

LLOYDS
BANKING GROUP



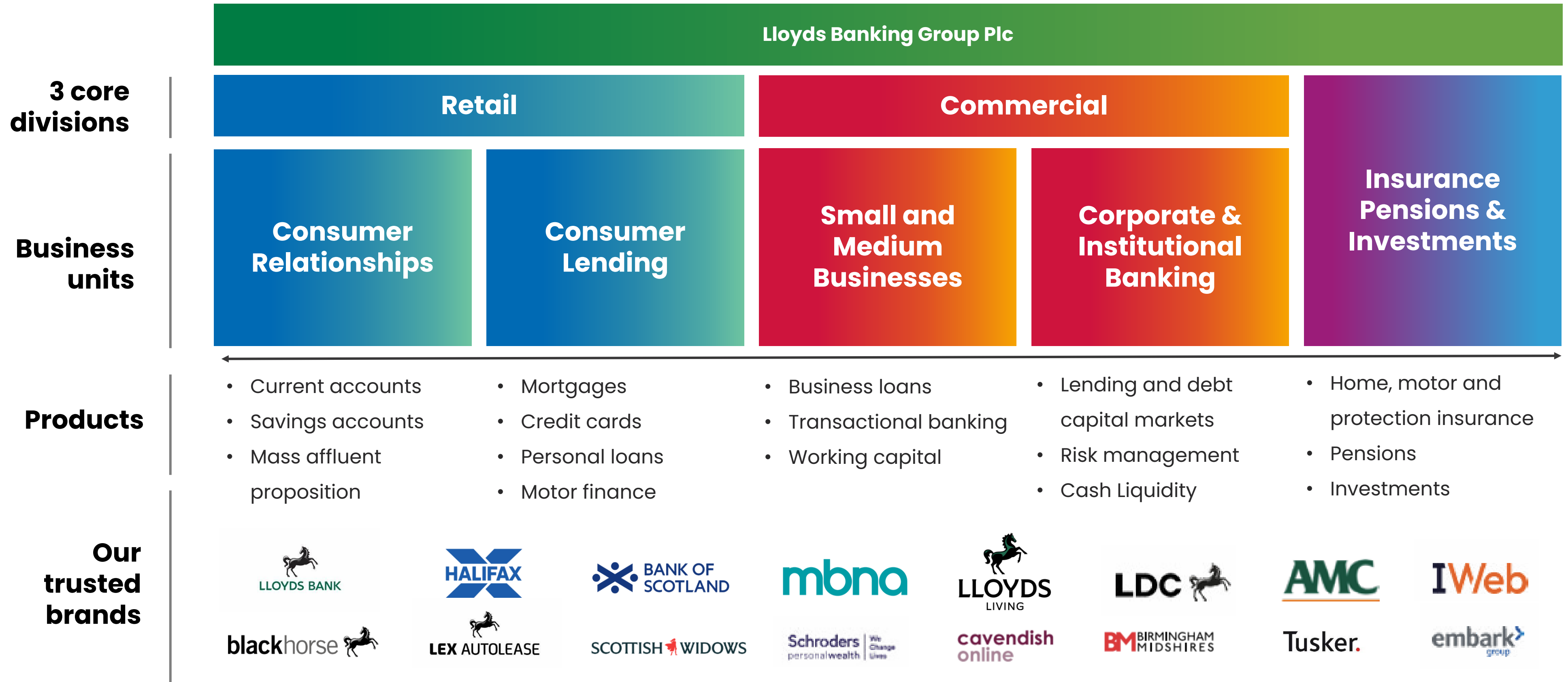
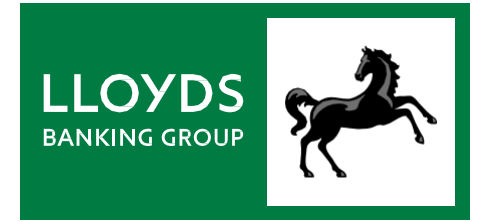
2024 Q3 Results Fixed Income Presentation

Lloyds Banking Group
23 October 2024



Business and strategic update

Leading UK digital bank and integrated financial services provider



Purpose driven strategy benefitting all stakeholders



Purpose

**Helping
Britain
Prosper**

- Strategic transformation building momentum, delivering for customers
- Robust financial performance
- Reaffirming 2024 guidance; confident in 2026

Robust financial performance

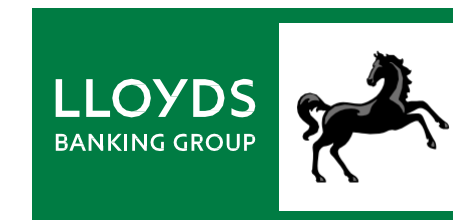


Financial summary (£m)

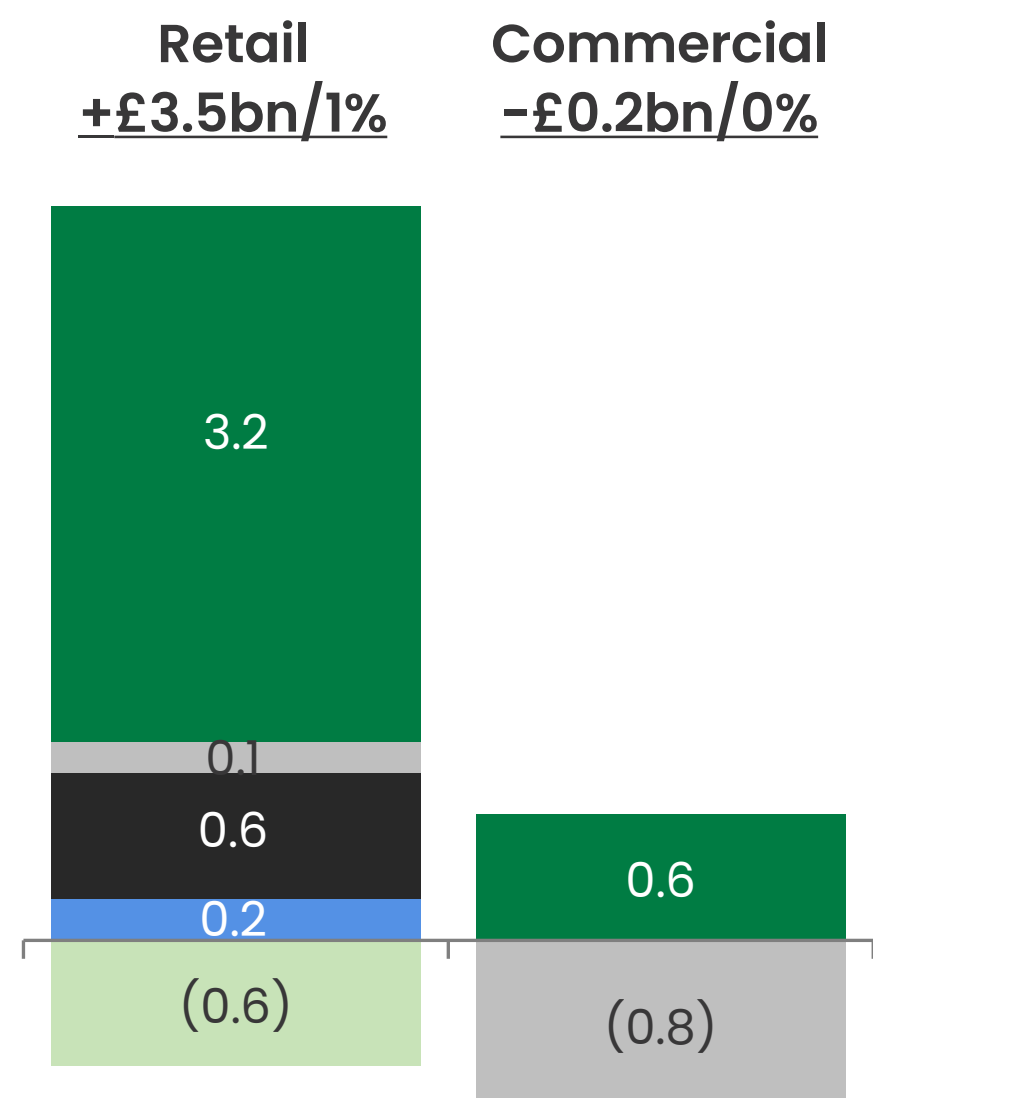
	Q3 2024 YTD	Q3 2023 YTD	YoY %	Q3 2024	Q2 2024	QoQ %
Net interest income	9,569	10,448	(8)	3,231	3,154	2
Other income	4,164	3,837	9	1,430	1,394	3
Operating lease depreciation	(994)	(585)	(70)	(315)	(396)	20
Net income	12,739	13,700	(7)	4,346	4,152	5
Operating costs	(6,992)	(6,654)	(5)	(2,292)	(2,298)	-
Remediation	(124)	(134)	7	(29)	(70)	59
Total costs inc. remediation	(7,116)	(6,788)	(5)	(2,321)	(2,368)	2
Underlying profit pre impairment	5,623	6,912	(19)	2,025	1,784	14
Impairment charge	(273)	(849)	68	(172)	(44)	
Underlying profit	5,350	6,063	(12)	1,853	1,740	6
Statutory profit after tax	3,777	4,284	(12)	1,333	1,229	8
Net interest margin	2.94%	3.15%	(21)bp	2.95%	2.93%	2bp
Return on tangible equity	14.0%	16.6%	(2.6)pp	15.2%	13.6%	1.6pp
Earnings per share	5.3p	5.9p	(0.6)p	1.9p	1.7p	0.2p
TNAV per share	52.5p	47.2p	5.3p	52.5p	49.6p	2.9p
CET1 ratio	14.3%	14.6%	(0.3)pp	14.3%	14.1%	0.2pp

- YTD statutory PAT £3.8bn; RoTE 14.0%
- YTD net income £12.7bn; Q3 £4.3bn, up 5% QoQ
- Income growth: Q3 NII £3.2bn, up 2% QoQ, Q3 NIM 295bps; up 2bps vs. Q2; YTD other income up 9% YoY
- Continued cost discipline: YTD operating costs up 5% YoY; 4% ex. BoE levy
- Strong asset quality: Q3 impairment charge £172m, equivalent to 15bps AQR
- TNAV per share 52.5p, up 1.7p YTD, up 2.9p in Q3
- Strong capital generation of 132bps YTD; CET1 ratio 14.3%

