

LLOYDS
BANKING GROUP



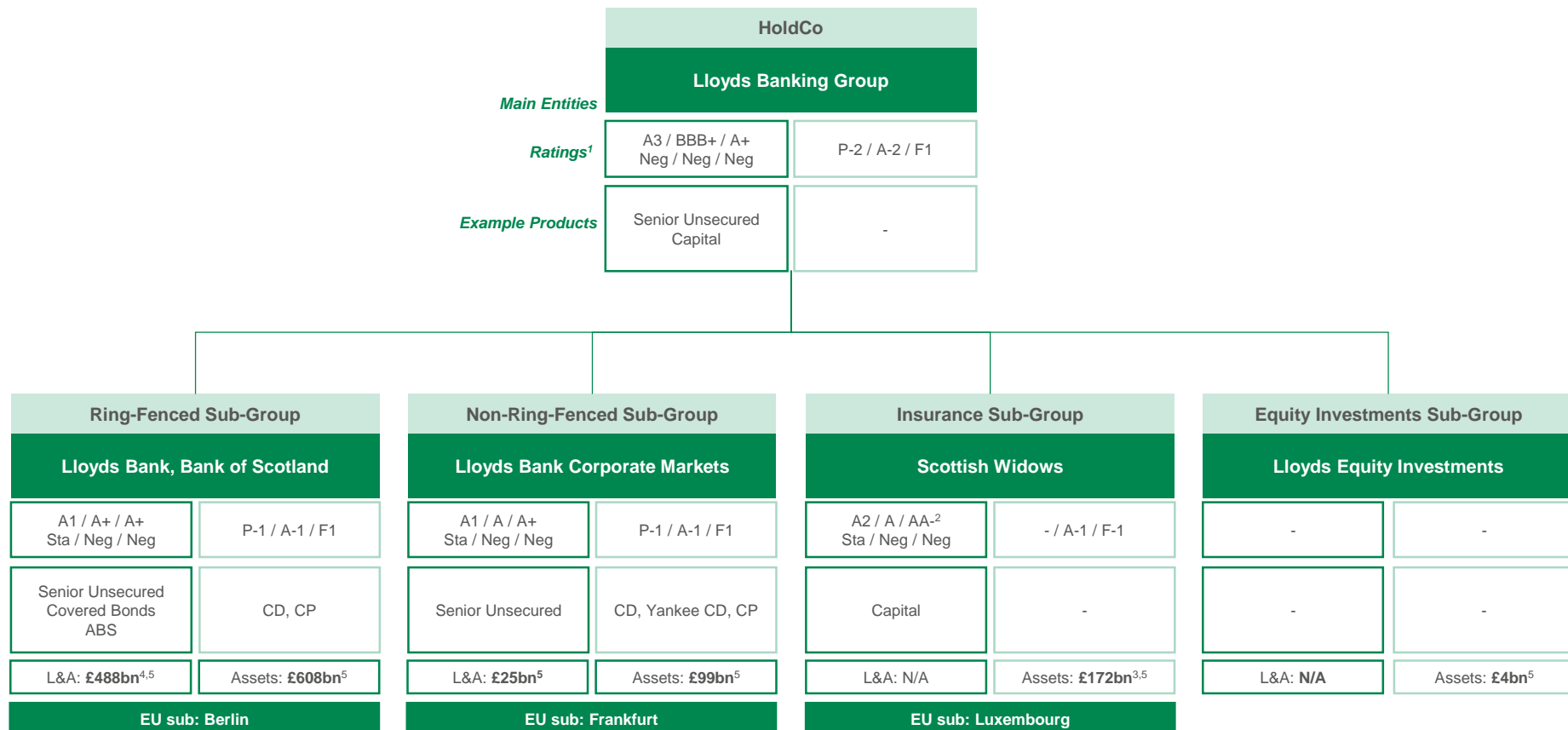
FIXED INCOME INVESTOR PRESENTATION

FY 2020

Group Overview



Simple group structure with multiple issuance points

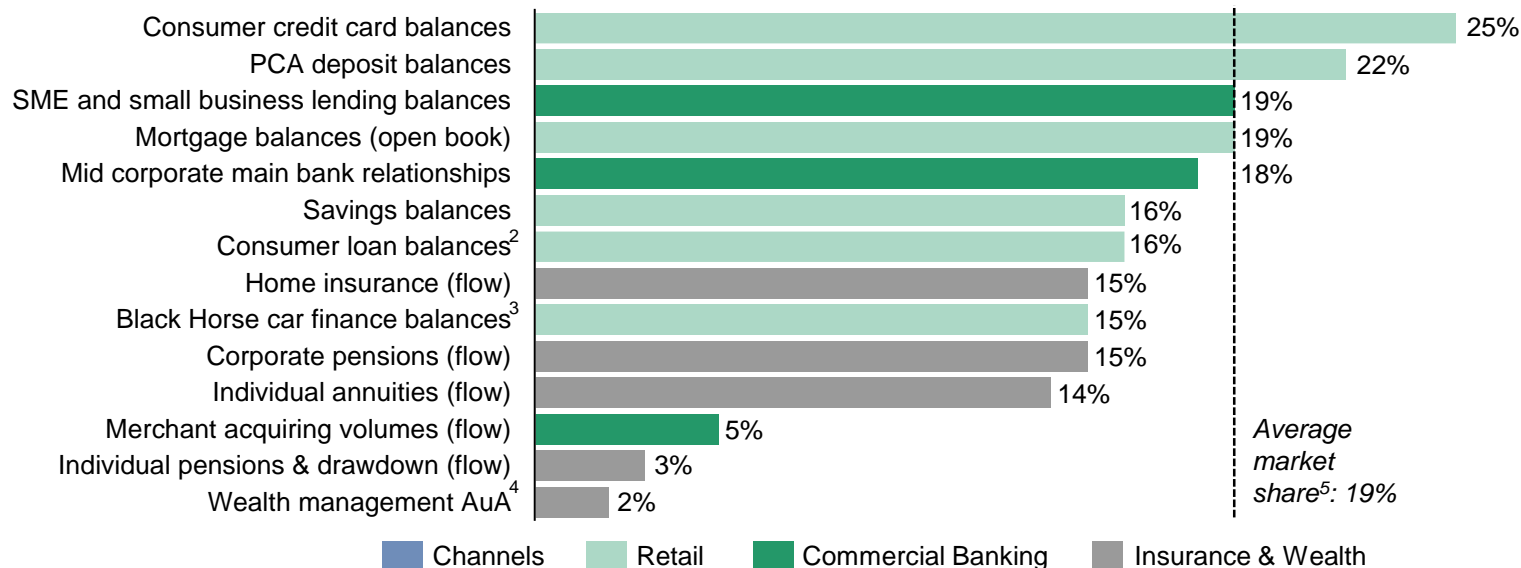


Growth in customer franchise, with further opportunities in targeted areas

Channels market share



Product market share



¹ – Average volume share across PCAs, loans, savings, cards and home insurance. ² – Comprises unsecured personal loans, overdrafts and Black Horse retail lending balances. ³ – Annualised Premium Equivalent new business on an estimated whole of market basis. ⁴ – Excludes execution-only stockbrokers. ⁵ – Average market share calculated for core financial services products. Market data sources: ABI, BoE, CACI, Compeer, eBenchmarkers, Experian pH, FLA, Ipsos MORI FRS, Spence Johnson, UK Finance and internal estimates. Note: Market shares as of Dec 2020 with exception of PCA and Savings (Nov 2020); Merchant acquiring volumes (Oct 2020); Individual annuities and Individual pensions & drawdown (Sep 2020); Wealth management AuA (Dec 2019).

