

LLOYDS  
BANKING GROUP



# STRATEGIC UPDATE

21 February 2018





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## LLOYDS BANKING GROUP STRATEGIC UPDATE

'I am delighted to announce today our strategy for the next three years which will transform the Group for success in a digital world.'

Over the last six years the Group has made huge progress and has built many strong capabilities including the largest and top rated digital bank in the UK. As we enter the next phase of our journey our team is determined to further improve the business, enhance customer experience and deliver superior shareholder returns.

The external environment is evolving rapidly and I am confident that this exciting and ambitious plan, with the significant additional investment, will mean we remain at the forefront of UK financial services, and continue to deliver our mission of Helping Britain Prosper.'

António Horta-Osório, Group Chief Executive

### Key actions of the 2018–2020 strategic plan:

- Transform the Group into a digitised, simple, low risk, customer focused, UK financial services provider
- Leverage our multi-brand and multi-channel model, including the UK's largest digital bank and branch network, to be the best bank for customers
- Invest more than £3 billion in strategic initiatives, an increase of more than 40 per cent on the previous strategy, to further enhance customer propositions, further digitise the Group, maximise capabilities as an integrated financial service provider and transform the way we work.

### Key outcomes and financial targets:

- Growth in targeted segments with strong statutory profit growth
- Operating costs of less than £8 billion in 2020 with cost: income ratio in low 40s as we exit 2020
- Asset quality ratio of around 35 basis points through the cycle and less than 30 basis points during the plan period
- Strong and superior returns (14–15 per cent return on tangible equity from 2019) on a higher CET1 capital base
- Strong capital generation (170–200 basis points per year pre dividend) will continue to drive attractive and sustainable capital returns

### Strategy overview

Over the last six years we have successfully transformed the Group, restructuring and simplifying the business whilst enhancing customer experience, Helping Britain Prosper and significantly increasing shareholder returns.

We have made strong progress, leveraging the unique strengths and assets of the Group including our differentiated multi-brand strategy, our multi-channel propositions, market leading efficiency, and the largest digital bank and branch network in the UK.

As we look to the future, we see the external environment evolving rapidly. Changing customer behaviours, the pace of technological evolution and changes in regulation all present opportunities. Given our strong capabilities and the significant progress made in recent years we believe we are in a unique position to compete and win in this environment by developing additional competitive advantages. We will continue to transform ourselves to succeed in this digital world and the next phase of our strategy will ensure we have the capabilities to deliver future success.

### **Strategic priorities**

We have identified four strategic priorities focused on the financial needs and behaviours of the customer of the future: further enhancing our leading customer experience; further digitising the Group; maximising Group capabilities; and transforming ways of working. We will invest more than £3 billion in these strategic initiatives through the plan period that will drive our transformation into a digitised, simple, low risk, customer focused UK financial services provider.

#### ***Delivering a leading customer experience***

We will drive stronger customer relationships through best in class propositions while continuing to provide our customers with brilliant servicing and a seamless experience across all channels. This will include:

- remaining the number 1 digital bank in the UK with open banking functionality;
- unrivalled reach with UK's largest branch network serving complex needs; and
- data-driven and personalised customer propositions.

#### ***Digitising the Group***

We will deploy new technology to drive additional operational efficiencies that will make banking simple and easier for customers whilst reducing operating costs, pursuing the following initiatives:

- deeper end-to-end transformation targeting over 70 per cent of cost base;
- simplification and progressive modernisation of our data and IT infrastructure; and
- technology enabled productivity improvements across the business.

#### ***Maximising the Group's capabilities***

We will deepen customer relationships, grow in targeted segments and better address our customers' banking and insurance needs as an integrated financial services provider. This will include:

- increasing Financial Planning and Retirement (FP&R) open book assets by more than £50 billion by 2020 with more than 1 million new pension customers;
- implementing an integrated FP&R proposition with single customer view; and
- start-up, SME and Mid Market net lending growth (more than £6 billion in the plan period).

#### ***Transforming ways of working***

We are making our biggest ever investment in people, increasing colleague training and development by 50 per cent to 4.4 million hours per annum and embracing new technology to drive better customer outcomes. The hard work, commitment and expertise of our colleagues has enabled us to deliver to date and we will further invest in capabilities and agile working practices. We have already restructured the business and reorganised the leadership team to ensure effective implementation of the new strategy.

## **Financial returns**

The UK economy has proven resilient and going forward our plans and projections assume this performance continues with a steady increase in base rate to 1.25 per cent by the end of 2020.

The strategy outlined today will enable the Group to deliver strong statutory profit growth supported by targeted asset growth in key segments, a resilient net interest margin, lower operating costs, strong asset quality and lower remediation costs, whilst delivering strong capital generation and sustainable and superior shareholder returns.

Costs will continue to be a competitive advantage as we deliver market leading efficiency. We expect operating costs to be less than £8 billion in 2020. We also expect to achieve a cost:income ratio in the low 40s as we exit 2020, including future remediation costs. We continue to expect improvements in the cost:income ratio every year.

Asset quality remains strong and, given our low risk business model and the significant portfolio improvements in recent years, we now expect an asset quality ratio of around 35 basis points through the cycle and less than 30 basis points through the plan period.

We expect to deliver an improved return on tangible equity (RoTE) of 14.0–15.0 per cent from 2019 onwards on a higher CET1 capital base of c.13 per cent plus a management buffer of around 1 per cent.

Capital generation is expected to remain strong with 170-200 basis points of capital generation per year pre dividend and as a result we expect to deliver progressive and sustainable ordinary dividends whilst maintaining the flexibility to return surplus capital to shareholders.



### **Forward looking statements**

This document contains certain forward looking statements with respect to the business, strategy, plans and /or results of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group's or its directors' and/or management's beliefs and expectations, are forward looking 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; 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; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, instability as a result of the exit by the UK from the European Union (EU) 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; 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; changes in laws, regulations, 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 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 Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements. 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.

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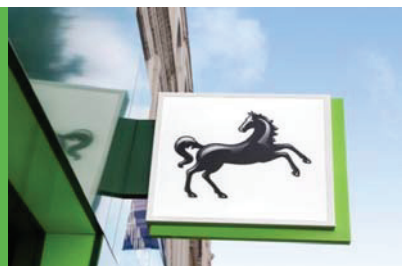


# STRATEGIC UPDATE

Presentation to analysts and investors | 21 February 2018

## Transforming the Group for success in a digital world

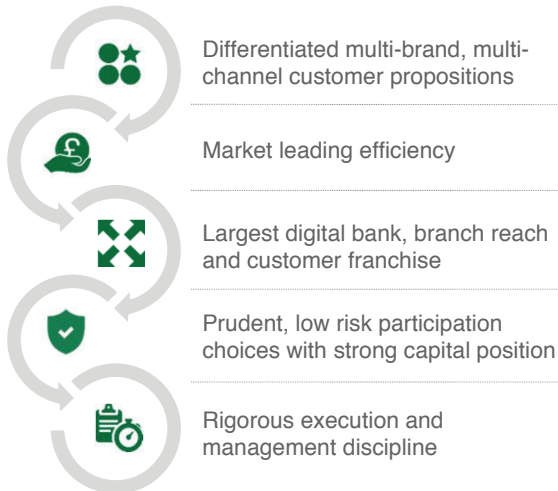
António Horta-Osório  
Group Chief Executive



## Solid foundations underpinning our customer centric business model

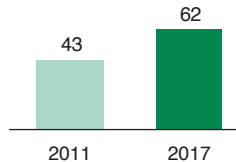


### Distinctive competitive strengths



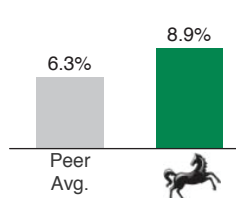
### Best-in-class customer experience

Customer NPS



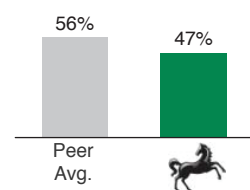
### Strong profitability

Statutory RoTE, FY2017<sup>2</sup>



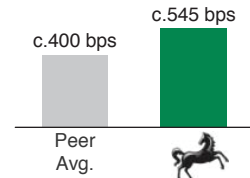
### Highly efficient

Cost:income Ratio<sup>1</sup>, FY2017<sup>2</sup>



### Capital generative

Cumulative capital generation<sup>3</sup> 2015 – 2017<sup>2</sup>



1 – As stated by major UK banking peers. 2 – Lloyds Banking Group figures as of Dec 2017 and peer group as at 9M 2017. 3 – Pre-dividend capital generation, excluding acquisitions (peers annualised).

