decrease in HPI £284m
- **Based on current assumptions, 2021 impairment expected to return closer to pre-pandemic levels with net asset quality ratio to be below 40bps**

1 – Further charges on existing material cases in restructuring at the end of 2019 where coronavirus has directly hampered the recovery strategy. 2 – Divisional impacts in Q4 include £659m benefit from improved economic outlook offset by incorporation of £200m severe overlay adjustment previously held centrally.

# Building coverage ratios across product areas

| (£m) | ECL 2020 | Net ECL increase | *P&L charge* | *Write-offs & other* | ECL 2019 |
|---|---|---|---|---|---|
| Retail | **4,008** | 1,212 | 2,384 | (1,172) | 2,796 |
| *UK Mortgages* | ***1,605*** | *389* | *478* | *(89)* | *1,216* |
| *Cards* | ***958*** | *352* | *800* | *(448)* | *606* |
| *Motor* | ***501*** | *114* | *226* | *(112)* | *387* |
| *Other* | ***944*** | *357* | *880* | *(523)* | *587* |
| Commercial | **2,402** | 1,087 | 1,464 | (377) | 1,315 |
| Other | **450** | 400 | 399 | 1 | 50 |
| **Total** | **6,860** | 2,699 | 4,247 | (1,548) | 4,161 |

| | Drawn (£bn)[1] | ECL (£m)[1] | Coverage (excl. Recoveries) | | | | 2019 Coverage Total |
|---|---|---|---|---|---|---|---|
| | | | Stage 1 | Stage 2 | Stage 3 | Total | |
| Retail | **354.5** | **4,008** | 0.3% | 4.3% | 22.5% | **1.1%** | 0.8% |
| *UK Mortgages* | ***295.4*** | ***1,605*** | *0.0%* | *2.1%* | *15.6%* | ***0.5%*** | *0.4%* |
| *Cards* | ***15.1*** | ***958*** | *2.2%* | *16.8%* | *58.8%* | ***6.4%*** | *3.4%* |
| *Motor* | ***15.2*** | ***501*** | *1.5%* | *7.7%* | *66.8%* | ***3.3%*** | *2.4%* |
| *Other* | ***28.9*** | ***944*** | *1.1%* | *16.6%* | *54.4%* | ***3.3%*** | *2.8%* |
| Commercial | **88.4** | **2,395** | 0.5% | 5.2% | 36.7% | **2.7%** | 1.4% |
| Other[2] | **62.2** | **429** | 0.7% | 7.7% | 22.1% | **0.7%** | 0.1% |
| **Total** | **505.1** | **6,832** | 0.4% | 4.5% | 28.1% | **1.4%** | 0.8% |

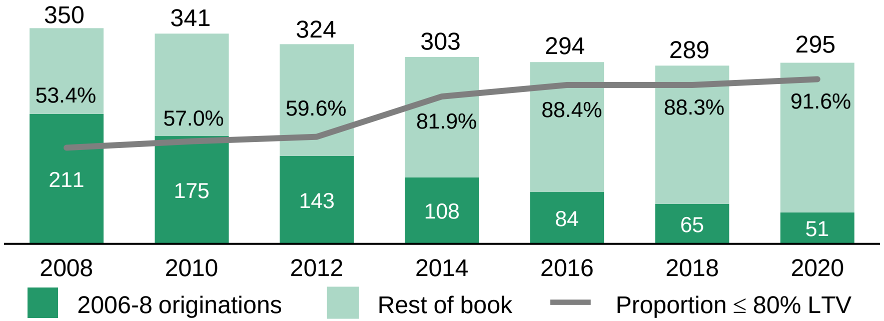
- **Stock of ECL provisions £6.9bn, providing significant balance sheet resilience**
  - Stock of Stage 1&2 ECL up £2.1bn in 2020 covering anticipated losses yet to emerge
- **Write-offs at pre-crisis levels (FY 2019 £1.6bn)**
- **Overall coverage strengthened to 1.4% of total lending and 28.1% on Stage 3 assets**
- **86% of Retail Stage 2 up to date, 98% in Commercial**
- **Coverage on Cards portfolio of 6.4%, up 3.0pp in 2020, with proactive charge-off policy at 4 months in arrears**
  - Stage 3 Cards coverage increased to 59%
  - Equivalent 12 month charge-off policy increases Cards Stage 3 coverage to 73%, overall to 8.8%[3]

1 – Loans and advances to customers only; excludes £28m of ECL on other assets at 31/12/2020 (£19m at 31/12/2019). 2 – Includes reverse repos of £58.6bn which dilutes reported Group coverage by 0.1pp.
3 – Estimated based on last 12 months charge-offs retained in Stage 3 at appropriate coverage.

# Retail: high quality and improving mortgage book; new to arrears remain low

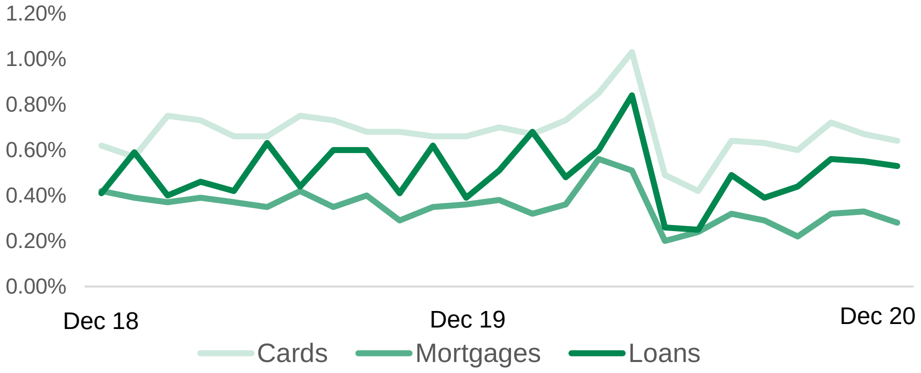
## Mortgage book quality[1,2]

