

## Lloyds Banking Group

## In good shape, hard to rerate for now

Reiterate Rating: NEUTRAL | PO: 52.00 GBp | Price: 45.96 GBp

## Delivering and protecting

Lloyds is delivering margin management, other income growth, strong profitability, double digit tangible book growth and a mid-high teens annual yield. Management has also created capacity to deal with substantial motor finance remediation costs while protecting capital distributions. This builds confidence, but we think that clarity from the regulator is needed for a sustained re-rating and stay Neutral.

## Reassuring on motor finance, protecting distributions

Reducing the 2026 core equity tier 1 target 50bp and raising a £450m provision gives Lloyds the capacity to deal with £1.6bn motor finance remediation costs, the middle of our range of expectations (Exhibit 2). We think the company can distribute £4-5bn a year, a mid-high teens yield (Exhibit 3) and still operate well above its target capital level (Exhibit 4), leaving considerable capacity to deal with a worse motor finance outcome.

## Margin management and other income growth

2024 net interest margin guidance is a little better than the 2.90% we expected but that's offset by a smaller balance sheet, leaving our net interest income unchanged (Exhibit 7). We continue to expect other income growth, as the benefit of strategic initiatives gathers pace and activity levels improve, but with slightly higher operating lease depreciation (Exhibit 10). We reduce 2024E EPS 3% on additional severance costs and slightly higher operating lease depreciation (Exhibit 1).

## RoTE expansion and rapid book growth

Even running with above target levels of capital, we see a step up in the net interest margin supporting a 15% RoTE by 2026 (Exhibit 11) while tangible book grows at 13% a year through a combination of earnings, cash flow hedge unwind and share buybacks reducing the share count (Exhibit 12). Consensus looks low on both.

Estimates (Dec) (GBp)	2022A	2023A	2024E	2025E	2026E
Net Profit (£m)	5,021	4,933	4,128	4,551	5,676
EPS (Adjusted)	7.89	8.01	6.97	8.09	10.7
Dividend / Share	2.40	2.76	3.20	3.50	3.80
Adjusted NAV PS	51.0	49.6	54.6	61.4	71.5
ADR EPS (Adjusted - US\$)	0.39	0.40	0.35	0.41	0.54
ADR Dividend / Shares (US\$)	0.12	0.14	0.16	0.18	0.19
<b>Valuation (Dec)</b>					
P/E	5.55	5.47	6.29	5.43	4.10
EPS Change (YoY)	-5.80%	1.45%	-13.0%	16.1%	32.5%
Price / BV	0.69x	0.68x	0.62x	0.56x	0.48x
Price / NAV	0.85x	0.87x	0.79x	0.71x	0.61x
Net Yield	5.54%	6.38%	7.39%	8.09%	8.78%
DPS Change (YoY)	20.0%	15.0%	15.9%	9.38%	8.57%
Price / GOP	3.37x	3.51x	3.48x	2.98x	2.35x

22 February 2024

## Equity

## Key Changes

(GBp)	Previous	Current
2024E EPS	7.15	6.97
2025E EPS	8.16	8.09
2026E EPS	10.57	10.72

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## Stock Data

Price (Common / ADR)	45.96 GBp / 2.28 USD
Price Objective	52.00 GBp / 2.62 USD
Date Established	15-Jan-2024 / 22-Feb-2024
Investment Opinion	B-2-7 / B-2-7
52-Week Range	39.55 GBp-52.94 GBp
Market Value (mn)	33,065 GBP
Shares Outstanding (mn)	71,944.0 / 17,986.0
Average Daily Value (mn)	58.46 USD
Free Float	99.9%
BofA Ticker / Exchange	LLDTF / LSE
BofA Ticker / Exchange	LYG / NYS
Bloomberg / Reuters	LLOY LN / LLOY.L
ROE (2024E)	10.1%
ESGMeter™	High

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**Refer to important disclosures on page 11 to 14. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.**

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Timestamp: 22 February 2024 12:12PM EST

# iQprofile<sup>SM</sup> Lloyds Banking Group

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(£ Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
<b>Net Interest Income</b>	<b>13,172</b>	<b>13,765</b>	<b>12,908</b>	<b>13,336</b>	<b>14,852</b>
Net Fee Income	1,503	1,831	1,868	1,905	1,943
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Other Income	3,746	3,292	3,686	4,051	4,201
<b>Total Non-Interest Income</b>	<b>5,249</b>	<b>5,123</b>	<b>5,554</b>	<b>5,956</b>	<b>6,144</b>
<b>Total Operating Income</b>	<b>18,421</b>	<b>18,888</b>	<b>18,461</b>	<b>19,292</b>	<b>20,995</b>
Operating Expenses	(9,463)	(10,771)	(10,676)	(10,698)	(10,775)
<b>Pre-Provision Profit</b>	<b>8,958</b>	<b>8,117</b>	<b>7,785</b>	<b>8,594</b>	<b>10,220</b>
Provisions Expense	(1,510)	(308)	(1,109)	(1,338)	(1,424)
<b>Operating Profit</b>	<b>7,448</b>	<b>7,809</b>	<b>6,676</b>	<b>7,256</b>	<b>8,796</b>
Non-Operating Items	(520)	(306)	(220)	(220)	(220)
<b>Pre-Tax Income</b>	<b>6,928</b>	<b>7,503</b>	<b>6,456</b>	<b>7,036</b>	<b>8,576</b>
Net Income to sh/holders	5,021	4,933	4,128	4,551	5,676
<b>Adjusted Cash Earnings</b>	<b>5,435</b>	<b>5,203</b>	<b>4,302</b>	<b>4,725</b>	<b>5,850</b>

