LLOYDS BANKING GROUP

# FIXED INCOME INVESTOR PRESENTATION

Q3 2020

# Group Overview & Strategy

# Simple group structure with multiple issuance points

| | HoldCo | |
|---|---|---|
| *Main Entities* | **Lloyds Banking Group** | |
| *Ratings[1]* | A3 / BBB+ / A+<br>Neg / Neg / Neg | P-2 / A-2 / F1 |
| *Example Products* | Senior Unsecured<br>Capital | - |

| Ring-Fenced Sub-Group | | Non-Ring-Fenced Sub-Group | | Insurance Sub-Group | | Equity Investments Sub-Group | |
|---|---|---|---|---|---|---|---|
| **Lloyds Bank, Bank of Scotland** | | **Lloyds Bank Corporate Markets** | | **Scottish Widows** | | **Lloyds Equity Investments** | |
| A1 / A+ / A+<br>Sta / Neg / Neg | P-1 / A-1 / F1 | A1 / A / A+<br>Sta / Neg / Neg | P-1 / A-1 / F1 | A2 / A / AA-[2]<br>Sta / Neg / Neg | - / A-1 / F-1 | - | - |
| Senior Unsecured<br>Covered Bonds<br>ABS | CD, CP | Senior Unsecured | CD, Yankee CD, CP | Capital | - | - | - |
| L&A[4]: **£488bn** | Assets: **£608bn** | L&A: **£25bn[5]** | Assets: **£99bn** | L&A: N/A | Assets: **£160bn[3]** | L&A: **N/A** | Assets: **£4bn** |
| **EU sub: Berlin** | | **EU sub: Frankfurt** | | **EU sub: Luxembourg** | | | |

1 - Ratings shown as Moody's/S&P/Fitch. 2 – Rating shown is for Scottish Widows Ltd Insurance Financial Strength Rating. 3 – Insurance assets includes Wealth. 4 – "L&A" refers to Loans & Advances to Customers and banks. 5 – L&A & Total Assets as at H1 2020.

# Encouraging business recovery with return to profitability in Q3

**Best bank for customers, colleagues and shareholders**

## Encouraging business recovery in a challenging operating environment

- **Open mortgage book up £3.5bn in Q3 and 22% share of approvals**[1]
- Supporting businesses with **18% share of government support loans**[2]
- **Deposits up £35bn YTD** with Retail current accounts growing ahead of market
- **Q3 impairment experience benign,** although outlook remains uncertain

## Resilient business model with return to profitability in Q3

- **Significant improvement in statutory profit** in Q3, with **RoTE of 7.4%**
- **BAU costs down 5% year on year** with continued focus on efficiency
- **Impairment and RWA guidance enhanced** with other guidance maintained
- **CET1 strengthened, with significant headroom to requirements and target**

## Continued focus on strategic execution

- Ongoing investment with GSR3 **strategic investment of £2.6bn** to date
- **Record digital customer engagement and satisfaction scores**
- **Learnings from coronavirus crisis** will inform future strategic thinking

1 – Bank of England; average market share for July and August 2020; August YTD share 21%. 2 – UK Finance.

# Continuing to build an inclusive and more sustainable future

## Proactive response to coronavirus pandemic

- Working with the Government, regulators and other stakeholders to **help Britain recover**
- Proactively **supporting customers, colleagues and communities**; mental health and well-being key areas
- Guaranteed **£25.5m of funding to our charitable Foundations** in 2021 to continue vital work in communities

## Diversity

- Announced **Race Action** plan to **drive cultural change, recruitment and progression** across the Group
- Quantified target to **increase Black representation in senior roles** in addition to existing diversity targets
- Moody's note the **Race Action plan is credit positive** given improved diversity and reduced social risk

## Sustainability

- Ambitious goal to help **reduce the carbon emissions we finance by >50% by 2030**
- **2030 internal carbon reduction target already met**; developing **new internal carbon, energy and travel targets**
- **5 new green customer propositions**, including home energy saving tool and sustainable agriculture product
- **Committed to invest £2bn in BlackRock's climate transition fund** via Scottish Widows flagship pension fund

**See more detail in our 2020 ESG Investor Presentation**

# Well placed to deliver for shareholders

OUR PURPOSE — **Helping Britain Prosper**

OUR AIM — **Best bank for customers, colleagues and shareholders**

OUR BUSINESS MODEL — **Digitised, simple, low-risk, customer focused, UK financial services provider**

- **Return to profitability with Q3 statutory profit after tax £688m and RoTE 7.4%**
- **Mortgage activity picking up strongly and increase in Retail current accounts ahead of the market; business strength offsetting yield curve pressure**
- **Continued cost leadership, solid pre-provision profit and enhanced capital strength provide significant loss absorbing capacity**
- **Significant uncertainties remain and will persist while pandemic continues**
- **2020 guidance reflects proactive response to the challenging economic environment; based on current macroeconomic assumptions**
  - NIM expected to remain broadly stable around c.240bps in Q4, resulting in a full year margin of c.250bps
  - Operating costs to be below £7.6bn
  - Impairment now expected to be at the lower end of the £4.5bn to £5.5bn range
  - RWAs now expected to be broadly stable at Q3 level
- **Well positioned for long-term superior and sustainable returns**

# Q3 2020 Results

# Resilient business model with return to profitability in Q3

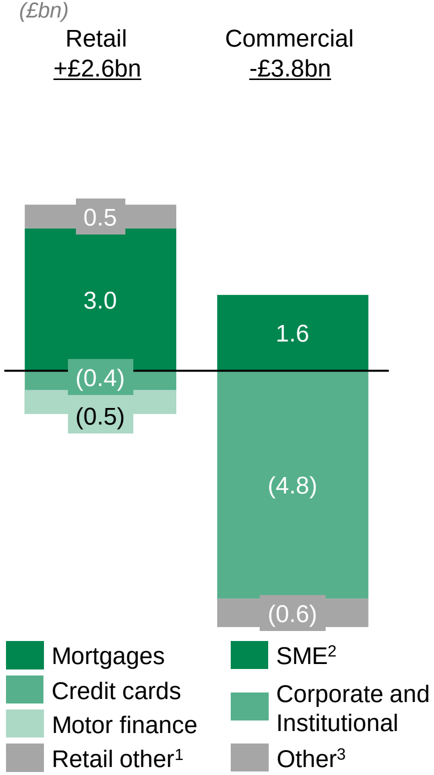
| | Q3 2020[1] | 2020 YTD[1] |
|---|---|---|
| Net income | £3.4bn *(2)%* | £10.8bn *(17)%* |
| Cost:income ratio (incl. remediation) | 56.9% *+1.7pp* | 53.8% *+7.3pp* |
| Pre-provision operating profit | £1.5bn *(6)%* | £5.0bn *(28)%* |
| Impairment | £301m | £4.1bn |
| Statutory profit before tax | £1,036m | £434m |
| Statutory return on tangible equity | 7.4% *+12.2pp* | 2.5% *(4.3)pp* |
| TNAV | 52.2p *+0.6p* | 52.2p *+0.2p* |
| CET1 ratio | 15.2% | |

