LLOYDS BANKING GROUP

FIXED INCOME INVESTOR PRESENTATION

H1 2020

Group Overview & Strategy

Simple group structure with multiple issuance points

LLOYDS BANKING GROUP

HoldCo

	Lloyds Banking Group	
Main Entities	HoldCo: Lloyds Banking Group	
Ratings	A3 / BBB+ / A+ Neg / Neg / Neg	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	
Main Entities	Lloyds Bank, Bank of Scotland		Lloyds Bank Corporate Markets		Scottish Widows		Lloyds Equity Investments	
Ratings	Aa3 / A+ / A+ Neg / Neg / Neg	P-1 / A-1 / F1	A1 / A / A+ Sta / Neg / Neg	P-1 / A-1 / F1	A2 / A / AA- Sta / Neg / Neg	- / A-1 / F-1	-	-
Example Products	Senior Unsecured Covered Bonds ABS	CD, CP	Senior Unsecured	CD, Yankee CD, CP	Capital	-	-	-
Size	L&A: **£488bn**	Assets: **£608bn**	L&A: **£25bn**	Assets: **£80bn**	L&A: **N/A**	Assets: **£160bn**	L&A: **N/A**	Assets: £4bn
EU sub	**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 and banks. 5 – L&A & Total Assets as at H1 2020, except LBCM which is as at FY 19.

Quick response to the crisis with transformation positioning us well

Best bank for customers, colleagues and shareholders

Significant support to customers and colleagues

- >£9bn lending provided to businesses through active participation in Government-backed schemes, broadly in line with natural market shares[1]
- >1.1m customers supported through payment holidays[1]
- Pay and job security for all colleagues since March, including additional award for frontline colleagues

Economic outlook uncertain; some signs of recovery

- Economy starting to return to growth alongside easing of lockdown measures, although uncertainty remains over key economic indicators and recovery trajectory
- Some signs of recovery in Q2 and July across the Group's core markets, mainly in consumer spending and housing market activity, with slower commercial recovery, especially in certain sectors

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

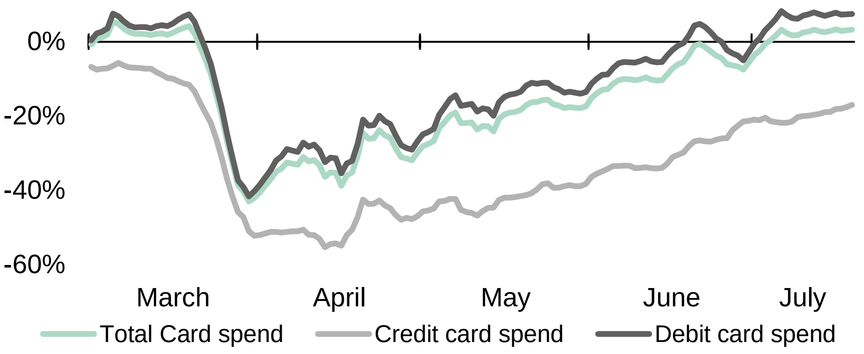
- Benefits of digital investment and transformation evidenced during crisis
- Strong balance sheet and capital position provide capacity to absorb headwinds of the crisis, although we will not be immune from impacts
- Capturing learnings from the crisis to accelerate our transformation

1 – At 24 Jul 2020.

Economy deteriorated since Q1; signs of recovery, although uncertainty remains

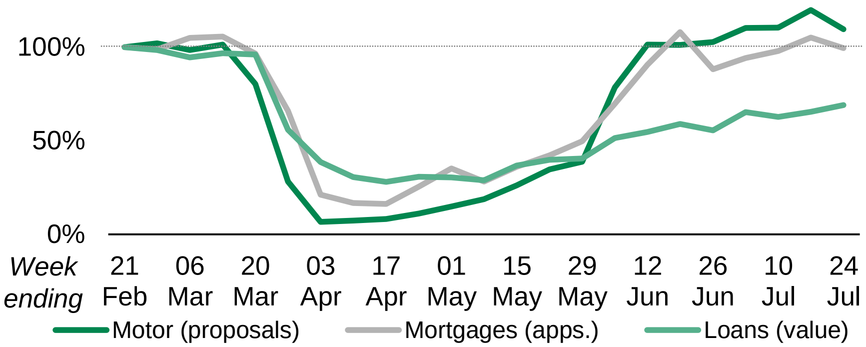
LBG customers' spending[1]

(7-day rolling average, % change vs. same period a year earlier)



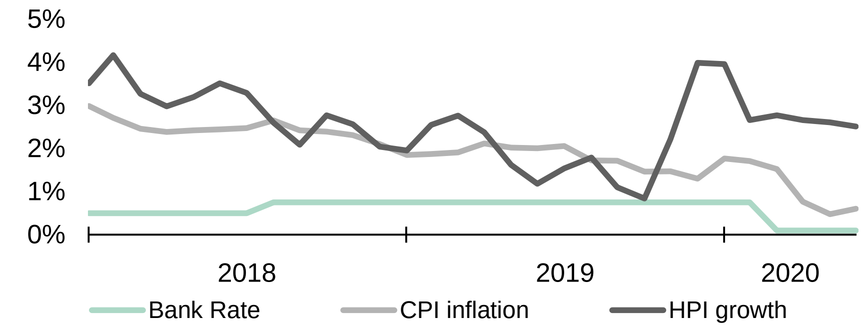
Loan demand[3]

(Applications as a percentage of pre-crisis levels, %)



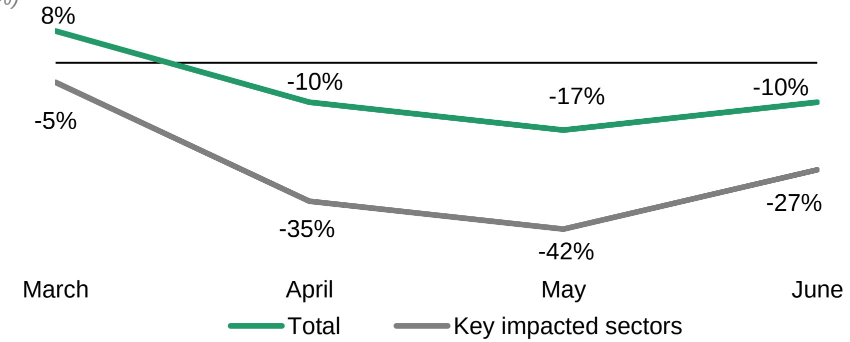
Consumer environment[2]

(%)



Change in SME and BB clients' current account credit turnover[4]

(%)



1 – Excluding financial services spend. 2 – Sources: ONS, Halifax HPI. CPI and HPI are single month change versus the same month a year earlier. 3 – LBG data. 4 – LBG data; professional services and education sectors excluded from the total due to excessive volatility. Key impacted sectors include Restaurants & Bars, Automotive, Leisure, Hotels, Passenger Transport.

