

LLOYDS
BANKING GROUP



FIXED INCOME INVESTOR PRESENTATION

Q1 2020

Group Overview & Strategy



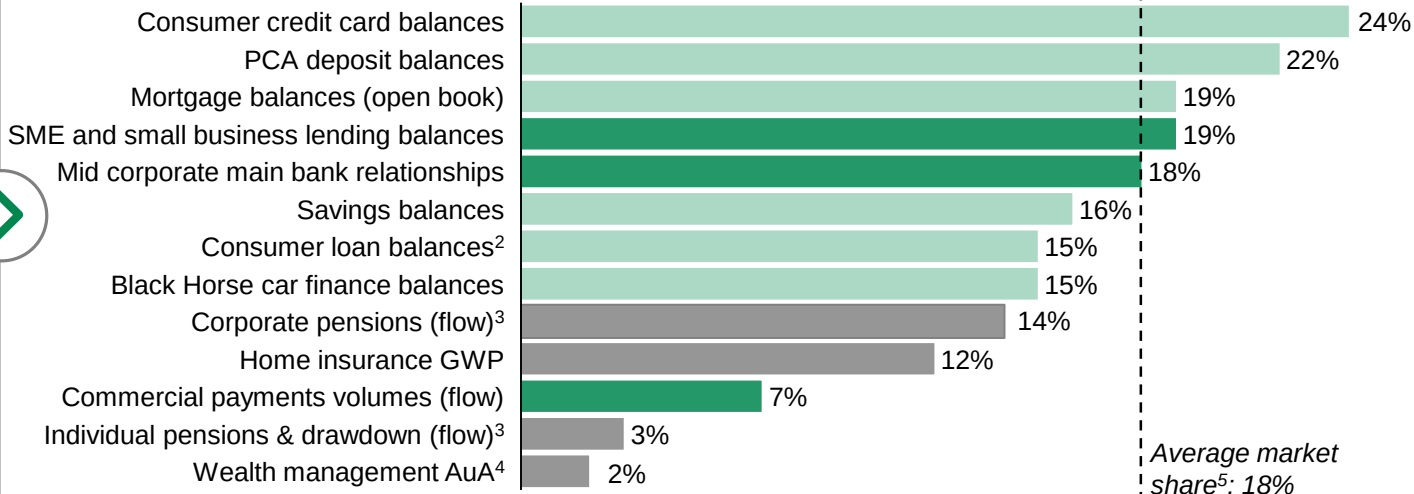


Market shares at FY 2019

Channels market share



Product market share



Channels Retail Commercial Banking Insurance & Wealth



1 – Average volume share across whole of market basis. 4 – Excludes execution-only stockbrokers. 5 – Average market share calculated for core financial services products.

Market 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 data sources: ABI, BoE, CACI, Compeer, eBenchmarks, Experian pH, FLA, Ipsos MORI FRS, PayUK, Spence Johnson and internal estimates. Note: Market shares as of FY 2019 with exception of PCA and Savings balances (Nov 2019), Home insurance GWP and Individual Pensions and Drawdown (Sep 2019) and Wealth management AuA (Dec 2018).



Actively supporting customers and colleagues in difficult times

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

- **Active support for customers**

- Flexible and sensitive treatment of retail customers with 880k payment holidays granted to date²
- Priority support provided for elderly customers and NHS staff
- Increased support for business clients through working capital increases and capital repayment holidays; full support for Government schemes

- **Commitment to colleagues and communities**

- Suspension of staff reductions, enhancements to working environment safety, flexible holiday entitlement and commitment to pay colleagues in full, regardless of how their work has been impacted
- Further financial support for Mental Health Money Line, Silver Line and We Are Digital, building on ongoing support for charitable Foundations

- **Strong operational resilience**

- c.90% of branches remain open and ATM availability exceeding 95%¹
- >1,000 colleagues redeployed to coronavirus-related customer support activities
- Digital capability evidenced with daily logins now >11m, up 13% on prior year
- c.45k colleagues working from home, up from previous level of c.15k

Actively supporting customers, including through Government initiatives

Supporting our personal customers

- **Debt payment holidays of up to 3 months to help customers through temporary financial difficulties**
 - Mortgages (c.400k to date with average LTV 50%¹)
 - Credit cards (c.220k), motor finance (c.85k) and personal loans (c.175k)¹
- **Increased contactless card spending limit to £45, enabling more transactions without physical contact**
- **Interest free overdraft of up to £500**
- **Moratorium on property repossessions**
- **Insurance payment holidays and simplified claims process**
- **Targeted multi-channel communication strategy to reach customers with relevant support based on their circumstances**

