

A black horse is running from left to right across the foreground. The background features a calm lake reflecting the sunset sky, with rolling hills and mountains in the distance. The sky is filled with soft, colorful clouds in shades of pink, orange, and blue.

ShareSoc webinar

Lloyds Banking Group
14 March 2024

Business and financial update

Douglas Radcliffe, Group Investor Relations Director

Lloyds Banking Group in context



Purpose

Helping
Britain
Prosper

Largest UK bank

21.5m

Digitally active
customers

c.£450bn

Loans and advances

#1

UK distribution network

A trusted brand portfolio



Robust financial performance

£17.9bn

Net income

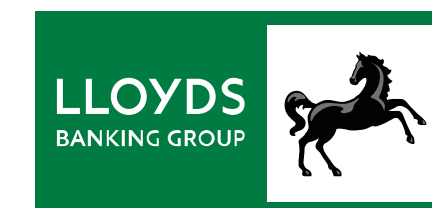
15.8%

Return on tangible equity
(RoTE)

£3.8bn

Total capital return

Purpose-driven strategy delivers for broader stakeholders



Illustrative activity in 2023

Proactive support for customers

Communicated with **>15m** customers on savings options and **3.9m** new savings accounts opened
7.5m¹ customers proactively contacted to offer support and enhance financial resilience
c.600k businesses supported with customer resilience resources

Building an inclusive society

Since 2018 **>£82bn** lending to first time buyers and supported **>£17bn** new funding to social housing
 Launched a new **partnership with Crisis** to help tackle the shortage of good quality, affordable homes
 Interests aligned: **c.85%** of colleagues are Group shareholders

Creating a sustainable future

£29bn sustainable finance since 2022²; £15bn CIB target exceeded, CB target increased to **£45bn by 2026**³
 Tusker acquisition supporting transition to low carbon transport; now finance **1 in 8** ULEVs in the UK
 10 NZBA sector emission reduction targets now covering **83%** of bank lending⁴

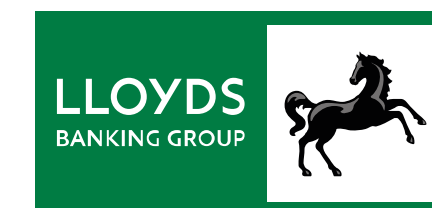
Helping
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1 – Since April 2022. 2 – £15.8bn sustainable finance for Corporate & Institutional customers, £7.5bn EPC A/B mortgage lending and £5.7bn financing for EVs and PHEVs from January 2022 to end 2023, EPC A/B mortgage lending up to 30 September 2023. In addition, Scottish Widows has invested £21.7bn in climate-aware strategies and climate solutions from January 2020 to end 2023.

3 – Cumulative 2022–26 target; includes the now met £15bn target for CIB customers, originally set for end 2024 and a new Commercial Banking target of £30bn for 2024–26.

4 – Bank lending in scope of financed emissions calculation in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry.

Significant strategic progress, on track for 2024 and 2026; confidence in delivering higher, more sustainable returns



Purpose-driven strategy



**Drive revenue growth
and diversification**

Grow



**Strengthen cost and
capital efficiency**

Focus



**Maximise the
potential of people,
technology and data**

Change

Significant progress in 2023

£1.3bn strategic investment
(£2.2bn to date)

On track to deliver strategic objectives, of
which **c.20%** ahead of plan

c.£0.5bn additional revenues from
strategic initiatives to date

c.£0.7bn gross cost savings to date

On track for 2024 and 2026

2024

c.£0.7bn additional revenues¹

c.£1.2bn gross cost savings

c.13% RoTE

c.175bps capital generation

2026

c.£1.5bn additional revenues¹

>15% RoTE

>200bps capital generation

¹ – From strategic initiatives.

Robust financial performance, in line with guidance



Financial performance (£m)

	2023	2022 ²	YoY
Net interest income	13,765	13,172	5%
Other income	5,123	4,666	10%
Operating lease depreciation	(956)	(373)	
Net income	17,932	17,465	3%
Operating costs	(9,140)	(8,672)	(5)%
Remediation	(675)	(255)	
Total costs inc. Remediation	(9,815)	(8,927)	(10)%
Underlying profit before impairment	8,117	8,538	(5)%
Impairment charge	(308)	(1,510)	80%
Underlying profit	7,809	7,028	11%
Statutory profit after tax	5,518	3,923	41%
Net interest margin	3.11%	2.94%	17bp
Return on tangible equity	15.8%	9.8%	6.0pp
Earnings per share	7.6p	4.9p	2.7p
Tangible net asset value per share	50.8p	46.5p	4.3p
Pro forma CET1 ratio ¹	13.7%	14.1%	(0.4)pp

- **Statutory PAT £5.5bn; RoTE 15.8%**
- **Strong net income, up 3%, NIM 31bps**
- **Costs up 5% (ex. remediation) given investment and inflation**
- **TNAV 50.8p, up 4.3p in 2023**
- **Strong capital generation; 173bps after headwinds; CET1 ratio 13.7%**
- **Capital return £3.8bn; final dividend 1.84p, total 2.76p alongside buyback of up to £2bn**
- **Dividend up 15% YoY**

1 – 2023 includes dividend received from Insurance in February 2024 and full impact of announced share buyback. 2022 includes dividend received from Insurance in February 2023 and full impact of share buyback in respect of 2022 that completed in 2023. 2 – 2022 restated for the implementation of IFRS 17 on 1 January 2023; reported 2022 RoTE was 13.5%.