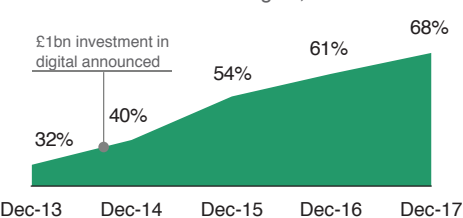
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## Largest digital bank in the UK, delivering market leading experience



Largest digital bank in the UK

Customer needs met via digital, %



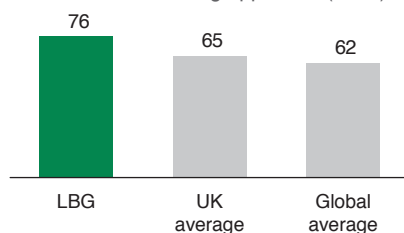
>13m digitally active customers

209m digital visits per month

#1 rated UK mobile app since 2015<sup>1</sup>

Leading functionality

Forrester mobile banking app score (2017)<sup>2</sup>



- “**Excels at usability**”: easy enrolment/ login, seamless navigation, context-sensitive help function
- “**Outstanding marketing and sales functionality**”: tailored product offers, comparison tools, third-party offers
- “**Wide range of touchpoints**”: mobile-optimised website, SMS interactions, Facebook Messenger
- “**Excellent cross-channel guidance**”: branch appointment scheduling function

1 – Forrester UK Mobile Banking, 2015, 2016, 2017. 2 – Forrester: UK Mobile Banking Benchmark, 2017; Global Mobile Banking Benchmark, 2017

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## Changing customer behaviour and expectations create opportunities



### Evolving customer needs and expectations...



Increasing personalisation



Connected, seamless experience



Safety and security



Convenience and ease



Simpler products with greater transparency



### ...require a proactive response

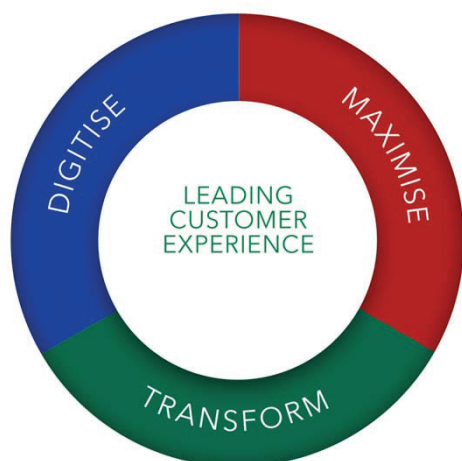
- **Richer interactions**, better understanding of **customer needs**
- Deeper **customer engagement**
- More **personalised propositions**
- **New channels** to serve customers and guide to propositions that serve their needs
- Harnessing **value from data**
- **Safe, secure** and **trusted** online environment
- **Increased productivity** and process **automation**

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## Building on our solid foundations to future proof our business



### Strategic priorities



### Developing new sources of competitive advantage



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More than £3bn strategic investment to deliver a significant transformation



### LEADING CUSTOMER EXPERIENCE

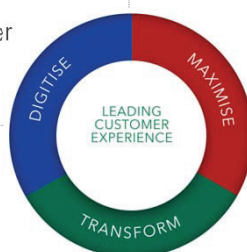
- **#1 UK digital bank**, with Open Banking functionality
- **#1 Branch network**, serving complex needs
- **Data-driven and personalised** customer propositions

### MAXIMISING GROUP CAPABILITIES

- **£6bn loan growth in start-ups, SME and Mid Market** businesses
- Sole integrated UK banking and insurance provider targeting **>1m new pensions customers** and **£50bn AuA growth**

### DIGITISING THE GROUP

- **End to end transformation** covering more than 70% of our cost base
- **Simplification** and **progressive modernisation** of IT and data architecture



### TRANSFORMING WAYS OF WORKING

- **More than half** of transformation delivered through **Agile methodology**
- **Biggest ever investment in our People with 50% increase** in colleague training and development to **4.4m hours p.a.**

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Continuing to deliver **greater value for shareholders**



#### Group Strategic Review 2 (2015-2017)

#### Group Strategic Review 3 (2018-2020)

#### Increased investment

c.£1bn investment in digital

**>£3.0bn** strategic investment

#### Market leading efficiency

£1.4bn simplification run-rate savings  
<45% underlying CIR exiting 2019

**<£8.0bn** operating costs in 2020, including increased strategic investment  
**Low 40s CIR** exiting 2020, including remediation

#### Sustainable and low risk growth

Growth in under represented areas and maintain market leadership in key retail areas  
c.40bps AQR through-the-cycle

Growth in **key targeted segments**

**c.35bps** AQR through-the-cycle and **<30bps** in plan period

#### Superior returns and lower cost of equity

13.5%-15.0% statutory RoTE in 2019  
c.12% CET1, plus c.1% management buffer

**14.0%-15.0%** statutory RoTE from 2019  
Strong growth in **statutory profit**

**c.13%** CET1, plus around 1% management buffer

#### Strong capital generation and attractive capital return policy

**170-200bps** pre-dividend CET1 capital generation per annum  
**Progressive** and **sustainable** ordinary dividend  
Flexibility to **return surplus capital**

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## Committed to Helping Britain Prosper



### Delivering on our purpose

**>700,000**

individuals, businesses and charities trained in digital skills during 2017

**>440,000**

start-up businesses supported since 2014

**15%**

increase in SME net lending since the start of 2014, compared to a market that has grown by 1%

**Largest**

corporate tax payer in the UK in 2015 and 2016

**34%**

of senior roles now held by women. Up from 29% in 2014

**>£47bn**

of lending to first time buyers since 2014

**>£72m**

donated to the Group's independent charitable Foundations since 2014



### Increasing our support going forward

#### People



Lending to first time buyers

Individuals, businesses and charities trained in digital skills

Growth in assets managed in retirement and investment products<sup>3</sup>

#### Businesses



Growth in net lending to start-up, SME and Mid Market businesses

#### Communities



Charities supported by our £100m commitment to the Group's independent charitable Foundations

Percentage of senior roles held by women

Percentage of roles held by Black, Asian and Minority Ethnic colleagues

2018<sup>1</sup>

2020<sup>2</sup>

**£10bn**

**£30bn**

**700k**

**1.8m**

**£8bn**

**£50bn**

**£2bn**

**£6bn**

**2,500**

**7,500**

**36%**

**40%**

**8.9%**

**10%**

1 – Year end target. 2 – Cumulative from 2018. 3 – Growth in assets under administration in our open books.

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## Evolving our business model and transforming the Group for success in a digital world



### Our purpose

Helping Britain Prosper

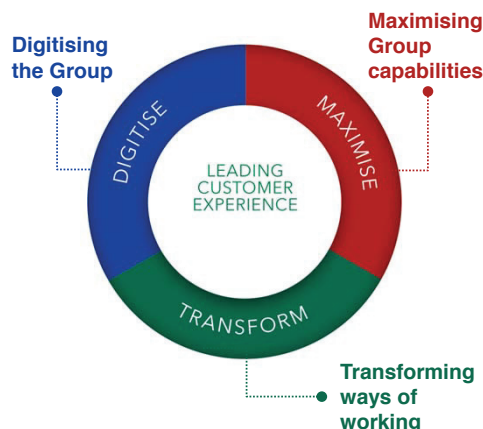
### Our aim

Best bank for customers, colleagues and shareholders

### Our business model

Digitised, simple, low risk, customer focused, UK financial services provider

### Our strategic priorities



### Our ambition



**Transforming the Group for success in a digital world**

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# Delivering our transformation

Juan Colombás  
Chief Operating Officer



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## Delivery model leveraging our structural advantages



Our structural advantages... >



**Single** geography



**Simple** operating model



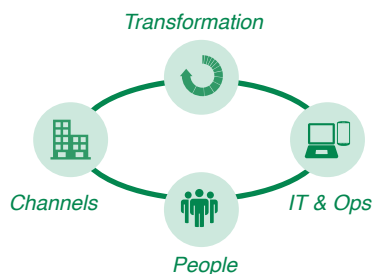
**Centralised** management



**Transformation** expertise

...are enhanced by our recent organisational changes...

**All critical components** of transformation under one umbrella...



...for better coordination and **end-to-end accountability**



...and our delivery model

**Investment management** is now organised around customer journeys with priorities frequently reviewed

**Faster delivery** of change for customers through Agile approach

**Cross-functional, co-located** teams focused on transformation agenda

Focus on **outcomes not initiatives**

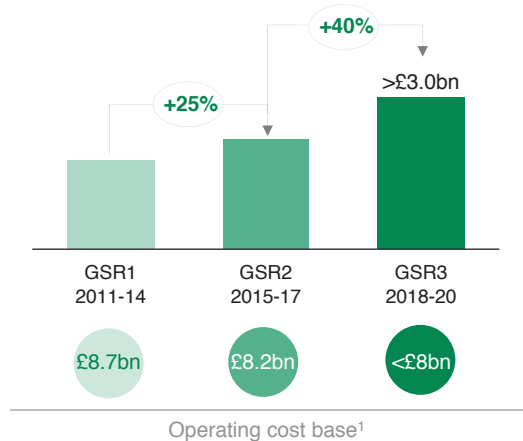
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## Larger transformation programme with significantly increased strategic investment



Focus on efficiency enabling increased investment

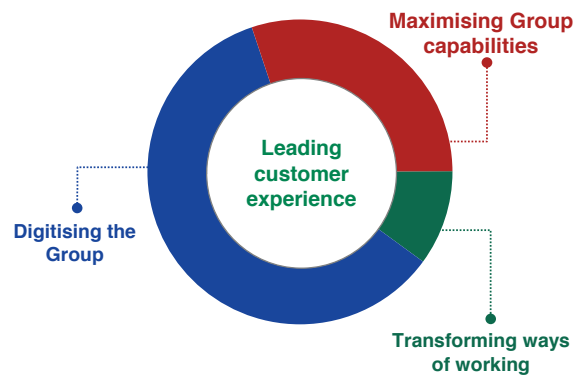
Total strategic investment, £bn



<sup>1</sup> – Operating cost at period-end; 2014 for GSR1, 2017 for GSR2 and 2020 for GSR3.

