



Helping Britain Prosper

Lloyds Banking Group
Performance Summary 2021



Continued business momentum with an opportunity to do more



We have a great opportunity to build a really purpose-driven bank, with long-term sustainability, that defines the future of what great financial services look like for our customers, colleagues and shareholders.

Charlie Nunn
Group Chief Executive

Dear Shareholder

2021 was a year of continued delivery for the Group, with successful strategic execution, ongoing investment and continued franchise growth, enabling the Group to succeed in its customer focused ambitions set out in the Strategic Review 2021. This resulted in a solid financial performance, with continued business momentum and balance sheet growth.

Given the Group's performance and strong capital position, the Board has recommended a final ordinary dividend of 1.33 pence per share, in line with our progressive and sustainable ordinary dividend policy and a share buyback of up to £2.0 billion, marking 2021 as a very strong year of capital return to shareholders.

Overview

During 2021 the Group focused on Helping Britain Recover, supporting customers and communities across the UK as they continued to deal with the pandemic. I am very proud of the positive impact that the Group was able to make. The dedication of colleagues and their ongoing support for customers, communities and businesses across the UK in these unique and challenging times is impressive. I would like to express my gratitude to all of our colleagues for their resilience, commitment and hard work throughout 2021.

Since joining the Group in August 2021, I have been impressed by the Group's purpose-driven culture, real customer focus, its commitment to sustainability and diversity, as well as its disciplined risk management. Building on the Group's strong foundations and distinct competitive strengths, we are today launching our new strategy to deliver for all of our stakeholders, as detailed below. I very much look forward to working with my colleagues across the Group to drive our purpose, our growth opportunities and build higher, more sustainable Group returns and capital generation.



Helping Britain Prosper

Our strategic vision
UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale

Drive revenue growth and diversification



Strengthen cost and capital efficiency



Maximise the potential of people, technology and data



Higher, more sustainable returns and capital generation



Group Chief Executive's review continued

Financial performance

In the context of continued business momentum and balance sheet growth, the Group has delivered a solid financial performance with statutory profit after tax of £5.9 billion, significantly higher than 2020. Increased profits benefitted from higher income and the net underlying impairment credit of £1.2 billion in 2021 (2020: underlying impairment charge of £4.2 billion), driven by improvements to the macroeconomic outlook for the UK, combined with robust observed credit performance. Underlying profit before impairment of £6.8 billion was up 6 per cent on 2020, with increased average interest-earning assets, a strengthened banking net interest margin and early signs of recovery in other income, alongside a reduction in operating lease depreciation.

Cost discipline was sustained, with operating costs of £7.6 billion, up 1 per cent compared to the prior year, including the impact of rebuilding variable pay in the context of stronger than expected financial performance. Remediation charges increased in the year to £1,300 million, with £775 million in the fourth quarter. The full year remediation charges relate to a number of pre-existing legacy issues and include a £790 million charge relating to HBOS Reading which reflects the Group's estimate of its full liability, albeit significant uncertainties remain. We continue to support the independent Foskett Panel re-review and Dame Linda Dobbs' independent review process as we work to bring this matter to a conclusion.

69pts

Our digital channels have continued to perform well, attaining record levels of customer satisfaction with an all-channel net promoter score of 69 for the year.

The Group has benefitted from continued balance sheet growth during the year. Loans and advances to customers were up £8.4 billion versus prior year at £448.6 billion, driven by strong net growth in the open mortgage book of £16.0 billion, the strongest in over a decade. Cards balances were down year-on-year but are showing signs of recovery with balances growing £0.5 billion in the second half.

These were offset by lower SME and Mid Corporate balances given clients' high levels of liquidity, as well as the continued reduction in the closed mortgage book. Customer deposits continued to increase during the year, with significant growth of £25.6 billion since the end of 2020, including significant growth in retail current accounts and relationship savings balances, with continued inflows to our trusted brands. Deposit balances are now up c.£65 billion since the end of 2019.

