LLOYDS BANKING GROUP

2020 HALF YEAR RESULTS

Presentation to analysts and investors | 30 July 2020

Introduction

António Horta-Osório
Group Chief Executive

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.

Classification: Public

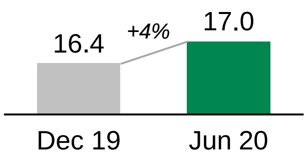
Continued strategic progress, with benefits of GSR3 investment evidenced

LLOYDS BANKING GROUP

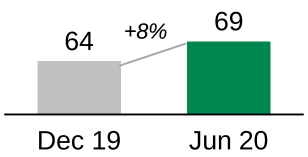
Progress through GSR3 evidenced

Leading Customer Experience

Digital active users (m)



Digital NPS



Digitising the Group & Transforming Ways of Working

13%

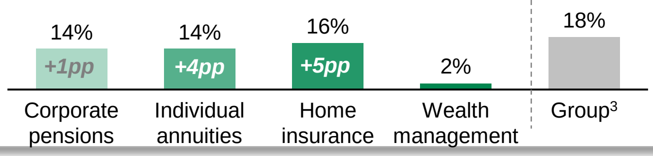
Reduction in BAU costs since FY17[1]

>£2.4bn

Strategic investment GSR3 to date

Maximising Group Capabilities

Selected Insurance & Wealth market shares[2] and change since FY18



Delivering during the crisis

- **Increased digital engagement** during lockdown; active users up 4%; digital only users c.50% of customers in Q2, up c.9pp vs. H2 2019[4]
- **Digital and mobile NPS at all-time highs** and above all-channel score, digital NPS up 8% in H1

- **Robotics tool processing c.98%** of BBLs applications, managing monthly capacity equivalent to c.450 FTE
- c.2,500 **colleagues redeployed to customer support functions** and c.50k colleagues working from home

- **£29bn** increase in deposits, reflecting strength of trusted brands in an uncertain environment; further growth of customer needs in **Financial Planning & Retirement**
- >6m with **Single Customer View** (up 1m); expect up to 7.5m by end 2020 and further roll-out over medium term

Transforming the Group for success in a digital world

1 – FY17-HY20 (annualised with FY19 bank levy for illustrative purposes). 2 – Corporate pensions and Wealth as at FY19; Individual annuities and Home insurance as at Q120. 3 – Average market share calculated for core financial services products (stock); based on assets within the bank, does not include SPW. 4 – Based on monthly average share for primary active customers across Lloyds Bank, Halifax and BoS brands.

Crisis has highlighted new emerging trends, we are accelerating our response

Emerging trends

- More challenging economic environment
- Further acceleration to digitisation
- Changing workplace proposition
- Evolving customer & societal expectations

Strong foundations support our response

Financial strength	Low risk balance sheet	Capital strength	Efficiency focused
Unique business model	UK's leading digital bank	Multi-brand, multi-channel	Data driven personalisation
New ways of working	Highly engaged workforce	Leveraging new technologies	Collaborating with fintechs
Differentiated franchise	Integrated insurance & wealth offering	Leading SME franchise	Sustainability focused

Classification: Public

Performance impacted by lower rates, activity and economic outlook deterioration

Net income	**£7.4bn** *(16)%*
Total costs	**£3.9bn** *(4)%*
Pre-provision operating profit[1]	**£3.5bn** *(26)%*
Impairment	**£3.8bn**
Statutory profit after tax	**£19m**
Return on tangible equity	**0.1%** *(11.4)pp*
CET1 ratio	**14.6%**

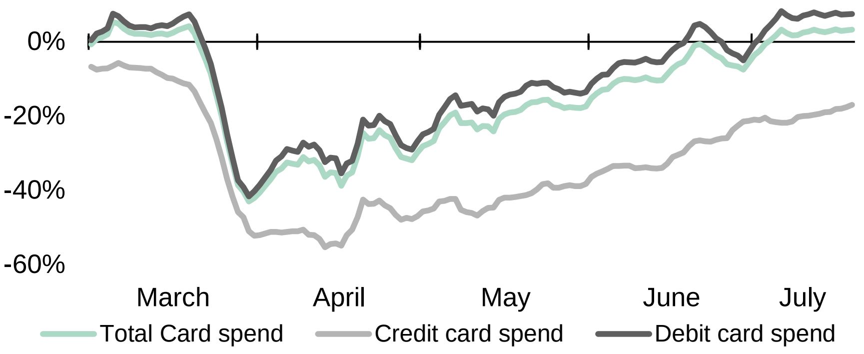
- **Net income of £7.4bn, down 16%, with NIM of 2.59%**
- **Total costs of £3.9bn, 4% lower, with BAU costs down 6%; cost:income ratio of 52.3%**
- **Pre-provision operating profit of £3.5bn**
- **Impairment charge of £3.8bn with AQR of 173bps reflecting significant deterioration in economic outlook**
- **Statutory profit after tax of £19m and return on tangible equity of 0.1% impacted by impairment charge**
- **CET1 ratio of 14.6%, including transitional relief**

1 – Also described as Trading surplus in other documents.

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

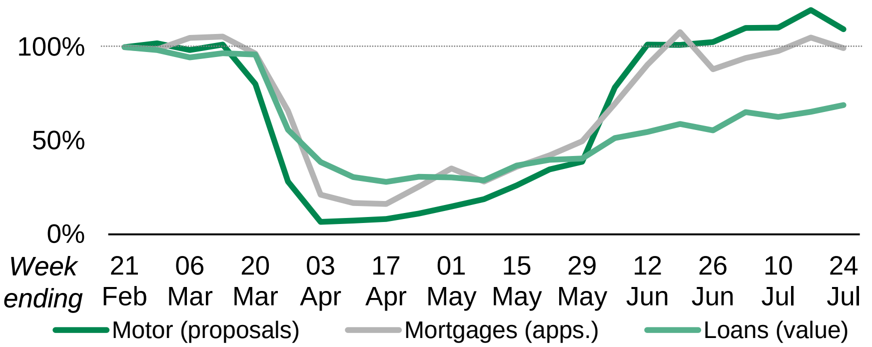
LBG customers' spending[1]

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



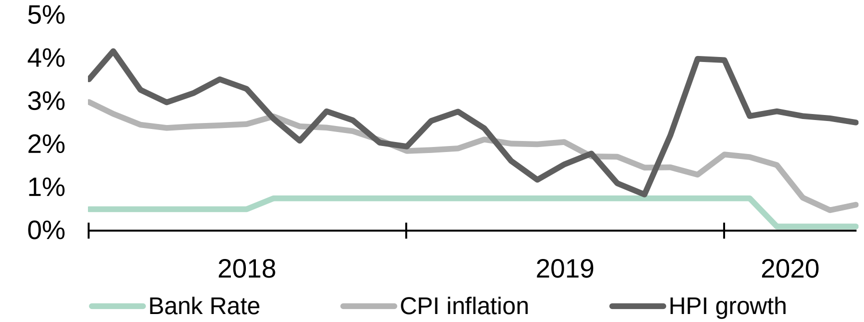
Loan demand[3]

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



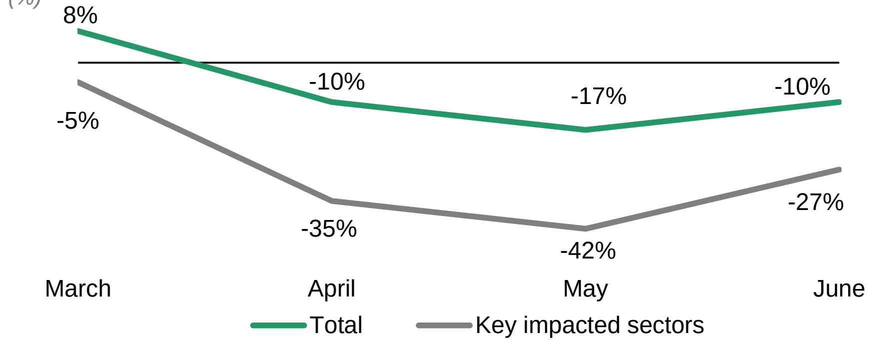
Consumer environment[2]

