2021 Results
Fixed Income
Investor Presentation
Lloyds Banking Group
Lloyds Banking Group - strong foundations

Our strong foundations...

Leading UK customer franchise with trusted brands

Largest UK digital bank

Operating at scale with strong cost discipline

Financial strength and disciplined risk management

Dedicated colleagues with strong values

...have created distinct competitive strengths

Maintained leading market shares; 19% since 2017

>1m business client relationships

Relationship with c.50% of UK adults

Largest UK bank

UK’s only integrated financial services provider

Significant data asset; 1bn monthly transactions

Differentiated business model

Deep customer insights

18.3m digitally active customers; 45% growth over last 5 years

Record all-channel NPS; 7pt growth over last 5 years

Relationship with c.50% of UK adults

Significant data asset; 1bn monthly transactions

18.3m digitally active customers; 45% growth over last 5 years

Record all-channel NPS; 7pt growth over last 5 years
Solid financial performance in 2021

- Solid net income, up 9%, NIM 254bps
- Maintained focus on operating costs, 1% higher YoY including variable pay
- Strong asset quality, £1.2bn net impairment credit
- Statutory profit after tax of £5.9bn
- Continued franchise balance sheet growth
- Strong capital build of 210bps, pro forma CET1 ratio 16.3%¹
- Shareholder returns £3.4bn, equivalent to c.10% of market capitalisation²
  - Total ordinary dividend 2p per share
  - Share buyback £2bn

£15.8bn
Net income up 9% vs 2020

56.7%
Cost:income ratio up 1.4pp vs 2020

13.8%
RoTE up 11.5pp vs 2020

57.5p
TNAV up 5.2p vs 2020

16.3%
Pro forma CET1 ratio up 0.1pp vs 2020¹

£3.4bn
Total capital returns

1 - The pro forma CET1 ratio as at 31/12/2021 reflects both the insurance dividend paid in Q1 2022 and the impact of the announced ordinary share buyback programme. Does not include the impact of capital headwinds on 01/01/2022. 2 - Market capitalisation as at close of business on 31/12/2021.
Solid net interest income performance

Average interest-earning assets (AIEAs) (£bn)
- 2020: £435bn
- 2021: £445bn, +2% growth
- Mortgages: £15bn
- Unsecured & Motor: (3)bn
- Commercial Banking: (3)bn
- Other: 1bn

Net interest income (NII) and banking net interest margin (NIM) (£bn, bps)
- 2020: £252bn, -5bn
- 2021: £254bn, +2bps growth
- Structural hedge: 5bn
- Retail lending: (4)bn
- Commercial lending: 2bn
- Customer deposits: 4bn
- Funding & capital: (2)bn

- NII £11.2bn, up 4% on 2020, benefitting from increased AIEAs and stronger NIM
  - 2021 AIEAs £445bn, up £10bn on 2020
  - Full year NIM 254bps, 257bps in Q4, up 2bps on Q3
- Positive impact from rising rates despite ongoing mortgage pricing pressure
- Illustrative c.£200m additional NII in year 1 for a 25bps parallel increase in rates
- Low single-digit percentage growth in AIEAs expected in 2022
- 2022 NIM expected to be above 260bps

1 - Retail Business Banking included within Commercial for reporting purposes. 2 - Illustrative interest rate sensitivity; based on the assumptions shown in the appendix on slide 57.
Strong mortgage growth with tighter new business margins

Mortgage book
(Book size £bn, Gross margin %\(^1\))

- Mortgage balances up £13.7bn to £307.5bn, open book growth £16bn
- Back book c.£64bn, Q4 YoY attrition c.16%
- 2021 new business\(^2\) c.£90bn
  - 2021 front book maturities at c.150bps
  - Average completion margin c.160bps (2020: c.170bps), c.115bps in Q4\(^3\)
- 2022-24 Group NIM impacted by maturities of high-yielding 2020-21 business
- Mortgage lending remains attractive from a returns and economic value perspective

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1 - Gross margin is gross customer receivables, less short-term funding costs; references SONIA. Chart uses rounded inputs.  
2 - Includes retention of existing customers on new deals.  
3 - Total completion margins include new business and product transfers and is the difference between the customer rate and the relevant funding rate.
Other lending balances stabilised in H2 with robust margins

**UK consumer finance**
(Book size £bn, Gross margin %)

- **H2 2021**: £14bn, £8bn, £6bn, £8bn, £36bn, 6.59%
- **H1 2021**: £14bn, £8bn, £6bn, £8bn, £36bn, 6.70%
- **H2 2020**: £14bn, £8bn, £6bn, £9bn, £37bn, 6.72%

**Commercial Banking**
(Book size £bn, Gross margin %)

- **H2 2021**: £39bn, £3bn, £46bn, £4bn, £92bn, 2.35%
- **H1 2021**: £40bn, £4bn, £45bn, £4bn, £93bn, 2.34%
- **H2 2020**: £41bn, £4bn, £46bn, £4bn, £95bn, 2.24%

