

**LLOYDS**  
BANKING GROUP



# HELPING BRITAIN PROSPER

Performance Summary  
2017

# The year in review

## Strong strategic and financial performance



Our continued strong performance positions us well to succeed in a digital world.

**António Horta-Osório**  
Group Chief Executive

### A landmark year

2017 has been a landmark year for the Group. In May the UK government completed the sell-down of its shares and the Group returned to full private ownership. This was enabled by the significant strategic progress and strong financial performance in recent years and was down to the hard work of all our people and I thank them for it. We are also proud of being the most widely held stock in the UK, with more than 2.4 million retail shareholders, who have continued to increase their weight in our share register.

During the year we successfully completed the second phase of our strategy with significant improvement in customer service, development of our market leading digital proposition including an open banking platform, targeted growth and delivery of Simplification savings ahead of target. We now have the largest and top rated digital bank in the UK alongside the largest branch network. We also completed the acquisition of MBNA's prime credit card business, the Group's first major acquisition since the financial crisis and announced the acquisition of Zurich's UK workplace pensions and savings business later in the year, giving us a strong platform on which to develop the next stage of our strategy in the financial planning and retirement business.

2017 has also been a pivotal year for the UK. The Bank of England increased the bank rate

for the first time in more than 10 years and the government triggered Article 50 and launched EU exit negotiations. Although the precise nature of the UK's future relationship with Europe remains unclear and the economic outlook is therefore uncertain, the economy has been resilient with low unemployment, stable house prices, record employment and GDP growth of 1.7 per cent.<sup>1</sup>

We have delivered another year of strong financial performance in 2017 with increased profits and returns on both a statutory and underlying basis, strong capital generation and increased capital returns. Statutory profit before tax increased 24 per cent to £5.3 billion, reflecting higher underlying profit and lower below the line charges.

### Our next chapter

As we look to the future, we see the external environment evolving rapidly. Changing customer behaviours, the pace of technological evolution and changes in regulation all present opportunities. Given our strong capabilities and the significant progress made in recent years we believe we are in a unique position to compete and win in this environment by developing additional competitive advantages. We will continue to transform ourselves to succeed in this digital world and the next phase of our strategy will ensure we have the capabilities to deliver future success.

### Group highlights

**£5.3bn**

+24%  
Statutory profit before tax increased significantly

**3.05p**

+20%  
Ordinary dividend per share

**£3.2bn**

+47%  
Total return to shareholders

**46.8%**

-1.9pp  
Our market leading cost:income ratio further improved

 [Read more about our financial performance in our Annual Report and Accounts](#)

We have identified four strategic priorities focused on the financial needs and behaviours of the customer of the future: further enhancing our leading customer experience; further digitising the Group; maximising Group capabilities; and transforming ways of working.

We will invest more than £3 billion in these strategic initiatives through the plan period that will drive our transformation into a digitised, simple, low risk, customer focused UK financial services provider. The strategy outlined will enable the Group to deliver strong statutory profit growth supported by targeted asset growth in key segments, income growth, lower operating costs, strong asset quality and lower remediation costs, whilst delivering strong capital generation and sustainable and superior shareholder returns.

Combining this with our strong foundations, differentiated business model, strategic capabilities and a highly engaged team positions us well to succeed in a digital world and continue to help Britain prosper.

**António Horta-Osório**  
Group Chief Executive

### Returns to shareholders

In line with our progressive and sustainable ordinary dividend policy, the Board has recommended a final ordinary dividend of 2.05 pence per share, taking the total ordinary dividend for 2017 to 3.05 pence per share, up 20 per cent on 2016.

In addition, the Board intends to return surplus capital through a share buyback of up to £1 billion. The decision to use share buybacks was made given the amount of surplus capital, the normalisation of ordinary dividends, our return to full private ownership and the flexibility that a buyback programme offers.

Under the share buyback programme we will buy Lloyds Banking Group shares in the open market and cancel them, thereby reducing the total number of shares in issue. Shareholders will benefit as they will own an increased proportion of the company and should see an additional increase in the dividend going forward given the reduced number of shares.

 [Read more about our share buyback programme online at \[www.lloydsbankinggroup.com\]\(http://www.lloydsbankinggroup.com\)](#)

<sup>1</sup> GDP growth as restated on 22 February 2018.

# What we have achieved over the last three years

We have made significant progress against our strategic priorities over the last three years and are well positioned as we head into the next chapter of our strategy.

## STRATEGIC PRIORITIES 2015 – 2017



### Creating the best customer experience

#### Performance highlights

- 68 per cent of customer needs met via digital (versus forecast range of 50-70 per cent set out in 2014)
- NPS score of 62.0, up from 58.6
- 55 per cent of customers receiving mortgage offer within less than 14 days, up 18pp



### Becoming simpler and more efficient

#### Performance highlights

- Cost:income ratio of 46.8 per cent, down from 49.8 per cent
- £1.4 billion of Simplification savings achieved, ahead of our original target
- Operating costs reduced every year during the course of the last six years (excluding the impact of MBNA in 2017)



### Delivering sustainable growth

#### Performance highlights

- Net lending to SMEs up by £3 billion, ahead of market
- £8 billion of MBNA credit card assets acquired in June 2017
- More than £35 billion lent to first-time buyers



### Building the best team

#### Performance highlights

- 76pts – employee engagement at an all-time high
- 34 per cent of senior roles held by women, up 5 per cent
- Named world's best bank for diversity and inclusion by Euromoney magazine

# Our next chapter

The next phase of our strategy will further transform the Group for success in the digital world.

