Helping Britain Prosper

Lloyds Banking Group
Annual Review 2022

LLOYDS BANKING GROUP

Our purpose is Helping Britain Prosper

We're creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

Discover how we're Helping Britain Prosper on **pages 4 to 7**

Our performance

Robust financial performance with continued business momentum and good strategic progress

£5.6bn
Statutory profit after tax down 6 per cent, with higher net income, more than offset by higher impairment charges

50.4%
Cost:income ratio remains strong

£3.6bn
Total capital return including an ordinary dividend of 2.40 pence per share, up 20 per cent and share buyback of up to £2 billion

75%
Employee engagement index increased, 6 points higher than the UK average

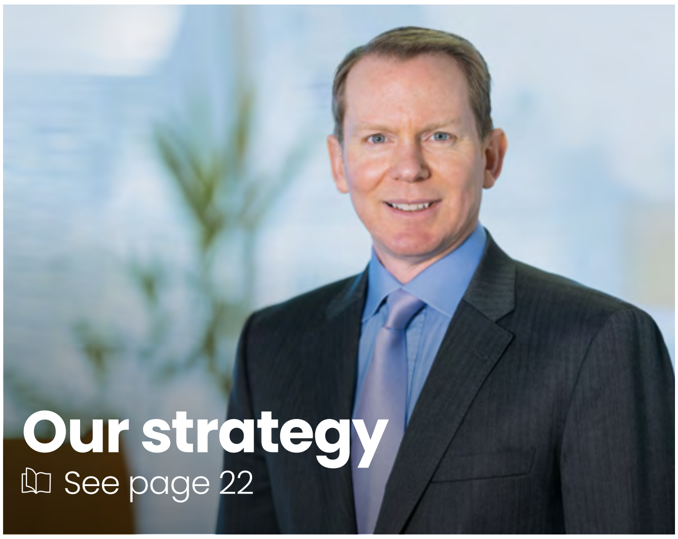
67.7pts
All-channel net promoter score remained strong

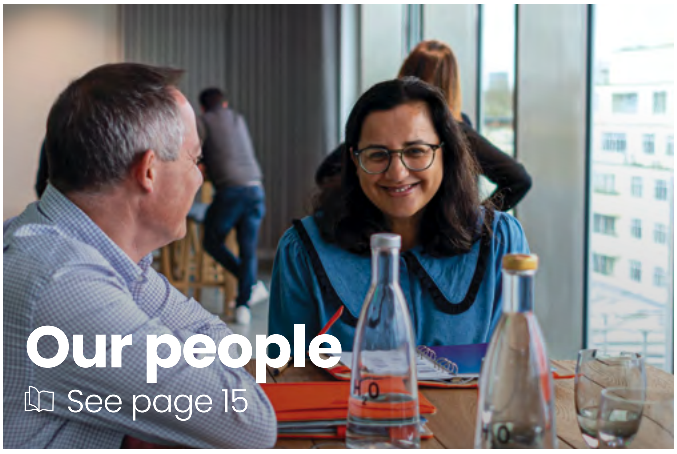
19.8m
Digitally active customers continued to increase as we remain the largest digital bank in the UK

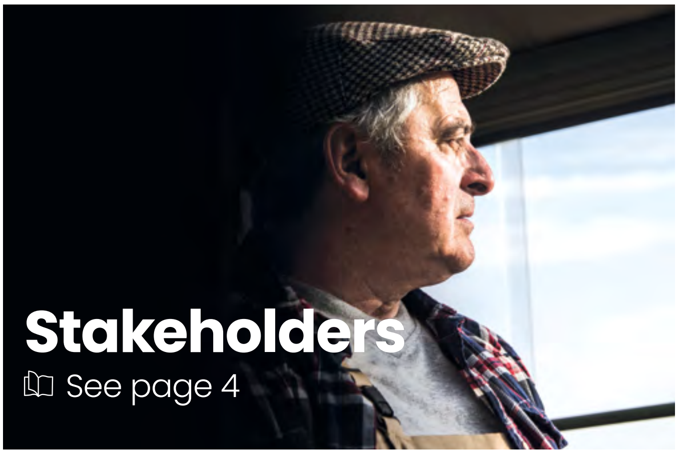
Alternative performance measures
To supplement our statutory results, we use a number of alternative performance measures. Unless otherwise stated, commentary within the strategic report is given on an underlying basis. Further information is set out on **page 67** of the annual report and accounts.

Inside this review

Contents







Our reporting

Our reporting is designed to facilitate better communication to a range of stakeholders.

Our annual report and accounts provides disclosures relating to our strategic, financial, operational, environmental and social performance and provides detail on our strategy.

It also contains forward-looking statements relating to the Group's future financial condition, performance, results, strategic initiatives and objectives. For further details, please refer to our forward-looking statements disclaimer on **page 54.**

Supplementary information and disclosures are provided in the following documents, and referenced throughout this report.

- Annual report and accounts
- Environmental sustainability report
- Social sustainability report
- Form 20-F
- Pillar 3 disclosures

To access more content on a mobile device, point your camera at the QR codes seen throughout this report.

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

This annual review incorporates the Strategic Report which forms part of the 2022 annual report and accounts along with certain consolidated financial information, some information about the Board of Directors, detail on remuneration as well as some general shareholder information.

On behalf of the Board

Robin Budenberg
Chair, Lloyds Banking Group
21 February 2023

Our unique business model

Our purpose is Helping Britain Prosper

We Help Britain Prosper by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

To deliver on our purpose, we have identified four focus areas where we are best placed to provide significant positive change, enabling us to create a more inclusive society and sustainable future:

- Creating a more inclusive future
- Improving access to quality housing
- Enabling regional development
- Greening the built environment

View our environmental sustainability report here.

View our social sustainability report here.

Our vision

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

We will achieve our vision through our purpose-driven strategic pillars:

Grow

Drive revenue growth and diversification

See **pages 24 to 27**

Focus

Strengthen cost and capital efficiency

See **pages 28 and 29**

Change

Maximise the potential of people, technology and data

See **pages 30 and 31**

Our values

guide how we work together and make decisions to deliver our strategy:

See **pages 84 and 85** of the annual report and accounts

People-first
We put people first to go further for customers

Bold
We're bold and take action

Inclusive
We're inclusive to value everyone

Sustainable
We champion sustainability to care for our planet

Trust
We trust each other to achieve more together

Our competitive advantages

We have a number of distinct competitive strengths that collectively differentiate our proposition.

Leading UK customer franchise with deep customer insight
Our scale and reach across the UK means that our franchise extends to 26 million customers with 19.8 million digitally active. Extensive customer data and analysis ensures we can meet the needs of these customers more effectively.

Dedicated colleagues with strong values
We have a highly engaged, customer-focused, diverse workforce with significant expertise and experience.

Operating at scale with cost discipline
Our scale and efficiency enable us to operate more effectively.

Differentiated business model
A unique customer proposition, serving all our customers' banking and insurance needs in one place through a comprehensive product range.

All-channel distribution focus with digital leadership and trusted brands
Operating through a range of distribution channels ensures our customers can interact with us when and how they want.

Financial strength and disciplined risk management
We have a strong capital position and continue to take a disciplined approach to risk, as reflected through the quality of our portfolio and underwriting criteria.

Our structure

We have three core divisions and, in line with our new strategy launched in 2022, we have restructured our business to optimise synergies and efficiencies to best serve our customers' needs.

See Group structure and ring-fencing arrangements **page 86** of the annual report and accounts

Lloyds Banking Group plc

- **Retail**
  - **Consumer lending**
    - Mortgages
    - Credit cards
    - Personal loans
    - Motor finance
  - **Consumer relationships**
    - Current accounts
    - Savings accounts
    - Mass affluent proposition
- **Insurance, Pensions and Investments**
  - **Insurance, pensions and investments**
    - Home, motor and protection insurance
    - Pensions
    - Investments
- **Commercial Banking**
  - **Small and medium businesses**
    - Business loans
    - Transactional banking
    - Working capital
  - **Corporate and institutional banking**
    - Lending
    - Risk management
    - Liquidity
    - Debt capital markets

Our trusted brands

Our products and services are made available to our customers through our trusted brands, which enables us to address the needs of different customer segments more effectively.

LLOYDS BANK · HALIFAX · BANK OF SCOTLAND · SCOTTISH WIDOWS · mbna · Schroders personalwealth · Citra · LEX AUTOLEASE · blackhorse · BM BIRMINGHAM MIDSHIRES · AMC · LDC · IWEB · embark group · cavendish online

Our external drivers, risks and opportunities

We've built our business and strategy to manage the fluctuations in our external environment and to adapt to ever-changing stakeholder needs. This helps ensure the Group remains sustainable over the longer term and is able to manage risks and opportunities as they emerge.

See risk overview **pages 38 to 43**

We regularly review the associated risk implications to ensure the right choices are being made for customers, colleagues and the Group. As a large, UK-focused financial services provider our business model is influenced by a number of external factors:

- **Customers**
- **Economy**
- **Technology and data**
- **Society and environment**
- **Competitor**
- **Regulation**

See external environment **pages 16 to 21**

Delivering value for all our stakeholders

How we're Helping Britain Prosper

For over 325 years we have supported Britain through the good times and the bad. Today is no different.

During 2022, we have continued to work hard to Help Britain Prosper. This is in the best interests of all our stakeholders.

We provide financial services to 26 million customers in the UK

We're helping our millions of customers – individuals, families and businesses – to spend, save, borrow and invest.

We support our customers in many ways. Given the increasing impact of cost of living on our customers, in July 2022 we launched our cost of living hub across our mobile banking apps and websites. Through the hub customers can get access to free and independent advice with support to help them manage their finances. Since the launch of the app, we've seen over 875,000 customers visit the hub.

How we're supporting customers through the cost of living crisis.

We have the largest shareholder base in the UK

Given the Group's performance and strong capital position, the Board has recommended a total ordinary dividend of 2.40 pence per share. This represents an increase of 20 per cent on 2021, in line with our progressive and sustainable ordinary dividend policy.

We have also announced a further share buyback of up to £2 billion, marking 2022 as a very strong year of capital return to shareholders.

2.3m
shareholders, including most of our employees

£3.6bn
returned to shareholders for 2022

We are listening to and supporting over 63,000 colleagues

We have been engaging with colleagues in shaping our journey and co-creating our new Group values to make sure that every colleague is motivated and excited by the role they can play in Helping Britain Prosper.

We have also been conscious of the impact that the increased cost of living has continued to have on our colleagues. In August 2022, the Group gave the vast majority of colleagues a £1,000 one-off payment to help with the rising cost of bills.

In addition, we made significant changes to our reward approach which reflect our continued desire to support our colleagues, particularly those that are lower paid, during these extraordinary times and over the longer term. The 2023 pay award has a cash value typically in the range of 8 per cent to 13 per cent for our lowest paid colleagues.

We've lent c£35 billion to businesses and proactively offered support

We've proactively contacted more than 550,000 businesses to offer support and through our financial wellbeing tools, we're monitoring those clients who may be at risk of falling into financial difficulty.

We have been working with these clients to offer bespoke support such as temporary payment plans and 30-day holds which can stop interest or product fees continuing to build.

How we're supporting British businesses, from entrepreneurs to SMEs.

Helping UK society with ongoing financial education and support

We continue to offer help to children and young adults across the UK to better understand the value of money and manage their finances day-to-day as they transition to financial independence. Our activity is primarily delivered face-to-face by colleague volunteers in classrooms, but we also have a range of resources that are available for download via the Lloyds Bank Academy site.

In addition, we donated £22.4 million to our four Foundations which cover England and Wales, Scotland, Northern Ireland and the Channel Islands. They provide an invaluable contribution by partnering with hundreds of small and local charities in their area. The Foundations provide funding and other forms of support to help people overcome complex social issues such as mental health, domestic abuse, addiction and homelessness.

Working with charities and community groups across the UK is a key part of our purpose of Helping Britain Prosper.

>£22m

donated to our Foundations in 2022, taking our total donations to over £110 million since 2018

Read more on our commitment to reduce our supply chain emissions.

Working to reduce the carbon footprint in our supply chain

Our suppliers and supply chains are integral to how we fulfil our customers' needs. We rely on around 2,600 suppliers for important aspects of our operations and customer service provision.

Recognising the emissions we generate through the purchase of goods and services and working collaboratively with our suppliers to reduce the Group's supply chain emissions are integral to our net zero strategy.

In October 2022, we announced our ambition to achieve a 50 per cent reduction in the carbon emissions we generate through our supply chain by 2030 on the path to net zero by 2050 or sooner.

Why our approach to tax matters to us and our stakeholders.

£3.9 billion of cash taxes paid to the UK Government

We regularly engage in open discussion with our regulators and other government authorities (including HMRC) to ensure the Group operates in line with current and developing legislation.

Lloyds Banking Group is proud to be one of the UK's largest tax payers, helping finance public services.

We are becoming truly purpose driven

Robin Budenberg
Chair

Overview

During 2022 the Group has continued to make significant progress, effectively supporting our customers through what are clearly uncertain and challenging times, whilst launching a more purpose-driven strategy, accelerating our investment in the business and establishing a culture to support long-term sustainable success.

We are acutely aware that the current environment, and the increased cost of living in particular, is a challenge for many of our customers, colleagues and society more widely. We remain committed to supporting our customers and colleagues proactively and I am immensely proud of the role this organisation plays in Helping Britain Prosper.

Against this backdrop, the Group has continued to deliver good business momentum and robust financial performance, enabling support for our customers, the investment required for our strategy as well as a further increase to the ordinary dividend and excess capital return.

Our purpose and strategy

We are clear that our purpose as a Group is to Help Britain Prosper. This means not only providing outstanding service to our customers, but also responding to the UK's social, environmental and economic issues which we believe we are well placed to address. We are enormously proud of this role which includes helping build a more inclusive society and supporting the UK's transition to a low carbon economy.

In February 2022, we announced an ambitious strategy to transform our business in pursuit of this purpose to generate a stronger growth trajectory and to deliver higher, more sustainable returns. While the world has changed significantly since that time, our strategic focus remains clear and disciplined and we have made good initial progress with a new organisational structure and leadership team in place, a new operating model for change implemented, and increased investment particularly in our technology capabilities.

We want to be a leader in accelerating the UK's transition to a low carbon economy and have continued to expand our targets and plans to deliver our net zero ambitions in our own operations, supply chain and financed emissions. With our full year results, we have published our second dedicated environmental sustainability report which also includes our first Group climate transition plan. We also continue to implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

We are committed to Helping Britain Prosper by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good. Further detail on our strategy can be found on **pages 22 to 31**.

Our culture

The Board and senior management have a vital role to play in shaping and embedding the right corporate culture in order to progress our purpose and implement our strategy. Our new Group values will guide behaviour but also the way we make decisions, from small everyday choices to big strategic decisions. Further detail on our new Group values can be found on **pages 84 and 85** of the annual report and accounts.

Directors

We review the Board's composition and diversity regularly and are committed to ensuring we have the right balance of skills and experience within the Board. Aligned to this I am pleased to say we meet the Parker Review recommendations, and that we are aiming to meet all recommendations set out by the FTSE Women Leaders Review. The Board supports the focus on improving gender diversity and will give due consideration to this with future appointments. During 2022, there have been a number of changes to the Board and further detail can be found in our governance report on **page 72** of the annual report and accounts.

Remuneration

During the year the Remuneration Committee has carefully considered how best to support our colleagues in the current challenging economic conditions, recognising the support and dedication of our staff and that the increase in living costs is impacting our lowest paid colleagues the most.

To help with increasing household costs, the Group was one of the first large UK companies to make a one-off payment (£1,000) to our colleagues (except senior leaders) in August. This amounted to a total value of £67 million. In addition, we have now agreed a pay package for our staff for 2023 which was approved by both our recognised unions by votes of their members. This was again focused on our more junior staff with an 8 per cent to 13 per cent increase for our 43,000 lowest paid colleagues (equivalent to a c.6.3 per cent increase on the overall pay bill).

The Group is also looking to implement a new remuneration policy this year to align executive remuneration more closely with our longer-term strategic objectives. This will include a return to a long term incentive plan aimed at ensuring executive remuneration is more closely aligned with our shareholder interests.

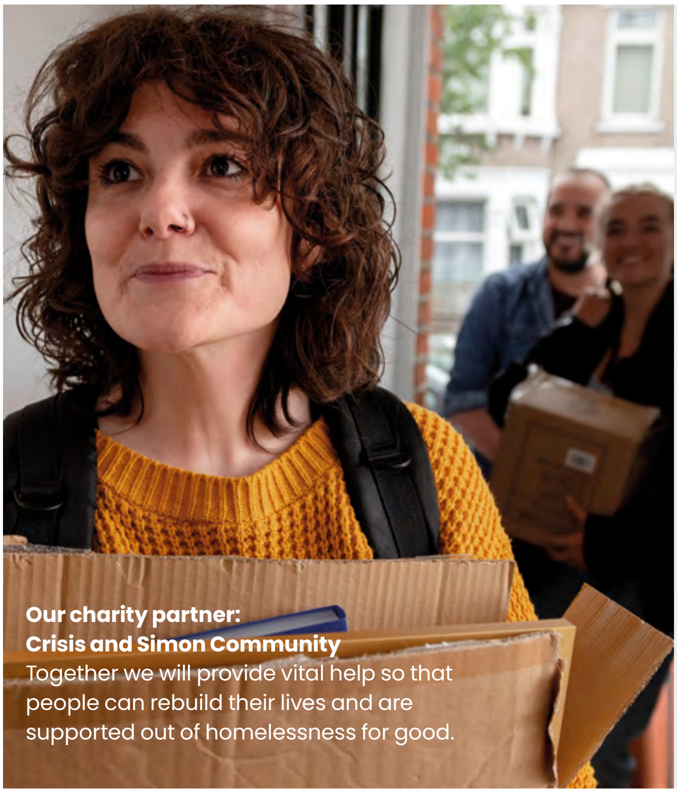
Summary

Looking ahead we know that the current outlook is uncertain and, as with the pandemic, the current challenges around cost of living will be another crucial test for the banking sector and its ability to support and to protect its customers. I remain confident that Lloyds Banking Group will support our customers and make sure that those who are most at risk of getting into financial difficulty have access to the help that they need.

I also remain confident that our strategy and commitment to become a truly purpose-driven business will enhance the long-term future of the Group and benefit all our stakeholders. We will continue to ensure that the Group is at the heart of the UK recovery and of Helping Britain Prosper.

Robin Budenberg

Robin Budenberg
Chair



Our charity partner:
Crisis and Simon Community
Together we will provide vital help so that people can rebuild their lives and are supported out of homelessness for good.

Back in 2016, our colleagues chose Mental Health UK as the Group's official charity partner. Initially, the partnership was meant to be for two years, with the aim for Lloyds Banking Group to raise £4 million to help Mental Health UK set up a service to support people experiencing mental health and money problems. Six years and £16 million later, the partnership has revolutionised mental health support and understanding.

For 2023 and 2024, our colleagues voted for our new charity partner to be Crisis (working alongside Simon Community in Northern Ireland). By bringing our organisations together we aim to create the perfect partnership for a housing-led solution to end homelessness. We will help by increasing access to affordable housing, supporting more people to rebuild their lives and become more financially secure and equip the nation with the solutions to prevent homelessness.

>220k

families and individuals across the UK are facing homelessness

Governance in action (section 172(1) statement)

Overview

Given the scale of the Group, significant stakeholder engagement takes place at all levels within the organisation. Managing stakeholder interests is an important focus for the Board, and forms a key part of the Board's delegation of the day-to-day management of the business to the Executive.

In addition to the direct engagement of Board members with stakeholders discussed on **pages 82 and 83** of the annual report and accounts, the Board requires stakeholder implications to be considered within all proposals submitted to it from across the organisation. Stakeholder interests are identified by the Executive in proposals, both within the papers and as part of the accompanying presentations.

Through their regular business updates, and in their other interactions with the Board both in and outside of the board room, the Executive routinely provide the Board with details of stakeholder interaction and feedback from across the wider Group.

Throughout 2022 the Board's key stakeholders remained the same as they were in 2021:

Stakeholder key:

Customers and clients	**Society and environment**
Shareholders	**Suppliers**
Colleagues	**Regulators and government**

Section 172(1) Statement

In accordance with the Companies Act 2006 (the Act), the directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act when performing their duty to promote the success of the Company under section 172. Further detail on key stakeholder interaction is also contained within the directors' report on **pages 72 to 137**.

The directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of the Group maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of the views of, key stakeholders.

Key discussions and decisions

Strategy

See more on **pages 22 to 31**

The Group announced in February 2022 its ambitious new strategy. While the external environment has changed significantly since then, our strategy remains the right one given its continued focus on customers whilst delivering growth and diversification. The Board ensures that the necessary resources are in place for the Group to meet its objectives and measure performance against them, and the focus of the Board on supporting the implementation of the strategy remains strong.

Given the fundamental importance of the Group's delivery of its strategy, the Board considered aspects of implementation of the strategy including opportunities and risks to delivery at its scheduled meetings in 2022.

Additionally, the Board held dedicated sessions in June and November where progress against the strategy was a primary focus. In June this included discussion of developments in key business areas, the Group's progress on its path to net zero, and updates on initiatives supporting the implementation of the strategy, including the mobilisation of the Group's new platform-based operating model.

The Board provided valuable feedback to the executive leadership team, which was considered and acted upon, with further updates provided at Board meetings later in the year and at the dedicated session in November.

At its November session, the Board also considered the impacts on the Group's strategy of the changing economic environment, changes in the skills the Group will need as its strategy develops, the importance of purpose in delivering on agreed strategic ambitions and how the Group delivers sustainable long term success.

Stakeholder interest was at the forefront in all these discussions. This was drawn out by the Executive, including how the implementation and development of the Group's strategy is impacting both customers and colleagues, with the Board reflecting on feedback received from stakeholders on the Group's progress in implementing the strategy.

c£0.9bn

in-year incremental strategic investment

Key discussions and decisions

Culture, values and purpose

See more on **pages 84 and 85** of the annual report and accounts

The Board continues to recognise the importance of creating a purpose-driven culture led by values which drive the delivery of the right outcomes for the Group's stakeholders. The Board has to that end continued to oversee the activity commenced in 2021 to deliver transformation in this area.

The Board considered early in the year the importance of the Group's values as a driver of wider cultural change, and in that regard agreed proposals for re-defining these values and for providing fuller alignment between the Group's values and its purpose, recognising that both of these are key drivers of our cultural change.

The Board encouraged feedback to be sought from colleagues on the values proposed, and following this feedback approved a Group wide re-launch and programme of colleague engagement.

The purpose remains Helping Britain Prosper and the new five values are People-first, Bold, Inclusive, Sustainable and Trust.

The Board then considered progress in the embedding of our purpose and the re-defined values. This included how the Group's culture plan would deliver on the ambitions which had been set, how the Group would know that progress was being made, and the areas and actions which would take particular focus during the course of the year, while also ensuring that simplicity could be maintained in the overall approach.

Later in the year the Board endorsed a new framework to enable the delivery of further cultural change, including new initiatives such as the Grow with Purpose leadership development programme. The Board will continue to review progress in this area in the year to come.

> **With colleague support, we are building a culture in which everyone feels included, empowered and inspired to do the right thing for all our stakeholders.**
>
> **Robin Budenberg**
> Chair

Climate and net zero

See more on **pages 36 and 37**

The Board has overall oversight of environmental, social and governance matters, with sustainability an integral element of the Group's strategy and embedded in business objectives.

The Board maintains its commitment to, and acknowledges the importance of, the ambitious climate change goals set in 2020, including reducing the emissions the Group finances by more than 50 per cent by 2030, and achieving net zero by 2050 or sooner.

The Board has devoted considerable time to reviewing the Group's progress against these objectives, and during the year oversaw a number of additional commitments to further drive the Group's progress to deliver on our climate ambitions. Key for 2022 was the release of our net zero activity update that included sector-specific emission reduction targets for seven Net-Zero Banking Alliance sectors. In our environmental sustainability report for 2022 we have also published the Group's first climate transition plan, complementing the existing Scottish Widows climate action plan released in the first part of 2022.

In October, the Board approved new sector targets for four high emitting sectors, including UK residential mortgages, automotive original equipment manufacturers and aviation, along with an update to power.

These combine with our existing sector targets for thermal coal, oil and gas, and retail motor, with our seven targets now covering some of the UK's hardest to abate and most material sectors.

As part of the process of determining and setting these sector targets, the Board reviewed and challenged key strategic levers, dependencies, risks and opportunities at its offsite meeting in June, acknowledging the unique factors at play within the individual sectors.

Alongside sector targets, we released our new supply chain ambition to reduce the emissions from our suppliers by 50 per cent by 2030 on the path to net zero by 2050 or sooner, complementing our existing financed emissions and own operations emissions reduction ambitions. The Board also approved via its Responsible Business Committee enhancements to our external sector statement for oil and gas.

Progress against all of these initiatives continues to be closely monitored by the Board. As the Group's climate ambitions and related stakeholder interests have been a key consideration for the Board during the course of the year, further information on our progress in meeting climate ambitions and our first Group transition plan can be found in our supplementary environmental sustainability report ↗

>50%

reducing emissions from our suppliers by 50 per cent by 2030, on the path to net zero

Group Chief Executive's review

Continued business momentum with an opportunity to do more

> The Group delivered a robust financial performance with increased capital returns, whilst continuing to Help Britain Prosper.

Charlie Nunn
Group Chief Executive

Overview

Throughout 2022, we have continued to deliver on our purpose of Helping Britain Prosper, core to everything we do, whilst creating a more sustainable and inclusive future for people and businesses. Last year we announced our ambitious new strategy with the aim of growing our business and deepening relationships with our customers, meeting more of their financial needs. While the operating environment has changed significantly since then, our purpose-driven strategy is more relevant now than ever before. Based on significant strategic action we have made a good start and are seeing early evidence of delivery. We believe our strategy will create higher more sustainable returns, as reflected in our enhanced guidance and are excited about the opportunities ahead.

During the year, the Group delivered a robust financial performance with continued income growth supported by higher interest rates and solid business volumes. Costs were in line with expectations despite ongoing inflationary pressures. As a result of the Group's performance and strong pro forma capital generation of 245 basis points in the year, the Board has recommended a final ordinary dividend of 1.60 pence per share, resulting in a total dividend for the year of 2.40 pence, an increase of 20 per cent on prior year and in line with our progressive and sustainable ordinary dividend policy. In addition, the Group has announced a share buyback programme of up to £2 billion, resulting in total capital returns of up to £3.6 billion, equivalent to more than 10 per cent of the Group's market capitalisation value.

We know that the current environment continues to be challenging for many people and have mobilised the organisation to further support our customers. We are committed to maintaining support for our customers, clients and colleagues in the current environment and have invested in deep capabilities to facilitate this. This includes training more than 4,600 colleagues to provide financial assistance to individuals and businesses, build financial resilience to face cost of living challenges and support customers with tailored products if needed. We also saw over 5 million registrations for our Your Credit Score tool, leveraging our digital strengths to help customers take greater control of their own finances. For our colleagues, we provided additional payments in August and December 2022 and designed a new pay deal for 2023, focused on our lower paid colleagues, to provide greater protection and certainty.

Robust financial performance with ongoing strength in our customer franchise

In 2022, we delivered a robust financial performance, with statutory profit before tax of £6.9 billion. Underlying profit before impairment of £9.0 billion was up 46 per cent on 2021, including net income of £18.0 billion, driven by increased average interest-earning assets, a strengthened banking net interest margin, continued recovery in other income and lower operating lease depreciation. Cost discipline was sustained, with operating costs of £8.8 billion, up 6 per cent and in line with guidance, reflecting stable business-as-usual costs and higher planned strategic investment and new businesses. We saw strong observed asset quality with sustained low levels of new to arrears and very modest deterioration in observed credit metrics. Underlying asset quality remains strong, despite the weaker macroeconomic environment.

The Group also benefitted from continued balance sheet growth during the year. Loans and advances to customers were up £6.3 billion at £454.9 billion. This included continued growth of £6.3 billion in the open mortgage book (£1.2 billion of which was in the fourth quarter) alongside higher retail unsecured loan and credit card balances. Commercial Banking balances increased by £1.2 billion during the year due to attractive growth opportunities in the Corporate and Institutional Banking portfolio, partly offset by repayments of government-backed lending. The Group also saw growth in its open book investments, with over £8 billion net new money in the period, despite difficult market conditions. Customer deposits decreased by £1.0 billion from the end of 2021 to £475.3 billion, with Retail deposits up £2.4 billion in the period, including current account balances up £2.5 billion, more than offset by reductions in Commercial Banking deposits. Group deposits are up c.£65 billion since the end of 2019.

Significant progress on serving all stakeholders, with a good start to our new strategy

We have a purpose-driven strategy. Core to this is our focus on building an inclusive society and supporting the transition to a low carbon economy, while creating new opportunities for our future growth. To build a more inclusive society we have supported £2.1 billion of funding to the social housing sector and lent £14.3 billion to first time buyers in the year. We have also helped around 185,000 small businesses boost their digital capability and technology adoption in the year. Importantly, we are also on track to reach our gender and ethnic diversity ambitions by 2025 supported by delivering a race education programme to our workforce in 2022.

How we're Helping Britain Prosper by supporting the UK's vital social housing sector

Throughout the UK, social housing is an integral part of the housing landscape with millions of people benefitting from stable and genuinely affordable homes.

That's why I am proud that the Group is the biggest supporter of social housing in the UK. Since 2018, we've supported around £15 billion of funding to the sector and we currently work with over 200 housing associations of all sizes.

Improving access to quality housing is central to building an inclusive society and Helping Britain Prosper.

Read more in our social sustainability report ↗

c£15bn

of funding supported to the social housing sector since 2018

Group Chief Executive's review continued

To support the transition to a low carbon economy we have funded over £13 billion of green and sustainable financing in 2022 and made around £12 billion of discretionary investments in climate-aware strategies through Scottish Widows. We have also created a new partnership with Octopus Energy to support in retrofitting the UK housing stock and launched our first Group climate transition plan which you can find in our environmental sustainability report.

Despite external developments and challenges, our strategy remains the right one. It is more important than ever to deliver against our purpose-driven outcomes that benefit all our stakeholders. We are responding to the economic environment by increasing support to customers and colleagues, whilst accelerating our efficiency actions to offset the significant inflationary pressures in the business. During 2022, the Group invested £0.9 billion of incremental strategic investment, delivering gross cost savings of £0.3 billion so far. We have extended our ambition for saving even further, increasing our 2024 gross cost savings target by an additional £0.2 billion.

Driving revenue growth and diversification
We have made good progress on building deeper customer relationships, as well as innovating and broadening our product offerings and improving the ease with which our customers can access them. We remain the UK's largest digital bank and have continued to invest in personalisation and digitisation, resulting in a 15 per cent increase in daily logons and growing our digitally active users by 8 per cent to 19.8 million. We have also expanded our presence in areas where we are under-represented. For example, we grew our protection market share by around 1 percentage point. In our new mass affluent business, we saw an increase in banking balances of over 5 per cent and launched new, tailored banking products, including packaged bank accounts and credit cards, as well as enhanced direct to consumer investments. We are building capability as we look to launch our differentiated, digital first model in earnest later this year. In February 2023, the Group announced the acquisition of Tusker, a vehicle management and leasing company focused on electric and low emissions vehicles. This will further develop the Group's Motor business in a way that is clearly aligned with the organisation's purpose and sustainability ambitions.

In SME, we continue to digitise and diversify our business, with positive early momentum demonstrated by a more than 20 per cent growth in new merchant services clients. We are also broadening our product capabilities with strategic fintech partnerships where appropriate. Alongside, our targeted Corporate and Institutional offering delivered c.£8 billion of green and sustainable financing, driven by purpose-driven growth with businesses transitioning to net zero. We are meeting more needs for existing clients and growing non-lending income, supported by investment in product capabilities. This is reflected in a c.20 per cent growth in our percentage share of wallet for foreign exchange trading.

Investing in enablers to improve delivery
Maintaining discipline with regards to cost and capital efficiency is critical to our strategy. To this end, increased customer engagement and continued investment in digital propositions enable us to optimise the cost-to-serve to customers by, for example, streamlining our branch network, whilst reducing our office footprint by c.12 per cent. We remain committed to identifying further efficiencies to minimise the net cost impact from inflationary pressures and create the necessary capacity for investment. With regards to capital efficiency, we have demonstrated RWA discipline during the year whilst pursuing growth in capital-lite and fee generating businesses.

In order to deliver our strategy, we are focused on maximising the potential of our people, technology and data, the key enablers. For our people, efforts in 2022 have focused on positioning the organisation for future success. We have established an experienced, new leadership team with significant capabilities in strategic and digital delivery, alongside a flatter executive structure aligned with our strategic priorities.

The strengthening of our senior leadership team is also delivering on our inclusion and diversity objectives. In addition, we restructured our business and technology teams to set up a new platform-based operating model that brings together expertise in cross cutting, multi-functional teams to now drive greater accountability and collaboration and help to effect more quickly and efficiently. Finally, we have continued to invest in the talent, skills and capabilities needed to deliver our long-term growth strategy with our approach extending to consideration of international in-sourcing opportunities and how we work with third parties.

We are investing in modernising our technology estate, improving resilience and operational agility. During 2022 we decommissioned 5 per cent of our legacy applications, in line with our target of a greater than 15 per cent reduction by the end of 2024. As part of our effort to grow the role of data in our business, we reduced our data centre estate by 10 per cent in 2022. We also successfully ingested the first significant tranche of data onto Google's public cloud platform and continue to target 20 per cent of our applications to be on public and private cloud in 2024. Our experience in 2022 has enhanced our conviction in the fundamental importance of our technology and data transformation programme for the long-term success of the Group.

Through our purpose-driven strategy we will continue to drive revenue growth and diversification across our main businesses, unlocking opportunities through our consumer and commercial franchises. This growth will in turn leverage the Group's cost and capital efficiency, building on our strong foundations. Critical to this is our intention to maximise the potential of our people, technology and data in supporting our ambitions.

Outlook

Although the macroeconomic outlook remains uncertain, our people, business model and financial strength ensure that we can continue to support our customers and Help Britain Prosper. Our purpose-driven strategy is more relevant now than ever before and our experience in the last year reinforces our belief that successful strategic delivery will create a more sustainable business and deliver increased shareholder returns in the medium to longer-term. Based on our current macroeconomic assumptions the Group expects:

2023 guidance

- Banking net interest margin to be greater than 305 basis points
- Operating costs to be c.£9.1 billion
- Asset quality ratio to be c.30 basis points
- Return on tangible equity to be c.13 per cent
- Capital generation to be c.175 basis points

2024 and 2026 guidance

- Operating costs now expected to be c.£9.2 billion in 2024, with a cost:income ratio of less than 50 per cent by 2026
- Asset quality ratio now expected to be c.30 basis points in 2024
- Return on tangible equity now expected to be c.13 per cent in 2024 and greater than 15 per cent by 2026
- Additional revenues from strategic initiatives of c.£0.7 billion by 2024 and c.£1.5 billion by 2026
- Risk-weighted assets to be between £220 billion and £225 billion at the end of 2024
- Capital generation now expected to be c.175 basis points in 2024, increasing to greater than 200 basis points by 2026
- The Group will maintain its progressive and sustainable ordinary dividend policy, whilst the Board expects to pay down to its target CET1 ratio by the end of 2024

Charlie Nunn

Charlie Nunn
Group Chief Executive

The importance of our people and culture

Our people make all the difference. We are committed to building a fully inclusive environment that is reflective of the society we serve. A place that encourages and values the unique differences our people bring with them to work every day, and where everyone can reach their full potential.

Our purpose of Helping Britain Prosper is as important as ever, but in order for us to grow our business in a way that delivers great outcomes for customers, communities and colleagues, we need to put our purpose at the front and centre of every decision we make.

To ensure we're all supported to make that change, we've evolved our values so that they clearly align with our purpose: People-first, Bold, Inclusive, Sustainable and Trust. They'll guide not only how we work, but also how we make decisions. We've introduced a new value helping us to champion sustainability, recognising its important role in delivering on our purpose and supporting Britain's transition to a net zero economy. Further detail on our new values can be found on **pages 84 and 85** of the annual report and accounts.

Our leaders are critical to our cultural change. We're bringing them together in a different, and more intimate way to accelerate the change, in a programme called Grow with Purpose. Over three days, they are exploring our purpose, strategy and organisational shifts, before making commitments about what they'll do differently. Charlie Nunn, Group Chief Executive, is spending time with the top 300 leaders at Grow with Purpose, as well as the Group Executive Committee who are attending the three days in full.

To help drive change through the rest of the organisation, we're launching our Catalyst programme, involving 10 per cent of the organisation. They will inspire everyone across the Group to think and act differently, unblocking problems and igniting change whilst role modelling our purpose and values.

We recognise that the world of work is changing, technology is advancing, and skills needed today will be obsolete in the future. As the UK faces challenges with skills shortages, we are investing in our colleagues to be the key to our future success. We are developing the deep technical skills we need now, and in the future, and have developed a reskilling proposition, so we can nurture and retain talent by providing opportunities for second, third and even fourth careers, allowing colleagues to move freely around the Group.

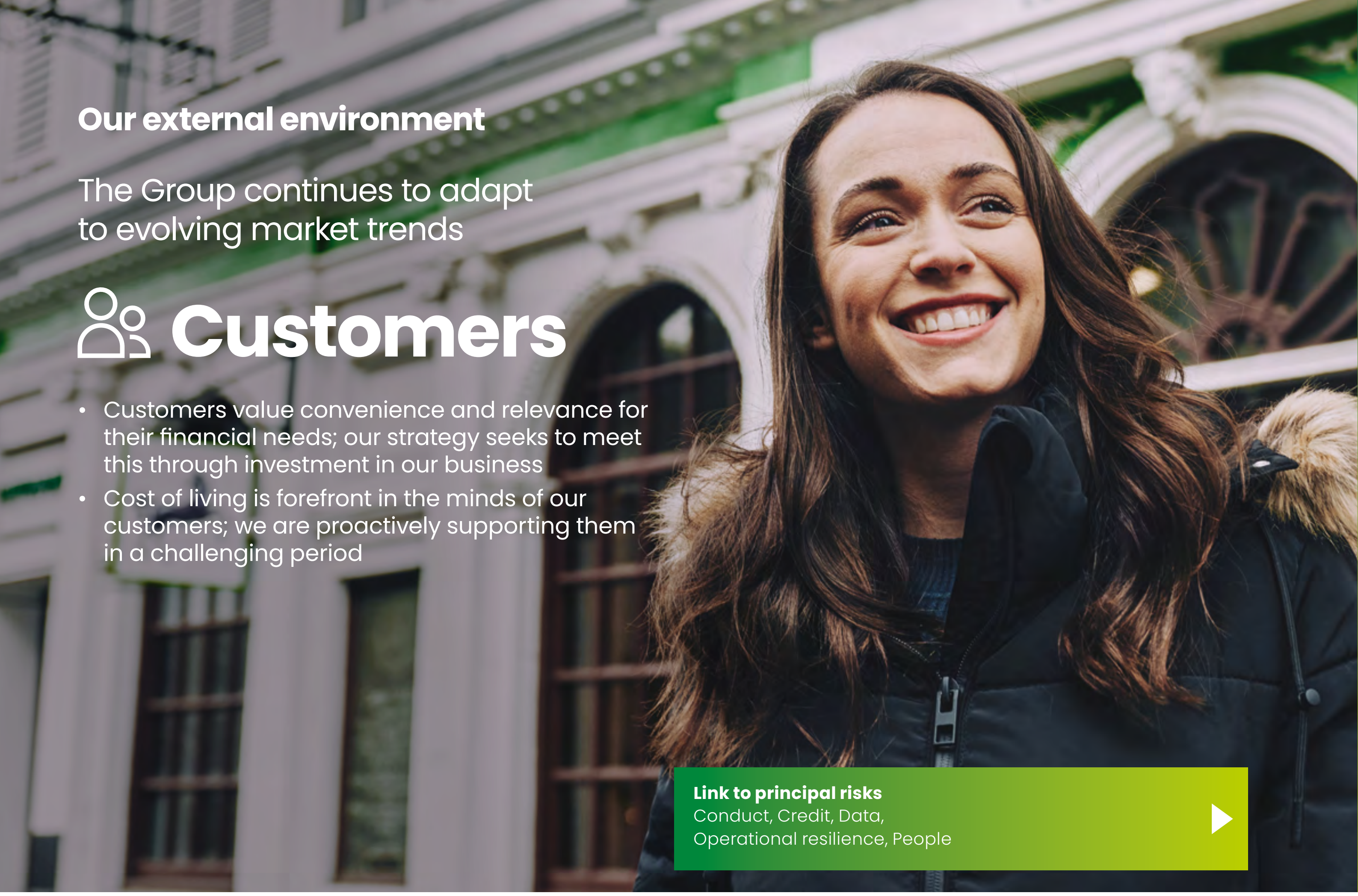
Amongst our top 300 population, we are building skills and diversity, including 32 internal promotions to executive and 28 external executive hires of which 46 per cent were women and 21 per cent were from an ethnic minority background.