- **Q3 net income £3.4bn, down 2% on Q2; Q3 NIM 2.42%**
- **Other income of £1.0bn in Q3 impacted by lower customer activity levels and AMMR[2] charge**
- **Total costs £5.8bn YTD, down 4%; BAU costs down 5%**
- **Return to profitability in Q3 with statutory profit before tax of £1.0bn and profit after tax of £0.7bn**
- **TNAV of 52.2p, increased 0.6p on Q2**
- **Balance sheet strength maintained and capital enhanced**
  - Loan:deposit ratio 98% with asset growth and significant increase in deposits
  - CET1 ratio of 15.2% (14.0% excluding transitionals)

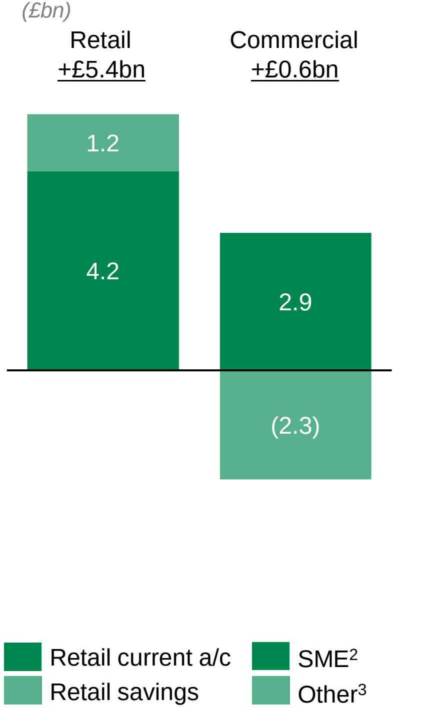
1 – Q3 2020 variance quoted against Q2 2020; 2020 YTD variance quoted against the first 9 months of 2019. 2 – Asset Management Market Review.

# Strength of customer franchise in Q3

## Movement in lending in Q3




## Movement in deposits in Q3



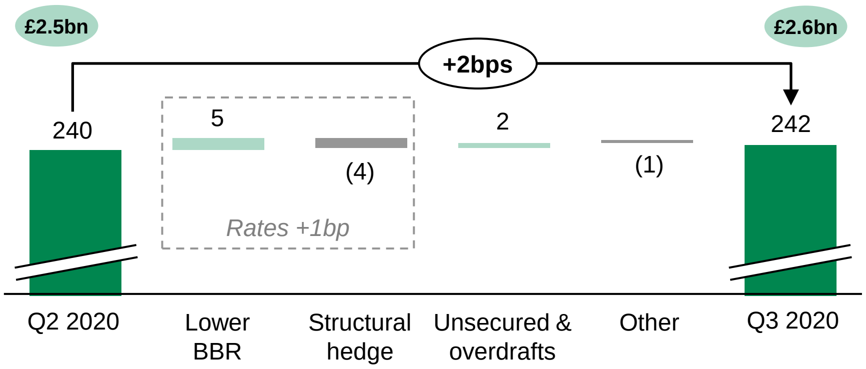

- **£3bn net growth in mortgages in Q3 with £3.5bn increase in open mortgage book; 22% market share of approvals[4] and strong pipeline**
- **Consumer finance balances 2% below Q2[5]**
- **SME borrowing largely through government-backed schemes; estimated c.50% remain on deposit**
  - c.£11bn[6] of government support scheme lending with market share of 18%[7]
  - Reduction in corporate and institutional balances includes repayment of RCFs and other facilities
- **AIEAs slightly higher in Q3 and expected to benefit in Q4 from increased mortgage lending**
- **Deposits up £35bn YTD with Retail current accounts up ahead of the market in Q3 given inflows to our trusted brands**
  - Retail deposits up c.£19bn, Commercial up c.£16bn

1 – Primarily Europe. 2 – SME includes Retail Business Banking. 3 – Includes Mid Corporates, other commercial. 4 – Bank of England; average market share for July and August 2020; August YTD share 21%. 5 – Includes Motor finance. 6 – At 23/10/2020. 7 – UK Finance.

# Emerging margin stability with stronger volume growth

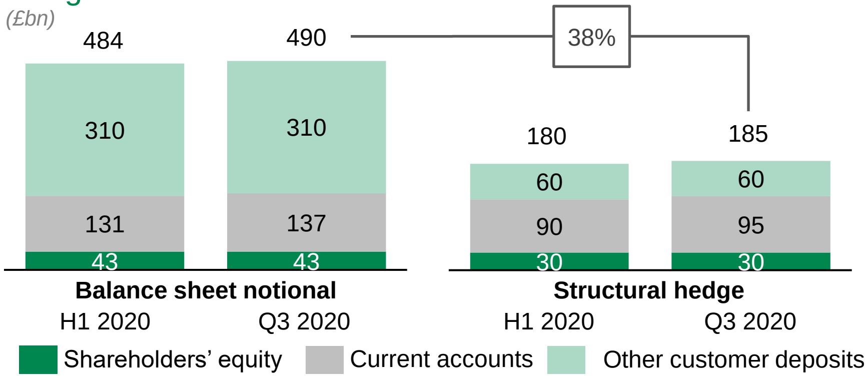
## Net interest income and banking net interest margin

*(£, bps)*




## Hedged balances[1]

*(£bn)*

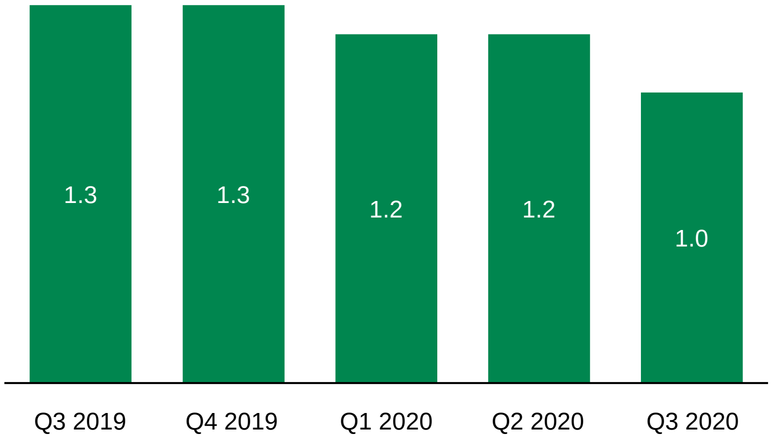



- **NII of £8.1bn YTD, £2.6bn in Q3**
  - Q3 NIM of 242bps, consistent with guidance; strong lending performance will support Q4 NII, offsetting yield curve pressure
  - Growth in high quality mortgages with new business margins above front book maturities
  - AIEAs slightly higher at £436bn in Q3 with growth in mortgages and support scheme lending, offset by lower retail unsecured and corporate and institutional balances
- **Structural hedge of £185bn; c.2 years weighted average life and YTD hedge earnings 0.8% or £1.1bn over average LIBOR**
- **NIM expected to remain broadly stable around c.240bps in Q4, resulting in a full year margin of c.250bps**

