Investor factbook
Q1 2023

LLOYDS BANKING GROUP

Purpose
Helping Britain Prosper

- **Purpose driven business model**, enabling continued support for customers and colleagues
- **Continued delivery** against strategic ambitions
- **Solid financial performance**, supporting strong capital generation
- **2023 guidance maintained**, delivering higher, more sustainable returns
  - Banking net interest margin to be greater than 305 basis points
  - Operating costs to be c.£9.1 billion
  - Asset quality ratio to be c.30 basis points
  - Return on tangible equity to be c.13 per cent
  - Capital generation to be c.175 basis points[1]

Robust business performance, supporting continued strong capital generation

- Statutory profit after tax of £1.6 billion (three months to 31 March 2022: £1.1 billion), with higher net income, partly offset by expected higher operating costs. Strong return on tangible equity of 19.1 per cent
- Net income of £4.7 billion, up 15 per cent, reflecting ongoing recovery and the higher rate environment
- Underlying net interest income up 20 per cent, primarily driven by a stronger banking net interest margin of 3.22 per cent in the three months to 31 March 2023, stable on the fourth quarter of 2022, and increased average interest-earning assets
- Other income of £1.3 billion, 6 per cent higher, reflecting continued recovery
- Operating costs of £2.2 billion, up 5 per cent compared to the prior year, based on higher planned strategic investment, cost of new businesses and inflationary effects. Low remediation charge of £19 million
- Underlying profit before impairment up 28 per cent to £2.5 billion, largely driven by strong net income growth
- Asset quality remains resilient and the portfolio is well-positioned in the context of cost of living pressures. Underlying impairment charge of £0.2 billion and asset quality ratio of 22 basis points continue to reflect robust observed credit trends
- Loans and advances to customers at £452.3 billion, down £2.6 billion in the first three months of 2023, including the £2.5 billion legacy mortgage portfolio exit, an additional reduction of £0.6 billion in the open mortgage book and repayments of government-backed lending in Commercial Banking, partly offset by growth in other Retail lending
- Customer deposits of £473.1 billion down £2.2 billion in the first three months of 2023, including a reduction in Retail current account balances of £3.5 billion, partly driven by seasonal customer outflows, including tax payments, higher spend and a more competitive market. This was partly offset by Commercial Banking deposit increases of £2.7 billion, including both targeted growth in Corporate and Institutional Banking and some short term placements
- Loan to deposit ratio of 96 per cent continues to provide robust funding and liquidity, alongside potential for growth
- Strong and stable liquid asset portfolio with all assets hedged for interest rate risk
- Strong capital generation of 52 basis points, based on positive banking performance. Includes the accelerated full year £800 million payment of fixed pension contributions for 2023
- CET1 ratio of 14.1 per cent, after 21 basis points for ordinary dividend accrual and 18 basis points for the Tusker acquisition, remaining ahead of the ongoing target of c.12.5 per cent, plus a management buffer of c.1 per cent

1 - Excluding capital distributions. Inclusive of dividends received from the Insurance business.

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Key financials

Profit and loss	Three months ended 31 Mar 2023 (£m)	Three months ended 31 Mar 2022 (£m)	Change %	Three months ended 31 Dec 2022 (£m)	Change %
Underlying net interest income	3,535	2,945	20	3,643	(3)
Underlying other income[1]	1,257	1,182	6	1,128	11
Operating lease depreciation	(140)	(94)	(49)	(78)	(79)
Net income	4,652	4,033	15	4,693	(1)
Operating costs[1]	(2,170)	(2,059)	(5)	(2,356)	8
Remediation	(19)	(52)	63	(166)	89
Total costs	(2,189)	(2,111)	(4)	(2,522)	13
Underlying profit before impairment	2,463	1,922	28	2,171	13
Underlying impairment (charge) credit	(243)	(177)	(37)	(465)	48
Underlying profit	2,220	1,745	27	1,706	30
Below the line items[1]	40	(201)		(649)	
Statutory profit before tax	2,260	1,544	46	1,057	
Statutory profit after tax	1,641	1,145	43	982	67
Banking net interest margin	3.22%	2.68%	54bp	3.22%	
Average interest-earning banking assets	£454.2bn	£448.0bn	1	£453.8bn	
Cost:income[1]	47.1%	52.3%	(5.2)pp	53.7%	(6.6)pp
Asset quality ratio	0.22%	0.16%	6bp	0.38%	(16)bp
Return on tangible equity[1]	19.1%	10.7%	8.4pp	11.0%	8.1pp

1 - 2022 comparatives have been restated to reflect the impact of IFRS 17.

Key balance sheet metrics	At 31 Mar 2023 £bn	At 31 Mar 2022[1] £bn	Change %	At 31 Dec 2022 £bn	Change %
Mortgages	307.5	308.7		311.2	(1)
Credit cards	14.4	13.8	4	14.3	1
UK Retail unsecured loans	9.0	8.2	10	8.7	3
UK Motor Finance	14.7	14.1	4	14.3	3
Overdrafts	1.0	1.0		1.0	
Retail other[2]	14.2	11.5	23	13.8	3
Wealth	0.9	1.0	(10)	0.9	
Small and Medium Businesses	36.4	41.9	(13)	37.7	(3)
Corporate and Institutional Banking	56.7	53.2	7	56.0	1
Central items[3]	(2.5)	(1.6)	(67)	(3.0)	17
Loans and advances to customers	452.3	451.8		454.9	(1)
Retail current accounts	110.5	113.1	(2)	114.0	(3)
Retail relationship savings accounts	166.7	165.5	1	166.3	
Retail tactical savings accounts	16.4	16.7	(2)	16.1	2
Wealth	12.9	15.1	(15)	14.4	(10)
Commercial Banking deposits	166.5	170.3	(2)	163.8	2
Central Items	0.1	0.4	(75)	0.7	(86)
Total customer deposits	473.1	481.1	(2)	475.3	
Tangible net assets per share[4]	49.6p	53.7p	(4.1)p	46.5p	3.1p

1 - The portfolios shown reflect the new organisation structure; comparatives have been presented on a consistent basis. 2 - Primarily Europe. 3 - Includes central fair value hedge accounting adjustments. 31 March 2022 included a £200 million ECL central adjustment that was not allocated to specific portfolios. In the third quarter of 2022 this central adjustment was released. 4 - 2022 comparatives have been restated to reflect the impact of IFRS 17.

Our strategy

Our purpose

Helping Britain Prosper

Our strategic vision

UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale

Grow – Drive revenue growth and diversification

Focus – Strengthen cost and capital efficiency

Change – Maximise the potential of people, technology and data

Higher, more sustainable, returns and capital generation

Guidance

	2023	2024[1]	2026[1]
Income	NIM **>305bps**		
Costs	**c.£9.1bn** operating costs	**c.£9.2bn** operating costs	**<50%** cost:income ratio
Asset quality ratio	**c.30bps**	**c.30bps**	
Return on tangible equity	**c.13%**	**c.13%**	**>15%**
Risk weighted assets		**£220bn - £225bn**	
Capital generation	**c.175bps** per annum		**>200bps**
Capital distribution	**Progressive and sustainable** ordinary dividend Expect to **pay down to target CET1 ratio** by end of 2024		

1 – As announced on 22 February 2023.

Other

Contacts

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Our reporting

Our reporting is designed to facilitate better communication to a range of stakeholders.

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