# Helping Britain Prosper

Lloyds Banking Group plc
Annual Review 2024

LLOYDS
BANKING GROUP

# Our purpose is Helping Britain Prosper

## Our vision

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

## Our strategy

Our purpose-driven strategy is focused on supporting the needs of our customers, colleagues and communities, whilst delivering long-term, sustainable returns and creating value for our shareholders.

**Our strategic priorities** See annual report and accounts **pages** → **16 to 25**

### Grow

**Drive revenue growth and diversification**

### Focus

**Strengthen cost and capital efficiency**

### Change

**Maximise the potential of people, technology and data**

**Our strategic outcomes**

We successfully completed the first phase of our strategy, building broad momentum across our businesses.

We are well positioned to deliver our core strategic objectives and 2026 guidance.

**Delivered 2024 guidance**

- **£0.8bn** additional revenues from strategic initiatives
- **£1.2bn** gross cost savings
- **12.3%** RoTE (14.0% excluding motor finance provision)
- **148bps** capital generation (177bps excluding motor finance provision)

**Increased confidence for 2026**

- **>£1.5bn** additional revenues from strategic initiatives
- **<50%** cost:income ratio
- **>15%** RoTE
- **>200bps** capital generation

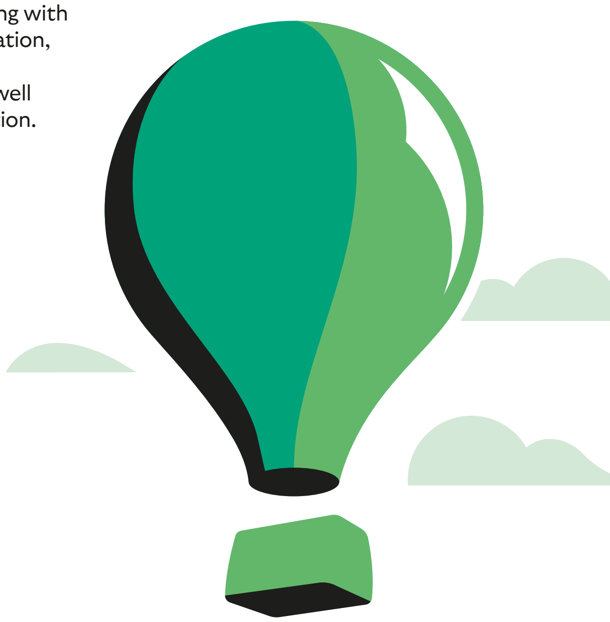
# For over 325 years we have supported Britain, helping people and businesses invest and grow



This annual review incorporates the Strategic Report which forms part of the 2024 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**

**Sir Robin Budenberg**
Chair, Lloyds Banking Group plc
19 February 2025



## Our reporting

Our reporting suite 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.

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 314** of the annual report and accounts.

Our wider reporting suite including our sustainability report provides additional information and disclosures. These are available online, and referenced throughout this report and the 2024 annual report and accounts. To access more content on a mobile device, point your camera at the QR codes seen throughout this report.


See our full reporting suite including our sustainability report on the Investors page → of our website.

# We have successfully completed the first phase of our strategic plan

**By laying strong foundations, we are well positioned for sustained growth and enhanced value creation as we move into the next phase.**

## Growing our digital presence and enhancing customer experience

As the UK's largest digital bank, we serve 28 million customers with around 23 million digitally active users of which more than 20 million use our leading mobile app. Our brands touch nearly every community and household in the UK. During peak times, we have around 28,000 logons per minute, with more than 6 billion logons during 2024. We are one of the most used digital services in any industry.

In 2024, responding to customer feedback, we launched our re-imagined Lloyds mobile app with dedicated, product-based spaces showcasing features and tools. For example, Ready-Made Investments, which has 40 per cent of customers under the age of 35 contributing regularly to investment products, and our Benefit Calculator, which empowers customers to identify support they might be eligible for.

Our ability to adapt and evolve to meet changing customer expectations means we continually enhance functionality and speed to market, improving the digital journey for our customers by creating services and features they need.

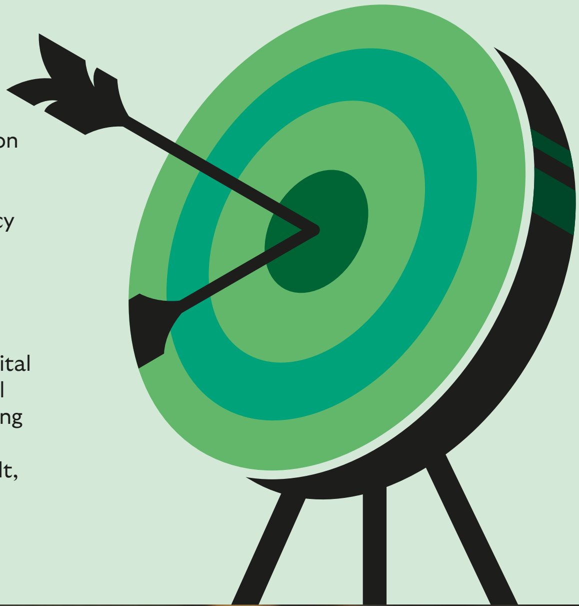
**c.23m**

**digitally active users, exceeding our 2024 ambition**

# Grow

# Focus

## Focusing on cost and capital efficiency



During the first phase of our strategic plan, we have accelerated adoption of new technologies, supporting a 17.5 per cent reduction in legacy technology applications and a greater than 30 per cent reduction in data centres. This has helped us improve automation and efficiency across the organisation, with distribution colleagues now serving over 30 per cent more active customers, delivering both improved customer outcomes and cost savings.

We have also taken action to deliver a more capital efficient business, with consistent strong capital generation. This includes growing in fee generating business areas and building new capabilities in areas such as securitised risk transfers. As a result, we realised around £18 billion of risk-weighted asset optimisation in the first phase of our strategic plan, mitigating regulatory headwinds.

**>30%**

**increase in active customers served per distribution FTE**

# Change

## Empowering our colleagues for change

Our strategy is allowing us to prepare our Group for the future, by creating an inclusive environment that supports our colleagues' growth and development. Reskilling our colleagues allows us to retain talent, increase productivity and drive innovation.

In 2024, our reskilling initiatives helped colleagues develop the core skills needed for their current and future roles whilst strengthening the Group's workforce. We have also recruited over 4,000 new colleagues into technology and data roles to drive growth and efficiency during the first phase of our strategy.

**>4,000**

**new hires into technology and data roles**

> We remain fully focused on supporting customers, whilst delivering strong strategic progress and sustainable returns, guided by our purpose of Helping Britain Prosper.

Read full biography →

# Aligning purpose with profitability

**Sir Robin Budenberg** Chair

2024 has been another year of significant progress for Lloyds Banking Group. We have continued to invest and transform the business, delivering innovative new products and services for our customers. At the same time we navigated a complex external environment while maintaining our commitment to customers, communities and shareholders.

We recognise that the recent Court of Appeal ruling regarding motor finance has created uncertainty for customers and shareholders alike. The Group continues to assess the potential impacts of this ruling and would hope to have greater clarity soon.

The Group has successfully completed the first phase of our five-year purpose-driven strategy and delivered robust financial results in 2024. There have been a number of notable achievements, as identified below.

## Shareholder returns

Attractive capital returns are critical to our shareholders. We were pleased to be able to increase the total ordinary dividend again, by 15 per cent to 3.17 pence, whilst also announcing a further share buyback of £1.7 billion. In total we have made a distribution of £3.6 billion for 2024.

## Purpose-driven strategy

The Group has purpose at its core. Our commitment to Helping Britain Prosper enables us to meet customers' holistic financial services needs, whilst delivering sustainable profit and growth for shareholders. These aims support each other, and our strategy balances them effectively.

