2022 Results Presentation

Lloyds Banking Group
22 February 2023

Business and strategic update

Strong performance; confidence in continued delivery

LLOYDS BANKING GROUP

Purpose

Helping Britain Prosper

- **Purpose driven business** underpinned by financial strength; supporting customers and colleagues
- **Robust financial performance** driving increased capital returns
- **Reaffirming strategy** in a changing environment
- **Good start to new strategy** with early evidence of delivery
- **Financial outlook enhanced**, delivering higher, more sustainable returns

Purpose driven business; delivering for our stakeholders

LLOYDS BANKING GROUP

Purpose

Helping Britain Prosper

Proactive support for customers and colleagues

- >200k mortgage customers offered support given rising rates
- >550k businesses offered financial resilience support if required
- Ongoing support for colleagues, including early certainty on 2023 pay

Building an inclusive society

- Supported >£2bn funding to social housing sector and lent >£14bn to first time buyers in 2022
- c.185k small businesses supported to boost digital capability
- Delivered race education training to our workforce

Supporting the transition to a low carbon economy

- >£13bn green and sustainable financing[1] and c.£12bn discretionary investment in climate aware strategies
- Created home retrofit partnership with Octopus Energy
- Launched first Group climate transition plan[2]

1 – Includes c.£8bn sustainable finance for Corporate and Institutional customers and c.£2bn financing for electric vehicles and plug-in hybrid electric vehicles; also includes £3.5bn green mortgage lending to 30/09/2022. 2 – Published in the 'Environmental Sustainability Report 2022' here.

Robust financial performance; continued business momentum

£18.0bn
Net income,
up 14% vs 2021

50.4%
Cost:income ratio,
down 10.6pp vs 2021

13.5%
Return on tangible equity,
down 0.3pp vs 2021

245bps
Pro forma capital
generation in 2022[1]

14.1%
Pro forma CET1 ratio[2]

£3.6bn
Total capital distribution

>5bn
Customer logins,
up 15% vs 2021

75%
Employee engagement,
up 3pp vs 2021

39.4%
Women in senior roles,
up 1.7pp vs year end 2021

1 – Excluding regulatory changes on 01/01/2022, ordinary dividends, variable pension contributions and the impact of the announced ordinary share buyback programme. Inclusive of the dividend received from the Insurance business in February 2023. 2 – Includes the dividend received from Insurance in February 2023 and the full impact of the announced share buyback.

Delivering our strategy is our focus

Purpose driven strategy…

Grow — Drive revenue growth and diversification

Focus — Strengthen cost and capital efficiency

Change — Maximise the potential of people, technology and data

…to deliver sustainable growth across our businesses

- Deepen and innovate in Consumer
- Create a new mass affluent offering
- Digitise and diversify our SME business
- Target our Corporate and Institutional offering

Changing environment reinforces our strategy

Changes since February 2022

More challenging environment for customers given increased cost of living

Sharp interest rate hiking cycle and weaker macroeconomic environment

Significant increase in inflation

Areas of increased focus

Enhanced importance of purpose driven strategy in increasing our support to customers and colleagues

Strategy will deliver growth, diversification and a stronger competitive position

Accelerating strategic efficiency focus enables the Group to mitigate inflationary pressures

Significant strategic action; early evidence of delivery

LLOYDS BANKING GROUP

Purpose driven strategy...

Grow

Drive revenue growth and diversification

Focus

Strengthen cost and capital efficiency

Change

Maximise the potential of people, technology and data

...as part of a 5 year transformation...

2022

Laying the foundations, early benefits delivery

2023

Building momentum across strategic initiatives

2024

Realising benefits

2025/26

Higher, more sustainable, returns & capital generation

...with significant action taken in 2022

Investing in growth

£0.9bn strategic investment

Accelerating efficiency initiatives

Cost discipline in an inflationary environment

Mobilising for change

New operating model implemented to deliver change more effectively

Refreshing the team

New organisational structure and leadership team

Confidence building in financial benefits

Incremental income and gross cost saves[1]...

Delivered early stages of targeted additional 2024 revenues

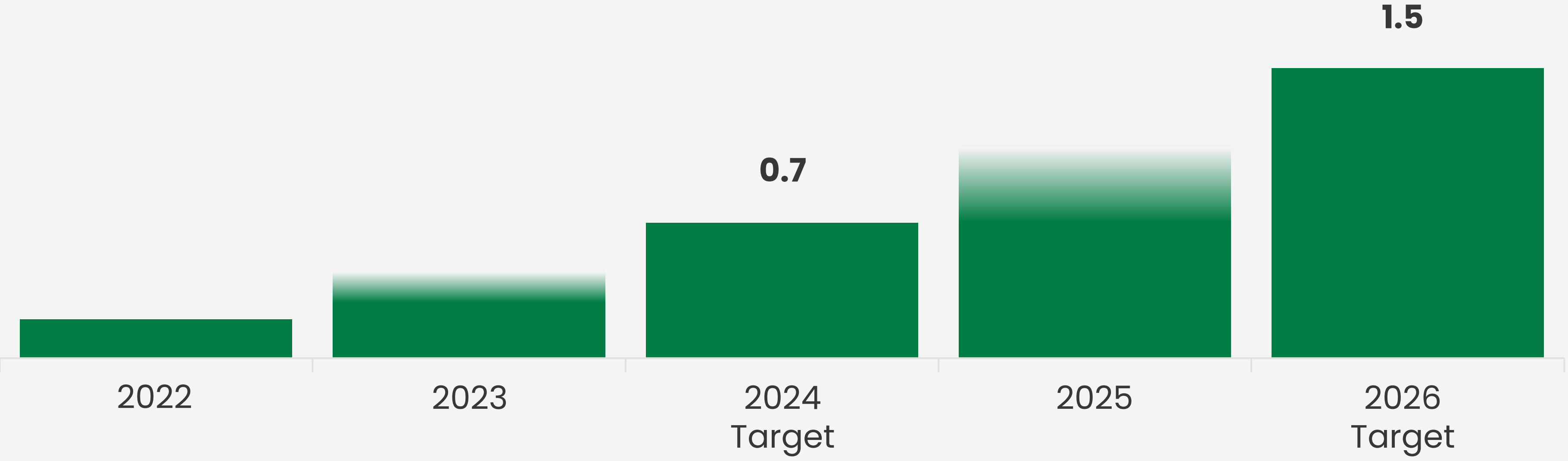
Increasing penetration of high value customers and growing open book AuA

Delivered £0.3bn or c.25% of increased 2024 gross cost savings target

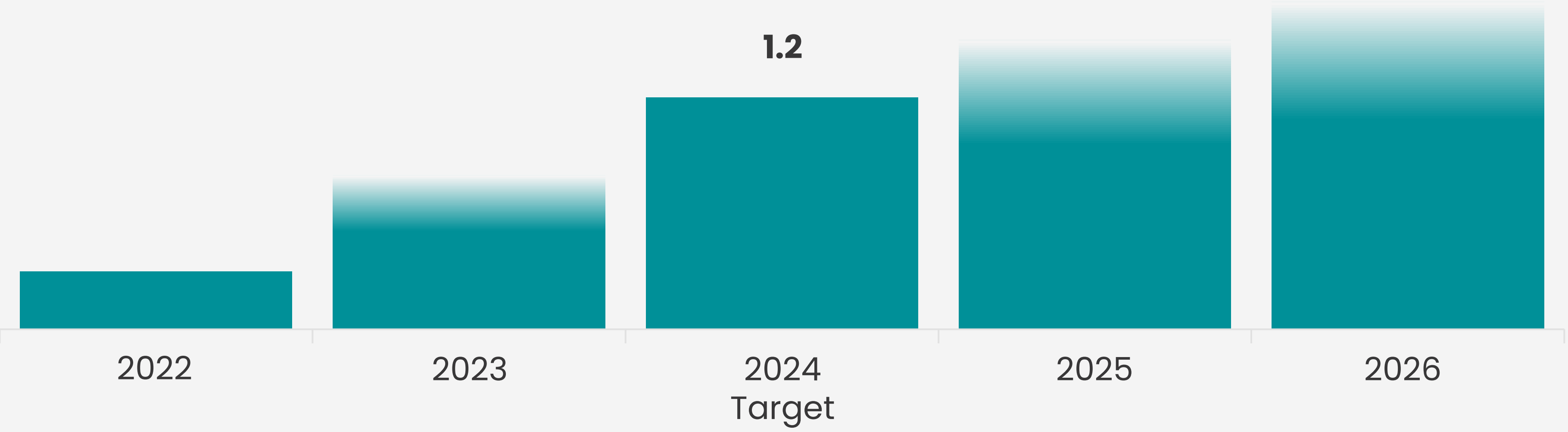
Overall impact expected to benefit profits from 2024 as revenue benefits outweigh net cost impact

...with momentum building into 2023 and beyond

Additional revenues p.a. from strategic initiatives (£bn)



Gross cost saves p.a. from BAU and strategic initiatives (£bn)



1 – Includes savings from both BAU and strategic initiatives.

Driving revenue growth and diversification: Consumer

Grow

Deepen and innovate in Consumer

Progress in 2022

19.8m digitally active customers, **up 8%**

c.1pp growth in Protection share[1]

£6bn net workplace pension flows, **16%** AuA share

£3.5bn green mortgage lending[1] and **£2.1bn** financing and leasing for battery electric and plug-in hybrid vehicles

2023 implementation

Launch **intermediary Protection proposition**

Scale **HomeHub ecosystem** with improved retention

Market leading **digital vehicle leasing** offer

Acquisition and integration of **Tusker**

Create a new mass affluent offering

Progress in 2022

>5% increase in mass affluent banking balances[2]

Tailored **banking products** (e.g. PBA, credit card)

Enhanced **D2C investments** through Embark

2023 implementation

Launch **differentiated digital first model**

Expand **banking offering** with tiered savings, flexible lending options and bespoke benefits

Launch of **ready made** and **D2C investment** options

1 – Latest data, 9 months to 30/09/2022. 2 – Banking balances calculated as the absolute total of Retail customers, excluding Motor.

Driving revenue growth and diversification: Commercial

Grow

Digitise and diversify our SME business

Progress in 2022

>20% growth in new merchant services clients and proven new digital onboarding capability

c.5% income growth in SME transaction banking[1]

Strategic **fintech partnership** for invoice financing

2023 implementation

Digitised merchant services onboarding journeys with straight through processing

Deliver **mobile first onboarding** proposition

Launch of E2E **digital origination** for asset finance

Target our Corporate & Institutional offering

Progress in 2022

c.£8bn green and sustainable financing delivered[2], >50% of 2024 target

Investment in FX capability driving **c.20%** growth in FX trading percentage share of wallet

Strengthened **originate to distribute** capabilities, including first strategic co-investment partnership

2023 implementation

Further penetration of **key growth industries**

Improve **capabilities** across DCM, FX and FI[3]

Scale **originate to distribute** to serve more clients

1 – Mid-sized SME transaction banking and working capital. 2 – Includes the clean growth finance initiative, Commercial Real Estate green lending, renewable energy financing, sustainability linked loans and green and social bond facilitation. 3 – Debt capital markets, foreign exchange and financial institutions.

Investing in enablers to improve delivery

Focus

Strengthen cost and capital efficiency

Progress in 2022

Refining service model with **c.200** branch closures and digital investment

c.12% reduction in office footprint

£4bn reduction in RWAs, driven by optimisation

Securitised sale of **c.£2.5bn** legacy Retail mortgages[1]

2023 implementation

Deliver further improvements in self service capabilities and end to end journey digitisation

Focus on small, **modernised** office footprint

RWA optimisation and recycling to offset loan growth

Expected agreement of pension triennial valuation with **improved funding position**

Change

Maximise the potential of people, technology and data

Progress in 2022

New leadership team with **flattened structure** and significant capabilities in strategic and digital delivery

New operating model rolled out to **>20k** employees

5% of legacy applications decommissioned

10% reduction in data centres

c.56m customer data records ingested to cloud

2023 implementation

Continued progress against **leading diversity targets**

Reduce 3rd party reliance in strategic workforce

10% of legacy applications decommissioned

c.10% gross reduction in run and change tech costs

Continue migration to **public cloud**

1 – Transaction completed in January 2023.