(%)



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

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

Financial update

William Chalmers
Chief Financial Officer

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%**

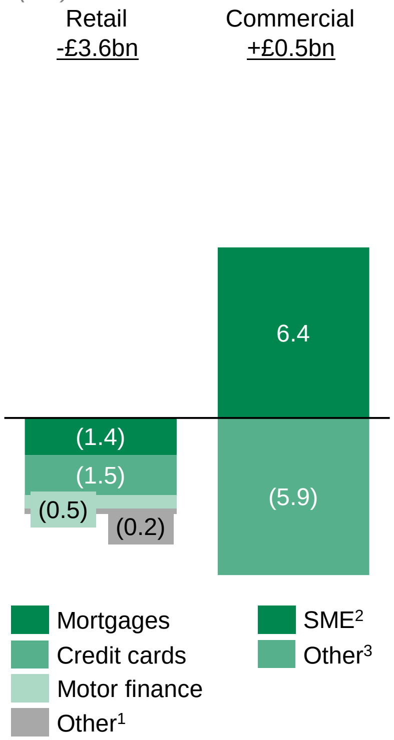
- **Net income of £7.4bn, down 16%, NIM of 2.59% impacted by rates and mix, other income of £2.5bn impacted by customer activity**
- **Total costs of £3.9bn, 4% lower, with BAU costs down 6%; cost:income ratio of 52.3%**
- **H1 2020 pre-provision operating profit of £3.5bn; business model provides significant 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.

Classification: Public

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

Movement in lending in Q2
(£bn)



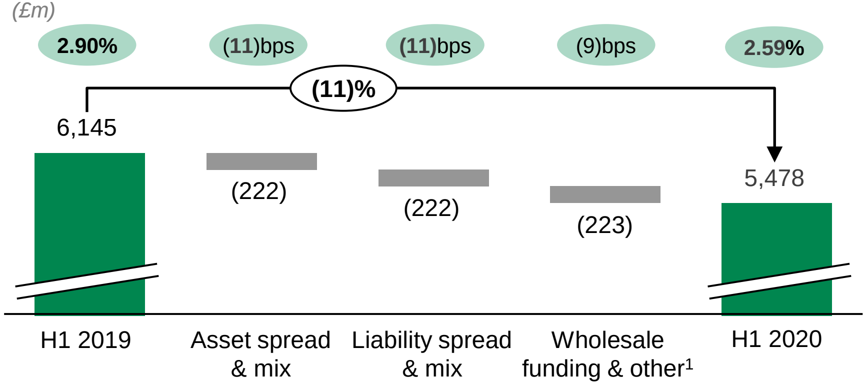
Movement in deposits in Q2
(£bn)

- **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**

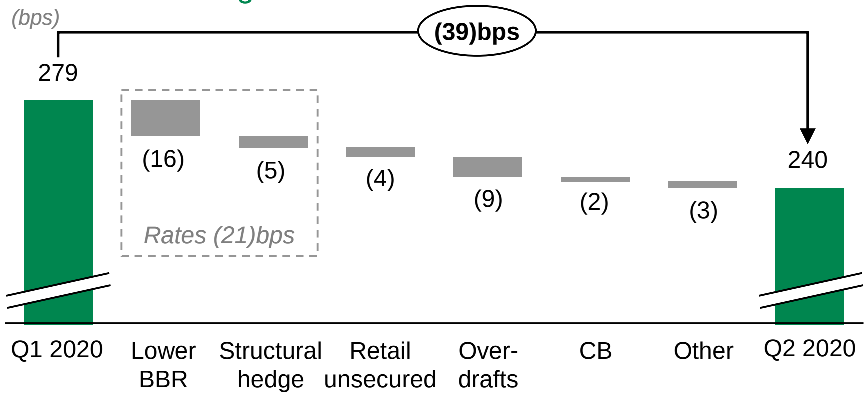
1 – Includes Unsecured loans, Overdrafts and Retail other. 2 – Retail Business Banking included within SME for reporting purposes. 3 – Includes Mid Corporates, Corporate and Institutional and other commercial. 4 – At 24 Jul 2020.

Lower net interest income with margin of 240 basis points in Q2

Net interest income and banking net interest margin



Net interest margin



- **NII of £5.5bn down 11% on prior year**
  - Q2 NIM down 39bps driven by 21bps rate impact and 18bps mix and customer support actions
  - AIEAs of £433bn in line with prior year with growth from supporting customers, offset by contraction in retail unsecured
- **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**

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

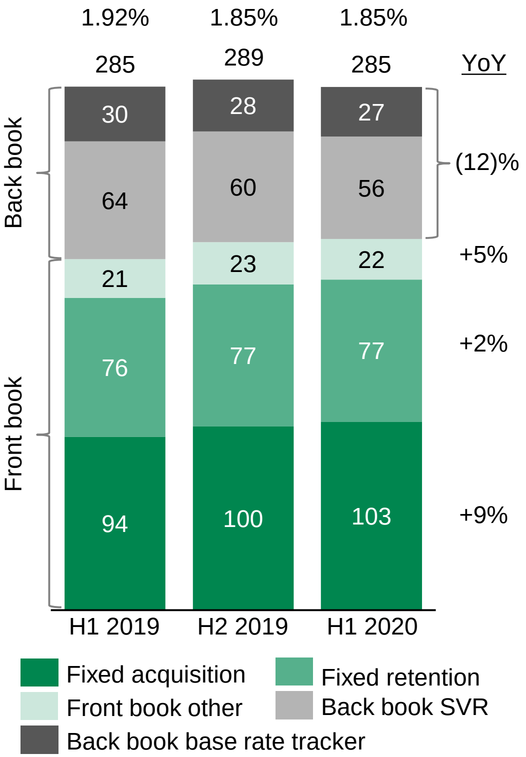
Classification: Public

Asset margins impacted by mix in H1 2020

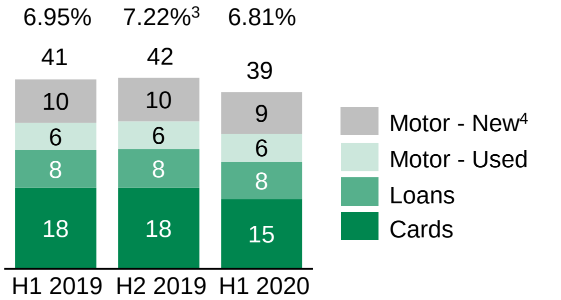
Changing asset mix

(Book size £bn, Gross margin %[1])

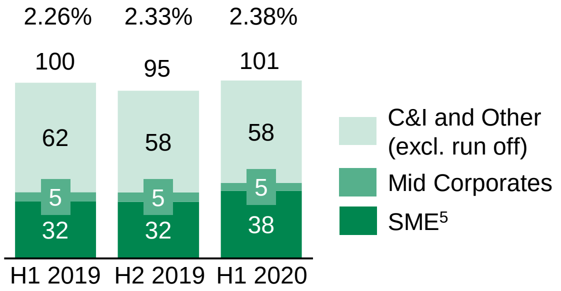
Mortgage book



UK consumer finance[2]