Having successfully completed the first phase of our strategy, I am pleased with the strategic progress being made. I am delighted to report that we have delivered £0.8 billion of additional revenues in 2024 from our strategic initiatives, surpassing our initial target of c.£0.7 billion.

I am really proud of the increased pace of delivery and provision of digitally enabled services and solutions for our customers, which helps increase financial empowerment. This exciting progress spans the entire Group.

Our consumer lending teams are simplifying credit score management and mortgage journeys. Our consumer relationships teams are redesigning the app experience for Lloyds customers and are preparing to launch a new brand experience for Halifax and Bank of Scotland next year. Our insurance, pension and investment colleagues are rethinking how customers engage with their future, while our business and commercial banking teams are enhancing digital servicing and origination, enabling customers to meet their needs more easily. Our corporate and institutional banking teams are providing valuable insights into customer retail network usage and leveraging our understanding of the UK economy to benefit our clients.

Once again, I am hugely proud of how our colleagues helped to make a real difference in 2024. Consistent with our purpose, our actions across the Group are supporting our aim to provide strong, sustainable communities, high-quality infrastructure and regional regeneration.

Providing a full range of housing options for our communities is a core priority for the Group and during 2024 we have taken a number of actions, including:

- Getting more people on the housing ladder by lending more than £15 billion to first-time buyers
- Expanding the availability of affordable homes by supporting more than £2 billion of new funding to the social housing sector

Climate risk and the green economy are changing the way we live, work and do business. We are committed to enabling the transition to net zero by working closely with our clients. Since 2022, we provided more than £20 billion for sustainable financing in EPC A and B mortgage lending and financing for electric vehicles and plug-in hybrid vehicles for retail customers, surpassing our aggregate target for these activities of £18 billion.

We enter the second phase of the strategy with momentum across the business and remain confident in achieving our 2026 strategic outcomes and financial guidance.

## Culture

The Board and senior management have a vital role to play in shaping, role modelling and embedding a healthy corporate culture. This continued to be a focus in 2024. Our business insights help shape our focus on inclusion and commerciality. We continue to measure our progress on gender, ethnic minorities and our colleagues with disabilities. Setting out clear ambitions that enable us to measure our progress is important, both as a signal of commitment and intent, and because it provides focus and means that inclusion is approached like any other business issue.

This year we are the highest-ranked bank (5th) in the FTSE 100 in the FTSE Women Leaders Review (February 2024 report) for women on Boards and in leadership. We have achieved all of the FTSE Women Leaders recommendations ahead of the 2025 deadline. Whilst we are pleased with the progress we have made, we recognise that we are not yet where we want to be and have more to do to achieve gender balance in our organisation.

As we reflect on all the great work we have done to support Black heritage customers, communities and colleagues, this support hasn't yet achieved its full potential for our colleagues. Currently 1.8 per cent of senior colleagues are of Black heritage against a goal of 3 per cent by 2025. We continue to build our understanding of how we can unlock further potential in this space. Meanwhile, we are pleased to have surpassed our ambition of having 12 per cent of senior roles filled by colleagues with disabilities ahead of time, with current representation at 16.1 per cent. Inclusion remains a focus area for our business as it's important for us to reflect our customers and the society in which we operate especially given our scale and reach.

## 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.

As announced previously, Alan Dickinson and Lord Lupton stepped down following the AGM in May 2024. In August 2024, Nathan Bostock joined the Board as a non-executive director and also became Chair of Lloyds Bank Corporate Markets plc. Nathan's financial services experience and UK banking market knowledge are invaluable to the Group.

## Remuneration

We know that as we deliver the next phase of our strategy it is vital that we are able to attract and retain talent and reward our colleagues appropriately. All awards are determined by the Board's Remuneration Committee following careful consideration and aligned with market conditions, the changing regulatory framework, Group performance and the sentiment of our shareholders. You can read more about our remuneration approach on **page 110** of the annual report and accounts.

## Summary

We're proud that we've delivered on the commitments we set out in 2022 for the first phase of our strategic plan, further strengthening our track record of consistent performance. We have continued to deliver in line with our purpose of Helping Britain Prosper and see further opportunities to contribute to sustainable economic growth.

Our financial results continue to demonstrate resilience, with strong capital generation and good shareholder distributions. Looking ahead, we need to continue to change and transform the Group. Building on the strong progress to date, we are confident in our ability to achieve higher, more sustainable returns and capital generation by 2026.

**Sir Robin Budenberg**
Chair

> We have successfully delivered the first phase of our strategy, creating value for our stakeholders and enhancing the Group's financial performance.

Read full biography →

# Delivering sustainable growth and returns

**Charlie Nunn** Group Chief Executive

2024 was a significant year for the Group. We continued to fulfil our purpose of Helping Britain Prosper, supporting our customers, shareholders and wider stakeholders. We have successfully completed the first chapter of our ambitious purpose-driven strategy. Our transformation is delivering at pace with tangible progress on building our franchise and enhancing our change capabilities, leveraging data and technology to drive both growth and efficiency. We are significantly enhancing our customer propositions across the Group and returning the business to growth. These developments and continued business momentum position us well to deliver stronger, more sustainable returns as we head into the next phase of our strategy.

Alongside our strategic progress, we delivered a robust financial performance in 2024. As expected, income grew in the second half of the year, supported by a rising banking net interest margin, lending growth and momentum in other income. We have maintained discipline on costs, despite the inflationary backdrop. Asset quality remains strong.

In the fourth quarter we took an additional £700 million provision for the potential remediation costs relating to motor finance commission arrangements. This is in light of the Court of Appeal judgment on Wrench, Johnson and Hopcraft that goes beyond the scope of the original FCA motor finance commissions review. The provision reflects a probability weighted scenario based methodology incorporating a number of inputs. Clearly significant uncertainty remains around the final financial impact. In this context we welcome the expedited Supreme Court hearing at the beginning of April.

Despite the additional provision for motor finance commission arrangements we remain highly committed to shareholder distributions. Our robust performance and strong capital position and generation has enabled the Board to recommend a final ordinary dividend of 2.11 pence per share, resulting in a total dividend for the year of 3.17 pence. This is up 15 per cent on the prior year, in line with our progressive and sustainable ordinary dividend policy. In addition, the Group has announced its intention to implement a share buyback programme of up to £1.7 billion, as we continue to distribute excess capital to shareholders. This is in line with our target to pay down to 13.5 per cent CET1 ratio by the end of 2024.

We are building momentum as we now move into the second phase of our strategic plan. We are continuing to create innovative new products for our customers. More broadly, as the largest UK bank, the successful execution of our purpose-driven strategy is helping to meet commitments across key societal challenges such as infrastructure, energy transition, housing and pensions. Our talented colleagues are critical to our transformation and I am very pleased to see engagement increase in 2024 in the context of a period of significant change.

## Robust financial performance and consistent delivery

As said, the Group delivered a robust financial performance in 2024. Statutory profit after tax was £4.5 billion. Underlying profit was £6.3 billion with net income down 5 per cent, operating costs up 3 per cent and higher remediation and underlying impairment charges. Robust net income of £17.1 billion included a resilient banking net interest margin of 2.95 per cent, in line with guidance, and 9 per cent growth in underlying other income, offset by higher operating lease depreciation. Operating costs of £9.4 billion, in line with guidance, reflected cost efficiencies helping to partially offset inflationary pressures, business growth costs and ongoing strategic investment. Remediation costs of £899 million in the year (2023: £675 million), include the £700 million previously referenced in relation to motor finance, alongside £199 million charges in relation to pre-existing programmes. We continue to see strong asset quality, with improved credit performance in the year. The asset quality ratio, including the benefit from improved economic assumptions, was 10 basis points. Overall, this resulted in a return on tangible equity of 12.3 per cent, or 14.0 per cent excluding the motor finance provision.