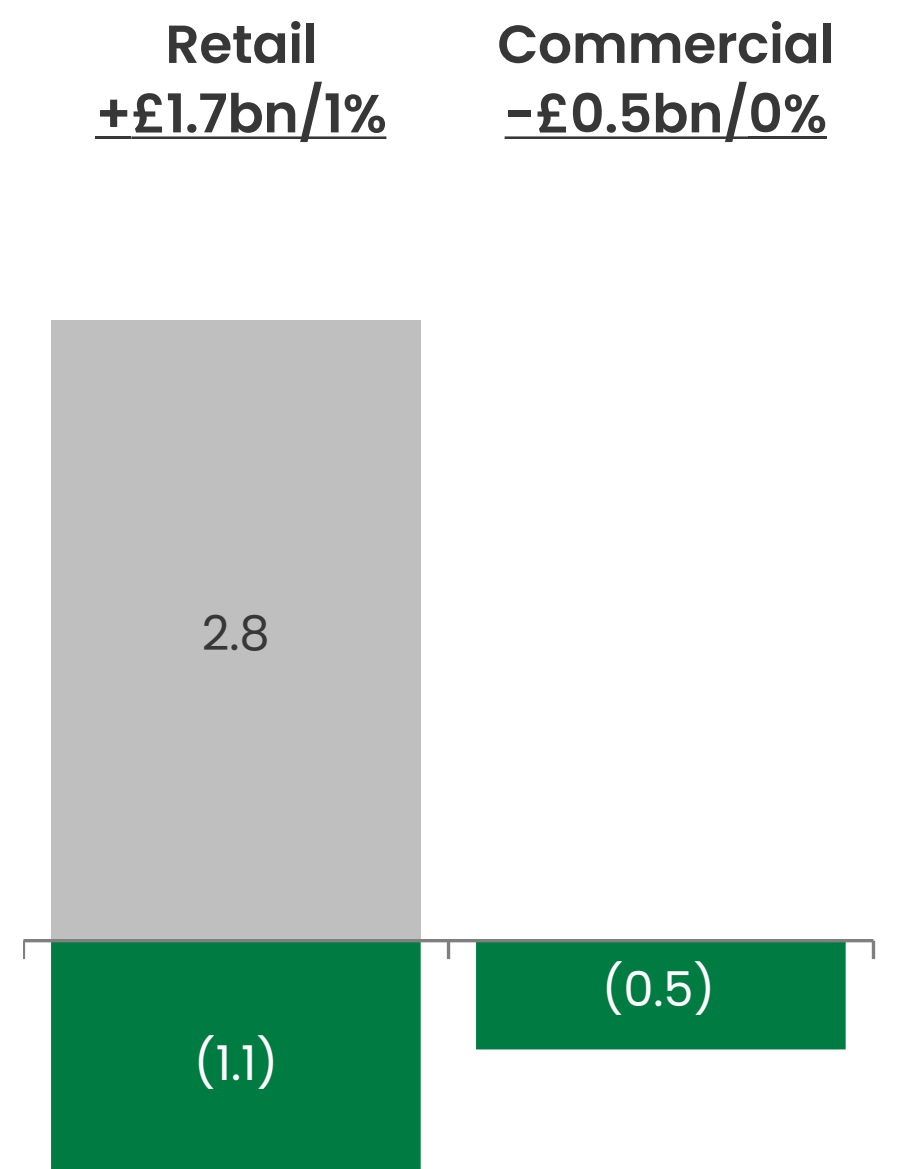
Continued growth in customer franchise



Q3 lending increase (£bn)



Q3 deposit increase (£bn)



- Mortgages
- Credit cards
- Motor Finance
- Unsecured loans
- Other¹
- Corporate and Institutional Banking (CIB)
- Small and Medium Businesses (SMB)

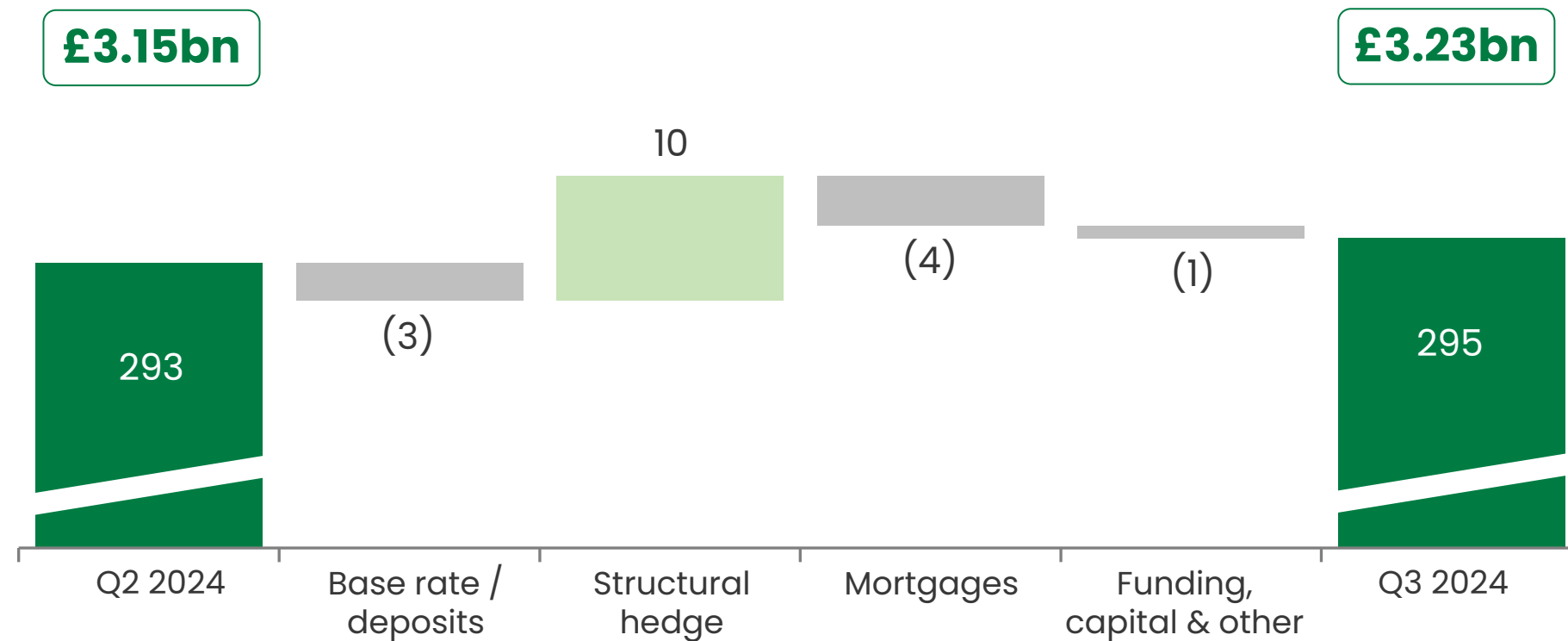
- Retail current a/c
- Retail savings²
- Commercial Banking deposits

- **Group lending £457.0bn, up £4.6bn in Q3; up 2% YTD**
 - Retail up £3.5bn in Q3; Mortgages up £3.2bn
 - Growth in Credit Cards and Unsecured Loans
 - Motor Finance impacted by £0.3bn securitisation
 - Commercial down £0.2bn in Q3, including continued repayments of CBILS/BBLs within SMB
- **Group deposits £475.7bn, up £1.0bn in Q3; up £4.3bn YTD**
 - Retail up £1.7bn in Q3; up £2.8bn in savings, down £1.1bn in current accounts
 - Commercial down £0.5bn in Q3; growth in SMB offset by expected net outflow in CIB
- **£3.5bn net new money in IP&I YTD; £0.8bn in Q3³**

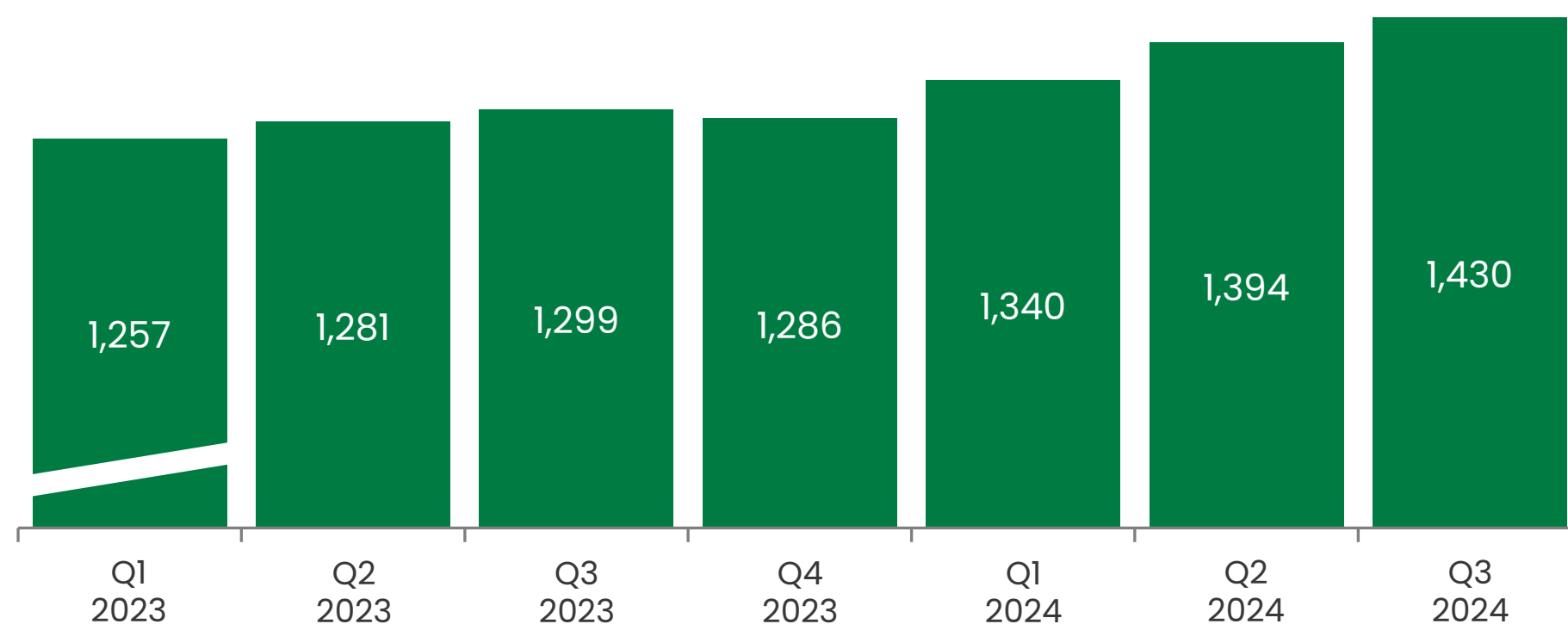
¹ – Includes Overdrafts, Europe and Wealth. ² – Includes Retail savings and Wealth. ³ – Open book assets under administration.

Income growth across NII and OOI

Net interest income and banking margin (bps)



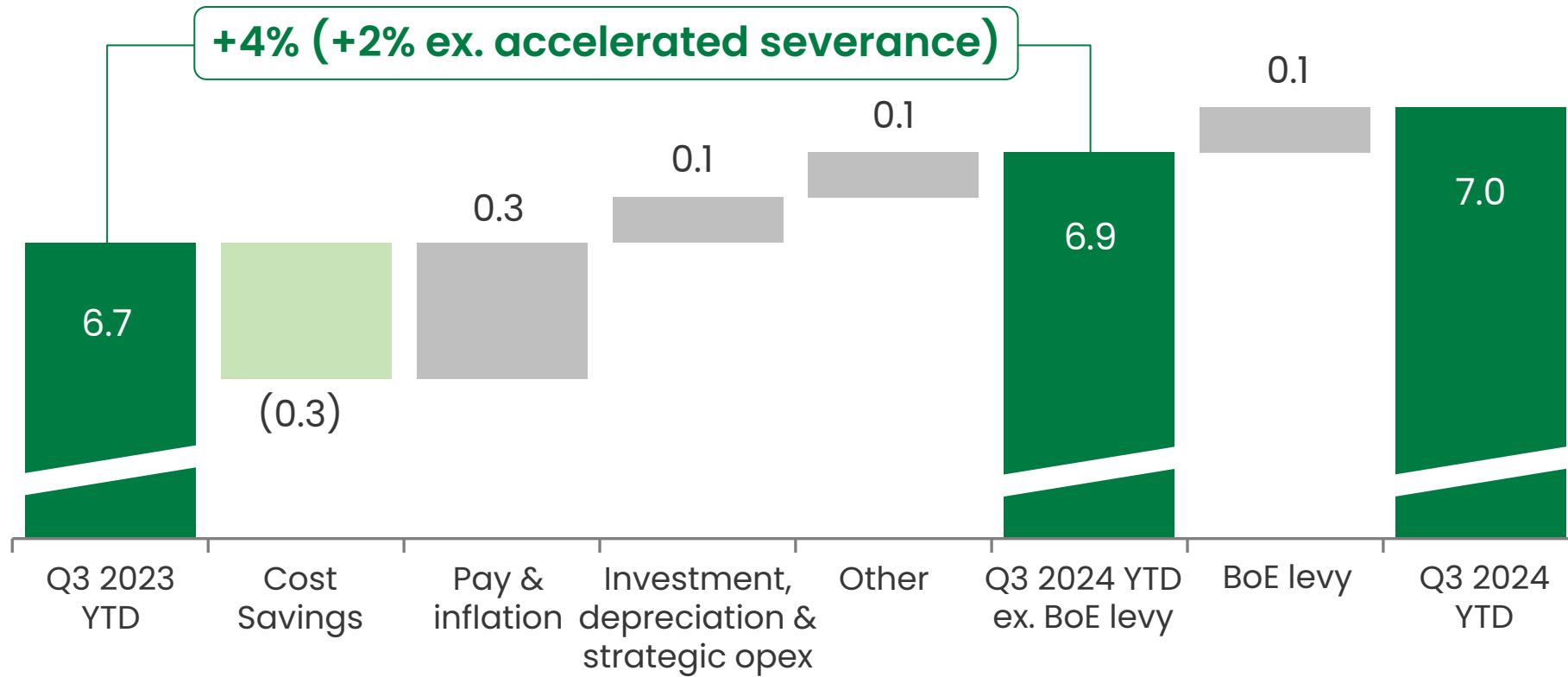
Other income (£m)



