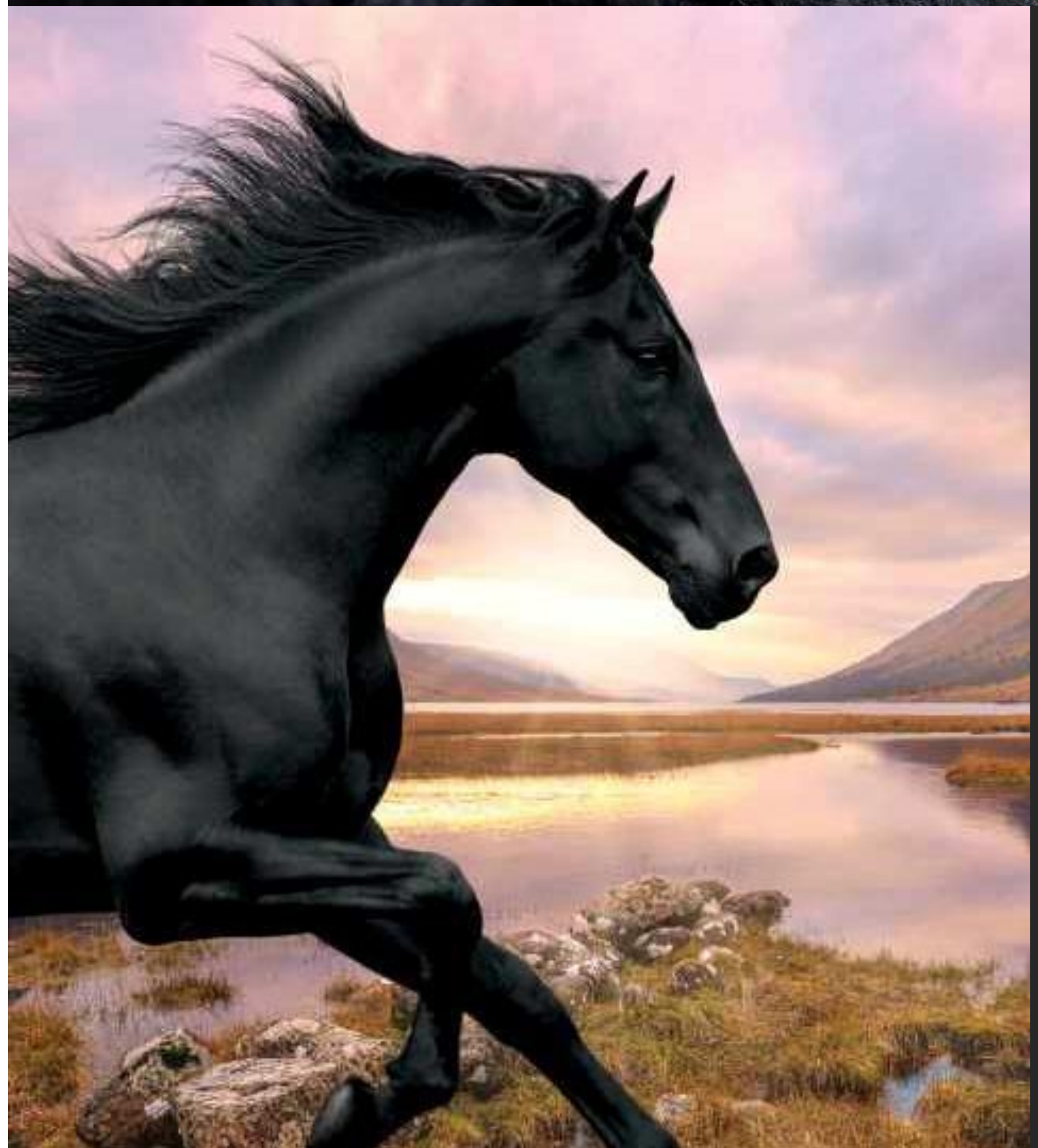
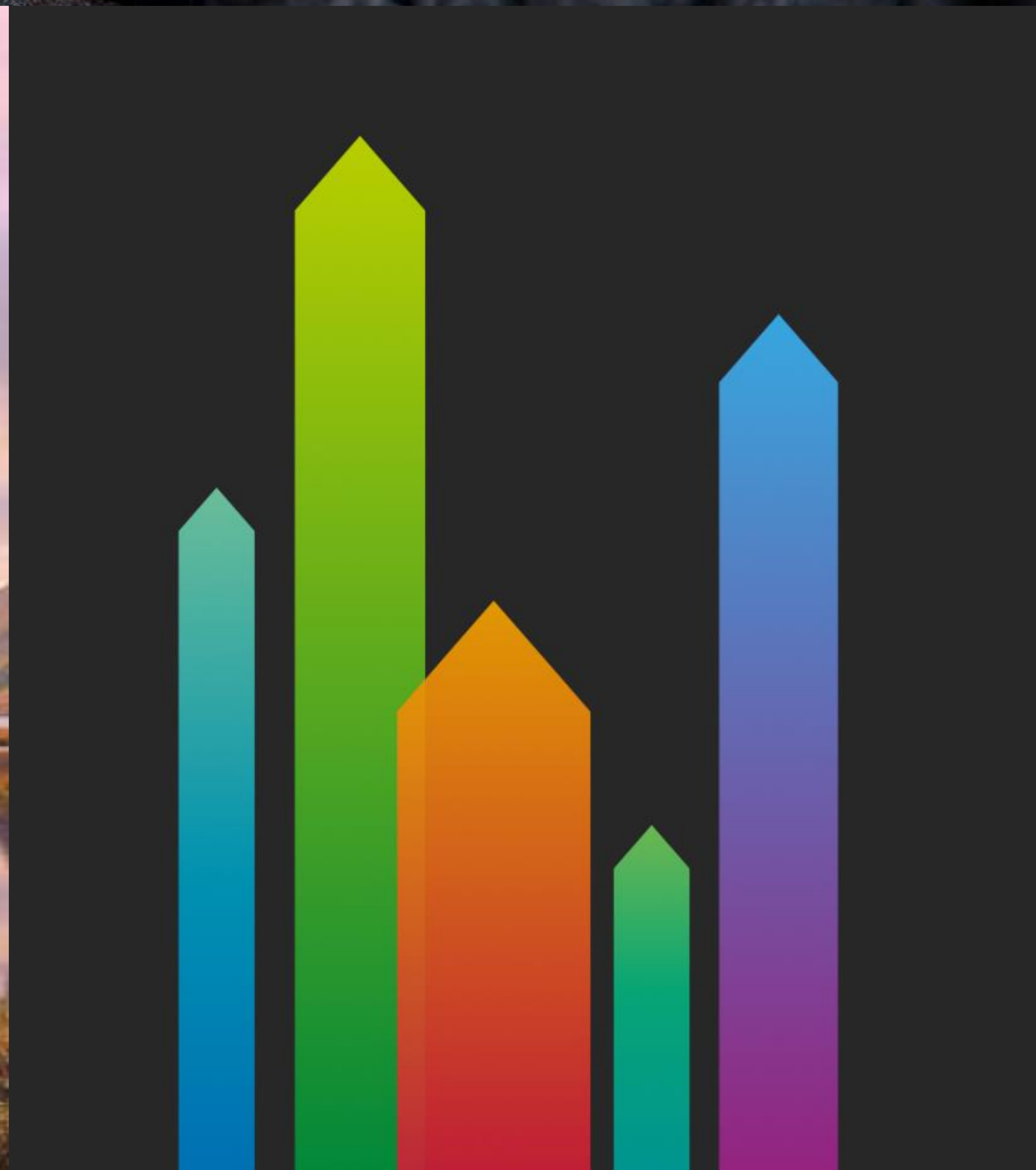
SCOTTISH WIDOWS

