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
- UK's only integrated financial services provider
- Significant data asset; 1bn monthly transactions
- >19m digitally active customers; 50% growth over last 5 years
- +68 all-channel NPS, stable vs 2021

1 - 2021 comparative restated to reflect changes in measurement approach.
Strong performance in H1, enhancing 2022 guidance

Strong financial performance with continued business momentum

Enhanced guidance for 2022

- Net income £8.5bn, up 12% YoY, supported by higher NIM of 2.77%
- AQR 17bps with sustained low levels of new to arrears
- RoTE 13.2% given strong profitability
- Strong capital generation 139bps, after full fixed pension contributions
- Interim dividend increased c.20% to 0.8p per share

- NIM now expected to be >280bps
- AQR now expected to be <20bps
- RoTE now expected to be c.13%
- Capital generation expected to be >200bps
Enabling strategic delivery

Grow

- £4bn net new money in Insurance and Wealth and 1.5pp growth in protection market share
- >20% increase in percentage share of FX wallet and 10% growth in new merchant services clients
- Green lending on target: c. £4bn sustainable financing\(^1\) and funding for electric vehicles up >£0.9bn

Focus

- Continued cost discipline with BAU cost savings

Change

- New organisation structure and leadership team aligned to delivering strategic objectives
- New operating model implemented to deliver change more effectively
- £0.3bn strategic investment so far

Update on strategic progress in first half of 2023

\(^1\) Includes Clean Growth Finance Initiative, Commercial Real Estate Green Lending, Renewable Energy Financing, Sustainability Linked Loans and Green, ESG and Social Bond facilitation.
Financial Update
Strong financial performance with continued business momentum

Summary P&L and key metrics (£m)

<table>
<thead>
<tr>
<th></th>
<th>H1 2022</th>
<th>H1 2021</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>6,135</td>
<td>5,418</td>
<td>13%</td>
</tr>
<tr>
<td>Other income</td>
<td>2,529</td>
<td>2,417</td>
<td>5%</td>
</tr>
<tr>
<td>Operating lease depreciation</td>
<td>(213)</td>
<td>(271)</td>
<td>21%</td>
</tr>
<tr>
<td>Net income</td>
<td>8,451</td>
<td>7,564</td>
<td>12%</td>
</tr>
<tr>
<td>Operating costs¹</td>
<td>(4,249)</td>
<td>(4,053)</td>
<td>(5)%</td>
</tr>
<tr>
<td>Remediation</td>
<td>(79)</td>
<td>(425)</td>
<td>81%</td>
</tr>
<tr>
<td>Total costs</td>
<td>(4,328)</td>
<td>(4,478)</td>
<td>3%</td>
</tr>
<tr>
<td>Impairment</td>
<td>(377)</td>
<td>734</td>
<td></td>
</tr>
<tr>
<td>Underlying profit</td>
<td>3,746</td>
<td>3,820</td>
<td>(2)%</td>
</tr>
<tr>
<td>Statutory profit after tax</td>
<td>2,826</td>
<td>3,865</td>
<td>(27)%</td>
</tr>
<tr>
<td>Return on tangible equity</td>
<td>13.2%</td>
<td>19.2%</td>
<td>(6.0)pp</td>
</tr>
<tr>
<td></td>
<td>H1 2022</td>
<td>H2 2021</td>
<td>HoH</td>
</tr>
<tr>
<td>Tangible net asset value per share</td>
<td>54.8p</td>
<td>57.5p</td>
<td>(2.7)p</td>
</tr>
<tr>
<td>Risk-weighted assets</td>
<td>£210bn</td>
<td>£196bn</td>
<td>£14bn</td>
</tr>
<tr>
<td>Pro forma CET1 ratio²</td>
<td>14.8%</td>
<td>16.3%</td>
<td>(1.5)pp</td>
</tr>
</tbody>
</table>

- Net income up 12%; NIM 277bps
- Operating costs up 5%; stable BAU costs and higher planned strategic investment
- Continued strong asset quality; charges below pre-pandemic levels
- Balance sheet franchise growth
- TNAV 54.8p, down 2.7p in H1 given reserve movements driven by higher rates
- RWAs £210bn, post regulatory inflation of £16bn on 1 January 2022
- Strong capital generation of 139bps³; pro forma CET1 ratio 14.8%

¹ - Comparatives have been presented to reflect the new costs basis, consistent with the current period. ² - H1 2022 includes the interim insurance dividend. ³ - Excluding regulatory changes on 1 January 2022, variable pension contributions and dividend accrual; inclusive of the interim insurance dividend.
**Continued recovery in customer activity and franchise growth**

