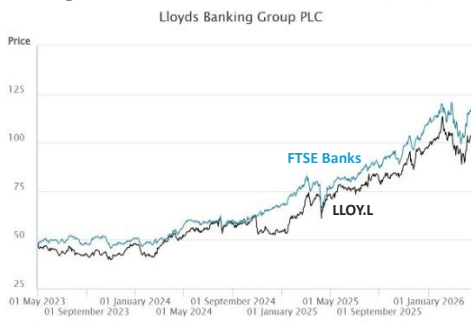


# Lloyds Banking Group (LLOY.L)

**Rating: Hold**  
**Current Price: 0.97 £**  
**Target Price: 0.90 £**  
**Upside / (Downside): (8%)**  
**Time Horizon: 5Y**

**Figure 1: Price Performance (3Y)**



## Key Metrics

Market Cap: £57.14 Billion  
CET1 Ratio: 13.9%  
NIM: 2.7%  
ROTCE: 13.1%  
P/TBV: 0.9

## Key Catalysts

Interest rate normalisation supporting net interest margins  
Gradual recovery in UK mortgage demand and lending volumes  
Continued capital return through dividends and share buybacks  
Excess CET1 capital deployment driving shareholder distributions  
Ongoing cost discipline and digitalisation supporting efficiency

## Investment Thesis

We initiate coverage on Lloyds Banking Group with a Hold recommendation and a target price of £0.90, implying limited downside from the current share price. While Lloyds continues to benefit from its strong domestic retail franchise, large low-cost deposit base, and disciplined capital management, we believe the current valuation already reflects much of the Group's stable earnings profile and capital return potential.

Our investment thesis is based on three key factors: the outlook for the UK mortgage and housing market, the normalisation of net interest margins, and Lloyds' continued shareholder distributions through dividends and share buybacks (Appendix E1).

The UK mortgage and housing market appears to be approaching a potential turning point, creating both opportunities and risks for the Group. While some analysts expect lower interest rates and improving affordability to support a recovery in housing activity, others remain cautious given all-time high property prices, weaker consumer confidence, geopolitical uncertainty, and continued macroeconomic pressure on the UK economy.

We adopt a relatively conservative approach across our forecasts, assuming gradual normalisation in loan growth and net interest margins rather than a sharp recovery in mortgage activity or profitability. Nevertheless, a faster-than-expected decline in interest rates and a stronger recovery in the UK housing market could provide upside potential to earnings and valuation over the medium term.

## Business Description

Lloyds Banking Group is one of the UK's largest domestic retail and commercial banks, serving individuals, SMEs, and corporate clients through brands including Lloyds Bank, Halifax, and Bank of Scotland. The Group has a particularly strong position in UK mortgages, current accounts, savings products, and consumer lending.

The business is primarily focused on traditional retail and commercial banking activities, with earnings largely driven by net interest income. Lloyds benefits from a large domestic deposit base and a leading share of the UK mortgage market, supporting relatively stable funding and earnings generation compared to more internationally diversified peers.

Compared to many global banks, Lloyds has relatively limited exposure to investment banking and international operations, making its performance more directly linked to UK economic conditions, interest rates, and housing market activity.

In recent years, management has remained focused on cost discipline, capital generation, and shareholder returns, while continuing to invest in digital banking infrastructure and operational efficiency initiatives.

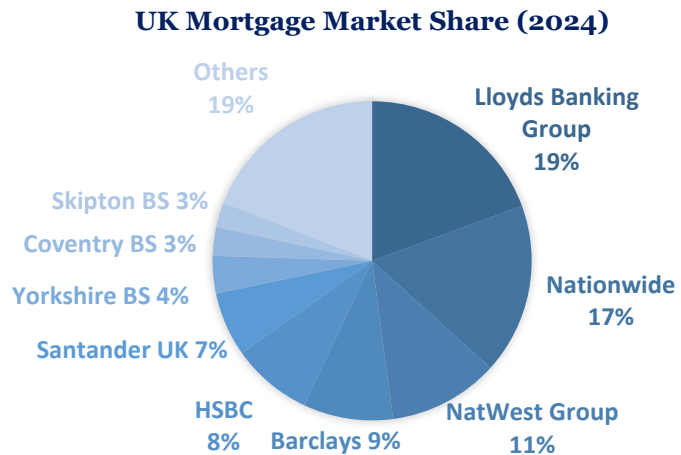
## Industry Overview and Competitive Positioning

The UK banking sector remains highly competitive, with profitability largely influenced by interest rates, mortgage activity, and deposit pricing dynamics. Following the sharp increase in rates over the past several years, UK banks benefited from stronger net interest income; however, this tailwind is gradually moderating as funding costs rise and competition within lending markets increases.

The outlook for the UK mortgage market remains mixed. While higher rates and weaker consumer confidence have weighed on housing activity in the near term, improving affordability and expectations for lower mortgage rates could support a gradual recovery in lending volumes over time. At the same time, some analysts remain cautious on the UK housing market given affordability pressures, elevated household leverage, and broader macroeconomic uncertainty.

The UK mortgage market is relatively concentrated, with a small number of large lenders accounting for a significant share of total lending (Figure 2). Within this market, Lloyds Banking Group maintains a leading position, supported by its scale, established brands, and broad retail distribution network. The Group’s large deposit base and strong position in UK mortgages provide a structural funding advantage and support relatively stable earnings generation.

**Figure 2: UK Mortgage Market Share (2024)**



Compared to more globally diversified peers, Lloyds operates with a simpler and more domestically focused business model, with limited exposure to investment banking and international markets. While this reduces diversification, it also results in a more transparent and predictable earnings profile. As a result, Lloyds’ performance remains closely tied to UK economic conditions, particularly housing-market activity and the interest rate cycle.

## Investment Summary

Lloyds Banking Group offers a income-oriented investment profile, supported by its leading position in the UK mortgage market and strong domestic retail franchise. The Group benefits from a large, low-cost deposit base, which supports stable net interest income generation and relatively resilient profitability compared to more internationally exposed peers.

While the higher interest rate environment has supported margins in recent years, we expect net interest income growth to gradually moderate as funding costs rise and competition within lending markets increases. At the same time, UK mortgage activity has shown signs of near-term weakness; however, improving affordability and lower mortgage rates could support a gradual recovery in lending volumes over the medium term.

Lloyds' disciplined capital management remains a key part of the investment case. The Group continues to generate capital above management's CET1 target (Appendix E1), supporting ongoing shareholder distributions through dividends and share buybacks.

Although Lloyds offers limited structural growth relative to some global banking peers, its strong capital return profile and stable earnings generation remain supportive for total shareholder returns.

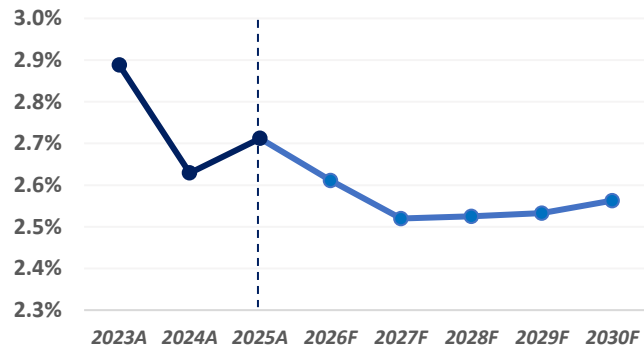
Based on our valuation, we derive a target price of £0.90, implying approximately 8% downside from the current share price of £0.97. While the shares continue to offer attractive yield characteristics, we believe the current valuation already reflects much of Lloyds' stable earnings profile, capital strength, and shareholder return potential. As a result, we maintain a **Hold** recommendation.

## Key Financial Drivers

We project loan growth to remain modest and broadly aligned with the UK macroeconomic environment. We project retail loan growth to stabilise at 2.0%–2.3%, reflecting subdued housing activity and GDP-linked demand. Commercial lending is projected to grow at 1.0%–1.5%, while corporate and Institutional lending remains stronger at 5%, supported by business financing demand (Appendix C1). On the funding side, we believe deposit growth will gradually moderate. Retail deposits are forecast to grow at 2.5% in the near term, declining to 1.5% by the end of the forecast period, while commercial deposits are projected to trend from 3.0% towards 2.0% (Appendix C2). As a result, the loan-to-deposit ratio remains stable within a range of 98%–99%, indicating a balanced funding profile (Appendix C2).

We project net interest margin to normalise over the forecast horizon, declining from historical levels of 2.9%, 2.6%, and 2.7% to a range of 2.5%–2.6% (Appendix A4). This reflects a gradual decline in asset yields, with loan yields moderating from 6.5% historically to 6.0% in the terminal year, alongside a smaller reduction in funding costs, with interest rates on liabilities declining from 3.5% to 3.3% (Figure 3).

