

## Lloyds Banking Group

## Downgrade to Neutral – more uncertainty

Rating Change: NEUTRAL | PO: 52.00 GBp | Price: 44.98 GBp

## Strong returns, heightened uncertainty

A 16% share of the UK motor finance market makes Lloyds the most exposed of our coverage to the recently announced Financial Conduct Authority (FCA) review of lending in that segment. We factor in capacity for £2bn remediation into our forecasts, what we see as the adverse outcome, and still anticipate low-mid teens profitability and yield. However, with clarity lacking until 3Q24, margins under pressure in the meantime (see our report, [UK Banks: Rates rollercoaster](#)) and a risk that the 4Q23 capital distribution is below consensus, we think it will be difficult for the stock to re-rate from its 6.7x PE (Exhibit 7). We downgrade to Neutral, reducing our price objective to 52p (from 59p), between our fundamental (Exhibit 4) and PE relative (Exhibit 6) valuation.

## £0.2-£2bn potential cost

The FCA's previous estimates of annual overpayments are significantly below the recent findings of Financia Ombudsman Service (see our [UK Banks: Motor finance uncertainty](#) report). We estimate that applying the FCA's baseline assumption to Lloyds' market share from 2016 would imply a £0.2bn remediation charge, well within the normal course of business. This rises to £0.5bn applied 10 years retrospectively and adding 25% administration costs. However, the Ombudsman's ruling on the Black Horse case suggests total costs of £1.4-2bn (Exhibit 1).

## We factor in the top end of the range

Given the high degree uncertainty, we don't think that there's a requirement for Lloyds to raise an additional motor finance provision at Q4, but it may decide that it's prudent to do so. We factor in £500m and also reduce share buybacks by £750m in each of 4Q23 and 4Q24 (Exhibit 3) in case further remediation is required. RoTE and annual capital distribution yield are still low-mid teens (Exhibit 2) after this.

Estimates (Dec) (GBp)	2021A	2022A	2023E	2024E	2025E
Net Profit (£m)	5,355	5,021	4,828	4,249	4,618
EPS (Adjusted)	8.38	7.89	7.89	7.15	8.16
Dividend / Share	2.00	2.40	2.90	3.20	3.50
Adjusted NAV PS	56.4	51.0	49.1	54.4	61.5
ADR EPS (Adjusted - US\$)	0.46	0.39	0.40	0.36	0.41
ADR Dividend / Shares (US\$)	0.11	0.12	0.15	0.16	0.18
<b>Valuation (Dec)</b>					
P/E	5.43	5.77	5.77	6.37	5.59
EPS Change (YoY)	243%	-5.80%	-0.07%	-9.35%	14.1%
Price / BV	0.68x	0.72x	0.72x	0.65x	0.58x
Price / NAV	0.80x	0.88x	0.92x	0.83x	0.73x
Net Yield	4.45%	5.34%	6.45%	7.11%	7.78%
DPS Change (YoY)	251%	20.0%	20.8%	10.3%	9.38%
Price / GOP	5.25x	3.50x	3.58x	3.54x	3.07x

15 January 2024

## Equity

## Key Changes

(GBp)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	59.00	52.00
2023E EPS	8.46	7.89
2024E EPS	7.24	7.15
2025E EPS	8.48	8.16

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## Stock Data

Price (Common / ADR)	44.98 GBp / 2.28 USD
Price Objective	52.00 GBp / 2.64 USD
Date Established	15-Jan-2024 / 15-Jan-2024
Investment Opinion	B-2-7 / B-2-7
52-Week Range	39.55 GBp-54.33 GBp
Market Value (mn)	32,360 GBP
Shares Outstanding (mn)	71,944.0 / 17,986.0
Average Daily Value (mn)	54.36 USD
Free Float	99.9%
BofA Ticker / Exchange	LLDTF / LSE
BofA Ticker / Exchange	LYG / NYS
Bloomberg / Reuters	LLOY LN / LLOY.L
ROE (2023E)	11.9%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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**Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.**

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Timestamp: 15 January 2024 12:00AM EST