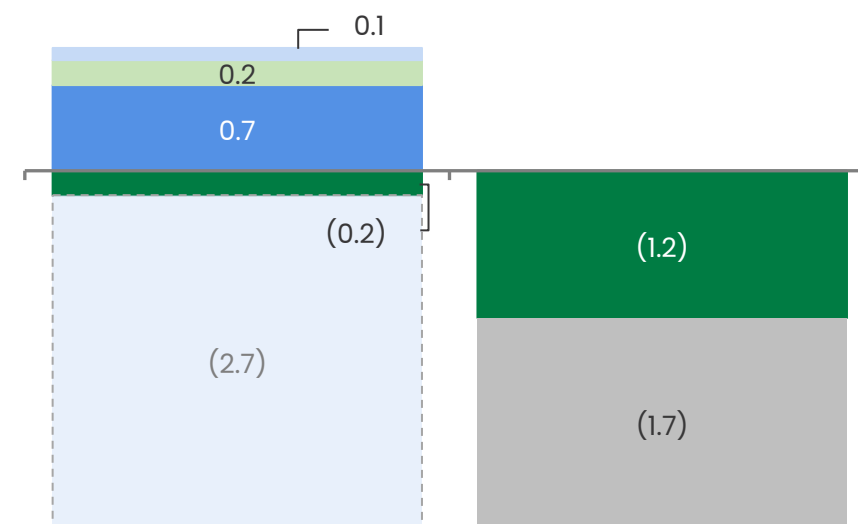
Resilience in customer franchise



Q4 lending change (£bn)

Retail
(+£0.8bn ex. securitisation)
-£1.9bn/-1%

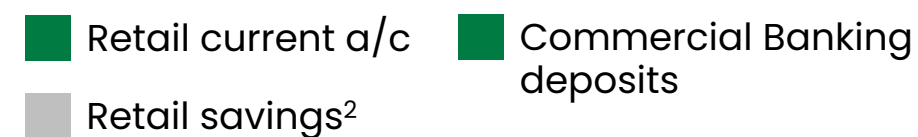
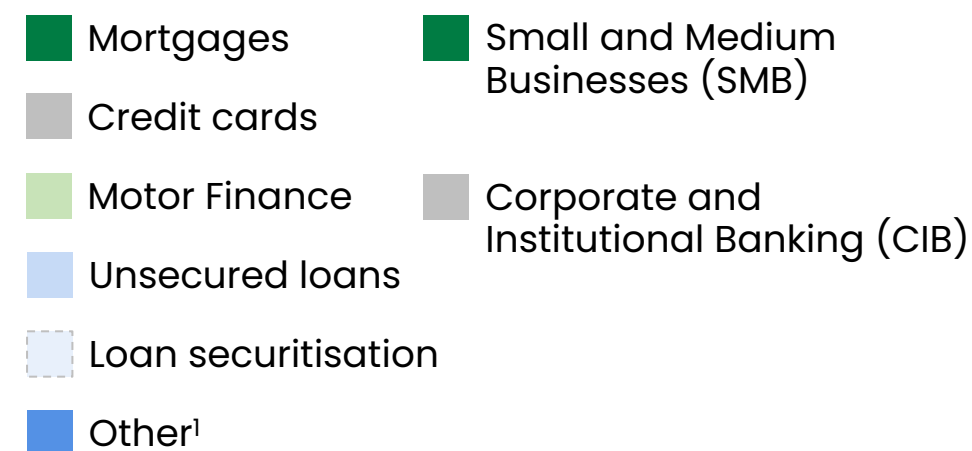
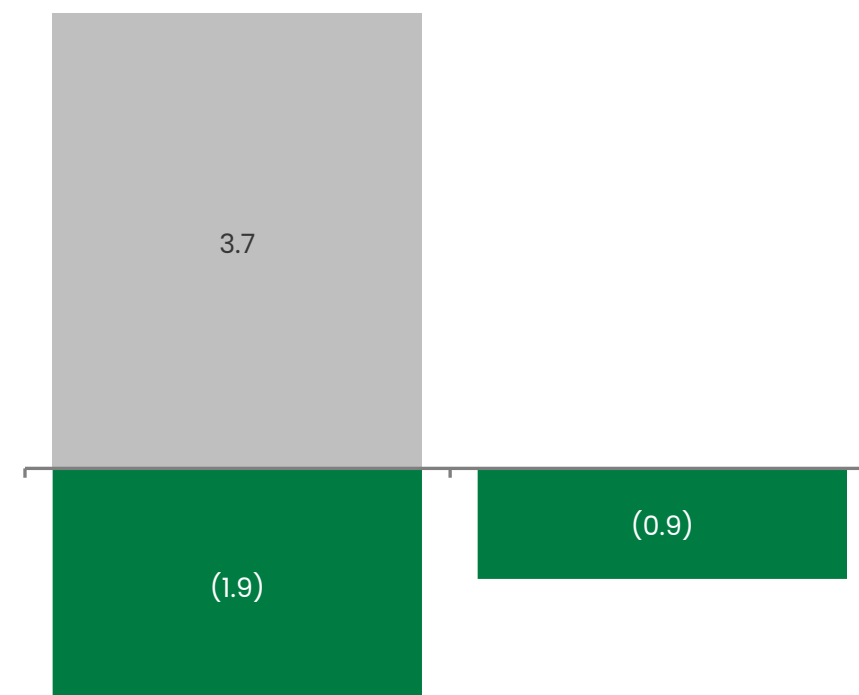
Commercial
-£2.9bn/-3%



