

**LLOYDS**  
BANKING GROUP



# HELPING BRITAIN PROSPER

Performance Summary 2019

# Solid financial performance with market leading efficiency and returns



**We have made significant strategic progress and our performance continues to demonstrate the competitive advantage of our business model.**

**António Horta-Osório**  
Group Chief Executive

## Dear shareholder

I am pleased to report that for 2019, the Group has continued to make significant strategic progress while delivering solid financial results in a challenging external market. While it is disappointing that this was impacted by the additional PPI charge in the year, as a result of this performance, the Board has been able to recommend an increased total ordinary dividend of 3.37 pence per share.

In 2018 we announced our ambitious plan to transform the Group for success in a digital world, with a substantial increase in strategic investment. We are now two-thirds of the way through the plan and have made significant progress in further digitising the Group, enhancing customer experience, maximising our capabilities as an integrated financial services provider and transforming the way we work.

## Financial performance

Statutory profit before tax of £4.4 billion was 26 per cent lower than 2018, largely due to the PPI charge. Underlying profit of £7.5 billion was down 7 per cent on 2018, reflecting continued revenue pressure and higher impairment partly offset by lower total costs.

We have maintained our focus on cost efficiency which has supported the reduction in operating costs whilst increasing strategic investment and our net promoter scores, which measure customer satisfaction. Credit quality also remains strong, as does the Group's balance sheet.

The final ordinary dividend of 2.25 pence per share brings the total ordinary dividend for the year to 3.37 pence per share, 5 per cent higher than 2018 and in line with our progressive and sustainable ordinary dividend policy. With confidence in our future I am pleased to confirm that, as announced in May 2019, in 2020 we will be accelerating our payments to shareholders by moving to quarterly dividend payments. The first payment, relating to the first quarter of 2020, will be paid in June.

To recognise the loyalty of the Group's shareholders I am delighted to announce that for the final 2019 dividend, we will be trialling the offer of a contribution towards the commission paid by shareholders who participate in the Dividend Re-Investment Plan. This offer is an opportunity to demonstrate the value we place on your loyalty. Further details will be provided to you on how to participate in this offer by the end of March, as part of the AGM communication.

## Strategic progress

The Group is on track to achieve the strategic outcomes that we set ourselves back in February 2018. We have made significant progress in transforming the Group and have now invested £2 billion across our four priorities.

We have delivered improvements for our customers. For example, many of our customers can now see their pensions and long-term savings products alongside their banking products using our unique Single Customer View capability. In partnership with Schroders we launched Schroders Personal Wealth, with the ambition to become a top three financial planning business by the end of 2023. In the third quarter of 2019 we also announced that we have acquired Tesco Bank's prime UK residential mortgage book, complementing our organic growth strategy.

Since 2018 we have made the biggest ever investment in equipping our people with the skills we need for the future through delivering 3.2 million hours of training. As the first FTSE 100 company to establish diversity targets, we now have 36.8 per cent of senior roles held by women and 10.2 per cent of roles across the Group held by Black, Asian, and Minority Ethnic (BAME) colleagues, exceeding our 2020 target of 10 per cent.

## Outlook

Given our clear UK focus, our performance is inextricably linked to the health of the UK economy. During 2019, UK economic performance has remained resilient in the face of significant political and economic uncertainty, supported by record employment, low interest rates and rising real wages. Although uncertainty remains given the ongoing negotiation of international trade agreements, there is now a clearer sense of direction.

## Helping Britain Prosper Plan

We are committed to the long-term success of the UK with our purpose of Helping Britain Prosper. For 2019 we met 20 of the 22 targets we set ourselves, which included lending £13.8 billion to first-time buyers and supporting more than 100,000 businesses to start up and grow. We have increased net lending to start-ups, SMEs and Mid Market customers to £3.4 billion since 2018 together with achieving our target of lending £18 billion to UK businesses in 2019.

## The next chapter

2020 will be the final year of our three-year strategic plan when we will complete the investment of the more than £3 billion that we committed to our transformation. We will also begin to consider the next phase of our journey and we expect to announce our new strategic plan to you in February 2021.

Thank you for your continued support. We look forward to reporting in 2020 on how we continue to Help Britain Prosper, support our customers and deliver strong and sustainable returns for shareholders.