And delivering a leading customer experience

>£3bn strategic investment



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## Business and Transformation leads



Leading personal customer experience

& Digitising the Group  
Transforming ways of working

Maximising Group capabilities



**Vim Maru**  
Group Director,  
Retail



**Jakob Pfaudler**  
Group Director,  
Community Banking



**Zaka Mian**  
Group Director,  
Transformation



**Jen Tiffin**  
Group People &  
Productivity Director



**Antonio Lorenzo**  
Chief Executive,  
Scottish Widows and  
Group Director,  
Insurance & Wealth



**David Oldfield**  
Group Director,  
Commercial Banking

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# Leading personal customer experience

Vim Maru  
Group Director, Retail

Jakob Pfaudler  
Group Director, Community Banking



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## Leading personal customer experience



### GSR3 priorities



Build on our market leading **digital financial services experience**



**Tailor and leverage multi-channel model** in line with evolving **customer needs and behaviours**



Use **enhanced capabilities** to meet customers' expectations for increasingly **personalised propositions**



### Key outcomes (2020)

**#1**

UK digital bank, with Open Banking functionality

**#1**

Branch network, serving complex needs

**£30-40bn**

Market opportunity in under represented customer segments

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## Leading brands and customer franchise that differentiate us in a competitive market



### Differentiated brand proposition

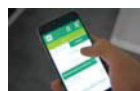
Iconic brands serving over 27m retail customers<sup>1</sup>



Efficiently delivering market leading awareness levels in the UK<sup>2</sup>

### Extensive customer engagement<sup>3</sup>

72% of customers used two or more channels in 2017



209m digital visits per month



320m debit card transactions per month



18m branch visits per month



6m calls answered per month

1 – Unique active Lloyds, Halifax, and BoS customers plus primary active MBNA customers. 2 – IPSOS, Nielsen, 2017. 3 – 72% based on active PCA customers. Monthly statistics based on Q4 2017 average.

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## A track record of delivering increasing customer satisfaction



### Simpler product range<sup>1</sup>

#### PCA



Reduction in new business range

#### Savings



Reduction in products

#### Overdraft variants



### Improved customer journeys



Rated mobile account opening journey<sup>2</sup>



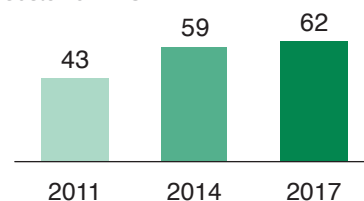
Reduction in customer effort in digital PCA opening journey since 2011



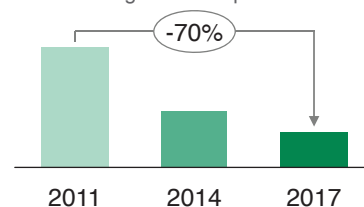
For mortgage agreement in principle through digital channels

### Higher customer satisfaction

#### Customer NPS<sup>3</sup>



#### Total incoming retail complaints<sup>4</sup>



1 – 2014-17. 2 – eBenchmarks, 2017. 3 – Day to day usage across channels. 4 – Absolute incoming retail complaints excluding PPI and CMC.

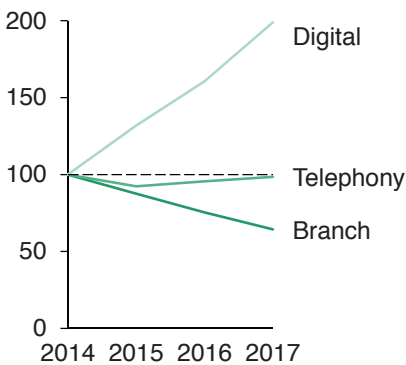
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## Significant competitive advantage from multi-channel model

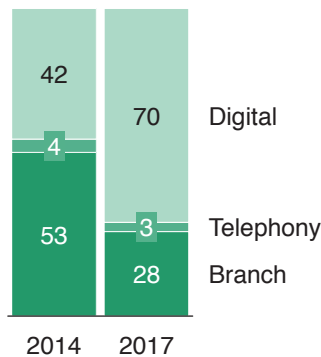


### Simple needs migrating to digital channels

Customer channel interactions  
Indexed to 2014<sup>1</sup>



Simple product needs met  
Volume, %<sup>2</sup>



Market share<sup>3</sup>

25%

20%

### Multi-channel model critical

1.4x

Value of multi-channel customers relative to single channel

>75%

Customers preferring a F2F interaction for first banking relationship<sup>4</sup>

60%

Customers preferring branch for their first mortgage<sup>5</sup>

21%

LBG market share of mortgage needs met through branches

1 – Digital: Visits to desktop site or mobile app; Telephony: Calls via IVR or human agent; Branch: Visits excludes self-service. 2 – Excludes MBNA, Mortgages, Insurance and direct mail. 3 – BoE, CML, eBenchmarks, GfK and internal reporting. Simple products market share based on PCA, Savings, Cards and Loans, excludes MBNA. 4 – GfK's Financial Research Survey, Dec 2017, respondents who opened their first current account in the previous 12 months. 1,210 respondents. 5 – GfK's Financial Research Survey, Dec 2017 638 respondents likely to take their first mortgage in the next 12 months.

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## Opportunity to tailor and leverage multi-channel model in line with evolving customer needs and behaviours



### Branch network

- F2F for complex customer needs
- Differentiated formats

### Telephony

- Focused on trouble shooting and support
- Powered by AI and machine learning

### Alternative channels

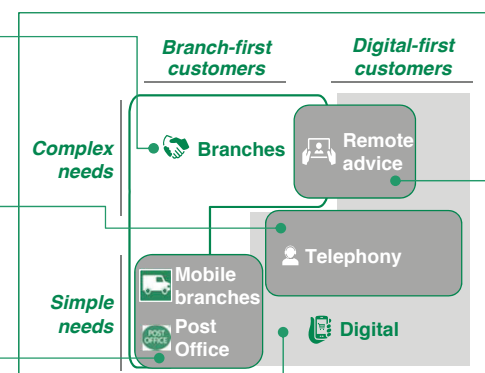
- Next generation mobile branches
- Extended Post Office offer

### Digital bank

- Integrated with branch and telephony
- Secure and convenient top rated mobile app

### Remote advice

- Home and branch
- Click-to-call
- Mortgages, Insurance and Businesses



### Compelling strategic agenda

- Tailored channels to customer needs
- Ability to integrate across channels
- Ambitious vision for role of branches
- Optimised cost to serve

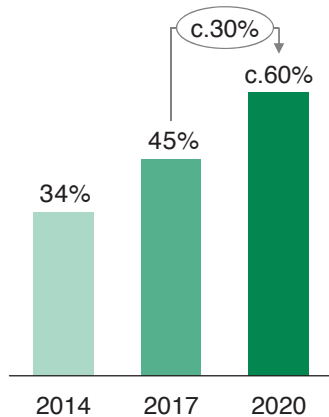
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## Physical distribution optimised for purpose, efficiency and reach



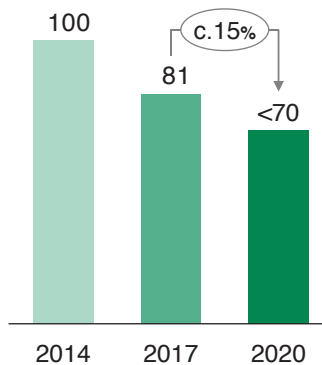
### Focusing on complex needs

Customer-facing time on complex needs<sup>1</sup>



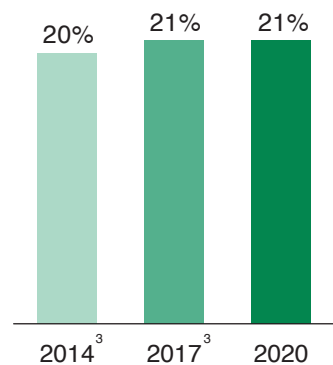
### Optimising cost to serve

Branch and telephony costs per customer indexed<sup>2</sup>



### Maintaining reach

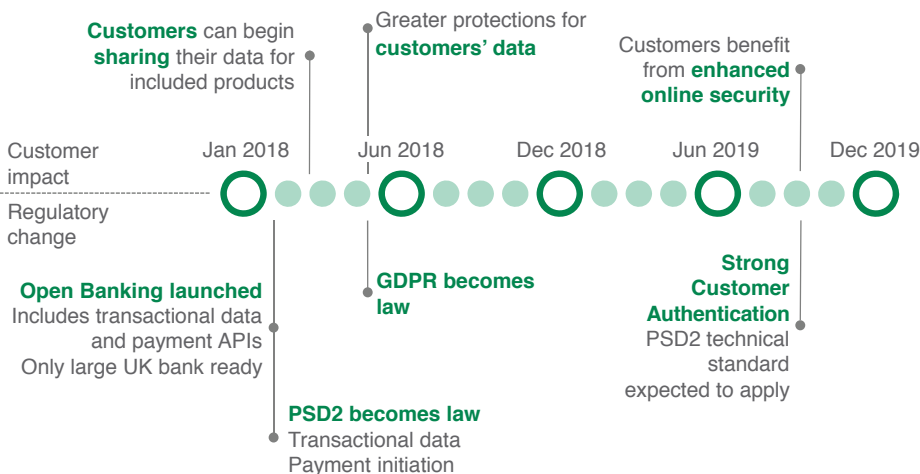
Branch market share



1 – Branch colleagues customer facing time - Kiran (2014), Finalta (2017) observation studies; complex needs include mortgage appointments, moments of truth and other enquiries/appointments that customers find complex. 2 – Direct and Property costs per primary active customer. 3 – CACI.

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## Well placed for future evolution of Open Banking



### Implications



More customer control



New innovations in products and services



A focus on responsible data use and security

Notes – API: Application programming interface. PSD2: Payment Services Directive 2 GDPR: General Data Protection Regulation.