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

# Low level of customer activity continues to impact other income

## Other income
*(£bn)*




- **Other income of £3.4bn YTD with £1.0bn in Q3**
- **Q3 impacted by lower activity and c.£80m one-off charge relating to Asset Management Market Review (AMMR)**
  - Resilient Q3 in Retail supported by increased card spend
  - Lower markets and modest transaction banking volumes in Commercial
  - Insurance impacted by reduced levels of new business, AMMR charge and positive one-off methodology change in H1 2020
- **Expected to remain muted in Q4 given activity levels and potential persistency assumption changes**
- **Ongoing investment to build the business and increase diversification, with activity expected to recover in 2021**

# Continued progress in efficiency enabling ongoing strategic investment

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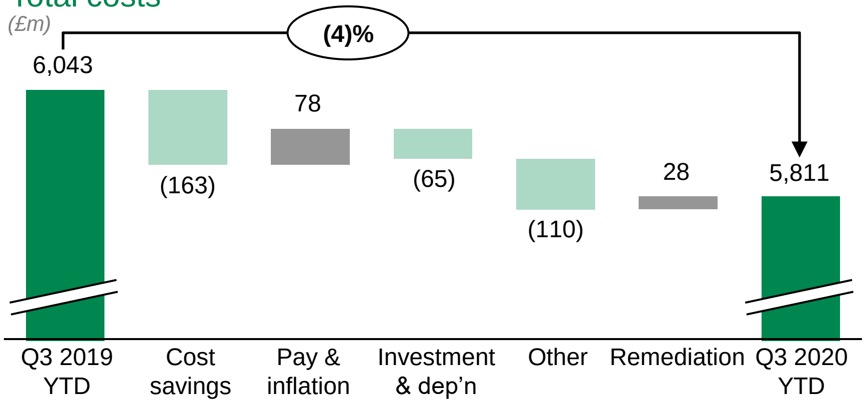
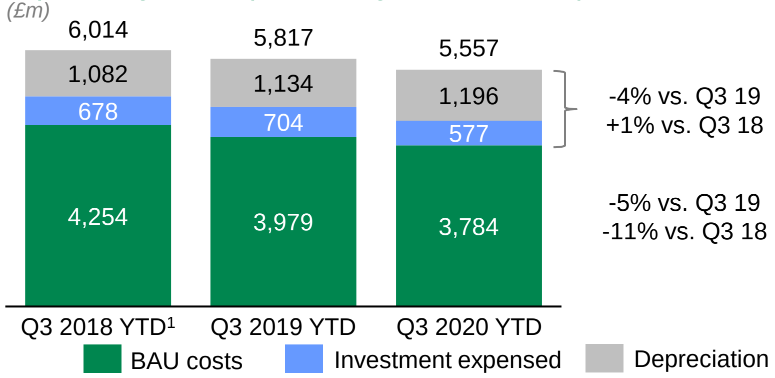
## Total costs




## Operating costs (excluding Remediation)




- **Total costs of £5.8bn down 4% with operating costs down 4%**
  - 5% lower BAU costs enables continued investment and enhanced customer support, whilst partly offsetting revenue pressures
  - £28m additional remediation charges relating to existing programmes
- **Investment spend of £1.6bn adapted to the pandemic situation; 16% lower than prior year**
  - Continued investment in the Group's long-term development; £2.6bn GSR 3 strategic spend to date
- **Operating costs expected to be below £7.6bn in 2020**

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

# Strong underlying credit performance in Q3, although uncertainty remains

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| Impairment charges (£m) | Q3 YTD | Q3 20 | H1 20 | PY YTD | *Incr.* |
|---|---|---|---|---|---|
| **Charges pre-updated MES** | **1,192** | 404 | 788 | 950 | *242* |
| Retail | **976** | 398[1] | 578 | 816 | *160* |
| Commercial Banking | **211** | 5 | 206 | 194 | *17* |
| Other | **5** | 1 | 4 | (60) | *65* |
| **Coronavirus impacted restructuring cases[2]** | **434** | 2 | 432 | – | *434* |
| **Updated economic outlook** | **2,493** | (105) | 2,598 | – | *2,493* |
| Retail | **1,442** | (75) | 1,517 | – | *1,442* |
| Commercial Banking | **851** | (30) | 881 | – | *851* |
| Severe scenario overlay | **200** | – | 200 | – | *200* |
| **Total impairment charge** | **4,119** | 301 | 3,818 | 950 | *3,169* |

| Expected credit loss | Prob. -weighted | Base case | Upside | Downside | Severe downside |
|---|---|---|---|---|---|
| *Weighting* | | *30%* | *30%* | *30%* | *10%* |
| Balance sheet ECL | £7,136m | £6,627m | £6,011m | £7,416m | £11,202m |

- **Impairment experience in Q3 relatively benign, benefitting from government support schemes**
- **Q3 charge includes additional £205m management overlay in Retail to offset model releases based on Q3 performance, given temporary support programmes**
- **£105m release reflects minor changes to economic assumptions, largely HPI-related**
- **Stock of ECL[3] broadly stable at £7.1bn**
  - Base case now includes peak unemployment of 9% in Q1 2021; 2020 GDP (10)% and HPI 2%
  - Severe scenario, weighted at 10%, generates £11.2bn ECL; peak unemployment 12.5% in Q2 21
- **Based on current macroeconomic assumptions, 2020 impairment now expected to be at the lower end of the £4.5bn to £5.5bn range**

1 – Includes £205m management overlay. 2 – Further charges on existing material cases in restructuring at the end of 2019 where coronavirus has directly hampered the recovery strategy. 3 – Expected credit loss.