Helping Britain recover is integral to Group purpose

Opportunity to build a stronger bank whilst supporting a resilient economy with a more sustainable future

Customers

- Working with Government and regulators to help **households build financial resilience** and **businesses recover**
- Contribution to a fast recovery is in the best interest of **sustainable shareholder value creation**

Colleagues

- Developing more **flexible and efficient ways of working** compelling to colleagues beyond crisis
- **To retain and attract talent** need to ensure our workplace proposition is evolving with the changing ways people want to work

Communities

- Continuing to support our communities through our independent foundations to ensure **fairer** and more **inclusive societal outcomes** and more **even regional development** beyond the crisis
- Expectations for companies to carry wider **societal responsibilities** has accelerated through the crisis and is fully aligned with the Group's **purpose** and supportive of longer term **value creation**

Sustainability

- Helping **finance UK's green recovery** and transition to a sustainable, low carbon future
- Manage **risks and leverage opportunities** from climate change while meeting investors' and other stakeholders' expectations of banks' role in **financing the transition to an environmentally sustainable future**

Current challenges, but remain well placed to deliver for shareholders

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 foundations and unique competitive strengths position the Group well for the evolving environment and emerging trends**
- **Franchise strength, strategic advantage in efficiency and track record of execution give the Group significant competitive advantages**
- **Well positioned for long-term superior and sustainable returns**
- **Activity has begun to recover but the outlook remains highly uncertain; the impact of lower rates and economic fragility will continue for at least the rest of 2020**
- **Updated 2020 guidance reflects proactive response to the challenging economic environment; based on current economic assumptions**
  - NIM expected to remain broadly stable on Q2 level at c.240bps for rest of the year resulting in a full year margin of c.250bps
  - Operating costs to be below £7.6bn
  - Impairment expected to be between £4.5bn and £5.5bn
  - RWAs expected to be flat to modestly up versus H1

H1 2020 Results

Performance impacted by lower rates, activity and economic outlook deterioration

Net income	**£7.4bn** *(16)%*
Cost:income ratio (incl. remediation)	**52.3%** +6.4*pp*
Pre-provision operating profit[1]	**£3.5bn** *(26)%*
Impairment	**£3.8bn**
Statutory profit after tax	**£19m**
Statutory return on tangible equity	**0.1%** *(11.4)pp*
TNAV	**51.6p** *(1.4)p*
CET1 ratio	**14.6%**

- **Net income of £7.4bn, down 16%, NIM of 2.59% impacted by rates and mix, other income of £2.5bn impacted by customer activity**
- **Total costs of £3.9bn, 4% lower, with BAU costs down 6%; cost:income ratio of 52.3%**
- **H1 2020 pre-provision operating profit of £3.5bn; business model provides significant loss absorbing capacity**
- **Impairment of £3.8bn, with £2.4bn in Q2, primarily reflecting updated economic outlook; significantly increasing reserves**
- **Statutory profit after tax of £19m**
- **TNAV of 51.6p driven by movements in pension surplus**
- **Balance sheet strength maintained with CET1 ratio of 14.6% including transitionals (13.4% excluding transitionals), up 81bps and accompanied by lower capital requirement**

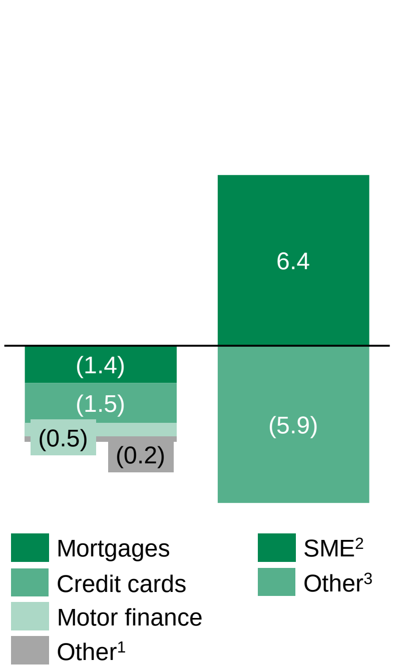
1 – Also described as Trading surplus in other documents.

Retail customers deleveraging and building deposits while SME customers are using Government lending schemes and holding cash

Movement in lending in Q2

(£bn)

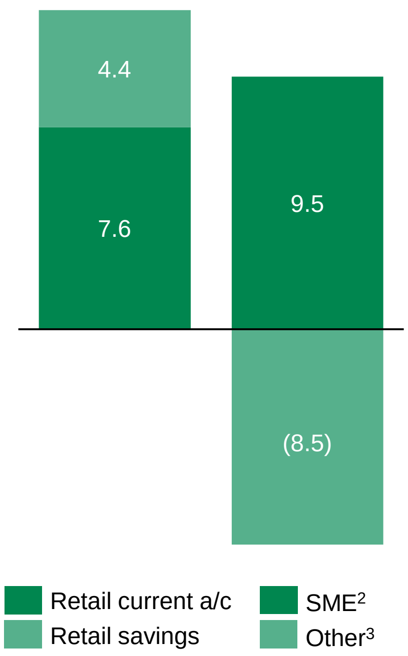
Retail -£3.6bn | Commercial +£0.5bn



Movement in deposits in Q2

(£bn)

Retail +£12.0bn | Commercial +£1.0bn

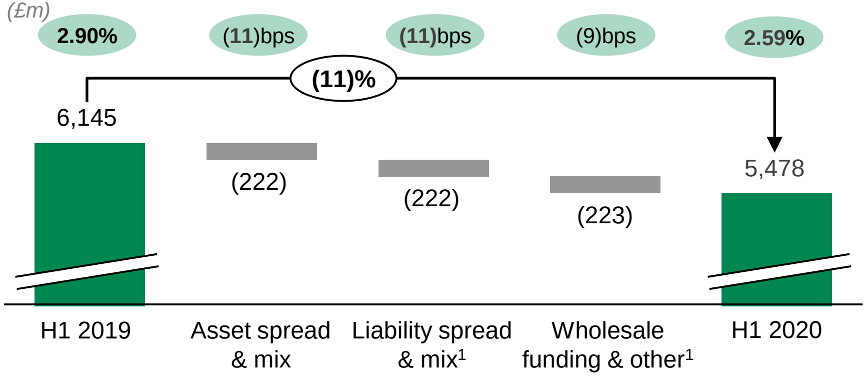


- **Retail customers cautious on borrowing whilst building deposit balances**
- **SMEs increasing borrowing, largely through Government-backed schemes, with c.2/3 remaining on deposit**
  - £7.3bn Bounce Back Loans (BBLs) and £1.8bn CBILs in SME[4]
  - c.£6bn of RCFs and other drawn corporate and institutional facilities paid down in Q2
- **Deposits increased by £29bn in H1 (£13bn in Q2) given reduced customer spending and inflows to trusted brands in an uncertain environment**

1 – Includes Unsecured loans, Overdrafts and Retail other. 2 – Retail Business Banking included within SME for reporting purposes. 3 – Includes Mid Corporates, Corporate and Institutional and other commercial. 4 – At 24 Jul 2020.

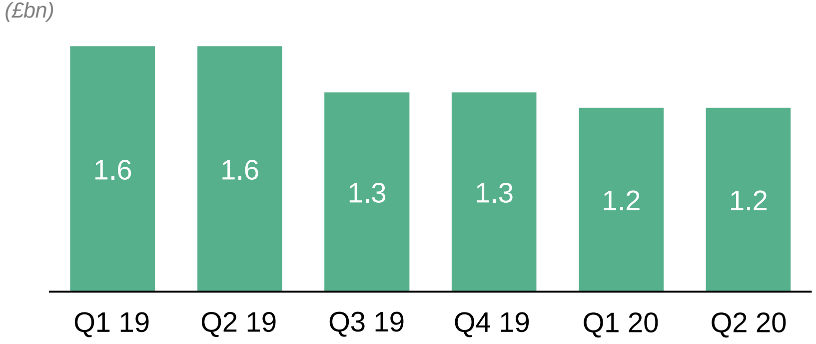
Lower net interest income and other income

Net interest income and margin[1]



- **NII of £5.5bn down 11% on prior year**
- **Rate and mix impacts will continue into H2 with AIEAs remaining broadly stable on H1 level**
- **NIM expected to remain broadly stable on Q2 level at c.240bps for rest of the year, resulting in a full year margin of c.250bps**

