Q1 INTERIM MANAGEMENT STATEMENT

Presentation to analysts and investors | 30 April 2020

Introduction

António Horta-Osório
Group Chief Executive

Actively supporting customers and colleagues in difficult times

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**

- **Active support for customers**
  - Flexible and sensitive treatment of retail customers with 880k payment holidays granted to date[2]
  - Priority support provided for elderly customers and NHS staff
  - Increased support for business clients through working capital increases and capital repayment holidays; full support for Government schemes
- **Commitment to colleagues and communities**
  - Suspension of staff reductions, enhancements to working environment safety, flexible holiday entitlement and commitment to pay colleagues in full, regardless of how their work has been impacted
  - Further financial support for Mental Health Money Line, Silver Line and We Are Digital, building on ongoing support for charitable Foundations
- **Strong operational resilience**
  - c.90% of branches remain open and ATM availability exceeding 95%[1]
  - >1,000 colleagues redeployed to coronavirus-related customer support activities
  - Digital capability evidenced with daily logins now >11m, up 13% on prior year
  - c.45k colleagues working from home, up from previous level of c.15k

1 – Excluding mobile branches, at 24/04/2020. 2 – At 24/04/2020.

Actively supporting customers, including through Government initiatives

Supporting our personal customers

- **Debt payment holidays of up to 3 months to help customers through temporary financial difficulties**
  - Mortgages (c.400k to date with average LTV 50%[1])
  - Credit cards (c.220k), motor finance (c.85k) and personal loans (c.175k)[1]
- **Increased contactless card spending limit to £45, enabling more transactions without physical contact**
- **Interest free overdraft of up to £500**
- **Moratorium on property repossessions**
- **Insurance payment holidays and simplified claims process**
- **Targeted multi-channel communication strategy to reach customers with relevant support based on their circumstances**

Supporting small businesses and corporates

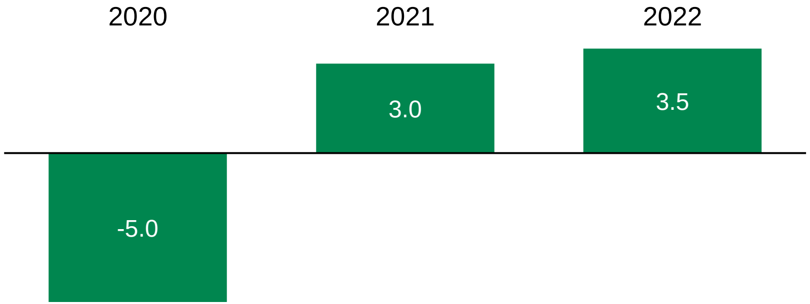
- **Payment holidays and working capital through our £2bn COVID-19 fund for SME and Mid Corporates**
  - Supported clients with c.37k overdrafts, capital repayment holidays and deferred payments to date[1]
  - Dedicated website for business customers with advice and related application forms
- **Supporting CBILS for SMEs <£45m t/o**
  - Approved >£400m in CBILS loans to c.3k SMEs[1]
- **CLBILS operational for businesses with t/o >£45m**
- **Actively supporting Large Corporates**
  - Registered as commercial paper dealer to provide investment grade clients with access to the Covid Corporate Financing Facility (CCFF)
  - Lending of £8bn to Corporate & Institutional clients

1 – At 24/04/2020.

Challenging and uncertain economic outlook

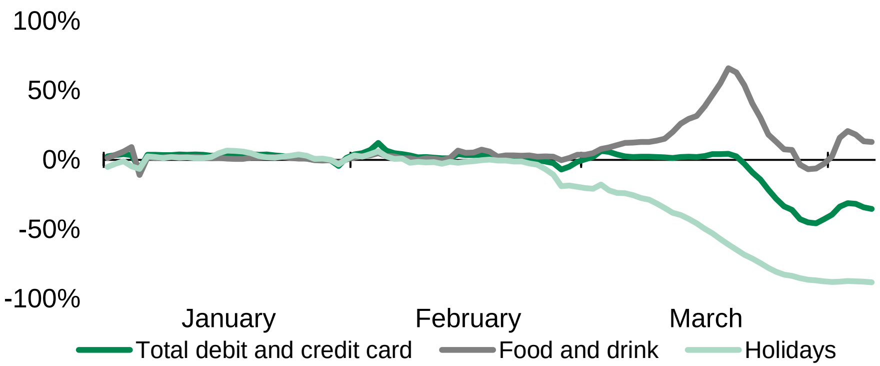
GDP forecasts for 2020-22[1]