As evidence of the strength of our franchise, the Group's balance sheet grew in the year, with underlying loans and advances to customers increasing by £9.4 billion to £459.1 billion. This reflected growth across Retail, including mortgages and unsecured loans. Customer deposits of £482.7 billion significantly increased in the year, by £11.3 billion, including growth in Retail deposits of £11.3 billion alongside stable Commercial Banking deposits.

The Group delivered strong capital generation of 148 basis points (177 basis points excluding the motor finance provision) and a pro forma CET1 ratio of 13.5 per cent. This is after £3.6 billion of shareholder distributions including an increased ordinary dividend and further announced share buyback of up to £1.7 billion.

## Guiding purpose of Helping Britain Prosper

We have an important role to play in creating a more sustainable and inclusive future for people and businesses across the UK, shaping finance as a force for good. Our purpose is evident across our franchise in all of our business areas as we seek to help our customers realise their financial ambitions. It is also highlighted in particular areas where we can drive positive change at scale, creating value for all of our stakeholders.

As a leading commercial supporter of social housing, we are working to help every UK household access quality and affordable housing. As part of this journey, we are calling for 1 million affordable new homes by the end of the decade. Since 2018 we have supported around £20 billion of funding to the social housing sector. Alongside, our colleagues have raised over £3 million since we started our partnership with the housing charity Crisis.

Given our importance to the UK economy, we are deeply involved in supporting a more sustainable future by supporting the UK transition to net zero. Our strategy to progress to net zero by 2050 represents a strategic and commercial opportunity, consistent with our purpose of Helping Britain Prosper.

In 2024, we continued to support customers in their transition as well as making strong progress against our sustainability goals. Since 2022 we have completed £11.4 billion of EPC A and B mortgage lending, compared to our original target of £10 billion, and delivered more than £9 billion of financing and leasing for EVs. In Insurance, Pensions and Investments (IP&I) we met our cumulative target of investing £20 to £25 billion in climate-aware strategies a year early. In Commercial Banking we delivered £10.7 billion of sustainable financing in 2024, in line with our target of £30 billion from 2024 to 2026.

Moving forward, we continue to challenge ourselves. We have set new targets for a further £11 billion of EPC A and B mortgages and £10 billion of EV financing by 2027. Alongside, we continue to work on the decarbonisation of our business as we work to achieve net zero in our own operations by 2030.

## First phase of purpose-driven strategy complete, building strong momentum

Our vision is to become a customer-focused digital leader and integrated financial services provider, able to capitalise on new opportunities at scale. This will drive higher, more sustainable returns for our shareholders.

In 2024 we completed the first chapter of our strategic plan, returning the business to growth and generating £0.8 billion of additional revenues from our strategic initiatives, surpassing our target of c.£0.7 billion. Our strategy has helped support almost £2 billion of net income growth from 2021 to 2024. We have maintained discipline on costs, with £1.2 billion of gross cost savings helping to offset higher investments and inflationary pressures. We have also de-risked the business and reduced claims on capital by, for example, addressing the pension deficit, securitising legacy higher risk mortgage assets and dealing with significant in default situations. We have transformed our capabilities by modernising our technology estate and radically reforming our operations function to deliver more change more efficiently.

**Our performance**

## Robust financial performance with continued business momentum and strong strategic progress.

**12.3%**

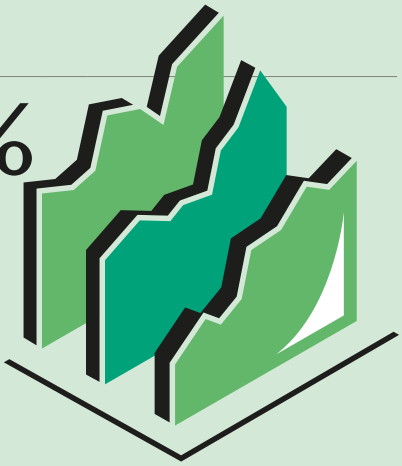
**RoTE (14.0 per cent excluding motor finance provision)**

**148bps**

**capital generation (177 basis points excluding motor finance provision)**

**c.80%**

**2024 strategic outcomes delivered**



**£1.2bn**

**gross cost savings mitigating investment and inflationary pressures**

**£0.8bn**

**additional revenues from strategic initiatives exceeding our target of c.£0.7 billion**

When we launched the strategy we committed to a number of 2024 strategic outcomes to support our ambitions and evidence our progress. We have successfully delivered on these targets, meeting around 80 per cent of them, with a significant proportion materially ahead of the original target. For example, since 2021 we have increased depth of relationship by 5 per cent and grown our Corporate and Institutional Banking (CIB) other income by more than 30 per cent, versus our original target of more than 20 per cent. We have grown in high-value areas, with more than 15 per cent growth in Mass Affluent banking balances. We have remained focused on cost efficiency, reducing legacy applications by 17.5 per cent and our office footprint by more than 30 per cent. We are enabling the franchise, having migrated around 50 per cent of applications onto the cloud and reduced data centres by more than 30 per cent.

### Delivering broad-based growth

Business growth has been achieved through a number of levers. We have grown the core franchise, increasing our flow share in mortgages and improving our share of balances in Retail current accounts. We have deepened relationships with existing customers, transforming engagement through new and enhanced propositions, such as in investments and mass affluent, enabling us to meet more of our customers' needs. We are growing in high-value areas, including targeted sectors within Commercial Banking such as infrastructure. We are driving cross-Group collaboration by connecting customers with offerings across our franchise for example increased protection penetration in mortgage new business.

Growth has been facilitated by leveraging our digital leadership. This starts with our refreshed mobile app that, with over 20 million users and over 6 billion annual logins, up by 50 per cent since 2021, creates a platform for innovative new propositions that drive a competitive advantage. For example, Your Credit Score now has over 11 million users and has helped over 780,000 customers improve their credit score in 2024. It has also enabled the pre-approval of customers for different forms of credit, significantly improving our loan conversion rate by 15 per cent. Ready-Made Investments is another example of a new proposition gaining strong traction with our customers. The investment tool is bespoke to each customer's risk appetite and makes investing easier and more accessible. We are seeing great take-up, particularly among younger generations, with around 40 per cent of customers under the age of 35.

The successful execution of our first strategic phase means we exceeded our target and delivered £0.8 billion of additional income from strategic initiatives by 2024. We are building momentum as we aim to unlock further growth in the period to 2026. We are now targeting over £1.5 billion of additional strategic initiative income by 2026, of which half will be other income.

As part of our ambition, in Retail we will deliver market leading customer journeys and expanded propositions, while continuing to accelerate the shift to mobile-first by creating more personalised digital experiences. By 2026 we aim to further improve customer depth of relationship by 3 per cent versus 2024. We will continue to target high-value areas, growing Mass Affluent total relationship balances by more than 10 per cent. In Retail lending we will continue to enhance our homes proposition, including by retaining £8.5 billion mortgages in 2026 through our innovative homes ecosystem, alongside expanding our unsecured offering and maintaining our Transport market share at more than 15 per cent.

In Commercial we will further broaden CIB solutions, meeting more transaction banking and market needs with continued balance sheet discipline. We are targeting CIB other income growth of around 45 per cent by 2026 versus 2021. In Business and Commercial Banking (BCB) we are aiming to build the best digitally led relationship bank. By scaling digital servicing we will maintain deposit share and grow in valuable sectors with broader needs, such as manufacturing, driving a more than 10 per cent increase in transaction banking and working capital income by 2026.

In IP&I we are unlocking the potential of the bancassurance model to deliver innovative digital solutions and expanded propositions. We aim to scale our digital waterfront to over 1.5 million customers by 2026, whilst improving Group connectivity to drive growth in high-value areas, such as ranking in the top three for Protection by 2025 and growing Workplace assets under administration. In our Equity Investments business we are continuing to invest in fast growing UK SMEs through LDC's unique model. We are also supporting the UK rental sector by scaling Lloyds Living, our homes rental business.

