

LLOYDS
BANKING GROUP



SHAREHOLDER FACTSHEET

2021 half year results

Our Group

We are the largest UK retail and commercial financial services provider with over 25 million customers, the leading branch network and digital proposition, and a presence in nearly every community. The Group's main business activities are retail and commercial banking, general insurance and long-term savings, provided through well-recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

Given our customer-focused strategy, ambitious transformation programme and digital strength, the Group remains well placed to continue to support its customers, Help Britain Prosper and deliver long-term sustainable success.

The impact of the coronavirus pandemic on the people, businesses and communities in the UK and around the world in 2020 has been profound. We remain absolutely focused on working together with all of our stakeholders to support our customers and ensure a sustainable recovery.

Our purpose

Helping Britain Prosper

The Group has a clear ongoing purpose of Helping Britain Prosper, and given the considerable impact of the pandemic, the current focus is on Helping Britain Recover.

We aim to help our customers, clients, colleagues and communities get through the crisis and back on their feet, while delivering long-term sustainable success for shareholders.

Our culture

Our core values underpin our purpose to Help Britain Prosper

Ensuring we create the right environment for our colleagues to deliver our aim to become the best bank for customers, colleagues and shareholders.

- Putting customers first
- Keeping it simple
- Making a difference together

How we create value, and what sets us apart

We are a customer-focused, sustainable, efficient and low risk UK financial services leader with distinctive capabilities.

As we enter the next phase of our strategy we will build on these capabilities and accelerate the Group's transformation to become the UK's preferred financial partner.

Multi-brand, multi-channel proposition with the UK's largest digital bank and branch network

Operating in an integrated way through a range of distribution channels and brands ensures our customers can interact with us when and how they want and enables us to address the needs of different customer segments more effectively.

Differentiated and sustainable customer franchise with leading integrated propositions

Our scale and reach across the UK means that our franchise extends to over 25 million customers, with 17.7 million digitally active. We are uniquely positioned to serve our customers' banking, insurance and wealth management needs in one place through a comprehensive product range informed by customer analysis and insight.

Market leading efficiency through tech-enabled productivity improvements

Our simpler operating model and continued focus on efficiency provide a cost advantage, enabling us to invest more to the benefit of both customers and shareholders.

Prudent, low risk business with strong capital position

Being low risk is fundamental to our business model. Our low risk appetite is reflected through the quality of our loan portfolio and underwriting criteria. Our financial strength has been transformed in recent years and our capital position is strong.

Rigorous execution and management discipline

Experience of delivering change in recent years provides benefit as we further transform the business.

Purpose-driven and customer-focused culture

Our clear purpose of Helping Britain Prosper is driving the business and our current focus on Helping Britain Recover is at the heart of our evolution of strategy.

Inclusive and diverse organisation

Being one of the largest employers in the country, we will further focus on developing an inclusive, diverse, skilled and future-ready workforce.

Strategic Review 2021

We launched Strategic Review 2021 in February this year, with a focus on Helping Britain Recover and further enhancing our core capabilities, specifically technology, payments, data and our people. Strategic Review 2021 supports the creation of sustainable shareholder value through revenue generation and diversification, further efficiency gains and disciplined growth as we accelerate our transformation and build the UK's preferred financial partner for personal customers and the best bank for business. In the first half of 2021, we invested £0.4 billion to support these strategic initiatives.

We are committed to helping our customers, clients, colleagues and communities through the coronavirus pandemic and rebuilding livelihoods, whilst delivering long-term sustainable returns for shareholders. We recognise that the focus of the Group's purpose, Helping Britain Prosper, must evolve in response to the current environment with changing societal and customer needs and expectations. We are therefore committed to Helping Britain Recover and supporting a sustainable recovery which benefits all of our stakeholders.

During the first half of 2021 we have made meaningful progress across all five of our **Helping Britain Recover** priority areas that are embedded in our business ambitions and where we can make the most difference. For example:

- We have helped rebuild households' financial health and wellbeing through directing customers to free independent debt advice for more than 130,000 accounts
- We have supported businesses to recover, adapt and grow through supporting over 48,000 businesses to start up and helping 75,000 small businesses boost their digital capability
- We have expanded the availability of affordable and quality homes with new lending of c.£9.0 billion to nearly 43,000 first-time buyers, almost reaching our full year 2021 target of £10 billion, as well as delivering £2.1 billion of new funding support to the social housing sector, exceeding our full year target
- We are accelerating the transition to a low carbon economy, expanding the funding available under our discounted green finance initiatives from £3 billion to £5 billion in the first half of 2021, with more than £8.6 billion of total green finance delivered since 2016. In addition, we have renewed our strategic relationship with Jaguar Land Rover, and have extended our contract with Tesla, supporting the delivery of the Group's goal of helping to reduce the emissions we finance by more than 50 per cent by 2030 on path to net zero by 2050, or sooner. Furthermore, our progress on reducing our own operational emissions has recently been recognised in being ranked sixth in the Financial Times' inaugural listing of Europe's Climate Leaders
- We are continuing to contribute to an inclusive society and build an inclusive organisation. In June 2021 we collaborated with City Mental Health Alliance to publish a research report on 'Mental Health And Race at Work' and have launched a pilot to improve free access to cash in underserved areas

