

Investor factbook

Q3 2022

LLOYDS
BANKING GROUP



Robust financial results with resilient credit performance and continued business momentum

- Maintaining support for customers and progressing strategic priorities with significant strategic investment
- Supporting the transition to a low carbon economy; announced new sector-based 2030 emissions reduction targets and new net zero ambition for supply chain in our Net Zero Activity Update¹
- Statutory profit after tax of £4.0bn, with higher net income more than offset by impairment charges as a result of the revised economic outlook (versus a significant write-back in 2021)
- Robust revenue growth supported by continued recovery in customer activity and UK Bank Rate changes. Net income of £13.0bn, up 12%
- Underlying net interest income up 15%, significantly driven by a stronger banking net interest margin of 2.84% year to date (2.98% in the third quarter)
- Operating costs of £6.4bn, up 6%, reflecting stable business-as-usual costs alongside higher planned strategic investment and new businesses
- Underlying profit before impairment up 29% to £6.5bn (£2.4bn in the third quarter), given robust net income growth
- Observed asset quality remains strong and the portfolio is well-positioned in the context of cost of living pressures. Underlying impairment of £1.0bn (of which £0.7bn was recognised in the third quarter) reflects a resilient observed credit performance, but impacted by the weakening economic outlook and associated scenarios in the third quarter, partially offset by COVID-19 releases

£13.0bn

Net income up 12% in the first nine months of 2021

50.0%

Cost:income ratio down 6.6pp in the first nine months of 2021

191bps

Capital generation in the first nine months of 2022¹

15.0%

CET1 ratio up 1.1pp vs 1 Jan 2022

12.9%

RoTE, reflecting strong financial performance

0.30%

AQR, increased reflecting revised economic forecasts. Asset quality remains strong

Continued franchise growth and strong capital generation

- Loans and advances to customers at £456.3bn were up £7.7bn in the first nine months and up £0.2bn in the quarter, with continued growth in the open mortgage book
- Customer deposits of £484.3bn were up £8.0bn in the first nine months and £6.1bn in the quarter. Loan to deposit ratio of 94% continues to provide robust funding and liquidity and potential for growth
- Capital generation of 191bps² in the first nine months based on robust banking performance and including the Insurance dividend paid in July 2022
- CET1 ratio of 15.0% after ordinary dividend and variable pension contributions, remaining well ahead of ongoing target (c.12.5% plus management buffer of c.1%). Commitment to consider excess capital returns as usual at year-end

Outlook

Given the robust financial performance in the first nine months of 2022 and incorporating revised macroeconomic forecasts in the third quarter, the Group is updating its 2022 guidance:

- Banking net interest margin now expected to be greater than 290bps
- Operating costs expected to be c.£8.8bn
- Asset quality ratio now expected to be c.30bps
- Return on tangible equity expected to be c.13%
- Risk-weighted assets at the end of 2022 expected to be c.£210bn
- Capital generation now expected to be between 225 and 250bps²

1 - The Net Zero Activity Update can be found at www.lloydsbankinggroup.com/investors/esg-information.html.

2 - Excluding regulatory changes on 1 January 2022, ordinary dividend and variable pension contributions.



Key financials

	Nine months ended 30 Sep 2022 (£m)	Nine months ended 30 Sep 2021 (£m)	Change %	Three months ended 30 Sep 2022 (£m)	Three months ended 30 Sep 2021 (£m)	Change %
Profit and loss						
Underlying net interest income	9,529	8,270	15	3,394	2,852	19
Underlying other income	3,811	3,753	2	1,282	1,336	(4)
Operating lease depreciation	(295)	(382)	23	(82)	(111)	26
Net income	13,045	11,641	12	4,594	4,077	13
Operating costs ¹	(6,436)	(6,066)	(6)	(2,187)	(2,013)	(9)
Remediation	(89)	(525)	83	(10)	(100)	90
Total costs	(6,525)	(6,591)	1	(2,197)	(2,113)	(4)
Underlying profit before impairment	6,520	5,050	29	2,397	1,964	22
Underlying impairment (charge) credit ¹	(1,045)	853		(668)	119	
Underlying profit	5,475	5,903	(7)	1,729	2,083	(17)
Below the line items	(306)	31		(221)	(54)	
Statutory profit before tax	5,169	5,934	(13)	1,508	2,029	(26)
Statutory profit after tax	4,035	5,465	(26)	1,209	1,600	(24)
Banking net interest margin	2.84%	2.52%	32bp	2.98%	2.55%	43bp
Average interest-earning banking assets	£451.4bn	£443.0bn	2	£454.9bn	£447.2bn	2
Cost:income ¹	50.0%	56.6%	(6.6)pp	47.8%	51.8%	(4.0)pp
Asset quality ratio ¹	0.30%	(0.25)%		0.57%	(0.10)%	
Return on tangible equity	12.9%	17.6%	(4.7)pp	11.9%	14.5%	(2.6)pp

1 - 2021 comparatives have been presented to reflect the new costs basis, consistent with the current period. See page 21.

	At 30 Sep 2022 £bn	At 30 Jun 2022 £bn	Change %	At 31 Dec 2021 £bn	Change %
Key balance sheet metrics					
Mortgages	310.7	309.7		307.5	1
Credit cards	14.3	14.2	1	13.8	4
UK Retail unsecured loans	8.8	8.5	4	8.1	9
UK Motor Finance	14.2	14.2		14.0	1
Retail other ¹	14.0	13.5	4	11.9	18
Wealth ²	1.0	1.0		1.0	
Small and Medium Businesses ²	39.8	41.1	(3)	42.5	(6)
Corporate and Institutional Banking ²	57.6	55.7	3	50.0	15
Central items ^{2,3}	(4.1)	(1.8)		(0.2)	
Loans and advances to customers	456.3	456.1		448.6	2
Retail current accounts	115.7	113.4	2	111.5	4
Retail relationship savings accounts	165.7	165.8		164.5	1
Retail tactical savings accounts	16.2	16.9	(4)	16.8	(4)
Wealth ²	14.9	14.9		15.6	(4)
Commercial Banking deposits	170.2	166.7	2	167.5	2
Central Items ²	1.6	0.5		0.4	
Total customer deposits	484.3	478.2	1	476.3	2
Tangible net assets per share	49.0p	54.8p	(5.8)p	57.5p	(8.5)p

1 - Primarily Europe. 2 - The portfolios shown reflect the new organisation structure; comparatives have been presented on a consistent basis. 3 - Includes centralised fair value hedge accounting adjustments. At 30 June 2022 included a £200m ECL central adjustment that was not allocated to specific portfolios (30 September 2021 and 31 December 2021: £400m). In the third quarter of 2022 this central adjustment was released.



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 26m customers with over 19m 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.

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

Statements to note

This 2022 Q3 update should be read in conjunction with Lloyds Banking Group's 2022 Q3 interim management statement. This update is provided for information purposes only, and is not intended to be a substitute for reading the 2022 Q3 interim management statement.