2023 Results

Lloyds Banking Group
22 February 2024

Business and strategic update

Confidence in delivering higher, more sustainable returns

LLOYDS BANKING GROUP

Purpose

Helping Britain Prosper

- Customer support continuing in a resilient economy
- Purpose-driven strategy, on track to meet strategic outcomes
- Strong business performance, meeting 2023 financial guidance
- Increased shareholder distributions from strong capital generation
- Consistent vision and guidance for 2024 and 2026

Purpose-driven strategy delivers for broader stakeholders

LLOYDS BANKING GROUP

Helping Britain Prosper

Illustrative activity in 2023

Proactive support for customers

Communicated with **>15m** customers on savings options and **3.9m** new savings accounts opened

7.5m[1] customers proactively contacted to offer support and enhance financial resilience

c.600k businesses supported with customer resilience resources

Building an inclusive society

Since 2018 **>£82bn** lending to first time buyers and supported **>£17bn** new funding to social housing

Launched a new **partnership with Crisis** to help tackle the shortage of good quality, affordable homes

Interests aligned: **c.85%** of colleagues are Group shareholders

Creating a sustainable future

£29bn sustainable finance since 2022[2]; £15bn CIB target exceeded, CB target increased to **£45bn by 2026**[3]

Tusker acquisition supporting transition to low carbon transport; now finance **1 in 8** ULEVs in the UK

10 NZBA sector emission reduction targets now covering **83%** of bank lending[4]

1 – Since April 2022. 2 - £15.8bn sustainable finance for Corporate & Institutional customers, £7.5bn EPC A/B mortgage lending and £5.7bn financing for EVs and PHEVs from January 2022 to end 2023, EPC A/B mortgage lending up to 30 September 2023. In addition, Scottish Widows has invested £21.7bn in climate-aware strategies and climate solutions from January 2020 to end 2023.
3 – Cumulative 2022-26 target; includes the now met £15bn target for CIB customers, originally set for end 2024 and a new Commercial Banking target of £30bn for 2024-26.
4 – Bank lending in scope of financed emissions calculation in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry.

Robust financial performance

£17.9bn
Net income, up 3% vs 2022

£9.1bn
Operating costs, in line with guidance

15.8%
Return on tangible equity, above guidance

173bps
Pro forma capital generation[1] post regulatory headwinds

£3.8bn
Total capital distribution

13.7%
Pro forma CET1 ratio[2]

21.5m
Digitally active users, up 17% from 2021

68.2
Customer NPS, up 0.8 vs year end 2022[3]

40.1%
Women in senior roles up 2.4pp vs year end 2021

1 – Inclusive of the dividend received from the Insurance business in February 2024. 2 – Includes the dividend received from Insurance in February 2024 and the full impact of the announced share buyback. 3 – Restated to reflect structural changes to measurement programme.

Significant strategic progress, on track for 2024 and 2026

Purpose-driven strategy

Grow

Drive revenue growth and diversification

Focus

Strengthen cost and capital efficiency

Change

Maximise the potential of people, technology and data

Significant progress in 2023

£1.3bn strategic investment (£2.2bn to date)

On track to deliver strategic objectives, of which **c.20%** ahead of plan

c.£0.5bn additional revenues from strategic initiatives to date

c.£0.7bn gross cost savings to date

On track for 2024 and 2026

2024

c.£0.7bn additional revenues[1]

c.£1.2bn gross cost savings

c.13% RoTE

c.175bps capital generation

2026

c.£1.5bn additional revenues[1]

>15% RoTE

>200bps capital generation

1 – From strategic initiatives.

Driving revenue growth and diversification: Consumer

Grow

Additional revenues

Deepen and innovate in Consumer

Progress in 2023

Launched **mobile-first onboarding; £7.5bn** of sustainable[1] mortgage lending since 2022

3.2m new users of Your Credit Score (8.8m total): **+10pp** increase in loan conversion rate[2]

c.£6bn EV/PHEV financing and leasing since 2022: **c.60%** Tusker fleet growth[3]

+5pp YoY increase in **protection take-up rate**[4] following roll-out of new advisor tool

c.£5bn workplace pension net AuA flows contributing to **18%** AuA growth

Additional revenues: **c.£0.2bn** by 2024; **c.£0.5bn** by 2026

Create a new mass affluent offering

Progress in 2023

Growth in mass affluent customer base to **>2.5m**[5] (FY 2021: >2m)

c.10% growth in mass affluent banking balances[5] since 2021

Launched **Lloyds Bank 360**, a mobile-first proposition including a holistic view of wealth

Launched **Ready-Made Investments**; c.45% customers under-35, **50%** regular contributors

Additional revenues: **c.£0.1bn** by 2024; **c.£0.3bn** by 2026

1 – EPC A/B. 2 - Increase in loans conversion following sharing of income and expenditure data. 3 – Since acquisition. 4 – For new mortgage customers in branch. 5 – Includes existing customers who have recently attained the >£75k threshold; balances include lending and deposits, ex. Motor.

Driving revenue growth and diversification: Commercial

Grow

Additional revenues

Digitise and diversify our SME business

Progress in 2023

Launched **mobile-first BCA onboarding**[1] with integrated **new micro-business POS cards payments** solution

Reduced account opening times by up to **15x**; **>20%** new merchant services clients

Launched **digital invoice finance platform** and digitised **asset finance journey**

Enhanced **digital servicing**, improving offering and supporting reduction of **6m** letters p.a.

c.£0.2bn by 2024

c.£0.3bn by 2026

Develop our Corporate & Institutional business

Progress in 2023

>20% growth in OOI versus FY 2021

>£15bn of sustainable financing[2] since 2022, achieving target one year early

Top 5 in GBP Interest Rate Swaps and DCM for UK issuers (EUR, USD, GBP)

<£3bn net RWA growth since FY 2021

c.£0.2bn by 2024

c.£0.4bn by 2026

1 – Business current account onboarding for sole traders and limited companies. 2 – In line with the Sustainable Financing Framework.

Investing in enablers to improve pace and efficiency

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Focus

Strengthen cost and capital efficiency

Progress in 2023

- **>10%** increase in customers served per distribution FTE
- **>20%** reduction in office footprint since FY 2021
- **>£7bn** gross RWA reduction through optimisation initiatives
- Eliminated **pension deficit**; no further deficit contributions in this triennial period
- **Three new emission reduction targets**[1] to mitigate assessed climate risks

Change

Maximise the potential of people, technology and data

Progress in 2023

- **>10%** reduction in legacy technology applications since FY 2021 (>400 decommissioned)
- **>100%** increase in unique APIs since FY 2021
- **Restructured change process** to improve delivery and efficiency
- **>2,500** new hires in technology and data roles
- Launched a target to **double representation of senior colleagues with disabilities**

Gross savings

c.£1.2bn by 2024

1 – For Road Passenger Transport, Commercial & Residential Real Estate and Agriculture.

On track to deliver in 2024 and 2026; confidence in delivering higher, more sustainable returns

Purpose-driven strategy

Grow — Drive revenue growth and diversification

Focus — Strengthen cost and capital efficiency

Change — Maximise the potential of people, technology and data

Strong business momentum, with strategic execution on track

Realising financial benefits

Confidence in delivering higher, more sustainable returns

>15% RoTE, >200bps capital generation in 2026

Financial update

Robust financial performance, in line with guidance

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Financial performance (£m)

	2023	2022[2]	YoY
Net interest income	**13,765**	13,172	*5%*
Other income	**5,123**	4,666	*10%*
Operating lease depreciation	**(956)**	(373)	
Net income	**17,932**	17,465	*3%*
Operating costs	**(9,140)**	(8,672)	*(5)%*
Remediation	**(675)**	(255)	
Total costs inc. Remediation	**(9,815)**	(8,927)	*(10)%*
Underlying profit before impairment	**8,117**	8,538	*(5)%*
Impairment charge	**(308)**	(1,510)	*80%*
Underlying profit	**7,809**	7,028	*11%*
Statutory profit after tax	**5,518**	3,923	*41%*
Net interest margin	**3.11%**	2.94%	*17bp*
Return on tangible equity	**15.8%**	9.8%	*6.0pp*
Earnings per share	**7.6p**	4.9p	*2.7p*
Tangible net asset value per share	**50.8p**	46.5p	*4.3p*
Pro forma CET1 ratio[1]	**13.7%**	14.1%	*(0.4)pp*