We know the success of our business is dependent on our colleagues and we aim to look for ways to help them feel more supported, in control and confident about their future. We have also launched several changes for the colleague proposition including a one-off payment of £1,000 to the vast majority of colleagues; improved workplace facilities; increased year-end get together allowance; and more accessible and easier to use technology in offices. As we accelerate our purpose-driven ambition, one of the critical outcomes will be to become a place where more people are both passionate about, and want to advocate for, working at Lloyds Banking Group, making this a key measure of our success going forward. In response to the increasing cost of living, recruitment and colleague sentiment challenges, we have announced a wide-ranging pay deal, with a focus on lower paid colleagues.

Looking forward, with Helping Britain Prosper as our north star and working closely with our colleagues, we will enable the cultural transformation of the Group.

92%

of our colleagues believe in our purpose of **Helping Britain Prosper**



Our external environment

The Group continues to adapt to evolving market trends

Customers

- Customers value convenience and relevance for their financial needs; our strategy seeks to meet this through investment in our business
- Cost of living is forefront in the minds of our customers; we are proactively supporting them in a challenging period

Link to principal risks
Conduct, Credit, Data, Operational resilience, People

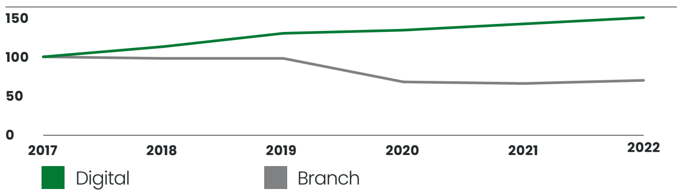
Market dynamics

2022 has been a challenging year for many of our customers. Whilst the social and economic consequences of COVID-19 continue to be felt, the Russian invasion of Ukraine in February added to the economic headwinds from nearly two years of disruption.

New working patterns continue and worsening health outcomes are reducing labour force participation. Supply chain disruption, in addition to global fiscal and monetary stimulus has contributed to inflationary pressure as customers revert to pre-COVID-19 norms. The digital acceleration experienced over the last two years as COVID-19 forced new behaviours has stabilised, with customer activity still strongly skewed towards digital channels. Consequently, customer expectations of convenient, personalised experiences through digital channels remain high.

Rising interest rates in the UK, worsening following the market dislocation resulting from the September mini-budget, had a significant impact on customer and client borrowing costs. Rising mortgage costs have been an unexpected shock for many and the full consequences of this are likely to be felt over the coming years as our customers come to the end of their fixed rate products. Inflationary pressure on real incomes will also have knock-on impacts on longer-term challenges our customers face, such as saving for retirement. Businesses face a combination of rising input costs, higher borrowing costs, a tight labour market and lower consumer demand. Whilst government intervention in energy markets has softened the blow on customer finances in the short term, rising taxation on both consumers and businesses presents a challenging outlook.

Change in channel usage versus 2017
Average visits per user (%)[1]



1 First part of 2021 includes effects of national lockdown.

Our response

The Group continues to adapt to customer trends. In the longer term, to meet customer expectations for seamless, personalised experiences, we continue to invest in our data and technology capabilities. The benefits of this can be seen in our cost of living support hub; our customers have visited this over 875,000 times and received personalised support with debt repayments, subscription management to help control spending and links to independent advice and support services. The cost of living challenges increase the need to execute on our strategy, deepening relationships with customers to support their financial needs and creating a digital mass affluent proposition. For commercial clients, digitising our SME business and focusing our corporate and institutional business on meeting their core cash management, debt and risk management needs remains our focus.

We have increased our support to customers during 2022. Cost of living pressures are affecting our customers in different ways and there are increasing expectations for financial service providers to do more to support them. We are tailoring our support to meet our customers individual changing circumstances and have trained more than 4,600 colleagues to provide financial assistance to individuals and businesses to help them build financial resilience and provide access to tailored products if needed. To support customers with potential financial stress, we have offered over 200,000 mortgage customers support in the face of higher interest rates and provided 220,000 customers a £500 interest-free overdraft buffer. We've also communicated to more than 550,000 businesses to provide support and options in managing their finances, for example sustainable financing options to reduce energy costs. Our digital strength is also supporting customers to take greater control of their finances, with over 5 million registrations for our Your Credit Score tool.

Economy

- Given our focus on UK customers, the Group's prospects are closely linked to developments in the UK economy
- The UK outlook deteriorated in the second half of 2022, heavily influenced by the invasion of Ukraine and central banks' response to high inflation
- High inflation and rising interest rates create a challenging UK economic outlook for 2023

Link to principal risks
Capital, Conduct, Credit, Market

Market dynamics
After starting 2022 with economic activity constrained by COVID-19, UK GDP recovered almost to its pre-pandemic level by mid-year. Further recovery was limited by rising numbers of workers with long-term sickness and weak productivity growth. House prices and commercial real estate (CRE) prices continued to rise through the first half of 2022. During the second half of the year, however, Russia's invasion of Ukraine began to have a large impact on global and UK economies.

Higher energy and food prices exacerbated greater supply chain costs, pushing UK CPI inflation to a 41 year high of 11 per cent during the fourth quarter. Although the UK Government capped energy prices and provided further support to lower income households and pensioners, households' spending power fell by around 2 per cent in 2022, the largest single-year decline since the 1950s.

Policy support to counter cost of living pressures is constrained. UK Government finances are increasingly stretched, entering the third economic 'crisis' since 2008. Spending plans for the next five years have been pared back, taxes raised and the energy price cap reduced from April 2023. In response to inflation rising well above target, the Bank of England raised UK Bank Rate from 0.25 per cent at the start of 2022 to 3.5 per cent by year end, the highest level since 2008.

Although inflation will begin to fall from early 2023, this is expected to be gradual, causing a further decline in households' spending power, dragging down UK GDP by 1.2 per cent. With UK Bank Rate expected to be 4 per cent through most of the year, house prices are forecast to fall by 7 per cent across 2023 with mortgage affordability for new buyers at its tightest since pre-2009. Higher interest rates are reducing CRE prices even more significantly.

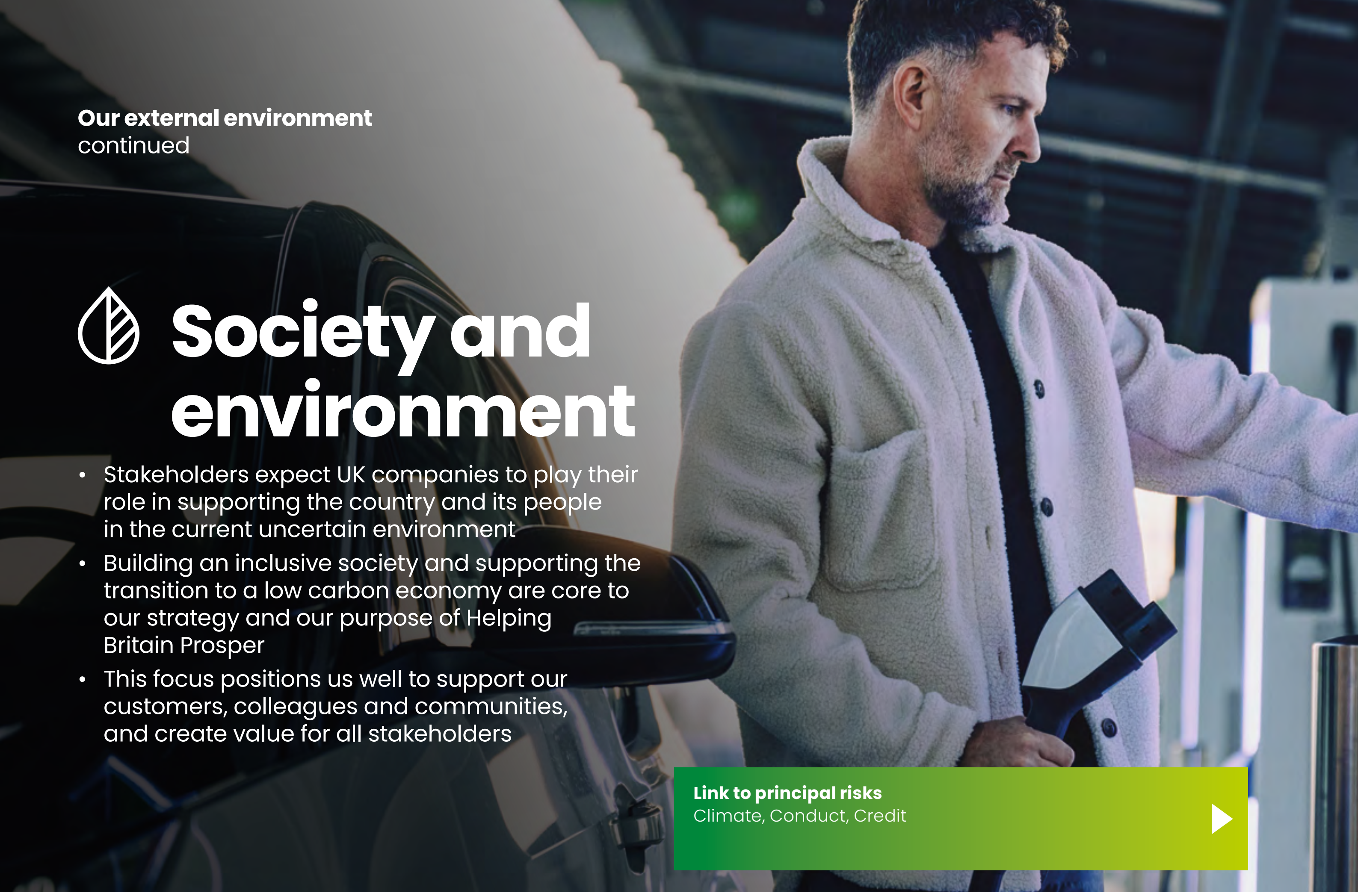
There are significant risks to these forecasts in both directions – the impact of rising interest rates could weaken the global or UK economy more than expected; conversely, the cost of living squeeze may be not as deep as assumed if recent falls in wholesale-market forward energy prices persist.

Developments in our markets across 2022 reflected the recovery in economic activity from pandemic-restricted levels of 2020/21, the end of government schemes that had supported companies' borrowing during the pandemic, and the rise in inflation. Consumer credit market balances rose by 5 per cent as spending recovered, although have still regained only half of their fall during the pandemic. Mortgage market balances rose by a healthy 4 per cent, supported by the 18 per cent rise in house prices over the three years since the start of the pandemic. Growth in households' deposits slowed to a more normal 4 per cent in 2022 after having grown by 17 per cent in total over 2020 and 2021 when spending opportunities were constrained. Business lending grew slightly, but this masks a bigger rise in lending to large companies and a fall of over 5 per cent in lending to SMEs as businesses began to pay down COVID-19 scheme borrowing.

A mild recession and falling property prices are expected to reduce growth in most of our markets in 2023. Mortgages are expected to slow the most, as higher interest rates drive down housing transactions. Consumer credit growth is expected to slow less, with further ground to make up to the pre-pandemic level of balances, and with elevated inflation supporting the nominal value of spending. Household deposits growth is expected to slow to its weakest since 2009 as the cost of living squeeze intensifies. SMEs are expected to continue reducing their elevated borrowing.

Our response
Given our UK focus, the Group's prospects are closely linked to the performance of the UK economy. Despite this, our business model and strategy, in particular the strength of our customer franchise, balance sheet and prudent approach to risk, position us well.

In line with our purpose of Helping Britain Prosper and a clear customer focus, we are providing support to those most affected by changes to the economic environment. In addition to the near-term revenue benefits from rising interest rates, our strategy will deliver growth and diversification even in a more challenging macroeconomic environment, improving the sustainability of returns. At the same time, we are accelerating efficiency measures to offset inflationary pressures on our cost base, consistent with our ongoing discipline in this area.



Society and environment

- Stakeholders expect UK companies to play their role in supporting the country and its people in the current uncertain environment
- Building an inclusive society and supporting the transition to a low carbon economy are core to our strategy and our purpose of Helping Britain Prosper
- This focus positions us well to support our customers, colleagues and communities, and create value for all stakeholders

Link to principal risks
Climate, Conduct, Credit

Market dynamics
We are faced with political and economic uncertainty both at home and globally. Rising inflation and interest rates, and government spending cuts and tax rises, engender a cost of living squeeze on many people and businesses in the UK.

The focus on climate change remains, with the emphasis now on companies' tangible short and medium-term plans and implementation of these plans to support the transition of the economy towards net zero. There is also an emerging focus on nature and biodiversity, the need to protect them and to better understand their inter-linkages with climate. At the same time, increasing regulatory focus on climate risks and evolving sustainability reporting standards put pressure on UK companies to continually enhance their climate capabilities and sustainability reporting.

Our response
Core to our purpose, Helping Britain Prosper, and strategy is our focus on creating a more inclusive and sustainable future for people and businesses. This focus positions us well to support our customers and the broader UK society during challenging times, whilst continuing to support the transition required to reach net zero.

In 2022, we contacted over 200,000 mortgage customers to provide support in context of rising rates and more than 550,000 commercial clients to offer support in maintaining financial resilience through the cost of living challenges.

>200k
mortgage customers contacted to provide support

>£13bn
of green and sustainable finance provided to businesses and households to help them on their net zero journey

We have also supported our colleagues by providing one-off payments in August and December 2022, and designed a new pay deal for 2023 to provide protection and certainty to our lower paid colleagues into the new year.

We have provided access to quality housing by supporting £2.1 billion of funding to the social housing sector and lending £14.3 billion to first time buyers in the year. We have partnered with the UK Urban Futures Commission and supported local, green infrastructure projects to support regional development across the country.

To support the transition to a low carbon economy, we have provided over £13 billion of green and sustainable finance to businesses and households to help them on their net zero journey and invested around £12 billion in climate-aware strategies through Scottish Widows during 2022. We have also created a new partnership with Octopus Energy to support retrofitting of the UK housing stock and developed our first Group climate transition plan which highlights the progress against our net zero ambitions and the actions we will take towards transition. This plan is included in our dedicated environmental sustainability report as we continue to enhance our reporting on environmental risks and opportunities.

Tax is also one of the ways in which businesses contribute to the societies in which they operate, and we are proud to be one of the UK's largest tax payers, helping finance public services.

We will continue to work hard to deliver on our purpose, Helping Britain Prosper, by creating a more sustainable and inclusive future for people and businesses, as we believe that it is only by doing right by our customers, colleagues and communities that we can create value for all stakeholders.

Technology and data

- We operate in an increasingly digital market, with potential for new business models and changes to financial services infrastructure
- Technology investment remains important to improve customer experience, unlock efficiency savings and utilise the full potential of data

Link to principal risks
Change/execution, Conduct, Data, Operational, Operational resilience

Market dynamics
Recent years have seen an increase in customer digital usage as COVID-19 restrictions have accelerated existing trends. Whilst there has been some rebound, with cash usage increasing in 2022 and the share of consumer spend online declining from lockdown peaks, the long-term trend towards increasingly digital-first financial services remains. Reflecting this reduced customer demand, the number of bank branches continued to reduce during 2022.

We operate in a highly innovative market with business model innovation enabled through new digital technologies such as cloud hosting and API connectivity. Across many markets, there is potential for embedding lending, payments and insurance services within digital, non-financial services settings to disrupt traditional business models. Other areas of innovation such as cryptocurrencies experienced high volatility over the year. Nonetheless, the consequences of digital innovation in payments may be longer term, with central bank experimentation with their own digital currencies gaining pace. This has spurred industry exploration of the potential of technologies like blockchain in areas such as international payments, trade finance and market infrastructure.

As customers increasingly use digital channels within financial services and lead more of their lives online, the potential for fraud increases. However, the first half of 2022 saw a reduction in total fraud volume, following rises in recent years. Technology investment in capability to detect and prevent fraud, in addition to regulation such as secure customer authentication, is beginning to tackle this important issue for customers.

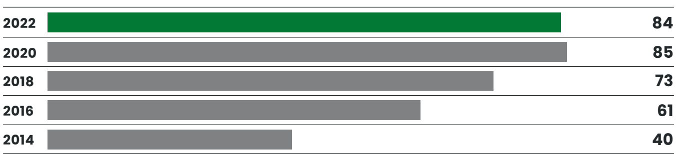
More broadly, the potential of new technologies to simplify legacy systems remains for banks. This includes reduced run and change costs, and improved services provided to customers enabled through real time and fully contextual data insights.

Our response
The Group continues to see significant value in its all-channel distribution model, maintaining a wide branch footprint alongside digital capabilities, which are critical to driving revenue growth and diversification for the business. Experience in 2022 has only enhanced our conviction of the importance of our technology transformation program for the long term health of the business.

In 2022 we have increased digitally active customers by 8 per cent to 19.8 million and continued to invest in simplifying our technology estate, making good progress in re-platforming our businesses and achieving a 5 per cent reduction in legacy applications. This unlocks customer benefits, such as faster, more seamless digital journeys, and business benefits through a lower cost to run and enhanced technology estate.

Our investment to maximise the potential of people, technology and data continues. During 2022 we reorganised our teams to bring business and technology ownership closer together through a new platform-based operating model. Our investment in data continues to mature, supporting better customer and business outcomes, in addition to enabling the deep customer insights required to comply with the upcoming Consumer Duty regulation. We continued to make good progress in transforming our technology and reduced our data centre footprint by 10 per cent.

Customers are using the digital channel for most product needs
% volume of products originated digitally



Competitor

- We continue to largely operate in mature, highly competitive markets
- Fintechs are challenged by rising interest rates impacting funding availability
- Technology companies and international banks continue to expand financial services participation in the UK

Link to principal risks
Capital, Change/execution, Conduct

Market dynamics
The UK financial services sector is a highly competitive market, attracting new entrants in recent years from international firms and new start-ups backed by private capital. Our traditional peers have been strengthened by rising interest rates, albeit the uncertainty over the economic outlook presents downside risks. Notwithstanding, improved financial strength positions incumbent banks well to compete with new entrants.

2022 saw continued market entry from international peers with the launching of digital-only brands and acquisition of existing wealth management firms. These new direct competitors are expected to broaden their offerings over time in a bid to reach profitability and scale. Other new entrants pared back growth ambitions in the UK, reflecting the need to focus on their core franchise. In addition, technology companies' extension into financial services has continued. Provision of financial services embedded into platforms, often beginning with payment services, and then extending into working capital or consumer loans and deposits, is a key development. Differing approaches are being adopted by these platforms, from building out their own financial services offerings to partnering with existing banks to provide financial services.

For some UK fintech entrants 2022 was a more difficult year. Following global interest rate rises, increasing funding costs are challenging models that are better suited to more benign economic environments. Valuations and private capital funding have fallen over the year, as expectations of future growth have tempered, and funding costs increased. Nevertheless, the digital experience for customers and speed of execution continue to raise customer expectations across the board, requiring ongoing investment to keep pace, and fintechs remain significant competitors.

Our response
We are well positioned to continue our market leading position across multiple markets and deliver on our ambition to grow. We have a strong customer franchise and core capabilities including credit decisioning and market leading efficiency, which is increasingly important given inflationary pressures. Our financial strength allows us to support our customers and our clear purpose and mission drive focus throughout the organisation to achieving our strategic goals.

We have strong customer relationships, meeting the needs of 26 million customers. We will continue to drive strong customer engagement through our multi-channel model and deepen customer relationships through a comprehensive offering. We are increasing our focus on customer segments, building out a compelling mass affluent proposition over time, supported by the acquisition of Embark that completed in early 2022. Our multi-brand strategy allows us to compete effectively in intermediary-driven markets, where we have headroom to grow as we improve our capability with technology investment, particularly in our pensions and protection businesses.

We continue to invest in front-to-back digitisation of our SME bank, responding to changing client needs and enabling us to meet more of their needs beyond banking.

We have also increased our focus on collaborating with fintechs during the year to broaden our product capabilities, for example a partnership to enable digital invoice financing and factoring for our SME bank clients.