*(£bn,%)*




## New to arrears

*(%)*



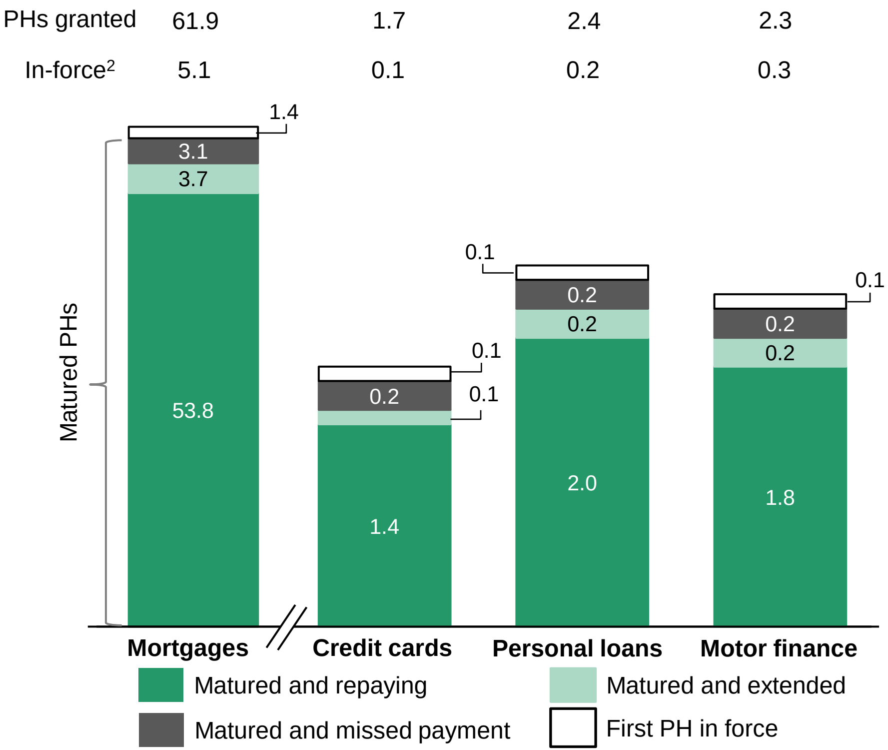

- **UK mortgages account for c.2/3rds of Group lending**
  - Growth in 2020, net lending increasing £5.2bn
  - Average LTV 43.5% and c.92% of book with LTV ≤80%
  - 2006-08 book has average LTV 41% with c.95% ≤80%; continues to perform well while declining c.11% per year
- **New to arrears have remained subdued in 2020, in line with pre-crisis levels**

1 – Gross lending; pre-2013 not restated for sale of TSB. 2 – 2008-13 use HPI1 and 2014-20 LTVs use Markit's 2019 Halifax HPI.

# Strong performance on payment holidays with over 90% now matured

## Current status of Retail payment holidays and balances[1]

*(£bn)*

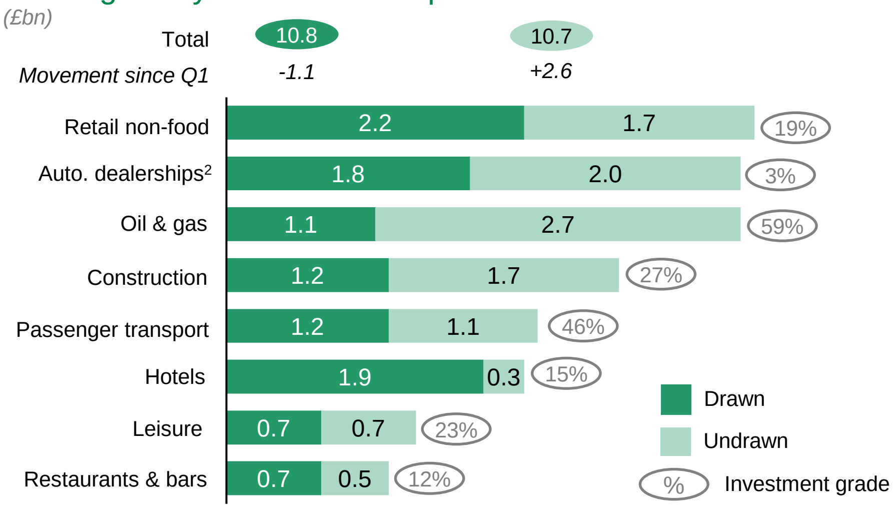



- **Total of c.1.3m payment holidays (PHs) granted on £68bn of lending, of which £6bn (8%) currently in force**
  - 98% of first PHs have matured, of which 89% have resumed payment
  - 76% of extended PHs now expired with 88% resuming payment; 31k customers missing payments
- **5% (c.£4bn) of matured PHs have missed payments; of which 24k mortgages, 36k cards, 20k loans, 10k motor**
  - Of the matured PHs with missed payments 30% were already in arrears
- **28k PHs granted on £0.8bn of lending during latest national lockdown[3]**
- **34k SME CRHs[4], equivalent to £6.0bn and >90% secured; with vast majority now matured and >85% repaying**

1 – Mortgages, credit cards and personal loans at 16 Feb 2021; motor finance at 17 Feb 2021. Analysis of mortgage PHs excludes SJP, IF and Tesco portfolios; motor finance PHs exclude Lex Autolease. Totals and percentages calculated on unrounded numbers. 2 – Includes first PH in force & matured and extended. 3 – From 1 Jan 2021. 4 – Capital repayment holidays, including Retail Business Banking; at 12 Feb 2021.

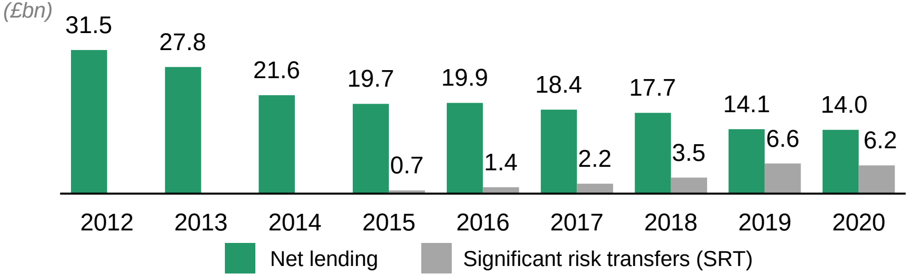
# Commercial: diversified portfolio with limited exposure to most impacted sectors

## Lending in key coronavirus-impacted sectors[1]




- **Diverse client base with limited exposure to coronavirus-impacted sectors**
- **Only c.2% of Group lending and c.12% of Commercial portfolio exposed**
  - Small reduction in drawn balances since Q1
- **Some modest deterioration in credit ratings across coronavirus-impacted sectors through 2020**
  - Percentage of investment grade reduced from 46% to 38%[3]
- **SME performance benign with write-offs <£20m in 2020**

## Group UK direct real estate lending utilisation




- **CRE portfolio significantly de-risked and secured; further risk mitigation through significant risk transfers**
  - Average LTV 50% in CRE and 76% with LTV <60%[4,5]
  - Net exposure £14.0bn, after £6.2bn of SRT
- **Average interest cover ratio of 3.9x with c.90% above 2x[6]**

1 – Lending classified using ONS SIC codes at legal entity level. 2 – Automotive dealerships includes Black Horse Motor Wholesale lending (within Retail). 3 – From Dec-19 to Dec-20, lending limits to Corporate and Institutional clients. 4 – Lending over £1m. 5 – Net of significant risk transfers. 6 – Lending over £5m.