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

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(£ Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
<b>Net Interest Income</b>	<b>11,163</b>	<b>13,172</b>	<b>13,813</b>	<b>12,859</b>	<b>13,356</b>
Net Fee Income	1,423	1,503	1,774	1,809	1,845
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Other Income	3,637	3,746	3,339	3,713	4,082
<b>Total Non-Interest Income</b>	<b>5,060</b>	<b>5,249</b>	<b>5,113</b>	<b>5,522</b>	<b>5,927</b>
<b>Total Operating Income</b>	<b>16,223</b>	<b>18,421</b>	<b>18,926</b>	<b>18,381</b>	<b>19,283</b>
Operating Expenses	(10,072)	(9,463)	(10,625)	(10,408)	(10,559)
<b>Pre-Provision Profit</b>	<b>6,151</b>	<b>8,958</b>	<b>8,300</b>	<b>7,973</b>	<b>8,724</b>
Provisions Expense	1,385	(1,510)	(633)	(1,178)	(1,424)
<b>Operating Profit</b>	<b>7,536</b>	<b>7,448</b>	<b>7,667</b>	<b>6,794</b>	<b>7,300</b>
Non-Operating Items	(634)	(520)	(400)	(220)	(220)
<b>Pre-Tax Income</b>	<b>6,902</b>	<b>6,928</b>	<b>7,267</b>	<b>6,574</b>	<b>7,080</b>
Net Income to sh/holders	5,355	5,021	4,828	4,249	4,618
<b>Adjusted Cash Earnings</b>	<b>5,945</b>	<b>5,435</b>	<b>5,141</b>	<b>4,423</b>	<b>4,793</b>

Key Balance Sheet Data	2021A	2022A	2023E	2024E	2025E
Total Assets	886,525	877,829	892,098	897,794	907,422
Average Interest Earning Assets	439,800	448,300	452,749	454,365	458,698
<b>Risk Weighted Assets</b>	<b>195,967</b>	<b>210,859</b>	<b>217,957</b>	<b>222,168</b>	<b>226,214</b>
Total Gross Customer Loans	507,140	504,282	501,288	505,745	515,252
Total Customer Deposits	507,469	523,927	518,537	518,537	524,868
<b>Tier 1 Capital</b>	<b>36,594</b>	<b>34,036</b>	<b>36,451</b>	<b>36,952</b>	<b>37,369</b>
Tangible Equity	40,495	34,539	31,516	33,276	35,691
<b>Common Shareholders' Equity</b>	<b>47,011</b>	<b>41,980</b>	<b>39,450</b>	<b>41,451</b>	<b>43,985</b>

Key Metrics	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	2.51%	2.91%	3.05%	2.82%	2.89%
<b>Tier 1 Ratio</b>	<b>18.7%</b>	<b>16.1%</b>	<b>16.7%</b>	<b>16.6%</b>	<b>16.5%</b>
Effective Tax Rate	14.7%	19.8%	26.0%	27.0%	27.0%
Loan / Assets Ratio	56.8%	56.9%	55.6%	55.9%	56.3%
<b>Loan / Deposit Ratio</b>	<b>99.2%</b>	<b>95.4%</b>	<b>95.7%</b>	<b>96.8%</b>	<b>97.4%</b>
Oper Leverage (Inc Growth - Cost Growth)	-7.72%	19.6%	-9.54%	-0.84%	3.46%
Gearing (Assets / Equity)	18.9x	20.9x	22.6x	21.7x	20.6x
Tangible Equity / Assets	4.57%	3.93%	3.53%	3.71%	3.93%
Tangible Equity / RWAs	20.7%	16.4%	14.5%	15.0%	15.8%

Business Performance	2021A	2022A	2023E	2024E	2025E
Revenue Growth	6.12%	13.5%	2.74%	-2.88%	4.91%
Operating Expense Growth	13.8%	-6.05%	12.3%	-2.04%	1.45%
Provisions Expense Growth	-133%	-209%	-58.1%	86.2%	20.8%
Operating Revenue / Average Assets	0.86%	0.84%	0.87%	0.76%	0.81%
Operating Expenses / Average Assets	-1.15%	-1.07%	-1.20%	-1.16%	-1.17%
<b>Pre-Provision ROA</b>	<b>0.70%</b>	<b>1.02%</b>	<b>0.94%</b>	<b>0.89%</b>	<b>0.97%</b>
ROA	0.61%	0.57%	0.55%	0.47%	0.51%
<b>Pre-Provision ROE</b>	<b>13.6%</b>	<b>20.1%</b>	<b>20.4%</b>	<b>19.7%</b>	<b>20.4%</b>
ROE	11.9%	11.3%	11.9%	10.5%	10.8%
RoTE	15.4%	14.5%	15.6%	13.7%	13.9%
RoRWAs	2.98%	2.67%	2.40%	2.01%	2.14%
Dividend Payout Ratio	23.9%	30.4%	36.8%	44.7%	42.9%
<b>Efficiency Ratio (Cost / Income Ratio)</b>	<b>62.1%</b>	<b>51.4%</b>	<b>56.1%</b>	<b>56.6%</b>	<b>54.8%</b>