Successfully supporting customers, colleagues and communities through the pandemic

>£12bn

Government-backed loans for business customers¹

c.1.3m

Payment holidays across Mortgages, Cards, Motor Finance and Loans²

>750k

Branch outreach wellbeing calls to customers

>50k

Colleagues working from home for most of 2020

£25.5m

Donated to help communities through our charitable Foundations



Strength of business model enabling continued delivery

- **Digital leader**, with accelerated transformation
- **Record customer satisfaction**
- **Continued efficiency** enabling increased investment
- **Enhanced franchise strength** through the pandemic; £39bn deposit growth
- **All time high employee engagement score**; above UK high performing norm
- **Well positioned to support sustainable and inclusive national recovery**

Helping Britain Prosper is at the heart of who we are and underpins our business



Driving sustainability Strategy to **help the transition to a sustainable low carbon economy** launched in 2018

>10m

homes that could be powered as a result of our support to renewable energy projects in 2018-2020

>£5.7bn

in green finance provided in 2018-2020

Championing diversity First FTSE100 company to set public **gender, Black, Asian and Minority Ethnic** and specific **Black** colleague targets

37%

women in senior roles; up from 28% in 2014

c.8%

Black, Asian & Minority Ethnic colleagues in senior roles; up from c.6% in 2018

Supporting customers Helping Britain **get a home and supporting businesses to start and grow**

c.£40bn

of lending to help people buy their first home in 2018-2020

>265k

businesses supported to start up in 2018-2020

Strengthening communities Tackling social disadvantage across Britain through our **charity partnerships** and **staff volunteering**

>£76m

donated to our independent Foundations in 2018-2020

1.8m

individuals, SMEs and charities trained in digital skills in 2018-2020

2020 highlights show significant progress across our ESG ambitions

Environmental



- Ambitious goal to help reduce emissions we finance by **>50% by 2030, on path to net zero by 2050 or sooner**
- Developed three new operational climate pledges including **net zero carbon operations by 2030**
- Calculated initial estimate of our **2018 financed emissions baseline** covering c.70% of Group's balance sheet¹
- Through Scottish Widows announced **>£440m divestment** from companies that fail to meet our ESG standards

Social



- Launched our **Race Action Plan** to help drive cultural change, recruitment and progression across the Group
- **First FTSE100 company** to set a public goal for **senior roles held by Black colleagues** (3% by 2025)
- Developed **new gender and ethnic diversity aspirations** for colleagues in senior roles
- **>£51m total community investment**, including **£25.5m** for our **four independent charitable Foundations**

Governance



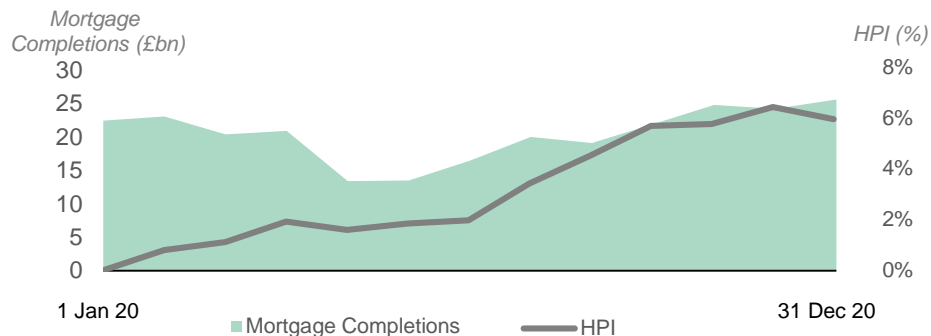
- **Leadership succession** confirmed with Board approving appointment of new Group Chair and new Group CEO
- Comprehensive **shareholder engagement** incl. Board Governance Event and retail investor briefing
- Employee engagement at all-time high at **81%** reflecting continued support to colleagues
- New **ESG Report**, including **enhanced TCFD disclosures** and **new SASB index**

ESG Ratings improved over 2020

- MSCI rating improved to AA from BBB
- Sustainalytics score improved to 23.3 from 24.4 (medium risk)

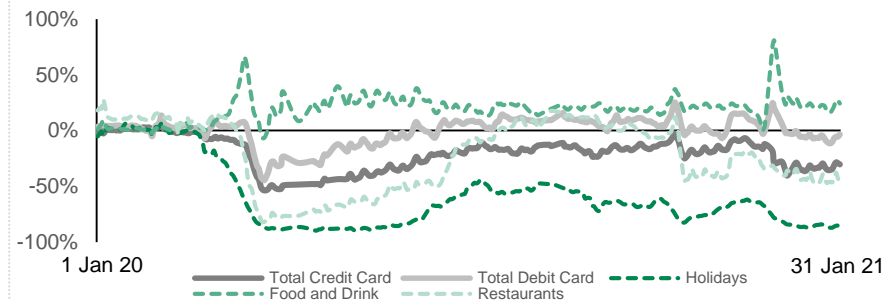
Economy supported by Government actions with strong housing market

HPI & mortgage market completions¹

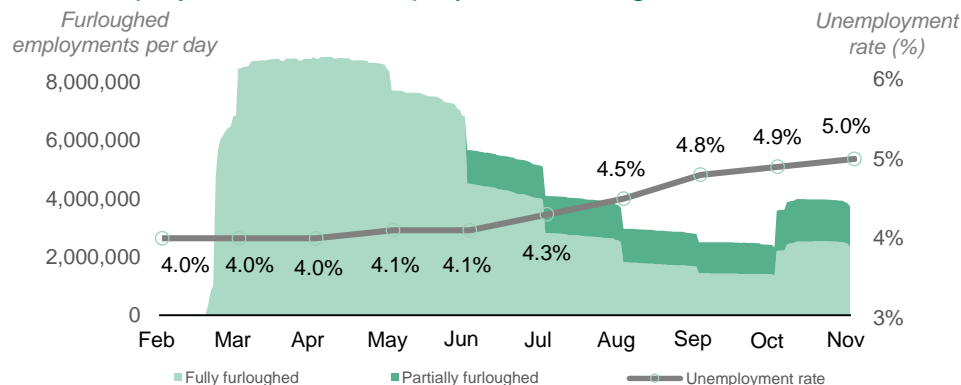


LBG customers' card spend²

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

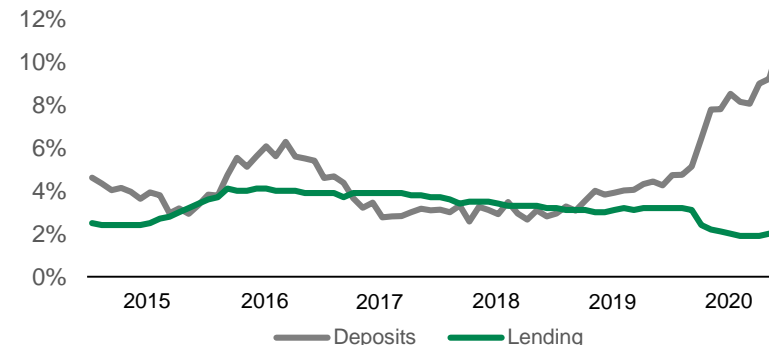


Unemployment rate & employment furloughed³



Households deposit & credit growth⁴

(% change vs same period a year earlier)



1 – Sources: Bank of England, non seasonally adjusted; Halifax HPI, non seasonally adjusted percentage change from Dec 2019. 2 – Excludes financial services spend and MBNA. 3 – Sources: HMRC & ONS. 4 – Source: Bank of England, growth measure, excludes write-offs.

Business transformed by our clear strategic path since 2011



GSR1 (2011-2014)

GSR2 (2015-2017)

GSR3 (2018-2020)

Purpose

Helping Britain Prosper

Key strategic actions

Reshape our portfolio

Create the **best customer experience**

Leading customer experience

Simplify the Group

Become **simpler** and **more efficient**

Digitising the Group

Invest in core business

Deliver **sustainable growth**

Maximising Group capabilities

Strengthen balance sheet & liquidity

Transforming ways of working

>60%

Increase in all channel NPS since 2011¹

81%

Employee engagement index; +29pp since 2011²

>£7bn

Cumulative strategic investment

9.1pp

Increase in CET1 ratio since 2010⁴

Clear outcomes

17.4m

Digital active users; Largest UK digital bank

>20%

Reduction in operating costs since 2010³; market leading CIR

>50%

Reduction in RWAs since 2010⁴

>£12bn

Capital returned to shareholders since 2014

Our strategic progress has created capabilities that position us well for the future

Efficiency has created capacity for new investment and opportunities



Our core capabilities

**Purpose driven, customer focused
business model**

Differentiated and sustainable franchise

Digital leadership

Efficiency and investment focused

Low risk business

Well positioned for Strategic Review 2021

Financial Update



Resilient business model, returning to profitability in the second half

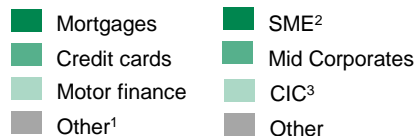
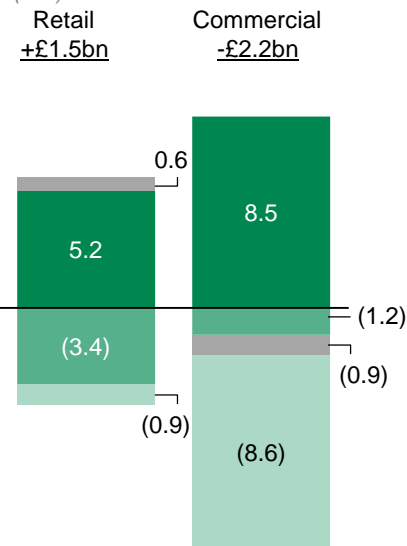
	<u>Q4 2020¹</u>	<u>2020¹</u>
Net income	£3.6bn +6%	£14.4bn (16)%
Cost:income ratio (incl. remediation)	59.9% +3.0pp	55.3% +6.8pp
Pre-provision operating profit	£1.4bn (2)%	£6.4bn (27)%
Impairment	£128m	£4.2bn
Statutory profit before tax	£792m (24)%	£1,226m (72)%
Statutory return on tangible equity ²	7.2% (0.2)pp	3.7% (4.1)pp
TNAV	52.3p +0.1p	52.3p +1.5p
CET1 ratio	16.2%	

