Q1 INTERIM MANAGEMENT STATEMENT

Presentation to analysts and investors | 28 April 2021

Introduction

António Horta-Osório
Group Chief Executive

Solid business momentum in Q1 with improved economic outlook

- **Continued support for customers and businesses** across our Helping Britain Recover focus areas
- **Solid financial performance** in Q1 as business continues to recover
- Balance sheet momentum driven by **£6bn growth in open mortgage book lending**
- **Strong capital position with 16.7% CET 1 ratio;** 54bps of capital build in the quarter
- **Strategic Review 2021 delivering momentum on key initiatives**
- **2021 guidance enhanced given improved operating environment,** though uncertainties remain

Financial and strategic update

William Chalmers
Chief Financial Officer

Solid financial performance, ahead of expectations

	Q1 2021
Net income[1]	**£3.7bn** *(7)% / +2%*
Cost:income ratio (incl. remediation)[1]	**52.3%** *+2.6pp / (7.6)pp*
Pre-provision operating profit[1]	**£1.7bn** *(12)% / +21%*
Impairment credit	**£323m**
Statutory profit before tax	**£1.9bn**
Statutory return on tangible equity	**13.9%**
TNAV	**52.4p**
CET1 ratio	**16.7%**

- **Net income recovering**
  - NII of £2.7bn; Q1 NIM of 2.49% and AIEAs of £439bn, both ahead of our expectations
  - Other income of £1.1bn
- **Total costs of £1.9bn, 2% lower year on year**
- **Underlying asset quality remains strong. Impairment credit of £323m driven by release of £459m given improved economic outlook**
- **Statutory profit before tax of £1.9bn**
- **Strong balance sheet and capital build**
  - Open mortgage book growth of £6.0bn in Q1
  - Deposit growth of £11.7bn
  - 16.7% CET1, with capital build of 54bps
- **2021 guidance enhanced**

1 – Q1 2021 variance quoted against Q1 2020 / Q4 2020.

Strong start on delivering Strategic Review 2021

Selected examples of 2021 progress

Helping Britain Recover

Pay As You Grow and **Recovery Loan Scheme** launched to support customers

>6,500 colleagues trained to support customers in **building financial resilience**

On track for **£10bn first time buyer mortgages** in 2021 (Q1: £3.8bn)

Founding member of the **Net Zero Banking Alliance**

Building an inclusive organisation with >8,000 enrolled on new **Line Manager Race Education** training

Customer ambitions

Preferred financial partner for personal customers:

- **£6bn** open book mortgage growth
- **c.75% increase**[1] in Schroders Personal Wealth introductions
- New Halifax branded **digital-first protection** product launched

Best bank for business:

- **Business Finance Assistant** accounting proposition extended; **>130% increase** in users in Q1
- **Improved ranking** across core Markets products from **10th to 6th**[2]

Enhanced capabilities

Modernised technology architecture: **Mobile app NPS of 74**, **+5pts** vs. FY 2020 average

Integrated payments: **c.50%** increase in clients onboarded to Cash Management & Payments platform

Data-driven organisation: Deposit balance management enhanced through embedding the use of **advanced analytics techniques**

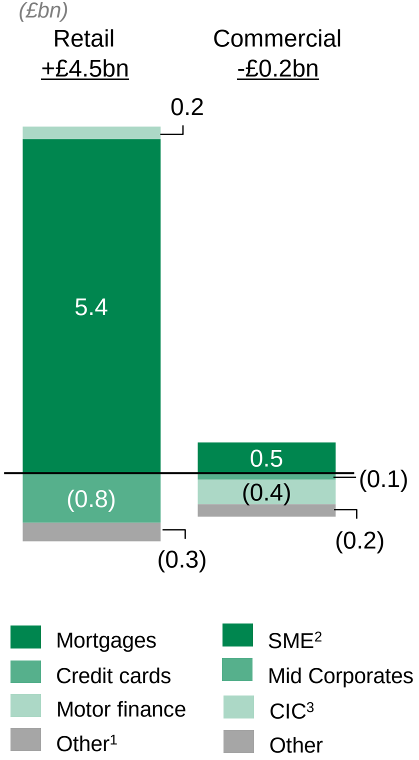
Reimagined ways of working: Preparing for pilot use of **above branch 'community offices'** to offer flexible work spaces

1 – Compared to Q1 2020. 2 – Combined Tradeweb and Bloomberg GBP IRS (Rates) ranking.

