2023 Half Year Results
Fixed Income Presentation

Lloyds Banking Group
26 July 2023

Business and strategic update

Changing external environment, consistent delivery

Purpose

Helping Britain Prosper

- Fully focused on **proactively supporting customers**
- **Group performing well** and as expected
- **Continuing to deliver on strategic ambitions**; committed to 2024 and 2026 strategic benefits
- **Well positioned to deliver for all stakeholders**

Increased focus on supporting customers

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Proactive support for customers and colleagues

- Contacted >10m savings customers[1] and >200k mortgage customers[2]
- Committed to Mortgage Charter, including payment arrangements and product switching
- Higher rates with an expanded savings offering and awareness; 1.9m savings accounts opened[1]
- Continued contact with >550k business customers with guidance on building financial resilience
- Enhanced tools and resources to support colleagues with their finances

Building an inclusive society

- Lent £5.6bn to first-time buyers; supported c.£1bn new funding to social housing sector in H1
- Market leading Black Business Hub users up c.3x year on year
- New goal to double representation of colleagues in senior roles with a disability by 2025

Supporting the transition to a low carbon economy

- c.£20bn green and sustainable financing[3]; >£20bn discretionary climate aware investment[4]
- Partnering with Green Finance Institute to develop property linked retrofit finance
- Acquisition of Tusker, delivering salary sacrifice schemes for zero/low emission vehicles

1 – In H1 2023. 2 – SVR mortgage customers contacted annually. 3 – £6bn green mortgage lending (at March 2023), £4bn financing for electric vehicles and plug-in hybrid electric vehicles, £11bn sustainable finance for corporate and institutional clients (at June 2023). Rounded numbers; cumulative from January 2022. 4 – Discretionary investment in climate aware strategies through Scottish Widows. Cumulative from January 2021.

Robust delivery consistent with expected trends

Q2 NIM step down

314bps

Q2 net interest margin

Resilience, anticipated mix shift

£470bn

Total deposits

Costs in line

£2.2bn

Q2 operating costs

Asset quality remains resilient

29bps

Q2 pre-MES asset quality ratio

Group performing well

13.6%

Q2 return on tangible equity

Increasing returns to shareholders

0.92p

Interim ordinary dividend

Progressing our strategic transformation

A clear strategic vision...

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

...driving a 5-year transformation...

2022
Laying the foundations, early benefits delivery

2023
Building momentum across strategic initiatives

2024
Building on benefits

2025/26
Higher, more sustainable, returns & capital generation

...seeing ongoing progress in H1 2023

Investment on track
£1.4bn strategic investment to date, of which £0.6bn in H1 2023

Adapting to the environment
Managing competitive dynamics across core markets

Building business momentum
Signs of initial progress across growth priorities

Delivering financial benefits
On track to deliver targeted outcomes

Strategic priorities delivered in H1

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Illustrative examples

Grow	Drive revenue growth and diversification	**20.6m** digitally active customers, up c.13% vs. FY21 **Growing mass affluent** customers, alongside proposition developments, e.g. ready-made investments Launched **mobile first onboarding** for sole traders, incorporating point-of-sale card payments solution **c.15% Corporate & Institutional OOI growth**[1] supported by investment in DCM, FX & cash management
Focus	Strengthen cost and capital efficiency	**c.20%** reduction in office footprint to date Customer journey enhancements, e.g. reduced sole trader account opening time up to **15x** **c.50%** of 2024 gross cost savings target realised
Change	Maximise the potential of people, technology and data	**c.290** legacy applications decommissioned to date **1,000** new hires in technology and data roles **15%** reduction in data centres to date

1 – H1 2023 vs H1 2021.

Strategic delivery in H2

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Grow — Drive revenue growth and diversification

Focus — Strengthen cost and capital efficiency

Change — Maximise the potential of people, technology and data

Launch of **dedicated mass affluent proposition**

Scale **'HomeHub'** ecosystem to deliver seamless customer journey

End-to-end digital origination for asset finance and **extend mobile-first onboarding journey** for limited companies

Improve **Markets proposition** across DCM, FX and FI and extend **originate to distribute** capabilities

Continue to deliver on cost initiatives including **increasing change efficiency** and **footprint rationalisation**

Ongoing **modernisation of technology and data capabilities**

Financial update

Robust financial performance

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Financial performance (£m)

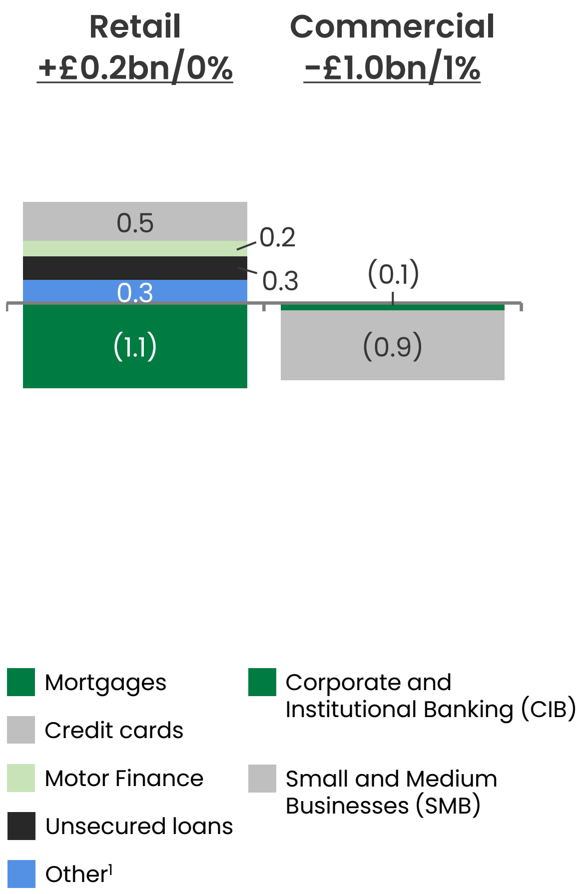
	H1 2023	H1 2022	YoY
Net interest income	**7,004**	6,135	*14%*
Other income	**2,538**	2,367	*7%*
Operating lease depreciation	**(356)**	(213)	*(67)%*
Net income	**9,186**	8,289	*11%*
Total costs inc. Remediation	**(4,483)**	(4,250)	*(5)%*
Underlying profit before impairment	**4,703**	4,039	*16%*
Impairment charge	**(662)**	(377)	*(76)%*
Underlying profit	**4,041**	3,662	*10%*
Statutory profit after tax	**2,864**	2,447	*17%*
Net interest margin	**3.18%**	2.77%	*41bp*
Return on tangible equity	**16.6%**	11.8%	*4.8pp*
Earnings per share	**3.9p**	3.1p	*0.8p*
Tangible net asset value per share	**45.7p**	51.4p	*(5.7)p*
CET1 ratio	**14.2%**	14.7%	*(0.5)pp*

- **Statutory PAT £2.9bn up 17%; H1 RoTE 16.6%**
- **Strong net income, up 11% with NIM 318bps; Q2 margin 314bps, down 8bps vs Q1**
- **Costs up 5% given investment and inflation**
- **Resilient asset quality; £662m impairment charge; pre-MES Q2 stable on Q1**
- **TNAV 45.7p, down 0.8p in H1 and 3.9p in Q2, driven by impact of rates on cash flow hedge reserve**
- **Strong H1 capital generation 111bps; 75bps after regulatory headwinds; CET1 ratio 14.2%**

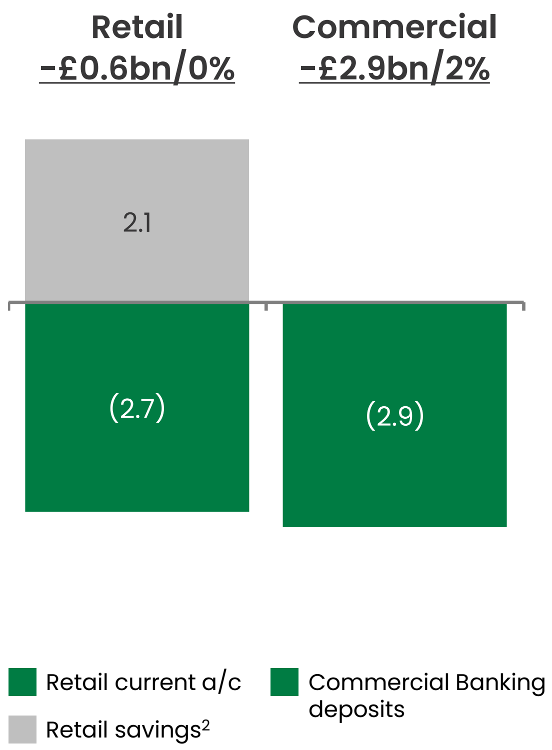
Classification: Public

Resilience in customer franchise

Q2 lending change (£bn)



Q2 deposit change (£bn)



- **Total lending £450.7bn, down £1.6bn or 0.4% in Q2; down 0.9% in H1**
  - Retail flat in Q2; mortgages down £1.1bn vs growth in cards, motor and loans
  - Commercial down £1.0bn in Q2; SMB repayments include CBILS/BBLS
- **Total deposits £469.8bn, down £3.3bn in Q2; down 1.2% in H1**
  - Retail down £0.6bn in Q2; up £2.1bn in savings, down £2.7bn in current accounts
  - Commercial down £2.9bn in Q2, including expected reversal of short-term balances
- **£3.7bn net new money in IP&I in H1; £1.4bn in Q2[3]**

1 – Includes Overdrafts, Europe and Wealth. 2 – Includes Retail relationship savings, Retail tactical savings and Wealth. 3 – Open book assets under administration; excludes market movements.