Key Balance Sheet Data	2022A	2023A	2024E	2025E	2026E
Total Assets	877,829	881,453	884,451	893,424	903,572
Average Interest Earning Assets	448,300	452,650	452,576	454,806	462,447
<b>Risk Weighted Assets</b>	<b>210,859</b>	<b>219,130</b>	<b>223,349</b>	<b>227,231</b>	<b>231,567</b>
Total Gross Customer Loans	504,282	492,233	495,274	504,127	514,155
Total Customer Deposits	523,927	509,099	509,199	515,539	521,975
<b>Tier 1 Capital</b>	<b>34,036</b>	<b>37,712</b>	<b>37,635</b>	<b>37,880</b>	<b>39,253</b>
Tangible Equity	34,539	31,918	33,151	35,393	37,963
<b>Common Shareholders' Equity</b>	<b>41,980</b>	<b>40,224</b>	<b>41,697</b>	<b>44,059</b>	<b>46,749</b>

Key Metrics	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	2.91%	3.04%	2.86%	2.91%	3.18%
<b>Tier 1 Ratio</b>	<b>16.1%</b>	<b>17.2%</b>	<b>16.9%</b>	<b>16.7%</b>	<b>17.0%</b>
Effective Tax Rate	19.8%	26.5%	27.0%	27.0%	27.0%
Loan / Assets Ratio	56.9%	55.4%	55.5%	56.0%	56.5%
<b>Loan / Deposit Ratio</b>	<b>95.4%</b>	<b>96.0%</b>	<b>96.5%</b>	<b>97.0%</b>	<b>97.7%</b>
Oper Leverage (Inc Growth - Cost Growth)	19.6%	-11.3%	-1.38%	4.30%	8.11%
Gearing (Assets / Equity)	20.9x	21.9x	21.2x	20.3x	19.3x
Tangible Equity / Assets	3.93%	3.62%	3.75%	3.96%	4.20%
Tangible Equity / RWAs	16.4%	14.6%	14.8%	15.6%	16.4%

Business Performance	2022A	2023A	2024E	2025E	2026E
Revenue Growth	13.5%	2.54%	-2.26%	4.50%	8.83%
Operating Expense Growth	-6.05%	13.8%	-0.88%	0.20%	0.72%
Provisions Expense Growth	-209%	-79.6%	260%	20.6%	6.40%
Operating Revenue / Average Assets	0.84%	0.89%	0.76%	0.82%	0.98%
Operating Expenses / Average Assets	-1.07%	-1.22%	-1.21%	-1.20%	-1.20%
<b>Pre-Provision ROA</b>	<b>1.02%</b>	<b>0.92%</b>	<b>0.88%</b>	<b>0.97%</b>	<b>1.14%</b>
ROA	0.57%	0.56%	0.47%	0.51%	0.63%
<b>Pre-Provision ROE</b>	<b>20.1%</b>	<b>19.7%</b>	<b>19.0%</b>	<b>20.0%</b>	<b>22.5%</b>
ROE	11.3%	12.0%	10.1%	10.6%	12.5%
RoTE	14.5%	15.7%	13.2%	13.8%	15.9%
RoRWAs	2.67%	2.42%	1.94%	2.10%	2.55%
Dividend Payout Ratio	30.4%	34.5%	45.9%	43.3%	35.4%
<b>Efficiency Ratio (Cost / Income Ratio)</b>	<b>51.4%</b>	<b>57.0%</b>	<b>57.8%</b>	<b>55.5%</b>	<b>51.3%</b>

Quality of Earnings	2022A	2023A	2024E	2025E	2026E
<b>Total Non-Interest Inc / Operating Inc</b>	<b>28.5%</b>	<b>27.1%</b>	<b>30.1%</b>	<b>30.9%</b>	<b>29.3%</b>
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	16.9%	3.79%	14.3%	15.6%	13.9%
NPLs plus Foreclosed Real Estate / Loans	1.53%	1.46%	1.63%	1.60%	1.57%
<b>Loan Loss Reserves / NPLs</b>	<b>59.1%</b>	<b>52.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>
Loan Loss Reserves / Total Loans	0.90%	0.76%	0.81%	0.80%	0.78%
<b>Provisions Expense / Average Loans</b>	<b>0.30%</b>	<b>0.06%</b>	<b>0.23%</b>	<b>0.27%</b>	<b>0.28%</b>

## Company Sector

Banks-Retail

## Company Description

A wide range of banking activities including personal and corporate lending, life assurance, general insurance, private banking and investment management. The majority of the group's assets and profits are located in and earned in the UK.