**Figure 3: Net Interest Margin Projection**

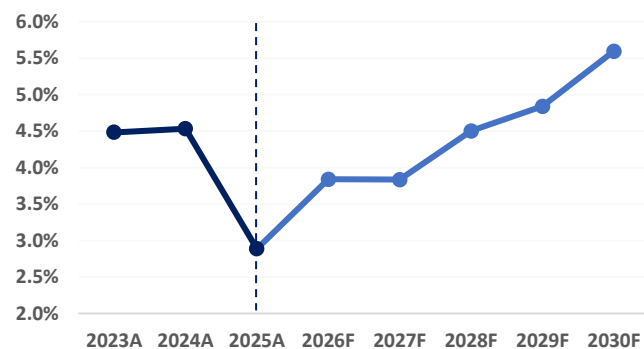


*Note: NIM refers to modelled net interest margin based on interest-earning assets and may differ from the Group's reported banking NIM.*

We project the CET1 ratio to remain above management's target of 13%, stabilising at 13.9% by 2030 and ranging between 13.9%–14.4% over the forecast period. Despite continued capital distributions, including dividends and share buybacks, the CET1 ratio remains above target, suggesting additional capacity for shareholder returns under more optimistic scenarios (Appendix E1).

However, we adopt a conservative position by maintaining disciplined capital return assumptions. We assume a dividend payout ratio of 40%–45%, while share buybacks, driven by excess capital above the CET1 target, account for 30%–50% of total distributions (Appendix E1). We expect dividend yield is to remain attractive and gradually increase in line with earnings and payout growth (Figure 4).

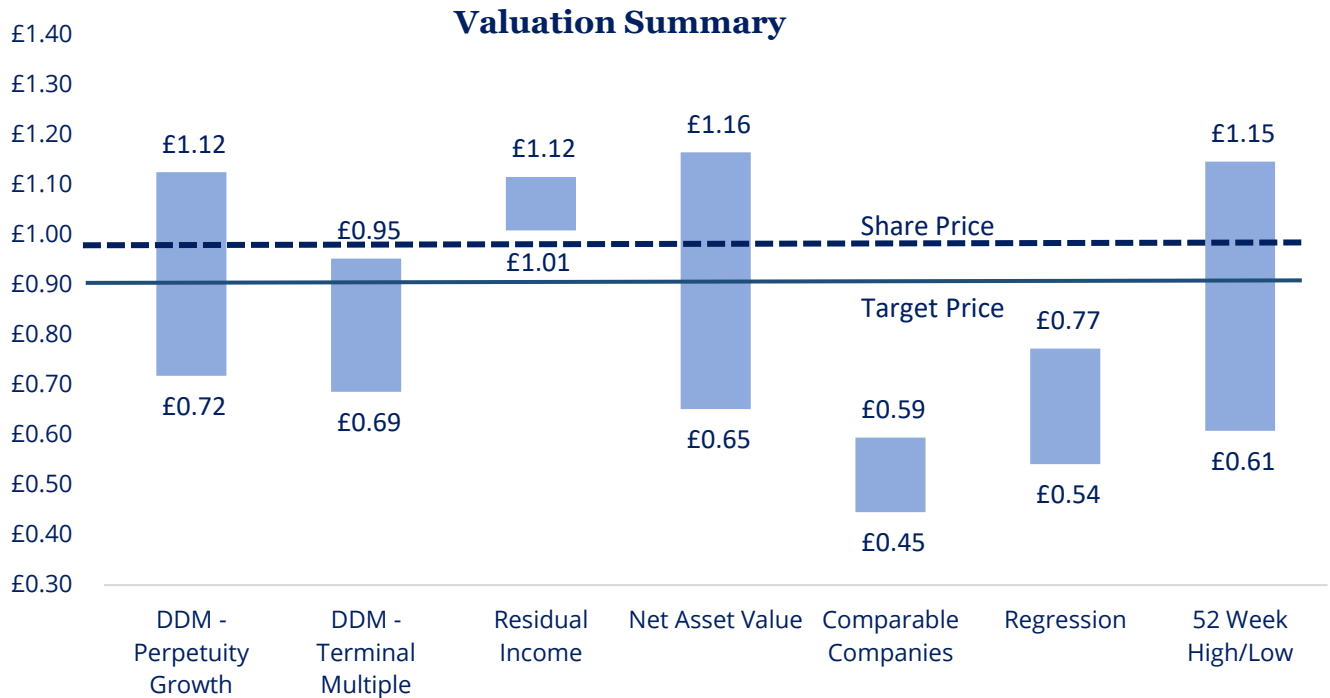
**Figure 4: Dividend Yield Projection**



## Valuation

We value Lloyds Banking Group using a combination of Intrinsic and relative valuation methods, including the Dividend Discount Model (DDM) under both perpetuity growth and terminal multiple approaches, the Residual Income model, Net Asset Value (NAV), comparable company multiples (P/TBV and P/E), and a regression-based valuation framework (Appendix B1)(Figure 5).

**Figure 5: Valuation Summary (Football Pitch Chart)**



Based on this valuation we concluded our target price of £0.90 with given weightings (Appendix B1) of different valuation approaches. Our analysis suggests limited upside potential at current levels, with the shares trading broadly in line with our assessment of fair value. While certain methodologies imply higher valuations under more optimistic assumptions, we believe the current share price largely reflects Lloyds’ stable earnings profile and strong capital return story. The discrepancy between relative and intrinsic valuation outcomes likely reflects the market’s view of Lloyds’ strong competitive position, supported by its scale, established retail franchise, and ability to generate a large, low-cost deposit base.

### Dividend Discount Model (DDM)

We value Lloyds Banking Group using a Dividend Discount Model (DDM) based on two distinct approaches: a perpetual growth method and a terminal multiple approach.

The perpetual growth approach estimates terminal value using a long-term growth rate of 2.9% and a cost of equity of 9.1%. In contrast, the terminal multiple approach derives terminal value using a justified P/TBV multiple of 1.42x, based on forecast profitability and capital efficiency.

Sensitivity analysis has been performed for both approaches (Figure 6), with valuation outcomes remaining broadly consistent across key assumptions.

**Figure 6: Sensitivity Analysis of DDM Valuation (Perpetual Growth and Terminal Multiple)**

Equity Value per Share						Equity Value per Share							
Perpetuity Growth Rate						Terminal Multiple							
		2.25%	2.50%	2.75%	3.00%	3.25%			1.06x	1.16x	1.26x	1.36x	1.46x
Cost of Equity	10.10%	£ 0.72	£ 0.74	£ 0.75	£ 0.77	£ 0.80	Cost of Equity	10.10%	£ 0.69	£ 0.73	£ 0.78	£ 0.83	£ 0.87
	9.60%	£ 0.77	£ 0.79	£ 0.81	£ 0.83	£ 0.86		9.60%	£ 0.70	£ 0.75	£ 0.80	£ 0.85	£ 0.89
	9.10%	£ 0.82	£ 0.85	£ 0.87	£ 0.90	£ 0.93		9.10%	£ 0.71	£ 0.76	£ 0.81	£ 0.86	£ 0.91
	8.60%	£ 0.89	£ 0.92	£ 0.95	£ 0.98	£ 1.02		8.60%	£ 0.73	£ 0.78	£ 0.83	£ 0.88	£ 0.93
	8.10%	£ 0.97	£ 1.00	£ 1.04	£ 1.08	£ 1.12		8.10%	£ 0.74	£ 0.80	£ 0.85	£ 0.90	£ 0.95

In a downside scenario, DDM-implied fair value declines by approximately 15%–17%, indicating relatively limited downside even under adverse assumptions.

### Residual Income Model (RIM)

We value Lloyds Banking Group using a Residual Income Model, where value is driven by the spread between return on equity (ROE) and cost of equity. This approach captures the bank’s ability to generate returns above its required cost of capital.

Our valuation assumes a cost of equity of 9.1% and is based on a terminal value derived using a perpetual growth framework. Given Lloyds’ stable profitability profile, the model reflects a modest but sustained excess return over the cost of capital.

The model implies a fair value of £1.06 per share. Sensitivity analysis has been performed on key inputs, including return on equity, cost of equity, and growth rate (Figure 7), with valuation outcomes remaining relatively stable across assumptions.