Finally, within corporate and institutional business we are focusing on our core strengths in cash, debt and risk management products for our UK clients. We will continue to invest in these strengths and scale our originate to distribute capabilities to support clients' long-term needs and increase our balance sheet efficiency.

Regulation

- The UK financial services sector is expected to remain highly regulated
- High volumes of new regulation and market reviews continue to be issued, with further regulatory changes anticipated

Link to principal risks
Capital, Climate, Conduct, Market, Regulatory and legal

Market dynamics

The UK financial services sector remains highly regulated with significant regulatory reform anticipated in 2023, including the implementation of the Edinburgh Reforms, the Financial Services and Markets Bill and reforms to Solvency II. 2023 will see a number of consultations and calls for evidence across the different areas of reform. We will analyse the proposals and work closely with the regulators and the government as and when the different areas of reform are consulted on. Key areas of focus for 2023 are below:

Customer treatment: Fair treatment of customers remains a priority for the FCA, and the introduction of the Consumer Duty in 2023 will require a more outcomes focused approach to prioritise customers' needs. Customers are facing increased cost of living pressures and we recognise the need to do more to support all customers, including those who may be in vulnerable circumstances.

Capital regulation: The Group complies with capital regulations covering the assessment and measurement of capital resources and requirements, including risk-weighted assets. In November 2022, the PRA published a consultation on its proposals to implement the final Basel III reforms. This included a number of significant changes to the calculation of risk-weighted assets. We are continuing to work closely with the industry and regulators to understand the implications.

ESG: Engagement continues with all key stakeholders, including customers, government, regulators and the market, to help create a more sustainable and inclusive future for all. We continue to enhance our sustainability reporting, including aligning to the recommendations of the Task Force for Climate-related Financial Disclosures, closely following the evolving sustainability reporting standards and requirements, and will further embed climate risk into risk frameworks and policies.

Solvency II: The Solvency II regime which regulates the insurance capital required for insurance entities is currently being reviewed/ is under consultation by the PRA.

Financial Services and Markets Bill: This Bill is designed to map out the future of the UK's financial services sector following the decision to leave the EU. By tailoring regulation to the UK market, its intention is to increase the UK's competitiveness as a global financial centre whilst maintaining high regulatory standards to protect customers. The Bill is a wide-ranging piece of legislation that covers multiple areas including reforms to capital markets and addressing customer challenges related to access to cash and fraudulent activity.

Ring-fencing: Since 2019, the Group has been structured into sub-groups to comply with the ring-fencing rules. The UK legislation was passed after the financial crisis to better protect customers and the day-to-day banking services they rely on. We await government's consultation on near-term reforms of ring-fencing, and will continue to work closely with the regulator on the matter.

Edinburgh Reforms: On 9 December 2022, the government launched the Edinburgh Reforms. The reforms focus on reviewing, updating or reforming a number of areas of financial services regulation, ranging from ring-fencing, consumer credit and the Senior Managers and Certification Regime, to repealing areas of EU regulation now that the UK has left the EU.

Other: A number of other regulatory initiatives are in progress which seek to address, amongst other things: access to cash, mortgages and green financing, culture, operational resilience, completion of IBOR transition, financial crime and accounting (e.g. IFRS 17).

Our response

As a Group we always seek to comply with all applicable regulation and engage with regulators on all aspects to improve outcomes. Given the Group's customer-focused, sustainable and low risk business model, it is well placed to meet these requirements and welcomes the positive effect they have on the industry, its customers and other stakeholders.

Our strategy

Our purpose is Helping Britain Prosper

We’re creating a more sustainable and inclusive society for people and businesses, shaping finance as a force for good.

To deliver on our purpose, we have identified four focus areas where we are best placed to provide significant positive change, enabling us to create a more inclusive society and sustainable future:

- **Creating a more inclusive future**
- **Improving access to quality housing**
- **Enabling regional development**
- **Greening the built environment**

View our environmental sustainability report here.

View our social sustainability report here.

Our strategic vision supports our purpose

To become the UK’s customer-focused, digital leader and integrated financial services provider, capitalising on new opportunities, at scale.

Significant strategic action, with early evidence of delivery

Grow

Drive revenue growth and diversification

Investing in growth
£0.9 billion in-year incremental strategic investment weighted towards growth. Delivered early stages of targeted additional 2024 revenues

Focus

Strengthen cost and capital efficiency

Accelerating efficiency initiatives
Cost discipline in an inflationary environment. Delivered £0.3 billion or around 25 per cent of increased 2024 gross cost savings target

Change

Maximise the potential of people, technology and data

Mobilising for change
New operating model implemented to deliver change more effectively

Refreshing the team
New organisational structure and leadership team

Creating higher, more sustainable, returns

In 2024

c.13% RoTE

c.£0.7bn additional revenues from strategic initiatives

c.£9.2bn operating costs

c.175bps capital generation

By 2026

>15% RoTE

c.£1.5bn additional revenues from strategic initiatives

<50% cost:income ratio

>200bps capital generation

Grow

Drive revenue growth and diversification

Growth is a core focus of our strategy. Around two thirds of our £3 billion strategic investment over the first three years is aligned to growing and diversifying revenue. We have carefully prioritised opportunities across each of our businesses to ensure we generate value in the near term as well as creating new revenue streams which deliver over the longer term.

We aim to **deepen and innovate in Consumer** to bring more of our products and services to our existing customers, as well as broaden our product offerings and make it easier for customers to access them through our intermediary partners. We aim to **digitise and diversify our SME business,** growing revenues in products and sectors where we have lower market share today. In addition, we are **creating a new mass affluent offering** to grow in this attractive and underserved market segment across banking, protection and simple wealth. Finally, we are **targeting our Corporate and Institutional offering** to deliver disciplined growth.

Deepen and innovate in Consumer

Progress in 2022

- Within Consumer, we have invested in driving improved levels of personalisation and digitisation, resulting in a 15 per cent increase in daily logons. We remain the UK's largest digital bank and in 2022 **grew our digitally active users by 8 per cent to 19.8 million,** set to exceed our 20 million ambition by 2024
- We have **increased our protection market share by around 1 percentage point[1]**, with growth in both our relationship and intermediary channels, and particularly strong performance in our new digital direct to consumer proposition. This will be further supported by the recent acquisition of Cavendish Online which will enable us to meet more of our franchise customers' protection needs
- We continue to build on our strong position in workplace pensions, with **net workplace pension flows of £6 billion** in 2022 from over 4 million workplace customers as we secured a 16 per cent market share of assets under administration
- Our intermediary businesses are important in our support of the UK's net zero transition needs. We have completed £3.5 billion[1] of **green mortgage lending**, progressing well against our £10 billion objective by 2024. We have also completed over £2 billion of **financing for battery electric and plug-in hybrid electric vehicles**, against our target of £8 billion by 2024

1 Nine months to 30 September 2022.

2023 implementation

We will continue to personalise and digitise our Consumer offering, supporting our ambition to meet more of our existing customers' needs.

Our intermediary participation will be broadened with the launch of a new **intermediary protection proposition** that supports our aim to be a top three player by 2025.

We will expand our motor offering with innovative new solutions such as a market leading **digital vehicle leasing offer** and customer pre-approval capabilities. Personalisation capability that has been developed will be further deployed, for example by **scaling our HomeHub ecosystem** to improve mortgage acquisition and retention rates.

Selected 2024 outcomes

>5%

Increase in depth of relationship[1] through meeting more needs of existing customers

Grow

Credit card spend market share

>£55bn

New assets under administration investment and retirement open book net flows[2]

£20bn–25bn

Invested in climate-aware strategies[3] through Scottish Widows by 2025

£8bn

Financing and leasing for electric vehicles and plug-in hybrid electric vehicles

1 Product holdings across brands for franchise customers with active relationship.
2 Includes long-term savings and excludes Embark day one contribution of around £37 billion, longstanding, unbundled investment only pensions, Cazenove and legacy private banking trusts.
3 Pre-defined funds that have an in-built bias or tilt towards companies that are transitioning their business models to be less carbon intensive and/or developing climate solutions.

Digitise and diversify our SME business

Progress in 2022

- Our multi-year journey to build a front-to-back digital SME business has progressed, with positive early momentum shown including **more than 20 per cent growth in new merchant services clients** and a proven new digital onboarding capability
- We are focused on building out products which are important relationship anchors, such as asset finance, invoice discounting and trade finance. In 2022, we **grew income by around 5 per cent in mid-sized SME transaction banking and working capital**, as we pursue our target of 15 per cent income growth by 2024
- Our vision to broaden our relationships with one million small business clients has been supported by broadening our product capabilities with **strategic fintech partnerships.** For example, our invoice discounting partnership provides a solution that allows clients to better manage cashflows

2023 implementation

Investment in technology and data capability will continue in 2023 to create **a digitally led, SME bank** with diversified income and broader customer relationships over time.

We will deliver a **mobile first onboarding** proposition for clients and launch an end-to-end **digital origination** for asset finance, as we look to ensure we meet the full range of our clients' needs.

Continued investment in data capabilities is a critical enabler for our digital SME bank, ensuring we are better able to support client needs such as cash flow management.

2024 outcomes

>50%

Share of products originated and fulfilled digitally

>15%

Income growth in mid-sized SME transaction banking and working capital

20% p.a.

Growth in new merchant services clients

Create a new mass affluent offering

Progress in 2022

- In our new mass affluent business we saw an **increase in banking balances[1] of over 5 per cent** and are building capability as we look to launch integrated and digitally led banking, insurance and investments propositions
- We have launched new, **tailored banking products** including packaged bank account and credit card products to provide personalised mass affluent banking propositions
- Our **direct to consumer investments** capability has been enhanced, aided by the completion of the acquisition of Embark. This was previously a gap in our product capability

2023 implementation

Further significant elements of our mass affluent offering will be launched in 2023, with customers experiencing a **differentiated, digital-first model**.

We will expand our **mass affluent banking offering,** with tiered savings, higher credit limits and bespoke benefits. In addition, we will launch **ready-made and direct to consumer investment** options.

2024 outcomes

>£5bn

Incremental total banking balances[1] for mass affluent increasing to between £10 billion and £15 billion by 2026

>£7bn

Incremental net flows into investment proposition increasing to £25 billion by 2026

Grow

Number of mass affluent personal account customers

Target our Corporate and Institutional offering

Progress in 2022

- We have delivered around **£8 billion of sustainable financing[2]** to our clients and launched carbon emission allowance transactions[3]. These milestones have been supported by our purpose-driven growth within loan origination and businesses transitioning to net zero
- We are investing in **product capabilities** that support our cash, debt and risk management offering. We have seen early benefits from this investment, including around 20 per cent growth in our FX trading percentage share of wallet
- Finally, we have strengthened our **originate to distribute** capabilities, delivering a milestone first strategic co-investment partnership. These strengthened capabilities further improve the Group's capital efficiency

2023 implementation

In 2023 we will build on these foundations by meeting more needs of purpose aligned clients in **key growth industries.**

We will **improve our capabilities** across our core business lines in debt capital markets, foreign exchange and financial institutions, including investing in our US and EU debt capital market capabilities. We will increase our balance sheet efficiency as we scale our strengthened **originate to distribute** capabilities to serve more clients.

2024 outcomes

£15bn

Sustainable financing[2]

Top 5

GBP interest rate swaps ranking; deepen FX share of wallet

>20%

Growth in Corporate and Institutional other operating income

<£3bn

Net risk-weighted asset growth

1 Banking balances calculated as the absolute total of retail PCA, savings, overdrafts, credit card, mortgage and loan balances plus private banking PCA and savings balances.
2 Includes clean growth finance initiative, commercial real estate green lending, renewable energy financing, sustainability linked loans and green and social bond facilitation. New cumulative to 2024.
3 Under the UK Emissions Trading Scheme.

FOCUS

Strengthen cost and capital efficiency

As we invest to grow and diversify our revenue, it is essential to maintain our disciplined cost management approach.

We will also look to further improve our capital efficiency as we maintain our strong balance sheet with a disciplined risk approach, pursuing growth in capital-lite, fee generating businesses.

Progress in 2022

- Cost discipline has been a key strength for the Group and remains a key focus in enabling capacity for investment in growth initiatives as well as offsetting inflationary pressures. Around 25 per cent of our increased 2024 gross cost savings target has been delivered. Lowering the cost of technology through simplification of our legacy technology estate is critical to enabling the change the business requires for growth
- We further refined our **service model**, resulting in the closure of around 200 branches, alongside our continued investment in digital propositions
- We have also continued to reduce our **office footprint** as we adapt to new ways of working, with a 12 per cent reduction in the year, as we target a reduction of more than 30 per cent by 2024
- With regard to **capital efficiency**, we continue to demonstrate risk-weighted asset discipline as we pursue our growth initiatives in capital-lite, fee generating businesses. In addition, we successfully completed a securitisation transaction for a portfolio of legacy Retail mortgage loans, with much of the risk placed in the market

2023 implementation

Our investment in technology will deliver further improvements in **self-service capabilities** and **end-to-end journey digitisation**. In line with our ambition to embrace hybrid ways of working and transform workplaces, we will continue to **modernise our office footprint** as we work towards a significant reduction in our portfolio by 2024.

In response to the inflationary environment, we will continue to focus on generating further efficiencies to minimise the net cost impact and create the necessary capacity for investment.

Our **capital efficiency** will also be supported by our growth initiatives in capital-lite, fee generating businesses, as we optimise and recycle risk weighted assets into higher returning businesses. In 2023 we expect to also conclude the triennial pension review, which will demonstrate the significant advances we have made.

2024 outcomes

>10%

Increase in customers served per distribution FTE

>30%

Reduction in office footprint

change

Maximise the potential of people, technology and data

Delivering this strategy requires the Group to accelerate the pace at which it uses digital technologies and data to support customers. We seek to emulate our success in building the largest UK Retail digital bank on a larger scale across the Group. Our prior investments in technology and data provide a strong foundation for delivering on our strategy.

Progress in 2022

People

- In 2022 we have been focused on setting up our people and organisation for success in delivering our strategy and change more effectively. We have established an **experienced, new leadership team** with significant capabilities in strategic and digital delivery, alongside a **flattened executive structure**. Within our existing three core divisions we have reorganised around five new customer-facing business areas that are more closely aligned to our strategic priorities
- Beyond the executive level, we restructured our business and technology teams to set up a **new operating model for more than 20,000 employees** that brings together expertise in cross-cutting, multi-functional teams that drive greater accountability and collaboration and help to deliver change more quickly and efficiently
- We have enhanced our leadership in key skills areas, such as bringing in new Chief Information Officer hires who will support the transformation of our ways of working and culture. In strengthening our senior leadership team, we have remained true to our inclusion and diversity objectives

Technology and data

- We have progressed on our plans to transform our technology and data capabilities. Alongside improved resilience, this will over time enable an agile technology model that can provide a highly efficient, scalable technology infrastructure and ultimately drive business value
- During 2022 we **decommissioned 5 per cent of our legacy applications**, a pace we expect to maintain over the next two years
- We have **reduced our data centre footprint by 10 per cent** and continue to increase the pace at which we migrate data to the cloud. Over time, further actions such as this will enable full unlocking of the potential of our data as we target 20 per cent of our applications on cloud in 2024
- Our transformed data capabilities will provide data-driven insights to support our business strategies across multiple use cases, including delivering automated processes to enhance the customer service experience

2023 implementation

People

We are committed to building a fully inclusive environment that is reflective of the society we serve.

As part of this we are **making progress towards the targets that we have set,** including 50 per cent women, 13 per cent Black, Asian and Ethnic Minority colleagues and 3 per cent Black Heritage representation at senior management levels by 2025. We continue to commit ourselves to stretching targets, always challenging ourselves to go further. Bringing in new senior talent, particularly in technology and data, is supporting our effort to alleviate resource constraints for high in demand skills, **reducing our reliance on third-party support.**

Finally, we will **further modernise and enhance our office estate** with one third of our colleagues in transformed, modern workplaces by the end of 2023 as part of a compelling proposition for top talent.

Technology and data

With our organisational foundations now in place, investment in transforming technology and data will be scaled in 2023.

Building on progress already made, we will further mature our data and machine learning capabilities that can then be leveraged across the business with multiple use cases. Complementing this, **continued migrations of data to public cloud** will support our modernisation and simplification efforts. We will continue executing on our plan, including **decommissioning around 10 per cent of legacy applications**, as we target a further 5 per cent reduction by 2024. Alongside other activity, this will support a gross **reduction in run and change technology costs** of around 10 per cent.

2024 outcomes

>15%
Reduction in legacy applications

15%
Gross reduction in run and change technology costs

Improve
Employee engagement index

20%
Applications on cloud (private and public)

60%
Business new lending decisions automated

Progress and performance

Key performance indicators are regularly reviewed by the Board and the Group Executive Committee, to evidence performance against the Group's most important priorities.

These include measures for assessing financial and non-financial performance and balancing the interests of various stakeholders including customers, shareholders and colleagues.

To ensure colleagues act in the best interests of customers and shareholders, variable remuneration at all levels across the Group is aligned to these priorities and takes into account the Group's financial performance and specific conduct and risk management controls.

The key performance indicators shown here directly impact the remuneration awarded to executive directors, which is heavily weighted towards the delivery of long-term, sustainable performance.

The implementation of our simplified balanced scorecard provides greater transparency to substantiate how our performance directly aligns with remuneration outcomes.

Our 2022 balanced scorecard

Financial (50 per cent)
Statutory profit after tax (20 per cent)
Return on tangible equity (20 per cent)
Operating costs (10 per cent)

Strategic (50 per cent)
Customers
Group customer dashboard (25 per cent)

Colleagues
Employee engagement (7.5 per cent)
Gender and ethnic representation in senior roles (7.5 per cent)

Climate
Operational carbon emissions (5 per cent)
Sustainable financing and investment (5 per cent)

R Key performance indicators that are directly linked to our remuneration balanced scorecard are marked with this symbol. See **page 110** of the annual report and accounts.

A We use a number of alternative performance measures in the description of our business performance and financial position. These measures are labelled with this symbol. See **page 67** of the annual report and accounts.

Financial

Statutory profit after tax R
£m

5,555

2022	5,555
2021	5,885
2020	1,387
2019	3,006
2018[1]	4,506

Statutory profit after tax slightly lower, with higher income offset by impairment charges as a result of the revised economic outlook (compared to a credit in the prior year). 2021 also included the benefit of a deferred tax remeasurement.

1 Restated to reflect amendments to IAS 12.

Underlying profit[A]
£m

7,448

2022	7,448
2021[1]	7,536
2020[1]	1,742
2019[1]	7,172
2018[1]	7,588

Underlying profit before tax slightly lower with income growth offset by an increased impairment charge (compared to a credit in the prior year).

1 Restated to reflect the new costs basis. See **page 67** of the annual report and accounts.

Ordinary dividend
p per share

2.40

2022	2.40
2021	2.00
2020	0.57
2019	1.12
2018	3.21

Total ordinary dividend of 2.40 pence per share, up 20 per cent, reflecting our progressive and sustainable ordinary dividend policy. Includes both interim and final dividends.

Return on tangible equity[A] R
%

13.5

2022	13.5
2021	13.8
2020[1]	2.3
2019[1]	6.6
2018[1]	10.6

Return on tangible equity in 2022 reflects the Group's robust financial performance.
2023 guidance: Return on tangible equity of c.13 per cent.

1 From 2021, to aid comparability with peers, we began reporting return on tangible equity without adding back the post-tax amortisation of intangible assets. Pre-2021 comparatives have been restated.

Common equity tier 1 ratio[A] (CET1)
%

14.1

2022[1]	14.1
2021[1]	16.3
2020	16.2
2019[1]	13.8
2018[1]	13.9

CET1 ratio remains strong at 14.1 per cent after capital distributions and pension contributions, remaining ahead of the ongoing target of c.12.5 per cent, plus a management buffer of c.1 per cent.

1 Reported on a pro forma basis, reflecting the dividend paid up by the Insurance business and declared share buybacks.

Operating costs[A] (R)
£m

8,835

2022	8,835
2021[1]	8,312
2020[1]	8,202
2019[1]	8,316
2018[1]	8,710

Operating costs increased, in line with guidance, given planned investment and new businesses, with business-as-usual costs stable.
2023 guidance: Operating costs of c.£9.1 billion.