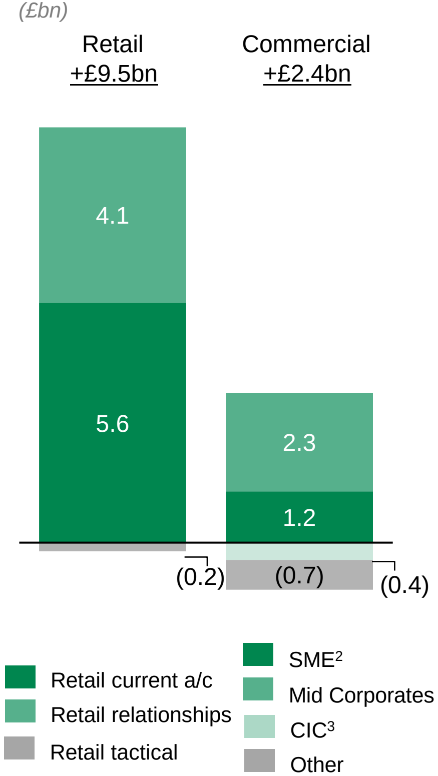
Classification: Public

Continued franchise growth

Q1 lending change



Q1 deposit change

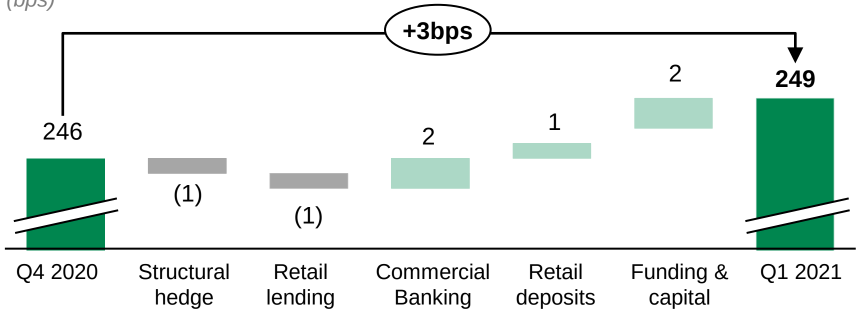


- **Total mortgage balances up £5.4bn to £299.2bn, driven by £6bn increase in open mortgage book**
- **Unsecured balances down c.£1bn and Commercial Banking balances broadly flat**
- **Retail deposits up £9.5bn, reflecting continued low spend and inflows to trusted brands**
- **Low single-digit percentage growth in AIEAs is now expected in 2021**
  - Continued mortgage strength in Q2
  - Modest recovery in unsecured balance in H2
  - Further optimisation in Commercial Banking

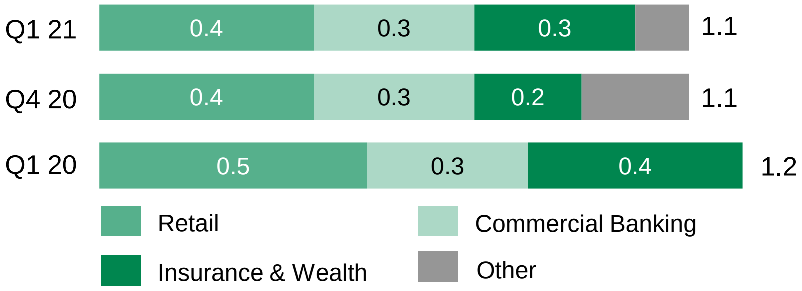
1 – Includes Unsecured loans, Overdrafts and Europe. 2 – Retail Business Banking included within SME for reporting purposes. 3 – Corporate and Institutional Clients.