(% change vs same period a year earlier)



LBG customers' card spending in Q1 2020[2]

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



- **Significant uncertainty remains with a challenging economic outlook**
- **Final impact will depend on severity and duration of the shock**
- **Government and Bank of England's actions will help mitigate the impact, with banks an important part of the solution**
- **We are committed to putting the Group's strength to work in support of the wider economy**
- **Our actions will further help reduce the negative impact on the UK economy**
- **Given significant change in environment and economic expectations, previous guidance no longer appropriate**

1 – Source: internal Lloyds Banking Group estimates. 2 – Excluding financial services spend.

Well placed to play our part

Low risk balance sheet

Capital strength

Market-leading efficiency

UK's leading digital bank

- **Strong balance sheet benefitting from prudent approach to lending**
  - Core loan book of c.£440bn remaining stable over last 10 years and >80% secured[1]
  - More than 75% of Group lending within prime retail portfolio, of which >90% secured
  - Remaining Group lending within commercial, of which c.35% is to SME and Mid Corporate clients and is >80% secured; limited exposure to higher risk sectors
  - Strong liquidity and funding position with no net wholesale debt
- **Capital levels strong with CET1 ratio of 14.2%**
  - Significant resources to support customers and the wider UK economy while absorbing expected credit losses
- **Market-leading efficiency creates additional capacity to support customers**
  - Costs will continue to fall in 2020, absorbing additional coronavirus-related expenses
- **Multi-channel distribution model, with the UK's leading digital bank enabling the Group to continue to serve customers throughout the lockdown**
  - 217k additional digitally-active customers since the lockdown, up from 55k in February; total 16.9m digital users, of which 11.5m are active on their mobile app[2]

1 – >80% comprises mortgages, motor finance, secured Retail other; also includes secured lending within Commercial Banking. 2 – At 24/04/2020.

Financial update

William Chalmers
Chief Financial Officer

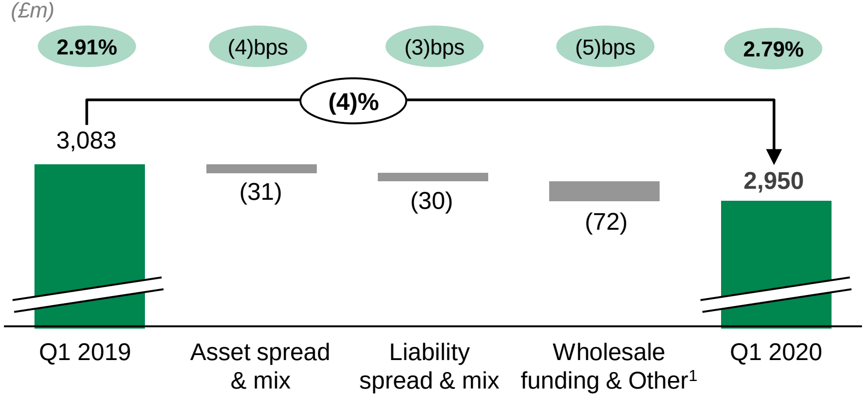
Resilient business model in a challenged economic environment

Statutory profit before tax	**£74m** *(95)%*
Net income	**£4.0bn** *(11)%*
Cost:income ratio (incl. remediation)	**49.7%** *5.0pp*
Pre-provision operating profit	**£2.0bn** *(19)%*
Impairment	**£1.4bn**
Statutory return on tangible equity	**5.0%** *(7.5)pp*
TNAV	**57.4p** *4.0p*
CET1 ratio	**14.2%**