Q4 deposit change (£bn)

Retail
+£1.8bn/+1%

Commercial
-£0.9bn/-1%

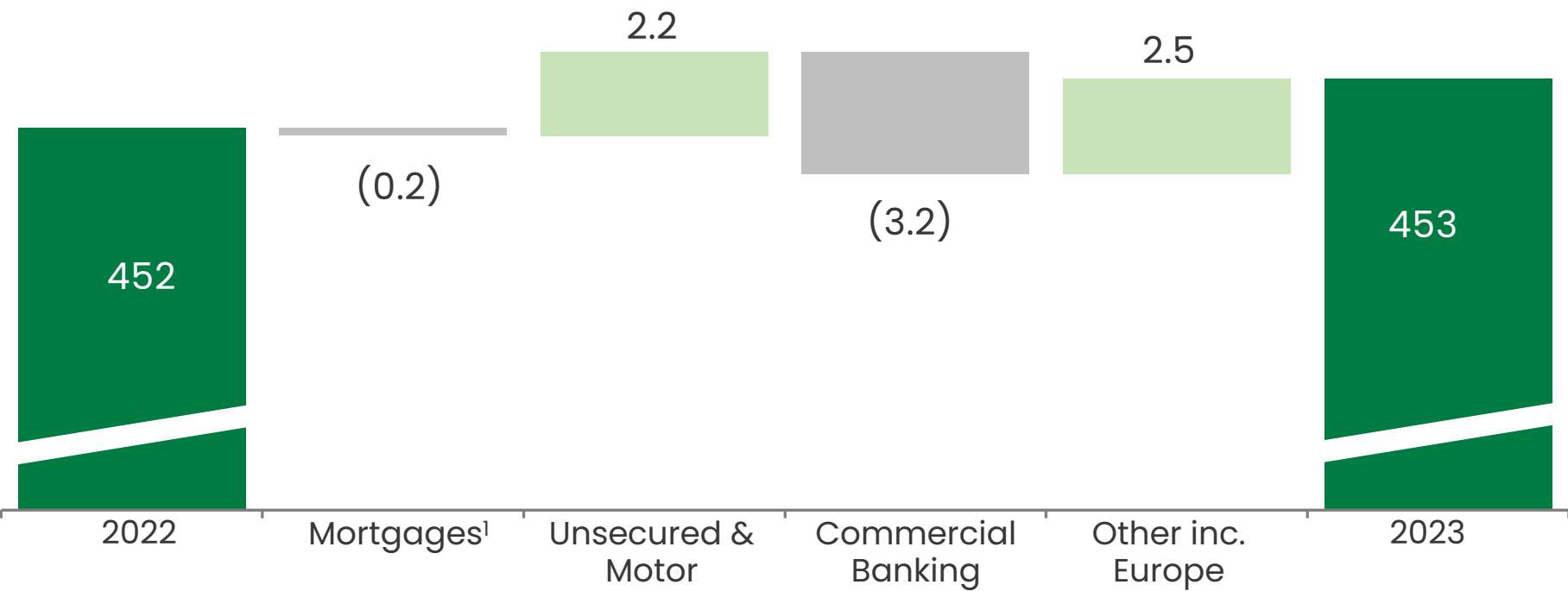


- **Lending £450bn; 2023 down 1%, Q4 down £2bn**
 - Retail up £0.8bn ex securitisation in Q4
 - Commercial down £2.9bn in Q4
- **Total deposits £471bn; 2023 down 1%, Q4 up £1bn with reducing churn**
 - Retail up £1.8bn in Q4; savings up £3.7bn, PCAs down £1.9bn
 - Commercial down £0.9bn in Q4