Insurance Pensions & Investments





Credit Investor Update

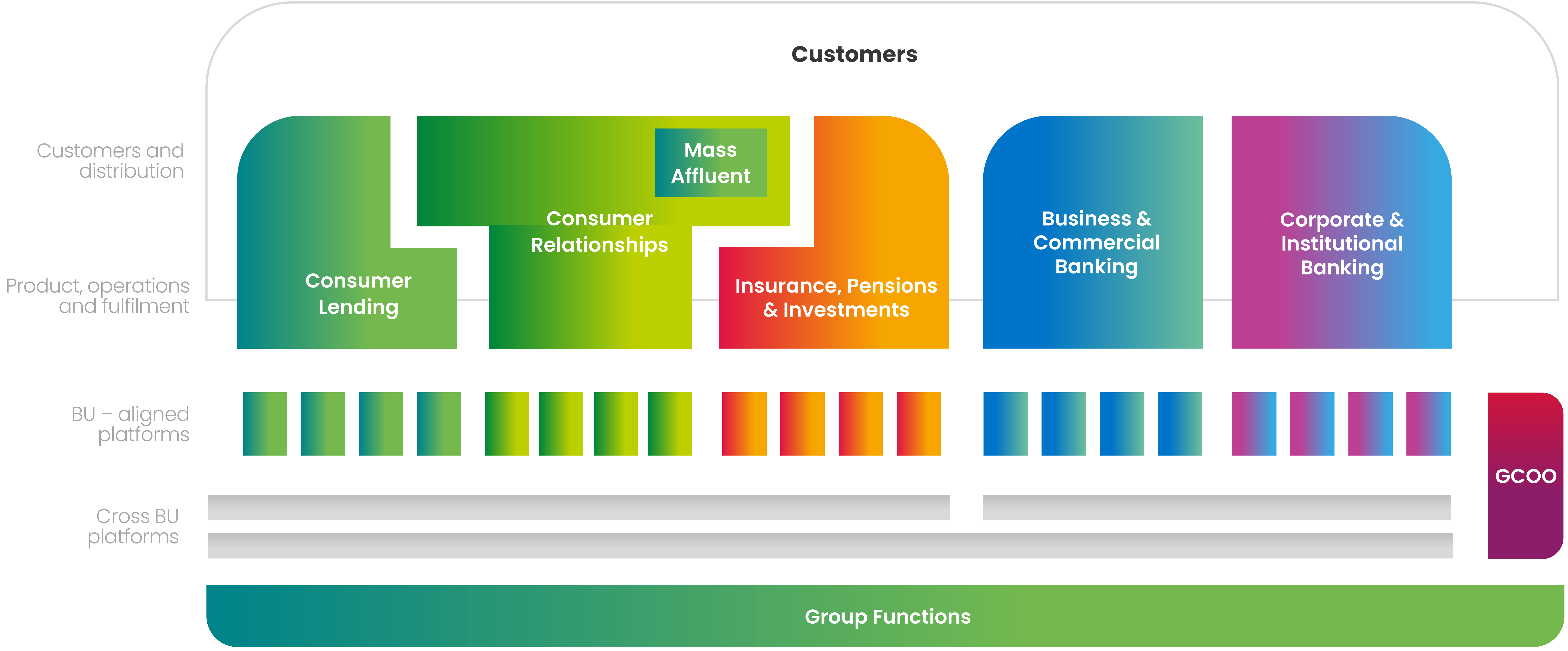
Lloyds Banking Group
12th June 2024

1. Strategy
2. Performance
3. Solvency
4. Q&A

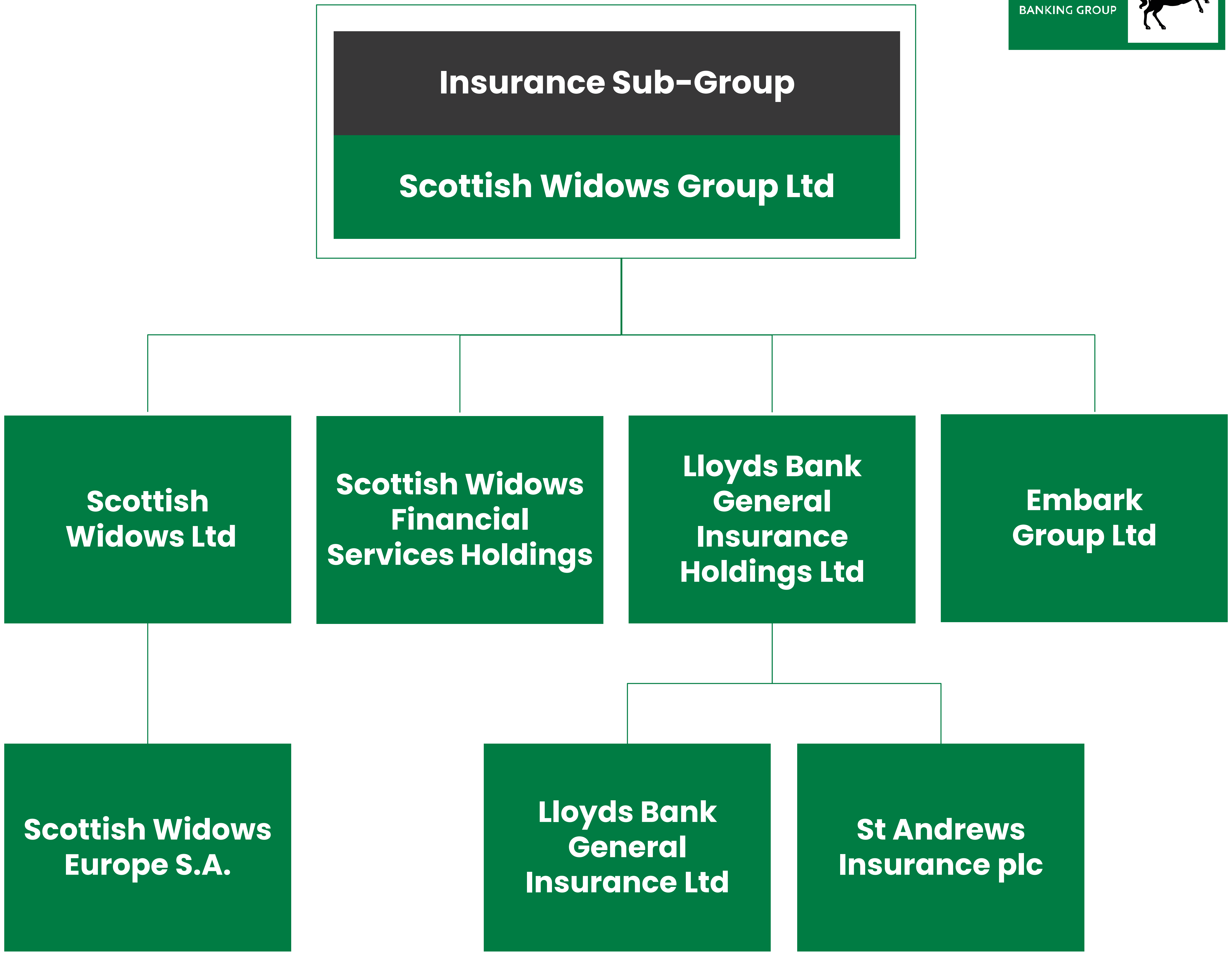
IP&I
Strategy overview

Lloyds Banking Group Overview

Insurance, Pensions and Investments (IP&I) operates as one of the five LBG business units



Simplified Insurance Group **Structure**



Insurance, Pensions & Investments Overview

LLOYDS BANKING GROUP

A leading provider...

£213bn
Assets under Administration (AUA)

c.£1.5bn
Dividends paid to Group since 2019

£4.7bn
Deferred profits (at 31 Dec 2023)[1]

...with a multi-product, multi-channel offering

	Open book			Closed book
	Accumulation	**Decumulation**	**Protection**	**Legacy**
Product	Workplace Investments	Individual annuities	General Insurance Protection	Longstanding SWE[2]
	Individual pensions and drawdown			
Channel	Intermediary			
	Bancassurance			
	Direct			

Our purpose at IP&I: To democratise savings, protection and retirement – Helping Britain Prosper

35%...
...are not on track for even a minimum lifestyle in retirement

1 in 2...
....mortgages have no life cover. 9 in 10 people have no critical illness cover

39m
....adults in the UK do not take any form of professional financial advice or guidance

1 – Excluding Bulk Annuities. 2 - Scottish Widows Europe. Contains legacy European products that were transferred into SWE entity following the UK's exit from the EU.

IP&I has a strong presence across its chosen markets

Strong market presence

IP&I market shares, FY 2023[1]

	Market share	Rank
Workplace	23%	#2
Individual Annuities	20%	#2
Home Insurance	14%	#2
Individual Wealth - Direct	6%	#5
Protection	6%	#8
Bulk Annuities	Announced market exit in Q1 24[2]	

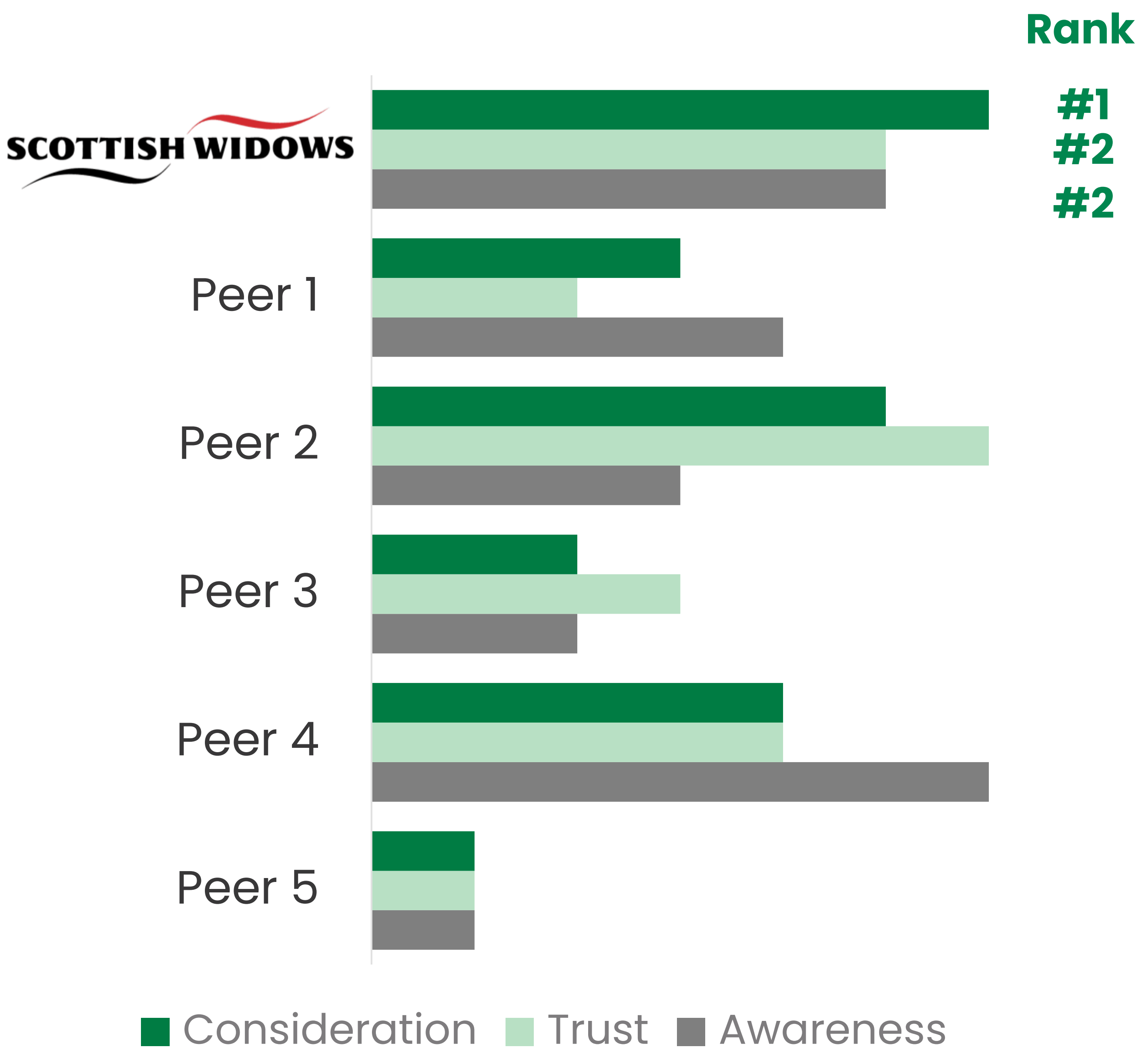
Broad customer base

IP&I policy count by business, FY 2023

- Workplace: c.4.4m
- Individual Annuities Customers: c.500k
- Protection Policies in-force: c.800k
- General Insurance: c.3.4m
- Savings & Investment Customers: c.1.1m

Clear brand recognition

Market brand recognition, FY 2023[3]



Compelling investment case

Growth business, underpinned by deferred profit

Transitioning towards capital-lite

Material dividend contributor

1 – Source: Internal Analysis. Workplace – AuM (ABI-providers only); Individual Annuities, Protection – New Business (APE); Home Insurance – New Policies; Individual Wealth – Direct AuM (Platform-only).
2 – Exit to allow IP&I to focus on strategically important markets 3 – Source: Provided by IPSOS

Executing on three fundamental pivots:
1 Deliver a modern and efficient operating model

Transforming our estate and operating model...

New digital customer interfaces and **integrated customer view**

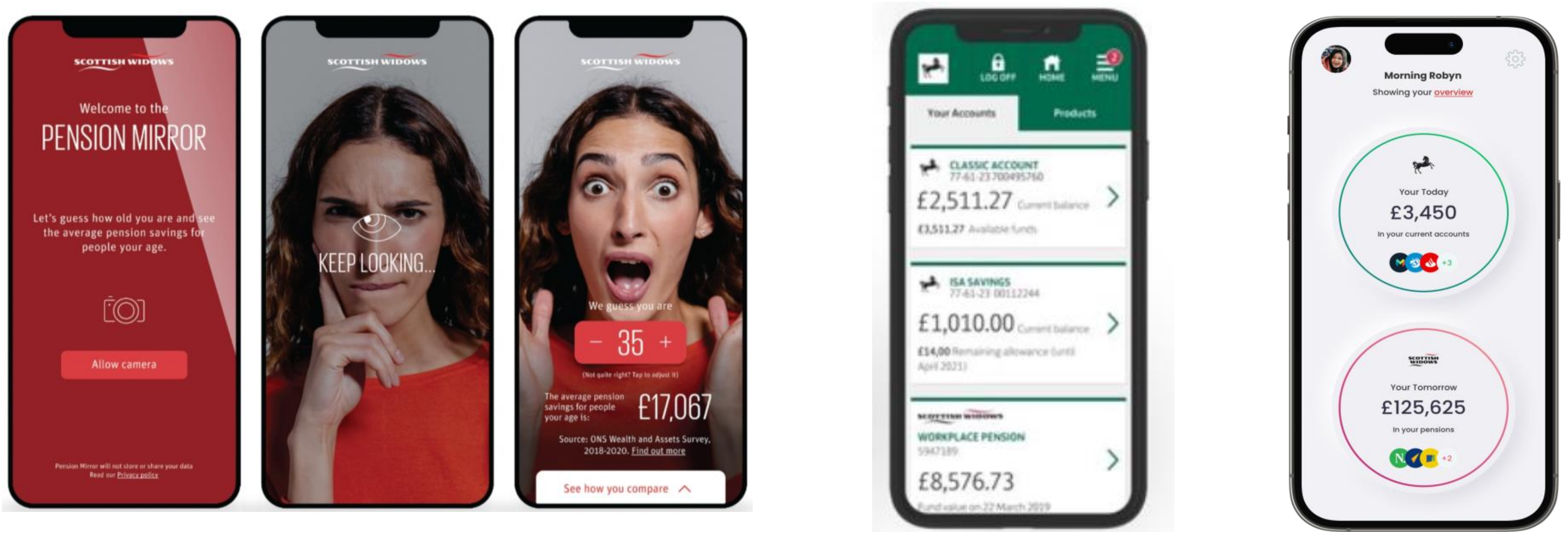
Simplified legacy policy management – 2.7m legacy policies migrated from 10 legacy systems to 1 modern system

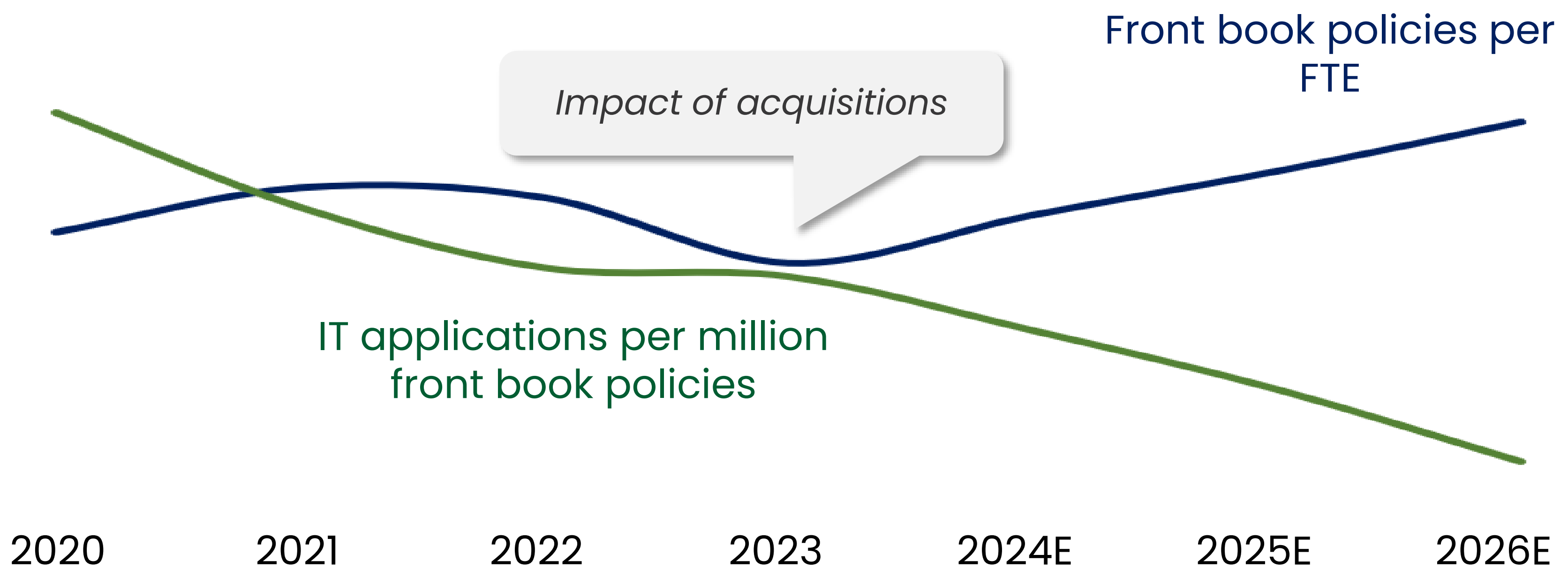
Integrated **3 newly acquired businesses**