Enhancing our financial guidance

Purpose driven strategy…

Grow — Drive revenue growth and diversification

Focus — Strengthen cost and capital efficiency

Change — Maximise the potential of people, technology and data

…that will create higher, more sustainable, returns

2024

c.13% return on tangible equity

c.175bps capital generation

2026

>15% return on tangible equity

>200bps capital generation

Financial update

Robust financial performance

LLOYDS BANKING GROUP

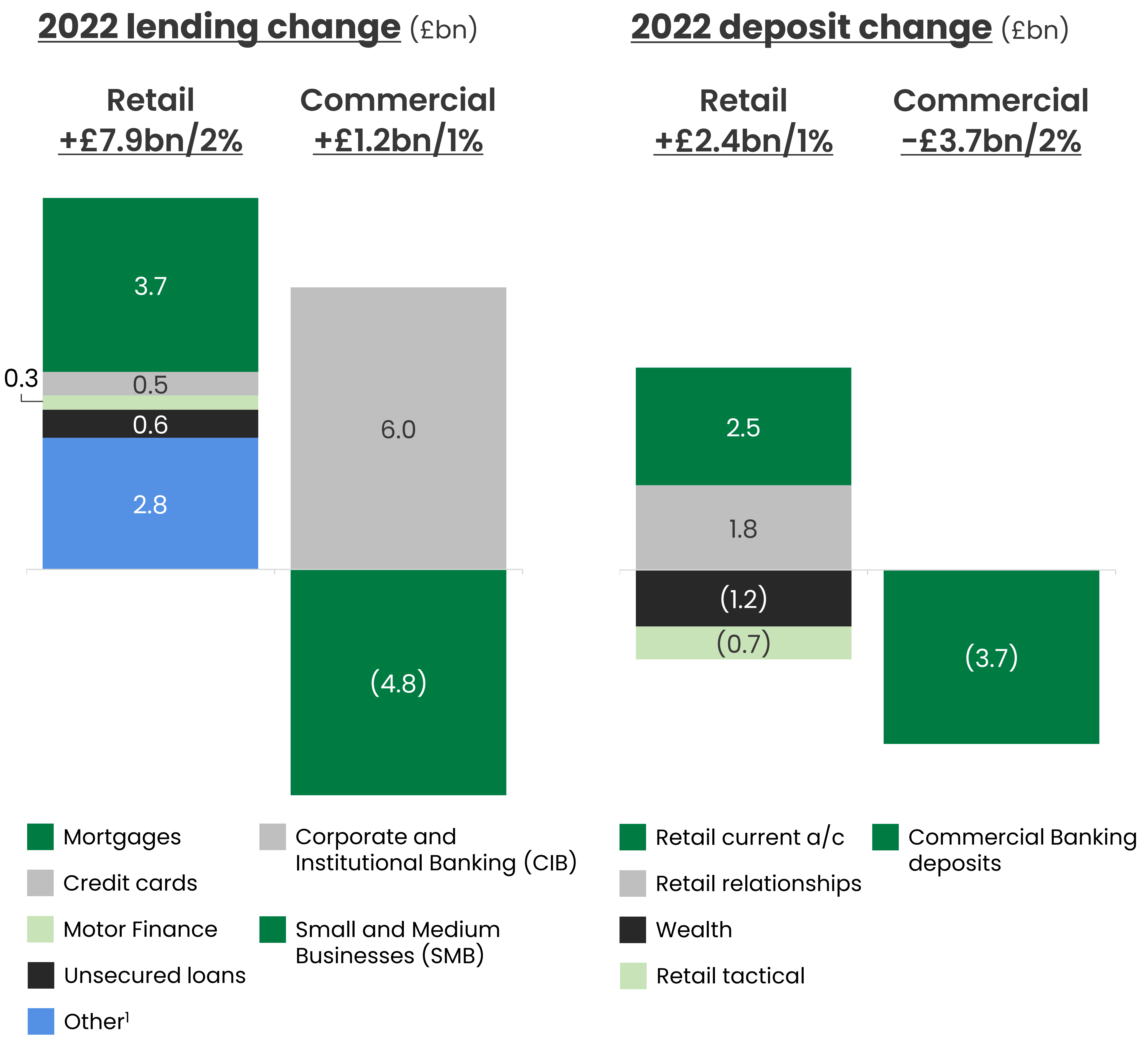
Financial performance (£m)

	2022	2021	YoY
Net interest income	**13,172**	11,163	*18%*
Other income	**5,249**	5,060	*4%*
Operating lease depreciation	**(373)**	(460)	*19%*
Net income	**18,048**	15,763	*14%*
Operating costs[1]	**(8,835)**	(8,312)	*(6)%*
Remediation	**(255)**	(1,300)	*80%*
Total costs	**(9,090)**	(9,612)	*5%*
Underlying profit before impairment	**8,958**	6,151	*46%*
Impairment (charge) credit	**(1,510)**	1,385	
Underlying profit	**7,448**	7,536	*(1)%*
Statutory profit before tax	**6,928**	6,902	
Statutory profit after tax	**5,555**	5,885	*(6)%*
Net interest margin	**2.94%**	2.54%	*40bp*
Return on tangible equity	**13.5%**	13.8%	*(0.3)pp*
Earnings per share	**7.3p**	7.5p	*(0.2)p*
Tangible net asset value per share	**51.9p**	57.5p	*(5.6)p*
Pro forma CET1 ratio[2]	**14.1%**	16.3%	*(2.2)pp*

- **Customer led franchise growth**
- **Net income up 14%; NIM 294bps**
- **Operating costs up 6%; stable BAU costs with higher planned strategic investment**
- **Strong observed asset quality; higher impairment reflects revised economic outlook**
- **TNAV per share 51.9p, down 5.6p in 2022, largely driven by cashflow hedge reserve**
- **Strong capital generation of 245bps[3] in 2022; pro forma CET1 ratio 14.1%**

1 – Comparatives presented to reflect new costs basis, consistent with current period. 2 – 2022 includes dividend received from Insurance in February 2023 and full impact of announced share buyback. 2021 includes dividend received from Insurance in February 2022 and full impact of share buyback in respect of 2021 that completed in 2022, but excludes impact of regulatory changes that came into effect on 01/01/2022. 3 – Excluding regulatory changes on 01/01/2022, ordinary dividends, variable pension contributions and impact of announced share buyback programme. Inclusive of dividend received from Insurance business in February 2023.

Ongoing strength in customer franchise

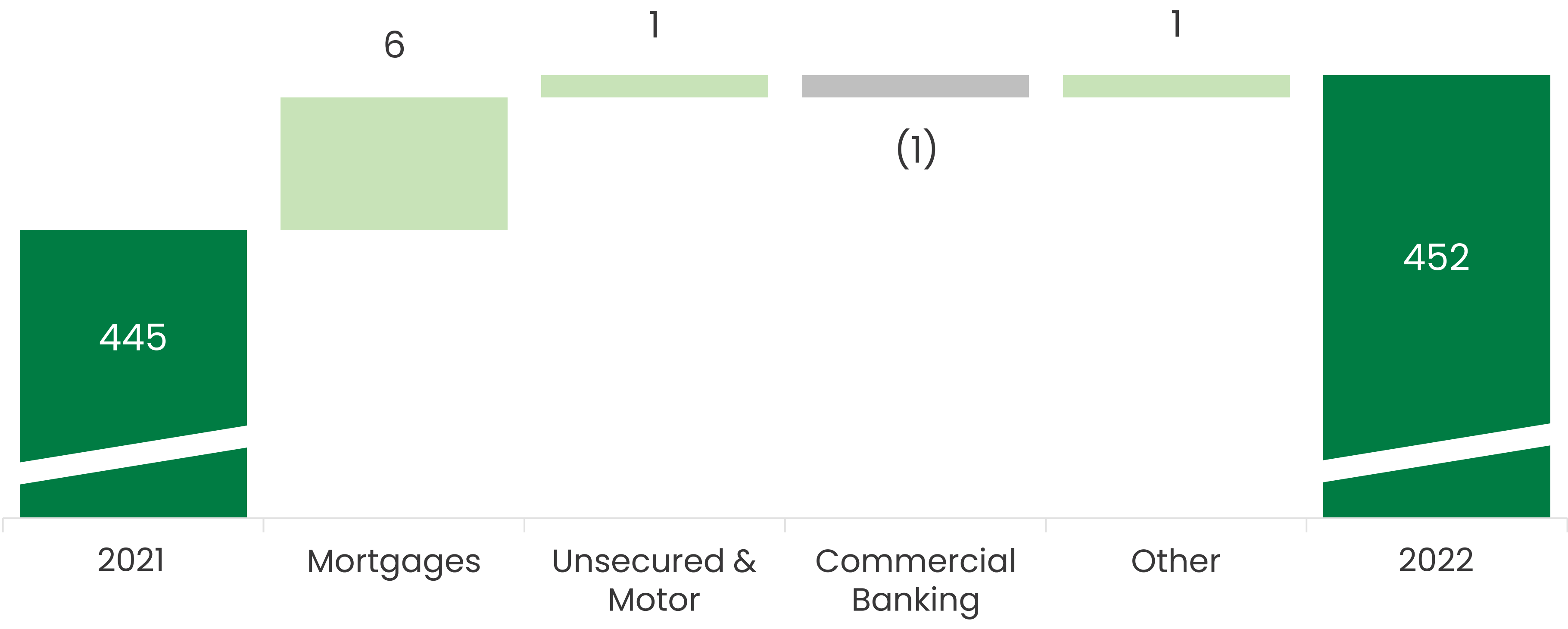


- Mortgage balances up £3.7bn in 2022, including £1.2bn open book growth in Q4
- Credit cards up £0.5bn in 2022, flat in Q4; higher spend offset by repayments
- Commercial lending up £1.2bn in 2022; CIB growth more than offsetting repayments of Government-backed lending
- Retail deposits up £2.4bn in 2022 with current accounts up £2.5bn YoY, down £1.7bn in Q4
- Commercial deposits down £3.7bn in 2022; £6.4bn lower in Q4 from short term placements reversing, pricing actions and seasonality
- >£8bn net new money in Insurance[2]

1 – Includes Overdrafts, Europe and Wealth. 2 – Open book assets under administration. Excludes market movements and Embark assets transferred on acquisition; includes post acquisition Embark net flows.

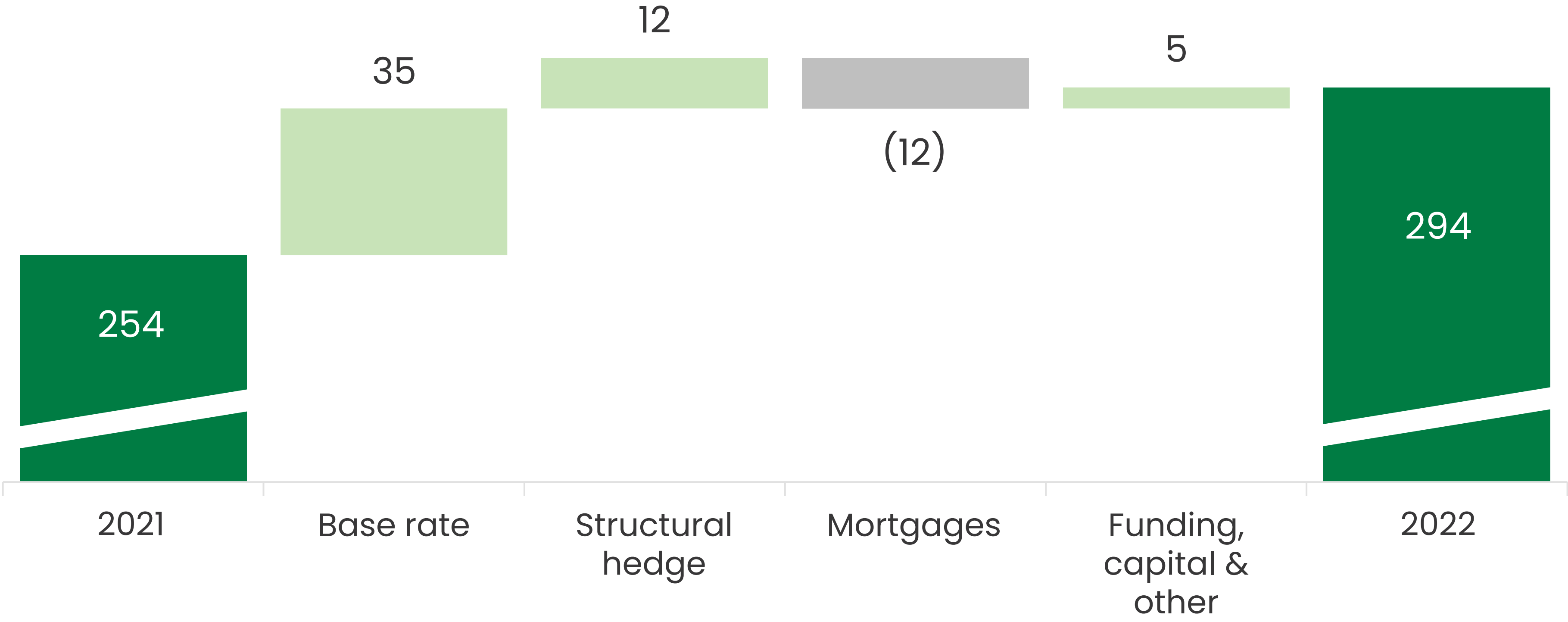
Strong net interest income performance

Average interest earning assets (£bn)



Banking net interest margin (bps)

Q3 2022 to Q4 2022	**298**	24	8	(8)	–	**322**



- **NII £13.2bn, up 18% on 2021, benefitting from increased AIEAs and stronger NIM**
  - 2022 AIEAs £452bn, up 2% on 2021
  - Full year NIM 294bps, up 40bps on 2021
  - Q4 NIM 322bps, benefitting from rising rates and temporary pricing lags
- **AIEAs expected to be broadly stable in 2023**
  - Modest mortgage and unsecured loan growth versus continued repayment of Government backed lending and management actions
- **2023 NIM expected to be >305bps**
  - 2023 NIM below Q4 given expected headwinds from mortgages, deposit pricing and funding costs, partly offset by increased hedge income

Illustrative interest rate sensitivity

LLOYDS BANKING GROUP

Cumulative impact of parallel shifts in interest rate curve – illustrative 50% deposit pass through[1] (£m)