# Maintained prudent reserving across business lines

| (£m) | ECL Q3 2020 | Net ECL increase | *P&L charge* | *Write-offs* | ECL 2019 |
|---|---|---|---|---|---|
| Retail | **4,289** | 1,493 | 2,418 | (925) | 2,796 |
| *Secured* | ***1,772*** | *556* | *624* | *(68)* | *1,216* |
| *Cards* | ***1,039*** | *433* | *792* | *(359)* | *606* |
| *Motor* | ***557*** | *170* | *268* | *(98)* | *387* |
| *Other* | ***921*** | *334* | *734* | *(400)* | *587* |
| Commercial | **2,590** | 1,275 | 1,496 | (221) | 1,315 |
| Other | **257** | 207 | 205 | 2 | 50 |
| **Total** | **7,136** | 2,975 | 4,119 | (1,144) | 4,161 |

| | Drawn (£bn)[1] | ECL (£m)[1] | Coverage (excl. Recoveries) | | | |
|---|---|---|---|---|---|---|
| | | | Stage 1 | Stage 2 | Stage 3 | Total |
| Retail | **348.6** | **4,289** | 0.3% | 4.5% | 21.7% | **1.2%** |
| *Secured* | ***289.4*** | ***1,772*** | *0.0%* | *2.2%* | *16.4%* | ***0.6%*** |
| *Cards* | ***15.6*** | ***1,039*** | *2.2%* | *19.6%* | *44.1%* | ***6.7%*** |
| *Motor* | ***15.4*** | ***557*** | *1.6%* | *7.6%* | *61.0%* | ***3.6%*** |
| *Other* | ***28.2*** | ***921*** | *1.3%* | *21.0%* | *48.2%* | ***3.3%*** |
| Commercial | **93.5** | **2,565** | 0.5% | 5.1% | 40.4% | **2.7%** |
| Other[2] | **63.6** | **230** | 0.3% | 7.7% | 23.8% | **0.4%** |
| **Total** | **505.7** | **7,084** | 0.3% | 4.6% | 29.0% | **1.4%** |

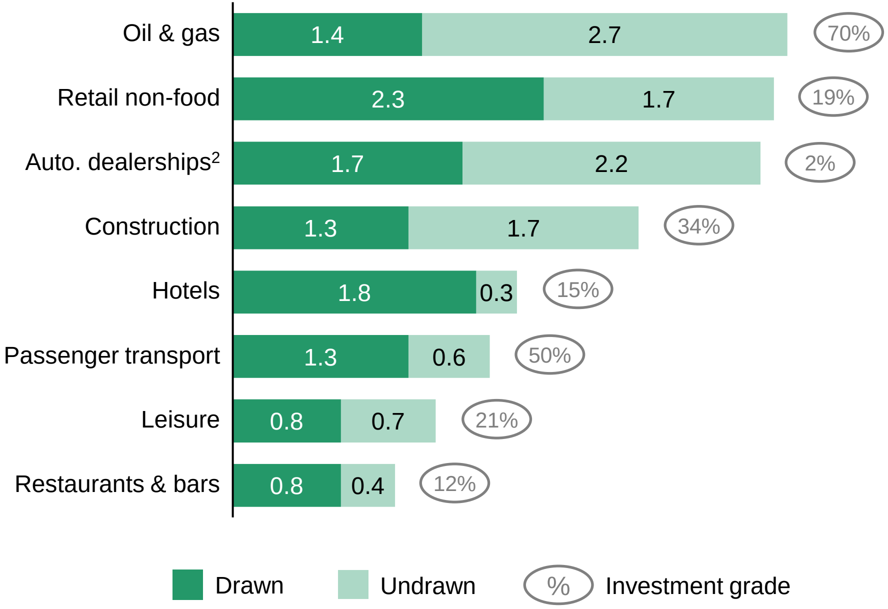
- **YTD impairment charge of £4.1bn contributing to £3bn ECL increase, largely in Q2**
- **Write-offs remain at pre-crisis levels (FY 2019 £1.6bn) although provisions reflect anticipated increase**
- **Stock of ECL provisions £7.1bn, providing significant balance sheet resilience, consistent with economic forecasts**
- **Overall coverage remains strong at 1.4% of total lending and 29.0% on Stage 3 assets**
- **87% of Retail Stage 2 up to date, 97% in Commercial**
- **Coverage on Cards portfolio of 6.7%, up 0.4pp in Q3, with proactive charge off policy at 4 months in arrears**
  - Stage 2 balances prudently increased from £2.1bn to £3.4bn in Q3
  - With additional 12 month charge off policy, Cards Stage 3 coverage would increase to 69%, overall to 9.1%[3]

1 – Loans and advances to customers only; excludes £52m of ECL on other assets at 30/09/2020 (£19m at 31/12/2019). 2 – Includes reverse repos of £60.0bn which dilutes reported Group coverage by 0.2pp.
3 – Estimated based on last 12 months charge-offs retained in Stage 3 at appropriate coverage.