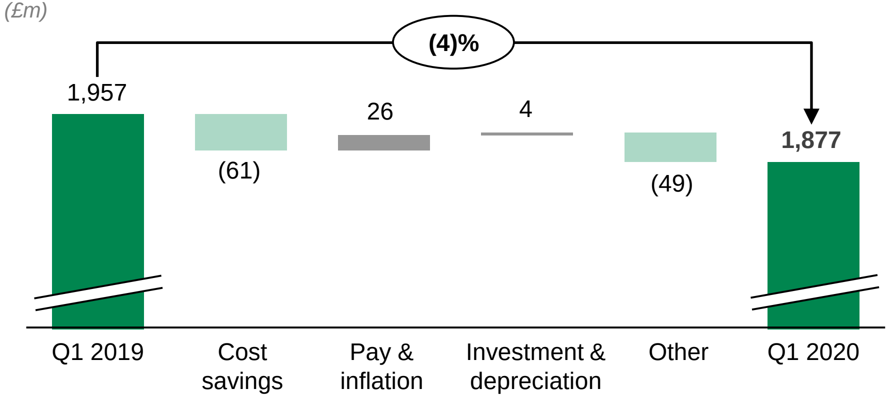
- **Statutory profit before tax £74m after higher impairment charge**
- **Pre-provision operating profit of £2.0bn**
  - Supported by NIM of 279bps and continued focus on costs
  - Business model provides significant loss absorbing capacity
- **£1.4bn impairment charge incorporating revised economic outlook**
- **Negative insurance volatility of £387m reflecting market movements**
- **Statutory RoTE of 5.0% impacted by impairments in Q1**
- **TNAV of 57.4p supported by increased pension surplus, driven by widening credit spreads**
- **Balance sheet strength maintained with capital position enhanced**
  - Loan:deposit ratio reduced to 103% with strong corporate loan growth and significantly increased deposits
  - CET1 ratio of 14.2%, up 45bps in Q1, reflecting 56bps of pre-impairment build, (56)bps impact of impairments, (38)bps impact of RWAs/Other movements and 83bps benefit of cancelling dividend

Solid pre-provision profit

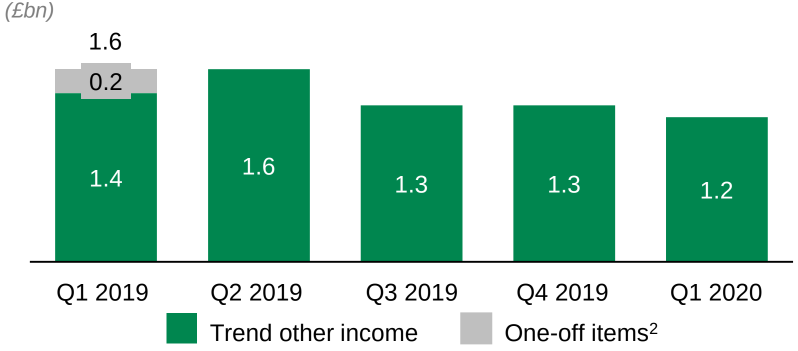
Net interest income and margin[1]



Operating costs



Other income



- **Pre-provision operating profit of £2bn**
- **Net income down 11%, impacted by rates and slowdown across key markets**
  - NIM 279bps, down 12bps due to rates and asset markets
  - Other income £1.2bn impacted by LDC and activity levels
  - Impact of lower rates and slowdown to continue into Q2
- **Continued cost reduction after absorbing coronavirus-related expenses, supporting customers and colleagues**

1 – Total net interest income and banking net interest margin; non-banking net interest income included within Other. 2 – Includes gain on sale of Vocalink and benefit of change in asset management provider.

Increased impairment charge reflecting economic assumptions

Impairment charges (£m)	Q1 2020	Q1 2019	*Increase*
Underlying charges	**368**	275	***93***
Retail	325	302	*23*
Commercial Banking	52	1	*51*
Other	(9)	(28)	*19*
Coronavirus impacted restructuring cases[1]	**218**	-	***218***
Updated economic outlook	**844**	-	***844***
Retail	564	-	*564*
Commercial Banking	280	-	*280*
Total impairment charge	**1,430**	275	***1,155***

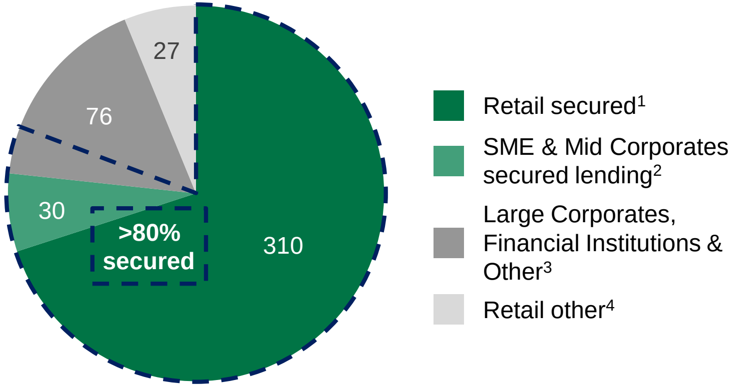
Base case economics (%)	2020	2021	2022	*2020-22*
GDP	(5.0)	3.0	3.5	*1.2*
Unemployment rate	5.9	5.4	4.7	*5.3*
House price growth	(5.0)	2.0	2.5	*(0.7)*
CRE price growth	(15.0)	5.0	5.0	*(6.3)*