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## Remain #1 UK digital bank with Open Banking functionality



### LBG's leading position

1. Largest digital financial services provider with multi-brand, multi-channel offering and strong customer relationships
2. Leading digital functionality and continuing innovation
3. Secure and trusted by customers vs. third parties<sup>1</sup>
4. Customer convenience: they want account aggregation from their main bank<sup>2</sup>



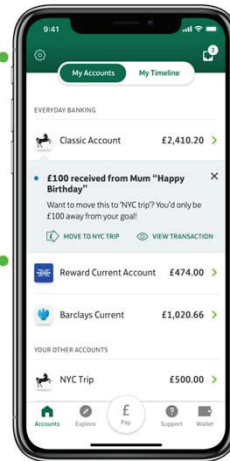
### Making Open Banking work for our customers

#### Everything in one place

- Aggregated view of customer's financial holdings from across the market place

#### New propositions

- Exploring 3rd party networks and journeys



#### Innovative tools

- Enhanced servicing (e.g. nudges and card controls)
- Personalised insights
- Everyday controls (real-time notifications)

#### Security a shared priority

- APIs will ensure the highest levels of security

1 – Harris Interactive Concept Express Open Banking Evaluation, Nov 2017. 2 – GfK Account Aggregation Survey, 2017.

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## Use enhanced capabilities to meet customers' expectations for increasingly personalised services



### Demand for personalisation

We have a **diverse customer base** with varying needs<sup>1</sup>:

- 57% own or mortgage home vs 43% rent<sup>2</sup>
- More than 60% digitally active
- 15% over 70 years old
- 11% don't use cash

Customers have increasing **expectations for personalised and relevant experiences**



### Enhanced capabilities

GSR3 capabilities will allow us to respond, from one-size-fits-all to a tailored service which better meets the individual needs



Digitised customer journeys



Enhanced data capabilities



Leading digital servicing



### Opportunity

- **Enhanced customer experience** for all customers
- We will deliver growth through **data-driven** and **personalised propositions**
- Micro-segmentation of our customer base identified **10m customers where we are under represented** with a market share of 17%, below our natural market share
- **Opportunity of c.£30-40bn additional customer balances** from under represented personal customer segments

1 – 60% based on 4Q17 Active PCA Lloyds, Halifax, Bank of Scotland customers; 15% based on December 2017 Primary Active Lloyds, Halifax, Bank of Scotland customers; 11% based on 3Q17 sampled Lloyds, Halifax, Bank of Scotland active PCA customers. 2 – CACI Limited 2017, GfK, UK population.

23

## Leading personal customer experience



### GSR3 priorities



Build on our market leading **digital financial services experience**



**Tailor and leverage multi-channel model** in line with evolving **customer needs and behaviours**



Use **enhanced capabilities** to meet customers' expectations for increasingly **personalised propositions**



### Key outcomes (2020)

**#1**

UK digital bank, with Open Banking functionality

**#1**

Branch network, serving complex needs

**£30-40bn**

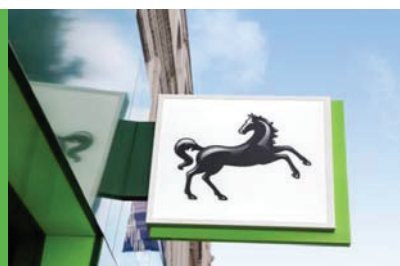
Market opportunity in under represented customer segments

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## Digitising the Group & Transforming ways of working

Zaka Mian  
Group Director, Transformation

Jen Tippin  
Group People & Productivity Director



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## Digitising the Group & Transforming ways of working



### GSR3 priorities

- Digitise more customer journeys end-to-end** and **scale up transformation** to include our Central Functions
- Simplification and **progressive modernisation** through targeted investment in technology, data, and innovation
- More agile ways of working** and continued focus on **technology-enabled productivity** improvement
- Build key **skills of the future** and **greater in-house capabilities**

### Key outcomes (2020)

- >70%** of cost base covered by journey transformation
- Up to 30%** Change resource efficiency improvement
- 50%** increase in training and development to 4.4m hours p.a.

26

## Scaling up our transformation to digitise the Group end-to-end and transform our ways of working



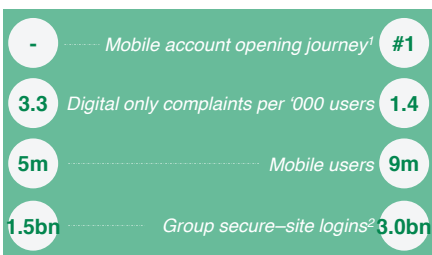
### Building digital foundations

Creating a scalable digital platform providing choice and convenience for customers



### Creating the largest UK digital bank

Enhancing digital capabilities and undertaking Customer Journey Transformation 1.0 to improve experience and business efficiency



### Digitising the Group & Transforming ways of working

- ✓ **Broader and deeper** digital transformation
- ✓ Simplification and **progressive modernisation** of our IT and data architecture
- ✓ **More agile** and more **efficient ways of working**
- ✓ Investing to build **key skills of the future** with greater in-house capabilities

2011

2014

2017

2020+

<sup>1</sup> – eBenchmarks. <sup>2</sup> - Includes all logons to LBG secure-sites.

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## Broader and deeper digital transformation, leveraging improved technology and data capabilities



### Broader and deeper transformation...

End-to-end transformation

End-to-end digitisation, including **more activities along the value chain** (e.g. control functions and operations)

More customer journeys covered

**~20 additional customer journeys**, including:

- Financial planning and retirement
- Home insurance claims

Central functions digitised

**~15 enterprise journeys**, with manual processes re-engineered across central functions

### > ...leveraging improved capabilities



Enhanced channel technology



Upgraded data and applied sciences

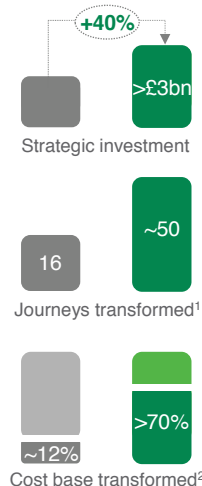


Simplified IT infrastructure



Accelerated innovation

GSR2 GSR3



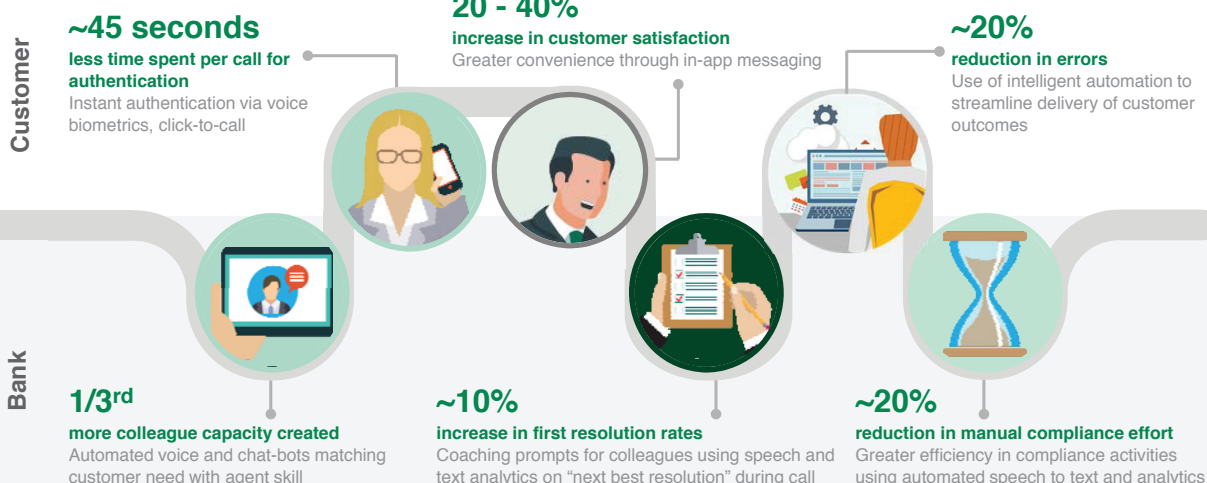
1 – Includes customer and enterprise journeys. 2 – Operating cost base covered by journey transformation.

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## Making continuous improvements to everyday banking by leveraging emerging technologies



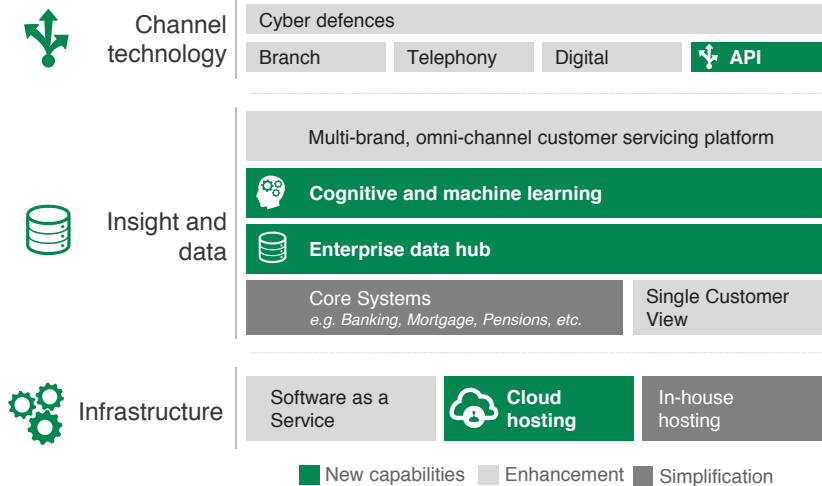
Using applied sciences to transform both customer experience and operational effectiveness



## Simplification and progressive modernisation of our IT architecture



Targeted simplification and “at scale” exploitation of new tech-enabled opportunities



- **API enabled** channel to leverage FinTech and exploit Open Banking
- **Insight powered** customer experiences
- **Selectively upgrade core systems** but avoid “big-bang” solution
- **Transformed software development processes** with greater automation
- Cost and agility improvements by **leveraging hybrid cloud** and software as a service

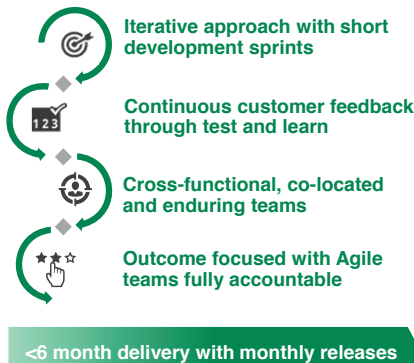
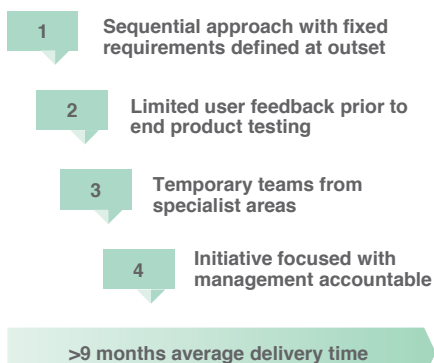
30

## More agile and more efficient ways of working



Moving from waterfall...