- NII of £10.8bn down 13%, driven by lower rates and changing asset mix. 2020 NIM 2.52%; Q4 NIM 2.46%
- Other income £4.5bn; down 21% with lower customer activity and lower non-recurring items
- Total costs of £8.0bn, down 4%
- Impairment up, impacted by economic outlook; below Q3 guidance
- Statutory profit before tax of £1.2bn
- Strong balance sheet and capital build
 - Increase of £39bn in customer deposits; loan:deposit ratio of 98%
 - RWAs stable
 - CET1 ratio 16.2%; significantly above requirements

Strong customer franchise: resilient lending and Retail deposit growth ahead of market

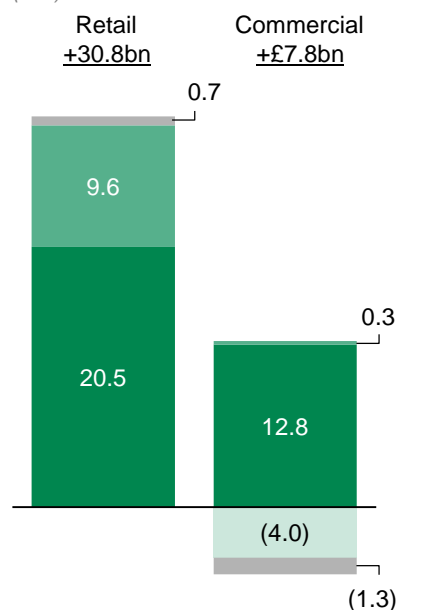
2020 lending change

(£bn)



2020 deposit change

(£bn)

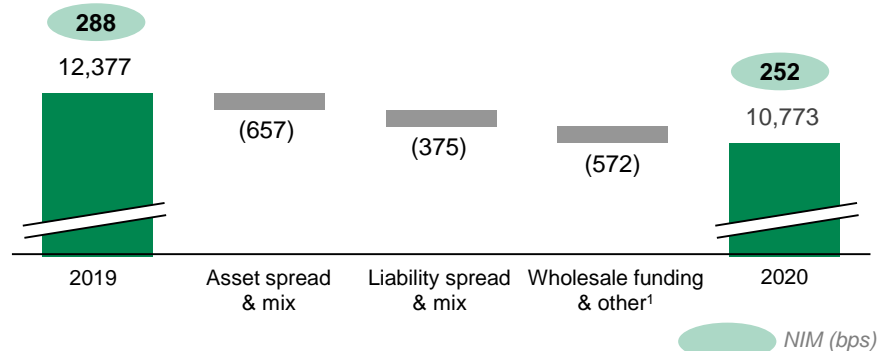


- **Mortgage balances up £5.2bn, to £293.8bn; including Q4 open book growth of £6.7bn**
- **Credit card balances down £3.4bn, to £14.3bn; including 6% reduction in H2**
- **SME balances up £8.5bn, predominately driven by BBLs**
- **Corporate and Institutional balances decline a result of continued optimisation and reduced RCF⁴ demand**
- **Total deposits up £38.9bn**
 - Retail deposits up £30.8bn, reflecting low spend and inflows to trusted brands, ahead of market
 - SME deposits up £12.8bn, partially driven by Government-backed lending held on deposit
 - Corporate and Institutional deposit reduction driven by pricing optimisation
- **Flat to modest AIEA growth expected in 2021**

Rate and yield curve headwinds, partly offset by strong mortgage activity

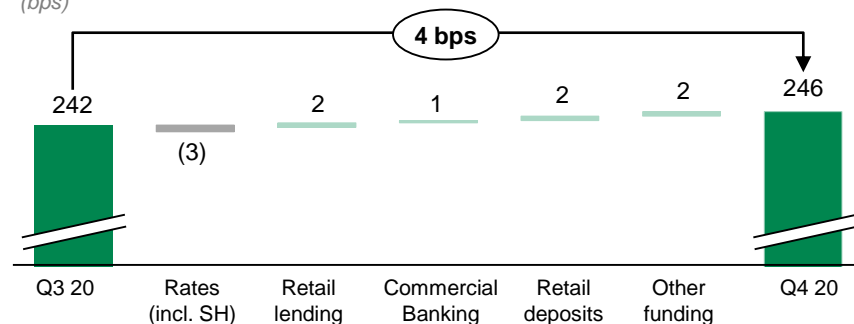
Net interest income and banking net interest margin

(£m)



Q4 Net interest margin

(bps)



- **2020 NII £10.8bn, down 13% on prior year; NIM at 252bps**

- NIM decrease impacted by lower rates and asset mix
- Q4 NIM of 2.46% ahead of guidance; benefitting from lower funding costs, strong mortgage margins and Corporate and Institutional lending balance reductions
- Q4 AIEAs broadly stable at £437bn

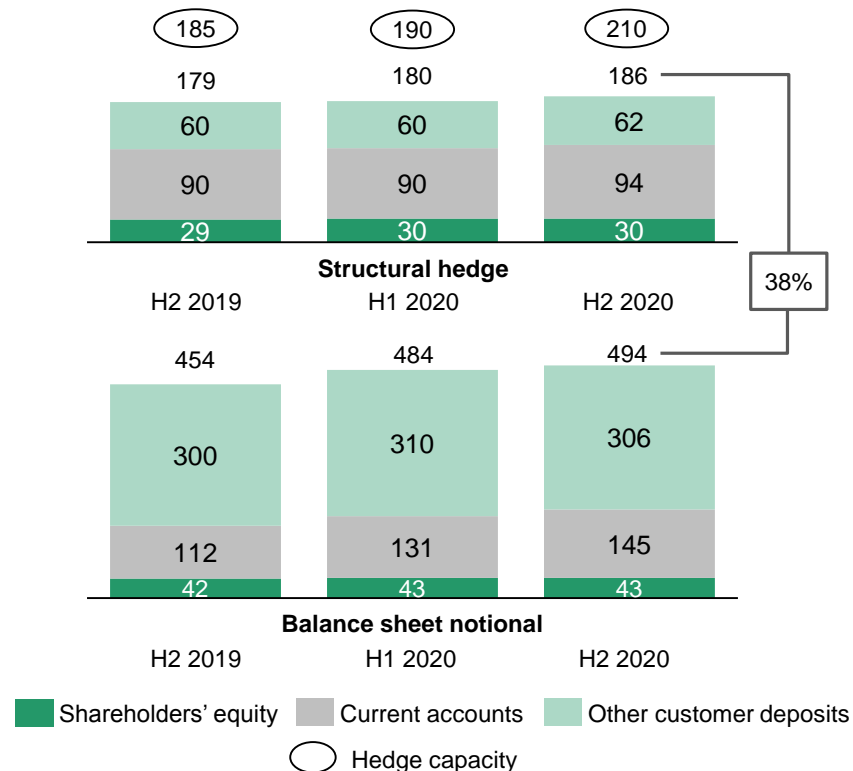
- **NIM expected to be in excess of 240bps in 2021**

- Strength in mortgage new business margins continuing, helping offset back book attrition
- Unsecured balances likely to fall in H1 before recovering in H2
- Continued optimisation in Commercial
- High quality deposit growth reducing other funding needs
- Structural hedge headwinds in a lower rate environment

Increased hedge capacity

Hedged balances¹

(£bn)



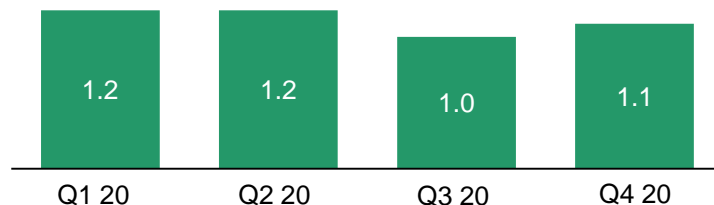
- **Structural hedge notional balance of £186bn**
 - c.2.5 year weighted average life, up from c.2 years in Q3
- **Hedge capacity of £210bn, increase of £25bn in 2020**
- **£24bn unhedged capacity provides flexibility**
- **Income of £2.4bn from structural hedge in 2020**
- **c.£60bn of maturities and hedge income expected to be c.£400m lower in 2021**
- **Materially lower income headwind from hedge in 2022 and 2023 based on expected maturities and yield curve**