1 Restated to reflect the new costs basis. See **page 67** of the annual report and accounts.

Economic profit[A]
£m

2,782

2022	2,782
2021	3,063
2020[1]	(1,257)
2019[1]	428
2018[1]	1,858

Economic profit reflected higher net income and a higher impairment charge. Economic profit is a measure of profit taking into account a charge for equity utilisation.

1 In 2021 the basis was amended in line with reward scheme performance measures. Comparatives have been restated.

Total shareholder return
%

0

2022	0
2021	35
2020	(42)
2019	27
2018	(20)

Total in-year shareholder return was flat in the year. The share price was 5 per cent lower with capital return of 5 per cent.

Non-financial

Customers

Customer satisfaction (R)
All-channel net promoter score

67.7

2022	67.7
2021	69.3
2020	68.8
2019	66.0
2018	63.4

Our all-channel net promoter score measures the customer perception of day-to-day services across our channels and remained strong in 2022 despite a decline since 2021 (which was an all-time high).

Digitally active customers (R)
m

19.8

2022	19.8
2021	18.3
2020	17.4
2019	16.4
2018	15.7

Our digitally active customers increased in the year to 19.8 million, reflecting the pace of digital adoption, with customers logging in over 5 billion times during 2022, up 8 per cent on prior year.

Customer complaints (R)
FCA reportable complaints per 1,000 accounts

2.70

H1 2022	2.70
H2 2021	2.77
H1 2021[1]	2.76
H2 2020[1]	2.89
H1 2020[1]	2.62

Our customer complaints reduced further and are amongst the lowest in the industry. We always want to provide our customers with the best possible service and our colleagues work tirelessly to understand the concerns of those who contact us.
H2 2022 data not available at time of publishing.

Group customer dashboard (R)
% of customer experience metrics achieving target (November YTD)

80

2022	80
2021	79
2020	74
2019	65
2018	72

In 2022, 80 per cent of Group customer dashboard measures achieved target. This positive overall result is underpinned by strong performance relative to competitors, with average rank position further improved year on year.

Non-financial

Colleagues

Employee engagement index R
% favourable

75

Colleague engagement

The Group understands that engagement is a two-way process, so each year we ask colleagues to share their views via our independently run colleague surveys. In 2022, we refreshed how we listen to our colleagues to provide a more regular and complete picture of sentiment. This included redesigning our annual survey and running monthly pulse surveys to capture timely feedback, which is shared with leaders to take swift action.

Our new monthly pulse surveys launched in September and have allowed us to monitor advocacy, through a newly launched employee net promoter score, alongside mood. We also use these surveys to delve into relevant and timely topics, including our values and the transition to hybrid working.

We heard from around 60 per cent of colleagues in our spring census survey, with the response rate in line with 2021's spring survey but below our 2021 autumn survey participation. We found that engagement, confidence, trust and mood remained at similar levels to 2020, despite high levels of change. Most colleagues were also aware of and understood our new strategy. Our annual autumn survey was completed by 80 per cent of the Group and gave us a complete view on our progress with purpose, strategy and culture. Overall engagement improved 2 points compared to 2021, and has returned to pre-pandemic levels. We have seen an increase in overall mood linked to feeling more supported and connected.

During the year the Group communicated directly with colleagues detailing Group performance, changes in the economic and regulatory environment and updates on key strategic initiatives. Meetings were held throughout the year between the Group and our recognised unions. Please see **page 82** of the annual report and accounts for further examples of how the Board engages with the Group's workforce and why the Board considers those arrangements to be effective. For 2022, the Remuneration Committee approved Group Performance Share awards for colleagues, and colleagues are eligible to participate in HMRC-approved share plans which promote share ownership by giving employees an opportunity to invest in Group shares. Further information can be found on **page 50**.

2022 inclusion and diversity performance

The Group aims to create a more inclusive future for our customers, colleagues and communities. We will continue to create a fully inclusive organisation that is representative of modern-day Britain, where differences are embraced, and everyone can reach their potential.

We're proud to have been the first FTSE 100 company to set targets to increase both gender and ethnic diversity at senior levels and we continue to commit ourselves to stretching targets, always challenging ourselves to go further.

Ethnic diversity

Our aspirations

13%
Black, Asian and Minority Ethnic representation in senior roles by 2025[1]

3%
Black heritage representation in senior roles by 2025[1]

During 2022, we have increased the representation of Black, Asian and Ethnic Minority colleagues in senior roles from 8.8 to 10.2 per cent and increased the representation of Black heritage colleagues in senior roles by 0.4 to 1.4 per cent.

The Board continues to meet the Parker Review recommendation of at least one Black, Asian or Ethnic Minority Board member.

As a Group we have continued to meet our commitment to publish our ethnicity pay gap report ↗ and our race advisory panel continues to play a critical role in helping us to shape our initiatives.

Gender diversity

Our aspirations

50%
Women in senior roles by 2025[1]

During 2022, we have seen an increase in women in senior roles to 39.4 per cent, showing our progress towards meeting our 2025 target.

We are committed to maintaining at least four women on the Board and, over time, will aim to reach gender parity, matching the Group's ambition to have 50 per cent of senior roles filled by women. Reflecting these aspirations, the Board will aim to meet the recommendations set out by the FTSE Women Leaders Review.

Further information on the diversity of our Board can be found on **page 73** of the annual report and accounts.

Disability

Our aim is to create an inclusive and accessible working environment where everyone is supported to reach their full potential. The Group continues to hold the Business Disability Forum Gold Standard accreditation and Disability Confident status from the Department for Work and Pensions.

We offer bespoke training, career development and adjustments for colleagues and applicants with disabilities, including those who became disabled while employed.

Sexual orientation and gender identity

We are proud to have created an inclusive and open working environment for our LGBT+ colleagues. Our LGBT+ colleague network, Rainbow, continues to play a role in our approach to supporting our LGBT+ colleagues, and has over 5,000 members and supporters.

Detailed progress on our inclusion and diversity focus areas, our progress on our race action plan and how we support our colleagues can be found in our social sustainability report ↗.

1 From a 2021 baseline year, excludes Embark.

Our 2022 inclusion and diversity performance

			Number 2022	% 2022	% 2021
Gender[1]	Board members	Men	6	54.5	60.0
		Women	5	45.5	40.0
	GEC	Men	8	53.3	80.0
		Women	7	46.7	20.0
	GEC and GEC direct reports	Men	70	58.3	65.0
		Women	50	41.7	35.0
	Senior managers	Men	4,492	60.6	62.3
		Women	2,919	39.4 ✓	37.7
	All colleagues	Men	27,888	42.7	42.2
		Women	37,441	57.3	57.8
Ethnicity	Board members ethnicity[2]				
	White British or other White		9	81.8	NR
	Asian		1	9.1	NR
	Other Ethnic Group		1	9.1	NR
	GEC ethnicity[3]				
	White British or other White		14	93	NR
	Asian		1	7	NR
	Senior managers from an Ethnic Minority background		742	10.2 ✓	8.8
	Senior managers from a Black Heritage background		101	1.4	1
	All colleagues from an Ethnic Minority background		8,675	13.4 ✓	11.3
Disability	Colleagues who disclose that they have a disability		4,221	6.5	3.7
Sexual orientation	Colleagues who disclose their sexual orientation		44,284	68.6	59.7

1 Data is collated and reported in compliance with the provisions of section 414C(8)(c) Companies Act 2006

2 In the current year there is no reported data for the categories of Black/African/Caribbean/Black British, Mixed/Multiple Ethnic groups and Not specified/prefer not to say.

3 In the current year there is no reported data for the categories of Mixed/Multiple Ethnic Groups, Black/African/Caribbean/Black British, Other ethnic group including Arab and Not specified/prefer not to say.

NR This data was not reported in 2021 and is a new disclosure in 2022.

√ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2022 Annual Responsible Business Reporting. Deloitte's 2022 assurance statement and the 2022 Reporting Criteria are available online at **www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.**

Methodology and definitions:

- Data is sourced from the HR system (Workday) containing all permanent colleague details
- All data as at 31 December 2022
- All diversity information for ethnicity, disability and sexual orientation is based on voluntary self-declaration by colleagues. Our systems do not record diversity data of colleagues who have not declared this information and is for UK payroll only
- Gender data includes international, those on parental/maternity leave, absent without leave and long-term sick and excludes contractors, Group non-executive directors, temporary and agency staff
- The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to Board. GEC includes the Group Chief Executive and excludes colleagues who report to a member or attendee of the GEC, including administrative or executive support roles (personal assistant, executive assistant). GEC and GEC direct reports includes the Group Chief Executive and colleagues who report to a member or attendee of the GEC, including administrative or executive support roles (personal assistant, executive assistant)
- Senior managers: Grades F, G and Executive (F being the lowest)
- A colleague is an individual who is paid via the Group's payroll and employed on a permanent or fixed term contract (employed for a limited period). Includes parental leavers and internationals (UK includes Guernsey, Isle of Man, Jersey and Gibraltar). Excludes leavers, Group non-executive directors, contractors, temps and agency staff
- Diversity calculations are based on headcount, not full-time employee value and excludes Embark for the FY 2022 reporting period

Building our internal talent

The focus on progressing our race action plan ambitions has continued, with significant effort in supporting our Black heritage colleagues looking to progress their career.

Our senior leadership programme, which helps us identify our next senior leaders, continued and following its success, in May 2022, we launched a similar programme for Black Heritage colleagues in middle management looking to develop their career. The programme runs for 12 months, supporting colleagues with the tools they might need to develop themselves and their career. It provides face-to-face networking and workshops, mentoring circles, upskilling sessions on writing CVs, pen portraits and interviews with talks from hiring managers and the support to find a sponsor.

Close to 100 colleagues enrolled in the programme in 2022, and by the end of 2022, over a quarter of the colleagues enrolled on the programme had either been promoted or taken a lateral move to progress their career.

Non-financial
Climate

Operational carbon emissions R
tCO_2e

115,965

2021/22	115,965
2020/21[1]	112,424
2019/20[1]	114,722
2018/19[1]	174,629

1 Restated all prior periods data to improve the accuracy of reporting, using actual data to replace estimates, historical emissions associated with Embark Group's properties, and improved escaped refrigerant related emissions.

This year, our overall market-based carbon emissions were 115,965 tonnes CO_2e, 33.6 per cent lower since 2018/19 and a 3.1 per cent increase since 2020/21, mainly driven by higher business travel and commuting related carbon emissions post COVID-19.

Sustainable lending and investment targets[2] R
£bn

Commercial Banking

We are here ▼ 2024 target ▼
£7.9bn
Progress (£bn lending) £15bn

Motor

▼ We are here 2024 target ▼
£2.1bn
Progress (£bn lending) £8bn

Scottish Widows

We are here ▼ 2025 target ▼
£17.5bn
Progress (£bn investment) £20–25bn

Green mortgage lending

We are here ▼ 2024 target ▼
c. £3.5bn
Progress (£bn lending) £10bn

2 Further details on the scope of these sustainable lending and investment targets is included within the environmental sustainability report on **page 10**.

Our net zero ambitions ▼

Financed emissions

Bank
- Work with customers, government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050 or sooner[3]

Scottish Widows
- Target halving the carbon footprint[4] of all of our investments by 2030 on the path to net zero by 2050[5]

Own operations[6]

- Net zero carbon operations by 2030
- Reduce total energy consumption by 50 per cent by 2030
- Maintain travel carbon emissions below 50 per cent of pre-COVID-19 levels

Supply chain

- Reduce the carbon emissions we generate through our supply chain by 50 per cent by 2030 on the path to net zero by 2050 or sooner[7]

Our climate approach
Tackling the climate crisis through supporting the transition to a low carbon economy is core to our Group strategy and our purpose. As a Group that supports many sectors of our economy through our lending, investments, products and services, we recognise our role in helping to enable the transition.

Our approach is a core part of our business strategy, with key sustainability objectives aligned to our priorities of Grow, Focus and Change. We plan to grow our business by capitalising on the opportunities, through green lending, investment and products.

In 2021, we highlighted four sustainable lending targets which together with our operational carbon emissions ambition form part of our Group balance scorecard. We are focused on our climate-related risks and we continue to expand our targets and plans to deliver our net zero ambitions in our own operations, supply chain and financed emissions. We plan to change how we operate, educating our people to support us to deliver on our climate ambition. Transitioning to net zero is a universal endeavour and will depend on government, industry and wider society acting together, alongside significant technology advancements in high emitting sectors.

We will actively manage our climate risks and hold ourselves to account to do all we can in how we run our own business. Our environmental sustainability report ↗ provides details of how as a Group we will deliver against those ambitions and priorities, including climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures. We have launched our Group climate transition plan which covers activity across the Group, building on the climate action plan released by Scottish Widows in 2022. Further detail can be found in our environmental sustainability report, our separate supplement which allows for a more comprehensive response to the TCFD framework, covering material activity across the Group.

Progress against TCFD recommendations
We comply with the FCA's Listing Rule 9.8.6R(8) and set out in the following table our climate-related financial disclosures consistent with the 2021 TCFD recommendations and recommended disclosures across all four of the TCFD pillars: strategy; governance; risk management; and metrics and targets.

We will continue to assess and develop our disclosures against the TCFD recommendations and recommended disclosures in 2023, considering relevant TCFD guidance and materials along with evolving best practice. The following table also provides an overview of our disclosure progress and priorities for 2023.

3 From a 2018 baseline.
4 Carbon footprint is a measure of carbon intensity calculated as absolute value of emissions applicable to an investment divided by value of investment.
5 From a 2019 baseline.
6 All from a 2018/19 baseline. The reporting period is October to September.
7 From a 2021/22 baseline. The reporting period is October to September.

Progress against TCFD recommendations

Pillar		Recommended disclosure	Environmental sustainability report	Summary of progress
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.	A	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	**Pages 13 to 20**	• Key climate-related risks and opportunities defined with the potential time horizons over which these may arise identified • In 2023, we will look to further quantify risks and opportunities in relation to climate risk
	B	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	**Pages 13 to 20**	• Financial statements consider the impact of climate-related risks on our financial position and performance • Continue to embed climate risk into financial planning process. Climate consideration factored into the economic base case and financed emission ambitions considered as part of the forecasting process • In 2023, in line with our Group climate transition plan, net zero targets and strategies will be developed for some remaining high emitting sectors • Expand the balance sheet assets covered by the forecasting process, and Partnership for Carbon Accounting Framework (PCAF) methodology updates • Embed monitoring of sector targets as reported in our Group climate transition plan into reporting process so that climate considerations form part of the Group's regular decision making
	C	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Page 14** **Pages 63 to 67**	• Climate scenario analysis performed for some of our businesses most exposed to climate risk such as mortgage flood risk and transition risk for commercial portfolios • The insights from this scenario analysis activity have been used to support the Group's measurement of Expected Credit Loss (ECL) and Internal Capital Adequacy Assessment Process (ICAAP) • Continue to monitor our exposure to high-risk sectors and proposed actions to support transition • Scottish Widows Group (SWG) developing scenario analysis model to inform business decisions. Output to be published in the 2022 SWG TCFD report • In 2023, scenario analysis will be used to support forecasts and plans. We will compare scenario modelling outputs generated to inform strategic approach. Specific areas of development are understanding the impacts on some of our highest emitting sectors such as agriculture and integrating scenario analysis into the credit decision making process
Governance Disclose the organisation's governance around climate-related risks and opportunities.	A	Describe the Board's oversight of climate-related risks and opportunities.	**Pages 50 to 53**	• Governance structure provides clear oversight and ownership of Group's environmental sustainability strategy and management of climate risk at Board and executive levels • The Board is engaged on a regular basis on our sustainability agenda • In 2023, the Board will consider our response to nature along with approval of sector targets for some of our remaining sectors. Continue to monitor progress against our targets and ambitions
	B	Describe management's role in assessing and managing climate-related risks and opportunities.	**Pages 50 to 53** **Page 55**	• The Group Net Zero Committee provides direction and oversight of the Group's environmental sustainability strategy, supported by climate and sustainability steering groups or committees • The Group Risk Committee provides oversight of climate risk • Key committee oversight includes development of our 2022 sector targets and supply chain ambitions
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	A	Describe the organisation's processes for identifying and assessing climate-related risks.	**Pages 16 to 17**	• Assessment of climate risk has been undertaken, to understand the key risks across the Group • Ongoing development of climate risk assessment tools and methodologies, including qualitative climate risk assessment tool for commercial clients • In 2023, we will look at the incorporation of scenario analysis to inform climate risk assessment, alongside further refinement to evolving assessment processes
	B	Describe the organisation's processes for managing climate-related risks.	**Pages 57 to 62**	• Consideration of climate risk incorporated within our existing risk management processes, embedding relevant controls to mitigate these risks • Key risks which incorporate climate include credit risk, insurance underwriting risk, conduct risk and operational resilience • In 2023, we will look at further embedding controls across identified climate-related risks and enhancement of risk appetite to mitigate key climate risks across the Group
	C	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	**Pages 16 to 17** **Pages 57 to 62**	• Climate risk is embedded into our Enterprise Risk Management Framework, through consideration of climate risk as its own principal risk, and integration into other principal risks materially impacted • The Group climate risk policy provides an overarching framework for the management of climate risks across the Group • In 2023, there will be further enhancement to climate risk reporting
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	A	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Pages 9 to 12** **Pages 24 to 48**	• Progress monitored against our net zero ambitions, including measures related to our financed emissions, own operation emissions, supply chain emissions and sustainable finance • 2023 plan to enhance metrics to monitor our progress against our targets and ambitions and explore methodology in relation to nature
	B	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Pages 11 to 12** **Pages 28 to 48**	• Disclosed Scope 1, 2 and 3 emissions for our own operations and supply chain, continue to develop our approach to calculating financed emissions now updated to period ended 2020 • Scottish Widows 2022 reporting will include product level TCFD reporting • In 2023, we will extend our asset coverage from a financed emissions perspective to cover additional business areas
	C	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**Page 9 to 12** **Pages 28 to 48**	• Our environmental sustainability report 2022 provides an update on how we are progressing against emission pathway for the targets we released in October 2022 • In 2023, we will develop targets for other high carbon sectors for release in 2024

In addition to the compliance above, entities within our Insurance Pensions and Investment business which are incorporated as part of Scottish Widows Group are required to report in compliance with FCA ESG Sourcebook (set via FCA PS21/24) reporting requirements for the period ended 31 December 2022. This additional compliance will be met through the publication of a separate Scottish Widows TCFD report, which is due to be published by 30 June 2023.

Risk overview
Effective risk management and control

Our approach to risk

Risk management is at the heart of the Group's purpose of Helping Britain Prosper. A strong risk management culture is crucial for sustainable growth, supporting the transition to a low carbon economy and building an inclusive society.

A prudent approach to risk is fundamental to the Group's business model and drives our participation choices, whilst protecting customers, colleagues and the Group.

The risk management section from **pages 139 to 195** of the annual report and accounts provides an in-depth picture of how risk is managed within the Group, including the approach to risk appetite, risk governance, stress testing and detailed analysis of the principal risk categories, including the framework by which these risks are identified, managed, mitigated and monitored.

Our enterprise risk management framework

The Group's comprehensive enterprise risk management framework, that applies to all legal entities across the Group, is the foundation for the delivery of effective and consistent risk control. It enables proactive identification, active management and monitoring of the Group's risks, which is supported by our One Risk and Control Self-Assessment approach.

The Group's risk appetite, principles, policies, procedures, controls and reporting are regularly reviewed and updated to ensure they remain fully in line with regulation, law, corporate governance and industry good practice.

Risk appetite is defined within the Group as the amount and type of risk that the Group is prepared to seek, accept or tolerate in delivering its strategy.

The Board is responsible for approving the Group's Board risk appetite statement annually. Board-level risk appetite metrics are augmented further by sub-Board level metrics and cascaded into more detailed business metrics and limits. Regular close monitoring and comprehensive reporting to all levels of management and the Board ensure appetite limits are maintained and subject to stress analysis at a risk type and portfolio level, as appropriate.

Governance is maintained through delegation of authority from the Board down to individuals. Senior executives are supported by a committee-based structure which is designed to ensure open challenge and enable effective Board engagement and decision making.

More information on the Board's responsibilities can be found on **page 91** of the annual report and accounts and our Risk committees on **pages 142 to 143** of the annual report and accounts.

Risk culture and the customer

The Board and senior management play a vital role in shaping and embedding a healthy corporate culture.

Our responsible, inclusive and diverse culture supports colleagues to consistently do the right thing for customers. The Group's Code of Responsibility and refreshed values reinforce colleagues' accountability for the risks they take and their responsibility to prioritise customers' needs.