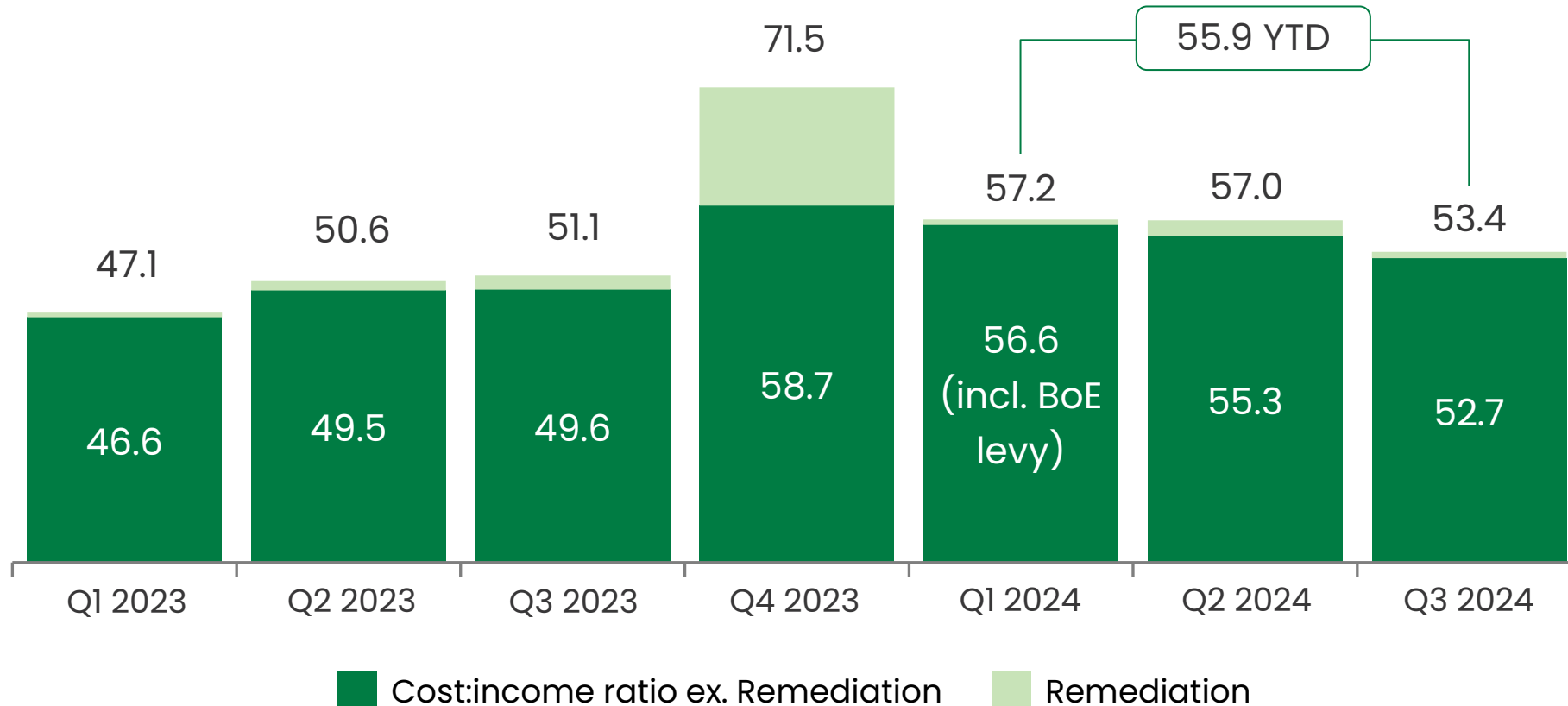
- **Q3 NII £3.2bn, up 2% QoQ**
 - NIM 295bps, up 2bps QoQ
 - Q3 AIEAs £451.1bn, up £1.7bn QoQ; YTD £449.9bn
 - Q3 non-banking NII charge £118m, stable vs. Q2
- **Structural hedge notional £242bn, unchanged QoQ**
- **Continue to expect 2024 AIEAs >£450bn**
- **Continue to expect 2024 NIM to be >290bps**
- **Other income £4.2bn YTD, up 9% YoY; Q3 £1.4bn**
 - Continued growth driven by strategic progress across divisions
- **Operating lease depreciation £315m in Q3, in line with expectations**

Continued cost discipline

Operating costs (£bn)



Cost:income ratio (%)



- Q3 operating costs £2.3bn, stable on Q2
- YTD operating costs £7.0bn, up 5% YoY, 4% excluding BoE levy
 - Includes accelerated severance taken YTD
- Q3 cost:income 53.4%; 52.7% ex. remediation
- Ongoing cost management mitigating inflationary pressures and investment
- Continue to expect 2024 operating costs c.£9.4bn, including c.£0.1bn BoE levy
- Remediation charge of £124m YTD, £29m in Q3

Strong asset quality



Impairment (£m)

	Q3 2024 YTD	Q3 2023 YTD	YoY £m	Q3 2024	Q2 2024	QoQ £m
Charge (credit) pre updated MES¹	597	918	(321)	172	176	(4)
<i>Retail</i>	592	787	(195)	129	160	(31)
<i>Commercial Banking</i>	16	139	(123)	44	21	23
<i>Other</i>	(11)	(8)	(3)	(1)	(5)	4
Updated economic outlook	(324)	(69)	(255)	-	(132)	132
<i>Retail</i>	(269)	(30)	(239)	-	(73)	73
<i>Commercial Banking</i>	(55)	(39)	(16)	-	(59)	59
Total impairment charge	273	849	(576)	172	44	128

Gross lending and coverage level² (£bn, %)

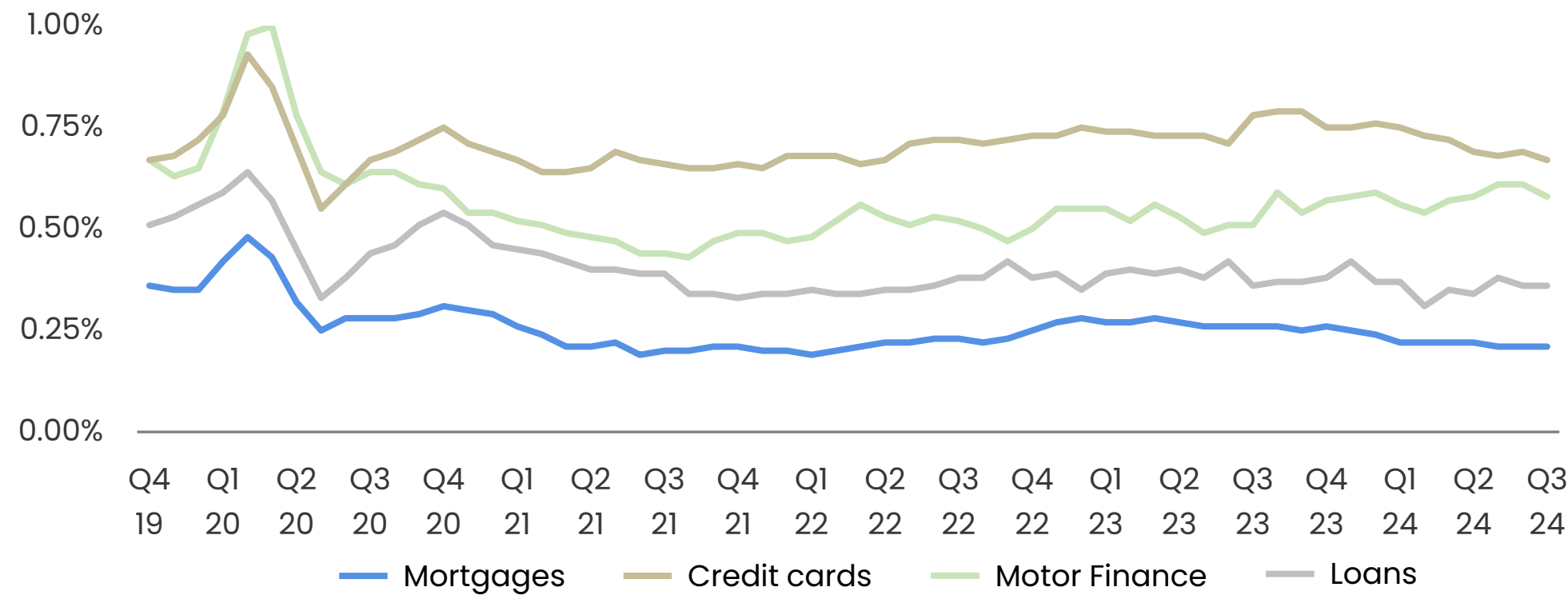
		Stage 1	Stage 2	Stage 3	Total
Q3 2024	Loans and advances	£407bn	£44bn	£10bn	£461bn
	Coverage	0.2%	3.2%	15.5%	0.8%
Q4 2023	Loans and advances	£387bn	£57bn	£10bn	£454bn
	Coverage	0.3%	3.0%	15.8%	0.9%

- Strong asset quality, reflected in continued resilient Group credit performance
- £172m charge in Q3, AQR 15bps
 - Low underlying charge driven by benign credit trends and debt sale of unsecured assets
 - Nil MES release
- YTD impairment charge £273m, AQR 9bps
 - £597m pre-MES, AQR 18bps, £324m MES release
- Stock of ECL £3.8bn
- Continue to expect 2024 AQR <20bps