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

Other income stabilising, geared to customer activity and ongoing investment

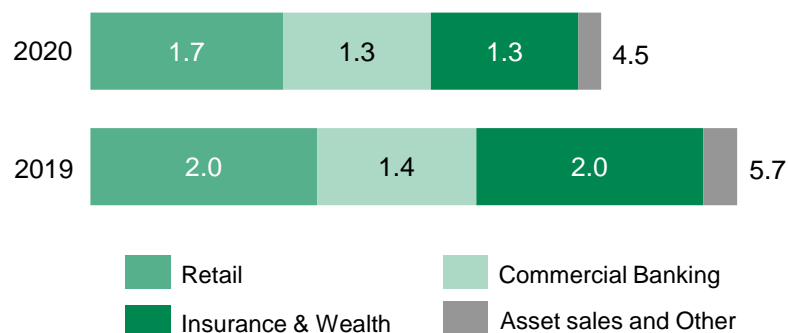
Other income

(£bn)



Divisional other income

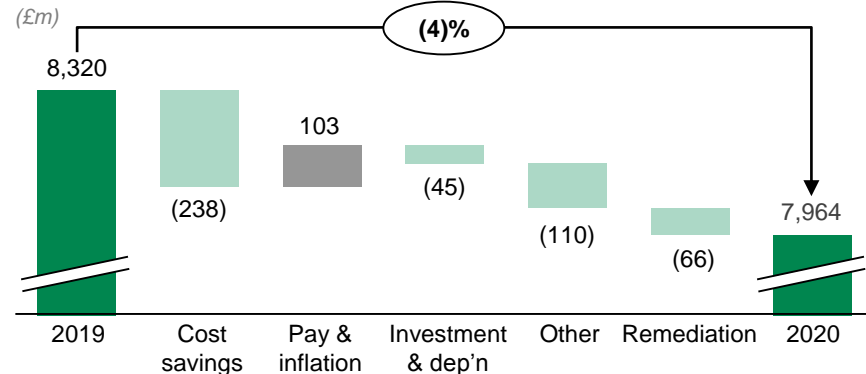
(£bn)



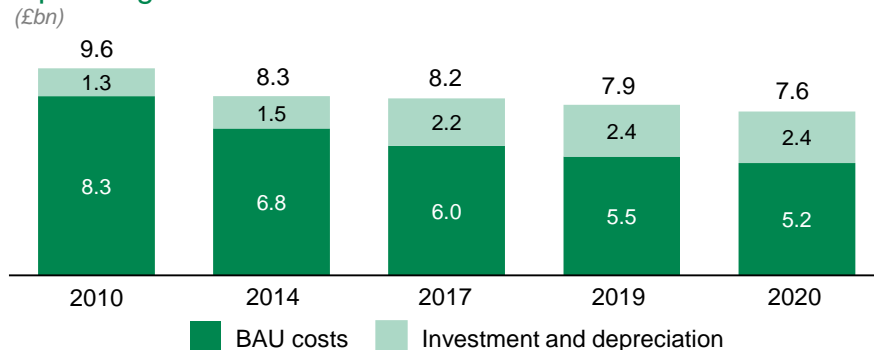
- **Other income £4.5bn; impacted by lower customer activity and lower non-recurring items vs. 2019**
 - Retail impacted by lower interchange income and Lex fleet volumes
 - Lower transaction banking volumes in Commercial
 - Insurance & Wealth impacted by lower new business, assumption changes and reduction in non-recurring items; including AMMR¹ charge
- **Q4 improvement in markets activity and LDC performance, in part offset by Insurance assumptions review**
- **Activity expected to recover in 2021 with gradual easing of restrictions**
- **Ongoing investment to build the business and increase diversification over medium term**

Continued strong focus on costs, alongside investment in the future of the business

Total costs



Operating costs over time¹

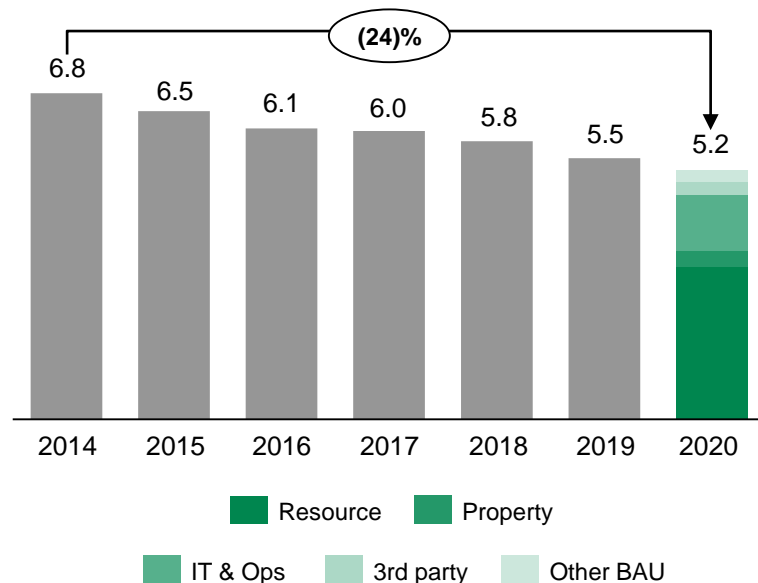


- Total costs of £8.0bn down 4% with operating costs 4% lower and remediation costs 15% lower
- Delivery on operating cost target of <£7.6bn
- BAU costs 4% lower, driven by sustained cost reduction delivery, lower remuneration; partially offset by increased pensions and Covid-related costs
- Covid has created near term challenges, but accelerates opportunity in the medium term
 - Covid-related costs and compensation headwinds in 2021 of £100m to £150m
 - Travel savings from new working patterns
 - Acceleration of new technology adoption and property optimisation plans
- Operating costs to reduce further to c.£7.5bn in 2021

Committed to further efficiency improvements, supporting continued investment

Proven record of managing costs

(BAU costs¹, £bn)



1 – 2014 to 2018 adjusted to reflect the impact of IFRS 16.

Cost framework presents opportunities

BAU costs

(Ongoing)

- Rigorous matrix approach to BAU costs
- **Productivity** and **3rd party management** (e.g. suppliers) improvements to continue

Covid-related costs

(Ongoing –
Medium-term)

- Covid relief costs to continue but **increasing automation improves efficiency** (e.g. BBLs)
- One-off pandemic costs **unlikely to be repeated** (e.g. overtime, IT equipment)
- New ways of working (e.g. travel)

Strategic opportunity enabled by investment

(Medium-term)

- Further adoption of **new technologies** likely to drive transformational shift in costs (e.g. cloud)
- Customer behaviour driving **future distribution strategy**; expect to rationalise while maintaining largest branch network in the UK
- Property footprint reducing as we adopt **new working patterns**

Solid underlying impairment performance, with lower charges expected in 2021

Impairment charges (£m)	2020	Q4 20	2019	Incr. vs 2019
Charges pre-updated MES	1,610	418	1,291	319
Retail	1,359	383	1,038	321
Commercial Banking	252	41	306	(54)
Other	(1)	(6)	(53)	52
Coronavirus impacted restructuring cases¹	403	(31)	–	403
Updated economic outlook	2,234	(259)	–	2,234
Retail	1,025	(417) ²	–	1,025
Commercial Banking	809	(42) ²	–	809
Management overlay	400	200	–	400
Total impairment charge	4,247	128	1,291	2,956

Expected credit loss	Prob. -weighted	Upside	Base Case	Downside	Severe downside
<i>Weighting</i>		30%	30%	30%	10%
Balance sheet ECL	£6,860m	£5,766m	£6,354m	£7,468m	£9,838m

- **Stable observed credit experience in Q4**
 - Support schemes remaining effective
- **Improved outlook since Q3 and FY impairment charge lower than expected at Q3**
 - Peak unemployment forecast now 8.0% in Q3 2021 (9.0% at Q3)
 - HPI outturn in 2020 of 5.9% (2.0% at Q3)
- **Additional £400m overlay incorporated, reflecting wider uncertainties around outcomes**
- **Base case univariate sensitivities:**
 - 1% increase in unemployment £205m
 - 10% decrease in HPI £284m
- **Based on current assumptions, 2021 impairment expected to return closer to pre-pandemic levels with net asset quality ratio to be below 40bps**

¹ – Further charges on existing material cases in restructuring at the end of 2019 where coronavirus has directly hampered the recovery strategy. ² – Divisional impacts in Q4 include £659m benefit from improved economic outlook offset by incorporation of £200m severe overlay adjustment previously held centrally.

