

Q1 Interim Management Statement

Lloyds Banking Group
24 April 2024

Delivering in line with expectations



Purpose

Helping Britain Prosper

- Continuing to deliver against strategic outcomes
- Robust financial performance in line with expectations
- Confidence in 2024 and 2026 guidance

Robust financial performance in line with expectations



Financial performance (£m)

	Q1 2024	Q4 2023	QoQ %	Q1 2023	YoY %
Net interest income	3,184	3,317	(4)	3,535	(10)
Other income	1,340	1,286	4	1,257	7
Operating lease depreciation	(283)	(371)	24	(140)	
Net income	4,241	4,232	-	4,652	(9)
Operating costs	(2,402)	(2,486)	3	(2,170)	(11)
Remediation	(25)	(541)	95	(19)	(32)
Total costs inc. Remediation	(2,427)	(3,027)	20	(2,189)	(11)
Underlying profit before impairment	1,814	1,205	51	2,463	(26)
Impairment (charge) credit	(57)	541		(243)	77
Underlying profit	1,757	1,746	1	2,220	(21)
Statutory profit after tax	1,215	1,234	(2)	1,641	(26)
Net interest margin	2.95%	2.98%	(3)bp	3.22%	(27)bp
Return on tangible equity	13.3%	13.9%	(0.6)pp	19.1%	(5.8)pp
Earnings per share	1.7p	1.7p	-	2.3p	(0.6)p
Tangible net asset value per share	51.2p	50.8p	0.4p	49.6p	1.6p
Pro forma CET1 ratio ¹	13.9%	13.7%	0.2pp	14.1%	(0.2)pp

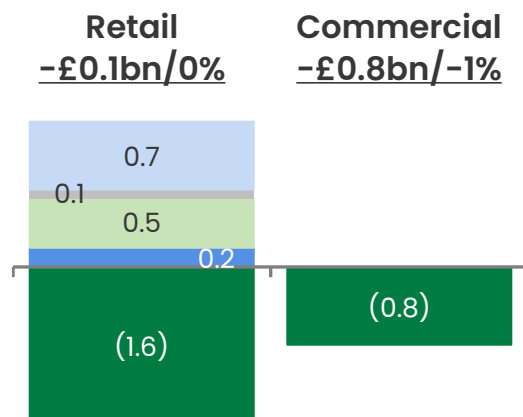
- Stat profit after tax £1.2bn; RoTE 13.3%
- Net income, down 9% YoY; NIM 295bps
- Operating costs up 11% YoY; up 6% ex. BoE levy
- Strong asset quality; £57m impairment charge; pre-MES charge £249m, equivalent to AQR 23bps
- TNAV per share 51.2p, up 0.4p in Q1
- Strong capital generation of 40bps

1 – Q4 2023 includes dividend received from Insurance in February 2024 and full impact of announced share buyback.

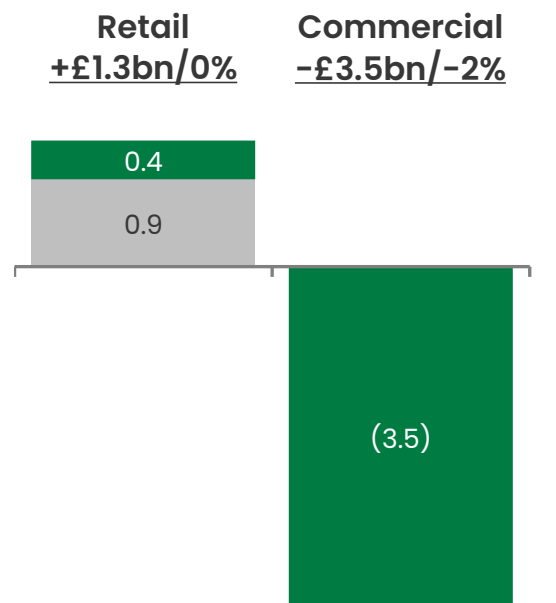
Resilience in customer franchise



Q1 lending change (£bn)



Q1 deposit change (£bn)



- Mortgages
- Small and Medium Businesses (SMB)
- Credit cards
- Retail current a/c
- Commercial Banking deposits
- Motor Finance
- Corporate and Institutional Banking (CIB)
- Unsecured loans
- Other¹

