



HELPING BRITAIN RECOVER

Performance Summary 2020



Coronavirus has had a profound impact on our lives and the economy but the Group has delivered a resilient performance with continued strategic progress.

António Horta-Osório
Group Chief Executive

Dear Shareholder

The impact of the coronavirus pandemic on the people, businesses and communities in the UK and around the world in 2020 has been profound. Many countries, including the UK, have seen unprecedented levels of economic contraction as a result of lockdown measures, as well as comprehensive and co-ordinated Government support measures. In this environment, we remain absolutely focused on working with all of our stakeholders to support our customers and ensure a sustainable recovery.

The Group's successful ongoing transformation, continued investment and growing franchise strength positioned us well to face the pandemic. In response to the challenging economic environment, we provided around 1.3 million payment holidays on mortgages, loans, credit cards and motor finance products while we also set up dedicated phone lines for customers over 70 years old and for customers who are working on the frontline in the NHS. We are also providing significant support for our business clients, providing more than £31 billion of gross lending to small and medium sized businesses, including Government-backed lending. Within Insurance and Wealth, we have supported the NHS by providing free additional insurance cover to its workers and by alleviating pressure on GPs with a reduction in medical evidence required for insurance claims.

Given our clear UK focus, the Group's financial performance is inextricably linked to the health of the UK economy and the impact of the coronavirus pandemic. Significant uncertainties remain relating to the pandemic, the third national lockdown and the speed and efficacy of the vaccination programme. Nonetheless, the Group's purpose, unique business model, competitive advantages and ambitious strategic evolution will ensure that it will be able to Help Britain Recover from the crisis whilst delivering long-term sustainable returns for our shareholders.

Financial performance

Despite the significant impairment charge taken in the year, predominantly in the first half, the Group has delivered statutory profit after tax of £1.4 billion. This was 54 per cent lower than 2019 and earnings per share of 1.2 pence were down 66 per cent. The impairment charge of £4.2 billion in 2020 (2019: £1.3 billion) primarily reflects the deterioration in the economic outlook. Trading surplus of £6.4 billion was down 27 per cent on 2019, reflecting continued revenue pressures partly offset by lower total costs. Our relentless focus on cost efficiencies has led to a 4 per cent reduction in operating costs despite absorbing additional coronavirus-related expenses during 2020.

The Group's capital position remains strong at the year-end. Given this, the Board has recommended a final ordinary dividend of 0.57 pence per share, the maximum allowed under the Prudential Regulation Authority's temporary framework on 2020 distributions.

Strategic Progress

The Group's previous three-year strategic plan was launched in February 2018 and we have now achieved our ambitious target of transforming the Group for success in a digital world by investing £2.8 billion across our four strategic pillars.

In 2020 we successfully built on our track record of improving customer propositions, even in the context of our focus on supporting our customers and ensuring operational resilience during the coronavirus crisis. As the largest digital bank in the UK, and now with over 17 million digitally-active customers, we have continued to enhance our digital propositions with a focus on convenience and control. We have accelerated the digitisation of the Group by progressively modernising and simplifying the IT architecture across 78 per cent of the Group's cost base, ahead of our GSR3 target of 70 per cent, while continuing to migrate applications to private cloud.

The coronavirus pandemic has significantly impacted our colleagues' personal and professional lives, accelerating the transition to new ways of working for the majority of the Group. Since March 2020, more than 50,000 colleagues, or over 70 per cent of our workforce, have worked remotely and we have increased our adoption of remote working tools to greatly increase collaboration and support more agile working practices.

2018 TO 2020 STRATEGIC HIGHLIGHTS

Leading customer experience

>17 million

digitally active customers

>12 million

mobile app users

67

digital net promoter score,
a year end record high

Digitising the Group

78%

of cost base covered by digitisation

>£4bn

cumulative technology spend
2018-2020

Maximising Group capabilities

>£6 billion

of net lending to start-ups, SMEs
and Mid Market customers

1.5 million

additional pension customers

>6 million

customers able to see their banking,
insurance and pension products in
one place through Single Customer
View functionality

Transforming ways of working

5.3 million

cumulative additional future skills
training hours delivered

65%

of change delivered by agile
methodologies

Strategic Review 2021

Today's environment continues to evolve and provide new challenges. The macroeconomic environment remains uncertain and we are witnessing increasing societal expectations, an accelerated shift to digital and new technology capabilities in the context of the pandemic driving a step change in ways of working.

Throughout 2020 we have worked on developing an evolution of our strategy to address these issues. Our significant progress in recent years has created the platform for Strategic Review 2021, the next stage of our journey. Building on our clear purpose of Helping Britain Prosper, our strategy for 2021 is focused on Helping Britain Recover and further transforming our capabilities to create the UK's preferred financial partner for personal customers and the best bank for business. Delivery of our customer-focused ambitions in these two main segments will be supported by transformed capabilities focused on modernised technology, integrated payments, creating a data-driven organisation and reimagined ways of working.