- **Underlying credit quality robust but significant uncertainty exists**
- **Increased charge primarily reflects updated economic outlook and coronavirus impact on existing restructuring cases**
- **ECL impairment provisions reflect net impact of economic scenarios and Government support programmes**
- **Unchanged probability weightings on the four economic scenarios, although all scenarios have deteriorated significantly**
- **Severe economic scenario generates £7.0bn ECL, £2.1bn higher than base case**
- **ECL provisions stock increased by over £1bn to £5.2bn, building balance sheet resilience**
- **Economic outlook is uncertain and final impact will depend on severity and duration of the shock**

1 – Additional provisions in respect of material cases where coronavirus has directly hampered the client’s existing recovery strategy.

Balance sheet well positioned, AQRs driven by increase in ECL

Group loans and advances
(£bn)



- **Balance sheet well positioned for current environment**
  - No net expansion of core loan book over last 10 years
  - Weighting towards prime, UK secured lending
- **Increase in ECL driving higher AQRs and increased coverage, including 25.0% of stage 3 assets**
- **Underlying charges to date in line with through-the-cycle**

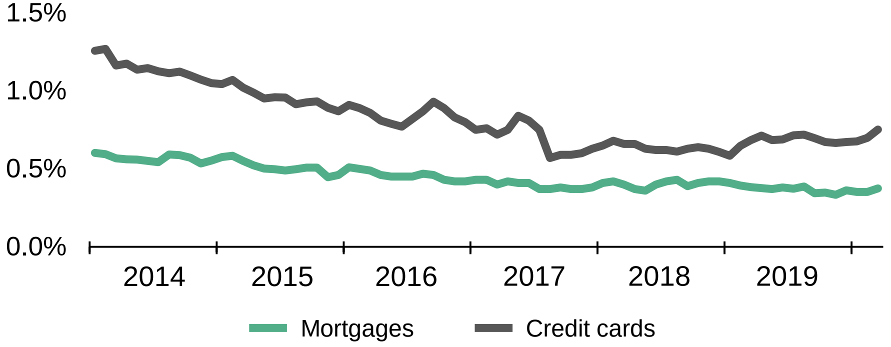
(bps)	Net AQR Q1 2020	*of which coronavirus ECL[5]*	*of which underlying*	Net AQR Q1 2019	*Increase*
Retail	**104**	*66*	*38*	36	*68*
Commercial	**232**	*210*	*22*	1	*231*
Total	**130**	*97*	*33*	**25**	*105*

(£m)	Mar 2020 ECL	Net ECL increase	*P&L charge*	*Write-offs and other*	Dec 2019 ECL
Retail	3,332	**536**	*889*	*(353)*	2,796
Mortgages	*1,345*	**129**	*160*	*(31)*	*1,216*
Other	*1,987*	**407**	*729*	*(322)*	*1,580*
Commercial	1,826	**511**	*550*	*(39)*	1,315
Other	40	**(10)**	*(9)*	*(1)*	50
Total	5,198	**1,037**	*1,430*	*(393)*	4,161
Coverage					
Total	***1.03%***				***0.83%***
Stage 3	***25.0%***				***22.5%***

1 – Includes mortgages, motor finance, secured Retail other. 2 – Includes secured Retail Business Banking, SME, Mid Corporates. 3 – Includes unsecured SME, Mid Corporates, Corporate & Institutional, Commercial Banking other, Wealth, Central items. 4 – Includes credit cards, loans, overdrafts, unsecured Retail other. 5 – Relates to impairment charges for coronavirus impacted restructuring cases and updated economic outlook.