# Diversified commercial portfolio with limited exposure to most impacted sectors

## Lending in key coronavirus-impacted sectors[1]

*(£bn)*



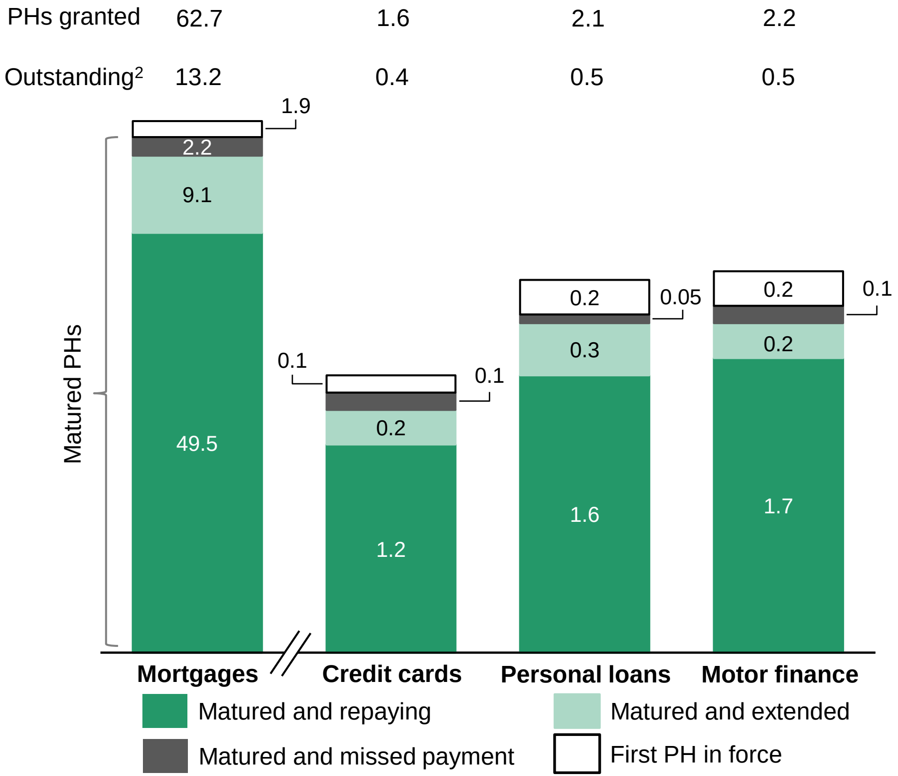

- **Small reduction in balances in coronavirus-impacted sectors since half year**
- **c.2% of Group lending and c.12% of Commercial to key impacted sectors**
- **De-risking of core loan book over the last 10 years**
  - c.70% of total exposure[3] at investment grade and significant risk transfer transactions in recent years
  - c.90% of SME lending secured
- **Continued optimisation of corporate and institutional book with revolving credit facilities and other facilities at pre-March levels**
- **CRE portfolio of c.£14.3bn[4], down £0.4bn in Q3**
  - Average CRE LTV 49% and c.70% with LTV <60%[4,5]

1 – Lending classified using ONS SIC codes at legal entity level. 2 – Automotive dealerships includes Black Horse Motor Wholesale lending (within Retail). 3 – Commercial Banking excluding SME exposures. 4 – Net of significant risk transfers. 5 – Lending over £1m.

# Majority of first payment holidays matured with high proportion repaying

## Current status of Retail payment holidays and balances[1]

*(£bn)*




- **Payment holidays granted on £69bn of lending, with <£15bn now outstanding[2]**
  - 96% of first payment holidays (PHs) have matured, of which 82% of mortgage customers have resumed payment, 80% cards, 82% loans, 84% motor
  - Missed payments on £2.2bn mortgage balances, £91m cards, £47m loans, £138m motor
  - c.30% of extended mortgage PHs now expired with 90% resuming payment
- **c.35% of outstanding PHs in Stage 2[3]; moving all Stage 1 PHs to Stage 2 would drive <£100m further ECL**
  - Only £300m of credit card balances extended or missed payment, including £91m in early arrears
- **33k SME CRHs[4], equivalent to £5.9bn and >90% secured; low levels of maturities to date**

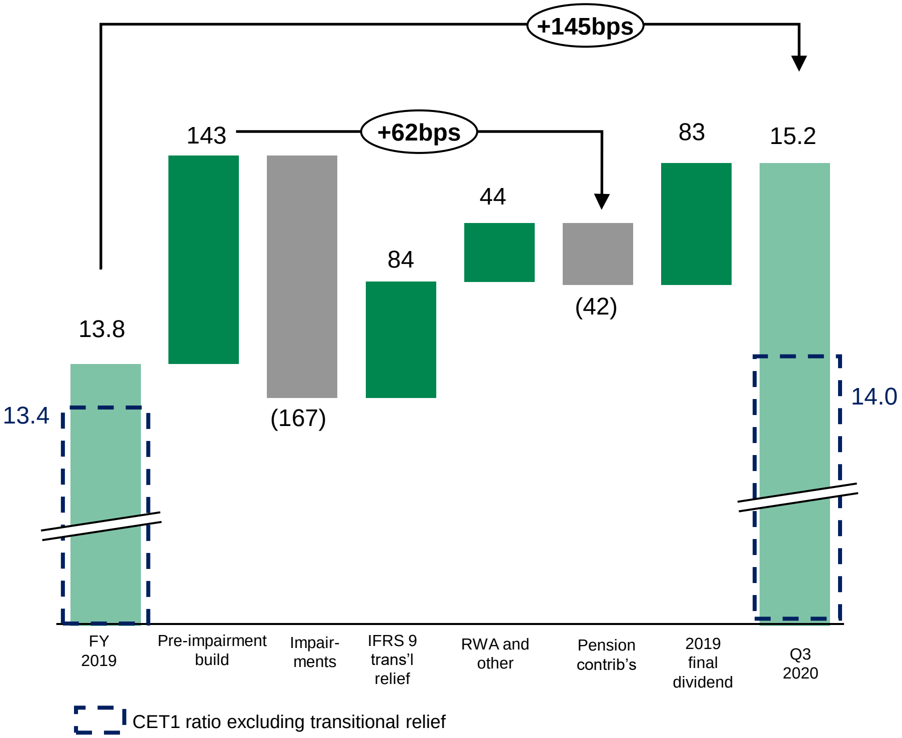
1 – Mortgages, credit cards and personal loans at 24/10/2020; motor finance at 23/10/2020. Analysis of mortgage PHs excludes SJP, IF and Tesco portfolios; motor finance PHs exclude Lex Autolease.
2 – Includes matured and extended, matured and missed payment, first PH in force. 3 – At 28/09/2020. 4 – Capital repayment holidays, including Retail Business Banking; at 23/10/2020.

# Capital, Funding & Liquidity

# Improved CET1 position with significant resources to support customers

## Common equity tier 1 ratio

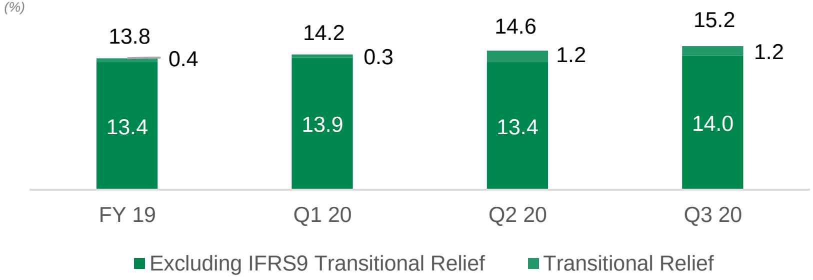
*(%, bps)*




- **Enhanced capital strength with CET1 ratio of 15.2% (14.0% excl. transitionals)**
- **Q3 capital build of 64bps, including benefit from RWA reductions**
- **Potential c.50bps benefit from software intangible change in Q4, subject to regulatory approval[1]**
- **Ongoing CET1 target c.12.5% plus a management buffer c.1%**
- **Better overall RWA performance and delay in expected credit migration; now expect 2020 broadly stable at Q3 level**
- **Strong CET1 ratio excl. Transitionals; RWA headwinds and IFRS 9 transitional unwind now expected in 2021**

