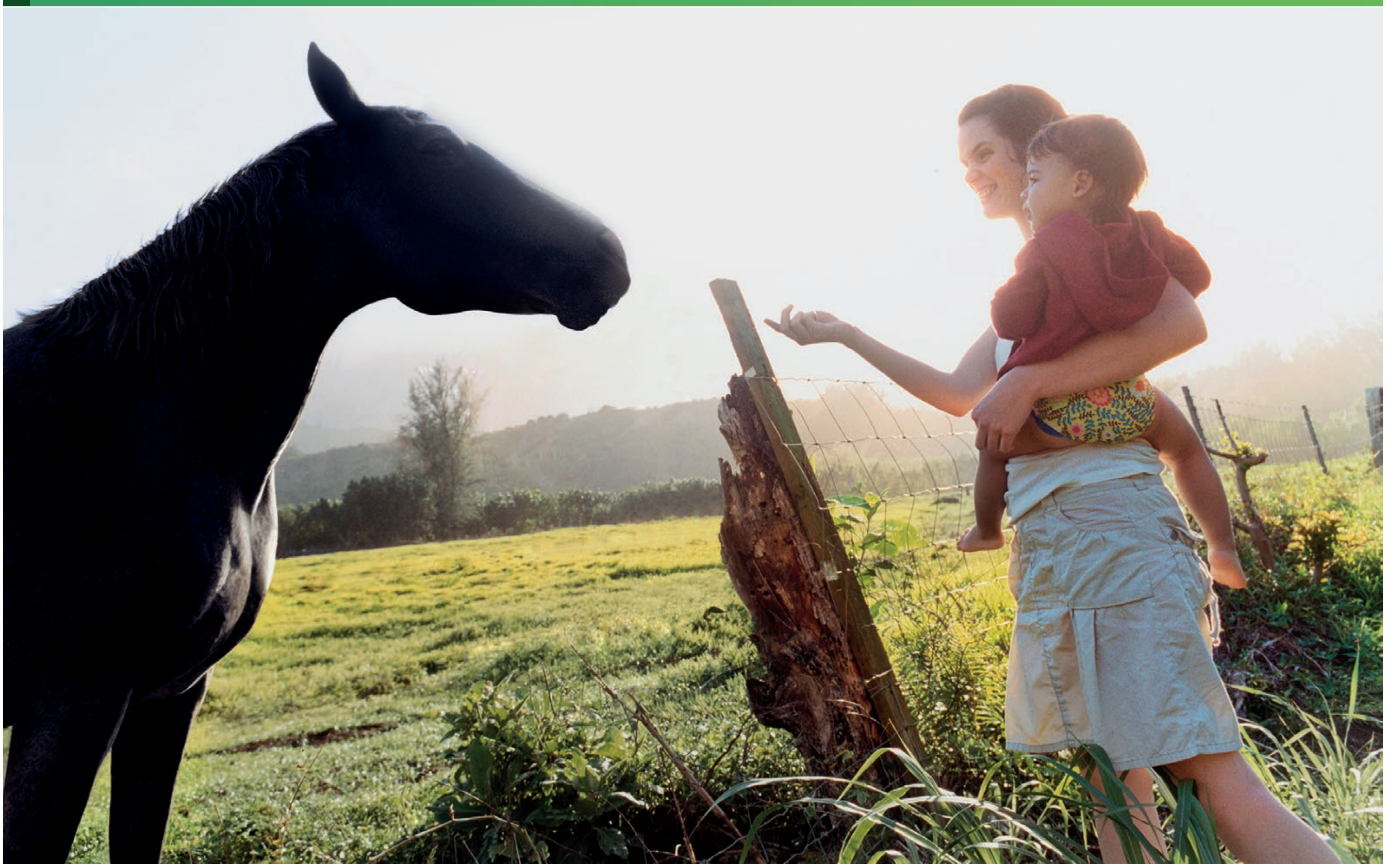
BECOMING THE BEST BANK FOR CUSTOMERS

Lloyds Banking Group
Annual Review

2014



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About us

Lloyds Banking Group is a leading provider of financial services to individual and business customers in the UK.

Our main business activities are retail and commercial banking, general insurance, and long-term savings, protection and investment. We provide our services under a number of well recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows and through a range of distribution channels including the largest branch network in the UK and a comprehensive digital proposition.

The Group is quoted on the London Stock Exchange and the New York Stock Exchange and is one of the largest companies in the FTSE 100 index of leading UK companies.

This Annual Review incorporates the Strategic Report from the 2014 Annual Report and Accounts along with some information about the Board of Directors, a summary of Group results and detail on remuneration as well as some general shareholder information.

On behalf of the Board
Lord Blackwell
Chairman
Lloyds Banking Group
26 February 2015

View our Annual Report and Accounts and other information about Lloyds Banking Group at www.lloydsbankinggroup.com

We are meeting our customers' needs by creating a simpler, more responsive organisation and are investing in our digital capability while maintaining a comprehensive branch network.

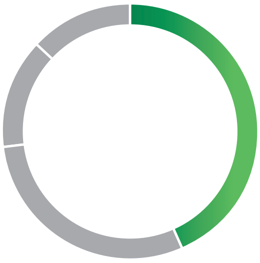
By becoming the best bank for customers we believe we can help Britain prosper and deliver strong and sustainable returns for our shareholders.

Group at a glance

We are a low cost, low risk, customer focused bank operating through four divisions.

UNDERLYING PROFIT

£3,228m



Our Retail division is a leading provider of current accounts, savings, loans and mortgages to personal and small business customers in the UK.

We have an extensive multi-brand, multi-channel offering. With more than 2,200 branches we have the largest branch network and one of the largest fee free ATM networks in the UK and also provide a comprehensive digital, telephony and mobile service. We serve millions of customers through our Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows brands.

1 in 4

First-time buyers helped by us to buy their first home

£286bn

Retail deposit balances

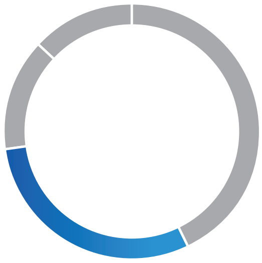
Key brands

LLOYDS BANK
HALIFAX
BANK OF SCOTLAND
SCOTTISH WIDOWS

More financial information on our Retail division can be found in our 2014 Annual Report and Accounts or online at www.lloydsbankinggroup.com

UNDERLYING PROFIT

£2,206m



Our Commercial Banking division has a rich heritage of supporting UK businesses from SMEs to large corporates and financial institutions.

Commercial Banking provides lending, deposits and transaction banking services to corporate clients as well as offering expertise in capital markets (private placements, bonds and syndicated loans), financial markets (foreign exchange, interest rate management, money markets and credit) and private equity.

▲5%

Growth in SME lending in 2014

17%

Our share of mid-market banking relationships

Key brands

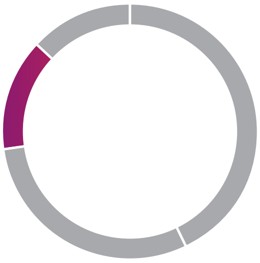
LLOYDS BANK
BANK OF SCOTLAND
SCOTTISH WIDOWS
AMC
LDC

More financial information on our Commercial Banking division can be found in our 2014 Annual Report and Accounts or online at www.lloydsbankinggroup.com

CONSUMER FINANCE

UNDERLYING PROFIT

£1,010m



Our Consumer Finance division provides asset finance solutions and credit cards to consumer and commercial customers.

In Asset Finance, Black Horse provides motor finance loans to over 200,000 customers through more than 5,000 dealers. Lex Autolease is the UK's leading fleet management and fleet funding specialist with close to 300,000 vehicles under management.

We are also one of the UK's leading credit card issuers through our Consumer and Commercial Cards businesses meeting the needs of seven million customers daily through purchasing and flexible short-term borrowing propositions and payment acceptance services for UK merchants.

17%

Growth in UK consumer finance lending in 2014

15%

Our share of credit card balances

Key brands

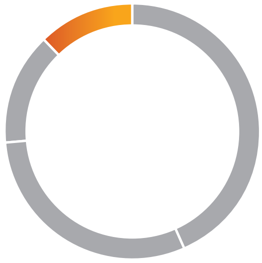
LLOYDS BANK, BANK OF SCOTLAND, HALIFAX, LEX AUTOLEASE, blackhorse

More financial information on our Consumer Finance division can be found in our 2014 Annual Report and Accounts or online at www.lloydsbankinggroup.com

INSURANCE

UNDERLYING PROFIT

£922m



Our Insurance division provides customers with long-term savings, investment and protection products and general insurance.

Our long-term savings, investment and protection products are offered under the Scottish Widows brand. Products are available through intermediaries, direct channels and also through our Retail division via Lloyds Bank, Halifax and Bank of Scotland.

The General Insurance business is a leading provider of home insurance in the UK, with products sold through the branch network, direct channels and strategic corporate partners.

3.7m

Home insurance customers

10%

Our share of the life and pensions market

Key brands

LLOYDS BANK, HALIFAX, BANK OF SCOTLAND, SCOTTISH WIDOWS

More financial information on our Insurance division can be found in our 2014 Annual Report and Accounts or online at www.lloydsbankinggroup.com

Financial performance and strategic progress

FINANCIAL PERFORMANCE

SUBSTANTIAL INCREASE IN PROFITABILITY AND RETURNS

3.02%

Return on risk-weighted assets increased 0.88 per cent in the year to 3.02 per cent

Underlying profit

£7.8bn

+26%

Underlying profit increased 26 per cent to £7,756 million

Statutory profit

£1.8bn

Statutory profit before tax of £1,762 million, despite legacy items including £2,200 million of PPI charges

Dividend

0.75p

Delivery of strategy and increased profitability has enabled resumption of dividend

To read more on financial performance see our 2014 Annual Report and Accounts or visit www.lloydsbankinggroup.com

STRATEGIC PROGRESS

DELIVERY OF 2011 STRATEGIC PRIORITIES HAS TRANSFORMED THE BUSINESS

RESHAPE

£17bn

Run-off portfolio reduced by more than £140 billion to £17 billion

6 Countries

International presence reduced from 30 to six countries

50%

Completed sales totalling approximately 50 per cent of TSB

Successfully reshaped the Group

INVEST

Over **£1bn**

Additional strategic investment over the last three years

Lending growth in key customer segments

STRENGTHEN

12.8% CET1 ratio

4.9% Leverage ratio

Strong balance sheet

SIMPLIFY

£9.4bn

Cost base

51%

Cost:income ratio

Cost leadership position attained

To read more go to page 11
or visit www.lloydsbankinggroup.com

Chairman's statement

Our low cost, low risk, customer focused, UK retail and commercial banking strategy is the right one in the current environment.

Lord Blackwell
Chairman

Overview and strategy

My first year as Chairman of Lloyds Banking Group saw the achievement of our 2011 strategic plan. We have delivered on our key strategic priorities over the last three years, reshaping the Group to focus on serving our UK customers and returning the balance sheet to strength, while at the same time generating a significant improvement in underlying profitability and recommencing a dividend payment. I would like to extend my thanks to the Board, the management team and all colleagues across the Group for their determination to see this through.

While we are all proud of these achievements, we recognise that this is a base for the future, not the end of the strategic journey. There are major changes in the environment as well as our own capabilities that we need to address in the next phase of our development to become the best bank for customers and shareholders.

The next phase of our strategy, announced in October, outlined how we will focus on creating the best customer experience, becoming simpler and more efficient and delivering sustainable growth. As a Board, we have spent much time discussing how we could take the business forward, recognising the impact that the evolving regulatory and competitive environment and customers' changing needs are having on our UK retail and commercial banking focused business. We believe that digital transformation in particular will result in more fundamental change occurring in the banking industry over the next decade than we have seen in the last 200 years.

I am confident that our low cost, low risk, customer focused, UK retail and commercial banking strategy is the right one in the current environment. It capitalises on the Group's unique assets, including its franchise and capabilities, and is also consistent with our prudent risk appetite as well as our mission to 'Help Britain Prosper'.

Alongside this strategic challenge, it is essential that we also rebuild trust. This is a major challenge for the UK financial services sector, not just because of the damage caused by the financial crisis but also because of the continuing legacy of past industry misconduct. As well as the continuing impact of issues such as Payment Protection Insurance we also announced settlements on LIBOR and BBA repo rate issues. The Board regards the actions of those individuals responsible for this misconduct as completely unacceptable. Their behaviour involved a gross breach of trust and we condemn it without reservation. Doing the right thing for customers is an integral part of our strategy and I am convinced that these actions are entirely unrepresentative of the vast majority of our staff who are committed to delivering outstanding service, recognising that trust is at the core of our business.

It is clear that regaining this trust, which is a business imperative rather than a 'nice to have', will take time. We are completely committed to achieving this by setting the highest possible standards of integrity to serve our customers and clients.

Regulation

As a result of the financial crisis, there has been a great deal of change in the regulatory environment in recent years. The regulators have made good progress in improving financial stability through prudential regulation and they are now putting greater emphasis on protecting consumers and small business customers through conduct and competition regulation.

Capital requirements, though not yet finalised, are much clearer and the significant progress made in improving our capital position means we are now well placed. During the year, the Group met the capital benchmarks set out by the European Banking Authority (EBA) and the Prudential Regulation Authority (PRA) stress testing exercises, with no additional capital action required; a further demonstration of our robust capital, liquidity and funding position.

The ring-fence perimeter was clearly set in 2014, although final details and implementation of the rules remain undetermined. Our strategy continues to envisage a simple, low risk organisation with a business model focused on traditional retail and commercial banking, that would predominantly sit within the ring-fence.

> Regaining trust is a business imperative rather than a 'nice to have'. We are completely committed to achieving this.

Directors

We were delighted to welcome four new Independent Non-Executive Directors to the Board during the year. Dyfrig John joined in January, Nick Prettejohn and Simon Henry in June and Alan Dickinson in September. These appointments bring a good balance of additional skills and experience to our Board. More information can be found in the corporate governance section of our 2014 Annual Report and Accounts and on our website.

Our Deputy Chairman, David Roberts, stepped down in May to become Non-Executive Director and Chairman-Elect at Nationwide. I and my colleagues are grateful for the tremendous contribution he made to the Group during his period on the Board. We were pleased to announce the appointment of Anita Frew, a non-Executive Director with the Group since 2010, to this role.

A COMMITMENT TO GOOD GOVERNANCE

One of the principal tasks of the Board is to develop a strategy which can achieve long-term success and generate sustainable returns for shareholders. This needs to be underpinned by the high standards of corporate governance which are critical to the success of any business today and should be driven by the Board (led by the Chairman) and embedded in the thinking and processes of the business. We are confident we have a strong, experienced management team and a commitment to good governance enabling us to build a business that will deliver sustainable success in the future.

Our Board

The Board has seen a number of changes this year, and in line with the provisions of the UK Corporate Governance Code and the interests of good corporate governance, all Directors are required to submit themselves for re-election on an annual basis. We are committed to ensuring we have the right balance of skills and experience within the Board, and we annually review its composition, and the diversity of backgrounds of its members.

Board oversight – key topics

During 2014, the Board continued to review the Group's corporate strategy, the operation of the business and our results within a framework of prudent and effective controls, including the assessment and management of risks. Key topics arising through the year included:

- discussion and oversight of the Group Strategic Update;
- the appointment of four Non-Executive Directors in order to strengthen the Board's experience in the areas of financial services, banking, risk and insurance;
- the initial public offering (IPO) of TSB Banking Group plc in order to meet the Group's commitments to the European Commission;
- the banking stress tests conducted by the EBA and the PRA in order to assess banks' resilience to market downturns;
- the resolution of legacy issues with regulators in the UK and US in respect of the manipulation of the London Interbank Offered Rate (LIBOR) and the Sterling Repo Rate and continued focus on Payment Protection Insurance; and
- the continued creation of a corporate culture that values integrity and best practice standards and that puts customers first.

Read more about corporate governance in our 2014 Annual Report and Accounts or visit www.lloydsbankinggroup.com

Chairman's statement continued

Community and culture

With a network of more than 2,200 UK branches and a focus on supporting small to medium-sized businesses, we are well positioned to help our local and national communities. Our commitment to invest in the long-term economic future of the UK is highlighted, not just through the significant lending to customers, particularly SMEs and first-time buyers, but also through the many community programmes we run, including our Lloyds Scholars programme, our Social Entrepreneurs programme and our Career Academies.

We remain dedicated to our charitable initiatives and I am thrilled that we raised more than £6 million from our two-year partnership with the Alzheimer's Society and Alzheimer Scotland. The money, which is significantly higher than our 2014 target, will go towards the Dementia Research Leaders Programme, working to improve dementia research and transform our understanding of the condition.

> With a network of more than 2,200 UK branches and a focus on supporting small to medium-sized businesses, we are well positioned to help our local and national communities.

I am also delighted to announce that BBC Children in Need will be the Group's Charity of the Year partnership for 2015 and 2016. We chose BBC Children in Need because we share the same goal of supporting communities across the UK and we will be working together to change the lives of disadvantaged children and young people.

A responsible business

Doing business fairly and responsibly is the best way to rebuild trust with Britain's households, businesses and communities. It also rebuilds our colleagues' pride in our Group. Our business model puts customers at the heart; based on traditional attributes such as prudence and a long-term view, whilst making the most of emerging digital channels. The best of the past combined with the best of the present and the future.