Quality of Earnings	2021A	2022A	2023E	2024E	2025E
<b>Total Non-Interest Inc / Operating Inc</b>	<b>31.2%</b>	<b>28.5%</b>	<b>27.0%</b>	<b>30.0%</b>	<b>30.7%</b>
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	-22.5%	16.9%	7.62%	14.8%	16.3%
NPLs plus Foreclosed Real Estate / Loans	1.28%	1.53%	1.61%	1.59%	1.56%
<b>Loan Loss Reserves / NPLs</b>	<b>59.3%</b>	<b>59.1%</b>	<b>62.5%</b>	<b>50.0%</b>	<b>50.0%</b>
Loan Loss Reserves / Total Loans	0.76%	0.90%	1.01%	0.80%	0.78%
<b>Provisions Expense / Average Loans</b>	<b>-0.28%</b>	<b>0.30%</b>	<b>0.13%</b>	<b>0.24%</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	0.7x

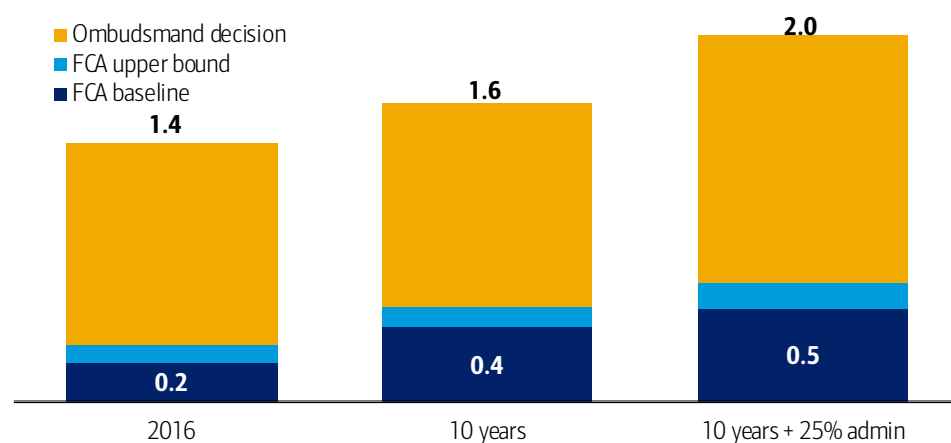
## Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	2.98	2.64
2023E EPS	0.43	0.40
2024E EPS	0.37	0.36
2025E EPS	0.43	0.41

# Key data

## Exhibit 1: Motor finance review could cost Lloyds £0.2-2bn

Lloyds remediation cost scenarios (£bn)

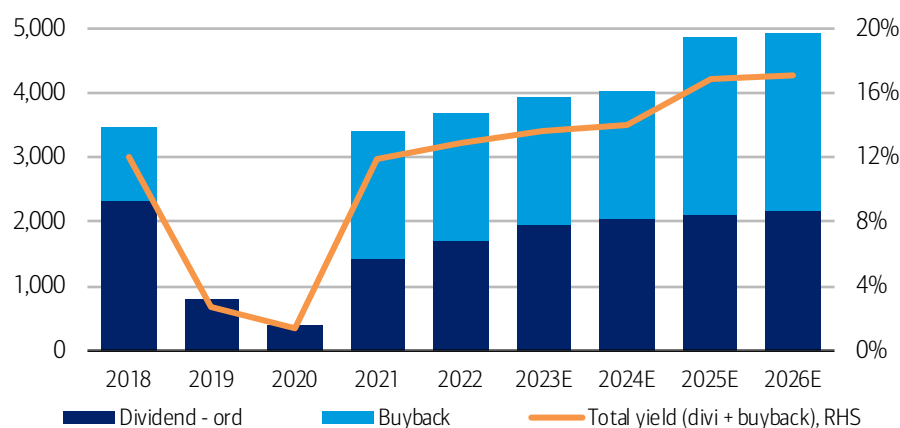


Source: BofA Global Research estimates

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## Exhibit 2: Annual yield 14% 2023E-24E then 17%