40% of systems migrated to target solution; **100%** by 2026

30% reduction in number of technical applications

...to deliver enhanced experience and productivity



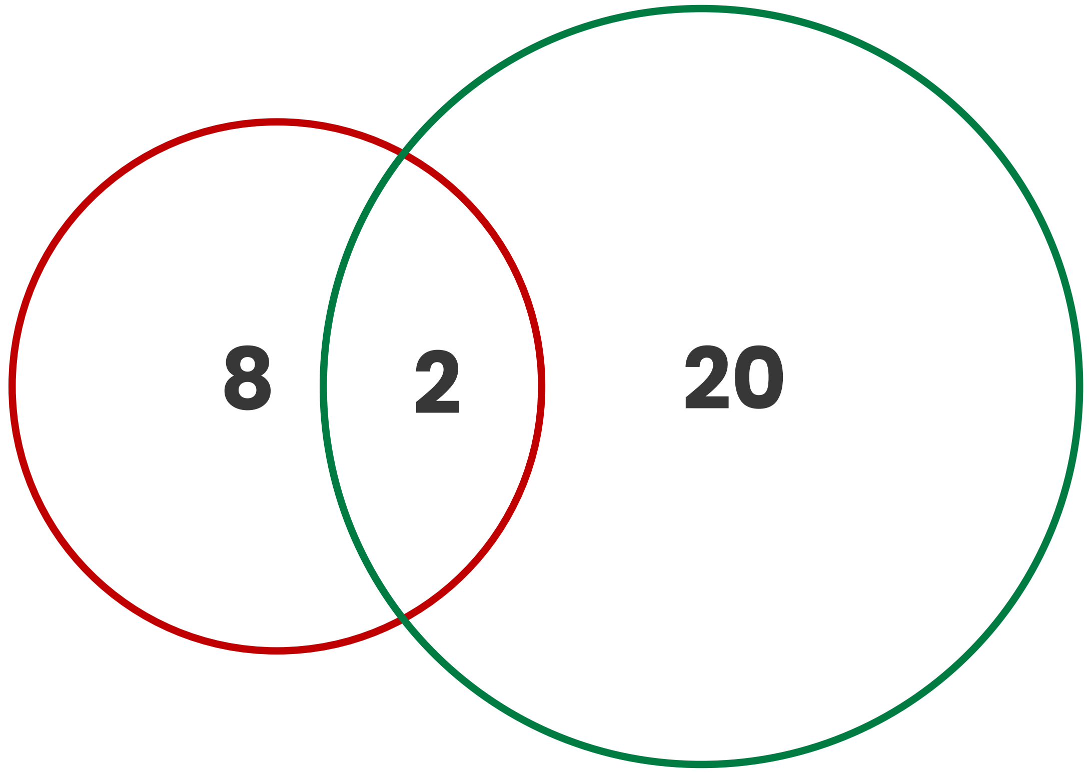


2 Deepen relationships with Group and IP&I customers

Deepening relationships with Group customers…

c.10m IP&I customers

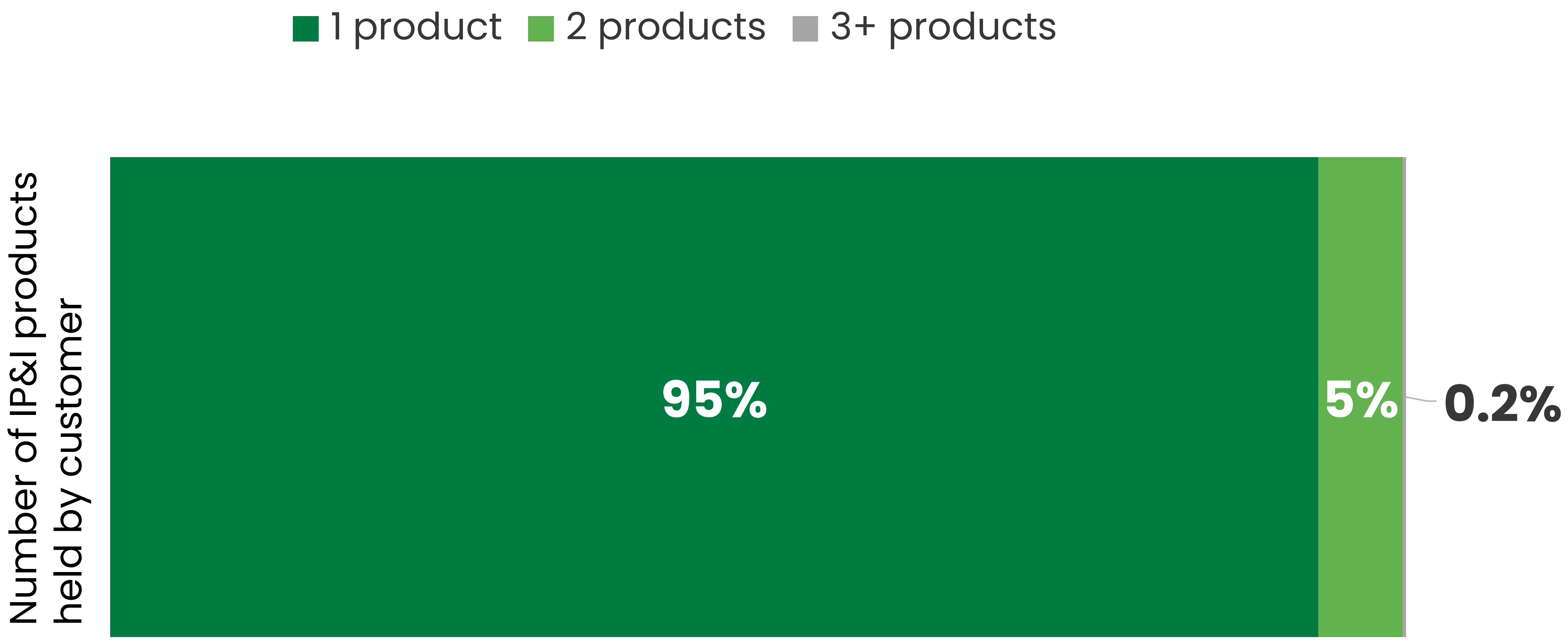
c.22m Primary active Banking customers[1]



c.10% penetration of LBG banking customers[2]

…and increasing IP&I products within the business

Cross-holdings of IP&I products as at FY 2023



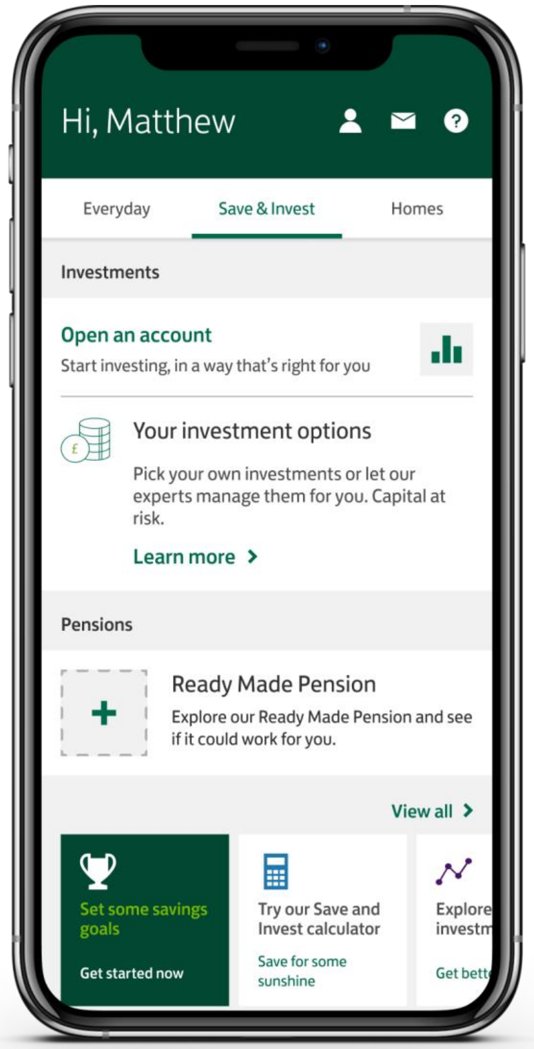
1 - LBG primary active – hold at least 1 of 5 core banking products across Lloyds, BoS, Halifax. 2 - Excludes P4L, Workplace, Embark (excl. RMI), iWeb, Longstanding, Home Insurance through corporate partners, GI – other, International, and Bulk Annuities.

3 Transform from a product factory to a proposition provider

LLOYDS BANKING GROUP

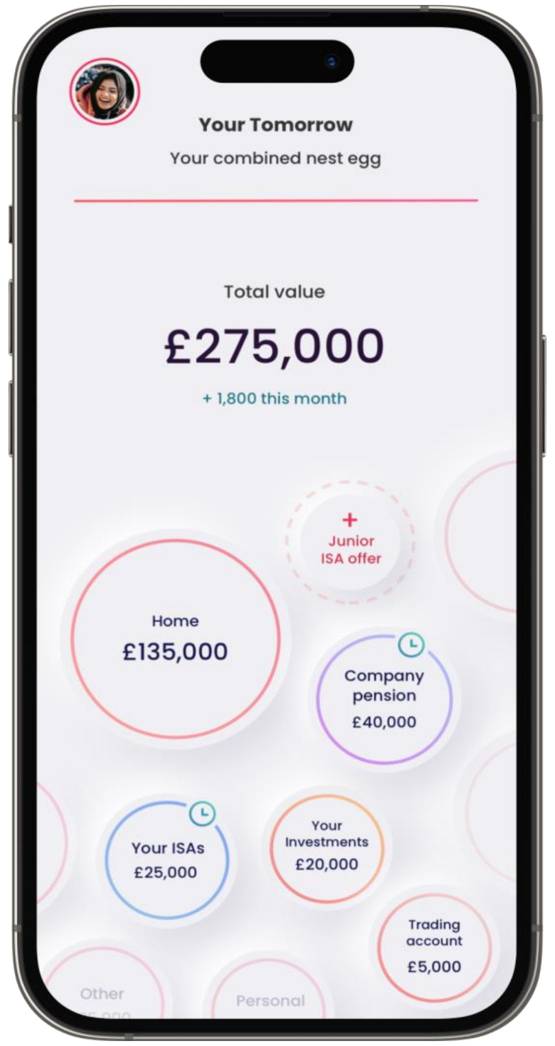
Embedding IP&I products into ‘customer spaces’ in the banking app…

…and leveraging the same architecture for a Scottish Widows ‘Your Tomorrow’ app for Workplace and the open market