Commercial Banking incl. Retail Business Banking



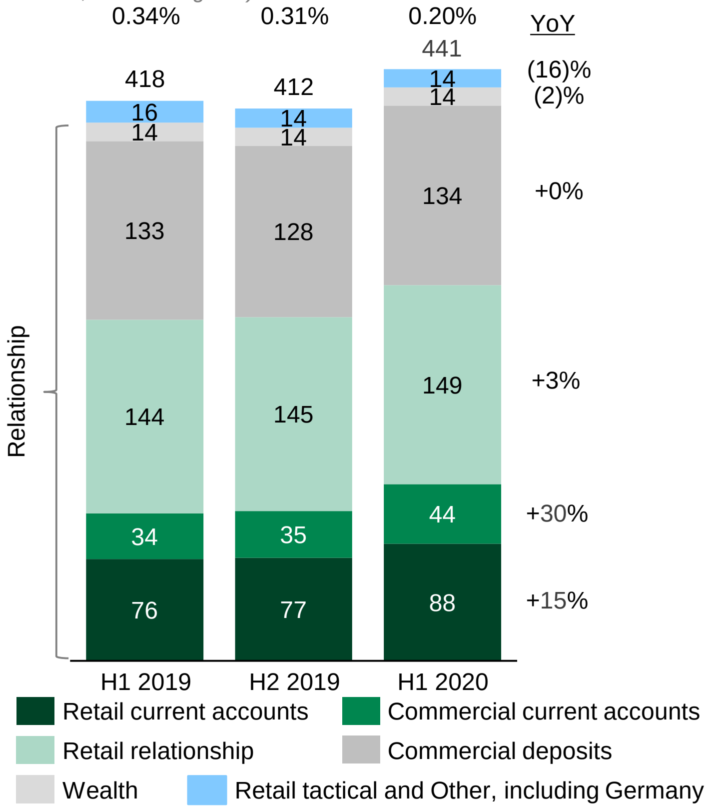
- **Robust asset margins; NII impacted by reduction in higher margin activity in H1**
- **Consumer finance margin of 6.8% impacted by lower Cards balances; EIR benefit in H2 2019**
- **Mortgage acquisition recovering to pre-crisis levels**
- **Mortgage margin supported by**
  - Resilient front book margin
  - Front book retention rate of c.70%
  - Back book attrition lower at c.12%
- **Growth in commercial portfolio largely through Government-backed schemes**

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 from strong franchise and Government schemes

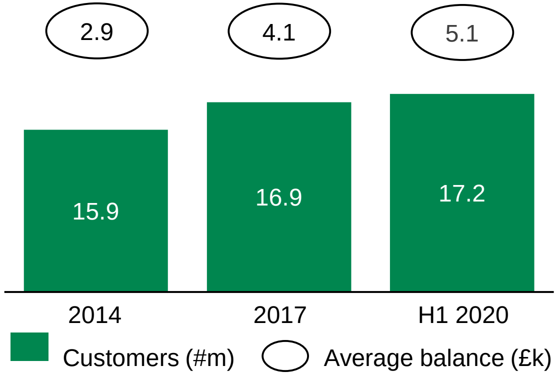
Increase in customer deposits[1,2]

(Book size £bn, Gross margin %)



Retail current account customers and average balances

(#m, £k)



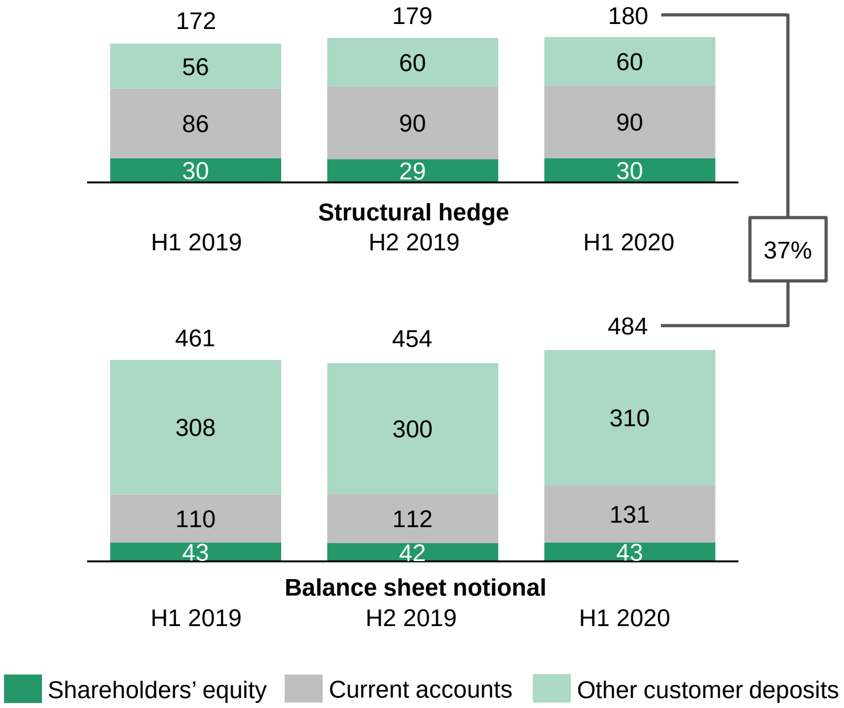
- **Significant £29bn increase in deposits in H1**
  - Reduced retail customer spending and inflows to trusted brands in an uncertain environment, ahead of the market
  - Increase in commercial clients’ liquidity
- **Balances expected to stabilise as spending increases**
- **Margin impacted by lower rates and with limited ability to further reprice deposits**

1 – Retail Business Banking shown within SME. 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 although in a lower rate environment

Hedged balances[1]

(£bn)



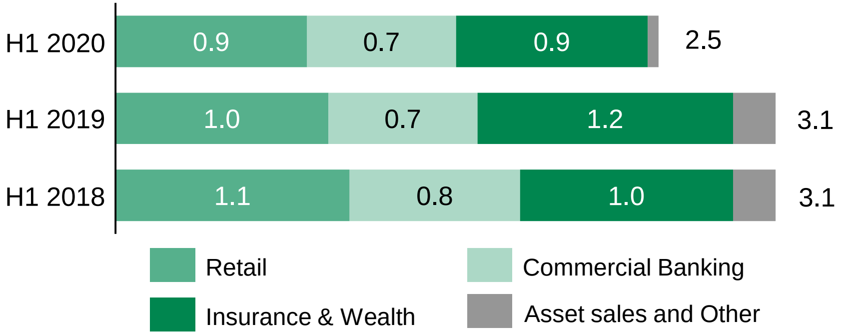
- **Structural hedge notional balance of £180bn**
  - c.2.5 year weighted average life
- **Hedge capacity of £190bn, up £5bn in H1; exceptional deposit growth in H1 not yet reflected**
- **c.£10bn unhedged capacity provides flexibility**
- **Group income of £1.3bn from structural hedge balances; H1 hedge earnings of £0.6bn or 0.7% over average LIBOR**
- **c.£15bn of maturities in H2**

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

Continuation of challenging trends in other income

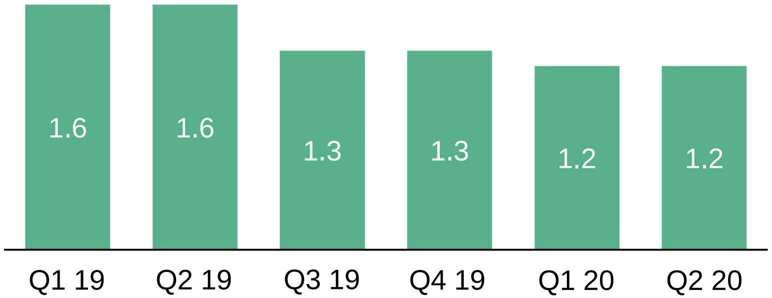
Divisional other income

(£bn)



Other income

(£bn)