Capital distribution (£m) and yield



Source: BofA Global Research estimates, Bloomberg

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**Exhibit 3: Forecast changes**

Adding £500m motor finance remediation charge to 2023E, reducing share buybacks £750m in each of 2023E and 2024E

	2023E			2024E			2025E			2026E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Net interest income	13,813	13,813	0%	12,859	12,859	0%	13,356	13,356	0%	14,774	14,774	0%
Other income	5,113	5,113	0%	5,522	5,522	0%	5,927	5,927	0%	6,128	6,128	0%
<b>Total income</b>	<b>18,926</b>	<b>18,926</b>	<b>0%</b>	<b>18,381</b>	<b>18,381</b>	<b>0%</b>	<b>19,283</b>	<b>19,283</b>	<b>0%</b>	<b>20,902</b>	<b>20,902</b>	<b>0%</b>
Costs	(10,625)	(10,125)	5%	(10,408)	(10,408)	0%	(10,559)	(10,559)	0%	(10,703)	(10,703)	0%
<b>Pre provision profit</b>	<b>8,300</b>	<b>8,800</b>	<b>-6%</b>	<b>7,973</b>	<b>7,973</b>	<b>0%</b>	<b>8,724</b>	<b>8,724</b>	<b>0%</b>	<b>10,199</b>	<b>10,199</b>	<b>0%</b>
Provisions	(633)	(633)	0%	(1,178)	(1,178)	0%	(1,424)	(1,424)	0%	(1,513)	(1,513)	0%
<b>Underlying PBT</b>	<b>7,667</b>	<b>8,167</b>	<b>-6%</b>	<b>6,794</b>	<b>6,794</b>	<b>0%</b>	<b>7,300</b>	<b>7,300</b>	<b>0%</b>	<b>8,686</b>	<b>8,686</b>	<b>0%</b>
Volatility & other	(320)	(320)	0%	(170)	(170)	0%	(170)	(170)	0%	(170)	(170)	0%
<b>Statutory PBT</b>	<b>7,267</b>	<b>7,767</b>	<b>-6%</b>	<b>6,574</b>	<b>6,574</b>	<b>0%</b>	<b>7,080</b>	<b>7,080</b>	<b>0%</b>	<b>8,466</b>	<b>8,466</b>	<b>0%</b>
Tax	(1,890)	(2,020)	-6%	(1,775)	(1,775)	0%	(1,912)	(1,912)	0%	(2,286)	(2,286)	0%
Minorities	(550)	(550)	0%	(550)	(550)	0%	(550)	(550)	0%	(550)	(550)	0%
<b>Attributable profit</b>	<b>4,828</b>	<b>5,198</b>	<b>-7%</b>	<b>4,249</b>	<b>4,249</b>	<b>0%</b>	<b>4,618</b>	<b>4,618</b>	<b>0%</b>	<b>5,630</b>	<b>5,630</b>	<b>0%</b>
<u>Per share (p)</u>												
EPS	7.4	8.0	-7%	6.9	7.0	-1%	7.9	8.2	-4%	10.3	10.8	-5%
DPS	2.90	2.90	0%	3.20	3.20	0%	3.50	3.50	0%	3.80	3.80	0%
Share buyback (£m)	2,000	2,750	-27%	2,000	2,750	-27%	2,750	2,750	0%	2,750	2,750	0%
TNAV	50.1	50.6	-1%	55.6	56.3	-1%	62.8	64.3	-2%	73.3	75.8	-3%
NOSH	64,235	64,235	0%	61,135	59,635	3%	58,035	55,035	5%	53,435	50,435	6%
<u>Balance sheet</u>												
Loans	496,288	496,288	0%	501,745	501,745	0%	511,252	511,252	0%	521,895	521,895	0%
Total assets	892,098	892,098	0%	897,794	897,794	0%	907,422	907,422	0%	918,184	918,184	0%
AIEA	453,497	453,497	0%	455,233	455,233	0%	462,163	462,163	0%	472,163	472,163	0%
RWA	217,957	217,957	0%	222,168	222,168	0%	226,214	226,214	0%	230,695	230,695	0%
Deposits	518,537	518,537	0%	518,537	518,537	0%	524,868	524,868	0%	531,295	531,295	0%
<u>Key ratios</u>												
Net interest margin	3.11%	3.11%	0.00%	2.90%	2.90%	0.00%	2.96%	2.96%	0.00%	3.20%	3.20%	0.00%
Non II % income	27%	27%	0%	30%	30%	0%	31%	31%	0%	29%	29%	0%
Cost: income	56.1%	53.5%	2.6%	56.6%	56.6%	0.0%	54.8%	54.8%	0.0%	51.2%	51.2%	0.0%
Cost of risk	0.14%	0.14%	0.00%	0.26%	0.26%	0.00%	0.30%	0.30%	0.00%	0.31%	0.31%	0.00%
RoTE	14.8%	15.9%	-1.1%	13.0%	13.0%	0.0%	13.3%	13.6%	-0.3%	15.1%	15.5%	-0.4%
CET1 ratio	14.1%	13.9%	0.2%	14.0%	13.5%	0.5%	13.9%	13.5%	0.4%	14.3%	13.9%	0.4%
LDR	96%	96%	0%	97%	97%	0%	97%	97%	0%	98%	98%	0%