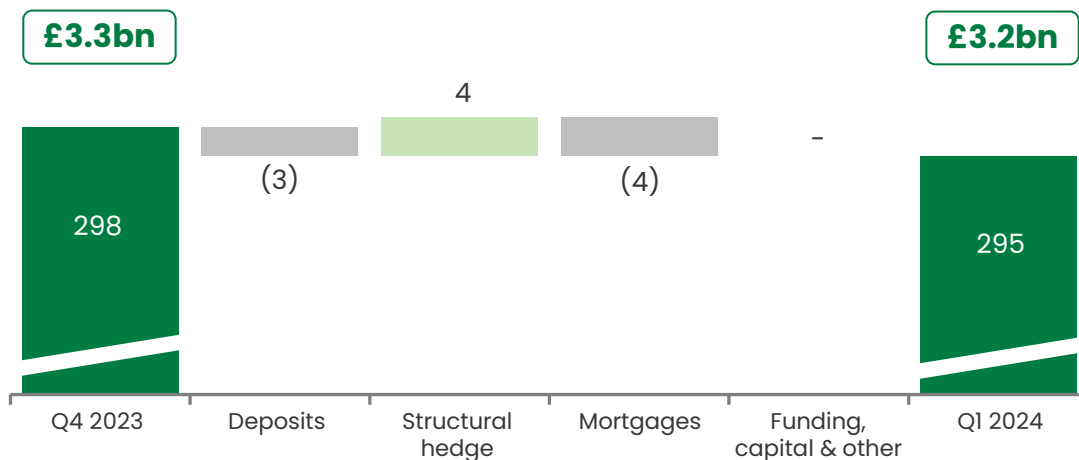
- Mortgage balances down £1.6bn in Q1 driven by expected roll over of Q4 refinancing
- Growth across cards, motor and unsecured loans in Q1
- Commercial lending down £0.8bn in Q1; SMB repayments include £0.5bn in CBILS/BBLs
- Total deposits £469.2bn; down £2.2bn in Q1
 - Retail up £1.3bn; savings up £0.9bn, PCAs up £0.4bn, mix change stabilising as expected
 - Commercial down £3.5bn in Q1 largely from reducing SMB balances
- **£1.3bn net new money in IP&I open book AuA**

1 – Includes Overdrafts, Europe and Wealth. 2 – Includes Retail savings and Wealth.

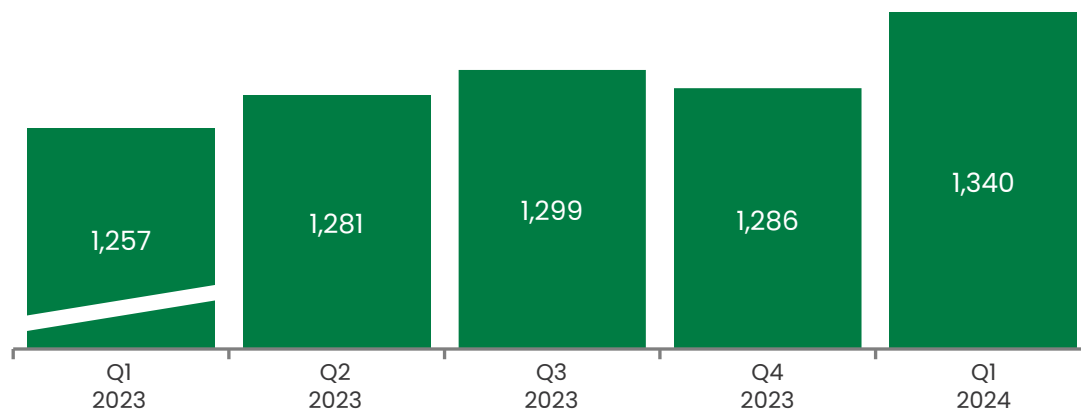
Solid income performance



Net interest income and banking net interest margin (£bn, bps)



Other income (£m)