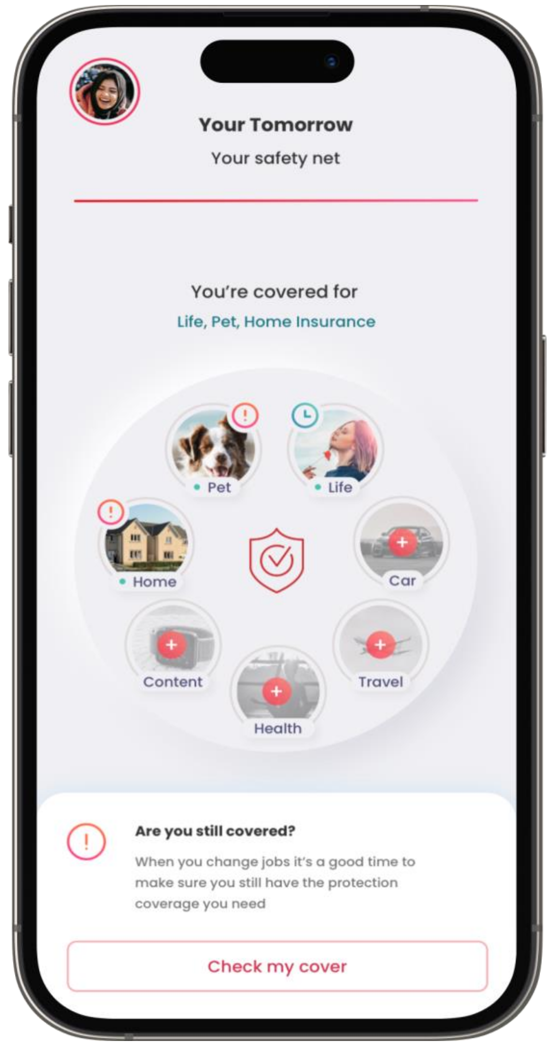


Launched **Save and Invest** space via Mass Affluent…

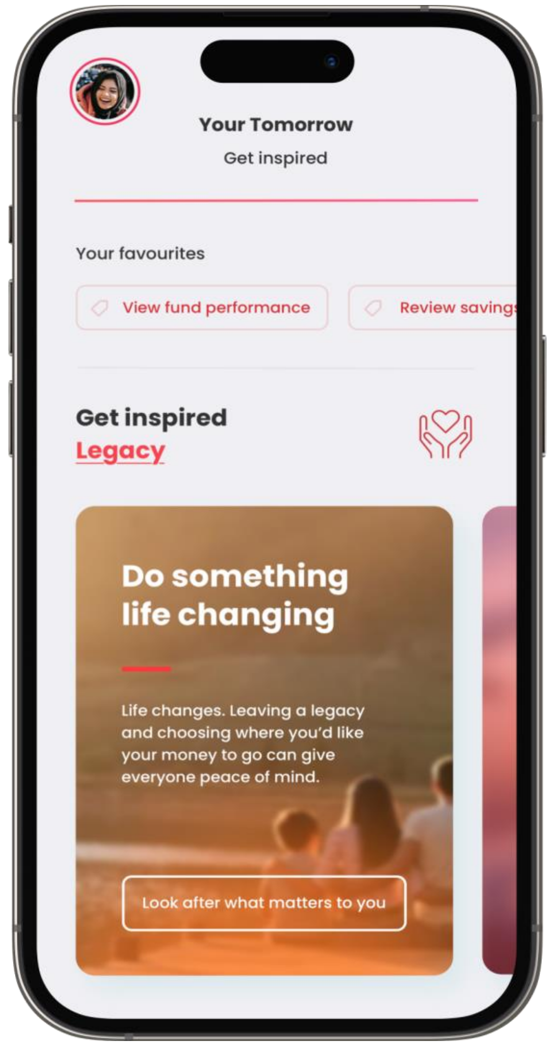
…with a **Protection** space in our imminent backlog



Single views to help **‘Grow your wealth’**



Protection ecosystem to see how assets are protected



Gaming tools to educate and guide financial choices

Strong growth potential across all propositions

Accumulation

Leading with our Workplace platform…

Leveraging CIB relationships and auto-enrolment tailwinds

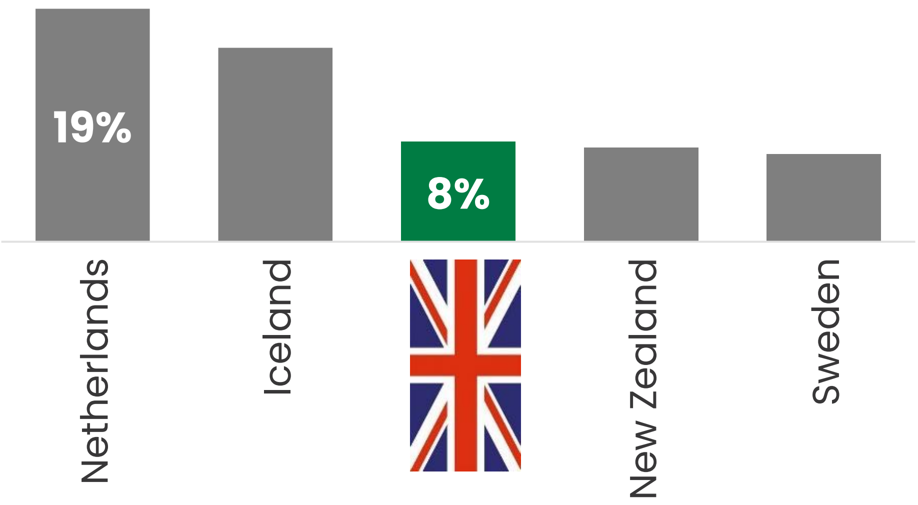
Banking on strong CIB Relationships

c.13%

Penetration of key banking client relationships[1]

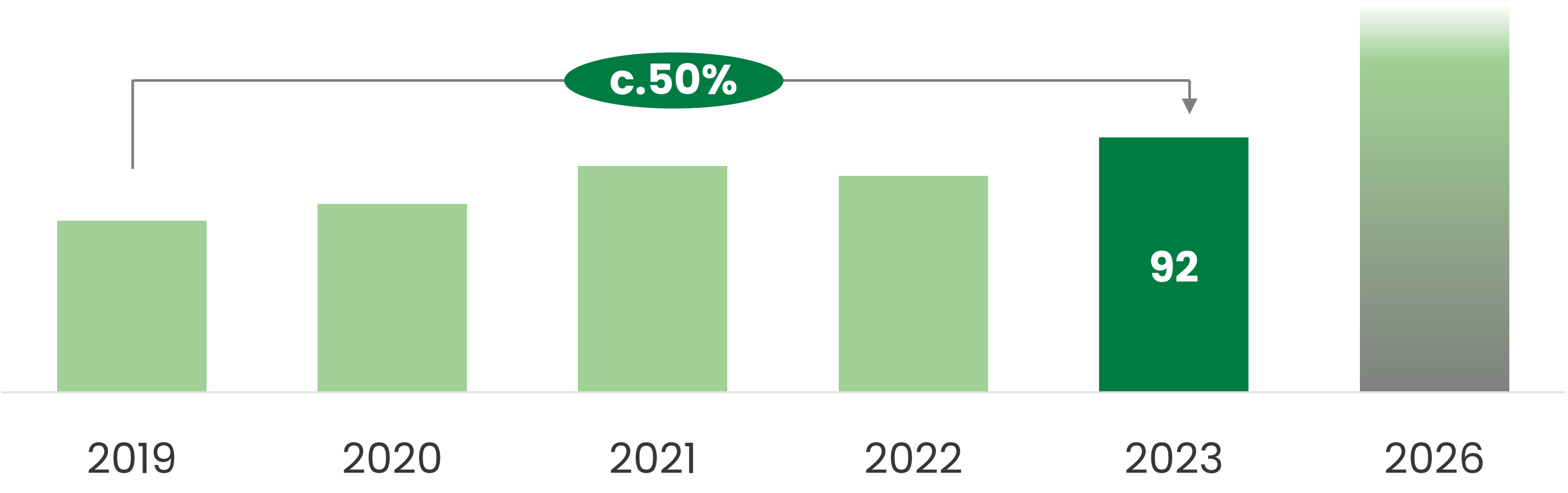
Increasing penetration from enhanced client coverage

Mandatory and quasi-mandatory contribution rates for auto-enrolment style plans



Leveraging intermediary strength

Workplace AuA, £bn

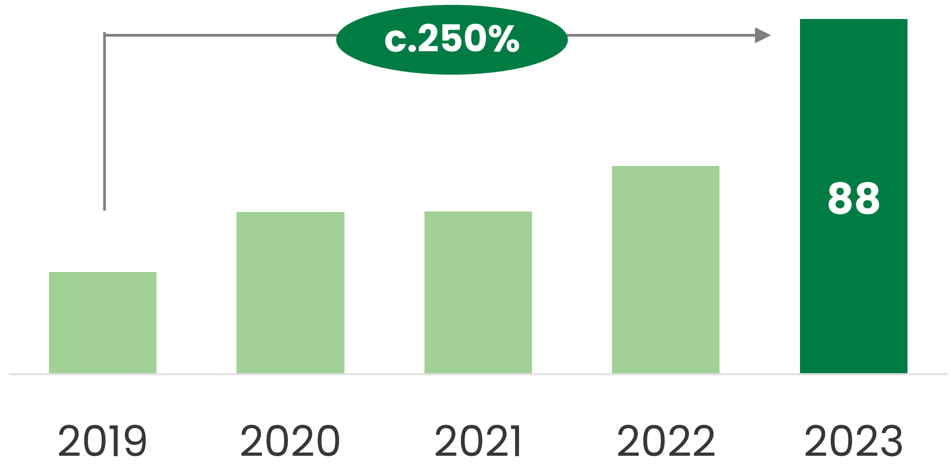


Opportunity **Strong growth potential leveraging CIB relationships and market tailwinds**

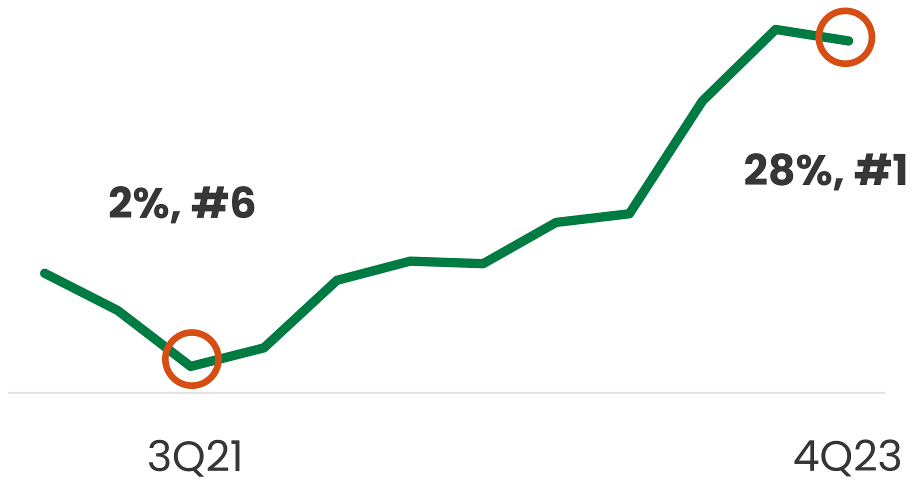
…and building a holistic investment solution

Building momentum & growing market share

Sharedealing Income (£m)



S&S ISA new business market share[2]



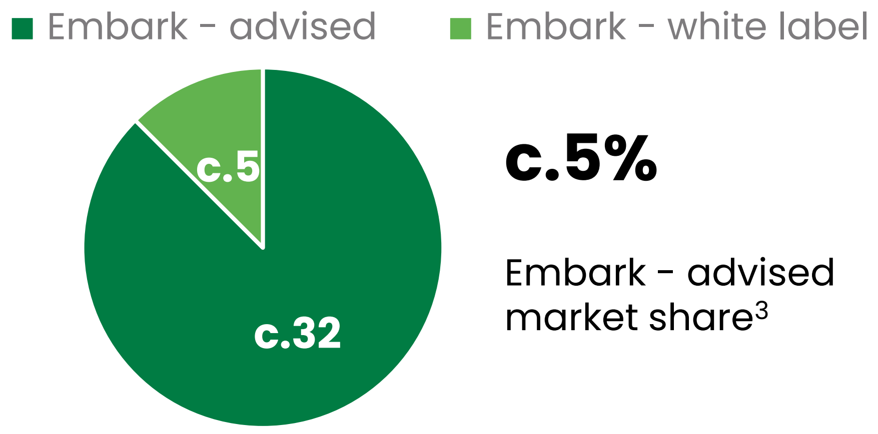
Leveraging intermediary strength

% of Individual Wealth market new business written by intermediaries

85% 2022

82% 2026E

Split of Embark AuA, FY 2023, £bn



c.5%

Embark - advised market share[3]

Opportunity **Leveraging the Mass Affluent proposition to materially increase share of D2C wealth**

1 – Major CIB clients with large scheme needs. 2 – By # of accounts. Based on Compeer data as at Q4 2023. 3 - Embark– advised market share (AuM, Platform-only)

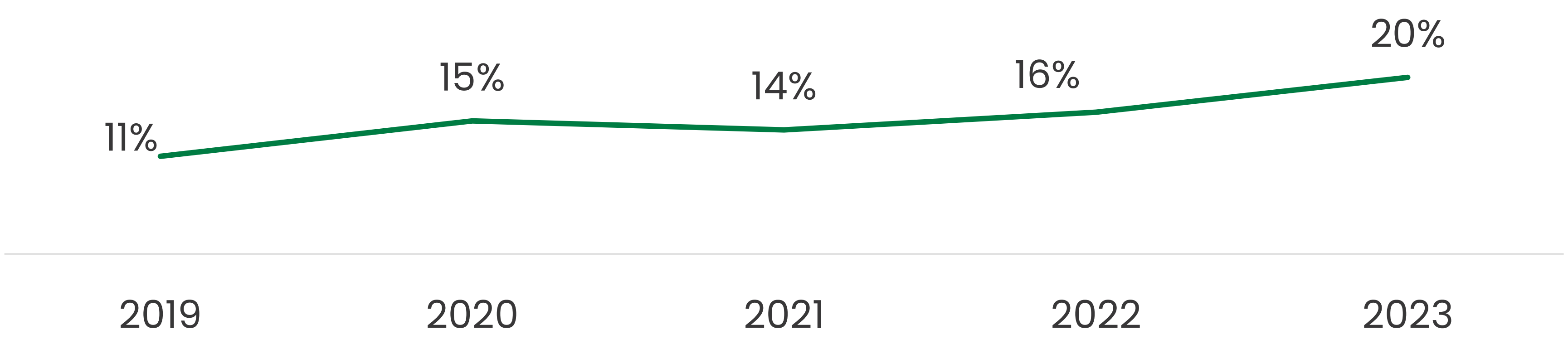
Strong growth potential across all propositions