**Transforming capabilities to drive growth and operating leverage**

In order to deliver our growth ambitions, our strategy is to maximise the potential of our people, technology and data. We have hired more than 4,000 colleagues across data and tech who are accelerating our technology modernisation. This transformation of capabilities is unlocking operating leverage and helped us deliver the £1.2 billion of targeted gross cost savings, including around £300 million of change efficiencies. For example, improvements in digital servicing mean that more than 70 per cent of new Business Banking and SME lending decisions are now automated. As a further example of productivity enhancement we increased the number of active customers served per FTE by more than 30 per cent.

Looking forward, we will continue to hire new engineering talent, scale cloud adoption and accelerate decommissioning activity. This will allow us to continue to adopt new technologies that deliver a step-change in our capabilities. This includes our aspirations for Gen AI, for which we have created a centre of excellence including around 200 data scientists and engineers. We are developing use cases such as our knowledge support tool currently being rolled out to 10,000 colleagues across the Group and an AI-driven money management tool for our Mass Affluent customers. These initiatives will generate further efficiencies as well as create opportunities for growth. Together, they drive operating leverage, helping towards our target of a cost:income ratio of less than 50 per cent by 2026.

We are making strong progress on our purpose-led strategy. We have generated £0.8 billion of additional revenues from strategic initiatives as we return the business to growth. We are transforming our franchise through innovative propositions and enhanced capabilities. This gives us confidence in further business growth and our ambition to generate more than £1.5 billion in additional income from our strategic initiatives by 2026 whilst remaining disciplined around costs and capital. We are progressing well towards delivering higher, more sustainable returns for shareholders.

## 2025 guidance

Based on our current macroeconomic assumptions, for 2025 the Group expects:

- Underlying net interest income of c.£13.5 billion
- Operating costs of c.£9.7 billion
- Asset quality ratio to be c.25 basis points
- Return on tangible equity of c.13.5 per cent
- Capital generation of c.175 basis points[1]

## 2026 guidance

Based on the expected macroeconomic environment and confidence in our strategy, the Group maintains its guidance for 2026:

- Cost:income ratio of less than 50 per cent
- Return on tangible equity of greater than 15 per cent
- Capital generation of greater than 200 basis points[1]
- To pay down to a CET1 ratio of c.13.0 per cent

1 Excluding capital distributions. Inclusive of ordinary dividends received from the Insurance business in February of the following year.

**Charlie Nunn**
Group Chief Executive

Purpose in action

# Supporting the UK housing market

The Group is one of the largest housing finance providers with a mortgage book of more than £300 billion and a major supporter of the UK housing sector. We are committed to expanding the availability and affordability of safe, quality and sustainable housing.

We are uniquely placed to enact change and want to play our role in creating a more sustainable and inclusive UK society through access to better housing.

Across the UK, a chronic shortfall in social housing contributes to various socio-economic challenges in our communities. Committed to Helping Britain Prosper, we are one of the biggest supporters of social housing and the wider housing sector.

Citizen Housing, a social housing provider, addresses pressing issues around housing and homelessness. We have supported them with £75 million for development, regeneration, and sustainability plans, aiming to build over 2,000 new homes in the next four years.

Read more about social housing →

# Our business model focuses on supporting customers whilst delivering sustainable growth and returns

## Our purpose

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

## Our vision

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

## Our values

### People-first
We listen and care for people as individuals.

### Bold
We innovate and do things differently to better serve our customers and grow with purpose.

### Inclusive
We learn about and embrace our differences, and seek out diverse perspectives.

### Sustainable
We take responsibility for the impact of our actions on nature and Britain's transition to net zero.

### Trust
We give each other the space and support to take things on and see them through.

## What we do

### We have three core divisions that have been structured to serve our customers' needs effectively

### Retail

**Consumer lending**
- Mortgages
- Credit cards
- Personal loans
- Motor finance

**Consumer relationships**
- Current accounts
- Savings accounts
- Mass affluent proposition

See annual report and accounts **page → 72**

### Insurance, Pensions and Investments

**Insurance**
- Home, motor, pet
- Protection

**Pensions and retirement**
- Workplace pensions
- Direct to customer pensions
- Retirement

**Investments**
- Ready-made investments
- Share dealing

See annual report and accounts **page → 74**

### Commercial Banking

**Business and commercial banking**
- Business loans
- Transactional banking
- Working capital
- Merchant services

**Corporate and institutional banking**
- Lending and debt capital markets
- Cash liquidity
- Risk management

See annual report and accounts **page → 73**

## Our competitive advantages

**Leading UK customer franchise with deep customer insight**
28 million customers with extensive reach across the UK. Customer data and analysis ensures we can meet the needs of these customers more effectively.

**All-channel distribution focus with digital leadership and trusted brands**
Operating through a range of brands and distribution channels, including the UK's largest digital bank.

**Unique customer proposition**
Serving all our customers' banking, investment and insurance needs through a comprehensive product range.

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

**Focused and capital generative business model**
Allowing significant investment while generating an attractive capital return for shareholders.

**Innovation through modern technology**
Continued investment in our technology platform, apps and change function enables us to innovate to anticipate and meet customers' needs.

**Financial strength and robust risk management**
Strong capital position. Continue to take a robust approach to risk, as reflected through the quality of our portfolio and underwriting criteria.

**Dedicated colleagues with strong values**
Highly engaged, skilled, customer focused, diverse workforce with significant expertise and experience.

## Our trusted brands

LLOYDS
HALIFAX
BANK OF SCOTLAND
SCOTTISH WIDOWS
LLOYDS LIVING
mbna
Schroders personalwealth | We Change Lives
blackhorse
LEX AUTOLEASE
IWeb
Tusker.
HGP
BM BIRMINGHAM MIDSHIRES
LDC
AMC
embark group
cavendish online

## How we do it

**We are Helping Britain Prosper in a way that delivers sustainable profit and returns.**

**We do this by continually innovating the products and services we offer, developing and investing in new solutions, and using our expertise and influence to create positive change.**

**We serve our customers' needs effectively with:**


## Our impact

### Sustainable and inclusive growth

## Customers

We provide financial services to over half of the UK adult population and more than one million businesses.

By meeting our customers' needs we're unlocking growth and transforming the Group.

**>£15bn**

**of funding for first-time buyers in 2024**

**>£10bn**

**of sustainable finance provided for Commercial Banking customers in 2024**

## Colleagues

We are committed to building an inclusive and sustainable organisation that is truly representative of our customers in modern-day Britain.

We recognise that colleagues who can be their authentic selves at work are central to our success.

**40.4%**

**of our senior roles were held by women in 2024**

**12.6%**

**of our senior roles held by Black, Asian or Minority Ethnic colleagues in 2024**

## Communities

Our success is intrinsically linked with the success of all regions across the whole of the UK.

When local people, local businesses, and their communities prosper, so do we.

**>£2bn**

**new funding supported in the social housing sector in 2024**

**>£35m**

**donated to our Charitable Foundations in 2024**

## Innovation, development, influence

Driving innovation through effective use of customer feedback, technology and data ensures we remain relevant to the customer whilst enhancing industry standards. Our commitment to digital transformation is critical for future growth and sustainability.

## Products, services and solutions

Offering a comprehensive range of financial products and services, increasingly through digital channels. We tailor these offerings to meet individual and business needs, ensuring customers have access to the right financial solutions.

## Successful business performance

Delivering sustainable profit and growth provides financial strength whilst ensuring we can invest for the future (both in the business and customer propositions) whilst returning capital to our owners.

## Funding, investment and expertise

Ongoing investment in the business ensures we can meet the evolving needs of our customers in a commercial way. Our significant funding helps people and businesses invest and grow whilst our expertise and tailored solutions help clients navigate financial challenges, fostering success and sustainability.