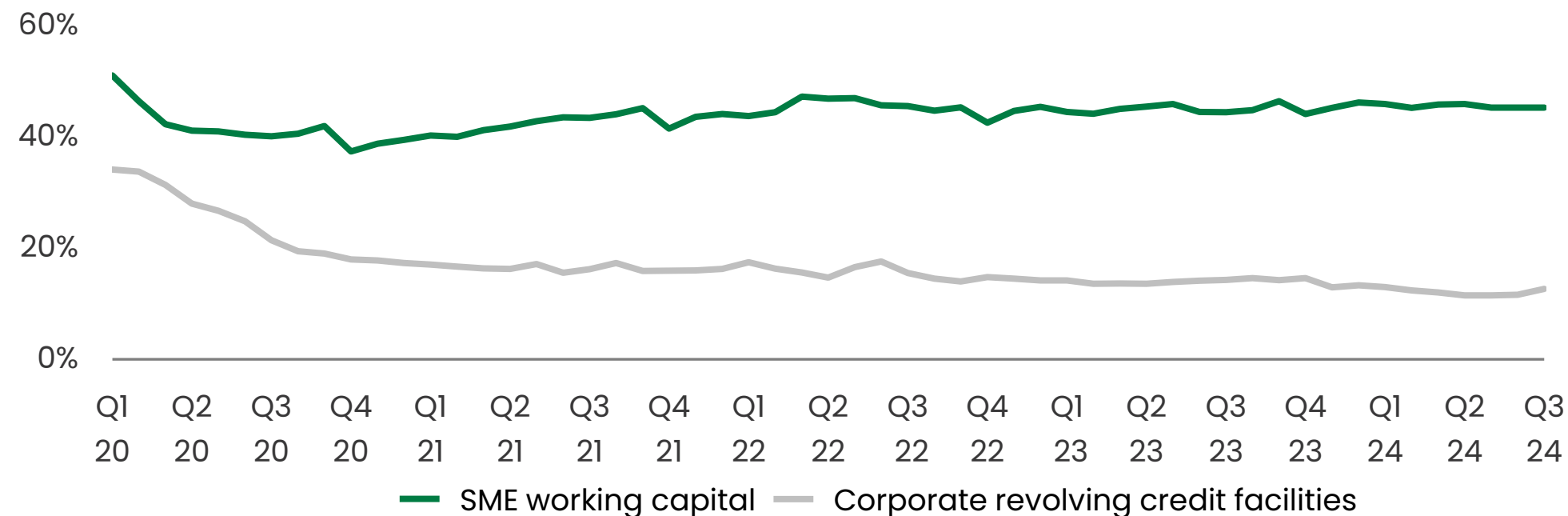
Consistently reassuring performance across portfolios



New to arrears (3 month rolling average, %)



SME working capital¹ and corporate RCF² utilisation (%)



- Improvement in Mortgages new to arrears and default rates in Q3 and YTD; average LTV 43%
- Resilient performance in other portfolios
- Stable SME working capital utilisation trends; RCF utilisation 9pp below pre-pandemic
- c.90% of SME lending³ secured; >80% of CIB exposure at investment grade
- Net CRE exposure c.£9.8bn⁴; portfolio remains well managed and robust
 - Average interest cover ratio⁵ 3.1x, with 70% >2x
 - Average LTV⁵ 45%; c.91% with LTV <70%
 - c.13% office, c.10% retail and c.12% industrial; c.51% residential

¹ – Encompasses overdrafts and corporate cards. ² – Revolving credit facility. ³ – SME excluding Business Banking; lending fully or partially secured. ⁴ – August 2024; includes Business Banking, post Significant Risk Transfer securitisations. ⁵ – August 2024; excludes Business Banking, development lending, CBILS and BBLS.



Capital, funding & liquidity

Key Credit Metrics



14.3%

CET1 ratio

19.0%

Total Capital ratio

132bps

Capital generation post regulatory headwinds¹

32.2%

MREL ratio

5.5%

Leverage ratio

9 bps

Asset Quality Ratio¹

129%

Net Stable Funding Ratio

144%

Liquidity Coverage Ratio

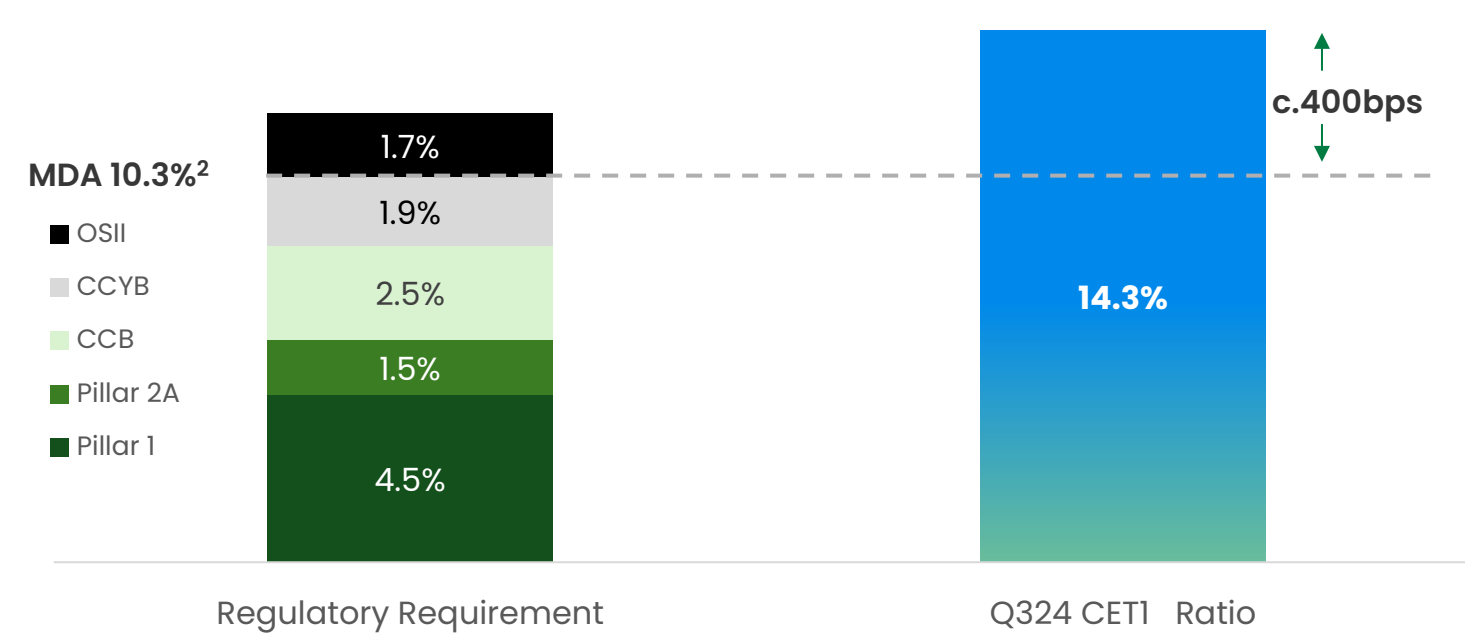
43%

Average Mortgage LTV

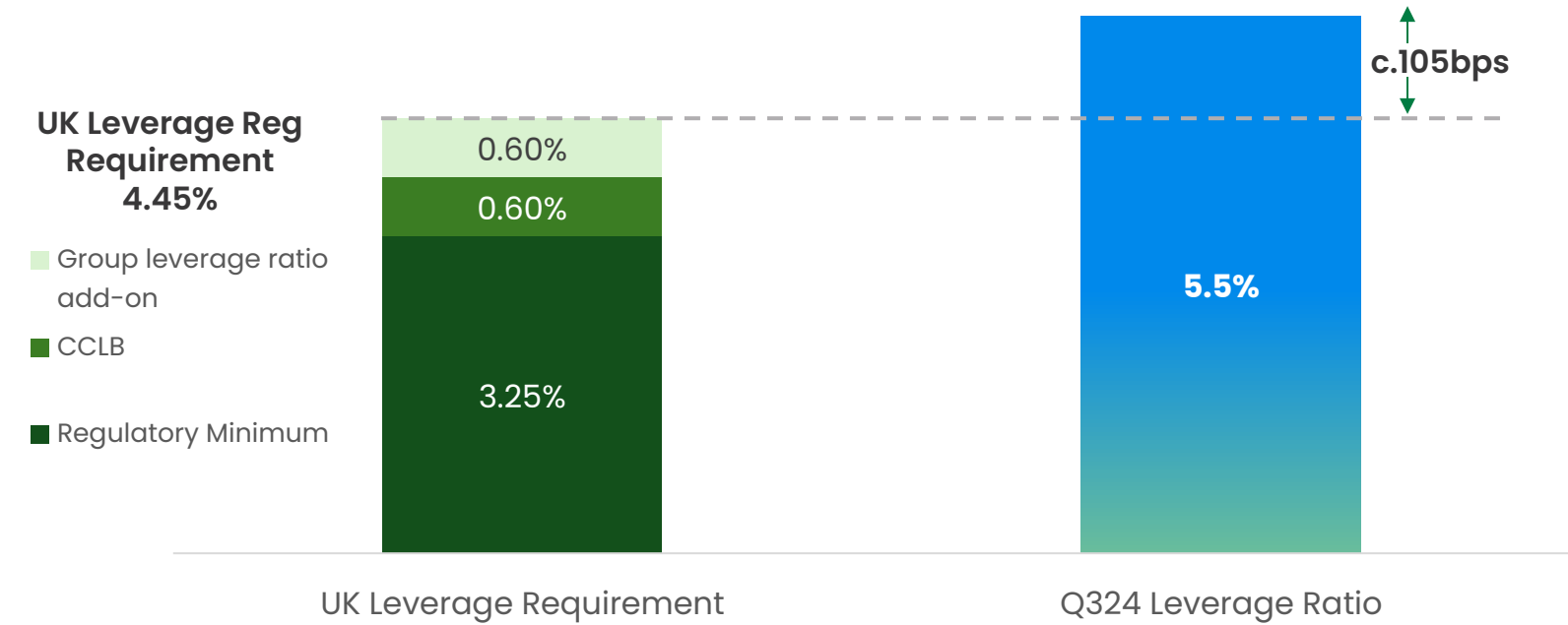
Strong Capital & Liquidity Ratios



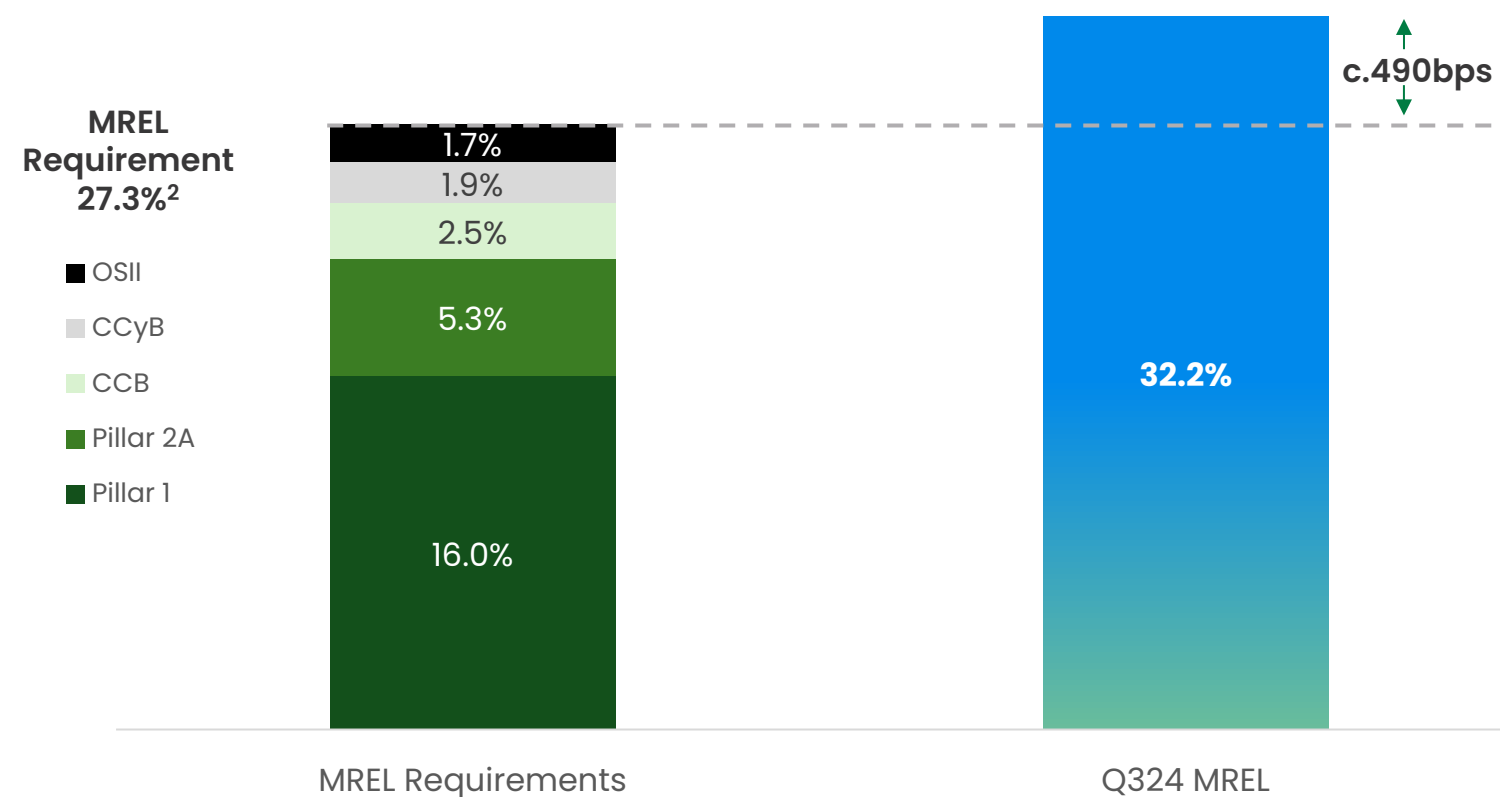
14.3% CET1 remains ahead of 10.3% MDA¹ and current target of 13.0% (paying down to 13.5% by end 2024).