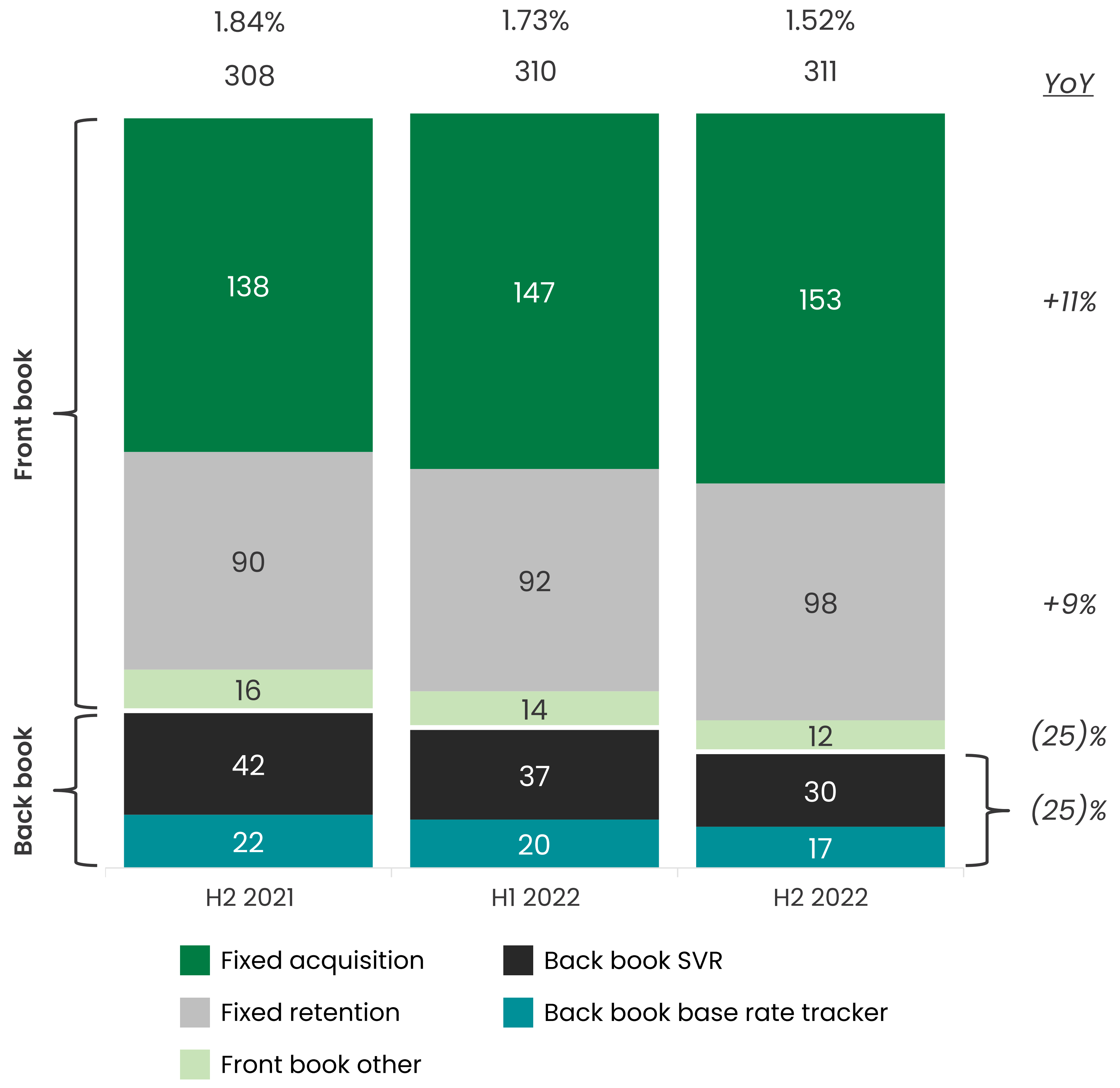
	Year 1	Year 2	Year 3
+50bps	c.300	c.525	c.750
+25bps	c.150	c.250	c.375
-25bps	c.(175)	c.(250)	c.(375)

- **Positively exposed to rising rates**
- **Rate sensitivity remains c.£150m additional NII in year 1 for a 25bps parallel shift in rates**
  - c.£35bn hedge maturities in 2023, weighted towards H2
- **Assumptions unchanged, including 50% illustrative through the cycle pass through[2]**
  - c.£50m additional year 1 NII per 10pp lower than assumed pass through on 25bps shift

1 – Sensitivity based on modelled impact on banking book NII (including the future impact of structural hedge maturities). Year 1 reflects the 12 months from 31/12/2022 balance sheet position. 2 – Assumes instantaneous parallel shift in interest rate curves, including bank base rate; balance sheet remains constant; 100% pass through on customer lending and analysis does not reflect new business margin implications and/or pricing actions, other than as outlined.

Mortgage balance growth

Mortgage book (Book size £bn, Gross margin %[1])



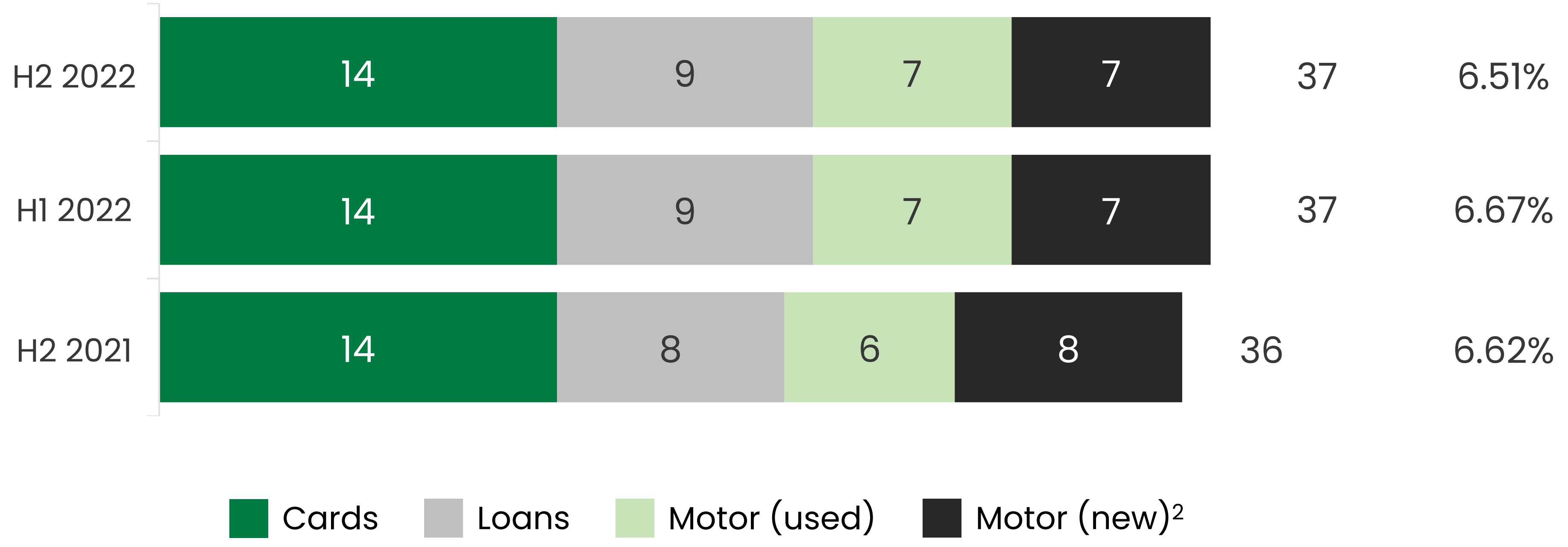
- **Mortgage balances £311bn, up £3.7bn in 2022**
  - Open book growth £6.3bn with £1.2bn in Q4
  - Back book c.£47bn, Q4 YoY attrition c.25%
- **2022 new business[2] c.£90bn**
  - Front book maturities at c.165bps margin in H2
  - Completion margin averaged c.50bps in Q4[3]
- **Modest growth expected in 2023**
  - £2.5bn legacy book exit in January
- **Group NIM impacted by maturities of high yielding 2020-21 business**
- **Mortgage lending remains attractive from a returns and economic value perspective**

1 – Gross margin is gross customer receivables, less short term funding costs; references SONIA. Chart uses rounded inputs. 2 – Includes retention of existing customers on new deals. 3 – Total completion margins include new business and product transfers and is the difference between the customer rate and the relevant funding rate.

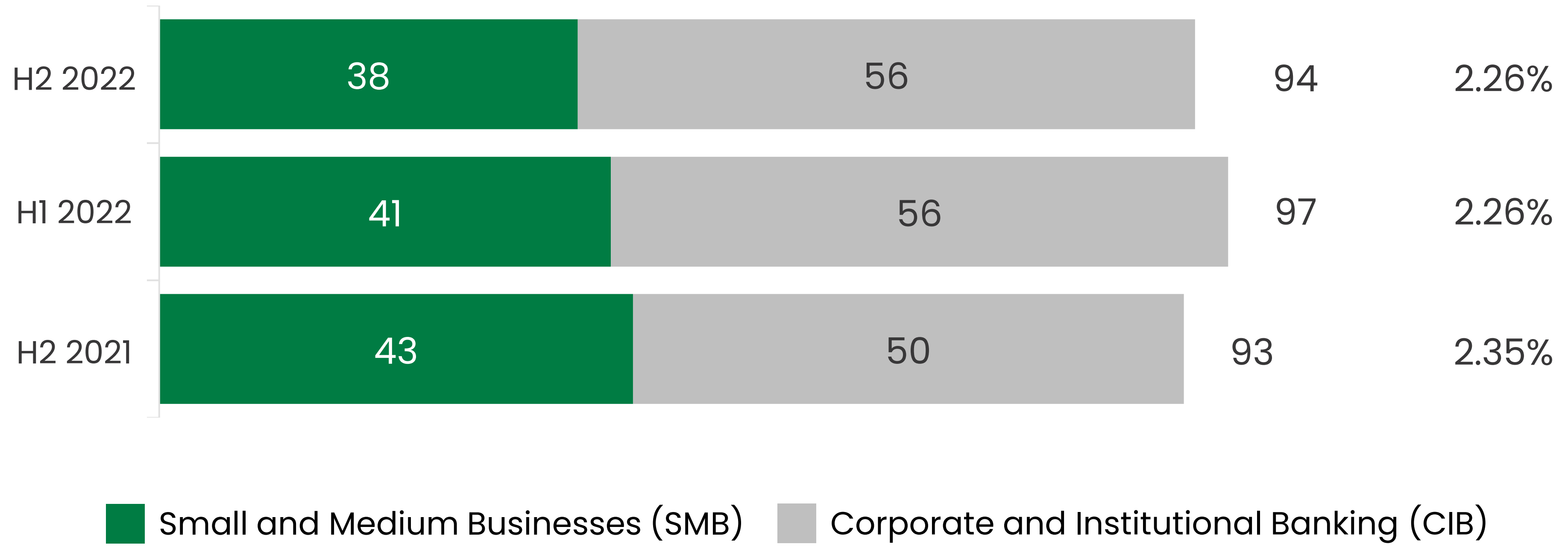
Modest growth in other lending portfolios in 2022

LLOYDS BANKING GROUP

UK Cards, Loans & Motor (Book size £bn, Gross margin %[1])



Commercial Banking (Book size £bn, Gross margin %[1])

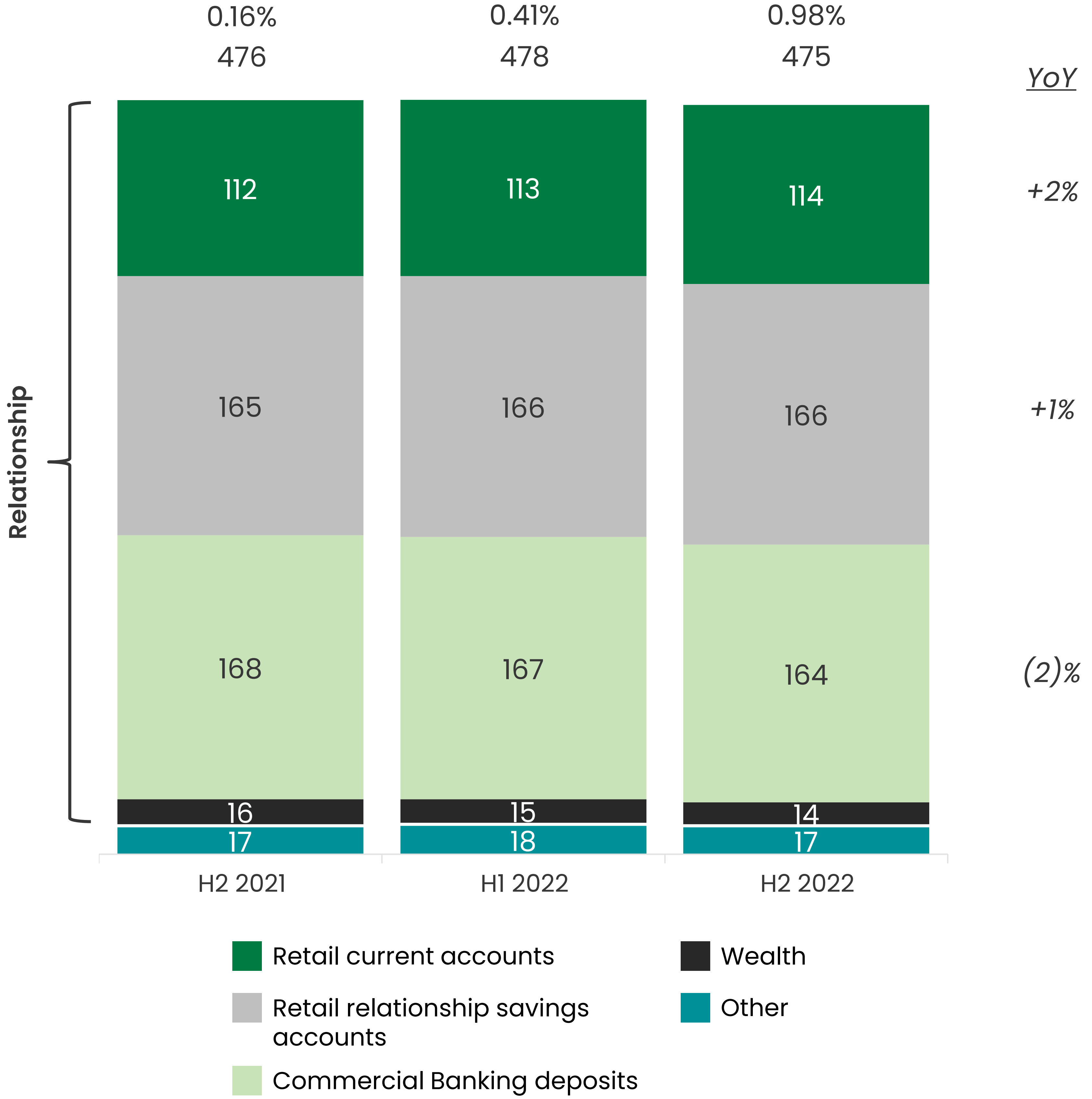


- **UK Cards, Loans & Motor up £1.4bn in 2022, flat in Q4**
  - Credit cards up £0.5bn in 2022, flat in Q4; higher spend offset by repayments
  - UK Motor Finance broadly stable; continued impact of industrywide supply constraints
- **Commercial Banking loans up £1.2bn in 2022**
  - CIB lending up £6.0bn, including client growth and FX impacts
  - Government backed lending balances down c.£3bn in 2022, impacting SMB

1 – Gross margin is gross customer receivables, less short term funding costs; references SONIA. Chart uses rounded inputs. 2 – Includes Fleet, Stocking and Lex Finance.