**"We're transforming our business to shape finance as a force for good and deliver for Britain for generations to come."**

**Charlie Nunn** Group Chief Executive

## Sustainable profit and returns

# Shareholders

We successfully completed the first phase of our ambitious and purpose-driven strategy, exceeding our revenue target and transforming our capabilities as we returned the business to growth.

The Group's robust financial performance has delivered strong capital generation, enabling an increased dividend and £1.7 billion buyback.

**3.17p**

**total ordinary dividend per share for 2024, up 15 per cent**

**£3.6bn**

**returned to shareholders for 2024**

# External context, opportunities and risks

**Link to strategy**
Grow Focus Change

## Economy

### Market context
The UK economy recovered somewhat from its pause in the second half of 2023. Households' spending power is rising and the unemployment rate remains low. The new Government aims to boost growth through increased investment and a constructive regulatory backdrop. Global conflicts and threats to global trade integration remain headwinds.

### Impact
Subdued growth in our key markets in 2024, although improving:
- House prices up 3 per cent, housing transactions up 7 per cent and mortgage balances up 1.5 per cent
- Consumer credit balances up 4.9 per cent, back above their pre-pandemic level
- Household deposit balances up 5.2 per cent
- Lending to non-financial companies up 3.6 per cent, with SMEs still paying down pandemic Government-guarantee scheme balances
- Non-financial companies' deposits up 1.2 per cent

**Link to strategy**

## Customers

### Market context
Customers are preferring more convenient and personalised financial solutions provided through digital channels. Customers are proactively seeking to make their money 'work harder' through managing their savings, pensions and investments more proactively. Although cost-of-living pressures continue, overall household deposit balances continue to strengthen.

### Impact
- Reducing interest rates are supporting an improved outlook for mortgage holders to refinance, with two thirds of the market now refinanced onto higher rates
- Increasingly, embedded finance and ecosystems are delivering convenient digital solutions at customers' point of need

**Link to strategy**

## Competitors

### Market context
Major banks and building societies are consolidating and expanding through acquisitions, with renewed focus on UK growth. Alongside, neobanks and fintechs are diversifying their financial services offerings to meet a broader range of needs. As an alternative financing option to traditional banking lending, private credit is also gaining traction amongst institutions and small business.

### Impact
- Opportunity to deepen customer relationships through personalised customer journeys
- With the intensified competition within the UK market, there are ongoing margin pressures in deposit and mortgage markets
- Neobanks and fintechs are disrupting traditional banking models via seamless digital experience and widening product breadth
- Banks are increasingly opting to partner with private credit firms in debt provision

**Link to strategy**

We've built our business and strategy in response to the fast pace of change in our external environment and to adapt to ever-evolving stakeholder needs. This helps ensure the Group is resilient over the longer term and can capitalise on opportunities and manage risks as they emerge.

## Our response

In a positive or more challenging macroeconomic environment, our business model and strategy position us well, in particular the strength of our customer franchise, our scale and balance sheet, and our prudent approach to risk. Our strategy and transformation, combined with further efficiency improvements, will deliver profit growth, diversification and resilience.

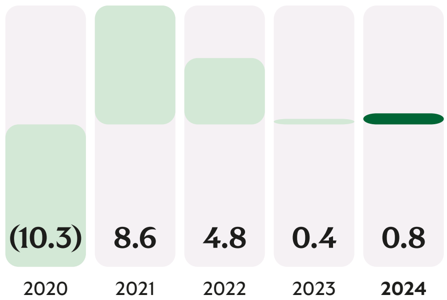
## 2025 outlook

UK growth boost from Government spending plans largely offset by a toughening global environment:

- GDP growth expected to improve gradually
- Inflation expected to remain above the 2 per cent target, limiting the pace at which the Bank of England reduces interest rates
- House prices expected to rise by around 2 per cent
- Growth in most of our markets is expected to improve further, although of a measured pace

**UK economic growth**
% GDP growth

**0.8%**




## Our response

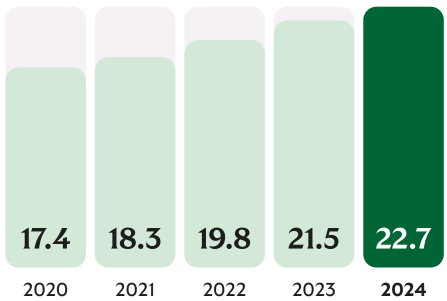
- Refreshed our brand and enhanced our mobile app with streamlined savings, borrowing and protection features
- Our ready-made products have helped customers to invest more easily and start saving for their pension
- A more seamless onboarding process for business and commercial customers

## 2025 outlook

- Launch redesigned mobile banking apps for Halifax and Bank of Scotland customers
- Enhance Money Management capabilities through more customisable spending insights improving customer experience
- Further design improvements to Lloyds' mobile app
- Enhance our Virtual Assistant automation capabilities to fulfil more customer demand

**Digitally active users**
m

**22.7m**




## Our response

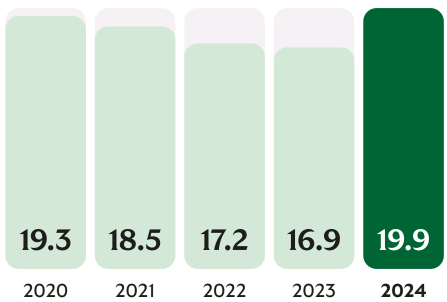
- Deepen customer relationships through tailored propositions
- Develop an investment and savings digital waterfront tailored by channel to support customers, colleagues and advisers
- Provide market-leading journeys across direct and intermediary channels, for example, home buying journeys in our home ecosystem

## 2025 outlook

- Create seamless access to relevant propositions to the customer's life stage to become a holistic proposition provider
- Integration of Mass Affluent proposition to other parts of the Group, for example, testing the provision of Financial Coaching for Workplace Pension
- Enhance the mobile app with new features and an improved customer journey to become customers' finance hub

**Mortgage market share**
total gross lending – flow

**19.9%**



# Technology and data

Link to strategy

## Market context

Technology is evolving rapidly, driven by artificial intelligence, digital transformation and the growing integration of automation across industries. GenAI is being increasingly tested by all providers to give customers more effective and personalised engagement. To encourage greater data accessibility, the Government has introduced legislation on Digital ID and Open Finance, enabling platforms to act as gateways in offering integrated services.

## Impact

- Streamlined digital models are lowering unit operational costs and intensifying market competition due to accelerated speed in innovation and delivery to market
- Opportunity to reduce costs by reducing legacy technology costs, and increasing revenue by improving customer journeys
- GenAI is increasing fraud volumes and sophistication of cyber threats, requiring banks to enhance their security measures to protect customers' assets and data

# Society and environment

Link to strategy

## Market context

Evolving regulations and environmental and societal issues mean companies are expected to have a clear understanding of the impact of these issues on the company, as well as play an increased role in supporting the country and its people in responding.

## Impact

- Organisations must have a clear understanding and integrate sustainability into their strategies and decision making, understand their impacts, dependencies, risks and opportunities
- Organisations need to respond to the evolving regulatory landscape, including developments in relation to UK endorsement of the two International Sustainability Standard Board's sustainability reporting standards

# Regulation

Link to strategy

## Market context

The regulatory landscape is evolving at pace, with particular developments across Basel 3.1, Ring-Fencing, APP fraud and access to cash. Notably, in the recent Mansion House speech the Chancellor set out the Government's vision to enhance the competitiveness of the UK's financial services sector via a more constructive regulatory backdrop.