# Statutory profit after tax of £1.4 billion after below the line charges and tax credit

| (£m) | 2020 | 2019 | Change |
|---|---|---|---|
| **Underlying profit** | **2,193** | 7,531 | *(71)%* |
| Restructuring costs | **(521)** | (471) | *(11)%* |
| Volatility and other items | **(361)** | (217) | *(66)%* |
| PPI | **(85)** | (2,450) | |
| **Statutory profit before tax** | **1,226** | 4,393 | *(72)%* |
| Tax credit / (expense) | **161** | (1,387) | |
| **Statutory profit after tax** | **1,387** | 3,006 | *(54)%* |
| | | | |
| Statutory RoTE | **3.7%** | 7.8% | *(4.1)pp* |
| New Statutory RoTE[1] | **2.3%** | 6.6% | *(4.3)pp* |

- **Restructuring costs of £521m in 2020, £233m in Q4; driven by resumption of property optimisation programme and role reduction activity**
- **Volatility and other items largely due to negative insurance volatility and liability management impacts**
- **PPI charge reflects Covid delay costs and tail of operations**
  - >99% of pre-deadline enquires now processed
  - c.£200m remaining provision
- **Tax charge includes c.£350m DTA remeasurement credit in Q1**
- **Revised RoTE calculation from 2021**
- **Improving profitability with 2021 statutory RoTE expected to be between 5% and 7% (new basis)**

1 – Revised calculation no longer adds back post-tax amortisation of intangible assets to numerator.

# Restructuring costs higher reflecting increased investment in efficiency

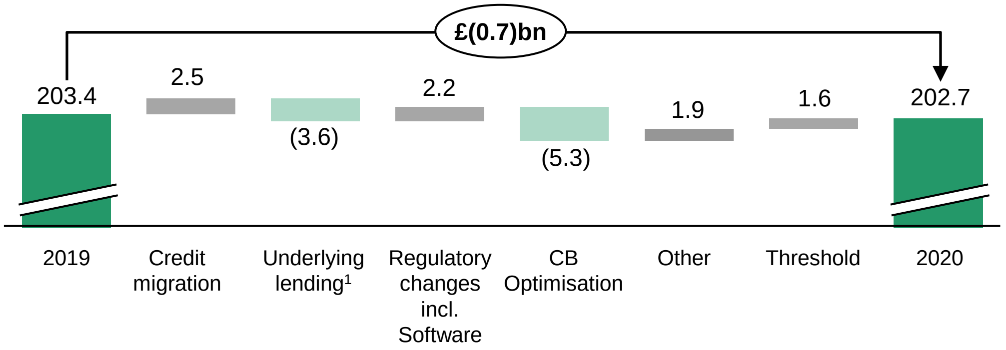
| Restructuring costs (£m) | 2020 | 2019 | Change |
|---|---|---|---|
| Severance costs | **(156)** | (97) | *(61)%* |
| Property transformation | **(146)** | (121) | *(21)%* |
| Technology R&D | **(61)** | (6) | |
| Regulatory programmes | **(42)** | (63) | *33%* |
| M&A / Integration / Other | **(116)** | (184) | *37%* |
| **Total** | **(521)** | (471) | *(11)%* |

- **Restructuring activities included:**
  - Severance costs; increased by organisational design initiatives, accelerated in Q4
  - Property transformation; head office and branch rationalisation, increased in H2
  - Technology R&D; investigating and proving new technologies
  - Regulatory programmes, including IBOR
  - M&A and integration including costs relating to Schroders Personal Wealth and Zurich
- **Restructuring costs expected to be higher in 2021, driven by technology R&D**

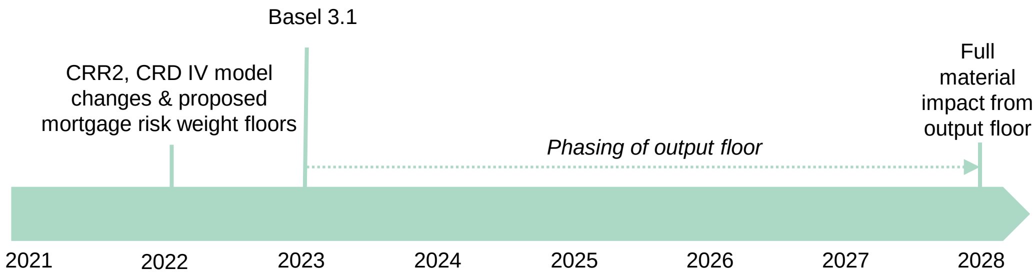
# RWAs stable with optimisation more than offsetting credit migration

## RWA 2020 movement

(£bn)




## RWA regulatory headwinds




- **Stable overall RWA performance**
  - Strong RWA management
  - Delay in expected credit migration
- **RWA headwinds now delayed**
  - Foreseeable regulatory headwinds
    - CRR2, CRD IV model changes and proposed mortgage risk weight floors
    - Basel 3.1 incl. output floor
  - Credit migration
- **Active management to provide some offset**
- **Risk-weighted assets in 2021 to be broadly stable on 2020**
  - Headwinds from regulatory changes to increase RWAs from 2022

