

LLOYDS
BANKING
GROUP



HELPING BRITAIN PROSPER

Lloyds Banking Group
Performance Summary

2016

Group highlights

ANOTHER YEAR OF GOOD PROGRESS

Underlying profit of
£7.9bn

Strong capital generation
c.190bps

Statutory profit before tax more than doubled to

£4.2bn

Acquisition of

MBNA

credit card business, announced in December

Strong balance sheet position with pro forma CET1 ratio (post dividend) of

13.8%

Progressive and sustainable ordinary dividend of

2.55p per share

with an additional special dividend of 0.5p per share

Market leading cost:income ratio of

48.7%



Read more online at
www.lloydsbankinggroup.com

Divisional highlights

We operate across four business areas to execute our strategy and drive value for all our stakeholders



RETAIL

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

UNDERLYING PROFIT

£3,003m



24%

market share of current account switchers

£11.7bn

of lending to first-time buyers



COMMERCIAL BANKING

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

UNDERLYING PROFIT

£2,468m

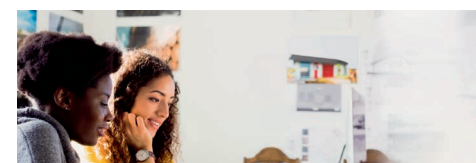


3%

growth in SME lending

17%

share of mid-market banking relationships



CONSUMER FINANCE

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

UNDERLYING PROFIT

£1,283m



15%

share of credit card balances

9%

growth in UK consumer finance assets

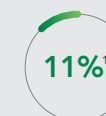


INSURANCE

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

UNDERLYING PROFIT

£837m



6m

life, pensions and investments customers

14%

share of the home insurance market

Group Chief Executive's review



We have delivered strong financial performance in 2016 as we continue to make good progress against our strategic priorities. We are well positioned for future success.

António Horta-Osório
Group Chief Executive

I am delighted to report that we have delivered strong financial performance in 2016 as we continue to make good progress against our strategic priorities. We continue to improve our customers' experience, simplifying the business whilst growing in targeted areas and in December announced the acquisition of MBNA's prime UK credit card business. As a simple, low risk, UK focused bank we are committed and well positioned to help Britain prosper and become the best bank for customers and shareholders.

Resilient UK economy

Given our UK focus, our performance is inextricably linked to the health of the UK economy which has been more resilient than the market expected post referendum, with GDP growth of 2 per cent in 2016. The UK's decision to leave the European Union means the exact nature of our relationship with Europe going forward remains unclear and the economic outlook is uncertain. However, the recovery in recent years with low unemployment, reduced levels of household and corporate indebtedness and increased house prices means the UK is well positioned coming into this period.

Given our strategic progress and financial performance we are also well placed to deal with the evolving regulatory environment and economic uncertainty. Following the de-risking

of the balance sheet in recent years, our PRA Buffer has been reduced, but in light of expected future regulatory capital requirements, the Group will continue to target a CET1 ratio of around 13 per cent.

Enhanced financial position

The Group has delivered strong financial performance in the year. Underlying profit was £7.9 billion with an underlying return on required equity of 13.2 per cent. Income was slightly lower which was more than offset by lower operating costs, resulting in an improved cost:income ratio of 48.7 per cent. Impairment increased, primarily due to lower releases and write-backs, but asset quality remains strong with no signs of deterioration in the portfolio. The difference between underlying profit and statutory profit reduced significantly in 2016, as statutory profit before tax more than doubled to £4.2 billion, largely due to lower PPI provisions, and this enabled the Group to generate approximately 190 basis points of CET1 capital during the year. Our balance sheet remains strong with a pro forma CET1 ratio of 13.8 per cent, a total capital ratio of 21.4 per cent and a pro forma leverage ratio of 5.0 per cent.

Increased dividend capacity

In line with our progressive and sustainable ordinary dividend policy, the Board has recommended a final ordinary dividend of 1.7 pence per share, taking the total ordinary dividend for the year to 2.55 pence per share, an increase of 13 per cent on 2015. The Group has held back capital to cover the estimated impact of the MBNA transaction; however, given our strong capital generation in the year, the Board has also recommended a special dividend of 0.5 pence per share.

Reduced government stake

The combination of the progress we have made towards our strategic priorities and our strong financial performance has enabled the UK government to reduce further its stake in the Group to less than 4 per cent, at a profit, returning over £19 billion to the UK taxpayer since 2009.

Outlook

Our financial targets reflect our confidence in the future prospects of the Group. In 2017 we expect the net interest margin to be greater than 2.70 per cent and the asset quality ratio to increase to around 25 basis points (before MBNA).

We continue to target a cost:income ratio of around 45 per cent exiting 2019, with reductions every year. We now expect a return on required equity of between 12.0 and 13.5 per cent and a return on tangible equity of between 13.5 and 15.0 per cent in 2019. Going forward, the Group expects to generate between 170 and 200 basis points of CET1 capital per annum, pre dividend.