## Impact

- The Group is subject to changes in regulation, in particular the near-final rules on Basel 3.1, as published in September by the PRA, which take effect on 1 January 2027, and the Government's near-term changes to ring-fencing which were recently passed into law, as well as changes to APP fraud and access to cash
- Following the upcoming Supreme Court outcome, further clarity will be gained on motor finance regulation
- Further complexity in UK regulation could impact our ability to achieve our purpose of Helping Britain Prosper and deliver on our growth opportunity

## Our response

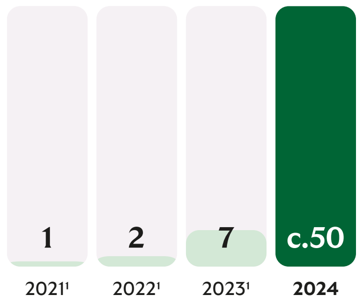
- Transitioning into a new simplified operational model to align and enhance product delivery
- Increasing our technology hires and expanding engineering teams to drive digital transformation
- Modernising legacy systems by migrating to cloud infrastructure and retiring outdated applications
- Business customers benefitting from faster lending decisions via auto-credit decisioning in applying for overdrafts and aggregated exposure
- Deploying an AI code translation and writing tool to accelerate our Data Migration programmes and our engineering capabilities

## 2025 outlook

- Continue to address technology debt and invest in future technologies
- Unlocking impact of Gen AI through centre of excellence with around 200 data scientists and engineers
- New savings and loans to be initiated on NextGen core banking engine to increase speed to market and lower cost to serve

**IT applications on cloud**
%

**c.50%**




1 Change in measurement approach, so comparison to current years is not like-for-like.

## Our response

- Sustainability is core to our purpose. Guided by our Group strategy, focusing on areas where we can have the largest sustainability impact
- Since 2022, supporting £47.3 billion of sustainable lending, with £17.5 billion of sustainable lending supported in 2024. Discretionary investments of £25.9 billion in climate-aware strategies
- In July 2024 launched new £200 million of financing commitment to small local housing organisations, providing specialist housing to people who need it most
- Group decarbonisation emissions ambitions were validated by a third party

## 2025 outlook

- Launch £21 billion of new sustainable financing targets by 2027 for our EPC A and B rated mortgage lending and financing for electric vehicles
- Increase our support to those who wish to purchase a share of a property through shared ownership schemes
- Review our net zero bank ambition and sector level targets following the release of the 7th carbon budget

**Sustainable lending or investment target**
● Progress

**Commercial Banking**
2024 £10.7bn
**£30 billion** sustainable finance for Commercial Banking customers from 1 January 2024 to end of 2026 →

**Motor**
2024 £9.4bn
**£8 billion** financing for EV and plug-in hybrid electric vehicles by 2024 →

**EPC A and B mortgage lending**
2024 £11.4bn
**£10 billion** of mortgage lending for EPC A and B rated properties by 2024 →

**Scottish Widows**
2024 £25.9bn
**£20–£25 billion** discretionary investment in climate-aware strategies by 2025 ← →

For further details on our sustainable finance progress see **pages 46 to 60** of the annual report and accounts.

## Our response

- Continue to evaluate the impact of Basel 3.1 as we progress with implementation ahead of 1 January 2027, with the initial impact expected to be moderately positive
- Implemented the new requirements around APP fraud and continue to focus on supporting customers who are impacted
- Maintain focus on delivering good outcomes for customers
- Meeting new CRD IV modelling requirements

## 2025 outlook

- Support the Government's National Payments Vision, as outlined in November 2024
- Close monitoring of further changes in the UK regulatory landscape. In particular, any policy initiatives following the proposals outlined in the Chancellor's Mansion House speech
- Ring-fencing changes will facilitate client solutions domestically and internationally

**Timeline of key regulatory changes**
in the banking sector

2023 **FCA Consumer Duty introduced**
↓
2025 **Expected FCA Enhanced Accountability Rules**
↓
2025 **Ongoing consultation on ring-fencing rules**
↓
2027 **Expected Basel 3.1 implementation**

# We successfully completed the first phase of our ambitious and purpose-driven strategy, transforming our capabilities as we returned the business to growth and exceeding our revenue target

## What we have achieved over the last three years

### Our three strategic priorities are enabling us to achieve our purpose of Helping Britain Prosper whilst delivering long-term sustainable returns

## Grow

- Returned core franchise to growth and deepened relationships
- Delivered innovative new propositions that set us up for future revenue momentum
- Improved access to quality and affordable housing across the country, supported regional development, enabled financial empowerment, and helped navigate the UK's transition to a more sustainable future

**Performance highlights**

- c.£2 billion net revenue growth 2021 to 2024
- £0.8 billion additional revenues from strategic initiatives
- 12.3 per cent RoTE (14.0 per cent excluding motor finance provision)

## Focus

- Strengthened cost and capital efficiency, demonstrating cost discipline in an inflationary environment and maintaining a strong balance sheet supported by originate to distribute capabilities
- Optimised balance sheet to offset regulatory capital headwinds, helped customers and clients become more resilient whilst reducing our carbon footprint and maintaining a disciplined approach to cost and capital management

**Performance highlights**

- £1.2 billion of gross cost savings
- £7 billion pension deficit addressed
- c.£18 billion three year risk-weighted assets optimisation

## Change

- Modernised our technology estate, reducing tech debt to improve agility and accelerate the pace of change
- Improved the ways we use digital technology and our data to drive better outcomes for our customers
- Our colleagues' expertise and skills have been instrumental to our success. Our people have been innovative, while we reskill them for change, and delivered distinctive customer experience

**Performance highlights**

- 17.5 per cent reduction in legacy technology applications
- c.50 per cent of applications on cloud
- Over 10,000 customer-facing colleagues using GenAI support tool

## Our 2026 strategic commitments

### Increased confidence in delivering our 2026 strategic commitments

| | | | |
|---|---|---|---|
| **>£1.5bn** additional revenues from strategic initiatives | **<50%** cost:income ratio | **>15%** RoTE | **>200bps** capital generation |

# Grow

**Growth is a core focus of our strategy. Around two-thirds of our c.£3 billion strategic investment over 2022 to 2024 was aligned to growing and diversifying revenue. There are four primary pillars for growth.**

## 01 Deepen and innovate in Consumer

We are deepening and innovating across our Consumer business, bringing more of our products and services to our customers, as well as broadening our product offerings and making it easier for customers to access them through our intermediary partners.

Highlights

**22.7m**

**Digitally active customers (versus 18.3 million in 2021)**

## 02 Create a new Mass Affluent offering

We are creating a new Mass Affluent offering to grow in this attractive and underserved market segment across banking, protection and investments.

Highlights

**>3m**

**Mass Affluent customers (versus 2.1 million in 2021)**

## 03 Digitise and diversify our BCB business

We are digitising and diversifying our BCB business, to grow revenues and generate value in products and sectors where we are underrepresented.

Highlights

**>50%**

**Share of Business Banking and SME products originated and fulfilled digitally (versus 10 per cent in 2021)**

## 04 Develop our Corporate and Institutional business

We are developing our Corporate and Institutional business to deliver disciplined growth, investing across our Cash-Debt-Risk management offering.

Highlights

**>30%**

**CIB other operating income growth (versus 2021)**

01

# Deepen and innovate in Consumer

We are aiming 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.