Building coverage ratios across product areas

(£m)	ECL 2020	Net ECL increase	P&L charge	Write-offs & other	ECL 2019
Retail	4,008	1,212	2,384	(1,172)	2,796
UK Mortgages	1,605	389	478	(89)	1,216
Cards	958	352	800	(448)	606
Motor	501	114	226	(112)	387
Other	944	357	880	(523)	587
Commercial	2,402	1,087	1,464	(377)	1,315
Other	450	400	399	1	50
Total	6,860	2,699	4,247	(1,548)	4,161

	Drawn (£bn) ¹	ECL (£m) ¹	Coverage (excl. Recoveries)				2019 Coverage Total
			Stage 1	Stage 2	Stage 3	Total	
Retail	354.5	4,008	0.3%	4.3%	22.5%	1.1%	0.8%
UK Mortgages	295.4	1,605	0.0%	2.1%	15.6%	0.5%	0.4%
Cards	15.1	958	2.2%	16.8%	58.8%	6.4%	3.4%
Motor	15.2	501	1.5%	7.7%	66.8%	3.3%	2.4%
Other	28.9	944	1.1%	16.6%	54.4%	3.3%	2.8%
Commercial	88.4	2,395	0.5%	5.2%	36.7%	2.7%	1.4%
Other ²	62.2	429	0.7%	7.7%	22.1%	0.7%	0.1%
Total	505.1	6,832	0.4%	4.5%	28.1%	1.4%	0.8%

- **Stock of ECL provisions £6.9bn, providing significant balance sheet resilience**
 - Stock of Stage 1&2 ECL up £2.1bn in 2020 covering anticipated losses yet to emerge
- **Write-offs at pre-crisis levels (FY 2019 £1.6bn)**
- **Overall coverage strengthened to 1.4% of total lending and 28.1% on Stage 3 assets**
- **86% of Retail Stage 2 up to date, 98% in Commercial**
- **Coverage on Cards portfolio of 6.4%, up 3.0pp in 2020, with proactive charge-off policy at 4 months in arrears**
 - Stage 3 Cards coverage increased to 59%
 - Equivalent 12 month charge-off policy increases Cards Stage 3 coverage to 73%, overall to 8.8%³

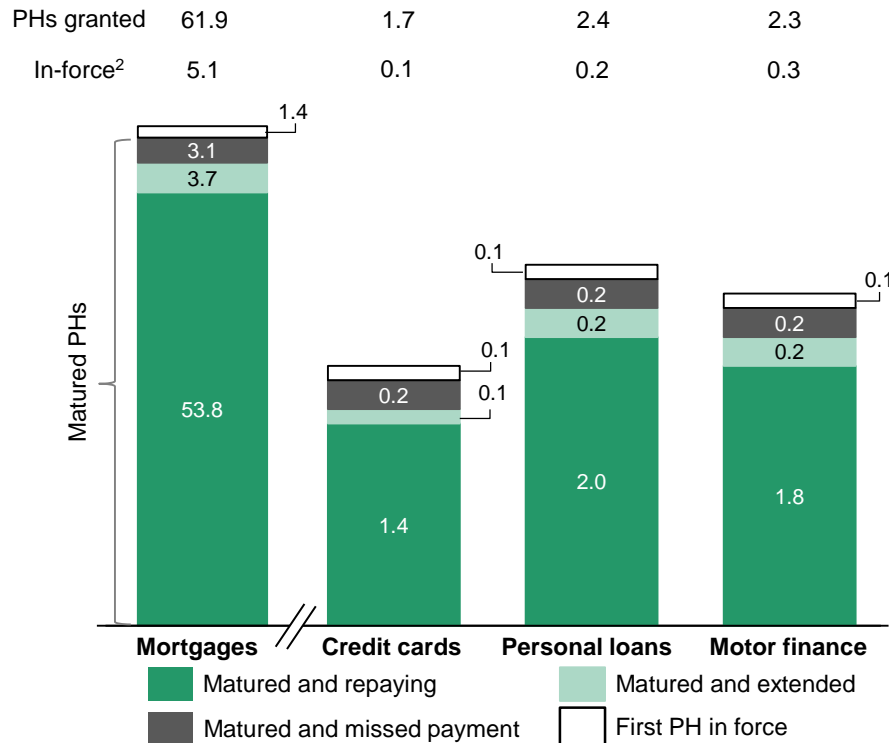
1 – Loans and advances to customers only; excludes £28m of ECL on other assets at 31/12/2020 (£19m at 31/12/2019). 2 – Includes reverse repos of £58.6bn which dilutes reported Group coverage by 0.1pp.

3 – Estimated based on last 12 months charge-offs retained in Stage 3 at appropriate coverage.

Strong performance on payment holidays with over 90% now matured

Current status of Retail payment holidays and balances¹

(£bn)



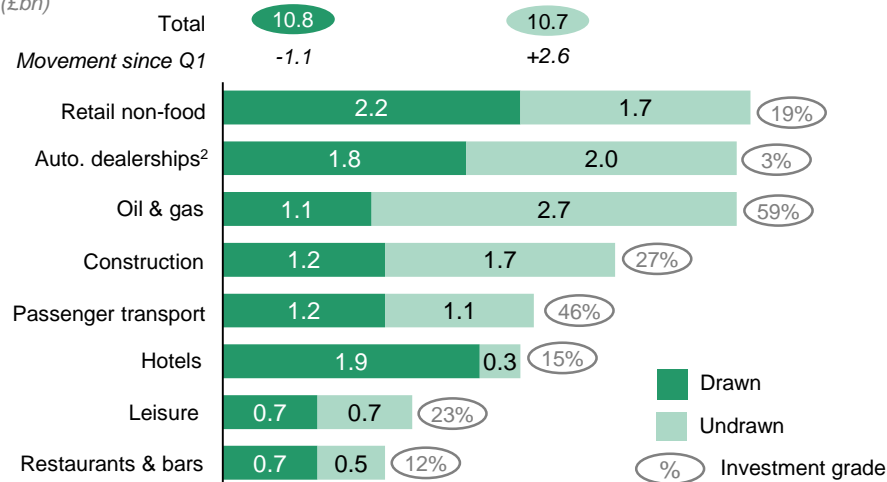
- **Total of c.1.3m payment holidays (PHs) granted on £68bn of lending, of which £6bn (8%) currently in force**
 - 98% of first PHs have matured, of which 89% have resumed payment
 - 76% of extended PHs now expired with 88% resuming payment; 31k customers missing payments
- **5% (c.£4bn) of matured PHs have missed payments; of which 24k mortgages, 36k cards, 20k loans, 10k motor**
 - Of the matured PHs with missed payments 30% were already in arrears
- **28k PHs granted on £0.8bn of lending during latest national lockdown³**
- **34k SME CRHs⁴, equivalent to £6.0bn and >90% secured; with vast majority now matured and >85% repaying**

¹ – Mortgages, credit cards and personal loans at 16 Feb 2021; motor finance at 17 Feb 2021. Analysis of mortgage PHs excludes SJP, IF and Tesco portfolios; motor finance PHs exclude Lex Autolease. Totals and percentages calculated on unrounded numbers. ² – Includes first PH in force & matured and extended. ³ – From 1 Jan 2021. ⁴ – Capital repayment holidays, including Retail Business Banking; at 12 Feb 2021.

Commercial: diversified portfolio with limited exposure to most impacted sectors

Lending in key coronavirus-impacted sectors¹

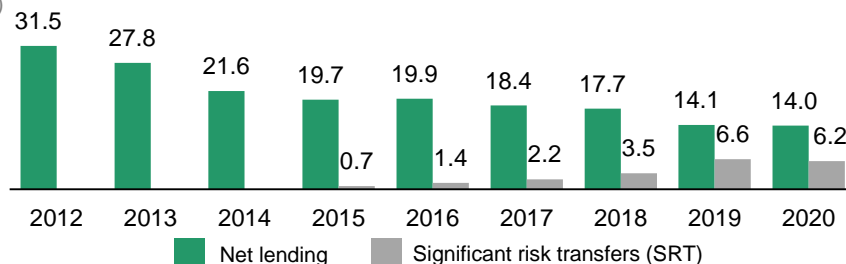
(£bn)



- **Diverse client base with limited exposure to coronavirus-impacted sectors**
- **Only c.2% of Group lending and c.12% of Commercial portfolio exposed**
 - Small reduction in drawn balances since Q1
- **Some modest deterioration in credit ratings across coronavirus-impacted sectors through 2020**
 - Percentage of investment grade reduced from 46% to 38%³
- **SME performance benign with write-offs <£20m in 2020**

Group UK direct real estate lending utilisation

(£bn)