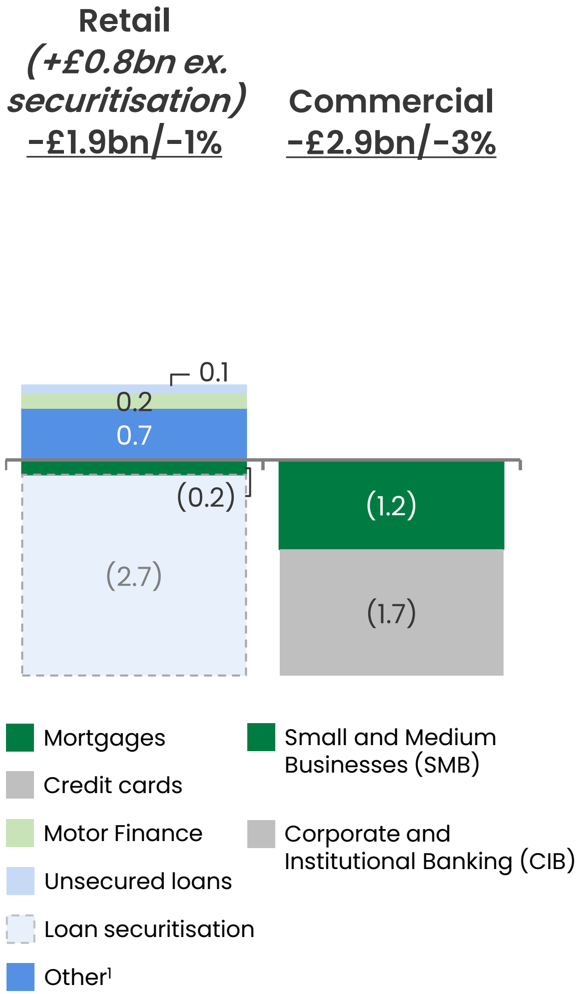
- **Statutory PAT £5.5bn; RoTE 15.8%**
- **Strong net income, up 3%, with NIM 311bps**
- **Operating costs £9.1bn, up 5% (ex. remediation) given investment and inflation**
- **Strong asset quality; AQR 29bps ex. significant write-back and MES release**
- **TNAV 50.8p, up 4.3p in 2023**
- **Strong capital generation, 173bps after headwinds**
- **Capital return £3.8bn; final dividend 1.84p, total 2.76p alongside buyback of up to £2bn**

1 – 2023 includes dividend received from Insurance in February 2024 and full impact of announced share buyback. 2022 includes dividend received from Insurance in February 2023 and full impact of share buyback in respect of 2022 that completed in 2023. 2 – 2022 restated for the implementation of IFRS 17 on 1 January 2023; reported 2022 RoTE was 13.5%.

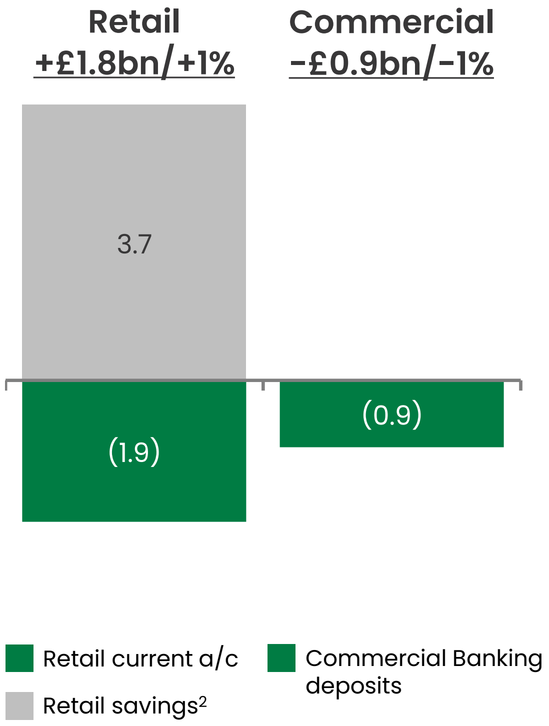
Classification: Public

Resilience in customer franchise

Q4 lending change (£bn)



Q4 deposit change (£bn)

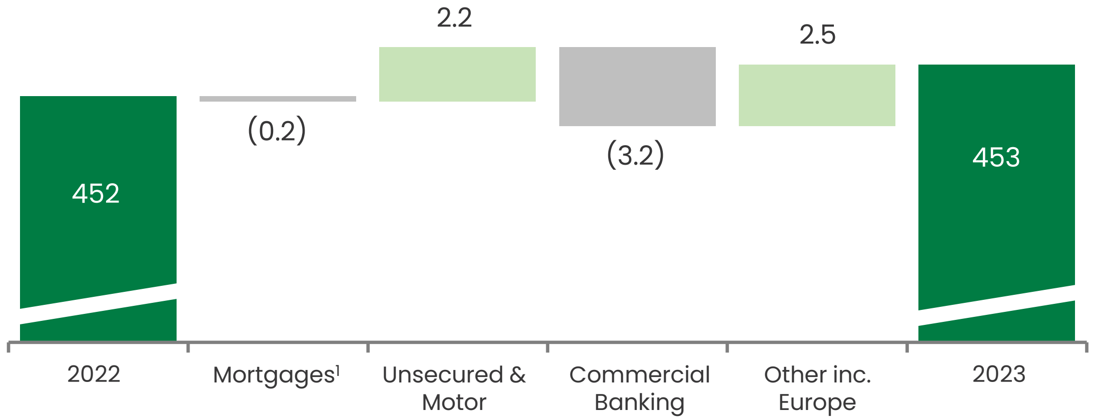


- **Lending £450bn; 2023 down 1%, Q4 down £2bn; flat ex. sale/securitisation activity**
  - Mortgage open book up £0.2bn in Q4, closed book down £0.4bn
  - Modest growth across cards, motor and unsecured loans[3] in Q4
  - Commercial down £2.9bn in Q4; SMB repayments include £0.5bn in CBILS/BBLS
- **Total deposits £471bn; 2023 down 1%, Q4 up £1bn with reducing churn**
  - Retail up £1.8bn in Q4; savings up £3.7bn, PCAs down £1.9bn
  - Commercial down £0.9bn in Q4
- **8% growth in IP&I open book AuA in Q4[4]**

1 – Includes Overdrafts, Europe and Wealth. 2 – Includes Retail relationship savings, Retail tactical savings and Wealth. 3 – Unsecured loans up £0.1bn in Q4 excluding the securitisation of £2.7bn.
4 – Open book assets under administration.

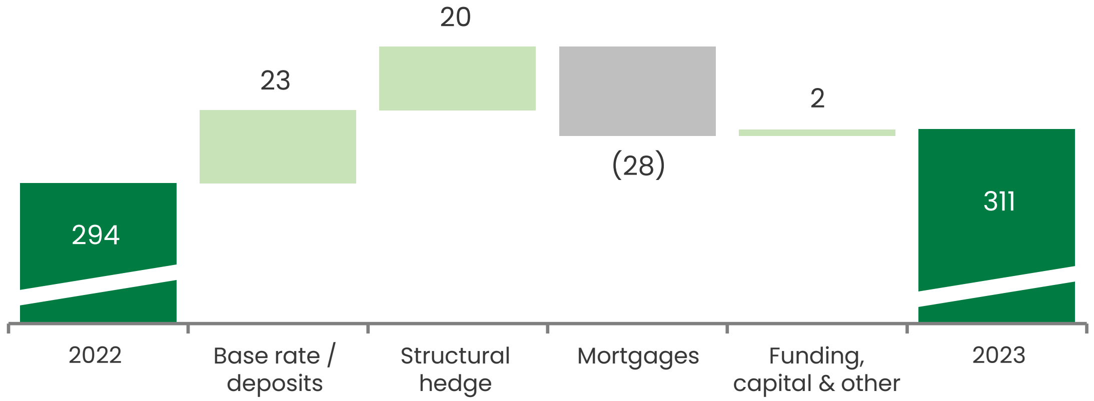
Strong net interest income, in line with guidance

Average interest earning assets (£bn)



Banking net interest margin (bps)