Other income

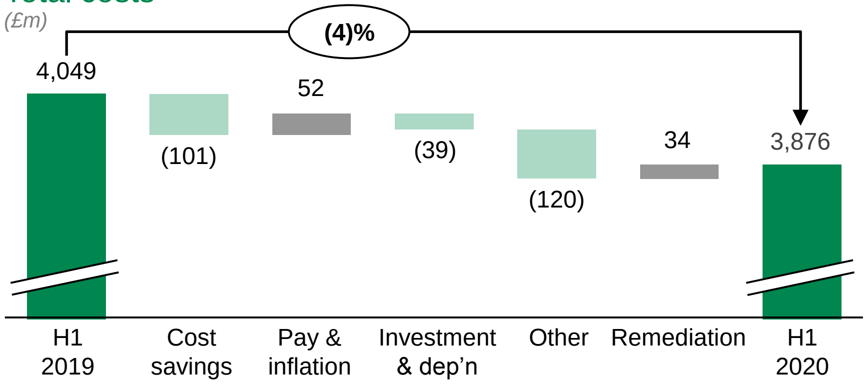


- **Other income of £2.5bn, down 22%, driven by slowdown across key markets in H1 and non-recurring items in Insurance in 2019**
  - One-off methodology change in Insurance c.£90m in Q2
- **Expected to be challenging in H2 but ongoing investment to build resilience and diversification, including within FP&R, with activity expected to pick-up in 2021**

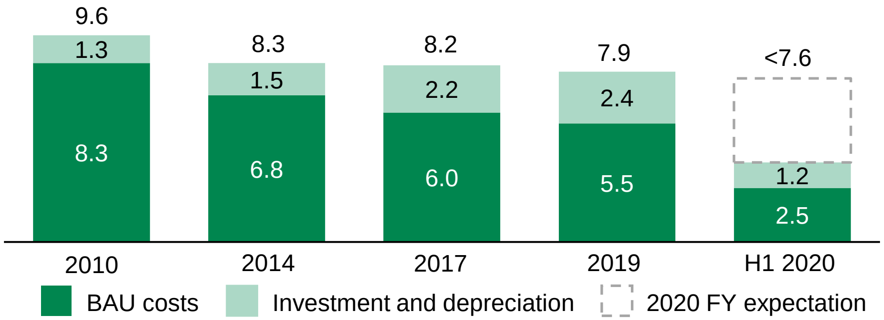
1 – Includes income on the Group's structural hedge and non-banking net interest income.

Continued focus on efficiency, building on strong track record

Total costs
(£m)



Significant reduction in operating costs
(£bn)



- **Total costs of £3.9bn down 4% with operating costs 5% lower and remediation up £34m**
- **6% lower BAU costs enabling continued investment in digital projects and enhanced support for customers, whilst partly offsetting revenue pressures**
- **Operating costs expected to be below £7.6bn in 2020, including anticipated lower discretionary remuneration**
- **Lockdown has accelerated certain trends and further long-term savings opportunities now being explored**
  - Investment in technology continues to support efficiency
  - Acceleration of property optimisation
  - Travel savings due to increased use of technology
  - Resource optimisation through cross-skilling colleagues

Impairment charges reflect updated economic assumptions and drive higher AQRs

Impairment charges (£m)	H1 20	Q2 20	Q1 20	H1 19	*Incr.*
Charges pre-updated MES	**788**	420	368	579	*209*
Retail	**578**	253	325	556	*22*
Commercial Banking	**206**	154	52	65	*141*
Other	**4**	13	(9)	(42)	*46*
Coronavirus impacted restructuring cases[1]	**432**	214	218	–	*432*
Updated economic outlook	**2,598**	1,754	844	–	*2,598*
Retail	**1,517**	953	564	–	*1,517*
Commercial Banking	**881**	601	280	–	*881*
Severe scenario overlay	**200**	200	–	–	*200*
Total impairment charge	**3,818**	2,388	1,430	579	*3,239*

(bps)	Net AQR H1 2020	*MES/ Restruct.*	*Pre-MES/ Restruct.*	Net AQR H1 2019	*Increase*
Retail	**123**	*89*	*34*	33	*90*
Commercial	**312**	*270*	*42*	13	*299*
Total	**173**	*137*	*36*	26	*147*

- **H1 charge includes £2.4bn in Q2, primarily reflecting deterioration in economic outlook and impact on Commercial restructuring cases**
  - Before impact of revised economics, retail charges remain broadly in line with prior year while Commercial increased from a very low base
  - Charge on impacted restructuring cases materially driven by historic debt on 2 individual names
- **ECL[2] provisions reflect net impact of economic scenarios and Government support programmes**
  - Severe scenario, weighted at 10%, generates £11.3bn ECL, c.£4.1bn over probability-weighted, £2bn of which prudent overlay
- **2020 impairment expected to be between £4.5bn and £5.5bn, based on current macro assumptions**
- **Uncertainty remains and final impact will depend on severity and duration of the shock**

1 – Further charges on existing material cases in restructuring at the end of 2019 where coronavirus has directly hampered the recovery strategy. 2 – Expected credit loss.

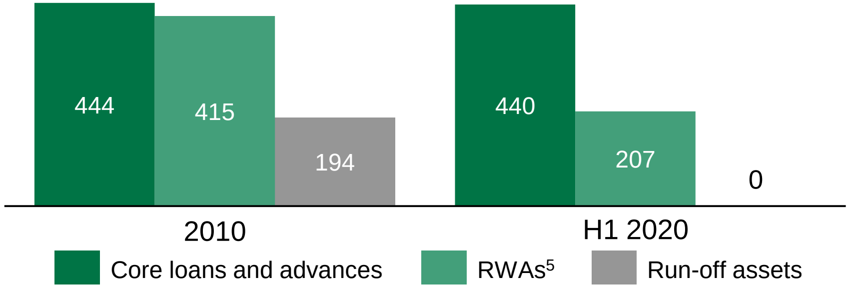
Robust balance sheet with high levels of security

Group loans and advances of £440bn

(£bn)

Balance sheet action taken since 2010

(£bn)



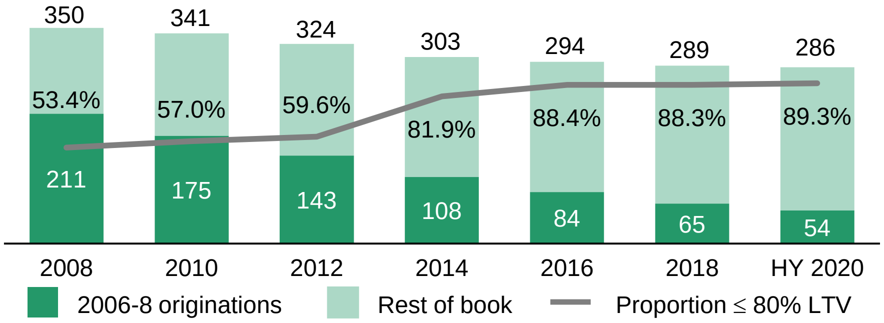
- **Balance sheet benefitting from prudent approach to lending and well-secured**
  - c.85% of Group lending secured
  - Prime UK retail portfolio comprising more than 75% of Group lending
  - Remaining lending within Commercial, of which c.40% is to SME and Mid Corporates and >80% secured
  - Limited exposure to vulnerable higher risk sectors

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

Predominance of high quality retail mortgages

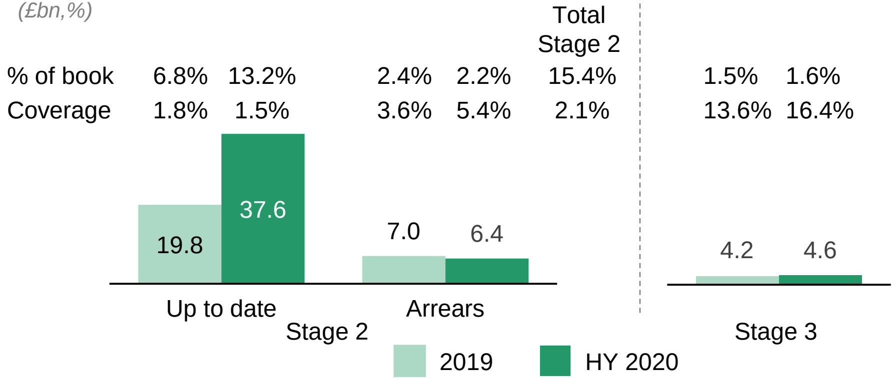
Mortgage book quality[1,2]

