



Helping Britain Prosper

Lloyds Banking Group
Performance Summary 2022





Continued business momentum with an opportunity to do more



The Group delivered a robust financial performance with increased capital returns, whilst continuing to Help Britain Prosper.

Charlie Nunn
Group Chief Executive

Overview

Throughout 2022, we have continued to deliver on our purpose of Helping Britain Prosper, core to everything we do, whilst creating a more sustainable and inclusive future for people and businesses. Last year we announced our ambitious new strategy with the aim of growing our business and deepening relationships with our customers, meeting more of their financial needs. While the operating environment has changed significantly since then, our purpose-driven strategy is more relevant now than ever before. Based on significant strategic action we have made a good start and are seeing early evidence of delivery. We believe our strategy will create higher more sustainable returns, as reflected in our enhanced guidance and are excited about the opportunities ahead.

During the year, the Group delivered a robust financial performance with continued income growth supported by higher interest rates and solid business volumes. Costs were in line with expectations despite ongoing inflationary pressures.

As a result of the Group's performance and strong pro forma capital generation of 245 basis points in the year, the Board has recommended a final ordinary dividend of 1.60 pence per share, resulting in a total dividend for the year of 2.40 pence, an increase of 20 per cent on prior year and in line with our progressive and sustainable ordinary dividend policy. In addition, the Group has announced a share buyback programme of up to £2 billion, resulting in total capital returns of up to £3.6 billion, equivalent to more than 10 per cent of the Group's market capitalisation value.

We know that the current environment continues to be challenging for many people and have mobilised the organisation to further support our customers. We are committed to maintaining support for our customers, clients and colleagues in the current environment and have invested in deep capabilities to facilitate this. This includes training more than 4,600 colleagues to provide financial assistance to individuals and businesses, build financial resilience to face cost of living challenges and support customers with tailored products if needed.

We also saw over 5 million registrations for our Your Credit Score tool, leveraging our digital strengths to help customers take greater control of their own finances. For our colleagues, we provided additional payments in August and December 2022 and designed a new pay deal for 2023, focused on our lower paid colleagues, to provide greater protection and certainty.

Robust financial performance with ongoing strength in our customer franchise

In 2022, we delivered a robust financial performance, with statutory profit before tax of £6.9 billion. Underlying profit before impairment of £9.0 billion was up 46 per cent on 2021, including net income of £18.0 billion, driven by increased average interest-earning assets, a strengthened banking net interest margin, continued recovery in other income and lower operating lease depreciation. Cost discipline was sustained, with operating costs of £8.8 billion, up 6 per cent and in line with guidance, reflecting stable business-as-usual costs and higher planned strategic investment and new businesses. We saw strong observed asset quality with sustained low levels of new to arrears and very modest deterioration in observed credit metrics. Underlying asset quality remains strong, despite the weaker macroeconomic environment.

The Group also benefitted from continued balance sheet growth during the year. Loans and advances to customers were up £6.3 billion at £454.9 billion. This included continued growth of £6.3 billion in the open mortgage book. Customer deposits decreased by £1.0 billion from the end of 2021 to £475.3 billion, but are still up c.£65 billion since the end of 2019.

Group Chief Executive's review continued

Significant progress on serving all stakeholders, with a good start to our new strategy

We have a purpose-driven strategy. Core to this is our focus on building an inclusive society and supporting the transition to a low carbon economy. Despite external developments and challenges, our strategy remains the right one. It is more important than ever to deliver against our purpose-driven outcomes that benefit all our stakeholders. We are responding to the economic environment by increasing support to customers and colleagues, whilst accelerating our efficiency actions to offset the significant inflationary pressures. During 2022, the Group invested £0.9 billion of incremental strategic investment, delivering gross cost savings of £0.3 billion so far. We have extended our ambition even further, increasing our 2024 gross cost savings target by an additional £0.2 billion.