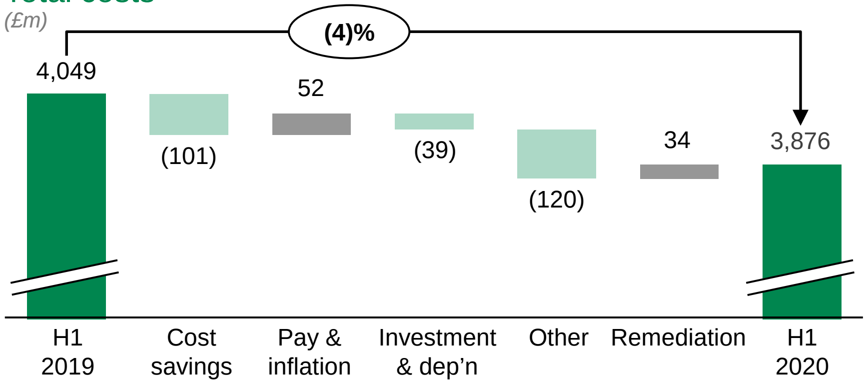


- **Other income of £2.5bn, down 22%, driven by slowdown across key markets in H1 and non-recurring items in Insurance in 2019**
  - H1 2019 included £136m benefit from change in asset management provider, c.£120m from auto enrolment, c.£100m from longevity assumption changes, £50m from Vocalink and £181m gilt gains
  - H1 2020 gilt gains £135m not expected to repeat in H2; largely offset in H1 by £110m LDC negative revaluation
  - One-off methodology change in Insurance c.£90m in Q2
  - Potential persistency and longevity assumption changes to be considered in H2
- **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**

Continued focus on efficiency, building on strong track record

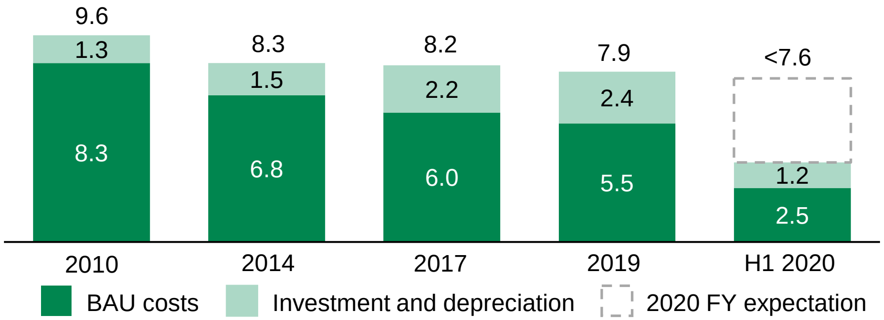
Total costs

(£m)



Significant reduction in operating costs

(£bn)

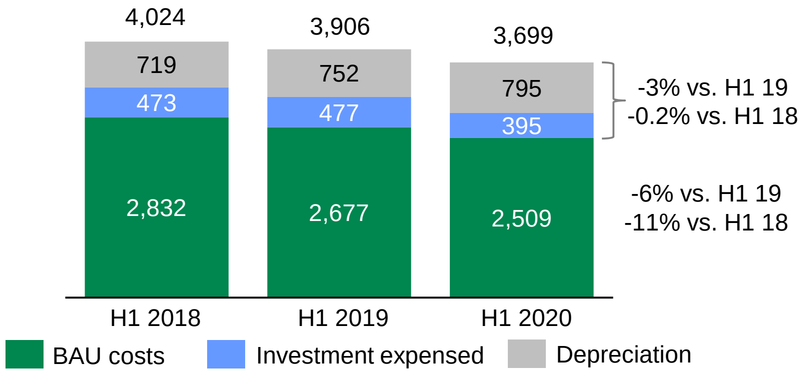


- **Total costs of £3.9bn down 4% with operating costs 5% lower and remediation up £34m**
- **6% lower BAU costs enabling continued investment in digital projects and enhanced support for customers, whilst partly offsetting revenue pressures**
- **Operating costs expected to be below £7.6bn in 2020, 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

Investment managed carefully, prioritising digital and technology spend

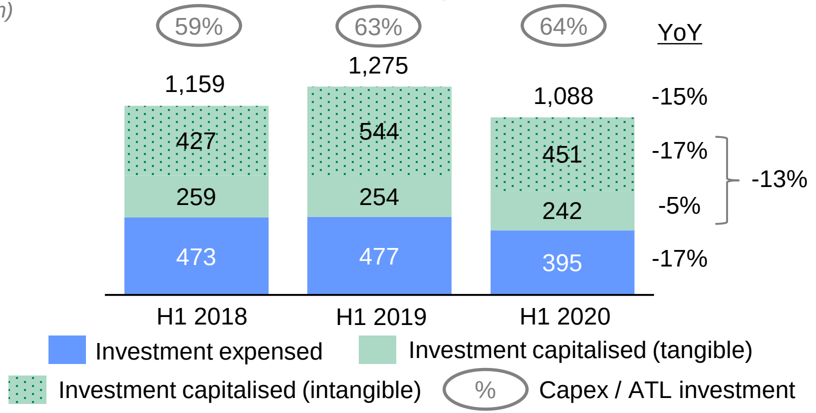
Operating costs (excluding Remediation)

(£m)



Above the line cash investment spend

(£m)



- **H1 investment £1.1bn, 15% lower than prior year**
  - Investment includes £0.5bn strategic spend, down 14%
  - Prioritising digital and technology projects
  - Capitalisation stable
- **H1 investment spend managed carefully, including branch transformation and via third parties**
- **>£2.4bn strategic investment to date in GSR3**
- **Group continues to invest through the cycle for long-term strength of the business**

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.

Updated economic forecast reflected in forward looking ECL provisions

	Q2 MES				Movement from Q1				vs. Dec
	2020	2021	2022	'20-22	2020	2021	2022	'20-22	'20-22
YoY GDP (%)									
Upside	(9.5)	7.5	3.1	0.3	(4.4)	3.8	(0.6)	(1.8)	(5.0)
Base	**(10.0)**	**6.0**	**3.0**	**(1.8)**	**(4.9)**	**2.9**	**(0.5)**	**(3.0)**	**(5.6)**
Downside	(10.2)	5.8	3.1	(2.0)	(3.6)	4.1	(0.5)	(0.5)	(4.7)
Severe[1]	(17.2)	4.1	5.2	(9.4)	(9.4)	4.4	2.1	(4.0)	(8.1)
Weighted	***(10.6)***	***6.2***	***3.3***	***(2.0)***	***(4.8)***	***3.7***	***(0.3)***	***(2.0)***	***(5.4)***
Unemployment (%)									
Upside	7.1	6.2	4.9	6.1	1.2	1.3	0.6	1.0	2.3
Base	**7.2**	**7.0**	**5.7**	**6.7**	**1.3**	**1.7**	**1.0**	**1.3**	**2.4**
Downside	7.3	7.7	6.8	7.3	1.0	1.0	0.4	0.8	1.7
Severe[1]	8.0	11.6	9.2	9.6	1.2	3.5	1.2	2.0	2.4
Weighted	***7.3***	***7.4***	***6.1***	***7.0***	***1.2***	***1.5***	***0.7***	***1.1***	***2.2***
HPI growth (%)									
Upside	(3.7)	5.0	9.0	10.2	(1.5)	(1.9)	2.2	(1.4)	(11.1)
Base	**(6.0)**	**(0.1)**	**2.9**	**(3.3)**	**(1.0)**	**(2.1)**	**0.4**	**(2.6)**	**(7.9)**
Downside	(8.0)	(6.1)	(4.5)	(17.5)	(0.4)	(2.0)	0.9	(1.3)	(7.5)
Severe[1]	(9.5)	(11.5)	(11.7)	(29.2)	0.5	(0.6)	1.2	0.9	(3.6)
Weighted	***(6.2)***	***(1.5)***	***1.1***	***(6.1)***	***(0.8)***	***(1.8)***	***1.2***	***(1.5)***	***(8.3)***

- **ECL estimates based on MES[2] impact of loss scenarios modelled around revised base case**
- **All scenarios reflect significant deterioration in base case versus Q1**
  - Upside, Base and Downside all attract a 30% weighting while Severe attracts 10%, unchanged from previously
  - Modified Severe scenario includes peak unemployment of 12.5% in Q2 2021, GDP down 17.2% in 2020 and HPI down 29% over 3 years
  - Overall MES impact uplifts ECL provisions by additional £510m from base case view
- **Further changes to economic assumptions would result in changes to expected credit losses**

1 – Severe scenario includes adjustments to GDP and unemployment, worsening the outlook relative to the modelled Severe scenario. 2 – Multiple economic scenarios.