(£bn,%)



Stage 2 and 3 balances and coverage

(£bn,%)



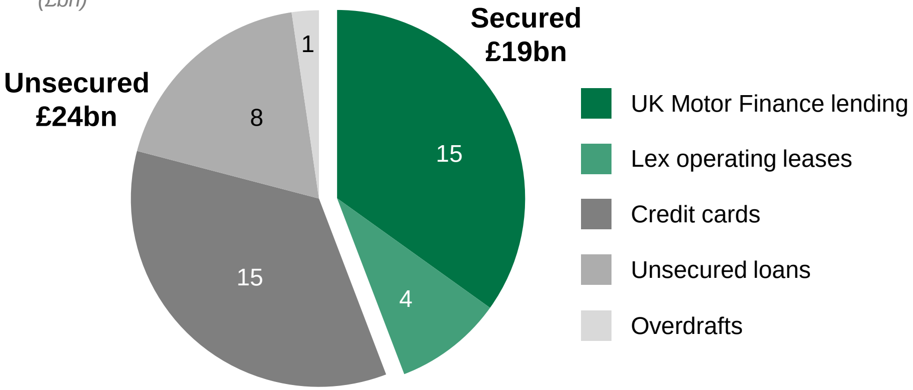
- **UK mortgages account for c.2/3 of Group lending**
  - Mortgage book performing well to date
  - Average LTV 44% and c.90% of book with LTV ≤80%
  - 2006-08 book has average LTV 43% with c.93% ≤80%; continues to perform well while declining c.12% per year
- **£17.2bn increase in Stage 2 assets to £44.0bn, of which £37.6bn (>85%) is currently up to date**
  - Strong coverage of Stage 2 (2.1%) and Stage 3 (16.4%)
- **472k payment holidays granted with average LTV c.50%**
  - To date, 72% resume paying at the end of payment holiday and 23% extend; modest early arrears

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

High quality consumer finance portfolio

Consumer finance portfolio of £43bn

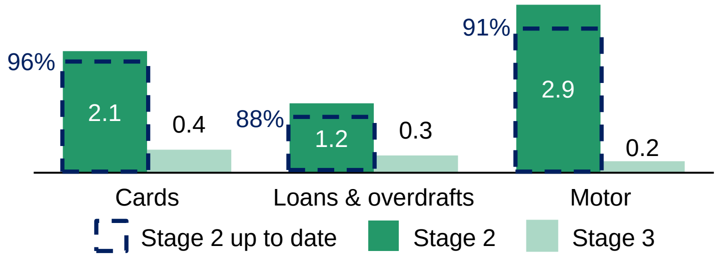
(£bn)



Stage 2 and 3 balances and coverage

(£bn,%)

	Cards Stage 2	Cards Stage 3	Loans & overdrafts Stage 2	Loans & overdrafts Stage 3	Motor Stage 2	Motor Stage 3
% of book	13.1%	2.3%	12.5%	3.0%	18.4%	1.5%
Coverage	21.1%	43.9%	24.2%	57.5%	7.4%	64.4%

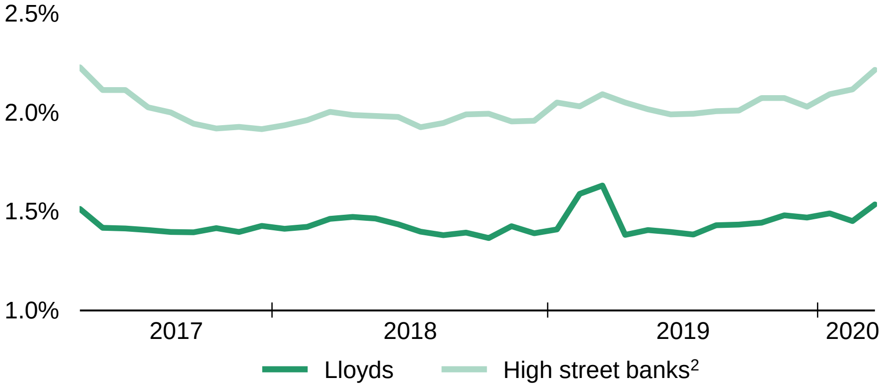


- **Retail customers are being cautious on borrowing in an uncertain environment**
- **Prime consumer finance portfolio benefits from high quality growth and prudent risk appetite**
  - Limited drawdowns and spend down c.20% vs. February
  - Total Stage 2 balances up £1.5bn to £6.2bn, of which £5.7bn (>90%) is up to date; includes 16% of payment holidays
  - 74% of Cards customers resuming paying at the end of payment holiday to date
  - Extended payment holidays lower quality than original population
- **Motor finance predominantly secured with risk-based pricing assumptions and residual value provisioning**
  - Cautious stance on RVs despite limited deterioration

Credit card book managed carefully in recent years

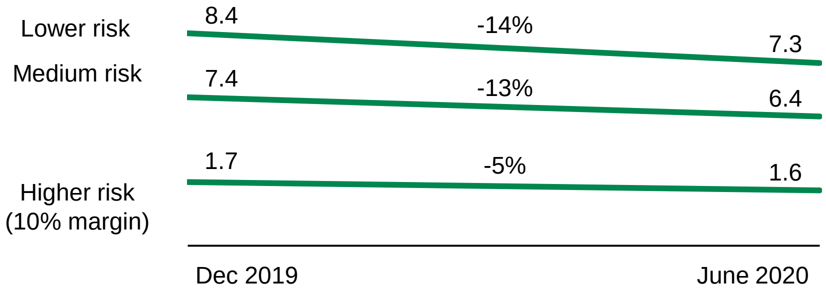
Credit cards delinquency trend[1]

(%)



Credit card balance movements by risk band[3]

(£bn)



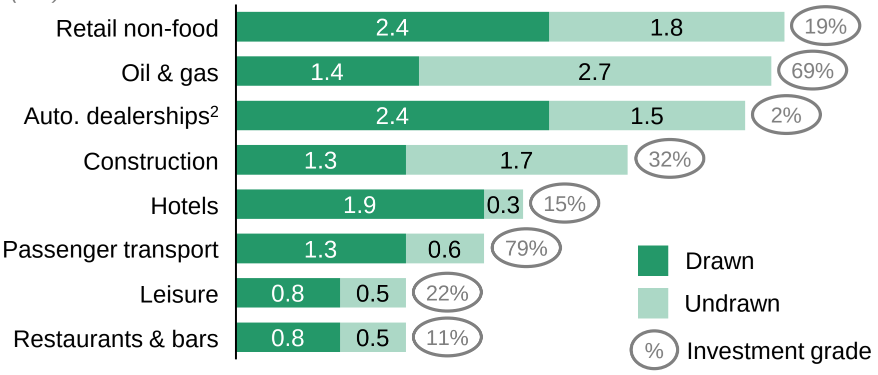
- **Prime credit card book benefits from high quality growth and conservative underwriting in recent years**
  - Selective risk appetite tightening in credit cards through the last 2 years, reducing exposure to more highly indebted customers
  - Average delinquencies c.1.4% p.a. over last 3 years and below benchmarks in recent years
  - Lower balances in Stage 2 and 3 than peers given prime credit card book
  - Accelerated charge off policy at 4 months in arrears reduces reported Stage 3 coverage by c.23pp to 44%[4]
  - Balances reducing across all risk bands, including 5% reduction from highest risk customers

1 – Delinquencies calculated as accounts in arrears divided by total portfolio size and subject to charge-off policies. 2 – Average of 16 prime peers. 3 – Risk defined by Experian Bureau score deciles (high risk decile 1, medium deciles 2-5, low deciles 6-10); excludes commercial credit cards, balances in recoveries and the impact of MBNA acquisition related adjustments. 4 – Estimated based on last 12 months charge-offs retained in Stage 3 at appropriate coverage.