- **UK consumer finance** £0.8bn lower in year but stabilising in H2
  - Credit card balances reduced £0.2bn in 2021, up £0.5bn in H2
  - UK Motor Finance down £0.7bn in 2021 driven by industrywide supply constraints
- **Commercial Banking** £2.8bn lower in 2021, margin supported by pricing actions
  - Government-backed lending scheme balances down £1.2bn
  - Underlying business reduced £1.6bn given higher levels of liquidity, likely persisting into 2022

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1 - Excluding overdrafts. 2 - Gross margin is gross customer receivables, less short-term funding costs; references SONIA. Chart uses rounded inputs. 3 - Includes Fleet, Stocking and Lex Finance. 4 - Includes Retail Business Banking.
### Continued significant deposit franchise growth

**Increase in customer deposits**

(Book size £bn, Gross margin %)

<table>
<thead>
<tr>
<th></th>
<th>2020 H2</th>
<th>2021 H1</th>
<th>2021 H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail current accounts</td>
<td>15</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Commercial current accounts</td>
<td>123</td>
<td>125</td>
<td>116</td>
</tr>
<tr>
<td>Retail relationships</td>
<td>48</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Commercial deposits</td>
<td>97</td>
<td>107</td>
<td>112</td>
</tr>
<tr>
<td>Wealth</td>
<td>14</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

YoY

- +11%
- +7%
- +8%
- +14%

**Notes:**
1 - Retail Business Banking shown in Commercial.
2 - Gross margin is gross customer payables, less short-term funding costs; references SONIA and includes structural hedge income. Chart uses rounded inputs.

- Significant £25.6bn increase in deposits in 2021, down £2.8bn in Q4
- Continued inflows to the Group’s trusted brands, up c.£65bn since 2019
- Commercial deposits lower given portfolio optimisation, particularly in Q4
The external sterling structural hedge notional is managed as a portfolio, split shown is indicative.

- Structural hedge approved capacity of £240bn, up £30bn in 2021
- Prudent management of structural hedge
  - c.£65bn deposit growth since year end 2019 vs £55bn increase in capacity
  - c.£30bn maturities in 2022 give flexibility
- Nominal balance of £240bn with c.3.5 year weighted-average duration
- Expect 2022 hedge income ahead of 2021 and a modest increase in 2023 and 2024
Other income showing signs of recovery

- Other income of £5.1bn in 2021, with £1.3bn in Q4
  - Retail seeing recovering customer activity levels, offset by reduced Lex fleet
  - Broadly stable performance overall in Commercial Banking year on year
  - Increased activity across life, pensions and investments excluding bulk annuities
  - Q4 benefits from c.£80m insurance assumption and methodology changes
  - Equity Investments, including LDC, c.£100m above typical run rate in 2021
- Continued recovery expected, dependent on customer activity, supported by ongoing and new investments
Maintained focus on efficiency

- Sustained cost discipline; cost:income ratio of 56.7% and operating costs of £7.6bn
- Remediation of £1.3bn includes £790m for HBOS Reading, £600m in Q4 reflecting estimated future cost
- From Q1, restructuring costs, except M&A-related costs, to be shown above the line
  - Equivalent to £504m in 2021
  - Fraud charges also to be reported in operating costs (previously impairment)
- 2022 operating costs expected to be c.£8.8bn on new basis (2021: c.£8.3bn)
  - Stable before increased investment and new Embark and Citra businesses
## Strong asset quality and low new to arrears

<table>
<thead>
<tr>
<th>Impairment (£m)</th>
<th>2021</th>
<th>Q4 2021</th>
<th>2020</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges pre-updated MES¹</td>
<td>557</td>
<td>146</td>
<td>1,610</td>
<td>(1,053)</td>
</tr>
<tr>
<td>Retail</td>
<td>887</td>
<td>154</td>
<td>1,359</td>
<td>(472)</td>
</tr>
<tr>
<td>Commercial Banking</td>
<td>(324)</td>
<td>(6)</td>
<td>252</td>
<td>(576)</td>
</tr>
<tr>
<td>Other</td>
<td>(6)</td>
<td>(2)</td>
<td>(1)</td>
<td>(5)</td>
</tr>
<tr>
<td>Coronavirus impacted restructuring cases²</td>
<td>(65)</td>
<td>(12)</td>
<td>403</td>
<td>(468)</td>
</tr>
<tr>
<td>Updated economic outlook</td>
<td>(1,699)</td>
<td>(601)</td>
<td>2,234</td>
<td>(3,933)</td>
</tr>
<tr>
<td>Retail</td>
<td>(1,172)</td>
<td>(482)</td>
<td>1,025</td>
<td>(2,197)</td>
</tr>
<tr>
<td>Commercial Banking</td>
<td>(527)</td>
<td>(119)</td>
<td>809</td>
<td>(1,336)</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>400</td>
<td>(400)</td>
</tr>
<tr>
<td>Total impairment (credit) / charge</td>
<td>(1,207)</td>
<td>(467)</td>
<td>4,247</td>
<td>(5,454)</td>
</tr>
</tbody>
</table>

1 - Multiple economic scenarios. 2 - Further (credits) / charges on existing material cases in restructuring at the end of 2019 where coronavirus has directly hampered the recovery strategy. 3 - £400m central adjustment held for Covid-related risks to the Group’s base case assumptions.

