

# Investor factbook

## 2022 half-year results

LLOYDS  
BANKING GROUP



- Resilient customer franchise
- Strong financial performance with continued business momentum
- Enhanced guidance for 2022
  - NIM now expected to be >280bps
  - AQR now expected to be <20bps
  - RoTE now expected to be c.13%
  - Capital generation expected to be >200bps
- Strength of performance enabling increased interim dividend
- Strategic delivery and business model position the Group well

**£8.5bn**

**Net income** up 12% vs H1 2021

**51.2%**

**Cost:income ratio** down 8.0pp vs H1 2021

**13.2%**

**RoTE** down 6.0pp vs H1 2021

**139bps**

**Pro forma capital generation** in H1 2022<sup>1</sup>

**14.8%**

**Pro forma CET1 ratio** up 0.8pp vs 1 Jan 2022

**0.8p**

**Interim dividend per share** up c.20% on H1 2021

**+68**

**All-channel NPS**, stable vs 2021<sup>2</sup>

**72%**

**Employee engagement**, stable vs 2021

**c.39%**

**Women in senior roles**, up >1pp vs year end 2021

### Strong financial performance with continued business momentum

- Mobilising for strategic priorities across all areas, supported by commencement of incremental strategic investment
- New organisation structure from 1 July 2022 aligned to strategic delivery, with new leadership team in place
- Statutory profit after tax of £2.8 billion (first half of 2021: £3.9 billion), given higher net income being more than offset by the non-repeat of the significant impairment release and the deferred tax credit in the first half of 2021
- Strong revenue growth supported by continued recovery in customer activity and UK Bank Rate changes. Net income of £8.5 billion, up 12 per cent; higher net interest and other income and continued low operating lease depreciation
- Underlying net interest income benefitting from increased average interest-earning banking assets and deposit growth in the first half of 2022 and a stronger banking net interest margin of 2.77 per cent
- Operating costs<sup>3</sup> of £4.2 billion, up 5 per cent compared to the first half of 2021, reflecting stable business-as-usual costs and higher planned strategic investment and new businesses
- Underlying profit before impairment up 34 per cent to £4.1 billion in the first half, driven by strong net income growth
- Asset quality remains strong; portfolio well-positioned in the context of cost of living pressures. Underlying impairment of £0.4 billion reflecting stable and benign observed performance, COVID-19 releases and updated economic outlook including inflationary pressures

### Continued franchise growth and strong capital generation

- Loans and advances to customers up £7.5 billion in the first half to £456.1 billion, including continued growth in the open mortgage book (up £3.3 billion to £296.6 billion)
- Customer deposits up £1.9 billion to £478.2 billion, with continued inflows to the Group's trusted brands. Loan to deposit ratio of 95 per cent continues to provide robust funding and liquidity and potential for growth
- Strong pro forma capital generation<sup>1</sup> of 139 basis points in the first half based on strong banking performance and including benefits from lower risk-weighted assets and the insurance dividend. The Board has declared an interim ordinary dividend of 0.80 pence per share, up c.20 per cent on the prior year and equivalent to £550 million
- Pro forma CET1 ratio of 14.8 per cent (CET1 ratio of 14.7 per cent), remaining ahead of the ongoing target of c.12.5 per cent, plus a management buffer of c.1 per cent. Commitment to consider excess capital returns as usual at year-end

<sup>1</sup> – Excluding regulatory changes on 1 January 2022, variable pension contributions and dividend accrual; inclusive of the interim insurance dividend. <sup>2</sup> – 2021 comparative restated to reflect changes in measurement approach. <sup>3</sup> – See page 27 of the News Release.



## Key financials

	Half-year to 30 Jun 2022 (£m)	Half-year to 30 Jun 2021 (£m)	Change %	Half-year to 31 Dec 2021 (£m)	Change %
<b>Profit and loss</b>					
Underlying net interest income	6,135	5,418	13	5,745	7
Underlying other income	2,529	2,417	5	2,643	(4)
Operating lease depreciation	(213)	(271)	21	(189)	(13)
<b>Net income</b>	<b>8,451</b>	<b>7,564</b>	<b>12</b>	<b>8,199</b>	<b>3</b>
Operating costs <sup>1</sup>	(4,249)	(4,053)	(5)	(4,259)	
Remediation	(79)	(425)	81	(875)	91
<b>Total costs</b>	<b>(4,328)</b>	<b>(4,478)</b>	<b>3</b>	<b>(5,134)</b>	<b>16</b>
<b>Underlying profit before impairment</b>	<b>4,123</b>	<b>3,086</b>	<b>34</b>	<b>3,065</b>	<b>35</b>
Underlying impairment (charge) credit <sup>1</sup>	(377)	734		651	
<b>Underlying profit</b>	<b>3,746</b>	<b>3,820</b>	<b>(2)</b>	<b>3,716</b>	<b>1</b>
Below the line items	(85)	85		(719)	
<b>Statutory profit before tax</b>	<b>3,661</b>	<b>3,905</b>	<b>(6)</b>	<b>2,997</b>	<b>22</b>
<b>Statutory profit after tax</b>	<b>2,826</b>	<b>3,865</b>	<b>(27)</b>	<b>2,020</b>	<b>40</b>
Banking net interest margin	2.77%	2.50%	27bp	2.56%	21bp
Average interest-earning banking assets	£449.6bn	£440.8bn	2	£448.3bn	
Cost:income <sup>1</sup>	51.2%	59.2%	(8.0)pp	62.6%	(11.4)pp
Asset quality ratio <sup>1</sup>	0.17%	(0.33)%		(0.28)%	
Return on tangible equity	13.2%	19.2%	(6.0)pp	8.6%	4.6pp
Tangible net assets per share	54.8p	55.6p	(0.8)p	57.5p	(2.7)p

1 – Comparatives have been presented to reflect the new costs basis, consistent with the current period. See page 28 of the News Release.