Driving revenue growth and diversification

We have made good progress on building deeper customer relationships, as well as innovating and broadening our product offerings and improving the ease with which our customers can access them. We remain the UK's largest digital bank and have continued to invest in personalisation and digitisation. We have also expanded our presence in areas where we are under-represented. For example, we grew our protection market share by around 1 percentage point. In our new mass affluent business, we saw an increase in banking balances of over 5 per cent and launched new, tailored banking products, including packaged bank accounts and credit cards, as well as enhanced direct to consumer investments.

In SME, we continue to digitise and diversify our business. Our targeted Corporate and Institutional offering delivered c.£8 billion of green and sustainable financing, driven by purpose-driven growth with businesses transitioning to net zero.

We are meeting more needs for existing clients and growing non-lending income, supported by investment in product capabilities.

Investing in enablers to improve delivery

Maintaining discipline with regards to cost and capital efficiency is critical to our strategy. To this end, increased customer engagement and continued investment in digital propositions enable us to optimise the cost-to-serve to customers. We remain committed to identifying further efficiencies to minimise the net cost impact from inflationary pressures and create the necessary capacity for investment. With regards to capital efficiency, we have demonstrated RWA discipline during the year whilst pursuing growth in capital-lite and fee generating businesses.

In order to deliver our strategy, we are focused on maximising the potential of our people, technology and data, the key enablers. For our people, efforts in 2022 have focused on positioning the organisation for future success. We have established an experienced, new leadership team with significant capabilities in strategic and digital delivery, alongside a flatter executive structure aligned with our strategic priorities.

In addition, we restructured our business and technology teams to set up a new platform-based operating model that brings together expertise in cross cutting, multi-functional teams to now drive greater accountability and collaboration and help to effect more quickly and efficiently. Finally, we have continued to invest in the talent, skills and capabilities needed to deliver our long-term growth strategy.

We are investing in modernising our technology estate, improving resilience and operational agility. Our experience in 2022 has enhanced our conviction in the fundamental importance of our technology and data transformation programme for the long-term success of the Group.

Through our purpose-driven strategy we will continue to drive revenue growth and diversification across our main businesses, unlocking opportunities through our consumer and commercial franchises. This growth will in turn leverage the Group's cost and capital efficiency, building on our strong foundations. Critical to this is our intention to maximise the potential of our people, technology and data in supporting our ambitions.

Outlook

Although the macroeconomic outlook remains uncertain, our people, business model and financial strength ensure that we can continue to support our customers and Help Britain Prosper. Our purpose-driven strategy is more relevant now than ever before and our experience in the last year reinforces our belief that successful strategic delivery will create a more sustainable business and deliver increased shareholder returns in the medium to longer-term. Based on our current macroeconomic assumptions the Group expects:

2023 guidance

- 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

2024 and 2026 guidance

- Operating costs now expected to be c.£9.2 billion in 2024, with a cost:income ratio of less than 50 per cent by 2026
- Asset quality ratio now expected to be c.30 basis points in 2024
- Return on tangible equity now expected to be c.13 per cent in 2024 and greater than 15 per cent by 2026
- Additional revenues from strategic initiatives of c.£0.7 billion by 2024 and c.£1.5 billion by 2026
- Risk-weighted assets to be between £220 billion and £225 billion at the end of 2024
- Capital generation now expected to be c.175 basis points in 2024, increasing to greater than 200 basis points by 2026
- The Group will maintain its progressive and sustainable ordinary dividend policy, whilst the Board expects to pay down to its target CET1 ratio by the end of 2024



Charlie Nunn

Group Chief Executive

Our strategy

Our purpose is Helping Britain Prosper

We're creating a more sustainable and inclusive society for people and businesses, shaping finance as a force for good.

To deliver on our purpose, we have identified four focus areas where we are best placed to provide significant positive change, enabling us to create a more inclusive society and sustainable future:

- Creating a more inclusive future
- Improving access to quality housing
- Enabling regional development
- Greening the built environment



View our environmental sustainability report here.



View our social sustainability report here.

Our strategic vision supports our purpose

To become the UK's customer-focused, digital leader and integrated financial services provider, capitalising on new opportunities, at scale.