Resilient income with improved margins

Net interest margin
(bps)



Other income
(£bn)

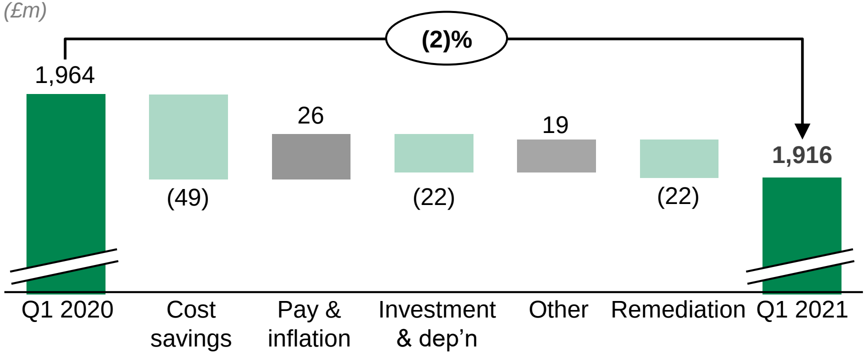


- **NII of £2.7bn in line with Q4 2020**
- **Q1 NIM of 2.49% and AIEAs of £439bn**
- **Structural hedge notional balance increased £21bn to £207bn; c.£40bn of maturities remaining in 2021**
  - WAL now c.3.5 years (2020: c.2.5 years)
  - Capacity increased to £225bn, reflecting increased deposits and continued strong current account growth
  - 2021 hedge income now expected to be c.£300m lower than 2020
- **2021 NIM now expected to be in excess of 245bps**
- **Other income of £1.1bn, impacted by lockdown**
  - Gradual recovery expected in line with activity and investment

Operating costs continue to provide competitive advantage

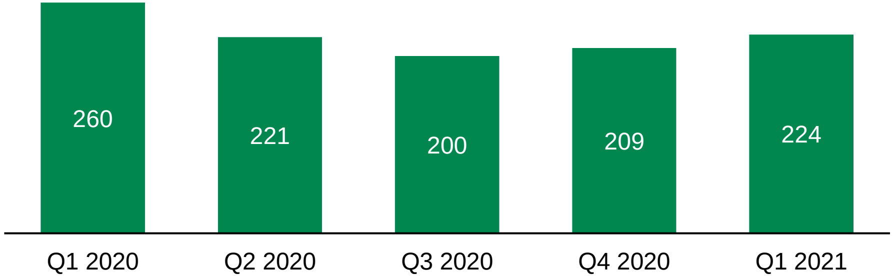
Total costs

(£m)



Strategic investment spend

(£m)



- **Total costs of £1.9bn down 2% with operating costs 1% lower**
  - Sustained cost discipline
- **Strategic investment spend of £0.2bn on track for £0.9bn target**
  - Continued focus on strategic priorities including technology and data
- **Operating costs to reduce to c.£7.5 billion in 2021**
  - Including net Covid-related costs and compensation headwinds in 2021 of £100m to £150m

Strong asset quality and improved economic outlook resulting in impairment release in the quarter

Impairment (£m)	Q1 21	Q1 20	*YoY change*
Charges pre-updated MES[1]	**209**	368	*(159)*
Retail	**321**	325	*(4)*
Commercial Banking	**(111)**	52	*(163)*
Other	**(1)**	(9)	*8*
Coronavirus impacted restructuring cases[2]	**(73)**	218	*(291)*
Updated economic outlook	**(459)**	844	*(1,303)*
Retail	**(240)**	564	*(804)*
Commercial Banking	**(219)**	280	*(499)*
Total impairment (credit) / charge	**(323)**	1,430	*(1,753)*

Expected credit loss	Upside (30%)	Base Case (30%)	Downside (30%)	Severe downside (10%)	Prob. -weighted
Dec-20	£5,766m	£6,354m	£7,468m	£9,838m	£6,860m
Mar-21	**£5,256m**	**£5,779m**	**£6,753m**	**£8,900m**	**£6,226m**