Classification: Public

Higher reserving across business lines driven by increase in ECL provisions

(£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.

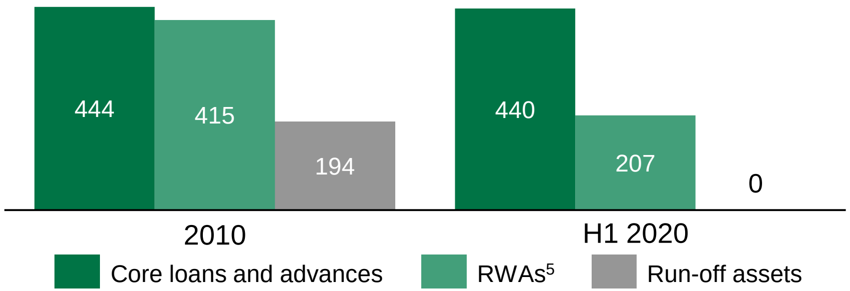
Robust balance sheet with high levels of security

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

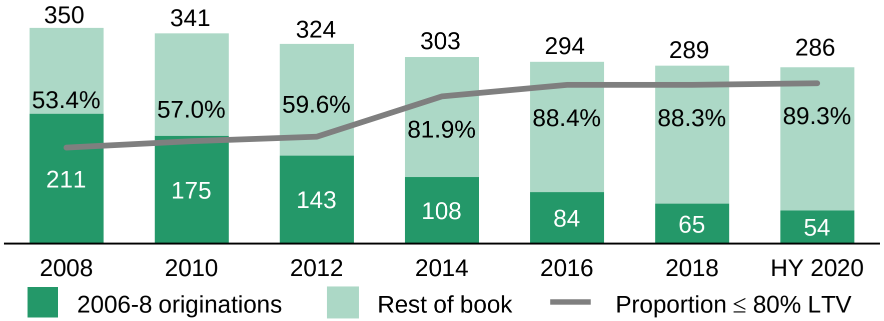
1 – Includes mortgages, motor finance, secured Retail other. 2 – Includes secured Retail Business Banking, SME, Mid Corporates. 3 – Includes unsecured SME and Mid Corporates, Corporate & Institutional (including secured), Commercial Banking other, Wealth, Central items. 4 – Includes credit cards, loans,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

Classification: Public

Predominance of high quality retail mortgages

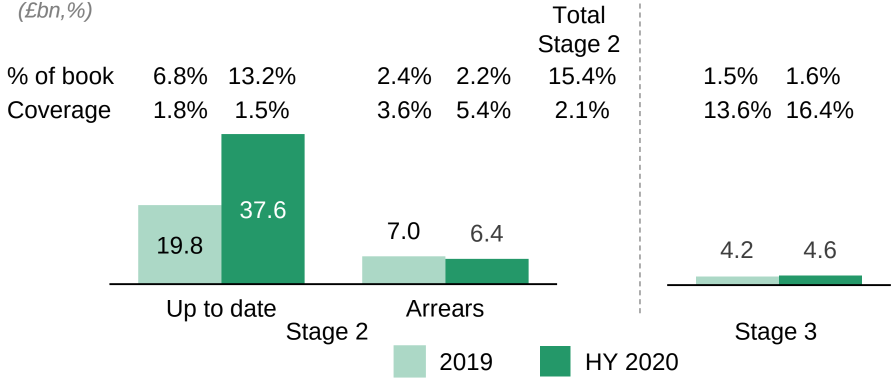
Mortgage book quality[1,2]

(£bn,%)



Stage 2 and 3 balances and coverage

(£bn,%)



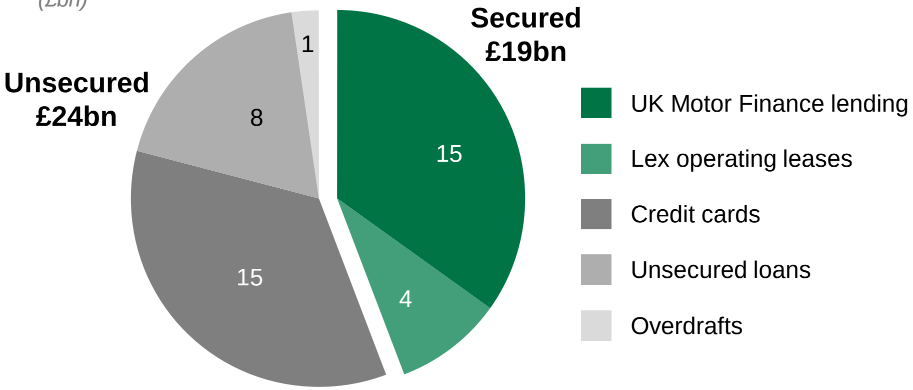
- **UK mortgages account for c.2/3 of Group lending**
  - Mortgage book performing well to date
  - Average LTV 44% and c.90% of book with LTV ≤80%
  - 2006-08 book has average LTV 43% with c.93% ≤80%; continues to perform well while declining c.12% per year
- **£17.2bn increase in Stage 2 assets to £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

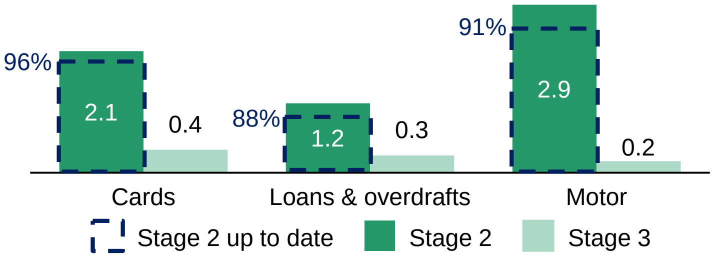
(£bn)



Stage 2 and 3 balances and coverage

(£bn,%)

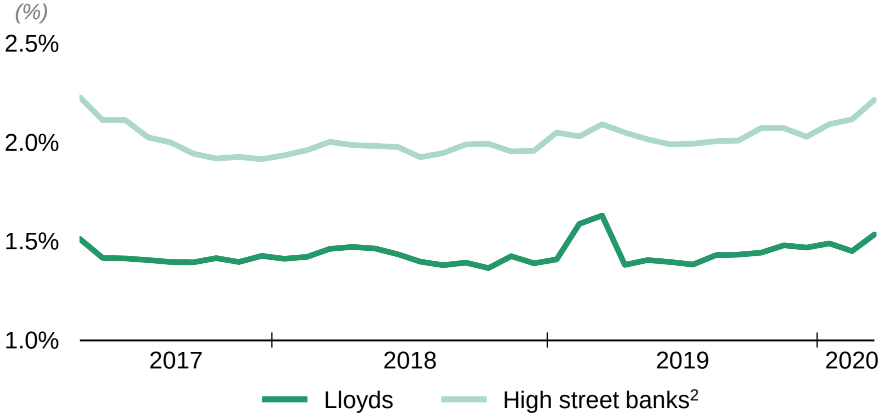
	Cards Stage 2	Cards Stage 3	Loans & overdrafts Stage 2	Loans & overdrafts Stage 3	Motor Stage 2	Motor Stage 3
% of book	13.1%	2.3%	12.5%	3.0%	18.4%	1.5%
Coverage	21.1%	43.9%	24.2%	57.5%	7.4%	64.4%