	At 30 Jun 2022 £bn	At 31 Mar 2022 £bn	Change %	At 30 Jun 2021 £bn	Change %
<b>Key balance sheet metrics</b>					
Mortgages	309.7	308.7		305.2	1
Credit cards	14.5	14.1	3	13.6	7
UK Retail unsecured loans	8.5	8.2	4	8.0	6
UK Motor Finance	14.2	14.1	1	14.4	(1)
SME and Mid Corporates <sup>1</sup>	40.8	41.7	(2)	44.2	(8)
Corporate and Institutional	51.7	49.0	6	44.9	15
Other	16.7	16.0	4	17.4	(4)
<b>Loans and advances to customers</b>	<b>456.1</b>	<b>451.8</b>	<b>1</b>	<b>447.7</b>	<b>2</b>
Retail current accounts	113.4	113.1		107.3	6
Retail relationship savings accounts	165.8	165.5		161.3	3
Retail tactical savings accounts	16.9	16.7	1	16.4	3
Commercial Banking deposits <sup>1</sup>	166.7	170.3	(2)	174.0	(4)
Wealth and Central Items	15.4	15.5	(1)	15.4	
<b>Total customer deposits</b>	<b>478.2</b>	<b>481.1</b>	<b>(1)</b>	<b>474.4</b>	<b>1</b>

1 – Includes Retail Business Banking.



## Our strategy

A clear strategic vision...

...with a transformation plan...

...creating higher and more sustainable value

**Our purpose**  
**Helping  
Britain  
Prosper**

**Our strategic vision**

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

**Building an  
inclusive  
society**

**Supporting the  
transition to  
a low carbon  
economy**



**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**

## How we create value and what sets us apart

**Purpose-driven and  
customer-focused culture**

Our strategy is directly aligned to our purpose of Helping Britain Prosper and we believe this will enable delivery of sustainable long-term returns. Customers remain at the heart of our strategy.

**Leading UK customer franchise  
with deep customer insight**

Our scale and reach across the UK means that our franchise extends to 26 million customers with over 19 million digitally active. Extensive customer data and analysis ensures we can meet the needs of these customers more effectively.

**All-channel distribution focus with  
digital leadership and trusted brands**

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

**Differentiated business model,  
meeting all consumer and business  
financial needs in one place**

We have a unique customer proposition, serving all our customers' banking and insurance needs in one place through a comprehensive product range.

**Operating at scale with  
cost discipline**

Our scale and efficiency enables us to operate more effectively.

**Financial strength and disciplined  
risk management**

We have a strong capital position and continue to take a disciplined approach to risk, as reflected through the quality of our portfolio and underwriting criteria.

**Dedicated colleagues  
with strong values**

We have a highly engaged, customer focused, diverse, workforce with significant expertise and experience.



## Enabling strategic delivery in H1 2022



Grow

- >£4bn net new money in Insurance and Wealth and 1.5pp growth in protection market share
- >20% increase in percentage share of FX wallet and 10% growth in new merchant services clients
- Green lending on target: c.£4bn sustainable financing<sup>1</sup> and funding for electric vehicles up >£0.9bn



Focus

- Continued cost discipline with BAU cost savings



Change

- New organisation structure and leadership team aligned to delivering strategic objectives
- New operating model implemented to deliver change more effectively
- £0.3bn strategic investment so far

1 - Includes Clean Growth Finance Initiative, Commercial Real Estate Green Lending, Renewable Energy Financing, Sustainability Linked Loans and Green, ESG and Social Bond facilitation.

## Positioned to navigate external uncertainties

- Personal and business customers **demonstrating resilience** with **strong asset quality trends**
- **Cards spending higher** than 2019 and **customers adapting** behaviour to manage their finances
- **Deposits up almost £70bn** since end 2019; **over half** of customers have **increased savings**
- **Well placed** for cost of living stress
- **Deep customer insight** enabling targeted engagement
- **Additional digital functionality** including credit scoring hub and online customer support
- Specialist Relationship Managers available for **dedicated support**
- **Early support for colleagues** through one-off **£1,000** payment<sup>1</sup>

1 - Pro rated by contracted hours.

## Other

### Contacts

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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](http://www.lloydsbankinggroup.com/investors)

### Statements to note

This 2022 half-year results update should be read in conjunction with Lloyds Banking Group's 2022 half-year results. This update is provided for information purposes only, and is not intended to be a substitute for reading the 2022 half-year results.