Strong progress made under Strategic Review 2021

The Group launched Strategic Review 2021 last February with a focus on Helping Britain Recover and further enhancing our core capabilities. We have invested c.£0.9 billion to support our strategic initiatives, enabling us to succeed in our Helping Britain Recover commitments and achieving significant progress on our 2021 customer focused commitments. Highlights include strengthening our digital offering and attaining record levels of customer satisfaction, with the all-channel net promoter score maintained at 69 for the year; supporting over 93,000 start-ups and small businesses¹, by providing our customers with online support, business advice and business banking accounts (target: 75,000); expanding the availability of affordable and quality homes by lending more than £16 billion to over 80,000 first-time buyers (target: £10 billion) and; expanding the funding available under the Group's discounted green finance initiatives from £3 billion to £5 billion.

A further priority outlined in Strategic Review 2021 was for the Group to meet more of its customers' broader financial needs. Good progress was made, with over £7 billion net new money in Insurance and Wealth open book Assets under Administration (AuA) over the period (£133 billion as at 31 December 2021). The Group also completed the acquisition of Embark early in 2022, contributing c.£37 billion of AuA on behalf of c.354,000 consumer clients. This acquisition is important as it provides a digital, mass market, direct-to-consumer proposition, complementing the Group's existing advice offerings via Schroders Personal Wealth and Cazenove Capital.

The Group completes Strategic Review 2021 in a strong position.

£5bn

Expanded the funding available under the Group's discounted green finance initiatives from £3 billion to £5 billion.

Our strategy

Building on our strong foundations, our purpose of Helping Britain Prosper forms the basis of our new strategy to profitably deliver for all of our stakeholders. Core to our purpose and strategy is our focus on building an inclusive society and supporting the transition to a low carbon economy. This is where we can make the biggest difference, whilst creating new avenues for our future growth. It is only by doing right by our customers, colleagues and communities that we can achieve higher, more sustainable returns for shareholders.

We have a clear strategic vision to be a UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale. We will look to deepen relationships with our existing customers, both consumers and businesses of all sizes, and meet more of their financial needs by making our great products more relevant to them and our channels simpler and more personalised to use.

This will set the Group on a higher growth trajectory with more diversified revenue streams while we retain our strong focus on cost and capital discipline. Enabled through maximising the potential of our dedicated people, technology and data capabilities, our strategy represents an exciting new chapter for Lloyds Banking Group.

I am confident that the Group's purpose, customer focus, unique business model and significant competitive strengths, embodied in our ambitious strategy will ensure the Group is able to deliver higher, more sustainable long-term returns and capital generation for our shareholders, whilst meeting the needs of broader stakeholders.

Outlook

The coronavirus pandemic continues to have a significant impact on the people, businesses and communities of the UK and around the world. As we look forward into 2022, we are seeing early recovery and the macroeconomic outlook is improving, supported by the successful vaccine roll out in the UK. Although the outlook remains uncertain, particularly with regards to new virus variants, as well as the impact of inflation on the economy and households, I am confident that the Group is well-placed to deliver increased returns whilst Helping Britain Prosper, as embodied in our new strategy. This is reflected in the new guidance.

2022 guidance

Reflecting confidence in the Group's business model and new strategy and based on our current macroeconomic assumptions, the Group now expects:

- Banking net interest margin above 260 basis points
- Operating costs of c.£8.8 billion on the new basis, with the increase from the 2021 equivalent (£8.3 billion) reflecting stable business-as-usual costs, incremental investment and new businesses
- Asset quality ratio to be c.20 basis points
- Return on tangible equity of c.10 per cent
- Risk-weighted assets at the end of 2022 to be c.£210 billion

2024 and 2026 guidance

Based on the Group's new strategy, reflecting focus on our growth potential, improved efficiency and realising the capabilities of our people, technology and data, the Group expects:

- Return on tangible equity in excess of 10 per cent by 2024 and in excess of 12 per cent by 2026, as the full benefits of our investment are realised
- Additional revenues of c.£0.7 billion by 2024 and more than double that of c.£1.5 billion by 2026
- Business-as-usual costs flat in 2024 versus 2021, while costs increase only to finance new investment, enabling a cost:income ratio of less than 50 per cent by 2026
- Asset quality ratio to be less than 30 basis points over 2022 to 2024
- Capital generation of around 150 basis points per annum over 2022 to 2024, improving to 175 to 200 basis points by 2026. We are committed to returning excess capital to shareholders and expect to pay down to our target capital ratio by 2024



Charlie Nunn

Group Chief Executive

¹ This figure comprises both for-profit enterprises and not-for-profit enterprises, such as charities. Not-for-profit enterprises comprise approximately 10 per cent of this figure.

