

Investor factbook

Q3 2023

LLOYDS
BANKING GROUP



Purpose

Helping
Britain
Prosper

- **Supporting customers**
- **Delivering strategic ambitions**
- **Continued robust financial performance**
- **Reaffirming 2023 financial guidance, with slightly improved asset quality**
 - Banking net interest margin to be greater than 310 basis points
 - Operating costs to be c.£9.1 billion
 - Asset quality ratio now expected to be less than 30 basis points
 - Return on tangible equity to be greater than 14 per cent
 - Capital generation to be c.175 basis points¹
- **Well positioned to deliver for all stakeholders**

Continued robust financial performance and consistent delivery

- Statutory profit after tax of £4.3 billion (£1.4 billion in the third quarter) with net income of £13.7 billion up 7 per cent. Strong return on tangible equity of 16.6 per cent, 16.9 per cent in the third quarter
- Underlying net interest income of £10.4 billion up 10 per cent with a net interest margin of 3.15 per cent. Net interest margin of 3.08 per cent in the third quarter, down 6 basis points in the quarter given the expected mortgage and deposit pricing headwinds. Average interest-earning assets of £453.5 billion, stable versus the fourth quarter of 2022
- Underlying other income of £3.8 billion, 8 per cent higher, reflecting continued recovery of customer activity and ongoing investment in the business as we progress against our strategic initiatives
- Operating lease depreciation of £585 million, up on the previous year given depreciation of higher value vehicles, growth partly from the Tusker acquisition, lower gains on disposal and recent declines in used electric car prices
- Operating costs of £6.7 billion, up 5 per cent and in line with expectations. The Group maintains cost discipline in the context of higher planned strategic investment, new business costs and continued inflationary pressures
- Impairment charge of £0.8 billion and asset quality ratio of 25 basis points, reflecting broadly stable credit trends and resilient asset quality. The portfolio remains well-positioned in the context of the economic environment
- Loans and advances to customers reduced £2.8 billion to £452.1 billion, including a £2.5 billion legacy portfolio exit in the first quarter. Balances increased by £1.4 billion in the third quarter with growth across a number of businesses, including in the open mortgage book (£0.4 billion) and the unsecured and Corporate and Institutional Banking portfolios
- Customer deposits of £470.3 billion down £5.0 billion (1.0 per cent), including a £9.4 billion reduction in Retail current accounts, partly offset by a combined £5.2 billion increase in Retail savings and Wealth balances. Deposits increased by £0.5 billion during the third quarter, given growth in Retail savings
- Strong capital generation of 165 basis points; 129 basis points after CRD IV model changes and phased unwind of IFRS 9 relief
- Pensions triennial review substantially agreed with an additional contribution of £250 million to be paid by the end of March 2024, and no further contributions in this triennial period
- Risk-weighted assets of £217.7 billion increased by £6.8 billion, reflecting part of the anticipated impact of CRD IV model updates along with lending and other increases, net of optimisation activity
- Tangible net assets per share of 47.2 pence, slightly up on the end of 2022; up 1.5 pence in the third quarter, given higher profits, the reduction in share count (c.7 per cent year to date following the completion of the £2 billion share buyback) and movements in the cash flow hedge reserve, partly offset by pensions surplus changes and distributions
- CET1 ratio of 14.6 per cent remains ahead of ongoing c.12.5 per cent target, plus management buffer of c.1 per cent

¹ - Excluding capital distributions and the impact of the Tusker acquisition. Inclusive of ordinary dividends received from the Insurance business.



Key financials

	Nine months ended 30 Sep 2023 £m	Nine months ended 30 Sep 2022 £m	Change %	Three months ended 30 Sep 2023 £m	Three Months Ended 30 Sep 2022 £m	Change %
Profit and loss						
Underlying net interest income	10,448	9,529	10	3,444	3,394	1
Underlying other income ¹	3,837	3,538	8	1,299	1,171	11
Operating lease depreciation	(585)	(295)	(98)	(229)	(82)	
Net income	13,700	12,772	7	4,514	4,483	1
Operating costs ¹	(6,654)	(6,316)	(5)	(2,241)	(2,145)	(4)
Remediation	(134)	(89)	(51)	(64)	(10)	
Total costs	(6,788)	(6,405)	(6)	(2,305)	(2,155)	(7)
Underlying profit before impairment	6,912	6,367	9	2,209	2,328	(5)
Underlying impairment (charge) credit	(849)	(1,045)	19	(187)	(668)	72
Underlying profit	6,063	5,322	14	2,022	1,660	22
Below the line items ¹	(335)	(1,597)	(79)	(164)	(1,084)	(85)
Statutory profit before tax¹	5,728	3,725	54	1,858	576	
Statutory profit after tax¹	4,284	2,941	46	1,420	494	