Continued deposit franchise strength

Customer deposits (Book size £bn, Gross margin %[1])

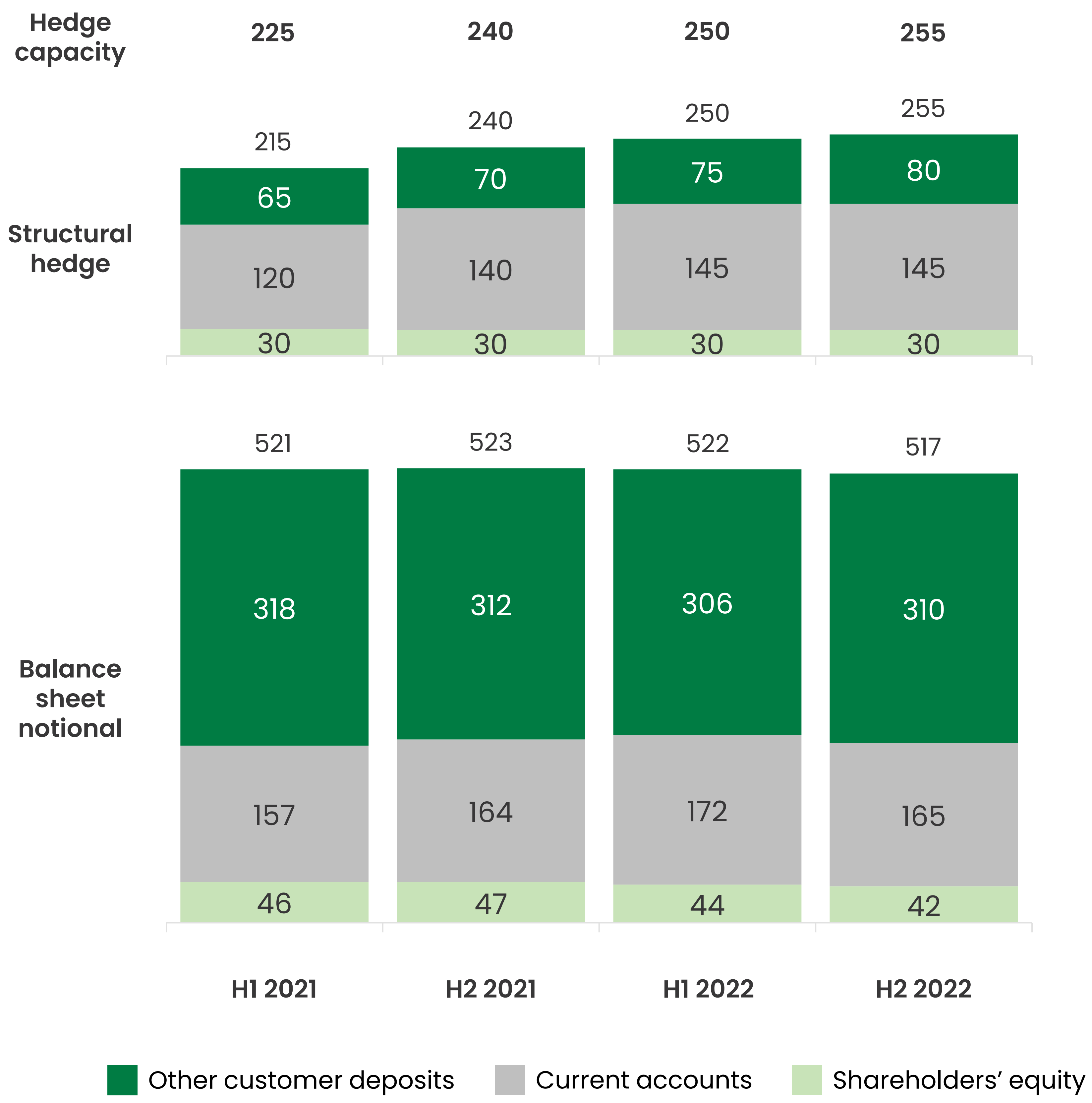


- **Customer deposits £475bn, down £1.0bn in 2022, given lower Commercial balances**
- **Retail current account balances up £2.5bn, 2% in 2022; Q4 down £1.7bn**
  - In year Retail current account growth supports structural hedge capacity
- **Retail relationship savings accounts up £1.8bn; Q4 up £0.6bn**
- **Commercial Banking deposits down £3.7bn**
  - Q4 down £6.4bn given expected reversal of short term client placements in CIB, seasonality and management actions
- **Group deposits up c.£65bn since 2019**

1 – Gross margin is short term funding costs less gross customer payables; references SONIA and includes structural hedge income. Chart uses rounded inputs.

Continued franchise growth building hedge sustainability

Hedged balances[1] (£bn)

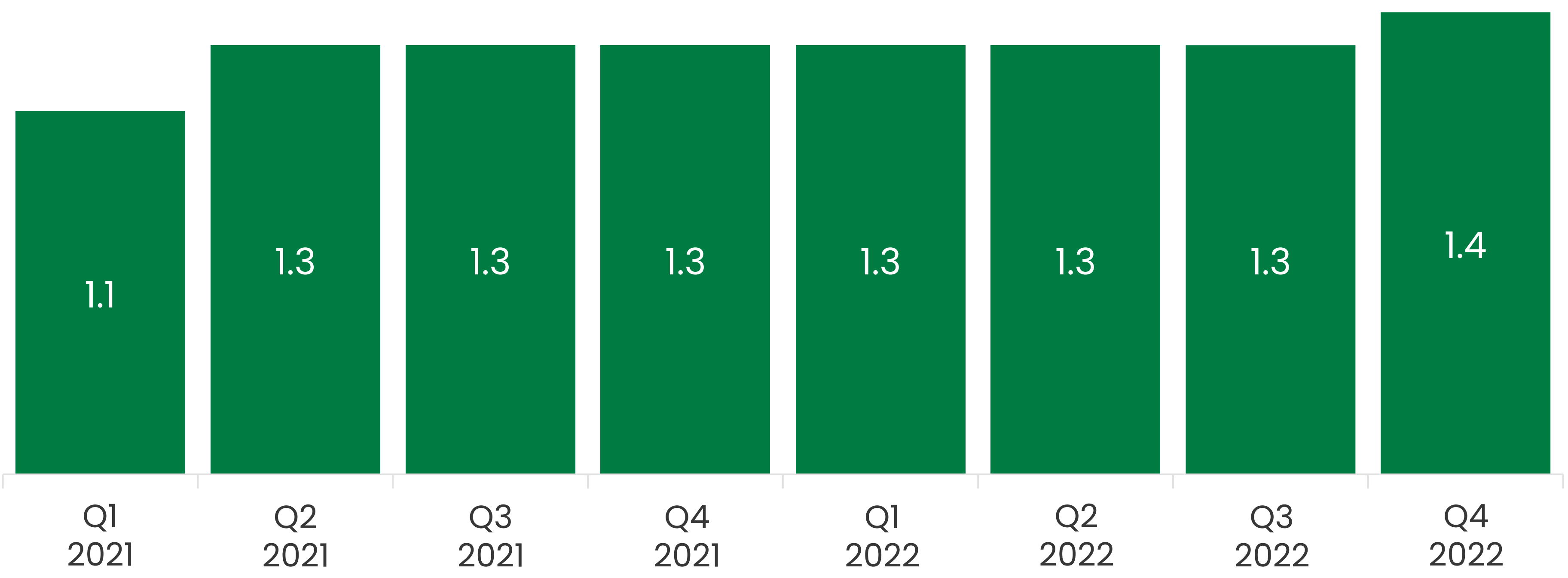


- **Structural hedge approved capacity of £255bn, up £5bn in Q4**
- **Nominal balance of £255bn; c.3.5 year weighted average duration**
- **Prudent management of structural hedge**
  - Deposits up c.£65bn since year end 2019
  - £70bn hedge capacity increase in same period, of which c.£45bn from deposit growth and c.£25bn from existing deposit eligibility
- **Gross hedge income in 2022 of £2.6bn**
- **Based on forecast rates, gross hedge income expected to be c.£0.8bn higher in 2023 with a similar increase again in 2024**

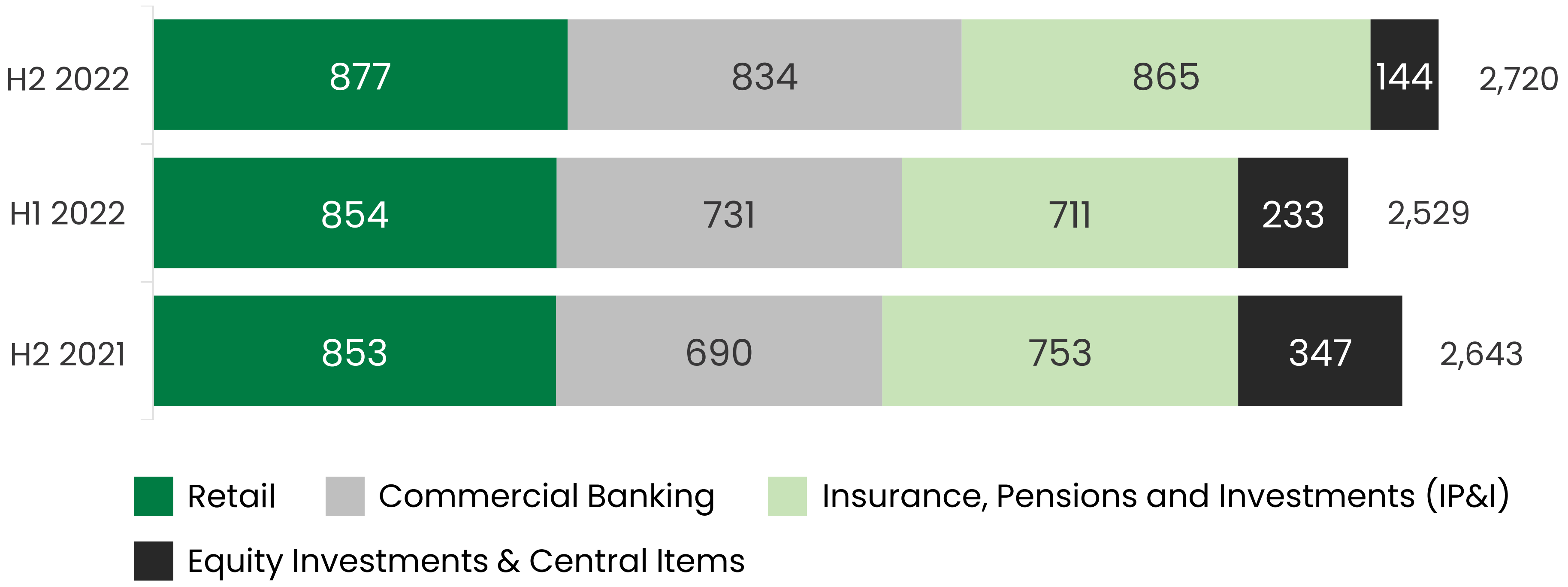
1 – The external sterling structural hedge nominal is managed as a portfolio, split shown is indicative. Commercial Banking current accounts primarily comprise non interest bearing current accounts; other Commercial Banking customer deposits primarily comprise interest bearing accounts.

Building confidence in other income

Other income (£bn)



Divisional other income (£m)



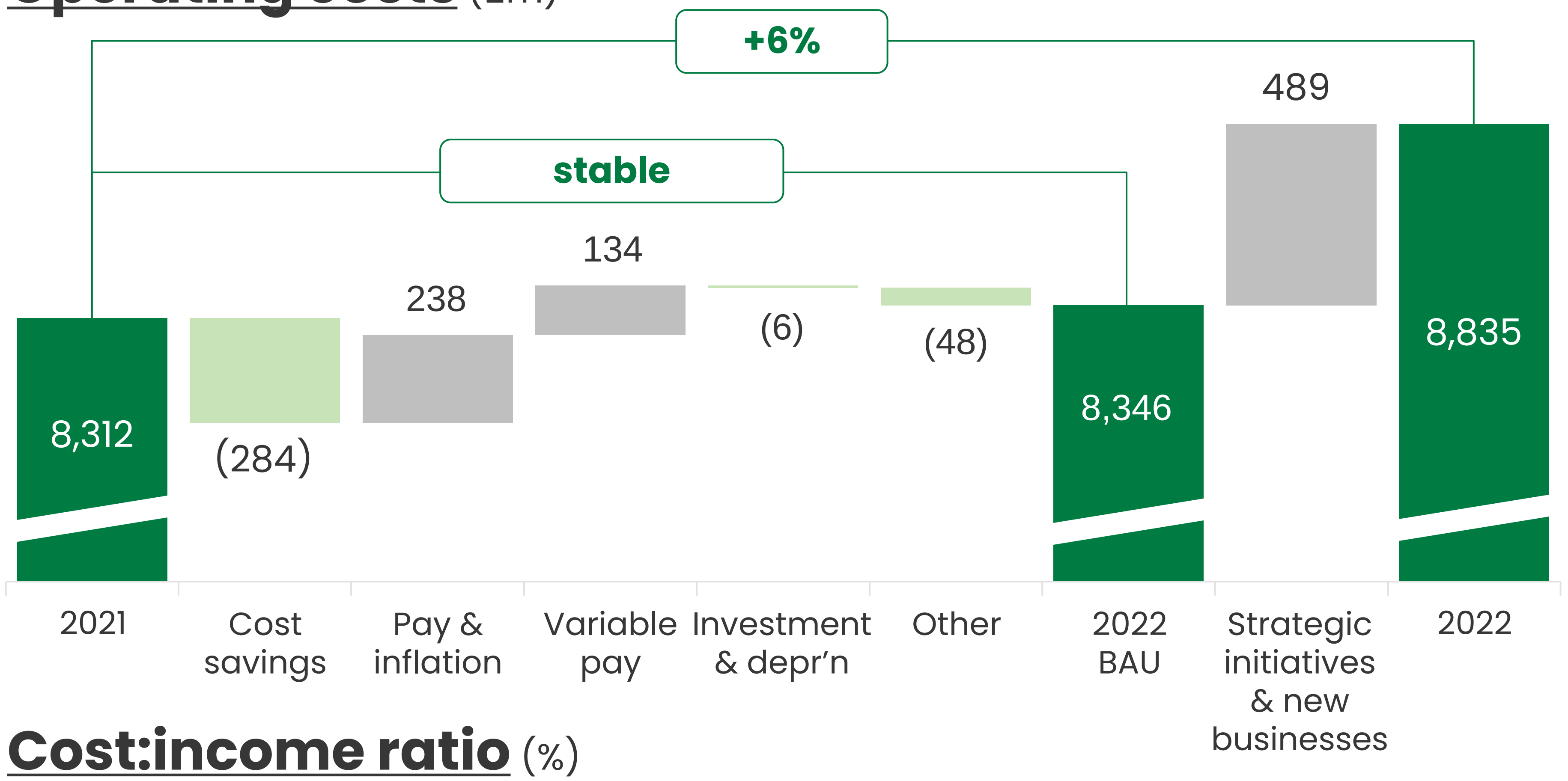
- **Other income of £5.2bn in 2022; Q4 £1.4bn**
- **Building confidence in growth potential**
  - Retail: improved current account and credit card performance
  - Commercial: improving transaction banking and financial markets activity
  - IP&I: growth in workplace pensions, bulk annuities and protection; robust existing business, partly offset by lower GI[1] income
  - Q4 benefits from c.£230m insurance assumption and methodology changes
- **Continued progress expected, dependent on customer activity, supported by investment**
- **IFRS 17 impact from 1 January 2023**

1 – General insurance.