We will build on the strong progress of recent years and leverage the Group's unique strengths.

We will invest over £3 billion in four strategic priorities: further enhancing our leading customer experience; further digitising the Group; maximising the Group's capabilities; and transforming ways of working.

These will drive our transformation into a digitised, simple, low risk, customer focused UK financial services provider.

### Delivering a leading customer experience

We will drive stronger customer relationships through best in class propositions while continuing to provide our customers with brilliant servicing and a seamless experience across all channels. This will include:

- Remaining the number 1 digital bank in the UK with open banking functionality;
- Unrivalled reach with UK's largest branch network serving complex needs; and
- Data-driven and personalised customer propositions.

### Digitising the Group

We will deploy new technology to drive additional operational efficiencies that will make banking simple and easier for customers whilst reducing operating costs, pursuing the following initiatives:

- Deeper end-to-end transformation targeting over 70 per cent of cost base;
- Simplification and progressive modernisation of our data and IT infrastructure; and
- Technology enabled productivity improvements across the business.

### Maximising the Group's capabilities

We will deepen customer relationships, grow in targeted segments and better address our customers' banking and insurance needs as an integrated financial services provider. This will include:

- Increasing Financial Planning and Retirement (FP&R) open book assets by more than £50 billion by 2020 with more than 1 million new pension customers;
- Implementing an integrated FP&R proposition with single customer view; and
- Start-up, SME and Mid Market net lending growth (more than £6 billion in the plan period).

### Transforming ways of working

We are making our biggest ever investment in people, increasing colleague training and development by 50 per cent to 4.4 million hours per annum and embracing new technology to drive better customer outcomes. The hard work, commitment and expertise of our colleagues has enabled us to deliver to date and we will further invest in capabilities and agile working practices. We have already restructured the business and reorganised the leadership team to ensure effective implementation of the new strategy.

### OUR PURPOSE

Helping Britain Prosper

### OUR AIM

Best bank for customers, colleagues and shareholders

### OUR BUSINESS MODEL

Digitised, simple, low risk, customer focused, UK financial services provider

### Our strategic priorities



# Doing business responsibly

## OUR HELPING BRITAIN PROSPER PLAN

Our purpose is to help Britain prosper. Through our products and services, we've been doing this for more than 250 years and today we help 27 million customers with their financial needs.

Our Helping Britain Prosper Plan takes us beyond business as usual.

It tackles the social and economic issues that matter most to Britain: its people, businesses and communities. It differentiates, unites and inspires our Group and colleagues to meet some bold targets.

We know that when Britain prospers we can prosper too, so our Helping Britain Prosper Plan is an important investment in our long-term success as the best bank for customers, colleagues and shareholders.

Using our scale and reach across the UK, we've made a positive difference for people, businesses and communities through our Plan, but it's just one aspect of our all-encompassing responsible approach to doing business.

### 2017 highlights

£2.5bn

paid in corporate tax this year

13.4m

active digital customers makes us the UK's biggest digital bank

1,200

apprenticeships created within our Group makes us a leading supporter of apprenticeships

### Our areas of focus

Helping Britain get a home

Helping save for the future

Building digital skills

Supporting businesses to start up and grow

Championing Britain's diversity

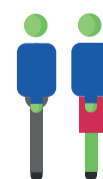
Tackling disadvantage across Britain

### Our impact so far



>700,000

individuals, businesses and charities trained in digital skills in 2017



34%

of senior roles now held by women. Up from 29% in 2014



>440,000

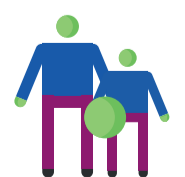
start-up businesses supported since 2014

15%

increase in net SME lending since the start of 2014, compared to a market that has grown by 1%

>£72m

donated to the Group's independent charitable Foundations since 2014



>£47bn

of lending to first-time buyers since 2014

Go online to find out more:  
[www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com)  
[www.lloydsbankinggroup.com/prosperplan](http://www.lloydsbankinggroup.com/prosperplan)

# Shareholder information

## Annual General Meeting (AGM)

**Date** Thursday 24 May 2018

**Time** 11am

**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 24 May 2018 from 11am at [www.lloydsbankinggroupagm.com](http://www.lloydsbankinggroupagm.com)

## Online availability

Shareholders can access the following documents from the Company's website at [www.lloydsbankinggroup.com](http://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 2017
- Annual Review for the year ending 2017

## Dividend

Key dates for the payment of the dividend are:

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**19 April 2018** Ex-dividend date

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**20 April 2018** Record date

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**4 May 2018** Deadline for joining or leaving the DRIP

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**24 May 2018** Shareholder vote on dividend resolution at the AGM

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**29 May 2018** Dividend paid subject to shareholder approval

## 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](http://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](mailto:agmquestions@lloydsbanking.com)



**Company website**  
[www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com)  
**Shareview**  
[help.shareview.co.uk](http://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



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