Classification: Public

Strong net interest income performance

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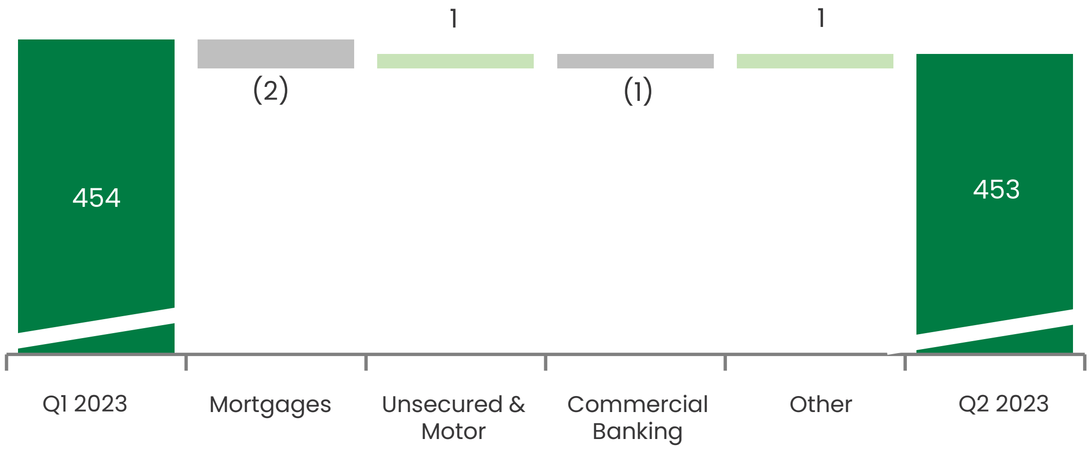
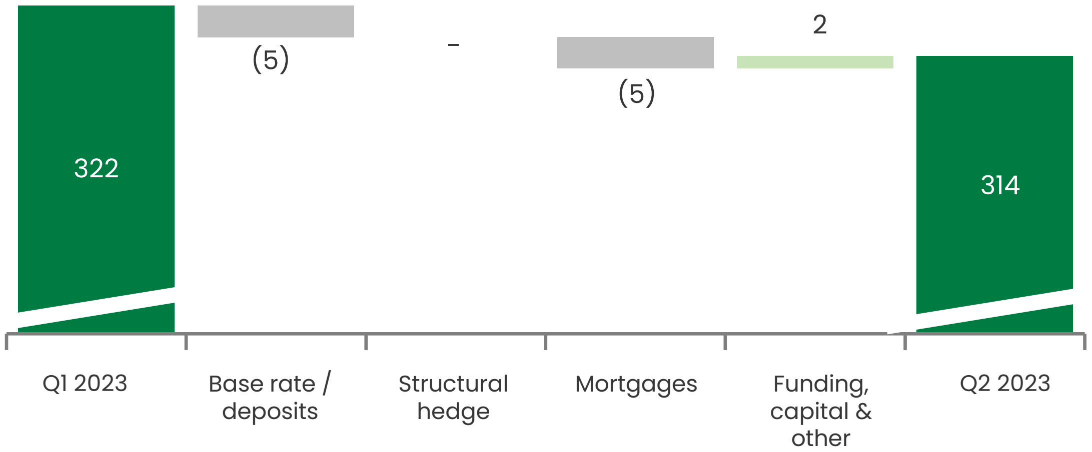
Average interest earning assets (£bn)



Banking net interest margin (bps)

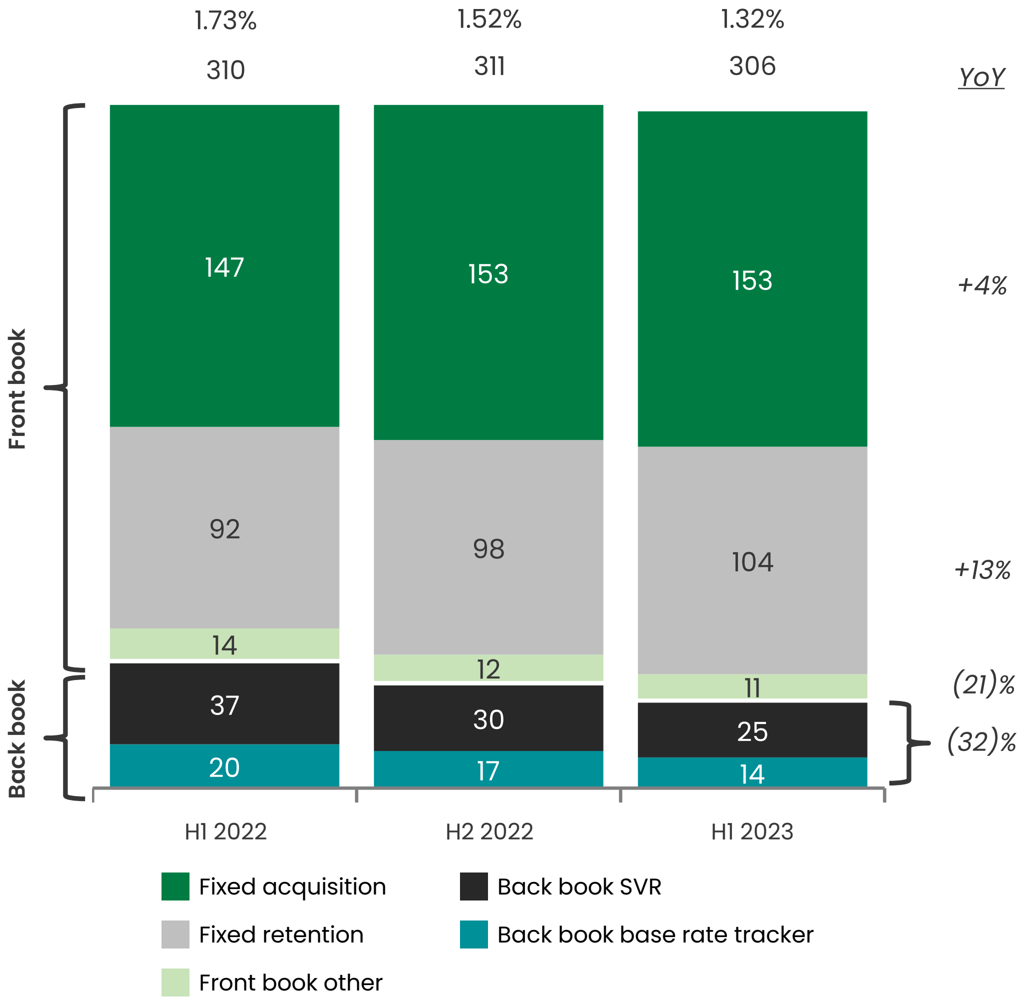


- **NII £7.0bn, up 14% on H1 2022, down 2% in Q2**
  - H1 AIEAs £454bn; Q2 broadly stable vs Q1
  - H1 NIM 318bps including 314bps in Q2, down 8bps vs Q1 given expected headwinds
- **Expect 2023 AIEAs down slightly vs Q4 2022**
  - Unsecured growth offset by lower mortgage balances (including asset sales) and repayment of CBILS/BBLS
- **Now expect 2023 NIM >310bps**
  - YTD base rate impacts, deposit flows better than expectations
  - H2 stronger hedge income, offset by mortgage margin pressure and deposit churn
- **Non-banking NII expected slightly higher in H2**

Classification: Public

Mortgage balances showing underlying resilience

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

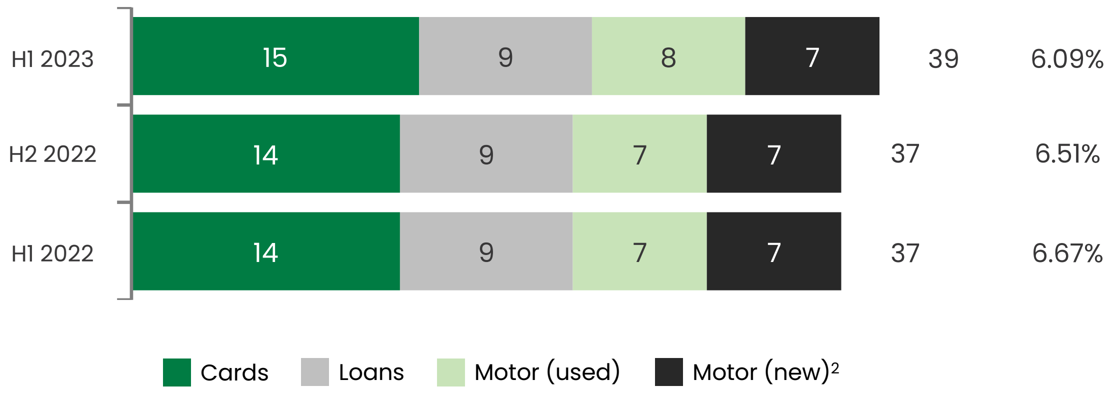


- **Mortgage balances £306bn**
  - Open book down £1.7bn, including £0.7bn in Q2
  - Back book c.£39bn, down £2.4bn in Q2
  - £2.5bn legacy portfolio exit in Q1 2023
- **Group NIM continues to be impacted by maturities of high yielding 2020-21 business**
  - Front book maturities at c.180bps margin in Q2
  - Completion margin average c.50bps in Q2[2]
- **Mortgage lending remains attractive from a returns and economic value perspective**

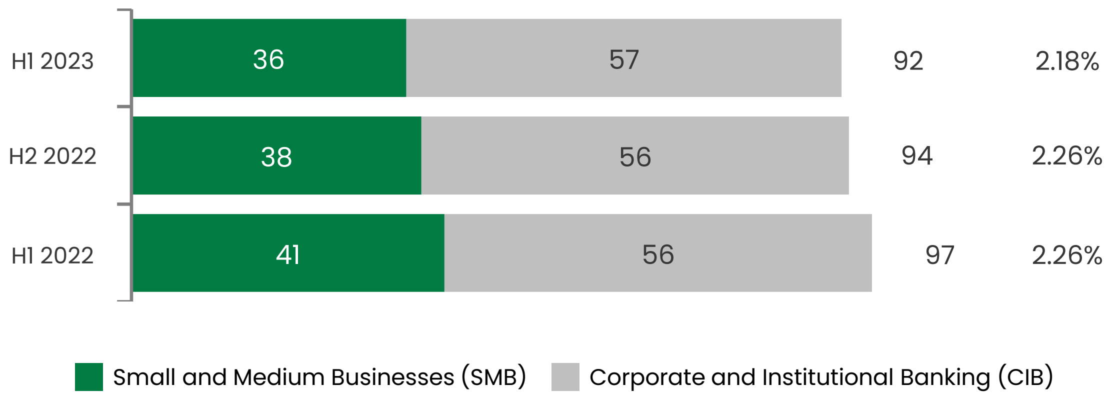
1 – Gross margin is gross customer receivables, less short term funding costs; references SONIA. Chart uses rounded inputs. 2 – Total completion margins include new business and product transfers and is the difference between the customer rate and the relevant funding rate.