Supporting small businesses and corporates

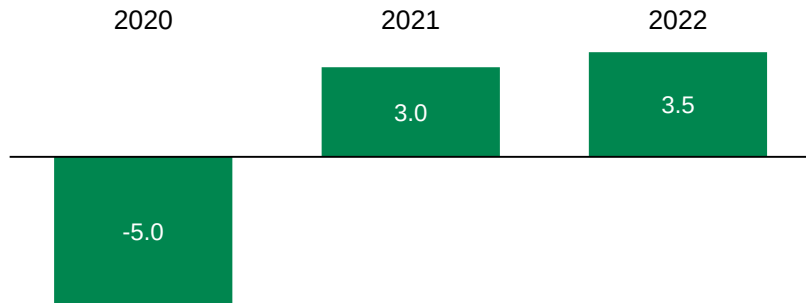
- **Payment holidays and working capital through our £2bn COVID-19 fund for SME and Mid Corporates**
 - Supported clients with c.37k overdrafts, capital repayment holidays and deferred payments to date¹
 - Dedicated website for business customers with advice and related application forms
- **Supporting CBILS for SMEs <£45m t/o**
 - Approved >£400m in CBILS loans to c.3k SMEs¹
- **CLBILS operational for businesses with t/o >£45m**
- **Actively supporting Large Corporates**
 - Registered as commercial paper dealer to provide investment grade clients with access to the Covid Corporate Financing Facility (CCFF)
 - Lending of £8bn to Corporate & Institutional clients



Challenging and uncertain economic outlook

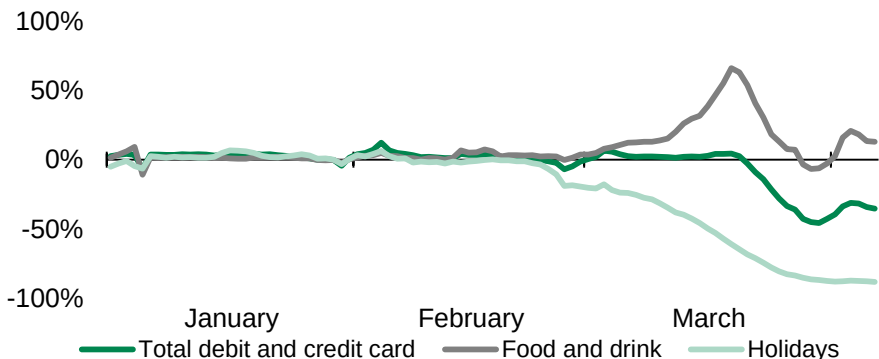
GDP forecasts for 2020-22¹

(% change vs same period a year earlier)



LBG customers' card spending in Q1 2020²

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



- Significant uncertainty remains with a challenging economic outlook
- Final impact will depend on severity and duration of the shock
- Government and Bank of England's actions will help mitigate the impact, with banks an important part of the solution
- We are committed to putting the Group's strength to work in support of the wider economy
- Our actions will further help reduce the negative impact on the UK economy
- Given significant change in environment and economic expectations, previous guidance no longer appropriate

Well placed to play our part



**Low risk
balance sheet**

Capital strength

**Market-leading
efficiency**

**UK's leading
digital bank**



- **Strong balance sheet benefitting from prudent approach to lending**
 - Core loan book of c.£440bn remaining stable over last 10 years and >80% secured¹
 - More than 75% of Group lending within prime retail portfolio, of which >90% secured
 - Remaining Group lending within commercial, of which c.35% is to SME and Mid Corporate clients and is >80% secured; limited exposure to higher risk sectors
 - Strong liquidity and funding position with no net wholesale debt
- **Capital levels strong with CET1 ratio of 14.2%**
 - Significant resources to support customers and the wider UK economy while absorbing expected credit losses
- **Market-leading efficiency creates additional capacity to support customers**
 - Costs will continue to fall in 2020, absorbing additional coronavirus-related expenses
- **Multi-channel distribution model, with the UK's leading digital bank enabling the Group to continue to serve customers throughout the lockdown**
 - 217k additional digitally-active customers since the lockdown, up from 55k in February; total 16.9m digital users, of which 11.5m are active on their mobile app²

Q1 2020 Results



Statutory profit before tax	£74m (95)%
Net income	£4.0bn (11)%
Cost:income ratio (incl. remediation)	49.7% 5.0pp
Pre-provision operating profit	£2.0bn (19)%
Impairment	£1.4bn
Statutory return on tangible equity	5.0% (7.5)pp
TNAV	57.4p 4.0p
CET1 ratio	14.2%