- £1.2bn net impairment credit for 2021, £467m credit in Q4, both given improved macroeconomic outlook
- Sustained low levels of new to arrears and underlying charges below pre-Covid levels
- Stock of ECL reduced to £4.5bn, c.£0.3bn higher than year end 2019
- Covid management judgements c.£0.8bn, including £0.4bn central adjustment³
- 2022 asset quality ratio expected to be c.20bps
Improving economic outlook for the UK

**GDP has recovered to pre-pandemic levels**

Monthly UK GDP - Index, January 2019 = 100

**Unemployment remains low**

UK unemployment rate, %

**Inflation expected to normalise through 2023**

CPI Inflation and Bank of England projected forecast

**HPI growth despite withdrawal of government support**

Halifax UK House Price Index - monthly percentage change

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Strategic Update
Key messages

**Transformation plan**

**Higher, more diversified, revenues**
c.£0.7bn additional revenues from strategic initiatives in 2024; c.£1.5bn with a 50:50 NII/OOI split by 2026

**Maintaining strong focus on cost discipline**
Flat costs in 2024 vs. 2022, with savings offsetting cost pressures; cost:income ratio <50% by 2026

**Enabling our strategy through our people, technology and data**
Destination employer with purpose of Helping Britain Prosper; investing in end-to-end efficiency and upgrading data and technology capabilities

**Delivering a step change in profitability**

**Higher, more sustainable, returns**
>10% RoTE by 2024, with a step-change to >12% RoTE by 2026 as full investment benefits are realised

**Higher, more sustainable, capital generation**
Average capital generation of c.150bps per annum 2022-2024, sustainably improving to 175-200bps by 2026; committed to returning excess capital and paying down to target CET1 ratio by 2024
Delivering for our stakeholders, profitably

Purpose drives value

Clear purpose and mission
Strategic direction
Stronger financial position
Long-term value creation

Delivering for our stakeholders

Building an inclusive society

Improving access to quality housing
Promoting financial inclusion and education
Enabling regional development
50% female, 13% Black, Asian and minority ethnic with 3% Black heritage colleagues in senior roles by 2025

Supporting the transition to a low carbon economy

Reduce carbon emissions we finance by >50% by 2030, on the path to net zero by 2050 or sooner
Net zero own operations by 2030
Sustainability outcomes embedded across business priorities
Drive revenue growth and diversification

Key outcomes from strategic initiatives

- **c.£1.5bn per annum**
  - Additional revenues in 2026 (c.£0.7bn in 2024)

- **50:50**
  - NII/OOI split from strategic initiatives by 2026

- **>2pp RoTE**
  - Contributes to 2024-2026 RoTE uplift

**Target our**
- **Corporate and Institutional offering**
- **Create a new mass affluent offering**
- **Digitise and diversify our SME business**
- **Deepen and innovate in Consumer**
Strategic execution creates clear outcomes

Deepen and innovate in Consumer
- Meeting more needs of existing customers
- Increased digitally active customers
- Higher market shares with intermediaries

Create a new mass affluent offering
- New offering for underserved mass affluent segment
- Higher banking balances and net flows

Digitise and diversify our SME offering
- Digitised SME bank
- Greater proportion of OOI with non-lending products

Target our Corporate and Institutional offering
- Disciplined cash-debt-risk management offering
- Higher returns with increased OOI

Strengthen cost and capital efficiency
- Lower cost of technology
- Lower cost of change
- Lower cost to serve

Maximise the potential of people, technology and data
- Financial services’ employer of choice
- Greater adoption of modern technology, data and analytics
- Driving business opportunity
## Guidance overview

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2024</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>NIM to be <strong>above 260bps</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td><strong>Stable</strong> BAU costs <strong>c.£8.8bn</strong> operating costs (2021: £8.3bn)</td>
<td><strong>Stable BAU costs throughout the plan</strong> <strong>c.£8.8bn</strong> operating costs, flat on 2022</td>
<td><strong>&lt;50%</strong> cost:income ratio</td>
</tr>
<tr>
<td><strong>AQR</strong></td>
<td>Net AQR of <strong>around 20bps</strong></td>
<td>Net AQR <strong>less than 30bps</strong> over plan period</td>
<td></td>
</tr>
<tr>
<td><strong>Returns (statutory RoTE)</strong></td>
<td><strong>c.10%</strong></td>
<td><strong>&gt;10%</strong></td>
<td><strong>&gt;12%</strong></td>
</tr>
<tr>
<td><strong>RWAs</strong></td>
<td><strong>c.£210bn</strong></td>
<td><strong>£220bn - £225bn</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Capital generation</strong></td>
<td><strong>c.150bps</strong> capital generation (average) per annum</td>
<td></td>
<td><strong>175 - 200bps</strong> capital generation per annum</td>
</tr>
<tr>
<td><strong>Capital distribution</strong></td>
<td></td>
<td></td>
<td><strong>Progressive and sustainable</strong> ordinary dividend</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Expect to pay down to target CET1 ratio</strong> by end of 2024</td>
</tr>
</tbody>
</table>
Capital, Funding & Liquidity
Capital, MREL & Liquidity summary