### H1 lending change (£bn)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>+£4.8bn</td>
<td>1.3%</td>
</tr>
<tr>
<td>Commercial</td>
<td>+£4.3bn</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

### H1 deposit change (£bn)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>+£3.3bn</td>
<td>1.1%</td>
</tr>
<tr>
<td>Commercial</td>
<td>-£0.8bn</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

- **Mortgages**
- **Credit cards**
- **Motor Finance**
- **Other**

- **SME**
- **Mid Corporates**
- **C&I**

- **Retail current a/c**
- **Retail relationships**
- **Retail tactical**

- **Commercial Banking deposits**

- **Mortgage balances up £2.2bn to £310bn, driven by £3.3bn open book growth**
- **Credit card balances up £0.4bn in H1, all in Q2, given improving spend levels**
- **Commercial Banking balances up £4.3bn given growth and FX impacts in C&I**
- **Retail deposits up £3.3bn in H1, reflecting continued resilient inflows**
- **Commercial deposits down £0.8bn**
- **Insurance & Wealth net new money >£4bn**

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1 - Includes Unsecured loans, Overdrafts and Europe. 2 - Retail Business Banking included within SME for reporting purposes. 3 - Corporate and Institutional Clients.
Growth in net interest income

**Average interest-earning assets (AIEAs)**

(£bn)

- H2 2021: 448.3
- Mortgages: 1.7
- Unsecured & Motor: 0.1
- Commercial Banking\(^1\): (1.3)
- Other: 0.8
- H1 2022: 449.6

\(+0.3\%\)

**Net interest income (NII) and banking net interest margin (NIM)**

(£bn, bps)

- H2 2021: 256
- Base rate: 17
- Structural hedge: 5
- Mortgages: (5)
- Funding, capital and other: 4
- H1 2022: 277

\(+21\text{bps}\)

\(\text{NII} \ £6.1\text{bn}, \text{up} \ 13\% \text{YoY} \text{and} \ 7\% \text{HoH}\)

- Increased AIEAs, deposit growth and higher NIM
- H1 AIEAs £449.6bn, up £8.8bn on prior year and £1.3bn on H2
- NIM 277bps in H1, 287bps in Q2

- Positive impact from rising rates more than offsetting mortgage pricing pressure
- Continue to expect low single-digit percentage growth in AIEAs in 2022
- 2022 NIM now expected to be >280bps\(^2\)

1 - Includes Retail Business Banking. 2 - Assumes UK base rate of 2% in Q4 2022.
### Illustrative NII sensitivity

#### Cumulative impact of parallel shifts in interest rate curve - illustrative 50% deposit pass-through

(£m)

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>+100bps</td>
<td>c.675</td>
<td>c.1,025</td>
<td>c.1,475</td>
</tr>
<tr>
<td>+50bps</td>
<td>c.350</td>
<td>c.525</td>
<td>c.725</td>
</tr>
<tr>
<td>+25bps</td>
<td>c.175</td>
<td>c.250</td>
<td>c.375</td>
</tr>
</tbody>
</table>

- c.£175m additional NII in year 1 for a 25bps parallel increase in rates
- Sensitivities dependent on pass-through assumption
- c.£50m additional year 1 NII for a 10pp lower assumed pass-through on 25bps shift; c.£100m on 50bps shift
- Significant growth in retail deposits embedded in increased hedge income
- Assumptions unchanged, including 50% illustrative through the cycle pass-through

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1 - Sensitivity based on modelled impact on banking book NII (including the future impact of structural hedge maturities). Year 1 reflects the 12 months from 30/06/2022 balance sheet position.
2 - Assumes instantaneous parallel shift in interest rate curves, including bank base rate; balance sheet remains constant; 100% pass-through on customer lending and analysis does not reflect new business margin implications and/or pricing actions, other than as outlined.
Continued deposit inflows supporting hedge sustainability

Customer deposits up £2bn in H1\(^1,2\)
(Book size £bn, Gross margin %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail current accounts</th>
<th>Retail relationships</th>
<th>Commercial deposits</th>
<th>Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>15</td>
<td>16</td>
<td>174</td>
<td>474</td>
</tr>
<tr>
<td>17</td>
<td>165</td>
<td>16</td>
<td>476</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>166</td>
<td>15</td>
<td>478</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) 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.