Strong net interest income, in line with guidance

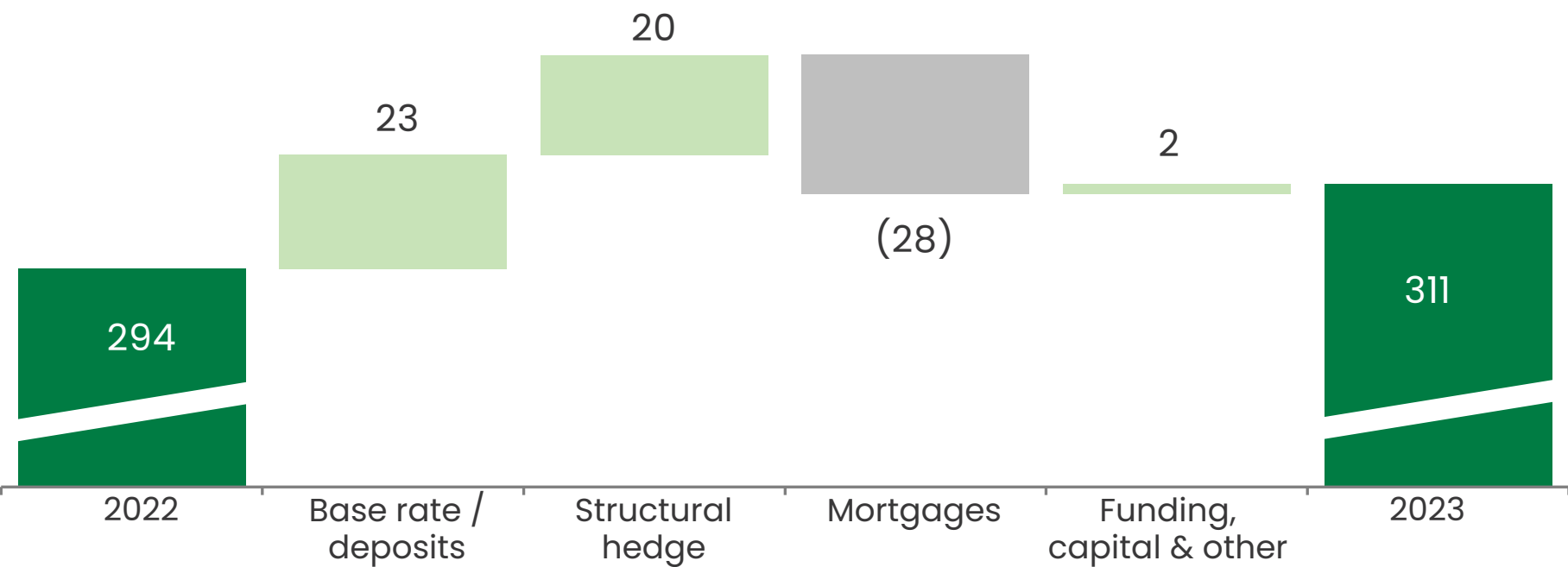


Average interest earning assets (£bn)



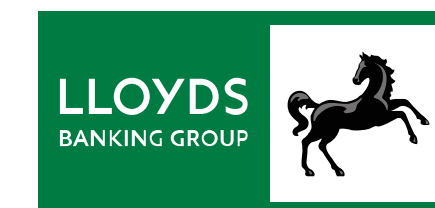
Banking net interest margin (bps)

Q3 '23 – Q4 '23	308	(8)	7	(7)	(2)	298
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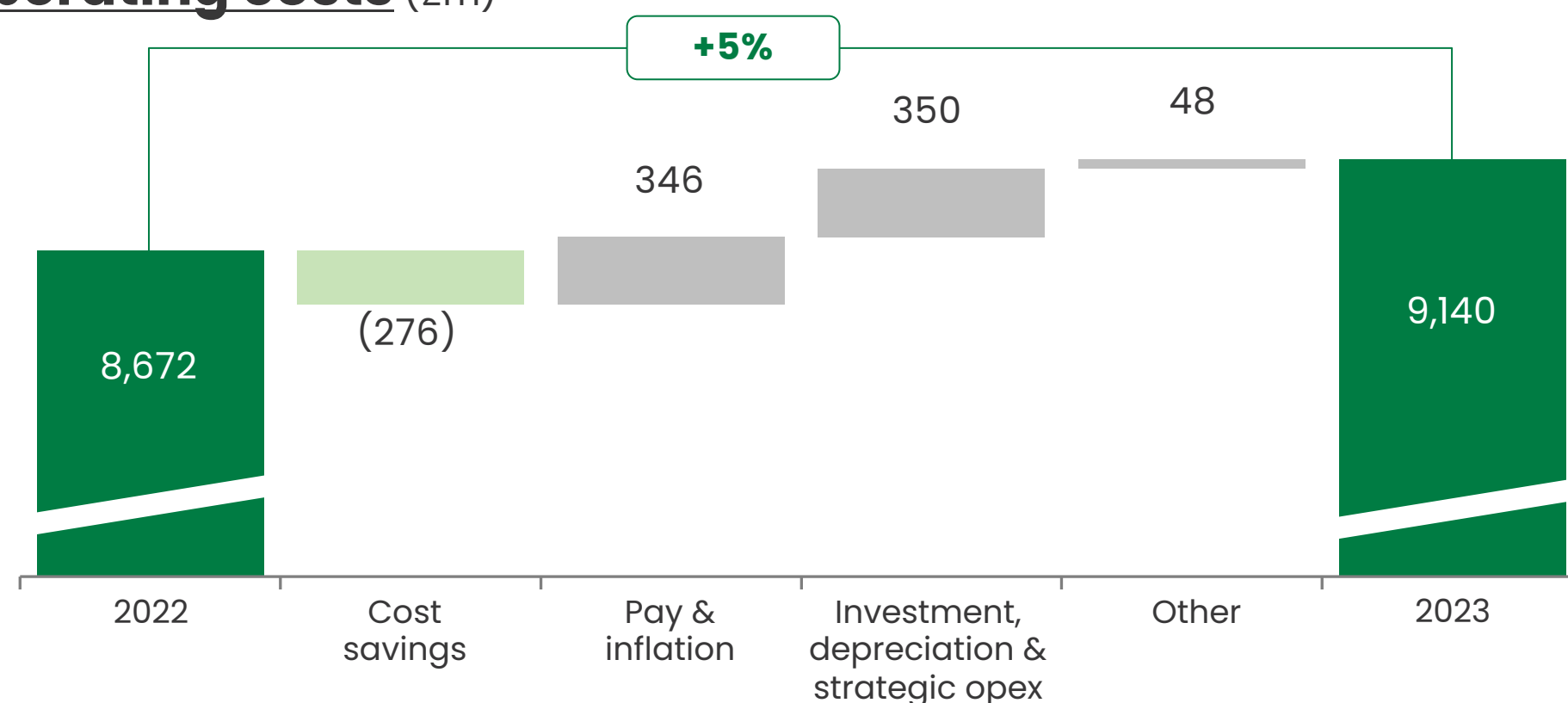