**Figure 7: Sensitivity Analysis of Residual Income Model**

Equity Value per Share						
Perpetuity Growth Rate						
		2.24%	2.49%	2.74%	2.99%	3.24%
Cost of Equity	10.10%	£ 1.01	£ 1.01	£ 1.01	£ 1.01	£ 1.01
	9.60%	£ 1.03	£ 1.03	£ 1.03	£ 1.03	£ 1.03
	9.10%	£ 1.05	£ 1.06	£ 1.06	£ 1.06	£ 1.06
	8.60%	£ 1.08	£ 1.08	£ 1.08	£ 1.08	£ 1.08
	8.10%	£ 1.11	£ 1.11	£ 1.11	£ 1.11	£ 1.12

### Net Asset Value (NAV)

We estimate Lloyds’ valuation using a Net Asset Value approach based on tangible equity and a normalised return profile of the loan portfolio over a five-year period. The analysis is conducted under Bear, Base, and Bull scenarios, reflecting different assumptions for loan performance and profitability.

Under this framework, NAV-based valuation ranges from £0.65 in the Bear case to £1.16 in the Bull case, with a Base case valuation of £0.81 per share. This range remains broadly consistent with our overall valuation framework and supports the robustness of our base case assumptions.

## Relative Valuation

### Comparable Companies

We value Lloyds Banking Group relative to a peer group of UK and European banks, including NatWest, Barclays, HSBC, OSB Group and Standard Chartered, using key valuation multiples such as P/TBV and P/E.

Based on our analysis, Lloyds trades broadly in line with the peer group, with average forward multiples of 0.9x P/TBV and 8.1x P/E. This reflects its stable profitability profile and strong capital return characteristics, while remaining consistent with its return on tangible equity relative to peers.

Based on our comparable companies valuation, Lloyds appears modestly overvalued, with implied fair value estimates ranging from £0.55 to £0.74 per share (Appendix B3). This discount to the current market price likely reflects the market's expectations of Lloyds' strong market position, earnings stability, and capital return potential.

### Regression Analysis

We complement our relative valuation with a regression-based approach linking valuation multiples to profitability, specifically return on tangible equity (ROTCE). This framework allows us to assess whether Lloyds' valuation is justified relative to its return profile.

To improve comparability and model reliability, OSB Group has been excluded from the regression due to its outlier characteristics and limited alignment with the broader peer group. The regression implies a fair value range of £0.61–£0.66 per share, based on an implied P/TBV multiple of approximately 1.1x. This suggests that Lloyds may be trading at a premium relative to its fundamental return profile (Appendix B2).

Sensitivity analysis has been performed on key drivers, including ROTCE and implied valuation multiples (Figure 8). Across a range of assumptions, valuation outcomes remain relatively stable, indicating limited sensitivity to changes in underlying profitability assumptions.

**Figure 8: Sensitivity Analysis of Regression Analysis**

		ROTCE				
		11.10%	12.10%	13.10%	14.10%	15.10%
Implied P/TBV	0.9x	£ 0.54	£ 0.54	£ 0.54	£ 0.54	£ 0.54
	1.0x	£ 0.60	£ 0.60	£ 0.60	£ 0.60	£ 0.60
	1.1x	£ 0.66	£ 0.66	£ 0.66	£ 0.66	£ 0.66
	1.2x	£ 0.71	£ 0.71	£ 0.71	£ 0.71	£ 0.71
	1.3x	£ 0.77	£ 0.77	£ 0.77	£ 0.77	£ 0.77

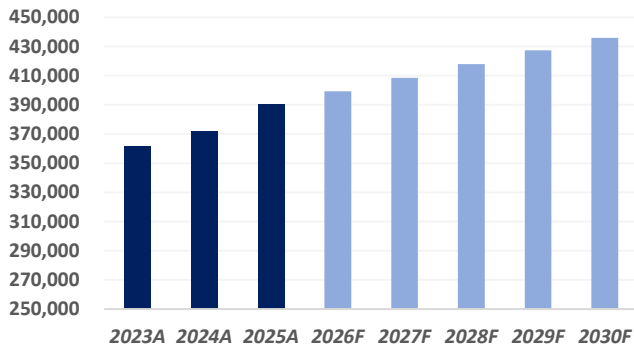
## Financial Analysis

Lloyds' financial profile is characterised by stable profitability, strong capital generation, and a resilient retail-focused business model. Earnings remain primarily driven by net interest income, while capital strength supports consistent shareholder returns.

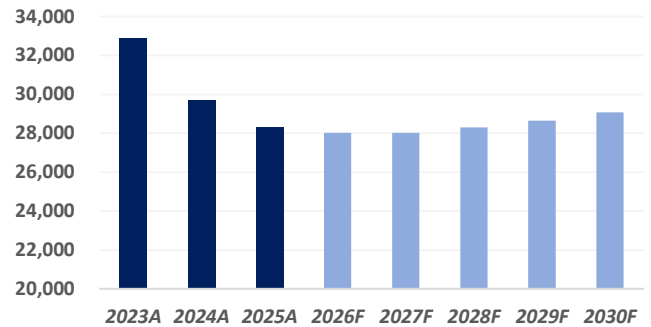
### Loan Portfolio & Deposit Structure

Lloyds' customer loan portfolio remains heavily concentrated in domestic retail lending, particularly residential mortgages, which continue to represent the majority of customer loans over the forecast period (Figure 9). Retail loan growth is projected to remain relatively resilient, growing at c.2.3% in the near term before gradually normalising towards c.2.0% by 2030, reflecting a more balanced UK housing market environment and moderating lending activity (Appendix C1).

**Figure 9: Retail Loans Projection**



**Figure 10: Commercial Banking Loans Projection**

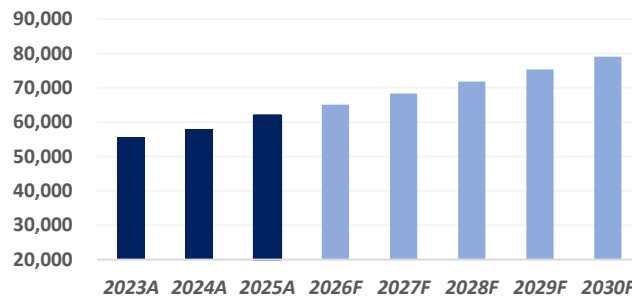


All figures presented in GBP (£) millions.

Commercial banking exposure remains more cyclical and sensitive to broader economic conditions. Following recent weakness in business lending activity, commercial loan growth is projected at approximately -1.0% initially, stabilising around 0% before gradually recovering towards c.1.5% growth by the terminal year (Figure 10).

Corporate and institutional banking is expected to deliver more stable expansion, with loan growth broadly maintained at c.5% throughout the forecast period, supported by diversified corporate financing demand and relatively resilient institutional activity (Figure 11).

**Figure 11: Corporate and Institutional Banking Loans Projection**

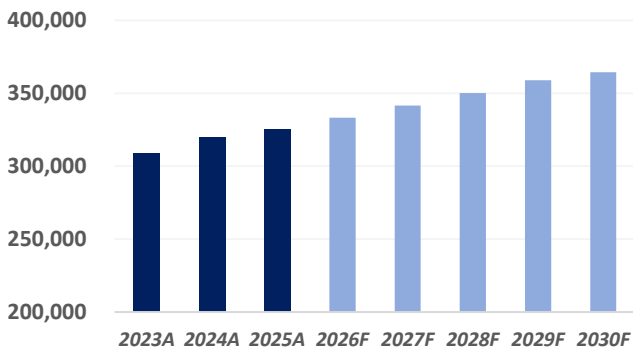


All figures presented in GBP (£) millions.

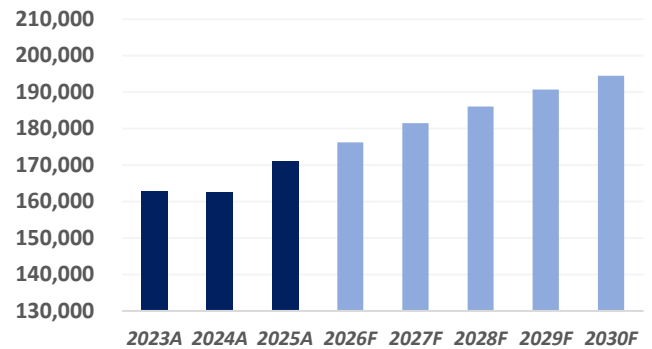
Loans and advances to banks remain a relatively immaterial component of the Group’s overall lending exposure, representing approximately 2% of customer lending. As a result, this category is not separately presented within the report due to its limited impact on the overall investment thesis.