Growth in consumer businesses and CIB

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



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

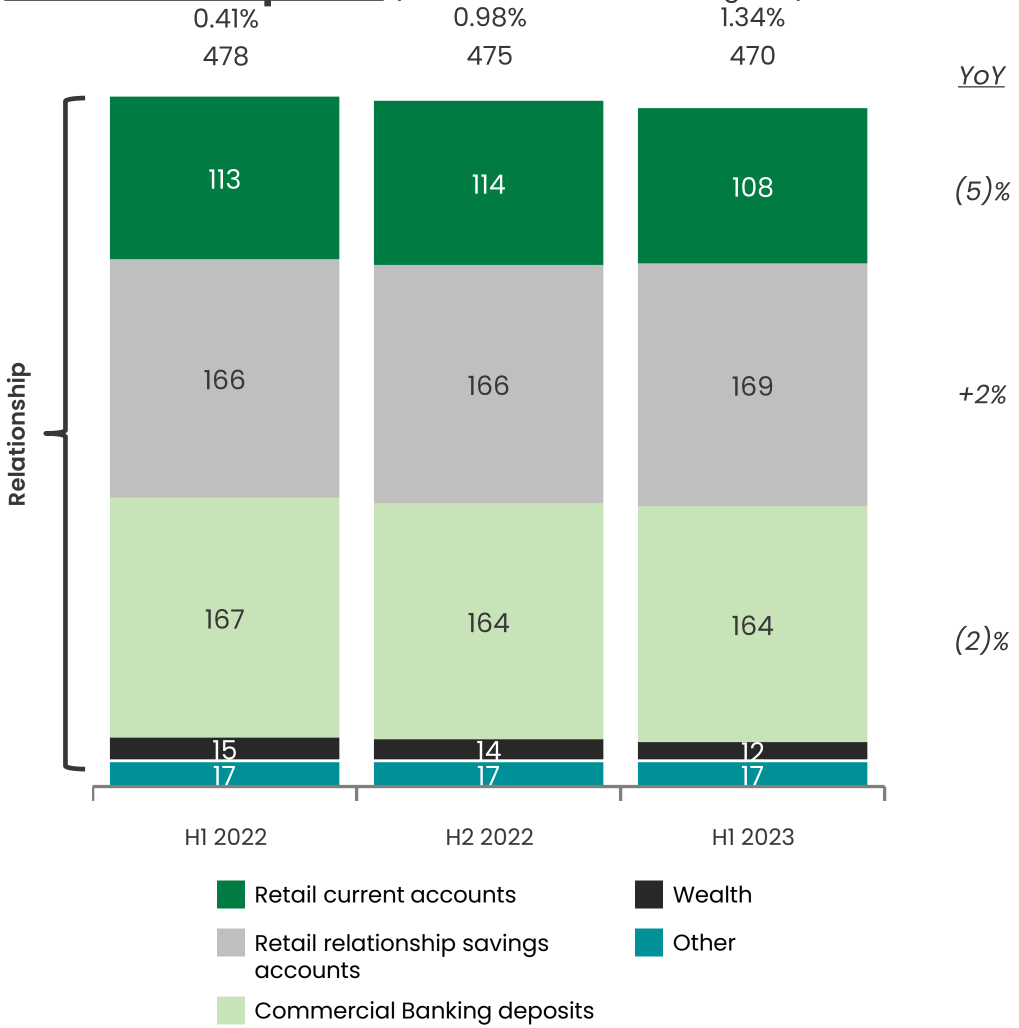


- **UK Cards, Loans & Motor up £1.8bn in H1, including £1.0bn in Q2**
  - Credit cards up £0.6bn in H1 with higher customer spend offset by repayments
  - Loans up £0.6bn in H1 given product innovation and demand
  - UK Motor Finance up £0.6bn in H1 as industry supply constraints continue to ease
- **Commercial Banking loans down £1.6bn in H1**
  - CIB lending up £0.6bn, including client growth and FX impacts
  - Government backed lending balances down c.£1.3bn in H1, impacting net SMB performance

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.

Deposit franchise supporting customer needs

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

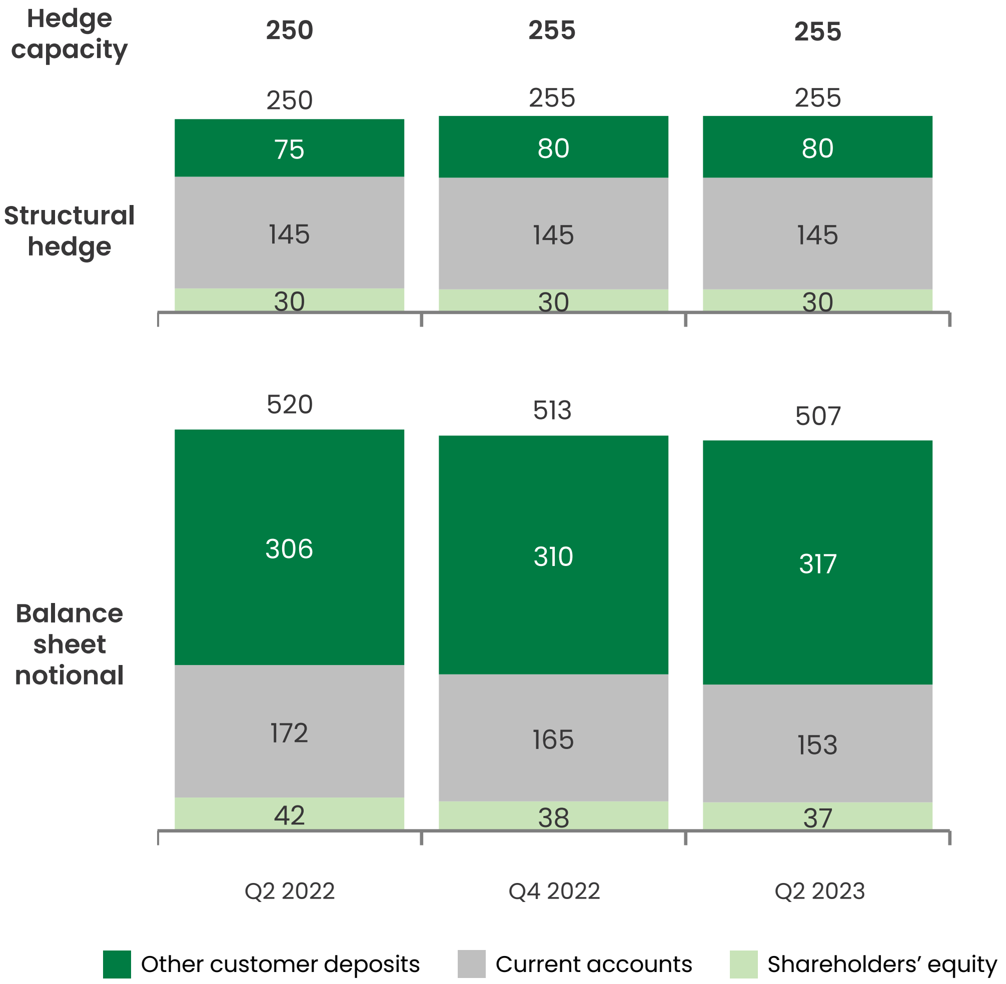


- **Total deposits £469.8bn, down £5.5bn in H1; down £3.3bn in Q2**
- **Retail deposits down £4.9bn in H1, including £0.6bn in Q2**
  - Retail current accounts down £6.2bn / 5.4% in H1 including £2.7bn in Q2; c.£4bn of H1 current account outflows retained within savings
  - Retail relationship savings accounts up £3.1bn in H1, up £2.7bn in Q2
- **Commercial deposits down £0.2bn in H1, including £2.9bn in Q2**
  - SMB flat in Q2 with CIB down, significantly outflows of short term placements
- **Expect continued mix shift in H2**

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

Structural hedge a significant tailwind

Hedged balances[1] (£bn)



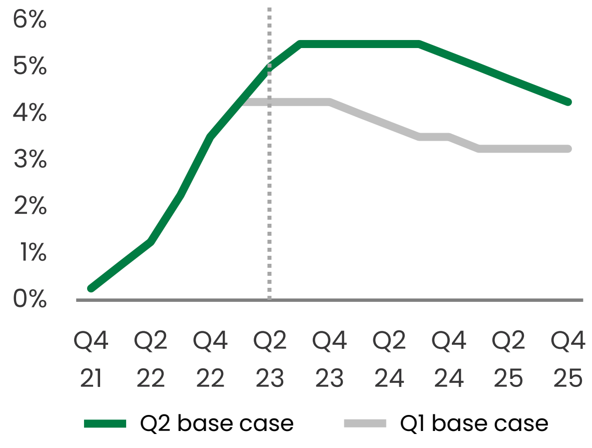
- **Structural hedge approved capacity unchanged at £255bn; c.3.5 year weighted average duration**
- **Prudent management of structural hedge**
  - Expect modest reduction in notional balance in H2 given deposit mix changes
  - c.£20bn maturities in H2 and c.£40bn in 2024
  - Higher rates provide offsetting income tailwinds
- **£1.6bn hedge income in H1**
- ***2023 hedge income still expected to be c.£0.8bn higher than 2022, with a similar increase 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. 2022 shareholders' equity figures restated for IFRS 17.