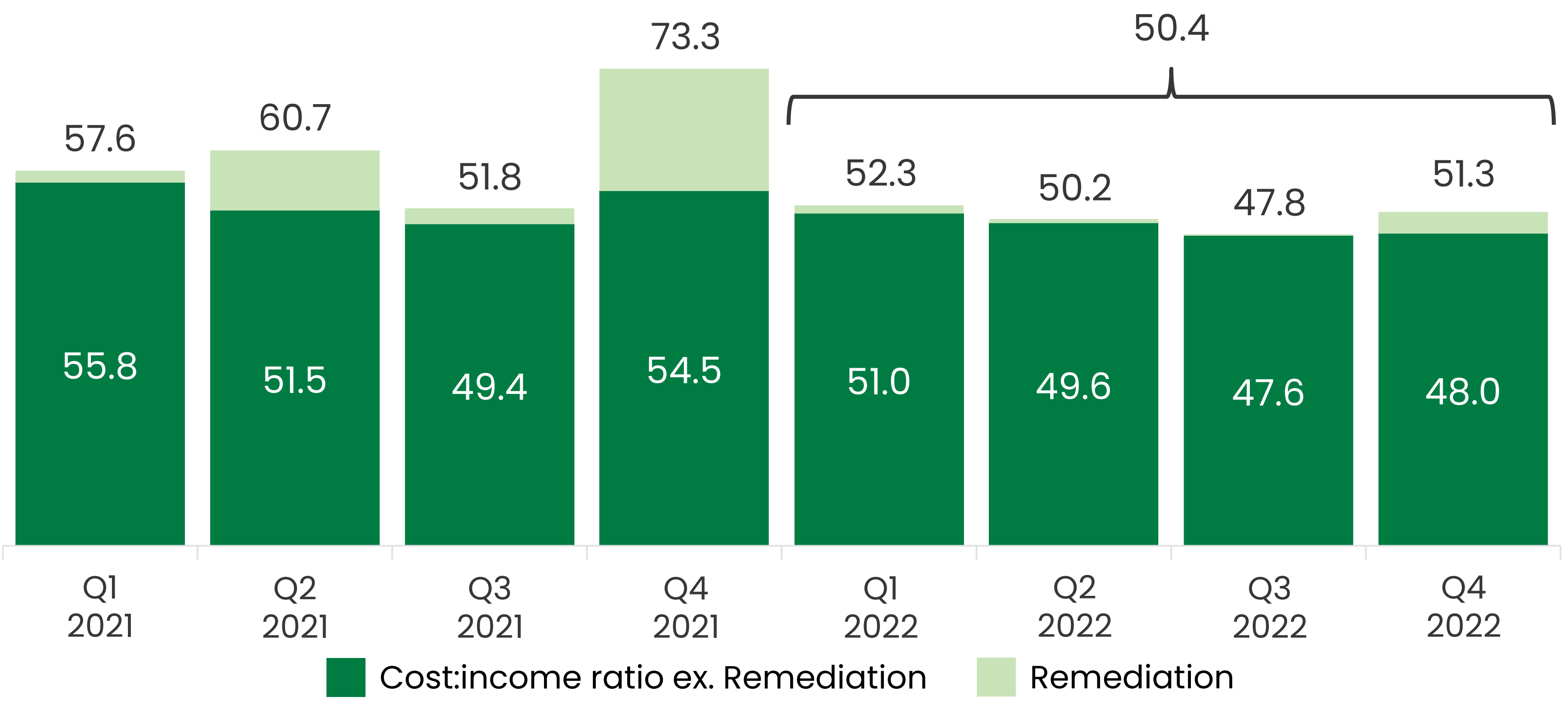
Stable BAU costs; increased investment as planned

LLOYDS BANKING GROUP

Operating costs (£m)



Cost:income ratio (%)



- **Operating costs £8.8bn, up 6% given planned investment and new businesses**
  - BAU costs stable and overall costs in line with expectations, delivered by ongoing discipline in context of inflationary pressure
- **Remediation £255m; £166m in Q4**
- **YTD cost:income ratio 50.4%, 51.3% in Q4**
- **Efficiency targets in BAU and strategic initiatives enhanced**
- **2023 operating costs expected to be c.£9.1bn**
  - Inflationary pressures in 2023 partially mitigated by increasing savings

Strong observed asset quality; updated economic scenarios

LLOYDS BANKING GROUP

Impairment[1] (£m)

	Q4	2022	2021	YoY
Charge (credit) pre updated MES[2]	**383**	**915**	**314**	***601***
Retail	253	773	672	*101*
Commercial Banking	121	122	(357)	*479*
Other	9	20	(1)	*21*
Updated economic outlook	**82**	**595**	**(1,699)**	***2,294***
Retail	59	600	(1,120)	*1,720*
Commercial Banking	23	395	(579)	*974*
Other (COVID central adjustment)	-	(400)	-	*(400)*
Total impairment charge (credit)	**465**	**1,510**	**(1,385)**	***2,895***

Gross lending and coverage level[3] (£bn, %)

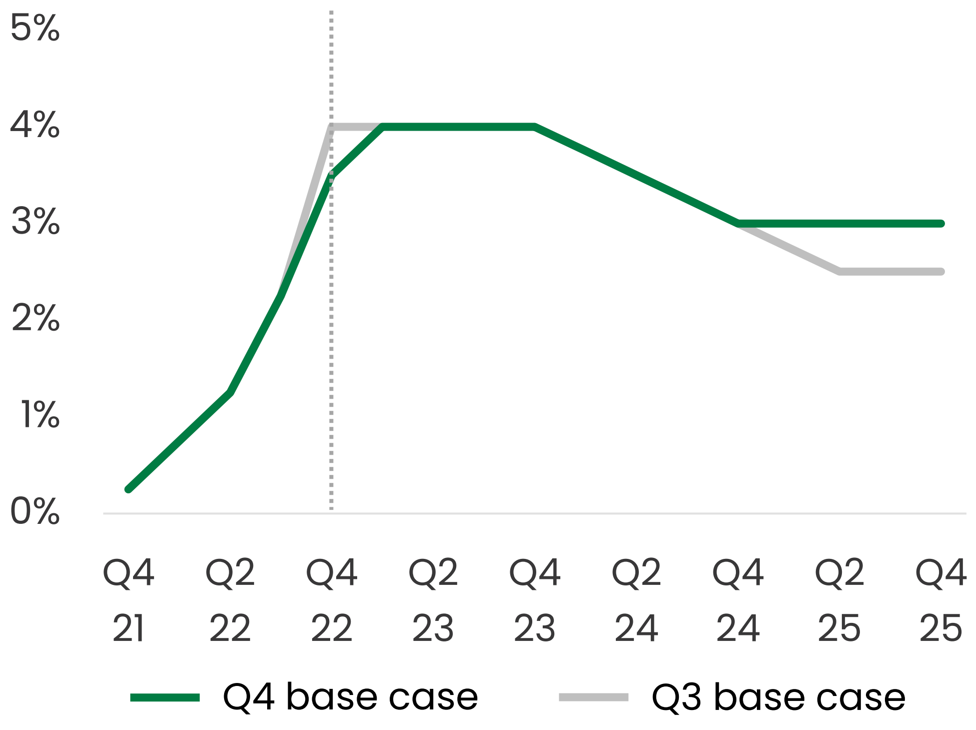
		Stage 1	Stage 2	Stage 3	Total
H2 2022	Loans and advances	£383bn	£66bn	£11bn	£460bn
	Coverage	0.2%	3.2%	22.6%	1.1%
H1 2022	Loans and advances	£399bn	£49bn	£11bn	£460bn
	Coverage	0.2%	3.0%	20.1%	1.0%

- **Asset quality remains strong**
- **Impairment charge £1,510m, AQR of 32bps**
  - Full year pre updated MES charge £915m, equivalent to AQR of 20bps
  - £595m MES charge given updated outlook, reflecting higher inflation and interest rates, partly offset by release of COVID judgements
- **Q4 charge £465m with £82m for updated MES**
  - Q4 pre MES charge of £383m, AQR 33bps; 26bps before single name charge, but includes IFRS 9 Stage 1 roll-forward
- **Stock of ECL £5.3bn, up £0.8bn in 2022**
- **2023 AQR expected to be c.30bps**

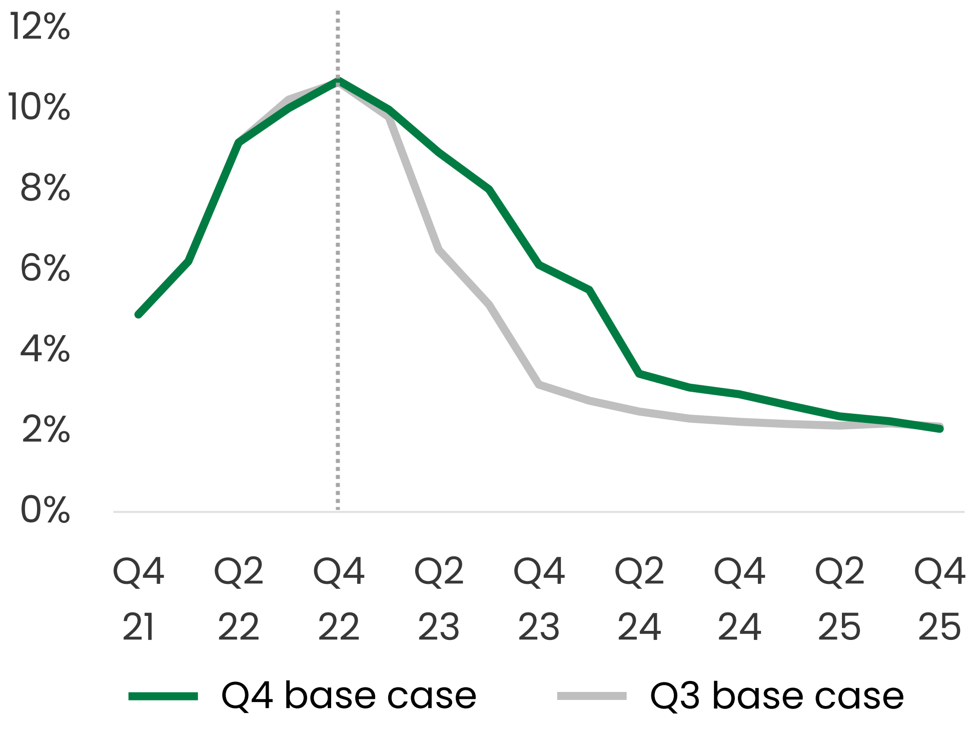
1 – Impairment charges for Retail, Commercial Banking and Other reflect the new organisation structure; comparatives have been presented on a consistent basis. 2 – Impairment charges absent the impact from updated economic outlook, thus reflecting only observed movements in credit quality. 3 – Underlying basis. Table uses rounded inputs. Stage 3 balances increased on 01/01/2022 given CRD IV changes.