- Retail current account balances up £1.9bn in H1, including growth in Q2
- Commercial deposits down £0.8bn in H1, given reversal of short-term placements
- Structural hedge at £250bn, with c.3.5 year weighted-average life
- Hedge prudently managed:
  - Deposits up almost £70bn since year end 2019 - largely retail
  - £65bn capacity increase in same period, of which £40bn driven by deposit growth
  - £48bn hedge maturities to end 2023
- Hedge income in 2022 stronger than 2021 with tailwinds in 2023 and 2024

107 \(\Rightarrow\) 112 \(\Rightarrow\) 113 \(\Rightarrow\) 478
161 \(\Rightarrow\) 165 \(\Rightarrow\) 166 \(\Rightarrow\) 174
157 \(\Rightarrow\) 158 \(\Rightarrow\) 160 \(\Rightarrow\) 166
Other income supported by recovering customer activity

- H1 other income £2.5bn; £1.3bn in Q2
  - Retail: improved current account and credit card performance
  - Commercial: improving transaction banking and resilient financial markets
  - I&W: increased new business income in workplace pensions and bulk annuities
- Expect gradual development, dependent on customer activity, supported by investment
Stable BAU costs, increased investment as planned

- Operating costs £4.2bn, up 5% given planned investment and new businesses
- Sustained cost discipline with BAU cost management offsetting inflation pressure
- Continue to expect 2022 operating costs of c.£8.8bn
  - Stable BAU plus planned increased investment and new businesses costs
  - Includes c.£65m impact of one-off £1,000 payment to staff\(^1\)
- Remediation £79m, principally relating to pre-existing programmes
### Impairment

(£m)

<table>
<thead>
<tr>
<th></th>
<th>H1 2022</th>
<th>H1 2021</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges / (credits) pre-updated MES¹</td>
<td>282</td>
<td>103</td>
<td>179</td>
</tr>
<tr>
<td>Retail</td>
<td>315</td>
<td>451</td>
<td>(136)</td>
</tr>
<tr>
<td>Commercial Banking</td>
<td>(37)</td>
<td>(345)</td>
<td>308</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>(3)</td>
<td>7</td>
</tr>
<tr>
<td>Updated economic outlook</td>
<td>95</td>
<td>(837)</td>
<td>932</td>
</tr>
<tr>
<td>Retail</td>
<td>170</td>
<td>(544)</td>
<td>714</td>
</tr>
<tr>
<td>Commercial Banking</td>
<td>125</td>
<td>(293)</td>
<td>418</td>
</tr>
<tr>
<td>Other</td>
<td>(200)</td>
<td>-</td>
<td>(200)</td>
</tr>
<tr>
<td>Total impairment charge/(credit)</td>
<td>377</td>
<td>(734)</td>
<td>1,111</td>
</tr>
</tbody>
</table>

1 - Impairment charges absent the impact from updated economic outlook, thus reflecting only observed movements in credit quality. Coronavirus impacted restructuring cases, previously disclosed separately, are now reported within charges pre-updated MES (multiple economic scenarios).

2 - £0.5bn ECL comprises £0.2bn within ECL models, £0.1bn in portfolio judgements and £0.2bn central adjustment held for COVID-related risks to the Group’s base case assumptions.

- £377m net impairment charge; AQR 17bps
- Sustained low levels of new to arrears; underlying charges below pre-COVID level
- Updated economic outlook and associated provision incorporates higher inflation
- Stock of ECL stable at £4.5bn
  - £0.3bn COVID release; £0.5bn ECL retained inc. £0.2bn central adjustment²
  - Cost of living ECL impacts £0.4bn, incremental to £60m established in Q4
- 2022 AQR now expected to be <20bps
Benign credit trends in a resilient Retail portfolio

- Customers demonstrating resilience with stock of arrears below pre-COVID level
- Cards charge-offs remain low and in line with historical average
  - Middle and high income customers account for c.90% of credit card spend
  - Credit card balances and regular minimum-payers stable
  - Charge-off at 4 months in arrears; c.6.2% coverage with further 12 month policy
- Average mortgage LTV 40.2% with 97% of book below 80% LTV

1 - Estimated based on last 12 months’ charge-offs retained in Stage 3 at appropriate coverage.
Resilient Commercial portfolio with stable trends

- Stable SME overdraft utilisation through pandemic, below 8 year average
- Stable working capital utilisation through the year
  - RCF utilisation stable and c.50% below 2020 peak
- Net CRE exposure of £11.1bn significantly de-risked
  - Average LTV 39% and c.12% with LTV >60%
- Commercial clients moving to BSU remain low and c.70% then returned to good book
- Well-positioned to support customers, remaining vigilant for signs of stress