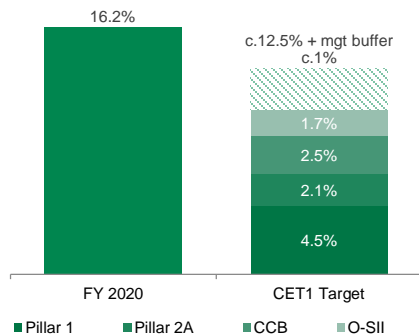
- **CRE portfolio significantly de-risked and secured; further risk mitigation through significant risk transfers**
 - Average LTV 50% in CRE and 76% with LTV <60%^{4,5}
 - Net exposure £14.0bn, after £6.2bn of SRT
- **Average interest cover ratio of 3.9x with c.90% above 2x⁶**

Capital, Funding & Liquidity

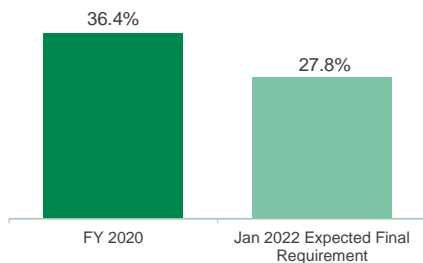


Robust metrics across Capital, Funding & Liquidity

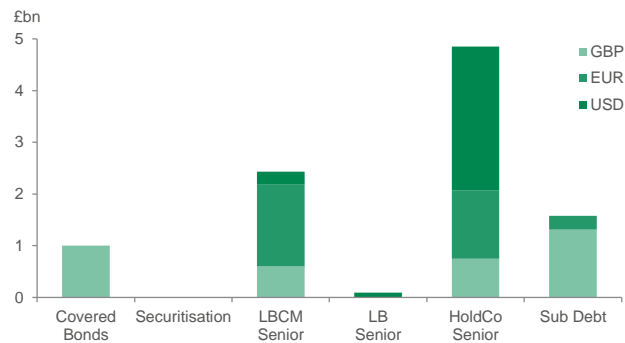
Significant CET1 headroom to regulatory minimum and Group target



MREL strongly positioned - c.860bps above expected requirement



£9.9bn of issuance in 2020



2021 Issuance plan expected to be less than £10bn

AT1 No near-term plans	Tier 2 No near-term plans
HoldCo Senior Limited to refinancing Expect to issue c.£5bn	OpCo Minimal LB plc need Expect LBCM to issue c.£2bn

Strong liquidity metrics through the pandemic



Strong credit ratings

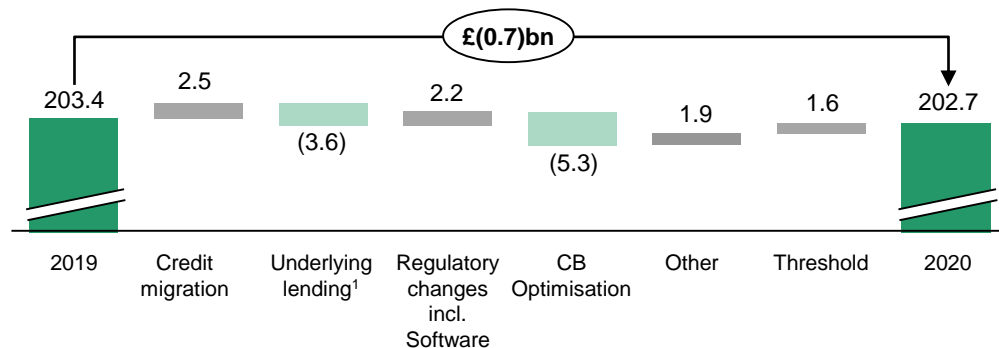
Lloyds Banking Group		
A3 / BBB+ / A+ Neg / Neg / Neg		
Lloyds Bank, Bank of Scotland	Lloyds Bank Corporate Markets	Scottish Widows
A1 / A+ / A+ Sta / Neg / Neg	A1 / A / A+ Sta / Neg / Neg	A2 / A / AA- Sta / Neg / Neg

Ratings shown as Moody's/S&P/Fitch

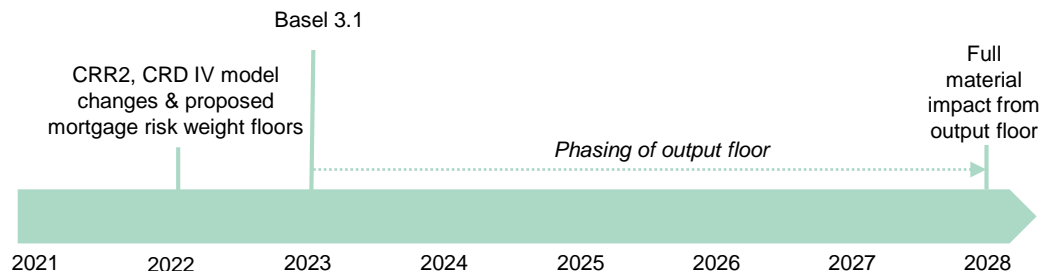
RWAs stable with optimisation more than offsetting credit migration

RWA 2020 movement

(£bn)

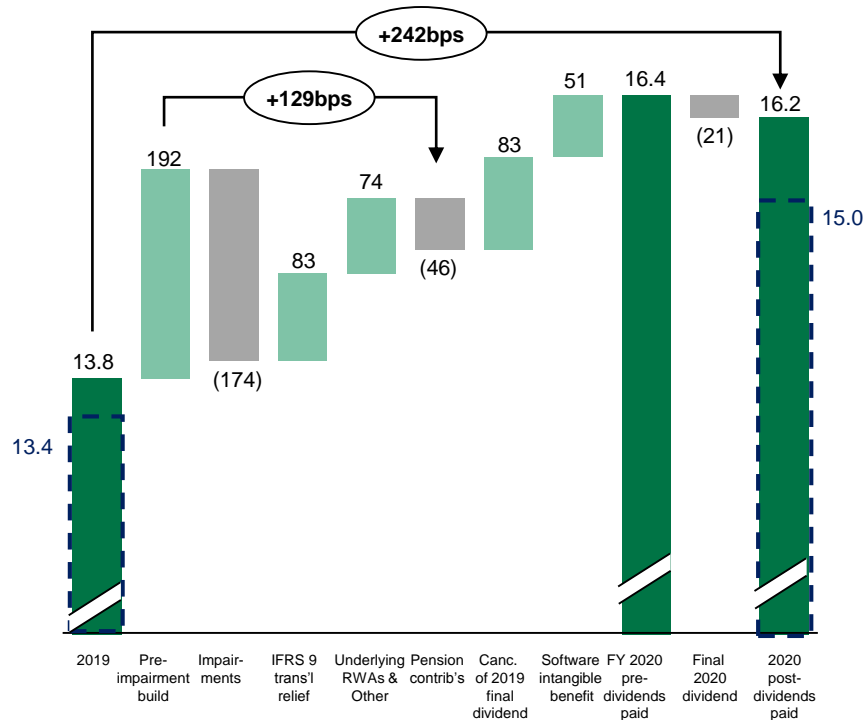



RWA regulatory headwinds



- **Stable overall RWA performance**
 - Strong RWA management
 - Delay in expected credit migration
- **RWA headwinds now delayed**
 - Foreseeable regulatory headwinds
 - CRR2, CRD IV model changes and proposed mortgage risk weight floors
 - Basel 3.1 incl. output floor
 - Credit migration
- **Active management to provide some offset**
- **Risk-weighted assets in 2021 to be broadly stable on 2020**
 - Headwinds from regulatory changes to increase RWAs from 2022

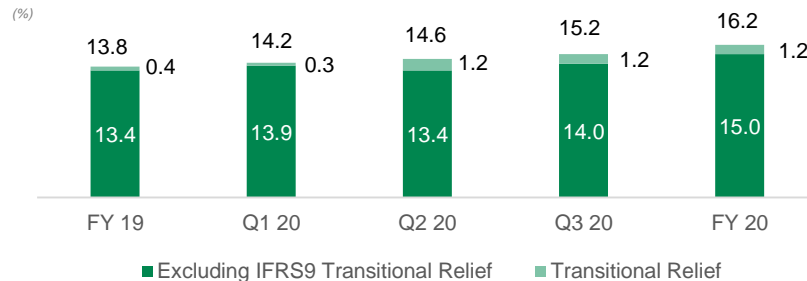
Enhanced capital strength with significant headroom over target and requirements