Q3 '23 – Q4 '23	**308**	(8)	7	(7)	(2)	**298**

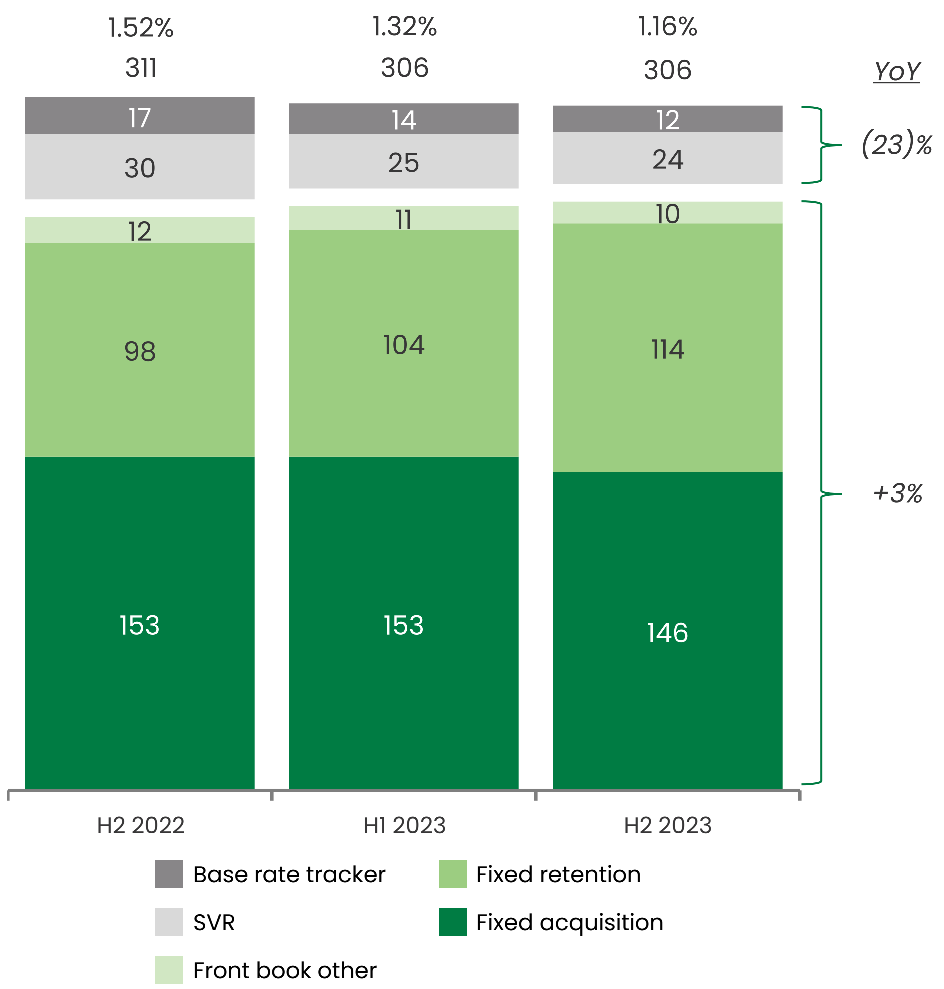


1 – Includes £1.8bn relating to the securitisation of legacy Retail mortgages in Q1 2023.

- **2023 NII £13.8bn, up 5% YoY, Q4 down 4% vs Q3**
  - 2023 AIEAs £453bn; Q4 broadly flat vs Q3
  - Full year NIM 311bps; 298bps in Q4, down 10bps vs Q3 from deposit and mortgage pressure
  - 2023 non-banking NII £311m; £80m in Q4
- **Now expect 2024 AIEAs >£450bn**
  - Franchise growth offset by mortgage closed book and CBILS/BBLS repayments
- **Now expect 2024 NIM to be >290bps**
  - Stronger hedge income offset by slowing deposit churn, mortgage refinancing pressure and impact of rate cuts

Mortgage book resilience

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

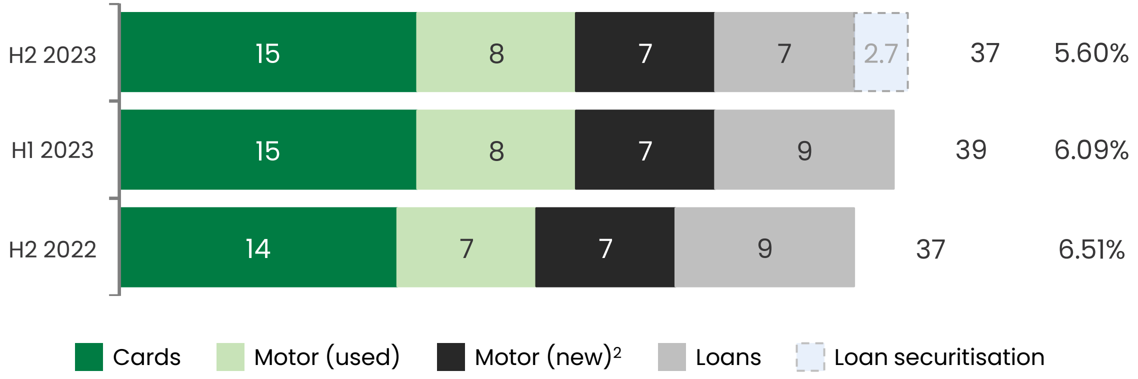


- **Mortgage balances £306bn**
  - Open book £298.5bn, down £1.1bn; Q4 up £0.2bn
  - £2.5bn legacy portfolio exit in Q1 2023
- **Group NIM continues to be impacted by maturities of high yielding 2020-21 business**
  - Completion margins average c.60bps in Q4[2]
  - Refinancing margin pressure abating in 2024
- **New mortgage lending remains attractive from a returns and economic value perspective**

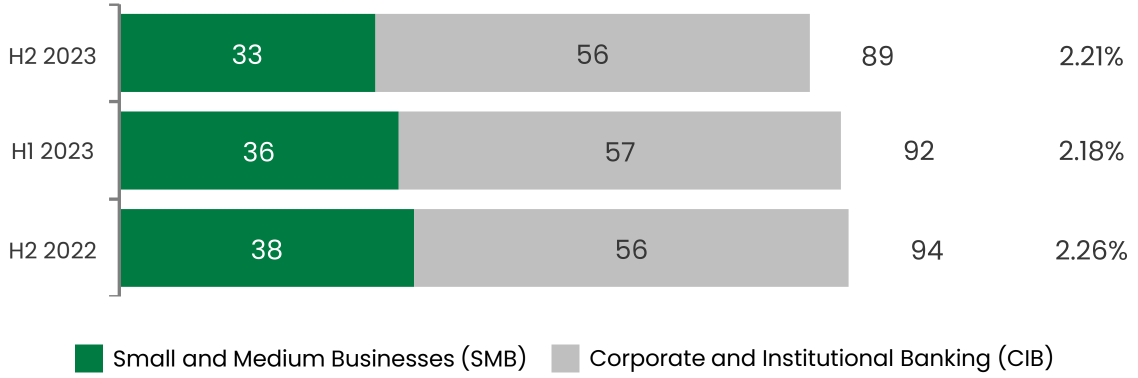
1 – Gross margin is gross customer receivables, less short term funding costs; references SONIA. Chart uses rounded inputs. 2 – Total completion margins include new business and product transfers and is equal to customer rate, plus net customer fees, less the relevant funding rate.

