ShareSoc webinar

Lloyds Banking Group
14 March 2024

Business and financial update

Douglas Radcliffe, Group Investor Relations Director

Lloyds Banking Group in context

LLOYDS BANKING GROUP

Purpose

Helping Britain Prosper

Largest UK bank

21.5m	c.£450bn	#1
Digitally active customers	Loans and advances	UK distribution network

A trusted brand portfolio

LLOYDS BANK, HALIFAX, BANK OF SCOTLAND, mbna, blackhorse, LEX AUTOLEASE, SCOTTISH WIDOWS

Robust financial performance

£17.9bn	15.8%	£3.8bn
Net income	Return on tangible equity (RoTE)	Total capital return

Classification: Public

Purpose-driven strategy delivers for broader stakeholders

LLOYDS BANKING GROUP

Helping Britain Prosper

Illustrative activity in 2023

Proactive support for customers	Communicated with **>15m** customers on savings options and **3.9m** new savings accounts opened **7.5m**[1] 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 2022[2]; £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 lending[4]

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

Grow
Drive revenue growth and diversification

Focus
Strengthen cost and capital efficiency

Change
Maximise the potential of people, technology and data

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 revenues[1]

c.£1.2bn gross cost savings

c.13% RoTE

c.175bps capital generation

2026

c.£1.5bn additional revenues[1]

>15% RoTE

>200bps capital generation

1 – From strategic initiatives.

Classification: Public

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 311bps
- 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%.

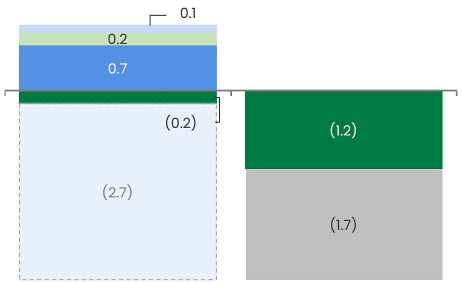
Classification: Public

Resilience in customer franchise

Q4 lending change (£bn)

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

Commercial **-£2.9bn/-3%**

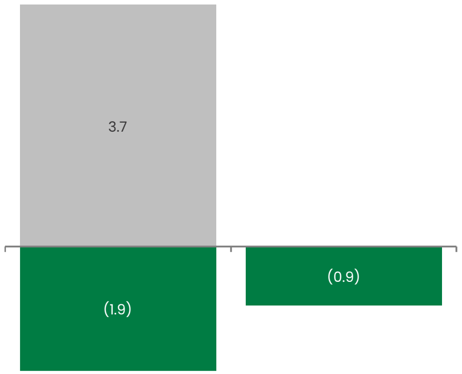


- Mortgages
- Credit cards
- Motor Finance
- Unsecured loans
- Loan securitisation
- Other[1]
- Small and Medium Businesses (SMB)
- Corporate and Institutional Banking (CIB)

Q4 deposit change (£bn)

Retail **+£1.8bn/+1%**

Commercial **-£0.9bn/-1%**



- Retail current a/c
- Retail savings[2]
- Commercial Banking deposits

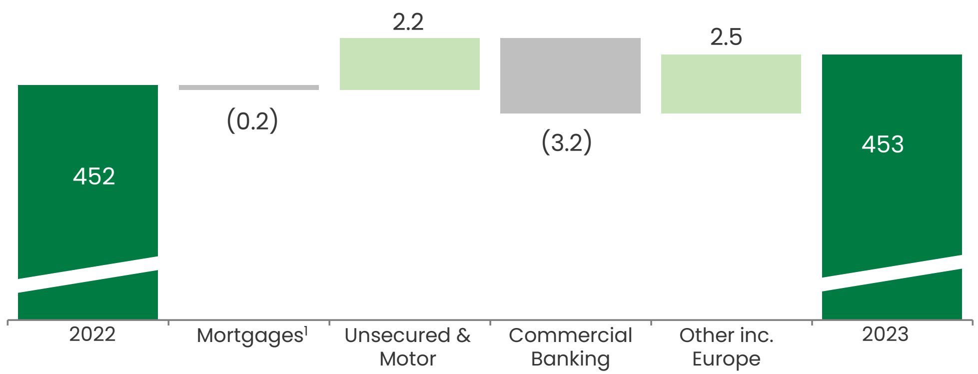
- **Lending £450bn; 2023 down 1%, Q4 down £2bn**
  - Retail up £0.8bn ex securitisation in Q4
  - Commercial down £2.9bn in Q4
- **Total deposits £471bn; 2023 down 1%, Q4 up £1bn with reducing churn**
  - Retail up £1.8bn in Q4; savings up £3.7bn, PCAs down £1.9bn
  - Commercial down £0.9bn in Q4