 CET1 ratio excluding transitional relief

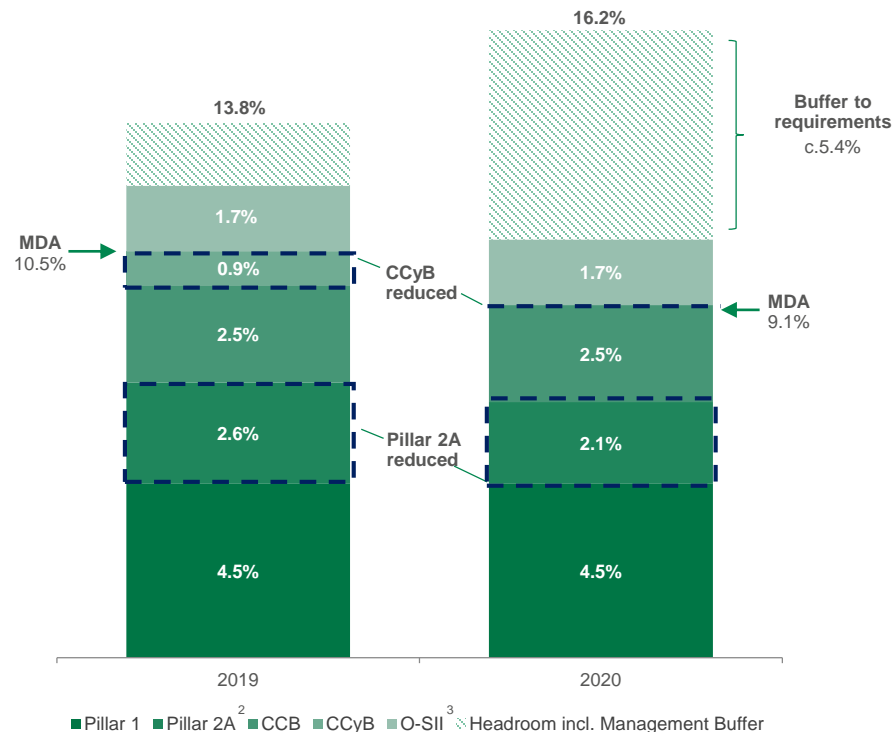
- Enhanced capital strength with CET1 ratio of 16.2% (15.7% excl. software intangible benefit)
- 2020 capital build of 129bps
- Pensions triannual review complete
- Ongoing CET1 target c.12.5% plus a management buffer c.1%
 - Significant headroom over c.11% requirement¹
- Final dividend of 0.57p; maximum allowable under PRA guidelines
- Intention to accrue dividends and resume progressive and sustainable ordinary dividend policy
- Expect 2021 capital build to be impacted by both profitability and expected IFRS 9 transitional relief unwind

Common equity tier 1 ratio



Increased headroom over capital requirements

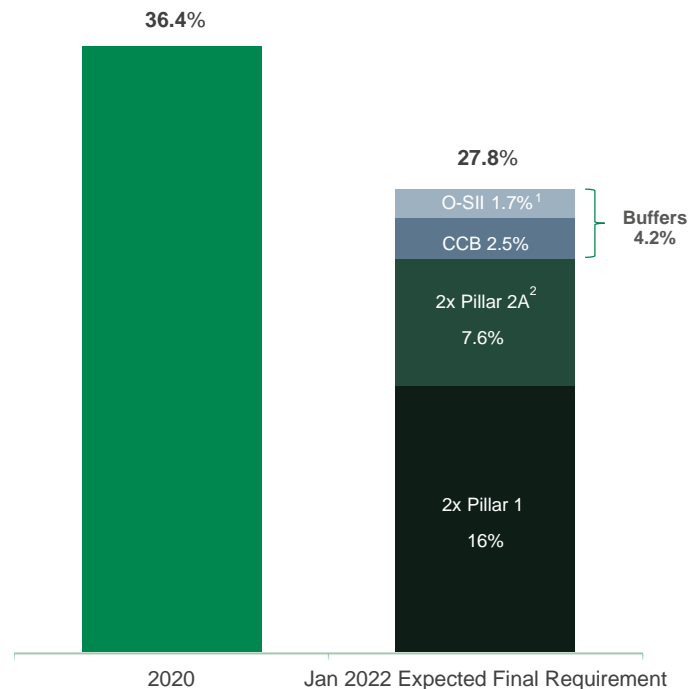
Common equity tier 1 ratio¹



- CCyB confirmed at 0% until at least Q4 2021; earliest implementation of any change now Q4 2022
- O-SII buffer (formerly Systemic Risk Buffer) maintained at current rate prior to reassessment in Dec 2022; earliest implementation of any change now January 2024
- Group Pillar 2A reduced to 2.1% over 2020 and will be set in nominal terms for 2021, providing stability of requirements should RWAs increase in stress

Well positioned for end-state MREL requirements

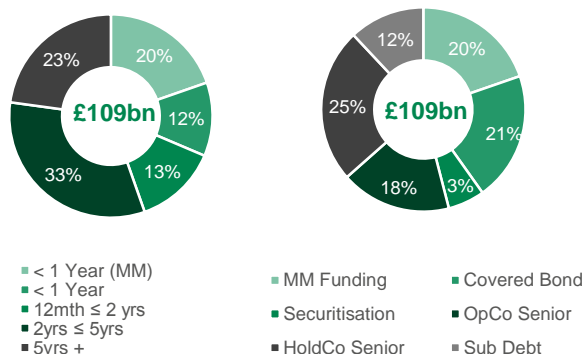
Transitional MREL ratio



- Strongly positioned with total capital ratio of 23.3%, well above requirements of 16.0%³, and MREL ratio of 36.4%; c.£5bn MREL eligible senior unsecured issued in 2020
- BoE Resolvability timeline unchanged at 1 Jan 2022; the BoE has commenced a review of the current MREL framework and expects to consult on proposed changes during the year with a view to setting final end-state requirements from 1 January 2022
- 2021 HoldCo issuance focused on meeting requirements and funding needs, including prudent buffers, at each legal entity level

Successful execution of 2020 funding plan; prudent funding and liquidity position

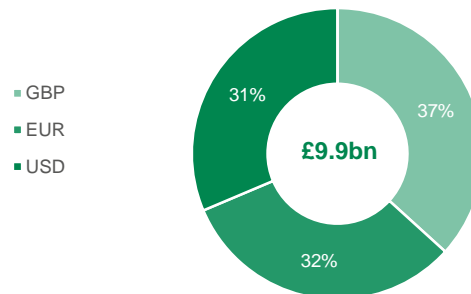
Wholesale funding portfolio by maturity and type



LCR stable and above minimum requirements; LDR reduced due to deposit inflow



2020 Funding by currency



2021 Issuance plan – expected to be less than £10bn

AT1 No near-term plans	Tier 2 No near-term plans
HoldCo Senior Limited to refinancing Expect to issue around £5bn	OpCo Minimal LB plc needs Expect LBCM to issue c.£2bn

- Average LCR % remains comfortably above regulatory minimum at 136%, with liquidity pool increasing to £142bn
- Loan to deposit ratio reduced to 98% due to continued deposit inflows
- £9.9bn equivalent issued in 2020
- c.£13.7bn TFSME drawn; access to over £40bn has reduced near-term funding needs
- 2021 issuance expected to be less than £10bn; annual steady state funding remains £15-20bn

Credit ratings remain strong, with negative pressures due to the pandemic

	UK Sovereign	HoldCo Lloyds Banking Group ¹	Ring-Fenced Bank Lloyds Bank, Bank of Scotland ¹	Non-Ring-Fenced Bank Lloyds Bank Corporate Markets ¹	Commentary
Standard and Poor's	AA / Sta	BBB+ / A-2 / Neg	A+ / A-1 / Neg	A / A-1 / Neg	<ul style="list-style-type: none"> Negative outlooks remain on most UK banks citing the potential earnings, asset quality and capitalisation pressures arising as a result of the coronavirus pandemic
Moody's	Aa3 / Sta	A3 / P-2 / Neg	A1 / P-1 / Sta	A1 / P-1 / Sta	<ul style="list-style-type: none"> Following the sovereign downgrade in October 2020, LB and BOS ratings downgraded from Aa3/Negative Outlook to A1/Stable Outlook due to the removal of the uplift for government support
Fitch	AA- / Neg	A+ / F1 / Neg	A+ / F1 / Neg	A+ / F1 / Neg	<ul style="list-style-type: none"> In February 2021, Fitch reviewed the ratings of the Group, RFB and NRFB, reaffirming all existing ratings and outlooks Negative outlooks on most UK banks, citing concerns around the impact of the coronavirus pandemic

Strategic Review 2021



Today's environment brings new challenges and opportunities

Our core capabilities

Purpose driven, customer focused business model

Differentiated and sustainable franchise

Digital leadership

Efficiency and investment focused

Low risk business



Challenges

Restoring personal and business finances to health

Increasing societal expectations

Macro environment to remain challenging

Accelerated shift to digital and new technology capabilities, with increased competition

