Q3 Interim Management Statement

Lloyds Banking Group

23 October 2024

Purpose driven strategy benefitting all stakeholders

Purpose

Helping Britain Prosper

- Strategic transformation building momentum, delivering for customers
- Robust financial performance
- Reaffirming 2024 guidance; confident in 2026

Robust financial performance

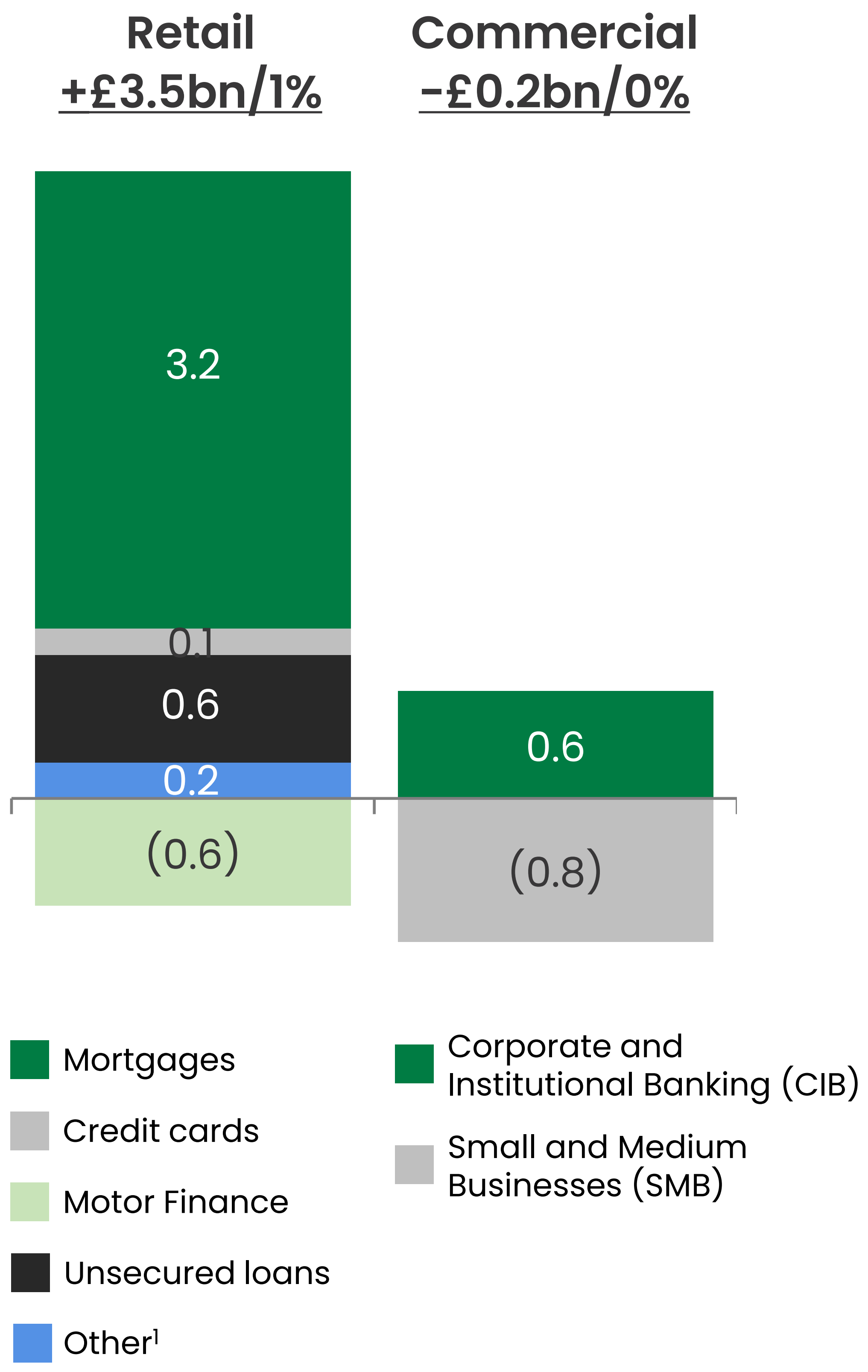
Financial summary (£m)

	Q3 2024 YTD	Q3 2023 YTD	YoY %	Q3 2024	Q2 2024	QoQ %
Net interest income	**9,569**	10,448	*(8)*	**3,231**	3,154	*2*
Other income	**4,164**	3,837	*9*	**1,430**	1,394	*3*
Operating lease depreciation	**(994)**	(585)	*(70)*	**(315)**	(396)	*20*
Net income	**12,739**	13,700	*(7)*	**4,346**	4,152	*5*
Operating costs	**(6,992)**	(6,654)	*(5)*	**(2,292)**	(2,298)	*-*
Remediation	**(124)**	(134)	*7*	**(29)**	(70)	*59*
Total costs inc. remediation	**(7,116)**	(6,788)	*(5)*	**(2,321)**	(2,368)	*2*
Underlying profit pre impairment	**5,623**	6,912	*(19)*	**2,025**	1,784	*14*
Impairment charge	**(273)**	(849)	*68*	**(172)**	(44)	
Underlying profit	**5,350**	6,063	*(12)*	**1,853**	1,740	*6*
Statutory profit after tax	**3,777**	4,284	*(12)*	**1,333**	1,229	*8*
Net interest margin	**2.94%**	3.15%	*(21)bp*	**2.95%**	2.93%	*2bp*
Return on tangible equity	**14.0%**	16.6%	*(2.6)pp*	**15.2%**	13.6%	*1.6pp*
Earnings per share	**5.3p**	5.9p	*(0.6)p*	**1.9p**	1.7p	*0.2p*
TNAV per share	**52.5p**	47.2p	*5.3p*	**52.5p**	49.6p	*2.9p*
CET1 ratio	**14.3%**	14.6%	*(0.3)pp*	**14.3%**	14.1%	*0.2pp*