Diversified commercial portfolio with limited exposure to most vulnerable sectors

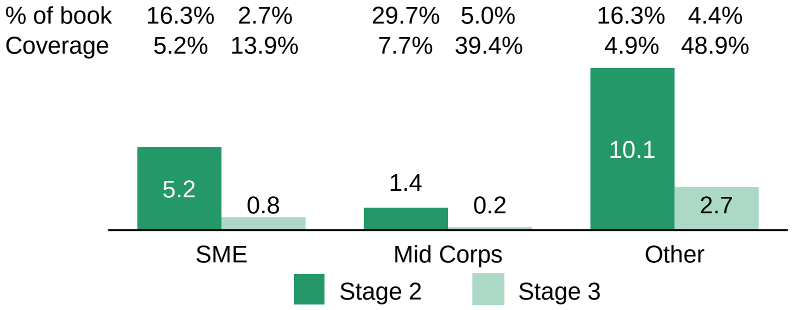
Lending in key coronavirus-impacted sectors[1]

(£bn)



Stage 2 and 3 balances and coverage

(£bn,%)

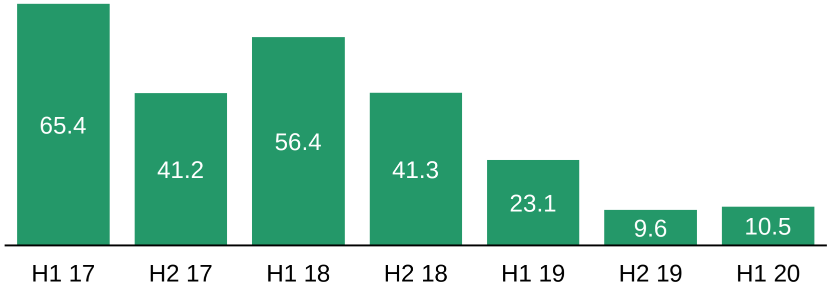


- **De-risking of core loan book over the last 10 years**
  - c.70% of total exposure at investment grade and significant risk transfer transactions in recent years
  - c.90% of SME lending secured
- **<3% of Group lending, or c.13% of Commercial, to key impacted sectors; working closely with those clients**
- **Stage 2 balances of £16.7bn, up £10.8bn in H1; £16.2bn (>95%) of balances up to date**
- **c.£8bn of RCFs and other corporate and institutional facilities drawn in March with c.£6bn repaid in Q2; net c.£2bn up since February across all sectors**

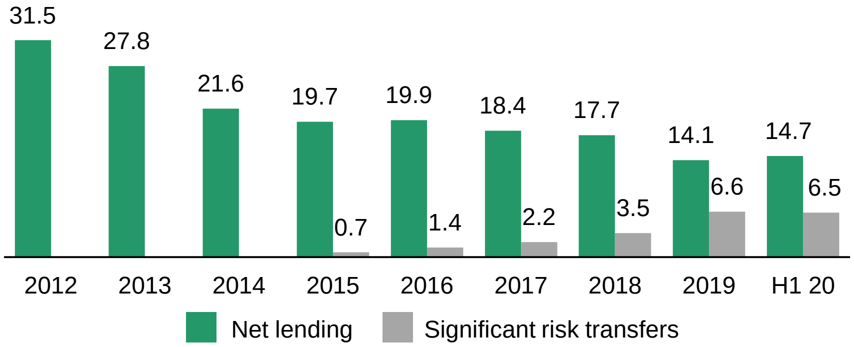
1 – Lending classified using ONS SIC codes at legal entity level. 2 – Automotive dealerships includes Black Horse Motor Wholesale lending (within Retail).

High quality SME book and de-risked real estate portfolio

SME write-offs
(£m)



Group UK direct real estate lending utilisation
(£bn)



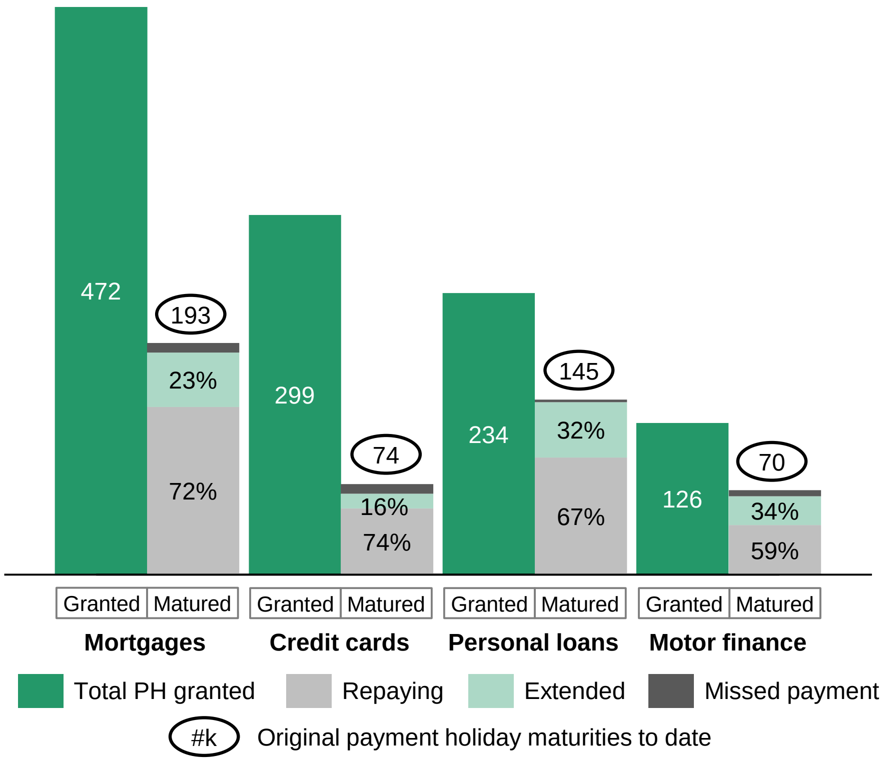
- **Low levels of SME impairment in recent years, with average write-off rate <0.25% over last 3 years[1]**
  - Assets c.90% secured, with origination LTVs below 60%
  - Conservative interest rate assumptions applied to assess debt serviceability
- **CRE portfolio significantly de-risked and secured; further risk mitigation through significant risk transfers**
  - Average LTV 49% in CRE and c.70% with LTV <60%[2]
  - Net exposure £14.7bn, after £6.5bn of risk protection
  - Modest increase in H1 driven by facility drawdowns and Government-backed lending schemes
  - 15% of CRE portfolio secured by Retail property and appetite tightened since 2018; limited high street exposure
  - Office portfolio (16%) focused on prime locations and clients; no speculative commercial development
  - Average interest cover ratio of 3.8x with c.90% above 2x

1 – SME within Commercial Banking division, excluding Retail Business Banking. 2 – Lending over £1m, net of significant risk transfers.