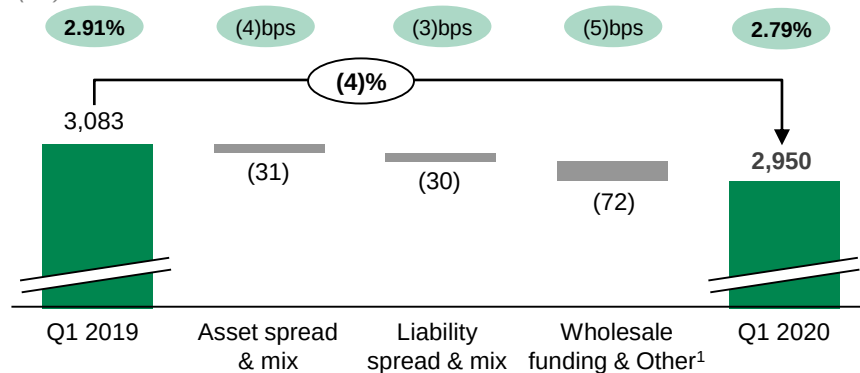
- **Statutory profit before tax £74m after higher impairment charge**
- **Pre-provision operating profit of £2.0bn**
 - Supported by NIM of 279bps and continued focus on costs
 - Business model provides significant loss absorbing capacity
- **£1.4bn impairment charge incorporating revised economic outlook**
- **Negative insurance volatility of £387m reflecting market movements**
- **Statutory RoTE of 5.0% impacted by impairments in Q1**
- **TNAV of 57.4p supported by increased pension surplus, driven by widening credit spreads**
- **Balance sheet strength maintained with capital position enhanced**
 - Loan:deposit ratio reduced to 103% with strong corporate loan growth and significantly increased deposits
 - CET1 ratio of 14.2%, up 45bps in Q1, reflecting 56bps of pre-impairment build, (56)bps impact of impairments, (38)bps impact of RWAs/Other movements and 83bps benefit of cancelling dividend



Solid pre-provision profit

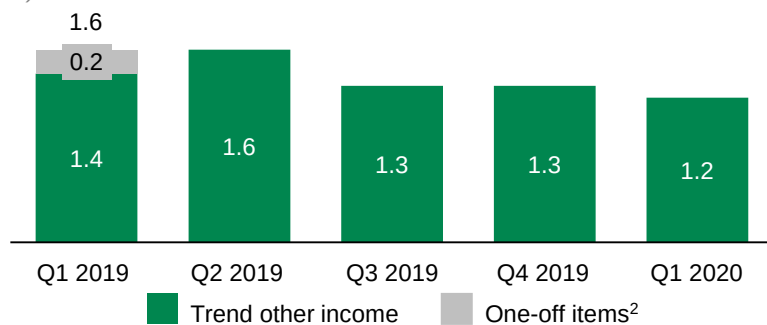
Net interest income and margin¹

(£m)



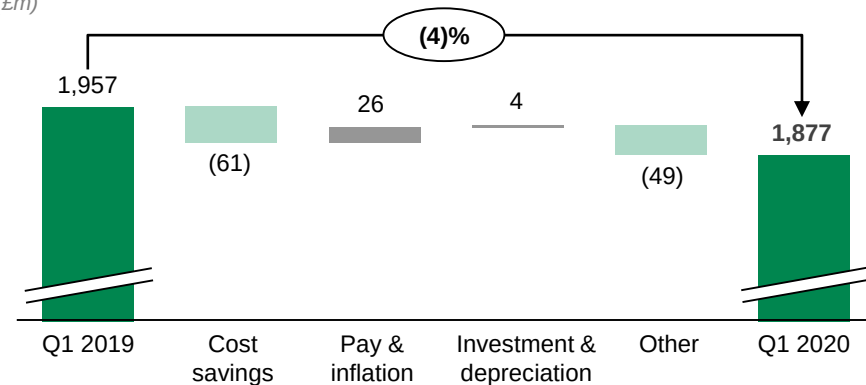
Other income

(£bn)



Operating costs

(£m)



- **Pre-provision operating profit of £2bn**
- **Net income down 11%, impacted by rates and slowdown across key markets**
 - NIM 279bps, down 12bps due to rates and asset markets
 - Other income £1.2bn impacted by LDC and activity levels
 - Impact of lower rates and slowdown to continue into Q2
- **Continued cost reduction after absorbing coronavirus-related expenses, supporting customers and colleagues**



Increased impairment charge reflecting economic assumptions

Impairment charges (£m)	Q1 2020	Q1 2019	Increase
Underlying charges	368	275	93
Retail	325	302	23
Commercial Banking	52	1	51
Other	(9)	(28)	19
Coronavirus impacted restructuring cases¹	218	-	218
Updated economic outlook	844	-	844
Retail	564	-	564
Commercial Banking	280	-	280
Total impairment charge	1,430	275	1,155

Base case economics (%)	2020	2021	2022	2020-22
GDP	(5.0)	3.0	3.5	1.2
Unemployment rate	5.9	5.4	4.7	5.3
House price growth	(5.0)	2.0	2.5	(0.7)
CRE price growth	(15.0)	5.0	5.0	(6.3)