**SME overdraft**¹ and corporate RCF² utilisation (%)

<table>
<thead>
<tr>
<th></th>
<th>Q4 19</th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
<th>Q4 20</th>
<th>Q1 21</th>
<th>Q2 21</th>
<th>Q3 21</th>
<th>Q4 21</th>
<th>Q1 22</th>
<th>Q2 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME overdrafts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td></td>
<td></td>
<td>45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate RCFs</td>
<td>22%</td>
<td>15%</td>
<td>22%</td>
<td>15%</td>
<td>22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Commercial Banking UK direct real estate LTV**³ (%)

<table>
<thead>
<tr>
<th></th>
<th>H2 2019</th>
<th>H2 2020</th>
<th>H2 2021</th>
<th>H1 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average commercial LTV</td>
<td>48%</td>
<td>50%</td>
<td>42%</td>
<td>39%</td>
</tr>
<tr>
<td>Proportion of book &gt;60% LTV</td>
<td>17%</td>
<td>17%</td>
<td>13%</td>
<td>12%</td>
</tr>
</tbody>
</table>

1 - SME excluding Retail Business Banking. 2 - Revolving credit facilities. 3 - H2 2019 to H2 2021 exclude CRE exposures <£1m; H1 2022 includes all CRE exposures. Difference is not expected to materially impact trends.
Recovery being impacted by higher cost of living

**GDP has recovered to pre-pandemic levels**
Monthly UK GDP - Index, February 2020 = 100

**Inflation projected to rise before normalizing in 2023**
CPI Inflation and Bank of England projected forecast

**Unemployment remains low**
UK unemployment rate, %

**HPI growth remains robust**
Halifax UK House Price Index – monthly percentage change

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1 - Source: ONS and Lloyds Banking Group. 2 - Source: ONS. 3 - ONS and Bank of England May 2022 Inflation Forecast. 4 - Source: IHS Markit and Lloyds Banking Group.
Capital, Funding & Liquidity
Capital, MREL & Liquidity summary

**Capital**
- CET1: FY 21 - 16.3% (37.2%), H1 22 - 14.8% (32.4%)
- MDA: 9.0%

**MREL**
- FY 21 - 37.2%, H1 22 - 32.4%

**Liquidity**
- LCR: FY 21 - 135%, H1 22 - 142%
- LDR: FY 21 - 94%, H1 22 - 95%

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

MREL remains comfortably in excess of ongoing requirement of 27.2% following 1 Jan 2022 regulatory changes.

Strong liquidity metrics with deposits remaining elevated.

---

1 - The pro forma CET1 ratio as at 30 June 2022 reflects the interim dividend received from Insurance in July 2022. The 31 December 2021 comparative reflects the dividend received from Insurance in February 2022, full impact of the share buyback and FY dividend. CET1 and MREL ratios include H1 dividend accrual and variable pension contributions. 2 - Pillar 2A reviewed annually by the PRA. Current Pillar 2A component based upon notional requirement as at 31 December 2021 and RWAs as at 30 June 2022. MREL requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose. 3 - Calculated as a simple average of month end observations over the previous 12 months.
**Enhanced capital position and guidance**

**Risk-weighted assets (£bn)**
- Year end 2021 reported: 196
- 1 Jan changes: 16
- Underlying lending: 212
- Credit/model reductions: 2
- Optimisation: (2)
- Other: 1
- H1 2022: 210

- RWAs down £2bn since 1 January given optimisation and credit/model reductions
- 139bps capital generation after 31bps for full fixed pension deficit contributions
- Pro forma CET1 ratio 14.8% after £500m variable pension contributions YTD
- Remain ahead of ongoing target of c.12.5% plus a c.1% management buffer
- Dividend accrual 41bps and interim dividend 0.8p per share, up c.20%
- Completed c.£1.3bn of 2022 buyback, with c.2.8bn shares bought\(^1\)
- Continue to expect 2022 RWAs c.£210bn
- Expect 2022 capital generation >200bps

**Common equity tier 1 ratio (%)**
- Year end 2021 pro forma: 16.3
- 1 Jan changes: (230)
- 1 Jan pro forma: 14.0
- Banking generation post-impairment: 117
- Insurance dividend pro forma: 16
- Underlying RWAs: 20
- Fixed pension contrib's and other: (14)
- Dividend accrual: (41)
- Variable pension contrib’s: (19)
- H1 2022 pro forma: 14.8