> ...to Agile in more than half of our change activity



- Up to 30%** Change resource efficiency improvement
- >50%** Change delivered through Agile
- 3.5x** Increase in Agile coaches

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## Biggest ever investment in our People to build key skills of the future



Investing in People to create lasting competitive advantage



Upskill and retrain

**Academies** to develop skills for **specialist roles**

**Leadership** programmes to **role model** ways of working

**Clearer career progression** routes

Enhanced **workforce analytics**

50%

Increase in training and development to 4.4m hours p.a.

30%

Reduction in external resources in Change

2x

Increase in digital experience designers and robotics/AI engineers



Attract top talent and specialist resource

Targeted **recruitment campaigns**

Faster **recruitment and on-boarding** process

Simpler structure fostering **individual development**

Aligned **graduate** and **apprenticeship** programmes

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## Long-term enhancements to our business and competitive position



Structural upgrade to our business

Improved capabilities

Upgraded data architecture

Enhanced channel technology

E2E journey transformation

Applied sciences

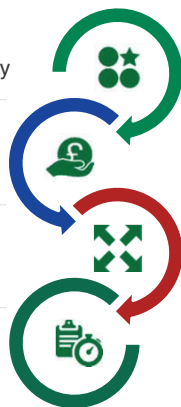
Single customer view

Scalable infrastructure

Agile change

Upskilled workforce

Strengthening our competitive advantages



**Data-driven customer experience**

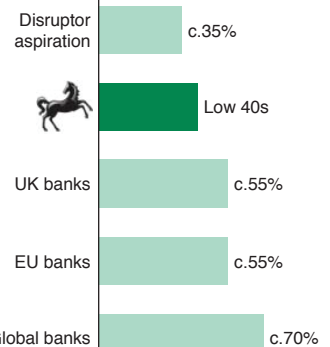
**Tech-enabled productivity improvements**

**Leading integrated propositions**

**Key skills of the future**

Strong position to compete

Cost:income ratio<sup>1</sup>, %



<sup>1</sup> – Cost:income ratios as reported (latest disclosure). Disruptor aspiration: based on marketplace lenders; UK: RBS, Santander UK, Barclays, HSBC; EU: BBVA, Santander Group, UniCredit, Intesa, Nordea, Swedbank, ING, KBC, CaixaBank, Sabadell, Societe Generale, Credit Agricole; Global: Citigroup, JP Morgan, Bank of America, Morgan Stanley, Goldman Sachs, Credit Suisse, UBS, Deutsche Bank, BNP Paribas.

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## Digitising the Group & Transforming ways of working



### GSR3 priorities



**Digitise more customer journeys end-to-end** and **scale up transformation** to include our Central Functions



Simplification and **progressive modernisation** through targeted investment in technology, data, and innovation



**More agile ways of working** and continued focus on **technology-enabled productivity** improvement



Build key **skills of the future** and **greater in-house capabilities**

### Key outcomes (2020)

**>70%** of cost base covered by journey transformation



**Up to 30%** Change resource efficiency improvement

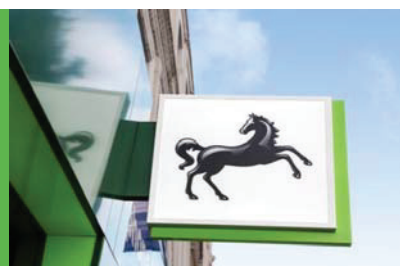
**50%** increase in training and development to 4.4m hours p.a.

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## Maximising Group capabilities

Antonio Lorenzo  
Chief Executive, Scottish Widows  
Group Director, Insurance & Wealth

David Oldfield  
Group Director, Commercial  
Banking

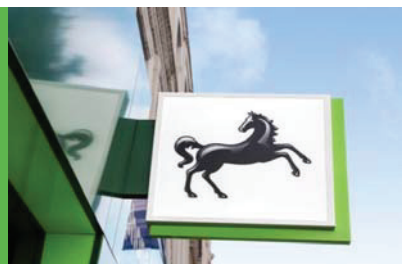


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# Maximising Group capabilities – Insurance & Wealth

Antonio Lorenzo  
Chief Executive, Scottish Widows  
Group Director, Insurance & Wealth



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## Maximising Group capabilities: Insurance & Wealth



### GSR3 priorities



Capture the **Corporate Pensions** opportunity, leveraging the Zurich acquisition and Group strengths



Offer customers a **single home for their banking and insurance needs**



**Drive growth across intermediary and relationship channels** through a strong distribution model

### Key outcomes (2020)

**>1m** New pension customers

**£50bn** Financial Planning & Retirement open book AuA growth<sup>1</sup>

<sup>1</sup> – Includes Wealth, excludes longstanding products.

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## Insurance & Wealth business with diversity and scale



### Unique business model

Iconic Group brands			
Strength across our core markets	Retirement & Investment	General Insurance	Protection
Scale player <sup>1</sup>	>9m Customers		£145bn AuA
Unrivalled multi-channel distribution	Franchise	Direct	Intermediary
GSR2 selected achievements	Successful re-platforming of our Home Insurance business	£2.5bn bulk annuity deals since launch	5 star Financial Adviser service rating

> Integral part of Lloyds Banking Group

**£0.9bn**

Underlying profit in 2017 (12% of Group)

**£5.9bn**

Cumulative dividends paid to Group since 2011

**16%**

Underlying return on tangible equity in 2017

1 – Figures exclude Zurich acquisition.

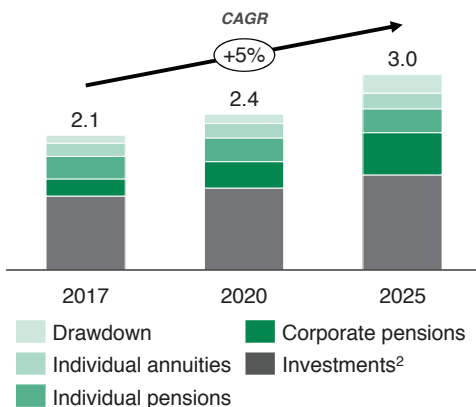
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## Meeting customers' Financial Planning & Retirement needs in a growing market



### Significant market opportunity...

Market AuA, Financial Planning & Retirement products, £tn<sup>1</sup>



> ...which we will start to capture during GSR3

Double-digit new business income **growth** across **Financial Planning & Retirement**

Grow income in **General Insurance and Protection**

These increases will more than **offset** reductions in longstanding products

1 – Provider results, ABI, Compeer, Fundscape, HMRC, Investment Association, Money Management and Spence Johnson. 2 – Investments includes stocks & shares ISAs, unwrapped funds and direct equities. Markets shown where LBG participates.

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## Capturing the **Corporate Pensions opportunity**, leveraging the Zurich acquisition and Group-wide capabilities



### Market opportunity



Corporate Pension AuA projected to **grow at 11% CAGR** between 2017-2025<sup>1</sup>

Auto-enrolment and **higher contributions**<sup>2</sup>



Customer preference for digitised services **increases customer interaction**



### Key initiatives and outcomes

Integrating Zurich platform to increase scale, enhance capabilities and **reach into new, growing segments**

**Leveraging our corporate client relationships** to provide retirement solutions

**Digitising** employer and employee journeys to enhance customer experience

**>1m**

Increase in pensions customers



**15%**

Corporate Pensions new business market share by 2020<sup>1</sup> (10% in 2017)

1 – Internal projections based on provider results and data from the ABI and Spence Johnson. 2 – Total minimum contributions levels, including employer and staff contributions: up to 05/04/2018: 2%; 06/04/2018 – 05/04/2019: 5%; 06/04/2019 onwards: 8%

40

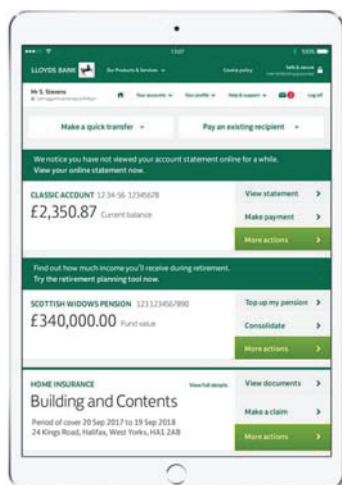
## Offering customers a **single home** for their banking and insurance needs



### Our Single Customer View...



...brings our Insurance proposition to Retail digital customers



### Unrivalled level of engagement with customers

**>13m** Digitally active users

**16** Average visits per month

*Significantly higher than standalone insurers*

**#1** rated UK mobile app since 2015<sup>1</sup>

### Deeper understanding of our customers' insurance needs

- Offer **data-driven, bespoke** Financial Planning & Retirement, General Insurance and Protection **propositions** with **seamless service**
- Provide **greater convenience for customers** through our leading distribution network and multi-channel approach

1 – Forrester UK Mobile Banking, 2015, 2016, 2017.