- 2023 NII £13.8bn, up 5% YoY, Q4 down 4% vs Q3
- Full year NIM 311bps; 298bps in Q4, down 10bps vs Q3 due to deposit and mortgage pressure
- Now expect 2024 Average Interest Earning Assets (AIEAs) to be >£450bn
- Now expect 2024 NIM to be >290bps in 2024

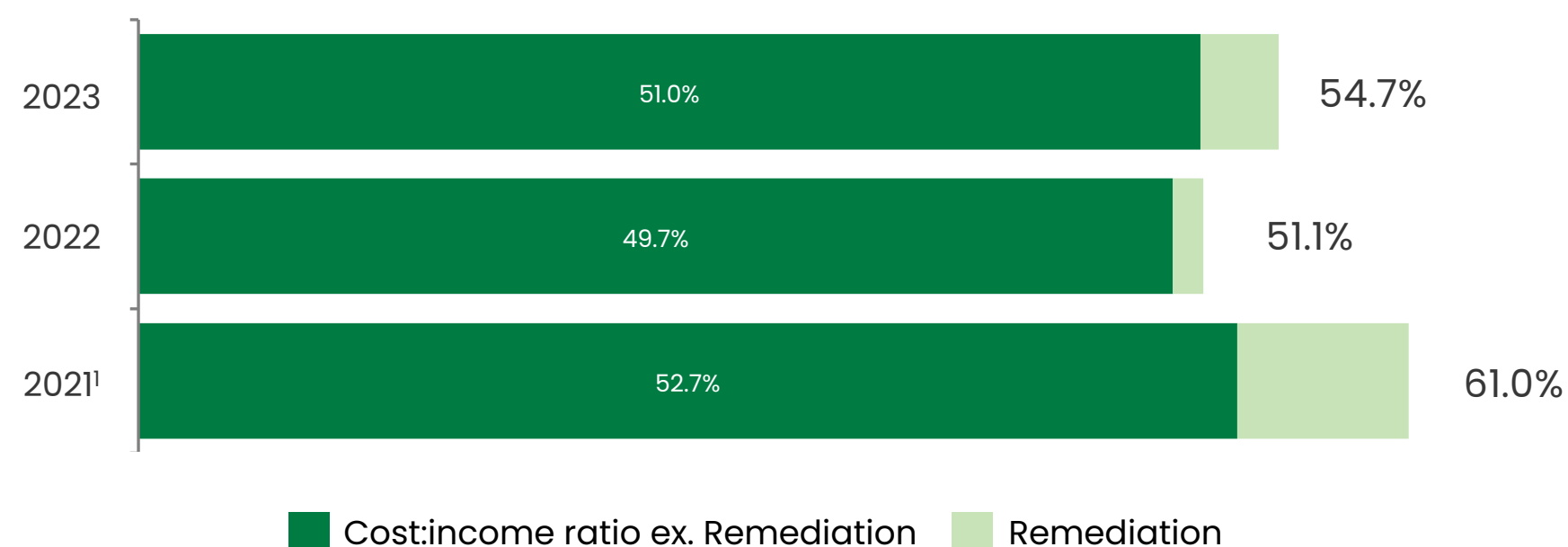
Disciplined operating costs, in line with guidance



Operating costs (£m)



Cost:income ratio (%)



- 2023 operating costs £9.1bn, up 5%; planned strategic investment, new business and inflation
- Now expect 2024 operating costs c.£9.3bn
- Remediation charge of £675m, including £450m for FCA review into historical motor commissions
 - Provision for operational costs and estimated potential redress
 - Significant uncertainty remains

Strong asset quality, in line with guidance



Impairment (£m)

	Q4	2023	2022	YoY
Charge (credit) pre updated MES¹	(353)	565	915	(350)
<i>Retail</i>	277	1,064	773	291
<i>Commercial Banking</i>	(626)	(487)	122	(609)
<i>Other</i>	(4)	(12)	20	(32)
Updated economic outlook	(188)	(257)	595	(852)
<i>Retail</i>	(203)	(233)	600	(833)
<i>Commercial Banking</i>	15	(24)	395	(419)
<i>Other (COVID central adjustment)</i>	–	–	(400)	400
Total impairment charge/(credit)	(541)	308	1,510	(1,202)