Payment holidays continue to support customers through temporary pressures

Current status of Retail payment holidays[1]

(#k)



- **Payment holidays now available until 31 October**
- **>1.1m holidays granted, of which c.750k remain in force**
  - c.45% matured to date; 72% of mortgage customers resuming payment, 74% Cards, 67% loans, 59% motor
- **Customers extending payment holidays have weaker risk characteristics**
  - Mortgages: average LTV 52% and 84% with LTV <80%
  - Cards: higher average balances and weaker RMS[2] scores
- **Retail payment holiday risk captured in modelled ECL**
  - £19bn increase in Stage 2 to £51bn reflecting assessment of significant increase to credit risk
  - At June, 25% of outstanding payment holidays in Stage 2
  - Moving all Stage 1 payment holiday customers at end June to Stage 2 would drive additional £0.3bn ECL
- **c.33k Commercial CRHs[3], most 6 months**

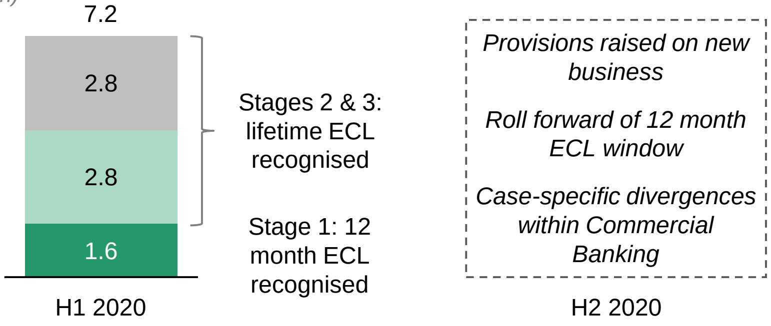
1 – At 24 Jul 2020; mortgage maturities exclude c.5k SJP, IF and Tesco portfolio payment holidays; motor finance maturities exclude c.12k Lex Autolease payment holidays. 2 – Retail Master Scale is an internal PD rating scale comprising 13 non-default ratings and one default rating; RMS mapping to PDs available in the Group's Pillar 3 report. 3 – Capital repayment holidays, including Retail Business Banking; at 24 Jul 2020.

Dynamics of IFRS 9 charge and sensitivities

LLOYDS BANKING GROUP

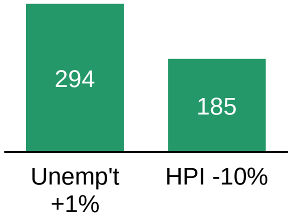
IFRS 9 charges reflect timing of changes in ECL provisions

(£bn)

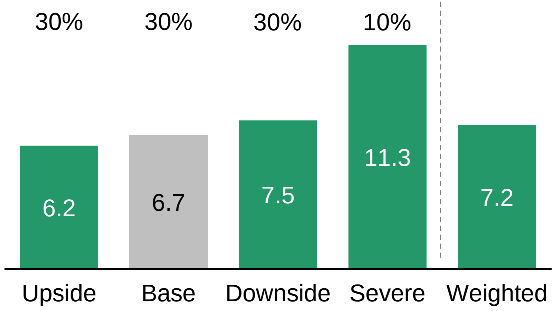


Sensitivities

Base case univariate Sensitivities (£m)[1]



Balance sheet ECL by scenario and probability weighting (£bn,%)



- **IFRS 9 requires immediate recognition of lifetime expected credit losses for Stages 2 and 3**
- **Stage 2 includes up to date customers assessed by forward-looking modelled portfolio-specific triggers**
- **Expect 2020 impairment to be between £4.5bn and £5.5bn, assuming current economic assumptions**
  - Stages 2 and 3 include £77bn of assets already provided for on a lifetime basis
  - Future charges for new business written, rolling forward 12 month ECL window and experience variance
- **Further changes to economic assumptions could result in additional impairment charges**
  - Univariate sensitivities provide guide to variations around base case and Severe ECL provides guide to potential outcome in the event of a second prolonged lockdown

1 – Adjustment phased evenly over the first ten quarters of the base case scenario.

Higher reserving across business lines driven by increase in ECL provisions

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(£m)	ECL H1 2020	Net ECL increase	*P&L charge*	*Write-offs*	ECL H2 2019
Retail	**4,214**	1,418	*2,095*	(677)	2,796
Secured	**1,763**	547	*603*	(56)	1,216
Cards	**991**	385	*656*	(271)	606
Motor	**563**	176	*241*	(65)	387
Other	**897**	310	*595*	(285)	587
Commercial	**2,763**	1,448	*1,519*	(71)	1,315
Other	**263**	213	*204*	9	50
Total	**7,240**	3,079	*3,818*	(739)	4,161

	Coverage (excl. Recoveries)[1]			
	Stage 1	Stage 2	Stage 3	Total
Retail	0.4%	3.8%	22.1%	**1.2%**
Secured	0.0%	2.1%	16.4%	**0.6%**
Cards	3.2%	21.1%	43.9%	**6.3%**
Motor	1.5%	7.4%	64.4%	**3.6%**
Other	1.4%	18.6%	49.3%	**3.4%**
Commercial	0.4%	5.2%	40.5%	**2.8%**
Other[2]	0.3%	4.3%	20.9%	**0.4%**
Total	0.4%	4.2%	29.6%	**1.4%**

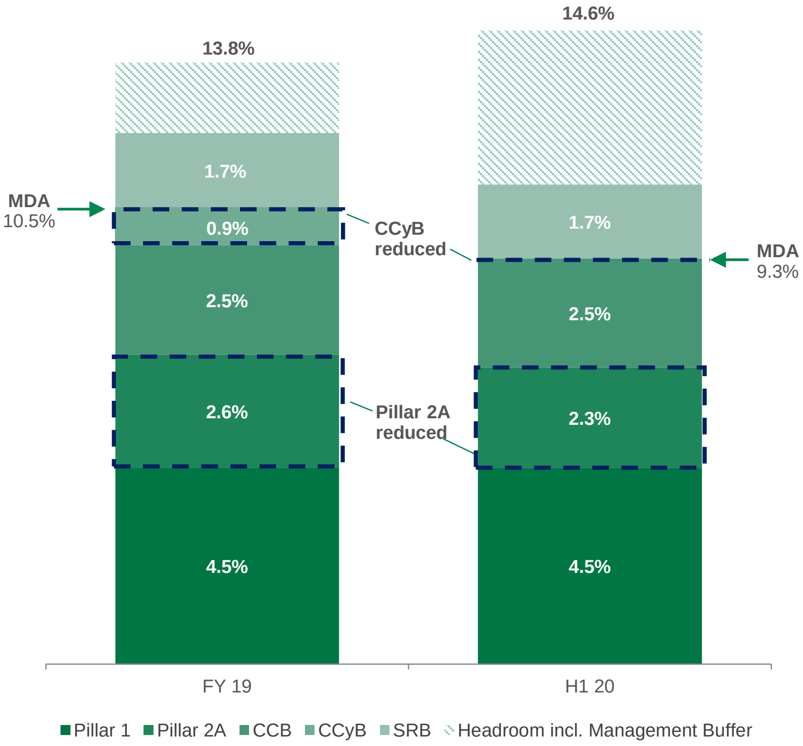
- **Increased stock of ECL provisions include additional £0.8bn for Stage 1 (12 months ECL), £1.4bn for Stage 2 (lifetime ECL) and £0.8bn for Stage 3 (lifetime ECL)**
- **Impairment charge of £3.8bn includes £3.1bn ECL increase, building additional balance sheet resilience**
- **Stock of ECL provisions increased to £7.2bn**
- **Write-offs remain at pre-crisis levels (FY 2019 £1.6bn) although provisions reflect anticipated increase**
- **Coverage increased to 1.4% of total lending and 29.6% on Stage 3 assets**
  - Coverage on Cards portfolio of 6.3% with proactive charge off policy at 4 months in arrears
  - Without proactive charge off policies, Cards Stage 3 asset coverage would increase to 67%, overall to 8.8%[3]

1 – Loans and advances to customers only; excludes £54m of ECL on other assets at 30 Jun 2020 (£19m at 31 Dec 2019). 2 – Includes reverse repos of £61.1 billion which dilutes overall Group reported coverage by 0.2%. 3 – Estimated based on last 12 months charge-offs retained in Stage 3 at appropriate coverage.