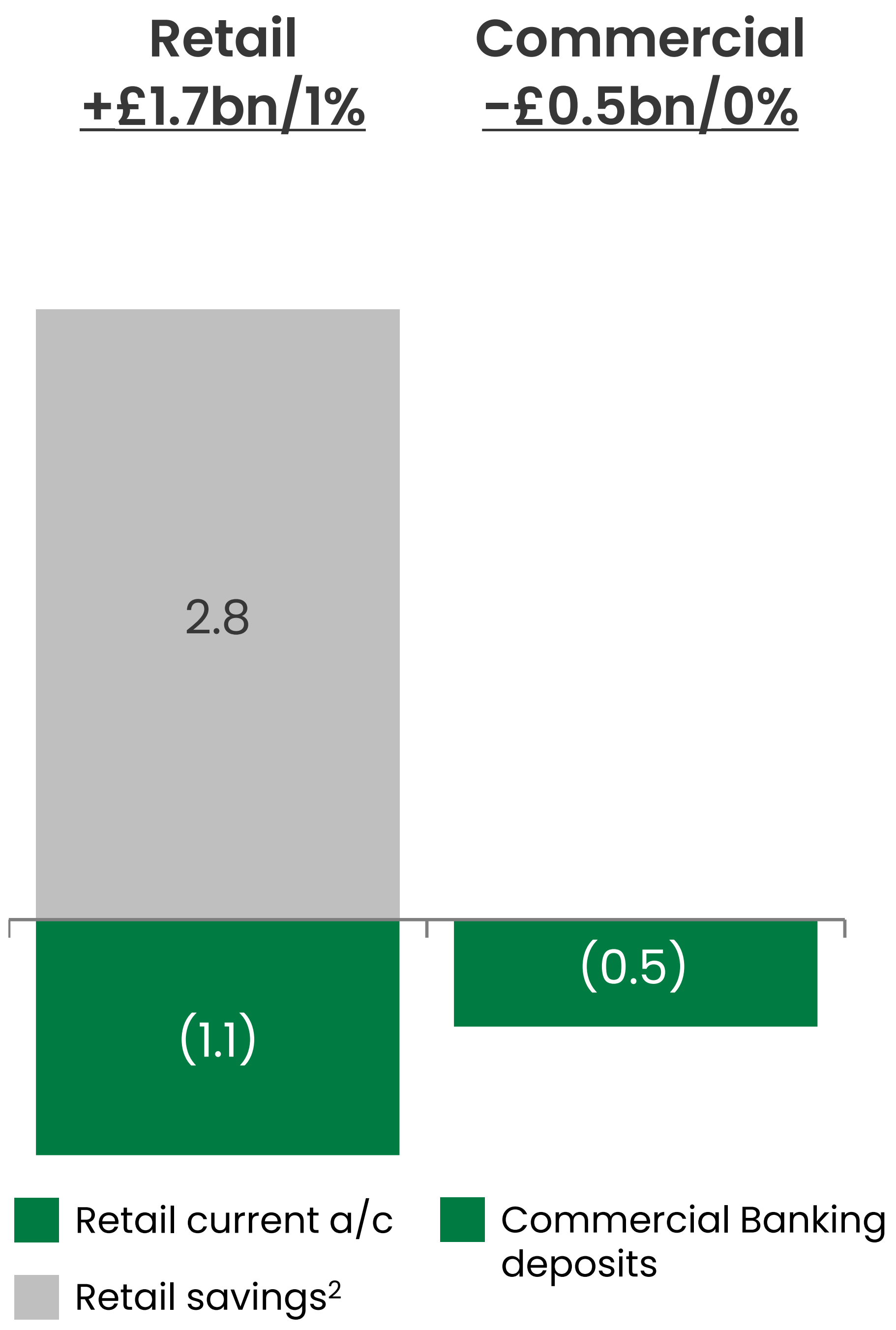
- **YTD statutory PAT £3.8bn; RoTE 14.0%**
- **YTD net income £12.7bn; Q3 £4.3bn, up 5% QoQ**
- **Income growth: Q3 NII £3.2bn, up 2% QoQ, Q3 NIM 295bps; up 2bps vs. Q2; YTD other income up 9% YoY**
- **Continued cost discipline: YTD operating costs up 5% YoY; 4% ex. BoE levy**
- **Strong asset quality: Q3 impairment charge £172m, equivalent to 15bps AQR**
- **TNAV per share 52.5p, up 1.7p YTD, up 2.9p in Q3**
- **Strong capital generation of 132bps YTD; CET1 ratio 14.3%**

Continued growth in customer franchise

Q3 lending increase (£bn)



Q3 deposit increase (£bn)



- **Group lending £457.0bn, up £4.6bn in Q3; up 2% YTD**
  - Retail up £3.5bn in Q3; Mortgages up £3.2bn
  - Growth in Credit Cards and Unsecured Loans
  - Motor Finance impacted by £0.3bn securitisation
  - Commercial down £0.2bn in Q3, including continued repayments of CBILS/BBLS within SMB
- **Group deposits £475.7bn, up £1.0bn in Q3; up £4.3bn YTD**
  - Retail up £1.7bn in Q3; up £2.8bn in savings, down £1.1bn in current accounts
  - Commercial down £0.5bn in Q3; growth in SMB offset by expected net outflow in CIB
- **£3.5bn net new money in IP&I YTD; £0.8bn in Q3[3]**

1 – Includes Overdrafts, Europe and Wealth. 2 – Includes Retail savings and Wealth. 3 – Open book assets under administration.