Updated macroeconomic outlook

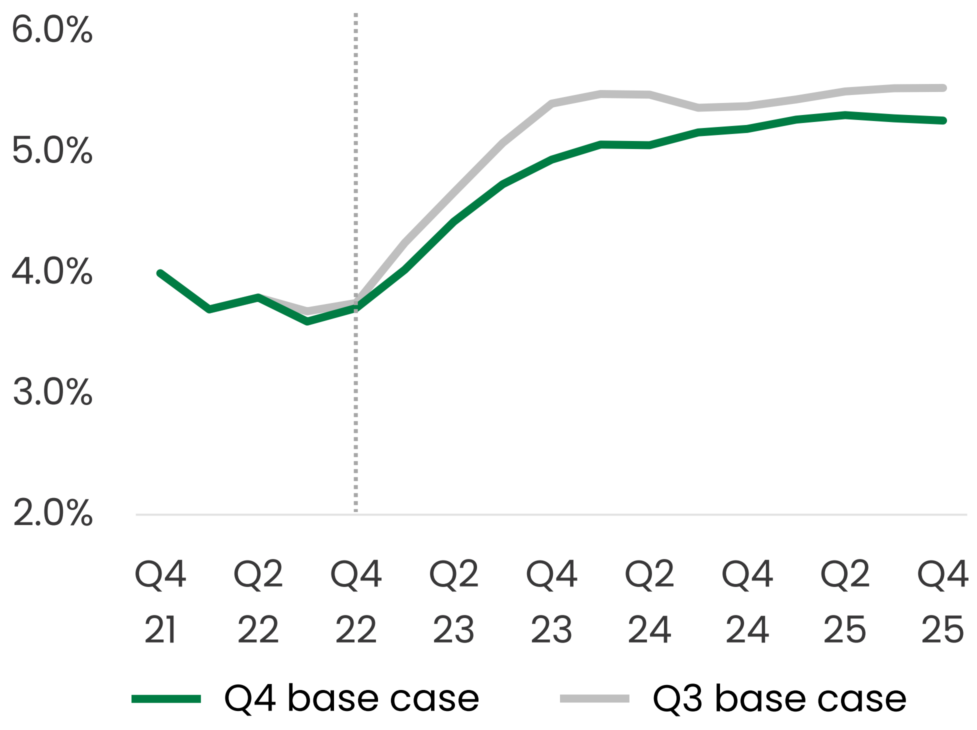
UK bank rate



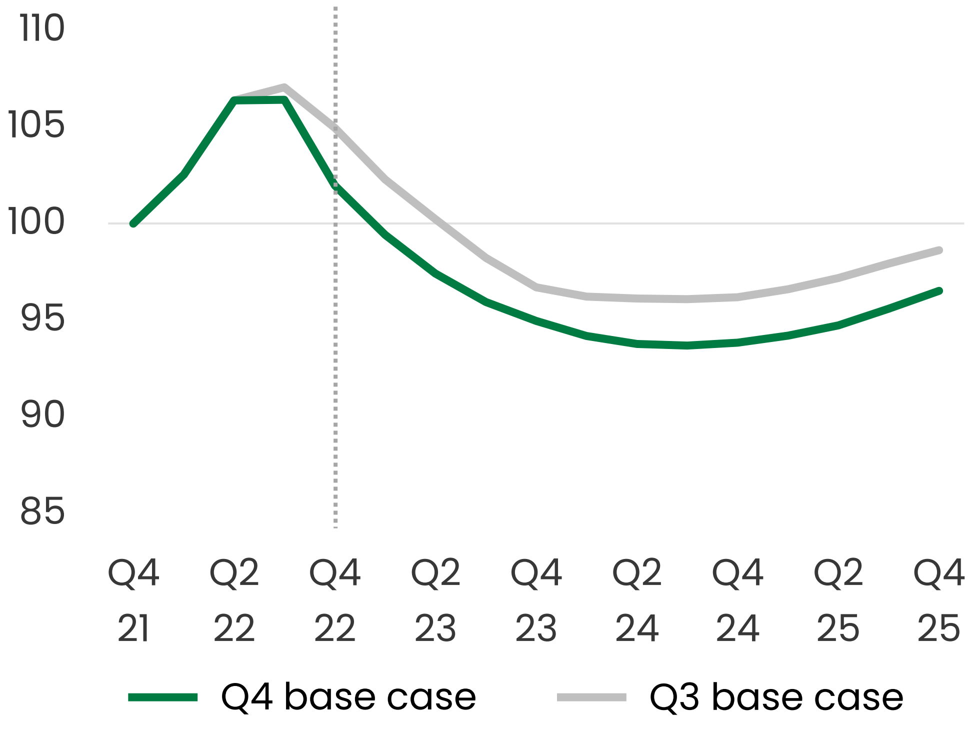
CPI inflation



Unemployment



Indexed house prices

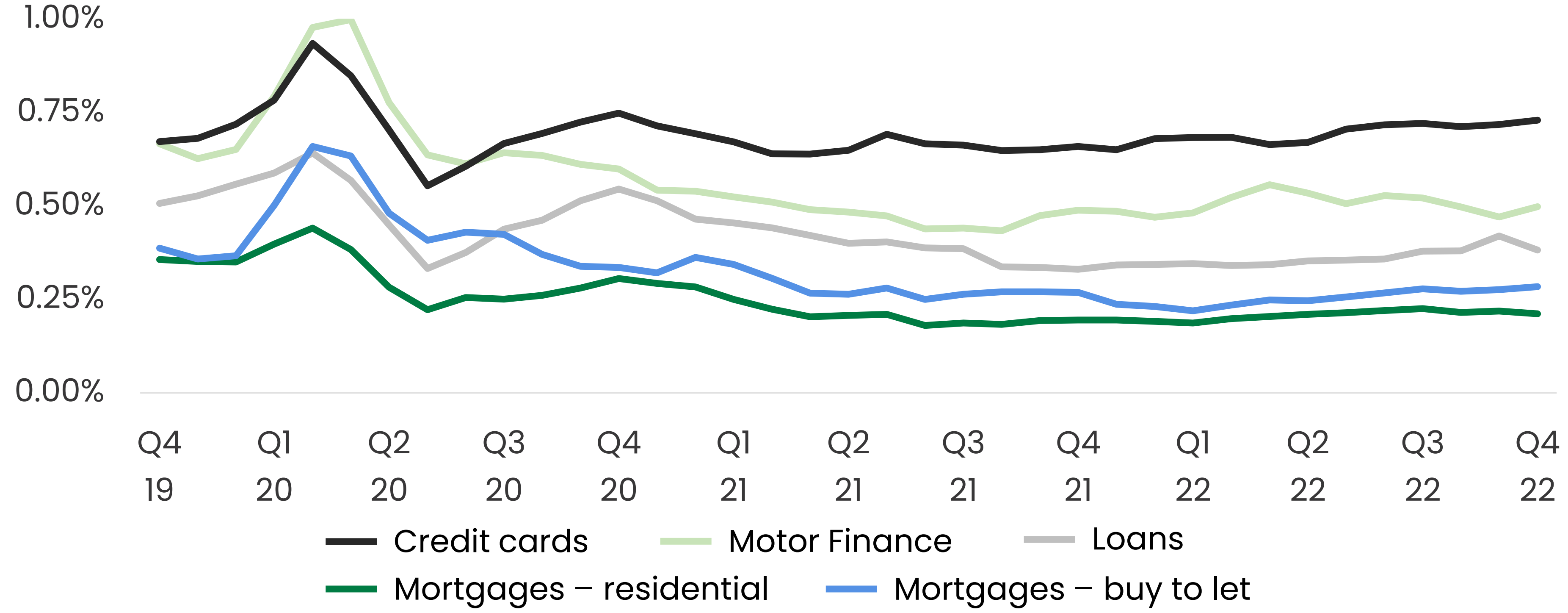


- **Q4 macroeconomic base case broadly in line with Q3**
  - Base rate forecast to have peaked at 4% in Q1 2023
  - Inflation forecast to reduce from peak of 10.7% in Q4 2022
  - 5.3% peak unemployment forecast in 2025
  - After recent strong house price growth, expect a fall of c.7% in 2023; peak to trough fall c.12%
  - GDP expected to fall 1.2% in 2023, versus 1.0% fall assumed at Q3

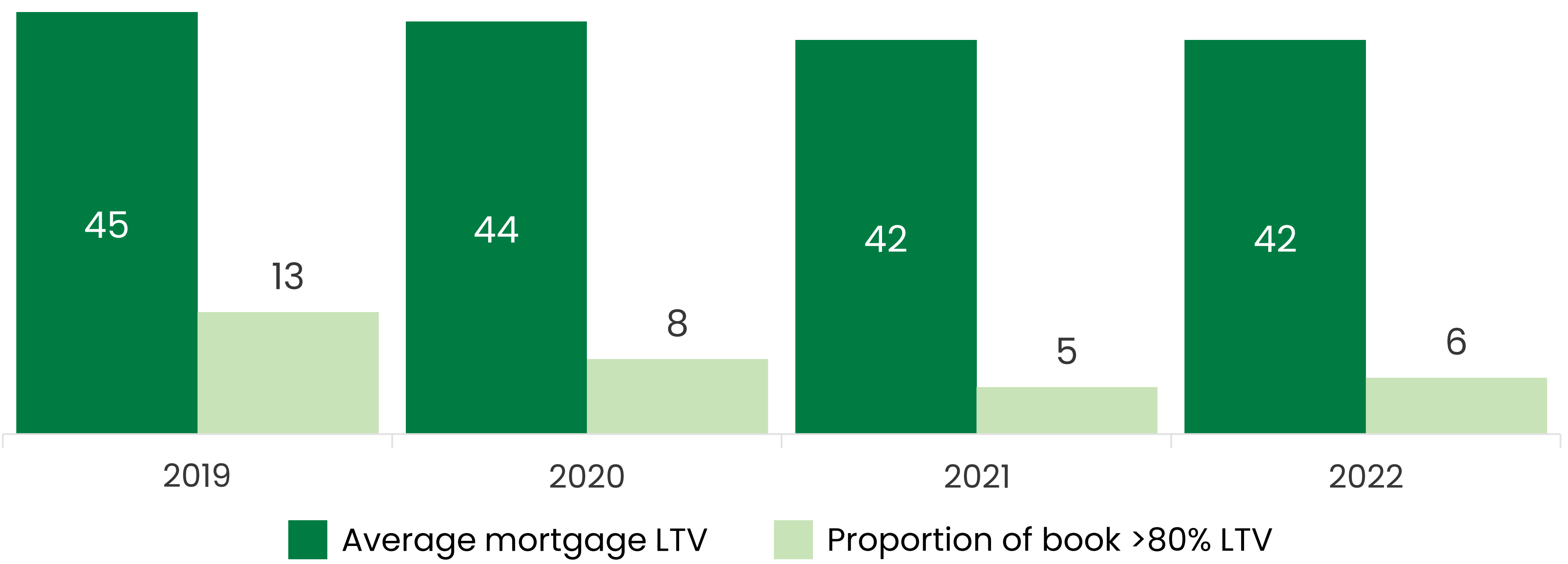
Resilient Retail portfolio performance

LLOYDS BANKING GROUP

New to arrears as a proportion of total balances
(3 month rolling average, %)



Average mortgage LTV (%)

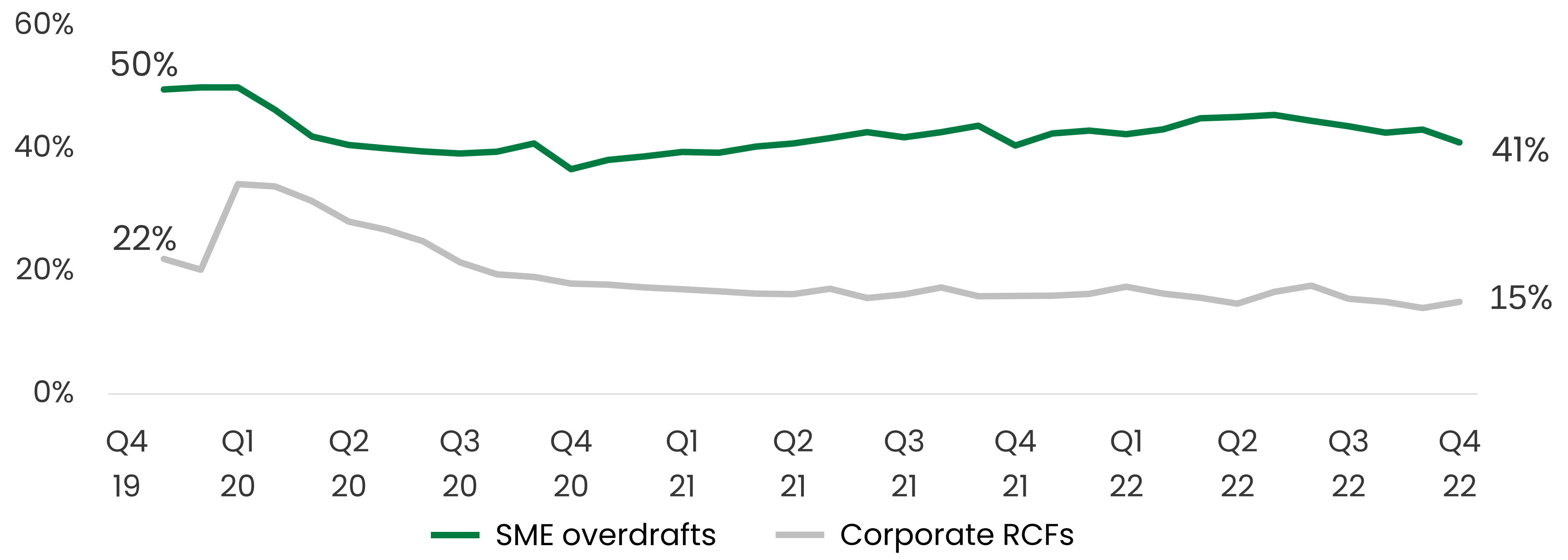


- **Customers showing resilience across asset classes, with sustained low levels of new to arrears**
- **Cards charge offs remain low and below historical average**
  - >90% of cards and loans balance growth from customers with low or medium indebtedness[1]
  - Charge off at 4-6 months in arrears; c.7% book coverage assuming additional 12 months[2]
- **Average mortgage LTV 42%; 94% of book ≤80%**
  - Average mortgage household income c.£75k[3]
- **>85% of 2023 mortgage fixed rate maturities[4] tested to ≥6.6% pay rate whilst c.1% on LTV >85%**

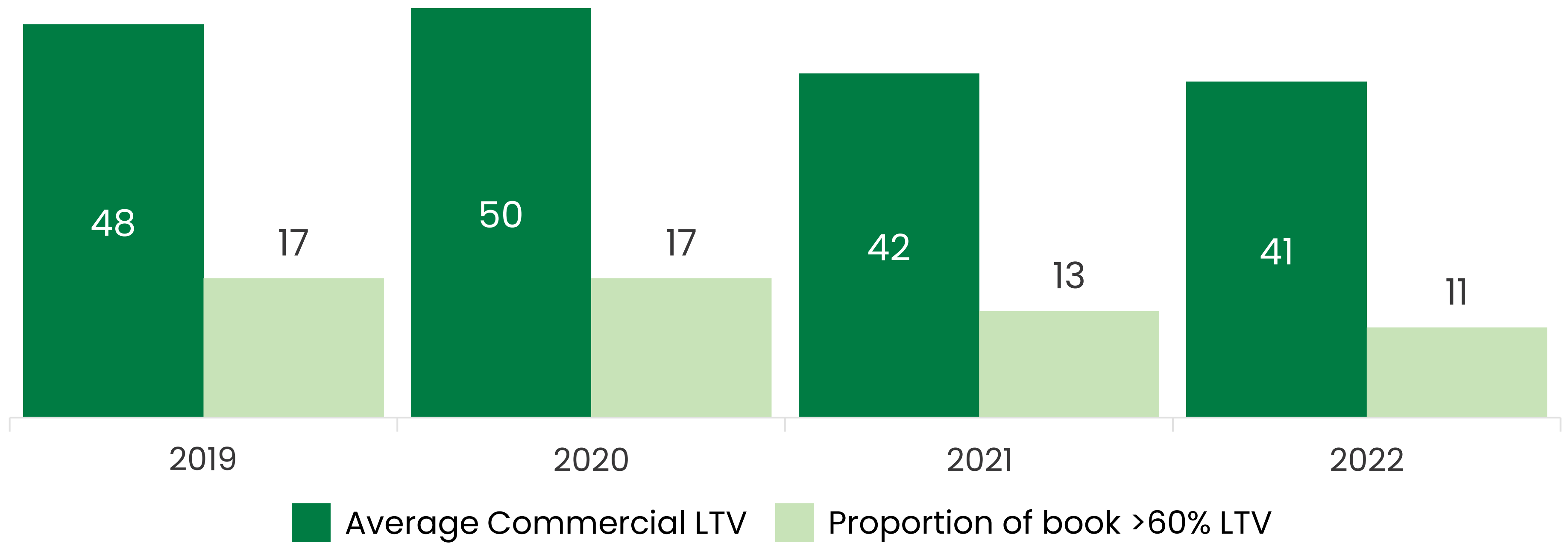
1 – Relates to balance growth in 2022. 2 – Estimated based on last 12 months' charge offs retained in Stage 3 at appropriate coverage. 3 – Relates to mortgage completions in 2022. 4 – Residential mortgages originated since 2015.