CET1\textsuperscript{1} remains ahead of regulatory minimum and ongoing Group target of c.12.5% + c.1% management buffer

MREL\textsuperscript{2} strongly positioned and comfortably in excess of full requirement from 1 January 2022 of 27.7%\textsuperscript{3}

Strong liquidity metrics through the pandemic with deposits remaining elevated

1 - CET1 ratios shown are pro forma which reflects both the dividend paid up by the Insurance business in the subsequent first quarter period and the impact of the announced ordinary share buyback programme. 2 - MREL ratios shown are transitional. 3 - Pillar 2A reviewed annually by the PRA. Current P2A component based upon notional requirement and RWAs as at 31 December 2021. MREL requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose. 4 - Based on rolling average over the previous 12 months.
Common equity tier 1 ratio

- Pro forma CET1 ratio of 16.3% reflecting strong banking build of 210bps
- Headwinds of c.230bps on 1 January 2022 results in 14.0% pro forma CET1
- Group Pillar 2A unchanged over the quarter at 2.1%; 1.9% on 1 January 2022
- UK CCyB rate will increase to 1% in December 2022 and is expected to increase to 2% in Q2 2023. This represents an equivalent increase in the Group’s CCyB to 0.9% in December 2022 and 1.8% in Q2 2023
- O-SII buffer maintained at 1.7% until reassessment in December 2023; earliest implementation of any change January 2025. FPC and PRA consultation ongoing
Effective RWA management and strong capital build

- RWAs down £6.7bn in 2021, down £4.7bn in Q4, driven by Commercial optimisation
- 1 January 2022 pro forma RWAs £212bn, given net regulatory inflation of c.£16bn
- Continue to expect 2022 closing RWAs c.£210bn
- Total capital return equivalent to £3.4bn, c.10% of market cap
  - Final ordinary dividend of 1.33p per share; total ordinary dividend of 2p
  - Share buyback of £2bn
- Expect resilient capital build in 2022, excluding headwinds
MREL comfortably in excess of ongoing requirements

Transitional MREL ratio

- Strongly positioned with transitional total capital of 23.6% and transitional MREL ratio of 37.2%
- The Group continues to operate prudent buffers over regulatory MREL requirements
- The Bank of England completed a review of its existing approach to setting MREL in December 2021 and has published a revised approach which became effective and binding on the Group from 1 January 2022. There has been no change to the basis for determining the Group's MREL

1 - O-SII Buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level. 2 - Pillar 2A reviewed annually by the PRA. Current P2A component based upon notional requirement and RWAs as at 31 December 2021. MREL requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose.
Significant reduction in legacy securities since Q3 2021

Legacy securities

<table>
<thead>
<tr>
<th>Resolution Entity Legacy Securities</th>
<th>Non-resolution Entity Legacy Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 21</td>
<td>Sep 21</td>
</tr>
<tr>
<td>£1.0bn</td>
<td>£1.5bn</td>
</tr>
<tr>
<td>£0.4bn</td>
<td>£0.7bn</td>
</tr>
<tr>
<td>£0.3bn</td>
<td>£0.2bn</td>
</tr>
</tbody>
</table>

- Legacy capital securities now constitute only c.£1.2bn, a reduction of c.£2.3bn since Q3 2021 following LME and redemptions
- Outstanding amount immaterial when compared to c.£73bn of regulatory loss-absorbing capacity:
  - £0.4bn preference shares issued from the resolution entity
  - £0.5bn securities with maturity or redemption options pre-June 2025
  - £0.2bn securities without maturity or redemption options pre-June 2025
## Guiding to increased funding requirements over strategic plan period

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HoldCo Senior</strong></td>
<td>c.£5-6bn</td>
<td>Broadly limited to refinancing</td>
</tr>
<tr>
<td><strong>Tier 2</strong></td>
<td>No current plans - ongoing target of around 2.5%</td>
<td>Ongoing refinancing to c.2.5% target</td>
</tr>
<tr>
<td><strong>AT1</strong></td>
<td>No current plans - ongoing target of around 2.0%</td>
<td>Ongoing refinancing to c.2.0% target</td>
</tr>
<tr>
<td><strong>OpCo</strong></td>
<td>No current plans</td>
<td>Broadly limited to refinancing</td>
</tr>
</tbody>
</table>

- Guiding to increased levels of issuance for 2022; issued c.£650m equivalent YTD
- 2023-24 likely to be closer to “steady state” volumes of c.£15-20bn a year as the Group considers TFSME refinancing options
- TFSME outstanding of c.£30bn as of FY21
- The Group continues to have access to a diverse range of funding programmes, products and markets
- No planned capital or OpCo funding needs for 2022 but we will retain flexibility for opportunistic issuance activity
Strong credit ratings across the Group