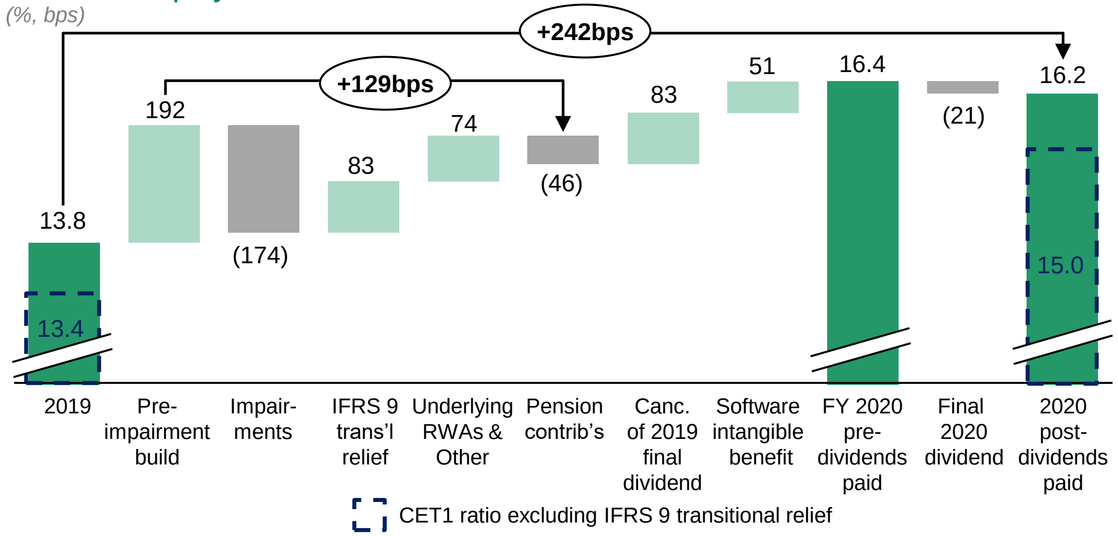
1 – Includes limited impact from Government backed lending.

Classification: Public

# Enhanced capital strength with significant headroom over target and requirements

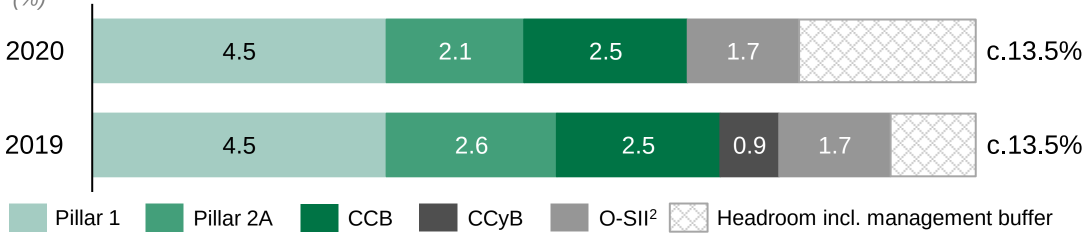
## Common equity tier 1 ratio

*(%, bps)*




## Group capital structure

*(%)*




- **Enhanced capital strength with CET1 ratio of 16.2% (15.7% excl. software intangible benefit)**
- **2020 capital build of 129bps**
- **Pensions triannual review complete**
- **Ongoing CET1 target c.12.5% plus a management buffer c.1%**
  - Significant headroom over c.11% requirement[1]
- **Final dividend of 0.57p; maximum allowable under PRA guidelines**
- **Intention to accrue dividends and resume progressive and sustainable ordinary dividend policy**
- **Expect 2021 capital build to be impacted by both profitability and expected IFRS 9 transitional relief unwind**

1 – CET1 ratio requirement shown excludes any other PRA buffer requirement which we are not permitted to disclose. 2 – Replaces Systemic Risk Buffer.

# Strategic Review 2021

William Chalmers
Chief Financial Officer

# Today's environment brings new challenges and opportunities

LLOYDS BANKING GROUP

## Our core capabilities

- **Purpose driven, customer focused business model**
- **Differentiated and sustainable franchise**
- **Digital leadership**
- **Efficiency and investment focused**
- **Low risk business**

| Challenges | Opportunities |
| --- | --- |
| **Restoring personal and business finances** to health<br><br>Increasing **societal expectations** | Taking a transformational and leading role in **Helping Britain Recover** |
| **Macro environment** to remain challenging | Repositioning and **delivering revenue growth** and **diversification** |
| Accelerated **shift to digital** and new technology capabilities, with increased competition | **Deepening customer relationships** and **delivering step change in efficiency** through technology |
| **Lasting changes to ways of working** | **Investing in people** to support transformation and **deliver a more inclusive organisation** |

# **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**

**Best bank for business**

**Modernised technology architecture**

**Integrated payments**

**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.

# Preferred financial partner for personal customers

**Long term vision**

***Leveraging our unique capabilities to meet more of our customers' needs***

## Capability and opportunity

**Largest UK personal customer franchise with multi-brand, multi-channel model**

**c.50%** UK adults with LBG relationship[1]

**17.4m** Largest UK digital bank

*Digital active users*

**Opportunity to deepen priority segment relationships**

**70%** Priority segment LBG customers with current account relationship

**c.£10bn** LBG customer transfers to other wealth providers in 2020[2]

## 2021 investment focus

**Enable financial resilience and wellbeing through dedicated customer assessment and support**

**Significantly deepen relationships with priority segments through enhanced journeys and new capabilities**

**Digitise to reduce cost to serve**

## Measures of success

*Net open book mortgage growth in 2021*

*Maintain record all channel NPS in 2021 (FY 2020: 68)*

*Increase priority segment customers with needs met by both Retail and Insurance & Wealth*

*Positive annual net new money in Insurance & Wealth[3] to deliver £25bn increase by 2023*

1 – All primary & secondary active customers, core Retail only. 2 – LBG customer outflows to categories: ISA, Stocks & Shares and Other investment to major providers. Gross basis. 3 – Across pensions, wealth & investments (open book). Excludes market movements.

