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# 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.

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