Positioned for future success

Following the simplification and transformation of our business in recent years, the Group is now focused on delivering the best customer experience and on continuing to develop our digital capabilities. Our cost leadership, lower risk positioning and capital generation provide competitive advantage which enables us to deliver superior returns to shareholders and our new guidance reflects confidence in the Group's future prospects. We continue to believe that our simple, low risk business model is the right one, and our strategic progress and strong financial performance position us well for future success.

António Horta-Osório
Group Chief Executive

OUR STRATEGIC PRIORITIES

In order to help Britain prosper and to achieve our aim of becoming the best bank for customers, we are focusing on three strategic priorities. These are supported by our commitment to building the best team.

Strategic priorities

**CREATING THE
BEST CUSTOMER
EXPERIENCE**

12.5m

online users and
increasing market share

62.7pts

Customer satisfaction
up 3.4 points and up
c. 50% since 2011

**BECOMING
SIMPLER AND
MORE EFFICIENT**

48.7%

Continued reduction
in cost:income ratio

£0.9bn

Simplification run-rate
savings on track

**DELIVERING
SUSTAINABLE
GROWTH**

3%

SME lending growth,
ahead of the market

MBNA

acquisition announced

Supported by

**BUILDING THE
BEST TEAM**

71pts

Employee engagement
at an all-time high

32.4%

of senior roles
held by women

Our Helping Britain Prosper Plan

People, businesses and communities across Britain are facing significant challenges. We're helping to address them through our Helping Britain Prosper Plan

A plan to help Britain

We believe no other bank is better placed to help Britain prosper, given our business model and focus on the UK. We serve 25 million customers and 1 million small businesses but we want to be more than just a bank. We want to go beyond business as usual and help address social and economic challenges such as Britain's housing shortage, the skills gap in key industries, social mobility and social disadvantage.

The Plan is core to our strategy: we know from long experience that when Britain prospers, so do we. So the Plan is an investment in our collective long-term success. It supports our strategy to become the best bank for customers and shareholders and is fundamental to rebuilding trust in our brands and sector.

2016 highlights

75,000

first-time buyers supported

£1.2bn

of new funding to UK manufacturers

£18.5m

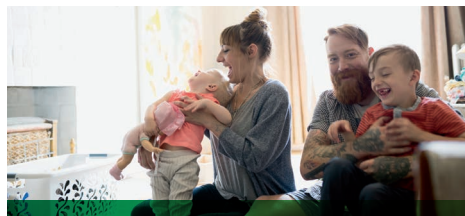
given to our independent Foundations

£7.2bn

of SME net lending since 2010

Read more online at
www.lloydsbankinggroup.com/ProsperPlan

OUR FOCUS AREAS



HELPING PEOPLE PROSPER

We are providing more support for individuals and families whether they are buying a home, planning for later life or looking for a rewarding job. We are making our Group more diverse and inclusive to reflect the Britain we serve.



HELPING BUSINESSES PROSPER

We are helping businesses of all types and sizes to prosper by offering them the funding, support and encouragement they need to grow at home or abroad. We are supporting the transition to a low carbon economy.



HELPING COMMUNITIES PROSPER

We are helping communities by addressing inequality, supporting disadvantaged people and championing Britain's diversity.

How we're helping Britain Prosper

HELPING PLAN FOR RETIREMENT

>280,000

customer visits to our Retirement Planning Website. We want to do more to support and guide more of our customers on their retirement options



HELPING THE ECONOMY

£1.8bn

tax paid in 2015. We were ranked as the highest payer of UK tax in the most recent PwC Total Tax Contribution Survey for the 100 Group. This number increased to £2.3 billion in 2016

HELPING COMMUNITIES

£600m

given to support charities through our independent charitable Foundations over the last 30 years. We believe no other bank has the reach or resources to help tackle social disadvantage



DOING BUSINESS RESPONSIBLY

A sustainable and responsible approach to doing business is integral to everything we do. It is fundamental to our aim to become the best bank for customers, our Helping Britain Prosper Plan, our Codes of Responsibility, our Group policies and standards and the future success of the business.

Responding to a changing Britain

2016 was a year of significant change in Britain and considerable change worldwide. As Britain faces an uncertain period, it is vitally important that we help people, businesses and communities to address the challenges they face such as those related to housing, employability, savings, business growth, international trade, financial exclusion and disadvantage.

Focusing on what matters most

In 2016 we undertook a comprehensive survey to analyse and rank the responsible business issues that our stakeholders deem most important to our business. We identified 30 economic, social, environmental and governance issues across eight key categories and asked colleagues, customers, investors, community groups, government and legislators, special interest groups and opinion formers to share their views. The top issues identified were:

- How we run our business
- Building trust
- Economic impact
- Serving our customers fairly
- Human rights, diversity and wellbeing



Read more online at
www.lloydsbankinggroup.com/our-group/responsible-business

Shareholder information

Annual General Meeting (AGM)

Date: Thursday 11 May 2017

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 11 May 2017 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 2016
- Annual Review for the year ending 2016

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

IMPORTANT SHAREHOLDER AND REGISTRAR INFORMATION



Company website

www.lloydsbankinggroup.com

Shareview

help.shareview.co.uk
(from here you will be able to email your query securely)



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.

Registered office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland No. SC95000

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 2016 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 2016 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. The information, statements and opinions contained in this Performance Summary do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.