1 – Includes Overdrafts, Europe and Wealth. 2 – Includes Retail relationship savings, Retail tactical savings and Wealth.

Classification: Public

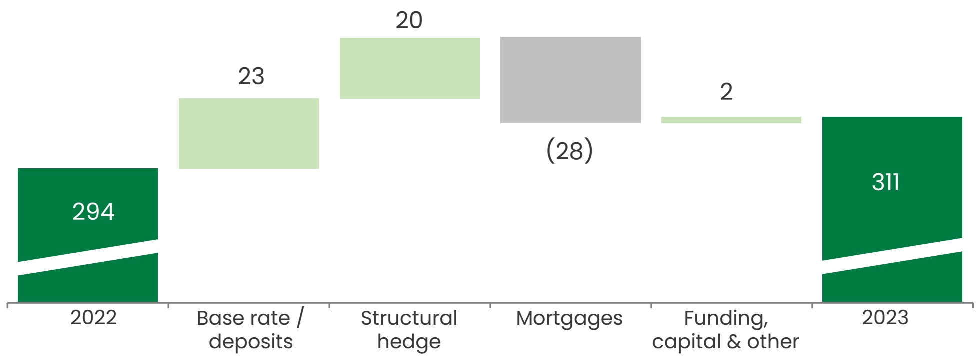
Strong net interest income, in line with guidance

Average interest earning assets (£bn)



Banking net interest margin (bps)

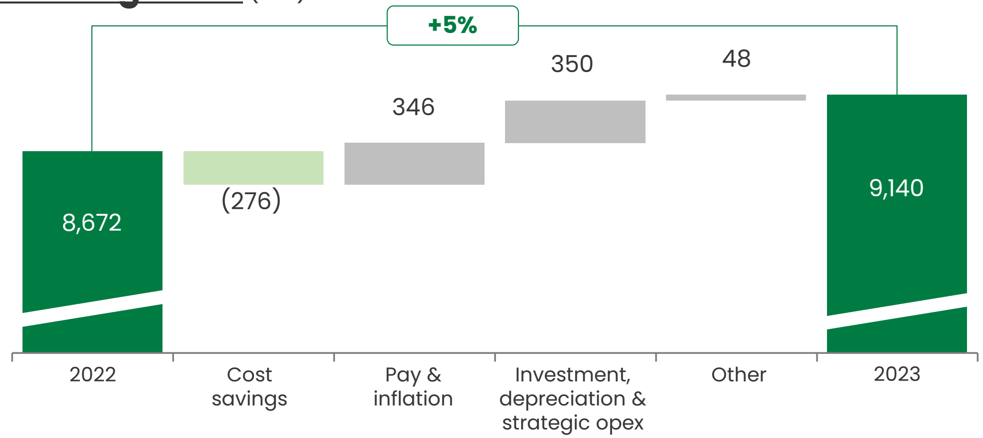
Q3 '23 – Q4 '23	**308**	(8)	7	(7)	(2)	**298**