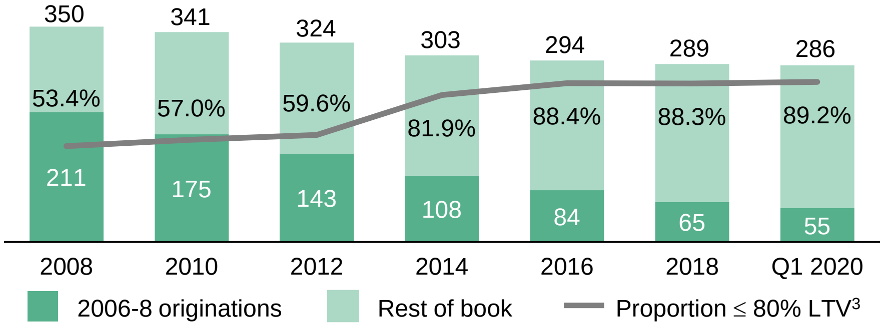
Retail book focused on prime portfolios

Mortgages and credit cards – new to arrears as proportion of total book[1]



Mortgage book quality

(£bn[2],%)



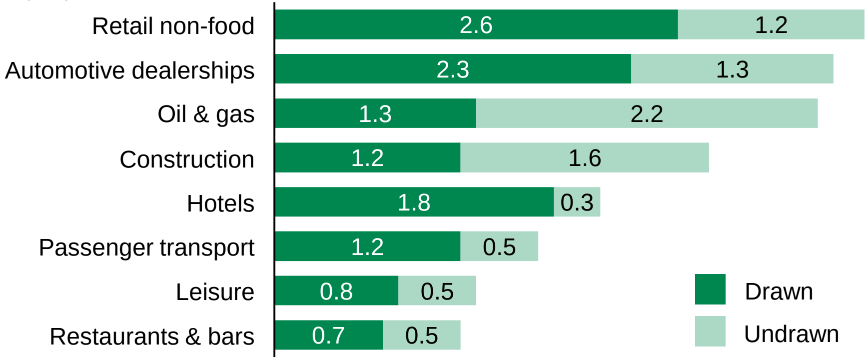
- **No net expansion and significant de-risking of core loan book over the last 10 years**
- **Significant exposure to high quality retail mortgages**
  - Average LTV 44% and c.90% with LTV ≤80%
  - 2006-08 book average LTV 43%; 92% has LTV ≤80%
  - Significant demand for mortgage payment holidays; average LTV of 50% and no skew by vintage
- **Prime credit card book including high quality MBNA portfolio, with recent growth from existing customers**
  - Limited drawdowns and credit card spend down >20% in March compared to February
- **Motor finance predominantly secured with risk-based pricing assumptions and residual value provisioning**

1 – Mortgages data adjusted to reflect payment holidays being processed. 2 – Gross lending; pre-2013 not restated for sale of TSB. 3 – 2014-19 LTVs use Markit's 2019 Halifax HPI; 2008-13 use HPI1.

Commercial portfolio benefits from diverse client base and sector limits

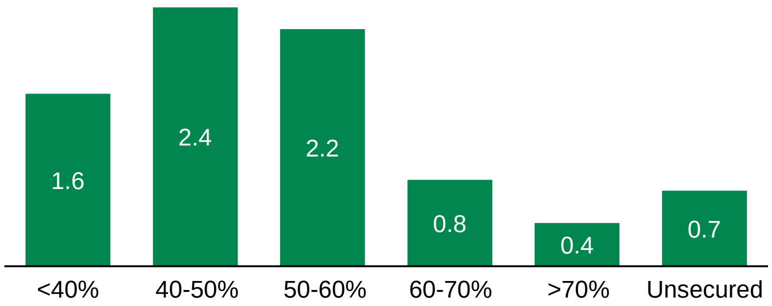
Lending in key coronavirus-impacted sectors[1]

(£bn)



Lending utilisation by CRE LTV band[2]

(£bn)



- **<3% of Group lending, or c.12% of Commercial, exposed to most impacted sectors; working closely with clients to support them**
- **De-risking of core loan book over the last 10 years**
  - c.75% of corporate exposure at investment grade
  - Diverse SME book with c.90% of lending secured
  - Only c.£2bn lending to leveraged finance, with average loan size c.£15m
- **Average LTV 47% in CRE and c.75% with LTV <60%**
  - No speculative commercial property development lending
  - Retail exposure <15% of CRE portfolio
- **Some drawdowns on existing facilities as clients seek to preserve liquidity, with limited RWA impact**
  - Drawing of c.£8bn of RCFs and other Corporate and Institutional facilities in March
  - Undrawn facilities already attract 75% of risk-weighting

1 – Lending classified using ONS SIC codes at legal entity level. 2 – Investment properties >£1m excluding exposures subject to Significant Risk Transfer transactions.