On the funding side, Lloyds continues to benefit from a large and stable deposit franchise, supporting funding stability and relatively low funding costs. Retail deposit growth is forecast to remain resilient at c.2.5% in the near term before gradually moderating towards c.1.5% by 2030, broadly in line with slower loan growth and a more mature interest rate environment (Appendix C2) (Figure 12).

**Figure 12: Retail Deposits Projection**



**Figure 13: Commercial Deposits Projection**



All figures presented in GBP (£) millions.

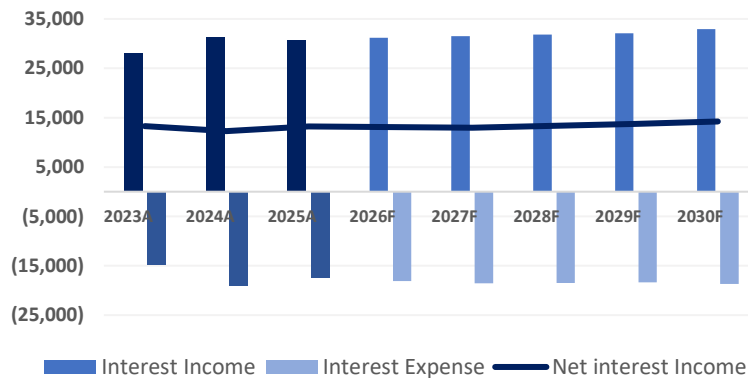
We expect Commercial deposits to demonstrate slightly stronger growth dynamics, moderating from approximately c.3.0% towards c.2.0% over the forecast horizon, supported by stable business banking activity and improving economic conditions (Figure 13).

**Net Interest Income Projection**

Net interest income remains the primary earnings driver for Lloyds, supported by stable loan growth and a resilient deposit franchise. While We believe interest income to remain broadly stable over the forecast period, funding costs continue to moderate profitability as deposit repricing and competitive pressures persist.

Nevertheless, the Group’s large, low-cost deposit base helps support relatively resilient net interest income across the cycle. The forecast profile reflects a conservative modelling approach, assuming gradual margin normalisation rather than aggressive expansion expectations (Appendix A2)(Figure 14).

**Figure 14: Net Interest Income Projection**

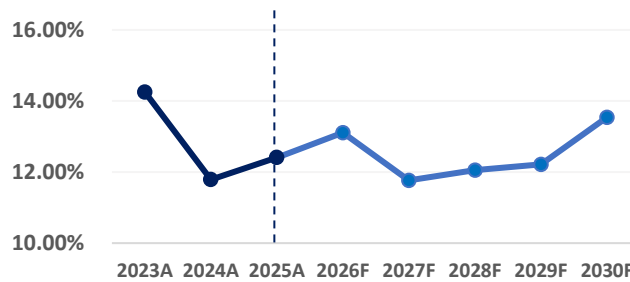


All figures presented in GBP (£) millions.

**Profitability and Returns**

Profitability remains strong, with ROTCE consistently exceeding the cost of equity, indicating Lloyds’ ability to generate sustainable excess returns (Figure 15). While margins benefited from the higher rate environment in recent years, they are now stabilising (Figure 3). As a result, returns are projected to remain resilient, supported by disciplined cost management and capital efficiency, despite a more balanced margin outlook.

**Figure 15: Return of Tangible Equity Projection**



The table below summarises Lloyds’ key financial metrics over the forecast period, highlighting stable profitability, strong capital strength, and consistent shareholder returns (Appendix A4) (Figure 16).

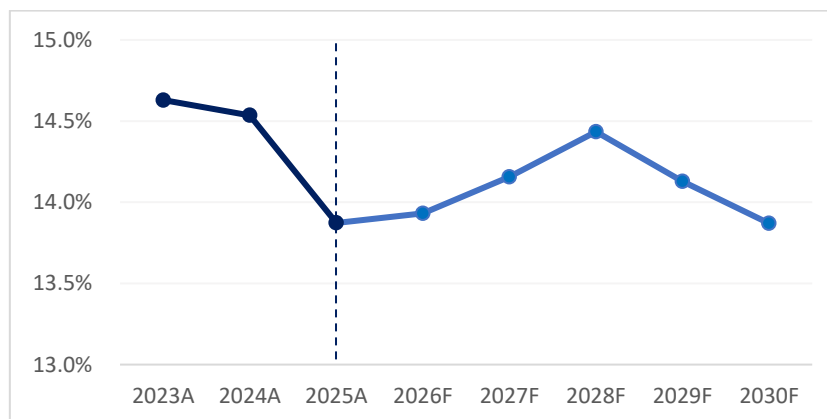
**Figure 16: Key Financial Metrics Summary**

Metric	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
<b>ROTE (%)</b>	14.3%	11.8%	12.4%	13.1%	11.8%	12.1%	12.2%	13.5%
<b>ROE (%)</b>	13.7%	11.3%	11.4%	12.5%	11.6%	12.2%	12.6%	13.8%
<b>NIM (%)</b>	2.9%	2.6%	2.7%	2.6%	2.5%	2.5%	2.5%	2.6%
<b>CET1 Ratio (%)</b>	14.6%	14.5%	13.9%	13.9%	14.2%	14.4%	14.1%	13.9%
<b>Dividend Payout (%)</b>	30%	41%	42%	40%	42%	45%	45%	45%
<b>Dividend Yield (%)</b>	4.5%	4.5%	2.9%	3.8%	3.8%	4.5%	4.8%	5.6%

**Balance Sheet and Capital Strength**

Lloyds maintains a strong capital position, with its CET1 ratio consistently above both regulatory requirements and management’s target of 13% under the Basel III framework. This reflects the bank’s disciplined balance sheet management and robust capital generation capacity. CET1 remains comfortably above the regulatory threshold, providing a solid capital buffer throughout the forecast period (Appendix A4) (Figure 17).

**Figure 17: CET1 Ratio vs Management Target**



The surplus capital above management’s CET1 target enables continued shareholder distributions while maintaining a prudent capital buffer(Appendix E1). Dividends remain a core component of capital return, supported by stable earnings, while share buybacks are calibrated based on excess capital generation, with buybacks accounting for a meaningful share of total distributions over the forecast period.

This reinforces Lloyds' capital-efficient and income-oriented profile (Figure 18).

**Figure 18: Capital Return Composition and Payout Ratios**

Metric	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Management's Target	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Operating Behavior Target	14.5%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Dividends Payout Ratio	30%	41%	42%	40%	42%	45%	45%	45%
Share Buybacks as (%) of Net Income	55%	52%	50%	32%	30%	35%	52%	52%
Total Capital Return Ratio	66%	86%	84%	72%	72%	80%	97%	97%

### Earnings Quality

Lloyds' earnings quality remains strong, with profitability primarily driven by core banking operations, particularly net interest income, and supported by stable credit performance. The Group reports both statutory and underlying results, with the latter providing a clearer view of recurring operating performance and reducing the impact of accounting distortions.

In 2025, reported earnings were affected by a significant non-recurring item, namely an £800 million charge related to motor finance commission arrangements, contributing to a total provision of £1.95 billion. This reflects regulatory uncertainty rather than underlying business weakness and is therefore treated as a one-off adjustment when assessing sustainable profitability.

Excluding such items, underlying earnings remain robust, supported by low impairment charges of £795 million and a stable asset quality ratio of 0.17%, indicating resilient credit fundamentals. Provisioning appears prudent and broadly aligned with underlying loan performance, with no evidence of aggressive accounting practices.

Overall, the consistency between underlying performance and core income generation supports the reliability and sustainability of Lloyds' earnings, reinforcing confidence in its capacity to generate stable capital returns over the forecast period.

### Outlook

Lloyds appears well positioned to deliver stable earnings generation over the medium term, supported by its leading domestic retail franchise, effective cost management, and strong capital position. Although the UK interest rate environment is expected to gradually normalise, we believe the Group remains capable of sustaining resilient profitability through a combination of stable lending volumes, conservative provisioning, and continued growth in fee-based income streams across insurance, wealth, and commercial banking activities.

Our outlook remains relatively conservative and assumes a moderation in net interest margins as deposit pricing pressures increase and structural hedge benefits gradually normalise. However, we believe the current valuation already reflects a significant portion of these headwinds. If Lloyds continues to demonstrate stable earnings quality, disciplined capital allocation, and strong shareholder distributions broadly in line with historical performance, the current share price appears fundamentally justified despite limited structural growth characteristics.

Importantly, the Group's strong capital generation and CET1 ratio above management's target provide continued flexibility for shareholder returns. We expect dividends to remain the primary component of capital return, complemented by opportunistic share buybacks funded through excess capital generation. This capital return profile should continue to support total shareholder returns even under a more balanced rate environment.