Lasting changes to ways of working

Opportunities

Taking a transformational and leading role in Helping Britain Recover

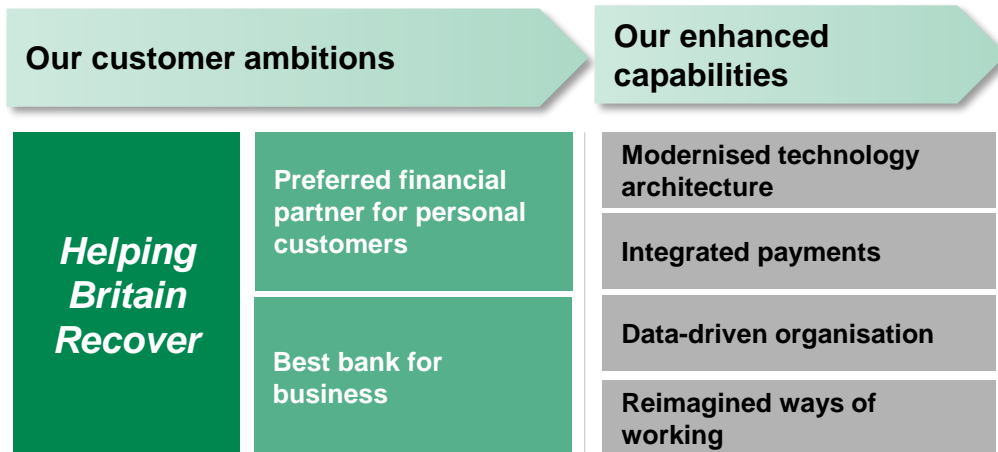
Repositioning and delivering revenue growth and diversification

Deepening customer relationships and delivering step change in efficiency through technology

Investing in people to support transformation and deliver a more inclusive organisation

Strategic Review 2021: The next evolution of our strategy

Our strategy – Building the UK's preferred financial partner



Our business model

Customer focused, sustainable, efficient and low risk UK financial services leader

- Core purpose of Helping Britain Prosper, with focus of **Helping Britain Recover** at the heart of our strategy
- Unlocking **coordinated growth opportunities** across our core businesses, supported by our **enhanced capabilities**
- **Clear execution outcomes** for 2021, underpinned by **long term strategic vision**
- Supported by significant levels of **strategic investment**

Helping Britain Recover: Focused on where we can make a difference, embedded in the business

Helping Britain Recover priorities



Help rebuild households' financial health and wellbeing



Support businesses to recover, adapt and grow



Expand availability of affordable and quality homes



Accelerate the transition to a low carbon economy



Build an inclusive society and organisation

Supporting our enhanced ambitions

>6,500 colleagues trained to support customers build their financial resilience

£10bn FTB¹ lending; continuing to support **good quality social housing**

Supporting **UK's transition to a low carbon economy** with expanded Group target of **net zero by 2050, or sooner:**

- Help reduce carbon emissions we finance by **>50% by 2030**
- **Halve** the carbon footprint of Scottish Widows investments **by 2030**
- Own operations carbon emissions **net zero by 2030**
- Expand funding for **green finance initiatives** from **£3bn to £5bn in 2021**

Leadership team **reflecting the society we serve**; aspiration of **50%** women, **3%** Black and **13%** Black, Asian and Minority Ethnic colleagues in senior roles **by 2025**

Strategic Review 2021: The next evolution of our strategy

Clear execution in 2021

- Guidance based on current economic assumptions:
 - Net interest margin to be **in excess of 240bps**
 - Operating costs to reduce further to **c.£7.5 billion**
 - Net asset quality ratio to be **below 40bps**
 - Improving profitability with **statutory RoTE between 5% and 7%** (new basis)
 - RWAs **broadly stable on 2020**
 - Intention to **accrue dividends** and resume **progressive** and **sustainable** ordinary dividend policy

Delivering sustainable shareholder value

Our customer ambitions

*Helping
Britain
Recover*

Preferred financial
partner for personal
customers

Best bank for
business

Our enhanced capabilities

Modernised technology
architecture

Integrated payments

Data-driven organisation

Reimagined ways of
working

Revenue generation
& diversification

Efficiency
gains

Low
risk

Capital
optimisation



Targeting medium term statutory RoTE
in excess of cost of equity

Strategic Review 2021: The next evolution of our strategy

**Core purpose of Helping Britain Prosper
remains unchanged**



**Focused on Helping Britain Recover, in
areas where we can make a difference**

**Unlocking co-ordinated growth
opportunities across core business areas**



Supported by our enhanced capabilities

Clear execution outcomes for 2021



Underpinned by long term strategic vision

Appendix



Prudent economic scenarios

Scenario	Probability weighting (%)	Balance sheet ECL (£m)
Upside	30	5,766
Base case	30	6,354
Downside	30	7,468
Severe downside	10	9,838
Probability-weighted ECL		6,860

Economic measure	Current scenario (%)			
	2020	2021	2022	2020-22
GDP	(10.5)	3.7	5.7	(1.9)
Interest rate	0.10	1.14	1.27	0.84
Unemployment rate	4.3	5.4	5.4	5.1
HPI growth	6.3	(1.4)	5.2	10.3
CRE price growth	(4.6)	9.3	3.9	8.4
GDP	(10.5)	3.0	6.0	(2.4)
Interest rate	0.10	0.10	0.10	0.10
Unemployment rate	4.5	6.8	6.8	6.0
HPI growth	5.9	(3.8)	0.5	2.5
CRE price growth	(7.0)	(1.7)	1.6	(7.1)
GDP	(10.6)	1.7	5.1	(4.5)
Interest rate	0.10	0.06	0.02	0.06
Unemployment rate	4.6	7.9	8.4	7.0
HPI growth	5.6	(8.4)	(6.5)	(9.6)
CRE price growth	(8.7)	(10.6)	(3.2)	(21.0)
GDP	(10.8)	0.3	4.8	(6.2)
Interest rate	0.10	0.00	0.00	0.04
Unemployment rate	4.8	9.9	10.7	8.4
HPI growth	5.3	(11.1)	(12.5)	(18.1)
CRE price growth	(11.0)	(21.4)	(9.8)	(36.9)

Coverage across business lines

	Drawn balances (£m) ¹				Expected credit loss provisions (£m) ¹				Coverage (excl. Recoveries)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail	302,872	46,185	5,488	354,545	827	1,985	1,196	4,008	0.3	4.3	22.5	1.1
<i>UK Mortgages</i>	253,043	37,882	4,459	295,384	110	798	697	1,605	0.0	2.1	15.6	0.5
<i>Cards</i>	11,454	3,264	339	15,057	250	548	160	958	2.2	16.8	58.8	6.4
<i>Motor</i>	12,786	2,216	199	15,201	197	171	133	501	1.5	7.7	66.8	3.3
<i>Other</i>	25,589	2,823	491	28,903	270	468	206	944	1.1	16.6	54.4	3.3
Commercial	70,558	14,316	3,524	88,398	359	741	1,295	2,395	0.5	5.2	36.7	2.7
Other ²	62,096	13	77	62,186	411	1	17	429	0.7	7.7	22.1	0.7
Total	435,526	60,514	9,089	505,129	1,597	2,727	2,508	6,832	0.4	4.5	28.1	1.4

Continued low mortgage LTVs

	2020 ¹				2019 ¹	2010 ¹
	Mainstream	Buy to let	Specialist	Total	Total	Total
Average LTVs	42.5%	49.7%	40.9%	43.5%	44.9%	55.6%
New business LTVs	65.1%	58.2%	n/a	63.9%	64.3%	60.9%
≤ 80% LTV	89.9%	98.6%	94.2%	91.6%	87.5%	57.0%
>80–90% LTV	9.6%	0.9%	2.3%	7.8%	10.0%	16.2%
>90–100% LTV	0.3%	0.2%	1.0%	0.3%	2.1%	13.6%
>100% LTV	0.2%	0.3%	2.5%	0.3%	0.4%	13.2%
Value >80% LTV	£23.6bn	£0.7bn	£0.6bn	£24.9bn	£36.2bn	£146.6bn
Value >100% LTV	£0.5bn	£0.2bn	£0.3bn	£1.0bn	£1.2bn	£44.9bn
Gross lending	£234bn	£50bn	£11bn	£295bn	£290bn	£341bn

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

Notes



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Website: www.lloydsbankinggroup.com/investors/fixed-income-investors

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Forward looking statements



This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as 'believes', '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; 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), the EU-UK Trade and Cooperation Agreement, and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election 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 climate change; 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 to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks. Lloyds Banking Group may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Lloyds Banking Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group to third parties, including financial analysts. 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