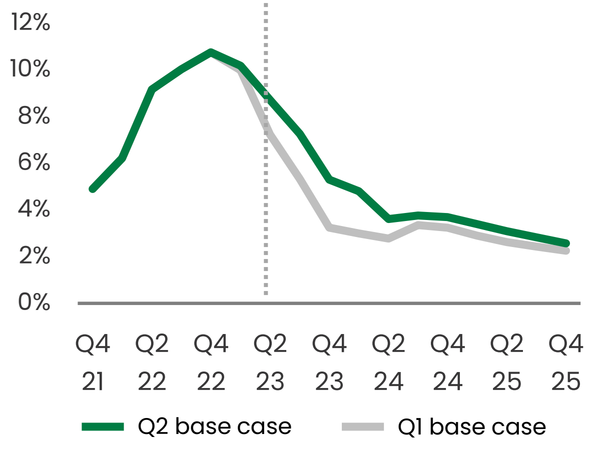
Classification: Public

Updated macroeconomic outlook

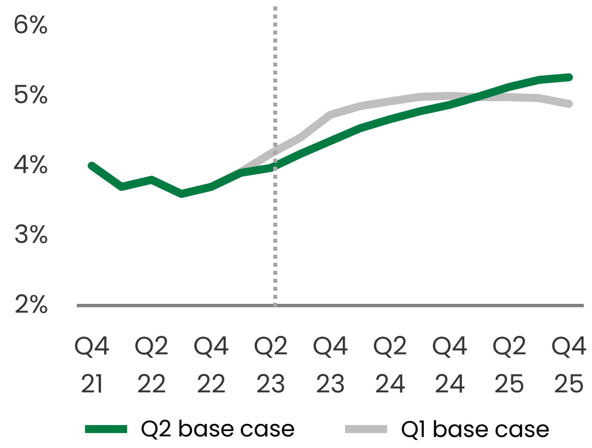
UK bank rate



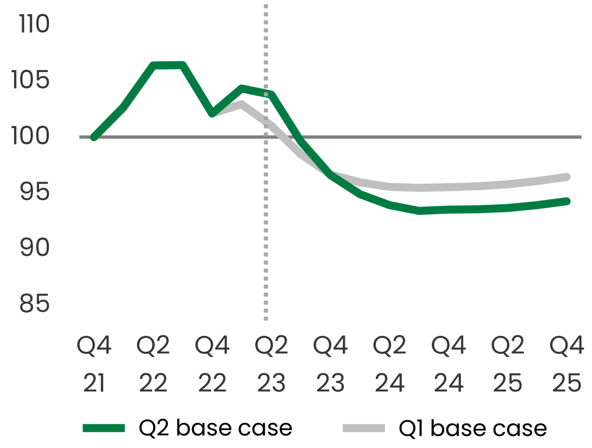
CPI inflation



Unemployment



Indexed house prices



- **Recent growth and inflation resilient, but expect higher base rate to dampen 2024 GDP recovery**
  - GDP expected to rise 0.2% in 2023, versus 0.6% fall assumed at Q1
  - Base rate forecast to peak at 5.5% in Q3 2023
  - Inflation forecast to reduce more slowly, still >5% in Q4 2023
  - 5.3% peak unemployment forecast in 2025
  - After strong house price growth in 2022, expect a fall of c.5% in 2023; peak to trough fall c.12%

Resilient observed asset quality

Impairment[1] (£m)

	Q2	H1 2023	H1 2022	YoY
Charge (credit) pre updated MES[2]	**335**	**657**	**282**	***375***
Retail	*280*	*551*	*285*	*266*
Commercial Banking	*55*	*108*	*(7)*	*115*
Other	*–*	*(2)*	*4*	*(6)*
Updated economic outlook	**84**	**5**	**95**	***(90)***
Retail	*107*	*41*	*171*	*(130)*
Commercial Banking	*(23)*	*(36)*	*124*	*(160)*
Other (COVID central adjustment)	*–*	*–*	*(200)*	*200*
Total impairment charge	**419**	**662**	**377**	***285***

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

		Stage 1	Stage 2	Stage 3	Total
H1 2023	Loans and advances	£379bn	£66bn	£11bn	£456bn
	Coverage	0.2%	3.2%	23.7%	1.2%
H2 2022	Loans and advances	£383bn	£66bn	£11bn	£460bn
	Coverage	0.2%	3.2%	22.6%	1.1%

- **H1 impairment charge £662m, AQR 29bps**
  - H1 pre MES charge £657m includes roll-forward impact of Stage 1 and impact of base rate on recoveries
  - £5m MES charge in H1 reflecting updated outlook
- **£419m charge in Q2, including £84m for MES**
  - Q2 pre MES £335m; AQR 29bps, stable vs Q1
- **Stock of ECL £5.4bn, marginally higher in H1**
- **Stage 3 broadly stable in H1 and Q2**
- **Continue to expect 2023 AQR 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.

Consistently reassuring performance across portfolios

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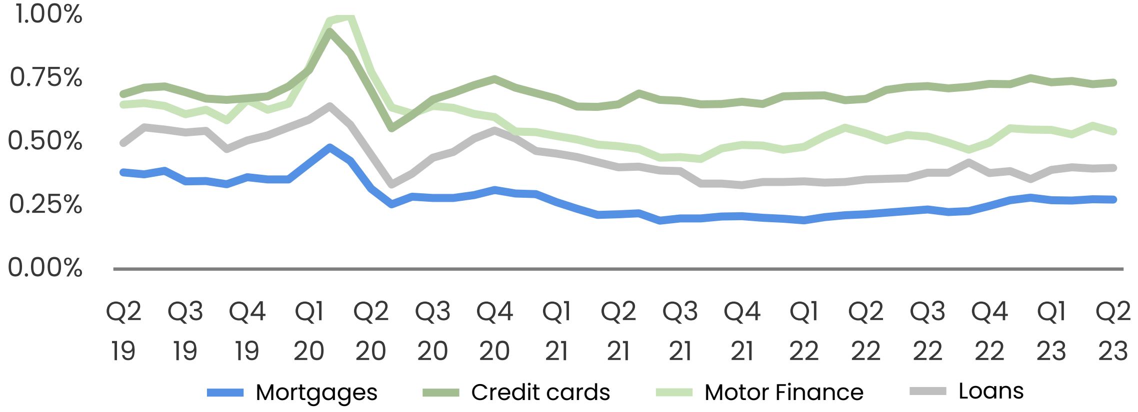
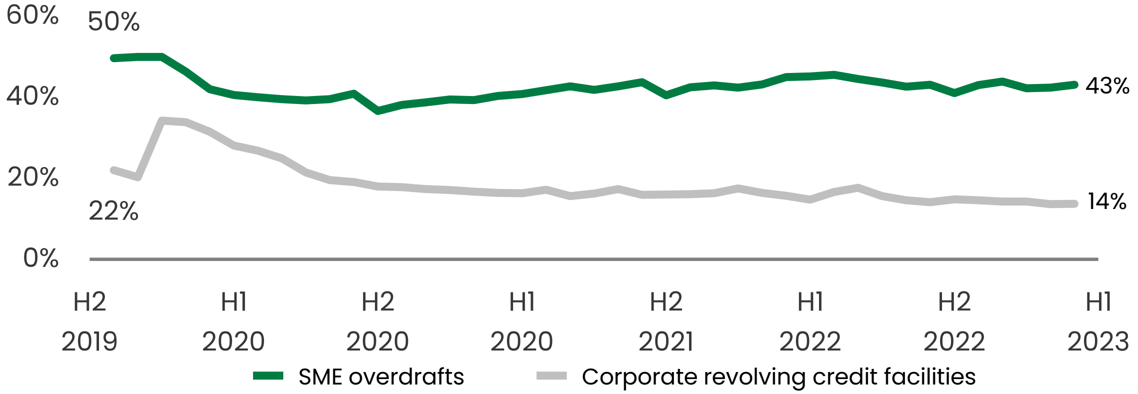
New to arrears as a proportion of total balances

(3 month rolling average, %)



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



- **Modest increase in new to arrears from a low base; broadly similar or lower than pre-pandemic**
- **Stable SME overdraft utilisation trends; RCF utilisation >30% below pre-pandemic**
- **c.90% of SME lending[3] secured; >75% of Commercial exposure[4] at investment grade**
- **Net CRE exposure c.£11bn[5], remains robust**
  - Average interest cover ratio[5] 4.0x, with 80% >2x
  - Average LTV[5] 44%; c.91% with LTV <70%
  - c.15% office, c.12% retail and c.11% industrial; c.41% residential investment

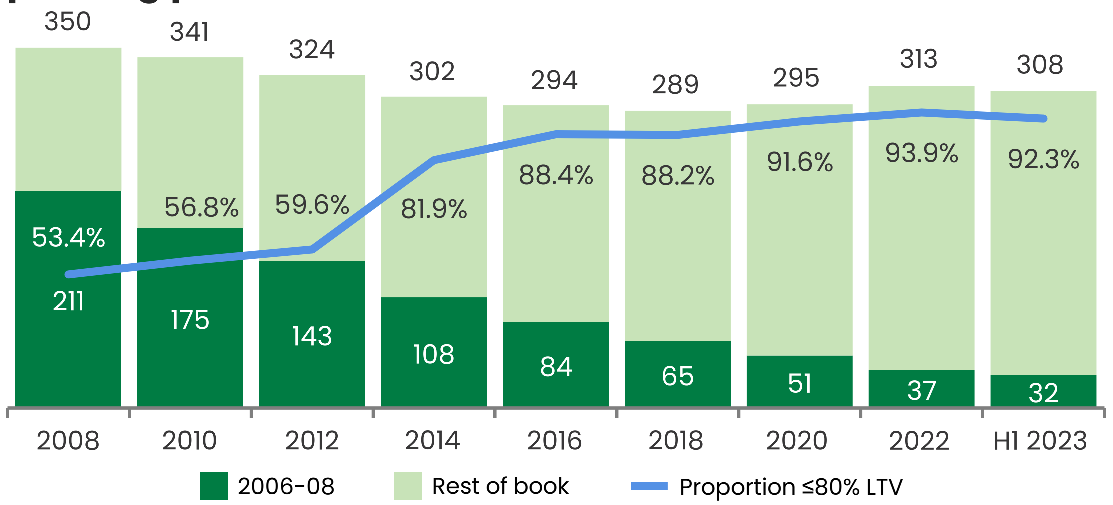
1 – Revolving credit facility. 2 – May 2023. 3 – SME excluding Business Banking; lending fully or partially secured. 4 – Commercial Banking excluding SME and Business Banking. 5 – May 2023; excludes Business Banking, development, CBILS and BBLS.

Mortgage portfolio demonstrating resilience

Gross lending, LTV and new to arrears

	Gross lending, £bn	Loan to value	New to arrears[1] H1 2019	New to arrears[1] H1 2023
2006-08	32	34%	0.7%	0.9%
Rest of book	276	43%	0.3%	0.2%
Total	**308**	**42%**	**0.4%**	**0.3%**

Improving portfolio mix (Balances £bn, LTV %)



- **Mortgage book resilient; arrears below 2019 levels**
  - Modest increase in arrears from legacy variable rate book; 2006-08 average LTV 34%, loan £106k
  - >2/3 of 2006-08 book on tracker or variable rate
- **Portfolio well positioned for higher rates**
  - Average household income >£75k[2]
  - Monthly payments up average £185 for customers refinancing since October
  - H2 / 2024 maturities may see c.£390 increase[3]
  - 2023 maturities[4] tested to ≥6.5% pay rate
- **Total book average LTV 42%; 92% of book ≤80%**

1 – 3 month rolling average. 2 – Relates to mortgage completions in 2023. 3 – Assumes pay rate of c.2% moving to 6.5%. 4 – Residential mortgages originated since 2015.