Capital, Funding & Liquidity

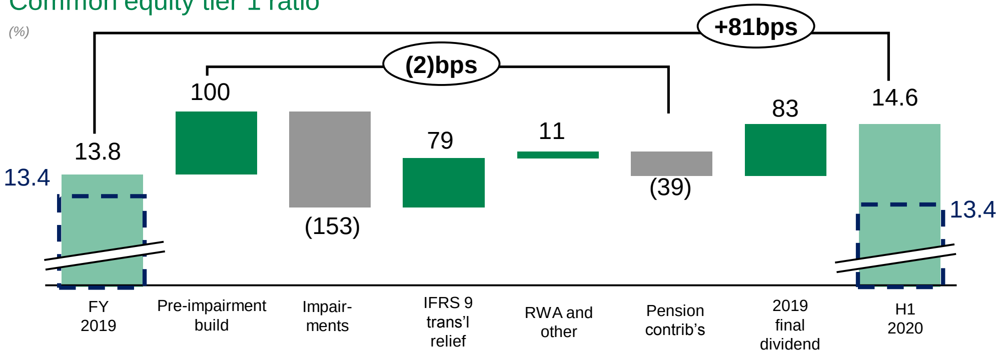
Improved CET1 position with significant resources to support customers; increased headroom over MDA and requirements

CET1 Ratio



- CET1 ratio of 14.6% (13.4% FL) – underlying build, IFRS9 transitional relief and dividend reversal outweighed impairments, RWA and pensions impacts
- Remaining 2020 pension deficit contributions paid in Q2 2020[6]
- PRA reduced Group Pillar 2A to 2.3% providing increased headroom to requirements of c.360bps
  - Further Pillar 2A reduction expected in Dec 2020, albeit offset by increased PRA buffer in short term
  - Pillar 2A requirement now in nominal terms providing stability of requirements should RWAs increase in stress
- c.25bps potential benefit from software intangible policy change in H2
- Target is c.12.5% plus c.1% management buffer

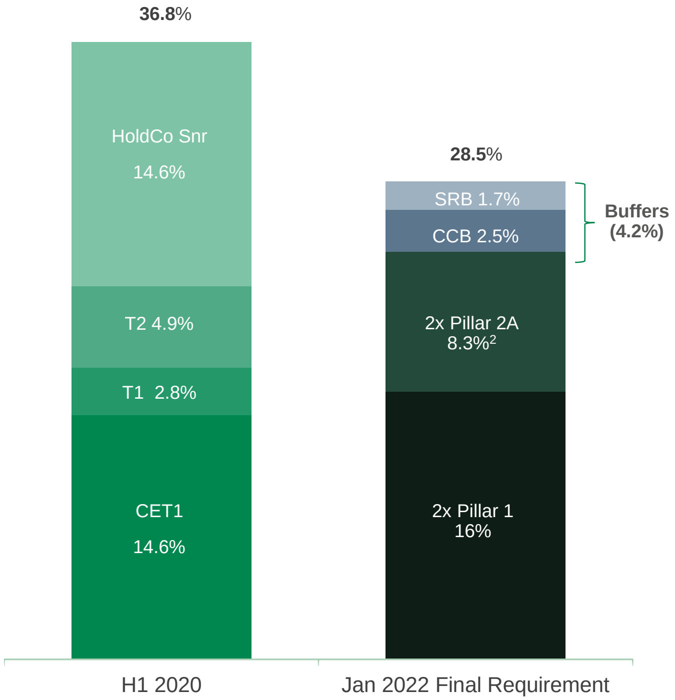
Common equity tier 1 ratio



1 - Systemic Risk Buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level. 2 –CET1 ratio at 31 December 2019 shown pro-forma, reflecting the dividend paid up by the Insurance business in the subsequent first quarter period. 3 – Pillar 2A reviewed annually by the PRA. 4 – CET1 ratio requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose. 5 – Headroom to requirements of c.360bps excludes any PRA buffer requirements not permitted to disclose. 6 – Contributions relate to main 3 pension schemes

Interim MREL requirement met at 1 Jan 2020; on track for end-state

Transitional MREL Ratio

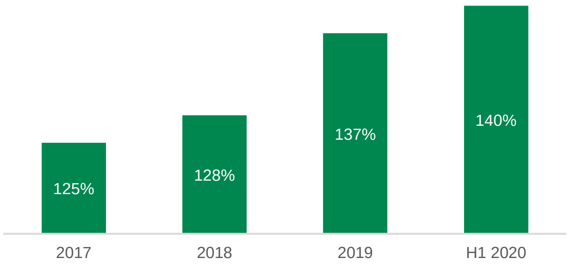


- **BOE timeline unchanged at 1 Jan 2022; final requirement to be confirmed in Q4**
- **PRA reduced Group Pillar 2A to 4.2% from 4.6%**
- **Strongly positioned with transitional MREL ratio of 36.8%; c£5bn MREL eligible debt issued YTD**
- **Future capital and MREL issuance focused on maintaining prudent buffers at Group and entity levels**

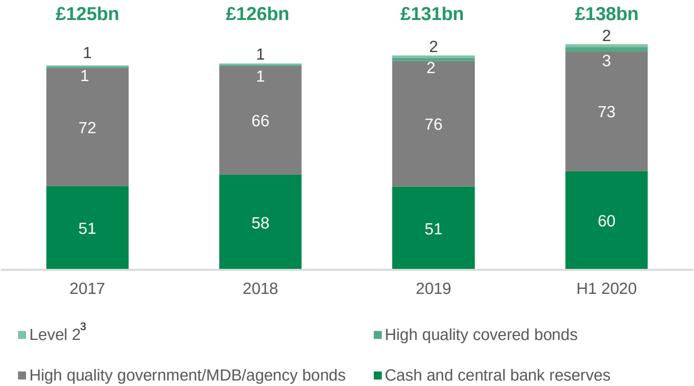
1 - Systemic Risk Buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level. 2 – Pillar 2A reviewed annually by the PRA. 3 – Jan 2022 Final Requirement Pillar 2A excludes the expected reduction in Dec 2020

Strong liquidity position maintained

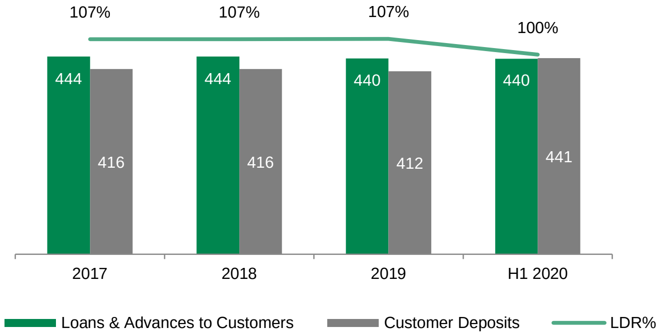
LCR well above regulatory minimum[1]



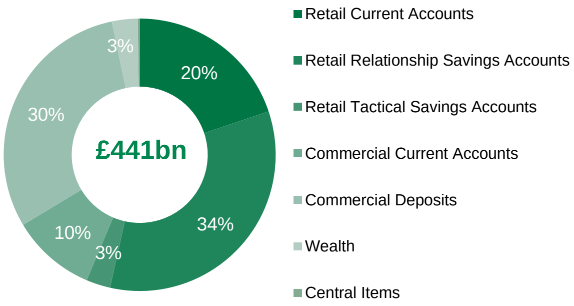
High Quality Liquidity Pool[2]



Loan to deposit ratio reduced to 100%



Deposit inflows to trusted brands

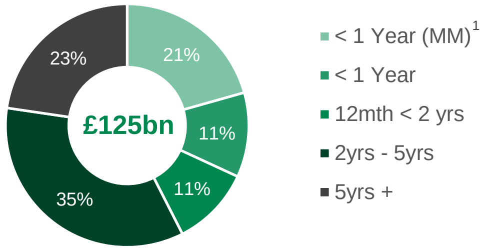


- **Average LCR % remains comfortably above regulatory minimum at 140%**
- **Liquidity pool increased to £138bn in H1 and is predominantly made up of cash and high quality bonds**
- **Loan to deposit ratio reduced to 100% after deposit inflows to the Group's trusted brands in an uncertain environment**
- **Retail deposits comprise c.60% of total customer deposits**

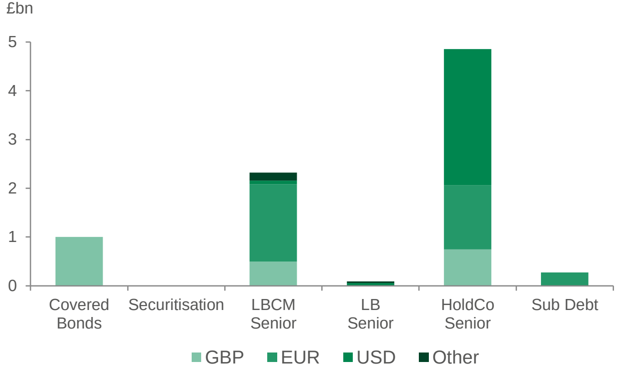
1 - The Liquidity Coverage Ratio is calculated as a simple average of month end observations over the previous 12 months. 2 - Eligible assets are calculated as a simple average of month end observations over the previous 12 months. 3- includes Level 2A and Level 2B.