- Capital generation 139bps

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1 - At close of business on 30 June 2022.
Capital strength maintained

Common equity tier 1 ratio

- Pro forma CET1 ratio of 14.8% reflects strong capital build of 139bps during half-year after regulatory headwinds of 230bps on 1 January 2022.
- UK CCyB rate set to increase from 1% in December 2022 to 2% in July 2023, which represents an equivalent increase in the Group’s CCyB to 1.8%.
- FPC view that the banking sector has adequate levels of capital and liquidity that can support households and businesses, despite the worsening economic outlook.
- O-SII buffer maintained at 1.7% until reassessment in December 2023; earliest implementation of any change January 2025.

1 - The pro forma CET1 ratio as at 30 June 2022 reflects the interim dividend received from Insurance in July 2022. The 31 December 2021 comparative reflects the dividend received from Insurance in February 2022, full impact of the share buyback and FY dividend. CET1 and MREL ratios include H1 dividend accrual and variable pension contributions. 2 - Pillar 2A reviewed annually by the PRA. Current P2A component based upon notional requirement as at 31 December 2021 and RWAs as at 30 June 2022. MREL requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose. 3 - O-SII buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level.
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>Refinancing of maturities</td>
</tr>
<tr>
<td><strong>Tier 2</strong></td>
<td>Ongoing target of around 2.5%</td>
<td>Ongoing refinancing to c.2.5% target</td>
</tr>
<tr>
<td><strong>AT1</strong></td>
<td>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>Refinancing of maturities and government lending schemes</td>
</tr>
</tbody>
</table>

- c.£3.5bn equivalent issued YTD, out of planned c.£5-6bn
- Expect £10-15bn of wholesale funding needs in 2023
- The Group has access to a diverse range of funding programmes, products and markets
- No planned 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>
</thead>
<tbody>
<tr>
<td><strong>UK Sovereign</strong></td>
<td></td>
<td>Lloyds Banking Group</td>
<td>Lloyds Bank, Bank of Scotland</td>
<td>Lloyds Bank Corporate Markets</td>
</tr>
</tbody>
</table>

#### S&P
- **AA** Stable
- **BBB+** Stable
- **A+** Stable
- **A** Stable
- **A+** Stable

#### Moody’s
- **Aa3** Stable
- **A3** Stable
- **A1** Stable
- **A1** Stable
- **A2** Stable

#### Fitch
- **AA-** Stable
- **A** Stable
- **A+** Stable
- **A+** Stable
- **A+** Stable

1 - Ratings shown for Scottish Widows are Insurance Financial Strength.
Strong ESG ratings supported by clear deliverables

- Reduce carbon emissions we finance by >50% by 2030, on the path to net zero by 2050 or sooner
- Net zero for our own operations by 2030
- Sustainability embedded across business priorities

- 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

- 3 ESG performance measures in the Group Balanced Scorecard
- Transparency through ESG reporting: 2021 ESG Report and 2021 Climate Report
- Stakeholder outcomes incorporated in the Group’s new strategy

**MSCI**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>BBB</td>
</tr>
<tr>
<td>2020</td>
<td>AA</td>
</tr>
<tr>
<td>2021</td>
<td>AA</td>
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</table>

**Sustainalytics**

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>24.4</td>
</tr>
<tr>
<td>2020</td>
<td>23.3</td>
</tr>
<tr>
<td>2021</td>
<td>20.6</td>
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**S&P CSA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>2021</td>
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</tbody>
</table>

1 - Ratings shown are all end of year scores. 2 - S&P only shows a score for 2021 as LBG did not participate in the CSA process in earlier years.
Appendix
Simple group structure with multiple issuance points

HoldCo

Lloyds Banking Group

BBB+ / A3 / A
Sta / Sta / Sta
Senior Unsecured Capital
A-2 / P-2 / F1

Lloyds Bank, Bank of Scotland
A+ / A1 / A+ Sta / Sta / Sta
Senior Unsecured Covered Bonds ABS
L&A: £435bn³
Assets: £626bn⁴
EU Sub: Berlin

Lloyds Bank Corporate Markets
A / A1 / A+ Sta / Sta / Sta
CD, CP
Senior Unsecured
L&A: £17bn³
Assets: £89bn⁴
EU Sub: Frankfurt