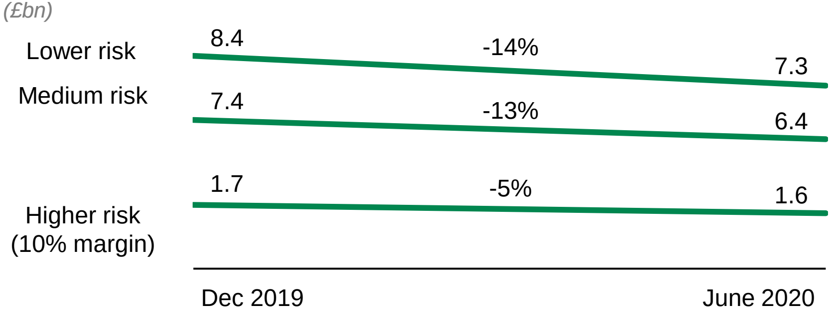
- **Retail customers are being cautious on borrowing in an uncertain environment**
- **Prime consumer finance portfolio benefits from high quality growth and prudent risk appetite**
  - Limited drawdowns and spend down c.20% vs. February
  - Total Stage 2 balances up £1.5bn to £6.2bn, of which £5.7bn (>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]



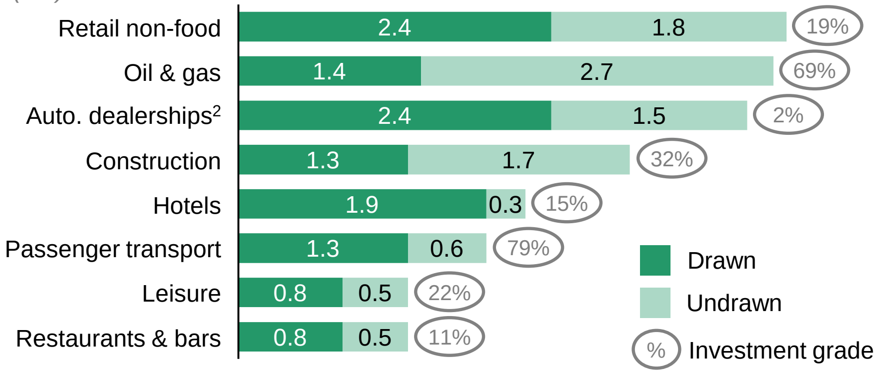
- **Prime credit card book benefits from high quality growth and conservative underwriting in recent years**
  - Selective risk appetite tightening in credit cards through the last 2 years, reducing exposure to more highly indebted customers
  - Average delinquencies c.1.4% p.a. over last 3 years and 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]

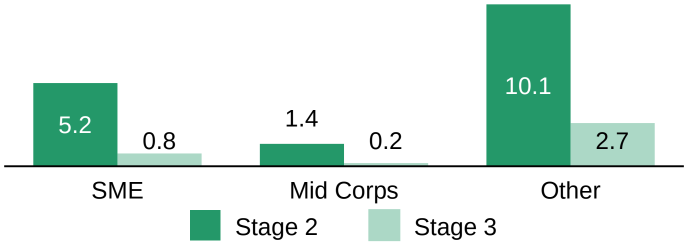
(£bn)



Stage 2 and 3 balances and coverage

(£bn,%)

	SME		Mid Corps		Other	
% of book	16.3%	2.7%	29.7%	5.0%	16.3%	4.4%
Coverage	5.2%	13.9%	7.7%	39.4%	4.9%	48.9%



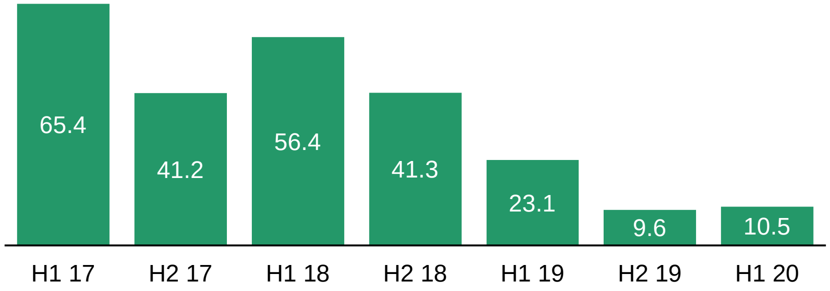
- **De-risking of core loan book over the last 10 years**
  - c.70% of total exposure at investment grade and significant risk transfer transactions in recent years
  - c.90% of SME lending secured
- **<3% of Group lending, or c.13% of Commercial, to key impacted sectors; working closely with those clients**
- **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).

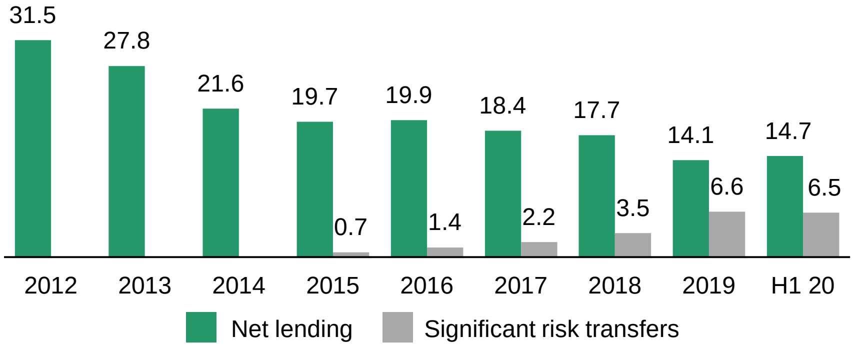
Classification: Public

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

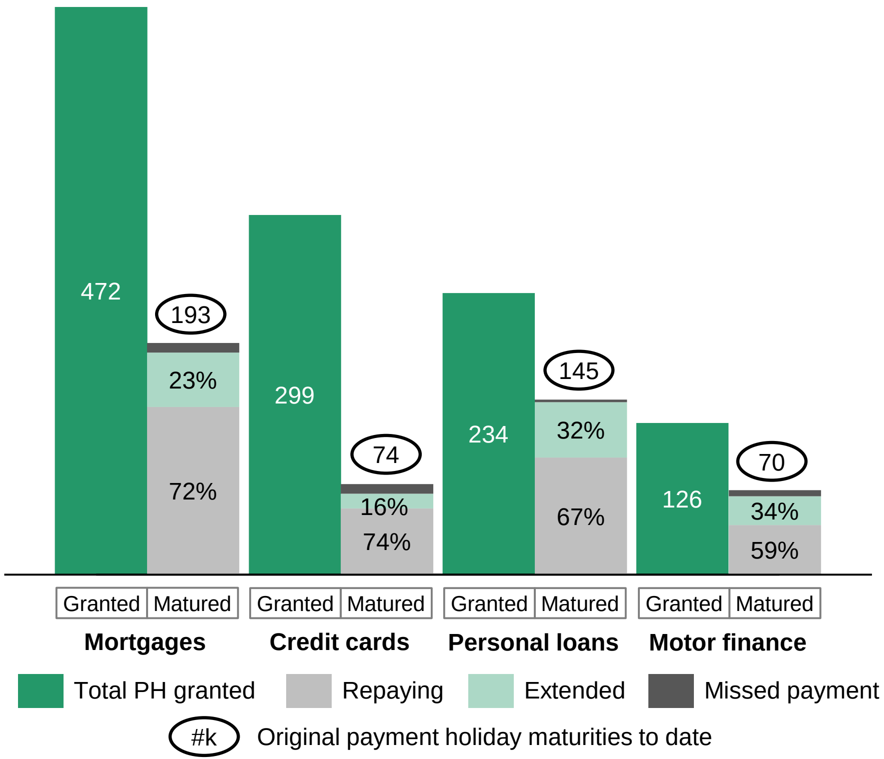
1 – SME within Commercial Banking division, excluding Retail Business Banking.   2 – Lending over £1m, net of significant risk transfers.