I see increasing evidence that we are returning to the qualities that historically made our bank a pillar of local communities, applying these qualities to meet the changing demands of our customers.

This is vitally important. As I noted earlier, trust is not a 'nice to have' – it's a 'must have'. It provides the foundations on which we can build sustainable success as a responsible business dedicated to meeting our customers' needs. It is also, I am convinced, a true reflection of the values and commitment of our hardworking staff, all of whom I would like to thank on behalf of the Board for their dedication to serving our customers.

Remuneration

We continue to believe that remuneration policy at all levels, including for senior executives, needs to motivate staff to deliver strong, sustainable growth whilst supporting the business strategy. We strongly believe in 'rewards for success', properly earned not just paid by default. That means aligning rewards to the longer term, sustainable success of our business and through this the delivery of value to shareholders. It also means holding back or removing performance rewards where managers have failed to meet their objectives.

Despite better results in 2014, the total bonus outcome for the year has decreased by approximately 3.6 per cent (after adjusting for TSB). This reflects the continuing overhang of past conduct issues. Discretionary bonus awards remain a very small percentage of revenues at approximately 2 per cent, and represent approximately 4.5 per cent of pre-bonus underlying profit before tax, compared to 6 per cent in 2013. Cash bonuses are capped at £2,000 with additional amounts paid in shares and subject to deferral and performance adjustment. Average bonus awards across all our staff are approximately £4,500.

More information on how we ensure our approach to remuneration supports the business strategy can be found in the Directors' remuneration report of our 2014 Annual Report and Accounts.

Outlook

As we enter 2015, a 'milestone' year during which we celebrate the 200th anniversary of Scottish Widows and the 250th anniversary of Lloyds Bank, it is important that we look back with pride but also keep looking forward and adapt to the changing landscape of the future. I believe we are very well placed to make the most of the opportunities that exist.

Lord Blackwell
Chairman

Group Chief Executive's review

We enter the next phase of our strategic journey from a position of strength, having delivered against our key strategic priorities.

António Horta-Osório
Group Chief Executive

Highlights

2014 was a year of continued delivery for the Group, with the achievement of the key objectives set out in our 2011 strategic plan resulting in a significant transformation of the business and improvement in performance. Strategically, we are now a low risk bank, with a strong balance sheet and funding position and industry cost leadership, all of which provide competitive differentiation.

This delivery has, in turn, enabled the UK government to make further progress in returning the Group to full private ownership. In 2014 the UK government reduced its shareholding through the second successful sale of part of its stake in March and the launch of a pre-arranged trading plan in December which provides a means for an orderly sell down that will end no later than June 2015. On 20 February 2015, we were advised that UKFI's interest in the Group had reduced to 23.9 per cent. In the summer, we sold 38.5 per cent of TSB via a well-received Initial Public Offering, with this and the subsequent sale of a further 11.5 per cent stake in September resulting in us being firmly on track to meet our European Commission State Aid commitments.

The Board recognises the importance of sustainable and growing dividends to our shareholders and is today announcing the resumption of dividend payments, with a recommended dividend payment of 0.75 pence per share in respect of 2014. This is a symbolic development that bears testament to our successful transformation and improved risk profile of the business.

Given this strong strategic progress and the improvement in our financial performance and position, we have a firm foundation to deliver the new strategic priorities that we set out in October and we are well placed to continue to support and benefit from the strengthening UK economy and to be the best bank for our customers and shareholders.

Financial performance in 2014

We delivered a significant improvement in financial performance at both an underlying and statutory level. Underlying profit increased by 26 per cent to £7,756 million, with the Group's return on risk-weighted assets (RoRWA) improving by 88 basis points to 3.02 per cent. At a divisional level, all of our banking businesses delivered a robust performance with improvements in underlying profit and RoRWA in our Retail, Commercial Banking and Consumer Finance divisions after increased investment made to deliver growth. Underlying profit was lower in our Insurance division, reflecting the challenging market backdrop and regulatory and legislative changes that have similarly affected the wider industry.

Net interest income increased by 8 per cent, driven by a 33 basis point improvement in the net interest margin to 2.45 per cent and increased lending in our key customer segments. Other income excluding St. James's Place effects was 9 per cent lower, reflecting business disposals and a challenging operating environment. Underlying costs were reduced by 2 per cent, while the effective management of our lending portfolio, coupled with the benign economic and low interest rate environment, resulted in a substantial 60 per cent reduction in the impairment charge to £1,200 million.

On a statutory basis, the Group reported a profit before tax of £1,762 million compared to £415 million in 2013. This was after £2,200 million of charges in respect of PPI (2013: £3,050 million) and other regulatory provisions of £925 million (2013: £405 million).

Group Chief Executive's review continued

Helping Britain prosper and delivering growth in our key customer segments

As a UK centric retail and commercial bank, our future is inextricably linked to the health of the UK economy. In 2014 the UK economy continued to recover, with GDP growing robustly, unemployment falling, and both consumer and business confidence increasing. UK house prices have also continued to recover strongly, with an 8.4 per cent increase in the year. Against this, affordability measures remain good, with the recent calming of house price appreciation in London and the South East a welcome development.

Our strong performance in 2014 marks the culmination of three years of strategic delivery that has transformed the business for the benefit of our customers and shareholders.

We are committed to helping Britain and its communities and in March we launched our Helping Britain Prosper Plan. This initiative comprises a number of public commitments in areas where we can make the biggest difference and create value for our customers across households, businesses and our communities, in turn supporting our goal of being the best bank for customers. Since its launch, all of our divisions have made good progress in implementing this Plan, with the Group exceeding each of its lending commitments in 2014 while also delivering lending growth in our key customer segments.

In our Retail division, we provided £11.9 billion of lending to over 89,000 first-time buyers as well as 1 in 5 of all mortgage loans to customers buying their home in the UK in 2014, with total gross mortgage lending of £40 billion, 13 per cent higher than the prior year. We remain the largest participant in the UK government's Help to Buy mortgage guarantee scheme, lending £1.9 billion through this scheme in the year. In Retail Business Banking, we also supported over 100,000 new business start-ups.

The Commercial Banking division continued to take a leading role in supporting the UK economic recovery, with SME lending growing for the fourth consecutive year against a market that has contracted each year, increasing by 5 per cent in 2014. Lending to Mid Market corporates also increased by 2 per cent in a market that contracted by around 3 per cent. We remain firm supporters of the UK government's Funding for Lending scheme, committing over £15.5 billion of eligible lending and £1 billion to UK manufacturing during 2014.

In Consumer Finance, we achieved UK lending growth of 17 per cent to £16.0 billion, driven by 43 per cent growth in Asset Finance and a return to growth in our cards business following eight years of decline. New business growth was also strong, with a 48 per cent increase in Black Horse new business partly reflecting the launch of the Jaguar Land Rover partnership, and Cards benefiting from a 15 per cent increase in balance transfer volumes from new and existing customers as well as a 4 per cent increase in new consumer credit card accounts opened.

In Insurance, we have seen good momentum in our corporate pensions business where we are a market leader, serving over 11,500 employers and 1.4 million employees who have invested a total of £27 billion of assets with us. In 2014, the number of employees covered by these schemes increased by 40 per cent, principally reflecting our ongoing support for employers through the auto-enrolment process.

Our support for our customers and communities does not just extend to the lending commitments we have made to our key customer groups. It also covers a number of other initiatives through the Helping Britain Prosper Plan. In 2014, we delivered against the majority of these major commitments, donating £16.5 million to the Bank's Foundations to help tackle disadvantage and now having trained over 1,300 colleagues as mentors to SMEs and social entrepreneurs and provided over 940,000 of paid volunteer hours to support community projects.

Read more about our Helping Britain Prosper Plan on page 24 or visit www.lloydsbankinggroup.com

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Delivering the best bank to our key stakeholders

Our strong performance in 2014 marks the culmination of three years of delivery against our strategic plan that has transformed the business for the benefit of our stakeholders.

For our shareholders, we have delivered a significant improvement in financial performance, while improving the risk profile of the bank and strengthening the balance sheet.

We have strengthened underlying performance from a loss of £0.9 billion in 2010 to a profit of £7.8 billion in 2014, driven by a combination of lower impairment charges and a reduction in the Group's cost base. While our statutory result has also increased significantly over this period, our pre-tax profit of £1.8 billion in 2014 continued to be affected by PPI and other regulatory provisions as well as costs associated with TSB, the Simplification programme and the ECN exchange. Looking ahead, while regulatory and conduct risks remain, we believe that the Group's statutory performance will become significantly less impacted by such issues, resulting in a far greater proportion of our underlying financial performance flowing through to shareholder returns over time.

In 2014 we achieved our enhanced target of delivering £2 billion of annual run-rate savings through the first phase of our Simplification programme, resulting in a reduction in our cost base from over £11 billion in 2010 to £9.0 billion (excluding TSB). Our cost:income ratio of 51.2 per cent is now the lowest amongst our major UK banking peers, in turn delivering a cost leadership position as a strategic differentiator and source of competitive advantage.

Being a low risk bank is also central to our strategy and business model, while supporting our aim of being best bank for our shareholders by reducing earnings volatility. This is illustrated by our credit default swap (CDS) spread reducing from over 300 basis points (bps) at the end of 2011 to less than 50 bps at the end of 2014, which is one of the best in the banking sector worldwide. We have significantly reduced risk in our lending business through careful portfolio management, the centralisation of the risk division and the implementation of tighter underwriting standards and controls. As a consequence, non-performing loans have reduced from over 10 per cent of lending balances in 2010 to less than 3 per cent in 2014. Over the same period, we have successfully reshaped the Group, reducing our non-core portfolio from £194 billion, or 25 per cent of customer loans, by £148 billion in a capital accretive way. As of December 2014, we now have a remaining Run-off portfolio of £16.9 billion, with lending assets of £14.4 billion within this total representing 3 per cent of customer loans.

Our balance sheet and funding position have also been transformed, with our post dividend Common Equity Tier 1 (CET1) ratio strengthening to 12.8 per cent through

STRATEGY 2011-2014	KEY ACHIEVEMENTS
RESHAPE our business portfolio to fit our assets, capabilities and risk appetite	– Non-core assets reduced by more than £140 billion to £17 billion – International presence reduced from more than 30 countries to six – Asset quality ratio of 24 basis points, significantly ahead of original guidance of 50-60 basis points
STRENGTHEN the Group's balance sheet and liquidity position	– Capital position improved with a fully loaded common equity tier 1 ratio of 12.8 per cent – Reliance on wholesale funding reduced by more than £180 billion – Loan to deposit ratio improved from 154 per cent to 107 per cent
SIMPLIFY the Group to improve agility and efficiency	– Simplification programme delivered £2 billion per annum of cost savings, £300 million ahead of original target – Cost leadership position created
INVEST to be the best bank for customers	– Over £1 billion of strategic investment in the last three years

Group Chief Executive's review continued

a combination of earnings generation, a reduction in risk-weighted assets as we de-risk the business, and other management actions. Our CET1 ratio is now amongst the strongest within the banking sector worldwide, positioning us well against the backdrop of evolving regulatory requirements for capital and leverage.

Most recently this has been demonstrated by the Group exceeding the minimum thresholds set in the recent stress tests conducted by the EBA and the PRA, despite the heavy weighting of the stress parameters against a UK retail and commercial banking business model such as ours.

Our business has been transformed, with a reshaped, low risk portfolio, a strengthened capital and funding position and a more efficient cost base.

At the same time, we have significantly reduced our reliance on wholesale funding through the careful management of our lending portfolio and the growth in our relationship deposit base, with our loan to deposit ratio strengthening from 154 per cent in 2010 to 107 per cent. Our wholesale funding requirement at the end of 2014 of £116 billion compares to £298 billion at the end of 2010 and is broadly matched by our primary liquid asset portfolio of £109 billion.

Being the best bank for customers is at the heart of our strategy. In support of this, we have continued to invest in our product propositions as well as our branches, digital and telephony channels, with key customer benefits from this investment ranging from reduced processing times, improved ease of access and convenience, and greater efficiency. Digital remains a key area of growth and investment for the business and has now been expanded as a Group-wide division spanning across all business areas, reflecting our customers' evolving preferences in how they interact with us. At the end of 2014, our active online user base was over 10.4 million customers, within which our active mobile users were over 5 million: a 29 per cent increase compared to the end of 2013.

Our success in improving the customer experience has been reflected in net promoter scores (NPS), which have increased by 50 per cent since 2010, and Group reportable banking complaints (excluding PPI), which have reduced significantly over the same period and are now approximately 50 per cent lower than the average of our major banking peers.

Rebuilding customer trust remains a key imperative for the business. In support of this, we have continued to transform the corporate culture and have completely overhauled the performance and reward framework for our customer-facing colleagues, with performance now predominantly assessed on the basis of customer feedback.

We have also strengthened the control environment through changes to our organisational design and the introduction of standardised templates across the Group to assess and monitor our risk appetite. While these improvements have been essential in helping us to rebuild customer trust, we recognise there is more to do and that we still have legacy issues to work through.

Strategic update

In October 2014 we set out the next phase of our strategy, highlighting our key priorities for the next three years and how we intend to deliver value and high quality experiences for customers, alongside strong and sustainable financial performance for our shareholders within a prudent risk and conduct framework.

The first of our three strategic priorities is 'creating the best customer experience'. We will achieve this through our multi-brand, multi-channel approach by combining comprehensive online and mobile capabilities with face-to-face services delivered through our branch and relationship manager network.

We will invest £1 billion over the next three years in digital capability across all business divisions, delivering better service with greater efficiency. This transformation will reflect our customers' changing preferences in how they choose to interact with us, providing seamless access through a secure and resilient digital infrastructure.

Secondly, we will create operational capability by 'becoming simpler and more efficient', enabling us to be more responsive to changing customer expectations and to maintain our cost leadership position amongst UK high street banks as a source of competitive advantage. Through the simplification and increased automation of key processes, the reduction in third party spend and changes to our organisational design, we expect to deliver a further £1 billion of annual run-rate savings by the end of 2017, creating value for customers and improving our long-term competitiveness.

Finally, we expect to 'deliver sustainable growth' by seeking Group-wide growth opportunities while maintaining our prudent risk appetite. We intend to maintain market leadership in our main retail business lines of mortgages and current accounts by growing in line with the market, making the most of our multi-brand, multi-channel strategy to meet customer needs.

We have also identified a number of growth opportunities in segments and areas where we are currently underrepresented and will look to grow above the market, including business banking, financial planning and retirement, and unsecured consumer lending. Consequently, over the next three years we expect to grow net lending in our key customer segments by over £30 billion, comprising growth in line with the market in retail mortgages, coupled with increases in net lending of £3 billion in both our SME and Mid Markets segments, £4 billion growth in customer assets in Asset Finance and £2 billion in credit cards.

We also expect to grow customer assets by over £10 billion in our Insurance division over this timeframe through supporting our retail and corporate customers in making long-term preparations for retirement.

We will invest £1 billion over the next three years in our digital capability across all divisions, delivering better service with greater efficiency.

Over the next three years, we expect the UK financial services industry to undergo an unprecedented rate of change, driven by technology, changing customer behaviour and increasing regulatory requirements at a time when traditional competitors' strategies converge and new entrants compete for customers.

The successful delivery of our strategic priorities over the next three years will ensure that we are well placed to anticipate and react to these changes, in turn enabling us to retain our leading position in the UK market while delivering value to our customers and shareholders.

Outlook

Thanks to the hard work and commitment of our colleagues, we are entering the next three year phase of our strategy from a position of strength. Together, we have delivered the strategic objectives we set out in 2011 resulting in a business that has been transformed, with a reshaped and low risk portfolio focused on our core UK markets, a strengthened capital and funding position, and a more efficient cost base.

In the shorter term, we expect the Group to continue to perform strongly in 2015, with our net interest margin expected to strengthen to around 2.55 per cent, other income to remain broadly stable, and our low risk business model expected to be reflected in an asset quality ratio of around 30 basis points. We also expect our capital generation to remain solid, with our CET1 ratio expected to increase by between 150 and 200 basis points per annum pre-dividend.

While we recognise we still have a lot more to do, these strong foundations give us confidence in our prospects and our ability to achieve our strategic objectives over the next three years, despite uncertainties with regard to the political, regulatory, economic and competitive environment. We are therefore well positioned to continue to progress towards being the best bank for our customers while delivering strong and sustainable returns for our shareholders and supporting the UK economic recovery.

António Horta-Osório

António Horta-Osório
Group Chief Executive

Market overview

Given our UK focus, our financial performance is inextricably linked to the performance of the UK economy and its regulatory and competitive environment.

UK ECONOMIC TRENDS

Economic recovery has picked up in 2014

Seven years after the start of the financial crisis, the UK economy is returning to a level of stability. Initial estimates indicate that economic growth rose to 2.6 per cent in 2014 from 1.7 per cent in 2013, the strongest rate of growth since 2006 and above the economy's long-term average growth rate. Unemployment has fallen rapidly – by twice as much in 2014 as across the previous two years combined – and at 5.7 per cent has now reversed the bulk of its rise during the recession. Consumer spending growth and the level of private car registrations have returned to pre-crisis rates. Rising business confidence in response to the upturn in demand has been reflected in a significant increase in business investment, now higher as a share of GDP than before the crisis. The rate of corporate failure has fallen back after its rise in 2009, and is now the lowest on record (since 1984) at 0.5 per cent.