Solid performance in other lending portfolios

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



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

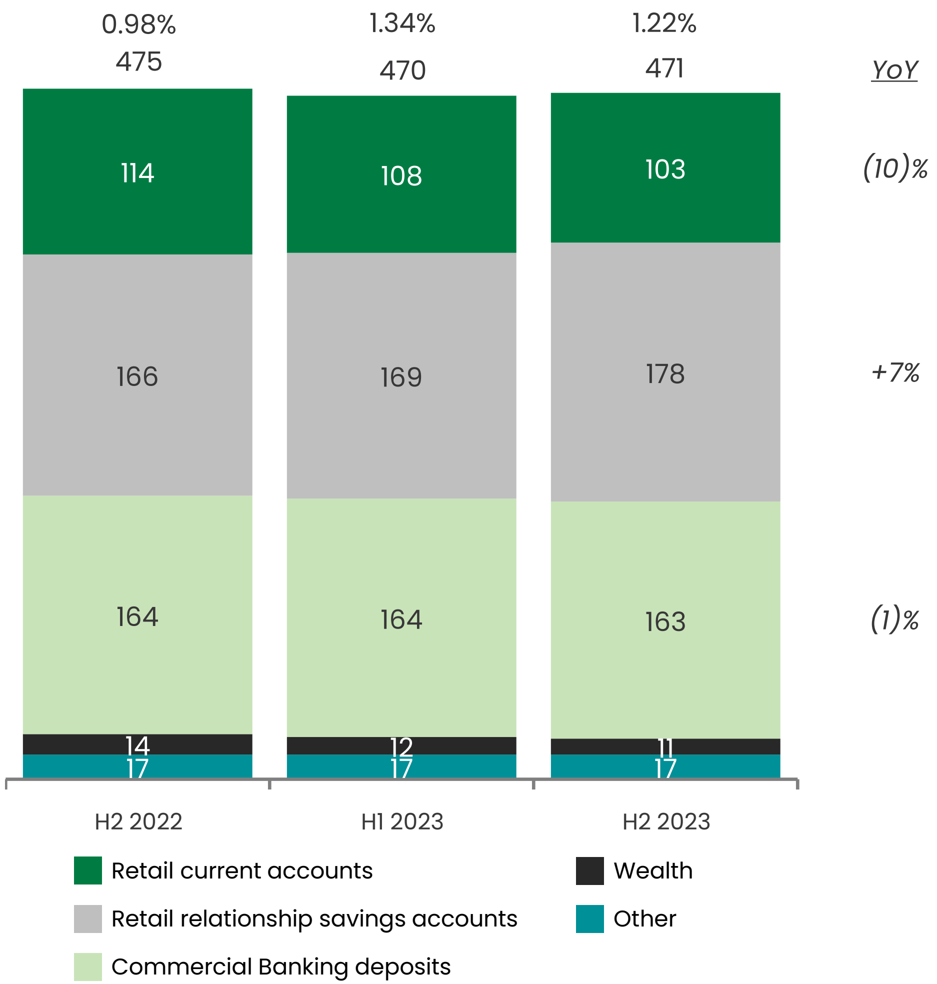


- **UK Cards, Loans & Motor flat in 2023; up £2.7bn ex. loan securitisation**
  - Credit cards flat in Q4
  - UK Motor Finance up £0.2bn in Q4
  - Unsecured loans down £2.6bn in Q4, up £0.1bn ex. securitisation
- **Commercial Banking loans down £5.1bn in 2023**
  - SMB balances down £1.2bn in Q4, including £0.5bn repayments of CBILS/BBLS
  - CIB lending down £1.7bn in Q4, disciplined balance sheet with other income growth

1 – Gross margin is gross customer receivables, less short term funding costs; references SONIA. Chart uses rounded inputs. 2 – Includes Blackhorse Retail, Fleet and Stocking, as well as Lex finance leases.

Robust deposit franchise performance

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

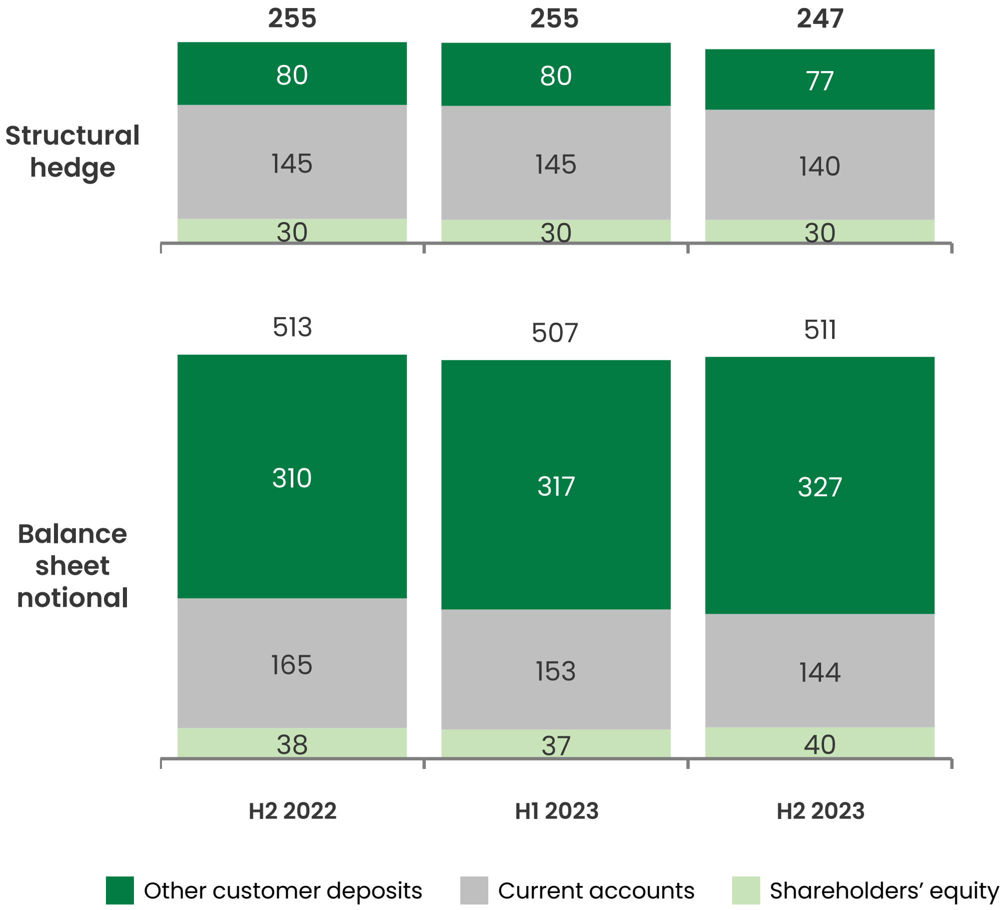


- **Total deposits £471bn, down £4bn in 2023; up £1bn in Q4**
- **Retail deposits down £2bn in 2023; up £2bn in Q4**
  - Retail current accounts down £11bn in 2023, easing in Q4 at £2bn
  - Retail savings accounts[2] up £12bn in 2023, inc. £4bn in Q4
- **Commercial deposits down £1bn in 2023 and Q4**
  - Reductions in SMB partly offset by targeted growth in CIB
- **Mix shift within deposits slowing gradually**

1 – Gross margin is short term funding costs less gross customer payables; references SONIA and includes structural hedge income. Chart uses rounded inputs. 2 – Includes Retail relationship and tactical savings.

Structural hedge a significant tailwind

Hedged balances[1] (£bn)

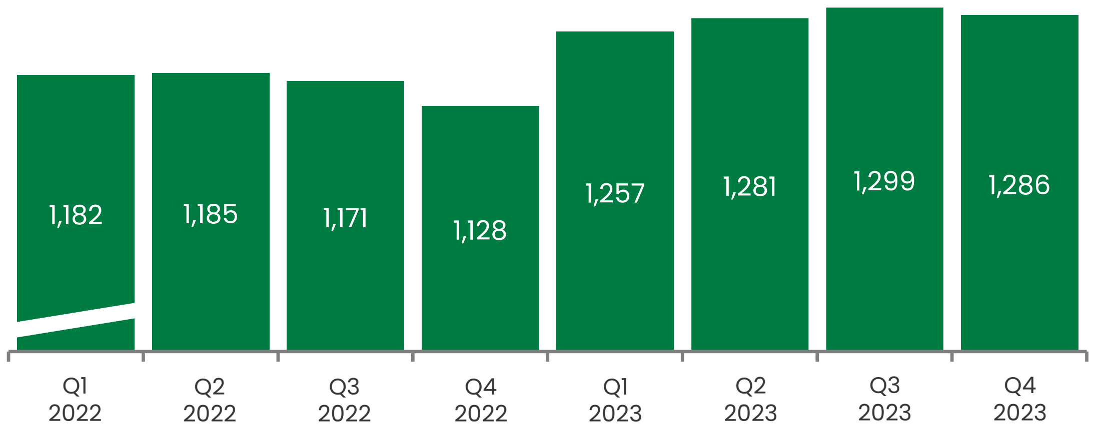


- **Structural hedge notional £247bn, down £8bn in 2023, inc. £4bn in Q4**
- **c.3.5 year weighted average duration**
- **Prudent management of structural hedge**
  - Modest notional balance reduction expected in 2024
  - c.£40bn of maturities in 2024
- **2023 hedge income £3.4bn, up c.£0.8bn vs 2022**
  - Expect hedge earnings to be c.£0.7bn higher in 2024 than 2023

