

**LLOYDS**  
BANKING GROUP



# HELPING BRITAIN PROSPER

Performance Summary  
2018



## The year in review

### Another year of strong strategic and financial performance



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

**António Horta-Osório**  
Group Chief Executive

#### Dear shareholder

I am delighted to be able to report that in 2018 the Group once more delivered strong financial results with increased profits and returns. As a low risk, simple, UK focused financial services provider, our business model continues to position us well for future success.

Our strength is evident from our 24 per cent increase in statutory profit after tax, to £4.4 billion. Earnings per share increased by 27 per cent to 5.5 pence per share. As a result the Board has recommended a final ordinary dividend of 2.14 pence per share, bringing the 2018 total dividend to 3.21 pence, 5 per cent higher than last year, and in line with our progressive and sustainable ordinary dividend policy. In addition, we intend to implement a share buyback of up to £1.75 billion starting in March of this year. Together these represent a return to shareholders of up to £4.0 billion which is an increase of up to 26 per cent in the year. Our strong dividend performance also illustrates how, as an institution, we fulfil our purpose, to Help Britain Prosper. As the most widely held share in the UK, our dividends not only benefit our shareholders but countless pensioners whose funds are invested in Lloyds.

My colleagues and I are proud of the financial performance we have delivered. To build long-term success we will remain focused on delivering for our customers and, in turn, for our shareholders. That's why in February 2018 we announced our new strategy to prepare the

Group for success in a digital world. We have already made a great start by implementing the strategic initiatives which will deliver this. In addition, towards the end of the year we announced an exciting new partnership with Schroders to create our new wealth proposition, Schroders Private Wealth, which we plan to launch officially later in 2019. I will tell you more about this when I write to you about the 2019 half year results.

Over 2018 the UK economy remained strong with record employment and continued GDP growth and while the imminent outlook remains uncertain, particularly given the ongoing EU withdrawal negotiations, we continue to believe our business model is the right one for our customers and for our shareholders. Our purpose, to Help Britain Prosper, remains unchanged and we continue to maintain the largest retail and commercial presence in the country. We are helping our customers achieve their goals and supporting the wider communities we serve.

Thank you for your continuing support and I look forward to reporting on further progress at the half year.

**António Horta-Osório**  
Group Chief Executive

## Group highlights

2018 has been a successful year for the Group in which we have continued to Help Britain Prosper, economically, socially and environmentally. In February 2018, we launched the next phase of our strategic plan and have made strong strategic progress with significantly improved financial performance.

# £4.4bn

+24%

Statutory profit after tax increased significantly, further closing the gap between statutory and underlying profit

# 5.5p

+27%

Earnings per share increased in the year, largely due to the significant increase in statutory profit

# 3.21p

+5%

Ordinary dividend per share including interim and final dividend

# £1.75bn

(up to)

In addition to the ordinary dividend, the Group intends to implement a share buyback

# >£3bn

Strategic investment spend over the three year plan period (2018 to 2020), significant increase on prior plan

# 15.7m

Digitally active customers, the largest digital bank in the UK, 74 per cent of products originated digitally

# 24%

Year-on-year increase in technology spend

# >3m

Customers with access to Single Customer View



# Our progress this year

In February 2018, we launched our new strategy focused on becoming a digitised, simple, low risk, customer focused, UK financial services provider. Our strategy enables us to seize new opportunities by building on our existing competitive advantage.

## Strategic priorities

We have made significant progress against our strategic priorities and are well positioned for future success

### Leading customer experience

Driving stronger customer relationships through best-in-class propositions while continuing to provide our customers with brilliant servicing and a seamless experience across all channels.

### Digitising the Group

Deploying new technology to improve our efficiency and make banking simpler and easier for customers.

### Maximising the Group's capabilities

Aligning the Group's capabilities as the UK's sole integrated financial services provider to deepen customer relationships and grow in targeted segments.

### Transforming ways of working

Enhancing colleague skills and processes, investing in agile working practices and embracing new technology to drive better outcomes for customers.



## Leading customer experience

### Key objectives for 2018 to 2020

- Remain number 1 UK digital bank with Open Banking functionality
- Unrivalled reach with UK's largest branch network, serving complex needs
- Data-driven and personalised customer propositions

### Progress in 2018

- 15.7 million digitally active customers, with functionality enhancements putting customers more in control of their finances
- #1 branch network serving complex needs, with Remote Advice service now available in 270 branches
- Increasingly personalised customer propositions contributing to growth of >£4 billion in underrepresented segments
- Net promoter score increased to 62; up c.50 per cent since 2011



When you first hear of being a Digital Champion, you assume that you have to be a computer whizz – but, in reality, it's just doing the things we all do every day, without realising.