- Underlying credit quality robust but significant uncertainty exists
- Increased charge primarily reflects updated economic outlook and coronavirus impact on existing restructuring cases
- ECL impairment provisions reflect net impact of economic scenarios and Government support programmes
- Unchanged probability weightings on the four economic scenarios, although all scenarios have deteriorated significantly
- Severe economic scenario generates £7.0bn ECL, £2.1bn higher than base case
- ECL provisions stock increased by over £1bn to £5.2bn, building balance sheet resilience
- Economic outlook is uncertain and final impact will depend on severity and duration of the shock

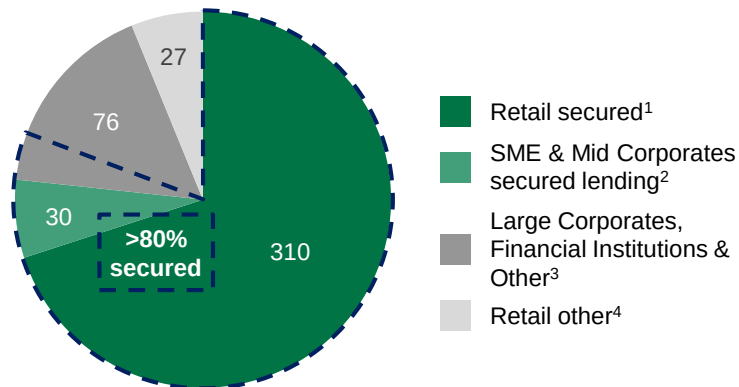
¹ – Additional provisions in respect of material cases where coronavirus has directly hampered the client's existing recovery strategy.



Balance sheet well positioned, AQRs driven by increase in ECL

Group loans and advances

(£bn)



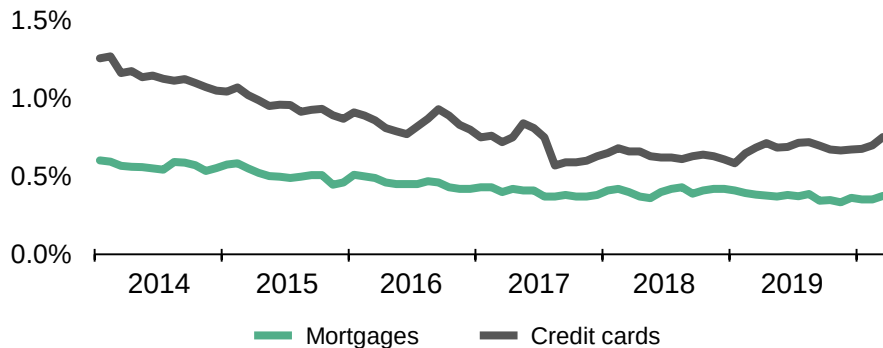
- **Balance sheet well positioned for current environment**
 - No net expansion of core loan book over last 10 years
 - Weighting towards prime, UK secured lending
- **Increase in ECL driving higher AQRs and increased coverage, including 25.0% of stage 3 assets**
- **Underlying charges to date in line with through-the-cycle**

(bps)	Net AQR Q1 2020	of which corona-virus ECL ⁵	of which underlying	Net AQR Q1 2019	Increase
Retail	104	66	38	36	68
Commercial	232	210	22	1	231
Total	130	97	33	25	105

(£m)	Mar 2020 ECL	Net ECL increase	P&L charge	Write-offs and other	Dec 2019 ECL
Retail	3,332	536	889	(353)	2,796
<i>Mortgages</i>	1,345	129	160	(31)	1,216
<i>Other</i>	1,987	407	729	(322)	1,580
Commercial	1,826	511	550	(39)	1,315
Other	40	(10)	(9)	(1)	50
Total	5,198	1,037	1,430	(393)	4,161
Coverage Total	1.03%				0.83%
Stage 3	25.0%				22.5%

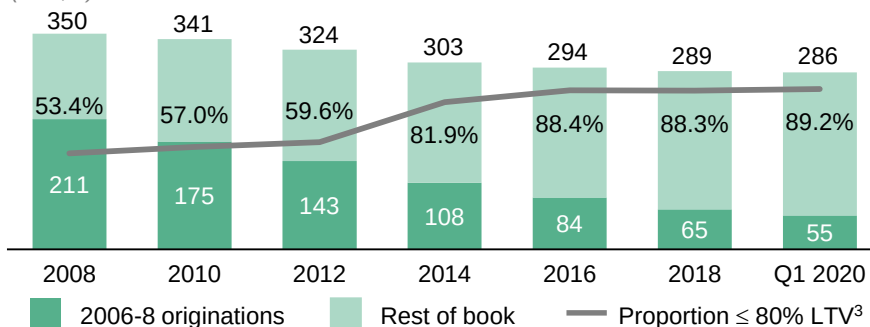
Retail book focused on prime portfolios

Mortgages and credit cards – new to arrears as proportion of total book¹



Mortgage book quality

(£bn², %)