Income growth across NII and OOI

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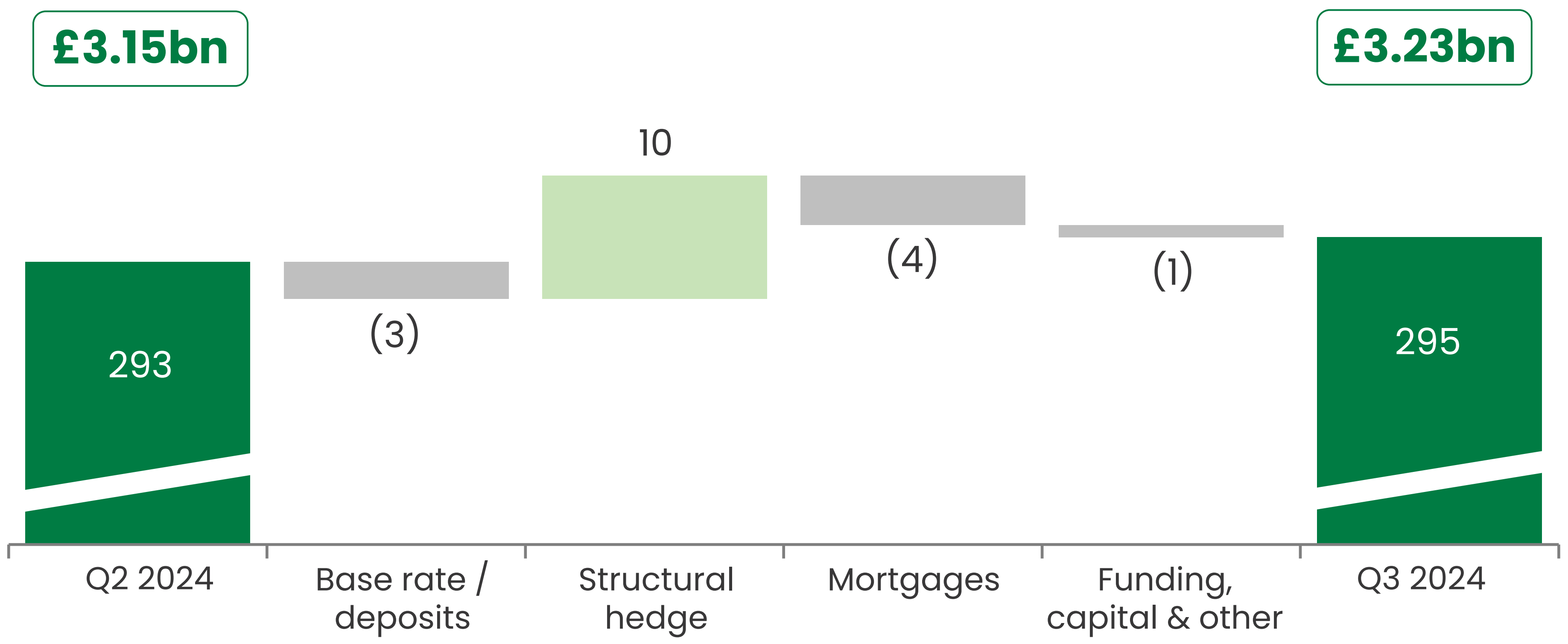
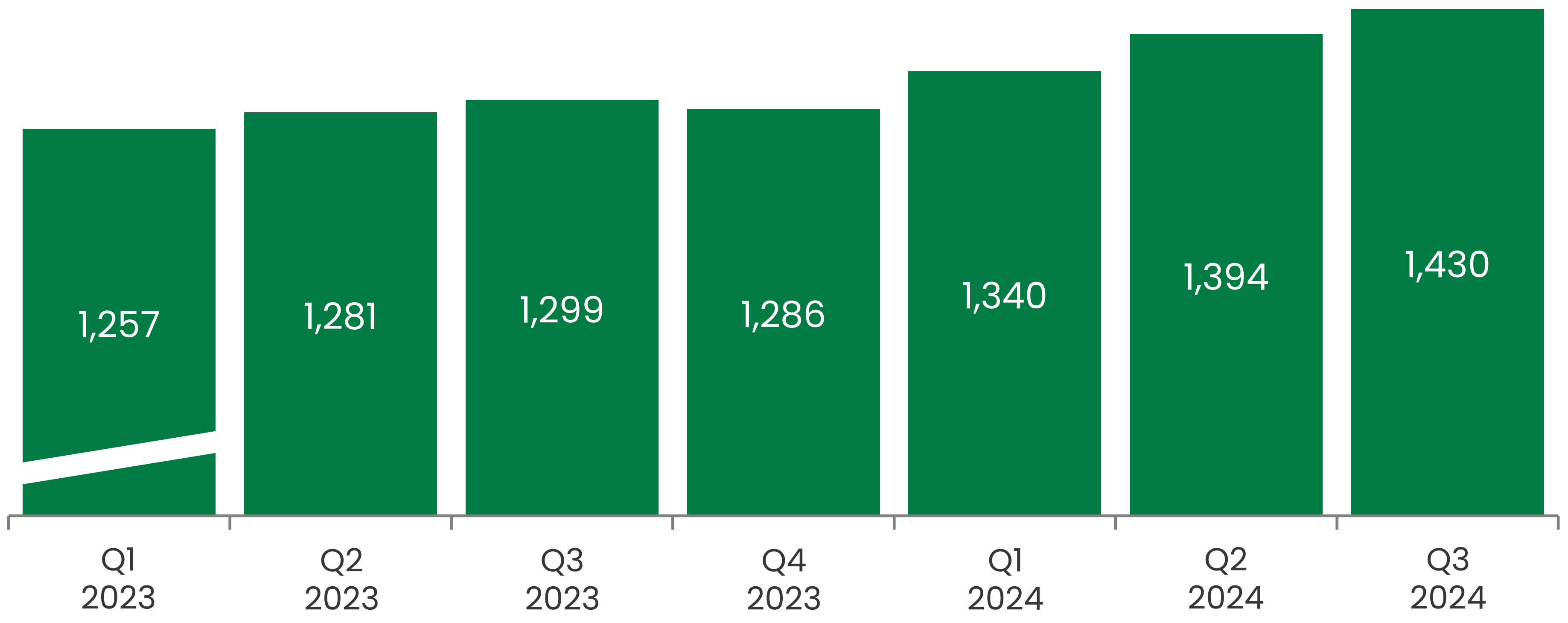
Net interest income and banking margin (bps)



Other income (£m)



- **Q3 NII £3.2bn, up 2% QoQ**
  - NIM 295bps, up 2bps QoQ
  - Q3 AIEAs £451.1bn, up £1.7bn QoQ; YTD £449.9bn
  - Q3 non-banking NII charge £118m, stable vs. Q2
- **Structural hedge notional £242bn, unchanged QoQ**
- **Continue to expect 2024 AIEAs >£450bn**
- **Continue to expect 2024 NIM to be >290bps**
- **Other income £4.2bn YTD, up 9% YoY; Q3 £1.4bn**
  - Continued growth driven by strategic progress across divisions
- **Operating lease depreciation £315m in Q3, in line with expectations**

