

LLOYDS
BANKING
GROUP



BECOMING THE BEST BANK FOR CUSTOMERS

Lloyds Banking Group
Performance Summary

2015



Highlights of the year

CONTINUED STRENGTH ACROSS THE WHOLE BUSINESS

Underlying profit up 5% to

£8.1bn

Celebrating

250 years

of helping the people,
businesses and
communities of Britain



Ordinary dividend per share

2.25p

with an additional special
dividend of 0.5p per share

Supporting

1 in 5

of new business start-ups
in the UK



Statutory profit before tax

£1.6bn

Statutory profit before tax of
£1.6 billion, despite £4.0 billion
of PPI charges

Expanding our Environmental,
Social and Governance (ESG)
programme by issuing
our second

ESG Bond

to finance SMEs, healthcare
providers and renewable
energy projects



Divisional overview

RETAIL

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



UNDERLYING PROFIT

£3,514m

(2014 £3,228m)

44%¹

£280bn

Retail deposit balances

1 in 4

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

COMMERCIAL BANKING

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



UNDERLYING PROFIT

£2,431m

(2014 £2,206m)

31%¹

5%

Growth in SME lending in 2014

17%

Our share of mid-market banking relationships

CONSUMER FINANCE

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



UNDERLYING PROFIT

£1,005m

(2014 £1,010m)

13%¹

15%

Our share of credit card balances

17%

Growth in our UK consumer finance lending in 2015

INSURANCE

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



UNDERLYING PROFIT

£962m

(2014 £922m)

12%¹

5.6m

Life and pension customers

15%

Our share of the home insurance market

¹ Proportion of Group underlying profit.

Group Chief Executive's letter



We made a strong start to the next phase of our differentiated strategy and delivered a robust financial performance.

Dear Shareholder

2015 was a milestone year for Lloyds Banking Group. In a year in which we celebrated the 250th anniversary of Lloyds Bank and the 200th anniversary of Scottish Widows, we also continued to make strong progress in the next phase of our strategy to become the best bank for customers and shareholders.

We improved customer experience, increased net lending in key customer segments, and delivered on key targets within the Helping Britain Prosper Plan. At the same time our financial performance has continued to improve, with an increase in underlying profitability and returns as well as a further strengthening of our already strong capital position, in spite of additional PPI provisions reflecting the Financial Conduct Authority's (FCA) consultation on time barring. This delivery has, in turn, enabled us to increase the ordinary dividend and to return surplus capital through a special dividend. As a result of our ongoing progress, the UK government has made further substantial progress in returning the Group to full private ownership.

Financial performance and balance sheet strength

The Group has delivered another robust financial performance in the year, with underlying profit increasing by 5 per cent to £8,112 million, leading to an improvement in our underlying return on required equity to 15.0 per cent. This improvement was driven by higher net interest income, lower operating costs and a significant reduction in impairment charges, which more than offset the more subdued outturn for other income. Statutory profit before tax was 7 per cent lower at £1,644 million, after additional charges that we have taken for PPI. During the year, we have continued to strengthen our balance sheet, with our strong capital generation enabling us to increase our common equity tier 1 (CET1) ratio to 13.0 per cent, after increased dividend payments.

Dividend

In line with our progressive and sustainable ordinary dividend policy, I am pleased that the Board was able to recommend a final ordinary dividend of 1.5 pence, taking the total ordinary dividend declared for the year to 2.25 pence per ordinary share. In addition, the Board has recommended a special dividend of 0.5 pence per share.

Government stake and TSB sale

The combination of the significant progress we have made towards our strategic objectives and our robust financial performance has also enabled the UK government to make further substantial progress in returning the Group to full private ownership. The government has now reduced its stake from 43 per cent to around 9 per cent, returning approximately £16 billion to the UK taxpayer above their 'in price', on top of the dividends paid in 2015. Separately, the completion of the sale of our interest in TSB to Banco Sabadell in June 2015 represents the continued delivery of our commitment to the European Commission under the terms of the state aid agreement.

Summary

As a UK retail and commercial bank, we continue to support and benefit from the sustainable recovery in the UK economy. While the current prolonged period of low interest rates and increasing competition have created challenges, we are in a position of strength given our cost leadership position, low risk approach and strong balance sheet, while our differentiated business model continues to provide competitive advantage.

From these firm foundations, we believe we are well placed to support the UK economy and become the best bank for customers while delivering superior and sustainable returns for our shareholders.