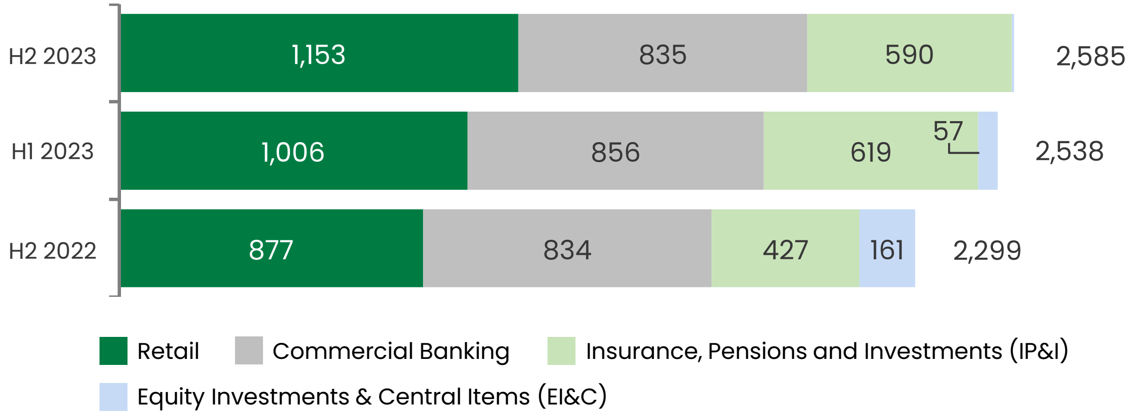
1 – The external sterling structural hedge nominal is managed as a portfolio, split shown is indicative. Current account balances include Retail PCA and Commercial Banking current accounts which primarily comprise non-interest bearing current accounts; other Commercial Banking customer deposits primarily comprise interest bearing accounts. 2022 shareholders' equity figures restated for IFRS 17. Structural hedge balances represent Sterling structural hedge.

Building confidence in other income

Other income (£m)



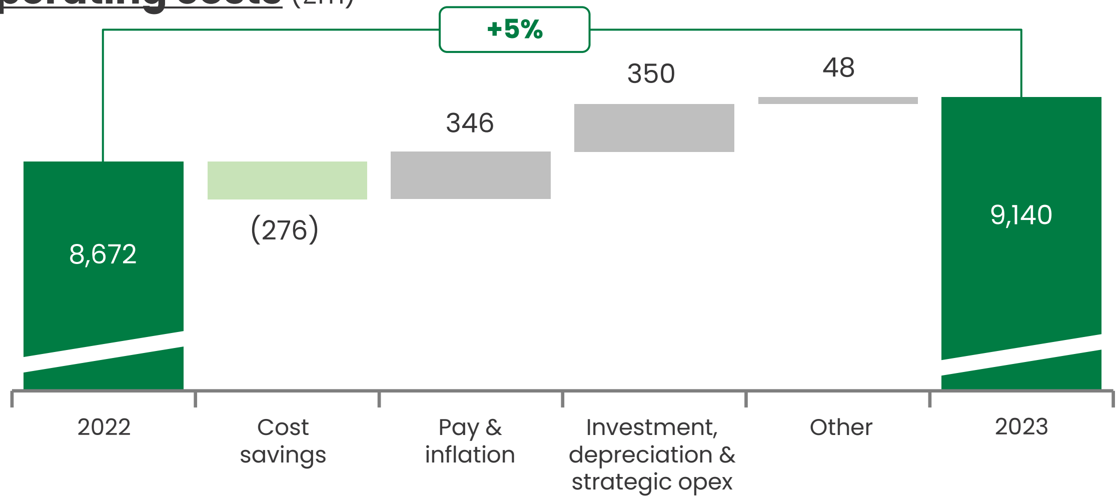
Divisional other income (£m)



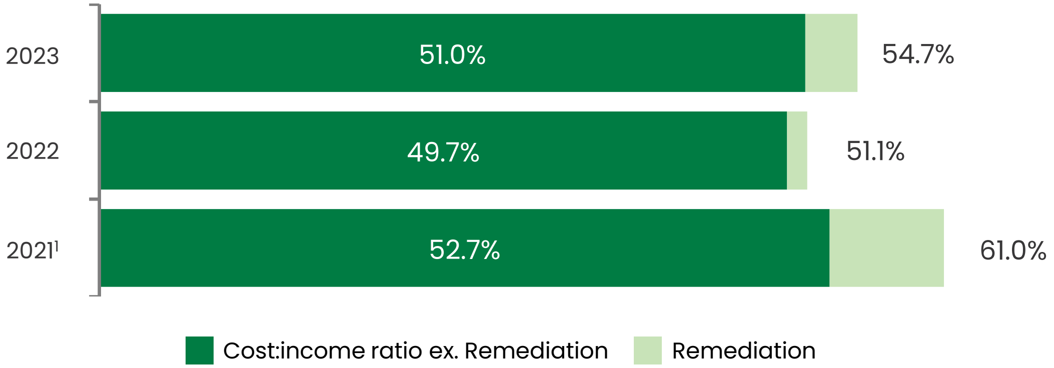
- **OOI £5.1bn in 2023, up 10% YoY; £1.3bn in Q4**
- **Growth based on activity levels and investment**
  - Retail: improved PCA and credit card performance, growing motor contribution
  - Commercial: improved markets and strong bond franchise
  - IP&I: improved GI trading and higher deferred profit release from new and existing business
  - EI&C: subdued market conditions impacting valuations alongside higher funding costs
- **Gradual progress expected, reflecting activity and benefits of strategic initiatives**
- **£956m operating lease depreciation charge**
  - Q4 £371m reflecting lower used car prices and elevated by c.£100m, rebuilding RV provision

Disciplined operating costs, in line with guidance

Operating costs (£m)



Cost:income ratio (%)



- **2023 operating costs £9.1bn, up 5%; planned strategic investment, new business and inflation**
  - Q4 £2.5bn, inc. investment and bank levy
- **Cost:income 54.7%; 51.0% ex. Remediation vs 49.7% in 2022**
- **Now expect 2024 operating costs c.£9.3bn**
  - Active cost management in the context of inflationary pressure and increased severance
- **Remediation charge of £675m, including £450m for FCA review into historical motor commissions**
  - Provision for operational costs and estimated potential redress
  - Significant uncertainty remains

1 – 2021 not restated for implementation of IFRS 17.

Strong asset quality, in line with guidance

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Impairment (£m)

	Q4	2023	2022	YoY
Charge (credit) pre updated MES[1]	**(353)**	**565**	**915**	**(350)**
Retail	*277*	*1,064*	*773*	*291*
Commercial Banking	*(626)*	*(487)*	*122*	*(609)*
Other	*(4)*	*(12)*	*20*	*(32)*
Updated economic outlook	**(188)**	**(257)**	**595**	**(852)**
Retail	*(203)*	*(233)*	*600*	*(833)*
Commercial Banking	*15*	*(24)*	*395*	*(419)*
Other (COVID central adjustment)	*–*	*–*	*(400)*	*400*
Total impairment charge/(credit)	**(541)**	**308**	**1,510**	**(1,202)**

Gross lending and coverage level[2] (£bn, %)

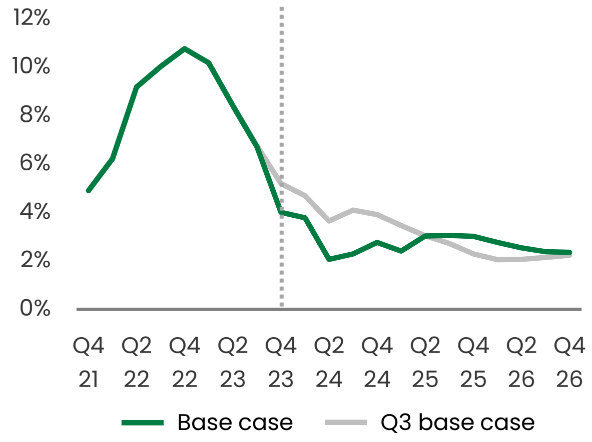
		Stage 1	Stage 2	Stage 3	Total
H2 2023	Loans and advances	£387bn	£57bn	£10bn	£454bn
	Coverage	0.3%	3.0%	15.8%	0.9%
H1 2023	Loans and advances	£379bn	£66bn	£11bn	£456bn
	Coverage	0.2%	3.2%	23.7%	1.2%