Classification: Public

Payment holidays continue to support customers through temporary pressures

Current status of Retail payment holidays[1]

(#k)



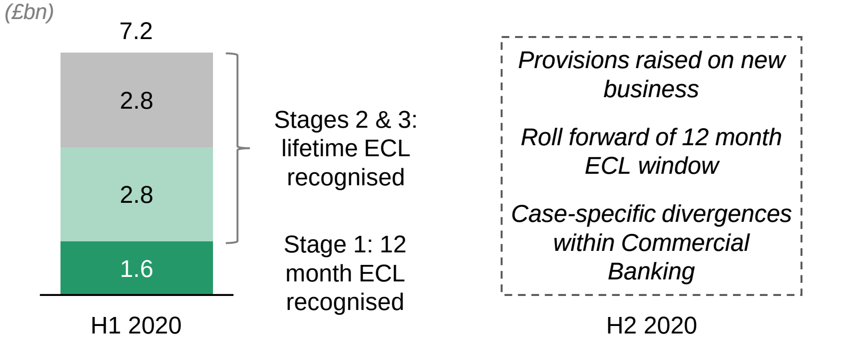
- **Payment holidays now available until 31 October**
- **>1.1m holidays granted, of which c.750k remain in force**
  - c.45% matured to date; 72% of mortgage customers resuming payment, 74% Cards, 67% loans, 59% motor
- **Customers extending payment holidays have weaker risk characteristics**
  - Mortgages: 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.

Classification: Public

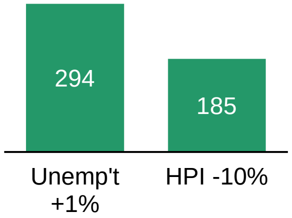
Dynamics of IFRS 9 charge and sensitivities

IFRS 9 charges reflect timing of changes in ECL provisions

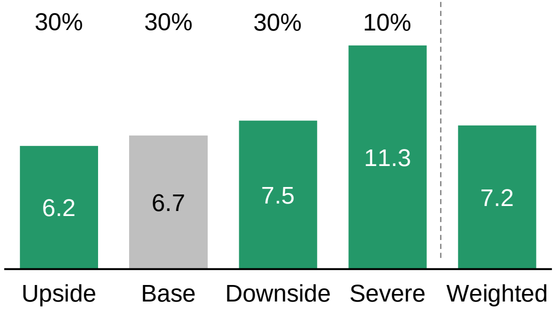


Sensitivities

Base case univariate Sensitivities (£m)[1]



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



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

- **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

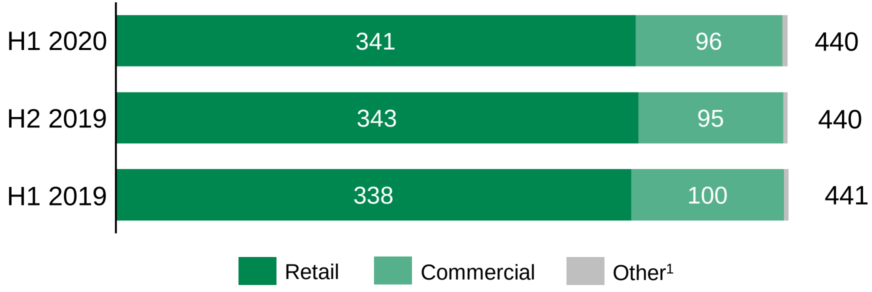
Statutory profit after tax of £19 million given below the line charges and tax credit

(£m)	H1 2020	H1 2019	Change
Underlying profit	**(281)**	4,194	–
Restructuring costs	**(133)**	(182)	*27%*
Volatility and other items	**(188)**	(465)	*60%*
PPI	**–**	(650)	–
Statutory profit before tax	**(602)**	2,897	–
Tax expense	**621**	(672)	–
Statutory profit after tax	**19**	2,225	*(99)%*
Statutory RoTE	**0.1%**	11.5%	*(11.4)pp*

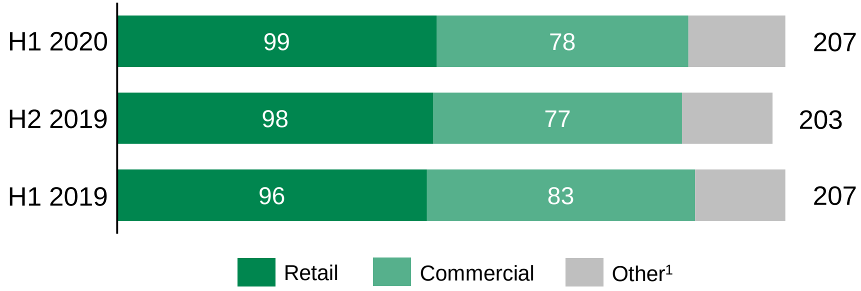
- **Statutory profit after tax of £19m**
  - Restructuring lower due to significant reduction in severance and property rationalisation costs in H1
  - Volatility and other items includes £370m negative insurance volatility, partly offset by positive banking volatility of £308m
  - No additional PPI charge in H1 2020
- **£0.6bn tax credit partly driven by £354m DTA remeasurement in Q1, following announcement that corporation tax would remain at 19%**
- **Statutory return on tangible equity of 0.1%, given income pressure and impairment charge**

RWA growth partly offset by lower non-guaranteed lending and continued Commercial optimisation

Loans and advances to customers
(£bn)



Risk-weighted assets
(£bn)



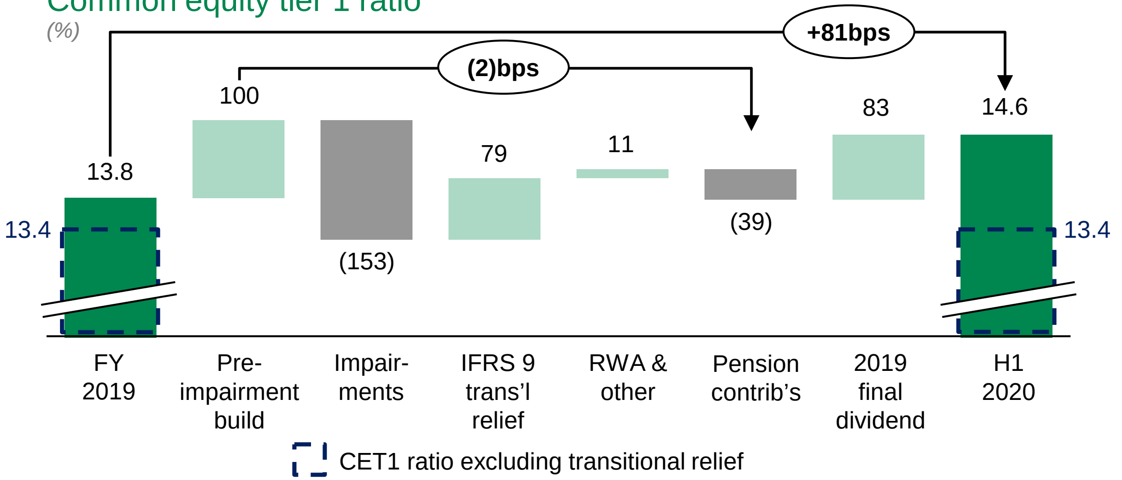
- **Loans and advances stable at £440bn and RWAs of £207bn, up £4bn in H1**
  - c.£4bn credit migration and retail model calibrations, including £3bn in Q2
  - c.£1bn regulatory changes, including securitisation rule changes
  - c.£3bn market and other movements
  - c.£(2)bn reduced lending outside limited to no RWA Government schemes
  - c.£(2)bn management action, including commercial optimisation
- **AIEAs expected to remain broadly stable on H1 level in 2020**
- **RWAs expected to be flat to modestly up versus H1**

1 – Other includes Insurance & Wealth and Central; Other RWAs also includes the Group's threshold RWAs.