<table>
<thead>
<tr>
<th></th>
<th>HoldCo</th>
<th>Ring-Fenced Bank</th>
<th>Non-Ring-Fenced Bank</th>
<th>Insurance Sub-Group</th>
</tr>
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<tbody>
<tr>
<td><strong>UK Sovereign</strong></td>
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<td><strong>Lloyds Banking Group</strong></td>
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<tr>
<td><strong>Lloyds Bank, Bank of Scotland</strong></td>
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<tr>
<td><strong>Lloyds Bank Corporate Markets</strong></td>
<td></td>
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<tr>
<td><strong>Scottish Widows</strong></td>
<td></td>
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</table>

**S&P**
- AA Stable
- BBB+ Stable A-2
- A+ Stable A-1
- A Stable A-1
- -

**Moody’s**
- Aa3 Stable
- A2 Stable P-1
- A1 Stable P-1
- A1 Stable P-1
- A2 Stable -

**Fitch**
- AA- Stable
- A Stable F1
- A+ Stable F1
- A+ Stable F1
- A+ Stable F1

1 - Ratings shown for Scottish Widows are Insurance Financial Strength.
Appendix
Simple group structure with multiple issuance points

HoldCo

Lloyds Banking Group

- BBB+ / A2 / A
  Sta / Sta / Sta
  Senior Unsecured Capital
  A-2 / P-1 / F1
  -

Ring-Fenced Sub-Group

Lloyds Bank, Bank of Scotland

A+ / A1 / A+
Sta / Sta / Sta
Senior Unsecured Covered Bonds ABS
L&A: £488bn
Assets: £603bn

EU Sub: Berlin

Lloyds Bank Corporate Markets

A / A1 / A+
Sta / Sta / Sta
Senior Unsecured Covered Bonds ABS
L&A: £22bn
Assets: £82bn

EU Sub: Frankfurt

Insurance Sub-Group

Scottish Widows 2

-/ A2 / A+
-/ Sta / Sta
Senior Unsecured Covered Bonds ABS
CD, Yankee CD, CP
L&A: N/A
Assets: £193bn
AuA: £193bn

EU Sub: Luxembourg

Equity Investments Sub-Group

Lloyds Equity Investments

- - -

- - -

L&A: N/A Assets: £3bn

1 - Ratings shown are senior unsecured in the order of S&P / Moody’s / Fitch. 2 - Ratings shown are for Scottish Widows are Insurance Financial Strength Ratings. 3 - Insurance assets includes Wealth but excludes the contribution of Embark. 4 - “L&A” refers to Loans & Advances to customers and banks and all are shown as at H121. 5 - Total Assets at H121, Scottish Widows AuA as at FY21.
Diverse funding portfolio

Wholesale funding portfolio by type

- **MM Funding**: 18%
- **Covered Bond**: 15%
- **Securitisation**: 19%
- **OpCo Senior**: 17%
- **HoldCo Senior**: 29%
- **Sub Debt**: 2%

**Total**: £91bn

Wholesale funding portfolio by currency

- **GBP**: 24%
- **USD**: 41%
- **EUR**: 28%
- **Other**: 7%

**Total**: £91bn

Wholesale funding portfolio by maturity

- **< 1 Year (MM)**: 5%
- **< 1 Year**: 23%
- **12 Mth ≤ 2 Yrs**: 17%
- **2 Yrs ≤ 5 Yrs**: 30%
- **5 Yrs +**: 16%

**Total**: £91bn
### Cumulative impact of parallel shifts in interest rate curve

<table>
<thead>
<tr>
<th>Shift</th>
<th>Year 1 (£m)</th>
<th>Year 2 (£m)</th>
<th>Year 3 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+50bps</td>
<td>c.375</td>
<td>c.525</td>
<td>c.800</td>
</tr>
<tr>
<td>+25bps</td>
<td>c.200</td>
<td>c.275</td>
<td>c.400</td>
</tr>
<tr>
<td>-25bps</td>
<td>c.(425)</td>
<td>c.(525)</td>
<td>c.(650)</td>
</tr>
</tbody>
</table>

**Illustrative NII sensitivity**

- Reflects shifts in forward rate curve
- Impact driven by structural hedge re-investment and benefit on certain deposits
- Actual impact also depends on regulatory and competitive environment at the time
- Illustrative sensitivity does not reflect new business margin implications and/or pricing actions, other than as outlined
- Assumptions
  - Instantaneous parallel shift in interest rate curves, including bank base rate
  - Balance sheet remains constant
  - Illustrative 50% deposit pass-through, which could be different in practice