Capital, liquidity and funding remain strong

Funding position in Q1

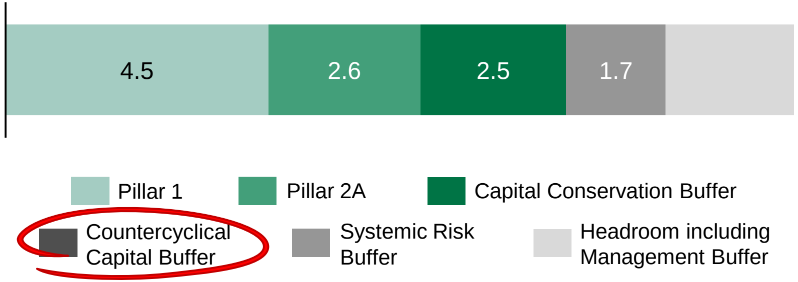
(£bn)

	Q1 2020	FY 2019	*Change*
Customer deposits	428	412	*16*
Liquid assets	144	118	*26*
Wholesale funding[1]	126	124	*2*
MM funding[1]	*26*	*25*	*1*
Term funding	*100*	*99*	*1*
Customer loans	*443*	*440*	*3*
Risk-weighted assets	*209*	*203*	*6*

- **Loan to deposit ratio reduced to 103% following significant deposit inflows to our trusted brands in an uncertain environment; LCR of 138%[2]**
- **Liquid assets exceed wholesale funding; no net wholesale debt**
- **£6.9bn of funding completed to date for HoldCo, Lloyds Bank and LBCM as markets remain open**
- **Access to up to estimated £39bn of TFSME and deposit inflows leave small residual 2020 funding need**

Group capital structure

(%)



- **Increased capital strength with CET1 ratio of 14.2%**
- **UK CCyB reduced to zero resulting in increased headroom over requirements of 11.3%[3]**
- **Significant resources to support customers while absorbing potential credit risk**
- **RWA expansion of £6bn, largely relating to securitisation rule changes and market volatility; limited impact from corporates, although potential for future ratings migration**

1 – Excludes balances relating to margins of £7.3bn (31/12/2019: £4.2bn). 2 – LCR is calculated as simple average of month end observations over previous 12 months.
3 – CET1 ratio requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose.

Well positioned to deliver for customers and shareholders beyond the crisis

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**

- **We are focused on supporting our customers, whilst protecting our colleagues and being present in communities across the UK, including active support for all Government schemes**
- **Multi-channel distribution model, with the UK's leading digital bank, enabling the Group to continue to serve customers throughout the lockdown**
- **Balance sheet benefitting from low-risk business model; capital strength enhanced with CET1 ratio of 14.2% and CCyB reduced to zero**
- **We are learning from the crisis and going forward the Group will:**
  - Further enhance customer service to ensure we continue to offer leading propositions in the new operating environment
  - Increasingly tailor product range to meet customers' evolving post-crisis needs
  - Further build cost advantage through new ways of working