A clear strategic vision

Helping Britain Prosper

Our strategic vision
 UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale

Building an inclusive society

Supporting the transition to a low carbon economy

...with a transformational plan...



Grow

Drive revenue growth and diversification



Focus

Strengthen cost and capital efficiency



Change

Maximise the potential of people, technology and data

...creating higher and more sustainable value

Higher, more sustainable returns and capital generation

>10% RoTE by 2024

c.£0.7bn additional revenues from strategic initiatives

c.£8.8bn operating costs, flat on 2022

c.150bps capital generation per annum

>12% RoTE by 2026

c.£1.5bn additional revenues from strategic initiatives

<50% cost:income ratio

175-200bps capital generation per annum



Delivering value for our stakeholders

For over 325 years, with our unique family of brands, we have supported Britain through the good times and the bad.

As the UK's largest retail and commercial financial services provider, and with a presence across the country, we have an important role to play in supporting the economy through lending, deposits, risk management and the efficient flow of funds, while working with others to help build an inclusive, greener and more resilient economy.

We have many different stakeholders to consider as we run the Group, and our two-way communication and partnership is vital to the success of our Group.

Find out more at
www.lloydsbankinggroup.com

Customers

We provide financial services to **26 million** customers in the UK, including personal loans, credit cards and car finance.

- Trusted with over £476 billion in customer deposits
- Provided more than £448 billion in lending
- Provided £307 billion mortgages to homebuyers
- More than £16 billion lent to 80,000 first-time buyers during 2021
- In 2021 we handled c.130,000 calls a month from customers who needed support with their current financial situation



Investors

The Group has the largest shareholder base in the UK, with around **2.3 million shareholders**, including most of our employees.

- Earnings per share of 7.5p
- Dividend per share 2.00p
- Buyback of £2 billion



Suppliers

We rely on around **2,600 partners** for important aspects of our operations and customer service provision.

- Procured goods and services worth £4.6 billion with 96 per cent of our supplier spend incorporated in the UK



Colleagues

Our **58,000 colleagues** are vital to the delivery of the Group's strategy and ambitions. They provide an essential service for customers, communities and businesses, in our call centres and branches. We ensure we create the right environment for our colleagues to deliver our aim to become the best bank for customers, colleagues and shareholders.

- 98.6 per cent of our colleagues are based in the UK
- Paid over £2.7 billion to employees
- Launched our Race Action Plan in 2020



Society and environment

We have a presence in nearly every community and our aim is to help these communities prosper.

- £46 million in community investment
- 1,700 digital devices and data provided to customers
- Planted two million trees across the UK in conjunction with the Woodland Trust since 2020



Business

We support British businesses and corporates of all sizes, enabling our customers to grow and transition to a low carbon economy, as well as providing ongoing support for those that have been affected by the pandemic.

- Helping over 193,000 small businesses grow their digital capability
- Develop appropriate recovery plans for our customers, supported by 1,100 business specialists in communities across Britain
- More than £6.9 billion of green and ESG-related finance delivered



Regulators & Government

We liaise with our regulators and other government authorities, including HMRC, regularly to ensure the business is aligned to the evolving regulatory framework. Lloyds Banking Group is one of the UK's largest tax payers.

- £3.7 billion of cash taxes paid to the UK government in 2021



Shareholder information



Our reporting

Our reporting is designed to facilitate better communication to a range of stakeholders. Our annual report provides disclosures relating to our strategic, financial, operational, environmental and social performance and provides detail on our new purpose-driven strategy. Supplementary information and disclosures are provided in the following documents, and referenced throughout the Annual Report and Accounts.



See our full reporting network suite at www.lloydsbankinggroup.com/investors



Annual Report and Accounts	
Annual Review	
ESG Report	
Climate Report	
Form 20-F	



Annual General Meeting (AGM)

The Board is considering the format of this year's AGM, which will be held at 11:00am on Thursday 12 May 2022 to ensure that shareholders have the opportunity to suitably engage with the Board. Details will be made available 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

Dividend

Key dates for the payment of the dividend are:

24 Feb 2022	Announcement
7 Apr 2022	Ex-dividend
8 Apr 2022	Record date
27 Apr 2022	Last date for elections
19 May 2022	Payment date



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
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