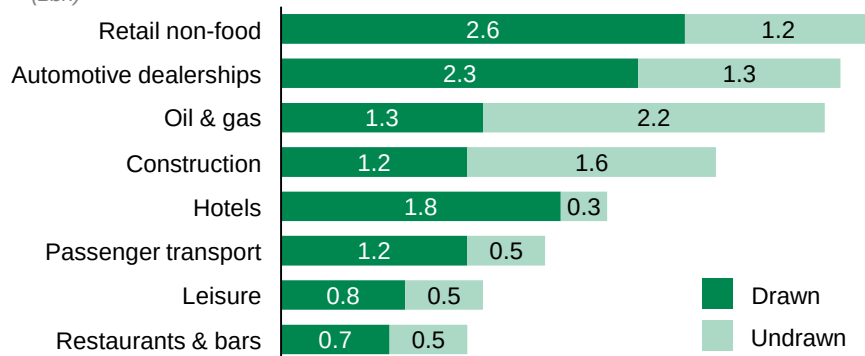
- **No net expansion and significant de-risking of core loan book over the last 10 years**
- **Significant exposure to high quality retail mortgages**
 - Average LTV 44% and c.90% with LTV ≤80%
 - 2006-08 book average LTV 43%; 92% has LTV ≤80%
 - Significant demand for mortgage payment holidays; average LTV of 50% and no skew by vintage
- **Prime credit card book including high quality MBNA portfolio, with recent growth from existing customers**
 - Limited drawdowns and credit card spend down >20% in March compared to February
- **Motor finance predominantly secured with risk-based pricing assumptions and residual value provisioning**



Commercial portfolio benefits from diverse client base and sector limits

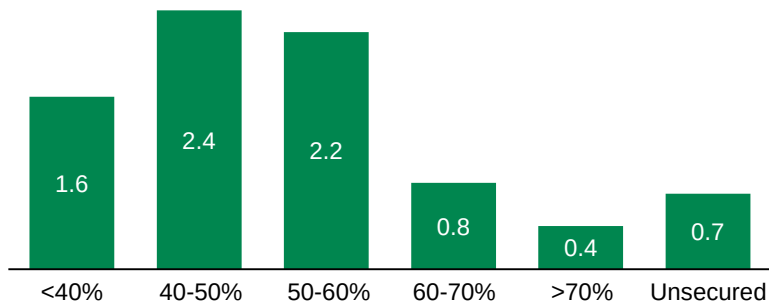
Lending in key coronavirus-impacted sectors¹

(£bn)



Lending utilisation by CRE LTV band²

(£bn)



- **<3% of Group lending, or c.12% of Commercial, exposed to most impacted sectors; working closely with clients to support them**
- **De-risking of core loan book over the last 10 years**
 - c.75% of corporate exposure at investment grade
 - Diverse SME book with c.90% of lending secured
 - Only c.£2bn lending to leveraged finance, with average loan size c.£15m
- **Average LTV 47% in CRE and c.75% with LTV <60%**
 - No speculative commercial property development lending
 - Retail exposure <15% of CRE portfolio
- **Some drawdowns on existing facilities as clients seek to preserve liquidity, with limited RWA impact**
 - Drawing of c.£8bn of RCFs and other Corporate and Institutional facilities in March
 - Undrawn facilities already attract 75% of risk-weighting

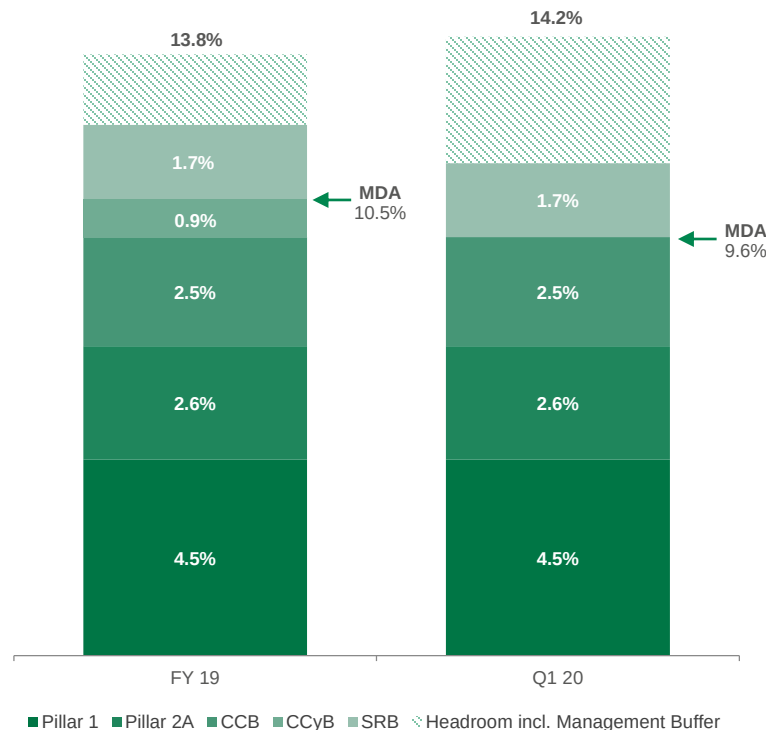
Capital, Funding & Liquidity



Capital position remains strong, significant resources to support customers while absorbing potential credit losses