At the root of the economic recovery is the progress that has been made on reducing the high levels of debt that were a key driver of pre-crisis growth. Household debt has fallen back to decade-ago levels relative to incomes, and with interest rates low the burden of debt payments is its lowest since the late 1990s. That has decreased the pace of consumer deleveraging, helping spending growth to recover. The government is broadly half way through its deficit reduction programme, and the pace of fiscal consolidation has also eased markedly, thus reducing its drag on growth. Most of the banking sector, including Lloyds, is on target to meet the new higher capital and liquidity levels mandated by CRD IV and the PRA, so lending supply is able to respond to rising demand.

But as the deleveraging process is not yet complete, some aspects of the economy continue to look abnormal. Most obviously, the Bank of England's Bank Rate (base rate) has remained at 0.5 per cent since 2009. The fiscal deficit remains large at over 5 per cent of GDP, and so requires a continued squeeze on public spending throughout the next Parliament after the May 2015 election. In addition, export growth remains subdued by weak demand in the Eurozone, the result of much less progress on private sector deleveraging and the rapid pace of fiscal tightening. The increasingly robust UK economic recovery has benefited our markets, although balance growth remains substantially lower than pre-crisis rates, as shown in the chart below.

Robust growth expected to continue in 2015

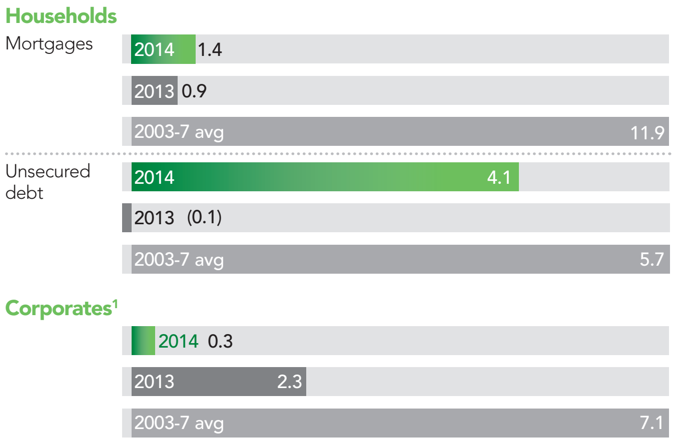
With inflation low and deleveraging progressing at a manageable rate, UK economic growth is expected to continue at a similar rate in 2015 – the current consensus is 2.6 per cent, still above the economy's long-term average growth rate of around 2.2 per cent (see chart below). Domestic demand will remain the driver, with households' real income growth expected to benefit from higher earnings growth, falling unemployment and lower inflation, helped especially by the large fall in oil prices since the middle of 2014. We expect Bank Rate to begin to rise around the end of the year, for the first time in eight years, but the pace of increase is likely to be slow as responsiveness of the economy to interest rates normalises only gradually.

As the economic recovery continues, we expect demand for credit from households and small and medium-sized businesses to rise, but growth is likely to stay well below pre-crisis rates as the appetite to borrow remains constrained by recent experience. With Bank Rate expected to rise only slowly, arrears are expected to remain low.

Risks to the recovery remain

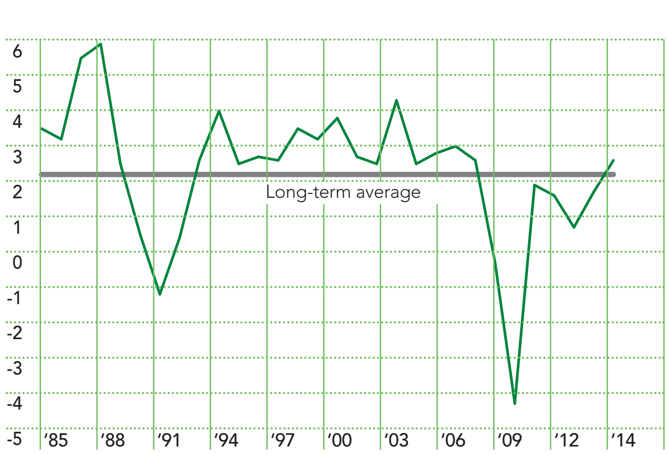
As the recovery continues, and adjustments in debt levels have progressed, the vulnerability of the economy to renewed weakening has reduced. Similarly, the outcome of the Scottish Referendum has removed a key source of near-term uncertainty for the economy and banks. However, with the General Election in May, political uncertainty remains high. The Eurozone remains a risk to the UK, not only because of its potential impact on UK growth, but also because of the financial market turbulence that would ensue if weak growth translates into election of political parties that favour Eurozone exit for some countries. Crystallisation of some of these risks could impact the UK economy significantly, which would in turn have a negative impact on the Group's income, funding costs and impairment charges. Positively, the recent fall in oil prices, if sustained, will be a boost for global growth and could be particularly beneficial for Eurozone growth.

GROWTH IN OUR MARKETS (yearly % change in UK market balances)



[1]Non-financial companies' borrowing from banks, excluding property and construction
Source: Bank of England

GDP GROWTH (% change on year earlier)



REGULATION

The regulatory landscape is continuing to evolve with a greater focus on protecting consumers and small business customers through conduct and competition regulation, and on capital ratios, ring-fencing and resolution models through prudential regulation.

Conduct and competition remains a focus for our regulators who have been carrying out reviews into the savings and credit cards markets alongside reviewing access to and ownership of payment systems. The Competition and Markets Authority (CMA) is also currently reviewing the UK SME and personal current account markets which will focus on competition, in particular barriers to entry and the ease of comparing and switching accounts. We are also continuing to work to ensure provision of appropriate and fair products for customers with clear, simple and relevant terms.

New European Union legislation on capital ratios came into force in the UK on 1 January 2014. The Capital Requirements Directive IV (CRD IV) aims to ensure that firms hold enough financial resources to cover the risk associated with their business. The Basel Committee also continued to review its capital framework, including the consistency of Internal Ratings Based (IRB) models, standardised credit calculations and the capital requirements for operational risk. Other recent related capital regulation includes the UK leverage ratio framework announced by the Bank of England in October 2014. The Group has significantly strengthened its capital position in recent years and is now comfortably in excess of minimum requirements on both its CET1 ratio and its leverage ratio. The resilience of our capital position was demonstrated in 2014 when we exceeded the threshold for both the PRA and EBA stress tests. We will continue to be subject to these annual tests going forward.

Ring-fencing and resolution regulation, through both the Financial Services (Banking Reform) Act 2013 and the European Commission's Recovery and Resolution Directive, continues to be a focus. Banks will be required to ring-fence retail and SME activities from their investment banking activities to ensure consumers are protected. As a UK focused retail and commercial bank, most of our operations are expected to be within the ring-fence and therefore the impact is likely to be less than for many of our peers.

We are assessing and implementing other regulatory changes including the Foreign Account Tax Compliance Act (FATCA), the UK's Fair and Effective Markets Review, the Senior Managers' Regime, and the Solvency II Directive, and will need to consider the legislation for the current EU parliament which is just beginning to be shaped by the new EU Commission.

Overall however, we believe our simple, low risk, UK focused strategy puts us in a strong position to adapt to the ever evolving regulatory landscape.

CUSTOMER DRIVERS AND COMPETITION

In the competitive open markets in which we operate, customers are benefiting from an increasing range of products and services from a growing choice of providers and via a range of channels.

The proportion of the UK population with access to the internet has increased significantly over the past few years, as has the proportion of people accessing the internet via their mobile phone. This has changed customer behaviours and expectations in terms of how they shop for goods and undertake banking and these trends are expected to continue.

An ageing population is expected to affect the products and services that our customers require, with younger people requiring help with planning and providing for retirement, while the older generation is becoming increasingly interested in accessing their equity to support their retirement.

In the current low interest rate environment, many customers are motivated by their desire to achieve better value for money, but security and reputation remain important factors. Customers want clear and transparent products delivered with good service and access to relevant, expert advice when they need it.

We have seen an influx of new entrants to the market, with a variety of business models. These new entrants are likely to have expertise and experience in digital product offerings, with strong funding positions, credible challenger brands, and in some cases pre-existing customer bases and branch networks. In addition, non-banks such as technology firms and supermarkets have the potential to disrupt the banking industry.

As outlined above, there are some clear customer trends emerging, but we recognise that every customer, whether an individual or an organisation, has particular needs and we must engage with them accordingly. Fundamentally, every customer has a choice and will select the provider that can most effectively fulfil their personal needs.

Our new strategy, which focuses on our multi-channel distribution model, simpler processes, broad product reach and expertise across insurance and banking, puts us in a unique position to respond to these market conditions and meet the needs of individual and corporate customers. Above all it recognises that we operate in a competitive market where additional challengers continue to emerge and the only way of ensuring success is by focusing on the ever-changing needs of our customers. Read more about our new strategic priorities on page 20.

MARKET TRENDS

Key opportunities

- Economic environment: significant progress in reducing the Group's risk profile and strengthening the balance sheet along with strategic actions taken in the last couple of years means we are better positioned to benefit as the economy recovers.
- Customer needs: our differentiated customer focused strategy along with our comprehensive multi-channel distribution network, and in particular our evolving digital capability, mean we are well positioned to address changing customer needs.
- Regulatory environment: greater clarity emerging on regulatory requirements and our simple, low risk, UK focused strategy places us in a strong position.
- Low cost position: this enables us to provide competitive differentiation for the benefit of customers and shareholders.

Key challenges

- Economic environment: continuing economic uncertainty in the Eurozone.
- Regulatory environment: uncertainty remains around the implementation of key elements of the proposals on ring-fencing and the form of new legislation, especially that proposed by the new EU Commission.
- Competition: an increasingly competitive market for lending and deposits will potentially impact margins and require us to innovate and evolve more quickly.
- Digital transformation: the pace of change is likely to be significant and we will need to continue to invest to meet evolving customer needs.

Group Key Performance Indicators

Measuring strategic performance

Delivering for shareholders and customers

Our key performance indicators are focused on strategic progress and how we are delivering for our customers and our shareholders.

In 2011 we outlined our strategy which was built upon being the best bank for customers by investing where we could make a real difference, while returning the Group to delivering strong, stable returns for our shareholders. The strategy contained four significant actions to take the Group forward: reshape, strengthen, simplify and invest.

Over the past three years, we have made significant progress in each of these areas, delivered a significant improvement in financial performance and built a strong track record of delivery. It was this strong progress that allowed the UK government to start selling down its stake in the Group, beginning the process of returning the company to full private ownership at a profit for the UK taxpayer.

Our key performance indicators have been considered by the Board and identify the most effective output measures for assessing progress towards becoming the best bank for customers and shareholders.

We also track performance against the commitments of our Helping Britain Prosper Plan, the results of which can be found on page 24.

Alignment of remuneration with performance

To ensure our employees act in the best interests of customers and shareholders, remuneration at all levels of the organisation is aligned to the strategic development and financial performance of the business and also takes into account specific risk management controls.

Variable remuneration including bonuses for all staff, including our Executive Directors, is based on the performance of the individual, the business area and the Group as a whole. Performance is assessed against a balanced scorecard of objectives and reviewed on a regular basis, across five areas (customer, building the business, risk, people and finance).

Executive management are also eligible to participate in a Long-Term Incentive Plan, which encourages delivery on long-term financial objectives including total shareholder return and the Group's strategic objectives of becoming the best bank for customers and helping Britain prosper.

To read more about how we align remuneration with performance go to pages 27 and 38.

27 38

STRATEGIC PROGRESS

Reshape

BALANCE SHEET REDUCTION (NON-CORE ASSETS) £bn

	£bn
2014	17[1]
2013	64
2012	98
2011	141

We have successfully reshaped the business by reducing our non-core assets from £300 billion at the beginning of 2009 to £17 billion in 2014.

[1] Excludes £28 billion of assets previously classed as non-core.

Strengthen

COMMON EQUITY TIER 1 RATIO %

	%
2014	12.8
2013	10.3
2012	8.1
2011	7.1

Our common equity tier 1 ratio continued to improve, reaching 12.8 per cent in 2014; a strong position in absolute and relative terms compared to our peers.

Simplify

SIMPLIFICATION COST SAVINGS (RUN RATE) £m

	£m
2014	2,042
2013	1,457
2012	847
2011	242

We reached our £2 billion Simplification run-rate cost savings target as outlined in the 2011 strategy.

Invest

STRATEGIC INVESTMENT £m

	£m
2014	465
2013	342
2012	337
2011	167

Following the delivery of simplification benefits, we have increased strategic investment in the business and invested c.£465 million in addition to our business as usual investment performance in 2014.

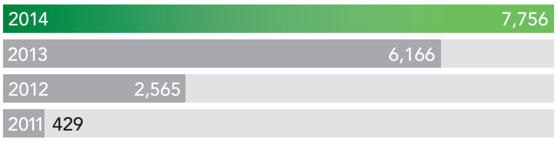
To read more go to page 11
or visit www.lloydsbankinggroup.com

11

DELIVERING FOR SHAREHOLDERS

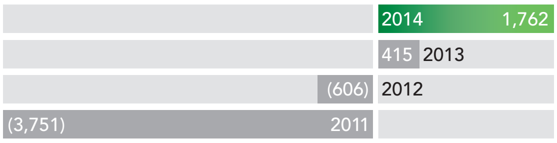
As a result of the strategic progress made, we reported improvements in underlying and statutory profit as well as a stronger capital position in 2014, despite legacy charges. We were also able to reinstate dividend payments.

UNDERLYING PROFIT BEFORE TAX £m



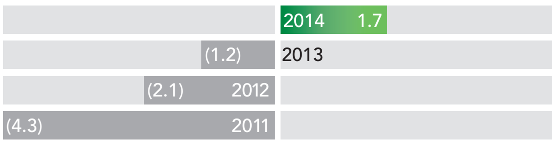
Underlying profit continued to increase in 2014, up 26 per cent.

STATUTORY PROFIT BEFORE TAX £m



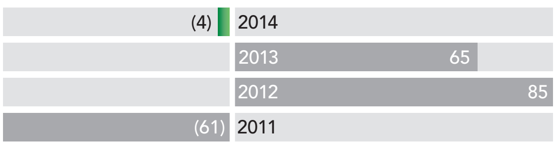
Pre-tax statutory profit continued to recover and reached £1,762 million in 2014, compared to £415 million in 2013.

EARNINGS PER SHARE p



Earnings per share continued to improve given the increasing profitability of the business.

TOTAL SHAREHOLDER RETURN %



The Lloyds share price fell by 4 per cent in 2014, and this was broadly in line with the FTSE 100 and ahead of the UK banking sector as a whole. Share price performance in the last three years remains significantly ahead of both the sector and the market. Total shareholder return was lower than the FTSE 100 in 2014 as the Group did not pay a dividend.

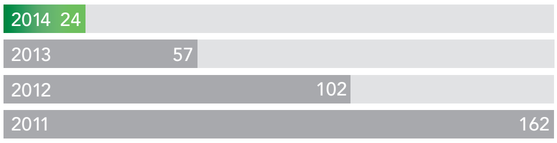
To read more go to page 34 or visit www.lloydsbankinggroup.com

COST:INCOME RATIO[1] %

Our cost:income ratio continued to fall in 2014 due to the continued focus on costs and increased income. The resulting cost leadership position provides competitive advantage for the Group.

[1] Excluding St. James's Place

ASSET QUALITY RATIO bp



Our asset quality ratio continued to improve and we exceeded our 2014 target of 50 basis points in 2014, demonstrating our lower risk position.

DELIVERING FOR CUSTOMERS

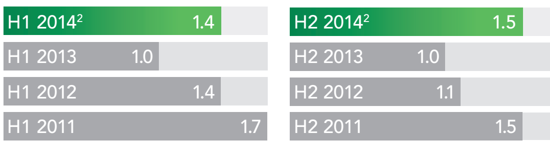
Customer relationships are key to our strategy and are critical for all our businesses. Significant differences across our four divisions mean the financial and non-financial strategic indicators for the development of customer relationships are generally tracked at a divisional level.

To assess progress, we measure customer satisfaction and are publicly committed to reducing complaints.

CUSTOMER SATISFACTION (NET PROMOTER SCORE)

Our net promoter score, which is the measure of customer service at key touch points and the likelihood of customers recommending us, improved in the year from 55 to 59.

CUSTOMER COMPLAINTS (FCA BANKING COMPLAINTS[1] PER 1,000 ACCOUNTS)



FCA reportable banking complaints increased during the year due to legacy and historic issues, with the increase largely driven by increased activity from claims management companies.

[1] Excluding PPI
[2] Excluding TSB

For more on customer relationships go to page 22 or visit www.lloydsbankinggroup.com

Unlocking the Group's potential

Our aim is to be the best bank for customers while providing strong and sustainable returns for shareholders.

Customers are at the heart of everything we do, whether that be through our distribution network, our brands or our people. This commitment is supported by our Group values of putting customers first, keeping it simple and making a difference together.

HOW WE CREATE VALUE

CREATING DISTINCTIVE VALUE FOR CUSTOMERS THROUGH...