## Investment Rationale

More normal interest rates and a strategic focus on increasing customer wallet share are positives and should sustain a low-mid teens RoTE even with significant mortgage and deposit pricing pressure. A combination of strong profitability and limited capital consumption from volume growth should support an ongoing capital distribution yield in the low-mid teens. This is an attractive combination but uncertainty on the scale of remediation costs likely holds back a re-rating.

## Stock Data

Shares / ADR	4.00
Price to Book Value	0.6x

## Half-yearly Earnings Estimates

	2023	2024
H1	4.10A	10.78E
H2	3.84A	11.63E

## Key Changes

(US\$)	Previous	Current
2024E EPS	0.36	0.35
2026E EPS	0.53	0.54

# Forecast changes

## Exhibit 1: Forecast changes

Trimming 2024E earnings 3% on severance costs and a bit more operating lease depreciation

	2024E			2025E			2026E		
	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	12,908	12,859	0%	13,336	13,356	0%	14,852	14,774	1%
Other income	5,554	5,522	1%	5,956	5,927	0%	6,144	6,128	0%
<b>Total income</b>	<b>18,461</b>	<b>18,381</b>	<b>0%</b>	<b>19,292</b>	<b>19,283</b>	<b>0%</b>	<b>20,995</b>	<b>20,902</b>	<b>0%</b>
Costs	(10,676)	(10,408)	3%	(10,698)	(10,559)	1%	(10,775)	(10,703)	1%
<b>Pre provision profit</b>	<b>7,785</b>	<b>7,973</b>	<b>-2%</b>	<b>8,594</b>	<b>8,724</b>	<b>-1%</b>	<b>10,220</b>	<b>10,199</b>	<b>0%</b>
Provisions	(1,109)	(1,178)	-6%	(1,338)	(1,424)	-6%	(1,424)	(1,513)	-6%
<b>Underlying PBT</b>	<b>6,676</b>	<b>6,794</b>	<b>-2%</b>	<b>7,256</b>	<b>7,300</b>	<b>-1%</b>	<b>8,796</b>	<b>8,686</b>	<b>1%</b>
Volatility & other	(170)	(170)	0%	(170)	(170)	0%	(170)	(170)	0%
<b>Statutory PBT</b>	<b>6,456</b>	<b>6,574</b>	<b>-2%</b>	<b>7,036</b>	<b>7,080</b>	<b>-1%</b>	<b>8,576</b>	<b>8,466</b>	<b>1%</b>
Tax	(1,743)	(1,775)	-2%	(1,900)	(1,912)	-1%	(2,316)	(2,286)	1%
Minorities	(585)	(550)	6%	(585)	(550)	6%	(585)	(550)	6%
<b>Attributable profit</b>	<b>4,128</b>	<b>4,249</b>	<b>-3%</b>	<b>4,551</b>	<b>4,618</b>	<b>-1%</b>	<b>5,676</b>	<b>5,630</b>	<b>1%</b>
<u>Per share (p)</u>									
EPS	6.7	6.9	-3%	7.8	7.9	-1%	10.4	10.3	1%
DPS	3.20	3.20	0%	3.50	3.50	0%	3.80	3.80	0%
Share buyback (£m)	2,000	2,000	0%	2,750	2,750	0%	2,750	2,750	0%
TNAV	55.9	55.6	1%	62.9	62.8	0%	73.3	73.3	0%
NOSH	60,771	61,135	-1%	57,671	58,035	-1%	53,071	53,435	-1%
<u>Balance sheet</u>									
Loans	491,274	501,745	-2%	500,127	511,252	-2%	510,155	521,895	-2%
Total assets	884,451	897,794	-1%	893,424	907,422	-2%	903,572	918,184	-2%
AIEA	451,853	455,233	-1%	457,759	462,163	-1%	467,134	472,163	-1%
RWA	223,349	222,168	1%	227,231	226,214	0%	231,567	230,695	0%
Deposits	509,199	518,537	-2%	515,539	524,868	-2%	521,975	531,295	-2%
<u>Key ratios</u>									
Net interest margin	2.93%	2.90%	0.03%	2.99%	2.96%	0.02%	3.25%	3.20%	0.05%
Non II % income	30%	30%	0%	31%	31%	0%	29%	29%	0%
Cost: income	57.8%	56.6%	1.2%	55.5%	54.8%	0.7%	51.3%	51.2%	0.1%
Cost of risk	0.24%	0.26%	-0.01%	0.29%	0.30%	-0.02%	0.30%	0.31%	-0.01%
RoTE	12.6%	13.0%	-0.5%	13.1%	13.3%	-0.2%	15.3%	15.1%	0.2%
CET1 ratio	14.2%	14.0%	0.2%	14.1%	13.9%	0.2%	14.4%	14.3%	0.1%
LDR	96%	97%	0%	97%	97%	0%	98%	98%	0%