**Numman Miah**  
Digital champion



## Digitising the Group

### Key objectives for 2018 to 2020

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

### Progress in 2018

- 24 per cent increase in technology spend driving improved customer and colleague experience and efficiency savings
- c.780,000 hours of additional colleague capacity created through use of robotics for simple repetitive tasks
- c.100 applications migrated to private cloud, helping deliver a more efficient, scalable and flexible infrastructure
- Replatforming of mobile app enabling more rapid roll out of new features to customers

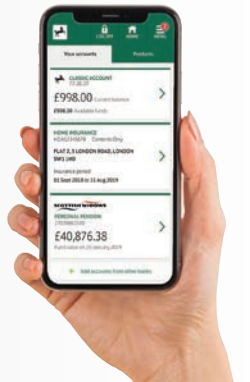
## Maximising the Group's capabilities

### Key objectives for 2018 to 2020

- +£50 billion financial planning and retirement open book assets under administration growth
- >1 million new pensions customers
- +£6 billion of additional net lending to start-ups, SMEs and Mid Markets

### Progress in 2018

- >3 million Single Customer View customers able to view their insurance, pension and banking products in one place
- Strategic Partnership with Schroders announced, with target of becoming top 3 UK financial planning business within 5 years
- >£13 billion of net customer inflows into open book financial planning and retirement propositions
- £3 billion net lending to start ups, SME and Mid Market clients, significantly ahead of target



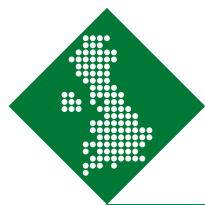
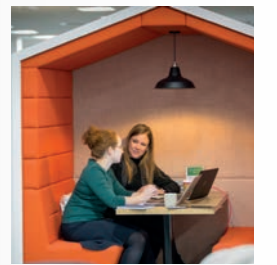
## Transforming ways of working

### Key objectives for 2018 to 2020

- 50 per cent increase in training and development to 4.4 million hours per year
- Up to 30 per cent change efficiency improvement

### Progress in 2018

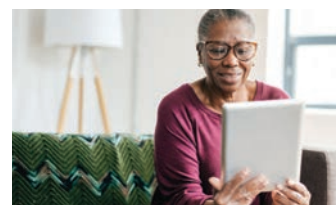
- 50 per cent increase in colleague training hours, with >1 million hours relating to future skills
- 15 per cent of change delivered using Agile, with 6,600 colleagues trained in these methodologies
- 32 per cent of colleagues now in co-located teams, moving from 39 locations to 6 strategic hubs



## HOW WE'VE HELPED



## BRITAIN PROSPER IN 2018



We recognise our responsibility to support the core banking needs of Britain's people, businesses and communities, and to help address some of the economic, social and environmental challenges the UK faces. We do this through our Helping Britain Prosper Plan.

Launched in 2014 and revised every year to ensure its relevance, the Plan focuses on the areas in which we can make the biggest difference. It continues to unite and inspire the Group and our colleagues. In 2018 we published a simplified Plan supporting our three year Group Strategy. We particularly focused on the six metrics that would have the most impact on people, businesses and communities, and in addition, for 2019, we have included a specific sustainability metric.

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

### Helping Britain get a home

Amount of lending committed to help people buy their first home

**£12.4bn**

### Helping people save for the future

Growth in assets that we hold on behalf of customers in retirement and investment products

**£7.4bn**

### Supporting businesses to start up and grow

Increased amount of net lending to start-up, SME and Mid Market businesses

**£3bn**

### Building capability and digital skills

Number of individuals, SMEs and charities trained in digital skills, including internet banking

**>700,000**

### Tackling social disadvantage across Britain

Number of charities we support as a result of our £100m commitment to the Group's independent charitable Foundations

**>3,000**

### Championing Britain's diversity

Percentage of senior roles held by women

**35.3%**

Percentage of roles held by Black, Asian and Minority Ethnic colleagues

**9.5%**

Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues

**6.4%**

### Helping the transition to a sustainable low carbon economy

Average number of homes that could be powered as a result of our support of UK renewable energy projects

**2.6m**

As a UK focused retail and commercial bank, we recognise our responsibility to help address the economic, social and environmental challenges that the UK faces. We remain fully committed to supporting people, businesses and communities, to Help Britain Prosper.

**António Horta-Osório**  
Group Chief Executive

# Shareholder information

## Annual General Meeting (AGM)

**Date** Thursday 16 May 2019

**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 16 May 2019 from 11am at [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.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 2018
- Annual Review for the year ending 2018

## Dividend

Key dates for the payment of the dividend are:

4 April 2019	Ex-dividend date
5 April 2019	Record date
29 April 2019	Deadline for joining or leaving the DRIP
16 May 2019	Shareholder vote on dividend resolution at the AGM
21 May 2019	Dividend paid subject to shareholder approval



**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



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



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