## Common equity tier 1 ratio

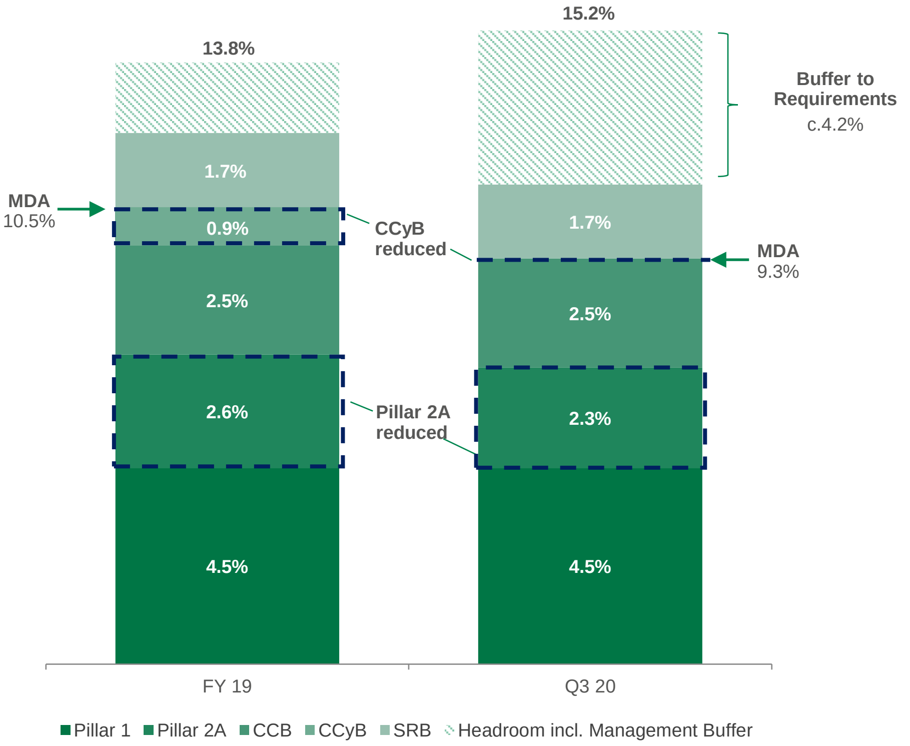
*(%)*




1 – Based on 3 year regulatory amortisation profile as outlined in the recent EBA Regulatory Technical Standard; the PRA is assessing the impact of the change in treatment which could result in further changes to the Pillar 2 requirement

# Increased headroom over capital requirements

## Common equity tier 1 ratio

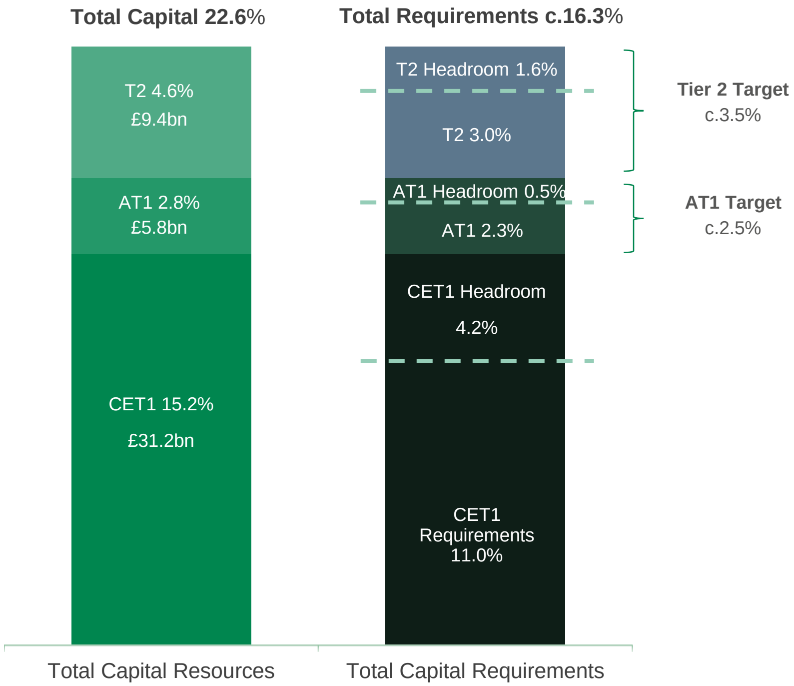



- **UK CCyB – reduced to 0% in March; earliest implementation date for any increase is March 2022**
- **Systemic Risk Buffer (O-SII buffer) – reaffirmed in April 2020; next assessment in Dec 2021**
- **Group Pillar 2A – reduced to 2.3% in 2020 and now set in nominal terms providing stability of requirements should RWAs increase in stress**
- **Pillar 2A expected to reduce by 0.3% by year end 2020 although, based on PRA policy statements, it is expected to be offset by other regulatory capital requirements**

1 - Systemic Risk Buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level. 2 – CET1 ratio at 31 December 2019 shown pro-forma, reflecting the dividend paid up by the Insurance business in the subsequent first quarter period. 3 – Pillar 2A reviewed annually by the PRA. 4 – CET1 requirements shown exclude any other PRA buffer requirement which we are not permitted to disclose

# Capital strength through the capital stack, with headroom above regulatory requirements

## Q3 20 Total Capital Stack

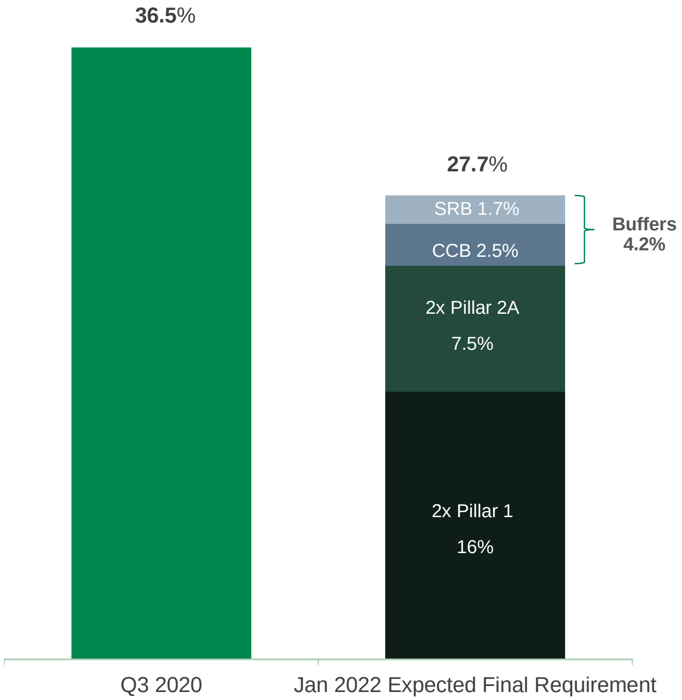



- **Total capital stack shows prudent headroom to regulatory requirements and target capital levels:**
  - **CET1 target c.12.5%+ c.1%**
  - **AT1 target c.2.5%**
  - **Tier 2 target c.3.5%**
- **Continue to manage the Group and legal entity capital position in an efficient and optimised manner for transitional run-off, amortisation and variations through FX etc**