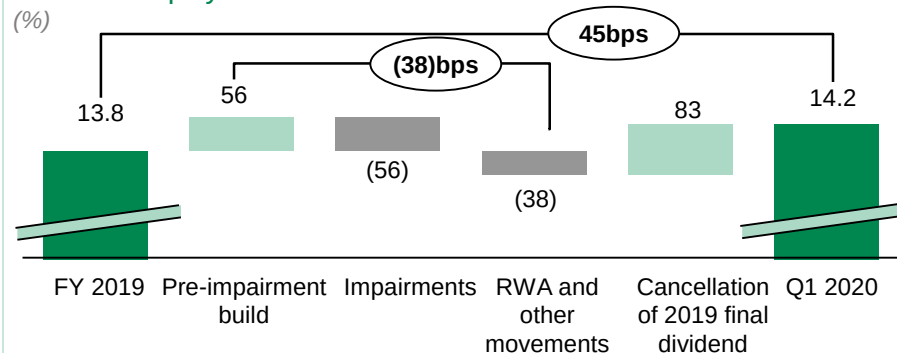


CET1 Ratio



- **Robust CET1 ratio of 14.2% (13.9% on Fully Loaded basis)**
- **Increased certainty on capital requirements:**
 - CCyB reduced to 0% until at least March 2021, providing increased headroom over requirements
 - RFB SRB confirmed as 2% (1.7% at Group level) until at least Dec 2021
 - Pillar 2A requirement expected to reduce over time
- **Pre-provision capital build of 56bps in Q1, (38)bps after impairments and RWA and other movements. 45bps capital build after 2019 Dividend cancellation**
 - Total 2019 dividend cancellation of £1.6bn (+83 bps)

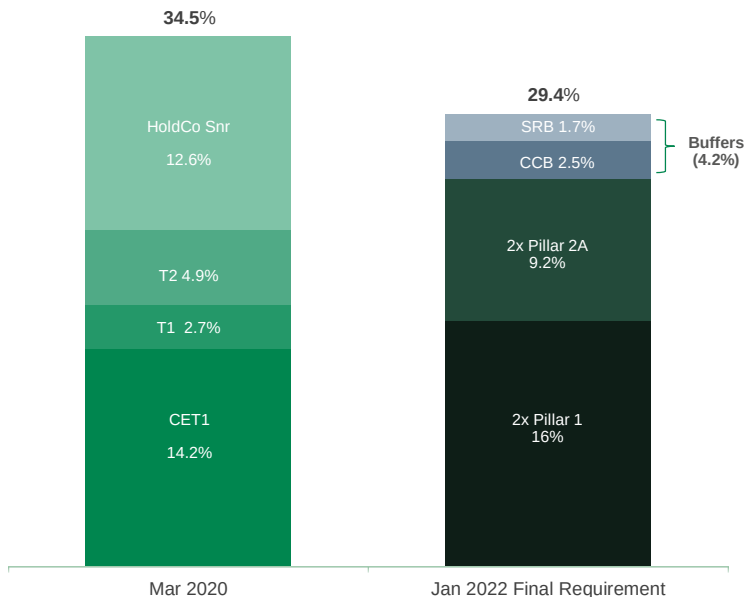
Common equity tier 1 ratio



Interim MREL requirement met at 1 Jan 2020; on track for end-state



Transitional MREL Ratio

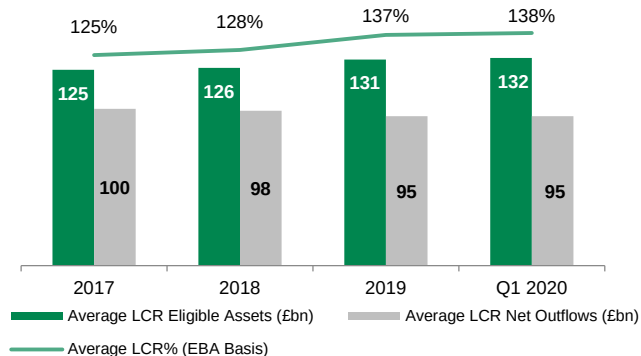


- No change currently to BoE MREL timeline; Final requirement to be set in 2020 by the BoE following planned MREL Review
- Strongly positioned with transitional MREL ratio of 34.5%; c£4bn MREL eligible debt issued YTD
- Future capital and MREL issuance needs focused on maintaining prudent buffers to regulatory requirements given current strong ratios

