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EBA STRESS TEST RESULTS PUBLISHED

Lloyds Banking Group plc (the 'Group'), together with 47 other financial institutions across Europe has been subject to the 2018 EU-wide stress test conducted by the European Banking Authority (the 'EBA'). The stress test does not contain a pass/fail threshold but is instead designed to be used as an input into the supervisory review process by assessing banks' ability to meet applicable capital requirements under stressed conditions.

The EBA stress tests assume a severe UK economic scenario combining significant falls in property prices and GDP, rising unemployment and deflation. In particular, house prices and CRE values drop by 29.3 per cent and 29.5 per cent respectively, GDP falls by 5 per cent by 2019, unemployment increases by 4.5 per cent, whilst equities suffer a 27 per cent fall in 2018. The scenario is also characterised by deflation, with bank rate rising to 1 per cent and sterling remaining flat.

Result of the stress test

The Group's estimated CET1 ratio, using the CRDIV transitional rules as implemented in the UK by the PRA, starts at a pro-forma CET1 ratio of 14.0 per cent at 1 January 2018 (including IFRS 9 and reflecting transitional relief benefit) and in the EBA Adverse scenario reaches a low point of 8.55 per cent in 2020 (year 3).

The results of the PRA stress test will be disclosed later in the year. There are material methodology differences to the EBA stress test, which uses a prescriptive methodology and is based on a static balance sheet as at December 2017. This significantly limits the ability to draw direct comparisons between the two exercises.

The Group's capital position remains strong having reported a CET 1 ratio post dividend accrual of 14.6 per cent at the recent third quarter results. The Group also continues to be strongly capital generative having built 162 basis points of capital in the first three quarters of the year, and continues to expect to deliver c.200 basis points for the full year.

Further details

The detailed results of the stress test in relation to all participating banks under the baseline and adverse scenarios are published on the EBA website. The disclosure tables are based on the common format provided by the EBA.

Notes to editors

Details of the EBA prescribed methodology for the stress test can be found at: https://www.eba.europa.eu/-/eba-launches-2018-eu-wide-stress-test-exercise. The methodology includes a number of conditions and assumptions which are not reflected in the PRA stress, including:

- Assumption of a static balance sheet
- Net Interest Income capped at 2017 levels
- No write offs or recoveries allowed in impairment forecasts
- Market risk shock floor based on historical volatility and inability to recover in outer years
- Costs floored at 2017 levels, subject to the exclusion of agreed one-offs
- A different definition of stage 3 assets which increases the level of stage 3 assets and the impairment impact. It should also be noted that no transitional relief is available on stage 3 assets

Results are published in Euros and so the stress forecasts, per the EBA methodology, are translated at a constant exchange rate of 1.1271.

Neither the baseline scenario nor the adverse scenario illustrated in the templates should in any way be construed as a forecast, or be directly compared to other information published by the Group. These results do not take into account future business strategies and management actions and is not a predictor of future financial outcomes.

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