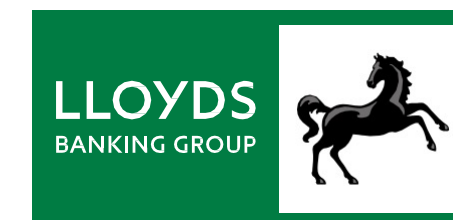
Gross lending and coverage level² (£bn, %)

		Stage 1	Stage 2	Stage 3	Total
H2 2023	Loans and advances	£387bn	£57bn	£10bn	£454bn
	Coverage	0.3%	3.0%	15.8%	0.9%
H1 2023	Loans and advances	£379bn	£66bn	£11bn	£456bn
	Coverage	0.2%	3.2%	23.7%	1.2%

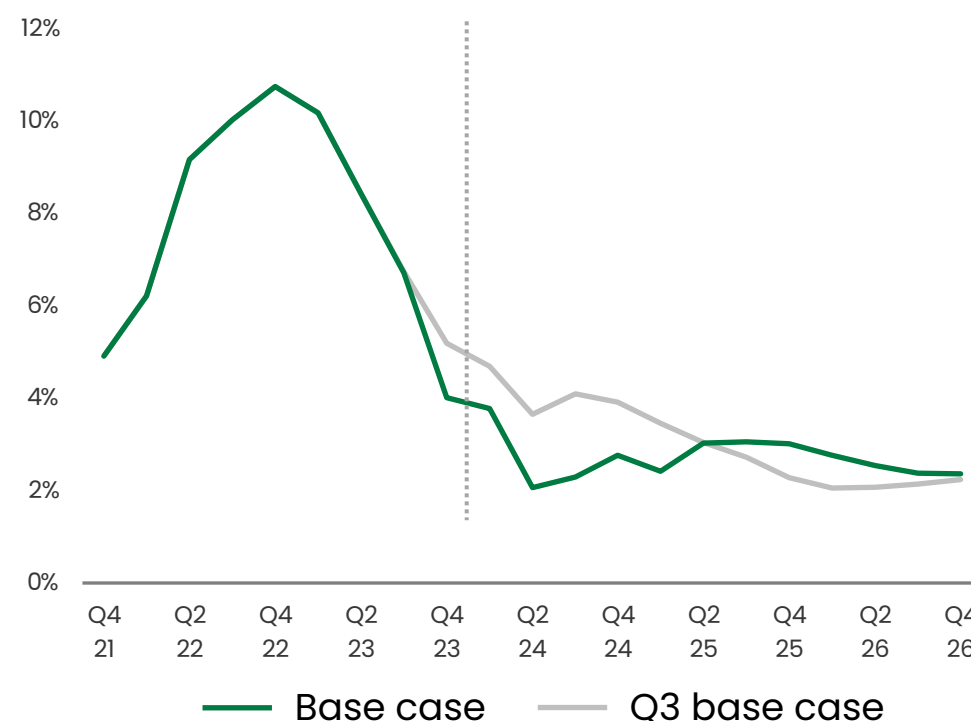
- **2023 impairment charge £308m**
 - Significant reduction vs 2022 due to release based on economic assumptions and significant write-back
 - 2023 AQR 29bps ex. significant write-back and economic assumption updates
- **Q4 net credit £541m**
 - Stable charge vs Q3 ex. significant write-back and release based on economic assumptions
- **Now expect 2024 AQR <30bps**
- **Stable new to arrears across portfolios**
- **Net CRE exposure reduced to c.£10bn**

¹ – Impairment charges absent the impact from updated economic outlook, thus reflecting only observed movements in credit quality. ² – Underlying basis; table uses rounded inputs.