As a Group, we are open, honest and transparent with colleagues working in collaboration with business units to:

- Support effective risk management and provide constructive challenge
- Share lessons learned and understand root causes when things go wrong
- Consider horizon risks and opportunities

The Group aims to maintain a strong focus on building and sustaining long-term relationships with customers through the economic cycle.

Risk profile and performance

The Group has continued to maintain support for its customers amid the backdrop of supply chain pressures, cost of living increases and global and domestic economic uncertainty.

Observed credit performance remains strong, with very modest evidence of deterioration. The Group's loan portfolio continues to be well positioned and heightened monitoring is in place to identify signs of affordability stress.

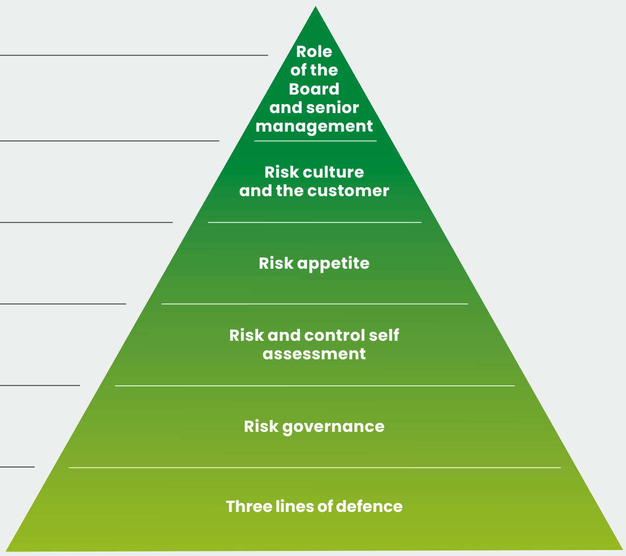
The Group's strategy will see ongoing investment in technology, driving the evolution of processes and further strengthening of the Group's operational resilience, amid continuously evolving threats, such as cyber risk.

Climate change remains a key consideration for the Group, with positive progress in 2022 and a commitment to continued focus in 2023.

Overall, key risks continue to be managed effectively and the Group is well positioned to safely progress its strategic ambitions.

Enterprise risk management framework

1. The Board delegates executive authorities to ensure there is effective oversight of risk management.
2. The appropriate culture ensures performance, risk and reward are aligned.
3. The framework ensures our risks are managed in line with our risk appetite.
4. The identification, measurement and control of our risks form an integral part of our One Risk and Control Self Assessment.
5. The governance framework supports a consistent approach to enterprise-wide behaviour and decision making.
6. The robust approach to monitoring oversight and assurance ensures effective risk management across the Group.



Principal risks

Principal risks are the Board-approved enterprise-wide risk categories, used to monitor and report the risk exposures posing the greatest impact to the Group.

All of the Group's principal risks, which are outlined in this section, are reported regularly to the Board Risk Committee and the Board. The Board Risk Committee report from **pages 99 to 103** of the annual report and accounts outlines its activities during the year, as well as its purpose, responsibilities and composition.

The Group is in the process of conducting a detailed review of the enterprise risk management framework, which may result in a reclassification of our principal risks in 2023. **Page 147** of the annual report and accounts contains a summary of our principal and secondary risks.

The risk management section from **pages 139 to 195** of the annual report and accounts provides a more in-depth picture of how each principal risk is managed within the Group.

Risk trends

Stable risk | Decreased risk | Increased risk

Principal risks

Principal risk category	Risk performance	Risk appetite	Key mitigating actions
Capital risk (Stable)	The Group maintained its strong capital position in 2022 with a CET1 ratio of 14.1 per cent on a pro forma basis, having also absorbed significant regulatory headwinds on 1st January 2022. This is significantly ahead of regulatory requirements and in excess of the Group's ongoing target of around 12.5 per cent, plus a management buffer of around 1 per cent. Downside risks from economic and regulatory headwinds are being closely monitored.	The Group maintains capital levels commensurate with a prudent level of solvency to achieve financial resilience and market confidence.	• Capital management framework that includes the setting of capital risk appetite, capital planning and stress testing activities • Monitoring of early warning indicators and maintenance of a Capital Contingency Framework, designed to identify and act on emerging capital concerns at an early stage
Change/ execution risk (Increased)	The Group's inherent change/execution risk heightened in 2022, driven by the scale and increased complexity of some of the changes being delivered. The Group continues to strengthen its change capability and controls in response, to support the Group's business and technology transformation plans.	The Group has limited appetite for negative impacts on customers, colleagues, or the Group as a result of change activity.	• Continued evolution and enhancement of the Group change policy, method and control environment • Measurement and reporting of change/ execution risk to appropriate bodies, including on critical elements of the change portfolio • Providing sufficient skilled resources to safely deliver and embed change and support future transformation plans
Climate risk (Stable)	2022 has seen significant progress in embedding climate risk, with a consistent framework and clear responsibilities that will enhance understanding of the Group's climate risks and their management, in line with regulatory requirements. Progress continues in key areas, including developing climate data and scenario analysis capabilities; enhancing risk appetite measures; as well progressing the Group's ambitions for reducing emissions.	The Group takes action to support the Group's and its customers' transition to net zero, and maintain its resilience against the risks relating to climate change.	• Climate risk policy in place, embedded across the Group • Regular updates to the Board and further development of climate risk reporting • Consideration of key climate risks as part of the Group's financial planning process
Conduct risk (Stable)	Conduct risk remained stable in 2022, with the Group's focus on supporting customers impacted by the rising cost of living; implementing and embedding the FCA's new Consumer Duty requirements; and ensuring good customer outcomes amid the transformation of its business and technology.	The Group delivers good outcomes for its customers.	• Robust conduct risk framework in place to support delivery of good customer outcomes, market integrity and competition requirements • Active engagement with regulatory bodies and key stakeholders to ensure that the Group's strategic conduct focus continues to meet evolving stakeholder expectations

Principal risks

Principal risk category	Risk performance	Risk appetite	Key mitigating actions
Credit risk	The Group's credit portfolio continued to be well positioned with high levels of security, but a more challenging outlook, driven by interest rate rises and cost of living pressures, saw an increase in credit risk. Evidence of deterioration was very modest, with assets flowing into arrears, defaults and write-offs remaining low. Impairment was a net charge of £1,510 million, compared to a net credit of £1,385 million for 2021. The Group's expected credit loss allowances have increased to £5,222 million (2021: £4,477 million).	The Group has a conservative and well-balanced credit portfolio through the economic cycle, generating an appropriate return on equity, in line with the Group's target return on equity in aggregate.	• Extensive and thorough credit processes, strategies and controls to ensure effective risk identification, management and oversight • Significant monitoring in place, including early warning indicators to remain close to any signs of portfolio deterioration, accompanied by a playbook of mitigating actions • Pre-emptive credit tightening ahead of macroeconomic deterioration, including updates to affordability lending controls for forward look costs
Data risk	Data risk remained stable in 2022, with significant ongoing investment in the maturity of data risk management, data capabilities and end-to-end management of data risk. Launch of the Group's new data strategy will support in managing risk and achieving the Group's growth objectives.	The Group has zero appetite for data-related regulatory fines or enforcement actions.	• Delivering against the data strategy and uplifting capability in data management and privacy, oversight of the data supply chain and data controls and processes • Data by design and data ethics principles embedded into the data science lifecycle
Funding and liquidity risk	The Group maintained its strong funding and liquidity position in 2022. The loan to deposit ratio increased to 96 per cent (2021: 94 per cent), largely driven by increased customer lending. The Group's liquid assets continue to exceed the regulatory minimum and internal risk appetite, with a liquidity coverage ratio (based on monthly rolling average from the previous 12 months) of 144 per cent (2021: 135 per cent).	The Group maintains a prudent liquidity profile and a balance sheet structure that limits its reliance on potentially volatile sources of funding.	• Management and monitoring of liquidity risks and ensuring that management systems and arrangements are adequate with regard to the internal risk appetite, Group strategy and regulatory requirements • Significant customer deposit base, driven by inflows to trusted brands
Insurance underwriting risk	Insurance underwriting risk remained broadly stable. Life and Pensions present value of new business premium increased to £21.7 billion (2021: £17.3 billion), with ongoing risks to short-term persistency driven by economic uncertainty and cost of living pressures. Total gross written premium decreased to £486 million (2021: £655 million) mainly due to difficult trading conditions and the renewal pricing impacts following the FCA GI Pricing Practices Market Study.	The Insurance Group has an appetite to take on insurance underwriting risks where they fit with our strategic objectives.	• Significant reinsurance of mortality, morbidity and General Insurance catastrophe risk • Robust processes for underwriting, reinsurance, claims management, pricing, product design and product management • Management through diversification and pooling of risks
Market risk	Market volatility in 2022 created an environment of increased market risk. The Group remains well hedged, ensuring near-term interest rate exposure is managed, while benefitting from rising interest rates. The Group's structural hedge increased to £255 billion (2021: £240 billion) mostly due to the continued growth in stable customer deposits. The Group's pension funds had sufficient liquidity to withstand market volatility but saw a slight reduction in the IAS 19 accounting surplus to £3.7 billion (2021: £4.3 billion)	The Group has effective controls in place to identify and manage the market risk inherent in our customer and client focused activities.	• Structural hedge programmes implemented to stabilise earnings • Close monitoring of market risks and, where appropriate, undertaking of asset and liability matching and hedging • Monitoring of the credit allocation in the defined benefit pension schemes, as well as the hedges in place against adverse movements in nominal rates, inflation and longevity

Principal risks

Principal risk category	Risk performance	Risk appetite	Key mitigating actions
Model risk	Model risk has increased in 2022. The pandemic-related government-led support schemes weakened the relationships between model inputs and outputs, and the current economic conditions remain outside those used to build the models, placing reliance on judgemental overlays. The Group's models are being managed to reduce this need for overlays. The control environment for model risk is being strengthened to meet revised regulatory requirements.	Material models are performing in line with expectations.	• Robust model risk management framework for managing and mitigating model risk within the Group
Operational risk	Operational risk remained stable in 2022 with operational losses reducing versus 2021. Security, technology and supplier management continue to be the most material operational risk areas.	The Group has robust controls in place to manage operational losses, reputational events and regulatory breaches. It identifies and assesses emerging risks and acts to mitigate these.	• Review and investment in the Group's control environment, with a particular focus on automation, to ensure the Group addresses the inherent risks faced • Deployment of a range of risk management strategies, including: avoidance, mitigation, transfer (including insurance) and acceptance
Operational resilience risk	Operational resilience remains a key focus, with continued enhancement to the Group's resilience for serving customers better and addressing regulatory priorities. Technology resilience remains a focus area, with dedicated programmes to address key risks.	The Group has limited appetite for disruption to services to customers and stakeholders from significant unexpected events.	• Operational resilience programme in place to deliver against new regulation and improve the Group's ability to respond to incidents while delivering key services to customers • Investment in technology improvements, including enhancements to the resilience of systems that support critical business processes
People risk	People risk has increased in 2022, aligning with the challenges of the Group's transformation agenda. The strategic focus of the new leadership team, together with the Group's revised pay offering, aims to enable colleagues to enhance their skills and capabilities, provide progression opportunities and support colleagues facing cost of living pressures.	The Group leads responsibly and proficiently, manages people resource effectively, supports and develops colleague skills and talent, creates and nurtures the right culture and meets legal and regulatory obligations related to its people.	• Delivery of strategies to attract, retain and develop high-calibre people with the required capabilities, together with the management of rigorous succession planning for our senior leaders • Continued focus on the Group's culture by developing and delivering initiatives that reinforce appropriate behaviours
Regulatory and legal risk	The regulatory and legal risk profile has remained stable thanks to proactive engagement on emerging focus areas including strategic transformation, cost of living pressures and Consumer Duty. Legal risk continued to be impacted by the evolving UK legal and regulatory landscape, other changing regulatory standards and uncertainty arising from the current and future litigation landscape.	The Group interprets and complies with all relevant regulation and all applicable laws (including codes of conduct which could have legal implications) and/or legal obligations.	• Policies and procedures setting out the principles and key controls that should apply across the business which are aligned to the Group risk appetite • Identification, assessment and implementation of policy and regulatory requirements by business units and the establishment of local controls, processes, procedures and resources to ensure appropriate governance and compliance
Strategic risk	Strategic risk is stable, with further integration into business planning having been a key focus in 2022. Maturation of the Group's strategic risk framework will strengthen the Group's ability to achieve its strategic transformation ambitions.	n/a	• Considering and addressing the strategic implications of emerging trends • Embedding of strategic risk into business planning process and day-to-day risk management

Strategic risk

Connectivity of risks and our strategic risk management framework

The Group's strategic choices and their resulting consequences can present a material risk to the Group's customers, colleagues and shareholders.

This is acknowledged by the Group's Board, with strategic risk recognised as a principal risk within the Group's enterprise risk management framework.

The unprecedented events resulting from the COVID-19 pandemic demonstrated how individual risks in aggregate can place significant pressure on the Group's strategy, business model and performance. This further highlighted the importance of the connectivity of strategic risks with wider principal and emerging risks.

Significant work has been undertaken since 2019 to clarify the relationships between principal, emerging and strategic risks.

This activity has evolved the understanding of the Group's key strategic risks and risk connectivity, as well as creating more explicit definitions of each of the risk types, which can be defined as:

Principal: The Board-approved enterprise-wide risk categories used to monitor and report the risk exposures posing the greatest impact to the Group.

Strategic: A principal risk arising from:
- A failure to understand the potential impact of strategic responses on existing risk types
- Incorrect assumptions about internal or external operating environments
- Inappropriate strategic responses and business plans

Emerging: A future internal or external event or trend, which could have a material positive or adverse impact on the Group and our customers, but where the probability, timescale and/or materiality may be difficult to accurately assess.

Progress on strategic risk in 2022

Further progress has been made this year towards embedding strategic risk into the Group's planning processes and local risk management.

A re-evaluation of the strategic risk themes was undertaken following the announcement of the new Group strategy in the first quarter, which concluded that the themes remain appropriate. In addition, the Group's Strategic Risk Policy was published in August, to support the Group's businesses in developing their medium-term and strategic plans.

Building on this year's preparation for supporting the ongoing management of strategic risks, the Group will further strengthen its strategic risk insights and management in 2023.

Strategic risk themes

Understanding the potential risk implications of our strategy is an important area of focus. Using both quantitative and qualitative analysis, key strategic risk themes have been identified and assessed (see below). These risks are aligned to the key areas of focus in the Group's strategy and can result in impacts on the Group's wider principal risks:

Organisational purpose

An organisational purpose with a clear mission and values will enable us to help Britain prosper and build a more sustainable and inclusive business, creating value for the Group's stakeholders. Risks may arise from:
- Conflicting interpretation of the Group's mission and values
- Inability to inspire the culture and galvanise the organisation to support a progressive strategy
- The stated purpose failing to resonate with our stakeholders due to conflicting objectives

Customer proposition

Risk of adverse impact on reputation, customer attraction, customer retention and income generation, arising from:
- Inappropriate products and services
- Inability to respond to changing customer profiles and needs
- Failure to maintain trust and deepen relationships

Talent attraction and retention

Inability to meet the Group's customer, colleague and transformation goals due to:
- Competition for specialist skills in a challenging labour market
- Failure to attract, develop and retain talent and capabilities for delivering the Group's agenda

Climate change

Failure to:
- Adapt to shifting consumer and colleague expectations
- Achieve regulatory and external climate commitments
- Support the transition to a low carbon economy as both a lender and employer

Technology advances

Potential for greater operational costs, reduced resilience and uncompetitive or inappropriate customer offering, driven by:
- Failure to keep pace with advances in technology
- Inability to effectively leverage data, while ensuring strong data ethics
- Misalignment of technology versus customer appetite

Emerging risks

Emerging risks are a key component of the Group's strategic risk framework.

The Group's horizon scanning activity enables identification of the most pertinent internal and external operating trends. This insight informs the Group's strategy, which in turn impacts the Group's risk profile.

Evolution of the Group's methodology for assessing and prioritising emerging risks

In 2022, the Group has invested in evolving its approach for understanding and assessing emerging risks. Embracing a more rigorous evaluation methodology, the Group has introduced a wider range of variables for assessing and prioritising risks (see opposite). These include factors associated with the threat of a risk, the Group's specific vulnerability to a risk and the preparation and protection the Group has in place to manage or mitigate impacts.

The activity has resulted in a more focused list of the Group's key emerging risks, enabling greater management concentration on developing the appropriate responses.

Emerging risks methodology

Threat	Factors associated with the **threat** presented by emerging risks
Vulnerability	Factors associated with the Group's specific **vulnerability** to emerging risks
Preparation and protection	The **preparation and protection** the Group has in place to manage or mitigate impacts
Emerging risk landscape	A focused list of the Group's key emerging risks from both internal and external sources, for management review and development of the Group's response

Emerging risks

Emerging risk theme	Concerns for the Group and key considerations
Climate-related responsibilities	The risks and resulting public perception of the Group's ability and choices to support the UK's transition to a low carbon economy.
Customer propositions and societal expectations	Failure to manage and evolve the customer proposition appropriately, amidst a constantly changing demographic of consumers.
Data ethics/ethical AI	The consequences of handling customer data unethically in relation to emerging technology, growing regulation, and how this may manifest across the Group's different entities.
Digital currencies	Failure to accurately understand and manage the usage of digital currencies by the public or the government, and how this may affect the Group's operations and future strategy.
Employee proposition	Inability of the Group to anticipate and hire for future skills aligned to evolving industry needs, or provide an attractive colleague proposition against the changing competition landscape.
Futureproof technology strategy	The rate at which the Group is able to adapt, invest and protect itself in relation to fast paced technology growth, alongside rising external expectations.
Global economic and political environment	Increasing strain on the UK economy resulting from continued geopolitical and economic tensions, impacting the Group's customers, partners and suppliers.
Operational and infrastructure blackouts	Service impacts to the Group's customers and colleagues due to economic, financial, biological, climate, technological or social challenges.
Potential breakup of the UK	Failure to adequately prepare and assess the policy, operational and financial impacts to the Group as a result of countries in the UK becoming independent.
UK economic environment	Inability to balance the long-term social, regulatory and financial impacts of sustained poor economic activity within the UK, and consequent unattractiveness of the UK for external investors.

The individual emerging risks detailed above have been taken to key executive level committees throughout 2022, such as the Board Risk Committee, with actions assigned to monitor more closely their manifestation and potential opportunities. For further information on the Board Risk Committee's Chair Report, see **pages 99 to 103** of the annual report and accounts.

Many emerging risk topics are reviewed on a recurring basis, alongside ongoing activity addressing their present impacts. However, it is acknowledged that these challenges will drive future trends in the long term which the Group will need to prepare for. For further information on how the Group is managing key emerging risks through its strategy, see **pages 145 to 146** of the annual report and accounts.

The manifestation of other emerging risks is more unknown. As a result, the Group will continue to explore how these challenges may impact its future strategy, and how it can continue to best protect its customers, colleagues and shareholders.

Viability statement and going concern

Viability statement

The directors have an obligation under the UK Corporate Governance Code to state whether they believe the Company and the Group will be able to continue in operation and meet their liabilities as they fall due over a specified period determined by the directors, taking account of the current position and the principal risks of the Company and the Group.

In making this assessment, the directors have considered a wide range of information, including:

- The principal and emerging risks which could impact the performance of the Group
- The 2022 Strategic Review which sets out the Group's customer and business strategy for the period from 2022 to 2026
- The Group's operating plan which comprises detailed financial, capital and funding projections together with an assessment of relevant risk factors for the period from 2022 to 2025 inclusive

In particular, the assessment included consideration of the ongoing impact of, and subsequent recovery from, the pandemic; the current and expected future impact of the UK's exit from the EU on the UK economy and regulatory agenda; and climate-related matters.

Group, legal entities and divisional operating plans are produced and subject to rigorous stress testing on an annual basis. The planning process takes account of the Group's business objectives, the risks taken to seek to meet those objectives and the controls in place to mitigate those risks to remain within the Group's overall risk appetite.