Continued cost discipline

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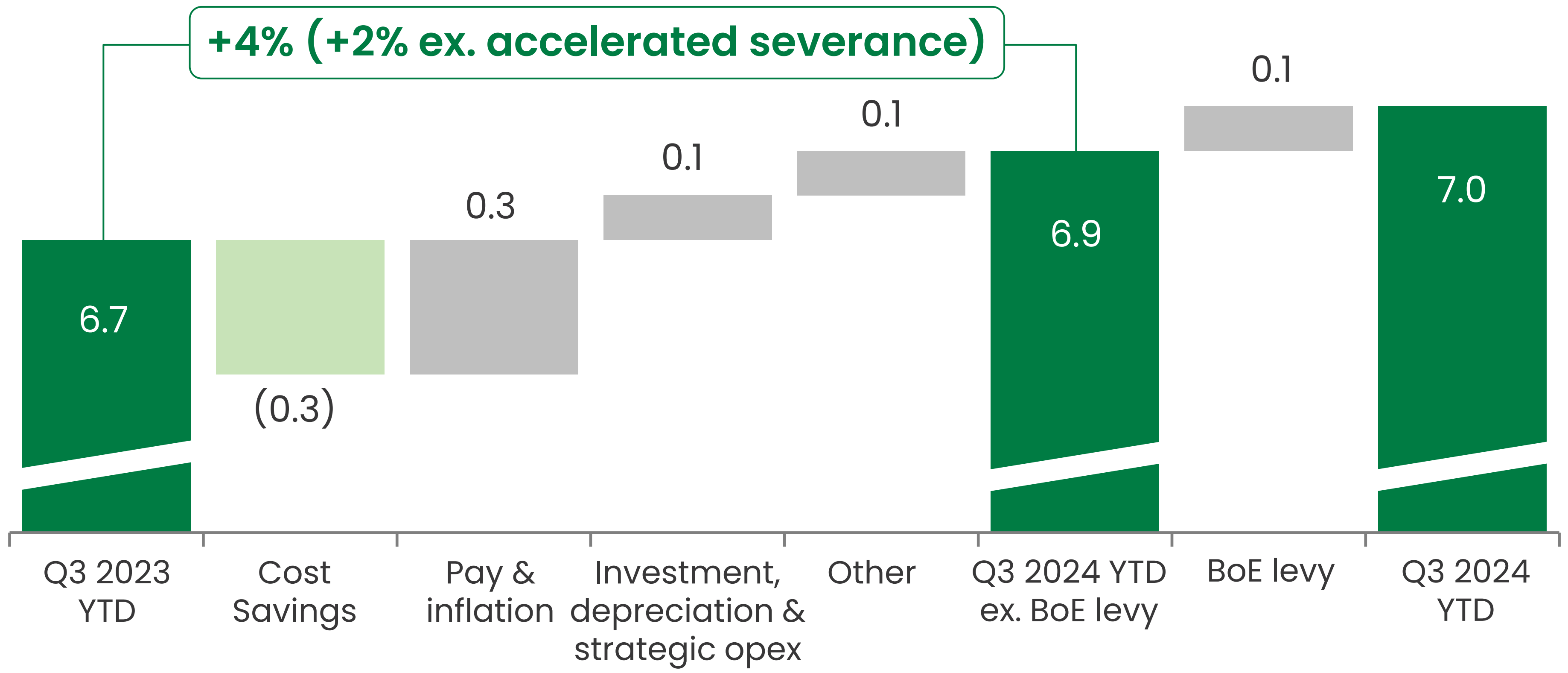
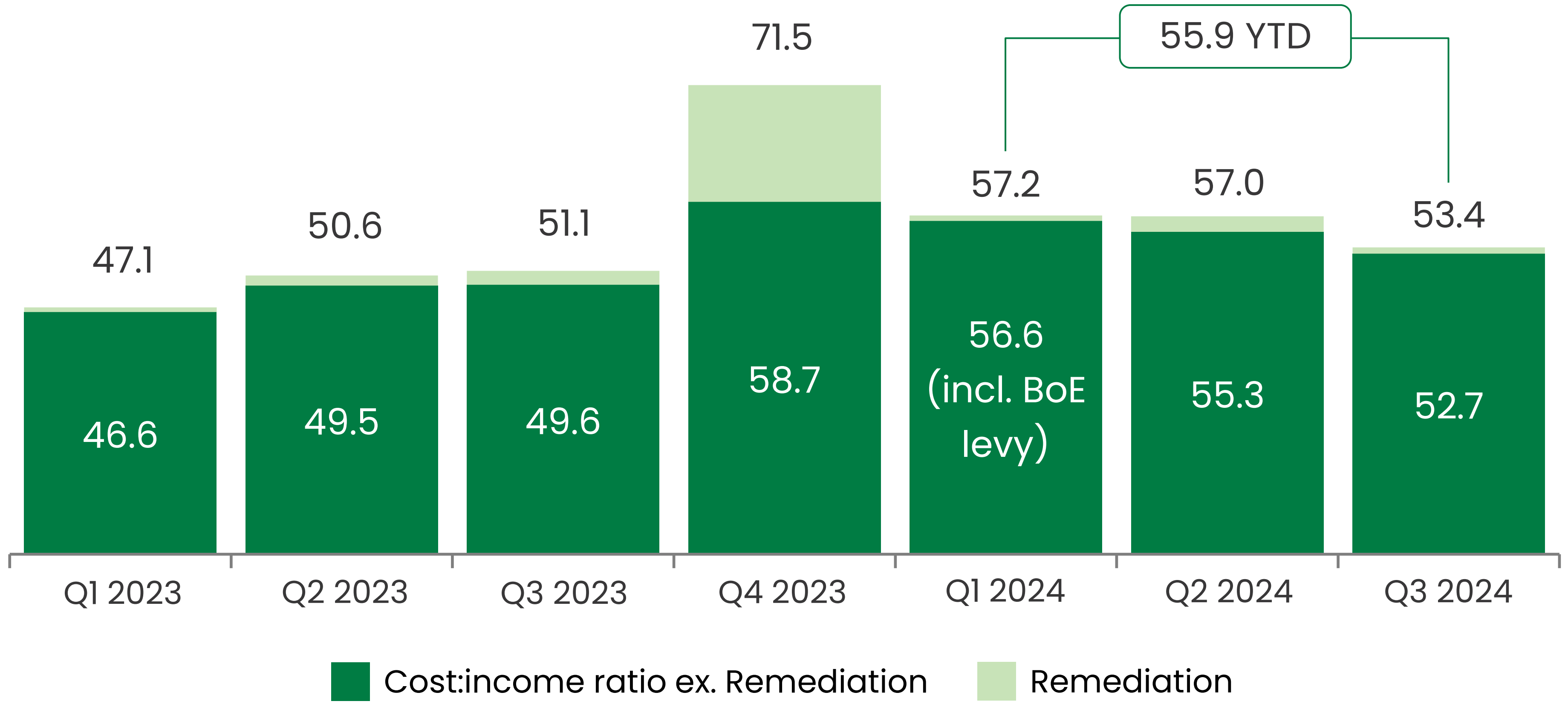
Operating costs (£bn)



Cost:income ratio (%)



- **Q3 operating costs £2.3bn, stable on Q2**
- **YTD operating costs £7.0bn, up 5% YoY, 4% excluding BoE levy**
  - Includes accelerated severance taken YTD
- **Q3 cost:income 53.4%; 52.7% ex. remediation**
- **Ongoing cost management mitigating inflationary pressures and investment**
- **Continue to expect 2024 operating costs c.£9.4bn, including c.£0.1bn BoE levy**
- **Remediation charge of £124m YTD, £29m in Q3**