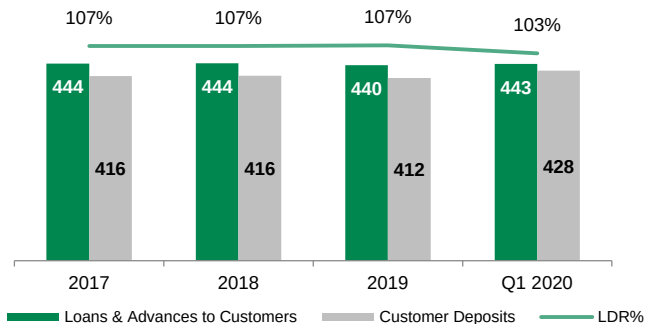
Strong liquidity position and LDR supported by robust core deposit base



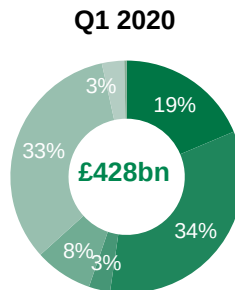
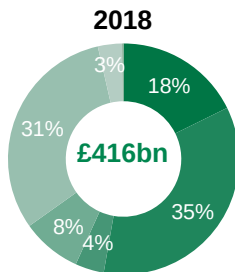
LCR well above regulatory minimum



LDR



Deposits



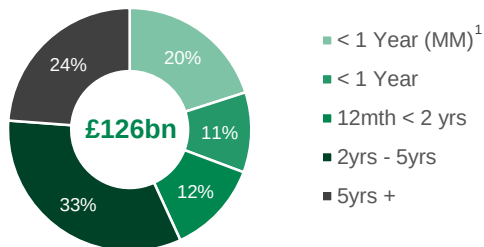
- Retail Current Accounts
- Retail Relationship Savings Accounts
- Retail Tactical Savings Accounts
- Commercial Current Accounts
- Commercial Deposits
- Wealth

- **Average LCR % has remained flat to 2019 at 138%**
- Increase in outflows offset by increase in liquid assets
- **LDR has reduced by 4% to 103%**
- Driven by c£16bn increase in customer deposits and £3bn increase in drawn customer lending due to Covid-19
- **Composition of customer deposits relatively unchanged, with c60% of balances from retail customers**

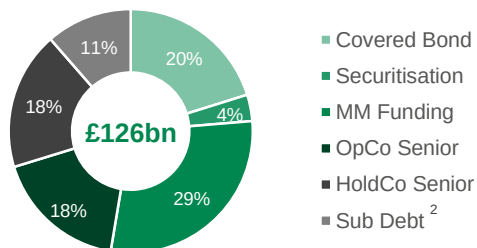
Solid progress on 2020 funding plan, minimal residual funding needs remain



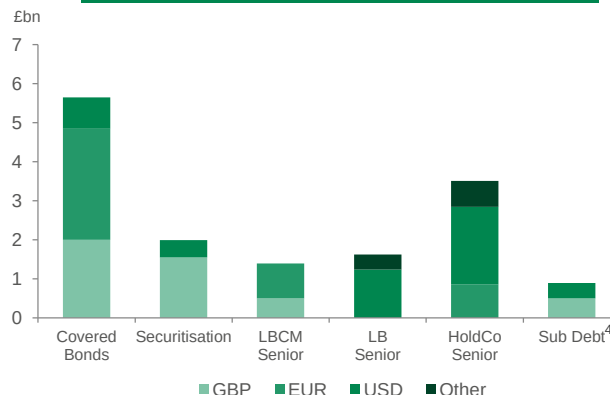
Funding Portfolio by Maturity at Q1 2020



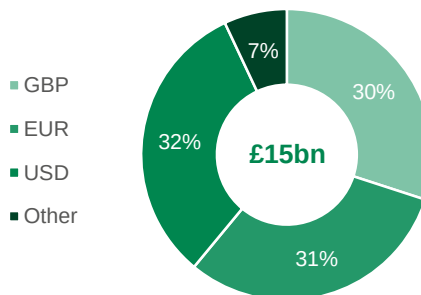
Funding Portfolio by Product at Q1 2020



2019 Public Funding by Product³



2019 Public Funding by Currency



- 2020 funding requirements had been guided in the £10-£15bn range
- c£7bn equivalent has been issued YTD, of which £3.5bn equivalent issued in Q1 2020
- Introduction of TFSME means only small residual funding need in 2020
- Steady-state requirements remain c.£15-20bn p.a.
- Continue to execute a diversified funding plan across:
 - Core markets - USD, EUR and GBP
 - Strategic markets - AUD, JPY, CAD and CHF