- A range of iconic and distinctive brands
- Relationship focus
- Superior consumer insight
- Using our cost advantage for the benefit of customers
- Engaged and customer focused colleagues

UNIQUE AND EFFECTIVE SERVICE PROPOSITION THROUGH...

- A broad multi-channel distribution network: branch, telephone and digital
- Efficient systems and processes, providing better customer experience and cost leadership
- Financial strength
- A UK focus

Our business model

We are a leading financial services group with a low cost, low risk, customer focused, UK retail and commercial banking business model. We provide a range of services, primarily in the UK, to individuals and commercial customers and by focusing on the needs of customers and operating sustainably and responsibly, we believe we will help Britain prosper and create value for our shareholders.

We create value for our customers through our distinctive strengths, in particular our range of iconic and distinct brands, our superior customer insight, high quality, committed colleagues and relationship focus.

The foundations for providing effective customer service are: our broad multi-channel distribution network, our financial strength, our efficient systems and processes, and our UK focus. We want to meet our customers' financial needs, help them succeed and create value for them.

We offer simple, tailored products with innovation where it matters most to our customers across all our divisions. Our focus on creating a simpler, more efficient and agile organisation is enabling us to provide better product and service propositions, innovating as appropriate, to address customer needs at a fair price while delivering more efficient processes and improving our cost leadership position.

The UK financial services market remains one of the largest in the world and, although our business model and strategy have been formulated in the context of a cautious outlook for the UK economy, we believe they remain appropriate for all stages of the economic cycle, whilst providing real differentiation and positioning us well for future regulatory reform.

SIMPLE, TAILORED PRODUCTS ADDRESSING CUSTOMER NEEDS…

Lending
mortgages, credit cards, personal and business loans

Deposit taking
current accounts, savings accounts

Insurance
home insurance, motor insurance, protection

Investment
pensions and investment products

Commercial financing
debt capital markets, private equity

Risk management
interest rate hedging, currency, liquidity

…DELIVERED THROUGH OUR FOUR DIVISIONS

ENABLING SUSTAINABLE VALUE CREATION BY HELPING BRITAIN PROSPER.

BECOMING THE BEST BANK FOR CUSTOMERS

TARGETING STRONG, SUSTAINABLE RETURNS FOR OUR SHAREHOLDERS

We have achieved the strategic objectives we set in 2011. Our focus for the next three years builds upon this success with three new strategic priorities.

Our strategy
Our low cost, low risk, customer focused, UK retail and commercial banking business model has driven the development of our new strategy. We have a number of distinct assets and capabilities, including our unique multi-brand, multi-channel model, our customer franchise, our market leading cost position, our proven management team and high quality committed people.

Given the progress made in recent years, we are in a strong financial and operating position as we enter the next phase of our strategy to become the best bank for customers and shareholders.

We intend to deliver value and high quality experiences for customers alongside strong and sustainable financial performance within a prudent risk and conduct framework. We remain committed to supporting the UK economy and the communities in which we operate.

Over the next three years, we need to adapt to the changes in financial services brought about by technology, changing customer behaviour and increasing regulatory requirements, at a time when traditional competitors' strategies converge and new entrants compete for customers. We aim to achieve this through three new strategic priorities which will be consistently applied across all divisions.

1. Creating the best customer experience
Customers remain at the heart of our strategy. We want to create the best customer experience through our multi-brand, multi-channel approach, combining comprehensive online and mobile capabilities with face-to-face services. We are transforming our digital presence, providing customers with simpler, seamless interactions across online, mobile and branches while sustaining extensive customer reach through a branch network focused on delivering high quality service and the right outcomes for customers.

2. Becoming simpler and more efficient
We will create operational capability which is simpler and more efficient than today through further system enhancement and integration and will become more responsive to changing customer expectations while maintaining our cost leadership amongst UK high street banks. This cost leadership enables us to provide increased value to our customers and competitive differentiation.

3. Delivering sustainable growth
As the UK economy continues to recover, we will further develop Group-wide growth opportunities within our prudent risk appetite. We will maintain market leadership in our main retail businesses, making the most of our multi-brand, multi-channel strategy whilst also focusing on areas where we are currently underrepresented.

Colleagues
Our colleagues are fundamental to the achievement of this strategy and engaged and customer focused colleagues will be essential in becoming the best bank for customers and provide further competitive differentiation.

Helping Britain prosper
As the largest retail and commercial bank in the UK, helping Britain prosper remains central to the Group's purpose. We are already the largest lender to first-time buyers, providing 1 in 4 mortgages, and we supported over 107,000 business start-ups in 2014. Over the next three years, we expect to commit over £30 billion of additional net lending to UK personal and commercial customers.

Our commitment to the long-term economic future of the UK is also highlighted through the ongoing investment we make in our community programmes such as Lloyds Scholars, Social Entrepreneurs and Career Academies, as well as our charity of the year which for 2015-2016 is BBC Children in Need.

STRATEGIC FOCUS

OUR BUSINESS MODEL	LOW COST, LOW RISK, CUSTOMER FOCUSED, UK RETAIL AND COMMERCIAL BANK		
OUR AIM	BEST BANK FOR CUSTOMERS	STRONG AND SUSTAINABLE SHAREHOLDER RETURNS	
OUR STRATEGIC PRIORITIES	CREATING THE BEST CUSTOMER EXPERIENCE	BECOMING SIMPLER AND MORE EFFICIENT	DELIVERING SUSTAINABLE GROWTH

CREATING THE BEST CUSTOMER EXPERIENCE

Initiatives

- Seamless multi-channel distribution across branch, online, mobile and telephony
- Tailor product propositions to meet customer needs more effectively
- Commitment to conduct and investment in service

Expected outcomes

- Improved customer experience through enhanced digital offering
- Retain convenience and reach of the leading branch network
- Improvement in customer satisfaction and lower complaints

BECOMING SIMPLER AND MORE EFFICIENT

Initiatives

- Re-engineer and simplify processes to deliver efficiency in a digital world
- Reduce third party spend
- Increase investment in IT efficiency and resilience

Expected outcomes

- Increased automation of end-to-end customer journeys
- More efficient change capability
- Resilient systems and processes
- Continuation of Simplification programme
- Maintain cost leadership position

DELIVERING SUSTAINABLE GROWTH

Initiatives

- Maintain market leading position in key retail business lines
- Leverage Group strengths to capture growth in underrepresented areas

Expected outcomes

- Growth in line with the market in current accounts and mortgages
- Growth above market in underrepresented areas
- Net lending growth of >£1 billion annually in both SME and Mid Markets
- Consumer Finance to increase UK customer assets by over £6 billion from 2015 to 2017
- Support our customers in retirement planning, increasing customer assets by over £10 billion

STRATEGIC TARGETS

COST LEADERSHIP POSITION

- £1 billion of additional run-rate savings per annum
- cost:income ratio to exit 2017 at around 45%; targeting reductions in each year

BEST CUSTOMER EXPERIENCE

- top three for customer satisfaction
- lowest reportable complaints ratio for peer group
- maintain or grow share of branches

LOWER RISK BANK

- asset quality ratio of around 40 basis points through the economic cycle and lower over the next three years

STRONG BALANCE SHEET POSITION

- loan to deposit ratio of 105% - 110%
- steady state CET1 ratio of c.12%
- leverage ratio of at least 4.5%

RETURN ON REQUIRED EQUITY

- 13.5% - 15% by the end of the strategic plan period and through the economic cycle

Relationships and responsibility
Our approach to responsible business

We believe we can make our greatest contribution to society and stakeholders by helping Britain prosper, and that means serving the financial needs of UK households, businesses and communities in a responsible and ethical way.

Our approach
Operating sustainably and responsibly is integral to our business model and strategy. At the heart of our approach are our three Group Values – putting customers first, keeping it simple and making a difference together. Our Codes of Responsibility define the behaviours required to live up to our Values – as a business, as individual colleagues or as suppliers.

Our Values and Codes of Responsibility provide points of reference as we work to become the best bank for customers through our low risk, UK focused retail and commercial business model.

Governance
We have a well-defined, robust Risk Management Framework and a number of Group Policies relating to responsible business. Our Group Ethics and Responsible Business Policy is underpinned by our Codes of Responsibility which outline our adherence to the principles of the United Nations declaration on Human Rights and support for the UN Guiding Principles on Business and Human Rights. We also adhere to the International Labour Organisation Fundamental Conventions.

Our policies and procedures support colleagues working in our relationship management and risk teams in understanding how to approach, assess and manage social, environmental and ethical risks. We are signatories to the Equator Principles, which provide a framework for determining, assessing and managing environmental and social risk in project finance transactions. We recognise the importance of climate change, biodiversity and human rights. We believe that we should avoid the negative impacts on ecosystems, communities and the environment but where impacts are unavoidable they must be appropriately minimised, mitigated or offset.

Our Code of Business Responsibility states that we do not finance any activities prohibited by international conventions supported by the UK government. For example, the Oslo Convention on Cluster Munitions and the Ottawa Treaty on Anti-Personnel Landmines. Consequently, we will not enter into or will exit from credit or investment relationships with businesses believed to be in breach of these conventions. You can read about our approach to managing environmental risk, our credit and investment activity and the Equator Principles in the Responsible Business section of our corporate website.

We have an effective top-to-bottom governance structure, providing an environment in which colleagues are encouraged and supported to do the right thing and work responsibly. This governance structure starts with our Group Board and cascades to every part of our business via our Group Executive Committee, Responsible Business Committee, and colleagues across the Group. All colleagues are accountable for doing business responsibly, which is integral to the way we recruit, develop, assess, promote and reward them – from the Chief Executive to the newest branch trainee.

The Responsible Business Committee is chaired by Non-Executive Director Sara Weller and attended by senior leaders from every part of the business including a number of Group Executive Committee members. The Committee oversees responsible business issues as well as reaching out to external stakeholders to understand their perspective then bringing this understanding back into the Group.

An independent Stakeholder Panel adds extra strength to our governance structure and the quality of our reporting. You can read the Panel's independent statement online.

Our focus on doing business responsibly is recognised by our continued presence in the FTSE4Good socially responsible investment index, our position in the CDP (Carbon Disclosure Project) and our platinum status in the Business in the Community CR Index.

Material issues
As part of our annual Responsible Business reporting we have conducted a comprehensive process to identify and prioritise the material issues that matter most to our stakeholders. More information on this process can be found in our detailed Materiality Report online.

TREATING CUSTOMERS FAIRLY
If we want to rebuild trust in our bank, then we must treat customers fairly, putting their wellbeing at the heart of every decision we make and every action we take

BEING HONEST AND TRANSPARENT
We must do the right thing for customers when it comes to dealing with, and learning from, the mistakes of the past

RESPONSIBLE LENDING FOR ALL CUSTOMERS
We are focused on lending responsibly to all customers, including Britain's homebuyers and businesses

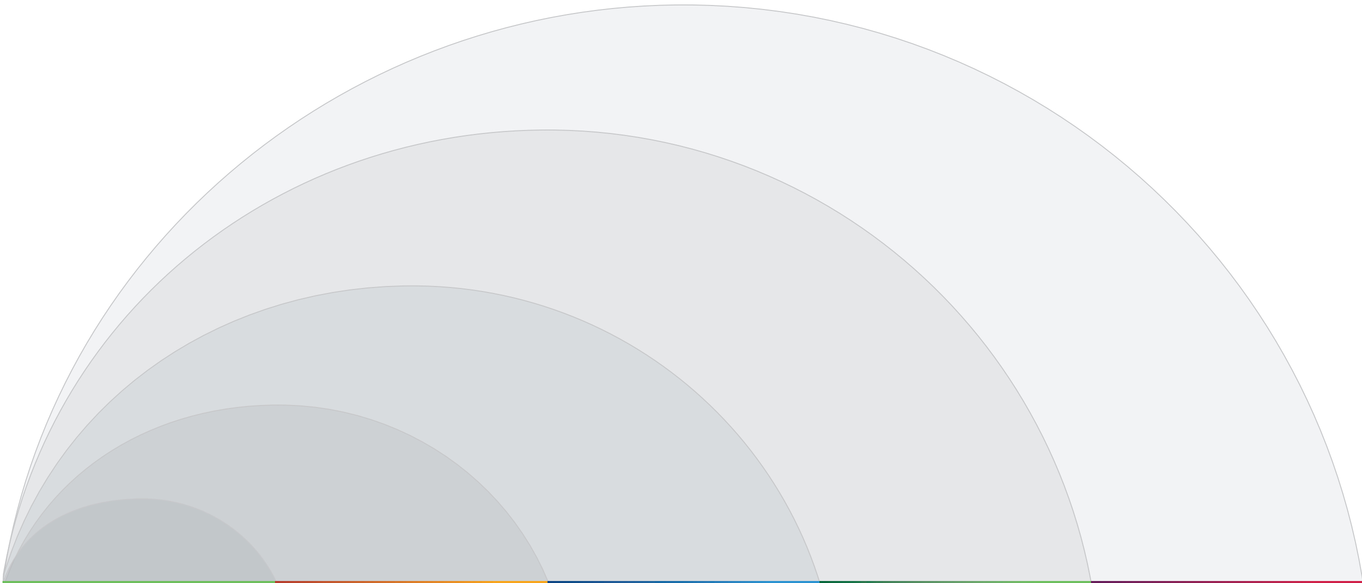
BUILDING A MORE RESPONSIBLE CULTURE
We are continuing to change our culture to make sure that all colleagues are empowered, inspired and incentivised to do the right thing for customers

Read more material issues on page 26
or see our Responsible Business Review at
www.lloydsbankinggroup.com/RB

How it all fits together

Operating sustainably and responsibly is integral to our business model and strategy. We aim to make it a day-to-day reality by ensuring that we do business in line with our Group Values, Codes of Responsibility and Group Policies. Together with our 'Boardroom to Branch' governance system, these elements comprise a robust, all-encompassing Responsible Business Framework.

RESPONSIBLE BUSINESS FRAMEWORK



Business Model and Strategy

Our business model positions us as a low cost, low risk, customer focused UK retail and commercial bank, with a distinctive multi-brand, multi-channel offer. By putting customers at the heart of everything we do and operating sustainably and responsibly, we believe we will help Britain prosper and create value for our shareholders.

Our strategy sets out the ways in which we can become the best bank for customers. As described on page 20, it sets three priorities up to 2017: creating the best customer experience; becoming simpler and more efficient; and delivering sustainable growth.

Group Values

Our Group Values underpin everything we do. They guide how we work and define the standards we set everyday. They are:

- Putting customers first
- Making a difference together
- Keeping it simple

Codes and Policies

Our Codes of Responsibility ensure that we operate responsibly as a business and as individuals. Our Policies address the primary areas of risk we face and support a consistent approach to behaviour and decision making. As such, they are an important part of our Group Risk Management Framework.

Our pillars of responsible business:

- Put customers at the heart of our business
- Work responsibly with our external stakeholders
- Aim to be a great company to work for
- Invest in communities to help them prosper and grow
- Work continually to reduce environmental impacts

Governance

Our Governance framework enables strategic, accountable and responsible decision making by all colleagues.

The Group Board, Group Executive Committee and Responsible Business Committee play key roles in ensuring good governance and defining our responsible business objectives. Our Responsible Business team supports colleagues across the Group in fulfilling our responsible business agenda.

Helping Britain Prosper Plan

The Helping Britain Prosper Plan sets out public commitments to help Britain's households, businesses and communities.

It focuses on:

- Helping homebuyers
- Helping people plan for later life
- Championing financial inclusion
- Lending to businesses
- Providing expert training and mentoring for businesses and individuals
- Investing in communities to help them thrive
- Celebrating diversity

Relationships and responsibility continued
Helping Britain Prosper Plan

People in Britain are facing some big issues today. We're using our influence and expertise to help them tackle these issues through our Helping Britain Prosper Plan.

Playing an active role in helping people address some of the big social and economic issues they face today sows the seeds of a better future for us all. We recognise that when the customers and communities we serve prosper, then we do too.

The Helping Britain Prosper Plan complements our ambition to become the best bank for households, businesses and communities. It is fundamental in rebuilding trust with those we serve and also to make Lloyds Banking Group a business that colleagues are proud to work for.

2014 overview

Reviewing the Plan as a whole, it's clear that it has achieved a 'first' for the Group and for the UK banking sector: a framework that we can use to demonstrate to colleagues and external stakeholders the positive impact that our operations have across our seven commitments. We set some challenging targets in the Plan to push ourselves, and we know we need to do more work to meet some commitments in the future. The areas we need to focus on are: supporting colleagues; apprenticeships; and continuing to pay our suppliers on time.

Looking ahead

We've always intended to develop the Plan in line with the next phase of our Group Strategy, announced in 2014, and any relevant market changes. We have updated the Plan for 2015 to keep it relevant to our business and our stakeholders. It now includes 28 metrics (with updated targets for 2015 and beyond) including new metrics focused on: supporting smaller house builders' projects; digital skills; international trade; and infrastructure and investment. You can read more about our 2014 performance and new 2015 metrics in our Helping Britain Prosper Plan Update online.

KEY
ACHIEVED
PARTIALLY ACHIEVED
NOT ACHIEVED

[1] Through Money for Life's Teach Others and Money Mentors programmes.

[2] Includes Commitment; Know-how; Adjustments; Recruitment; Retention; Products & Services; Suppliers and Partners; Communication; Premises; Information and Communication Technology.

