SHARESOC VISIT TO LLOYDS BANKING GROUP

Carla Antunes da Silva, Group Strategy, Corporate Ventures & Investor Relations Director
Douglas Radcliffe, Group Investor Relations Director

14 June 2019

Introduction

Douglas Radcliffe

UK's largest financial services provider with distinctive strategy and customer focused business model

- **26 million customers** across our key businesses in **Retail**, **Commercial Banking** and **Insurance**
- Largest branch network and digital bank in the UK with a **presence in every community** supporting our purpose of **Helping Britain Prosper**

Distinctive competitive strengths

- Differentiated multi-brand, multi-channel customer propositions
- Market leading efficiency
- Largest digital bank, branch reach and customer franchise
- Prudent, low risk participation choices with strong capital position
- Rigorous execution and management discipline

Committed to Helping Britain Prosper

Delivering on our purpose

>700,000
individuals, businesses and charities trained in digital skills during 2018

35.3%
of senior roles now held by women. Up from 29% in 2014

>124,000
start-up businesses supported in 2018

>£12bn
of lending to first time buyers in 2018

£3bn
increase in lending to start-up, SME and Mid market businesses in 2018

>3,000
charities supported in 2018 as a result of our £100m commitment to the Group's independent charitable Foundations

Largest
corporate tax payer in the UK 2018

Increasing our support going forward

		2020[1]
People	Lending to first time buyers	**£30bn**
	Individuals, businesses and charities trained in digital skills	**1.8m**
	Growth in assets managed in retirement and investment products[2]	**£50bn**
Businesses	Growth in net lending to start-up, SME and Mid Market businesses	**£6bn**
Communities	Charities supported by our £100m commitment to the Group's independent charitable Foundations	**7,500**
	Percentage of senior roles held by women	**40%**
	Percentage of roles held by Black, Asian and Minority Ethnic colleagues	**10%**

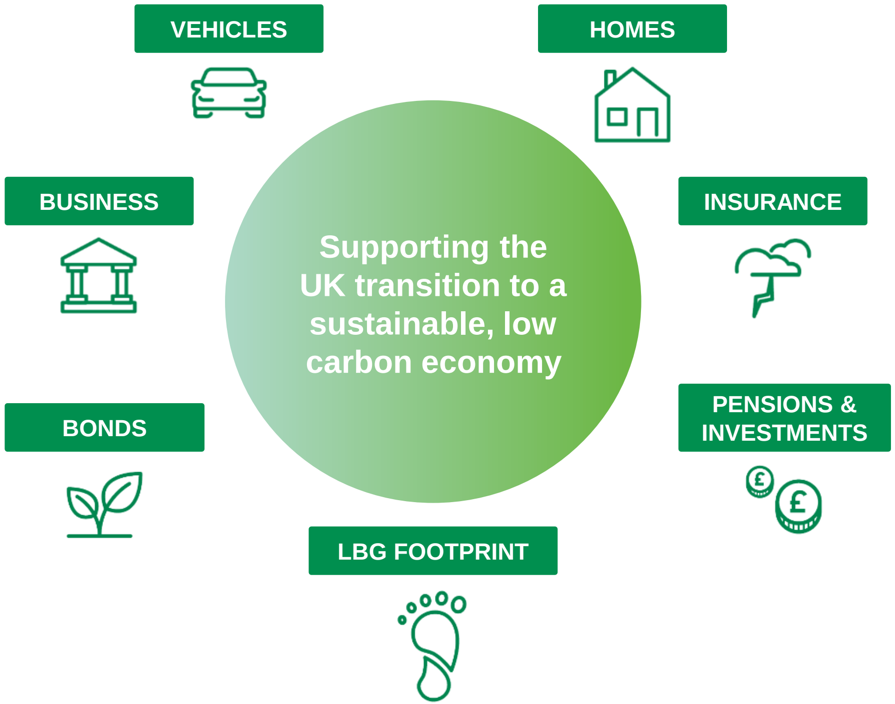
1 – Cumulative from 2018. 2 – Growth in assets under administration in our open books.