# Best bank for business

**Long term vision** — *Leading digital SME bank; disciplined and strengthened large client proposition*

## Capability and opportunity

**Leading SME franchise, with disciplined large corporate business**

**c.6pp** Increase in SME lending market share since 2010 to 19%

**>60%** of FTSE100 have an active relationship with LBG

**Opportunity to add value to client offering**

**2x** Higher revenue generation for digitally active clients vs. non-digitally active[1]

**10th** Modest ranking across core Markets areas[2] e.g. GBP rates

| 2021 investment focus | Measures of success |
|---|---|
| Automate recovery support and finance the green transition | *>50% growth in SME products originated via a digital source in 2021* |
| Enhance SME channel and service with increased digitisation | *5 point increase in SME digital NPS by 2023[3]* |
| Strengthen Corporate & Institutional product capabilities | *Profitably improve share in Markets products for core clients in 2021* |

1 – Based on Retail Business Banking and SME clients. 2 – Combined Tradeweb and Bloomberg GBP IRS ranking Q1 20. 3 – SME includes Retail Business Banking

# Modernised technology architecture

**Long term vision** — *Efficient, scalable and resilient cloud-based architecture, supporting business transformation*

## Capability and opportunity

**Technology platform advanced through GSR3**

**Intraday** Release cycles for simple digital changes, down from 30 days

**>£4bn** Cumulative technology spend 2018-2020

**Substantial opportunity to deliver further enhancements**

**c.30%** Reduction in time to deliver new features through cloud adoption[1]

**c.60%** Technology applications and services targeted for migration of total estate over long-term

| 2021 investment focus | Measures of success |
|---|---|
| **Further broaden self service capabilities through digitisation** | *Mobile app releases to double YoY in 2021* |
| | *Further mobile app enhancement to maintain record mobile-app NPS (FY20: 69)* |
| **Prove and leverage public cloud to create foundations for future technology architecture** | *c.30% of technology applications and services migrated and c.20% decommissioned by 2023* |
| **Simplify legacy estate through technology optimisation** | *Deliver new technology architecture pilot* |

1 – Example based on time to deliver new Commercial Banking digital feature.

# **Modernised technology architecture:** 'R&D' investment to assess potential for step change in customer proposition and efficiency

## Next-gen technology capabilities developed through partnerships

Google Cloud / Microsoft Azure: *Strategic partnerships signed in 2020 as part of* ***multi-cloud strategy***

Thought Machine: *Strategic partnership first formed in 2018, utilising capabilities to* ***accelerate technology transformation***

FORM3 FINANCIAL CLOUD: *Stake acquired in* ***cloud-native payments business*** *in 2020*

### 2021 targeted milestones will determine pace and scale of roll-out

***c.400k customer accounts*** *safely migrated to pilot of new bank architecture*

***c.40% reduction*** *in applications from legacy architecture in pilot*

## Significant opportunities exist

**Innovative customer propositions** with leading functionality

Transformed customer experiences; **increased efficiency and personalisation**

**Highly scalable, resilient and agile** architecture with reduced estate

Improved operational agility, supporting a **transformed cost base**

Classification: Public

# Integrated payments

**Long term vision**

***Seizing the payments growth opportunity in our customers' channel of choice***

## Capability and opportunity

**Strong foundations**

**#1**
Largest UK card issuer

**>20%**
Card spend market share[1]

**Positioned to benefit from digital acceleration**

**46%** e-commerce mix of debit spend in 2020 (+13pp vs. 2017)

New **cash management & payments** platform with **leading API functionality** developed in GSR3

**Significant growth opportunities**

**14pp** Gap between SME relationship and acquiring market shares

| 2021 investment focus | Measures of success |
|---|---|
| **Enhance cards e-commerce & international payments experience to drive increased customer usage** | *Maintain leading card spend market share in 2021; grow credit card spend market share from 2022* |
| **Build capability and integration of new cash management and payments platform** | *3x increase in corporate clients on new cash management & payments platform in 2021* |
| **Enhance merchant services proposition with improved distribution capabilities** | *15%-20% new client growth per annum in merchant services* |

1 – Weighted average debit and credit card spend shares.

# Data-driven organisation

**Long term vision**

*Leveraging our data proposition to create value for all stakeholders*

## Capability and opportunity

**Investment has created strong data capabilities**

**c.14bn** Customer transactions and interactions in 2020

**20%** Customer needs met today driven by data-led marketing

**Further opportunities to create value in 2021**

**50%** Increase in the number of highly personalised customer interactions

**>50%** Customer transactions to be covered by machine learning

## 2021 investment focus

**Expand use of data to enable more personalised customer and business propositions**

**Extend machine learning capabilities to drive faster and more accurate pricing and risk decisions**

**Deliver organisational reform of data strategy and management, supporting collaboration**

## Measures of success

*Increase personal customer needs met using data and advanced analytics (eg. 20% increase in home insurance needs met[1])*

*>10% increase in fraud detection rates from expansion of machine learning*

*50% return on investment in year 1 from investment in advanced analytics*

1 – Through direct channels.

# Reimagined ways of working

**Long term vision**

*Purpose-led, future ready and inclusive workforce in a transformed workspace*

## Capability and opportunity

**Significant progress during GSR3**

**81%** Colleague engagement index; up 7pp YoY to all-time high[1]

**23%** Reduction in property footprint

**Pandemic creates new opportunities**

**77%** Colleagues currently working from home want to continue to do so three or more days per week in the future[2]

**c.45%** Office leases expiring over next 5 years

| 2021 investment focus | Measures of success |
| --- | --- |
| Further build our purpose-led culture through refreshed values and behaviours | *Maintain leading Employee Engagement Index score* |
| Deliver sustainable workplace solutions, including reduced office footprint | *8% reduction in office space in 2021, with c.20% cumulative reductions by 2023* |
| Build career pathways to attract and retain a more diverse, skilled and future ready workforce | *Aspiration of 50% women, 3% Black and 13% Black, Asian and Minority Ethnic colleagues in senior roles by 2025* |

1 – All time high since measurement began in 2011. 2 – Percentage of colleagues who did not work from home previously, surveyed summer 2020.