Updated macroeconomic outlook



CPI inflation



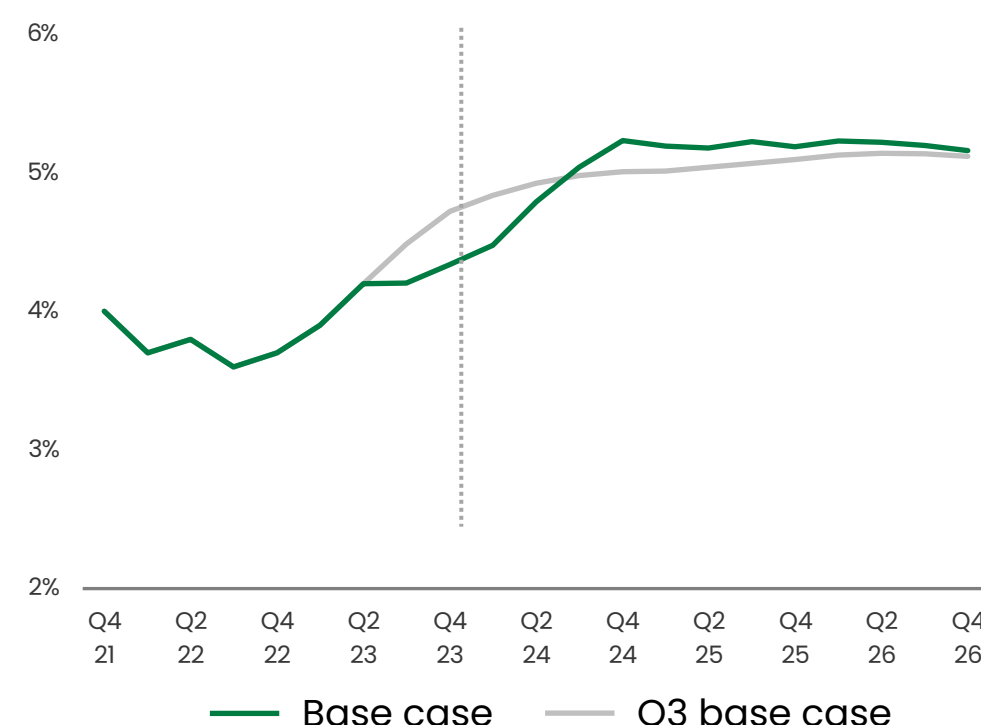
UK bank rate



Indexed house prices



Unemployment

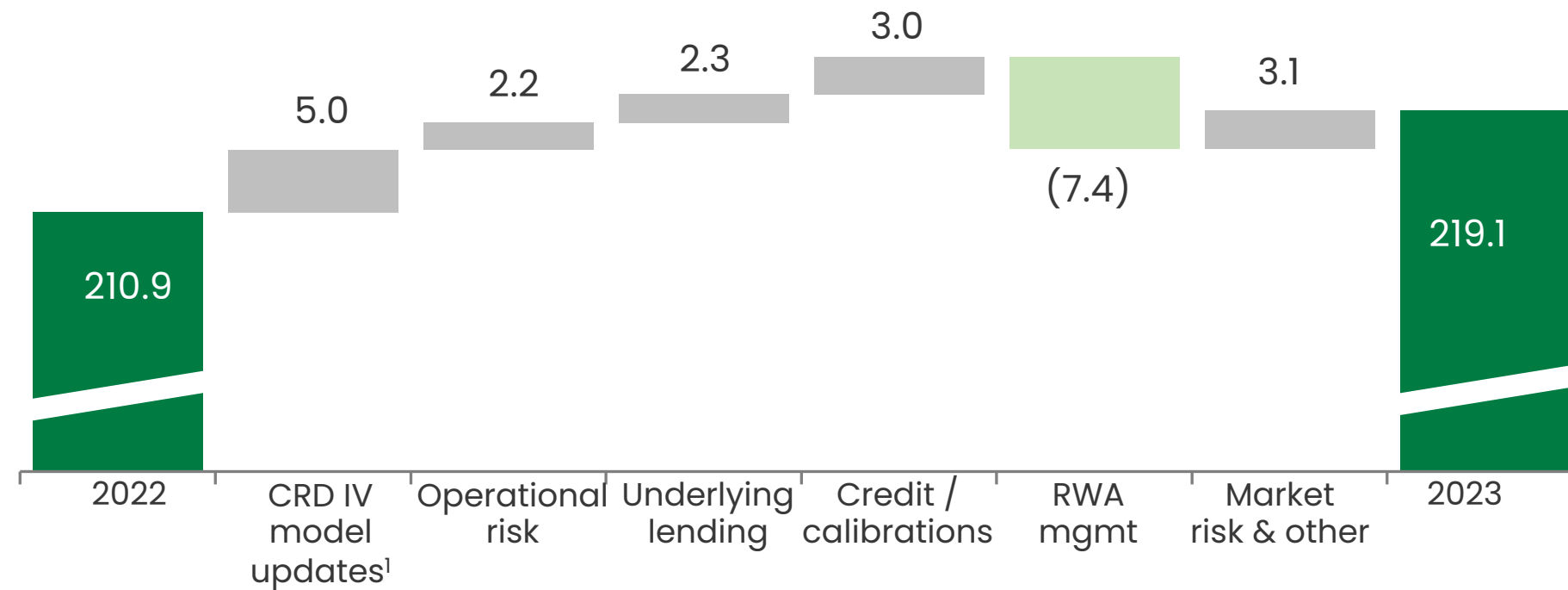


- **GDP growth to remain subdued in 2024; sharply declining inflation expected to benefit HPI¹**
 - GDP expected to rise 0.5% in 2024
 - Recent decline in inflation expected to continue into 2024
 - Three 25bps cuts in UK bank rate expected in 2024 from 5.25% peak, starting Q2
 - HPI now assumed to fall 2% in 2024
 - Peak unemployment 5.2% forecast in Q4 2024