**Progress in 2024**

### Relationships

- Number of digitally active users grew to 22.7 million, retaining our position as the UK's largest digital bank
- 5 per cent growth since 2021 in depth of relationship of customers, including growth across all life stages[1]
- Launched re-imagined Lloyds mobile app, with new navigation spaces such as Borrow and Insure, alongside personalised insights and conversation prompts
- New interactive tools such as Benefit Calculator, which empowers customers to identify support they might be eligible for
- Over 11 million Your Credit Score customers since launch, with over 780,000 customers benefitting from improved credit scores and access to new products and loans

### Lending

- Exceeded our sustainability target of £10 billion new lending for EPC A and B mortgages, delivering £11.4 billion by 2024
- Provided £9.4 billion of financing for battery electric and plug-in hybrid vehicles since 2021
- Developed an Embedded Finance proposition for digital checkouts by launching an e-commerce lending product 'Black Horse FlexPay' in partnership with NewDay

### Insurance, Pensions and Investments

- Scottish Widows now has more than 1 million digitally registered customers. We recently launched a refreshed app for workplace pension customers which has over 400,000 users, 60 per cent of which are active users
- Grew home insurance new policies market share from 12 per cent in 2021 to 15 per cent in 2024
- Achieved over £20 billion discretionary investment in climate-aware strategies, one year early in 2024[2]

**Priorities for 2025 to 2026**

- Expanding and scaling product offering to meet more customer needs (e.g. Embedded Finance)
- Leveraging digital leadership to deliver innovative, personalised customer-led propositions
- Accelerating shift to mobile-first; adapting physical footprint to maximise efficiency and engagement
- Delivering improvements across all channels, streamlining customer journeys

**Select 2026 outcomes**

**3%**
**further increase in Depth of Relationship (versus 2024)[3]**

**c.50%**
**active customers served per distribution FTE (versus 2021)**

1 Customers retained from beginning of November 2021. Relates to product holdings, for franchise customers with active relationship.
2 This refers to funds that have a bias towards investing in companies that are adapting their business to be less carbon-intensive and/or developing climate solutions.
3 Customers retained since 2024. Relates to product holdings, for franchise customers with active relationship.

02

# Create a new Mass Affluent offering

We are creating a new Mass Affluent offering to grow in this attractive and underserved market segment across banking, protection and investments.

**Progress in 2024**

### Overview

- Growth in our Mass Affluent customer base to more than 3 million
- Over 15 per cent growth in Mass Affluent banking balances since 2021 as we continued to build our integrated and digitally-led banking, insurance and investments propositions
- Evolved our dedicated Mass Affluent proposition with new product offers, digital tools and financial coaching to help customers get the most from their money
- Compared to 2023, the number of customers opening a Ready-Made Investment more than doubled, accompanied by a fourfold increase in associated assets under administration

### New features and products

- Interactive tools in app to support customers in managing their finances, including Goals functionality and Investment Needs Finder
- Launched two new Direct-to-Consumer pension products: (i) Ready-Made Pensions and (ii) Whole of Market SIPP to make it easier for our customers to manage their pensions
- Continued to refine our lending policy to support the complex needs of the Mass Affluent segment, supporting growth in mortgage completions for Mass Affluent customers

**Priorities for 2025 to 2026**

- To drive Mass Affluent customer acquisition, launching a new PCA offering in 2025 into the market
- We will evolve the Mass Affluent proposition, with enhanced digital experiences such as a digital financial planning space with personalised nudges

**Select 2026 outcomes**

**>10%**
**increase in Mass Affluent total relationship balances, including assets under administration[1]**

1 Banking balances and investment assets under administration.

Purpose in action

# Sustainably growing our consumer lending

Our lending, investments, products and services are powerful drivers of a sustainable and inclusive future, and are key to how we grow our business profitably.

In 2024, we achieved our two consumer sustainable financing targets totalling more than £20 billion for EPC A and B mortgage lending and financing for electric vehicles and plug-in hybrid vehicles.

**>£20bn**

**of lending against these targets since 2022**

Read more about green finance →

Purpose in action

# Providing finance to local businesses

Community Development Finance Institutions (CDFIs) provide finance to local businesses, often in the most disadvantaged communities. We provided £43 million of funding to three CDFIs as part of a £62 million fund. This ground-breaking commitment is the first commercial loan made to the sector by a mainstream UK lender.

**10,500**

**jobs to be supported**

Read more about CDFIs →

03

# Digitise and diversify our BCB business

We are digitising and diversifying our BCB business to grow revenues and generate value in products and sectors where we are underrepresented.

## Progress in 2024

### Digitise and transform

- We continue to make strides in our multi-year journey to build a digitally-led relationship bank, launching mobile-first journeys and onboarding clients up to 15 times faster since roll-out in the first half of 2023
- Increased digital sales, with the number of products originated and fulfilled digitally growing from 10 per cent in 2021 to over 50 per cent in 2024
- Faster lending decisions through auto-credit decisioning for eligible Business Banking customers applying for up to £50,000 overdrafts and up to £100,000 aggregated exposure

### Diversify

- Enhanced Merchant Services propositions including Clover (flexible point of sale business management system) for face-to-face transactions
- Launched new card proposition for small businesses. Features include longer interest free periods, higher limits and cashback

## Priorities for 2025 to 2026

- Capturing targeted BCB sector and segment opportunities, deepening customer relationships
- Increasing BCB shift to digital-first, delivering experience improvements and journey efficiencies
- Connecting clients to wider Group solutions (e.g. pensions and insurance)

## Select 2026 outcomes

**Maintain**
**small business deposit market share[1]**

**50%**
**of key servicing interactions digitised**

1 UK Finance – businesses with less than £25 million turnover.

04

# Develop our Corporate and Institutional business

We are developing our Corporate and Institutional business to deliver disciplined growth.

## Progress in 2024

### Cash-Debt-Risk management

- Grown other operating income by over 30 per cent since 2021 (outperforming our 20 per cent target), expanding Institutional Coverage and investing in Markets and Transaction Banking
- Delivered capital-lite growth by increasing net risk weighted assets by just 1 per cent since full-year 2021
- Increased our market flows by growing our all issuer sterling debt capital markets market share from 6 per cent to 10 per cent since full-year 2021
- Broadened rates participation by improving sterling interest-rate swap ranking from 7th in 2021 to 2nd in 2024

### Sustainable financing

- Delivered £10.7 billion of Commercial Banking sustainable financing[1] in 2024, supporting the Group's sustainable lending portfolio and clients' net zero journeys
- We continue to support the UK's transition to net zero with investment in regional development, providing financing to infrastructure projects across the UK including wind farms, solar panels, and investments in new technologies

1 In line with the Group's Sustainable Financing Framework.

## Priorities for 2025 to 2026

- Becoming a broader CIB solution provider to meet more Transaction Banking and Markets needs via Cash-Debt-Risk offering
- Disciplined expansion domestically and across US and European footprint
- Connecting CIB clients to solutions provided by the wider Group, for example Workplace Pensions

## Select 2026 outcomes

**c.45%**
**increase in CIB other operating income (versus 2021)**

**>5.25%**
**income / average risk-weighted assets**

Purpose in action

# Supporting social housing

In partnership with the National Wealth Fund we announced a £500 million funding arrangement to support the retrofit of social housing in the UK. This deal brings public and private expertise together to deploy private capital to deliver warmer, greener homes for social tenants – benefitting their health, work and home lives.

Our support to this sector is unlocking profitable, sustainable and inclusive growth opportunities for the Group with improving returns year on year.

**>£2bn**

**of lending supported to the social housing sector in 2024**

Read more about social housing →

Purpose in action

# Building new homes through our MADE partnership

£150 million joint venture with Homes England and Barratt to oversee multiple large-scale projects supporting the government's plan to build 1.5 million new homes over the next 5 years. Through this partnership the Group will participate in a number of large scale residential and community regeneration projects, generating attractive sustainable returns.

**£150m**

**joint venture with Homes England and Barratt**

Read more on how we're supporting the UK housing market →

# Focus

**We are investing to grow and diversify our revenue, alongside maintaining our disciplined approach to cost and capital management.**

## Strengthen cost and capital efficiency

We have maintained our strong balance sheet with a disciplined approach to cost and capital management.