- **2023 impairment charge £308m**
  - Pre-MES charge £565m reflects continued resilience and significant write-back in Q4
  - 2023 AQR 29bps ex. significant write-back and MES updates
  - £257m net MES release reflects improved outlook, including stronger HPI in 2023-24
- **Q4 net credit £541m, £188m from MES update**
  - Stable charge vs Q3 ex. significant write-back and MES updates
- **Stock of ECL reduced to £4.3bn**
  - Significant write-back, lowering Stage 3 coverage
  - Still elevated level reflecting economic outlook
- **Now expect 2024 AQR <30bps**

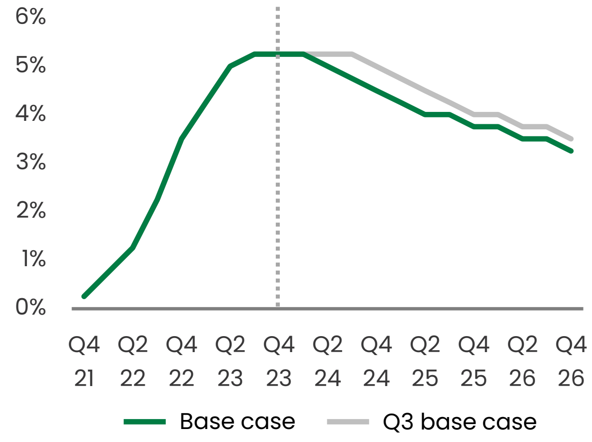
1 – Impairment charges absent the impact from updated economic outlook, thus reflecting only observed movements in credit quality. 2 – Underlying basis; table uses rounded inputs.

Updated macroeconomic outlook

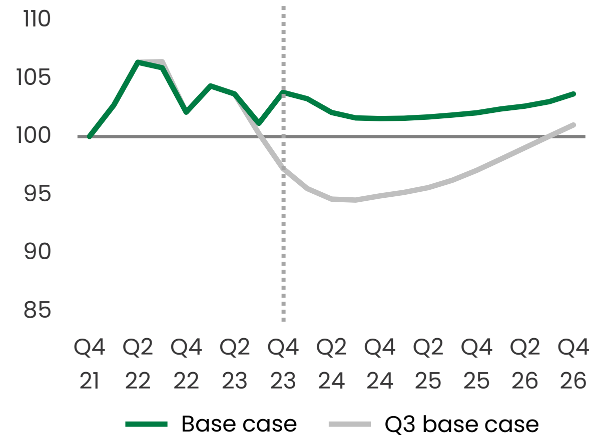
CPI inflation



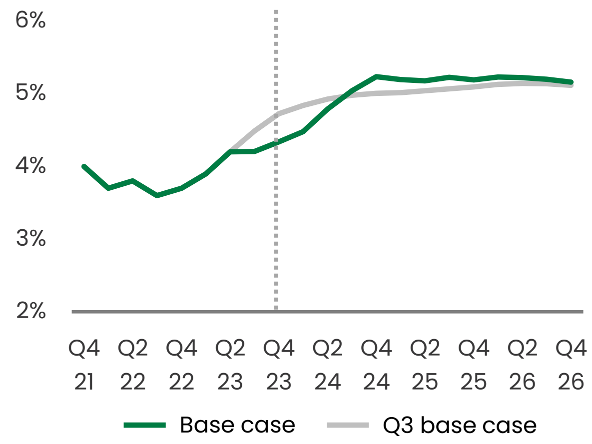
UK bank rate



Indexed house prices



Unemployment



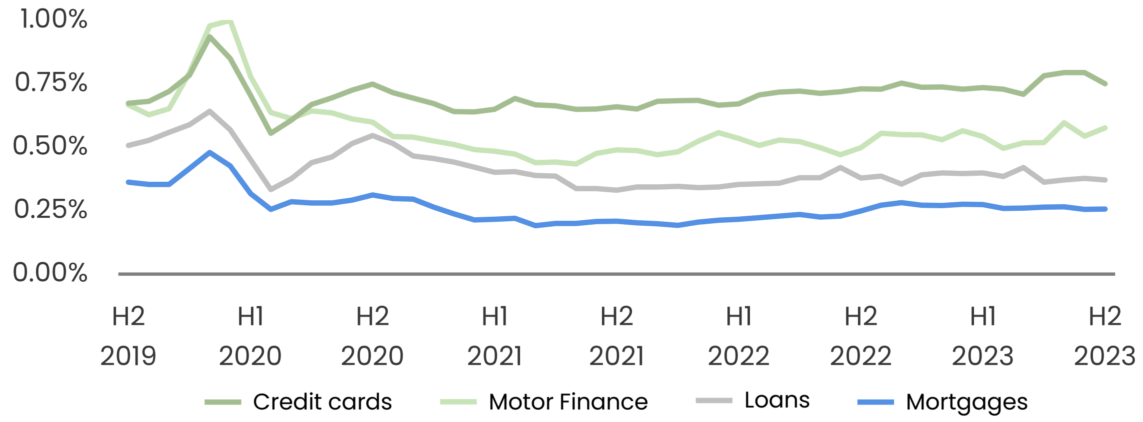
- **GDP growth to remain subdued in 2024; sharply declining inflation expected to benefit HPI[1]**
  - GDP expected to rise 0.5% in 2024
  - Recent decline in inflation expected to continue into 2024
  - Three 25bps cuts in UK bank rate expected in 2024 from 5.25% peak, starting Q2
  - HPI now assumed to fall 2% in 2024
  - Peak unemployment 5.2% forecast in Q4 2024

1 – Forecasts as used for 31 December 2023 accounts.

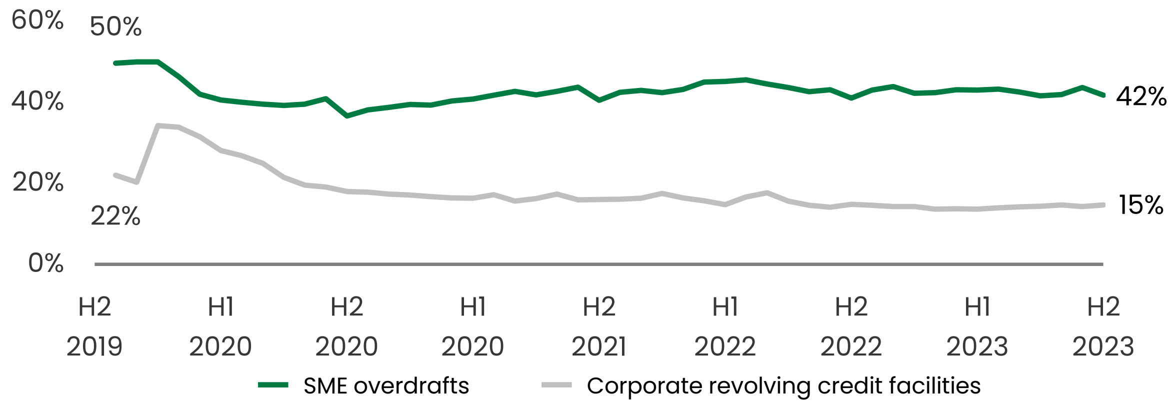
Stable credit performance across portfolios

New to arrears as a proportion of total balances

(3 month rolling average, %)



SME overdraft and corporate RCF utilisation (%)



- **Mortgage book resilient with new to arrears stable and below 2019; average LTV 43.6%**
- **Consumer finance trends stable; new to arrears broadly at, or lower than, pre-pandemic**
- **Stable SME overdraft utilisation trends; corporate RCF[1] utilisation >30% below pre-pandemic**
- **c.90% of SME lending[2] secured; >80% of CIB exposure at investment grade**
- **Net CRE exposure c.£10bn[3], remains robust**
  - Average interest cover ratio[4] 3.3x, with 78% >2x
  - Ave. indexed LTV[4] 46%; c.90% with LTV <70%
  - Diversified: c.14% office, c.10% retail and c.12% industrial; c.49% residential investment

1 – Revolving credit facility. 2 – SME excluding Business Banking; lending fully or partially secured. 3 – Includes Business Banking; post Significant Risk Transfer securitisations.
4 – Excludes Business Banking, development, CBILS and BBLS.