Strong asset quality

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Impairment (£m)

	Q3 2024 YTD	Q3 2023 YTD	YoY £m	Q3 2024	Q2 2024	QoQ £m
Charge (credit) pre updated MES[1]	**597**	**918**	***(321)***	**172**	**176**	***(4)***
Retail	*592*	*787*	*(195)*	*129*	*160*	*(31)*
Commercial Banking	*16*	*139*	*(123)*	*44*	*21*	*23*
Other	*(11)*	*(8)*	*(3)*	*(1)*	*(5)*	*4*
Updated economic outlook	**(324)**	**(69)**	***(255)***	**-**	**(132)**	***132***
Retail	*(269)*	*(30)*	*(239)*	*-*	*(73)*	*73*
Commercial Banking	*(55)*	*(39)*	*(16)*	*-*	*(59)*	*59*
Total impairment charge	**273**	**849**	***(576)***	**172**	**44**	***128***

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

		Stage 1	Stage 2	Stage 3	Total
Q3 2024	Loans and advances	£407bn	£44bn	£10bn	£461bn
	Coverage	0.2%	3.2%	15.5%	0.8%
Q4 2023	Loans and advances	£387bn	£57bn	£10bn	£454bn
	Coverage	0.3%	3.0%	15.8%	0.9%

- **Strong asset quality, reflected in continued resilient Group credit performance**
- **£172m charge in Q3, AQR 15bps**
  - Low underlying charge driven by benign credit trends and debt sale of unsecured assets
  - Nil MES release
- **YTD impairment charge £273m, AQR 9bps**
  - £597m pre-MES, AQR 18bps, £324m MES release
- **Stock of ECL £3.8bn**
- **Continue to expect 2024 AQR <20bps**

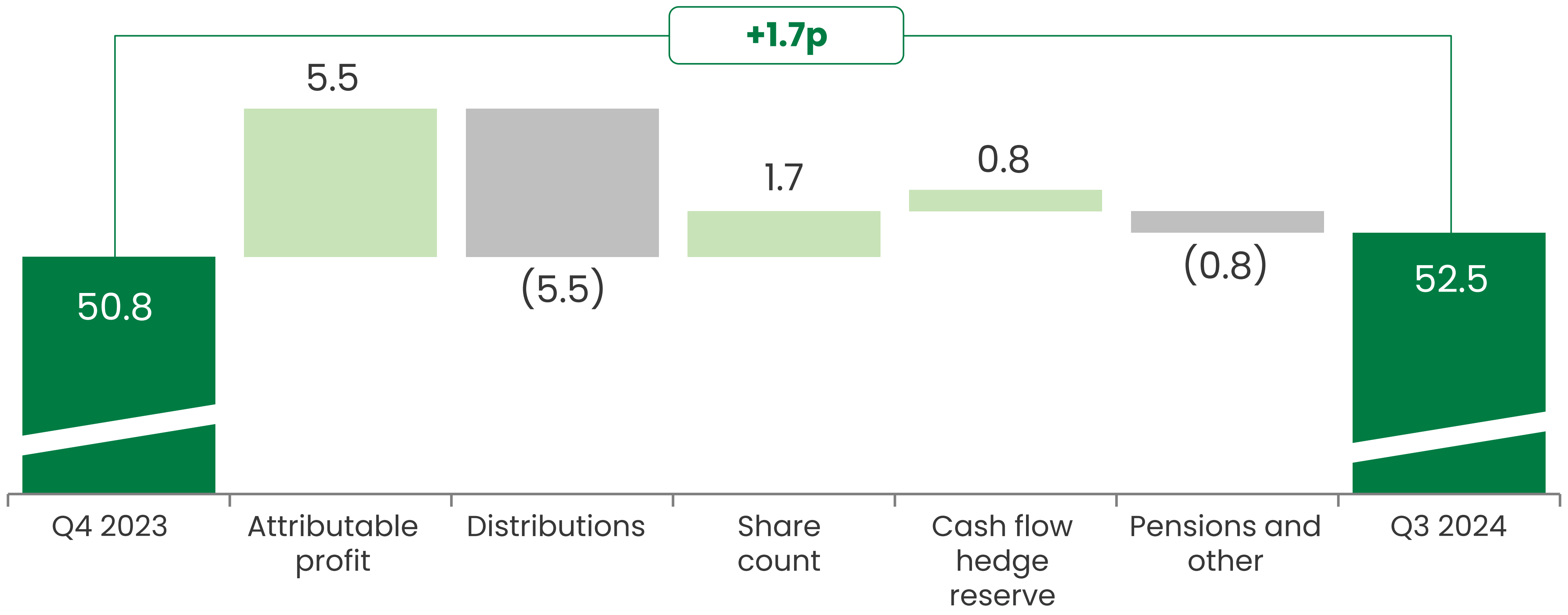
1 – Impairment charges absent the impact from updated economic outlook, thus reflecting only observed movements in credit quality. **2** – Underlying basis. Table uses rounded inputs.

Robust RoTE, TNAV building

Statutory profit (£m)

	Q3 2024 YTD	Q3 2023 YTD	YoY %	Q3 2024	Q2 2024	QoQ %
Underlying profit	**5,350**	6,063	*(12)*	**1,853**	1,740	*6*
Restructuring	**(21)**	(69)	*70*	**(6)**	(3)	*(100)*
Volatility and other items	**(182)**	(266)	*32*	**(24)**	(41)	*41*
Statutory profit before tax	**5,147**	5,728	*(10)*	**1,823**	1,696	7
Tax expense	**(1,370)**	(1,444)	5	**(490)**	(467)	*(5)*
Statutory profit after tax	**3,777**	4,284	*(12)*	**1,333**	1,229	*8*
Return on tangible equity	**14.0%**	16.6%	*(2.6)pp*	**15.2%**	13.6%	*1.6pp*

Tangible net asset value per share (pence)



- **Q3 RoTE 15.2%; YTD 14.0%**
- **Q3 restructuring £6m, YTD £21m**
- **Q3 volatility £24m, YTD £182m**
- **TNAV per share 52.5p, up 1.7p YTD, up 2.9p in Q3, driven by profits, share count reduction and cash flow hedge reserve movements**
- **Continue to expect TNAV to benefit from business growth and unwind of headwinds, net of distributions**
  - Cash flow hedge reserve to build into TNAV
  - Reduced share count from buyback supports TNAV per share
- **Continue to expect 2024 RoTE of c.13%**