From a macro perspective, the outlook for the UK mortgage and housing market remains mixed. While weaker economic conditions and geopolitical uncertainty may continue to pressure consumer confidence and lending activity in the near term, expectations for lower interest rates and improving affordability could gradually support a recovery in mortgage demand over time. In a scenario where interest rates decline faster than currently expected, Lloyds could benefit from improving housing activity, stronger loan growth, and a potential re-rating in market sentiment, particularly given the Group's significant exposure to the UK mortgage market.

In addition, ongoing investment in digital infrastructure, artificial intelligence, and data capabilities should continue to support operating efficiency and customer engagement over the longer term. While competitive and regulatory pressures remain elevated, we believe Lloyds' scale, funding profile, capital discipline, and dominant domestic positioning provide a relatively resilient foundation for sustainable earnings and capital return generation across the cycle.

## **Investment Risks**

Lloyds' earnings remain highly sensitive to developments in the UK macroeconomic and interest rate environment. As a predominantly domestic retail and commercial bank, the Group's performance is closely linked to UK GDP growth, employment conditions, consumer confidence, housing activity, and monetary policy dynamics. While lower interest rates could gradually support mortgage affordability and lending demand, faster-than-expected rate cuts may place pressure on net interest margins through lower asset yields, increased deposit competition, and structural hedge reinvestment effects. Conversely, a prolonged higher-rate environment could weaken loan demand, increase funding costs, and place additional strain on household and corporate borrowers.

In addition, increasing geopolitical uncertainty and external economic pressures may further weaken the already fragile UK economic outlook, potentially accelerating expectations for monetary easing and interest rate cuts over the medium term.

The Group also maintains significant exposure to the UK mortgage market, making housing-market conditions a key component of the investment thesis. Market expectations regarding the UK housing and mortgage sector remain mixed. While some analysts continue to argue that structural undersupply, improving affordability, and lower mortgage rates could support a gradual recovery in housing activity, others remain concerned that elevated household leverage, weaker consumer confidence, and affordability pressures could increase the risk of a broader housing slowdown. A deterioration in UK property prices, weaker housing activity, or declining affordability could negatively affect lending growth, asset quality, and impairment charges across mortgage, unsecured lending, motor finance, and SME portfolios. Although credit quality remains relatively resilient, Lloyds' underlying impairment charge increased to £795mn in 2025 from £433mn in 2024, reflecting updated macroeconomic assumptions and a more cautious outlook. While a gradual recovery in housing activity may provide upside potential to earnings and loan growth, the Group's business model remains exposed to UK housing-market dynamics.

Regulatory and legal risks also remain important, particularly following developments related to motor finance commission arrangements. Lloyds recorded an additional £800mn provision in 2025 associated with the FCA's proposed redress framework, while the final structure and financial impact of the scheme remain uncertain. Additional provisions, litigation costs, conduct-related remediation expenses, or regulatory interventions could adversely affect profitability, capital generation, and shareholder distribution capacity. Furthermore, future changes in regulatory capital requirements, risk-weighted asset inflation, or supervisory expectations may limit the Group's ability to maintain current dividend and share buyback levels, despite its relatively strong capital position and pro-forma CET1 ratio of 13.2% at year-end 2025.

Operational and technology risks are becoming increasingly relevant as Lloyds accelerates its digital transformation strategy. The Group continues to invest heavily in artificial intelligence, cloud infrastructure, digital banking platforms, and data capabilities to improve efficiency and customer engagement. However, cyberattacks, IT outages, model risk, data breaches, operational disruptions, or third-party supplier failures could negatively impact customer trust, business continuity, and regulatory standing. Although Lloyds reported no material security breaches during 2025, supplier-related incidents highlighted the ongoing importance of operational resilience and technology oversight.

Finally, competitive pressures across the UK banking industry remain elevated. Traditional banks, building societies, fintech firms, and digital challenger banks continue to compete aggressively on pricing, customer retention, and digital capabilities. Failure to successfully execute Lloyds' long-term growth strategy across wealth management, insurance, pensions, commercial banking, and digital transformation initiatives could weaken revenue diversification, efficiency targets, and long-term profitability. In addition, climate-related risks may become increasingly important over the medium to long term, particularly through transition risk, energy-efficiency regulation, and physical climate risks affecting mortgage and commercial lending portfolios.

## **Environmental, Social & Governance (ESG)**

ESG considerations are becoming increasingly important within the banking sector, particularly in relation to responsible lending, climate-related financial risks, and corporate governance standards. As one of the UK's largest retail banks, Lloyds remains exposed to evolving regulatory expectations surrounding sustainable finance and carbon transition policies. The Group's ESG strategy is closely aligned with its "Helping Britain Prosper" framework, focusing on affordable housing, financial inclusion, regional development, and support for the UK's transition towards a lower-carbon economy.

From an environmental perspective, Lloyds has continued to expand its sustainable financing initiatives across its Commercial, Motor, and Mortgage businesses. The Group delivered approximately £21.9bn of sustainable finance in 2025, bringing cumulative sustainable financing to over £70.9bn since 2022.

In addition, Scottish Widows' discretionary investments in climate-aware strategies reached £81.3bn. Lloyds targets net zero emissions from its own operations by 2030, while also aiming to reduce financed emissions across key portfolios and achieve net zero across its investment portfolio by 2050. The Group has generally delivered results ahead of interim operational targets, reflecting a relatively disciplined transition strategy. However, Lloyds' significant exposure to the UK housing market may create long-term environmental risks related to energy efficiency standards, climate regulation, property retrofitting requirements, and broader housing-market transition risks.

On the social side, Lloyds benefits from a strong domestic retail franchise and broad customer base, with ongoing investment in digital banking capabilities and financial inclusion initiatives. The Group provided approximately £17.0bn of lending to first-time home buyers in 2025 and has delivered more than £22.7bn of financing to the UK social housing sector since 2018. Lloyds also continues to invest in financial education and digital inclusion programmes through initiatives such as Lloyds Bank Academy. Nevertheless, conduct-related issues and customer treatment remain key areas of regulatory focus within the UK banking industry, particularly following recent developments related to motor finance commission arrangements.

Governance remains a critical component of the investment case, especially given the capital-intensive and highly regulated nature of the banking sector. Lloyds maintains a relatively conservative capital framework and disciplined risk management approach, supported by strong CET1 levels and shareholder distribution policies. ESG risks are integrated into the Group's lending and risk assessment processes, with enhanced due diligence applied to transactions involving elevated environmental or social risks. In addition, Lloyds recently updated its materiality assessment framework, identifying areas such as climate transition, cybersecurity, financial crime, data privacy, governance standards, and financial inclusion as key strategic priorities. While governance standards appear robust overall, the Group remains exposed to ongoing regulatory scrutiny and compliance-related risks common across large financial institutions.