Helping communities through building digital capabilities and skills while supporting the transition to a low carbon economy

Building digital skills for individuals, charities and small businesses

- Lloyds Bank Academy pilot in Manchester
- Working with more than 50 partners
- Over 2,500 people, charities and small businesses helped with basic and workplace skills through online and face-to-face courses
- Roll out of Lloyds Bank Academy to more cities in 2019

Group ambitions anchored to the goals in the UK Government's Clean Growth Strategy



Strategic update

Carla Antunes da Silva

We have followed a clear and evolving strategic path since 2011

	GSR 1 (2011–2014)	GSR 2 (2014–2017)
Key strategic priorities	▪ **Reshape** our portfolio ▪ **Simplify** the Group ▪ **Invest** in the core business ▪ **Strengthen** balance sheet and liquidity position	▪ Deliver **sustainable growth** ▪ Become **simpler** and more **efficient** ▪ Create the **best customer experience** ▪ Return to **full private ownership**
Improving performance	▪ **Roll-out of digital** banking ▪ **£2bn** annual run-rate **cost savings** ▪ **£175bn reduction in RWAs** ▪ **Restoring** statutory **profitability**	▪ **Largest digital bank** in UK ▪ **<50% CIR**[1] ▪ **Dividend resumption** ▪ FY17: 8.9% RoTE from 4.4% in 2014
Clear outcomes	▪ **The best bank for customers and shareholders**	▪ **Simple, low risk, customer focused, UK retail and commercial bank**

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**

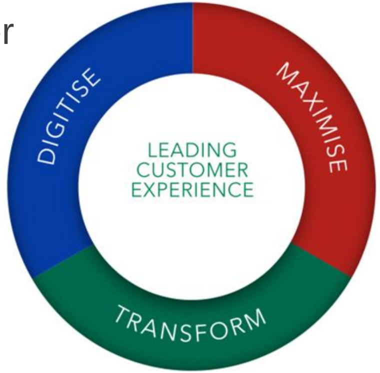
In February 2018 we launched the third phase of the Group's strategy with more than £3bn strategic investment to transform the Group for success in a digital world

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**



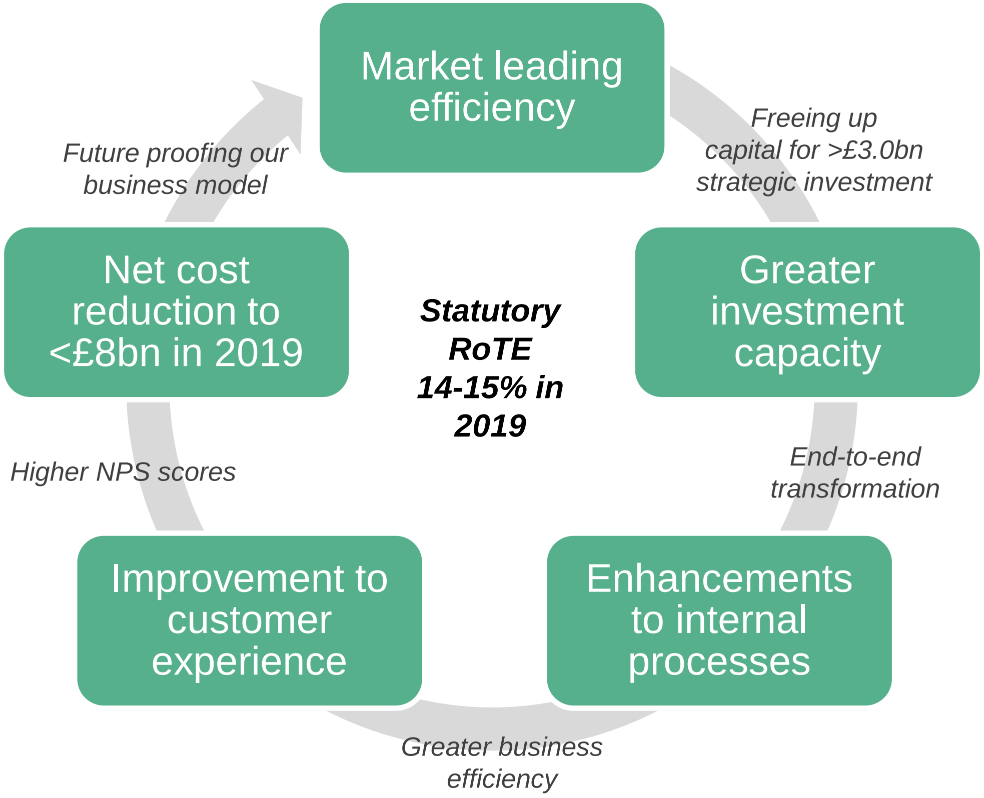
DIGITISING THE GROUP

- **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.**

Increased investment is enabling further customer enhancements and market leading returns