Source: BofA Global Research estimates

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**Exhibit 4: 69p Gordon Growth model based valuation**

Fundamental valuation

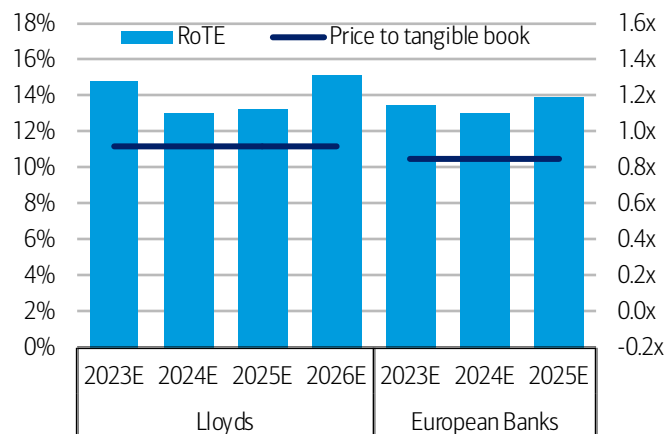
	Value per share (p)
2026E RoTE	15.1%
Cost of equity	13.0%
Growth	0%
<b>Book multiple</b>	<b>1.2x</b>
Book multiple discounted to 1 year from now	0.9x
2023E tangible book value	50
<b>Value pre capital return</b>	<b>47</b>
Present value of dividend	10
Present value of share buyback	12
<b>Fair value</b>	<b>69</b>

Source: BofA Global Research estimates

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**Exhibit 5: Lloyds small price to tangible book premium to European Bank sector relative to profitability**

RoTE and price to tangible book value



Source: BofA Global Research estimates, Bloomberg

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**Exhibit 6: 45p valuation on European Bank sector 12M forward PE**

European Bank sector relative PEvaluation

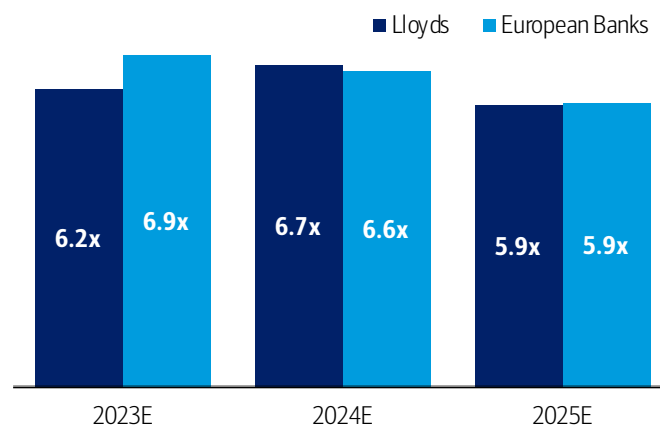
	Value (p)
Lloyds 1 year forward EPS	7.0
European Bank sector 1 year forward PE	6.5x
<b>Lloyds valued on sector multiple</b>	<b>45</b>

Source: BofA Global Research estimates, Bloomberg

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**Exhibit 7: Lloyds 1% PE premium to the European Bank sector**

PE multiple



Source: BofA Global Research estimates, Bloomberg

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## 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 (\$2.64).