Helping Britain Prosper

We recognise that the focus of the Group's purpose must evolve in response to the current environment with changing societal and customer needs and expectations. Given our focus on the UK, we are dedicated to helping our customers, clients, colleagues and communities get through the coronavirus pandemic and rebuild livelihoods, whilst delivering long-term sustainable success for shareholders. Our core values underpin our purpose to Help Britain Prosper. With this in mind, our focus for the near-term will be to Help Britain Recover.

In 2021, we will Help Britain Recover by concentrating our efforts in five key areas, all of which are embedded in our business strategy:

- ➔ Help rebuild households' financial health and wellbeing
- ➔ Support businesses across the UK to recover, adapt and grow
- ➔ Expand availability of affordable and quality homes
- ➔ Accelerate the transition to a low carbon economy
- ➔ Build an inclusive society and organisation

The Group is committed to helping the transition to a sustainable low carbon economy and aims to more than halve the emissions it finances by 2030, on the path to net zero by 2050 or sooner.

To help address social disadvantage across Britain in 2020, the Group's four independent charitable Foundations received £25.5 million of funding, enabling them to continue their work supporting nearly 2,800 charities to tackle vital issues such as domestic abuse, mental health, modern slavery and human trafficking, and employability. The Group has committed to maintain its £25.5 million funding to the Foundations in 2021.

Management Change

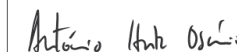
It is with mixed emotions that I will step down as Group Chief Executive at the end of April. It has been a great honour to work alongside all of my colleagues and achieve the remarkable transformation of the past ten years, but now is the right time to move on, following my announcement last July.

Charlie Nunn will be the next Group Chief Executive. He was previously the Global Chief Executive of Wealth and Personal Banking at HSBC and has had a long and successful career in financial services. Charlie will find a warm welcome at Lloyds Banking Group and a deep commitment from all of our people to deliver on our purpose and to Help Britain Recover. I am sure that he will find his time here as fulfilling and fascinating as I have done and I wish him the very best.

Outlook

Although the economic outlook remains uncertain, the Group's unique business model, significant competitive advantages and customer-focused strategy mean it faces the future with confidence. These benefits, combined with our clear purpose and the evolution of our strategy announced within Strategic Review 2021 will ensure that the Group is able to Help Britain Recover and also help transition to a sustainable economy whilst delivering long-term sustainable returns for shareholders.

I would like to express my thanks to you, as shareholders, for your continued support and to all of my colleagues, without whom the Group's customer focus, resilient financial performance and significant strategic transformation, achieved in very challenging circumstances, would not have been possible.



António Horta-Osório
Group Chief Executive

Supporting our stakeholders during the COVID crisis

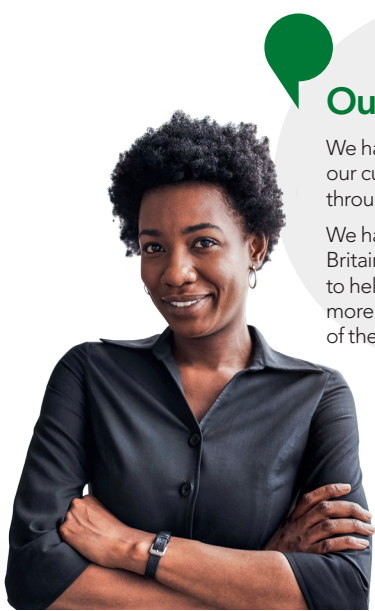
The public health crisis caused by coronavirus has affected all of us and the society in which we live. Our priority is to help the UK recover in an effective, inclusive and sustainable way.

We're giving **our customers** the flexibility they need to manage their finances, while helping protect them from fraud.

We're working with the Government to provide loans and working capital support for the **businesses of Britain**, at the same time as providing the sector-by-sector expertise needed to help them adapt for success.

We're keeping **our colleagues** as safe as we can while they provide essential services to people across the UK. And we're working with **the Government** to get practical help to those who need it most, in **communities** across all the regions of the UK.

For over 320 years, with our unique family of brands, we have supported Britain through the good times and the bad and this time is no different. In 2021, we will continue to do all we can to Help Britain Recover, as this is in the best interests of all our stakeholders.



Our Group

We have and will continue to support our customers and colleagues to get through these extraordinary times.

We have an important role to play in Britain's recovery, working with others to help build an inclusive, greener and more resilient economy for the whole of the UK.



Supporting communities

The effects of coronavirus will remain for some time to come; that's why we're providing extra practical and emotional support for the most vulnerable in society.

Through a range of new and existing partnerships we are providing extra capacity in friendship services, mental health programmes and digital skills training. We have also provided **£25.5 million to our charitable Foundations** in 2020 and have guaranteed the same funding for 2021, to keep those who are most isolated connected and give people support when they need it most.



Supporting businesses

As a result of the lockdowns, businesses are facing challenges like never before. Many have been forced to close and furlough their staff, while others have had to adapt to external changes. Whatever situation our business customers have faced, we've stood by their side.

We have supported them to obtain more than **£12 billion** in finance through the Government-backed lending schemes, helped them to manage their cash flow by granting around **34,000 repayment holidays** and helped their working capital by agreeing around **22,000 fee-free overdrafts** to businesses.