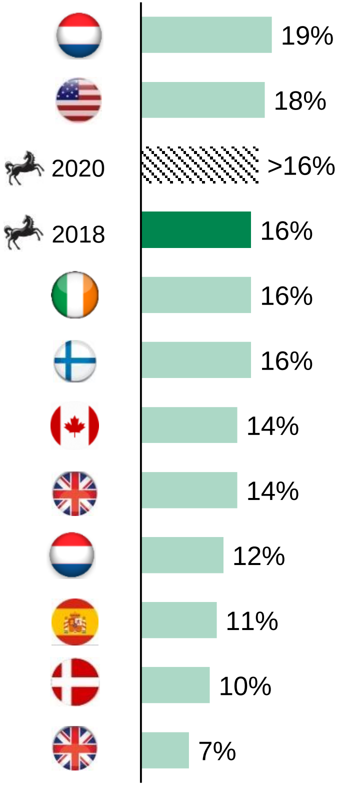


- Strong strategic progress enabled by **unique, customer focused** business model
- Ability to deliver both **higher investment** and **returns** supported by ongoing focus on **efficiency**
- Efficiency position underpinned by **market leading cost:income ratio** with **further reductions targeted every year**
- Higher investment continues to fund improvements for both **customers** and **colleagues**
- Delivering **market leading returns**

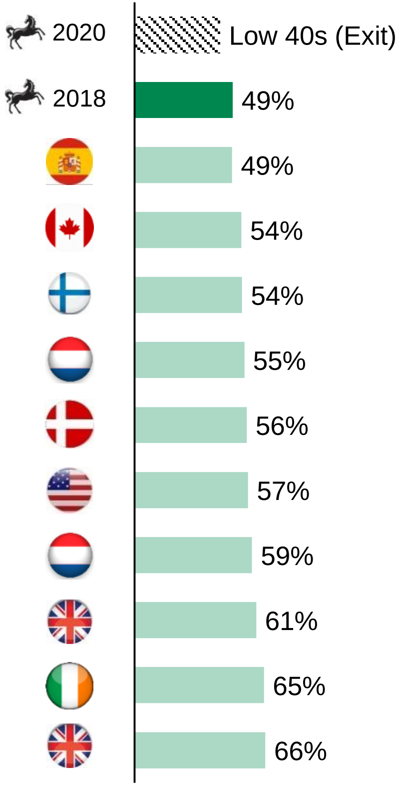
Top quartile investment supported by market leading efficiency

LLOYDS BANKING GROUP

IT / Technology cash spend as % of operating costs[1]

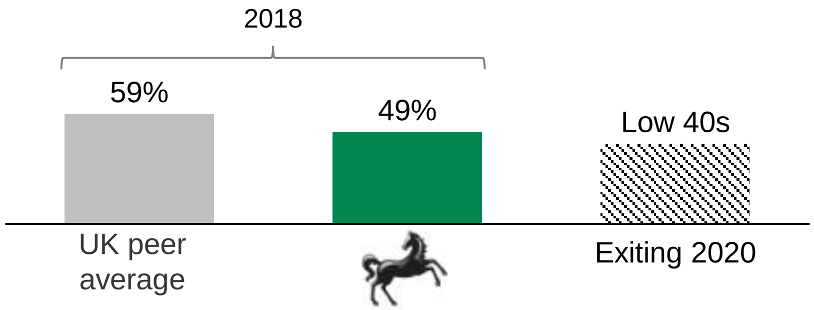


Reported cost:income ratio



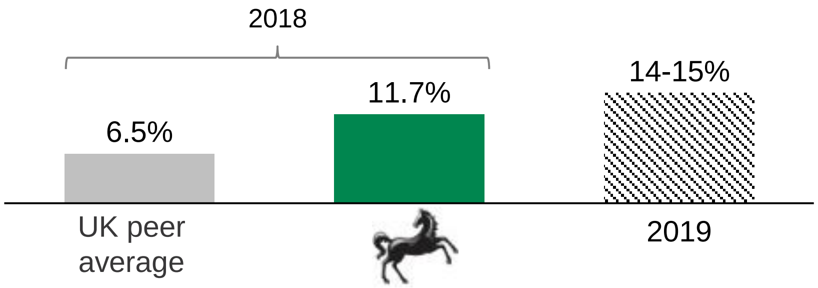
Further improving our efficiency advantage

Cost:income ratio[2]