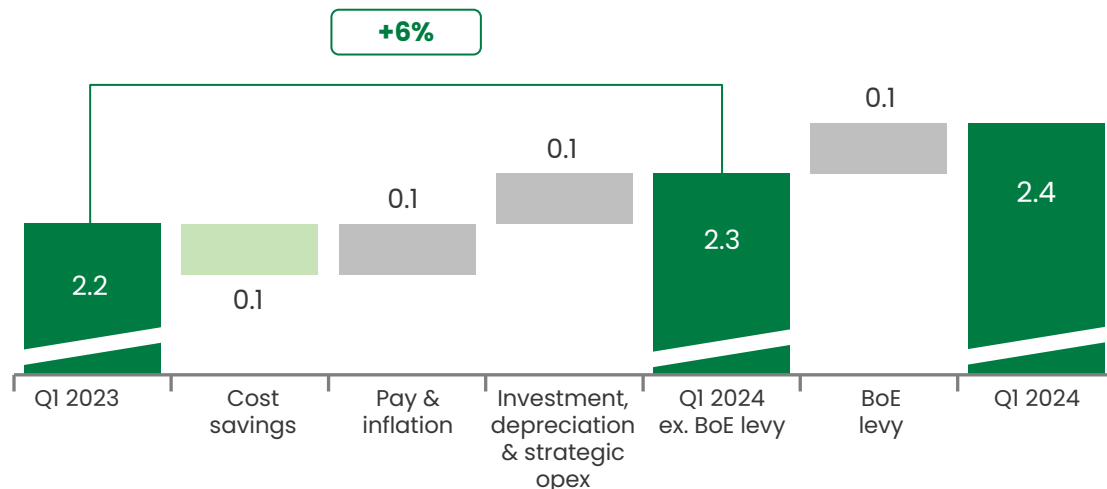


- **NII £3.2bn; NIM 295bps**
 - NIM 3bps lower in Q1, quarterly decline slowing as expected
 - Q1 AIEAs £449bn, down £4bn vs Q4
 - Hedge notional of £244bn, down £3bn vs Q4
 - Non-banking NII charge of £105m
- **Continue to expect 2024 AIEAs to be >£450bn and NIM to be >290bps**
- **Other income £1.3bn, up 7% YoY, progress focused on Retail and Commercial Banking**
- **Operating lease depreciation £283m**

Continued cost discipline



Operating costs (£bn)



Cost:income ratio (%)



- **Operating costs £2.4bn, +11% YoY; +6% ex. BoE levy**
 - Includes expected higher severance charge
- **Q1 cost:income ratio 57.2%; 54.4% ex. remediation and BoE levy**
- **Ongoing cost management to offset inflationary pressures**
- **Continue to expect 2024 operating costs to be c.£9.3bn, now plus the c.£0.1bn BoE levy**
 - BoE levy will have broadly neutral impact on profit in 2024 with phased NII benefit
- **Low Q1 remediation charge of £25m**

Strong asset quality



Impairment (£m)

	Q1 2024	Q4 2023	QoQ	Q1 2023	YoY
Charge (credit) pre updated MES¹	249	(353)	602	322	(73)
<i>Retail</i>	303	277	26	271	32
<i>Commercial Banking</i>	(49)	(626)	577	53	(102)
<i>Other</i>	(5)	(4)	(1)	(2)	(3)
Updated economic outlook	(192)	(188)	(4)	(79)	(113)
<i>Retail</i>	(196)	(203)	7	(66)	(130)
<i>Commercial Banking</i>	4	15	(11)	(13)	17
Total impairment charge/(credit)	57	(541)	598	243	(186)

Gross lending and coverage level² (£bn, %)

		Stage 1	Stage 2	Stage 3	Total
Q1 2024	Loans and advances	£391bn	£50bn	£11bn	£452bn
	Coverage	0.3%	3.0%	15.1%	0.9%
Q4 2023	Loans and advances	£387bn	£57bn	£10bn	£454bn
	Coverage	0.3%	3.0%	15.8%	0.9%

• Strong asset quality

- Mortgage new to arrears and default rates improving; all other portfolios stable

• Q1 impairment charge £57m, AQR 6bps

- Pre-MES charge £249m, AQR 23bps, with continued resilient performance
- Charge includes c.£50m Commercial Banking one-off model release

• £192m net MES release, reflecting improved economic outlook

- HPI expected to rise 1.5% in 2024 (prev. -2.2%)
- Peak unemployment now 4.9% (prev. 5.2%)