The Group's annual planning process comprises the following key stages:

- The Board reviews and agrees the Group's strategy, risk appetite and objectives in the context of the operating environment and external market commitments
- The divisional teams develop their operating plans, ensuring that they are in line with the Group's strategy and risk appetite
- The financial projections and the underlying assumptions in respect of expected market and business changes, and future expected legal, accounting and regulatory changes, are subject to rigorous review and challenge from both divisional and Group executives
- In addition, the Board obtains independent assurance from the Risk division over the alignment of the plan with Group strategy and the Board's risk appetite. This assessment performed by the Risk division also identifies the key risks to delivery of the Group's operating plan
- The planning process is also underpinned by a robust capital and funding stress testing framework. This framework allows the Group to assess compliance of the operating plan with the Group's risk appetite
- The scenarios used for stress testing are designed to be severe but plausible, and take account of the availability and likely effectiveness of mitigating actions that could be taken by management to avoid or reduce the impact or occurrence of the underlying risks. The Group conducts internal stress testing and completes the PRA regulatory exercises. In 2022, stress tests have considered a range of economic conditions particularly relevant to the prevailing outlook, including high inflation and rising interest rates. Group stress results are segmented to provide insight, inform risk appetite, and allow for development of mitigating actions. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on **pages 139 to 195** of the annual report and accounts, is taken into account. Further information on stress testing and reverse stress testing is provided on **page 144** of the annual report and accounts
- The final operating plan, Risk division assessment and the results of the stress testing are presented to the Board for approval. Once approved, the operating plan drives detailed divisional and Group targets for the following year

The directors have specifically assessed the prospects of the Company and the Group over the current plan period. The Board considers that a three-year period continues to present a reasonable degree of confidence over expected events and macroeconomic assumptions, while still providing an appropriate longer-term outlook. The directors have also reviewed a less detailed high level forecast for 2026; this high level forecast contains no information which would cause different conclusions to be reached over the longer-term viability of the Company and Group. Information relevant to the assessment can be found in the following sections of the annual report and accounts:

- The Group's principal activities, business and operating models and strategic direction are described in the strategic report on **pages 2 to 45**
- Emerging risks are disclosed on **page 43**
- The principal risks, including the Group's objectives, policies and processes for managing credit, capital, liquidity and funding, are provided in the risk management section on **pages 139 to 195** of the annual report and accounts
- The Group's approach to stress testing and reverse stress testing, including both regulatory and internal stresses, is described on **page 144** of the annual report and accounts

Based upon this assessment, the directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years to 31 December 2025.

Going concern

The going concern of the Company and the Group is dependent on successfully funding their respective balance sheets and maintaining adequate levels of capital.

In order to satisfy themselves that the Company and the Group have adequate resources to continue to operate for the foreseeable future, the directors have reviewed the Group's operating plan and its funding and capital positions, including a consideration of the implications of climate change.

The directors have also taken into account the impact of further stress scenarios as well as a number of other key dependencies which are set out in the risk management section under principal risks and uncertainties: funding and liquidity on **page 40** and **pages 179 to 184** of the annual report and accounts and capital position on **pages 148 to 155** of the annual report and accounts. Additionally, the directors have considered the capital and funding projections of the Company.

Accordingly, the directors conclude that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements and therefore it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Non-financial information statement

This section of the strategic report constitutes Lloyds Banking Group's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference to relevant content.

Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our Group and its impact, policies due, diligence and outcomes
Stakeholders	• Annual materiality assessment[1] • Code of supplier responsibility • Third party supplier policies	• Delivering value for our stakeholders, **pages 4 to 7** • Governance in action, **pages 10 and 11** • ESG performance review ↗ • Environmental sustainability report ↗ • Code of supplier responsibility ↗ • Third party supplier policies are available at: **www.lloydsbankinggroup.com/who-we-are/working-with-suppliers/policy-compliance.html**
Environmental matters	• Environmental (TCFD) statement	• Governance in action, **pages 10 and 11** • Our external environment, **page 18** • Progress and performance, climate, **pages 36 and 37** • Climate risk, **page 156** of the annual report and accounts • Environmental sustainability report ↗
Employees	• Colleague policy[1] • Code of ethics and responsibility • Health and safety policy[1]	• Governance in action, **pages 10 and 11** • Progress and performance, colleagues, **pages 34 and 35** • ESG performance review ↗ • Code of ethics and responsibility ↗
Respect for human rights	• Human rights policy statement • Colleague policy[1] • Pre-employment vetting standards[1] • Data privacy policy[1] • Modern slavery and human trafficking statement • Information and cyber security policy[1]	• Progress and performance, colleagues, **pages 34 and 35** • The Group are guided by the International Bill of Human Rights, the International Labour Organization's (ILO) Core Labour Standards and its Tripartite Declaration of Principles, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the UN's Guiding Principles on Business and Human Rights. As signatories to the United Nations (UN) Global Compact, we are aligned with its human rights and labour standards and report on our progress annually. Pursuant to the UK Modern Slavery Act, we produce a modern slavery statement • Modern slavery and human trafficking statement ↗ • Human rights policy statement ↗ • Social sustainability report ↗ All documents available at: **www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads**
Social matters	• Volunteering standards[1] • Matched giving guidelines[1] • Colleague policy[1]	• Our unique business model, **pages 2 and 3** • Delivering value for our stakeholders, **pages 4 to 7** • Our external environment, **page 18** • Progress and performance, colleagues, **pages 34 and 35** • Social sustainability report ↗
Anti-corruption and anti-bribery	• Anti-bribery policy[1] • Anti-bribery policy statement • Anti-money laundering and counter terrorist financing policy[1] • Fraud risk management policy[1]	• Risk management, **pages 191 and 192** of the annual report and accounts • ESG performance review ↗ • Anti-bribery policy statement ↗
Description of principal risks and impact of business activity		• Risk overview, **pages 38 to 43**
Description of the business model **Non-financial key performance indicators**		• Our unique business model, **pages 2 and 3** • Our strategy in action, **pages 24 to 31** • Progress and performance, **pages 32 to 37** • ESG performance review ↗ • ESG reporting framework index ↗ • ESG reporting criteria ↗

All documents available at: www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.

1 Certain Group policies, internal standards and guidelines are not published externally.

The policies mentioned above form part of the Group's policy framework which is founded on key risk management principles. The policies which underpin the principles define mandatory requirements for risk management. Robust processes and controls to identify and report policy outcomes are in place and were followed in 2022.

Summary of Group results

Income statement – underlying basis[A]

	2022 £m	2021 £m	Change %
Underlying net interest income	**13,172**	11,163	18
Underlying other income	**5,249**	5,060	4
Operating lease depreciation	**(373)**	(460)	19
Net income	**18,048**	15,763	14
Operating costs[1]	**(8,835)**	(8,312)	(6)
Remediation	**(255)**	(1,300)	80
Total costs	**(9,090)**	(9,612)	5
Underlying profit before impairment	**8,958**	6,151	46
Underlying impairment (charge) credit[1]	**(1,510)**	1,385	
Underlying profit	**7,448**	7,536	(1)
Restructuring[1]	**(80)**	(452)	82
Volatility and other items	**(440)**	(182)	
Statutory profit before tax	**6,928**	6,902	
Tax expense	**(1,373)**	(1,017)	(35)
Statutory profit after tax	**5,555**	5,885	(6)
Earnings per share	**7.3p**	7.5p	(0.2)p
Dividends per share – ordinary	**2.40p**	2.00p	0.40p
Share buyback value	**£2.0bn**	£2.0bn	
Banking net interest margin[A]	**2.94%**	2.54%	40bp
Average interest-earning banking assets[A]	**£452.0bn**	£444.6bn	2
Cost:income ratio[A,1]	**50.4%**	61.0%	(10.6)pp
Asset quality ratio[A,1]	**0.32%**	(0.31)%	
Return on tangible equity[A]	**13.5%**	13.8%	(0.3)pp

A See **page 67** of the annual report and accounts.
1 2021 comparatives have been presented to reflect the new cost basis, consistent with the current period. See **page 67** of the annual report and accounts.

Key balance sheet metrics

	At 31 Dec 2022	At 31 Dec 2021	Change %
Loans and advances to customers	**£454.9bn**	£448.6bn	1
Customer deposits	**£475.3bn**	£476.3bn	
Loan to deposit ratio[A]	**96%**	94%	2pp
CET1 ratio	**15.1%**	17.3%	(2.2)pp
Pro forma CET1 ratio[A,1]	**14.1%**	16.3%	(2.2)pp
Total capital ratio	**19.7%**	23.6%	(3.9)pp
MREL ratio	**31.7%**	37.2%	(5.5)pp
UK leverage ratio	**5.6%**	5.8%	(0.2)pp
Risk-weighted assets	**£210.9bn**	£196.0bn	8
Wholesale funding[2]	**£100.3bn**	£93.1bn	8
Liquidity coverage ratio[2]	**144%**	135%	9pp
Tangible net assets per share[A]	**51.9p**	57.5p	(5.6)p

1 31 December 2022 reflects the dividend received from Insurance in February 2023 and the full impact of the announced share buyback, but excludes the impact of the phased unwind of IFRS 9 relief on 1 January 2023. The 31 December 2021 comparative reflects the dividend received from Insurance in February 2022 and the full impact of the share buyback in respect of 2021 that completed in 2022, but excludes the impact of regulatory changes that came into effect on 1 January 2022.
2 Wholesale funding includes significant risk transfer securitisations issued by special purpose vehicles of £1.6 billion (31 December 2021: £1.7 billion); the comparative has been presented on a consistent basis. The liquidity coverage ratio is calculated as a simple average of month-end observations over the previous 12 months.

Balance sheet analysis

	At 31 Dec 2022 £bn	At 30 Sep 2022 £bn	Change %	At 30 Jun 2022 £bn	Change %	At 31 Dec 2021 £bn	Change %
Loans and advances to customers							
Open mortgage book	**299.6**	298.4		296.6	1	293.3	2
Closed mortgage book	**11.6**	12.3	(6)	13.1	(11)	14.2	(18)
Credit cards[1]	**14.3**	14.3		14.2	1	13.8	4
UK Retail unsecured loans	**8.7**	8.8	(1)	8.5	2	8.1	7
UK Motor Finance	**14.3**	14.2	1	14.2	1	14.0	2
Overdrafts	**1.0**	1.0		1.0		1.0	
Retail other[2]	**13.8**	13.0	6	12.5	10	10.9	27
Wealth[1]	**0.9**	1.0	(10)	1.0	(10)	1.0	(10)
Small and Medium Businesses[1]	**37.7**	39.8	(5)	41.1	(8)	42.5	(11)
Corporate and Institutional Banking[1]	**56.0**	57.6	(3)	55.7	1	50.0	12
Central items[1,3]	**(3.0)**	(4.1)	(27)	(1.8)	67	(0.2)	
Loans and advances to customers	**454.9**	456.3		456.1		448.6	1
Customer deposits							
Retail current accounts	**114.0**	115.7	(1)	113.4	1	111.5	2
Retail relationship savings accounts	**166.3**	165.7		165.8		164.5	1
Retail tactical savings accounts	**16.1**	16.2	(1)	16.9	(5)	16.8	(4)
Wealth[1]	**14.4**	14.9	(3)	14.9	(3)	15.6	(8)
Commercial Banking deposits	**163.8**	170.2	(4)	166.7	(2)	167.5	(2)
Central items[1]	**0.7**	1.6	(56)	0.5	40	0.4	75
Total customer deposits	**475.3**	484.3	(2)	478.2	(1)	476.3	
Total assets	**877.8**	892.9	(2)	890.4	(1)	886.6	(1)
Total liabilities	**830.3**	846.5	(2)	840.3	(1)	833.4	
Ordinary shareholders' equity	**42.0**	40.0	5	44.4	(5)	47.1	(11)
Other equity instruments	**5.3**	6.2	(15)	5.5	(4)	5.9	(10)
Non-controlling interests	**0.2**	0.2		0.2		0.2	
Total equity	**47.5**	46.4	2	50.1	(5)	53.2	(11)
Ordinary shares in issue, excluding own shares	**66,944m**	67,464m	(1)	68,702m	(3)	70,996m	(6)

1 Reflects the new organisation structure, with Business Banking and Commercial Cards moving from Retail to Commercial Banking and Wealth moving from Insurance, Pensions and Investments (previously Insurance and Wealth) to Retail; comparatives have been presented on a consistent basis.
2 Primarily Europe.
3 Includes central fair value hedge accounting adjustments.

Report of the Auditor

The auditors' report on the full accounts for the year ended 31 December 2022 was unqualified, and their statement under section 496 (whether the Strategic Report and the Directors' Report are consistent with the accounts) of the Companies Act 2006 was unqualified.

Our Board
Establishing our purpose, values and strategy

Each of the directors of Lloyds Banking Group plc is also a director of Lloyds Bank plc and Bank of Scotland plc (the Ring-Fenced Banks). The boards of the Ring-Fenced Banks have three additional non-executive directors: Nigel Hinshelwood (Senior Independent Director), Sarah Bentley and Brendan Gilligan. Read their biographies and about the Ring-Fenced Banks on **pages 79 and 86** of the annual report and accounts.

Stuart Sinclair was a non-executive director of Lloyds Banking Group plc during 2022 until his retirement on 12 May 2022.

Robin Budenberg CBE
Chair

Appointed: October 2020 (Board), January 2021 (Chair)
Skills, experience and contribution:
- Extensive financial services and investment banking experience
- Strong governance and strategic advisory skills to companies and government
- Regulatory, public policy and stakeholder management experience

Robin spent 25 years advising UK companies and the UK Government while working for S.G.Warburg/UBS Investment Bank and was formerly Chief Executive and Chairman of UK Financial Investments (UKFI), managing the Government's investments in UK banks following the 2008 financial crisis. He was awarded a CBE in 2015 for services to the taxpayer and the economy and is a qualified Chartered Accountant.
External appointments:
Chairman of The Crown Estate.

Alan Dickinson
Deputy Chair and Senior Independent Director

Appointed: September 2014 (Board), December 2019 (Senior Independent Director), May 2020 (Deputy Chair)
Skills, experience and contribution:
- Highly regarded retail and commercial banker
- Strong strategic, risk management and core banking experience
- Regulatory and public policy experience

Alan has 37 years' experience with the Royal Bank of Scotland, most notably as Chief Executive of RBS UK. Alan was formerly Chairman of Urban&Civic plc and of Brown, Shipley & Co. Limited, a Non-Executive Director and Chairman of the Risk Committee of the Nationwide Building Society and of Willis Limited and a Governor of Motability. Alan is a Fellow of the Chartered Institute of Bankers and the Royal Statistical Society.
External appointments:
Non-Executive Director of the England and Wales Cricket Board.

Sarah Legg
Independent non-executive director

Appointed: December 2019
Skills, experience and contribution:
- Strong financial leadership and regulatory reporting skills
- Significant audit and risk experience in financial leadership
- Strong transformation programme experience

Sarah has spent her entire executive career in financial services with almost 30 years at HSBC in finance leadership roles. She was the Group Financial Controller, a Group General Manager and also Chief Financial Officer for HSBC's Asia Pacific region. She also spent eight years as a Non-Executive Director on the board of Hang Seng Bank Limited, a Hong Kong listed bank.
External appointments:
Non-Executive Director of Severn Trent plc, a Trustee of the Lloyds Bank Foundation for England and Wales, Board Member of the Audit Committee Chairs' Independent Forum and Chair of the Campaign Advisory Board, King's College, Cambridge University.

Lord Lupton CBE
Independent non-executive director and Chair of Lloyds Bank Corporate Markets plc

Appointed: June 2017 (Board), August 2017 (Chair of Lloyds Bank Corporate Markets plc)
Skills, experience and contribution:
- Extensive international corporate experience, especially in financial markets
- Strong board governance experience, including investor relations
- Regulatory and public policy experience
- Significant experience in strategic planning and implementation

Lord Lupton was Deputy Chairman of Baring Brothers, co-founded the London office of Greenhill & Co. and was Chairman of Greenhill Europe. He is a former Treasurer of the Conservative Party and became a Life Peer in October 2015, serving on the House of Lords Select Committee on Charities.
External appointments:
Senior Advisor to Greenhill Europe, a Trustee of The Lovington Foundation and Chairman of the Board of Visitors of the Ashmolean Museum.

Amanda Mackenzie LVO OBE
Independent non-executive director

Appointed: October 2018
Skills, experience and contribution:
- Extensive experience in ESG matters, including responsible business and sustainability
- Considerable customer engagement experience
- Strong digital technology experience
- Significant marketing and brand background

Amanda was Chief Executive of Business in the Community, of which King Charles III is the Royal Founding Patron and which promotes responsible business and corporate responsibility. Prior to that role, she was a member of Aviva's Group Executive for seven years as Chief Marketing and Communications Officer and was seconded to help launch the United Nation's Sustainable Development Goals. She is also a former Director of British Airways AirMiles, BT, Hewlett Packard Inc and British Gas.
External appointments:
Chair of The Queen's Reading Room and trustee of the charity Cumberland Lodge.

Harmeen Mehta
Independent non-executive director

Appointed: November 2021
Skills, experience and contribution:
- Over 25 years' experience leading digital innovation and complex transformation
- Experience of building and running technology-led businesses and creating new ventures
- A wealth of international and financial services knowledge having lived in 11 countries and worked across 30 countries in six continents

Harmeen was appointed Chief Digital and Innovation Officer at BT in April 2021. Prior to that role, she spent seven years as Global Chief Information Officer and Head of Cyber Security and Cloud Business at Bharti Airtel, leading its cloud and security businesses. Earlier in her career, Harmeen held CIO positions at BBVA, HSBC and Bank of America Merrill Lynch.
External appointments:
Chief Digital and Innovation Officer at BT and Non-Executive Director at Max Healthcare Institute Ltd.

- A Audit Committee member
- BR Board Risk Committee member
- NG Nomination and Governance Committee member
- Re Remuneration Committee member
- RB Responsible Business Committee member
- Committee Chair
- N New to the Board in 2022

Committee Chairs and members shown as at 21 February 2023.

▶ Cathy Turner
Independent non-executive director

Appointed: November 2022
Skills, experience and contribution:
- Significant executive and non-executive financial services experience
- Knowledge of complex remuneration matters
- Communications expertise with a broad range of stakeholders including investors, regulators, government, media and unions

Cathy has significant financial services experience, having worked in senior executive positions at Barclays plc where her responsibilities, over time, included human resources, executive compensation, investor relations, strategy and brand marketing and at the Group, where she was responsible for the human resources, legal, audit, corporate brand and secretariat functions. Cathy has previously been a Non-Executive Director and Chair of the Remuneration Committee of Aldermore Group plc, Quilter plc and Countrywide plc.
External appointments:
Non-Executive Director and Chair of the Remuneration Committee of each of Rentokil Initial plc and Spectris plc. Partner on a part-time basis at Manchester Square Partners LLP.

▶ Scott Wheway
Independent non-executive director and Chair of Scottish Widows Group

Appointed: August 2022 (Board), September 2022 (Chair of Scottish Widows Group)
Skills, experience and contribution:
- Significant financial services board and chair experience
- Extensive knowledge and experience of large-scale banking and insurance businesses
- Track record as a non-executive and executive in customer-centric companies

Scott was appointed Chair of Centrica plc in 2020 where he has served on the board since 2016. Scott was formerly Chair of AXA UK plc, Chair of Aviva Insurance Limited, a Non-Executive Director of Aviva plc and Senior Independent Director of Santander UK plc. He worked as an executive in the retail sector for over 25 years where he held positions including chief executive officer of Best Buy Europe, managing director of Boots the Chemist plc and a number of senior executive positions at Tesco plc.
External appointments:
Chair of Centrica plc.

▶ Catherine Woods
Independent non-executive director

Appointed: March 2020
Skills, experience and contribution:
- Extensive executive experience of international financial institutions
- Deep experience of risk and transformation oversight
- Strong focus on culture and corporate governance

Catherine is a former Deputy Chair and Senior Independent Director of AIB Group plc where she also chaired the Board Audit Committee. In her executive career with J.P. Morgan Securities, she was Vice President, European Financial Institutions, Mergers and Acquisitions and Vice President Equity Research Department, forming the European Banks Team.
External appointments:
Non-Executive Director and Deputy Chair of BlackRock Asset Management Ireland Limited.

▶ Charlie Nunn
Executive director and Group Chief Executive

Appointed: August 2021
Skills, experience and contribution:
- Extensive financial services experience including in Chief Executive and other leadership roles
- Strategic planning and implementation
- Extensive experience of digital transformation

Charlie has over 25 years' experience in the financial services sector. Prior to joining the Group, Charlie held a range of leadership positions at HSBC, including Global Chief Executive, Wealth and Personal Banking and Group Head of Wealth Management and Digital, as well as Global Chief Operating Officer of Retail Banking and Wealth Management.