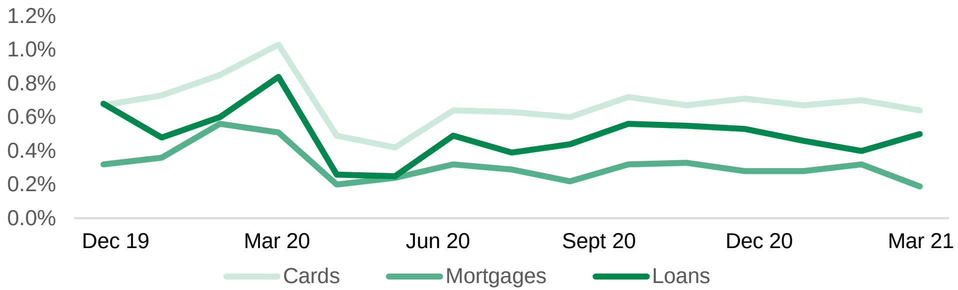
- **Asset quality strong with new to arrears stable**
  - Retail credit experience remains benign and in line with pre-Covid levels
  - Commercial credit performance robust, benefitting from improved restructuring outcomes and lower defaults
- **Impairment credit of £323m including ECL[3] release of £459m given improved economic outlook**
  - Peak unemployment forecast reduced from 8% to 7%
  - HPI fall in 2021 reduced from c.(4)% to c.(1)%
- **Stock of ECL reduced to £6.2bn, £2bn higher than year-end 2019**
  - Covid management judgements retained, now c.£1.0bn including £400m central overlay
- **Based on current economic assumptions, FY 2021 net AQR now expected to be below 25bps**

1 – Multiple economic scenarios. 2 – Further (releases) / charges on existing material cases in restructuring at the end of 2019 where coronavirus has directly hampered the recovery strategy. 3 – Expected credit loss.

Credit quality remains strong with new to arrears stable

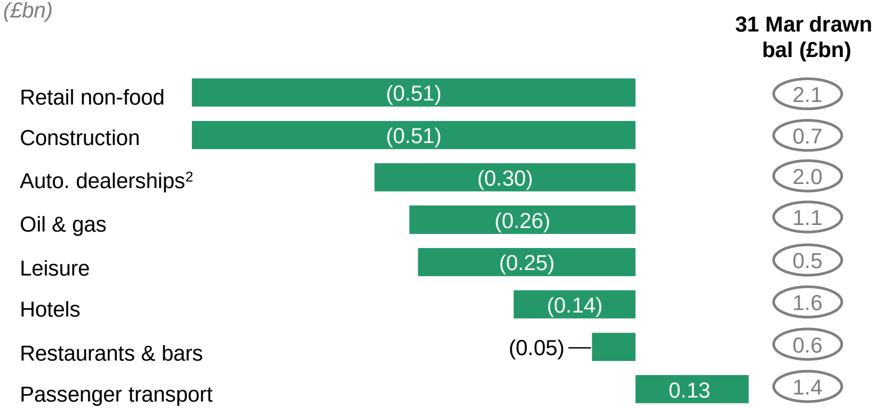
Retail new to arrears

(%)



Key coronavirus-impacted sectors net lending utilisation change[1]

(£bn)



- **Observed credit experience remains benign, with support schemes effective**
- **Strong performance on Retail payment holidays with 95% now fully matured; of which 94% repaying**
- **c.70% of Commercial exposure[3] at investment grade**
- **New to Business Support Unit levels remain in line with pre-crisis levels**
- **Supporting Commercial clients; selectively managing lending in key coronavirus-impacted sectors**
  - Exposure to key coronavirus-impacted sectors remains modest at c.2% of Group lending
  - Net reduction of c.£1.9bn[4] in lending utilisation of key coronavirus-impacted sectors since March 2020
- **New to arrears levels forecast to increase later in 2021 consistent with economic outlook, but remain well provisioned**

1 – Lending classified using ONS SIC codes at legal entity level. Net lending utilisation change from Q1 2020 to Q1 2021. Balances exclude c.£1.0bn of BBLs/CBILS lending. 2 – Automotive dealerships includes Black Horse Motor Wholesale lending (within Retail). 3 – Commercial Banking excluding SME. 4 – Excluding BBLs/CBILS.