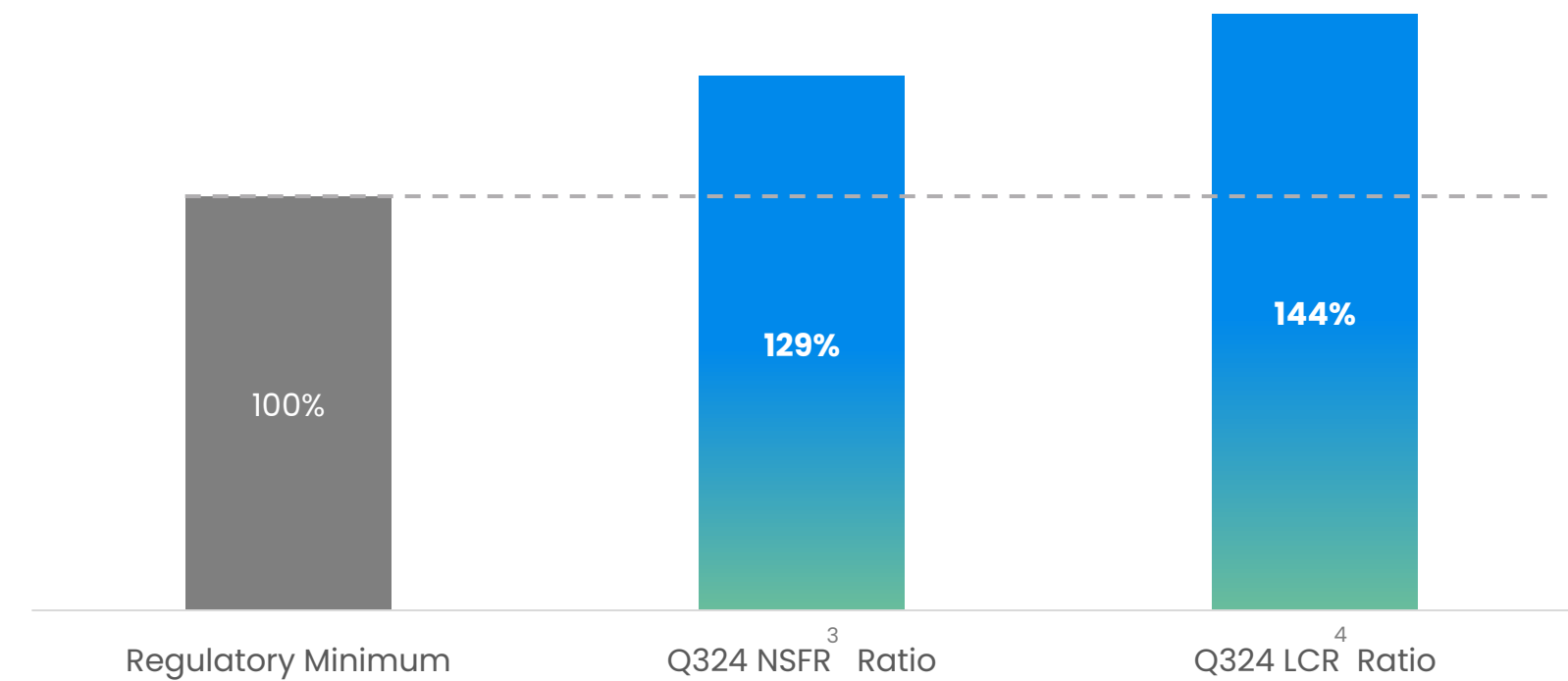
Leverage ratio stable at 5.5%



MREL remains strong and in excess of regulatory requirements of 27.3%



Stable and robust liquidity metrics

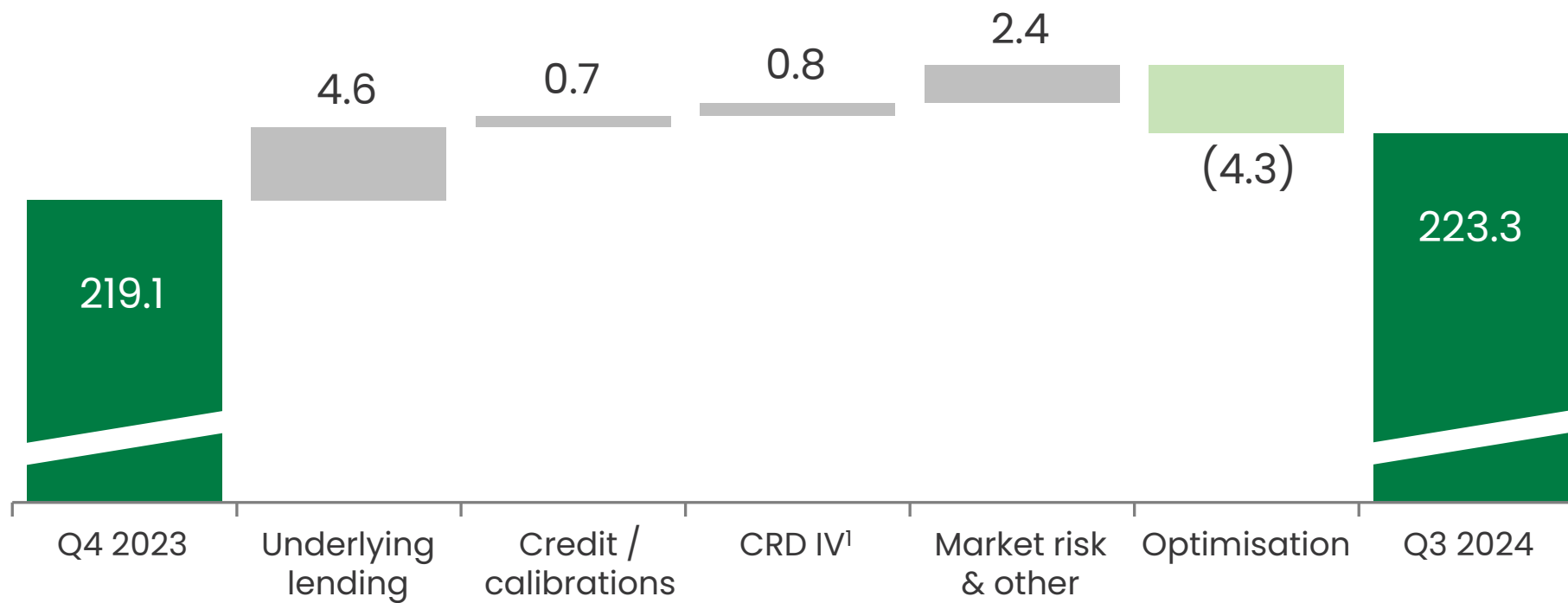


¹ – The Group’s total regulatory requirement is 12%. The MDA threshold is based on the combined buffer requirement, which excludes the equivalent of the Ring-Fenced Bank’s O-SII. ² – MDA and MREL equals 10.3% and 27.3% respectively when using unrounded regulatory requirements. ³ – Calculated as an average of the four previous quarters. ⁴ – Calculated as an average of month-end observations over the previous 12 months.

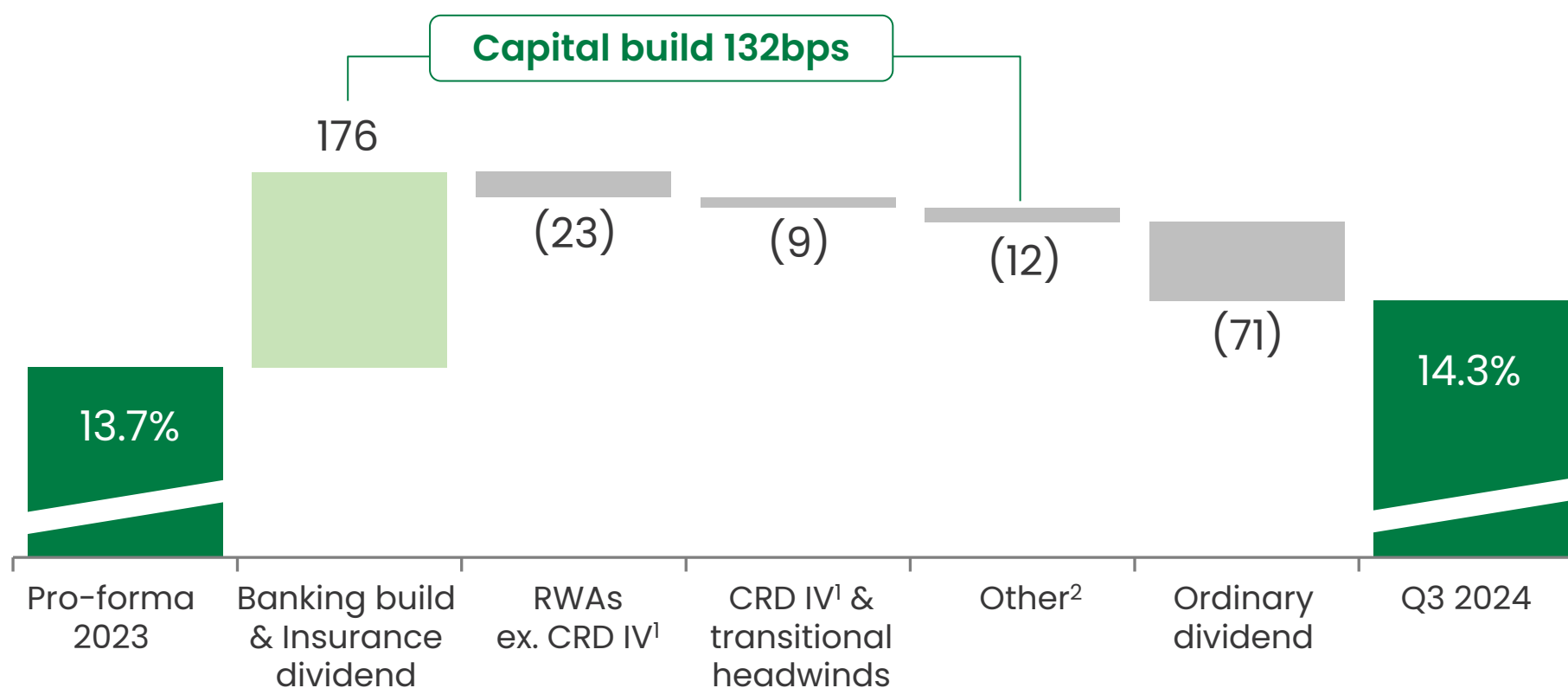
Strong capital generation in line with expectations



Risk weighted assets (£bn)



Common equity tier 1 ratio (% , bps)



- Strong YTD capital generation of 132bps
- RWAs £223.3bn, up £4.2bn YTD, incl. £1.3bn in Q3
 - Lending offset by optimisation
- Continue to expect 2024 RWAs £220–225bn and capital generation to be c.175bps
- CET1 ratio 14.3%
- Basel 3.1 outcome likely to be modestly positive at 1 Jan 2026 implementation
- Continue to expect to pay down to c.13.5% CET1 by end of 2024

¹ – Retail secured CRD IV models. ² – Other includes share-based payments, market volatility and an FX loss on the USD AT1 redemption.