Strong capital generation in line with expectations

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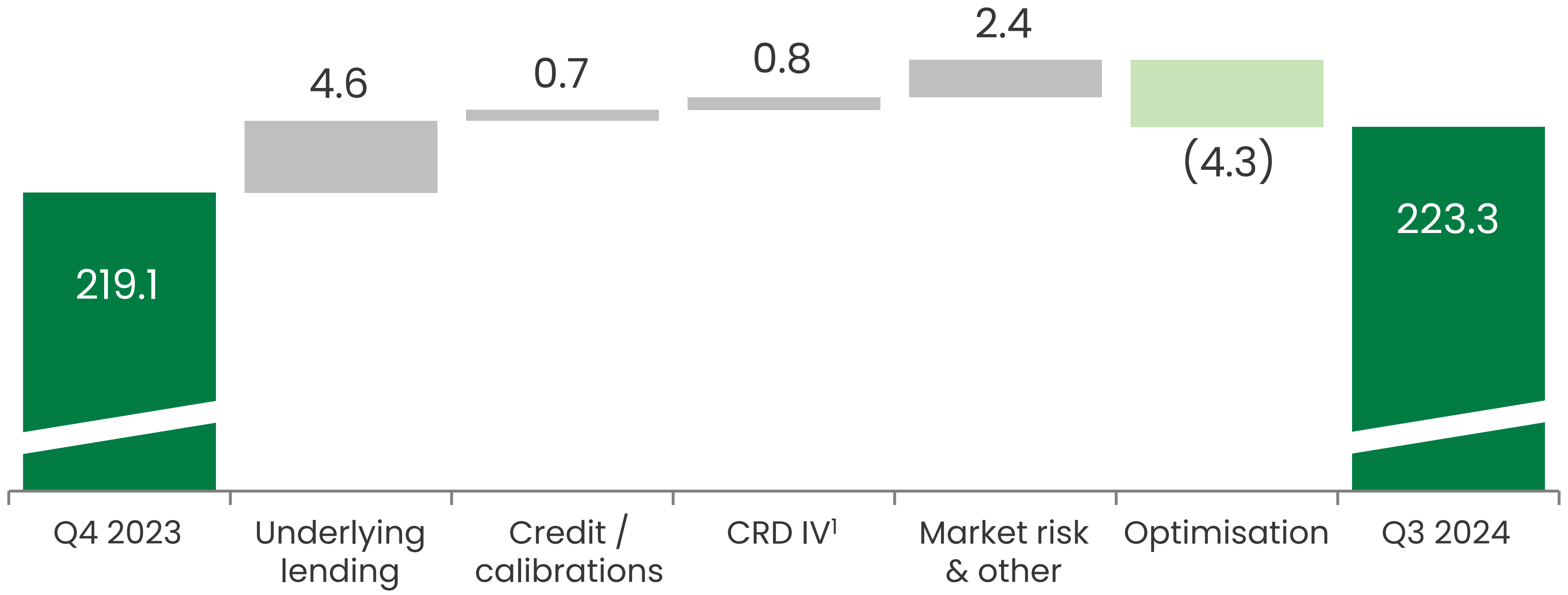
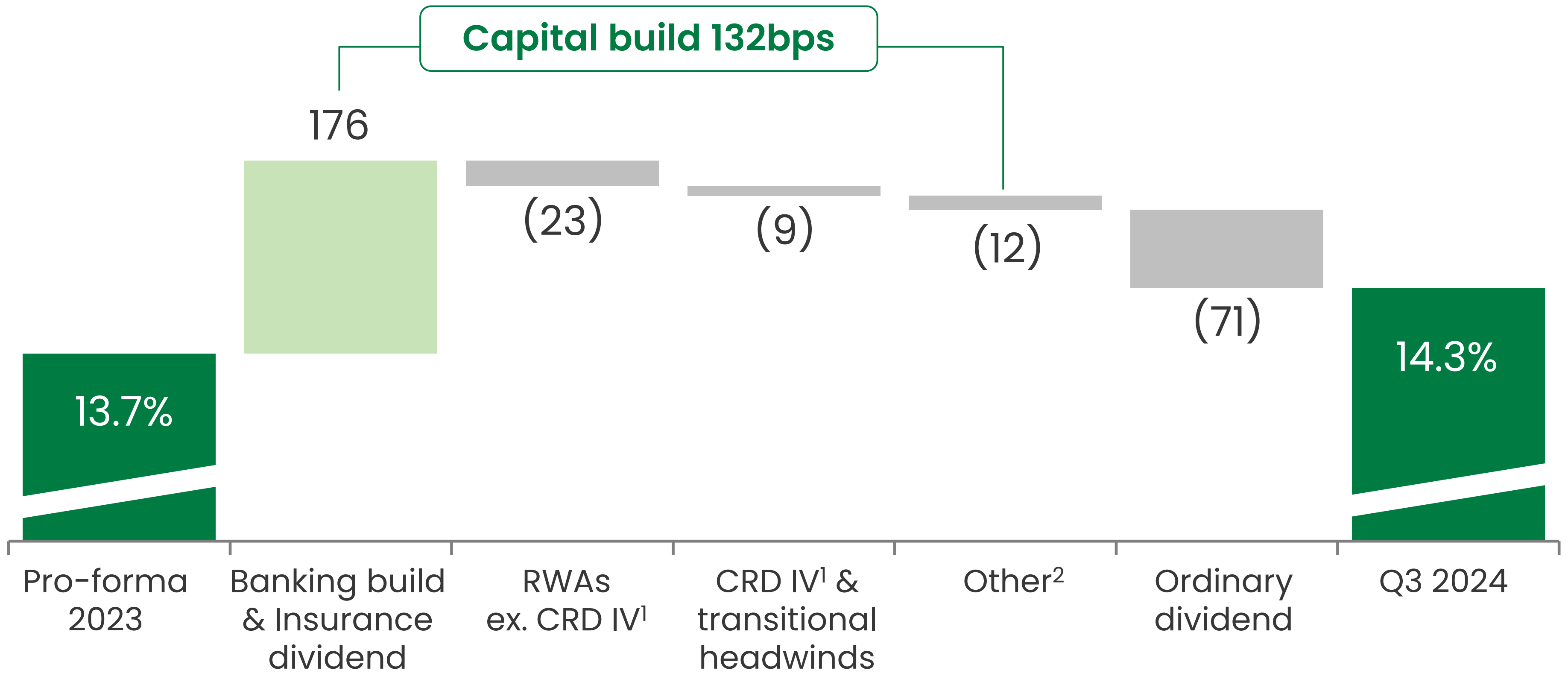
Risk weighted assets (£bn)



Common equity tier 1 ratio (%, bps)



- **Strong YTD capital generation of 132bps**
- **RWAs £223.3bn, up £4.2bn YTD, incl. £1.3bn in Q3**
  - Lending offset by optimisation
- **Continue to expect 2024 RWAs £220-225bn and capital generation to be c.175bps**
- **CET1 ratio 14.3%**
- **Basel 3.1 outcome likely to be modestly positive at 1 Jan 2026 implementation**
- **Continue to expect to pay down to c.13.5% CET1 by end of 2024**

1 – Retail secured CRD IV models. **2** – Other includes share-based payments, market volatility and an FX loss on the USD AT1 redemption.