Decumulation

Leading with Individual Annuities to build a distinctive retirement proposition

Growing Market Share

IP&I share of Individual Annuities new business[1]



Addressing 'At Retirement' options gap

Current 'At Retirement' Options

- Drawdown
- Annuity

Future 'At Retirement' Options

- Guided Retirement
- Flexible Access
- Annuity
- Home Equity Release
- Cash

ESG Optionality

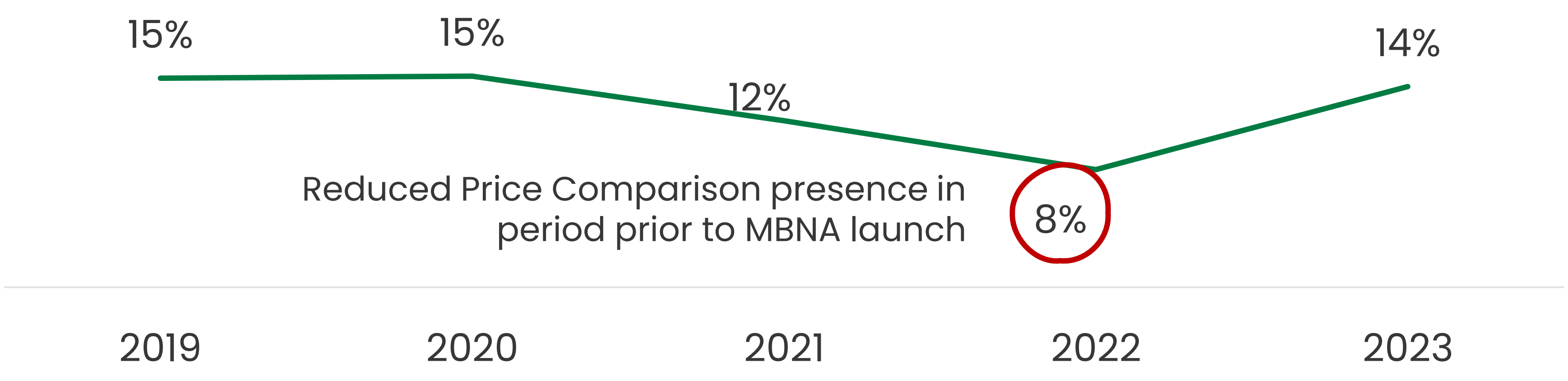
Opportunity — **Delivering new, innovative solutions to meet changing preferences**

Protection

Leading with Home Insurance, with Life Insurance a significant upside

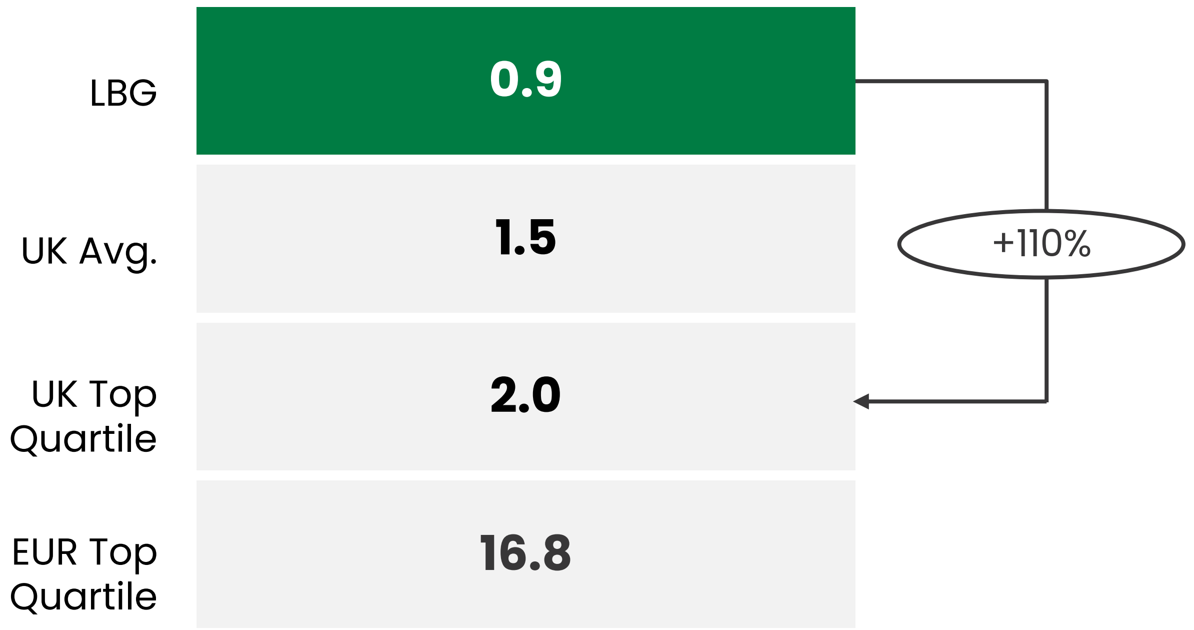
Recapturing Home Insurance share

IP&I share of Home Insurance new business[2]



Increasing Life Insurance penetration

Annual Life Insurance branch sales per branch FTE[3]



Opportunity — **Increasing scale in both digital bancassurance channels and intermediary markets**

1 – APE. 2 – # of new policies. 3 - Source: Finalta LBG & UK data based on FY 2022. Europe data based on July 2021 – June 2022

Performance

Overview of 2020 – 2023 Financials

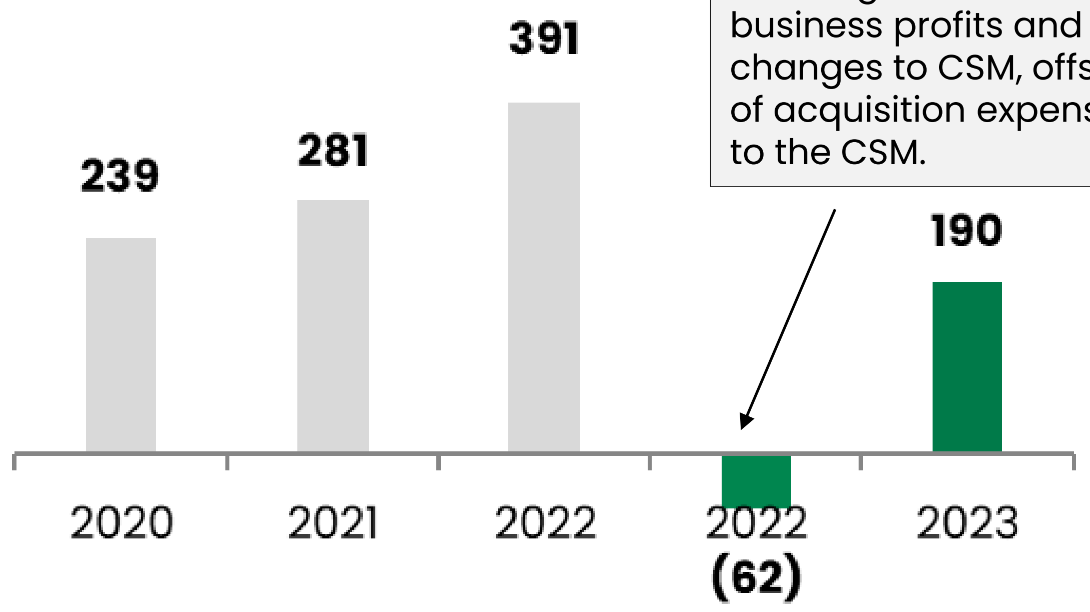
LLOYDS BANKING GROUP

IFRS17 implemented on 1/1/23; 2022 figures on a comparative basis

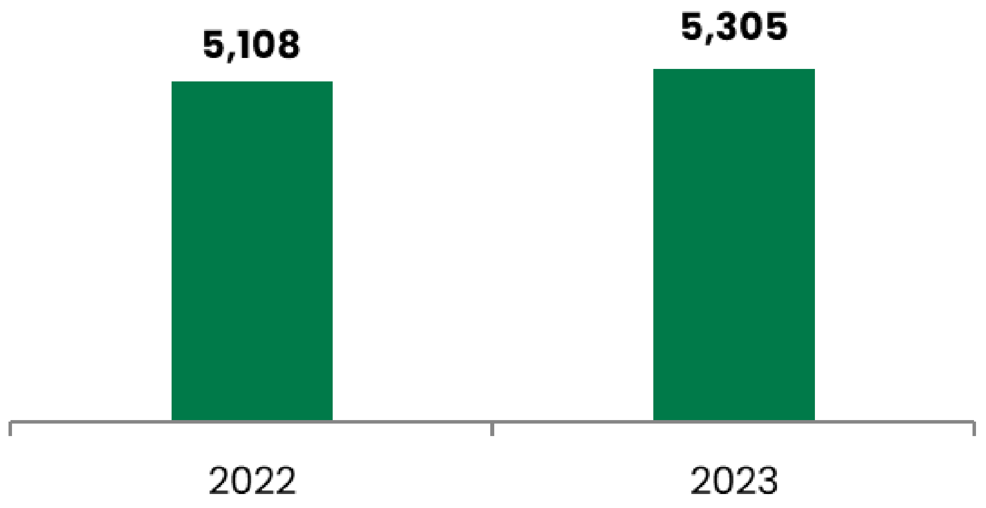
IFRS 4 metrics shown in grey

Underlying profit (£m)

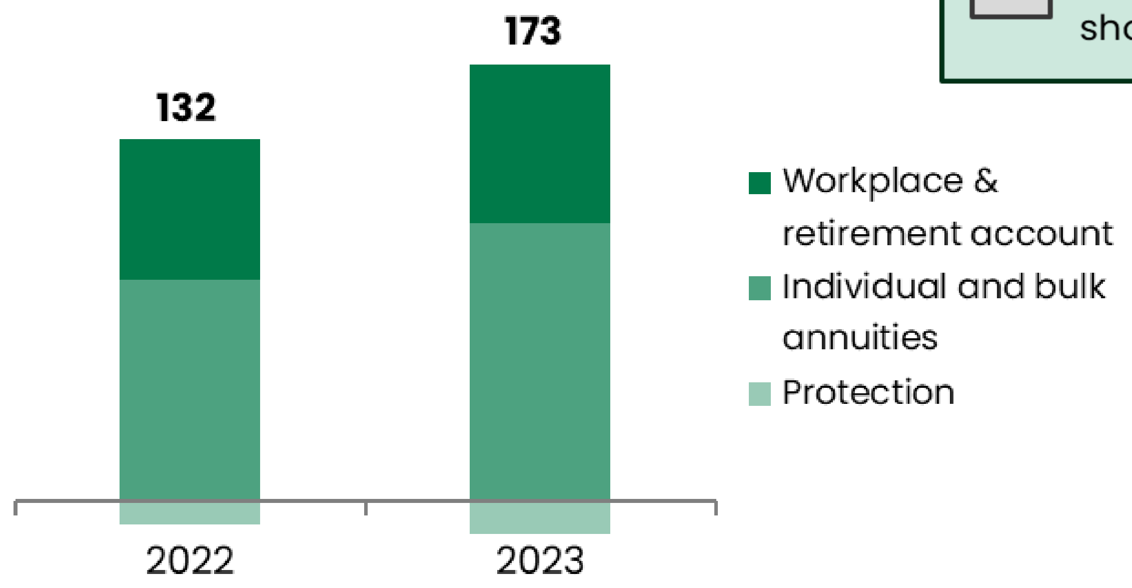
Reduced under IFRS 17 by **£453m,** with a decrease in other income of **£616m** given deferral of new business profits and assumptions changes to CSM, offset by deferral of acquisition expenses of **£163m** to the CSM.