Insurance Sub-Group

Scottish Widows ²
-A / A2 / A+
-Sta / Sta
Senior Unsecured
CD, Yankee CD, CP
L&A: N/A
AuA: £210bn⁴
EU Sub: Luxembourg

Equity Investments Sub-Group

Lloyds Equity Investments
- - 

EU Sub: Luxembourg

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. “L&A” refers to Loans & Advances to customers. Lloyds Bank L&A are shown as at H122 and LBCM L&A are shown as at FY21. 4. Lloyds Bank Total Assets and Scottish Widows AuA as at H122, LBCM and LEIL Total Assets as at FY21.
## Prudent economic scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>ECL (£m)</th>
<th>Measure (%)&lt;sup&gt;1&lt;/sup&gt;</th>
<th>2022 vs Q1 22&lt;sup&gt;2&lt;/sup&gt;</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>Ave. 22-26</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upside (30%)</strong></td>
<td>3,810</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td>3.5</td>
<td>(0.1)</td>
<td>1.2</td>
<td>1.8</td>
<td>1.7</td>
<td>1.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Interest rate</td>
<td></td>
<td>1.64</td>
<td>0.25</td>
<td>3.12</td>
<td>2.97</td>
<td>2.88</td>
<td>2.88</td>
<td>2.68</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td></td>
<td>3.1</td>
<td>(0.2)</td>
<td>2.7</td>
<td>2.9</td>
<td>3.2</td>
<td>3.4</td>
<td>3.1</td>
</tr>
<tr>
<td>HPI growth</td>
<td></td>
<td>3.2</td>
<td>(2.1)</td>
<td>3.6</td>
<td>9.3</td>
<td>5.9</td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>CRE price growth</td>
<td></td>
<td>9.2</td>
<td>0.1</td>
<td>1.8</td>
<td>0.9</td>
<td>(0.9)</td>
<td>(0.2)</td>
<td>2.1</td>
</tr>
<tr>
<td>CPI inflation</td>
<td></td>
<td>8.6</td>
<td>1.0</td>
<td>5.5</td>
<td>2.5</td>
<td>1.9</td>
<td>2.2</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Base case (30%)</strong></td>
<td>4,138</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td>3.3</td>
<td>(0.2)</td>
<td>0.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Interest rate</td>
<td></td>
<td>1.44</td>
<td>0.38</td>
<td>2.25</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>1.94</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td></td>
<td>3.8</td>
<td>(0.3)</td>
<td>4.2</td>
<td>4.4</td>
<td>4.5</td>
<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>HPI growth</td>
<td></td>
<td>1.8</td>
<td>(1.5)</td>
<td>1.4</td>
<td>3.4</td>
<td>1.2</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>CRE price growth</td>
<td></td>
<td>1.8</td>
<td>1.3</td>
<td>(5.0)</td>
<td>(1.6)</td>
<td>(1.3)</td>
<td>0.8</td>
<td>(1.1)</td>
</tr>
<tr>
<td>CPI inflation</td>
<td></td>
<td>8.6</td>
<td>1.1</td>
<td>5.5</td>
<td>2.2</td>
<td>1.3</td>
<td>1.5</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Downside (30%)</strong></td>
<td>4,817</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td>3.0</td>
<td>(0.3)</td>
<td>(0.1)</td>
<td>1.1</td>
<td>1.4</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Interest rate</td>
<td></td>
<td>1.25</td>
<td>0.58</td>
<td>1.23</td>
<td>0.80</td>
<td>0.85</td>
<td>0.95</td>
<td>1.02</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td></td>
<td>4.5</td>
<td>(0.6)</td>
<td>6.0</td>
<td>6.3</td>
<td>6.1</td>
<td>5.9</td>
<td>5.8</td>
</tr>
<tr>
<td>HPI growth</td>
<td></td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(7.6)</td>
<td>(4.6)</td>
<td>(5.1)</td>
<td>(3.5)</td>
<td>(4.2)</td>
</tr>
<tr>
<td>CRE price growth</td>
<td></td>
<td>(4.4)</td>
<td>2.4</td>
<td>(11.9)</td>
<td>(5.5)</td>
<td>(3.6)</td>
<td>(0.7)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>CPI inflation</td>
<td></td>
<td>8.7</td>
<td>1.2</td>
<td>5.5</td>
<td>1.8</td>
<td>0.6</td>
<td>0.7</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Severe downside (10%)</strong></td>
<td>6,844</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td>1.6</td>
<td>0.5</td>
<td>(1.8)</td>
<td>1.0</td>
<td>1.4</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Interest rate - adj.</td>
<td></td>
<td>2.94</td>
<td>2.70</td>
<td>4.75</td>
<td>3.00</td>
<td>2.25</td>
<td>2.25</td>
<td>3.04</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td></td>
<td>5.8</td>
<td>(1.0)</td>
<td>8.7</td>
<td>8.7</td>
<td>8.3</td>
<td>7.7</td>
<td>7.8</td>
</tr>
<tr>
<td>HPI growth</td>
<td></td>
<td>(1.6)</td>
<td>(0.2)</td>
<td>(14.0)</td>
<td>(12.3)</td>
<td>(10.5)</td>
<td>(6.4)</td>
<td>(9.1)</td>
</tr>
<tr>
<td>CRE price growth</td>
<td></td>
<td>(14.9)</td>
<td>3.0</td>
<td>(20.9)</td>
<td>(11.0)</td>
<td>(5.6)</td>
<td>1.0</td>
<td>(10.6)</td>
</tr>
<tr>
<td>CPI inflation - adj.</td>
<td></td>
<td>9.8</td>
<td>2.3</td>
<td>13.7</td>
<td>4.1</td>
<td>1.7</td>
<td>0.1</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Probability-weighted</strong></td>
<td>4,514</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<sup>1</sup> Interest rate and unemployment rate are shown as averages for the respective period.  
<sup>2</sup> Comparison to scenarios modelled at Q1 2022; changes only shown for 2022 measures.
## Updated coverage after updated economic outlook