[3] Reporting against this metric will commence in 2015 when the apprenticeship recruitment strategy and measurement approach advised in 2014 are fully embedded.

[4] This % is based on the number of Scholars who are actively seeking employment each year (out of the cumulative 720 who will have been supported by 2017).

[5] Senior roles refers to top 8,000 individuals.

Read more about our Helping Britain Prosper Plan at www.lloydsbankinggroup.com/prosperplan

HELPING BRITAIN PROSPER PLAN 2014

1. We'll help more customers get on the housing ladder – and more customers climb up it
2. We'll help our customers plan and save for later life
3. We'll take a lead in financial inclusion to enable all individuals to access, and benefit from, the products and services they need to make the most of their money
4. We'll help businesses to start up and scale up, and we will procure responsibly
5. We'll help businesses and individuals succeed with expert mentoring and training
6. We'll be the banking Group that brings communities closer together to help them thrive
7. We'll better represent the diversity of our customer base and our communities at all levels of the Group

METRICS	2014 PERFORMANCE	2014 TARGET	INDICATOR
1.1 Number of first-time buyers supported through delivering the most comprehensive mortgage proposition in the UK mortgage market	>89,000	>80,000	
1.2 Share proportion of new-build mortgages provided (for first-time buyers, second steppers and private rented)	1 in 4	1 in 4	
2.1 Number of customers we help to plan for later life through company pension schemes	1.41m (cumulative)	1.1m (cumulative)	
2.2 Number of customers we help post-retirement through providing a continuing annuity income	596,172 (cumulative)	0.55m (cumulative)	
3.1 Amount of additional funding provided to support Credit Unions per year	£1m	£1m	
3.2 Share of social banking accounts we will support	29%	1 in 4	
3.3 Number of community support workers accredited to deliver financial education on the front line[1]	2,035 (cumulative)	1,830 (cumulative)	
3.4 Maintain a category gold award with the Business Disability Forum (BDF) by achieving a high score across the ten areas[2] that lead to a disability confident organisation	98%	>90% score	
4.1 Increased amount of net lending to SMEs on an annual basis (total cumulative)	£1.27bn (>£31bn)	£1bn (>£31bn)	
4.2 Number of start-up businesses we will help to get off the ground	99,133 (107k including TSB)	>100k	
4.3 Increased amount of new lending provided to support UK manufacturing businesses per year	£1bn	£1bn	
4.4 Number of entrepreneurs supported through Lloyds Bank and Bank of Scotland Social Entrepreneurs programmes	756 (cumulative)	>750 (cumulative)	
4.5 % of supplier invoices paid within 30 days	95% (30 days)	95%	
5.1 Number of colleagues trained to mentor SMEs and social entrepreneurs through the Business Finance Taskforce accredited scheme and the Lloyds Bank and Bank of Scotland Social Entrepreneurs programme	1,340 (cumulative)	1,000 (cumulative)	
5.2 Number of new Lloyds Banking Group Apprenticeship positions created with permanent employment	2,210 (cumulative)	2,450 (cumulative)	
5.3 % of Lloyds Banking Group Apprenticeships taken up by external candidates from the UK's most disadvantaged areas[3]	N/A	N/A	N/A
5.4 Undergraduates from low income families supported by the Lloyds Scholars programme	360 (cumulative)	360 (cumulative)	
5.5 % of Lloyds Scholars (from low income families) who have secured a job within six months of graduating from University[4]	100%	90%	
6.1 Number of paid volunteer hours used by colleagues to support community projects	949,600 (cumulative)	800,000 (cumulative)	
6.2 Number of community organisations supported by our volunteers or funding	8,690	6,500	
6.3 £ donated to the Bank's Foundations to help tackle disadvantage	£16.5m	£16.5m	
6.4 £ raised by colleagues for our Charity of the Year (including Matched Giving) to support those in need in our communities	£3.9m	£1.7m	
7.1 % of senior roles[5] to be held by women	29%	29%	
7.2 We will consistently increase the engagement levels of ethnic minority colleagues in all roles	64 (Colleague Survey Score)	66 (Colleague Survey Score)	
7.3 We will consistently increase the engagement levels of disabled colleagues in all roles	52 (Colleague Survey Score)	55 (Colleague Survey Score)	
7.4 We will consistently increase the engagement levels of lesbian, gay, bisexual and transgender colleagues in all roles	52 (Colleague Survey Score)	60 (Colleague Survey Score)	

Relationships and responsibility continued
Material issues

TREATING CUSTOMERS FAIRLY

Fairer products
We want to do the right thing in every single customer interaction. We're making sure this happens in many different ways, including more than 200 different improvements for customers, including product-specific enhancements, such as better user tools on our digital services and greater flexibility for customers to switch between loan and saving products in search of the best option.

Improving accessibility
We are working hard to make continuous improvements to our evolving multi-channel offer for all customers. We have made several important improvements for customers with disabilities or in ill-health, including those with dementia. We have launched a new branch disability toolkit across all our brands, advising colleagues on best practice and we've installed more talking ATMs in our branches for visually impaired customers.

Developing our digital channels
More than 10 million customers now use our digital banking services. We are the biggest 'mobile bank' in the UK with over 5 million customers using their mobile phone to bank with us. We expect these figures to increase in 2015. We want to make digital banking easier and personal for all our customers. We have also made it possible for digital banking customers to open accounts, swap mortgage products, move saving funds and calculate the benefits of making overpayments on mortgages and loans.

Customer complaints
Providing an excellent service and getting it right for customers first time is the best way to prevent complaints. Excluding legacy complaints relating to PPI, the overall number of customer complaints we receive has fallen by 12 per cent compared with 2013 volumes. We also received fewer banking complaints per 1,000 accounts than our major peers during 2014. We're determined to reduce complaint volumes even further in future by learning from and acting on customers' feedback.

Tackling financial crime, bribery and corruption
We can ensure optimum security levels for customers because we consistently invest in the best technologies, processes and training for colleagues. We've invested £157 million since 2011 to improve IT security, with a focus on state-of-the-art control and protection technologies.

We comply rigorously and consistently with all anti-bribery legislation and regulation wherever we operate, by adopting appropriate procedures and controls to counter the risk of bribery. Our Anti-Bribery Policy applies to all Directors and employees and those acting on the Group's behalf. All colleagues complete annual anti-bribery training and are encouraged to report instances of suspected bribery via the Whistleblowing service. During 2014, the Group was invited to apply, and was subsequently approved, for membership of Transparency International UK's Business Integrity Forum.

DIGITAL INVESTMENT

£750m

Amount invested in digital over the last three years

CUSTOMER COMPLAINTS

1.5

Lloyds Bank	1.9
Halifax	1.1
Bank of Scotland	1.2

Banking complaints per 1,000 accounts, excluding PPI

BEING HONEST AND TRANSPARENT

Tax contributions
We do not interpret tax laws in ways that we believe are contrary to their intention; and we do not promote tax avoidance products to our customers. We comply with the HMRC Code of Practice on Taxation for Banks and the Confederation of British Industry's statement of tax principles. The tax system covering our activities is complex and wide ranging. Because of this, our decisions and actions regarding tax are based on a considered assessment of long-term costs and risks, including their impact on our relationship with stakeholders and our reputation with customers. The Group's approach to tax is governed by a Group Board approved tax policy and strategy, which has been discussed with HMRC.

TAX PAID

£1.7bn

In 2014

£2.1 billion collected on behalf of the government

Addressing and learning from past mistakes
We must do the right thing for customers when it comes to dealing with, and learning from, the mistakes of the past. We must respond fairly, honestly and transparently to any concerns our stakeholders may have about our plans for the future. We have publicly acknowledged our past mistakes, many of which were endemic to our industry, and committed to resolve them. We were the first UK retail bank to offer customers PPI mis-selling compensation.

Branch access
In our strategy update in October 2014 we confirmed that, alongside the digitisation of our business, branches will continue to play an important role in our multi-channel approach to meeting customer needs. To ensure our approach reflects customers' changing behaviours, we stated that we intend to invest £1 billion in digital channels and that we will maintain or grow our share of branches over the next three years.

Read more about these issues in our Responsible Business Review online at www.lloydsbankinggroup.com/RB

RESPONSIBLE LENDING FOR ALL CUSTOMERS

Homebuyers

We made public commitments to lend £10 billion to 80,000 first-time buyers in 2014. We fulfilled both in November 2014, ahead of schedule. In total, we advanced £11.9 billion in new mortgage lending to over 89,000 first-time buyers this year – a 23 per cent and 12 per cent improvement, respectively, on 2013. We provided 1 in 4 of all new first-time buyer mortgage loans completed in the UK in 2014.

Business and SMEs

This year we have increased lending to SMEs by 5 per cent compared with 2013. We have also focused more attention on start-up businesses, with a 2014 Helping Britain Prosper Plan commitment to help 100,000 start-ups this year. We are pleased to say that we beat this target, helping 107,000 start-ups by the end of the year.

Financial inclusion and education

As a bank that is committed to helping Britain prosper, we want to do more to champion financial inclusion, by focusing on five themes: accessible products and services that meet customers' needs; improving people's capability and confidence; working in partnership; investing in financial education; and supporting customers in financial difficulty that might be excluded from financial services.

For many customers, helping them to open a basic bank account is the first step away from financial exclusion and into better money management. In 2014, we provided 269,000 new basic bank accounts and also helped 126,000 customers upgrade from basic to more mainstream products. You can read more about financial inclusion and financial education online.

HOME OWNERSHIP

£11.9bn

New mortgage lending to first-time buyers

BUSINESS START-UPS

107,000

Number of start-ups helped

BUILDING A MORE RESPONSIBLE CULTURE

Embedding responsible business

We are continuing to change our culture to make sure that all colleagues are empowered, inspired and incentivised to do the right thing for customers. In 2012, we launched our Code of Business Responsibility and Code of Personal Responsibility, setting out behaviours consistent with our Group Values. Since then, we've worked hard to embed the Values and Codes across our Group – ensuring that 95 per cent of colleagues completed mandatory training on the Codes in 2014.

Rewarding and remunerating colleagues

From 2015 onwards, we have made the decision to remove the last of the sales targets in our Retail customer-facing roles and focus solely on performance metrics based on customers, risk and people. This will help us to do the right thing for customers and rebuild colleagues' pride in, and sense of commitment to, our Group.

Our Remuneration Policy was approved by shareholders at the AGM in May 2014. The Policy provides a framework to support robust governance in line with the Group's risk appetite and aligned with the Group's business strategy, objectives, values and long-term interests, as well as the consideration of our Codes of Responsibility and the Helping Britain Prosper Plan.

Engaging colleagues

We have regular dialogue with colleagues to get a picture of how they are feeling and keep them informed of changes to our business and our financial performance. We are committed to providing colleagues with comprehensive coverage of the economic and financial issues affecting the Group. Information is provided through various channels and views are represented through regular dialogue and consultation with the Unions. We offer share schemes to colleagues to encourage their financial involvement.

In 2014, our annual Colleague Survey achieved its highest response rate to date, with 85 per cent of colleagues participating compared to 76 per cent in 2013. The Employee Engagement Index (EEI) and the Performance Excellence Index (PEI) measure individual motivation and how strongly colleagues believe we are committed to improving customer service, respectively. The Line Manager Index (LMI) shows how our colleagues feel about their line managers. Key feedback included:

- A 75 per cent PEI score (down 1 percentage point compared with 2013 but 11 percentage points above the UK norm).
- A 60 per cent EEI score (down 4 per cent from 2013 and 2 points below the UK norm).
- An 81 per cent LMI score – the same as 2013 (14 percentage points above the UK norm).

PROFESSIONAL STANDARDS

42,000

Number of colleagues achieving the Foundation Standard for Professional Bankers in 2014

COLLEAGUE ENGAGEMENT SURVEY

85%

Percentage taking part in colleague survey

Relationships and responsibility continued
Doing business responsibly

For us, 'best bank' means doing business honestly and ethically, in ways that benefit our customers, colleagues, communities, other stakeholders and the environment.

COMMUNITY

Through our high street brands, we're an integral part of communities across Britain. We believe we can make our greatest contribution to society by helping Britain's communities to prosper.

Community investment highlights

- £16.5 million donated to the Lloyds Bank and Bank of Scotland Foundations;
- £6.5 million raised since 2013 for our Charity of the year, the Alzheimer's Society and Alzheimer Scotland against our £4 million target;
- 1,632 grants to community groups through our Community Fund;
- 37,847 colleagues volunteered through our Day to Make a Difference programme;
- 4.83 million local people brought together through The Big Lunch, of which Halifax is a partner;
- 2,607 nominations for the Halifax Giving Extra Awards;
- 881 people trained through Money for Life, bringing the total to 2,035 since 2009;
- 120 young people joined our Lloyds Scholars programme;
- 297 social entrepreneurs supported through our Social Entrepreneurs programme; and
- The equivalent of 18 full time colleagues working as Business Connectors helping local businesses, bringing the total to 42 since 2012.

Children in Need

Our new Charity of the Year partnership for 2015 and 2016 is with BBC Children in Need, who share the same goal as the Group in supporting communities across the UK. Our 2015 colleague fundraising target is £2 million.

COLLEAGUES

Our colleagues are at the heart of our business and are critical in ensuring we become the best bank for customers.

Diversity and inclusion

We want our Group to be a genuinely inclusive place to work, with every colleague treated fairly, with dignity and respect. We've made public commitments and set bold targets on diversity and inclusion in our Helping Britain Prosper Plan. These include commitments to: increase the proportion of senior management roles held by women; retain our Gold Standard as a disability-confident organisation; and increase the engagement scores of ethnic minority colleagues, disabled colleagues and lesbian, gay, bisexual and transgender colleagues, measured via our Colleague Survey. We plan to make more diversity and inclusion pledges in the future, as we work to build a culture in which all colleagues can be themselves at work and progress solely on the basis of merit.

Read more about these issues online at
www.lloydsbankinggroup.com/RB

We always aim to appoint the best person available into any role, but also to attract talented people from diverse backgrounds and to be unbiased in the way we assess, select, appoint and promote them. We encourage job applications from those with a disability and run a work experience programme with Remploy to support people with disabilities wanting to enter the workplace. We offer a range of programmes to support disabled colleagues including the workplace adjustment programme, which provides physical and non-physical adjustments to support colleagues in their roles. Since 2002, 1,300 colleagues have participated in and benefited from our positive action career development and training programmes for disabled colleagues.

		2014 Number	2013 (Restated) Number
Board members	Male	**10**	8
	Female	**3**	3
Senior managers[1]	Male	**5,644**	6,138
	Female	**2,204**	2,353
Colleagues[1]	Male	**35,255**	39,955
	Female	**47,728**	56,167

[1]Colleague scope of reporting: UK payroll headcount includes established and fixed term contract colleagues. Excludes parental leavers, Non-Executive Directors, contractors, temp, agency and internationals.

	2014 %	2013 (Restated) %
Gender:		
Percentage of colleagues who are female[2]	**58.6%**	58.7%
Female managers[2]	**45.4%**	45.1%
Female senior managers[2]	**29.3%**	28.5%
Disability:		
Percentage of colleagues who disclose they have a disability	**1.3%**	1.4%
Ethnic background:		
Percentage of colleagues from an ethnic minority	**6.8%**	6.4%
Ethnic minority managers	**6.2%**	5.8%
Ethnic minority senior managers	**3.5%**	2.9%
Sexual orientation:		
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender	**0.6%**	0.8%

[2]Diversity scope of reporting: UK payroll headcount includes established and fixed term contract colleagues and parental leavers. Excludes Non-Executive Directors, contractors, temp, agency, internationals, TSB, SWIP and Sainsbury's.

Seniors managers: Grades F+

Mangers: Grade D-E

Data source: HR system (HRIS). Apart from gender data, all diversity information is based on colleagues' voluntary self-declaration. As a result this data is not 100 per cent representative; our systems do not record any diversity data for the proportion of colleagues who have not declared this information.

Learning and development

We can only become the best bank for customers if all colleagues are capable of carrying out their roles to the best of their ability. Throughout 2014, we promoted the learning and development opportunities currently available to colleagues by running a series of coordinated campaigns, including road shows at Group locations across the UK, National Learning at Work Week and National Customer Service Week. Increasing digitisation is reflected through our colleagues having access to training in a range of media – how, when and where they need it.

STAKEHOLDERS

We have an active stakeholder engagement plan to ensure, through two-way dialogue, we listen to, and understand our stakeholders' requirements.

Investors and rating agencies

We undertook more than 1,000 meetings with investors in 2014. We regularly engage SRI/ESG investors as well as investment analysts to provide them with information on our performance, strategic plans and how we do business responsibly. In 2014 we held our first responsible business webinar with investors and analysts.

Suppliers

We want to work together with our suppliers and others in our supply chain to ensure we source goods and services in ways that are responsible, sustainable, mutually beneficial and provide best value for our customers and shareholders.

In 2014 we achieved a number of key milestones in our Sourcing Plan, including the launch of our Code of Supplier Responsibility which sets out the minimum standards we expect from all suppliers. These standards are based on the social, ethical and environmental principles that we believe a responsible business should demonstrate. We also introduced our Group-wide Supplier Qualification system, which will help us standardise and manage requests for compliance and assurance data.