Robust business performance supporting enhanced 2023 guidance

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Purpose

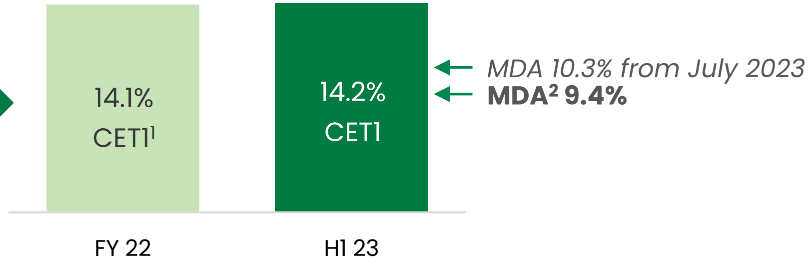
Helping Britain Prosper

- **Robust financial performance**
- **Higher interim dividend**
- **Enhancing guidance for 2023**, delivering higher, more sustainable returns
  - NIM now expected to be >310bps
  - Operating costs expected to be c.£9.1bn
  - AQR expected to c.30bps
  - RoTE now expected to be >14%
  - Capital generation expected to be c.175bps

Capital, funding & liquidity

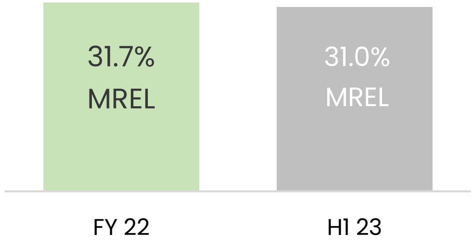
Capital, MREL and liquidity summary

Capital



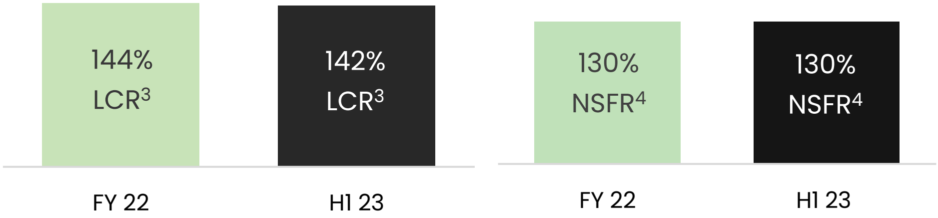
CET1 remains ahead of both regulatory minimum and the ongoing Group target of c.12.5% + c.1% management buffer

MREL



MREL remains strong, and in excess of regulatory requirements of 26.5%

Liquidity

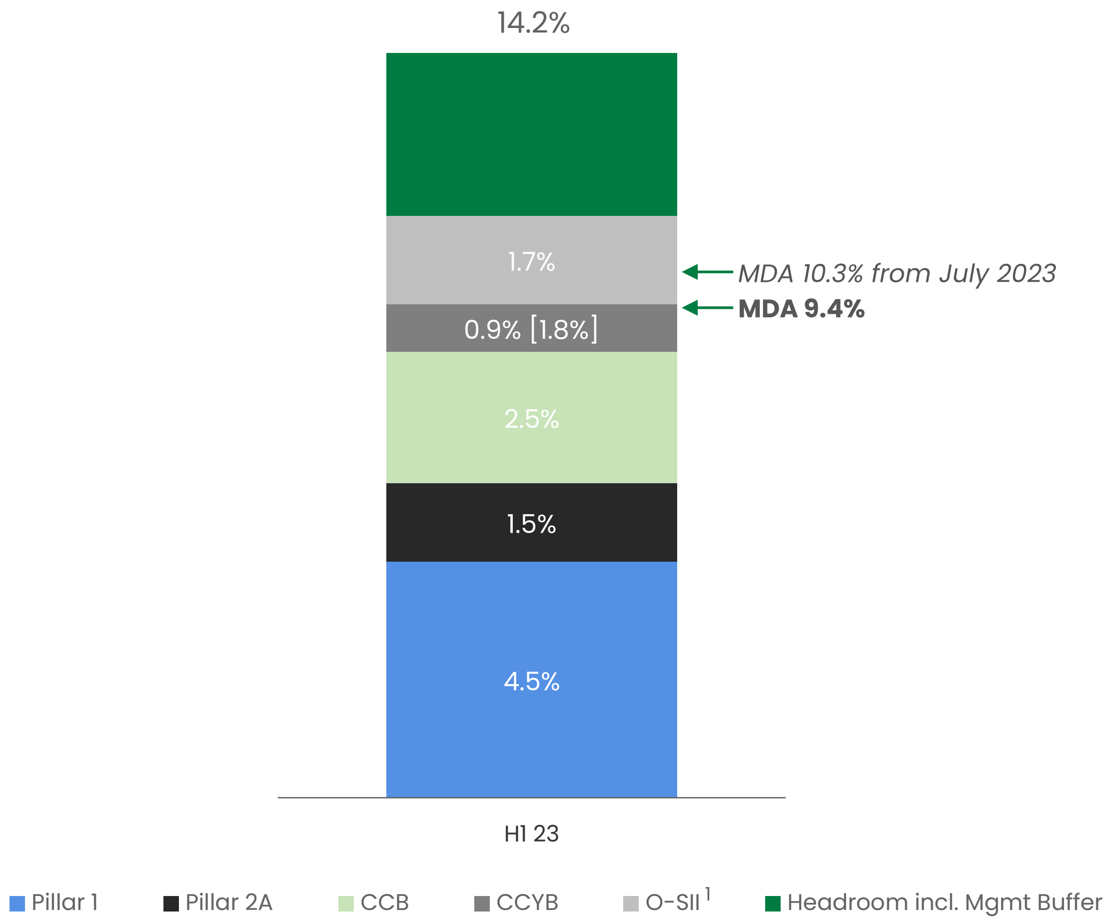


Stable and high-quality liquidity metrics

1 – Proforma CET1 ratio. 2 - The Group's MDA threshold is based on the combined buffer requirement, which excludes the equivalent of the Ring-Fenced Bank's O-SII. 3 – Calculated as an average of month-end observations over the previous 12 months. 4 – Calculated as an average of the four previous quarters.

Capital strength maintained

Common equity tier 1 ratio (%, bps)

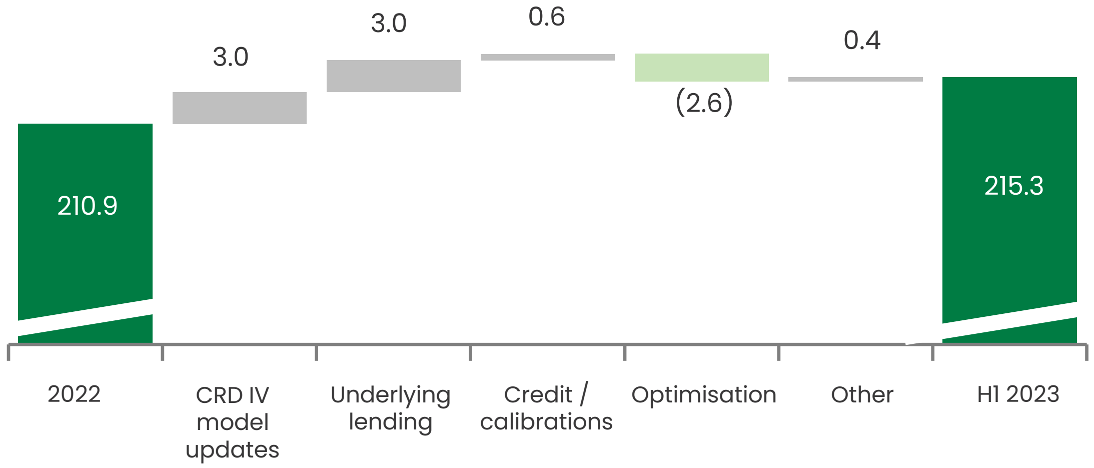


- CET1 ratio of 14.2%; H1 capital build of 111bps
- UK CCyB rate increased from 1% to 2% in July 2023, representing an equivalent increase in the Group's CCyB from 0.9% to 1.8%
- P2A CET1 requirement reduced from 2.0% to 1.5% in October 2022 following update from PRA
- O-SII buffer maintained at 1.7% until reassessment in December 2023; implementation of any change in January 2025
- Leverage ratio of 5.8% well ahead of regulatory requirements of 4.2%[2]
- Resilient balance sheet; LBG comfortably passed the 2023 BoE stress test, with a low point of 11.6% versus a hurdle rate of 6.6%

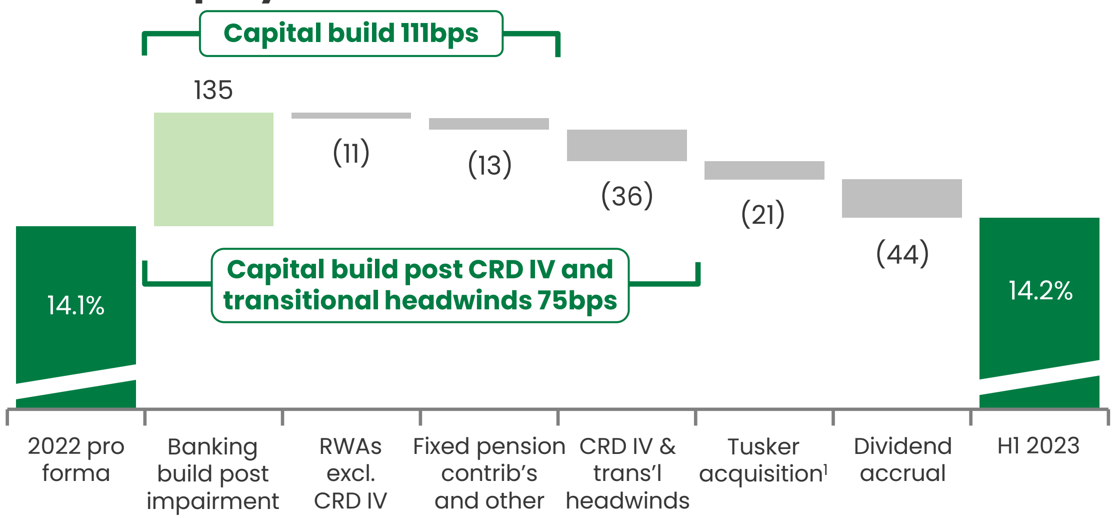
1 – O-SII buffer of 2% is applicable to the RFB sub-group, equating to 1.7% at Group level. 2 – At close 30.06.23, leverage ratio regulatory requirement increased to 4.5% on 05.07.23.