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## Strong distribution model to drive growth across Intermediary and Relationship channels



We are investing in each channel to grow our business



Intermediary

**Launch Open Market Option (OMO)** annuity, allowing customers of any pension provider to buy a Scottish Widows annuity

**Enter the on-platform pension and investment market**, providing access to a fast growing customer segment

**Enhance digital journeys** for intermediaries

15%

Individual annuities market share<sup>1</sup>, a 5pp increase



Relationship  
(Franchise and Direct)

Connect franchise holdings via **Single Customer View**

Provide a comprehensive range of **advice and guidance solutions** for pensions & investments

Embed **Home and Life insurance solutions** in the Franchise customer journey

>2x

Increase in Franchise Home Insurance and Protection needs met<sup>2</sup>

1 – Market share of new business, based on internal projections and ABI data. 2 – Needs met originating in branch and via Connect mortgages, based on internal projections

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## Maximising Group capabilities: Insurance & Wealth



### GSR3 priorities



Capture the **Corporate Pensions** opportunity, leveraging the Zurich acquisition and Group strengths



Offer customers a **single home for their banking and insurance needs**



**Drive growth across intermediary and relationship channels** through a strong distribution model

### Key outcomes (2020)

>1m New pension customers



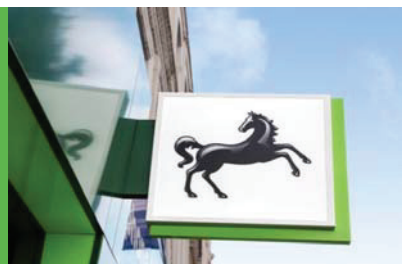
£50bn Financial Planning & Retirement open book AuA growth<sup>1</sup>

1 – Includes Wealth, excludes longstanding products.

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# Maximising Group capabilities - Commercial Banking

David Oldfield  
Group Director, Commercial Banking



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## Maximising Group capabilities – Commercial Banking



### GSR3 priorities



Digitise propositions and support lending needs to drive **growth in SME and Mid Markets**



Upgrade propositions to **deepen relationships** with Global Corporates and Financial Institutions



**Increase the productivity of our Relationship Managers** through investment in data and analytics

### Key outcomes (2020)

**£6bn**

Growth in net lending to Start-ups, SMEs and Mid Markets

**>70%**

Products digitised

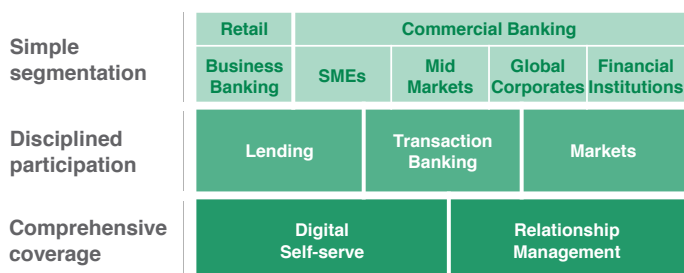
**Maintain market leading RoRWA – 2.8% in 2017**

45

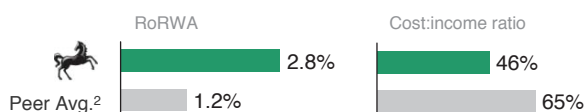
## Solid foundations and simple model delivering best-in-class returns



Simple, low risk, relationship-led and UK-focused model



Delivering best-in-class returns (FY2017)<sup>1</sup>



<sup>1</sup> – LBG figures for FY17 and peer average for 9M17

<sup>2</sup> – Peer average refers to RBS (Commercial and NatWest Markets), Barclays (Corporate & IB) and Santander UK (Commercial and Global Corporate Banking)

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Strong track record of delivery (GSR2)

### Targeted growth

**+£4bn** SME and Mid Market net lending

### Investment in digital

**>12k** Active clients on CB Online

### Simplification

**>16k** Accounts opened through the new digital onboarding process

### Capital discipline

**£17bn** RWA reduction

## Transforming our propositions to meet our clients' evolving needs



Wide ranging client needs....

For simple needs they want

- Seamless multi-channel engagement
- Fully digital self-serve
- Flawless servicing
- Digital integration with accounting systems

For complex needs they want

- Relationship Manager support
- Customised propositions
- Real-time relevant sector insight
- Digital integration with enterprise systems



...supported through our key GSR3 themes



### Invest and grow In SME and Mid Markets

- Digitise client experience
- Increase self-serve
- Improve product range



### Deepen Relationships in GC and FI

- Enhance payment and cash management
- Upgrade liquidity and working capital propositions
- Maintain returns discipline



### Increase Productivity Of Relationship Managers

- Focus on high value client interactions
- Deliver valuable insight

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## Invest and grow in SME and Mid Markets



In GSR3 we will...



Digitise client experience

**Digital origination** of simple loans, with **online servicing**

Faster time to **loan sanction** and **cash draw down**

**Enhance digital offering** in FX, Rates and deposits

**Transform** transaction and banking journeys end-to-end

100%

Loans serviceable online



Improve product range

**Upgrade trade** and **working capital** propositions

**Leverage Open Banking** to broaden client reach

**Expand loan product range** with flexible funding options

2x

SME conversion rate in Markets products from online channels



Simplify onboarding and servicing

**Straight-through-processing** and automation

**Transform onboarding** for corporate clients across the Group

<2hrs

Decision time for simple lending

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## Deepen relationships in Global Corporates and Financial Institutions



In GSR3 we will...



Broaden Payments & Cash Management

**Modernisation of capabilities** to expand client offering

Address more **liquidity needs** and provide more **financing solutions**

Continue to invest in **trade** and **asset finance platforms**

1 in 3

Cash management mandates won (from 1 in 8)



Improve Markets products

Integrate **bulk FX payment** capability

Improve **electronic Rates** and **Repo capabilities**

**Simplify operations** and **systems** to drive efficiency gains

>90%

Straight-through-processing of international payments



Create seamless client experience

Have the **Relationship Manager** at the heart of our model

A **client coverage led model** supported by product and delivery teams

25%

Increase in e-traded volumes (FX and Rates)

49



## Make the Relationship Manager role more productive with more time spent on value adding activity



Clients want ...

**Frictionless multi-channel** engagement and **flawless servicing**

**Customised propositions**

**Timely, relevant insight** adding tangible value



Through our Relationship Managers we will deliver...



A trusted partner providing **valuable insight** and creating **strategic conversations**

**Proactive** client interaction offering **customised propositions**

**50% increase in RM time spent on more complex, value adding activity**

Underpinned by...



**Automated** processes and **self-serve capability**

**Connected cross-Group and external data**

Group **API architecture**

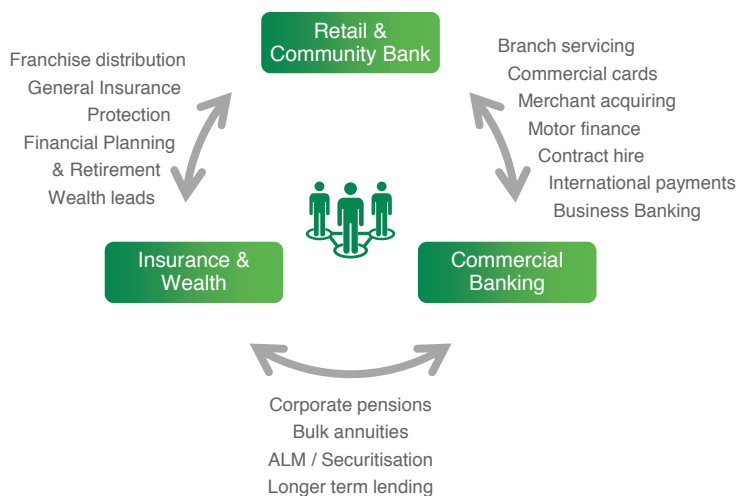
**Applied sciences** for sophisticated analytics

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## We can work across the Group to bring joined up solutions



**Strong cross-divisional collaboration** will drive **deeper relationships** with Commercial clients



Focus going forward



**Maximising Group capabilities** to target profitable growth



**Diversifying further** our sources of income



**Extracting further synergies** through deeper relationships

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## Maximising Group capabilities – Commercial Banking



### GSR3 priorities



Digitise propositions and support lending needs to drive **growth in SME and Mid Markets**



Upgrade propositions to **deepen relationships** with Global Corporates and Financial Institutions