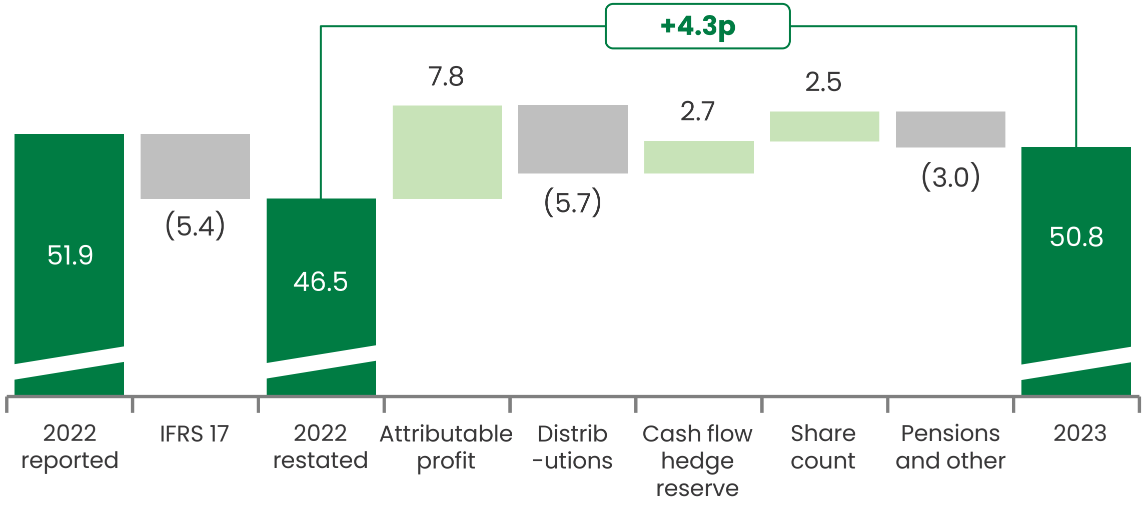
Classification: Public

Underlying and statutory profit converge, TNAV building

Statutory profit (£m)

	2023	2022[1]	YoY
Underlying profit	**7,809**	7,028	*11%*
Restructuring	**(154)**	(80)	*(93)%*
Volatility and other items	**(152)**	(2,166)	*93%*
Statutory profit before tax	**7,503**	4,782	*57%*
Tax expense	**(1,985)**	(859)	
Statutory profit after tax	**5,518**	3,923	*41%*
Return on tangible equity	**15.8%**	9.8%	

Tangible net asset value per share (pence)

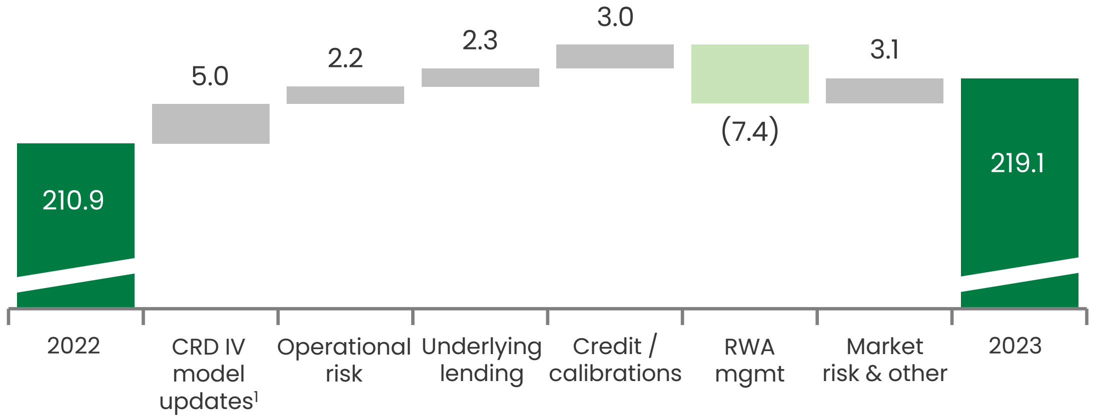


- **2023 restructuring charge £154m**
- **Usual fair value unwind, alongside modest positive volatility**
- **RoTE 15.8%, ahead of guidance**
  - Expect c.13% RoTE in 2024
- **TNAV 50.8p, up 4.3p in 2023, inc. 3.6p in Q4**
  - Benefit from profits, share count and cash flow hedge reserve movements
- **Continue to expect TNAV to benefit over medium term from buybacks, growth and unwind of headwinds, including cash flow hedge reserve**

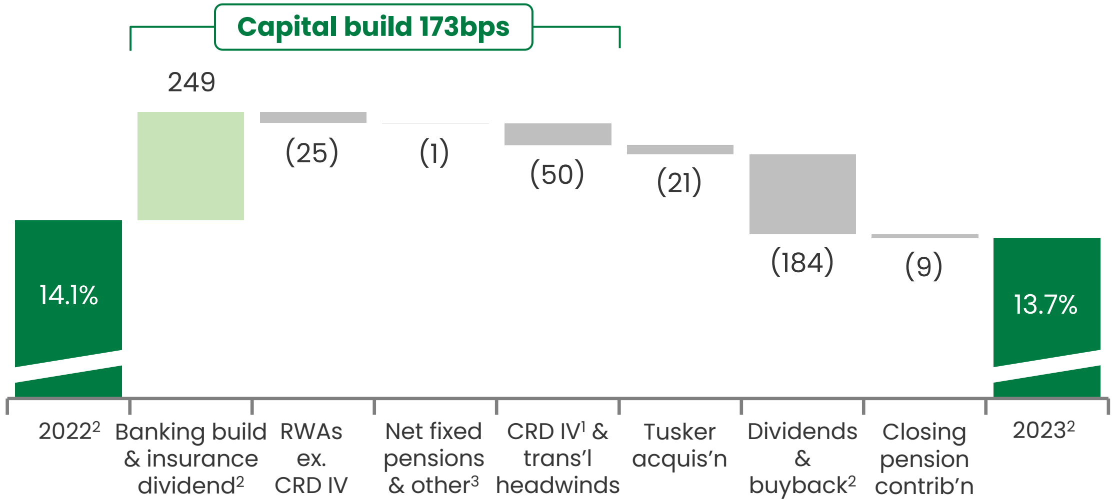
1 – 2022 restated for the implementation of IFRS 17 on 1 January 2023; reported 2022 RoTE was 13.5%.

Strong capital generation, in line with guidance

Risk weighted assets (£bn)



Common equity tier 1 ratio (%, bps)



- **RWAs £219.1bn, up £8.2bn, inc. £1.4bn in Q4**
  - CRD IV updates[1] £5.0bn, inc. £2.0bn in Q4; est. further c.£5bn 2024-26, subject to PRA review
- **Continue to expect 2024 RWAs £220-225bn**
- **Strong 173bps capital generation[2]**
  - Q4 significant write-back offset by remediation
- **Capital return £3.8bn, c.14% market cap.[4]**
  - Final dividend 1.84p; total 2.76p, up 15% vs 2022, share buyback of up to £2bn
- **Closing £250m pension contribution in Q4**
- **Pro forma CET1 ratio 13.7%**
  - Expect to pay down to c.13.5% by end 2024 and c.13% by end 2026
- **Expect 2024 capital generation to be c.175bps**

1 – Retail secured CRD IV models. 2 – Shown on a pro forma basis. 3 – Other includes share-based payments and market volatility. 4 – Market capitalisation at close of business 16 February 2024.

