



16 December 2019

LLOYDS BANKING GROUP PASSES BANK OF ENGLAND STRESS TEST

Lloyds Banking Group (the Group), together with six other financial institutions in the UK, has been subject to the 2019 stress test conducted by the Bank of England (BoE).

This year's stress test scenario is broadly the same as the last two years and is the most severe test that the Group has faced and more severe than the last global financial crisis. The scenario combines rapidly rising interest rates and unemployment, in conjunction with significant falls in property prices and GDP. In particular, base rates rise to 4 per cent in the first year and remain at this level for a further three years, GDP reduces by 4.7 per cent in the first year, unemployment increases to a peak of 9.2 per cent in the second year, and UK house and commercial property prices fall 33 per cent and 41 per cent, respectively over the first three years. In addition to these economic factors, and in line with previous years, the stress test also reflects other risks including conduct.

In line with 2018, this year's stress test runs under the IFRS 9 accounting standard and requires the immediate recognition of expected losses on a perfect foresight basis, rather than reflecting incurred losses. The BoE assesses the stress test results on an IFRS 9 transitional basis, in line with the phased implementation approach. Results are also shown on an IFRS 9 fully-loaded basis.

Result of the stress test

The Group has passed the stress test on a transitional basis with the BoE calculating the Group's transitional CET1 ratio after the application of management actions as 8.5 per cent and its leverage ratio as 4.3 per cent against the hurdle rates of 7.5 per cent and 3.47 per cent, respectively. Despite the severity of the stress test scenario, the Group exceeds the capital and leverage hurdles after the application of management actions. Given this performance, the Group is not required to take any capital actions.

The Group's capital position remains strong having reported a CET1 ratio of 13.5 per cent and a leverage ratio of 4.9 per cent, post dividend accrual, at 30 September 2019. The Group also continues to be strongly capital generative with free capital build for the first nine months of the year of 149 bps pre PPI.

Further details

Details of the BoE's approach to the stress test and the detailed results in relation to all participating financial institutions are available from the BoE website.

For further information:

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FORWARD LOOKING STATEMENTS

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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 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 with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements. 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.