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
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Handelsbanken	SVNLF	SHBA SS	Tarik El Mejjad
	ING Groep NV	ING	ING US	Tarik El Mejjad

## EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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	XUHF	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
	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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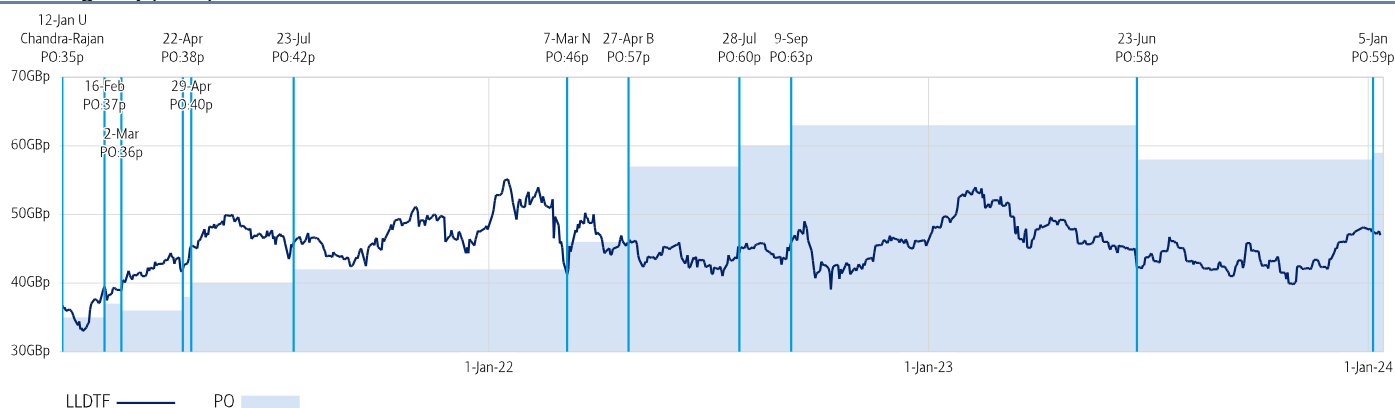
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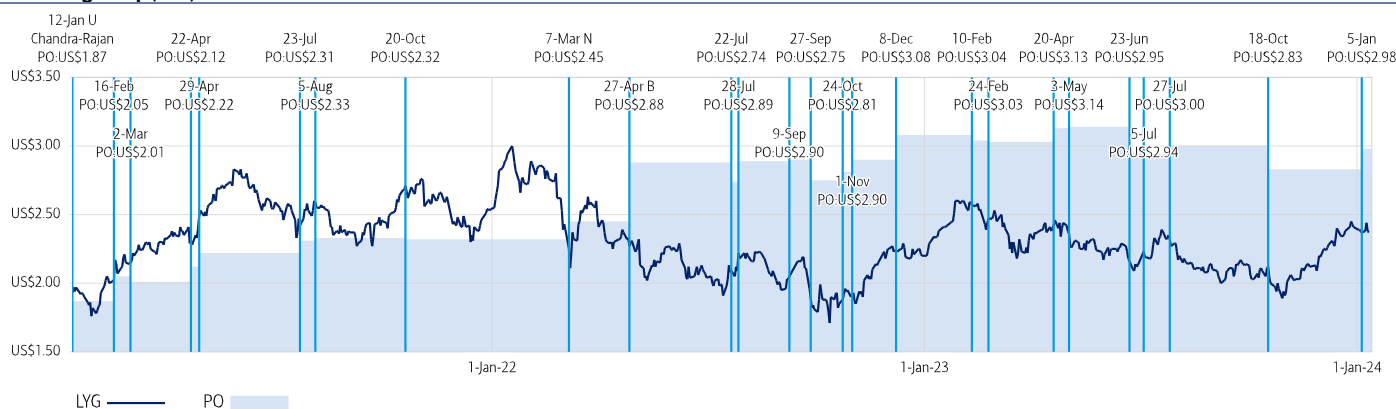
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### Lloyds Banking Group (LYG) Price Chart



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>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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