Significant strategic action, with early evidence of delivery

Grow

Drive revenue growth and diversification

Investing for growth

£0.9 billion in-year incremental strategic investment weighted towards growth. Delivered early stages of targeted additional 2024 revenues

Focus

Strengthen cost and capital efficiency

Accelerating efficiency initiatives

Cost discipline in an inflationary environment. Delivered £0.3 billion or around 25 per cent of increased 2024 gross cost savings target

Change

Maximise the potential of people, technology and data

Mobilising for change

New operating model implemented to deliver change more effectively

Refreshing the team

New organisational structure and leadership team

Creating higher, more sustainable, returns

In 2024

c.13% RoTE

c.£0.7bn additional revenues from strategic initiatives

c.£9.2bn operating costs

c.175bps capital generation

By 2026

>15% RoTE

c.£1.5bn additional revenues from strategic initiatives

<50% cost:income ratio

>200bps capital generation



Delivering value for all our stakeholders

How we're Helping Britain Prosper

For over 325 years we have supported Britain through the good times and the bad. Today is no different. During 2022, we have continued to work hard to Help Britain Prosper. This is in the best interests of all our stakeholders.

We provide financial services to 26 million customers in the UK

We're helping our millions of customers – individuals, families and businesses – to spend, save, borrow and invest.

Working to reduce the carbon footprint in our supply chain

Recognising the emissions we generate through the purchase of goods and services and working collaboratively with our suppliers to reduce the Group's supply chain emissions are integral to our net zero strategy.

Helping UK society with ongoing financial education and support

Our four Foundations which cover England and Wales, Scotland, Northern Ireland and the Channel Islands provide an invaluable contribution by partnering with hundreds of small and local charities in their area.

>£22m

donated to our Foundations in 2022, taking our total donations to over £110 million since 2018

We are listening to and supporting over 63,000 colleagues

We made significant changes to our reward approach which reflect our continued desire to support our colleagues, particularly those that are lower paid, during these extraordinary times and over the longer term. The 2023 pay award has a cash value typically in the range of 8 per cent to 13 per cent for our lowest paid colleagues.

We have the largest shareholder base in the UK

The Board has recommended a total ordinary dividend of 2.40 pence per share, up 20 per cent and a buyback of £2 billion, marking 2022 as a very strong year of capital return to shareholders.

£3.6bn

returned to shareholders in 2022

£3.9 billion of cash taxes paid to the UK Government

Lloyds Banking Group is proud to be one of the UK's largest tax payers, helping finance public services.

We've lent c£35 billion to businesses and proactively offered support

We've proactively contacted more than 550,000 businesses to offer support and through our financial wellbeing tool, we're monitoring those clients who may be at risk of falling into financial difficulty.

Shareholder information

Our reporting

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

Our annual report and accounts provides disclosures relating to our strategic, financial, operational, environmental and social performance and provides detail on our strategy.

To access more content on a mobile device, point your camera at the QR codes seen throughout this report.



Supplementary information and disclosures can be found in our full reporting network suite at www.lloydsbankinggroup.com/investors/financial-downloads.

Annual General Meeting (AGM)

The AGM will be held at the SEC Armadillo, Exhibition Way, Glasgow, G3 8YW on Thursday 18 May 2023 at 11am. Further details about the meeting, including the proposed resolutions and where shareholders can stream the meeting live, can be found in our Notice of AGM which will be available shortly on our website at www.lloydsbankinggroup.com.

Key dates

13 April 2023	Shares quoted ex-dividend
14 April 2023	Record Date
2 May 2023	Final date for joining or leaving the dividend reinvestment plan
3 May 2023	Q1 interim management statement
18 May 2023	Annual general meeting
23 May 2023	Dividend paid
26 July 2023	Half year results
25 October 2023	Q3 interim management statement



Company website

www.lloydsbankinggroup.com



Shareholder information

help.shareview.co.uk
(from here you will be able to email your query securely)

Shareholder helpline
0371 384 2990 from within the UK
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