António Horta-Osório
Group Chief Executive

Our strategy

We made good progress in the year across our three strategic priorities: creating the best customer experience; becoming simpler and more efficient; and delivering sustainable growth. The achievement of our strategy could not happen without the support of our colleagues. We are therefore committed to 'building the best team' to create a high performance organisation.

STRATEGIC PRIORITY

PROGRESS IN 2015

Creating the best customer experience

- Largest digital bank: 21 per cent market share; 11.5 million online users, 6.6 million mobile users
- Further investment in branch network
- Net promoter score more than 50 per cent higher than at the end of 2011
- Customer complaints (excl. PPI) remain lower than our peers

Becoming simpler and more efficient

- Cost leadership; reduction in cost:income ratio to 49.3 per cent
- Actively responding to lower rates through accelerated cost delivery and targeting further efficiency savings
- Ahead of target in delivery of £1 billion Simplification savings
- Increased automation of key end-to-end customer journeys

Delivering sustainable growth

- SME lending growth of 5 per cent in a flat market
- Consumer Finance customer asset growth of £3.2 billion
- Execution of first external bulk annuity transaction
- Market leadership retained in current accounts and deposits

SUPPORTED BY OUR COLLEAGUES

Building the best team

- Employee engagement up 11 points
- 31 per cent of senior roles now held by women
- Top private sector company for lesbian, gay, bisexual and transgender people in the Stonewall Top 100
- Enhanced reward proposition including simplified pay ranges

Operating responsibly

A sustainable and responsible approach to doing business is integral to everything we do. It underpins our aim to become the best bank for customers and our purpose to help Britain prosper. It is central to our strategy and business model. Our Helping Britain Prosper Plan sets out our public targets to help Britain's people, businesses and communities today, over and above our core business activities.

Doing business responsibly starts with our colleagues. We must continue to build a culture in which they are empowered, inspired and rewarded to do the right thing for customers. Our three Group Values: putting customers first, keeping it simple and making a difference together, provide inspiration and guidance. To help us live up to these values, as individuals, as a business or as suppliers, we operate in line with our Codes of Responsibility.

Operating responsibly requires running our business in ways that meet all relevant legal and regulatory requirements. We have a number of internal policies and procedures related to doing business responsibly which include our Ethics, Speak Up and Anti-Bribery policies. As recent signatories to the UN Global Compact, we operate in line with its ten principles and support the UN's wider development agenda, including the Guiding Principles and Sustainable Development Goals.

We recognise the need to address climate change, protect biodiversity, support local communities and ensure human rights are protected. Our Code of Business Responsibility affirms that we do not finance any activities prohibited by international conventions supported by the UK government, such as the Oslo Convention on Cluster Munitions and the Ottawa Treaty on Anti-Personnel Landmines. Consequently, we will not enter into credit or investment relationships with businesses believed to be in breach of these conventions.

Focusing on what matters most

To guide our corporate reporting, we conducted a materiality survey to identify and prioritise the issues that matter most to our stakeholders, including colleagues and opinion formers. The issues of most concern in 2015:

Building trust in our business

We can only achieve sustainable growth if we earn and retain the trust of our customers and other stakeholders. Trust is not a nice to have, it is a must have.

Running our business even more responsibly

Stakeholders require reassurance that we run our business responsibly, complying with laws and regulations, managing risk effectively, and targeting growth in a sustainable and ethical manner.

Improving customer experience

We want to be the best bank for customers, doing the right thing for them by providing products and services they can afford, understand and trust to achieve the outcomes they want.

Making our products and services clearer

We serve an increasingly diverse customer base of individuals and businesses. To deliver sustainable growth we need to serve them all equally well.

Explaining our wider economic contribution

We contribute to the UK economy through our products and services, and through our commitments in our Helping Britain Prosper Plan. We also make a positive economic impact as a major employer and purchaser.

Helping Britain Prosper

Our Plan

People, businesses and communities across the UK are facing some challenging issues. These include the shortage of affordable homes; supporting small businesses and the UK's manufacturing base; helping people and organisations acquire digital skills; and tackling disadvantage in local communities.

We are using our scale, reach and influence to help address these, through our Helping Britain Prosper Plan.

We have always understood that when people, businesses and communities across Britain prosper, so do we.

Our Plan, which we launched in March 2014 and refreshed in 2015, sets out clear targets to address social and economic issues prioritised by stakeholders which as a bank, we are well placed to help address.

Evolving our Plan

We're continually evolving the Plan to reflect changing social and economic needs. A wide range of different stakeholders have directly or indirectly contributed to this evolution.