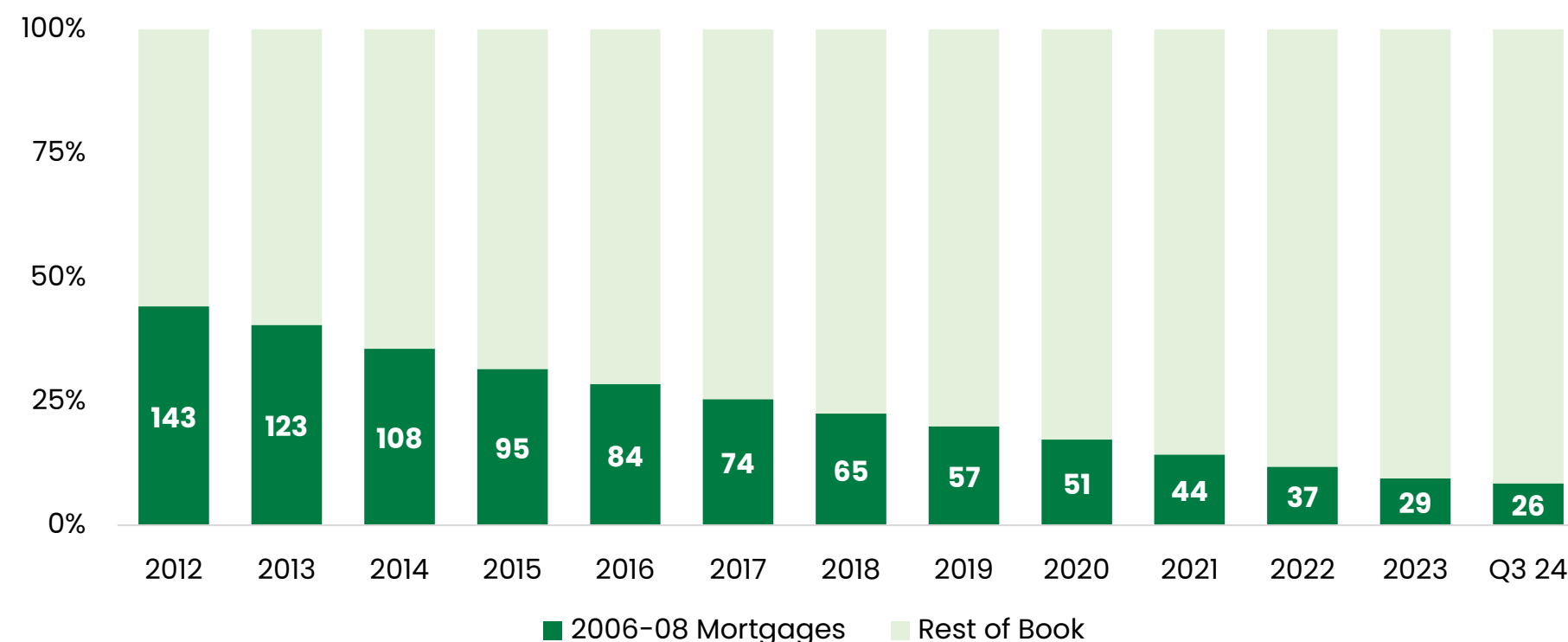
Continued risk reduction supporting a low-risk balance sheet



Lower mortgage LTV and CRE exposure

	2012	Q3 24	Movement
Mortgages			
Average LTVs	56.4%	43.4%	(13.0)pp
New business LTVs	62.6%	63.2%	0.6 pp
≤80% LTV	59.6%	89.0%	29.4 pp
>80-90% LTV	16.8%	9.5%	(7.3)pp
>90-100% LTV	11.9%	1.4%	(10.5)pp
>100% LTV	11.7%	0.1%	(11.6)pp
Commercial Real Estate (CRE)			
Net Lending	£31.5bn	£9.8bn	(69)%
% of L&A	6.1%	2.1%	(65)%

De-risking of 2006-08 mortgage portfolio (Balances £bn)

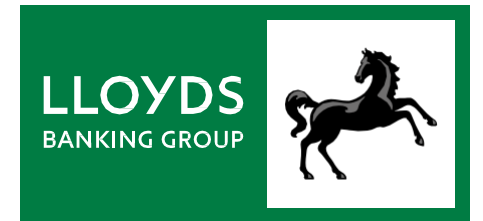


- **De-risking across retail and commercial portfolios**
 - 2006-08 mortgage portfolio halved since 2018 (£26bn vs £65bn)
 - c.90% of SME lending¹ secured; >80% of CIB exposure at investment grade
 - CRE c.2% of lending, net position now only £9.8bn
- **Continued focus on balance sheet optimisation via securitisation and SRTs in 2024**
 - £1.25bn of Black Horse Auto Loans
 - c.£1bn of pre-crisis self-certified mortgages
 - c.£3bn of large corporate loans
- **Prudent approach to underwriting and provisioning; high quality lending portfolio**
 - Low LTV mortgage portfolio with prudent underwriting
 - £3.8bn ECL held
- **Positive impact of low risk and de-risked balance sheet evidenced in PRA ACS 2023 stress test**
 - LBG CET1 low point of 11.6% vs hurdle rate of 6.6%
 - Not required to take any capital actions

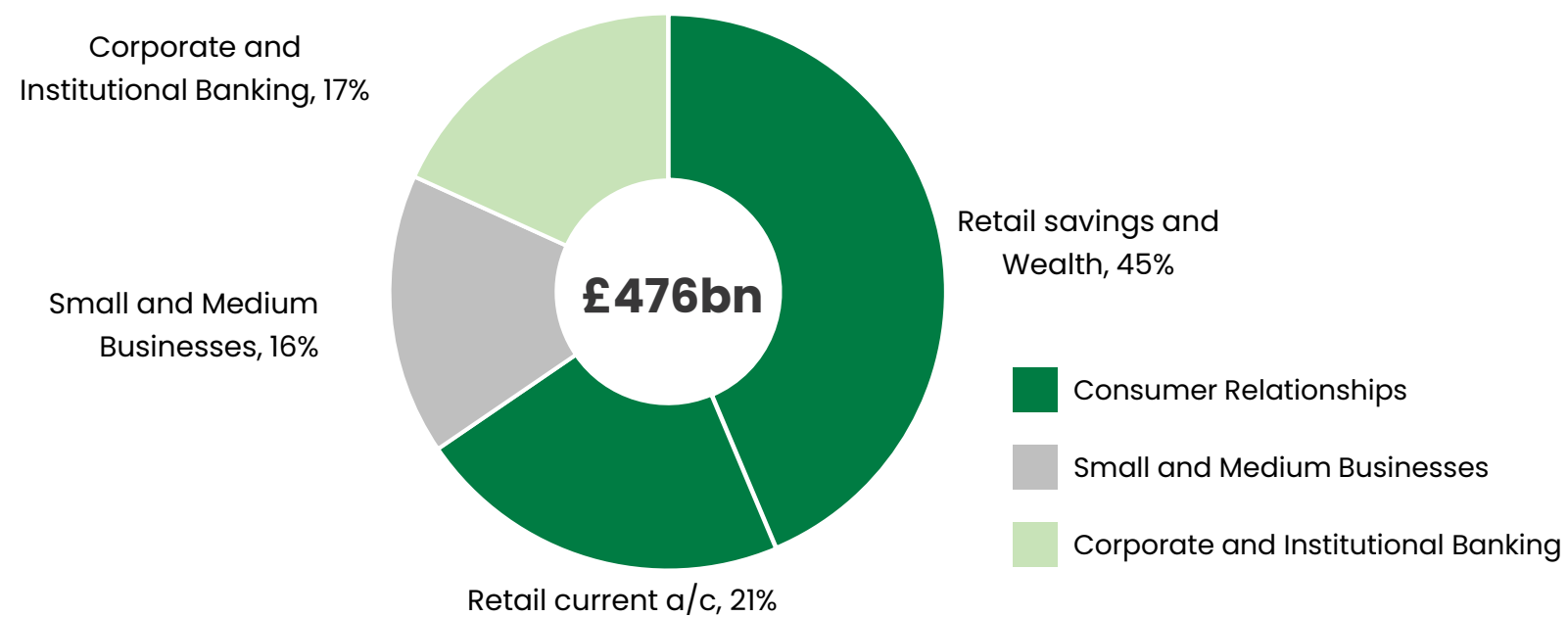
1 – SME excluding Business Banking; lending fully or partially secured.

Diversified deposit base; strong liquidity position

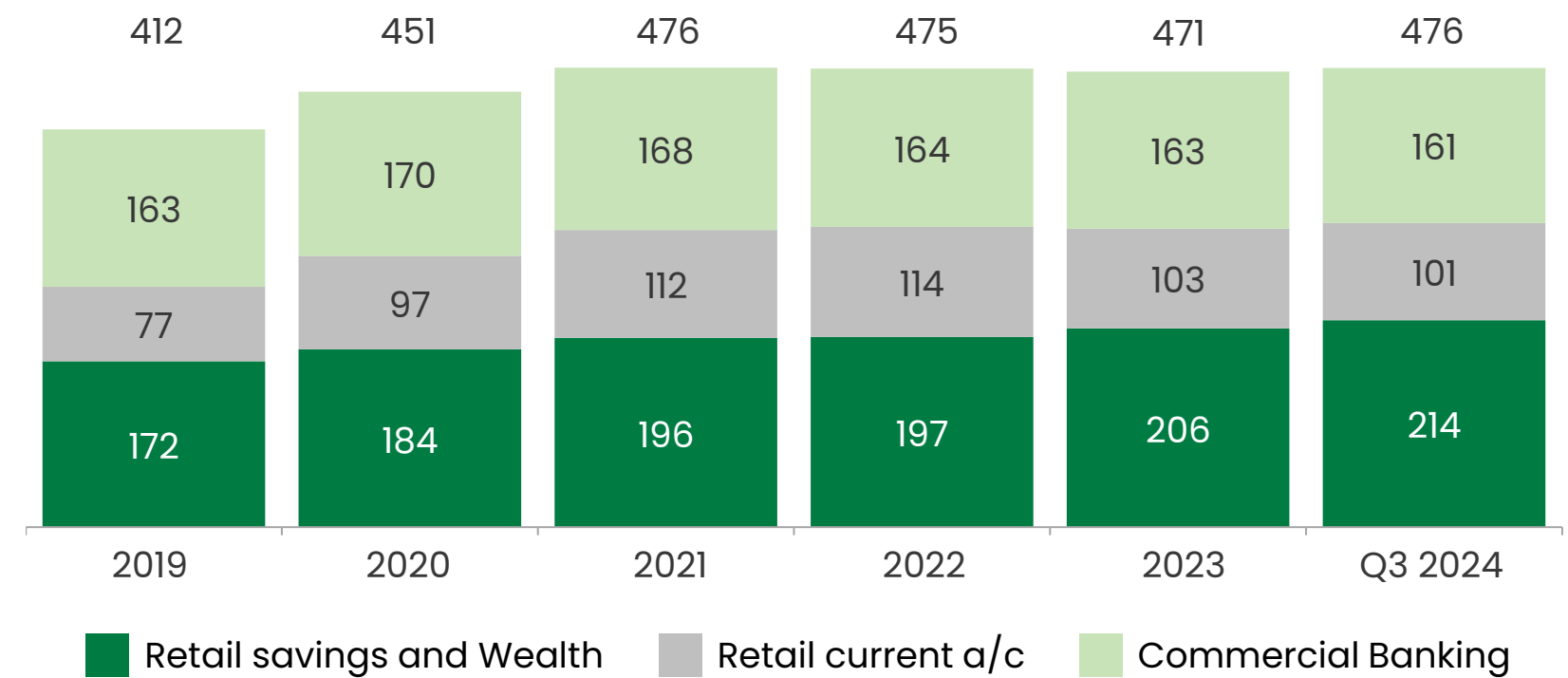
Loan to deposit ratio 96%, Net stable funding ratio 129%, Liquidity coverage ratio 144%