• Stock of ECL of £4.1bn, >£600m over base case

• Continue to expect 2024 AQR <30bps

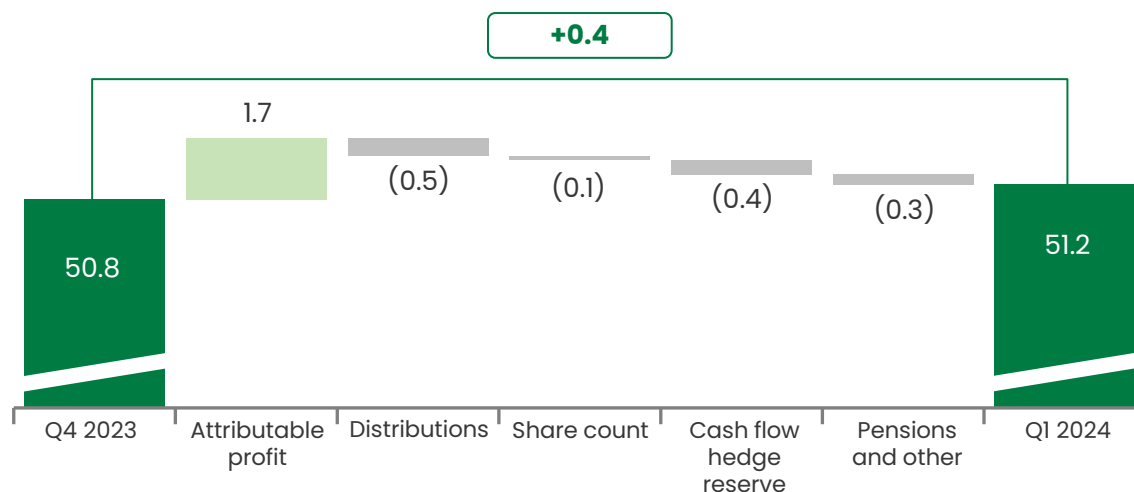
RoTE robust, TNAV building



Statutory profit (£m)

	Q1 2024	Q4 2023	QoQ %	Q1 2023	YoY %
Underlying profit	1,757	1,746	1	2,220	(21)
Restructuring	(12)	(85)	86	(12)	-
Volatility and other items	(117)	114		52	
Statutory profit before tax	1,628	1,775	(8)	2,260	(28)
Tax expense	(413)	(541)	24	(619)	33
Statutory profit after tax	1,215	1,234	(2)	1,641	(26)
Return on tangible equity	13.3%	13.9%	(0.6)pp	19.1%	(5.8)pp

Tangible net asset value per share (pence)

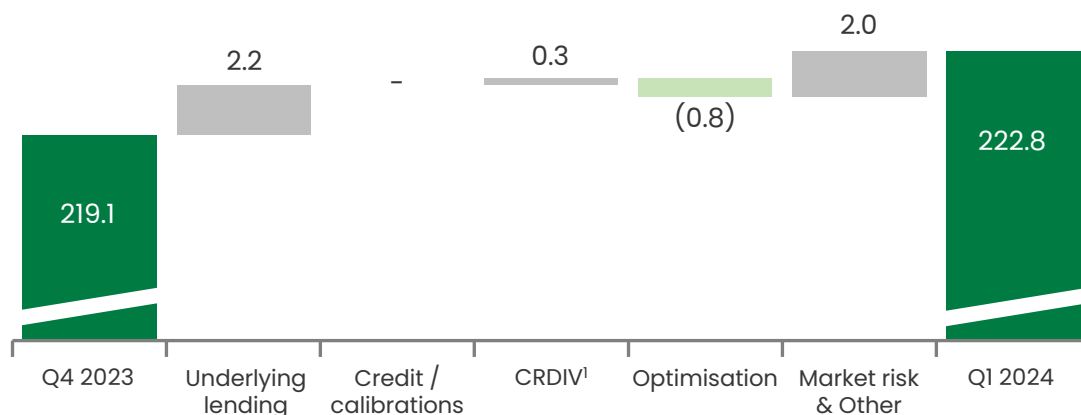


- RoTE 13.3%; continue to expect c.13% RoTE in 2024
- Q1 restructuring £12m
- Negative volatility, mainly rates driven in insurance, alongside usual fair value unwind
- TNAV per share 51.2p, up 0.4p in Q1
 - Accumulated profit partly offset by rates impacts
- Expect TNAV per share to benefit over medium term from buybacks, growth and unwind of headwinds, including cash flow hedge reserve