# **Strategic Review 2021:** The next evolution of our strategy

LLOYDS BANKING GROUP

## Clear execution in 2021

- Guidance based on current economic assumptions:
  - Net interest margin to be **in excess of 240bps**
  - Operating costs to reduce further to **c.£7.5 billion**
  - Net asset quality ratio to be **below 40bps**
  - Improving profitability with **statutory RoTE between 5% and 7%** (new basis)
  - RWAs **broadly stable on 2020**
  - Intention to **accrue dividends** and resume **progressive** and **sustainable** ordinary dividend policy

## Delivering sustainable shareholder value

**Our customer ambitions**

***Helping Britain Recover***

**Preferred financial partner for personal customers**

**Best bank for business**

**Our enhanced capabilities**

**Modernised technology architecture**

**Integrated payments**

**Data-driven organisation**

**Reimagined ways of working**

**Revenue generation & diversification** | **Efficiency gains** | **Low risk** | **Capital optimisation**

**Targeting medium term statutory RoTE in excess of cost of equity**

# **Strategic Review 2021:** The next evolution of our strategy

| | |
|---|---|
| Core purpose of Helping Britain Prosper remains unchanged | Focused on Helping Britain Recover, in areas where we can make a difference |
| Unlocking co-ordinated growth opportunities across core business areas | Supported by our enhanced capabilities |
| Clear execution outcomes for 2021 | Underpinned by long term strategic vision |

# Questions and Answers

# Appendix

# Quarterly P&L and key ratios

| (£m) | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 |
|---|---|---|---|---|---|---|---|---|
| Net interest income | **2,677** | 2,618 | 2,528 | 2,950 | 3,102 | 3,130 | 3,062 | 3,083 |
| Other income | **1,066** | 988 | 1,235 | 1,226 | 1,267 | 1,315 | 1,594 | 1,556 |
| Operating lease depreciation | **(150)** | (208) | (302) | (224) | (236) | (258) | (254) | (219) |
| **Net income** | **3,593** | 3,398 | 3,461 | 3,952 | 4,133 | 4,187 | 4,402 | 4,420 |
| Operating costs | **(2,028)** | (1,858) | (1,822) | (1,877) | (2,058) | (1,911) | (1,949) | (1,957) |
| Remediation | **(125)** | (77) | (90) | (87) | (219) | (83) | (123) | (20) |
| **Total costs** | **(2,153)** | (1,935) | (1,912) | (1,964) | (2,277) | (1,994) | (2,072) | (1,977) |
| **Trading surplus** | **1,440** | 1,463 | 1,549 | 1,988 | 1,856 | 2,193 | 2,330 | 2,443 |
| Impairment | **(128)** | (301) | (2,388) | (1,430) | (341) | (371) | (304) | (275) |
| **Underlying profit** | **1,312** | 1,162 | (839) | 558 | 1,515 | 1,822 | 2,026 | 2,168 |
| PPI | **(85)** | – | – | – | – | (1,800) | (550) | (100) |
| Other below the line items | **(435)** | (126) | 163 | (484) | (69) | 28 | (182) | (465) |
| **Statutory profit before tax** | **792** | 1,036 | (676) | 74 | 1,446 | 50 | 1,294 | 1,603 |
| **Statutory profit after tax** | **680** | 688 | (461) | 480 | 1,019 | (238) | 1,025 | 1,200 |
| | | | | | | | | |
| Net interest margin | **2.46%** | 2.42% | 2.40% | 2.79% | 2.85% | 2.88% | 2.89% | 2.91% |
| Average interest-earning assets | **£437bn** | £436bn | £435bn | £432bn | £437bn | £435bn | £433bn | £433bn |
| Cost:income (incl. remediation) | **59.9%** | 56.9% | 55.2% | 49.7% | 55.1% | 47.6% | 47.1% | 44.7% |
| Asset quality ratio | **0.11%** | 0.27% | 2.16% | 1.30% | 0.30% | 0.33% | 0.27% | 0.25% |
| Underlying RoTE[1] | **11.1%** | 9.3% | (6.0)% | 4.7% | 12.2% | 14.3% | 15.6% | 17.0% |
| Statutory RoTE[1] | **7.2%** | 7.4% | (4.8)% | 5.0% | 11.0% | (2.8)% | 10.5% | 12.5% |
| TNAV per share | **52.3p** | 52.2p | 51.6p | 57.4p | 50.8p | 52.0p | 53.0p | 53.4p |

1 – Existing basis.

Classification: Public

# Prudent economic scenarios

| Scenario | Probability weighting (%) | Balance sheet ECL (£m) |
|---|---|---|
| **Upside** | 30 | 5,766 |
| **Base case** | 30 | 6,354 |
| **Downside** | 30 | 7,468 |
| **Severe downside** | 10 | 9,838 |
| **Probability-weighted ECL** | | **6,860** |

| Economic measure | Current scenario (%) | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | *2020-22* |
| GDP | (10.5) | 3.7 | 5.7 | (1.9) |
| Interest rate | 0.10 | 1.14 | 1.27 | 0.84 |
| Unemployment rate | 4.3 | 5.4 | 5.4 | 5.1 |
| HPI growth | 6.3 | (1.4) | 5.2 | 10.3 |
| CRE price growth | (4.6) | 9.3 | 3.9 | 8.4 |
| GDP | (10.5) | 3.0 | 6.0 | (2.4) |
| Interest rate | 0.10 | 0.10 | 0.10 | 0.10 |
| Unemployment rate | 4.5 | 6.8 | 6.8 | 6.0 |
| HPI growth | 5.9 | (3.8) | 0.5 | 2.5 |
| CRE price growth | (7.0) | (1.7) | 1.6 | (7.1) |
| GDP | (10.6) | 1.7 | 5.1 | (4.5) |
| Interest rate | 0.10 | 0.06 | 0.02 | 0.06 |
| Unemployment rate | 4.6 | 7.9 | 8.4 | 7.0 |
| HPI growth | 5.6 | (8.4) | (6.5) | (9.6) |
| CRE price growth | (8.7) | (10.6) | (3.2) | (21.0) |
| GDP | (10.8) | 0.3 | 4.8 | (6.2) |
| Interest rate | 0.10 | 0.00 | 0.00 | 0.04 |
| Unemployment rate | 4.8 | 9.9 | 10.7 | 8.4 |
| HPI growth | 5.3 | (11.1) | (12.5) | (18.1) |
| CRE price growth | (11.0) | (21.4) | (9.8) | (36.9) |