Deferred profit (£m)

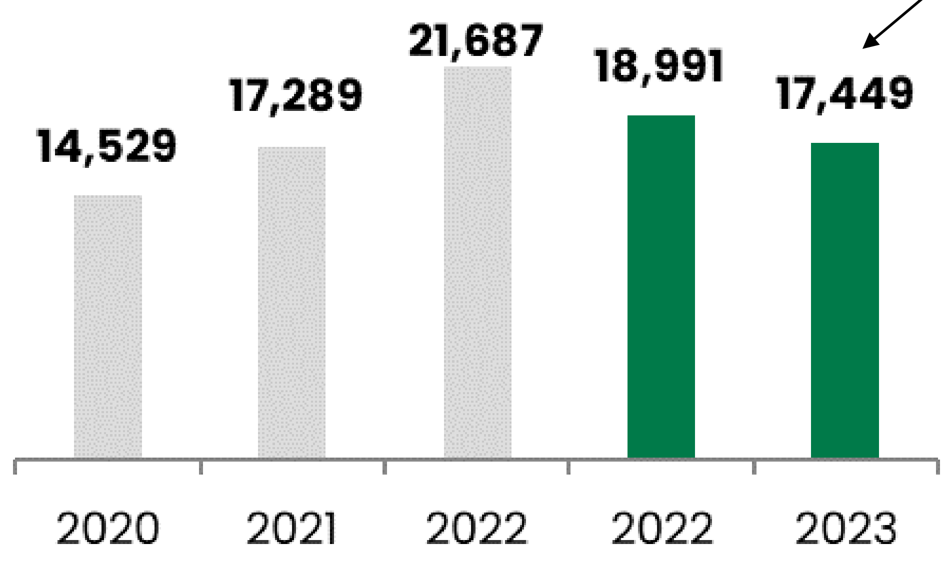


New business value contribution to deferred profit (£m)



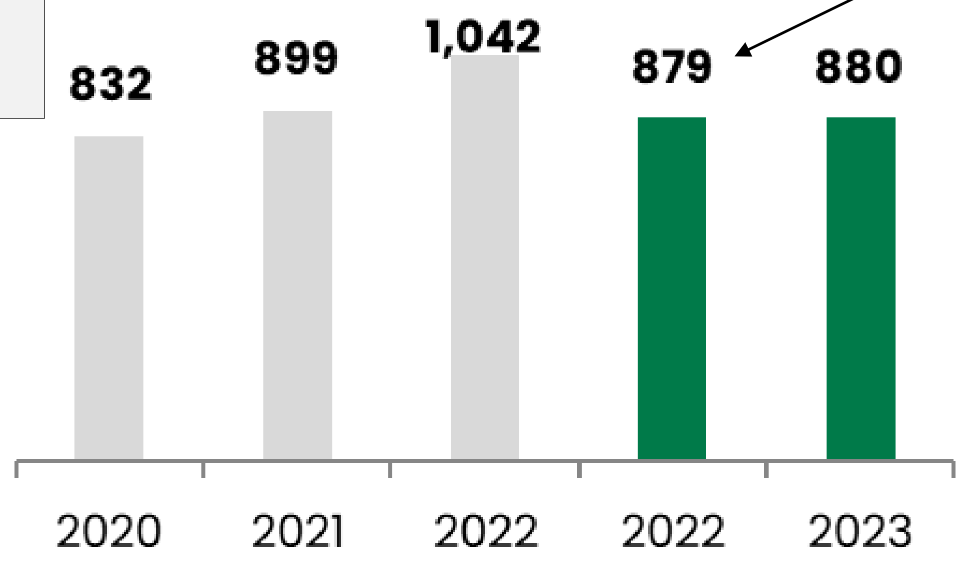
PVNBP (£m)[1]

2023 decrease driven by increased discounting due to higher interest rates.

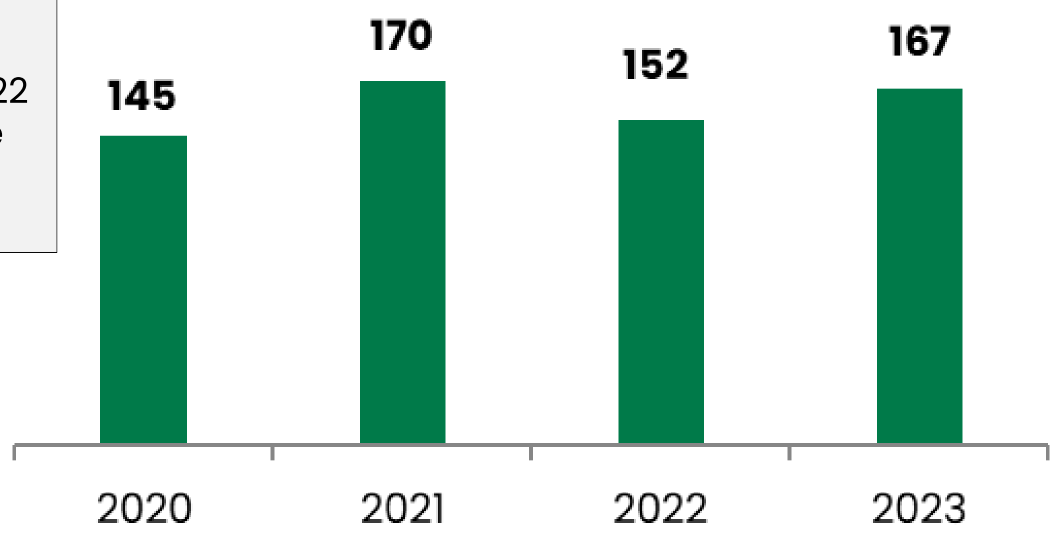


Costs (£m)[2]

Costs under IFRS 17 reflect deferral of acquisition expenses. 2022 impacts were **£163m** to the CSM.



Solvency II ratio (%)[3]



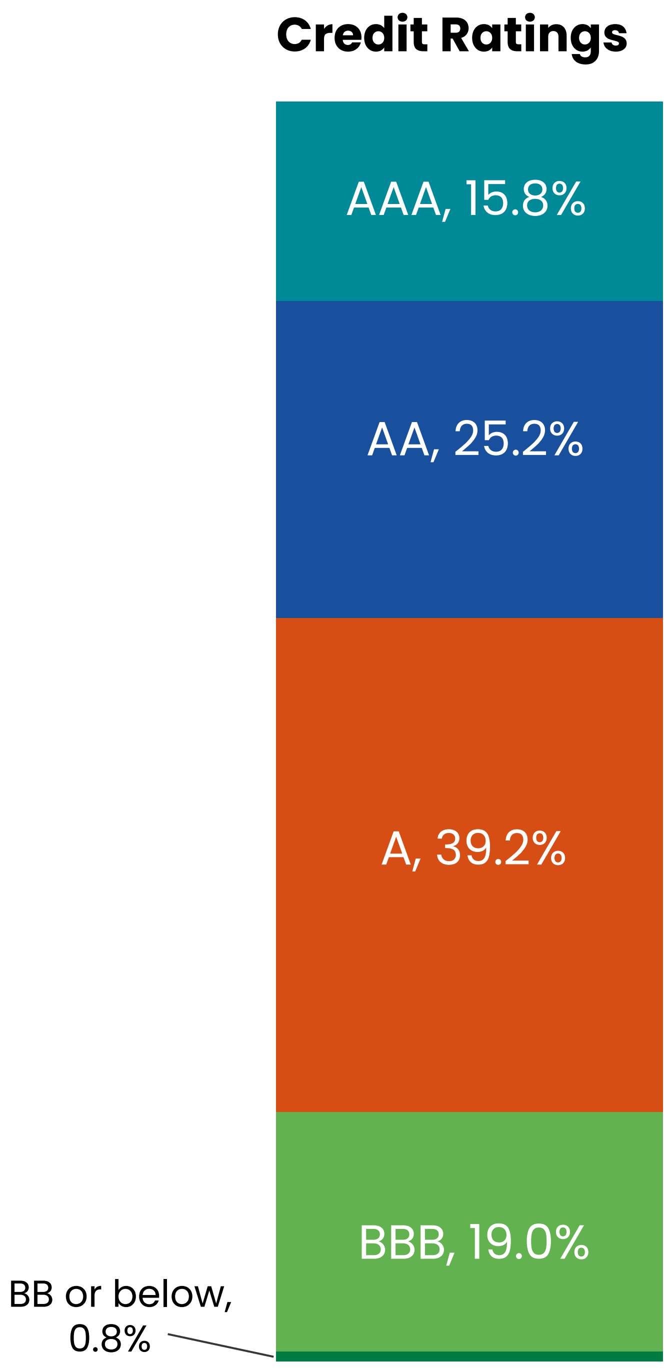
1. Present Value of New Business Premiums.
2. Costs represent operating costs and do not include remediation or impairment.
3. Solvency II Ratio is aligned to the regulatory SWG SFCR view (including With - Profit funds and post dividend).

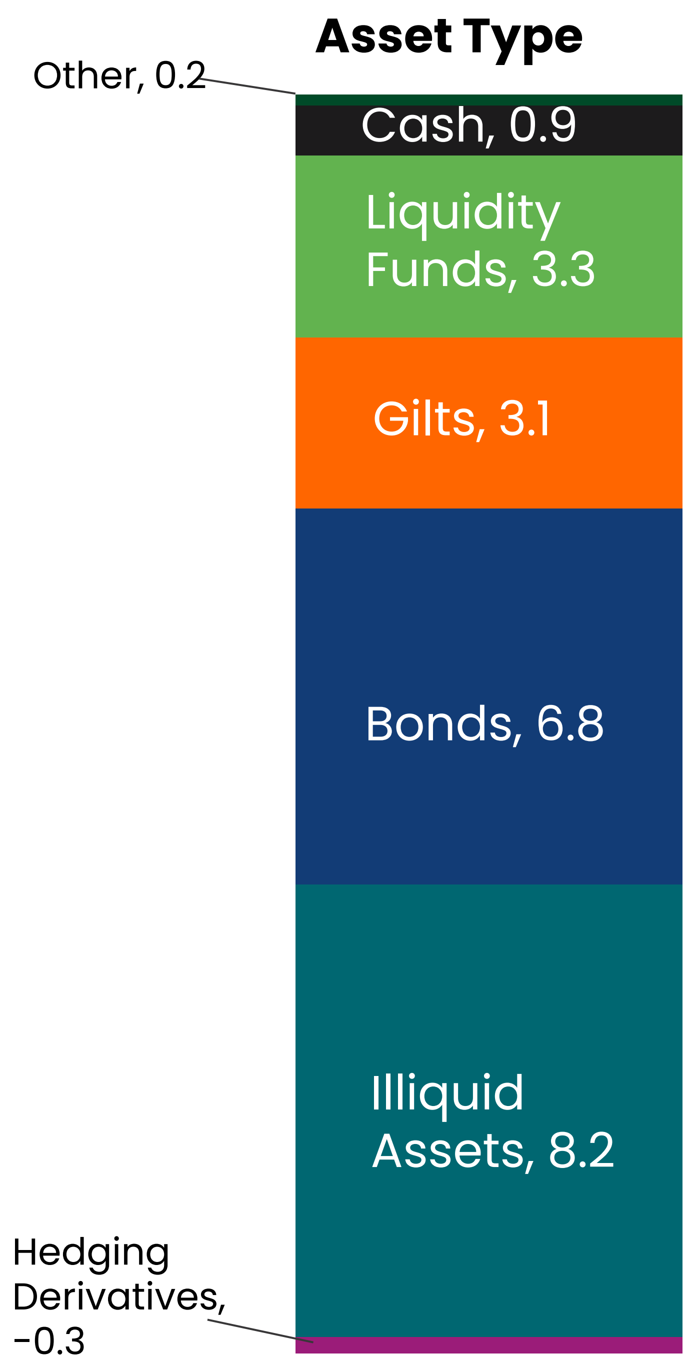
Presentation above represents current organisational structure. This includes Embark and Sharedealing business but excludes Wealth (transferred to retail during 2022) for all periods. All figures pre- bulk annuity business sale.