**António Horta-Osório**  
Group Chief Executive



# Our strategic progress this year

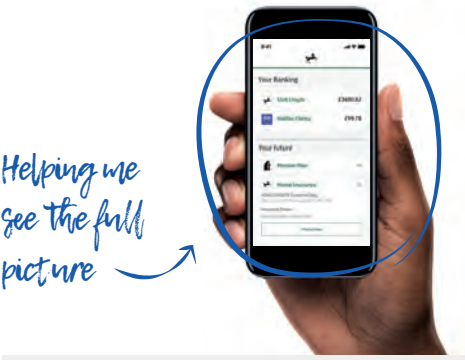
The Group's ambitious three year strategic plan was launched in February 2018 and we are on track to achieve our targeted strategic outcomes. We have made significant progress in transforming the Group for success in a digital world and, in line with our commitment to invest more than £3 billion over the period, have invested £2 billion to date across our four strategic pillars.



## 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.

- 1 We are committed to maintaining the UK's number one branch network and customer facing colleagues in branch now spend around 50 per cent of their time addressing customers' complex needs. We are trialling new branch formats, including a new flagship Bank of Scotland branch and Home by Halifax
- 2 We have continued to develop our digital proposition and our digitally-active customer base has increased again to 16.4 million, of which 10.7 million are active on their mobile banking app; 75 per cent of products are now originated digitally
- 3 We are using our deep understanding of our diverse customer base to deliver tailored propositions such as Club Lloyds and the Halifax Prize Draw



### Our unique Single Customer View

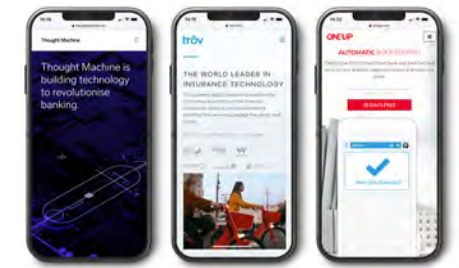
Our Single Customer View capability allows our customers to see all their financial needs in one place, from bank accounts to pension and insurance products. At the end of 2019, more than 5 million customers had access to this, with priorities for 2020 including extending this to around 9 million customers, while also increasing functionality.



## 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.

- 1 Investment in technology remains a key strategic priority for the Group and enables us to improve the experience of our customers and colleagues; technology spend now represents 19 per cent of operating costs
- 2 Having introduced automation for repetitive tasks, we have created over 1 million cumulative hours of colleague capacity and our transformation has covered around 55 per cent of the Group's cost base
- 3 Virtual assistants are currently managing up to 5,000 customer conversations daily, with satisfaction increasing by more than 10 points. Around 25 per cent of queries are handled without being passed to a colleague and we expect this to increase
- 4 In enhancing capabilities and accelerating our transformation, we are working in collaboration with a number of fintechs and we continue to monitor opportunities in this space



### Increased fintech engagement

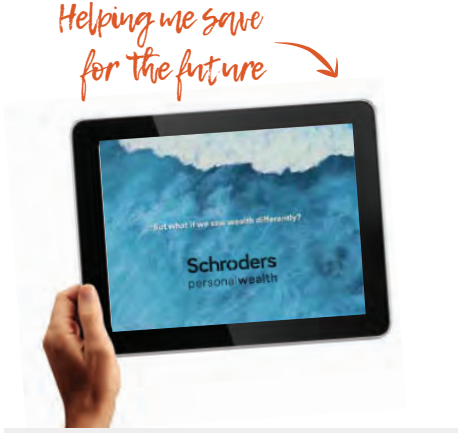
As well as investing in technology capabilities, we recognise that we also need to embrace external innovation and work collaboratively to transform the Group for success in a digital world. Our Corporate Ventures Panel encourages colleagues from across the Group to propose opportunities to a panel of experts. This has already resulted in a number of exciting partnerships, such as with Thought Machine, Trov and OneUp, our most recent partnership which provides online financial management services for smaller businesses.



## 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.

- 1 Open Banking is now available to all digital customers and our unique Single Customer View capability is available to over 5 million customers
- 2 We have exceeded our goal of attracting over 1 million new pension customers, a year ahead of target and we have continued to make progress towards the target of growing open book assets under administration by £50 billion by the end of 2020, with cumulative net growth of £37 billion since 2017
- 3 We launched Schroders Personal Wealth, with the ambition of becoming a top three financial planning business by the end of 2023
- 4 Commercial Banking has supported Insurance and Wealth by sourcing £0.6 billion of new long-term assets to support five new bulk annuity transactions



### Strong start for Schroders Personal Wealth

Our joint venture with Schroders has harnessed the unique strengths of two of the UK's strongest financial services businesses to create a market-leading wealth proposition with the expertise and broad spectrum of investment and retirement products to optimise customers' entire financial lives. Schroders Personal Wealth has got off to a strong start since its launch, with Retail wealth referrals from the Group up 33 per cent in 2019.