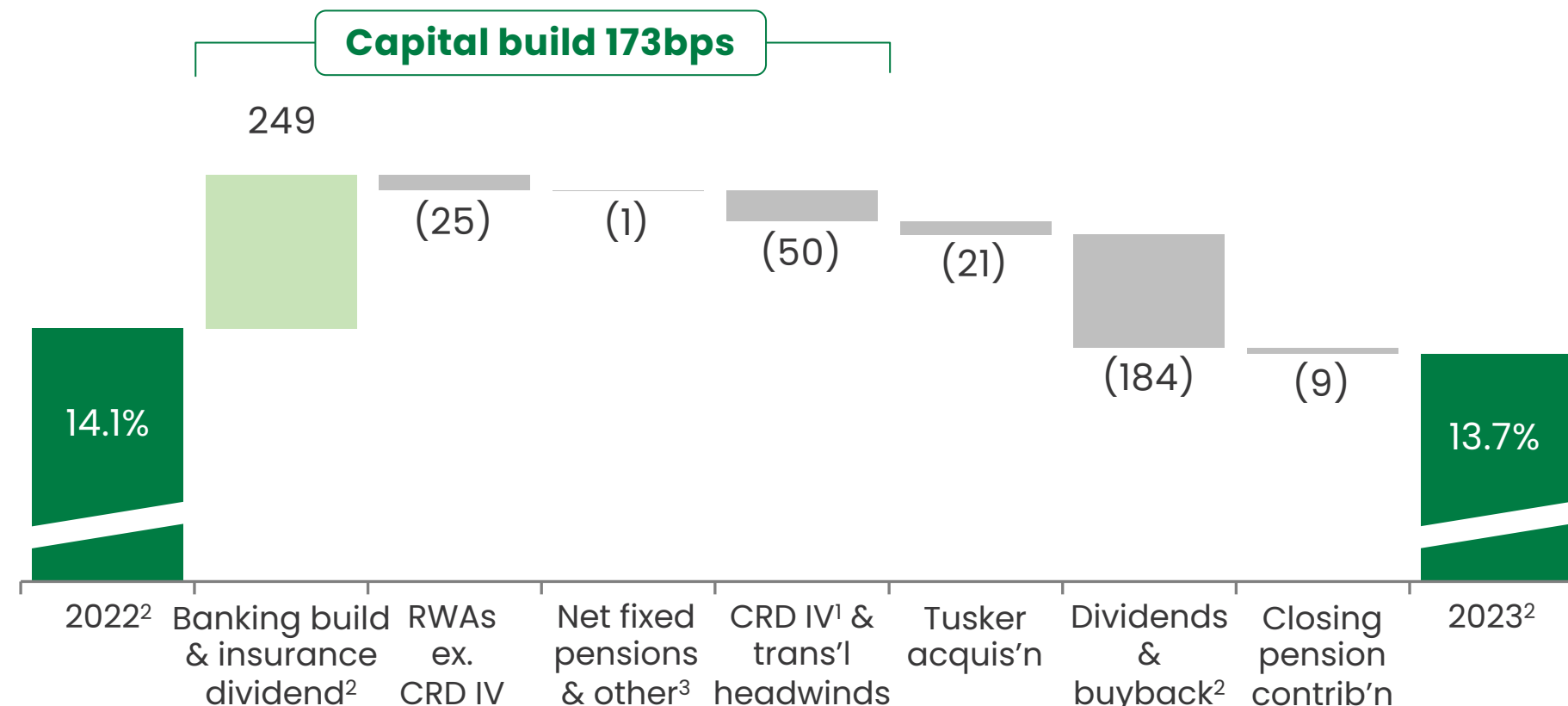
Strong capital generation, in line with guidance



Risk weighted assets (£bn)



Common equity tier 1 ratio (% , bps)



- RWAs £219.1bn, up £8.2bn, inc. £1.4bn in Q4
- Continue to expect 2024 RWAs £220–225bn
- Strong 173bps capital generation²
- Capital return £3.8bn, c.14% market cap.³
 - Final dividend 1.84p; total 2.76p, up 15% YoY, despite headwinds
 - Share buyback of up to £2bn
- Closing £250m pension contribution in Q4
- Pro forma CET1 ratio 13.7%
 - Expect to pay down to c.13.5% by end 2024 and c.13% by end 2026
- Expect 2024 capital generation to be c.175bps

1 – Retail secured CRD IV models. 2 – Shown on a pro forma basis.. 3 – Market capitalisation at close of business 16 February 2024.

Consistent guidance; confidence in delivering higher, more sustainable returns



2024

2026

Income	NEW: NIM >290bps	
Costs	NEW: c.£9.3bn operating costs	<50% cost:income ratio
Asset quality ratio	NEW: <30bps	
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%	NEW: Expect to pay down to c.13.0%
Capital distribution	Progressive and sustainable ordinary dividend	

Confidence in delivering higher, more sustainable returns



Purpose

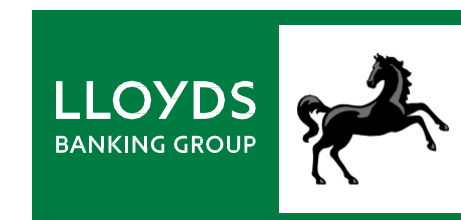
**Helping
Britain
Prosper**

- Customer support continuing in a resilient economy
- Purpose-driven strategy, on track to meet strategic outcomes
- Strong business performance, meeting 2023 financial guidance
- Increased shareholder distributions from strong capital generation
- Consistent vision and guidance for 2024 and 2026

Q&A

Douglas Radcliffe, Group Investor Relations Director

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