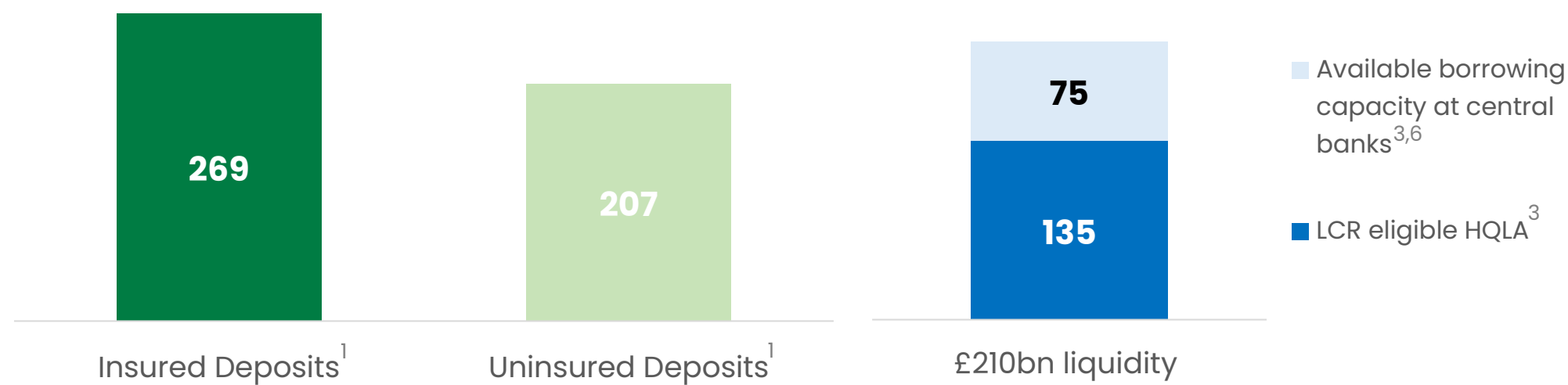
c.66% of deposits in Retail; diversified Commercial balances (£bn)



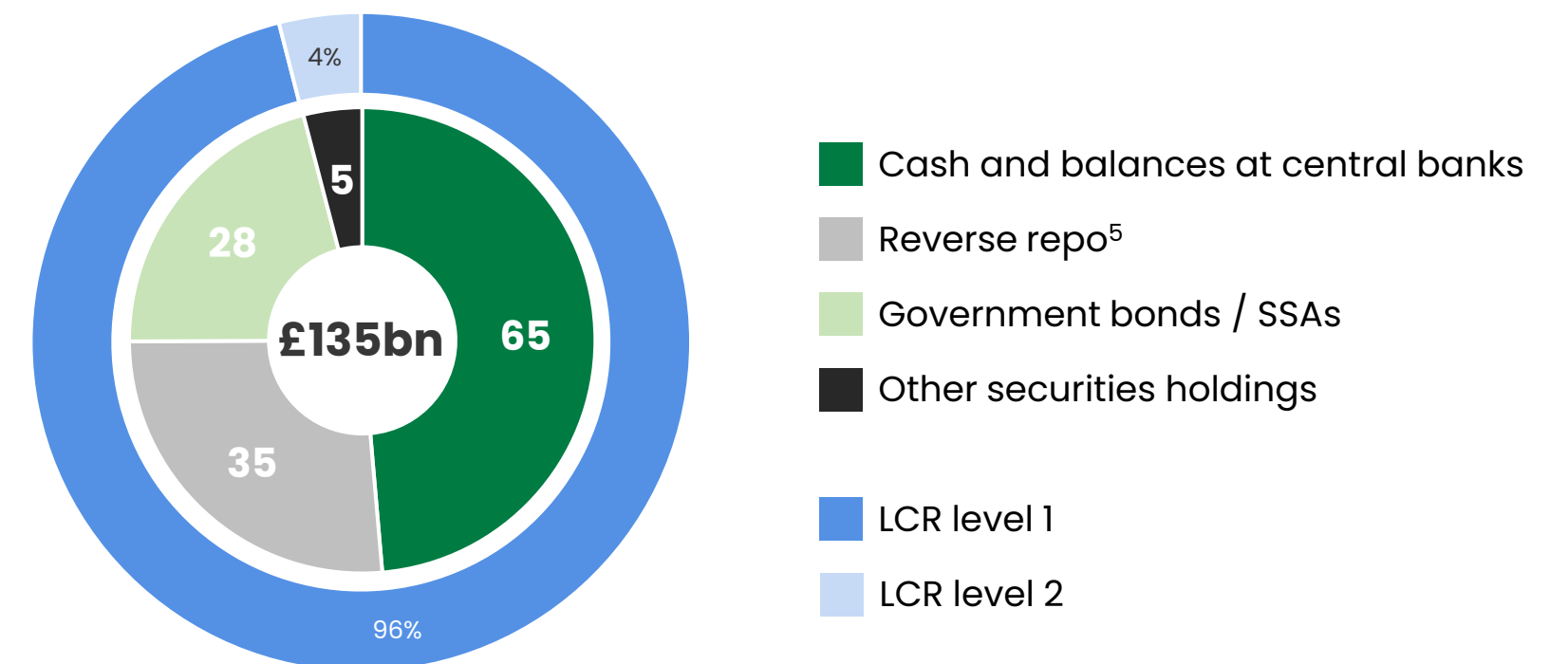
Deposit growth since 2019 led by Retail² (£bn)



c.56% of total deposits insured¹ (£bn)



Liquidity portfolio³ fully hedged for interest rate risk⁴



¹ – Insured being those deposits immediately eligible for deposit protection schemes (principally the FSCS in the UK). Numbers are on a spot basis. ² – Chart uses rounded inputs. ³ – Calculated on a 12-month average basis. ⁴ – Including c.4% of securities held at amortised cost. ⁵ – Primarily UK Government bonds; netted balance includes reverse repo and other balancing items. ⁶ – There is a significant amount of additional assets on the balance sheet that can be used to create liquidity for the Group.

2024 wholesale issuance



	Completed 2024	Issuance principles
HoldCo Senior	£7.3bn <i>guided to £7-8bn</i>	Refinancing of maturities
Capital	£1.6bn <i>guided to c.£1bn</i>	Ongoing refinancing to c.2.0% AT1 target and c.2.5% Tier 2 target
OpCo	£2.0bn² <i>guided to <£5bn</i>	Refinancing of maturities and government borrowing

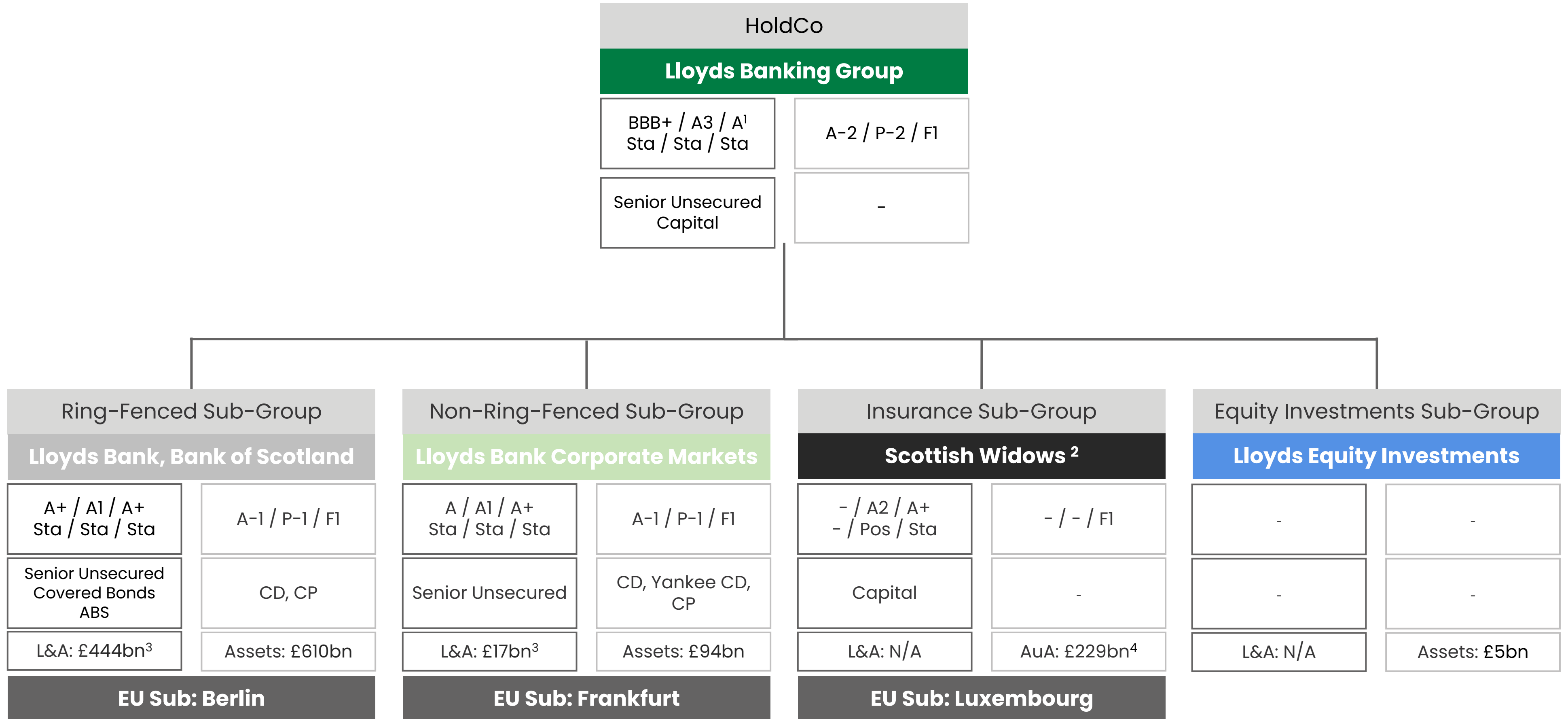
- **2024 issuance programme is now complete:**
 - Issued €1bn Senior HoldCo, AUD \$750m Tier 2, €500m Pfandbriefe, €500m Candide in Q3 and USD \$1bn AT1 in October
 - Deposit strength has supported reduced OpCo issuance vs guidance
 - Expect total 2025 issuance volumes to be broadly consistent with 2024. Pre-funding will be considered, subject to markets
- **Capital position at Q3:**
 - AT1 ratio at 2.2%¹
 - Tier 2 ratio at 2.5%
- **£30bn TFSME outstanding**
 - Contractual maturities of TFSME; £21bn in 2025 and £9bn in 2027 and beyond, factored into wholesale issuance plans

¹ – AT1 ratio does not include October USD \$1bn AT1 issuance ² – Includes Private Placements