## Appendix

### Appendix A — Financial Statements

All figures in GBP(£) millions unless stated

#### Appendix A1-Balance Sheet

Balance Sheet	2023A	2024A	2025A	2026F	2027A	2028A	2029A	2030A
<b>ASSETS</b>								
Cash and Balances at Central Banks	78,110	62,705	56,661	56,264	51,999	45,209	36,536	24,108
Financial Assets – FVTP&L	203,318	215,925	240,413	248,827	257,536	266,550	275,879	285,535
Derivative Financial Instruments	22,356	24,065	19,727	20,417	21,132	21,872	22,637	23,429
Loans and Advances to Banks	10,764	7,900	7,236	9,848	10,097	10,358	10,629	10,884
Loans and Advances to Customers	449,745	459,857	481,463	492,394	504,832	517,925	531,464	544,211
Reverse Repurchase Agreements	38,771	49,476	49,476	51,208	53,000	54,855	56,775	58,762
Debt Securities	15,355	14,544	14,544	15,000	15,000	15,000	15,000	15,000
Financial Assets – FVTOCI	27,592	30,690	36,320	37,591	38,907	40,269	41,678	43,137
Goodwill and Other Intangible Assets	8,306	8,188	8,593	8,500	8,500	8,500	9,000	9,500
Other Assets	27,136	33,347	29,639	30,000	32,000	32,000	41,000	48,000
<b>Total Assets</b>	<b>881,453</b>	<b>906,697</b>	<b>944,072</b>	<b>970,049</b>	<b>993,003</b>	<b>1,012,538</b>	<b>1,040,598</b>	<b>1,062,566</b>
<b>Liabilities</b>								
Deposits from Banks	6,153	6,158	5,779	6,627	6,804	6,974	7,148	7,268
Customer Deposits	471,396	482,745	496,457	509,763	523,383	536,463	549,869	559,068
Repurchase Agreements at Amortized Cost	37,703	37,760	38,570	37,994	38,954	39,964	41,009	41,992
Financial Liabilities – FVTP&L	24,914	27,611	27,909	28,886	29,897	30,943	32,026	33,147
Derivative Financial Instruments	20,149	21,676	16,132	16,697	17,281	17,886	18,512	19,160
Debt Securities in Issue at Amortized Cost	75,592	70,834	78,271	77,102	79,050	81,100	83,220	85,216
Insurance & Investment Liabilities	165,101	173,292	196,924	203,816	210,950	218,333	225,975	233,884
Subordinated Liabilities	10,253	10,089	25,918	25,531	26,176	26,855	27,557	28,218
Other Liabilities	22,827	30,644	10,245	15,044	9,905	1,788	2,389	924
<b>Total Liabilities</b>	<b>834,088</b>	<b>860,809</b>	<b>896,205</b>	<b>921,460</b>	<b>942,400</b>	<b>960,306</b>	<b>987,706</b>	<b>1,008,877</b>
<b>Equity</b>								
Common Stock	24,936	24,782	24,686	24,600	24,600	24,600	24,600	24,600
Retained Earnings	6,790	5,912	6,291	7,788	9,203	10,331	10,492	10,689
Other Reserves	8,508	8,827	10,744	10,000	10,000	10,500	11,000	11,500
<b>Total Shareholders' Equity</b>	<b>40,234</b>	<b>39,521</b>	<b>41,721</b>	<b>42,388</b>	<b>43,803</b>	<b>45,431</b>	<b>46,092</b>	<b>46,789</b>
Other equity Instruments	7,131	6,367	6,146	6,200	6,800	6,800	6,800	6,900
<b>Total Equity</b>	<b>47,365</b>	<b>45,888</b>	<b>47,867</b>	<b>48,588</b>	<b>50,603</b>	<b>52,231</b>	<b>52,892</b>	<b>53,689</b>

#### Appendix A3-Cash Flow Statement

Cash Flow Statement	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
<b>Cash From Operating Activities</b>								
Profit Before Tax	7,503	5,971	6,661	7,183	6,852	7,477	7,832	8,744
Change in Loans	(9,110)	(39,622)	(40,689)	(14,406)	(12,687)	(13,354)	(13,810)	(13,002)
Change in Deposits	4,232	23,603	35,403	14,111	13,797	13,250	13,581	9,318
Non-Cash and Other Items	5,622	5,990	6,431	6,278	6,437	6,604	6,776	6,939
Tax Paid	1,437	1,305	2,305	1,868	1,782	1,944	2,036	2,274
Tax Refunded	-	970	200	-	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>6,810</b>	<b>(4,393)</b>	<b>5,701</b>	<b>11,299</b>	<b>12,617</b>	<b>12,032</b>	<b>12,343</b>	<b>9,726</b>
<b>Cash From Investing Activities</b>								
Purchase of Financial Assets	(10,311)	(10,518)	(19,762)	(20,454)	(21,170)	(21,910)	(22,677)	(23,471)
Proceeds from sale of financial assets	5,298	7,062	14,309	13,880	13,394	13,126	13,126	13,389
Purchase of property, plant and equipment	(3,961)	(4,364)	(5,071)	(5,248)	(5,432)	(5,622)	(5,819)	(6,023)
Purchase of other intangible assets	(1,494)	(1,259)	(1,252)	(1,252)	(1,239)	(1,239)	(1,252)	(1,277)
Proceeds from sale of PP&E	1,027	1,505	1,560	1,615	1,671	1,730	1,790	1,853
Proceeds from sale of intangible assets	-	62	-	-	-	-	-	-
Acquisition of businesses net of cash used	(380)	(179)	27	(100)	(100)	(100)	(100)	(100)
<b>Net Cash used in Investing Activities</b>	<b>(9,821)</b>	<b>(7,691)</b>	<b>(10,189)</b>	<b>(11,560)</b>	<b>(12,876)</b>	<b>(14,017)</b>	<b>(14,932)</b>	<b>(15,629)</b>
<b>Cash From Financing Activities</b>								
Dividends Paid to Ordinary Shareholders	(1,651)	(1,828)	(2,000)	(2,126)	(2,130)	(2,490)	(2,608)	(2,912)
Other Equity Distributions	(628)	(581)	(514)	(500)	(500)	(500)	(500)	(500)
Share Buybacks	(1,993)	(2,011)	(1,710)	(1,692)	(1,526)	(1,915)	(3,026)	(3,363)
Debt Issuance	1,417	812	1,757	1,200	1,200	1,300	1,300	1,500
Debt Repayment	(1,745)	(819)	(1,928)	(1,500)	(1,600)	(1,700)	(1,800)	(1,900)
Interest on Debt	(623)	(622)	(806)	800	800	800	900	1,000
Issuance of Other Equity Instruments	1,772	757	1,504	1,200	1,200	1,300	1,350	1,450
Repurchase of Other Equity Instruments	(135)	(1,824)	(1,759)	(1,250)	(1,250)	(1,400)	(1,500)	(1,600)
Other Financing	86	185	99	100	100	100	100	100
<b>Net Cash used in Financing Activities</b>	<b>(3,500)</b>	<b>(5,931)</b>	<b>(5,357)</b>	<b>(3,768)</b>	<b>(3,706)</b>	<b>(4,505)</b>	<b>(5,785)</b>	<b>(6,225)</b>
Effects of Exchange Rate Changes	(480)	(7)	(378)	(300)	(300)	(300)	(300)	(300)
Change in Cash and Cash Equivalents	(6,991)	(18,022)	(10,223)	(4,329)	(4,265)	(6,790)	(8,673)	(12,428)
Beginning Cash Balance	95,829	88,838	70,816	60,593	56,264	51,999	45,209	36,536
<b>Ending Cash and Cash Equivalents Balance</b>	<b>88,838</b>	<b>70,816</b>	<b>60,593</b>	<b>56,264</b>	<b>51,999</b>	<b>45,209</b>	<b>36,536</b>	<b>24,108</b>

#### Appendix A2-Income Statement

Income Sheet	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
<b>Interest Income</b>								
Interest Income	28,051	31,288	30,749	31,187	31,532	31,818	32,111	32,916
Interest Expense	(14,753)	(19,011)	(17,519)	(18,074)	(18,557)	(18,477)	(18,382)	(18,689)
<b>Net interest income</b>	<b>13,298</b>	<b>12,277</b>	<b>13,230</b>	<b>13,114</b>	<b>12,976</b>	<b>13,341</b>	<b>13,730</b>	<b>14,227</b>
<b>Fee and Commission Income</b>								
Fee and Commission Income	2,926	2,943	3,118	3,013	3,090	3,170	3,253	3,331
Fee and Commission Expense	(1,095)	(1,184)	(1,334)	(1,205)	(1,236)	(1,268)	(1,301)	(1,332)
<b>Net Fee and Commission income</b>	<b>1,831</b>	<b>1,759</b>	<b>1,784</b>	<b>1,808</b>	<b>1,854</b>	<b>1,902</b>	<b>1,952</b>	<b>1,998</b>
<b>Net Trading Income (Losses)</b>								
Net Trading Income (Losses)	1,307	1,812	1,485	1,559	1,637	1,719	1,805	1,895
Insurance Revenue	3,010	3,291	3,438	3,576	3,719	3,867	4,022	4,183
Insurance Service Expense	(2,414)	(2,805)	(2,543)	(2,860)	(2,975)	(3,094)	(3,218)	(3,346)
Net Investment Returns	(34)	(265)	(200)	200	200	200	100	-
Other Operating Income	1,631	1,934	2,228	2,000	2,000	1,800	1,600	1,400
<b>Total Other Operating Income</b>	<b>3,500</b>	<b>3,967</b>	<b>4,408</b>	<b>4,474</b>	<b>4,581</b>	<b>4,493</b>	<b>4,309</b>	<b>4,132</b>
<b>Total Income</b>	<b>18,629</b>	<b>18,003</b>	<b>19,422</b>	<b>19,396</b>	<b>19,410</b>	<b>19,735</b>	<b>19,991</b>	<b>20,357</b>
<b>Staff Costs</b>								
Staff Costs	(4,707)	(4,672)	(4,493)	(4,538)	(4,583)	(4,583)	(4,583)	(4,537)
Premises and Equipment Costs	(449)	(454)	(503)	(500)	(500)	(500)	(500)	(500)
Depreciation and Amortization	(2,905)	(3,426)	(3,477)	(3,600)	(3,900)	(3,600)	(3,400)	(2,800)
Regulatory and Legal Provisions	(675)	(899)	(675)	(675)	(675)	(675)	(675)	(675)
Other	(2,720)	(2,594)	(2,786)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Adjustments	633	444	(32)	200	200	200	100	-
<b>Total Operating Expenses</b>	<b>(10,823)</b>	<b>(11,601)</b>	<b>(11,966)</b>	<b>(11,613)</b>	<b>(11,958)</b>	<b>(11,658)</b>	<b>(11,558)</b>	<b>(11,012)</b>
<b>Impairment</b>	<b>(303)</b>	<b>(431)</b>	<b>(795)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>
<b>Profit Before Tax</b>	<b>7,503</b>	<b>5,971</b>	<b>6,661</b>	<b>7,183</b>	<b>6,852</b>	<b>7,477</b>	<b>7,832</b>	<b>8,744</b>
<b>Tax Expense</b>	<b>(1,985)</b>	<b>(1,494)</b>	<b>(1,904)</b>	<b>(1,868)</b>	<b>(1,782)</b>	<b>(1,944)</b>	<b>(2,036)</b>	<b>(2,274)</b>
<b>Profit for the Year</b>	<b>5,518</b>	<b>4,477</b>	<b>4,757</b>	<b>5,316</b>	<b>5,071</b>	<b>5,533</b>	<b>5,796</b>	<b>6,471</b>