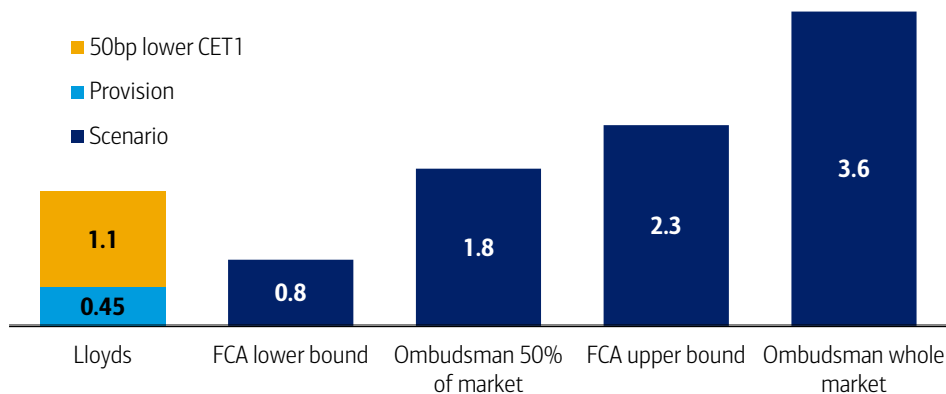
Source: BofA Global Research estimates

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# Capacity of motor finance remediation and attractive distributions

## Exhibit 2: Lloyds has built capacity to deal with £1.6bn motor finance remediation costs

Cost to Lloyds (£bn)

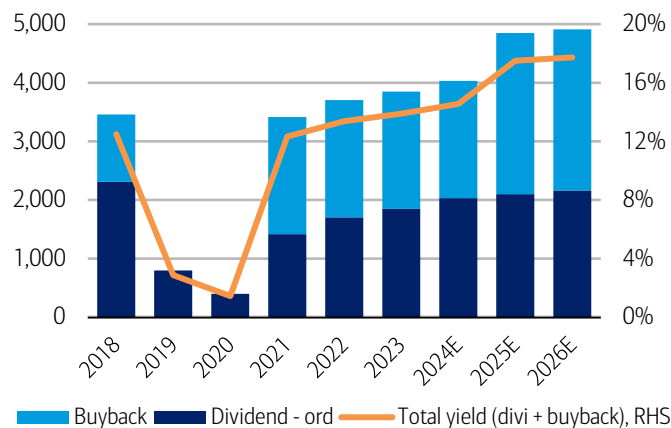


Source: Company reports, BofA Global Research estimates

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## Exhibit 3: Annual yield 15% 2024E then 18%

Capital distribution (£m) and yield

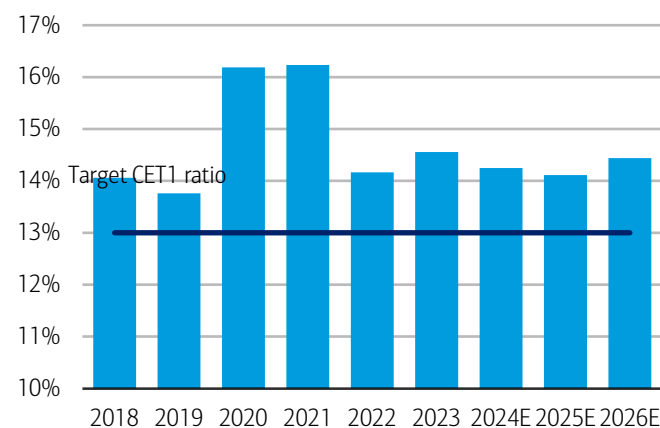


Source: BofA Global Research estimates, Bloomberg

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## Exhibit 4: Operating above 2026 CET1 target, conserving capital for motor finance risk

Core Equity Tier 1 ratio



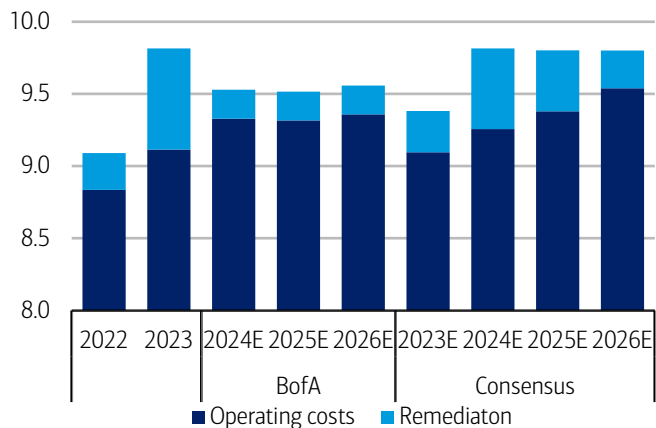
Source: Company data, BofA Global Research estimates

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## Costs better than consensus