Statutory profit after tax improved to £1.4bn

(£m)	Q1 21	Q4 20	Change	Q1 20	Change
Underlying profit	**2,071**	1,312	*58%*	558	*271%*
Restructuring costs	**(173)**	(233)	*26%*	(63)	*(175)%*
Volatility and other items	**0**	(202)		(421)	
PPI	**0**	(85)		0	
Statutory profit before tax	**1,898**	792		74	
Tax credit / (expense)	**(501)**	(112)		406	
Statutory profit after tax	**1,397**	680	*105%*	480	*191%*
Statutory RoTE[1]	**13.9%**	5.9%	*8.0pp*	3.7%	*10.2pp*

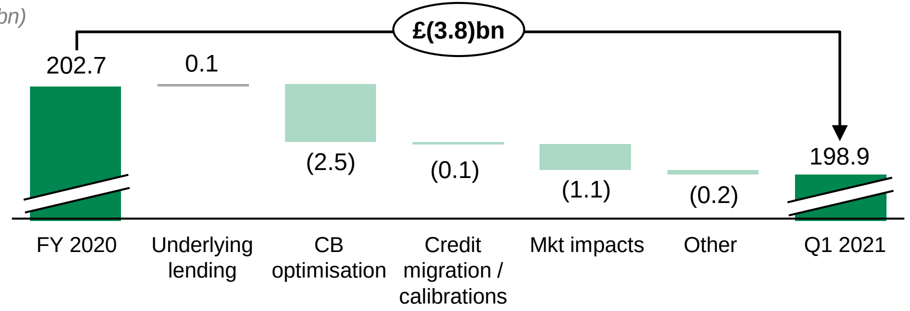
- **Restructuring costs of £173m largely driven by severance, technology R&D and property costs**
- **Volatility and other items benefitting from positive insurance gains**
- **RoTE ahead of expectations given impairment credit**
- **P&L tax credit of c.£1bn expected in Q3 from change in corporation tax rate**
- **2021 statutory RoTE now expected to be between 8% and 10%, excluding c.2.5pp benefit from tax rate changes**

1 – Q1 2020 and Q4 2020 restated for new basis.

RWAs lower with strong capital build in the quarter

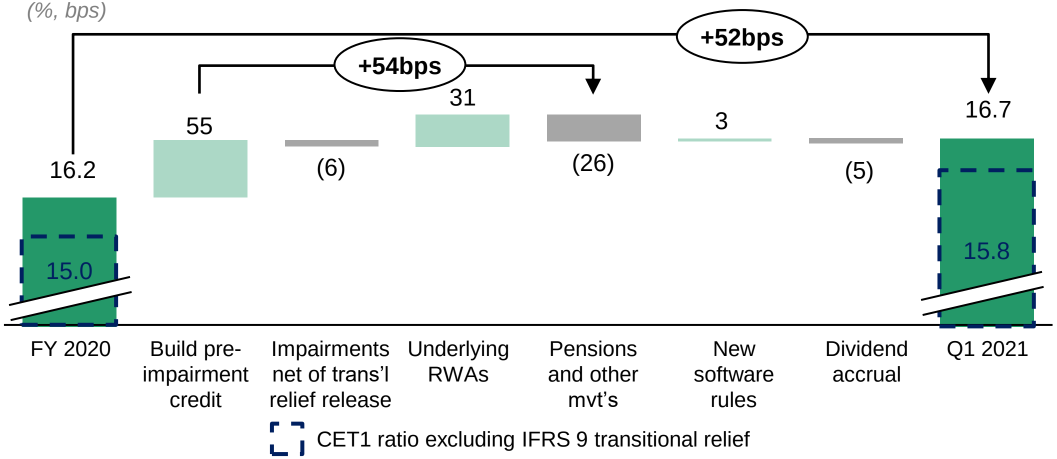
RWAs

(£bn)



Common equity tier 1 ratio

(%, bps)



- **RWAs reduced by £3.8bn, primarily driven by optimisation activity**
- **Limited credit migration given quality of book**
- **2021 RWAs to be broadly stable on 2020**
  - Headwinds from regulatory changes to increase RWAs in 2022
- **CET 1 increased to 16.7% reflecting capital build of 54bps**
  - 16.2% excluding software intangible benefit
- **TNAV of 52.4p**
- **Accruing dividends with intention to resume progressive and sustainable ordinary dividend policy**
  - Interim dividends will be considered at H1 2021 subject to PRA update

Solid business momentum in Q1 with enhanced 2021 guidance

- Helping Britain Recover: continued support for customers
- Strategic Review 2021 delivering momentum
- Solid financial performance with balance sheet momentum
- Strong capital position with 16.7% CET 1 ratio
- 2021 guidance enhanced, though uncertainties remain