Consistent guidance; confidence in delivering higher, more sustainable returns

	2024	2026
Income	**NEW:** NIM **>290bps**	
Costs	**NEW: c.£9.3bn** operating costs	**<50%** cost:income ratio
Asset quality ratio	**NEW: <30bps**	
Return on tangible equity	**c.13%**	**>15%**
Risk weighted assets	**£220bn - £225bn**	
Capital generation	**c.175bps**	**>200bps**
Capital target	Expect to **pay down to c.13.5%**	**NEW:** Expect to **pay down to c.13.0%**
Capital distribution	**Progressive and sustainable** ordinary dividend	

Closing remarks

Confidence in delivering higher, more sustainable returns

LLOYDS BANKING GROUP

Purpose

Helping Britain Prosper

- Customer support continuing in a resilient economy
- Purpose-driven strategy, on track to meet strategic outcomes
- Strong business performance, meeting 2023 financial guidance
- Increased shareholder distributions from strong capital generation
- Consistent vision and guidance for 2024 and 2026

Q&A

Appendix

Quarterly P&L and key ratios

(£m)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net interest income	**3,317**	**3,444**	3,469	3,535	3,643	3,394	3,190	2,945
Other income	**1,286**	**1,299**	1,281	1,257	1,128	1,171	1,185	1,182
Operating lease depreciation	**(371)**	**(229)**	(216)	(140)	(78)	(82)	(119)	(94)
Net income	**4,232**	**4,514**	4,534	4,652	4,693	4,483	4,256	4,033
Operating costs	**(2,486)**	**(2,241)**	(2,243)	(2,170)	(2,356)	(2,145)	(2,112)	(2,059)
Remediation	**(541)**	**(64)**	(51)	(19)	(166)	(10)	(27)	(52)
Total costs	**(3,027)**	**(2,305)**	(2,294)	(2,189)	(2,522)	(2,155)	(2,139)	(2,111)
Underlying profit before impairment	**1,205**	**2,209**	2,240	2,463	2,171	2,328	2,117	1,922
Impairment (charge)/credit	**541**	**(187)**	(419)	(243)	(465)	(668)	(200)	(177)
Underlying profit	**1,746**	**2,022**	1,821	2,220	1,706	1,660	1,917	1,745
Restructuring	**(85)**	**(44)**	(13)	(12)	(11)	(22)	(23)	(24)
Volatility and other items	**114**	**(120)**	(198)	52	(638)	(1,062)	(289)	(177)
Statutory profit before tax	**1,775**	**1,858**	1,610	2,260	1,057	576	1,605	1,544
Statutory profit after tax	**1,234**	**1,420**	1,223	1,641	982	494	1,302	1,145
Net interest margin	**2.98%**	**3.08%**	3.14%	3.22%	3.22%	2.98%	2.87%	2.68%
Average interest earning assets	**£453bn**	**£453bn**	£453bn	£454bn	£454bn	£455bn	£451bn	£448bn
Cost:income ratio	**71.5%**	**51.1%**	50.6%	47.1%	53.7%	48.1%	50.3%	52.3%
Asset quality ratio	**(0.47)%**	**0.17%**	0.36%	0.22%	0.38%	0.57%	0.17%	0.16%
Return on tangible equity	**13.9%**	**16.9%**	13.6%	19.1%	11.0%	4.2%	13.0%	10.7%
Tangible net asset value per share	**50.8p**	**47.2p**	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%)	2,925	GDP	0.3	*0.2*	1.5	1.7	1.7	1.9	*1.4*
		Unemployment rate	4.0	*1.2*	3.3	3.1	3.1	3.1	*3.3*
		HPI growth	1.9	*4.7*	0.8	6.9	7.2	6.8	*4.7*
		CRE price growth	(3.9)	*(12.4)*	9.0	3.8	1.3	1.3	*2.2*
		UK Bank Rate	4.94	*(0.01)*	5.72	5.61	5.38	5.18	*5.37*
		CPI inflation	7.3	*(1.0)*	2.7	3.1	3.2	3.1	*3.9*
Base case (30%)	3,666	GDP	0.3	*1.5*	0.5	1.2	1.7	1.9	*1.1*
		Unemployment rate	4.2	*(0.3)*	4.9	5.2	5.2	5.0	*4.9*
		HPI growth	1.4	*8.3*	(2.2)	0.5	1.6	3.5	*1.0*
		CRE price growth	(5.1)	*(1.8)*	(0.2)	0.1	-	0.8	*(0.9)*
		UK Bank Rate	4.94	*0.94*	4.88	4.00	3.50	3.06	*4.08*
		CPI inflation	7.3	*(1.0)*	2.7	2.9	2.5	2.2	*3.5*
Downside (30%)	4,714	GDP	0.2	*3.2*	(1.0)	(0.1)	1.5	2.0	*0.5*
		Unemployment rate	4.3	*(2.0)*	6.5	7.8	7.9	7.6	*6.8*
		HPI growth	1.3	*12.4*	(4.5)	(6.0)	(5.6)	(1.7)	*(3.4)*
		CRE price growth	(6.0)	*9.0*	(8.7)	(4.0)	(2.1)	(1.2)	*(4.4)*
		UK Bank Rate	4.94	*2.01*	3.95	1.96	1.13	0.55	*2.51*
		CPI inflation	7.3	*(0.9)*	2.8	2.7	1.8	1.1	*3.2*
Severe downside (10%)	9,455	GDP	0.1	*5.3*	(2.3)	(0.5)	1.3	1.8	*0.1*
		Unemployment rate	4.5	*(4.5)*	8.7	10.4	10.5	10.1	*8.8*
		HPI growth	0.6	*15.4*	(7.6)	(13.3)	(12.7)	(7.5)	*(8.2)*
		CRE price growth	(7.7)	*21.1*	(19.5)	(10.6)	(7.7)	(5.2)	*(10.3)*
		UK Bank Rate – adj.	4.94	*(2.06)*	6.56	4.56	3.63	3.13	*4.56*
		CPI inflation – adj.	7.6	*(6.7)*	7.5	3.5	1.3	1.0	*4.2*
Probability weighted	**4,337**								

Updated coverage after revised economic outlook

(£m, unless stated otherwise)	Gross customer L&A (£bn)	Coverage (ex. Recoveries) Stage 1	Stage 2	Stage 3	Total	Total coverage Q4 2022	ECL Q4 2022	*Write offs & Other[1]*	*P&L charge/ (credit)*	Net ECL incr./ (decr.)	ECL Q4 2023[2]	Write offs & Other FY 2022
Retail	364	0.2%	2.6%	13.9%	0.9%	0.9%	3,369	*(1,077)*	*831*	(246)	3,123	(644)
UK Mortgages	*308*	*0.1%*	*1.1%*	*10.4%*	*0.4%*	*0.5%*	*1,590*	*(171)*	*(51)*	*(222)*	*1,368*	*11*
Cards	*16*	*1.9%*	*15.3%*	*49.4%*	*5.1%*	*5.1%*	*763*	*(410)*	*457*	*47*	*810*	*(339)*
Loans & Overdrafts	*8*	*2.2%*	*20.6%*	*65.6%*	*6.1%*	*6.6%*	*678*	*(414)*	*251*	*(163)*	*515*	*(266)*
Motor	*16*	*1.4%*	*4.5%*	*56.3%*	*2.2%*	*1.7%*	*252*	*(79)*	*169*	*90*	*342*	*(44)*
Other	*17*	*0.1%*	*4.0%*	*32.6%*	*0.5%*	*0.6%*	*86*	*(3)*	*5*	*2*	*88*	*(6)*
Commercial	90	0.4%	5.6%	24.1%	1.3%	2.0%	1,869	*(176)*	*(511)*	(687)	1,182	(81)
Other	–	–	–	66.7%	–	–	46	*(2)*	*(12)*	(14)	32	–
Total	**454**	**0.3%**	**3.0%**	**15.8%**	**0.9%**	**1.1%**	**5,284**	***(1,255)***	***308***	**(947)**	**4,337**	**(725)**

1 – UK Mortgages includes £126m relating to the £2.5bn securitisation in Q1 2023 and Loans & Overdrafts includes £112m relating to the £2.7bn securitisation in Q4 2023. 2 – Includes non-customer ECL of £45m (2022: £62m).

Low mortgage LTVs

	December 2023[1]				2022[1]	2010[1]
	Mainstream	Buy to let	Specialist	Total	Total	Total
Average LTVs	43.1%	48.1%	35.0%	**43.6%**	41.6%	55.6%
New business LTVs	62.5%	51.6%	N/A	**61.7%**	61.7%	60.9%
≤80% LTV	87.2%	99.5%	96.4%	**89.3%**	93.9%	57.0%
>80–90% LTV	9.4%	0.4%	1.2%	**7.8%**	4.7%	16.2%
>90–100% LTV	3.3%	0.0%	1.1%	**2.8%**	1.3%	13.6%
>100% LTV	0.1%	0.1%	1.3%	**0.1%**	0.1%	13.2%
Value >80% LTV	£32.6bn	£0.2bn	£0.2bn	**£33.0bn**	£19.1bn	£146.6bn
Value >100% LTV	£0.2bn	–	£0.1bn	**£0.3bn**	£0.3bn	£44.9bn
Gross lending	£254.5bn	£47.6bn	£5.5bn	**£307.6bn**	£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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