The 2016 Plan is focused on helping people, businesses and communities to prosper, and has 24 metrics. It includes four new targets:

- Number of high value manufacturing apprenticeships as a result of our £1 million per year funding;
- Number of customers helped to plan for later life through our retirement planning website;
- Amount raised by colleagues and communities for our Charity of the Year; and
- Arrange and provide new funding support for social housing.

Helping Britain Prosper Plan performance in 2015

		NUMBER OF METRICS	ACHIEVED	NOT ACHIEVED
1	We'll help more customers get on the housing ladder – and more customers climb up it	3	●	
2	We'll help our customers plan and save for later life	1		●
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	●	
4	We'll help UK business to start up, scale up, and trade internationally to support the long term strength of the UK economy	6	●	
5	We'll help businesses and individuals to succeed with expert mentoring and training	5	●	
6	We'll be the banking Group that brings communities closer together to help them thrive	4	●	
7	We'll better represent the diversity of our customer base and our communities at all levels of the Group	5	●	

You can read more about our performance in 2015 and the 2016 Prosper Plan at www.lloydsbankinggroup.com



Shareholder information

Annual General Meeting (AGM)

Date: Thursday 12 May 2016

Time: 11.00 am

Venue: Edinburgh International Conference Centre, The Exchange, Edinburgh EH3 8EE

The AGM is an opportunity for shareholders to express their views directly with the Board, either by attending the meeting or submitting their votes in advance.

Webcast

The AGM will be broadcast live by webcast on Thursday 12 May 2016 from 11.00 am at www.lloydsbankinggroupagm.com

Online availability

Shareholders can access the following documents from the Company's website at www.lloydsbankinggroup.com

- Notice of AGM, including details of the resolutions being proposed, the biographies of the Directors and AGM arrangements
- Annual Report and Accounts for the year ending 2015
- Annual Review for the year ending 2015

Voting recommendation

The Board considers that all of the resolutions in the Notice of AGM are in the best interests of the Company and its shareholders as a whole and recommends unanimously that you vote in favour of them.

Voting at the AGM

The resolutions proposed in the Notice of AGM will be decided on a poll to ensure that all shareholders who are either in attendance, or have submitted their instructions in advance of the AGM, have their votes taken into account according to the number of shares they hold.

Submitting your vote

See the reverse of the enclosed Proxy Card/Voting Form for instructions on how to vote.

Results

The results of the poll will be announced as soon as possible after the AGM through the London Stock Exchange information service and will appear on the Company's website at www.lloydsbankinggroup.com

Questions

Those shareholders entitled to attend the AGM will have the opportunity to ask questions relating to the business of the AGM. You may wish to register questions in advance by email at agmquestions@lloydsbanking.com

If you hold shares in the Lloyds Banking Group Share ISA and have a query about your shareholding, please contact: Halifax Investment Services Limited, BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG

IMPORTANT SHAREHOLDER AND REGISTRAR INFORMATION



Company website

www.lloydsbankinggroup.com

Shareview

help.shareview.co.uk (from here you will be able to email queries securely to Equiniti, our registrar)



Shareholder helpline

0371 384 2990
from within the UK
+44 121 415 7066
from outside the UK



Registrar

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

For a large print, audio or Braille version of this document, please contact Equiniti Limited at the above address.

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Forward looking statements: This Performance Summary contains certain forward looking statements with respect to the business, strategy and plans of 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's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. The Group's actual business, strategy, plans and/or results may differ materially from those expressed or implied in this document as a result of a variety of economic, commercial, legal and regulatory risks, uncertainties and other factors, including, without limitation, those set out in the Group's 2015 Annual Report and Accounts. Please also refer to the Group's 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. Except as required by any applicable law or regulation, the forward looking statements contained in this Performance Summary are made as at the date of this Performance Summary and the Group expressly disclaims any obligation to update or revise any of its forward looking statements. This Performance Summary is extracted (without material adjustment) from, and should be read in conjunction with, Lloyds Banking Group's 2015 Annual Report and Accounts. The Performance Summary is provided for information purposes only and does not purport to be full or complete nor is it intended to be a substitute for reading the Annual Report and Accounts. In particular, the Performance Summary does not constitute Summary Financial Statements and does not contain sufficient information to allow for a full understanding of the results of the Group. Shareholders may view a copy of the Annual Report and Accounts on www.lloydsbankinggroup.com or obtain a hard copy, free of charge, by contacting our Registrar. If you have sold or transferred all your ordinary shares in Lloyds Banking Group plc, please give this and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was made.