<table>
<thead>
<tr>
<th>(£m, unless stated otherwise)</th>
<th>Gross customer L&amp;A (£bn)</th>
<th>Coverage (ex. Recoveries)¹</th>
<th>Total coverage Q4 2021¹</th>
<th>ECL Q4 2021</th>
<th>Write-offs &amp; Other</th>
<th>P&amp;L charge/ (credit)</th>
<th>Net ECL increase/ (decrease)</th>
<th>ECL Q2 2022</th>
<th>Write-offs &amp; Other H1 2021²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>370.9</td>
<td>0.2% 2.8% 14.3% 0.8%</td>
<td>0.7%</td>
<td>2,723</td>
<td>(351)</td>
<td>485</td>
<td>134</td>
<td>2,857</td>
<td>(433)</td>
</tr>
<tr>
<td>UK Mortgages</td>
<td>310.9</td>
<td>0.0% 1.3% 10.6% 0.4%</td>
<td>0.4%</td>
<td>1,284</td>
<td>11</td>
<td>(64)</td>
<td>(53)</td>
<td>1,231</td>
<td>(24)</td>
</tr>
<tr>
<td>Cards</td>
<td>15.1</td>
<td>1.4% 15.1% 53.6% 4.2%</td>
<td>3.7%</td>
<td>531</td>
<td>(175)</td>
<td>273</td>
<td>98</td>
<td>629</td>
<td>(200)</td>
</tr>
<tr>
<td>Loans &amp; Overdrafts</td>
<td>10.1</td>
<td>1.9% 21.2% 70.7% 5.4%</td>
<td>4.7%</td>
<td>445</td>
<td>(144)</td>
<td>241</td>
<td>97</td>
<td>542</td>
<td>(167)</td>
</tr>
<tr>
<td>Motor</td>
<td>14.5</td>
<td>0.8% 4.4% 58.7% 2.0%</td>
<td>2.1%</td>
<td>298</td>
<td>(15)</td>
<td>7</td>
<td>(8)</td>
<td>290</td>
<td>(27)</td>
</tr>
<tr>
<td>Other</td>
<td>20.4</td>
<td>0.3% 2.7% 10.4% 0.8%</td>
<td>0.9%</td>
<td>165</td>
<td>(28)</td>
<td>28</td>
<td>-</td>
<td>165</td>
<td>(15)</td>
</tr>
<tr>
<td>Commercial</td>
<td>90.0</td>
<td>0.2% 4.8% 38.8% 1.6%</td>
<td>1.6%</td>
<td>1,333</td>
<td>(10)</td>
<td>88</td>
<td>78</td>
<td>1,411</td>
<td>(114)</td>
</tr>
<tr>
<td>Other³</td>
<td>(0.5)</td>
<td>(1.2)% 3.1% 21.0% (4.1)%</td>
<td>2.0%</td>
<td>443</td>
<td>(1)</td>
<td>(196)</td>
<td>(197)</td>
<td>246</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>460.3</strong></td>
<td><strong>0.2% 3.0% 20.1% 1.0%</strong></td>
<td><strong>1.0%</strong></td>
<td><strong>4,499</strong></td>
<td><strong>(362)</strong></td>
<td><strong>377</strong></td>
<td><strong>15</strong></td>
<td><strong>4,514</strong></td>
<td><strong>(544)</strong></td>
</tr>
</tbody>
</table>