**Increase the productivity of our Relationship Managers** through investment in data and analytics

### Key outcomes (2020)

**£6bn**

Growth in net lending to Start-ups, SMEs and Mid Markets

**>70%**

Products digitised

**Maintain market leading RoRWA – 2.8% in 2017**

52



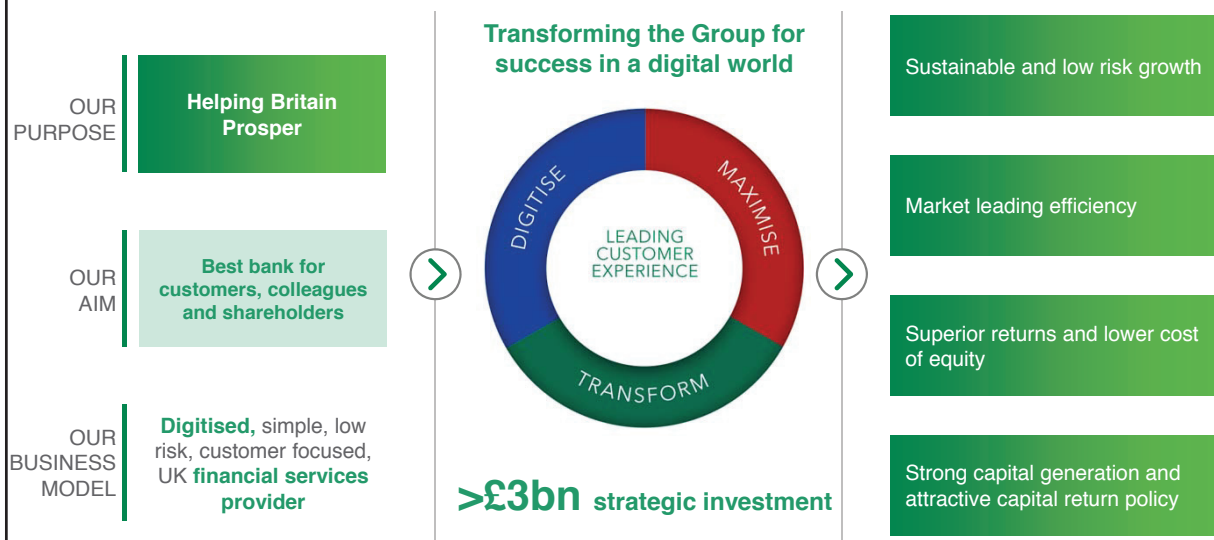
## Financial projections and targets

George Culmer  
Chief Financial Officer



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Clear strategy that will underpin the delivery of **superior returns** and create **greater value for shareholders**

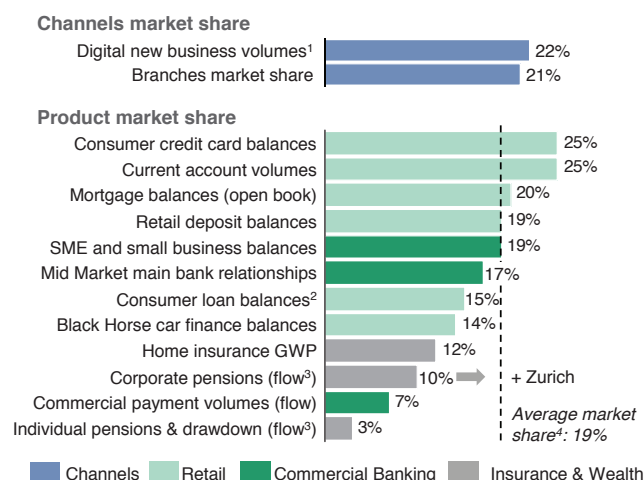


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## Sustainable and low risk growth – Opportunities for growth in targeted key segments



### Strong franchise across key channels and products



### Further growth opportunities

#### Organic growth in targeted key segments:

- **Financial Planning & Retirement** open book assets under administration
- **Start-up, SME and Mid Market** lending
- Targeted growth in **consumer lending** segments
- Will continue to balance **volume and margin** considerations in **mortgages**

#### Inorganic growth:

- Consider 'bolt-on' acquisitions in **segments and/or capabilities** where appropriate
- **Innovation growth opportunities** through strategic partnerships and FinTech engagement

#### No change to **prudent risk appetite**

1 – Volumes across PCAs, loans, savings, cards and home insurance. 2 - Comprises unsecured personal loans, overdrafts, and Black Horse retail lending balance share. 3 - Annualised Premium Equivalent new business. Corporate Pensions previously disclosed as stock market share of a smaller addressable market. 4 – Average market share calculated for core financial services products. Market data sources: ABI, BoE, CACI, eBenchmarks, Experian pH, FLA, Spence Johnson, UK Finance. All market shares as at FY17 except individual pensions & drawdown (9M17).

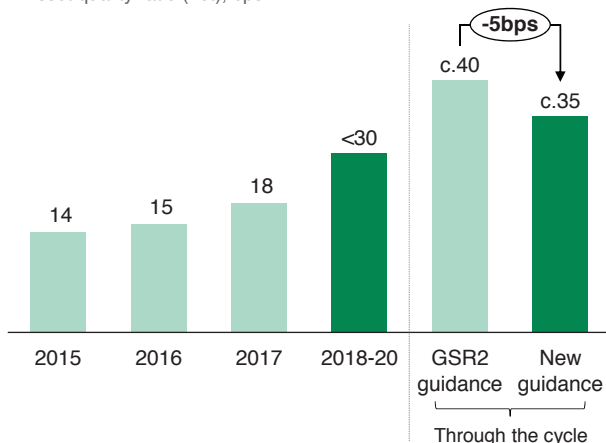
55

## Sustainable and low risk growth – Cost of risk expected to remain low, with through the cycle guidance improved



### Cost of risk to remain low

Asset quality ratio (net), bps



### Reflecting our low risk business model

- Low risk business model underpinned by **prudent participation choices and portfolio de-risking**
  - Over 95% of assets in UK (**AA rated**)
  - Secured** assets represent **over 2/3 of portfolio**; average mortgage LTV of **43.6%**
  - Unsecured consumer portfolio **c.6%** of loans, compared to c.4% in 2014
  - Stringent underwriting criteria** with **targeted balance growth** in recent years
  - Run off assets now **c.£9bn, down 95%** from peak, and just c.2% of loans
  - Limited exposure** to high volatility business lines
- Asset quality ratio of c.35bps** (prev. c.40bps) **through the cycle and <30bps in the plan period**, with lower releases and write backs than FY17

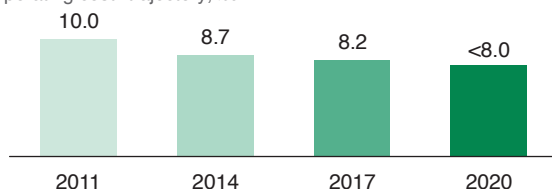
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## Market leading efficiency – Targeting further absolute cost reductions, creating capacity for strategic investment



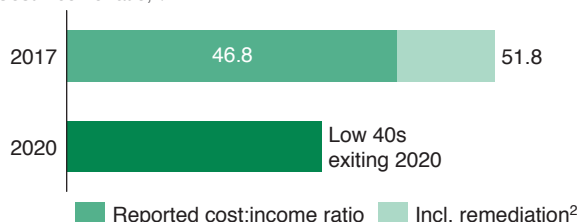
### Further absolute cost reductions

Operating cost<sup>1</sup> trajectory, £bn



### Further cost:income ratio improvements

Cost:income ratio, %



### Outlook

- Proven track record** of delivering cost reductions; cost base reduced by **c.£2bn since 2011**
- Targeting **operating costs of <£8.0bn in 2020**, more than offsetting inflation
- Focus on efficiency allows for increased investment; **>£3bn strategic investment** over next three years
  - >40% increase** compared to the prior plan period
- Cost:income ratio **will now include remediation**, as well as operating costs with **increased investment**
  - Remediation costs expected to **reduce significantly** below 2017 levels
- Targeting further improvements in **cost:income ratio**
  - Low 40s exiting 2020**, compared with 51.8% in 2017, with reductions every year

<sup>1</sup> – Operating costs exclude operating lease depreciation. Includes TSB (2011 and 2014) and MBNA (2017). <sup>2</sup> – Calculated as (operating costs + remediation costs) / net income. Remediation previously referred to as other conduct

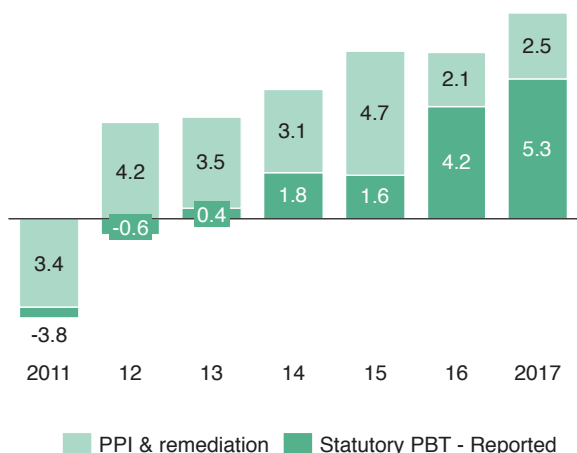
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## Superior returns and lower cost of equity – Targeting strong statutory profit growth



### Continued strong statutory profit progression

Statutory profit before tax, £bn



### Closing the gap to underlying PBT

- Statutory PBT has **increased significantly since 2011** and now accounts for **62%** of underlying PBT
- Targeting further **strong statutory profit growth**, driven by targeted growth, resilient NIM, low risk business model, and lower operating and remediation costs
- Below the line items to **reduce significantly**
  - PPI costs to cease in August 2019** due to industry deadline
  - Post this deadline, only volatility, restructuring, amortisation of purchased intangibles and fair value unwind will remain below the line
- Expect an **effective tax rate of around 25%** in 2020

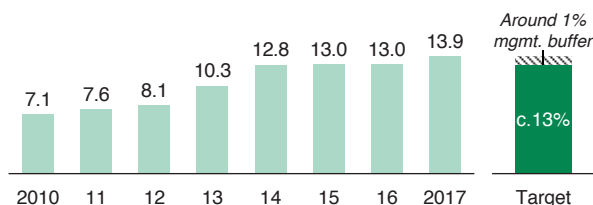
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## Superior returns and lower cost of equity – Targeting improved returns on a higher capital base