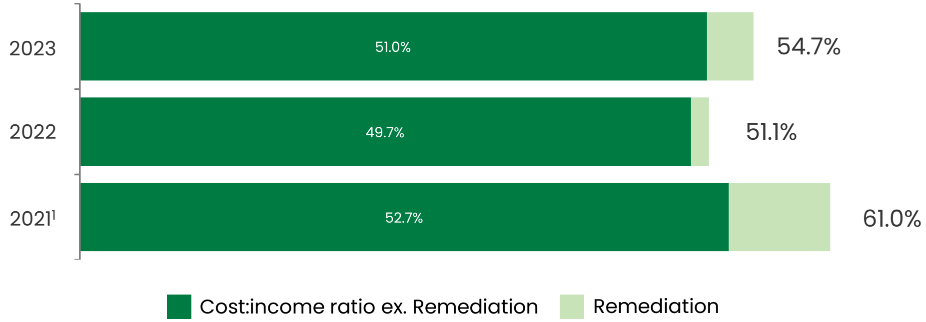
- **2023 NII £13.8bn, up 5% YoY, Q4 down 4% vs Q3**
- **Full year NIM 311bps; 298bps in Q4, down 10bps vs Q3 due to deposit and mortgage pressure**
- **Now expect 2024 Average Interest Earning Assets (AIEAs) to be >£450bn**
- **Now expect 2024 NIM to be >290bps in 2024**

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

1 – 2021 not restated for implementation of IFRS 17.

Classification: Public

Strong asset quality, in line with guidance

LLOYDS BANKING GROUP

Impairment (£m)

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

Gross lending and coverage level[2] (£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%

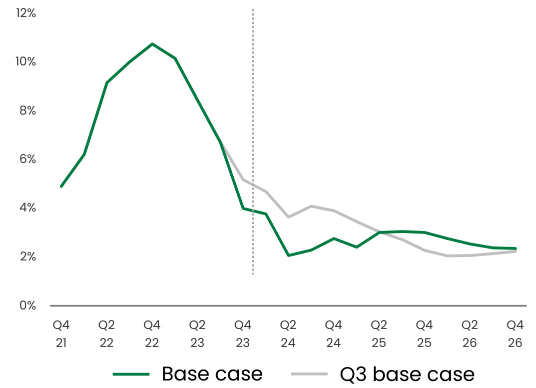
- **2023 impairment charge £308m**
  - Significant reduction vs 2022 due to release based on economic assumptions and significant write-back
  - 2023 AQR 29bps ex. significant write-back and economic assumption updates
- **Q4 net credit £541m**
  - Stable charge vs Q3 ex. significant write-back and release 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.