# Updated economic forecast reflects slight improvement since Q3

| | Q4 MES[1] | | | | Movement from Q3 | | | | vs. Dec |
|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | '20-22[2] | 2020 | 2021 | 2022 | '20-22[2] | '20-22[2] |
| **YoY GDP** (%) | | | | | | | | | |
| Upside | (10.5) | 3.7 | 5.7 | (1.9) | (0.6) | (3.3) | 2.5 | (1.4) | (7.2) |
| **Base** | **(10.5)** | **3.0** | **6.0** | **(2.4)** | **(0.5)** | **(3.0)** | **3.0** | **(0.7)** | **(6.3)** |
| Downside | (10.6) | 1.7 | 5.1 | (4.5) | (0.1) | (3.1) | 2.6 | (0.7) | (7.2) |
| Severe | (10.8) | 0.3 | 4.8 | (6.2) | 2.5 | 1.0 | (0.4) | 3.2 | (5.0) |
| ***Weighted*** | ***(10.6)*** | ***2.5*** | ***5.5*** | ***(3.3)*** | ***(0.2)*** | ***(2.8)*** | ***2.3*** | ***(0.6)*** | ***(6.7)*** |
| **Unemployment** (%) | | | | | | | | | |
| Upside | 4.3 | 5.4 | 5.4 | 5.1 | (0.9) | (1.8) | 0.2 | (0.7) | 1.4 |
| **Base** | **4.5** | **6.8** | **6.8** | **6.0** | **(0.7)** | **(1.0)** | **0.9** | (0.3) | **1.7** |
| Downside | 4.6 | 7.9 | 8.4 | 7.0 | (0.6) | (0.4) | 1.5 | 0.2 | 1.4 |
| Severe | 4.8 | 9.9 | 10.7 | 8.4 | (0.6) | (1.7) | 1.5 | (0.3) | 1.2 |
| ***Weighted*** | ***4.5*** | ***7.0*** | ***7.3*** | ***6.3*** | ***(0.7)*** | ***(1.1)*** | ***1.0*** | ***(0.3)*** | ***1.5*** |
| **HPI growth** (%) | | | | | | | | | |
| Upside | 6.3 | (1.4) | 5.2 | 10.3 | 3.1 | (1.6) | (1.5) | (0.1) | (11.0) |
| **Base** | **5.9** | **(3.8)** | **0.5** | **2.5** | **3.9** | **0.2** | **(0.5)** | **3.6** | **(2.0)** |
| Downside | 5.6 | (8.4) | (6.5) | (9.6) | 4.4 | 1.0 | (0.4) | 4.3 | 0.3 |
| Severe | 5.3 | (11.1) | (12.5) | (18.1) | 5.0 | 2.3 | 0.4 | 6.2 | 7.5 |
| ***Weighted*** | ***5.9*** | ***(5.2)*** | ***(1.5)*** | ***(0.9)*** | ***3.9*** | ***0.1*** | ***(0.7)*** | ***2.9*** | ***(3.1)*** |

1 – Multiple economic scenarios. 2 – Reflects 3 year cumulative change in GDP and HPI, and average unemployment over 3 years.

Classification: Public

# Coverage across business lines

| | Drawn balances (£m)[1] | | | | Expected credit loss provisions (£m)[1] | | | | Coverage (excl. Recoveries) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Retail | 302,872 | 46,185 | 5,488 | 354,545 | 827 | 1,985 | 1,196 | 4,008 | 0.3 | 4.3 | 22.5 | **1.1** |
| *UK Mortgages* | *253,043* | *37,882* | *4,459* | *295,384* | *110* | *798* | *697* | *1,605* | *0.0* | *2.1* | *15.6* | ***0.5*** |
| *Cards* | *11,454* | *3,264* | *339* | *15,057* | *250* | *548* | *160* | *958* | *2.2* | *16.8* | *58.8* | ***6.4*** |
| *Motor* | *12,786* | *2,216* | *199* | *15,201* | *197* | *171* | *133* | *501* | *1.5* | *7.7* | *66.8* | ***3.3*** |
| *Other* | *25,589* | *2,823* | *491* | *28,903* | *270* | *468* | *206* | *944* | *1.1* | *16.6* | *54.4* | ***3.3*** |
| Commercial | 70,558 | 14,316 | 3,524 | 88,398 | 359 | 741 | 1,295 | 2,395 | 0.5 | 5.2 | 36.7 | **2.7** |
| Other[2] | 62,096 | 13 | 77 | 62,186 | 411 | 1 | 17 | 429 | 0.7 | 7.7 | 22.1 | **0.7** |
| **Total** | 435,526 | 60,514 | 9,089 | 505,129 | 1,597 | 2,727 | 2,508 | 6,832 | 0.4 | 4.5 | 28.1 | **1.4** |

1 – Loans and advances to customers only; excludes £28m of ECL on other assets at 31/12/2020 (£19m at 31/12/2019). 2 – Includes reverse repos of £58.6bn which dilutes reported Group coverage by 0.1pp.

Classification: Public

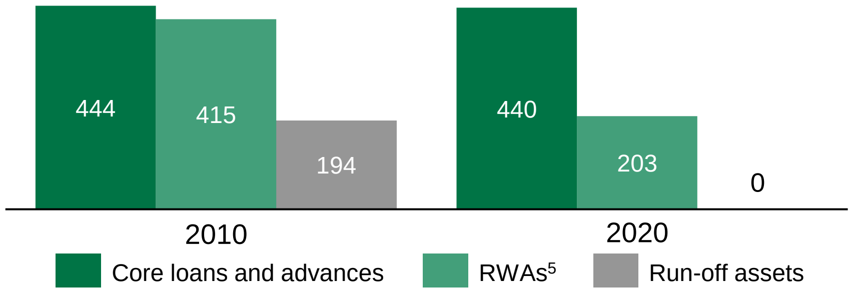
# Robust balance sheet with high levels of security

## Group loans and advances of £440bn

*(£bn)*


## Balance sheet action taken since 2010

*(£bn)*




- **Balance sheet benefitting from prudent approach to lending and well-secured**
  - c.85% of Group lending secured
  - Prime UK retail portfolio comprising more than 75% of Group lending
  - Remaining lending within Commercial, of which c.45% is to SME and Mid Corporates and >80% secured
  - Growth in SME largely Government-backed lending; with c.90% of SME lending secured
  - c.70% of Commercial exposure[6] at investment grade and significant risk transfer transactions in recent years

1 – Includes mortgages, motor finance, secured Retail other. 2 – Includes secured Retail Business Banking, SME, Mid Corporates. 3 – Includes unsecured Retail Business Banking, SME and Mid Corporates, Corporate & Institutional (including secured), CB other, Wealth, Central items. 4 – Includes credit cards, loans, overdrafts, unsecured Retail other. 5 – Restated position for current regulatory rules. 6 – Commercial Banking excluding SME exposures.