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1 Sensitivity based on modelled impact on banking book NII (including structural hedge). Annual impacts are presented for illustrative purposes only and are based on a number of assumptions which are subject to change. Year 1 reflects the 12 months from 31/12/2021 balance sheet position.
## Prudent economic scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>ECL (£m)</th>
<th>Economic measure (%)</th>
<th>2021</th>
<th>vs Q3 2021</th>
<th>vs FY 2020</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>Average 2021-25</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upside (30%)</strong></td>
<td>4,018</td>
<td>GDP</td>
<td>7.1</td>
<td>0.4</td>
<td>3.4</td>
<td>4.0</td>
<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Interest rate</td>
<td>0.14</td>
<td>(0.12)</td>
<td>(1.00)</td>
<td>1.44</td>
<td>1.74</td>
<td>1.82</td>
<td>2.03</td>
<td>1.43</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unemployment rate</td>
<td>4.4</td>
<td>(0.2)</td>
<td>(1.0)</td>
<td>3.3</td>
<td>3.4</td>
<td>3.5</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HPI growth</td>
<td>10.1</td>
<td>4.3</td>
<td>11.5</td>
<td>2.6</td>
<td>4.9</td>
<td>4.7</td>
<td>3.6</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CRE price growth</td>
<td>12.4</td>
<td>4.7</td>
<td>3.1</td>
<td>5.8</td>
<td>0.7</td>
<td>1.0</td>
<td>(0.6)</td>
<td>3.7</td>
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<tr>
<td><strong>Base case (30%)</strong></td>
<td>4,277</td>
<td>GDP</td>
<td>7.1</td>
<td>0.8</td>
<td>4.1</td>
<td>3.7</td>
<td>1.5</td>
<td>1.3</td>
<td>1.3</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest rate</td>
<td>0.14</td>
<td>0.04</td>
<td>0.04</td>
<td>0.81</td>
<td>1.00</td>
<td>1.06</td>
<td>1.25</td>
<td>0.85</td>
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<td></td>
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<td>Unemployment rate</td>
<td>4.5</td>
<td>(0.5)</td>
<td>(2.3)</td>
<td>4.3</td>
<td>4.4</td>
<td>4.4</td>
<td>4.5</td>
<td>4.4</td>
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<tr>
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<td></td>
<td>HPI growth</td>
<td>9.8</td>
<td>5.0</td>
<td>13.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.5</td>
<td>0.7</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CRE price growth</td>
<td>10.2</td>
<td>8.1</td>
<td>11.9</td>
<td>(2.2)</td>
<td>(1.9)</td>
<td>0.1</td>
<td>0.6</td>
<td>1.2</td>
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<tr>
<td><strong>Downside (30%)</strong></td>
<td>4,787</td>
<td>GDP</td>
<td>7.1</td>
<td>1.0</td>
<td>5.4</td>
<td>3.4</td>
<td>1.3</td>
<td>1.1</td>
<td>1.2</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest rate</td>
<td>0.14</td>
<td>0.03</td>
<td>0.08</td>
<td>0.45</td>
<td>0.52</td>
<td>0.55</td>
<td>0.69</td>
<td>0.47</td>
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<tr>
<td></td>
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<td>Unemployment rate</td>
<td>4.7</td>
<td>(0.6)</td>
<td>(3.2)</td>
<td>5.6</td>
<td>5.9</td>
<td>5.8</td>
<td>5.7</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HPI growth</td>
<td>9.2</td>
<td>5.6</td>
<td>17.6</td>
<td>(4.9)</td>
<td>(7.8)</td>
<td>(6.6)</td>
<td>(4.7)</td>
<td>(3.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CRE price growth</td>
<td>8.6</td>
<td>9.8</td>
<td>19.2</td>
<td>(10.1)</td>
<td>(7.0)</td>
<td>(3.4)</td>
<td>(0.3)</td>
<td>(2.6)</td>
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<tr>
<td><strong>Severe downside (10%)</strong></td>
<td>5,748</td>
<td>GDP</td>
<td>6.8</td>
<td>1.3</td>
<td>6.5</td>
<td>0.9</td>
<td>0.4</td>
<td>1.0</td>
<td>1.4</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest rate</td>
<td>0.14</td>
<td>0.06</td>
<td>0.14</td>
<td>0.04</td>
<td>0.06</td>
<td>0.08</td>
<td>0.09</td>
<td>0.08</td>
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<tr>
<td></td>
<td></td>
<td>Unemployment rate</td>
<td>4.9</td>
<td>(1.0)</td>
<td>(5.0)</td>
<td>7.7</td>
<td>8.5</td>
<td>8.1</td>
<td>7.6</td>
<td>7.3</td>
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<tr>
<td></td>
<td></td>
<td>HPI growth</td>
<td>9.1</td>
<td>6.0</td>
<td>20.2</td>
<td>(7.3)</td>
<td>(13.9)</td>
<td>(12.5)</td>
<td>(8.4)</td>
<td>(6.9)</td>
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<td>CRE price growth</td>
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<td>13.0</td>
<td>27.2</td>
<td>(19.6)</td>
<td>(12.1)</td>
<td>(5.3)</td>
<td>(0.5)</td>
<td>(6.8)</td>
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<tr>
<td><strong>Probability-weighted ECL</strong></td>
<td>4,499</td>
<td>GDP</td>
<td>7.1</td>
<td>0.4</td>
<td>3.4</td>
<td>4.0</td>
<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest rate</td>
<td>0.14</td>
<td>(0.12)</td>
<td>(1.00)</td>
<td>1.44</td>
<td>1.74</td>
<td>1.82</td>
<td>2.03</td>
<td>1.43</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unemployment rate</td>
<td>4.4</td>
<td>(0.2)</td>
<td>(1.0)</td>
<td>3.3</td>
<td>3.4</td>
<td>3.5</td>
<td>3.7</td>
<td>3.7</td>
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<td></td>
<td>HPI growth</td>
<td>10.1</td>
<td>4.3</td>
<td>11.5</td>
<td>2.6</td>
<td>4.9</td>
<td>4.7</td>
<td>3.6</td>
<td>5.1</td>
</tr>
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<td></td>
<td></td>
<td>CRE price growth</td>
<td>12.4</td>
<td>4.7</td>
<td>3.1</td>
<td>5.8</td>
<td>0.7</td>
<td>1.0</td>
<td>(0.6)</td>
<td>3.7</td>
</tr>
</tbody>
</table>