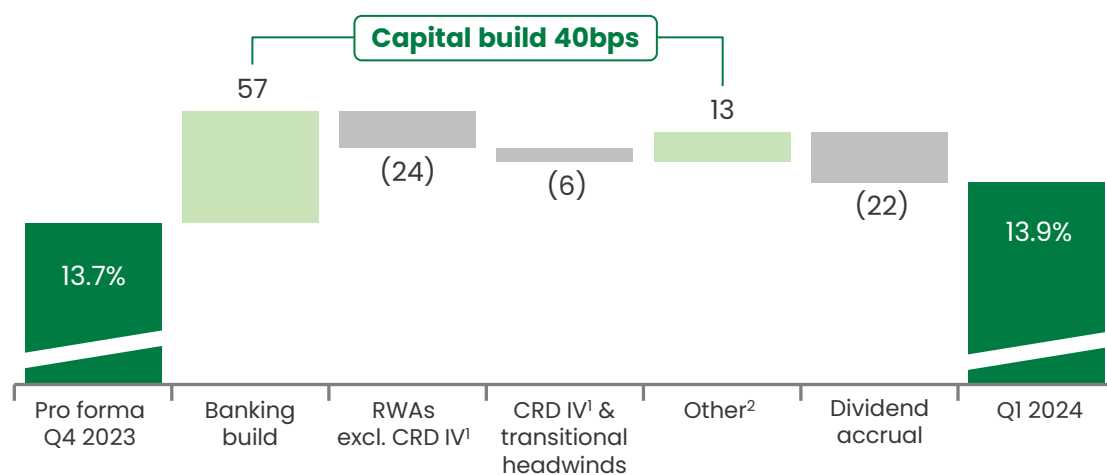
Strong capital generation



Risk weighted assets (£bn)



Common equity tier 1 ratio (% , bps)



- **RWAs £222.8bn, up £3.7bn in Q1**
 - Includes a c.£1.5bn temporary RWA increase expected to reverse in Q2
- **Strong 40bps capital generation, after regulatory headwinds; in line with expectations**
- **CET1 ratio 13.9%**
 - Continue to expect to pay down to c.13.5% by end 2024 and c.13% by end 2026
- **Continue to expect 2024 RWAs £220–225bn and capital generation of c.175bps**

1 – Retail secured CRD IV models. 2 – Other includes share-based payments and market volatility.

Delivering in line with expectations



Purpose

Helping Britain Prosper

- Continuing to deliver against strategic outcomes
- Robust financial performance in line with expectations
- 2024 guidance reaffirmed
 - NIM >290bps
 - Operating costs c.£9.3bn plus c.£0.1bn BoE levy
 - AQR <30bps
 - RoTE c.13%
 - RWAs £220–£225bn
 - Capital generation c.175bps
 - Expect to pay down to a CET1 ratio of c.13.5%

