

Investor factbook

2022 Results

LLOYDS
BANKING GROUP



Strong performance; confidence in continued delivery

- **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

£18bn

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

14.1%

Proforma CET1
ratio

£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

Good start to new strategy with early evidence of delivery

- Significant additional support for customers and colleagues given cost of living pressure
- Changing environment supports the strategic business case. Purpose-driven strategy will enable enhanced customer support whilst delivering efficient growth and diversification
- Investing in growth: Strategic investment of £0.9 billion in 2022
- Accelerating efficiency initiatives: cost discipline in an inflationary environment, £0.3 billion of gross cost saves¹
- Mobilising for change: new operating model implemented to deliver change more effectively
- Refreshing team: new organisational structure and leadership team
- Confidence building in strategic financial benefits with early momentum
- Supporting the transition to a low carbon economy with new sector-based 2030 emissions reduction targets, a new net zero ambition for our supply chain, alongside launching our first Group climate transition plan²

Robust financial performance and continued business momentum

- Statutory profit before tax of £6.9 billion (2021: £6.9 billion), with higher net income and lower total costs offset by impairment charges as a result of the revised economic outlook (versus a significant write-back in 2021)
- Net income of £18.0 billion, up 14 per cent, supported by continued recovery in customer activity and UK Bank Rate changes
- Net interest income up 18 per cent, with a stronger net interest margin of 2.94 per cent (3.22 per cent in fourth quarter) and increased average interest-earning assets. Other income of £5.2 billion, up 4 per cent, building confidence in growth potential
- Operating costs of £8.8 billion, up 6 per cent compared to 2021 and in line with guidance, reflecting stable business-as-usual costs despite inflationary pressures, alongside higher planned strategic investment and new business costs.
- Underlying profit before impairment up 46 per cent to £9.0 billion in the year (with £2.4 billion in the fourth quarter)
- Asset quality remains strong and the portfolio well-positioned in the context of cost of living pressures. Impairment charge of £1.5 billion (£0.5 billion in fourth quarter) and an asset quality ratio of 32 basis points reflect strong observed credit performance and a deteriorating economic outlook, partly offset by COVID-19 releases

Continued franchise growth and increased capital returns

- Loans and advances to customers at £454.9 billion were up £6.3 billion in the year; continued growth in open mortgage book
- Customer deposits of £475.3 billion down £1.0 billion in 2022. Loan to deposit ratio of 96 per cent
- Strong pro forma capital generation of 245 basis points³ in the year, based on robust banking performance
- Pro forma CET1 ratio of 14.1 per cent⁴ after capital distributions and further pension contributions, remaining ahead of target
- The Board has recommended a final ordinary dividend of 1.60 pence per share, resulting in a total ordinary dividend for 2022 of 2.40 pence per share, up 20 per cent on prior year; in line with the Group's progressive and sustainable ordinary dividend policy
- Given the strong capital position, the Board has also announced an ordinary share buyback of up to £2.0 billion
- Total capital returns for 2022 of up to £3.6 billion, equivalent to more than 10 per cent⁵ of Group's market capitalisation

1 - Includes savings from both business-as-usual and strategic initiatives. 2 - Published in our Environmental Sustainability Report 2022 which can be found at www.lloydsbankinggroup.com/investors/esg-information.html. 3 - Excluding regulatory changes on 1 January 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.

4 - 31 December 2022 reflects the dividend received from Insurance in February 2023 and the full impact of the announced share buyback, but excludes the impact of the phased unwind of IFRS 9 relief on 1 January 2023. 5 - Market capitalisation as at 17 February 2023.



Key financials

Profit and loss	2022 £m	2021 £m	Change %
Underlying net interest income	13,172	11,163	18
Underlying other income	5,249	5,060	4
Underlying operating lease depreciation	(373)	(460)	19
Net income	18,048	15,763	14
Operating costs	(8,835)	(8,312)	(6)
Remediation	(255)	(1,300)	80
Total costs	(9,090)	(9,612)	5
Underlying impairment (charge) credit	(1,510)	1,385	
Underlying profit	7,448	7,536	(1)
Below the line items	(520)	(634)	18
Statutory profit before tax	6,928	6,902	
Statutory profit after tax	5,555	5,885	(6)
Banking net interest margin	2.94%	2.54%	40bp
Average interest-earning banking assets	£452.0bn	£444.6bn	2
Cost:income ratio	50.4%	61.0%	(10.6)pp
Asset quality ratio	0.32%	(0.31)%	
Return on tangible equity	13.5%	13.8%	(0.3)pp

A - The Group uses a number of alternative performance measures, including underlying profit, in the description of its business performance and financial position. These measures are labelled with a superscript 'A' throughout this document.

1 - 2021 comparatives have been presented to reflect the new cost basis, consistent with the current period.

Key balance sheet metrics	2022 £m	2021 £m	Change %
Mortgages	311.2	307.5	1
Credit cards ¹	14.3	13.8	4
UK Retail unsecured loans	8.7	8.1	7
UK Motor Finance	14.3	14.0	2
Retail other ^{1,2}	15.7	12.9	22
SME and Mid Corporates ¹	37.7	42.5	(11)
Corporate and Institutional ¹	56.0	50.0	12
Other ^{1,3}	(3.0)	(0.2)	
Loans and advances to customers	454.9	448.6	1
Retail current accounts	114.0	111.5	2
Retail relationship savings accounts	166.3	164.5	1
Retail tactical savings accounts	16.1	16.8	(4)
Wealth ¹	14.4	15.6	(8)
Commercial Banking deposits	163.8	167.5	(2)
Central items ¹	0.7	0.4	75
Total customer deposits	475.3	476.3	

1 - The portfolios shown reflect the new organisation structure; comparatives have been presented on a consistent basis.

2 - Primarily Overdrafts, Europe and Wealth.

3 - Includes central fair value hedge accounting adjustments.



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

Enhanced guidance highlighting higher, more sustainable, returns

	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		

Other

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Our reporting

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

See our full reporting suite at www.lloydsbankinggroup.com/investors

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