Banking net interest margin	3.15 %	2.84 %	31 bp	3.08 %	2.98 %	10 bp
Average interest-earning banking assets	£453.5 bn	£451.4 bn		£453.0 bn	£454.9 bn	
Cost:income ¹	49.5 %	50.1 %	(0.6)pp	51.1 %	48.1 %	3.0 pp
Asset quality ratio	0.25 %	0.30 %	(5)bp	0.17 %	0.57 %	(40)bp
Return on tangible equity ¹	16.6 %	9.6 %	7.0 pp	16.9 %	4.2 %	12.7 pp

	At 30 Sep 2023 £bn	At 30 Sep 2022 ¹ £bn	Change %	At 31 Dec 2022 £bn	Change %
Key balance sheet metrics					
Mortgages	306.4	310.7	(1)	311.2	(2)
Credit cards	15.1	14.3	6	14.3	6
UK Retail unsecured loans	9.5	8.8	8	8.7	9
UK Motor Finance	15.1	14.2	6	14.3	6
Overdrafts	1.0	1.0		1.0	
Retail other ²	0.9	1.0	(10)	0.9	
Wealth	15.1	13.0	16	13.8	9
Small and Medium Businesses	34.2	39.8	(14)	37.7	(9)
Corporate and Institutional Banking	57.3	57.6	(1)	56.0	2
Central items ³	(2.5)	(4.1)	39	(3.0)	17
Loans and advances to customers	452.1	456.3	(1)	454.9	(1)
Retail current accounts	104.6	115.7	(10)	114.0	(8)
Retail relationship savings accounts	173.8	165.7	5	166.3	5
Retail tactical savings accounts	17.0	16.2	5	16.1	6
Wealth	11.2	14.9	(25)	14.4	(22)
Commercial Banking deposits	163.7	170.2	(4)	163.8	
Central Items	-	1.6		0.7	
Total customer deposits	470.3	484.3	(3)	475.3	(1)
Tangible net assets per share ¹	47.2 p	44.5 p	2.7 p	46.5 p	0.7 p

1 - 2022 comparatives have been restated to reflect the impact of IFRS 17. 2 - Primarily Europe. 3 - Central items includes central fair value hedge accounting adjustments.



Our strategy

- We launched our new purpose-driven strategy in February 2022. Through our strategy we will look to grow the business, driving revenue growth and diversification across our main businesses whilst strengthening cost and capital efficiency. Maximising the potential of our people, technology and data will be critical for success
- This is supported by incremental investment of £3 billion over the three years, and £4 billion over five years. This will enable the Group to deliver higher, more sustainable returns. The Group is targeting additional revenues of c.£0.7 billion by 2024 and more than double that of c.£1.5 billion by 2026. Alongside, the Group expects to deliver c.£1.2 billion of gross annual cost savings from business-as-usual and strategic initiatives by 2024
- As we set out in the first of our four strategic seminars earlier this month, we are successfully executing against our strategic priorities. This supports progress towards our ambition to enable higher, more sustainable returns. The event materials are available at: <https://www.lloydsbankinggroup.com/investors/financial-downloads/event-presentations-webcasts.html>

<p>Our purpose</p> <h1>Helping Britain Prosper</h1> <p>Our strategic vision</p> <p>UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale</p>	 Grow	<p>Drive revenue growth and diversification</p>	<h2>Higher, more sustainable, returns and capital generation</h2>
	 Focus	<p>Strengthen cost and capital efficiency</p>	
	 Change	<p>Maximise the potential of people, technology and data</p>	

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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