Appendix

Simple group structure with multiple issuance points



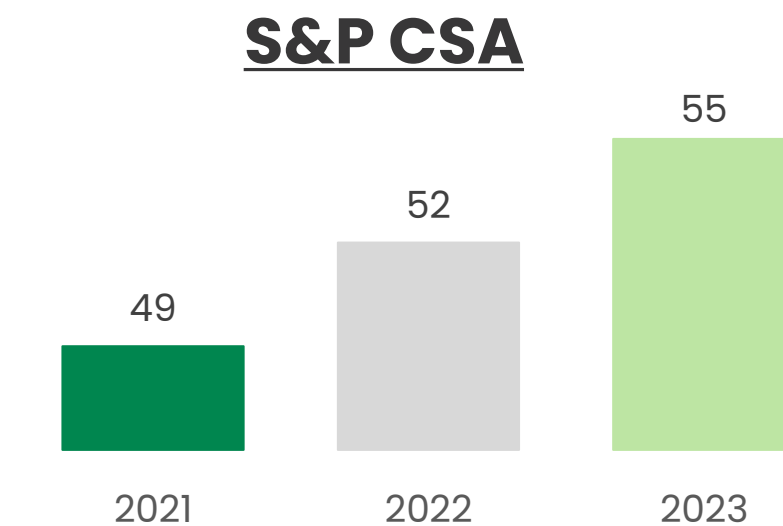
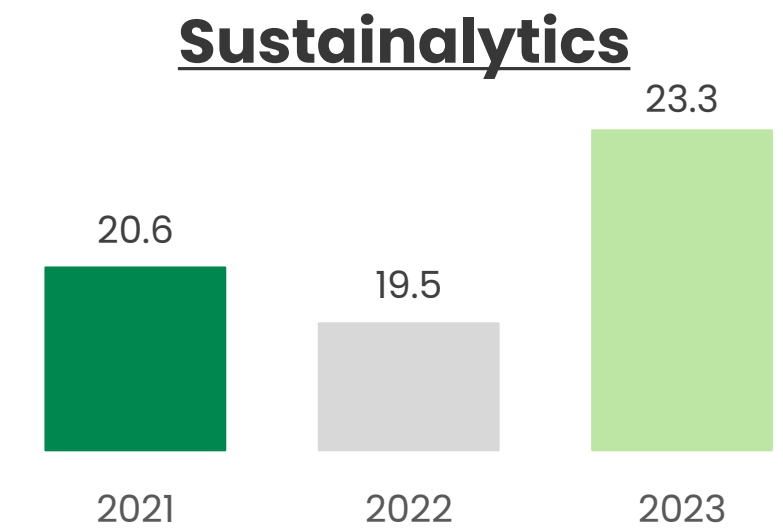
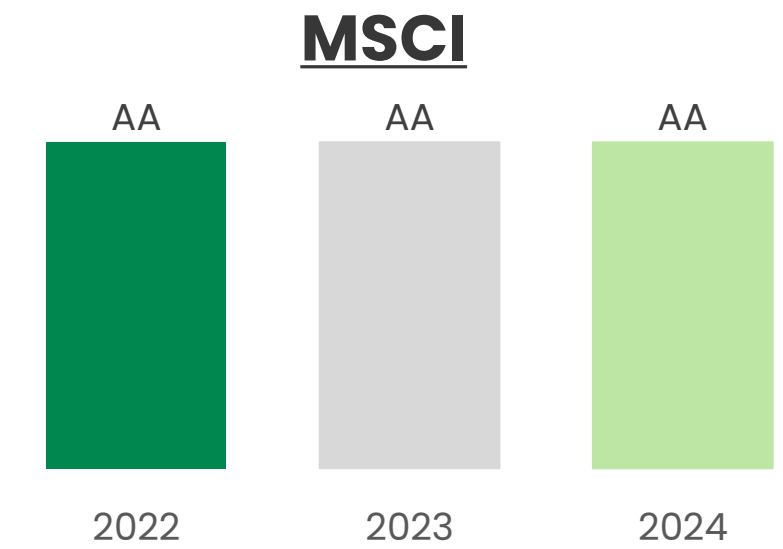
1 - Ratings shown are senior unsecured in the order of S&P / Moody's / Fitch as at 22.10.24. 2 - Ratings shown for Scottish Widows are Insurance Financial Strength Ratings. 3 - "L&A" refers to Loans & Advances to customers. 4 - Insurance AuA excludes Wealth but includes stockbroking.

Reaffirming strong ratings across the Group



Credit ratings ¹						
	Lloyds Banking Group			Ring-Fenced Bank	Non-Ring-Fenced Bank	
	UK Sovereign	LBG HoldCo	LBG Tier 2	LBG AT1	Lloyds Bank, Bank of Scotland	Lloyds Bank Corporate Markets
S&P	AA Stable	BBB+ Stable A-2	BBB- Stable	BB- Stable	A+ Stable A-1	A Stable A-1
Moody's	Aa3 Stable	A3 Stable P-2	Baa1 Stable	Baa3 Stable	A1 Stable P-1	A1 Stable P-1
Fitch	AA- Stable	A Stable F1	BBB+ Stable	BBB- Stable	A+ Stable F1	A+ Stable F1

ESG ratings¹



¹ – Ratings shown as of 22.10.2024 and credit ratings reflect senior unsecured issuer ratings – LT, outlook, ST.

Sustainable Bond Issuance



Portfolio	ICMA Theme	Example Definitions ¹	% of Eligible Portfolio ²
Green	Green Buildings	Construction, acquisition or retrofitting of commercial and residential meetings that meet regional, national or internationally recognised standards e.g., EPC B or higher	78%
	Renewable Energy	Mainly onshore/offshore wind energy, solar power and low carbon hydrogen projects	7%
	Energy Efficiency	Development, manufacture, repair, maintenance or installation of energy efficiency technologies, products and systems	0%
	Clean Transportation	Low carbon transport for people and materials, mainly zero direct tailpipe CO ₂ emission passenger and commercial vehicles	15%
			100%
Social	Affordable Housing	UK accredited/registered Housing Associations	100%

- Updated framework published in April 2024
 - Sets out clear eligibility criteria for Green and Social eligible asset portfolios
 - 3-year look-back period
 - Ability to issue secured or unsecured Green or Social bonds from any Lloyds entity across the capital stack
- First bond issued in May 2024 – €1bn 8NC7 Green HoldCo Senior followed by another €1bn 6.5NC5.5 Green Senior in July
 - Successful issuance and positive investor feedback
 - Intend to issue regularly off the framework

2024 and 2026 guidance



2024

2026

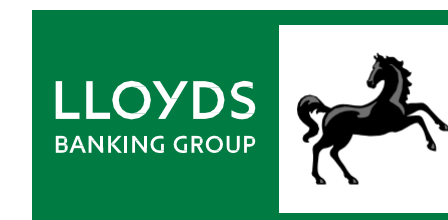
	2024	2026
Income	NIM >290bps	
Costs	c.£9.4bn operating costs inc c.£0.1bn BoE levy	<50% cost:income ratio
Asset quality ratio	<20bps	
Return on tangible equity	c.13%	>15%
Risk weighted assets	£220bn – £225bn	
Capital generation	c.175bps	>200bps
Capital target	Expect to pay down to c.13.5%	Expect to pay down to c.13.0%
Capital distribution	Progressive and sustainable ordinary dividend	

Quarterly P&L and key ratios



(£m)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net interest income	3,231	3,154	3,184	3,317	3,444	3,469	3,535
Other income	1,430	1,394	1,340	1,286	1,299	1,281	1,257
Operating lease depreciation	(315)	(396)	(283)	(371)	(229)	(216)	(140)
Net income	4,346	4,152	4,241	4,232	4,514	4,534	4,652
Operating costs	(2,292)	(2,298)	(2,402)	(2,486)	(2,241)	(2,243)	(2,170)
Remediation	(29)	(70)	(25)	(541)	(64)	(51)	(19)
Total costs	(2,321)	(2,368)	(2,427)	(3,027)	(2,305)	(2,294)	(2,189)
Underlying profit before impairment	2,025	1,784	1,814	1,205	2,209	2,240	2,463
Impairment (charge) / credit	(172)	(44)	(57)	541	(187)	(419)	(243)
Underlying profit	1,853	1,740	1,757	1,746	2,022	1,821	2,220
Restructuring	(6)	(3)	(12)	(85)	(44)	(13)	(12)
Volatility and other items	(24)	(41)	(117)	114	(120)	(198)	52
Statutory profit before tax	1,823	1,696	1,628	1,775	1,858	1,610	2,260
Statutory profit after tax	1,333	1,229	1,215	1,234	1,420	1,223	1,641
Net interest margin	2.95%	2.93%	2.95%	2.98%	3.08%	3.14%	3.22%
Average interest earning assets	£451bn	£449bn	£449bn	£453bn	£453bn	£453bn	£454bn
Cost:income ratio	53.4%	57.0%	57.2%	71.5%	51.1%	50.6%	47.1%
Asset quality ratio	0.15%	0.05%	0.06%	(0.47)%	0.17%	0.36%	0.22%
Return on tangible equity	15.2%	13.6%	13.3%	13.9%	16.9%	13.6%	19.1%
Tangible net asset value per share	52.5p	49.6p	51.2p	50.8p	47.2p	45.7p	49.6p

Updated economic scenarios



Scenario	ECL ¹ (£m)	Measure (%)	2024	vs. Q2 2024	2025	2026	2027	2028	Ave. 24-28
Upside (30%)	2,806	GDP	1.2	0.1	2.4	1.9	1.5	1.4	1.7
		Unemployment rate	4.2	0.1	3.3	2.8	2.7	2.8	3.1
		HPI growth	3.5	1.3	4.6	7.1	6.4	5.1	5.3
		CRE price growth	1.6	(0.6)	9.0	4.2	1.8	0.7	3.4
		UK Bank Rate	5.06	(0.11)	5.08	5.16	5.34	5.58	5.24
		CPI inflation	2.6	0.1	2.7	2.4	2.8	2.8	2.7
Base case (30%)	3,380	GDP	1.1	0.3	1.3	1.5	1.5	1.5	1.4
		Unemployment rate	4.3	(0.2)	4.7	4.7	4.5	4.5	4.5
		HPI growth	3.1	1.9	2.0	1.0	1.5	2.1	2.0
		CRE price growth	0.3	1.9	1.7	2.1	0.7	0.3	1.0
		UK Bank Rate	5.06	0.00	4.19	3.63	3.50	3.50	3.98
		CPI inflation	2.6	0.1	2.6	2.1	2.2	2.1	2.3
Downside (30%)	4,320	GDP	1.0	0.4	(0.3)	0.4	1.3	1.5	0.8
		Unemployment rate	4.4	(0.5)	6.5	7.3	7.3	7.1	6.5
		HPI growth	2.9	2.3	(0.2)	(6.1)	(5.8)	(2.9)	(2.5)
		CRE price growth	(0.7)	4.0	(6.2)	(1.7)	(1.9)	(1.9)	(2.5)
		UK Bank Rate	5.06	0.09	3.11	1.48	0.96	0.65	2.25
		CPI inflation	2.6	0.1	2.6	1.9	1.5	1.1	2.0
Severe downside (10%)	6,865	GDP	0.9	0.8	(2.0)	(0.1)	1.1	1.4	0.2
		Unemployment rate	4.6	(0.9)	8.6	9.9	9.9	9.7	8.5
		HPI growth	2.3	3.0	(2.5)	(13.5)	(12.6)	(8.3)	(7.1)
		CRE price growth	(2.7)	6.4	(16.5)	(6.5)	(6.5)	(5.1)	(7.6)
		UK Bank Rate – adj.	5.13	0.04	3.67	2.55	2.16	1.88	3.08
		CPI inflation – adj.	2.6	(0.3)	3.5	1.8	1.3	0.9	2.0
Probability weighted	3,838								

¹ – ECL excludes any impact of changes to economic scenarios in Q3.

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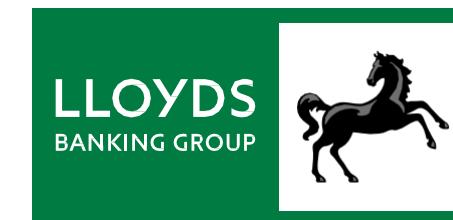
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