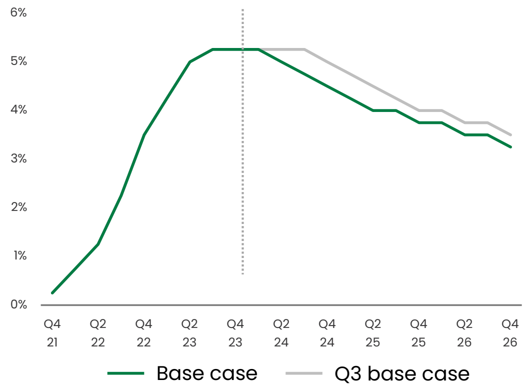
Classification: Public

Updated macroeconomic outlook

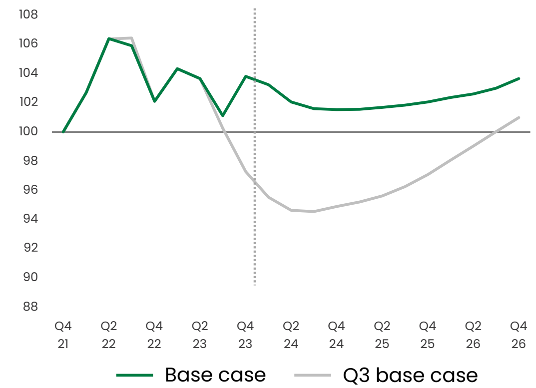
CPI inflation



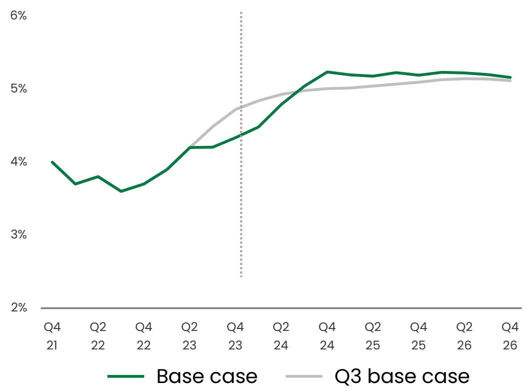
UK bank rate



Indexed house prices



Unemployment

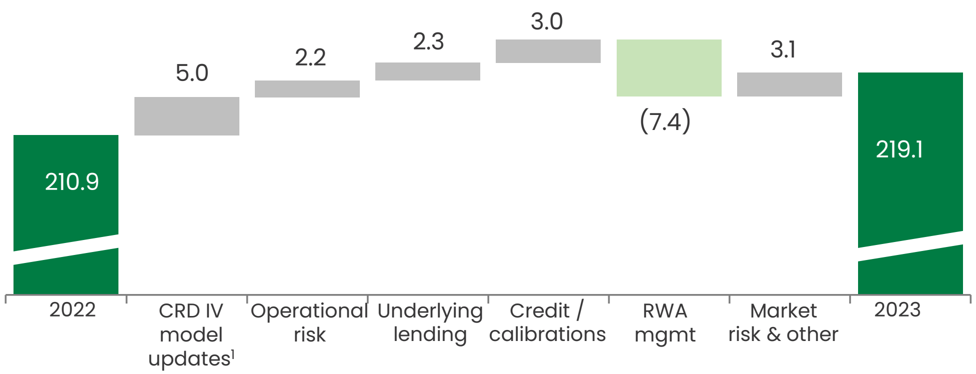


- **GDP growth to remain subdued in 2024; sharply declining inflation expected to benefit HPI[1]**
  - GDP expected to rise 0.5% in 2024
  - Recent decline in inflation expected to continue into 2024
  - Three 25bps cuts in UK bank rate expected in 2024 from 5.25% peak, starting Q2
  - HPI now assumed to fall 2% in 2024
  - Peak unemployment 5.2% forecast in Q4 2024

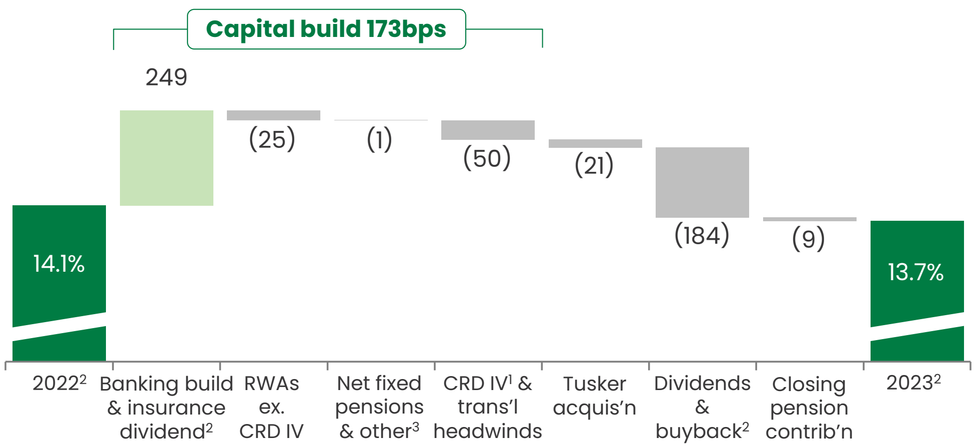
1 – Forecasts as used for 31 December 2023 accounts.

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 generation[2]**
- **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

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; expectations about the impact of COVID-19; 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, 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; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; 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 (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; 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; 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), 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.