Government

We're working directly with the UK government, members of Parliament and other stakeholders to improve ethical and quality standards in the banking industry. To help rebuild trust in banking, we must do, and be seen to be doing, the right thing – helping Britain prosper through our business activities in line with our strategy to become the best bank for customers.

ENVIRONMENT

Our ability to help Britain prosper is inextricably linked to wider environmental issues. Man made climate change and global trends such as resource scarcity, extreme weather and rising energy and commodity prices have an impact on our stakeholders and our own operations.

We recognise the global challenge posed by these wider issues, and our responsibility to reduce the environmental impacts of our business operations. We are committed to managing our direct environmental impacts in a responsible manner and reducing our greenhouse gas emissions. We do this through our Environmental Action Plan, through which we aim to maximise the opportunity to create business value and minimise business risk in relation to our direct environmental impact.

Our approach towards managing our environmental impact is set out in our Environmental Statement, available online.

Greenhouse gas emissions

We have voluntarily reported on our greenhouse gas emissions and environmental performance in our annual Responsible Business Report and Annual Report and Accounts since 2009, but since 2013 we have reported emissions in line with the requirements of the Companies Act 2006. Measuring emissions over time has enabled us to make appropriate investment in targeted reduction activities.

– CO_2e emissions (tonnes)

We report our emissions in terms of CO_2 equivalent tonnes (CO_2e). This year our overall carbon emissions have decreased by 2.2 per cent year-on-year and by 20.9 per cent against our 2009 baseline. The majority of this reduction is attributable to the reduction in consumption of gas and electricity, which constitute the largest proportion of our emissions. This reduction is mainly due to energy management activity, for example continued optimisation of building management systems to ensure that heating and ventilation plant and lighting run times are matched to actual building occupancy times, and investment in 2014 of around £3.8 million in specific energy efficiency measures, such as boiler controls, new lighting and building management upgrades.

The only area where we've seen an increase in CO_2e related to consumption, relates to oil. The main reason is due to the new Horizon data centre becoming operational in the past year and receiving several deliveries of new oil.

CO_2e emissions (tonnes)

	Oct 13-Sep 14	Oct 12-Sep 13
Total CO_2e emissions	**440,835**	450,723
Scope 1 emissions	**54,169**	65,186
Scope 2 emissions	**263,129**	259,253
Scope 3 emissions	**123,537**	126,284

Restated 2012/2013 emissions data to reflect improved reporting processes, using actual data to replace estimations.

All data has been calculated to remove the impact of divestment activity in 2014, both from the current reporting year emissions and prior years.

Emissions in tonnes CO_2e in line with a recognised carbon accounting standard.

A definition of Scope 1,2,3 emissions is provided in the Lloyds Banking Group criteria statement available online at www.lloydsbankinggroup.com

Scope 1 emissions include combustion of fuel and operation of facilities.

Scope 2 emissions have increased despite a reduction in electricity consumption due to a significant increase of global-warming potential of the UK grid mix.

– Methodology

We follow the principles of the Greenhouse Gas (GHG) Protocol Corporate Standard to calculate our Scope 1, 2 and 3 emissions from our worldwide operations.

The reporting period for emissions is October 2013 to September 2014, which is different to that of our Director's Report (January 2014 – December 2014). This is in line with Regulations in that the majority of the emissions reporting year falls within the period of the Directors' Report.

We report emissions based on an operational boundary. The scope of our reporting is in line with GHG Protocol and covers Scope 1, Scope 2 and Scope 3 emissions. Reported Scope 1 emissions cover emissions generated from gas and oil used in Group buildings, emissions from UK company-owned vehicles used for business travel and emissions from the use of air conditioning and chiller/refrigerant plant. Reported Scope 2 emissions cover emissions generated from the use of electricity. Reported Scope 3 emissions relate to business travel undertaken by colleagues and emissions associated with the extraction and distribution of each of our energy sources – electricity, gas and oil. A detailed definition of these emissions can be found in our environmental criteria statement online.

– Intensity ratio

An intensity ratio of GHG gases per £m of underlying income has been selected.

	Oct 13-Sep 14	Oct 12-Sep 13
GHG emissions per unit income	**24.0**	24.9

– Verification

We have retained the services of PricewaterhouseCoopers LLP (PwC) to provide an independent and robust assessment of the Group's Scope 1, 2 and 3 emissions. PwC's limited assurance report is available online.

– Omissions

Emissions associated with joint ventures and investments are not included in the emissions disclosure as they fall outside the scope of our operational boundary. We do not have any emissions associated with heat, steam or cooling. We are not aware of any other material sources of omissions from our emissions reporting.

ENERGY EFFICIENCY

13.1% reduction in energy use compared to 2013

£3.8m invested in energy saving technology in 2014

Effective risk management, governance and control

Managing risk effectively is important for any bank and is fundamental to our strategy. We are now a low cost, low risk, UK focused retail and commercial bank. This has been achieved by maintaining a conservative business model which embodies a risk culture founded on a prudent appetite for risk.

Our approach to risk is founded on an effective control framework and a strong risk management culture which guides how our employees approach their work, the way they behave and the decisions they make. The amount and type of risk that we are prepared to seek, accept or tolerate, otherwise known as risk appetite, works in tandem with our strategy and is approved by the Board. Our risk appetite is then embedded within policies, authorities and limits across the Group.

RISK AS A STRATEGIC DIFFERENTIATOR

The Group strategy and risk appetite were developed together to ensure one informed the other in creating a strategy that delivers on becoming the best bank for our customers whilst helping Britain prosper and creating sustainable growth over time.

Risks are identified, managed and mitigated using our Risk Management Framework (see page 31). The principal risks we face, which could significantly impact the delivery of our strategy, are discussed on pages 32 and 33.

We believe effective risk management can be a strategic differentiator, in particular:

Sustainable growth

The role of risk is to provide proactive support and constructive challenge to the business to deliver sustainable growth, which is achieved through informed risk decision making and superior risk and capital management, supported by a consistent risk-focused culture across the Group.

– Conservative approach to risk
We have a fully embedded conservative approach to, and prudent appetite for, risk with risk culture and appetite driven from the top.

– Strong control framework
This framework is the foundation for the delivery of effective risk management and ensures that the business units operate within approved parameters.

– Effective risk analysis, management and reporting
This identifies opportunities as well as risks and ensures risks are managed appropriately and consistent with strategy. Our principal risks and performance against risk appetite are monitored and reported regularly to senior management using quantitative and qualitative analysis and are subject to relevant stress testing. This enables us to understand the risk in the business at both an individual risk type and aggregate portfolio level.

– Business focus and accountability
Managing risk effectively is a key focus and is one of the five criteria within the Group Balanced Scorecard on which business areas and individual performance are judged. Our approach to risk means that businesses remain accountable for risk but a strong and independent risk function also helps ensure adherence to the Group's risk and control frameworks. Continued investment in risk systems and processes help differentiate our risk management approach.

ACHIEVEMENTS IN 2014

The Group strategy laid out in 2011 is now substantially complete. We have reshaped the Group, strengthened the balance sheet and delivered Simplification savings which have enabled reinvestment for growth. The independent Risk Division has played a pivotal role in supporting delivery which includes:

Conduct

Initiatives spanning the entire Group support the conduct agenda from strategy, insight, product, processes, through to sales and service to drive consistently good customer outcomes. Risk Division has played a key role in shaping this strategy and determining conduct risk measures to monitor performance and continue to support the journey to be market leading in complaint management through robust root cause analysis and remediation.

Capital strength

During the year, our common equity tier 1 (CET1) capital position has continued to build to 12.8 per cent, increasing by 2.5 per cent in the year, in line with our capital generative strategy. The Group's EBA and PRA stress testing exercises exceeded the relevant thresholds and the PRA confirmed no requirement to submit a revised capital plan or undertake additional management actions.

Impairment

Through effective risk management our impairment charge improved by 60 per cent to £1,200 million, mainly driven by the reduction in Run-off assets and the sustained improvement in asset quality across the Group.

Operational agility

Risk Division has continued to invest via the Risk Transformation Programme, driving improvements in supporting systems, simplified processes, improved customer experience and improved credit decision engines in order to deliver the most efficient and effective returns for the Group, underpinning the Group's targeted objective of sustainable growth.

State aid commitments

Risk Division continued to support the Group's divestment of TSB, with the Group selling 35 per cent of ordinary shares by way of an Initial Public Offering in June 2014, 3.5 per cent through utilisation of an over allotment option in July 2014 and a further 11.5 per cent of the ordinary shares by way of an Institutional Placing in September 2014, remaining on course to complete the divestment by the end of 2015.

RISK PRIORITIES FOR 2015

– Enabling and delivering sustainable growth
Helping the business make the right decisions through proactive support and constructive challenge to the business areas whilst delivering the right risk and customer outcomes.

– Creating the best customer experience
Putting our customers at the heart of our decisions throughout the Group through continued embedding of the conduct strategy and cultural change.

– Becoming simpler and more efficient
Responding quickly to changing customer, business and regulatory needs.

RISK GOVERNANCE

Risk management strategy and risk appetite are developed and reviewed in tandem with Group strategy. The Group uses an enterprise-wide risk management framework to ensure a robust and consistent approach to risk management is applied across all business areas and all risk types in order to drive improvements in its risk profile in line with risk appetite.

The framework articulates individual and collective accountabilities for risk management, risk oversight and risk assurance and supports the discharge of responsibilities to customers, shareholders and regulators. It establishes a common risk language which assigns risks to which the Group is exposed, to categories which are used consistently to support risk aggregation and reporting. The frameworks will evolve and be periodically updated to reflect any changes in the nature of our business and the external environment.

The framework outlines the key risk management activities undertaken consistently across the Group for all types of risk.

Governance is maintained through delegation of authority from the Board, down through the management hierarchy to individuals, and is supported by a committee based structure designed to ensure that our risk appetite, policies, procedures, controls and reporting are fully in line with regulations, law, corporate governance and industry best practice.

Our approach to risk is founded on a robust control framework and a strong risk management culture which ensures that business units remain accountable for risk and therefore guides the way all employees approach their work, behave and make decisions. Board-level engagement, coupled with the direct involvement of senior management in Group-wide risk issues at Group Executive Committee level, ensures that issues are promptly escalated and remediation plans are initiated where required. The interaction of the executive and non-executive governance structures relies upon a culture of transparency and openness that is encouraged by both the Board and senior management. A strong control framework remains a priority for the Group and is the foundation for the delivery of effective risk management. Performance is optimised by allowing business units to operate within approved parameters.

Accountability for ensuring risk is managed consistently with the Risk Framework approved by the Board		Confirmation of the effectiveness of the Risk Framework and underlying risk and control
Setting risk appetite and strategy. Approval of the risk management framework and Group-wide risk principles	Board Role	Board Authorities
Review risk appetite, frameworks and principles to be recommended to the Board. Be exemplars of risk management	Senior Management Role	Through Board-delegated Executive Authorities there is effective oversight of risk management consistent with risk appetite
Determined by the Board and Senior Management. Business units formulate their strategy in line with the Group's risk appetite	Risk appetite	The Risk Appetite Framework ensures our risks are being managed in line with our risk appetite
Supporting a consistent approach to the Group-wide behaviour and risk decision making. Consistency is delivered through the policy framework and risk committee structures	Governance frameworks	Supports a consistent approach to enterprise-wide behaviour and decision making
Monitoring, oversight and assurance ensures effective risk management across the Group	3 Lines of defence model / Mandate of the Risk Division	Maintains a robust control framework, identifying and escalating emerging risks and supporting sustainable growth
Defined processes exist to identify, measure and control our current and emerging risks	Risk identification, measurement and control / Risk monitoring, aggregation and reporting	Carried out by all three lines of defence and is an integral part of our control effectiveness assessment
In line with our Code of Responsibility. Culture ensures performance, risk and reward are aligned	Culture / Resources and capabilities	Processes and infrastructure are being invested in to further improve our risk management capabilities
Risk-specific needs defined in detail for implementation by each business	Primary risk drivers	Risk-type specific sub-frameworks e.g. credit risk

Risk overview continued

The most significant risks faced by the Group which could impact on the success of delivering against the Group's strategic objectives together with key mitigating actions are outlined below. More information on each of these risks can be found in our 2014 Annual Report and Accounts.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS
Credit risk Any adverse changes in the economic and market environment we operate in, or the credit quality and/or behaviour of our borrowers and counterparties would reduce the value of our assets and potentially increase our write-downs and allowances for impairment losses, adversely impacting profitability.	– Credit policy incorporating prudent lending criteria aligned with the Board approved risk appetite to effectively manage credit risk. – Clearly defined levels of authority ensure we lend appropriately and responsibly with separation of origination and sanctioning activities. – Robust credit processes and controls including well-established governance to ensure distressed and impaired loans are identified, considered and controlled with independent credit risk assurance.
Conduct risk We face significant potential conduct risk, including selling products to customers which do not meet their needs; failing to deal with customers' complaints effectively; not meeting customers' expectations; and exhibiting behaviours which do not meet market or regulatory standards.	– Customer focused conduct strategy implemented to ensure customers are at the heart of everything we do. – Product approval, review processes and outcome testing supported by conduct management information. – Clear customer accountabilities for colleagues, with rewards driven off customer-centric metrics. – Learning from past mistakes, including root cause analysis.
Market risk Key market risks include interest rate risk across the Banking and Insurance businesses. However, our most significant market risk is from the Defined Benefit Pension Schemes (DBPS) where asset and liability movements impact on our capital position.	– A structural hedge programme has been implemented to manage liability margins and margin compression. – Board approved pensions risk appetite covering interest rate, credit spreads and equity risks. Credit assets are being purchased and equity holdings reduced in the pension schemes. – Stress and scenario testing of risk exposures.
Operational risk We face significant operational risks which may result in financial loss, disruption or damage to the reputation of the Group. These include the availability, resilience and security of our core IT systems and the potential for failings in our customer processes.	– Continually review IT system architecture to ensure that our systems are resilient and that the confidentiality, integrity and availability of our critical systems and information assets are protected against cyber attacks. – Continue to implement the actions from the 2013 independent IT Resilience Review to enhance the resilience of systems supporting the processes most critical to our customers.
Funding and liquidity risk Our funding and liquidity position is supported by a significant and stable customer deposit base. A deterioration in either our or the UK's credit rating, or a sudden and significant withdrawal of customer deposits would adversely impact our funding and liquidity position.	– At 31 December 2014 the Group had £109.3 billion of unencumbered primary liquid assets and the Group maintains a further large pool of secondary assets that can be used to access Central Bank liquidity facilities. – Daily monitoring against a number of market and Group specific early warning indicators and regular stress tests. – Contingency funding plan to identify liquidity concerns earlier.
Capital risk Our future capital position is potentially at risk from a worsening macroeconomic environment. This could lead to adverse financial performance for the Group, which could deplete capital resources and/or increase capital requirements due to a deterioration in customers' creditworthiness.	– Close monitoring of capital and leverage ratios to ensure we meet our current and future regulatory requirements. – Comprehensive stress testing analysis to evidence sufficient levels of capital adequacy for the Group under various adverse scenarios. – In addition to accumulating retained profits we can raise additional capital in a variety of ways.
Regulatory risk We are subject to industry wide investigations and reviews into a perceived lack of competition in UK banking and financial services. The outcomes of the UK General Election in May 2015 and the investigations by the CMA and FCA are presently unclear and their impact therefore remains uncertain. Other initiatives under review include the ring-fencing proposals in the Banking Reform Act 2013, the new FCA Consumer Credit regime and CRD IV.	– The Legal, Regulatory and Mandatory Change Committee ensures we develop plans for regulatory changes and tracks their progress. – Continued investment in our people, processes and IT systems is enabling us to meet our regulatory commitments. – Continued engagement with government and regulatory authorities on forthcoming regulatory changes and market investigations and reviews.
People risk Key people risks include the risk that the Group fails to lead responsibly in an increasing competitive marketplace, particularly with the introduction of the Senior Managers' Regime and Certification Regime which will come into force in 2015. This may dissuade capable individuals from taking up senior positions within our Group.	– Work collaboratively with regulators to implement the new Individual Accountability Regime in 2015, ensuring burden of proof and attestation requirements are effectively implemented. – Maintain competitive working practices to attract, retain and engage high quality people. – Create a work environment which listens and acts on colleague feedback, making the Group the best bank for colleagues.

KEY RISK INDICATORS

IMPAIRMENT CHARGE

2014	£1.2bn
2013	£3bn

ASSET QUALITY RATIO[1]

2014	0.24%
2013	0.57%

[1]This key risk indicator is also a key performance indicator (KPI).

Commentary

The material reduction reflects lower levels of new impairment as a result of effective risk management, improving economic conditions and the continued low interest rate environment, together with Run-off asset reductions.

FUTURE FOCUS

- Continue to support the UK economy through appropriate lending to Retail and Commercial customers including first-time buyers and SMEs, without compromising on risk appetite.

BANKING COMPLAINTS PER 1,000 ACCOUNTS[1] (EXCL. PPI)

2014	1.5
2013	1.0

[1]This key risk indicator is also a key performance indicator (KPI).

FCA reportable banking complaints increased during the year due to legacy and historic issues, with the increase largely driven by increased activity from claims management companies.

- Continued reduction in complaint levels through root-cause analysis and improvements in complaints handling.