2021 guidance based on Group's current economic assumptions:

- **Net interest margin now expected to be in excess of 245bps**
- **Operating costs to reduce to c.£7.5 billion**
- **Net asset quality ratio now expected to be below 25bps**
- **RWAs to be broadly stable on 2020**
- **Statutory RoTE now expected to be between 8% and 10%, excluding c.2.5pp benefit from tax rate changes**

Targeting medium term statutory RoTE in excess of cost of equity

Questions and Answers

Appendix

Prudent economic scenarios

Scenario	ECL (£m)
Upside (30%)	5,256
Base case (30%)	5,779
Downside (30%)	6,753
Severe downside (10%)	8,900
Probability-weighted ECL	6,226

	Current scenario (%)						
Economic measure	2021	*Change since FY 2020[1]*	2022	2023	*2024*	*2025*	*2021-25*
Upside							
GDP	5.7	*2.0*	4.6	1.4	1.3	1.2	2.8
Interest rate	0.81	*(0.33)*	1.19	0.98	1.20	1.43	1.12
Unemployment rate	4.9	*(0.5)*	4.9	4.4	4.2	4.1	4.5
HPI growth	0.8	*2.2*	4.0	6.0	4.3	3.6	3.7
CRE price growth	9.3	*0.0*	4.8	2.3	(0.4)	(0.4)	3.1
Base case							
GDP	5.0	*2.0*	5.0	1.6	1.3	1.3	2.8
Interest rate	0.10	*0.00*	0.10	0.21	0.44	0.69	0.31
Unemployment rate	6.0	*(0.8)*	6.2	5.4	5.0	4.8	5.5
HPI growth	(0.8)	*3.0*	0.5	2.2	1.7	1.7	1.1
CRE price growth	(1.8)	*(0.1)*	1.9	1.5	0.8	0.6	0.6
Downside							
GDP	4.5	*2.8*	4.2	1.4	1.1	1.3	2.5
Interest rate	0.12	*0.06*	0.12	0.09	0.17	0.33	0.17
Unemployment rate	6.9	*(1.0)*	7.7	6.9	6.3	5.9	6.8
HPI growth	(4.1)	*4.3*	(6.9)	(5.2)	(3.9)	(2.2)	(4.5)
CRE price growth	(9.0)	*1.6*	(4.0)	(0.6)	0.0	0.9	(2.6)
Severe downside							
GDP	2.8	*2.5*	3.4	1.1	1.3	1.4	2.0
Interest rate	0.03	*0.03*	0.01	0.02	0.03	0.05	0.03
Unemployment rate	8.4	*(1.5)*	10.0	9.0	8.1	7.4	8.6
HPI growth	(5.9)	*5.2*	(11.7)	(10.7)	(7.9)	(4.1)	(8.1)
CRE price growth	(19.8)	*1.6*	(11.3)	(4.7)	(1.0)	1.1	(7.5)

1 – Changes only shown for 2021 measures.

Classification: Public

Modest reduction in coverage reflecting updated economic outlook

(£m)	L&A to Customers (£bn)	Coverage[1] (excl. Recoveries)				Q4 2020 Coverage Total[1]	Total ECL Q1 2021	Net ECL increase / (decrease)	*P&L charge / (credit)*	*Write-offs & Other*	ECL Q4 2020	Write-offs & Other 2020 Q1
		Stage 1	Stage 2	Stage 3	Total							
Retail	**359.3**	0.2%	4.3%	22.7%	**1.1%**	**1.1%**	**3,843**	(165)	81	(246)	4,008	(353)
UK Mortgages	***300.7***	*0.0%*	*2.1%*	*15.1%*	***0.5%***	***0.5%***	***1,518***	*(87)*	*(72)*	*(15)*	*1,605*	*(31)*
Cards	***14.2***	*1.8%*	*16.7%*	*59.7%*	***6.3%***	***6.4%***	***894***	*(64)*	*28*	*(92)*	*958*	*(129)*
Loans & Overdrafts	***9.4***	*2.7%*	*23.2%*	*64.7%*	***7.6%***	***7.6%***	***707***	*(8)*	*108*	*(116)*	*715*	*(127)*
Motor	***15.4***	*1.4%*	*7.6%*	*66.8%*	***3.3%***	***3.3%***	***503***	*2*	*11*	*(9)*	*501*	*(46)*
Other	***19.6***	*0.3%*	*9.6%*	*40.2%*	***1.1%***	***1.2%***	***221***	*(8)*	*6*	*(14)*	*229*	*(20)*
Commercial	***87.4***	0.4%	5.0%	34.5%	**2.2%**	**2.7%**	***1,932***	(470)	(403)	(67)	2,402	(39)
Other[2]	**55.3**	0.7%	3.0%	24.2%	**0.8%**	**0.7%**	***451***	1	(1)	2	450	(1)
Total	**502.1**	0.3%	4.4%	27.1%	**1.2%**	**1.4%**	**6,226**	**(634)**	**(323)**	**(311)**	**6,860**	(393)