Q&A

Appendix

2024 and 2026 guidance



2024

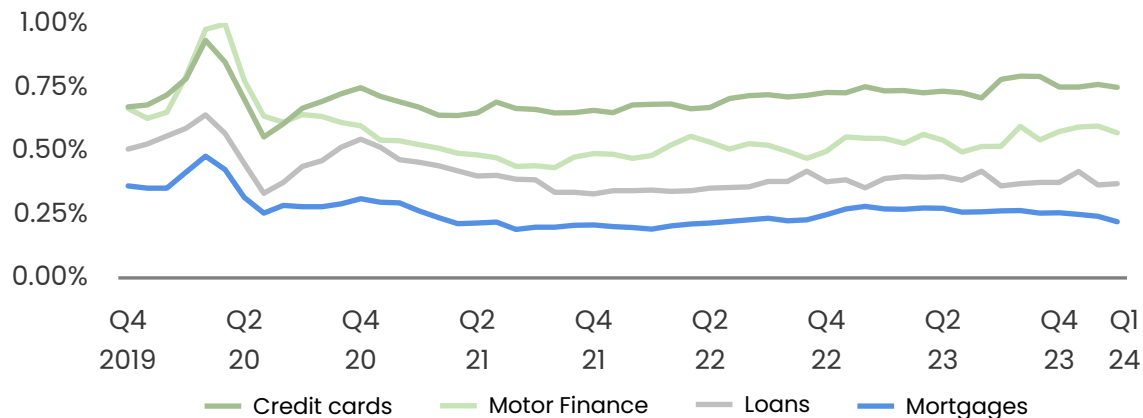
2026

	2024	2026
Income	NIM >290bps	
Costs	c.£9.3bn operating costs plus c.£0.1bn BoE levy	<50% cost:income ratio
Asset quality ratio	<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%	Expect to pay down to c.13.0%
Capital distribution	Progressive and sustainable ordinary dividend	

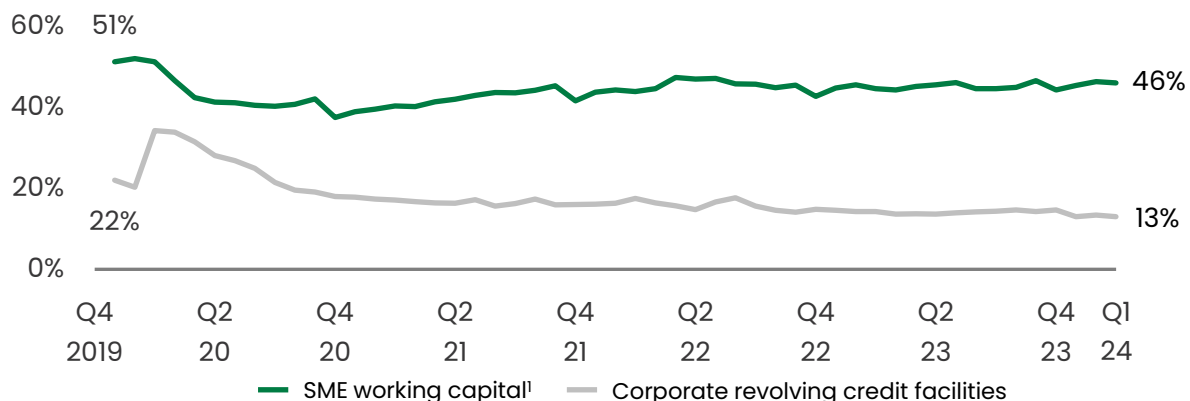
Stable credit performance across portfolios



New to arrears (3 month rolling average, %)



SME working capital¹ and corporate RCF² utilisation (%)



- Mortgage book resilient with new to arrears improving in quarter; average LTV 43%
- Consumer finance trends stable; new to arrears broadly at, or lower than, pre-pandemic
- Stable SME working capital utilisation¹; corporate RCF² utilisation 9pp below pre-pandemic
- c.90% of SME lending³ secured; >80% of CIB exposure at investment grade
- Net CB CRE exposure c.£9.9bn⁴ remains low
 - Average interest cover ratio⁵ 3.2x, with 75% >2x
 - Average LTV⁵ 46%; 88% with LTV <70%
 - c.13% office, c.12% industrial and c.9% retail; c.49% residential

1 – Encompasses overdrafts and corporate cards. 2 – Revolving credit facility. 3 – SME excluding Business Banking; lending fully or partially secured. 4 – As at February 24, includes Business Banking; post Significant Risk Transfer securitisations. 5 – Excludes Business Banking, development, CBILS and BBLS.