1 - Comparison to scenarios modelled at Q3 2021 and FY 2020; changes only shown for 2021 measures.
Updated coverage after updated economic outlook

<table>
<thead>
<tr>
<th>(£m)</th>
<th>Gross customer L&amp;A (£bn)</th>
<th>Coverage (ex. Recoveries)¹</th>
<th>Total coverage Q4 2020¹</th>
<th>ECL Q4 2020</th>
<th>Write-offs &amp; Other</th>
<th>P&amp;L charge / (credit)</th>
<th>Net ECL increase / (decrease)</th>
<th>ECL Q4 2021</th>
<th>Write-offs &amp; Other FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>366.3</td>
<td>0.1% 3.4% 19.6% 0.7%</td>
<td>1.1%</td>
<td>4,008</td>
<td>(1,000)</td>
<td>(285)</td>
<td>(1,285)</td>
<td>2,723</td>
<td>(1,172)</td>
</tr>
<tr>
<td>UK Mortgages</td>
<td>308.8</td>
<td>0.0% 2.3% 13.9% 0.4%</td>
<td>0.5%</td>
<td>1,605</td>
<td>(48)</td>
<td>(273)</td>
<td>(321)</td>
<td>1,284</td>
<td>(89)</td>
</tr>
<tr>
<td>Cards</td>
<td>14.5</td>
<td>1.2% 12.2% 58.2% 3.7%</td>
<td>6.4%</td>
<td>958</td>
<td>(378)</td>
<td>(49)</td>
<td>(427)</td>
<td>531</td>
<td>(448)</td>
</tr>
<tr>
<td>Loans &amp; Overdrafts</td>
<td>9.6</td>
<td>1.7% 15.4% 67.5% 4.7%</td>
<td>7.6%</td>
<td>715</td>
<td>(479)</td>
<td>209</td>
<td>(270)</td>
<td>445</td>
<td>(485)</td>
</tr>
<tr>
<td>Motor</td>
<td>14.3</td>
<td>0.9% 4.0% 57.7% 2.1%</td>
<td>3.3%</td>
<td>501</td>
<td>(52)</td>
<td>(151)</td>
<td>(203)</td>
<td>298</td>
<td>(112)</td>
</tr>
<tr>
<td>Other</td>
<td>19.1</td>
<td>0.3% 3.3% 13.8% 0.9%</td>
<td>1.2%</td>
<td>229</td>
<td>(43)</td>
<td>(21)</td>
<td>(64)</td>
<td>165</td>
<td>(38)</td>
</tr>
<tr>
<td>Commercial</td>
<td>85.4</td>
<td>0.2% 4.0% 34.4% 1.6%</td>
<td>2.7%</td>
<td>2,402</td>
<td>(153)</td>
<td>(916)</td>
<td>(1,069)</td>
<td>1,333</td>
<td>(377)</td>
</tr>
<tr>
<td>Other²</td>
<td>52.3</td>
<td>0.8% 5.9% 23.2% 0.8%</td>
<td>0.7%</td>
<td>450</td>
<td>(1)</td>
<td>(6)</td>
<td>(7)</td>
<td>443</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>504.0</td>
<td>0.2% 3.5% 24.7% 0.9%</td>
<td>1.4%</td>
<td>6,860</td>
<td>(1,154)</td>
<td>(1,207)</td>
<td>(2,361)</td>
<td>4,499</td>
<td>(1,548)</td>
</tr>
</tbody>
</table>

¹ - Underlying basis. Loans and advances to customers only; excludes £22m of ECL on other assets at 31/12/2021 (£28m at 31/12/2020).
² - Includes reverse repos of £51.2bn (£58.6bn at 31/12/2020) which dilutes reported Group coverage by 0.1pp (0.1pp at 31/12/2020).
## Continued low mortgage LTVs