## Transforming ways of working

We are making our biggest ever investment in people, with a focus on ensuring that we are able to continue to attract, develop and retain the talent and capabilities we will need in the future.

- 1 We have significantly increased the 'skills of the future' training delivered to our colleagues to a cumulative 3.2 million hours since 2018 and around 33 per cent of change is now delivered using Agile methodologies
- 2 The Group has hired over 1,200 colleagues in 2019 across critical areas such as engineering, data science and cyber security, in line with our plan to treble strategic hiring compared to 2018 and enabling the Group to reduce the use of external resource



### Colleague training and development

As part of our largest ever investment in our people, we are rolling out 4.4 million cumulative additional training hours to develop key skills of the future. These skills are split across 10 categories ranging from leadership to data analytics and customer excellence and will ensure that we are well positioned to transform the Group for success in a digital world, while also providing growth opportunities for our colleagues.

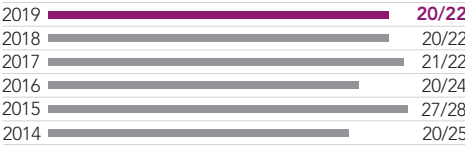
# Our Helping Britain Prosper Plan

Addressing some of the social, economic and environmental challenges facing the UK is the foundation of our Helping Britain Prosper Plan. The Plan takes us beyond business as usual, uniting the Group behind an inspiring set of objectives.

We are committed to the long-term success of the UK with our purpose of Helping Britain Prosper. This is why we launched our Helping Britain Prosper Plan in 2014 which also underpins our environmental, social and governance efforts. For 2019 we met 20 out of 22 objectives of our Plan.

### Helping Britain Prosper Plan targets achieved

20/22



>50% by 2030

We aim to help reduce the emissions we finance by more than 50 per cent by 2030



Area of focus	2019 achieved	2020 <sup>1</sup> targets
<b>Helping the transition to a sustainable low carbon economy</b>		
Average number of homes that could be powered as a result of our support of UK renewable energy projects	5.1m <sup>2</sup>	5m
<b>Helping Britain get a home</b>		
Amount of lending committed to help people buy their first home	£13.8bn	£30bn
<b>Helping people save for the future</b>		
Growth in assets that we hold on behalf of customers in retirement and investment products <sup>3</sup>	£37.1bn <sup>2</sup>	£50bn
<b>Supporting businesses to start up &amp; grow</b>		
Increased amount of net lending to start-up, SME and Mid Market businesses	£3.4bn <sup>2</sup>	£6bn
<b>Tackling social disadvantage across Britain</b>		
Number of charities we support as a result of our £100m commitment to the Group's independent charitable Foundations	2,929	2,500
<b>Building capability and digital skills</b>		
Number of individuals, SMEs and charities trained in digital skills, including internet banking	738,504	1.8m
<b>Championing Britain's diversity</b>		
Percentage of senior roles to be held by women	36.8%	40%
Percentage of roles held by Black, Asian and Minority Ethnic colleagues	10.2%	10%
Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues	6.7%	8%

1 Figures are all cumulative 2018 to 2020 excluding Tackling social disadvantage across Britain and Championing Britain's diversity.  
2 Figures are cumulative from 2018.  
3 Growth in assets under administration in our open book.  
Full year HBP plan [www.lloydsbankinggroup.com/our-group/responsible-business/prosper-plan/](http://www.lloydsbankinggroup.com/our-group/responsible-business/prosper-plan/)

We have issued a separate presentation on our approach to environmental, social and governance issues, which can be found on the Group's external website [lloydsbankinggroup.com](http://lloydsbankinggroup.com)

# Shareholder information

## Annual General Meeting (AGM)

**Date** Thursday 21 May 2020

**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 21 May 2020 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 2019
- **Annual Review** for the year ending 2019

## Dividend

Key dates for the payment of the dividend are:

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**16 April 2020** Ex-dividend date

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**17 April 2020** Record date

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**4 May 2020** Deadline for joining or leaving the DRIP

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**21 May 2020** Shareholder vote on dividend resolution at the AGM

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**27 May 2020** Dividend paid subject to shareholder approval

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## 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

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**  
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+44 121 415 7066  
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