Increasing our profitability and returns profile

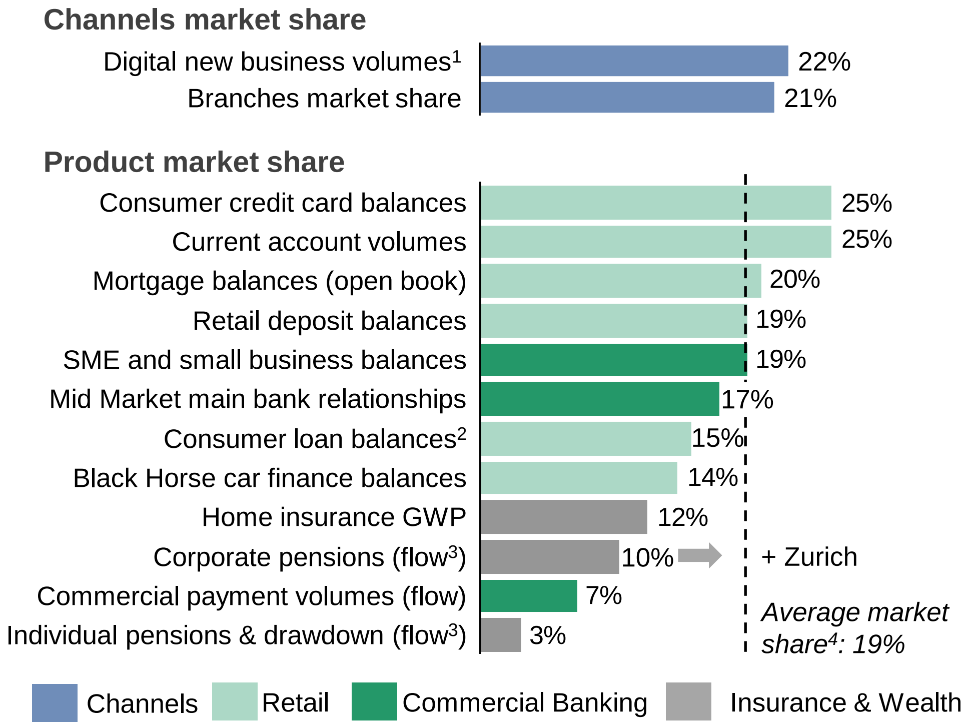
Statutory Return on Tangible Equity[3]



1 – Estimated – proxy for peers technology spend calculated based on available disclosure and may not be like for like. 2 – Average underlying cost:income ratio (excl. notable items as highlighted by each institution). LBG ratio includes remediation. 3 - As stated by major UK banking peers. UK peer average 7.1% on a like for like basis with Lloyds methodology.

Sustainable and low risk growth – opportunities for growth in targeted 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, eBenchmarkers, Experian pH, FLA, Spence Johnson, UK Finance. All market shares as at FY17 except individual pensions & drawdown (9M17).

Creating a market leading wealth proposition for customers with Schroders

Clear rationale for strategic partnership between two of UK's strongest financial services businesses

LLOYDS BANKING GROUP

Unique client base

Multi-channel distribution model with leading digital franchise

Schroders

Investment & wealth management expertise with well-established brand

Expert technology capabilities

Delivering significant growth in line with strategy

- **Growth will be in addition to existing £50bn FP&R open book AuA growth target**

Asset management capabilities covered by new long-term agreement

Market leading wealth proposition with full and unique market offering

Mass Market

- **Digitally enabled direct Financial Planning & Retirement offer**

Mass Affluent – Affluent

- **Joint venture – 50.1% holding**
- **Scottish Widows Schroders launched in Q2; JV to be branded Schroders Personal Wealth**
- **Aim to be top-3 UK financial planning business within 5 years**
- **c.300 advisors on day 1; expected to more than double within 3 years**

High Net Worth Customers

- **19.9% stake in Cazenove Capital**
- **Leading wealth management and investment funds business**