Group funding portfolio strongly positioned, with 2020 issuance plan largely complete

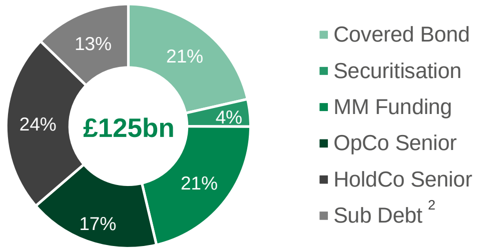
Funding Portfolio by Maturity at H1 2020



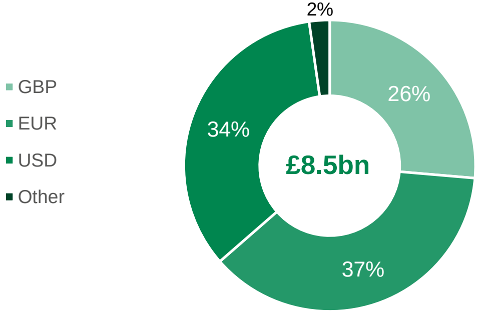
H1 2020 Funding by Product



Funding Portfolio by Product at H1 2020



H1 2020 Funding by Currency



- **£8.5bn equivalent issued YTD; 2020 guidance of £10-£15bn**
- **Steady-state requirements remain c.£15-20bn p.a.**
- **Access to c.£40bn TFSME and deposit inflows leave limited residual 2020 funding need**
- **Several LMEs executed to optimise liability stack and provide liquidity to the market**

1 – Excludes balances relating to margins of £6.9 billion. 2 – Excludes AT1

Credit ratings remain strong but with negative pressures

	UK Sovereign	HoldCo Lloyds Banking Group	Ring-Fenced Bank Lloyds Bank, Bank of Scotland	Non-Ring-Fenced Bank Lloyds Bank Corporate Markets	Commentary
Moody's	*Aa2 / Neg*	*A3 / P-2 / Neg*	*Aa3 / P-1 / Neg*	*A1 / P-1 / Sta*	• Negative outlooks on UK banks (incl. LBG and LB plc) and UK Banking system • Outlook initially due to Brexit pressures and sovereign outlook change in Nov 2019 • Rationale later extended for Covid-19 pressures on asset quality and profitability during 2020
Standard and Poor's	*AA / Sta*	*BBB+ / A-2 / Neg*	*A+ / A-1 / Neg*	*A / A-1 / Neg*	• Negative outlooks on 6 UK banks citing the potential earnings, asset quality and capitalisation pressures arising as a result of the pandemic
Fitch	*AA- / Neg*	*A+ / F1 / Neg*	*A+ / F1 / Neg*	*A+ / F1 / Neg*	• Negative outlooks on majority of UK banks, citing concerns around the coronavirus pandemic • Lloyds Bank Corporate Markets upgraded to A+ following methodology revision

1 – Bank ratings shown are LT / ST / Outlook.

Appendix

Prudent economic scenarios

Scenario	Probability weighting (%)	Balance sheet ECL (£m)
Base case	30	6,730
Upside	30	6,159
Downside	30	7,491
Severe downside	10	11,271
Probability-weighted ECL		7,240

Economic measure	Current scenario (%) 2020	2021	2022	*2020-22*
GDP	(10.0)	6.0	3.0	(1.8)
Interest rate	0.10	0.10	0.10	0.10
Unemployment rate	7.2	7.0	5.7	6.7
House price growth	(6.0)	(0.1)	2.9	(3.3)
CRE price growth	(20.0)	10.0	4.0	(8.5)
GDP	(9.5)	7.5	3.1	0.3
Interest rate	0.21	1.15	1.42	0.92
Unemployment rate	7.1	6.2	4.9	6.1
House price growth	(3.7)	5.0	9.0	10.2
CRE price growth	(8.4)	18.6	3.4	12.4
GDP	(10.2)	5.8	3.1	(2.0)
Interest rate	0.09	0.12	0.19	0.13
Unemployment rate	7.3	7.7	6.8	7.3
House price growth	(8.0)	(6.1)	(4.5)	(17.5)
CRE price growth	(27.2)	4.0	2.9	(22.1)
GDP	(17.2)	4.1	5.2	(9.4)
Interest rate	0.06	0.01	0.02	0.03
Unemployment rate	8.0	11.6	9.2	9.6
House price growth	(9.5)	(11.5)	(11.7)	(29.2)
CRE price growth	(36.2)	(7.8)	(1.4)	(41.9)

Continued low mortgage LTVs

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	June 2020[1]				Dec 2019[1]	Dec 2010[1]
	Mainstream	Buy to let	Specialist	Total	Total	Total
Average LTVs	42.8%	50.8%	42.5%	**44.0%**	44.9%	55.6%
New business LTVs	64.3%	56.8%	n/a	**63.0%**	64.3%	60.9%
≤ 80% LTV	87.4%	97.7%	92.8%	**89.3%**	87.5%	57.0%
>80–90% LTV	11.0%	1.7%	3.3%	**9.1%**	10.0%	16.2%
>90–100% LTV	1.4%	0.2%	1.1%	**1.2%**	2.1%	13.6%
>100% LTV	0.2%	0.4%	2.8%	**0.4%**	0.4%	13.2%
Value >80% LTV	£28.1bn	£0.9bn	£0.5bn	**£29.5bn**	£36.2bn	£146.6bn
Value >100% LTV	£0.5bn	£0.2bn	£0.3bn	**£1.1bn**	£1.2bn	£44.9bn
Gross lending	£226bn	£48bn	£12bn	**£286bn**	£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.

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Coverage across business lines

	Drawn balances (£bn)[1]				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	288.1	51.1	5.6	**344.8**	1,069	1,945	1,200	**4,214**	0.4%	3.8%	22.1%	**1.2%**
Secured	237.8	44.0	4.6	**286.4**	108	907	748	**1,763**	0.0%	2.1%	16.4%	**0.6%**
Cards	13.4	2.1	0.4	**15.8**	426	438	127	**991**	3.2%	21.1%	43.9%	**6.3%**
Motor	12.7	2.9	0.2	**15.8**	194	217	152	**563**	1.5%	7.4%	64.4%	**3.6%**
Other	24.2	2.1	0.5	**26.8**	341	383	173	**897**	1.4%	18.6%	49.3%	**3.4%**
Commercial	78.1	16.7	3.8	**98.6**	325	871	1,544	**2,740**	0.4%	5.2%	40.5%	**2.8%**
Other[2]	64.5	0.0	0.1	**64.7**	212	1	19	**232**	0.3%	4.3%	20.9%	**0.4%**
Total	**430.7**	**67.9**	**9.5**	**508.1**	**1,606**	**2,817**	**2,763**	**7,186**	**0.4%**	**4.2%**	**29.6%**	**1.4%**

1 – Loans and advances to customers only; excludes £54m of ECL on other assets at 30 June 2020 (£19m at 31 December 2019). 2 – Includes reverse repos of £61.1 billion which dilutes overall Group reported coverage by 0.2%.

Notes

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