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Q&A

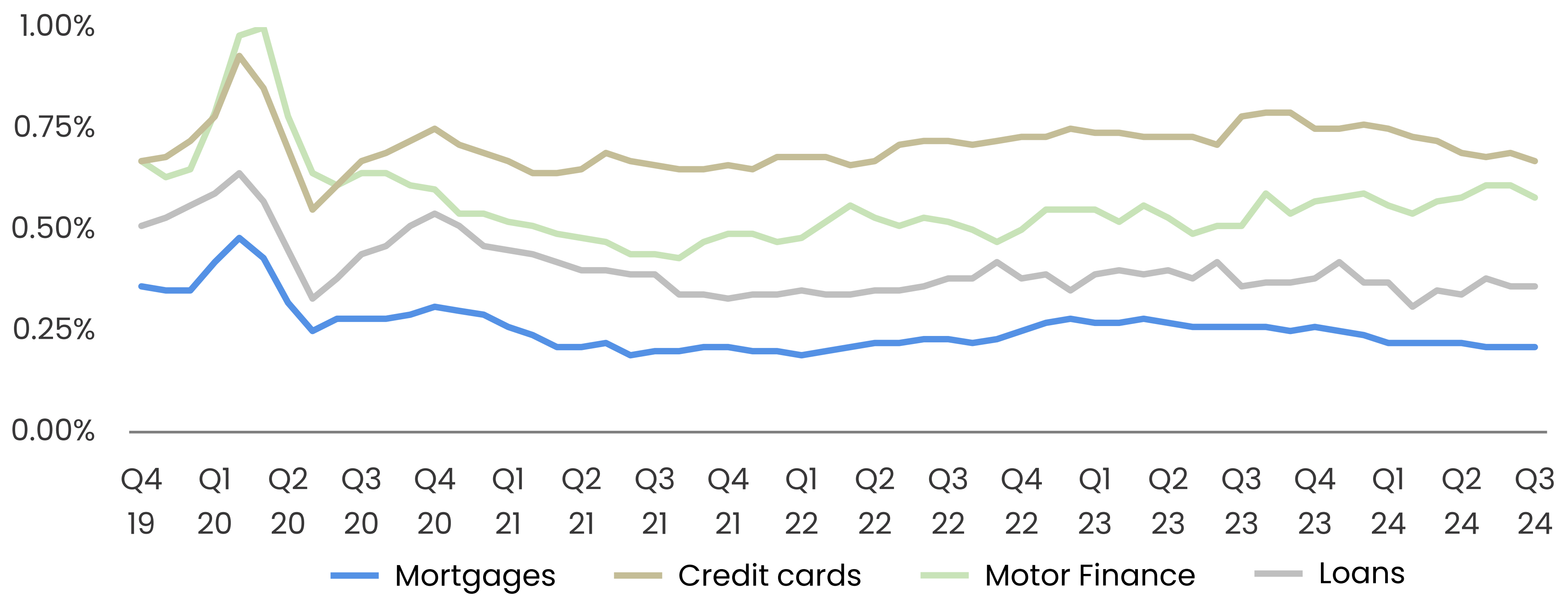
Appendix

2024 and 2026 guidance

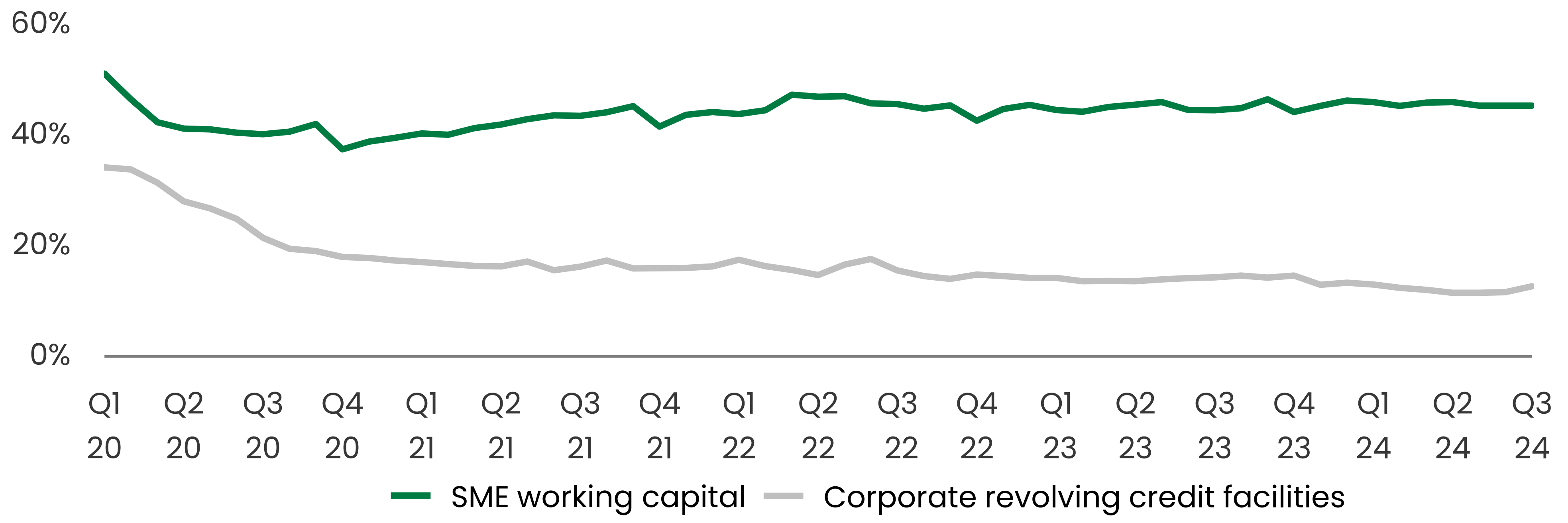
	2024	2026
Income	NIM **>290bps**	
Costs	**c.£9.4bn** operating costs **inc c.£0.1bn** BoE levy	**<50%** cost:income ratio
Asset quality ratio	**<20bps**	
Return on tangible equity	**c.13%**	**>15%**
Risk weighted assets	**£220bn - £225bn**	
Capital generation	**c.175bps**	**>200bps**
Capital target	Expect to **pay down to c.13.5%**	Expect to **pay down to c.13.0%**
Capital distribution	**Progressive and sustainable** ordinary dividend	