Performance update

Douglas Radcliffe

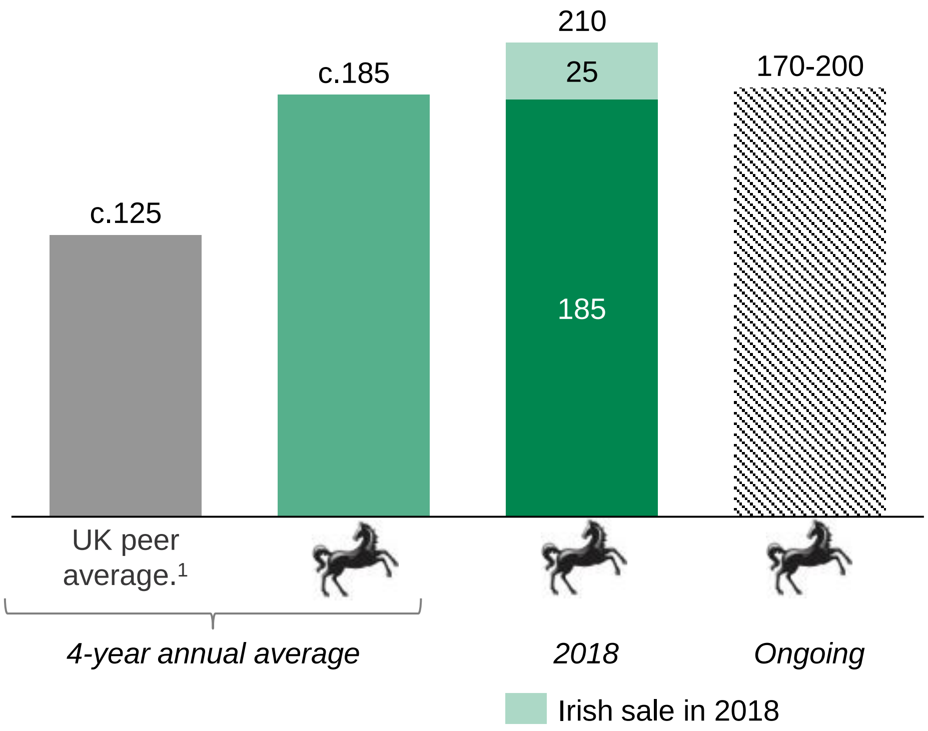
Strong business performance in the first quarter of 2019 with increased profits and market leading returns

Net income	**£4.4bn** ***+2%***
Cost:income ratio (incl. remediation)	**44.7%** ***(3.1)pp***
Cost:income ratio (excl. remediation)	**44.3%** ***(2.1)pp***
Underlying profit	**£2.2bn** ***+8%***
Statutory profit after tax	**£1.2bn** ***+2%***
Earnings per share	**1.49p** ***+2%***
Return on tangible equity	**12.5%** ***+0.2pp***
Capital build (pre-dividend accrual)	**31bps** ***after 11bps for IFRS 16***

- **Statutory profit after tax of £1.2bn up 2% with strong RoTE of 12.5% and EPS up 2% to 1.49p; TNAV up 0.4p on year end to 53.4p**
- **Underlying profit of £2.2bn up 8%**
  - Increased net income with NIM robust at 291bps
  - Lower costs with cost:income ratio further improved to 44.7%
- **Credit quality remains strong; net AQR of 25bps up on Q4 reflecting expected lower releases and write backs**
  - Gross asset quality ratio of 30bps stable on Q4 2018
- **Continued reduction in below the line charges**
- **Capital build of 31bps after 11bps expected one-off IFRS 16 impact**
- **Reduced CET1 guidance of c.12.5% plus a management buffer of c.1% following Systemic Risk Buffer notification and lower Pillar 2A**

Continued strong capital build with a lower capital target

Pre-dividend capital build
(basis points)



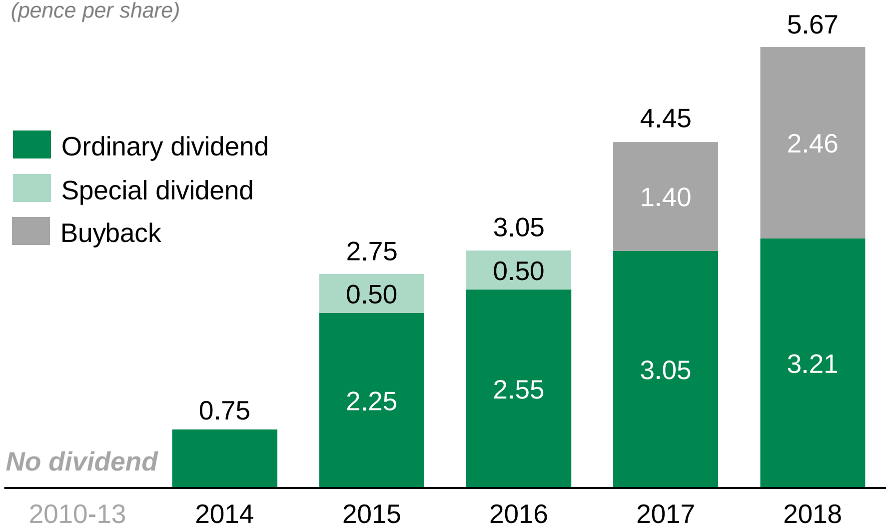
- **Strongly capital generative business model; expect ongoing capital build of 170-200bps every year**
  - Represents free capital build, over and above uses of capital and known regulatory changes
- **Consistent strong capital build provides optionality for long-term decisions including shareholder returns, investment, loan growth and growing market share**
- **CET1 guidance has reduced from c.13% to c.12.5%, plus a management buffer of c.1%**

1 – Average of major UK banking peers.