Increased capital strength and headroom over requirements

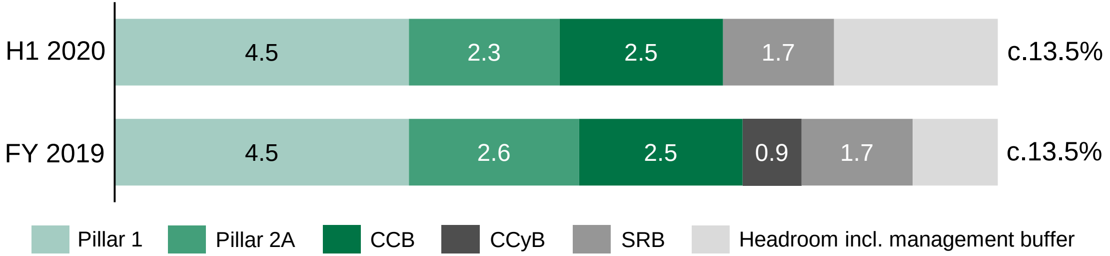
Common equity tier 1 ratio

(%)



Group capital structure

(%)



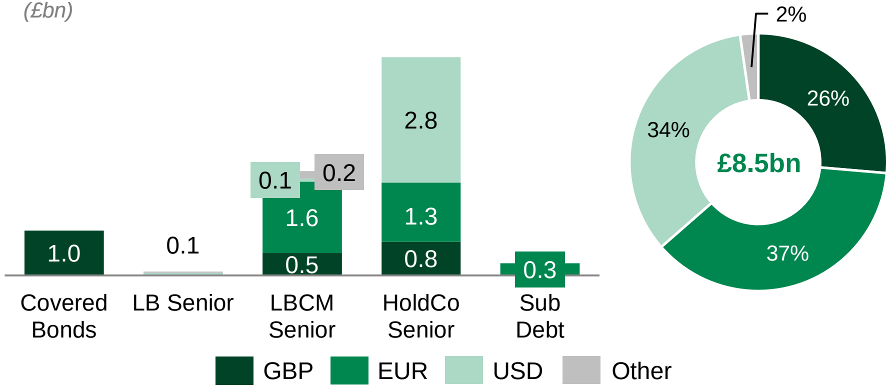
- **Capital strength increased with CET1 ratio of 14.6% (13.4% excluding transitionals); significant headroom over c.11% updated requirement[1]**
  - c.25bps reduction in Pillar 2A
  - Remaining 2020 pension deficit contributions paid in Q2[2]
  - 79bps additional dynamic benefit of IFRS 9 transitionals; expected to start to unwind in H2
  - c.25bps potential benefit from software intangible policy change in H2
  - Ongoing CET1 target c.12.5% plus a management buffer c.1%
- **Total capital remains strong at 22.3%; UK leverage ratio of 5.4%**
- **TNAV of 51.6p driven by pension surplus; TNAV down 5.8p in Q2**

1 – CET1 ratio requirement shown excludes any other PRA buffer requirement which we are not permitted to disclose. 2 – For the Group's three main schemes.

Strong funding and liquidity position

H1 2020 public funding by product and currency

(£bn)



Funding position at H1

(£bn)

	H1 2020	FY 2019	*Change*
Customer deposits	**441**	412	*29*
Liquid assets[1]	**138**	131	*7*
Wholesale funding[2]	**125**	124	*1*
MM funding[2]	***26***	*25*	*1*
Term funding	***99***	*99*	*–*
Customer loans	**440**	440	–

- **£8.5bn of funding completed to date, predominantly across USD, EUR and GBP**
- **Access to c.£40bn TFSME[3] and deposit inflows leave small residual 2020 funding need**
- **Repaying legacy funding given significant increase in customer deposits**
- **Liquid assets exceed wholesale funding; no net wholesale debt**
- **Loan to deposit ratio reduced to 100% after deposit inflows to trusted brands in a low activity, uncertain environment**
- **Retail deposits comprise c.60% of total customer deposits**
- **Average LCR 140%[4] well above regulatory minimum**

1 – Calculated on a 12 month rolling average. 2 – Money market funding excludes balances relating to margins of £6.9bn (31 Dec 2019: £4.2bn). 3 – Bank of England's Term Funding Scheme with additional incentives for SMEs; c.£40bn based on initial borrowing allowance. 4 – LCR is calculated as simple average of month end observations over previous 12 months.

Current challenges, but remain well placed to deliver for shareholders

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

Questions and Answers

António Horta-Osório, Group Chief Executive
William Chalmers, Chief Financial Officer

Appendix

Quarterly P&L and key ratios

(£m)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	**2,528**	2,950	3,102	3,130	3,062	3,083
Other income	**1,235**	1,226	1,267	1,315	1,594	1,556
Operating lease depreciation	**(302)**	(224)	(236)	(258)	(254)	(219)
Net income	**3,461**	3,952	4,133	4,187	4,402	4,420
Operating costs	**(1,822)**	(1,877)	(2,058)	(1,911)	(1,949)	(1,957)
Remediation	**(90)**	(87)	(219)	(83)	(123)	(20)
Total costs	**(1,912)**	(1,964)	(2,277)	(1,994)	(2,072)	(1,977)
Trading surplus	**1,549**	1,988	1,856	2,193	2,330	2,443
Impairment	**(2,388)**	(1,430)	(341)	(371)	(304)	(275)
Underlying profit	**(839)**	558	1,515	1,822	2,026	2,168
PPI	**–**	–	–	(1,800)	(550)	(100)
Other below the line items	**163**	(484)	(69)	28	(182)	(465)
Statutory profit before tax	**(676)**	74	1,446	50	1,294	1,603
Statutory profit after tax	**(461)**	480	1,019	(238)	1,025	1,200
Net interest margin	**2.40%**	2.79%	2.85%	2.88%	2.89%	2.91%
Cost:income (incl. remediation)	**55.2%**	49.7%	55.1%	47.6%	47.1%	44.7%
Asset quality ratio	**2.16%**	1.30%	0.30%	0.33%	0.27%	0.25%
Underlying RoTE	**(6.0)%**	4.7%	12.2%	14.3%	15.6%	17.0%
Statutory RoTE	**(4.8)%**	5.0%	11.0%	(2.8)%	10.5%	12.5%
TNAV per share	**51.6p**	57.4p	50.8p	52.0p	53.0p	53.4p

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**

Scenario	Economic measure	Current scenario (%) 2020	2021	2022	*2020-22*
Base case	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)
Upside	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
Downside	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)
Severe downside	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

	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.

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%.

Forward looking statements

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as ‘believes’, ‘anticipates’, ‘estimates’, ‘expects’, ‘intends’, ‘aims’, ‘potential’, ‘will’, ‘would’, ‘could’, ‘considered’, ‘likely’, ‘estimate’ and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. Examples of such forward looking statements include, but are not limited to: projections or expectations of the Group’s future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group’s future financial performance; the level and extent of future impairments and write-downs; statements of plans, objectives or goals of the Group or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group’s credit ratings; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic (including but not limited to the coronavirus disease (COVID-19) outbreak) and other disasters, adverse weather and similar contingencies outside the Group’s control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group’s control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements. Lloyds Banking Group may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Lloyds Banking Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.