Shareholder Assets

High quality, diversified UK focused portfolio

Shareholder portfolio £22.2bn



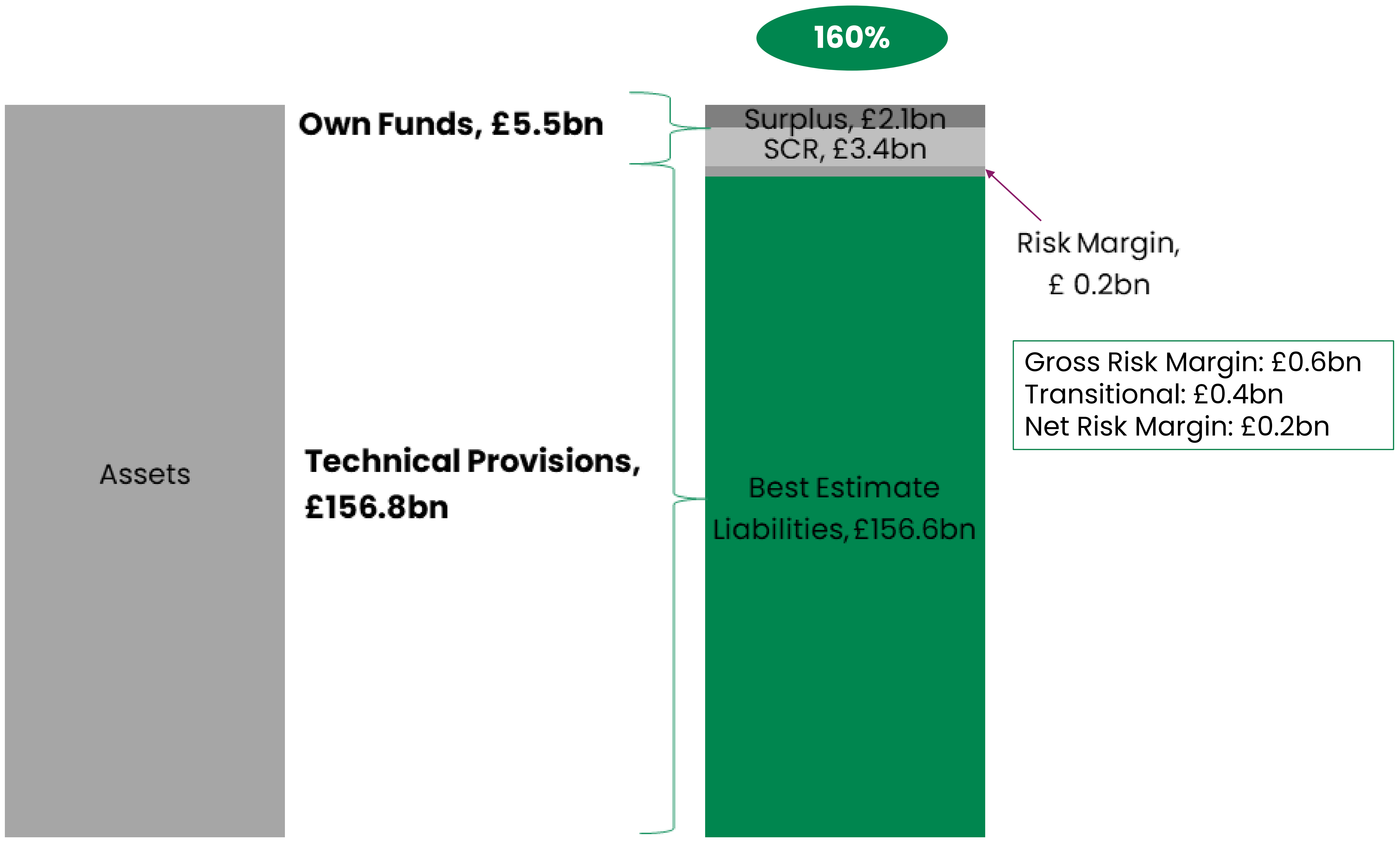


- **High quality portfolio; 80% A or better**
- **UK focused – 67% of portfolio invested in UK**
- **Portfolio well diversified across sector and counterparty, with largest single exposure being c1%**
- **Illiquid assets average rating has been stable A-; 99% invested with UK borrowers**
- **Bond Portfolio average rating A**
- **£17.8bn of shareholder portfolio are Credit Assets backing Annuity Liabilities**

Data as at 31 December 2023. All figures pre- bulk annuity sale.

Solvency

Solvency Position Breakdown YE 2023 – SWL



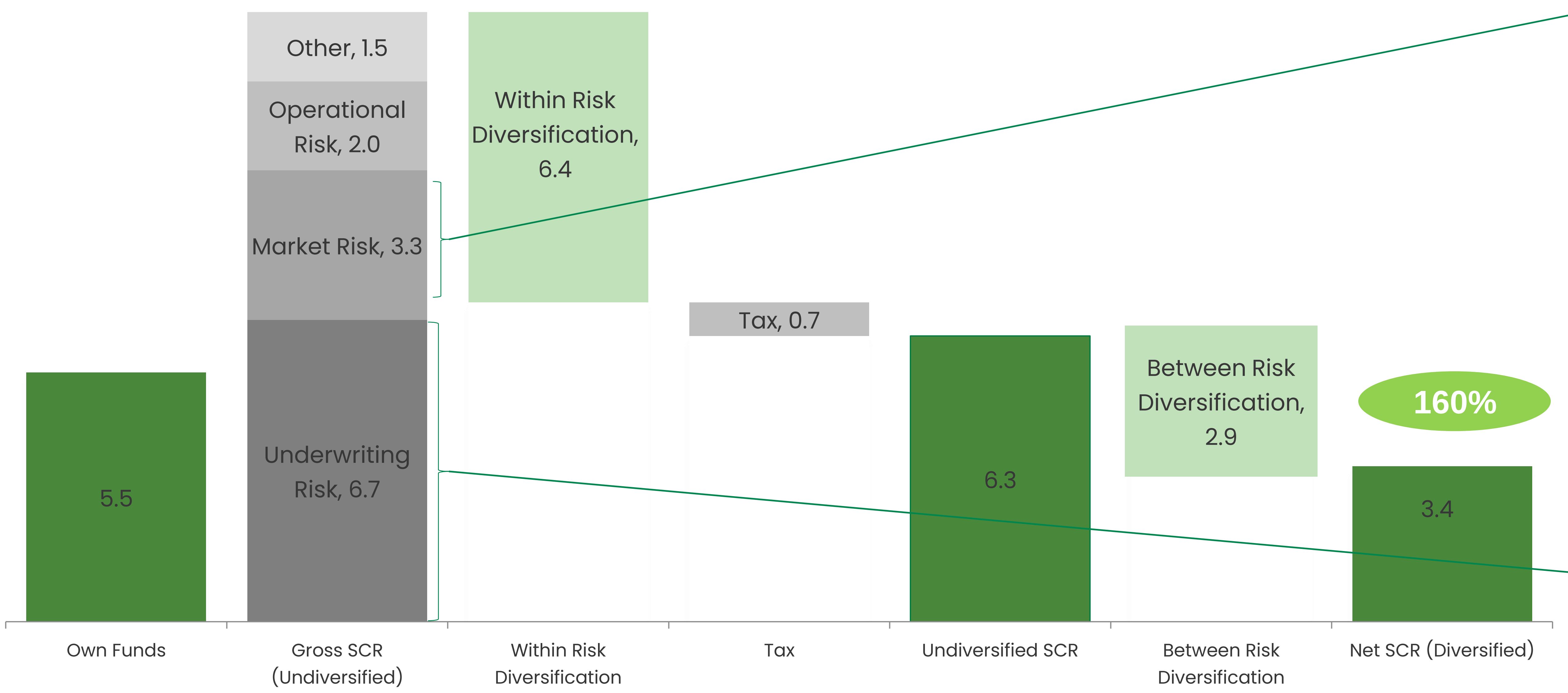
- Figures shown are for Scottish Widows Limited (SWL) on a regulatory basis – consistent with annual SFCR disclosures
- Scottish Widows manages capital on a shareholder basis (i.e. excluding With Profits impact). Equivalent SWL shareholder solvency ratio of 182% (post dividend of 170%)
- YE23 changes to the Risk Margin and Transitional materially increased the amount of excess capital available in both SWL and SWG.
- The Solvency position of the Insurance Group and subsidiaries was sufficient to support the planned repayment from SWL of £850m of externally issued sub-debt in June 2023, and to pay a dividend of £250m in February 2024 from SWG to Lloyds Banking Group. The position shown on the left is after the foreseeable dividends.

Slide 18 sets out a walk between the regulatory and shareholder solvency ratios of SWL and SWG

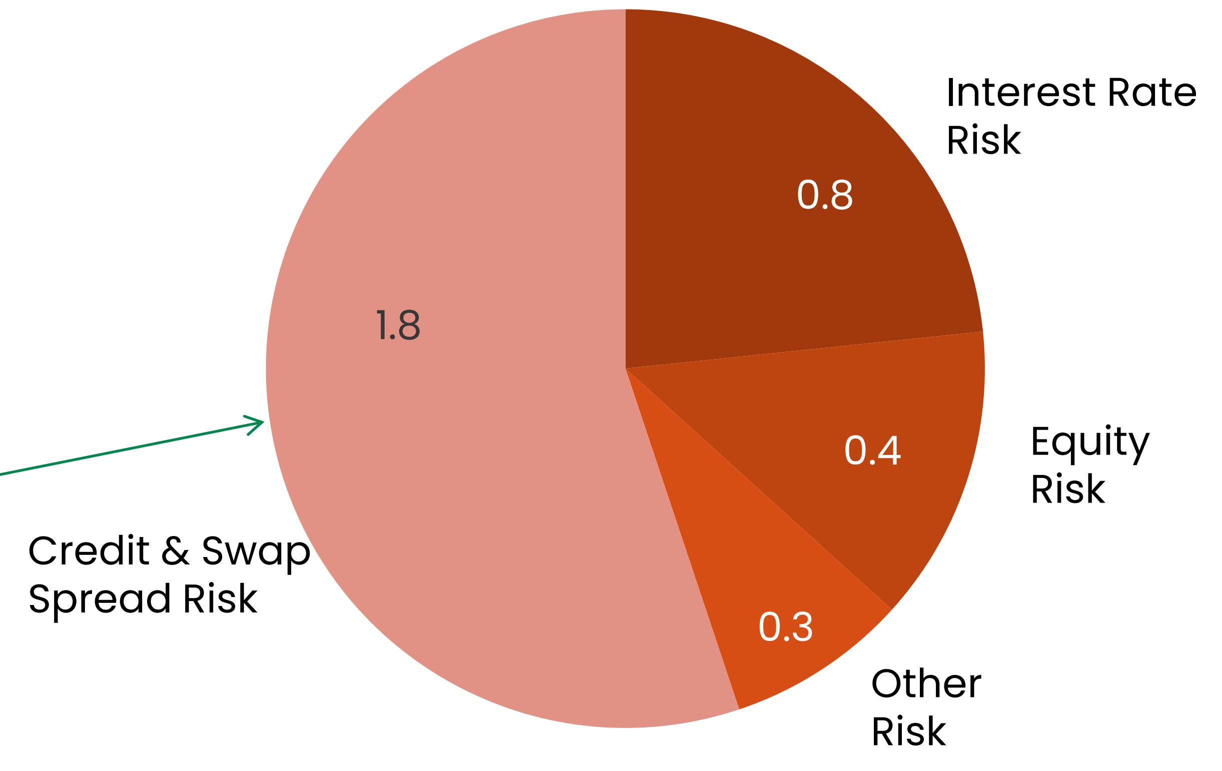
Source: Scottish Widows Group Solvency & Financial Condition Report 2023. All figures pre- bulk annuity business sale.

Solvency Position Breakdown YE 2023 – SWL SCR

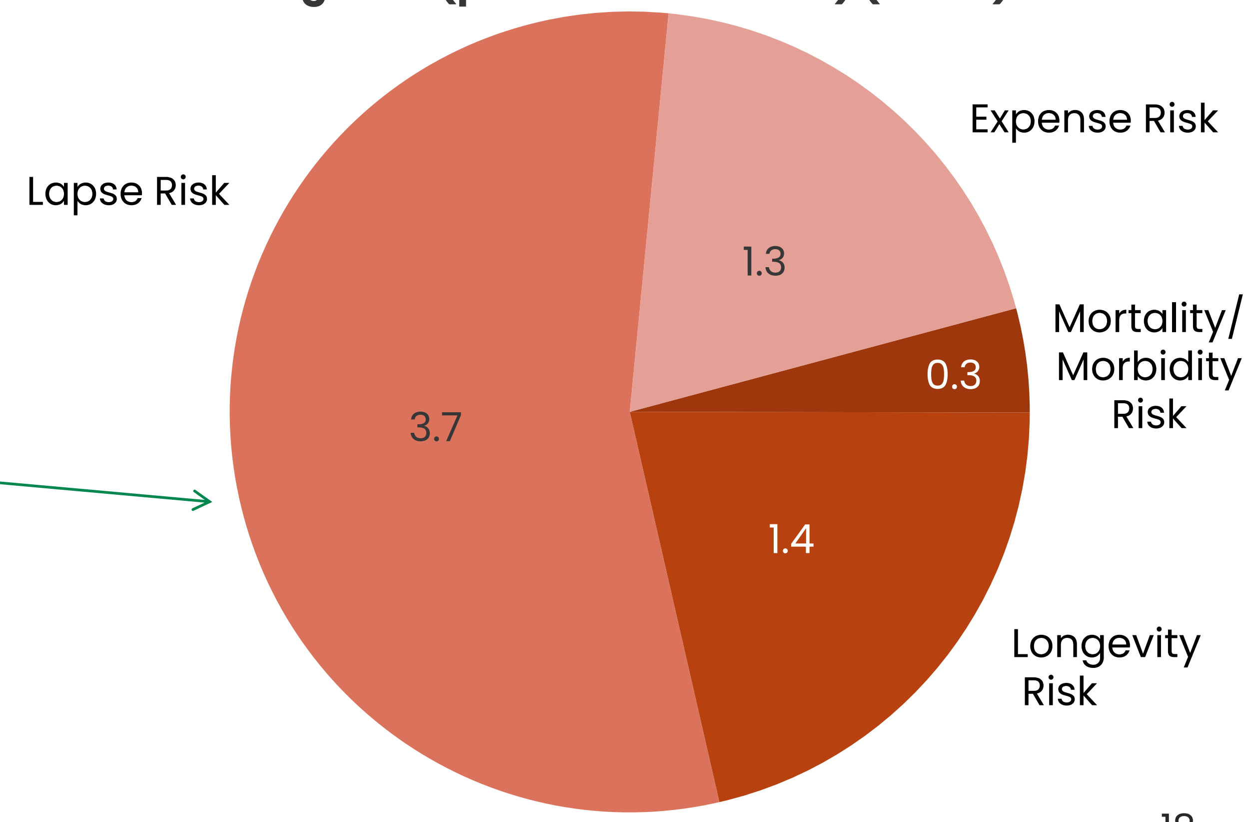
Totals	£5.5bn	£13.4bn	£6.4bn	£0.7bn	£6.3bn	£2.9bn	£3.4bn