1 - Underlying basis. Loans and advances to customers only; excludes £31m of ECL on other assets at 30/06/2022 (£22m at 31/12/2021).
2 - Excludes £78m of non lending-related fraud costs now included within operating costs.
3 - Coverage calculation for Other excludes £200m ECL central adjustment (£400m at 31/12/2021).
## Continued low mortgage LTVs

<table>
<thead>
<tr>
<th></th>
<th>Mainstream</th>
<th>Buy to let</th>
<th>Specialist</th>
<th>Total</th>
<th>2021(^1)</th>
<th>2010(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average LTVs</strong></td>
<td>39.5%</td>
<td>45.4%</td>
<td>34.9%</td>
<td><strong>40.2%</strong></td>
<td>42.1%</td>
<td>55.6%</td>
</tr>
<tr>
<td><strong>New business LTVs</strong></td>
<td>62.3%</td>
<td>59.3%</td>
<td>N/A</td>
<td><strong>61.9%</strong></td>
<td>63.3%</td>
<td>60.9%</td>
</tr>
<tr>
<td>≤ 80% LTV</td>
<td>96.4%</td>
<td>99.7%</td>
<td>96.8%</td>
<td><strong>97.0%</strong></td>
<td>95.4%</td>
<td>57.0%</td>
</tr>
<tr>
<td>&gt;80-90% LTV</td>
<td>3.2%</td>
<td>0.1%</td>
<td>1.1%</td>
<td><strong>2.6%</strong></td>
<td>4.1%</td>
<td>16.2%</td>
</tr>
<tr>
<td>&gt;90-100% LTV</td>
<td>0.3%</td>
<td>0.1%</td>
<td>1.0%</td>
<td><strong>0.3%</strong></td>
<td>0.3%</td>
<td>13.6%</td>
</tr>
<tr>
<td>&gt;100% LTV</td>
<td>0.1%</td>
<td>0.1%</td>
<td>1.1%</td>
<td><strong>0.1%</strong></td>
<td>0.2%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Value &gt;80% LTV</td>
<td>£8.9bn</td>
<td>£0.2bn</td>
<td>£0.3bn</td>
<td><strong>£9.4bn</strong></td>
<td>£14.3bn</td>
<td>£146.6bn</td>
</tr>
<tr>
<td>Value &gt;100% LTV</td>
<td>£0.2bn</td>
<td>£0.1bn</td>
<td>£0.1bn</td>
<td><strong>£0.4bn</strong></td>
<td>£0.5bn</td>
<td>£44.9bn</td>
</tr>
<tr>
<td>Gross lending</td>
<td>£250.9bn</td>
<td>£51.4bn</td>
<td>£8.6bn</td>
<td><strong>£310.9bn</strong></td>
<td>£308.8bn</td>
<td>£341.1bn</td>
</tr>
</tbody>
</table>

1 - 2021-22 LTVs use Markit’s 2019 Halifax HPI; 2010 LTVs use Markit’s pre-2019 Halifax HPI and include TSB.
Diverse funding portfolio as at H1 22

Wholesale funding portfolio by type

- MM Funding: 22%
- Securitisation: 16%
- Covered Bond: 4%
- OpCo Senior: 16%
- HoldCo Senior: 29%
- Sub Debt: 13%

Wholesale funding portfolio by currency

- GBP: 25%
- USD: 43%
- EUR: 8%
- Other: 24%

Wholesale funding portfolio by maturity

- < 1 Year (MM): 21%
- < 1 Year: 22%
- 12 Mth ≤ 2 Yrs: 31%
- 2 Yrs ≤ 5 Yrs: 9%
- 5 Yrs+: 4%
Continued focus on legacy securities with significant reduction since 2021

- Legacy capital securities now constitute only c.£1.2bn, a reduction of c.£2.3bn since 2021 following LME and redemptions.
- Outstanding amount immaterial when compared to c.£66bn 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
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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; cyber-attacks; changes to, or in respect of, laws and regulations and/or changes in the interpretation of the same, 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; the war between Russia and Ukraine; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group's ability to align along with the government and other stakeholders to measure, 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 personnel; 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.

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