Strong capital generation

Risk weighted assets (£bn)



Common equity tier 1 ratio (%, bps)



- RWAs £215.3bn, up £4.4bn in H1 including £3.0bn adjustment for anticipated CRD IV model impact
- Strong 111bps capital generation after 30bps full fixed pension deficit contributions
- CET1 ratio 14.2%; ahead of ongoing CET1 target of c.12.5% plus a c.1% management buffer
- Dividend accrual 44bps and interim ordinary dividend 0.92p per share, up 15%
- Continue to expect 2023 capital generation, post CRD IV and transitional headwinds, to be c.175bps

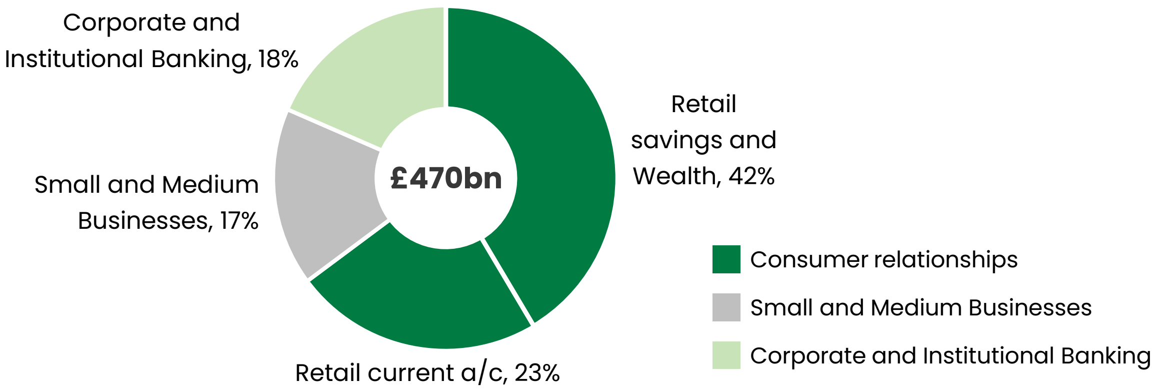
1 – Subject to finalisation of fair value of assets and liabilities, including associated identifiable intangible assets and goodwill.

Classification: Public

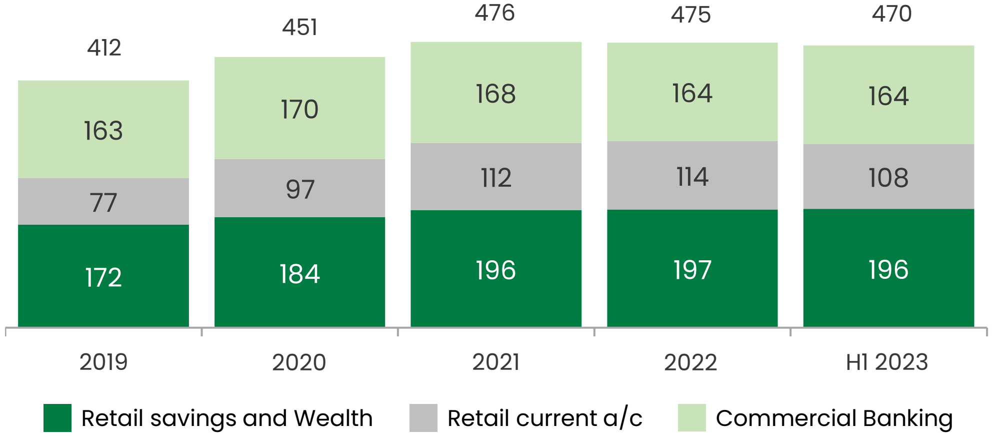
Diversified deposit base; strong liquidity position

Loan to deposit ratio 96%, Net stable funding ratio 130%, Liquidity coverage ratio 142%

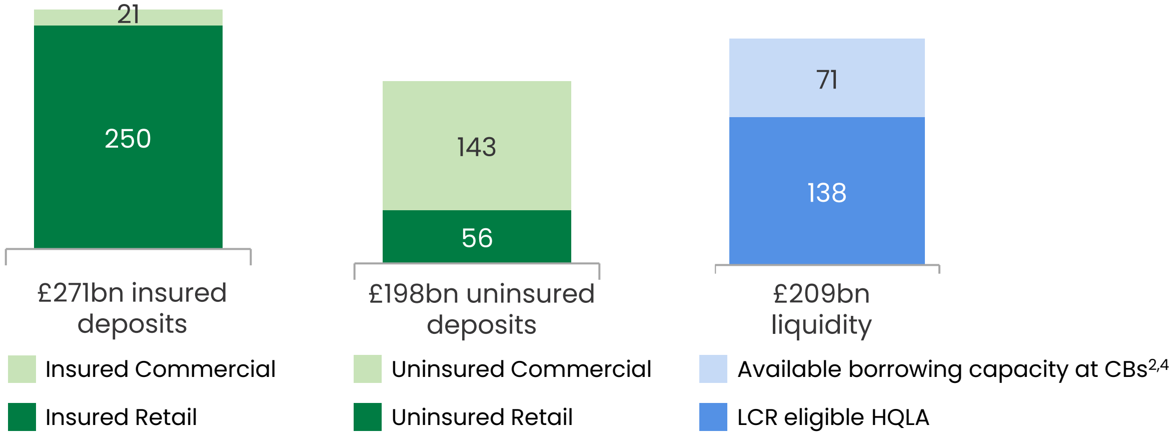
c.65% of deposits in Retail; diversified Commercial balances (£bn)



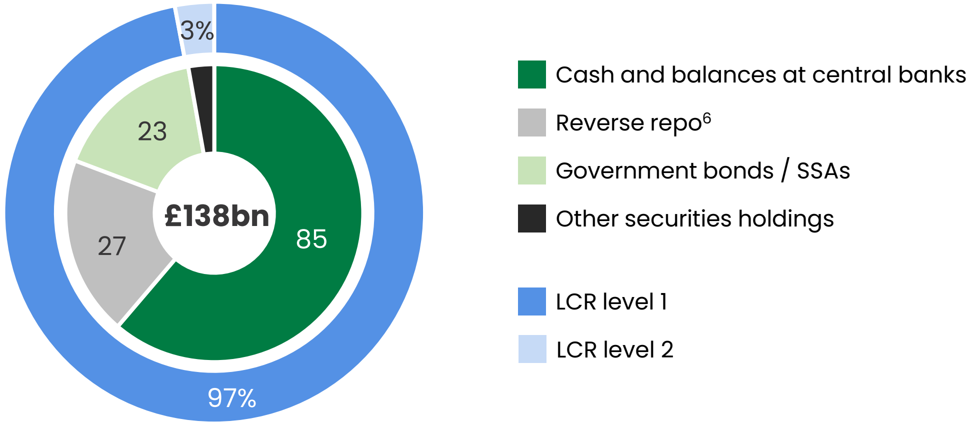
>90% of deposit growth since 2019 in diversified Retail[3] (£bn)



>80% of Retail and 58% of total deposits[1] insured (£bn)



Liquidity portfolio[4] fully hedged for interest rate risk[5] (£bn)



1 - Calculated on a spot basis; charts use rounded inputs. 2 – Central banks. 3 – Chart uses rounded inputs. 4 – Calculated on a 12 month average basis. 5 – Including c.3% of securities held at amortised cost.
6 – Primarily UK Government bonds; netted balance includes reverse repo and other balancing items.

Wholesale funding requirements returning to more normalised levels over strategic plan period

LLOYDS BANKING GROUP

	2023	Issuance principles
HoldCo Senior	<£5bn	Refinancing of maturities
Tier 2	£2-4bn across AT1 and T2	Ongoing refinancing to c.2.5% target
AT1	£2-4bn across AT1 and T2	Ongoing refinancing to c.2.0% target
OpCo	£5-10bn; mainly secured funding at the RFB; senior unsecured at the NRFB	Refinancing of maturities and government borrowing

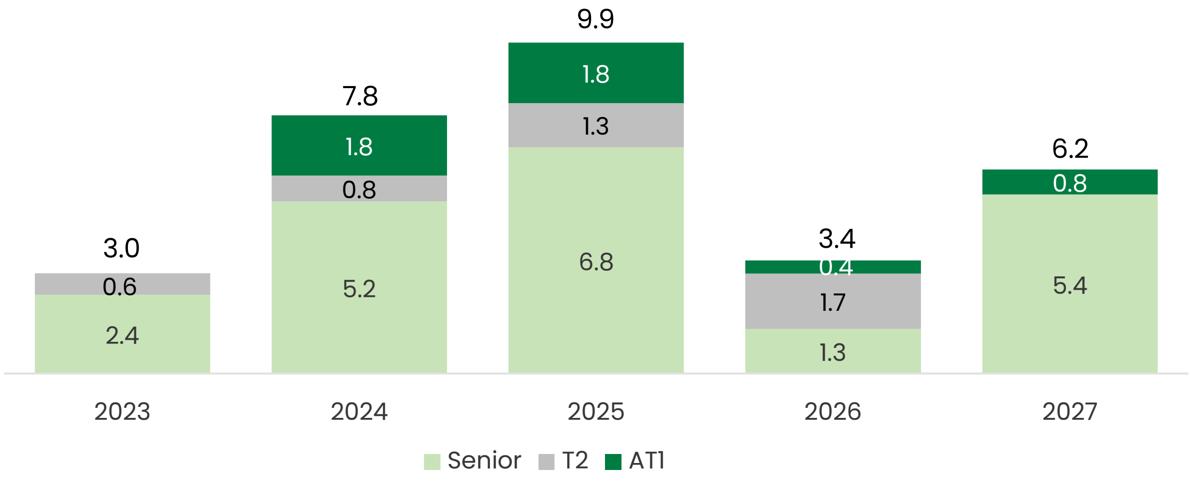
- **c.£4bn remaining of the 2023 issuance plan**
  - Issued Senior HoldCo (£2.6bn), Tier 2 (£750m), AT1 (£1.8bn), Senior OpCo (£650m), Covered Bond (£1.1bn), Securitisation (£1.75bn)
  - Expect further issuance in Senior HoldCo, T2 and Covered Bonds in 2023
  - Not expecting further AT1 issuance this year
- **Expect £15-20bn per annum of wholesale funding needs in 2024 and beyond**