1 – Loans and advances to customers only; excludes £32m of ECL on other assets at 31/03/2021 (£28m at 31/12/2020). 2 – Includes reverse repos of £52.8bn which dilutes reported Group coverage by 0.2pp.

Classification: Public

Continued low mortgage LTVs

	Q1 2021[1] Mainstream	Buy to let	Specialist	Total	2020[1] Total	2010[1] Total
Average LTVs	42.7%	49.9%	40.5%	**43.7%**	43.5%	55.6%
New business LTVs	62.2%	60.3%	n/a	**61.9%**	63.9%	60.9%
≤ 80% LTV	90.2%	98.9%	94.8%	**91.9%**	91.6%	57.0%
>80–90% LTV	9.4%	0.7%	1.8%	**7.6%**	7.8%	16.2%
>90–100% LTV	0.2%	0.1%	1.0%	**0.2%**	0.3%	13.6%
>100% LTV	0.2%	0.3%	2.4%	**0.3%**	0.3%	13.2%
Value >80% LTV	£23.5bn	£0.5bn	£0.5bn	**£24.5bn**	£24.9bn	£146.6bn
Value >100% LTV	£0.4bn	£0.1bn	£0.3bn	**£0.8bn**	£1.0bn	£44.9bn
Gross lending	£239bn	£51bn	£11bn	**£301bn**	£295bn	£341bn

1 – Q1 2021 and 2020 LTVs use Markit's 2019 Halifax HPI; 2010 LTVs use Markit's pre-2019 Halifax HPI and include TSB.

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 or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as ‘believes’, ‘achieves’, ‘anticipates’, ‘estimates’, ‘expects’, ‘targets’, ‘should’, ‘intends’, ‘aims’, ‘projects’, ‘plans’, ‘potential’, ‘will’, ‘would’, ‘could’, ‘considered’, ‘likely’, ‘may’, ‘seek’, ‘estimate’ and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. Examples of such forward looking statements include, but are not limited to, statements or guidance relating to: projections or expectations of the Group’s future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group’s future financial performance; the level and extent of future impairments and write-downs; statements of plans, objectives or goals of the Group or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group’s credit ratings; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; potential changes in dividend policy; the ability to achieve strategic objectives; the Group’s ESG targets and/or commitments; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality impacting the recoverability and value of balance sheet assets; concentration of financial exposure; management and monitoring of conduct risk; exposure to counterparty risk (including but not limited to third parties conducting illegal activities without the Group’s knowledge); instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and the EU-UK Trade and Cooperation Agreement, instability as a result of the potential for other countries to exit the EU or the Eurozone, and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic (including but not limited to the COVID-19 pandemic) and other disasters, adverse weather and similar contingencies outside the Group’s control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, or other such events; geopolitical unpredictability; risks relating to sustainability and climate change, including the Group’s ability along with the government and other stakeholders to manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the UK’s exit from the EU; changes to regulatory capital or liquidity requirements (including regulatory measures to restrict distributions to address potential capital and liquidity stress) and similar contingencies outside the Group’s control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key laws, legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes in the Group's ability to develop sustainable finance products and the Group's capacity to measure the climate impact from its financing activity, which may affect the Group's ability to achieve its climate ambition; 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 (the SEC), which is available on the SEC’s website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the SEC, Lloyds Banking Group plc 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 plc 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.