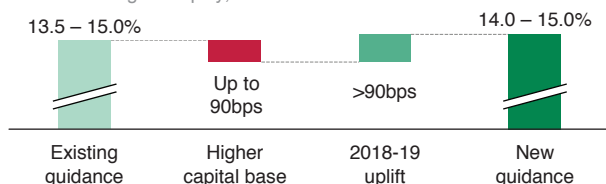
### Higher capital base

Post-capital return CET1 ratio<sup>1</sup>



### Impact of higher capital base fully absorbed

Return on tangible equity, %



### Improved returns on a higher capital base

- Targeting improved statutory RoTE of 14.0% - 15.0% from 2019** on a higher capital base
- Targeting higher **CET1 ratio of c.13%, plus a management buffer of around 1%**
- Excluding the impact of higher capital requirements, **RoTE would be up to 90bps higher**

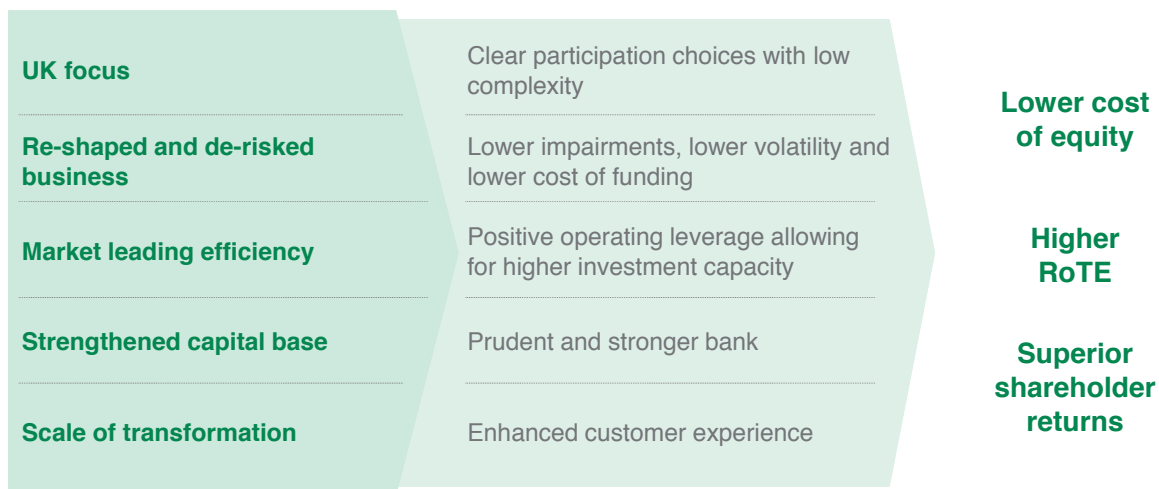
<sup>1</sup> – Pro-forma for Insurance dividend, 2016 post-MBNA (0.8%), 2017 post announced share buy back.

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## Superior returns and lower cost of equity – Delivering superior shareholder returns



Simple, differentiated business model

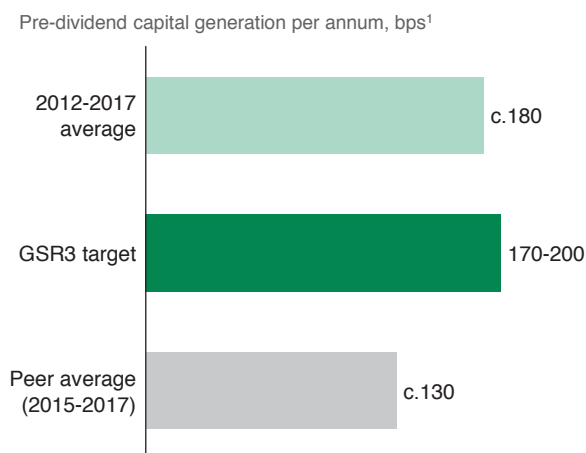


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## Strong capital generation and attractive capital return policy – Capital generative business model with clear framework for capital return



Consistent capital generation



<sup>1</sup> – Excluding acquisitions. Annualised average for peers

➤ Enabling superior shareholder returns

- Business model remains **strongly capital generative**
  - Continue to target **170-200bps per annum, pre-dividend**
- Improved profitability provides capacity for growth and ability to absorb capital headwinds while still delivering **consistent capital generation**
- **Clear framework for capital return to shareholders:**
  - **Progressive and sustainable** ordinary dividend
  - Will continue to **return surplus capital by an appropriate means**, with current preference for **share buy-backs**

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## Closing comments

António Horta-Osório  
Group Chief Executive



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## Transforming the Group for success in a digital world



### Our purpose

Helping Britain Prosper

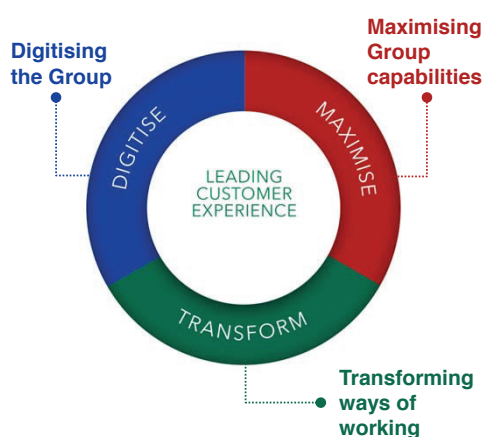
### Our aim

Best bank for customers,  
colleagues and shareholders

### Our business model

Digitised, simple, low risk,  
customer focused, UK financial  
services provider

### Our strategic priorities



### Our ambition



Transforming  
the Group for  
success in a  
digital world

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# Appendix



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## Speakers' biographies



### Vim Maru

Group Director, Retail

Vim was appointed Group Director, Retail in September 2017.

He joined the Group in June 2011 as Managing Director, Customer Products and was appointed to the Group Executive Committee in August 2013. Vim is also a UK Finance Board member, leading on Retail Banking.

Previously Vim worked for over 12 years at Santander, in a range of roles in Corporate Strategy, Mergers & Acquisitions, the Life Division and most recently held the position of Director, Retail Products.

Vim holds an Economics degree from the London School of Economics and is a member of the Institute of Chartered Accountants.

### Jakob Pfaudler

Group Director, Community Banking

Jakob was appointed Group Director, Community Banking in September 2017.

From 2015 to 2017 he was Chief Operating Officer for the Retail Bank and prior to this he was Managing Director of Asset Finance. Other previous roles include Chief Operating Officer for Wealth & International, Managing Director International Retail and International Banking and Wholesale Banking Operations Director.

Jakob joined the Group in 2004 having spent six years with McKinsey & Co, in their London office. Prior to McKinsey, Jakob spent time with Goldman Sachs and Oliver Wyman.

He has a PhD in Theoretical Physics from Oxford University.

### Zaka Mian

Group Director, Transformation

Zak joined the Group in 1989 as a Business Analyst in IT and has carried out multiple roles involving Retail CIO, Head of IT Architecture and leading the Digital Transformation programme.

He was appointed Group Director, Digital and Transformation in 2016 and his responsibilities increased in September 2017 as the Group Director, Transformation. He is responsible for the digital transformation of the Group, including all IT and business change, and ensuring we are ready to meet the future expectations of our customers.

Zak has a Computer Science degree from York University.

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## Speakers' biographies



### Jennifer Tippin

Group People and Productivity Director

Jen was appointed as Group People and Productivity Director in July 2017 and is responsible for leading the people function and managing the Group's cost base.

Prior to her current role, Jen held the roles of Group Customer Services Director and Managing Director, Retail Business Banking.

Graduating from Oxford University, Jen enjoyed a career spanning multiple industries, including banking, engineering and the airline sector. Jen is a non-executive director on the board of Lloyds Bank Corporate Markets and the Kent Community NHS Foundation Trust.

### Antonio Lorenzo

Chief Executive, Scottish Widows and Group Director, Insurance and Wealth

Antonio was appointed Chief Executive, Scottish Widows and Group Director, Insurance at the end of 2015 and during 2017 he also assumed responsibility for the Wealth Division.

Antonio joined the Group in 2011 from Santander to lead the Group's strategic review and subsequent programme of reducing non-core assets and exiting international locations. He subsequently held the role of Group Director, Consumer Finance & Group Corporate Development, leading the division's growth strategy whilst completing the sale of TSB.

He is Group Executive Sponsor for Emerging Talent.

### David Oldfield

Group Director, Commercial Banking

David was appointed as Group Director, Commercial Banking in September 2017 responsible for supporting corporate clients from SMEs through Mid Markets to Global Corporates and Financial Institutions.

David started his career with Lloyds Bank 31 years ago on the graduate programme and has held a number of key leadership roles across all Divisions of the Group. Immediately prior to his current role he was Group Director Retail and Consumer Finance, responsible for the Lex Autolease and Black Horse Brands, Retail branch networks, Telephone Banking, and Retail Business Banking and UK Wealth businesses.

David is a Fellow of the Chartered Institute of Bankers. He is also Group Executive Sponsor for Disability.

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## Forward looking statement



### Forward looking statement

This document contains certain forward looking statements with respect to the business, strategy, plans and /or results of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group's or its directors' and/or management's beliefs and expectations, are forward looking 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; 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; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, instability as a result of the exit by the UK from the European Union (EU) 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; 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; changes in laws, regulations, 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 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 Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements. 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.