#### Appendix A4-Ratios

Ratios	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
<b>Tangible Book Value:</b>								
Shareholder's Equity	40,234	39,521	41,721	42,388	43,803	45,431	46,092	46,789
Less: Goodwill & Other Intangible Assets	(8,306)	(8,188)	(8,593)	(8,500)	(8,500)	(8,500)	(9,000)	(9,500)
<b>Tangible Book Value</b>	<b>31,928</b>	<b>31,333</b>	<b>33,128</b>	<b>33,888</b>	<b>35,303</b>	<b>36,931</b>	<b>37,092</b>	<b>37,289</b>
<b>Return on Equity (Average):</b>								
Shareholder's Equity	40,234	39,521	41,721	42,388	43,803	45,431	46,092	46,789
Average Shareholder's Equity	40,234	39,878	40,621	42,055	43,096	44,617	45,762	46,440
<b>Net Income</b>	<b>5,518</b>	<b>4,477</b>	<b>4,757</b>	<b>5,316</b>	<b>5,071</b>	<b>5,533</b>	<b>5,796</b>	<b>6,471</b>
<b>Return on Equity</b>	<b>13.71%</b>	<b>11.23%</b>	<b>11.71%</b>	<b>12.64%</b>	<b>11.77%</b>	<b>12.40%</b>	<b>12.67%</b>	<b>13.93%</b>
<b>Return on Tangible Common Equity (Average):</b>								
Common Stock and Additional Paid-In Capital	40,234	39,521	41,721	42,388	43,803	45,431	46,092	46,789
Retained Earnings	6,790	5,912	6,291	7,788	9,203	10,331	10,492	10,689
Less: Goodwill	(8,306)	(8,188)	(8,593)	(8,500)	(8,500)	(8,500)	(9,000)	(9,500)
<b>Tangible Common Equity</b>	<b>38,718</b>	<b>37,245</b>	<b>39,419</b>	<b>41,677</b>	<b>44,506</b>	<b>47,262</b>	<b>47,585</b>	<b>47,977</b>
<b>Average Tangible Common Equity</b>	<b>38,718</b>	<b>37,982</b>	<b>38,332</b>	<b>40,548</b>	<b>43,091</b>	<b>45,884</b>	<b>47,423</b>	<b>47,781</b>
<b>Net Income</b>	<b>5,518</b>	<b>4,477</b>	<b>4,757</b>	<b>5,316</b>	<b>5,071</b>	<b>5,533</b>	<b>5,796</b>	<b>6,471</b>
<b>Return on Tangible Common Equity</b>	<b>14.25%</b>	<b>11.79%</b>	<b>12.41%</b>	<b>13.11%</b>	<b>11.77%</b>	<b>12.06%</b>	<b>12.22%</b>	<b>13.54%</b>
<b>Net Interest Margin</b>								
	<b>2.9%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.6%</b>

**Appendix B — Valuation Analysis**
*All figures in GBP(£) millions unless stated*
**Appendix B1-Valuation Summary**

Valuation Summary Table	Low	Middle	High	Base	Weight
DDM - Perpetuity Growth	£ 0.72	£ 0.41	£ 1.12	£ 0.89	35%
DDM - Terminal Multiple	£ 0.69	£ 0.27	£ 0.95	£ 0.89	20%
Residual Income	£ 1.01	£ 0.11	£ 1.12	£ 1.06	20%
Net Asset Value	£ 0.65	£ 0.51	£ 1.16	£ 0.81	10%
Comparable Companies	£ 0.45	£ 0.15	£ 0.59	£ 0.53	15%
Regression	£ 0.54	£ 0.23	£ 0.77	£ 0.66	5%
52 Week High/Low	£ 0.61	£ 0.54	£ 1.15		0%
Target Price: £0.90				<b>£ 0.90</b>	

**Appendix B2-Regression Analysis**

Peer Banks	Share Price \$	Shares Outstand. mm	Market Cap	Tangible Book Value		P / TBV		ROTCE	
				2025A	2026F	2025A	2026F	2025A	2026F
NatWest Group	£ 5.94	7,979	47,411	35,300	37,000	1.3x	1.3x	15.6%	13.8%
Barclays	£ 4.29	13,752	58,929	73,500	76,200	0.8x	0.8x	7.2%	7.3%
HSBC Holdings	£ 12.81	17,155	219,793	205,000	213,000	1.1x	1.0x	11.1%	11.0%
Standard Chartered	£ 17.07	2,254	38,472	54,800	57,300	0.7x	0.7x	10.4%	10.5%
<i>OSB was excluded from the regression due to outlier behaviour and limited comparability.</i>									
Beta						7.04	8.15		
Intercept						0.20	0.07		
RSQ						0.71	0.62		
<b>Target Bank Value Using Regression</b>						<b>Implied P / TBV</b>			
2025A P/TBV	\$0.61	58,799,000	35,590.08	33,128.00		1.1x		12.4%	
2026F P/TBV	\$0.66	58,799,000	38,606.79		33,888.35		1.1x		13.1%

**Appendix B3-Comparable Companies**
**Comparable Company Metrics**

Peer Banks	Share Price £	Shares Outstand. mm	Market Cap	Tangible Book Value		Net Income		P / TBV		P / E		ROTCE		Dividend per Share		Current Div Yield
				2025A	2026F	2025A	2026F	2025A	2026F	2025A	2026F	2025A	2026F	2025A	2026F	
NatWest Group	£ 5.94	7,979.00	47,411.22	35,300.0	37,000.0	5,500.0	5,100.0	1.3x	1.3x	8.6x	9.3x	15.6%	13.8%	£ 0.33	£ 0.30	5.6%
Barclays	£ 4.29	13,752.39	58,928.99	73,500.0	76,200.0	5,300.0	5,600.0	0.8x	0.8x	11.1x	10.5x	7.2%	7.3%	£ 0.09	£ 0.09	2.0%
HSBC Holdings	£ 12.81	17,155.25	219,793.00	205,000.0	213,000.0	22,700.0	23,500.0	1.1x	1.0x	9.7x	9.4x	11.1%	11.0%	£ 0.75	£ 0.70	5.9%
OSB Group	£ 5.70	353.29	2,011.99	2,050.0	2,180.0	430.0	420.0	1.0x	0.9x	4.7x	4.8x	21.0%	19.3%	£ 0.11	£ 0.10	1.9%
Standard Chartered	£ 17.07	2,253.76	38,471.68	54,800.0	57,300.0	5,700.0	6,000.0	0.7x	0.7x	6.7x	6.4x	10.4%	10.5%	£ 0.65	£ 0.68	3.8%
Average								1.0x	0.9x	8.2x	8.1x	13.0%	12.4%			3.8%
Median (base)								1.0x	0.9x	8.6x	9.3x	11.1%	11.0%			3.8%
Harmonic Mean								0.9x	0.9x	7.5x	7.4x	11.4%	11.2%			3.1%
75th Percentile (high)								1.1x	1.0x	9.7x	9.4x	15.6%	13.8%			5.6%
25th Percentile (low)								0.8x	0.8x	6.7x	6.4x	10.4%	10.5%			2.0%