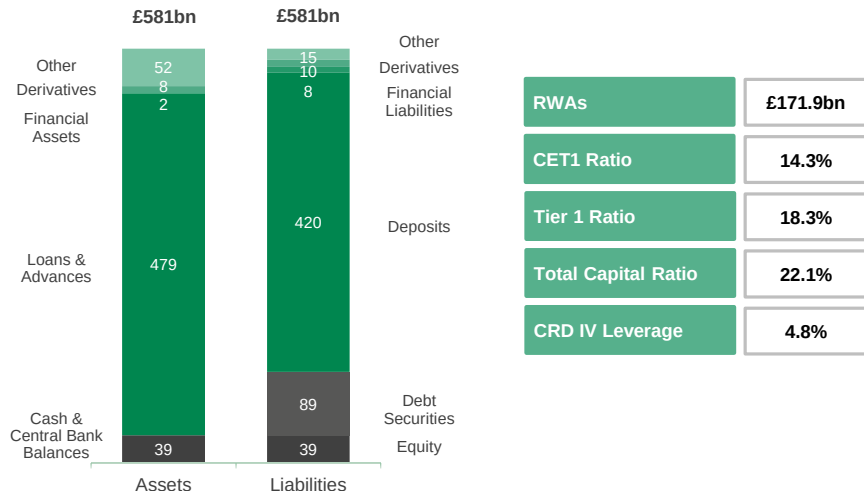
Appendix



Legal entity balance sheet analysis (FY 2019)

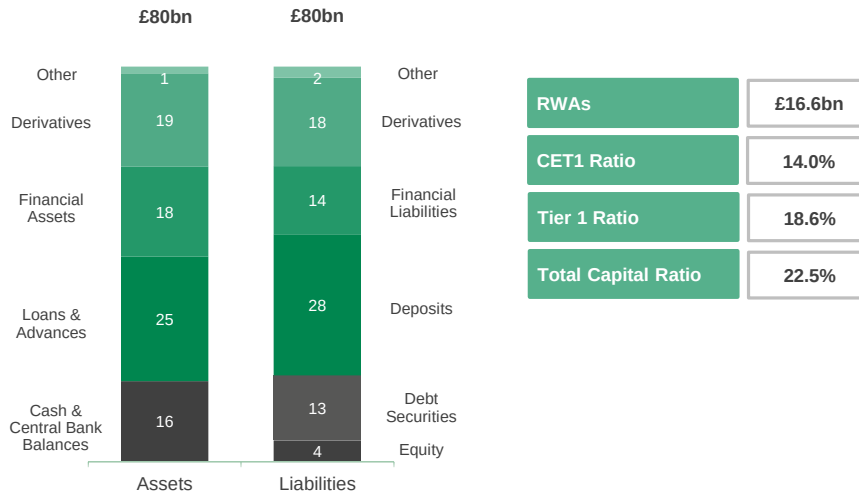


Lloyds Bank Plc (RFB)



- Over 95% of Group loans & advances remain within the ring-fenced bank
- Majority of Lloyds Bank, Bank of Scotland and Halifax banking activities including current accounts, savings and deposits

Lloyds Bank Corporate Markets Plc (NRFB)



- Provides products/services to Group customers which cannot be provided by the RFB, for example lending to financial institutions, capital markets and non-EEA activity
- Strong capital position with lower requirements than the RFB

Economic scenarios



Scenario	Probability weighting (%)	Expected credit loss (£m)
Base case	30	4,929
Upside	30	4,581
Downside	30	5,483
Severe downside	10	7,004
Probability-weighted ECL		5,198

Economic measure	Current scenario (%)			
	2020	2021	2022	2020-22
GDP	(5.0)	3.0	3.5	1.2
Interest rate	0.10	0.25	0.25	0.20
Unemployment rate	5.9	5.4	4.7	5.3
House price growth	(5.0)	2.0	2.5	(0.7)
CRE price growth	(15.0)	5.0	5.0	(6.3)
GDP	(5.0)	3.8	3.7	2.2
Interest rate	0.26	1.03	1.08	0.79
Unemployment rate	5.9	5.0	4.3	5.0
House price growth	(2.2)	6.8	6.8	11.6
CRE price growth	(11.9)	8.9	6.0	1.7
GDP	(6.5)	1.8	3.6	(1.4)
Interest rate	0.00	0.03	0.06	0.03
Unemployment rate	6.3	6.7	6.4	6.5
House price growth	(7.6)	(4.1)	(5.3)	(16.1)
CRE price growth	(26.6)	(3.3)	2.1	(27.5)
GDP	(7.8)	(0.1)	3.1	(5.1)
Interest rate	0.00	0.00	0.00	0.00
Unemployment rate	6.7	8.0	8.0	7.6
House price growth	(10.0)	(10.9)	(12.9)	(30.2)
CRE price growth	(39.2)	(5.7)	3.8	(40.5)

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', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', '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: 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; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and 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; 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 coronavirus disease (COVID-19) outbreak) 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, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements 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 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 together with examples of forward looking statements. 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. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.