<table>
<thead>
<tr>
<th></th>
<th>Mainstream</th>
<th>December 2021&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Total</th>
<th>2020&lt;sup&gt;1&lt;/sup&gt;</th>
<th>2010&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average LTVs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>41.3%</td>
<td>47.7%</td>
<td>37.5%</td>
<td>42.1%</td>
<td>43.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New business LTVs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>63.7%</td>
<td>60.4%</td>
<td>N/A</td>
<td>63.3%</td>
<td>63.9%</td>
</tr>
<tr>
<td>≤ 80% LTV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>94.5%</td>
<td>99.5%</td>
<td>95.9%</td>
<td>95.4%</td>
<td>91.6%</td>
</tr>
<tr>
<td>&gt;80-90% LTV</td>
<td>5.0%</td>
<td>0.2%</td>
<td>1.3%</td>
<td>4.1%</td>
<td>7.8%</td>
</tr>
<tr>
<td>&gt;90-100% LTV</td>
<td>0.4%</td>
<td>0.1%</td>
<td>0.9%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>&gt;100% LTV</td>
<td>0.1%</td>
<td>0.2%</td>
<td>1.9%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

|                     | Value >80% LTV | £13.6bn | £0.3bn | £0.4bn | £14.3bn | £24.9bn | £146.6bn |
|                     | Value >100% LTV| £0.2bn  | £0.1bn | £0.2bn | £0.5bn  | £1.0bn  | £44.9bn  |
|                     | Gross lending  | £248.2bn| £51.2bn| £9.4bn | £308.8bn| £295.4bn| £341.1bn|

1 - 2020-21 LTVs use Markit’s 2019 Halifax HPI; 2010 LTVs use Markit’s pre-2019 Halifax HPI and include TSB.
## Glossary and definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definitions and calculations</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIEA</td>
<td>Average Interest-Earning Banking Assets</td>
</tr>
<tr>
<td>AQR</td>
<td>Asset Quality Ratio: The underlying impairment credit or charge for the period in respect of loans and advances to customers, expressed as a percentage of average gross loans and advances to customers for the period</td>
</tr>
<tr>
<td>Banking balances</td>
<td>Includes both assets and liabilities</td>
</tr>
<tr>
<td>CET1 ratio</td>
<td>Common Equity Tier 1 Capital Ratio: Common Equity Tier 1 Capital over Risk Weighted Assets</td>
</tr>
<tr>
<td>CIR</td>
<td>Cost-to-Income Ratio: Total costs as a percentage of net income calculated on an underlying basis</td>
</tr>
<tr>
<td>Completion margin</td>
<td>Total completion margins include new business and product transfers and is the difference between the customer rate and the relevant funding rate</td>
</tr>
<tr>
<td>Depth of relationships</td>
<td>Products included: PCA, Savings, Mortgage, Loan, Cards, Investments, Home Insurance, Motor Insurance, Protection</td>
</tr>
<tr>
<td>EV / PHEV</td>
<td>Electric Vehicle / Plug-in Hybrid Electric Vehicle</td>
</tr>
<tr>
<td>Green mortgage lending</td>
<td>New mortgage lending on new and existing residential property that meets an Energy Performance Certificate (EPC) rating of B or higher</td>
</tr>
<tr>
<td>Gross margin</td>
<td>Gross customer receivables, less relevant risk free funding costs; references SONIA. Deposit gross margin includes structural hedge income</td>
</tr>
<tr>
<td>LDC</td>
<td>Lloyds Development Capital</td>
</tr>
<tr>
<td>MES</td>
<td>Multiple Economic Scenarios</td>
</tr>
<tr>
<td>Net Income</td>
<td>Underlying net interest income and other income less operating lease depreciation</td>
</tr>
<tr>
<td>NIM</td>
<td>Banking Net Interest Margin: Banking net interest income on customer and product balances in the banking businesses as a percentage of average gross interest-earning banking assets for the period</td>
</tr>
<tr>
<td>OLD</td>
<td>Operating Lease Depreciation</td>
</tr>
<tr>
<td>RoTE</td>
<td>Return on Tangible Equity: Profit attributable to ordinary shareholders, divided by average tangible net assets</td>
</tr>
<tr>
<td>Sustainable financing</td>
<td>Includes Clean Growth Finance Initiative, Commercial Real Estate Green Lending, Renewable Energy Financing, Sustainability linked Loans and Green, ESG and Social Bond facilitation</td>
</tr>
<tr>
<td>TNAV</td>
<td>Tangible Net Asset Value Per Share: Net assets excluding intangible assets such as goodwill and acquisition-related intangibles divided by the number of ordinary shares in issue</td>
</tr>
</tbody>
</table>
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Forward looking statements

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These statements concern or may affect future matters, including but 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; the Group’s ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; 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 include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of our securities; 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; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; 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; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; risks relating to sustainability and climate change (and achieving climate change ambitions), 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; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of our financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the Group’s control. 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 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 whether as a result of new information, future events or otherwise. 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.