Resilient Commercial portfolio performance

SME[1] overdraft and corporate RCF[2] utilisation (%)



Commercial Banking UK direct real estate LTV[3] (%)



- Stable SME overdraft utilisation trends
- RCF utilisation >30% below pre-pandemic levels
- Average invoice financing debtor days below historical trends
- c.90% of SME lending[1] secured; c.75% of Commercial exposure at investment grade
- Watchlist and BSU below 2022 start levels
- Net CRE exposure £11.0bn, significantly de-risked and secured
    - Average LTV 41% and c.89% with LTV <60%

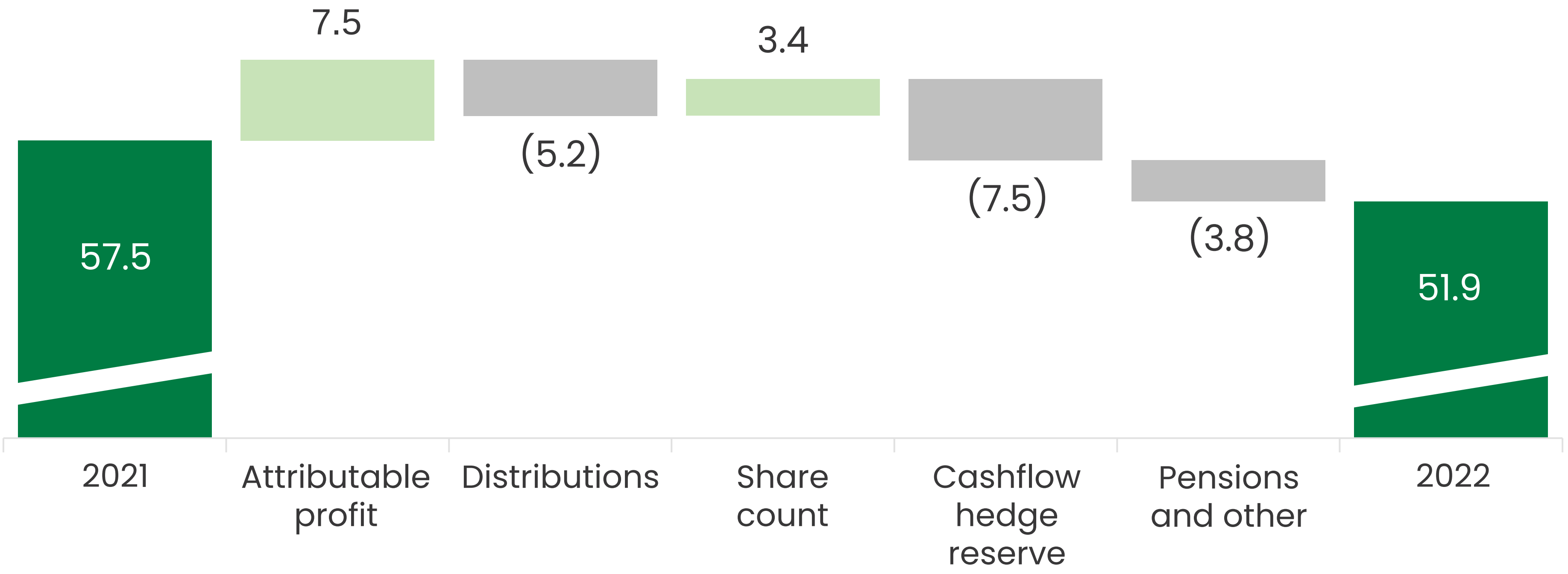
1 – SME excluding Business Banking; lending fully or partially secured. 2 – Revolving credit facilities. 3 – H2 2019 to H2 2021 exclude CRE exposures <£1m; H1 2022 includes all CRE exposures. Difference is not expected to materially impact trends.

Statutory profit after tax £5.6bn

Statutory profit (£m)

	2022	2021	YoY
Underlying profit	**7,448**	7,536	*(1)%*
Restructuring	**(80)**	(452)	*82%*
Volatility and other items	**(440)**	(182)	
Statutory profit before tax	**6,928**	6,902	
Tax expense	**(1,373)**	(1,017)	*(35)%*
Statutory profit after tax	**5,555**	5,885	*(6)%*
Return on tangible equity	**13.5%**	13.8%	*(0.3)pp*

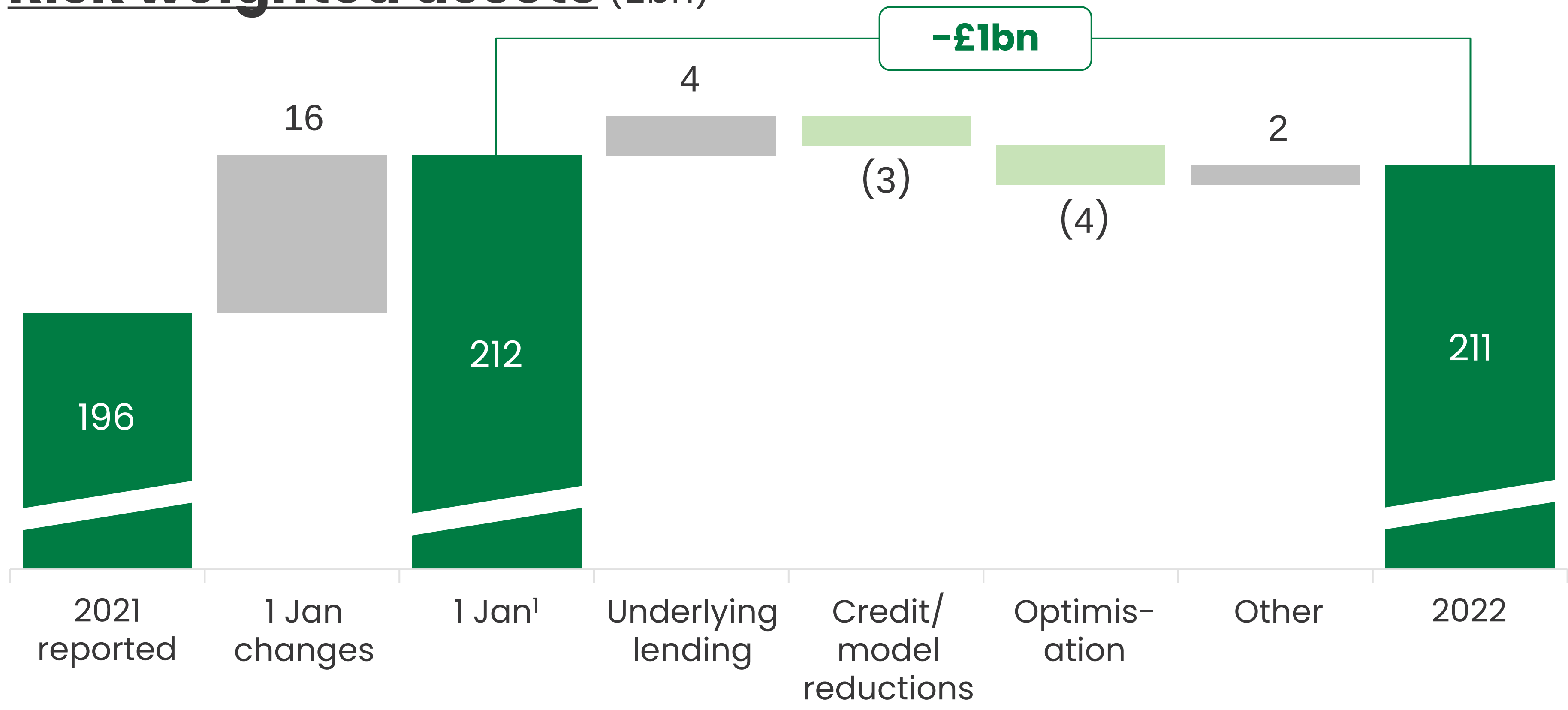
Tangible net asset value per share (pence)



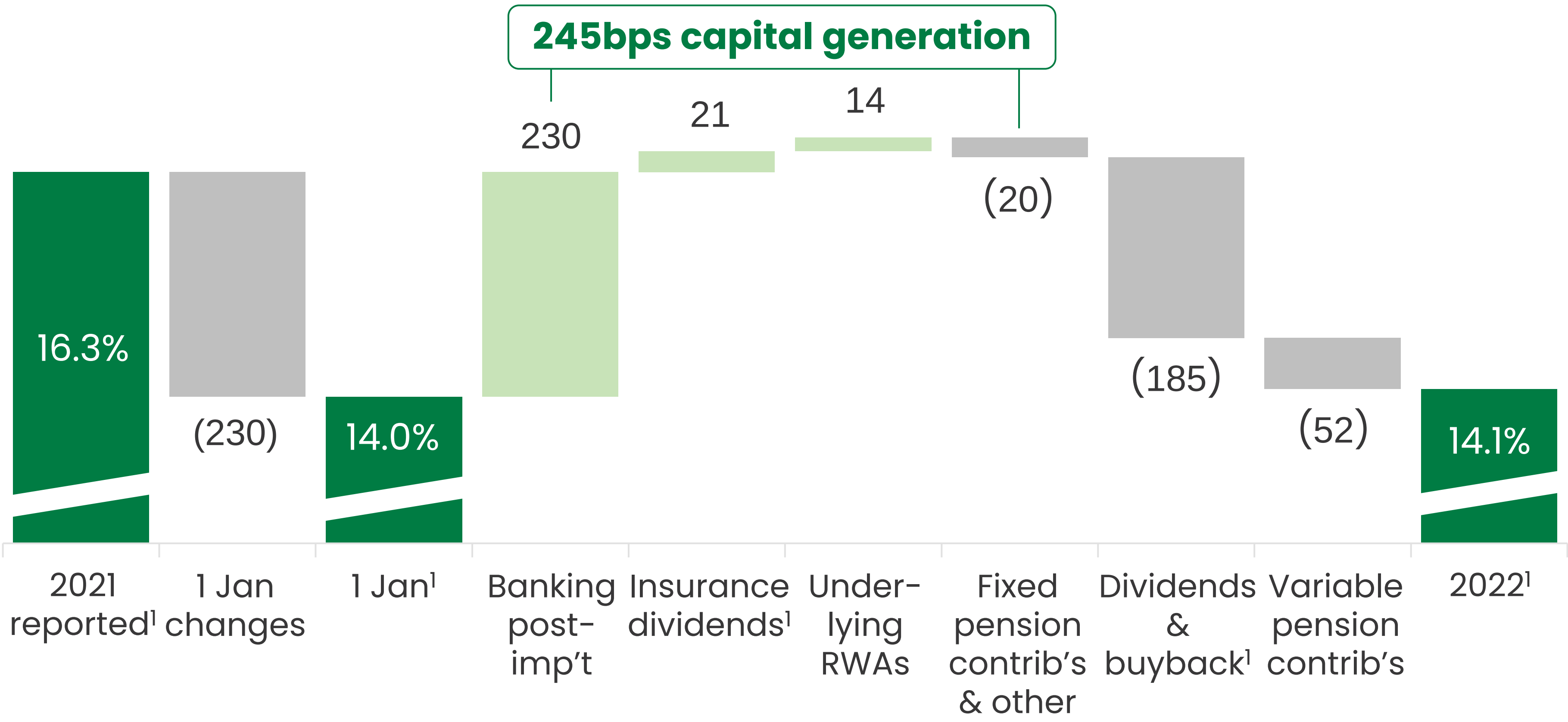
- **Underlying and statutory profit converging**
- **Restructuring costs £80m, including Embark integration costs**
- **Negative market volatility impact, alongside usual fair value unwind**
- **RoTE 13.5%; expect c.13% RoTE in 2023**
- **TNAV 51.9p, down 5.6p in 2022, largely driven by cashflow hedge reserve; up 2.9p in Q4**
- **After 1 Jan 2023 IFRS 17 impact, TNAV expected to benefit from unwind of 2022 headwinds**
  - Cashflow hedge reserve and pension surplus to build into TNAV in near to medium term
  - Buyback lowers share count, building TNAV per share

Strong capital generation; enhanced guidance

Risk weighted assets (£bn)



Common equity tier 1 ratio (%, bps)



- **RWAs down £1bn since 1 Jan 2022, given optimisation and credit/model reductions**
- **CET1 14.1%[1], after additional £400m variable pension contribution in Q4**
- **Strong 245bps capital generation[1], including £400m insurance dividends[2]**
- **Total capital returns equivalent of up to £3.6bn, >10% of market capitalisation value[3]**
  - Final dividend 1.6p; total 2.4p, up 20% on 2021, alongside share buyback of up to £2bn
- **Remain ahead of ongoing target of c.12.5% plus a c.1% management buffer**
- **Expect capital generation c.175bps p.a. across 2023 and 2024**

1 – Shown on a pro forma basis. 2022 excludes unwind of IFRS 9 transitional relief of 15 bps on 01/01/2023. 2 – Insurance dividends relating to 2022 profits. 3 – Market capitalisation at close of business 17/02/2023.