Quarterly P&L and key ratios



(£m)	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net interest income	3,184	3,317	3,444	3,469	3,535	3,643	3,394	3,190	2,945
Other income	1,340	1,286	1,299	1,281	1,257	1,128	1,171	1,185	1,182
Operating lease depreciation	(283)	(371)	(229)	(216)	(140)	(78)	(82)	(119)	(94)
Net income	4,241	4,232	4,514	4,534	4,652	4,693	4,483	4,256	4,033
Operating costs	(2,402)	(2,486)	(2,241)	(2,243)	(2,170)	(2,356)	(2,145)	(2,112)	(2,059)
Remediation	(25)	(541)	(64)	(51)	(19)	(166)	(10)	(27)	(52)
Total costs inc. Remediation	(2,427)	(3,027)	(2,305)	(2,294)	(2,189)	(2,522)	(2,155)	(2,139)	(2,111)
Underlying profit before impairment	1,814	1,205	2,209	2,240	2,463	2,171	2,328	2,117	1,922
Impairment (charge)/credit	(57)	541	(187)	(419)	(243)	(465)	(668)	(200)	(177)
Underlying profit	1,757	1,746	2,022	1,821	2,220	1,706	1,660	1,917	1,745
Restructuring	(12)	(85)	(44)	(13)	(12)	(11)	(22)	(23)	(24)
Volatility and other items	(117)	114	(120)	(198)	52	(638)	(1,062)	(289)	(177)
Statutory profit before tax	1,628	1,775	1,858	1,610	2,260	1,057	576	1,605	1,544
Statutory profit after tax	1,215	1,234	1,420	1,223	1,641	982	494	1,302	1,145
Net interest margin	2.95%	2.98%	3.08%	3.14%	3.22%	3.22%	2.98%	2.87%	2.68%
Average interest earning assets	£449bn	£453bn	£453bn	£453bn	£454bn	£454bn	£455bn	£451bn	£448bn
Cost:income ratio	57.2%	71.5%	51.1%	50.6%	47.1%	53.7%	48.1%	50.3%	52.3%
Asset quality ratio	0.06%	(0.47)%	0.17%	0.36%	0.22%	0.38%	0.57%	0.17%	0.16%
Return on tangible equity	13.3%	13.9%	16.9%	13.6%	19.1%	11.0%	4.2%	13.0%	10.7%
Tangible net asset value per share	51.2p	50.8p	47.2p	45.7p	49.6p	46.5p	44.5p	51.4p	53.7p

Updated economic scenarios



Scenario	ECL (£m)	Measure (%)	2024	vs Q4 2023	2025	2026	2027	2028	Ave. 24-28
Upside (30%)	2,837	GDP	1.1	(0.4)	2.0	1.7	1.6	1.6	1.6
		Unemployment rate	3.2	(0.1)	3.0	3.0	2.9	2.9	3.0
		HPI growth	3.7	2.9	6.7	6.5	5.3	4.9	5.4
		CRE price growth	6.5	(2.5)	4.8	1.4	2.0	2.2	3.4
		UK Bank Rate	5.40	(0.32)	5.44	5.25	5.00	5.07	5.23
		CPI inflation	2.3	(0.4)	2.9	2.9	2.8	3.0	2.8
Base case (30%)	3,512	GDP	0.4	(0.1)	1.2	1.6	1.7	1.7	1.3
		Unemployment rate	4.3	(0.6)	4.8	4.8	4.6	4.6	4.6
		HPI growth	1.5	3.7	0.8	0.9	1.6	2.8	1.5
		CRE price growth	(0.5)	(0.3)	0.7	(0.1)	1.6	2.1	0.7
		UK Bank Rate	4.88	0.00	4.00	3.50	3.06	3.00	3.69
		CPI inflation	2.4	(0.3)	2.8	2.4	2.1	2.2	2.4
Downside (30%)	4,504	GDP	(0.8)	0.2	(0.4)	1.2	1.7	1.7	0.7
		Unemployment rate	5.5	(1.0)	7.4	7.7	7.4	7.2	7.1
		HPI growth	0.0	4.5	(5.2)	(7.0)	(4.8)	(1.5)	(3.7)
		CRE price growth	(8.1)	0.6	(5.2)	(2.9)	(1.0)	(0.2)	(3.5)
		UK Bank Rate	4.29	0.34	2.00	1.03	0.48	0.29	1.62
		CPI inflation	2.4	(0.4)	2.7	1.8	1.0	1.0	1.8
Severe downside (10%)	8,702	GDP	(1.8)	0.5	(1.1)	1.1	1.4	1.5	0.2
		Unemployment rate	7.2	(1.5)	10.1	10.3	9.9	9.7	9.4
		HPI growth	(2.2)	5.4	(12.3)	(14.3)	(10.9)	(6.0)	(9.2)
		CRE price growth	(18.0)	1.5	(11.7)	(8.5)	(5.0)	(2.4)	(9.3)
		UK Bank Rate – adj.	6.19	(0.37)	4.56	3.63	3.13	3.00	4.10
		CPI inflation – adj.	7.5	0.0	3.5	1.3	1.0	1.8	3.0
Probability weighted	4,126								

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