### Exhibit 5: Lloyds costs (£bn)

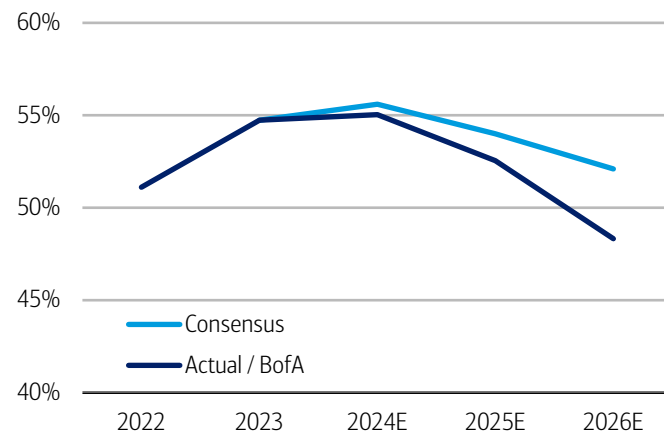
Lloyds' £0.45bn motor finance provision similar to our £0.5bn expectation, consensus had spread a similar amount over 2025 and 2026



Source: Company reports, company compiled consensus, BofA Global Research estimates  
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### Exhibit 6: Lloyds cost: income ratio

We expect <50% by 2026E, consensus stays higher

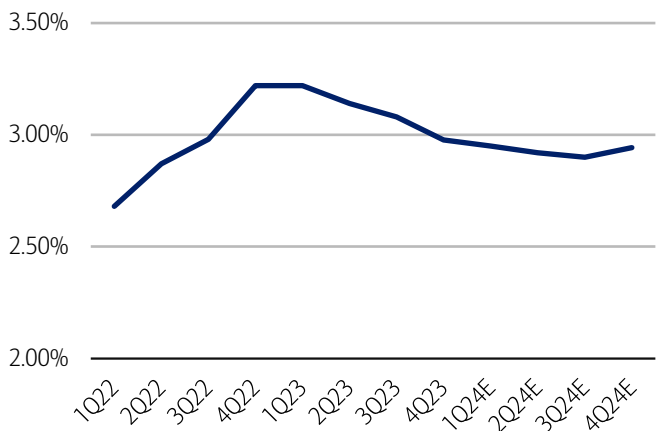


Source: Company reports, company compiled consensus, BofA Global Research estimates  
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## Margin management and other income growth

### Exhibit 7: Modest margin deterioration to 2H24E

Quarterly banking net interest margin

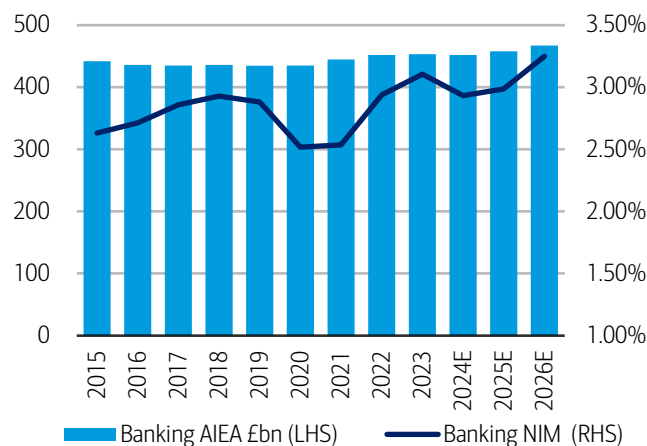


Source: Company data, BofA Global Research estimates

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### Exhibit 8: Net interest margin and average interest earning assets

Margin recovering in 2025E, stepping up in 2026E

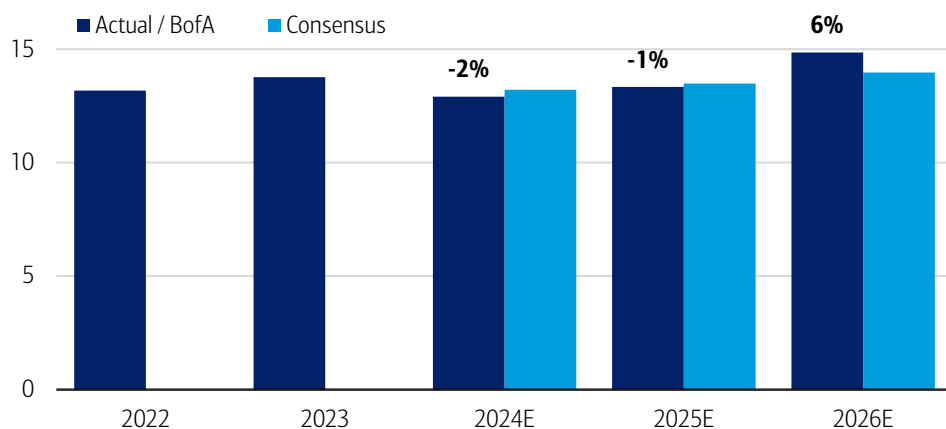


Source: Company data, BofA Global Research estimates

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**Exhibit 9: Lloyds net interest income (£bn)**