Market Risk (pre Diversification) (£bn's)

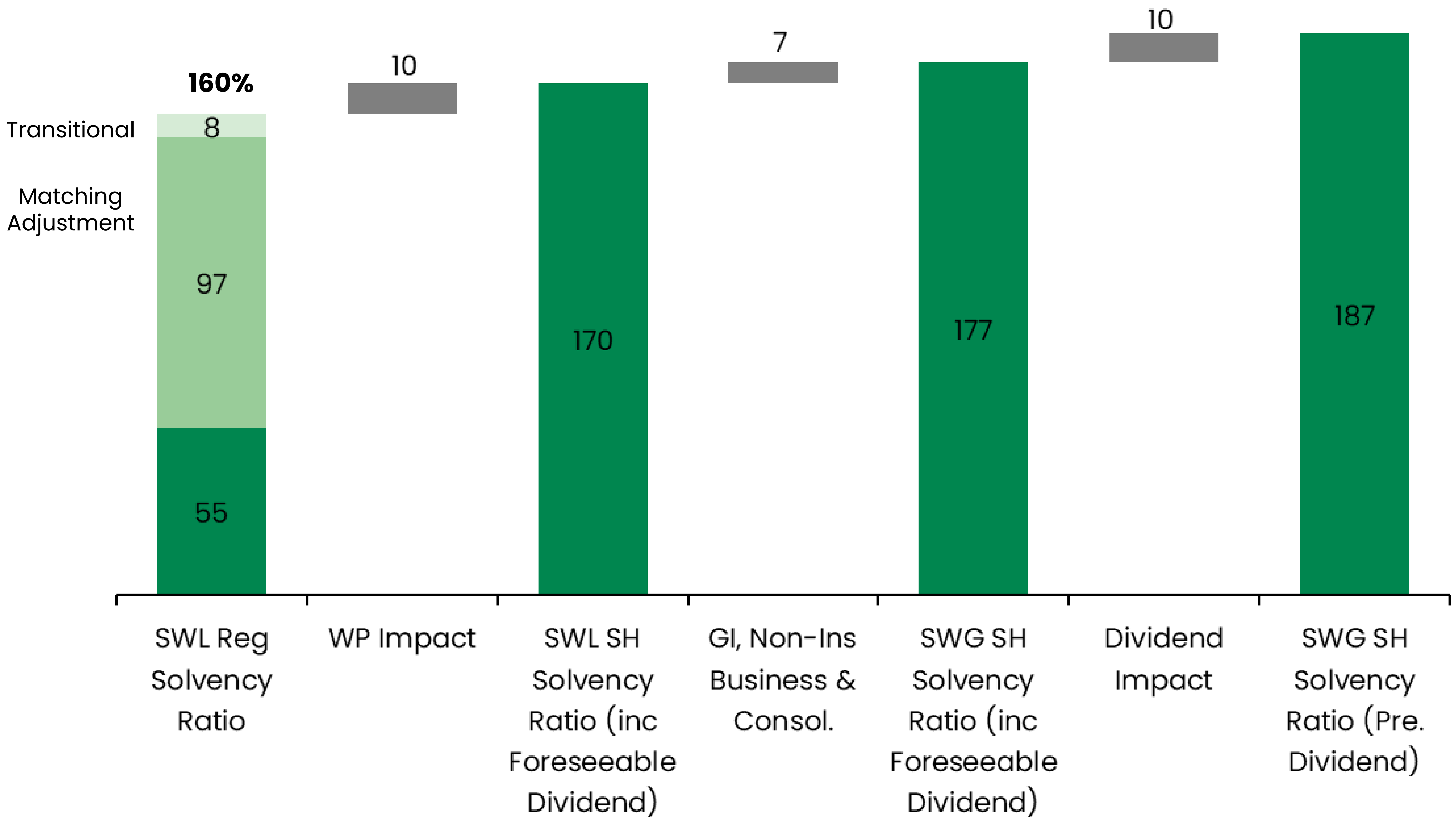


Underwriting Risk (pre Diversification) (£bn's)



Source: Scottish Widows Group Solvency & Financial Condition Report 2023. All figures pre- bulk annuity business sale.

Solvency Position Breakdown YE 2023 – SWL to SWG



YE 2023 (£bn)	SWL	SWG
Own Funds	5.5	6.2
SCR	3.4	3.7
Regulatory Ratio*	160%	167%
Shareholder Ratio	182%	187%

*includes foreseeable dividends paid in Q1 2024

SWL Capital Generation – Capital generation over 2023 is primarily due to:

- The positive impact of Solvency II reforms
- Positive earnings from in-force business
- Positive impact of annual assumption changes
- Offset by repayment of £850m sub-debt instrument.

Source: Scottish Widows Group Solvency & Financial Condition Report 2023. All figures pre- bulk annuity business sale.

YE 2022 –> YE 2023 SWG Solvency Walk

LLOYDS BANKING GROUP

As the predominant entity within Insurance Group, SWL's capital movements are materially consistent with SWG

£m	Eligible Own Funds	SCR
Opening balance : 31 December 2022	**5,492**	**3,624**
M&A (see note 1)	36	24
Regulatory & other model changes	573	45
Operating impact:		
New business contribution (see note 2)	61	210
Expected in-force contribution	241	(193)
Assumption changes & experience variances	207	(23)
Debt costs	(201)	
Market variances	(196)	57
Material miscellaneous items (see note 3)	50	(56)
Other non-operating changes(see note 4)	(4)	
Capital management (see note 5)	(100)	
Closing balance : 31 December 2023	**6,159**	**3,688**

Notes:
1. The acquisition of HSDL in year
2. End of year impact from writing new business in the year
3. Includes GI capital changes, the annual TMTP run-off impact and other significant one-off items
4. Represents the change over the year in Capital Tiering restrictions, debt levels held and foreseeable dividend at 31 December 2023
5. Dividends paid in the year

Eligible own funds: Capital available (as defined in Solvency II) which is eligible to cover the Solvency Capital Requirement
Solvency Capital Requirement: The amount of funds required to be held to protect from a 1-in-200 year stress

Source: Scottish Widows Group Solvency & Financial Condition Report 2023. All figures pre- bulk annuity business sale.

Sensitivity to Market Risk YE 2023

Sensitivities (£m)	Change in working capital[1] excluding TMTP[2] recalculation	Change in working capital[1] including TMTP[2] recalculation
25% equity fall	168	147
100 bps fall in interest rate (parallel shift)	(85)	(83)
25% fall in GBP exchange rates	(228)	(228)
Widening of credit spreads (varies by credit rating[3])	(7)	(342)

Notes:
1. Working Capital equals eligible Own Funds less capital requirements
2. TMTP refers to Transitional Measures on Technical Provisions
3. Credit spread widening by rating: 125 bps (AAA rating), 175 bps (AA rating), 250 bps (A rating), 300 bps (BBB rating) and 400 bps (BB or lower rating)

- Equity risk is materially removed through the equity hedging program. The equity hedge was rebalanced after year end reducing the sensitivity to equity markets as shown in the table.
- Interest rate movements impact the SCR and the risk margin (which both increase when interest rates fall). With the introduction of Solvency UK regulations at the end of 2023, the interest rate sensitivity of the Risk Margin has reduced and the interest rate TMTP sensitivity is small.
- Exchange rate sensitivity is materially driven by the capital we hold to protect against a material adverse currency stress.
- The TMTP reduces as credit spreads widen, since the Solvency II Matching Adjustment increases by more than the Solvency I ICA Illiquidity Premium and the TMTP reflects the net movement

Source: Scottish Widows Group Solvency & Financial Condition Report 2023. All figures pre- bulk annuity business sale.

2023 Risk & Capital Management Update

Solvency UK reforms	• The PRA implemented the first stages of the Solvency UK reforms at YE23 • Material benefit of reduced Risk Margin Review net of transitional recalculation • Additional benefit from removal of FRR test in the Solvency II Transitional
Market Impacts	• Reduction in interest rates over 2023 lead to decreases in Excess Capital & Equity positions driven by increase in capital requirements (SCR and Risk Margin) • However, this reduction was partially offset by a recalculation of the SII Transitional at year-end, and sensitivity to rates is materially reduced following the reform of the Risk Margin
Dividends	• Strong Capital Generation over 2023 enabled a total dividend of £250m to be paid from SWG to LBG
Liquidity	• Strong operational liquidity position with liquid assets more than sufficient to withstand a 1-in-200 year diversified liquidity stress
Subordinated Debt	• The majority of SWG's subordinated debt is intragroup (c.£2bn) • £850m SWL external tier two subordinated debt matured in June 2023 and was repaid without replacement • Only remaining external subordinated debt is £650m SWL tier two with maturity in 2043

Liquidity Monitoring

Liquidity Monitoring	• Liquidity is monitored on a Primary (3 month) and Total (12 month) basis
	• Primary classes cash and gilts as liquid assets. Total liquidity also classes bonds as liquid assets
	• Two metrics are monitored for both Primary and Total liquidity
	  • Liquidity coverage = Available liquid assets ÷ stressed liquidity requirements
	  • Excess liquidity = Available liquid assets less stressed liquidity requirements

Available Liquidity	• Available liquid assets allow for future expected best estimate cashflows and restrictions such as coupon payments, tax, derivative collateral • Appropriate deductions are included such as asset haircuts
Risk Appetite	• Our internal risk appetite level is whether we have sufficient liquid assets to cover a 1-in-200 year liquidity stress • There is an additional risk appetite metric to ensure that sufficient liquid assets are available to fund debt coupon payments
YE 2023	• YE 23 operational liquidity is strong and SWL, and all other legal entities, were above risk appetite levels
Credit Facility	• A revolving credit facility with LBG is available to support our internal risk appetite level

Appendix

IFRS 17 – Income Spread over Contract Life; no change to Economic Value

IP&I has successfully transitioned to IFRS17

	IFRS 4	IFRS 17
New business profit	Expected profit recognised on day 1 in income	Day 1 P&L impact deferred on balance sheet and spread over contract life through CSM release
Assumption changes	Recognised immediately in income	Day 1 P&L impact deferred on balance sheet and spread over contract life through CSM release
Value in Force	VIF asset on Group balance sheet	No VIF asset – CSM held on balance sheet as a liability
Acquisition costs	Recognised immediately in costs	Deferred on balance sheet and spread over contract life through CSM release, alongside related income
Market related volatility	Taken in the period	Some volatility spread through CSM (unit linked)
Equity	Net reduction in shareholders' equity as prior periods' earnings restated on IFRS 17 basis with IFRS 4 past earnings derecognised and recognised as CSM	

IFRS 17 is an accounting change which impacts phasing of profit recognition for insurance contracts

- Expected future profit on insurance contracts was recognised as new business income at inception
- Under IFRS 17, profit is deferred to the balance sheet and recognised over the period the service is provided
- Most one-off assumption changes are also deferred and released over the service period

Economic value of the insurance business is unchanged

- Cash flows and capital generation from the insurance business remain unchanged
- IFRS 17 profit aligns more closely to cash flows and improves insurance income stability year-on-year

No impact expected on Group capital or ability to upstream dividends from the insurance business

- Solvency II will continue to drive the insurance business' ability to pay dividends to the Group and is unaffected

Neutral longer-term impact on profit, but near/medium-term insurance OOI expected to be lower from 2023

Q&A

Disclaimer

Important notice

The information, statements, views and opinions contained in this document and accompanying discussion ("this Presentation") are for informational and reference purposes only. This Presentation has been provided by the Group (defined below).

This Presentation does not purport to be comprehensive nor render any form or type of advice ("Advice"). No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by the Group or any of its directors, officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this Presentation (including the fairness, accuracy, completeness or sufficiency thereof) or any other written or oral information made available ("Supplementary Information") or any errors contained therein or omissions therefrom, and any such liability is expressly excluded to the extent permitted by law.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this Presentation and/or any Supplementary Information. For the avoidance of any doubt, this Presentation and/or Supplementary Information is not intended to, nor does it, constitute or form part of any Advice or promotional material for services offered by any Group entity.

No Identified Person undertakes, or is under any obligation, to provide any additional information, update, revise or supplement this Presentation and/or Supplementary Information or to remedy any inaccuracies in or omissions from this Presentation and/or Supplementary Information.

Forward looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward-looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such 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, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; 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; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. 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 the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. 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.