We are doing our best to help and advise British businesses of all sizes so that as lockdown eases they can adapt their business models to re-open safely and profitably.



Supporting customers

Many people continue to feel the impact of the past year on their personal finances. We have approved around **1.3 million payment holidays** for customers who have mortgages, personal loans, credit cards and car finance with us since the start of the outbreak, and are helping our customers to replan their finances.

Our dedicated telephone services, with extended opening hours for the over 70s and NHS workers, have taken around **880,000 calls** since the end of March, allowing us to prioritise support for these customers and their urgent needs. We've also proactively made over **750,000 calls** to check on the wellbeing of our vulnerable customers. These services will continue.



Supporting our colleagues

We're taking every precaution to protect our colleagues. More than **50,000 colleagues worked from home** for most of 2020, up from 15,000 before the pandemic, and this will continue, until at least Summer 2021.

Where our colleagues are providing an essential service for the UK, such as in our call centres and branches, we are following social distancing rules, to keep both our colleagues and customers safe.

Our next chapter: Building the UK's preferred financial partner

Helping Britain Recover

We recognise that the focus of the Group's purpose must evolve in response to the current environment and changing customer needs and expectations.

With evolution of our strategy, we will further embed our purpose across all of our activities. This will ensure we contribute to creating an environmentally sustainable and inclusive future for the UK and by doing so build a successful and sustainable business.

The global pandemic will have lasting social and economic effects on the United Kingdom. Its impact has been felt by everyone, whether through financial hardship, reduced choices, mental distress or personal loss.

Our focus will therefore be to Help Britain Recover, and we are committed to working with others in these five areas where we can make the most difference.

- Help rebuild households' financial health and wellbeing
- Support businesses to recover, adapt and grow
- Expand availability of affordable and quality homes
- Accelerate the transition to a low carbon economy
- Build an inclusive society and organisation

Helping Britain Recover

Enhancing our Capabilities

Britain's Preferred Financial Partner

Britain's preferred financial partner

Preferred financial partner for personal customers

The COVID-19 pandemic has accelerated a number of pre-existing shifts in customer behaviours and preferences, while also starkly demonstrating financial vulnerabilities affecting customers of all ages across the UK. As the UK's largest financial services provider, we have a unique opportunity to meet more of our customers' broader financial needs and improve their overall resilience throughout their lifetime, with personalised and value-adding products and services that are relevant to them.

Best bank for business

We are committed to remaining by the side of British businesses of all sizes, with market-leading propositions that are relevant to their very specific and evolving needs. As we emerge from the COVID-19 pandemic we will need to continue supporting our clients, not only with their immediate financial needs, but with a focus on helping them adapt, grow and thrive as we transition to a low carbon economy.

Enhancing our capabilities

Modernised technology architecture

In order to remain relevant to our customers and retain our cost leadership position in an increasingly competitive operating environment, we will need to continue modernising our technology architecture. Through this, we aim to deliver a further step change in agility and responsiveness to customer trends, while also supporting our broader strategic priorities around enhanced data insights, improved customer experience and operational resilience and efficiency.

Integrated payments

In recent years digital payments have grown significantly, fuelled by the rapid rise in online shopping and e-commerce, as well as increased demand for speed, convenience, security and choice. Looking ahead, these trends are expected to continue, with the ability to offer a leading payments proposition vital in capturing this significant growth opportunity in the face of increased competitive disruption.

Data-driven organisation

As the UK's largest financial services provider, processing approximately 14 billion customer transactions and interactions in 2020 alone, we have access to a wealth of customer data. In an increasingly competitive market, it is vital that we are able to appropriately use this data to create insights that deliver better customer outcomes and strengthen our own risk management processes.

Reimagined ways of working

Our people are crucial to the success of the Group and to delivering our purpose. To retain this source of competitive advantage, we must evolve our colleague proposition to reflect new working patterns and colleague expectations post-COVID, while also delivering a sustainable workspace that supports increased collaboration and innovation. We must also invest in developing skills of the future, all underpinned by a purpose-driven and inclusive culture.

Shareholder information

Annual General Meeting (AGM)

The health and wellbeing of the Group's shareholders, customers and employees are of paramount importance to the Group and the Board is constantly reviewing the impacts of the COVID-19 pandemic. The Board is considering the format of this year's AGM to make sure that shareholders have the opportunity to engage suitably with the Board. Details will be set out in the Notice of AGM, which will be published towards the end of March and will be available on our website at www.lloydsbankinggroup.com

Online availability

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

- Annual Report and Accounts for the year ending 2020
- Annual Review for the year ending 2020

Dividend

Key dates for the payment of the dividend are:

| | |
|-------------|-------------------------|
| 24 Feb 2021 | Announcement |
| 15 Apr 2021 | Ex-dividend |
| 16 Apr 2021 | Record date |
| 4 May 2021 | Last date for elections |
| 25 May 2021 | Payment date |



Company website
www.lloydsbankinggroup.com
Shareview
help.shareview.co.uk
(from here you will be able to email your query securely)



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