Appendix

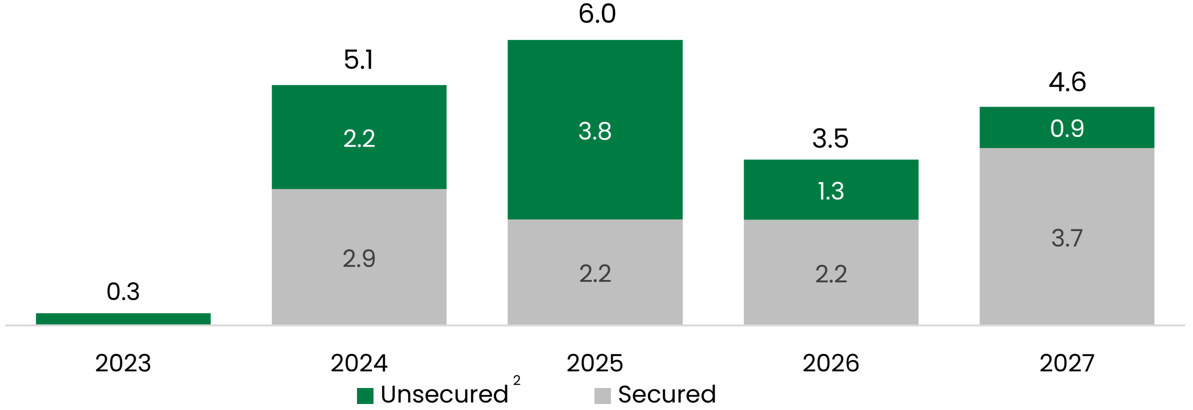
Wholesale funding requirements supported by redemption profile

LLOYDS BANKING GROUP

HoldCo redemption profile (£bn)[1]



OpCo redemption profile (£bn)[1]



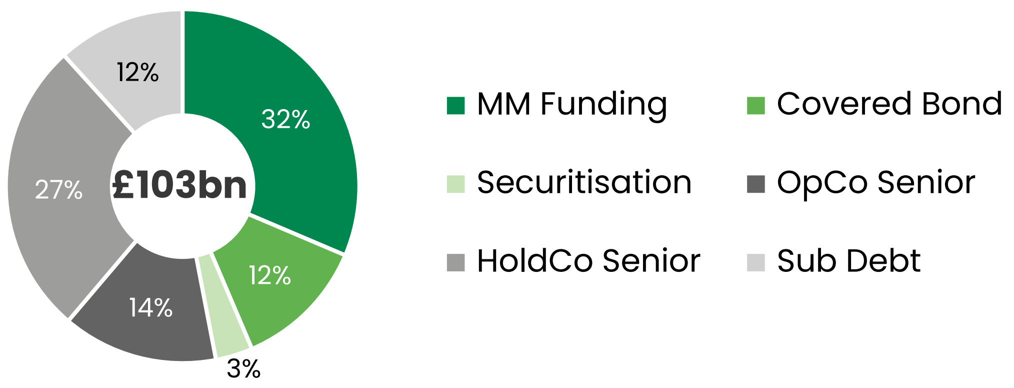
- Redemption profile supports increased issuance, with net supply increasing moderately
- The Group has access to a diverse range of funding programmes, products and markets
- Updated and restarted Permanent RMBS issuance programme

1 – Based on notional value outstanding and FX rate as at close 30.06.2023, redemption profiles reflect first call dates which remain subject to issuer call decision. 2- Includes subordinated debt issued by LBG subsidiaries.

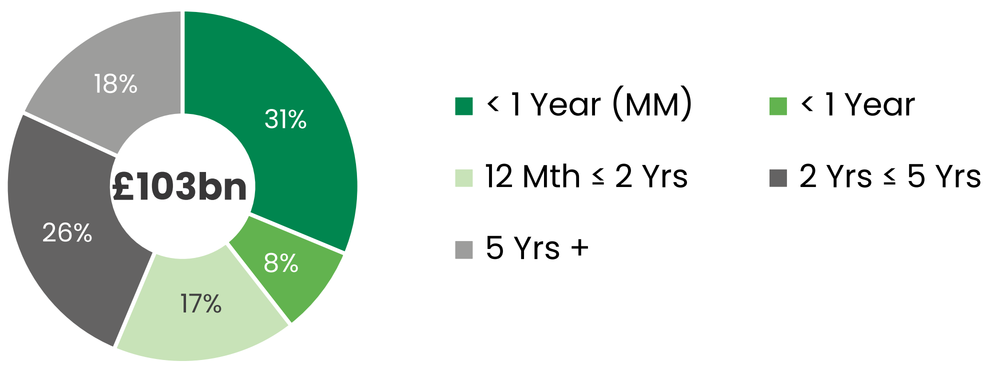
Classification: Public

Diverse funding portfolio as at H1 2023

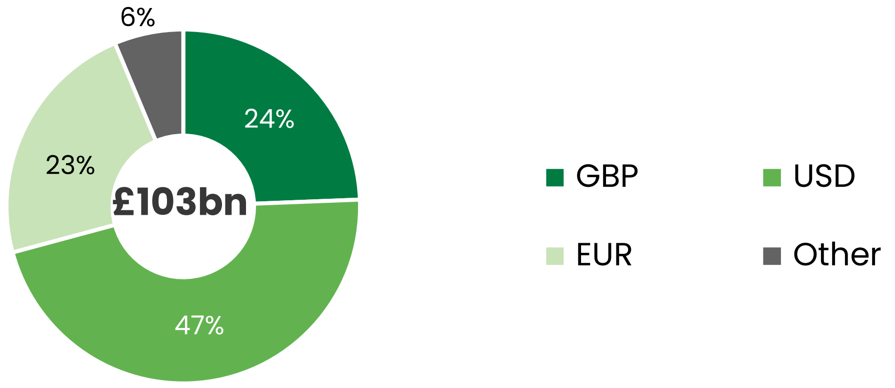
Wholesale funding portfolio by type



Wholesale funding portfolio by maturity



Wholesale funding portfolio by currency



Simple group structure with multiple issuance points

HoldCo

Lloyds Banking Group

BBB+ / A3 / A[1] Sta / Sta / Sta	A-2 / P-2 / F1
Senior Unsecured Capital	-

Ring-Fenced Sub-Group

Lloyds Bank, Bank of Scotland

A+ / A1 / A+ Sta / Neg / Sta	A-1 / P-1 / F1
Senior Unsecured Covered Bonds ABS	CD, CP
L&A: £432bn[3]	Assets: £615bn

EU Sub: Berlin

Non-Ring-Fenced Sub-Group

Lloyds Bank Corporate Markets

A / A1 / A+ Sta / Sta / Sta	A-1 / P-1 / F1
Senior Unsecured	CD, Yankee CD, CP
L&A: £19bn[3]	Assets: £94bn

EU Sub: Frankfurt

Insurance Sub-Group

Scottish Widows [2]

- / A2 / A+ - / Sta / Sta	- / - / F1
Capital	-
L&A: N/A	AuA: £200bn[4]

EU Sub: Luxembourg

Equity Investments Sub-Group

Lloyds Equity Investments

-	-
-	-
L&A: N/A	Assets: £4bn

1 - Ratings shown are senior unsecured in the order of S&P / Moody's / Fitch. 2 – Ratings shown for Scottish Widows are Insurance Financial Strength Ratings. 3 – "L&A" refers to Loans & Advances to customers. 4 – Includes stockbroking.

Strong credit ratings[1] across the Group

		HoldCo	Ring-Fenced Bank	Non-Ring-Fenced Bank	Insurance Sub-Group
	UK Sovereign	**Lloyds Banking Group**	**Lloyds Bank, Bank of Scotland**	**Lloyds Bank Corporate Markets**	**Scottish Widows[2]**
S&P	**AA** Stable	**BBB+** Stable **A-2**	**A+** Stable **A-1**	**A** Stable **A-1**	-
Moody's	**Aa3** Negative	**A3** Stable **P-2**	**A1[3]** Negative **P-1**	**A1** Stable **P-1**	**A2** Stable –
Fitch	**AA-** Negative	**A** Stable **F1**	**A+** Stable **F1**	**A+** Stable **F1**	**A+** Stable **F1**

1 – At close 30.06.23. 2 - Ratings shown for Scottish Widows are Insurance Financial Strength. 3 – Deposits rating is A1/Stable.

Strong ESG ratings supported by clear deliverables

We have identified 4 focus areas where we are best placed to provide significant positive change, enabling us to create a more inclusive society and sustainable future

Enabling regional development

- Focus on opportunities to support housing and physical regeneration
- Increase regional productivity and create high-quality jobs
- Encourage inclusive growth by broadening economic opportunity across the community
- Enable a just transition to net zero

Improving access to quality housing

- Increase access to the benefits of home ownership, including shared ownership
- Support a quality rental and social housing sector
- Increase the availability of specialist housing

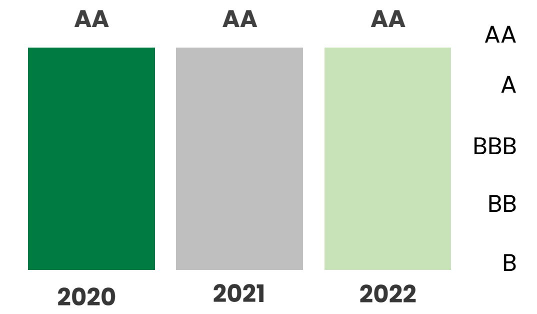
Greening the built environment

- Build on our financing to the social housing and commercial sector
- Broaden the finance and partnerships available to our mortgage customers
- Work on city-scale retrofit in the UK regions

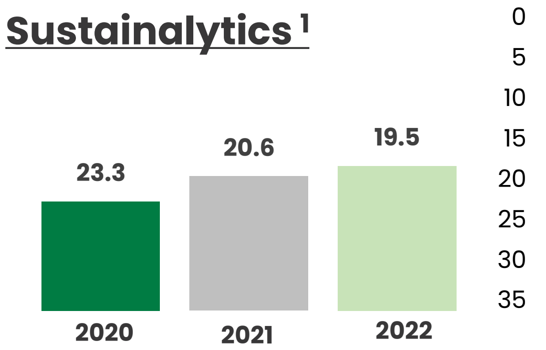
Creating a more inclusive future

- Support the financial needs of all groups of customers, through our services or strategic partnerships
- Provide further support through the increased cost of living
- Make our products, processes and services accessible and inclusive by design
- Create a fully inclusive organisation that is representative of modern-day Britain

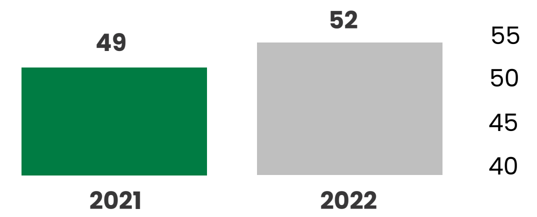
MSCI [1]



Sustainalytics [1]



S&P CSA [1,2]



1 – Ratings shown are all end of year scores and are as of 30/06/2023. 2 – S&P only shows a score for 2021 and 2022 as LBG did not participate in the CSA process in earlier years.