1 – CET1 requirements excludes any PRA buffer requirements not permitted to disclose

# Well positioned for end-state MREL requirements

## Transitional MREL Ratio

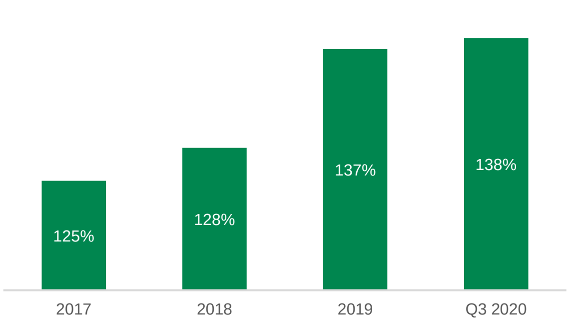



- **BOE Resolvability timeline unchanged at 1 Jan 2022; final requirement to be confirmed in Q4**
- **PRA reduced Group Pillar 2A to 4.2% from 4.6% in 2020**
- **Strongly positioned with transitional MREL ratio of 36.5%; c£5bn MREL eligible debt issued YTD**
- **Future HoldCo Capital and MREL issuance focused on meeting requirements and funding needs, including prudent buffers, at each legal entity level**

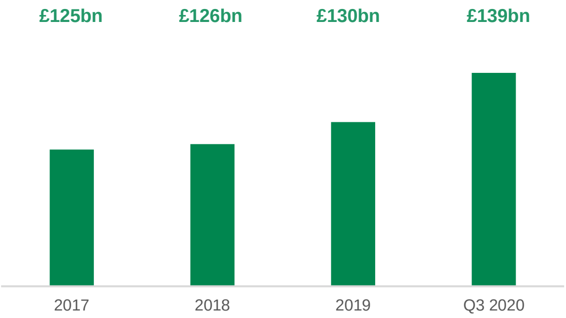
1 - Systemic Risk Buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level. 2 – Pillar 2A reviewed annually by the PRA. Expected Final P2A component based on September 2020 notional requirement and RWAs

# Strong liquidity position maintained

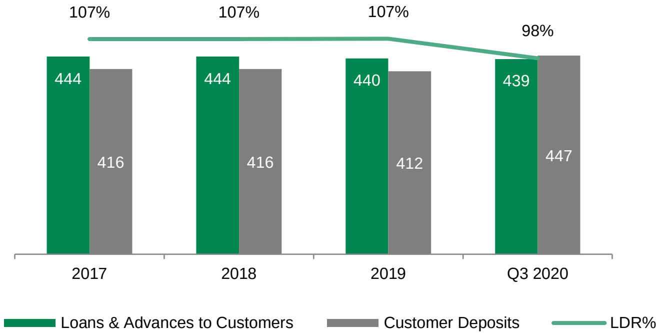
## LCR well above regulatory minimum[1]



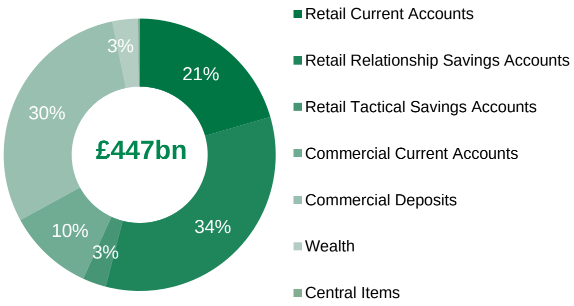

## High Quality Liquidity Pool[2]




## Loan to deposit ratio reduced to 98%




## High quality deposit base

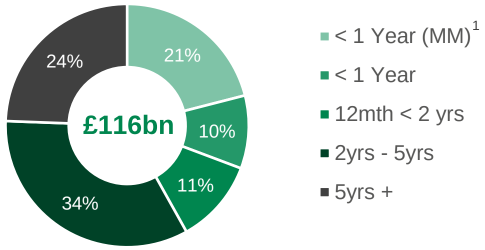



- **Average LCR % remains comfortably above regulatory minimum at 138%**
- **Liquidity pool increased to £139bn in Q3 and is predominantly made up of cash and high quality bonds**
- **c.£13.7bn of TFSME drawn and access to c.£40bn**
- **Loan to deposit ratio reduced to 98% due to continued deposit inflows to the Group's trusted brands in an uncertain environment**
- **Retail deposits comprise c.60% of total customer deposits**

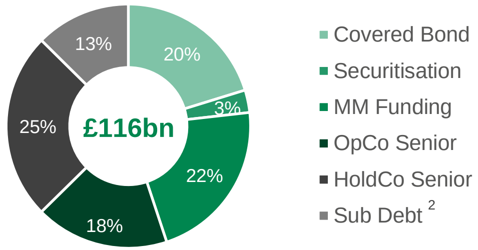
1 - The Liquidity Coverage Ratio is calculated as a simple average of month end observations over the previous 12 months. 2 - Eligible assets are calculated as a simple average of month end observations over the previous 12 months.

# Group funding portfolio strongly positioned, with 2020 issuance plan largely complete

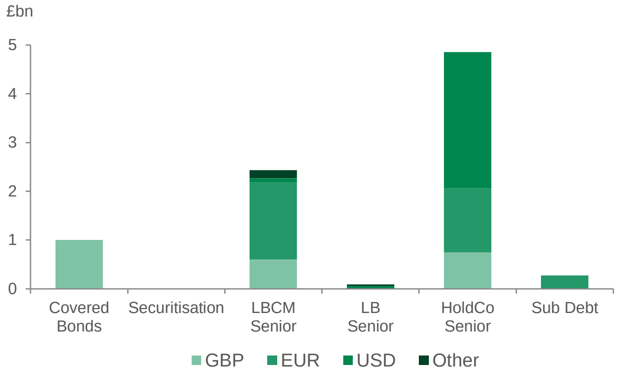
## Funding Portfolio by Maturity at Q3 2020