Enhanced guidance highlighting higher, more sustainable, returns

LLOYDS BANKING GROUP

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

Closing remarks

Strong performance; confidence in continued delivery

LLOYDS BANKING GROUP

Purpose

Helping Britain Prosper

- **Purpose driven business** underpinned by financial strength; supporting customers and colleagues
- **Robust financial performance** driving increased capital returns
- **Reaffirming strategy** in a changing environment
- **Good start to new strategy** with early evidence of delivery
- **Financial outlook enhanced**, delivering higher, more sustainable returns

Q&A

IFRS 17 appendix

Reminder of key messages

Overview	• Accounting change impacting phasing of profit recognition for insurance contracts[1] with **no impact on capital** • Implementation 1 Jan 2023; transition document ahead of Q1 and first segmental results at half year
Profit & loss	• New business and associated costs, most one off assumption changes and some volatility deferred to the balance sheet for later recognition via creation of Contractual Service Margin (CSM) and Risk Adjustment (RA). Recognised over period the service is provided through unwind into P&L ○ **Neutral longer term** impact, near term reported other income lower; **2022 other income c.£500m lower if IFRS 17 applied** (partly elevated assumptions benefit in 2022; run rate impact c.£300-400m), partly offset by **lower costs** ○ Exceptional adverse 2022 **volatility impact of c.£400m**, given significant rate movements in the year ○ **Exceptional below the line 2022 accounting impact c.£1.3bn** driven by contract modifications and drives CSM increase c.£1.3bn ○ Restated 2022 RoTE inc. one offs to be lower given P&L impacts; **modest positive RoTE impact** expected thereafter
Balance sheet and capital	• 1 Jan 2022: Group equity reduction c.£1.9bn driven by derecognition of value in force asset, move to best estimate of contract liabilities, creation of new CSM liability (£1.9bn from past IFRS 4 earnings) and establishment of RA (£1.5bn); CSM and RA released to P&L over term of relevant contracts • By 1 Jan 2023: further Group equity reduction from 2022 contract modifications and revised P&L treatment of new business, assumption changes and volatility (as above); net CSM addition from these items will also release to P&L over term of relevant contracts • Combined impact of **mid single digit pence per share reduction in TNAV** at 1 Jan 2023 • **No impact on Group or insurance capital position/generation**, or insurance dividends to Group, as insurance is deconsolidated from Group capital; Solvency II position unchanged; all cashflows unaffected

1 – c.£120bn of gross insurance contract liabilities impacted; at 31/12/2022.

Income spread over contract life; no change to economic value

	IFRS 4	IFRS 17
New business profit	Expected profit recognised on day 1 in income	Day 1 P&L impact deferred on balance sheet and spread over contract life through CSM release
Assumption changes	Recognised immediately in income	Day 1 P&L impact deferred on balance sheet and spread over contract life through CSM release
Value in Force	VIF asset on Group balance sheet	No VIF asset – CSM held on balance sheet as a liability
Acquisition costs	Recognised immediately in costs	Deferred on balance sheet and spread over contract life through CSM release, alongside related income
Market related volatility	Taken in the period	Some volatility spread through CSM (unit linked)
Equity	Net reduction in shareholders' equity as prior periods' earnings restated on IFRS 17 basis with IFRS 4 past earnings derecognised and recognised as CSM	

2022 net income[1] (£m)	IFRS 4	IFRS 17
New business	432	largely deferred to CSM
Assumption changes	348	largely deferred to CSM
Existing business	broadly unchanged	broadly unchanged
Est. CSM and RA release from 1 Jan '22	n/a	c.300

Estimated net 2022 reduction in income c.£500m, partly offset by lower costs; excluding significant assumption change benefit in 2022 implies future net income impact c.£300-400m

2022 volatility[1] (£m)	IFRS 4	IFRS 17
Policyholder tax	441	-
Unit linked (non-equity)	(51)	deferred to CSM[2]
Other[3]	(538)	broadly unchanged

Adverse volatility delta c.£400m in 2022 given significant rate movements

2022 other items[1] (£m)	IFRS 4	IFRS 17
Estimated contract modifications[4]	-	c.(1,300)

Exceptional, below the line accounting impact of contract modifications in 2022

1 – Illustrative impact of the main changes to 2022 profitability from the implementation of IFRS 17. IFRS 17 numbers estimated from year end 2021. 2 – Largely deferred; amount to be deferred under IFRS 17 will differ due to impact of contract boundaries and loss component, but expected to be broadly similar. 3 – Group has taken the risk mitigation option for unit-linked business, meaning the financial impact of basis risk associated with the equity hedge will be taken through the income statement rather than deferred to CSM. 4 – Impact of contract modifications also reflected in CSM liability from 01/01/2023 and released to P&L going forward.

Appendix

Quarterly P&L and key ratios

(£m)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Underlying net interest income	**3,643**	3,394	3,190	2,945	2,893	2,852	2,741	2,677
Underlying other income	**1,438**	1,282	1,268	1,261	1,307	1,336	1,282	1,135
Operating lease depreciation	**(78)**	(82)	(119)	(94)	(78)	(111)	(123)	(148)
Net income	**5,003**	4,594	4,339	4,112	4,122	4,077	3,900	3,664
Operating costs	**(2,399)**	(2,187)	(2,151)	(2,098)	(2,246)	(2,013)	(2,008)	(2,045)
Remediation	**(166)**	(10)	(27)	(52)	(775)	(100)	(360)	(65)
Total costs	**(2,565)**	(2,197)	(2,178)	(2,150)	(3,021)	(2,113)	(2,368)	(2,110)
Underlying profit before impairment	**2,438**	2,397	2,161	1,962	1,101	1,964	1,532	1,554
Underlying impairment (charge) credit	**(465)**	(668)	(200)	(177)	532	119	374	360
Underlying profit	**1,973**	1,729	1,961	1,785	1,633	2,083	1,906	1,914
Restructuring	**(11)**	(22)	(23)	(24)	(418)	(24)	6	(16)
Volatility and other items	**(203)**	(199)	100	(138)	(247)	(30)	95	–
Statutory profit before tax	**1,759**	1,508	2,038	1,623	968	2,029	2,007	1,898
Statutory profit after tax	**1,520**	1,209	1,622	1,204	420	1,600	2,468	1,397
Net interest margin	**3.22%**	2.98%	2.87%	2.68%	2.57%	2.55%	2.51%	2.49%
Average interest earning assets	**£454bn**	£455bn	£451bn	£448bn	£449bn	£447bn	£442bn	£439bn
Cost: income ratio	**51.3%**	47.8%	50.2%	52.3%	73.3%	51.8%	60.7%	57.6%
Asset quality ratio	**0.38%**	0.57%	0.17%	0.16%	(0.46)%	(0.10)%	(0.33)%	(0.33)%
Return on tangible equity	**16.3%**	11.9%	15.6%	10.8%	2.9%	14.5%	24.4%	13.9%
Tangible net asset value per share	**51.9p**	49.0p	54.8p	56.5p	57.5p	56.6p	55.6p	52.4p

LLOYDS BANKING GROUP

Updated economic scenarios

Scenario	ECL (£m)	Measure (%)	2022	*vs Q3 2022*	2023	2024	2025	2026	*Ave. 22-26*
Upside (30%)	3,903	GDP	4.1	*0.5*	0.1	1.1	1.7	2.1	*1.8*
		Interest rate	1.94	*(0.22)*	4.95	4.98	4.63	4.58	*4.22*
		Unemployment rate	3.5	*0.2*	2.8	3.0	3.3	3.4	*3.2*
		HPI growth	2.4	*(3.7)*	(2.8)	6.5	9.0	8.0	*4.5*
		CRE price growth	(9.4)	*(18.1)*	8.5	3.5	2.6	2.3	*1.3*
		CPI inflation	9.0	*0.0*	8.3	4.2	3.3	3.0	*5.5*
Base case (30%)	4,593	GDP	4.0	*0.6*	(1.2)	0.5	1.6	2.1	*1.4*
		Interest rate	1.94	*(0.12)*	4.00	3.38	3.00	3.00	*3.06*
		Unemployment rate	3.7	*0.0*	4.5	5.1	5.3	5.1	*4.8*
		HPI growth	2.0	*(3.0)*	(6.9)	(1.2)	2.9	4.4	*0.2*
		CRE price growth	(11.8)	*(14.6)*	(3.3)	0.9	2.8	3.1	*(1.8)*
		CPI inflation	9.0	*(0.1)*	8.3	3.7	2.3	1.7	*5.0*
Downside (30%)	5,773	GDP	3.9	*0.7*	(3.0)	(0.5)	1.4	2.1	*0.8*
		Interest rate	1.94	*(0.06)*	2.93	1.39	0.98	1.04	*1.65*
		Unemployment rate	3.8	*(0.3)*	6.3	7.5	7.6	7.2	*6.5*
		HPI growth	1.6	*(2.3)*	(11.1)	(9.8)	(5.6)	(1.5)	*(5.4)*
		CRE price growth	(13.9)	*(12.5)*	(15.0)	(3.7)	0.4	1.4	*(6.4)*
		CPI inflation	9.0	*0.0*	8.2	3.3	1.3	0.3	*4.4*
Severe downside (10%)	10,032	GDP	3.7	*1.3*	(5.2)	(1.0)	1.3	2.1	*0.1*
		Interest rate – adj.	2.44	*0.0*	7.00	4.88	3.31	3.25	*4.18*
		Unemployment rate	4.1	*(0.8)*	9.0	10.7	10.4	9.7	*8.8*
		HPI growth	1.1	*(1.3)*	(14.8)	(18.0)	(11.5)	(4.2)	*(9.8)*
		CRE price growth	(17.3)	*(8.1)*	(28.8)	(9.9)	(1.3)	3.2	*(11.6)*
		CPI inflation – adj.	9.7	*(0.2)*	14.3	9.0	(4.1)	1.6	*7.7*
Probability weighted	**5,284**								

Updated coverage after revised economic outlook

(£m, unless stated otherwise)[1]	Gross customer L&A (£bn)	Coverage (ex. Recoveries)[2]				Total coverage Q4 2021[1]	ECL Q4 2021	*Write offs & Other*	*P&L charge/ (credit)*	Net ECL incr./ (decr.)	ECL Q4 2022	Write offs & Other FY 2021[3]
		Stage 1	Stage 2	Stage 3	Total							
Retail	367.4	0.2%	3.0%	16.4%	0.9%	0.7%	2,640	*(644)*	*1,373*	729	3,369	(795)
UK Mortgages	*312.7*	*0.0%*	*1.5%*	*12.5%*	*0.5%*	*0.4%*	*1,284*	*11*	*295*	*306*	*1,590*	*(48)*
Cards[4]	*15.0*	*1.5%*	*14.5%*	*50.9%*	*5.1%*	*3.7%*	*531*	*(339)*	*571*	*232*	*763*	*(375)*
Loans & Overdrafts	*10.3*	*2.2%*	*21.4%*	*64.6%*	*6.6%*	*4.7%*	*445*	*(266)*	*499*	*233*	*678*	*(309)*
Motor	*14.6*	*0.8%*	*3.4%*	*52.6%*	*1.7%*	*2.1%*	*298*	*(44)*	*(2)*	*(46)*	*252*	*(52)*
Other	*14.8*	*0.1%*	*2.8%*	*33.1%*	*0.6%*	*0.7%*	*82*	*(6)*	*10*	*4*	*86*	*(11)*
Commercial	95.4	0.3%	4.4%	38.9%	2.0%	1.5%	1,433	*(81)*	*517*	436	1,869	(182)
Other[5]	(3.0)	0.0%	0.0%	66.7%	(0.1)%	4.0%	426	-	*(380)*	(380)	46	1
Total	**459.8**	**0.2%**	**3.2%**	**22.6%**	**1.1%**	**1.0%**	**4,499**	***(725)***	***1,510***	**785**	**5,284**	**(976)**

1 – Figures for Retail, Commercial Banking and Other reflect the new organisation structure; comparatives have been presented on a consistent basis. 2 – Underlying basis. Loans and advances to customers only; excludes £62m of ECL on other assets at 31/12/2022 (£22m at 31/12/2021). 3 – Excludes £178m of non lending related fraud costs now included within operating costs. 4 – Coverage levels reflective of Group write off policy at 4-6 months in arrears. 5 – 31/12/2021 coverage calculation for Other excludes £400m ECL central adjustment (nil at 31/12/2022).

Low mortgage LTVs

	December 2022[1]				2021[1]	2010[1]
	Mainstream	Buy to let	Specialist	Total	Total	Total
Average LTVs	40.9%	46.8%	35.0%	**41.6%**	42.1%	55.6%
New business LTVs	62.3%	58.1%	N/A	**61.7%**	63.3%	60.9%
≤80% LTV	92.6%	99.6%	96.4%	**93.9%**	95.4%	57.0%
>80–90% LTV	5.7%	0.2%	1.2%	**4.7%**	4.1%	16.2%
>90–100% LTV	1.6%	0.1%	1.0%	**1.3%**	0.3%	13.6%
>100% LTV	0.1%	0.1%	1.4%	**0.1%**	0.2%	13.2%
Value >80% LTV	£18.7bn	£0.2bn	£0.2bn	**£19.1bn**	£14.3bn	£146.6bn
Value >100% LTV	£0.2bn	£0.0bn	£0.1bn	**£0.3bn**	£0.5bn	£44.9bn
Gross lending	£253.5bn	£51.6bn	£7.6bn	**£312.7bn**	£308.8bn	£341.1bn

1 – 2021-22 LTVs use Markit's 2019 Halifax HPI; 2010 LTVs use Markit's pre 2019 Halifax HPI and include TSB. Table uses rounded inputs.

Further market updates

H1 2023 results	**Update on strategic progress in the first half of the year**
H2 2023	**Investor seminars on growth opportunities** ○ Deepen and Innovate in Consumer ○ Target our Corporate and Institutional offering
FY 2023 results	**Update on strategic progress**
H1 2024	**Investor seminars on growth opportunities** ○ Create a new mass affluent offering ○ Digitise and diversify our SME business

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.

Classification: Public

Investor Relations contacts

Douglas Radcliffe, Group Investor Relations Director
+44 (0)20 7356 1571
Douglas.Radcliffe@lloydsbanking.com

Edward Sands, Director, Investor Relations
+44 (0)20 7356 1585
Edward.Sands@lloydsbanking.com

Nora Thoden, Director, Investor Relations – ESG
+44 (0)20 7356 2334
Nora.Thoden@lloydsbanking.com

Angela Catlin, Associate Director, Investor Relations
+44 (0)20 7356 1359
Angela.Catlin@lloydsbanking.com