Building the UK's preferred financial partner for personal customers and best bank for business

We are continuing to build on our position as the UK's largest personal customer franchise with our multi-brand, multi-channel model, leveraging our unique capabilities to meet more of our customers' needs. We have made good progress across our core business areas in the first half of 2021, delivering growth whilst improving customer satisfaction and enhancing our product capabilities. This includes open book mortgage growth of £12.6 billion and improving our GBP rates ranking from 10th to 6th. We also announced the acquisition of Embark Group (Embark), a fast growing investment and retirement platform business. Embark enhances our capabilities to address the attractive mass market and self-directed Wealth segment, completing the Group's Wealth proposition.

Enhanced capabilities

We have made steady progress in enhancing the capabilities that are critical to sustainable success in the new environment: technology, payments, data and ways of working. Notable successes in the first half include continuing to strengthen our digital offering with a 4 point increase in our record mobile app net promoter score and further investing in our payments proposition with a leading card spend market share, in line with target. In line with our highlighted R&D investment, we safely migrated around 120,000 customer accounts to our pilot new bank architecture, a significant proof-point for our investment, allowing work to progress.



Results for the half year

Solid financial performance with continued business momentum, bolstered by improved macroeconomic outlook

- Good progress on Strategic Review 2021 priorities, including record customer satisfaction scores, improved capabilities in Markets products and a leading payments card spend market share
- Announced in July the acquisition of Embark, a fast growing investment and retirement platform business. Embark enhances our capabilities to address the attractive mass market and self-directed Wealth segment, completing the Group's Wealth proposition. Embark will also enable the Group to re-platform its pensions and retirement proposition, significantly strengthening its offering in Retirement, an important growth market
- Statutory profit before tax of £3.9 billion, increased significantly on first half of 2020, benefiting from solid business momentum and a net impairment credit in the period
- Net income of £7.6 billion, up 2 per cent, with increased average interest-earning assets at £441 billion, a strong banking net interest margin of 2.50 per cent and other income of £2.4 billion, alongside a reduction in operating lease depreciation
- Sustained cost discipline with operating costs of £3.7 billion, including the impact of rebuilding variable pay in the context of stronger than expected financial performance
- Remediation charge of £425 million, materially driven by the £91 million regulatory fine relating to the communication of historical insurance renewals, £150 million of redress and operational costs for HBOS Reading, and charges in relation to other ongoing legacy programmes
- Net impairment credit of £656 million, including £333 million in the second quarter, as a result of an £837 million release driven by improvements to the macroeconomic outlook for the UK, combined with robust credit performance. Management judgements in respect of coronavirus retained, now c.£1.2 billion

Balance sheet and capital strength further enhanced

- Loans and advances at £447.7 billion, up £7.5 billion in the period, driven by strong growth of £12.6 billion in the open mortgage book
- Customer deposits of £474.4 billion up £23.7 billion in the period, with continued inflows into the Group's trusted brands, including Retail current accounts which were up £9.9 billion in the period. Resulting loan to deposit ratio of 94 per cent, continues to provide a strong liquidity position and significant potential to lend into recovery
- Strong capital build of 93 basis points in the first half prior to the interim ordinary dividend. Reintroduced a progressive and sustainable ordinary dividend policy, with an interim ordinary dividend of 0.67 pence per share
- CET1 ratio of 16.7 per cent after dividend accrual, significantly ahead of both the ongoing target of c.12.5 per cent, plus a management buffer of c.1 per cent and regulatory requirement of c.11 per cent

Outlook

Given our solid financial performance and the improved UK macroeconomic outlook, the Group is enhancing its guidance for 2021. Based on the Group's current macroeconomic assumptions:

- Net interest margin now expected to be around 250 basis points
- Operating costs now expected to be c.£7.6 billion
- Net asset quality ratio now expected to be below 10 basis points
- Return on tangible equity now expected to be c.10 per cent, excluding the c.2.5 percentage point benefit from tax rate changes
- Risk-weighted assets in 2021 now expected to be below £200 billion

Contacts

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Statements to note

This 2021 half year update should be read in conjunction with Lloyds Banking Group's 2021 half year results. This 2021 half year update is provided for information purposes only, and is not intended to be a substitute for reading the 2021 half year results.