BofA 2% below 2024 consensus, 6% above 2026E

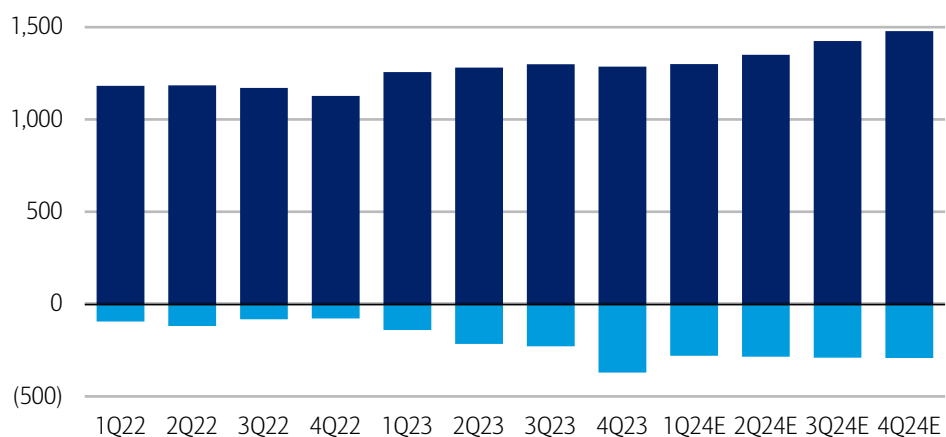


Source: Company reports, company compiled consensus, BofA Global Research estimates

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**Exhibit 10: Continued growth in other income**

Other income and operating lease depreciation (£m)



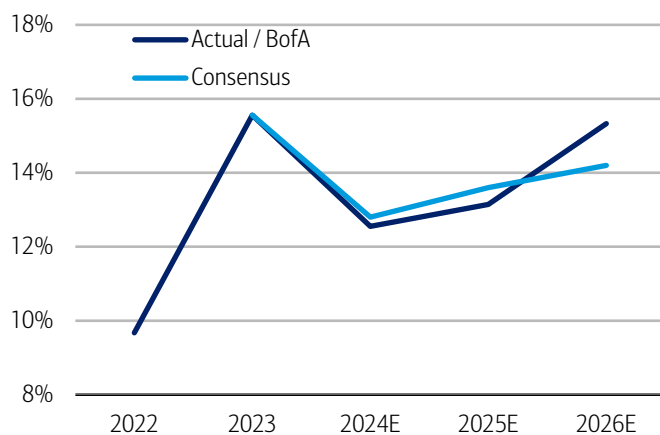
Source: Company data, BofA Global Research estimates

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# RoTE expansion and rapid TNAV growth

## Exhibit 11: Lloyds RoTE

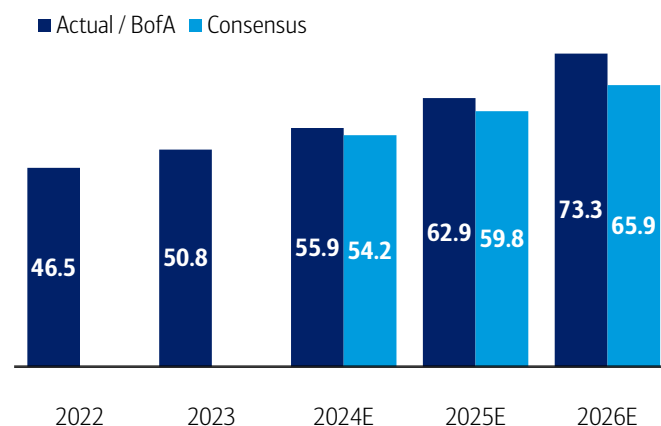
We expect 15% by 2026E, consensus 14%



Source: Company reports, company compiled consensus, BofA Global Research estimates  
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## Exhibit 12: Lloyds tangible book value per share (p)

13% CAGR, 2023-2026E



Source: Company reports, company compiled consensus, BofA Global Research estimates  
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## Waiting for a rerating

## Exhibit 13: 74p Gordon Growth model based valuation

Fundamental valuation

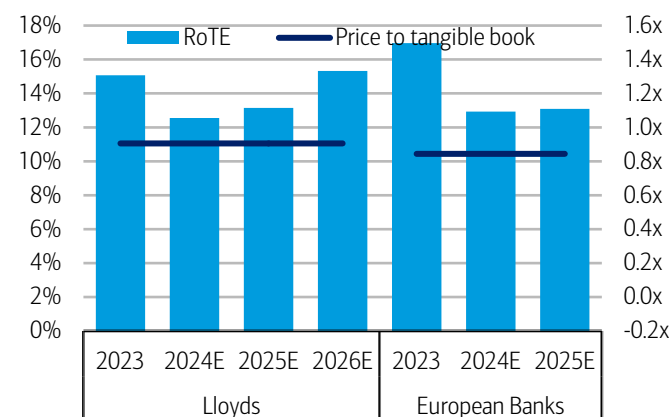
	Value per share (p)
2026E RoTE	15.3%
Cost of equity	13.0%
Growth	0%
<b>Book multiple</b>	<b>1.2x</b>
Book multiple discounted to 1 year from now	1.0x
2024E tangible book value	56
<b>Value pre capital return</b>	<b>54</b>
Present value of dividend	8
Present value of share buyback	12
<b>Fair value</b>	<b>74</b>