PENSION (DEFICIT)/SURPLUS

2014	SURPLUS £890m
2013	DEFICIT £787m

The DBPS are in a surplus of £890 million at 2014 which is an improvement from a £787 million deficit in 2013. Volatility has been reduced due to interest rate and inflation hedging and equity sales.

- Continue to effectively manage the DBPS to secure pensions provision to members and minimise Group impact.

AVAILABILITY OF CORE SYSTEMS

2014	99.96%
2013	99.94%

IT service availability improved on 2013 with 99.96 per cent availability across our key IT systems. We continue to invest in improving the resilience of our systems to avoid outages and minimise any customer impact.

- Ongoing investment in IT resilience.
- Risk appetite monitoring for critical business processes.

PRIMARY LIQUIDITY/<1yr WHOLESALE FUNDING

2014	2.7
2013	2.0

LOAN TO DEPOSIT RATIO[1]

2014	107%
2013	113%

[1]This key risk indicator is also a key performance indicator (KPI).

Primary and secondary liquidity assets provide a substantial buffer in the event of an extended market dislocation.

- Continue to meet all current regulatory ratios and ensure we meet all future regulatory ratios.

CET1 RATIO[1]

2014	12.8%
2013	10.3%

LEVERAGE RATIO

2014	4.9%
2013	3.8%

[1]This key risk indicator is also a key performance indicator (KPI).

Further progress has been made in improving our capital position through a strongly capital generative strategy, including Run-off and disposal of assets, and the issuance of new additional tier 1 and tier 2 securities in April and December 2014 respectively.

- Continue to meet current and future regulatory requirements, whilst optimising value for shareholders.
- We expect to generate between 1.5 per cent and 2.0 per cent of CET1 per annum (pre-dividend).

LEGAL, REGULATORY AND MANDATORY INVESTMENT SPEND

2014	£406m
2013	£402m

We continue to build constructive relationships with our regulators in order to effectively manage the regulatory change agenda.

- Ongoing constructive engagement with regulators.
- Continued compliance with the regulatory change agenda.

BEST BANK FOR CUSTOMERS[2]

2014	72% Favourable

[2]New measure for 2014. No comparison data available for 2013.

As part of our Colleague Engagement Survey, the Best Bank for Customers index is designed to help the Group understand the colleague views on progress we are making towards becoming the best bank for customers.

- Continued action to further strengthen performance to become the best bank for customers.

Summary of Group results

Summary consolidated income statement

	2014 £ million	2013 £ million	Change %
Net interest income	**11,761**	10,885	8
Other income	**6,607**	7,920	(17)
Total income	**18,368**	18,805	(2)
Total costs	**(9,412)**	(9,635)	2
Impairment	**(1,200)**	(3,004)	60
Underlying profit	**7,756**	6,166	26
Asset sales and other items	**(1,719)**	(280)	
Simplification and TSB costs	**(1,524)**	(1,517)	
Payment Protection Insurance provision	**(2,200)**	(3,050)	
Other regulatory provisions	**(925)**	(405)	
Other items	**374**	(499)	
Profit before tax – statutory	**1,762**	415	
Taxation	**(263)**	(1,217)	
Profit (loss) for the year	**1,499**	(802)	
Underlying earnings per share[1]	**8.1p**	6.6p	1.5p
Earnings (loss) per share	**1.7p**	(1.2)p	2.9p
Banking net interest margin	**2.45%**	2.12%	(33)bp
Cost:income ratio[2]	**51.2%**	52.9%	(1.7)pp
Asset quality ratio	**0.24%**	0.57%	(33)bp
Return on risk-weighted assets	**3.02%**	2.14%	88bp
Return on assets	**0.92%**	0.70%	22bp
Underlying return on required equity[3]	**13.6%**	9.7%	3.9pp
Statutory return on required equity[3]	**3.0%**	(1.3)%	4.3pp

Summary consolidated balance sheet

Assets	At 31 Dec 2014 £ million	At 31 Dec 2013 £ million
Cash and balances at central banks	**50,492**	49,915
Trading and other financial assets at fair value through profit or loss	**151,931**	142,683
Derivative financial instruments[4]	**36,128**	30,804
Loans and receivables:		
Loans and advances to customers[4]	**482,704**	492,952
Loans and advances to banks	**26,155**	25,365
Debt securities	**1,213**	1,355
	510,072	519,672
Available-for-sale financial assets	**56,493**	43,976
Other assets	**49,780**	55,330
Total assets	**854,896**	842,380
Liabilities		
Deposits from banks	**10,887**	13,982
Customer deposits[4]	**447,067**	439,467
Trading and other financial liabilities at fair value through profit or loss	**62,102**	43,625
Derivative financial instruments[4]	**33,187**	27,658
Debt securities in issue	**76,233**	87,102
Liabilities arising from insurance and investment contracts	**114,486**	110,758
Subordinated liabilities	**26,042**	32,312
Other liabilities	**34,989**	48,140
Total liabilities	**804,993**	803,044
Shareholders' equity	**43,335**	38,989
Other equity instruments	**5,355**	–
Non-controlling interests	**1,213**	347
Total equity	**49,903**	39,336
Total liabilities and equity	**854,896**	842,380

[1] In calculating underlying earnings per share, tax has been assumed at the standard UK corporation tax rate for the year.
[2] Excluding impact of St. James's Place.
[3] Underlying profit/statutory profit after tax, less profit attributable to other equity holders divided by the total equity required to achieve a common equity ratio of 12 per cent.
[4] Loans and advances to customers, customer deposits and derivative financial instruments have been restated to reflect a change in netting of cash collateral balances.

Underlying basis – segmental analysis

2014	Retail £m	Commercial Banking £m	Consumer Finance £m	Insurance £m	Run-off and Central items £m	TSB £m	Group £m
Net interest income	**7,079**	**2,480**	**1,290**	**(131)**	**257**	**786**	**11,761**
Other income	**1,212**	**1,956**	**1,364**	**1,725**	**210**	**140**	**6,607**
Total income	**8,291**	**4,436**	**2,654**	**1,594**	**467**	**926**	**18,368**
Total costs	**(4,464)**	**(2,147)**	**(1,429)**	**(672)**	**(330)**	**(370)**	**(9,412)**
Impairment	**(599)**	**(83)**	**(215)**	**–**	**(205)**	**(98)**	**(1,200)**
Underlying profit (loss)	**3,228**	**2,206**	**1,010**	**922**	**(68)**	**458**	**7,756**
Banking net interest margin	**2.29%**	**2.67%**	**6.49%**				**2.45%**
Asset quality ratio	**0.19%**	**0.08%**	**1.05%**				**0.24%**
Return on risk-weighted assets	**4.60%**	**1.92%**	**4.87%**				**3.02%**
Return on assets	**1.02%**	**0.94%**	**4.02%**				**0.92%**
Key balance sheet items at 31 December 2014	**£bn**	**£bn**	**£bn**		**£bn**	**£bn**	**£bn**
Loans and advances to customers	**315.2**	**100.9**	**20.9**		**19.0**	**21.6**	**477.6**
Customer deposits	**285.5**	**119.9**	**15.0**		**2.1**	**24.6**	**447.1**
Total customer balances[1]	**600.7**	**220.8**	**39.0**		**21.1**	**46.2**	**927.8**
Risk-weighted assets	**67.7**	**106.2**	**20.9**		**39.7**	**5.2**	**239.7**

2013[2]	£m	£m	£m	£m	£m	£m	£m
Net interest income	6,500	2,113	1,333	(107)	431	615	10,885
Other income	1,435	2,259	1,359	1,864	840	163	7,920
Total income	7,935	4,372	2,692	1,757	1,271	778	18,805
Total costs	(4,160)	(2,084)	(1,384)	(669)	(775)	(563)	(9,635)
Impairment	(760)	(398)	(343)	–	(1,394)	(109)	(3,004)
Underlying profit (loss)	3,015	1,890	965	1,088	(898)	106	6,166
Banking net interest margin	2.09%	2.21%	6.94%				2.12%
Asset quality ratio	0.24%	0.37%	1.76%				0.57%
Return on risk-weighted assets	3.81%	1.53%	4.51%				2.14%
Return on assets	0.95%	0.77%	3.90%				0.70%
Key balance sheet items at 31 December 2013	£bn	£bn	£bn		£bn	£bn	£bn
Loans and advances to customers	314.3	105.7	19.1		30.3	23.5	492.9
Customer deposits	283.2	108.7	18.7		2.8	23.1	436.5
Total customer balances[1]	597.5	214.4	40.6		33.1	46.6	932.2
Risk-weighted assets[3]	72.9	124.0	20.1		48.5	5.6	271.1

[1] Total customer balances include loans and advances to customers, customer deposit balances and Consumer Finance operating lease assets.

[2] Segment information has been restated to reflect the changes made to the Group's operating structure that came into effect from 1 January 2014. Loans and advances to customers and customer deposits have been restated, to reflect a change in netting of cash collateral balances.

[3] 31 December comparatives reflect CRD IV rules on a fully loaded basis as implemented by the PRA at 1 January 2014.

Underlying basis

In order to present a more meaningful view of business performance, the results are presented on an underlying basis excluding items that in management's view would distort the comparison of performance between periods. Based on this principle the following items are excluded from underlying profit: the amortisation of purchased intangible assets and the unwind of acquisition-related fair value adjustments; the effects of certain asset sales, the impact of liability management actions and the volatility relating to the Group's own debt and hedging arrangements as well as that arising in the insurance businesses and insurance gross up; Simplification costs, TSB build and dual running costs; payment protection insurance and other regulatory provisions; and certain past service pensions credits or charges in respect of the Group's defined benefit pension arrangements.

Report of the Auditor

The auditor's report on the full accounts for the year ended 31 December 2014 was unqualified, and their statement under section 496 (whether the Strategic Report and the Directors' Report are consistent with the accounts) of the Companies Act 2006 was unqualified.

Board of Directors

NON-EXECUTIVE DIRECTORS

Lord Blackwell
Chairman

NG Ri Re

Appointed: June 2012 (Board), April 2014 (Chairman)

Skills and experience: Extensive insurance, banking, regulatory and public policy experience gained from senior positions in a wide range of industries. He was appointed a Life Peer in 1997.
External appointments: Chairman of Interserve plc.
Former appointments: Chairman of Scottish Widows Group, Non-Executive Director of Ofcom, Halma plc, Dixons Group and SEGRO. Senior Independent Director of Standard Life and chaired its UK Life and Pensions Board. Member of the Board of the Centre for Policy Studies, Non-Executive Member of the Office of Fair Trading, Partner of McKinsey & Co. and a Director of Group Development at NatWest Group. Head of the Prime Minister's Policy Unit.

Anita Frew
Deputy Chairman and Independent Director

NG A Ri Re

Appointed: December 2010 (Board), May 2014 (Deputy Chairman)

Skills and experience: Extensive board, financial and general management experience across a range of sectors, including banking, asset management, manufacturing and utilities.
External appointments: Senior Independent Director of IMI plc.
Former appointments: Chairman of Victrex plc, Senior Independent Director of Aberdeen Asset Management, Executive Director of Abbott Mead Vickers, Director of Corporate Development at WPP Group and Non-Executive Director of Northumbrian Water. In addition, Anita has held various investment and marketing roles at Scottish Provident and the Royal Bank of Scotland.

Alan Dickinson
Independent Director

A Ri

Appointed: September 2014

Skills and experience: Highly regarded retail and commercial banker having spent 37 years with the Royal Bank of Scotland.
External appointments: Non-Executive Director of Willis Limited and Chairman of its Risk Committee, Chairman of Brown, Shipley & Co Limited, Senior Independent Director of Urban & Civic plc and a Governor of Motability.
Former appointments: Chief Executive of RBS UK, Non-Executive Director of Nationwide Building Society and Chairman of its Risk Committee, Non-Executive Director of Carpetright plc.

Carolyn Fairbairn
Independent Director

A Re

Appointed: June 2012

Skills and experience: Extensive digital and online, government and regulatory experience gained across a range of sectors including media and financial services. Her career began as an Economist at the World Bank.
External appointments: Non-Executive Director of Capita and The Vitec Group and Chairman of their Remuneration Committees. Trustee of Marie Curie, Non-Executive Director of the Competition and Markets Authority and of the UK Statistics Authority.
Former appointments: Non-Executive Director of the Financial Services Authority and Chair of its Risk Committee. Director of Group Development and Strategy at ITV plc and Director of Strategy and a member of the Executive Board at the BBC. Partner of McKinsey & Co. and a policy adviser in the Prime Minister's Policy Unit.

Simon Henry
Independent Director

A Ri

Appointed: June 2014

Skills and experience: International experience in board level strategy and execution. His extensive knowledge of financial markets, treasury and risk management and his qualification as an Audit Committee Financial Expert is of particular value in our Board Risk and Audit Committees. He was Shell's Chief Financial Officer for Exploration & Production, Head of Group Investor Relations and held various finance posts within Shell prior to these appointments.
External appointments: Chief Financial Officer and an Executive Director of Royal Dutch Shell plc, member of the Main Committee of the 100 Group of UK FTSE CFOs and Chair of the European Round Table CFO Taskforce. Also a member of the Advisory Panel of CIMA, the Multi Practitioner Panel Steering Committee – UK Fair and Effective Markets Review and of the Advisory Board of the Centre for European Reform.

Dyfrig John CBE
Independent Director

Ri Re

Appointed: January 2014

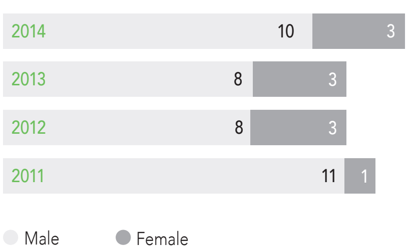
Skills and experience: An international career in banking, principally at HSBC where he worked for 37 years. During that time he held a number of senior management and Board positions in the UK and overseas. He gained a wealth of experience in most areas of the business including the day-to-day running of the bank with specific responsibility for employees, IT, finance and the branch network.
External appointments: Member of the Welsh Rugby Union's Audit Committee.
Former appointments: Chairman of Principality Building Society, Director of HSBC Bank PLC and subsequently, Chief Executive Officer and Deputy Chairman. Prior to this he held a number of senior roles including Group Managing Director and member of the Group Management Board. Board member of the Wales Millennium Centre.

BOARD DIVERSITY

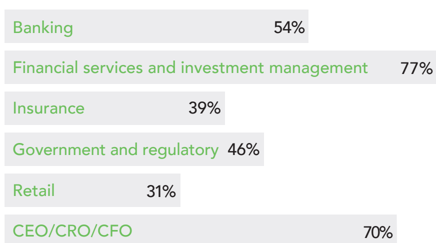
The Board places great emphasis on ensuring that its membership reflects diversity in the broadest sense. The combination of personalities provides a comprehensive range of perspectives and challenge and improves the quality of decision making.

To read more about our Board visit www.lloydsbankinggroup.com

BOARD MEMBERS



BOARD EXPERIENCE



EXECUTIVE DIRECTORS

Nick Luff
Independent Director

NG A Ri

Appointed: March 2013

Skills and experience: Significant financial experience in the UK listed environment having served in a number of senior finance positions within a range of sectors. His background and experience enable him to fulfil the role of Audit Committee Chair and, for SEC purposes, the role of Audit Committee Financial Expert.
External appointments: Executive Director and Chief Financial Officer of Reed Elsevier.
Former appointments: Finance Director of Centrica plc, The Peninsular & Oriental Steam Navigation Company and Chief Financial Officer of P&O Princess Cruises plc. Non-Executive Director and Audit Committee Chair of QinetiQ Group.

Anthony Watson CBE
Senior Independent Director

NG A Ri Re

Appointed: April 2009 (Board), May 2012 (Senior Independent Director)

Skills and experience: Over 40 years of experience in the investment management industry and related sectors.
External appointments: Senior Independent Director of Hammerson and of Witan Investment Trust, Chairman of the Lincoln's Inn Investment Committee and a member of the Norges Bank Investment Management Corporate Governance Advisory Board.
Former appointments: Non-Executive Director of Vodafone Group, Chief Executive of Hermes Pensions Management and Chairman of the Asian Infrastructure Fund, MEPC and of the Strategic Investment Board (Northern Ireland). Member of the Financial Reporting Council and the Marks & Spencer Pension Trustees.

KEY

Member of Nomination & Governance Committee	NG
Member of Audit Committee	A
Member of Risk Committee	Ri
Member of Remuneration Committee	Re
Committee Chairman	●

Nick Prettejohn
Independent Director and Chairman of Scottish Widows Group

A Ri

Appointed: June 2014

Skills and experience: Significant financial services experience, particularly in insurance.
External appointments: Member of the BBC Trust, Chairman of the Britten-Pears Foundation and Chairman of the Royal Northern College of Music.
Former appointments: Non-Executive Director of the Prudential Regulation Authority, Chairman of Brit Insurance, Non-Executive Director of Legal and General Plc, Chief Executive of Prudential UK and Europe, Director of the Prudential plc Board, Chairman of the Financial Services Practitioner Panel, Chief Executive of Lloyd's of London and a member of the Lloyd's Council.