Increasing shareholder returns since resumption of dividends in 2014

Shareholder returns

(pence per share)



Total return (£bn)	2014	2015	2016	2017	2018
Ordinary div.	0.5	1.6	1.8	2.2	2.3
Special div.	-	0.4	0.4	-	-
Buyback	-	-	-	1.0	1.75
Total	**0.5**	**2.0**	**2.2**	**3.2**	**4.0**

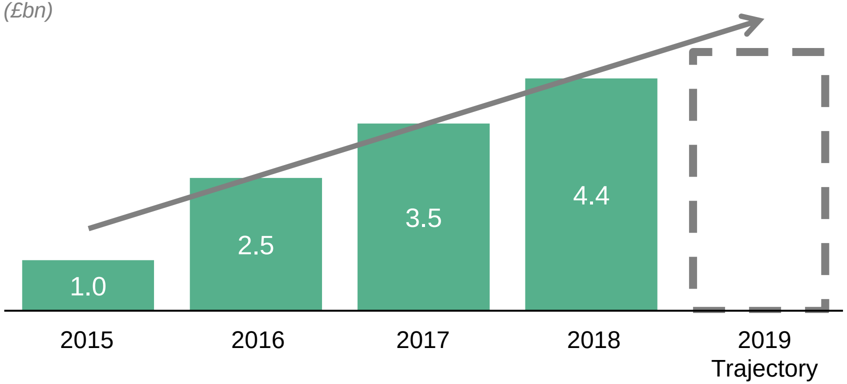
- **c.£12bn returned to shareholders over last 5 years**
- **Clear dividend policy: progressive and sustainable ordinary dividends with flexibility to return surplus capital through buybacks and/or special dividends**
  - 3.21p ordinary dividend for 2018 was up 5% on 2017
  - Recently announced move to quarterly dividends to give investors more regular and accelerated payments
  - Current preference for distributing surplus capital by share buyback
- **The Board consider distributions at each year end, taking into account various factors, including capital build, capital requirement and economic environment**

Summary – significant business progress with strong start to the Group's latest strategic plan

- **Significant progress against strategic priorities with increased investment in the business**
- **Strong financial performance with continued growth in profit and market-leading returns**
- **Brexit uncertainty persists and continued uncertainty could further impact the economy, but given current strong performance, all guidance is reaffirmed**
  - Continue to expect RoTE of 14-15% in 2019
  - Ongoing annual capital build of 170-200bps, pre-dividend
  - NIM c.290bps in 2019 and resilient through the plan
  - Operating costs now expected to be <£8bn in 2019
  - AQR expected to be <30bps in 2019
- **Group will continue to Help Britain Prosper whilst delivering strong and sustainable returns**

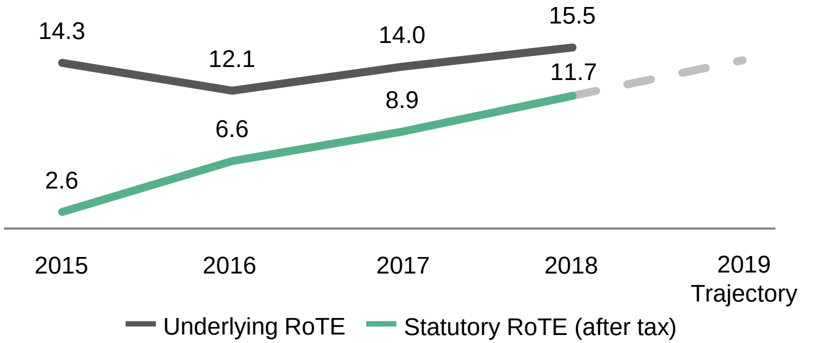
Statutory profit after tax

(£bn)



Return on tangible equity[1]

(%)



1 – 2015 to 2017 restated to show Remediation / Other Conduct within underlying profit.

Q&A

Carla Antunes da Silva & Douglas Radcliffe