Source BofA Global Research estimates

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## Exhibit 14: Lloyds similar price to tangible book multiple and RoTE as European Bank sector

RoTE and price to tangible book value



Source: BofA Global Research estimates, Bloomberg

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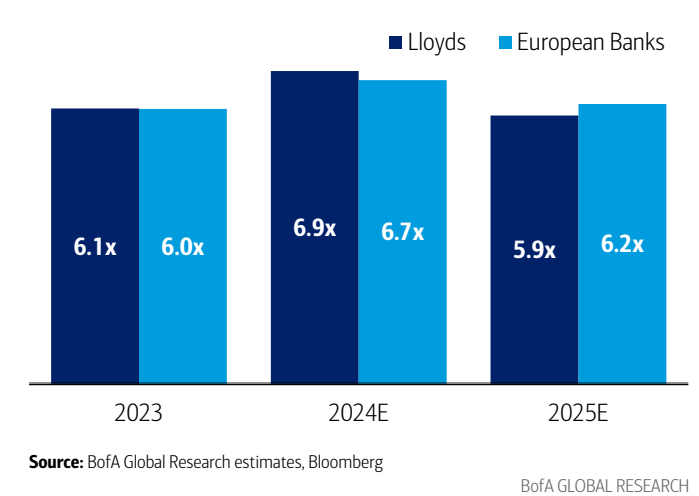
**Exhibit 15: 45p valuation on European Bank sector 12M forward PE**  
European Bank sector relative PE valuation

	Value (p)
Lloyds 1 year forward EPS	6.9
European Bank sector 1 year forward PE	6.6x
<b>Lloyds valued on sector multiple</b>	<b>45</b>

Source: BofA Global Research estimates, Bloomberg

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**Exhibit 16: Lloyds 3% PE premium to the European Bank sector**  
PE multiple





## Price objective basis & risk

### Lloyds Banking Group (LLDTF / LYG)

We value Lloyds using a Gordon Growth methodology using 2026E as a base year and a 13% CoE. We add to this valuation the present value of our forecast dividends and share buybacks through to 2026E discounted at the cost of equity. This is then cross checked against sector PE multiples and our economic scenarios analysis to arrive at our PO of 52p (\$2.62).

Downside risks to our price objective are weaker earnings than anticipated from higher impairment losses if the UK economy performs worse than we presently expect, a weaker interest rate outlook, tougher regulation and/or increased competition. Upside risks are stronger UK growth fewer interest rate cuts, a more constructive pricing environment and lower conduct costs.

## Analyst Certification

I, Rohith Chandra-Rajan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Allied Irish Banks	AIBRF	AIBG ID	Alastair Ryan
	Bank of Ireland Group	XBOIF	BIRG ID	Alastair Ryan
	BFF Banking Group	XBBZF	BFF IM	Antonio Reale
	BNP Paribas	BNPQF	BNP FP	Tarik El Mejjad
	BNP Paribas	BNPQY	BNPQY US	Tarik El Mejjad
	CaixaBank	CIXPF	CABK SQ	Antonio Reale
	Credit Agricole	CRARF	ACA FP	Tarik El Mejjad
	Danske Bank	DNSKF	DANSKE DC	Tarik El Mejjad
	Erste Bank	EBKOF	EBS AV	Alastair Ryan
	Erste Bank	EBKDY	EBKDY US	Alastair Ryan
	HSBC	XHSBF	5 HK	Alastair Ryan
	HSBC	HBCYF	HSBA LN	Alastair Ryan
	HSBC -A	HSBC	HSBC US	Alastair Ryan
	Intesa Sanpaolo	IITSF	ISP IM	Antonio Reale
	Intesa Sanpaolo	ISNPY	ISNPY US	Antonio Reale
	KBC Group	KBCSF	KBC BB	Tarik El Mejjad
	KBC Group NV	KBCSY	KBCSY US	Tarik El Mejjad
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	Tarik El Mejjad
	Nordea	XSABF	NDA SS	Tarik El Mejjad
	Nordea Bank Abp	NRDBY	NRDBY US	Tarik El Mejjad
	Santander	SAN	SAN US	Antonio Reale
	Santander	BCDRF	SAN SQ	Antonio Reale
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	Unicredit	UNCFF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale
<b>NEUTRAL</b>				
	ABN AMRO	ABMRF	ABN NA	Tarik El Mejjad
	Banco Bilbao Vizcaya Argentaria	BBVA	BBVA US	Antonio Reale
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	Bankinter	BKIMF	BKT SQ	Antonio Reale
	BBVA	BBVXF	BBVA SQ	Antonio Reale
	Handelsbanken	SVNLF	SHBA SS	Tarik El Mejjad



## EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	Tarik El Mejjad
	UBS	XUHJF	UBSG SW	Alastair Ryan
	UBS	UBS	UBS US	Alastair Ryan

## UNDERPERFORM

	Banco Sabadell	BNSDF	SAB SQ	Antonio Reale
	Barclays	BCLYF	BARC LN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	Rohith Chandra-Rajan
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Deutsche Bank	DB	DB US	Rohith Chandra-Rajan
	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	Tarik El Mejjad
	DNB ASA	DNBBY	DNBBY US	Tarik El Mejjad
	Mediobanca	MDIBF	MB IM	Antonio Reale
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Poste Italiane	PITAF	PST IM	Antonio Reale
	SEB	SVKEF	SEBA SS	Tarik El Mejjad
	Swedbank	SWDBF	SWEDA SS	Tarik El Mejjad
	Swedbank AB	SWDBY	SWDBY US	Tarik El Mejjad
	Virgin Money UK PLC	CBBYF	VMUK LN	Rohith Chandra-Rajan
	Virgin Money UK PLC	CYBBF	VUK AU	Rohith Chandra-Rajan

iQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

## Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

## Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

## Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

## Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

## Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

## Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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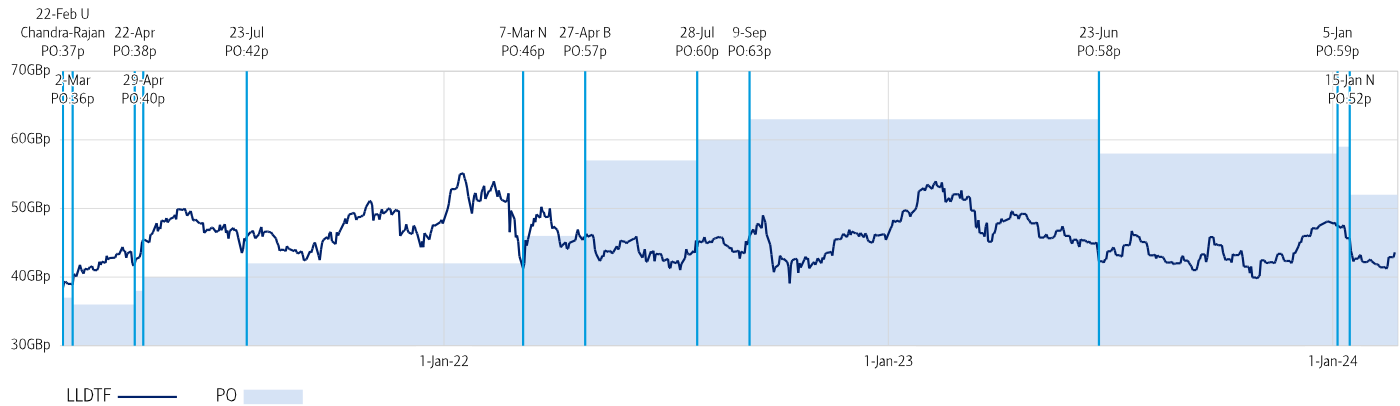
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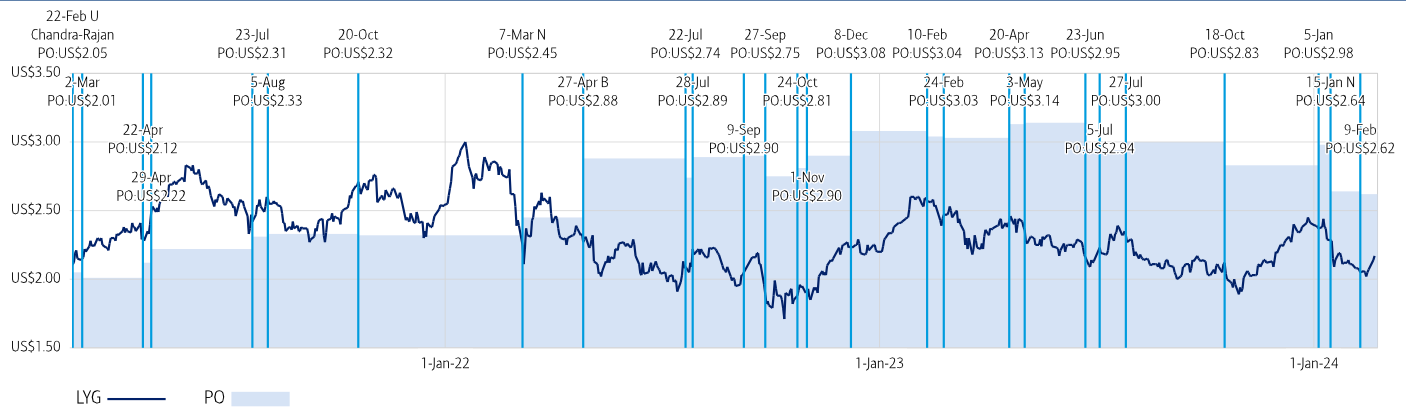
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### Lloyds Banking Group (LLDTF) Price Chart



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### Lloyds Banking Group (LYG) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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