**Scenario**
 Base

**Lloyds Bank Value at Scenario Multiples**

2025A P/TBV	£ 0.55	58,799,000	32,468.78	33,128.00		1.0x										
2026F P/TBV	£ 0.54	58,799,000	31,726.01		33,888.35			0.9x								
2025A P/E	£ 0.66	58,799,000	38,864.56			4,757.00			8.2x							
2026F P/E	£ 0.73	58,799,000	42,923.41				5,315.64			8.1x						

**Appendix C — Key Banking Assumptions**
*All figures in GBP(£) millions unless stated*
**Appendix C1-Loan & Interest Income Schedule**

Loan & Interest Income Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
<b>LOANS</b>								
Loans and Advances to Banks	10,764	7,900	7,236	9,848	10,097	10,358	10,629	10,884
Loans and Advances to Customers	449,700	459,100	480,600	492,394	504,832	517,925	531,464	544,211
Retail	361,200	371,500	390,300	399,277	408,460	417,855	427,466	436,015
Mortgages	306,200	312,300	323,100	330,531	338,134	345,911	353,867	362,005
Unsecured	23,100	26,000	29,100	29,769	30,454	31,154	31,871	32,604
Other Retail	31,900	33,200	38,100	38,976	39,873	40,790	41,728	42,688
Commercial Banking	32,900	29,700	28,300	28,017	28,017	28,297	28,637	29,066
Corporate and Institutional Banking	55,600	57,900	62,000	65,100	68,355	71,773	75,361	79,129
Others	-	-	500	-	-	-	-	-
<b>Total Loans</b>	<b>460,464</b>	<b>467,000</b>	<b>487,836</b>	<b>502,242</b>	<b>514,929</b>	<b>528,283</b>	<b>542,093</b>	<b>555,095</b>
<b>Loans and Advances to Banks</b>								
Percentage to Loans to Customers	2%	2%	2%	2%	2%	2%	2%	2%
<b>Loans and Advances to Customers</b>								
Retail								
Loan Growth / (Decline)	NA	2.9%	5.1%	2.3%	2.3%	2.3%	2.3%	2.0%
Commercial Banking								
Loan Growth / (Decline)	NA	(9.7%)	(4.7%)	(1.0%)	-	1.0%	1.2%	1.5%
Corporate and Institutional Banking								
Loan Growth / (Decline)	NA	4.1%	7.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Rate on Loans Average	6.1%	6.7%	6.4%	6.3%	6.2%	6.1%	6.0%	6.0%
<b>Interest Income</b>	<b>28,051</b>	<b>31,288</b>	<b>30,749</b>	<b>31,187</b>	<b>31,532</b>	<b>31,818</b>	<b>32,111</b>	<b>32,916</b>

**Appendix C2-Deposit & Interest Expense Schedule**

Deposits & Interest Expense Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
<b>DEPOSITS</b>								
Retail	308,400	319,700	325,200	333,330	341,663	350,205	358,960	364,344
Commercial	162,800	162,600	171,100	176,233	181,520	186,058	190,709	194,524
Others	200	400	200	200	200	200	200	200
<b>Deposits</b>	<b>471,400</b>	<b>482,700</b>	<b>496,500</b>	<b>509,763</b>	<b>523,383</b>	<b>536,463</b>	<b>549,869</b>	<b>559,068</b>
Deposits From Banks	6,153	6,158	5,779	6,627	6,804	6,974	7,148	7,268
Percentage of Total Customer Deposits	1.3%	1.3%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%
<b>Total Deposits</b>	<b>477,553</b>	<b>488,858</b>	<b>502,279</b>	<b>516,390</b>	<b>530,187</b>	<b>543,437</b>	<b>557,018</b>	<b>566,336</b>
Retail Deposit Growth / (Decline)	NA	3.7%	1.7%	2.5%	2.5%	2.5%	2.5%	1.5%
Commercial Deposit Growth / (Decline)	NA	(0.1%)	5.2%	3.0%	3.0%	2.5%	2.5%	2.0%
<b>Loan To Deposit Ratio</b>	<b>98%</b>	<b>97%</b>	<b>98%</b>	<b>99%</b>	<b>98%</b>	<b>98%</b>	<b>99%</b>	<b>99%</b>
<b>Long-Term Debt</b>								
Long-Term Debt	136,122	139,238	127,086	140,628	144,180	147,919	151,786	155,427
Long-Term Debt Percentage to Loans	30%	30%	26%	28%	28%	28%	28%	28%
<b>Total Interest-Bearing Liabilities</b>	<b>477,553</b>	<b>488,858</b>	<b>502,279</b>	<b>516,390</b>	<b>530,187</b>	<b>543,437</b>	<b>557,018</b>	<b>566,336</b>
Interest Rate on Liabilities	NA	4.0%	3.6%	3.5%	3.5%	3.4%	3.3%	3.3%
<b>Interest Expense</b>	<b>14,753</b>	<b>19,011</b>	<b>17,519</b>	<b>18,074</b>	<b>18,557</b>	<b>18,477</b>	<b>18,382</b>	<b>18,689</b>

## Appendix D — Supporting Schedules

All figures in GBP(£) millions unless stated

### Appendix D1-Depreciation & Amortization Schedule

Depreciation & Amortization Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Beginning Balance of PP&E and Intangibles	20,836	20,718	21,123	22,762	24,362	24,962	25,362	25,462
Capital Expenditures	2,787	3,831	5,116	5,200	4,500	4,000	3,500	3,200
Depreciation & Amortization	2,905	3,426	3,477	3,600	3,900	3,600	3,400	2,800
Ending Balance	20,718	21,123	22,762	24,362	24,962	25,362	25,462	25,862

### Appendix D2-Tax Schedule

Tax Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Profit Before Tax	7,503	5,971	6,661	7,183	6,852	7,477	7,832	8,744
Effective Tax Rate	26.5%	25.0%	28.6%	26.0%	26.0%	26.0%	26.0%	26.0%
Tax	1,985	1,494	1,904	1,868	1,782	1,944	2,036	2,274

## Appendix E — Capital Structure & Shareholder Returns

All figures in GBP(£) millions unless stated

### Appendix E1-Dividend & Share Buybacks Schedule

Dividend & Share Buybacks Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
CET1 / RWA (CET1 Ratio)	14.6%	14.5%	13.9%	13.9%	14.2%	14.4%	14.1%	13.9%
Management's Target	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Operating Behavior Target	14.5%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
CET1	33,890	33,990	34,923	35,580	36,829	38,846	40,119	40,651
CET1 Target	31,614	30,802	33,231	34,054	34,914	35,820	36,756	37,638
Net Income	5,518	4,477	4,757	5,316	5,071	5,533	5,796	6,471
Total Capital Return Ratio	66%	86%	84%	72%	72%	80%	97%	97%
Total Capital Return	3,644	3,839	3,993	3,818	3,656	4,405	5,635	6,275
Dividends Payout Ratio	30%	41%	42%	40%	42%	45%	45%	45%
Dividends	1,651	1,828	2,000	2,126	2,130	2,490	2,608	2,912
Share Buyback Percentage of Capital Return	55%	52%	50%	32%	30%	35%	52%	52%
Share Buybacks	1,993	2,011	1,993	1,692	1,526	1,915	3,026	3,363

### Appendix E2-Shares Outstanding Schedule

Shares Outstanding Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Shares Beginning	66,944	63,508	60,491	58,799	57,055	55,528	53,669	50,814
Share Buybacks	1,993	2,011	1,993	1,692	1,526	1,915	3,026	3,363
Assumed Buyback Price	£0.58	£0.67	£1.18	£0.97	£1.00	£1.03	£1.06	£1.09
Shares Repurchased	3,436	3,017	1,692	1,744	1,526	1,859	2,855	3,085
Ending Shares	63,508	60,491	58,799	57,055	55,528	53,669	50,814	47,729

### Appendix E3-Equity Schedule

Equity Schedule	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Common Stock	24,936	24,782	24,686	24,600	24,600	24,600	24,600	24,600
Net Income	5,518	4,477	4,757	5,316	5,071	5,533	5,796	6,471
Dividends	1,651	1,828	2,000	2,126	2,130	2,490	2,608	2,912
Share Buybacks	1,993	2,011	1,993	1,692	1,526	1,915	3,026	3,363
Retained Earnings	6,790	5,912	6,291	7,788	9,203	10,331	10,492	10,689
Other Reserves	8,508	8,827	10,744	10,000	10,000	10,500	11,000	11,500
Total Shareholder's Ending Equity	40,234	39,521	41,721	42,388	43,803	45,431	46,092	46,789
Other equity Instruments	7,131	6,367	6,146	6,200	6,800	6,800	6,800	6,900
Total Equity	47,365	45,888	47,867	48,588	50,603	52,231	52,892	53,689