Sara Weller
Independent Director

Ri Re

Appointed: February 2012

Skills and experience: Background in retail and associated sectors, including financial services. Considerable experience of boards at both executive and non-executive level.
External appointments: Non-Executive Director of United Utilities Group and Chair of its Remuneration Committee and a Governing Council Member of Cambridge University. Also Chairman of the Planning Inspectorate, Lead Non-Executive Director at the Department of Communities and Local Government and Board member at the Higher Education Funding Council.
Former appointments: Managing Director of Argos, various senior positions at J Sainsbury including Deputy Managing Director, Non-Executive Director of Mitchells & Butler and senior management roles for Abbey National and Mars Confectionery.

Malcolm Wood
Company Secretary

Appointed: November 2014

Skills and experience: Previously General Counsel and Company Secretary of Standard Life after a career as a corporate lawyer in private practice in London and Edinburgh. He has a wealth of experience in governance, policy and regulation. He is a member of the Advisory Forum of The Institute of Chartered Secretaries and Administrators and in 2014 was made a Fellow of the Institute. He is also a Member of the Company Law Committee of The Law Society of Scotland, the Chartered Institute for Securities and Investment and the GC100.

António Horta-Osório
Executive Director and Group Chief Executive

Appointed: January 2011 (Board), March 2011 (Group Chief Executive)

Skills and experience: Extensive experience in both retail and commercial banking built over a period of more than 25 years, working both internationally and in the UK. In 1993 he joined Grupo Santander having previously worked for Goldman Sachs and for Citibank, and held various senior management positions before becoming Executive Vice President of Grupo Santander and a member of its Management Committee.
External appointments: Non-Executive Director of Fundação Champalimaud and of Sociedade Francisco Manuel dos Santos in Portugal, a member of the Board of Stichting INPAR, a Governor of the London Business School and Chairman of the Wallace Collection.
Former appointments: Non-Executive Director and Chief Executive of Santander UK. Non-Executive Director of the Court of the Bank of England.

George Culmer
Executive Director and Chief Financial Officer

Appointed: May 2012 (Board)

Skills and experience: Deep operational and financial expertise including strategic and financial planning and control. He has worked in financial services in the UK and overseas for over 20 years. With a strong background in insurance and shareholder advocacy, his skills and experience enhance the Board and strengthen further the senior management team.
External appointments: None.
Former appointments: Executive Director and Chief Financial Officer of RSA Insurance Group and Chief Financial Officer of Zurich Financial Services UK.

Juan Colombás
Executive Director and Chief Risk Officer

Appointed: January 2011 (Chief Risk Officer), November 2013 (Board)

Skills and experience: Significant banking and risk management experience, having spent 29 years working in these fields both internationally and in the UK. He held a number of senior risk, control and business management roles across the Corporate, Investment, Retail and Risk Divisions of the Santander Group.
External appointments: Member of the International Financial Risk Institute Executive Committee.
Former appointments: Chief Risk Officer and Executive Director of Santander's UK business.

Remuneration

Details of the Group's remuneration policy for Executive Directors, as well as full details of their remuneration in 2014, appear in the Directors' remuneration report in the 2014 Annual Report and Accounts. This can be seen in the 'Investors' section of the Group's website at www.lloydsbankinggroup.com

REMUNERATION POLICY FOR DIRECTORS

The policy set out in the 2013 Directors' remuneration report was formally approved by shareholders at the Annual General Meeting on 15 May 2014. It is intended that approval of the remuneration policy will be sought at three year intervals, unless amendments to the policy are required in which case further shareholder approval will be sought. There are no amendments required to the current policy for 2015 and therefore shareholders will not be asked to vote on the policy at the Annual General Meeting this year.

The full policy is available at www.lloydsbankinggroup.com/investors/shareholder-info/shareholder-meetings

As outlined in the 2013 Directors' Remuneration Report, our policy is intended to ensure that our remuneration proposition is both cost effective and enables us to attract and retain executives of the highest calibre. Our objective is to align individual reward with the Group's performance, the interests of its shareholders and a prudent approach to risk management. In this way, we balance the requirements of our major stakeholders: our customers, shareholders, employees, and regulators.

The policy is based on principles which are applicable to all employees within the Group and in particular the principle that the reward package should support the delivery of our strategic goal to be the 'best bank for customers'. It embeds a performance-driven and meritocratic culture, encourages effective risk disciplines and is in line with relevant regulations and codes of best practice. There is no significant difference between the policy for Executive Directors and that for other senior employees. If a significant difference for any individual were proposed, this would be subject to approval by the Remuneration Committee (within regulatory requirements).

The Committee continues to place great importance on ensuring that there is a clear link between remuneration and the Group's business strategy. We therefore reviewed our variable pay plans during 2014 to ensure that they are designed to motivate the delivery of our key strategic objectives, including the Helping Britain Prosper Plan and our responsible business goals. In this way, they support a performance-orientated culture and reward long-term sustainable performance, as well as building an environment in which colleague conduct and trust from customers are paramount.

During 2014, the Committee undertook an extensive end-to-end review of our bonus process resulting in a revised methodology for calculating the risk-adjusted bonus outcome being implemented for 2014. As a result of this review, we have enhanced our governance relating to performance adjustment. In addition, the Group has now incorporated clawback provision for all Material Risk Takers in line with Prudential Regulation Authority (PRA) requirements from 1 January 2015. Variable remuneration can now be recovered from employees up to seven years after the date of award in the case of a material or severe risk event.

All of the above actions will ensure that there is full alignment between risk, reward and the performance of the Bank when determining variable pay outcomes.

REMUNERATION OUTCOMES FOR THE GROUP IN 2014

We have performed strongly in 2014, delivering substantial improvements in profitability while at the same time continuing to address historical legacy issues. As outlined in the full Annual Report and Accounts, our underlying profit increased by 26 per cent, driven by an increase in net interest income, further reduced costs and lower impairments. We have also delivered strongly against many of our key strategic goals, with continued delivery of simplification cost savings, reduction in risk and the successful completion of the TSB IPO during the year.

In determining 2014 bonus outcomes, the Remuneration Committee has balanced the need to remunerate appropriately for the Bank's strong performance in 2014, and ensure that appropriate adjustments are made for legacy issues. The Committee has applied collective adjustments to the bonus outcome and individual adjustments to bonus awards where necessary. The collective adjustment reflects the level of provisions for legacy conduct-related matters, principally relating to PPI, legacy retail issues and SME derivatives.

Taking all of the above into account, the Committee determined that a bonus outcome for 2014 of £369.5 million was appropriate, incorporating a reduction for collective performance adjustment of approximately 25 per cent. This is a 3.6 per cent reduction in the bonus outcome from 2013 (after adjusting for TSB). At this level, the total outcome is less than was paid in 2013 and is less than 5 per cent of the underlying profit from which it is derived, which is a considerably lower figure than other UK banks. Average bonus payments across all our staff are approximately £4,500, with fewer than 3 per cent of our staff receiving a bonus in excess of £25,000, of which £2,000 is paid in cash, the balance being deferred in shares and released periodically over subsequent months and years.

REMUNERATION OUTCOME FOR EXECUTIVE DIRECTORS IN 2014

For the Executive Directors, performance against the financial measures of the annual bonus significantly exceeded the maximum targets, and performance against balanced scorecard objectives was also strong. However, taking into account the legacy issues noted above, the Committee determined that bonus awards of between 54 per cent and 69 per cent of maximum opportunity should be made to Executive Directors.

In respect of long-term incentive plan (LTIP) awards made in 2012, the Bank's performance to the end of 2014 was very strong. The proposed vesting level of 96.6 per cent reflects strong financial performance, and significant shareholder value created over the period as the Bank's market capitalisation increased from c.£18 billion to c.£54 billion. This has justifiably led to significant payouts to participants, due not only to the delivery of targets but also the increase in share price. Awards were granted in shares at 34.786 pence and the significant increase over the period has more than doubled the value for recipients, in line with the increase realised by shareholders.

The following table summarises the total remuneration delivered during 2014 in relation to service as an Executive Director.

	António Horta-Osório		George Culmer		Juan Colombás[6]		Totals	
£000	2014	2013	2014	2013	2014	2013	2014	2013
Base salary	**1,061**	1,061	**720**	720	**710**	58	**2,491**	1,839
Fixed Share Award	**900**	–	**504**	–	**497**	–	**1,901**	–
Benefits	**119**	113	**40**	37	**60**	15	**219**	165
Pension allowance[1]	**568**	568	**180**	286	**173**	14	**921**	868
Other remuneration[2]	**1**	173	**301**	301	**–**	2	**302**	476
Annual bonus[3]	**800**	1,700	**496**	910	**468**	78	**1,764**	2,688
Long-term incentive[4]	**7,383**	3,128	**3,565**	–	**3,174**	41	**14,122**	3,169
Conditional pension buy-out[5]	**712**	732	**–**	–	**–**	–	**712**	732
Total remuneration	**11,544**	7,475	**5,806**	2,254	**5,082**	208	**22,432**	9,937
Less: Buy-out amounts	**(712)**	(904)	**(300)**	(300)	**–**	(2)	**(1,012)**	(1,206)
Total remuneration less buy-outs	**10,832**	6,571	**5,506**	1,954	**5,082**	206	**21,420**	8,731

[1] Following changes to the amount of tax relief available on pension contributions in each year, Directors may elect to receive some or all of their allowances as cash. The breakdown of payments made in cash and contributions into the pension scheme are shown below. Note that the amount for 2013 in respect of George Culmer includes £106,000 carried over from 2012 and delivered in 2013.

[2] Other remuneration payments comprise contractual cash payments to George Culmer as part of the buyout of benefits from his previous employer and income from all employee share plans, which arises through employer matching or discounting of employee purchases up to a maximum of £960 per annum.

[3] In addition to deferral and performance adjustment, the GCE's bonus will only vest if the Group's share price remains above 75.5 pence on average for any 126 consecutive trading days in the five years following grant or the UK government sells 100 per cent of its shareholding in the Group at any time during the three years following grant. If either condition is met earlier than the third anniversary of grant, vesting will still only occur on the third anniversary. The award will be subject to a further holding period following vesting such that, in any event, the award will release no earlier than five years after grant.

[4] The long-term incentive vesting was confirmed by the Remuneration Committee at its meeting on 25 February 2015. The closing share price on that date of 79.24 pence has been used to calculate the value. The shares were awarded in 2012 based on a share price of 34.786 pence.

[5] The GCE has a conditional unfunded pension commitment, subject to share price performance. This was a partial buyout of a pension forfeited on joining from Santander. It is an unfunded unapproved retirement benefit scheme (UURBS). The UURBS provides benefits on a defined benefit basis at a normal retirement date of 65. The UURBS applies for a maximum of six years following the commencement of employment and the maximum allowance over that period is 26.5 per cent of the higher of the GCE's base salary and reference salary in the 12 months before retirement or leaving, subject to performance conditions. No additional benefit is due in the event of early retirement. The rate of pension accrual in each year depends on share price conditions being met. An annual pension entitlement of £35,610 was accrued in 2014.

[6] Amounts shown for 2013 reflect the period from 29 November 2013 when Juan Colombás was appointed as an Executive Director. Total remuneration for 2013 was £3,193,000. Under terms agreed when joining the Group, the CRO is entitled to a conditional lump sum benefit of £718,996 either (i) on reaching normal retirement age unless the CRO voluntarily resigns or is dismissed for cause, or (ii) on leaving due to long term sickness or health.

NON-EXECUTIVE DIRECTORS

The Group Chief Executive and the Chairman are responsible for evaluating and making recommendations to the Board in relation to the fees of the Non-Executive Directors. Non-Executive Directors are paid a basic fee plus additional fees for the chairmanship/membership of committees. Additional fees are also paid to the senior independent director and to the deputy chairman to reflect additional responsibilities.

CONSIDERATIONS OF STAKEHOLDERS' VIEWS

The Committee remains committed to maintaining regular dialogue with our key stakeholders and takes careful consideration of their views when making our decisions. During the year, we consulted with UK Financial Investments (UKFI) and a number of our other major shareholders to gather their views and feedback on remuneration, and in particular the changes to the 2015 LTIP. We also consulted with our main regulators, the Financial Conduct Authority (FCA) and the PRA throughout the year. We are grateful for the supportive feedback we have received from all parties. The Committee continues to believe that our remuneration policies and practices fairly reward our directors, and support the delivery of the Group's strategy and the creation of shareholder value.

Shareholder information

ANNUAL REPORT AND ACCOUNTS

This Annual Review summarises information from the Lloyds Banking Group Annual Report and Accounts. As such, there is insufficient information to provide a full understanding of the results and state of affairs of Lloyds Banking Group. A copy of our Annual Report and Accounts can be obtained from our registrar, Equiniti Limited (see below) and is available on our website at www.lloydsbankinggroup.com

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at the Edinburgh International Conference Centre, The Exchange, Edinburgh EH3 8EE on Thursday 14 May 2015 at 11.00 am. Further details about the meeting, including the proposed resolutions, can be found in our Notice of AGM which will be available shortly on our website at www.lloydsbankinggroup.com

SHARE DEALING FACILITIES

We offer a choice of three share dealing services for our UK shareholders and customers. To see the full range of services available for each, please use the contact details below:

Bank of Scotland Share Dealing

www.bankofscotlandsharedealing.co.uk — 0845 606 1188

Halifax Share Dealing

www.halifaxsharedealing.co.uk — 08457 22 55 25

Lloyds Bank Direct Investments

www.lloydsbank.com/shares — 0845 60 60 560

Note:
All internet services are available 24/7. Telephone dealing services are available between 8.00 am and 9.15 pm, Monday to Friday and 9.00 am to 1.00 pm on Saturday. To open a share dealing account with any of these services, you must be 18 years of age or over and be resident in the UK, Jersey, Guernsey or the Isle of Man.

SHARE DEALING FOR THE LLOYDS BANKING GROUP SHAREHOLDER ACCOUNT

Share dealing services for the Lloyds Banking Group Shareholder Account are provided by Equiniti Shareview Dealing, operated by Equiniti Financial Services Limited. Details of the services provided can be found either on the Shareholder Information page of our website at www.lloydsbankinggroup.com, or by contacting Equiniti using the contact details provided below.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

There are a number of options for investing in Lloyds Banking Group shares through an ISA. For details of services and products provided by the Group please contact: Bank of Scotland Share Dealing, Halifax Share Dealing or Lloyds Bank Direct Investments using the contact details opposite.

AMERICAN DEPOSITARY RECEIPTS (ADRs)

Our shares are traded in the USA through a New York Stock Exchange-listed sponsored ADR facility with The Bank of New York Mellon as the depositary. The ADRs are traded on the New York Stock Exchange under the symbol LYG. The CUSIP number is 539439109 and the ratio of ADRs to ordinary shares is 1:4.

For details contact:
BNY Mellon Depositary Receipts, PO Box 30170
College Station, TX 77842-3170.
Telephone: 1-866-259-0336 (US toll free),
international callers: +1 201-680-6825.
Alternatively visit www.adrbnymellon.com or
email shrrelations@cpushareownerservices.com

SHARE SALE FRAUD AND SCAMS

Shareholders should exercise caution when unsolicited callers offer the chance to buy or sell shares with promises of huge returns. If it sounds too good to be true, it usually is and we would ask that shareholders take steps to protect themselves. We strongly recommend seeking advice from an independent financial adviser authorised by the Financial Conduct Authority (FCA). Shareholders can verify if a firm is authorised via the Financial Services Register which is available at www.fca.org.uk

If a shareholder is concerned that they may have been targeted by such a scheme, please contact the FCA Consumer Helpline on 0800 111 6768 or use the online 'Share Fraud Reporting Form' available from their website (see above). We would also recommend contacting the Police through Action Fraud on 0300 123 2040 or see www.actionfraud.org.uk for further information.

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help.shareview.co.uk

Registrar
Equiniti Limited
Aspect House, Spencer Road, Lancing
West Sussex BN99 6DA

Shareholder helpline
0871 384 2990* from within the UK,
0871 384 2255 Textphone
+44 121 415 7066 from outside the UK

*Lines are open 8.30 am to 5.30 pm, Monday to Friday, Calls cost 8p per minute plus network extras. Calls to +44 121 415 7066 from outside the UK are charged at applicable international rates.

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Shareview is a free, secure portfolio service provided by our registrar, Equiniti Limited.

Forward looking statements

This Annual Review contains forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group or the Group's management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances that will or may occur. The Group's actual future business, strategy, plans and/or results may differ materially from those expressed or implied in any forward looking statements as a result of a variety of factors, including, but not limited to, UK domestic and global economic and business conditions; the ability to derive cost savings and other benefits, including as a result of the Group's Simplification programme; the ability to access sufficient funding to meet the Group's liquidity needs; changes to the Group's credit ratings; risks concerning borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; market-related risks including changes in interest rates and exchange rates; changing demographic and market-related trends; technological changes and risks to cyber security; changes in customer preferences; changes in laws, regulations, taxation, accounting standards or practices including as a result of further Scottish devolution; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies and actions of governmental or regulatory authorities in the UK, the European Union, or other jurisdictions in which the Group operates, including the US; the implementation of Recovery and Resolution Directive and banking reform following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to satisfactorily dispose of certain assets or otherwise meet the Group's EC State aid obligations; the provision of banking operations services to TSB Banking Group plc; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; the effects of competition and the actions of competitors, including non-bank financial services and lending companies; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints, and other factors. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. The forward looking statements contained in this announcement are made as at the date of this announcement, and the Group undertakes no obligation to update any of its forward looking statements.

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