Our Group Climate Transition Plan

We have set several net zero ambitions across our Group to support the decarbonisation of our business in line with limiting global warming to 1.5°C. Our climate transition plan provides the plan and pathway to how we will achieve our Group ambitions and targets

2021

- No new direct financing of new greenfield oil and gas developments
- Maintain travel emissions below 50% of pre pandemic levels

2022

- First round of Net Zero Banking Alliance sector targets published
- Supply Chain net zero ambition published

2023

- Support oil and gas clients to establish credible transition plans
- 10% biodiversity net gain for Citra schemes started in 2023
- Develop Agriculture and Commercial real estate targets
- Deliver education and training on nature
- Citra: Develop operational and supply chain baseline and Citra sustainability strategy
- Full exit from UK thermal coal power by end 2023

2024

- £10bn green mortgage lending by 2024
- £8bn electric vehicle financing by 2024
- £15bn sustainable financing by 2024
- 50% Citra homes started in 2024 developed to Future Homes Standard
- Publish Agriculture and Commercial Real estate sector targets

2025

- £20-25bn SW investment in climate-aware strategies by 2025
- Auto (OEM) and Aviation clients to have set science-aligned targets
- 100% Citra homes started in 2025 developed to Future Homes Standard
- Explore achieving 20% biodiversity net gain for Citra schemes started in 2025
- All new Citra homes with parking to have EV charge point
- Reduce operational waste by 80%

2030

- 50% reduction in bank financed emissions
- 50% reduction in operational energy use
- SW half carbon footprint of all investments
- **Net Zero own operations**
- Full exit from all entities operating thermal coal facilities
- Net Zero Banking Alliance 2030 targets
- 50% reduction in supply chain emissions

2050

- **Net Zero by 2050 or sooner**

Net Zero Ambitions
Other Net Zero Targets and Goals
Sustainable Finance Targets
Nature and Biodiversity

Quarterly P&L and key ratios

(£m)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net interest income	**3,469**	3,535	3,643	3,394	3,190	2,945
Other income	**1,281**	1,257	1,128	1,171	1,185	1,182
Operating lease depreciation	**(216)**	(140)	(78)	(82)	(119)	(94)
Net income	**4,534**	4,652	4,693	4,483	4,256	4,033
Operating costs	**(2,243)**	(2,170)	(2,356)	(2,145)	(2,112)	(2,059)
Remediation	**(51)**	(19)	(166)	(10)	(27)	(52)
Total costs	**(2,294)**	(2,189)	(2,522)	(2,155)	(2,139)	(2,111)
Underlying profit before impairment	**2,240**	2,463	2,171	2,328	2,117	1,922
Impairment charge	**(419)**	(243)	(465)	(668)	(200)	(177)
Underlying profit	**1,821**	2,220	1,706	1,660	1,917	1,745
Restructuring	**(13)**	(12)	(11)	(22)	(23)	(24)
Volatility and other items	**(198)**	52	(638)	(1,062)	(289)	(177)
Statutory profit before tax	**1,610**	2,260	1,057	576	1,605	1,544
Statutory profit after tax	**1,223**	1,641	982	494	1,302	1,145
Net interest margin	**3.14%**	3.22%	3.22%	2.98%	2.87%	2.68%
Average interest earning assets	**£453bn**	£454bn	£454bn	£455bn	£451bn	£448bn
Cost:income ratio	**50.6%**	47.1%	53.7%	48.1%	50.3%	52.3%
Asset quality ratio	**0.36%**	0.22%	0.38%	0.57%	0.17%	0.16%
Return on tangible equity	**13.6%**	19.1%	11.0%	4.2%	13.0%	10.7%
Tangible net asset value per share	**45.7p**	49.6p	46.5p	44.5p	51.4p	53.7p

Updated economic scenarios

Scenario	ECL (£m)	Measure (%)	2023	*vs Q4 2022*	2024	2025	2026	2027	*Ave. 23-27*
Upside (30%)	3,991	GDP	0.8	*0.7*	1.6	0.9	1.5	2.0	*1.3*
		Unemployment rate	3.3	*0.5*	2.7	3.0	3.4	3.3	*3.1*
		HPI growth	(3.3)	*(0.5)*	2.4	7.8	7.5	7.3	*4.3*
		CRE price growth	2.3	*(6.2)*	6.5	1.8	2.4	3.8	*3.4*
		UK Bank Rate	5.39	*0.44*	7.00	6.57	5.76	5.63	*6.07*
		CPI inflation	7.9	*(0.4)*	4.2	3.7	3.3	3.3	*4.5*
Base case (30%)	4,727	GDP	0.2	*1.4*	0.3	0.7	1.5	2.1	*0.9*
		Unemployment rate	4.1	*(0.4)*	4.7	5.2	5.3	5.0	*4.9*
		HPI growth	(5.4)	*1.5*	(3.2)	0.8	2.8	4.8	*(0.1)*
		CRE price growth	(3.9)	*(0.6)*	(0.2)	(0.3)	1.2	3.8	*0.1*
		UK Bank Rate	5.06	*1.06*	5.44	4.63	3.69	3.50	*4.46*
		CPI inflation	7.9	*(0.4)*	4.0	3.0	2.2	2.0	*3.8*
Downside (30%)	5,889	GDP	(0.6)	*2.4*	(1.5)	0.4	1.4	2.1	*0.4*
		Unemployment rate	4.9	*(1.4)*	7.1	7.7	7.6	7.1	*6.9*
		HPI growth	(6.9)	*4.2*	(8.2)	(6.3)	(2.5)	2.2	*(4.4)*
		CRE price growth	(9.2)	*5.8*	(7.0)	(3.7)	(1.4)	2.2	*(3.9)*
		UK Bank Rate	4.73	*1.80*	3.67	2.37	1.30	1.04	*2.62*
		CPI inflation	7.9	*(0.3)*	3.8	2.3	0.9	0.4	*3.1*
Severe downside (10%)	10,372	GDP	(1.5)	*3.7*	(2.8)	0.3	1.2	1.8	*(0.2)*
		Unemployment rate	6.1	*(2.9)*	9.8	10.4	10.1	9.5	*9.2*
		HPI growth	(9.3)	*5.5*	(14.6)	(14.3)	(9.1)	(1.8)	*(9.9)*
		CRE price growth	(17.5)	*11.3*	(16.5)	(9.0)	(6.1)	(0.4)	*(10.1)*
		UK Bank Rate – adj.	5.69	*(1.31)*	7.00	4.94	3.88	3.50	*5.00*
		CPI inflation – adj.	9.8	*(4.5)*	7.4	5.5	4.2	3.9	*6.2*
Probability weighted	**5,419**								

Classification: Public

Updated coverage after revised economic outlook

(£m, unless stated otherwise)	Gross customer L&A (£bn)	Coverage (ex. Recoveries)				Total coverage Q4 2022	ECL Q4 2022	*Write offs & Other*[1]	*P&L charge/ (credit)*	Net ECL incr./ (decr.)	ECL Q2 2023	Write offs & Other H1 2022
		Stage 1	Stage 2	Stage 3	Total							
Retail	365.2	0.2%	2.8%	16.4%	0.9%	0.9%	3,369	*(529)*	*592*	63	3,432	(326)
UK Mortgages	*308.1*	*0.0%*	*1.4%*	*12.6%*	*0.5%*	*0.5%*	*1,590*	*(148)*	*191*	*43*	*1,633*	*11*
Cards	*15.6*	*1.5%*	*15.0%*	*52.3%*	*5.0%*	*5.1%*	*763*	*(191)*	*197*	*6*	*769*	*(174)*
Loans & Overdrafts	*10.9*	*2.3%*	*23.3%*	*66.0%*	*6.4%*	*6.6%*	*678*	*(147)*	*160*	*13*	*691*	*(144)*
Motor	*15.2*	*0.9%*	*3.2%*	*49.2%*	*1.7%*	*1.7%*	*252*	*(44)*	*43*	*(1)*	*251*	*(15)*
Other	*15.5*	*0.1%*	*3.2%*	*38.9%*	*0.6%*	*0.6%*	*86*	*1*	*1*	*2*	*88*	*(4)*
Commercial	93.9	0.3%	5.0%	43.3%	2.1%	2.0%	1,869	*2*	*72*	74	1,943	(35)
Other	(3.3)		0.0%	66.7%			46	*0*	*(2)*	(2)	44	(1)
Total	**455.8**	**0.2%**	**3.2%**	**23.7%**	**1.2%**	**1.1%**	**5,284**	***(527)***	***662***	**135**	**5,419**	**(362)**

1 – UK Mortgages includes £126m relating to the £2.5bn legacy portfolio exit in Q1 2023.

Low mortgage LTVs

	June 2023[1]				2022[1]	2010[1]
	Mainstream	Buy to let	Specialist	Total	Total	Total
Average LTVs	41.6%	47.1%	34.7%	**42.3%**	41.6%	55.6%
New business LTVs	60.9%	53.0%	N/A	**60.2%**	61.7%	60.9%
≤80% LTV	90.7%	99.8%	96.5%	**92.3%**	93.9%	57.0%
>80–90% LTV	7.2%	0.1%	1.1%	**6.0%**	4.7%	16.2%
>90–100% LTV	2.0%	0.0%	1.1%	**1.6%**	1.3%	13.6%
>100% LTV	0.1%	0.1%	1.3%	**0.1%**	0.1%	13.2%
Value >80% LTV	£23.5bn	£0.1bn	£0.2bn	**£23.8bn**	£19.1bn	£146.6bn
Value >100% LTV	£0.2bn	£0.0bn	£0.1bn	**£0.3bn**	£0.3bn	£44.9bn
Gross lending	£253.3bn	£48.9bn	£5.9bn	**£308.1bn**	£312.7bn	£341.1bn

1 – 2022-23 LTVs use Markit's 2019 Halifax HPI; 2010 LTVs use Markit's pre 2019 Halifax HPI and include TSB. Table uses rounded inputs.

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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. 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