Charlie began his career at Accenture, where he worked for 13 years in the US, France, Switzerland and the UK before being made a Partner. He then moved to McKinsey & Co. as a Senior Partner, leading on projects for five years.
External appointments:
None.

▶ William Chalmers
Executive director and Chief Financial Officer

Appointed: August 2019 (Chief Financial Officer)
Skills, experience and contribution:
- Significant board-level strategic and financial leadership experience
- Strategic planning and development, mergers and acquisitions, equity and debt capital structuring and risk management

William joined the Board in August 2019, when he was appointed Chief Financial Officer and was Interim Group Chief Executive from May 2021 to August 2021.

William has worked in financial services for over 25 years and previously held a number of senior roles at Morgan Stanley, including Co-Head of the Global Financial Institutions Group and Head of EMEA Financial Institutions Group. Before joining Morgan Stanley, William worked for JP Morgan, again in the Financial Institutions Group.
External appointments:
None.

▶ Kate Cheetham
Chief Legal Officer and Company Secretary

Appointed: July 2019
Skills, experience and contribution:
Kate became Group General Counsel (now Chief Legal Officer) in May 2015 and Company Secretary in July 2019. Kate joined the Group in 2005 from Linklaters, where she was a corporate lawyer specialising in mergers and acquisitions transactions. Before her current roles, Kate held a number of senior positions including Deputy Group General Counsel and General Counsel for Group Legal. Kate is a trustee of the Lloyds Bank Foundation for England and Wales.

Remuneration Committee Chair's statement

Alan Dickinson
Chair, Remuneration Committee

We have supported our people during the Cost of Living challenges, as we did during the COVID-19 pandemic. We moved quickly to provide a £1,000 payment to all 63,000 colleagues[1] to assist with living costs in the summer last year and also worked with our recognised trade unions, Accord and Unite, to rapidly agree a pay deal for 2023, to bring certainty and support to those that needed it most.

Supporting our colleagues

- Cost of living payment of £1,000 in August 2022 to all 63,000 colleagues[1], at a value of £67 million
- 2023 pay increases of between 8 per cent and 13 per cent for c.43,000 colleagues; overall increase to total pay costs lower at 6.3 per cent
- £2,000 minimum pay award and an additional £500 cash payment for lowest paid colleagues in December
- Pay increases capped at £5,000, to direct spend to those that need it most
- No 2023 annual pay award for executive directors or members of the Group Executive Committee

The full Directors' remuneration report is set out on **page 105** of the annual report and accounts.

1 Pro rated for reduced hours and excluded Senior Management.

Dear shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 December 2022.

2022 has been yet another extraordinarily challenging year as customers and colleagues came through COVID-19 to face rapidly rising inflation and material increases in household costs brought on by the Ukraine war. As a result, just as our colleagues have put tremendous effort into supporting our customers, the Remuneration Committee ("Committee") has carefully considered how best to support our colleagues, recognising that our lowest paid colleagues were the most adversely affected.

The Group was one of the first large UK companies to make a £1,000 payment to all 63,000 colleagues[1] in August 2022 to help with living costs. We also made information and resources available through our Healthy Finances Hub and Employee Assistance Programme to enable colleagues to support themselves and we worked closely with our recognised unions Accord and Unite to rapidly agree the 2023 pay deal, to bring certainty and support to those that needed it most. This provides pay increases of between 8 per cent and 13 per cent for around 43,000 colleagues, although the overall increase to our total pay costs was materially lower at 6.3 per cent, as spend was directed to our lowest paid colleagues.

2022 variable reward outcomes

As a result of the Group's strong performance in 2022, the Committee has approved a Group Performance Share ("GPS") pool of £446 million, to reward colleagues for their commitment and contribution in another challenging year. This is a 12 per cent increase on the pool for 2021, reflecting also a lower collective adjustment.

In determining the vesting outcome of the 2020 Executive Group Ownership Share ("EGOS"), the Committee carefully considered alignment with shareholder experience and whether adjustments were required for windfall gains. Despite targets being set before the onset of COVID-19, the Committee has not applied upward discretion and concluded a vesting outcome of 43.7 per cent, which reflects improvements in economic profit during the vesting period and strong progress against customer measures. 40 per cent of the award was weighted to Shareholder Return, which has not vested due to share price impacts during the performance period. Awards were granted at 49.4296 pence, before the Group's share price fell due to the onset of COVID-19 (to an average of 31.2 pence over the remainder of 2020) and the Committee concluded that an adjustment for windfall gains was therefore not required.

Customers remain central to our core values and our remuneration policies and practices support the principle of good customer outcomes, with customer measures embedded within incentive arrangements. This is an area that we will continue to review and evolve in light of expectations under the new Consumer Duty rules and guidance.

Executive directors remuneration outcomes

The Board considers that Charlie Nunn has made a strong start in his first full year as Group Chief Executive (GCE), establishing a new growth strategy, leadership team and priorities to transform the Group's culture for long term sustainable success. He has overseen robust financial performance and achievement of broader Group balanced scorecard targets whilst maintaining a strong regulatory and risk environment. Likewise William Chalmers, Group Chief Financial Officer (CFO), has played a critical role in the development and implementation of the new strategy, as well as embedding and delivering a strong commercial and investment discipline across the Group.

The Committee therefore determined that GPS (annual bonus) awards for the GCE and CFO should be in line with the Group's performance as assessed by the Group's balanced scorecard as outlined on **page 110** of the annual report and accounts, with resultant awards of £1,337,821 and £688,733 respectively.

The Committee has determined to grant 2023 Long Term Share Plan (LTSP) awards of 150 per cent of salary to the GCE and the CFO to reflect the Group's performance in 2022 and other factors taken into account in the 'pre-grant test' as outlined on **page 121** of the annual report and accounts.

The normal range for LTSP awards for executive directors is 125 to 150 per cent of salary. In addition to recognition of the Group's strong performance in 2022, the level of award for the GCE acknowledges that prior to joining Charlie Nunn agreed to voluntarily reduce the maximum opportunity from 200 per cent of salary under the approved Directors' Remuneration Policy to 150 per cent.

Recognising the desire to focus on the remuneration of lower paid colleagues in this exceptional period, no annual pay award is proposed for executive directors or members of the Group Executive Committee.

As reported with our results for the half year to June 2022, the Committee conducted a detailed review to determine whether further performance adjustments were required in the light of substantial provisions recognised in the accounts for the year to December 2021 for compensation to customers of HBoS Reading. These provisions resulted from the shortcomings identified by Sir Ross Cranston in the original review undertaken by Professor Griggs. The Committee carefully considered Sir Ross Cranston's findings and the previous actions taken, including:

- voluntary decisions by the former GCE and the former COO to withdraw from participation in the 2019 GPS awards following the publication of the Cranston review;
- downwards adjustment made to the 2021 GPS pool (£83 million) partly as a result of the significant provisions taken in 2021; and
- individual adjustments already made to GPS awards for current and former Executives

Having assessed all the evidence available, the Committee concluded that an adjustment of 20 per cent of the GPS awards granted during the full period of the Griggs review (impacting awards for 2017, 2018 and 2019) was appropriate for the former Group Chief Executive and former Group Chief Operating Officer. The levels of GPS forfeited in 2019 exceeded this amount and therefore further adjustments were not required. The Committee also concluded that no further adjustment was required for the former CFO who had limited direct involvement in the Griggs customer review.

Directors' Remuneration Policy

Our current Policy, approved at the 2020 annual general meeting (AGM), falls due for review this year and, as a result, the Committee has undertaken a comprehensive study over several months to consider whether any changes should be recommended to shareholders. The 2020 Policy included the implementation of a restricted share plan (the LTSP) to reflect the Group's strategy at the time and our stable long-term business model.

Following the appointment of Charlie Nunn as our GCE, the Group launched its new strategy in February 2022, building on our strong foundations and our purpose of Helping Britain Prosper. As part of our strategy, we look to deepen relationships with our customers and meet more of their financial needs. This is setting the Group on a higher growth trajectory while we retain our strong focus on cost and capital discipline.

In light of the revised strategy the Committee has conducted a thorough review of the Policy to ensure it supports the Group's strategic priorities and the interests of our shareholders. The Committee has considered the need to remain competitive to attract and retain key talent to deliver the strategy and reflect developments in market practice.

The Committee has concluded that returning to a performance based long term incentive plan ("LTIP") would deliver stronger alignment with our strategic objectives by supporting a more demanding performance culture and providing the opportunity to directly link vesting outcomes to delivery of the strategy and the realisation of its benefits for shareholders. This is consistent with incentive arrangements for the majority of our peer banks. We consulted on proposals with a broad range of shareholders and other key stakeholders, who expressed initial support for alignment between business strategy, performance and executive remuneration outcomes.

Awards will be weighted not less than 50 per cent to financial measures, with 35 per cent anticipated for strategic measures and 15 per cent to environmental measures, reflecting that the transition to a low carbon economy is at the core of our strategy and aligns with our purpose to Help Britain Prosper. It is intended that the financial measures will be Return on Tangible Equity, Relative Total Shareholder Return and Capital Generation. Targets will be set for environmental measures, reflecting the path towards our published 2030 goals **(https://www.lloydsbankinggroup.com/investors/esg-information.html).** The assessment of performance against strategic measures will be informed by the consideration of quantifiable Board metrics aligned to each of our four strategic growth pillars:

Deepen and innovate in Consumer – deepen relationships and innovate intermediary positions, including growing credit card spend market share, increasing green mortgage lending and increasing assets under administration

Create a new mass affluent offering – expand in the growing mass affluent market including increasing the number of mass affluent banking customers, banking balances and net inflows into investment propositions

Digitise and diversify our SME business – meet more client needs with a digital-first model including increasing the number of products originated and fulfilled digitally, income growth in mid-sized SME transaction banking and grow new merchant services clients

Target our Corporate and Institutional offering – strengthen a core business with focus on UK-linked clients, including increasing sustainable financing, growing operating income and risk weighted assets

Target vesting outcomes will remain at 150 per cent of salary, in line with the current target levels for the LTSP and the previous EGOS incentive in place until 2020. The maximum proposed LTIP award will be 300 per cent of salary, lower than the 400 per cent maximum under the EGOS incentive. Whilst a performance based long term incentive will provide opportunity to reward outperformance, underperformance will lead to lower outcomes than provided under the current restricted share plan ("LTSP"), where vesting is subject to performance underpins rather than stretching performance targets. The Committee will also have the discretion to adjust the outcome for risk and conduct factors.

The first LTIP awards will be granted in 2024, subject to shareholder approval of the Policy at the 2023 AGM, aligning with the horizon of our 2024 to 2026 strategic goals and the final LTSP award in 2023 based on performance in 2022.

The Committee also reviewed the remuneration opportunities for executive directors to ensure they remain reflective of contribution and aligned to market. Total target compensation for William Chalmers at £2.9 million is lower than peers and between lower quartile and median when compared to FTSE30 companies. Recognising William's more than three years' experience with the Group and his business responsibilities in addition to his CFO role, the Committee propose to increase the CFO's GPS (annual bonus) maximum opportunity to 140 per cent of salary, aligned with the GCE, bringing total target compensation to £3.2 million. Whilst the fixed pay elements of the CFO's package remain lower than peers, the Committee considered an increase to bonus opportunity to be more appropriate at this time, reflecting the desired performance culture across the Group, ensuring increases in compensation reflect delivery for shareholders.

Together with my Committee members I look forward to hearing your views on the remuneration arrangements outlined in the report and we hope the new Policy will receive your support at the upcoming AGM.

On behalf of the Board

Alan Dickinson
Chair, Remuneration Committee

Executive director single total figure of remuneration (audited)

£000	Charlie Nunn 2022	Charlie Nunn 2021	William Chalmers 2022	William Chalmers 2021	Totals 2022	Totals 2021
Base salary	**1,133**	426	**817**	901	**1,950**	1,327
Fixed Share Award[1]	**1,050**	402	**504**	569	**1,554**	971
Benefits	**76**	51	**62**	46	**138**	97
Pension	**170**	64	**123**	122	**293**	186
Total Fixed Pay	**2,429**	943	**1,506**	1,638	**3,935**	2,581
Group Performance Share[2]	**1,338**	349	**689**	705	**2,027**	1,054
Long-term incentive[3]	–	–	**948**	–	**948**	–
Total Variable Pay	**1,338**	349	**1,637**	705	**2,975**	1,054
Other remuneration[4]	–	–	**1**	–	**1**	–
Buy out[5]	–	4,231	–	–	–	4,231
Total remuneration	**3,767**	5,523	**3,144**	2,343	**6,911**	7,866
Less: Performance adjustment	–	–	–	–	–	–
Total remuneration less buy-outs and performance adjustment	**3,767**	1,292	**3,144**	2,343	**6,911**	3,635

1 The fixed share award is part of fixed remuneration and is not subject to any performance conditions see **page 126** of the annual report and accounts.
2 Awards for Charlie Nunn and William Chalmers will be made in March 2023 in a combination of cash and shares.
3 The 2020 Group Ownership Share (GOS) vesting (see **page 112** of the annual report and accounts) at 43.7 per cent was confirmed by the Remuneration Committee at its meeting on 16 February 2023. The total number of shares vesting will be 2,153,182 for William Chalmers. The average share price between 1 October 2022 and 31 December 2022 44.04 pence has been used to indicate the value. The shares were awarded in 2020 based on a share price of 49.4296 pence and as such no part of the reported value is attributable to share price appreciation.
4 Other remuneration payments comprise income from all employee share plans, which arises through employer matching or discounting of employee purchases.
5 Charlie Nunn joined the Group on 16 August 2021 as Group Chief Executive and executive director. He was granted deferred share awards to replace, like for like, unvested share and cash awards from his previous employer, HSBC, forfeited as a result of joining the Group and lost opportunity bonus for 2020.

Single total figure of remuneration for Chair and non-executive directors (audited)

	Fees (£000) 2022	Fees (£000) 2021	Benefits (£000)[4] 2022	Benefits (£000)[4] 2021	Total (£000) 2022	Total (£000) 2021
Chair and non–executive directors						
Robin Budenberg	**624**	618	**1**	1	**625**	619
Alan Dickinson	**445**	397	**–**	1	**445**	398
Sarah Legg	**224**	212	**5**	2	**229**	214
Lord Lupton	**282**	287	**–**	1	**282**	288
Amanda Mackenzie	**175**	164	**–**	–	**175**	164
Harmeen Mehta	**98**	16	**–**	–	**98**	16
Stuart Sinclair[1]	**72**	231	**–**	–	**72**	231
Cathy Turner[2]	**19**	–	**–**	–	**19**	–
Scott Wheway[3]	**189**	–	**–**	–	**189**	–
Catherine Woods	**242**	232	**10**	5	**252**	237

1 Stuart Sinclair retired on 12 May 2022.
2 Cathy Turner was appointed on 1 November 2022.
3 Scott Wheway was appointed on 1 August 2022.
4 The Chair's benefits relates to private medical insurance provided since 2021 (with the value in respect of 2021, as disclosed above, restated to correct the omission in the 2021 annual report). Benefits for the other non-executive directors relates to reimbursement for expenses incurred in the course of duties. Non-executive directors do not receive variable pay.

Shareholder information

Annual report and accounts

This annual review summarises information from the Lloyds Banking Group annual report and accounts. As such, there is insufficient information to provide a full understanding of the results and state of affairs of Lloyds Banking Group. A copy of our annual report and accounts can be obtained from our registrar, Equiniti Limited (see below) and is available on our website at **www.lloydsbankinggroup.com**.

Annual general meeting (AGM)

The annual general meeting will be held at the SEC Armadillo, Exhibition Way, Glasgow, G3 8YW on Thursday 18 May 2023 at 11am. Further details about the meeting, including the proposed resolutions and where shareholders can stream the meeting live, can be found in our Notice of AGM which will be available shortly on our website at **www.lloydsbankinggroup.com.**

Share dealing facilities

We offer a choice of four share dealing services for our UK shareholders and customers. To see the full range of services available for each, please use the contact details below:

Service Provider	Telephone Dealing	Internet Dealing
Bank of Scotland Share Dealing	0345 606 1188	**www.bankofscotland.co.uk/sharedealing**
Halifax Share Dealing	03457 22 55 25	**www.halifax.co.uk/sharedealing**
Lloyds Bank Direct Investments	0345 60 60 560	**www.lloydsbank.com/share-dealing.asp**
IWeb Share Dealing	03450 707 129	**www.iweb-sharedealing.co.uk/share-dealing-home.asp**

Note:
All internet services are available 24/7. Telephone dealing services are available between 8am and 9pm, Monday to Friday, excluding English and Welsh public holidays. To open a share dealing account with any of these services, you must be 18 years of age or over and be resident in the UK, Jersey, Guernsey or the Isle of Man.

Share dealing for the Lloyds Banking Group shareholder account

Share dealing services for the Lloyds Banking Group shareholder account are provided by Equiniti Shareview Dealing, operated by Equiniti Financial Services Limited. Details of the services provided can be found either on the shareholder information page of our website at **www.lloydsbankinggroup.com** or by contacting Equiniti using the contact details provided below.

Individual Saving Accounts (ISAs)

There are a number of options for investing in Lloyds Banking Group shares through an ISA. For details of services and products provided by the Group please contact Bank of Scotland Share Dealing, Halifax Share Dealing or Lloyds Bank Direct Investments using the contact details above.

American Depositary Receipts (ADRs)

Our shares are traded in the USA through a New York Stock Exchange-listed sponsored ADR facility with The Bank of New York Mellon as the depositary. The ADRs are traded on the New York Stock Exchange under the symbol LYG. The CUSIP number is 539439109 and the ratio of ADRs to ordinary shares is 1:4.

For details contact:
BNY Mellon Shareowner Services, 150 Royall St., Suite 101 Canton, MA 02021. Telephone: 1-866-259-0336 (US toll free), international callers: +1 201-680-6825. Alternatively visit **www.adrbnymellon.com** or email shrrelations@cpushareownerservices.com.

Security – share fraud and scams

Shareholders should exercise caution when unsolicited callers offer the chance to buy or sell shares with promises of huge returns. If it sounds too good to be true, it usually is and we would ask that shareholders take steps to protect themselves. We strongly recommend seeking advice from an independent financial adviser authorised by the Financial Conduct Authority (FCA). Shareholders can verify whether a firm is authorised via the Financial Services Register which is available at **www.fca.org.uk.**

If a shareholder is concerned that they may have been targeted by such a scheme, please contact the FCA Consumer Helpline on 0800 111 6768 or use the online 'Share Fraud Reporting Form' available from their website (see above). We would also recommend contacting the Police through Action Fraud on 0300 123 2040 or visiting **www.actionfraud.org.uk** for further information.

Important shareholder and registrar information

Company website
www.lloydsbankinggroup.com

Shareholder information
help.shareview.co.uk
(from here you will be able to email your query securely)

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

Shareholder helpline
0371 384 2990* from within the UK
+44 121 415 7066 from outside the UK

* Lines are open from 8.30am to 5.30pm Monday to Friday, excluding English and Welsh public holidays.

The company registrar is Equiniti Limited. They provide a shareholder service, including a telephone helpline and shareview which is a free secure portfolio service.

Register today to manage your shareholding online

Get online in just three easy steps:

Step 1
Register at www.shareview.co.uk/info/register

Step 2
Receive your activation code in post

Step 3
Log on

Scan me here

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at **www.sec.gov,** for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP0001908250418302 8

This report is printed on Amadeus Silk paper and board, Forest Stewardship Council® (FSC®) certified and sourced from well managed forests and other controlled sources. The paper is Elemental Chlorine Free (ECF). The manufacturing mill holds ISO14001 (EMAS) and EU Ecolabel certificated for environmental management. The paper is carbon balanced with the World Land Trust, an international conservation charity, who offset carbon emissions through the preservation of high conservation land. The inks used are vegetable oil based and 100% of the dry waste created during manufacturing is diverted from landfill.

Printed in the UK by Pureprint Group, CarbonNeutral®, ISO 14001 and FSC® certified.

Designed and produced by emperor
Visit us at emperor.works

Head office
25 Gresham Street
London EC2V 7HN
+44 (0)20 7626 1500
www.lloydsbankinggroup.com

Registered office
The Mound
Edinburgh EH1 1YZ
Registered in Scotland no. SC095000

Lloyds Banking Group Annual Review 2022