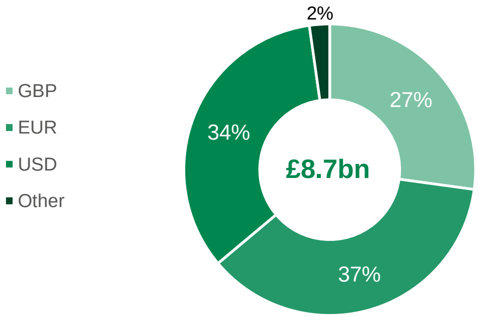

## Funding Portfolio by Product at Q3 2020




## 9M 2020 Funding by Product




## 9M 2020 Funding by Currency




- **Steady-state requirements remain c.£15-20bn p.a.**
- **£8.7bn equivalent issued YTD against 2020 guidance of £10-£15bn**
- **Access to c.£40bn TFSME and deposit inflows leave limited residual 2020 funding need although remain alive to market opportunities**
- **Several LMEs executed to optimise liability stack and provide liquidity to the market**

1 – Excludes balances relating to margins of £6.1 billion. 2 – Excludes AT1

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

| | | HoldCo | Ring-Fenced Bank | Non-Ring-Fenced Bank | |
|---|---|---|---|---|---|
| | UK Sovereign | Lloyds Banking Group | Lloyds Bank, Bank of Scotland | Lloyds Bank Corporate Markets | Commentary |
| Standard and Poor's | *AA / Sta* | *BBB+ / A-2 / Neg* | *A+ / A-1 / Neg* | *A / A-1 / Neg* | • Negative outlooks on most UK banks citing the potential earnings, asset quality and capitalisation pressures arising as a result of the pandemic |
| Moody's | *Aa3 / Sta* | *A3 / P-2 / Neg* | *A1 / P-1 / Sta* | *A1 / P-1 / Sta* | • Following the sovereign downgrade in October, 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* | • Negative outlooks on most UK banks, citing concerns around the impact of the coronavirus pandemic |

1 – Bank ratings shown are LT / ST / Outlook.

# Appendix

# Prudent economic scenarios

LLOYDS BANKING GROUP

| Scenario | Probability weighting (%) | Balance sheet ECL (£m) |
|---|---|---|
| Base case | 30 | 6,627 |
| Upside | 30 | 6,011 |
| Downside | 30 | 7,416 |
| Severe downside | 10 | 11,202 |
| Probability-weighted ECL | | 7,136 |

| Economic measure | Current scenario (%) | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | *2020-22* |
| GDP | (10.0) | 6.0 | 3.0 | (1.7) |
| Interest rate | 0.10 | 0.10 | 0.10 | 0.10 |
| Unemployment rate | 5.2 | 7.8 | 5.9 | 6.3 |
| House price growth | 2.0 | (4.0) | 1.0 | (1.1) |
| CRE price growth | (12.0) | (0.6) | 4.1 | (8.9) |
| GDP | (9.9) | 7.0 | 3.2 | (0.5) |
| Interest rate | 0.13 | 0.80 | 1.26 | 0.73 |
| Unemployment rate | 5.2 | 7.2 | 5.2 | 5.8 |
| House price growth | 3.2 | 0.2 | 6.7 | 10.4 |
| CRE price growth | (5.8) | 10.4 | 5.2 | 9.3 |
| GDP | (10.5) | 4.8 | 2.5 | (3.8) |
| Interest rate | 0.10 | 0.11 | 0.12 | 0.11 |
| Unemployment rate | 5.2 | 8.3 | 6.9 | 6.8 |
| House price growth | 1.2 | (9.4) | (6.1) | (13.9) |
| CRE price growth | (15.7) | (8.7) | 1.3 | (22.0) |
| GDP | (13.3) | (0.7) | 5.2 | (9.4) |
| Interest rate | 0.08 | 0.02 | 0.02 | 0.04 |
| Unemployment rate | 5.4 | 11.6 | 9.2 | 8.7 |
| House price growth | 0.3 | (13.4) | (12.9) | (24.3) |
| CRE price growth | (20.8) | (19.7) | (4.1) | (39.0) |

# 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 | 292,911 | 50,119 | 5,522 | **348,552** | 898 | 2,233 | 1,158 | **4,289** | 0.3% | 4.5% | 21.7% | **1.2%** |
| *Secured* | *243,097* | *41,822* | *4,520* | ***289,439*** | *111* | *918* | *743* | ***1,772*** | *0.0%* | *2.2%* | *16.4%* | ***0.6%*** |
| *Cards* | *11,847* | *3,408* | *316* | ***15,571*** | *261* | *669* | *109* | ***1,039*** | *2.2%* | *19.6%* | *44.1%* | ***6.7%*** |
| *Motor* | *12,276* | *2,838* | *236* | ***15,350*** | *198* | *215* | *144* | ***557*** | *1.6%* | *7.6%* | *61.0%* | ***3.6%*** |
| *Other* | *25,691* | *2,051* | *450* | ***28,192*** | *328* | *431* | *162* | ***921*** | *1.3%* | *21.0%* | *48.2%* | ***3.3%*** |
| Commercial | 73,845 | 16,159 | 3,472 | **93,476** | 340 | 823 | 1,402 | **2,565** | 0.5% | 5.1% | 40.4% | **2.7%** |
| Other[2] | 63,534 | 13 | 80 | **63,627** | 210 | 1 | 19 | **230** | 0.3% | 7.7% | 23.8% | **0.4%** |
| **Total** | 430,290 | 66,291 | 9,074 | **505,655** | 1,448 | 3,057 | 2,579 | **7,084** | 0.3% | 4.6% | 29.0% | **1.4%** |

1 – Loans and advances to customers only; excludes £52m of ECL on other assets at 30/09/2020 (£19m at 31/12/2019). 2 – Includes reverse repos of £60.0bn which dilutes reported Group coverage by 0.2pp.

# Continued low mortgage LTVs

| | September 2020[1] | | | | Dec 2019[1] | Dec 2010[1] |
|---|---|---|---|---|---|---|
| | Mainstream | Buy to let | Specialist | Total | Total | Total |
| Average LTVs | 42.4% | 50.0% | 41.5% | **43.5%** | 44.9% | 55.6% |
| New business LTVs | 65.2% | 57.4% | n/a | **63.9%** | 64.3% | 60.9% |
| ≤ 80% LTV | 89.4% | 98.5% | 94.0% | **91.2%** | 87.5% | 57.0% |
| >80–90% LTV | 9.8% | 1.0% | 2.5% | **8.0%** | 10.0% | 16.2% |
| >90–100% LTV | 0.6% | 0.2% | 1.0% | **0.5%** | 2.1% | 13.6% |
| >100% LTV | 0.2% | 0.3% | 2.5% | **0.3%** | 0.4% | 13.2% |
| Value >80% LTV | £24.3bn | £0.7bn | £0.7bn | **£25.7bn** | £36.2bn | £146.6bn |
| Value >100% LTV | £0.5bn | £0.1bn | £0.3bn | **£0.9bn** | £1.2bn | £44.9bn |
| Gross lending | £229bn | £49bn | £11bn | **£289bn** | £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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