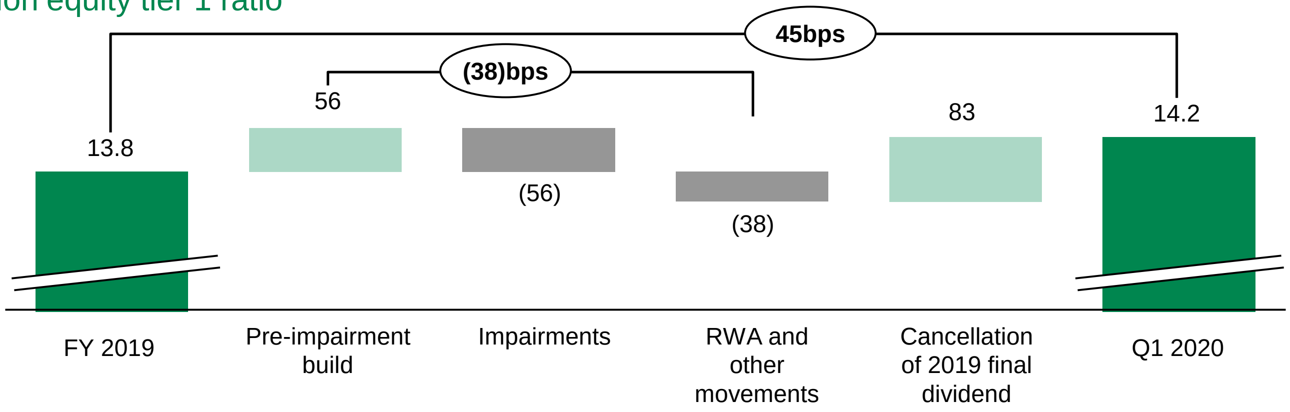
Questions and Answers

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

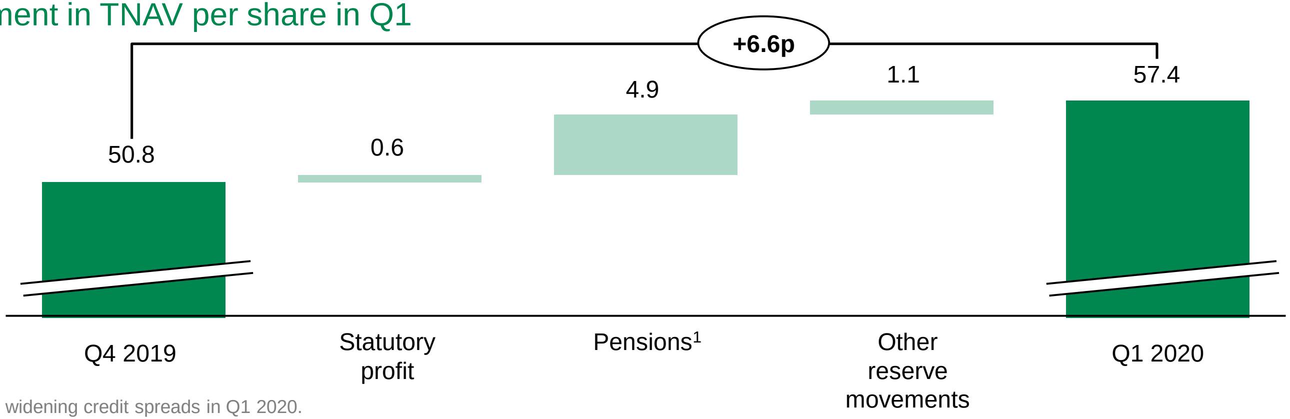
Appendix

CET1 and TNAV progression

Common equity tier 1 ratio
(%)



Movement in TNAV per share in Q1
(pence)



1 – Predominantly driven by widening credit spreads in Q1 2020.

Economic scenarios

Scenario	Probability weighting (%)	Expected credit loss (£m)
Base case	30	4,929
Upside	30	4,581
Downside	30	5,483
Severe downside	10	7,004
Probability-weighted ECL		**5,198**

Economic measure	Current scenario (%)			
	2020	2021	2022	*2020-22*
GDP	(5.0)	3.0	3.5	*1.2*
Interest rate	0.10	0.25	0.25	*0.20*
Unemployment rate	5.9	5.4	4.7	*5.3*
House price growth	(5.0)	2.0	2.5	*(0.7)*
CRE price growth	(15.0)	5.0	5.0	*(6.3)*
GDP	(5.0)	3.8	3.7	*2.2*
Interest rate	0.26	1.03	1.08	*0.79*
Unemployment rate	5.9	5.0	4.3	*5.0*
House price growth	(2.2)	6.8	6.8	*11.6*
CRE price growth	(11.9)	8.9	6.0	*1.7*
GDP	(6.5)	1.8	3.6	*(1.4)*
Interest rate	0.00	0.03	0.06	*0.03*
Unemployment rate	6.3	6.7	6.4	*6.5*
House price growth	(7.6)	(4.1)	(5.3)	*(16.1)*
CRE price growth	(26.6)	(3.3)	2.1	*(27.5)*
GDP	(7.8)	(0.1)	3.1	*(5.1)*
Interest rate	0.00	0.00	0.00	*0.00*
Unemployment rate	6.7	8.0	8.0	*7.6*
House price growth	(10.0)	(10.9)	(12.9)	*(30.2)*
CRE price growth	(39.2)	(5.7)	3.8	*(40.5)*

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. 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