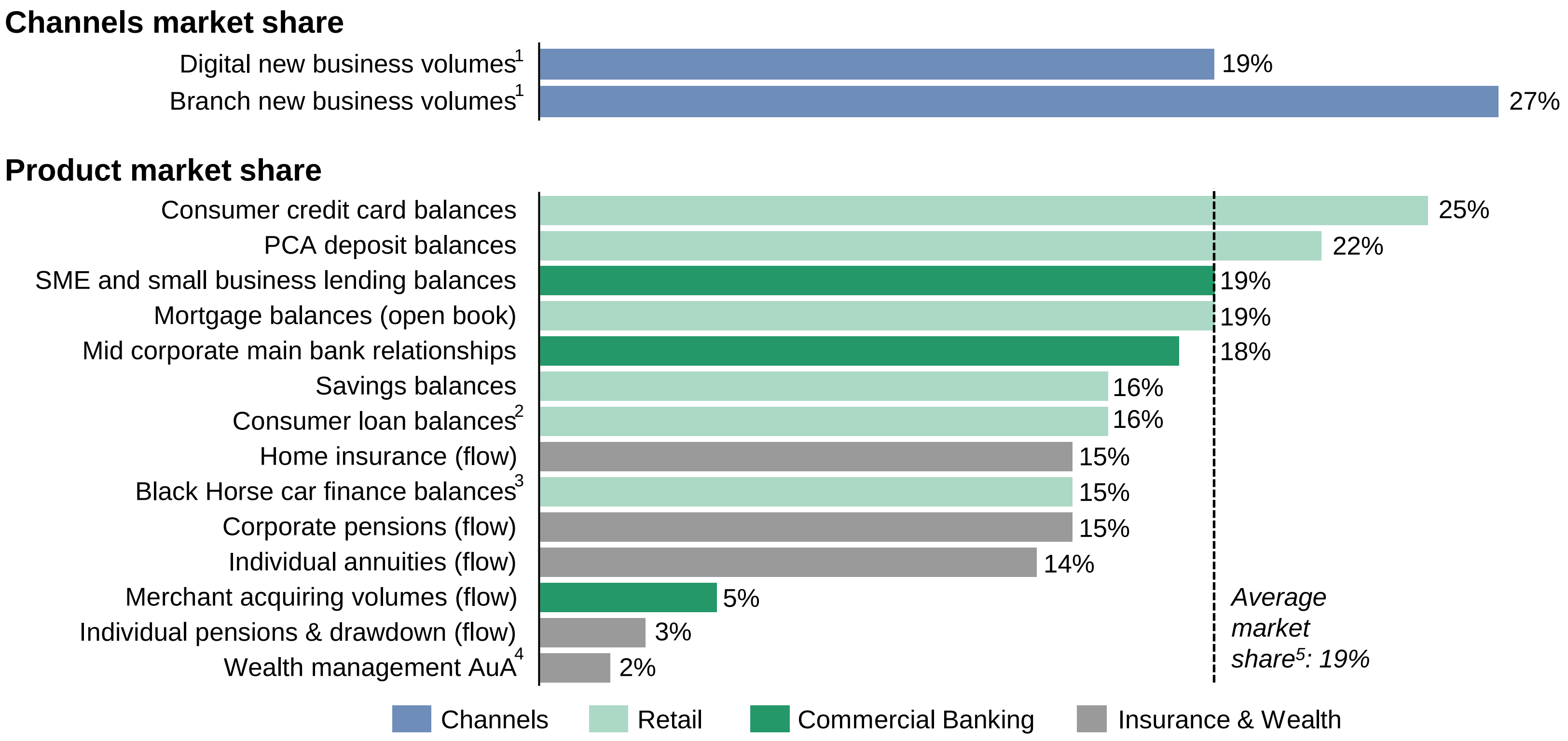
Classification: Public

# Continued low mortgage LTVs

| | 2020[1] | | | | 2019[1] | 2010[1] |
|---|---|---|---|---|---|---|
| | Mainstream | Buy to let | Specialist | Total | Total | Total |
| Average LTVs | 42.5% | 49.7% | 40.9% | **43.5%** | 44.9% | 55.6% |
| New business LTVs | 65.1% | 58.2% | n/a | **63.9%** | 64.3% | 60.9% |
| ≤ 80% LTV | 89.9% | 98.6% | 94.2% | **91.6%** | 87.5% | 57.0% |
| >80–90% LTV | 9.6% | 0.9% | 2.3% | **7.8%** | 10.0% | 16.2% |
| >90–100% LTV | 0.3% | 0.2% | 1.0% | **0.3%** | 2.1% | 13.6% |
| >100% LTV | 0.2% | 0.3% | 2.5% | **0.3%** | 0.4% | 13.2% |
| Value >80% LTV | £23.6bn | £0.7bn | £0.6bn | **£24.9bn** | £36.2bn | £146.6bn |
| Value >100% LTV | £0.5bn | £0.2bn | £0.3bn | **£1.0bn** | £1.2bn | £44.9bn |
| Gross lending | £234bn | £50bn | £11bn | **£295bn** | £290bn | £341bn |

1 – 2020 and 2019 LTVs use Markit's 2019 Halifax HPI; 2010 LTVs use Markit's pre-2019 Halifax HPI and include TSB.

# Growth in customer franchise, with further opportunities in targeted areas




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, Spence Johnson, UK Finance and internal estimates. Note: Market shares as of Dec 2020 with exception of PCA and Savings (Nov 2020); Merchant acquiring volumes (Oct 2020); Individual annuities and Individual pensions & drawdown (Sep 2020); Wealth management AuA (Dec 2019).

# 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', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', '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, statements or guidance relating 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; the Group's ESG targets and/or commitments; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality impacting the recoverability and value of balance sheet assets; concentration of financial exposure; management and monitoring of conduct risk; exposure to counterparty risk (including but not limited to third parties conducting illegal activities without the Group's knowledge); 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), the EU-UK Trade and Cooperation Agreement, 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 and any further possible referendum on Scottish independence; 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 (including but not limited to the COVID-19 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, or other such events; geopolitical unpredictability; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the UK's exit from the EU; changes to regulatory capital or liquidity requirements (including regulatory measures to restrict distributions to address potential capital and liquidity stress) 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 laws, 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 by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks. 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. 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