Consistently reassuring performance across portfolios

New to arrears (3 month rolling average, %)



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



- **Improvement in Mortgages new to arrears and default rates in Q3 and YTD; average LTV 43%**
- **Resilient performance in other portfolios**
- **Stable SME working capital utilisation trends; RCF utilisation 9pp below pre-pandemic**
- **c.90% of SME lending[3] secured; >80% of CIB exposure at investment grade**
- **Net CRE exposure c.£9.8bn[4]; portfolio remains well managed and robust**
  - Average interest cover ratio[5] 3.1x, with 70% >2x
  - Average LTV[5] 45%; c.91% with LTV <70%
  - c.13% office, c.10% retail and c.12% industrial; c.51% residential

1 – Encompasses overdrafts and corporate cards. **2** – Revolving credit facility. **3** – SME excluding Business Banking; lending fully or partially secured. **4** – August 2024; includes Business Banking, post Significant Risk Transfer securitisations. **5** – August 2024; excludes Business Banking, development lending, CBILS and BBLS.

Quarterly P&L and key ratios

(£m)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net interest income	**3,231**	3,154	3,184	3,317	3,444	3,469	3,535
Other income	**1,430**	1,394	1,340	1,286	1,299	1,281	1,257
Operating lease depreciation	**(315)**	(396)	(283)	(371)	(229)	(216)	(140)
Net income	**4,346**	4,152	4,241	4,232	4,514	4,534	4,652
Operating costs	**(2,292)**	(2,298)	(2,402)	(2,486)	(2,241)	(2,243)	(2,170)
Remediation	**(29)**	(70)	(25)	(541)	(64)	(51)	(19)
Total costs	**(2,321)**	(2,368)	(2,427)	(3,027)	(2,305)	(2,294)	(2,189)
Underlying profit before impairment	**2,025**	1,784	1,814	1,205	2,209	2,240	2,463
Impairment (charge) / credit	**(172)**	(44)	(57)	541	(187)	(419)	(243)
Underlying profit	**1,853**	1,740	1,757	1,746	2,022	1,821	2,220
Restructuring	**(6)**	(3)	(12)	(85)	(44)	(13)	(12)
Volatility and other items	**(24)**	(41)	(117)	114	(120)	(198)	52
Statutory profit before tax	**1,823**	1,696	1,628	1,775	1,858	1,610	2,260
Statutory profit after tax	**1,333**	1,229	1,215	1,234	1,420	1,223	1,641
Net interest margin	**2.95%**	2.93%	2.95%	2.98%	3.08%	3.14%	3.22%
Average interest earning assets	**£451bn**	£449bn	£449bn	£453bn	£453bn	£453bn	£454bn
Cost:income ratio	**53.4%**	57.0%	57.2%	71.5%	51.1%	50.6%	47.1%
Asset quality ratio	**0.15%**	0.05%	0.06%	(0.47)%	0.17%	0.36%	0.22%
Return on tangible equity	**15.2%**	13.6%	13.3%	13.9%	16.9%	13.6%	19.1%
Tangible net asset value per share	**52.5p**	49.6p	51.2p	50.8p	47.2p	45.7p	49.6p

Updated economic scenarios

Scenario	ECL[1] (£m)	Measure (%)	2024	*vs. Q2 2024*	2025	2026	2027	2028	*Ave. 24-28*
Upside (30%)	2,806	GDP	1.2	*0.1*	2.4	1.9	1.5	1.4	1.7
		Unemployment rate	4.2	*0.1*	3.3	2.8	2.7	2.8	3.1
		HPI growth	3.5	*1.3*	4.6	7.1	6.4	5.1	5.3
		CRE price growth	1.6	*(0.6)*	9.0	4.2	1.8	0.7	3.4
		UK Bank Rate	5.06	*(0.11)*	5.08	5.16	5.34	5.58	5.24
		CPI inflation	2.6	*0.1*	2.7	2.4	2.8	2.8	2.7
Base case (30%)	3,380	GDP	1.1	*0.3*	1.3	1.5	1.5	1.5	1.4
		Unemployment rate	4.3	*(0.2)*	4.7	4.7	4.5	4.5	4.5
		HPI growth	3.1	*1.9*	2.0	1.0	1.5	2.1	2.0
		CRE price growth	0.3	*1.9*	1.7	2.1	0.7	0.3	1.0
		UK Bank Rate	5.06	*0.00*	4.19	3.63	3.50	3.50	3.98
		CPI inflation	2.6	*0.1*	2.6	2.1	2.2	2.1	2.3
Downside (30%)	4,320	GDP	1.0	*0.4*	(0.3)	0.4	1.3	1.5	0.8
		Unemployment rate	4.4	*(0.5)*	6.5	7.3	7.3	7.1	6.5
		HPI growth	2.9	*2.3*	(0.2)	(6.1)	(5.8)	(2.9)	(2.5)
		CRE price growth	(0.7)	*4.0*	(6.2)	(1.7)	(1.9)	(1.9)	(2.5)
		UK Bank Rate	5.06	*0.09*	3.11	1.48	0.96	0.65	2.25
		CPI inflation	2.6	*0.1*	2.6	1.9	1.5	1.1	2.0
Severe downside (10%)	6,865	GDP	0.9	*0.8*	(2.0)	(0.1)	1.1	1.4	0.2
		Unemployment rate	4.6	*(0.9)*	8.6	9.9	9.9	9.7	8.5
		HPI growth	2.3	*3.0*	(2.5)	(13.5)	(12.6)	(8.3)	(7.1)
		CRE price growth	(2.7)	*6.4*	(16.5)	(6.5)	(6.5)	(5.1)	(7.6)
		UK Bank Rate – adj.	5.13	*0.04*	3.67	2.55	2.16	1.88	3.08
		CPI inflation – adj.	2.6	*(0.3)*	3.5	1.8	1.3	0.9	2.0
Probability weighted	**3,838**								

1 – ECL excludes any impact of changes to economic scenarios in Q3.

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These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, targets, 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; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; 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 and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; 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 including risks as a result of the failure of third party suppliers; 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) and decarbonisation, 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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