### Progress in 2024

- Achieved £1.2 billion in gross cost savings since 2021
- In order to unlock efficiencies, we have rationalised our branch footprint, whilst continuing to invest in digital journeys. As a result, the number of active customers served per distribution FTE has increased by over 30 per cent since 2021
- Achieved our target of over 30 per cent reduction in office footprint by 2024, as we continue to adapt to new ways of working
- Optimised our balance sheet through increased use of securitisations and originate to distribute capabilities. Capital efficient securitisation activity contributed towards the £7.1 billion of gross risk-weighted assets optimisation in 2024
- Strong capital generation of 148 basis points, 177 basis points excluding motor finance provision

### Priorities for 2025 to 2026

- Accelerate shift towards capital-lite growth areas, increasing other operating income contribution to additional revenues from strategic initiatives
- Ongoing commitment to driving further cost efficiencies, supported by digitisation and rationalisation of the property estate
- Continued focus on risk-weighted assets optimisation through securitisation activity

### Select 2026 outcomes

**>60%**
**reduction in data centres (versus 2021)**

**>200bps**
**capital generation**

Purpose in action

# Grounded in evidence

As one of the largest lenders to the agriculture sector, we're supporting farmers in diversifying their portfolios and transforming environmental performance.

We've teamed up with Soil Association Exchange to create the largest, most comprehensive review of farm environmental performance ever carried out in the UK with around 850 farmers benefitting to date.

This insight allows the Group to focus on developing the key strategic levers to support the decarbonisation and optimisation of one of our hardest to abate sectors.

**>4,000**

**bespoke recommendations to farmers across the UK since 2021**

Read the full report →

Purpose in action

# Supporting our customers to save

In 2024, we launched MBNA Savings to our customers, extending our products and giving our customers more options suitable for their savings needs.

Our expanded offerings have enabled us to open an additional 20,000 savings accounts, bringing the total to 3.9 million savings accounts opened across all brands in 2024.

Additionally, our ISA products have helped customers save an extra £8 billion tax-free.

**3.9m**

**savings accounts opened in 2024**

Read more about our brand MBNA →

# Change

**Delivering our strategy requires the Group to accelerate the intensity with which we use digital technologies and data to support customers. Our colleagues' expertise and skills are instrumental to our success.**

## Maximise the potential of people, technology and data

We are investing in our people, digital technologies and data to enable us to deliver our strategy, thereby delivering for our customers.

### People

**Progress in 2024**

- Recruited over 4,000 new colleagues in technology and data roles to drive growth and efficiency since 2021
- Built a more inclusive workforce led by senior leadership hires, with improvement across our Diversity, Equity and Inclusion metrics
- Modernised property estate to support improved ways of working, with over a quarter of colleagues in transformed workspaces

**Priorities for 2025 to 2026**

- Enhance commitments to building a more inclusive organisation and increase number of hires in key skills areas (e.g. engineering)
- Provide colleagues with GenAI support tools
- Continue to modernise and enhance our office estate to enhance productivity of our colleagues

**Select 2026 outcomes**

**Maintain**

**strong employee engagement index (versus 2024)**

### Technology & data

**Progress in 2024**

- Continued to digitise customer journeys, and invested in refreshed app
- Modernised technology estate, reducing legacy tech applications by 17.5 per cent since 2021 through decommissioning and automation
- Reduced legacy data centres and accelerated cloud adoption, with c.50 per cent of applications on Cloud
- Provided data driven product solutions such as Lloyds Bank Market Intelligence

**Priorities for 2025 to 2026**

- Leverage new technologies (e.g. GenAI) and data to drive innovative solutions for both customers and colleagues
- 2025/26 GenAI use cases including improved fraud detection, AI-driven money management for Mass Affluent customers, and scaled knowledge support tool
- Accelerate legacy app decommissioning and cloud migration activity

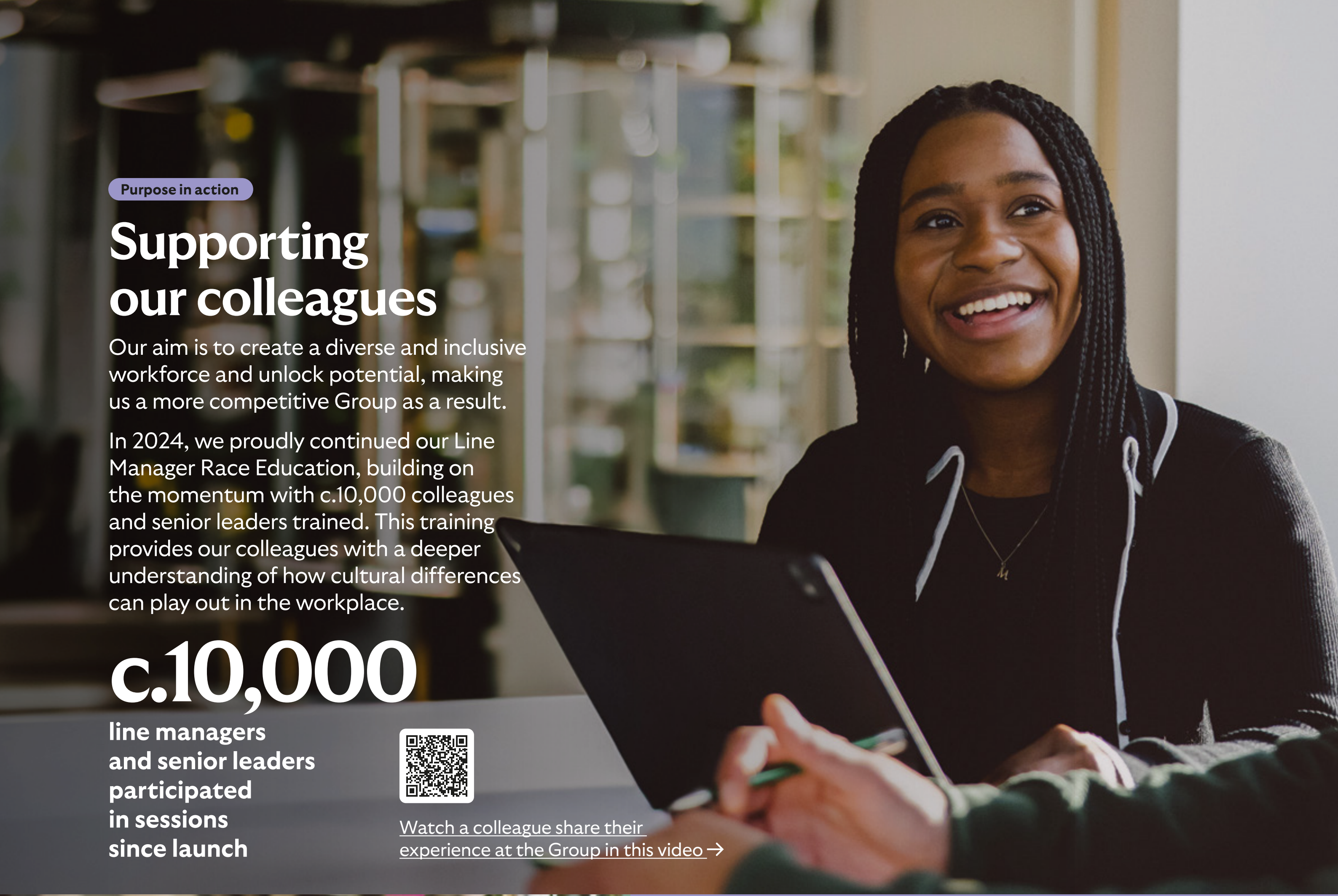
**Select 2026 outcomes**

**>30%**

**applications on modern technology**

**35%**

**gross reduction in run and change technology costs (versus 2021)**



Purpose in action

# Supporting our colleagues

Our aim is to create a diverse and inclusive workforce and unlock potential, making us a more competitive Group as a result.

In 2024, we proudly continued our Line Manager Race Education, building on the momentum with c.10,000 colleagues and senior leaders trained. This training provides our colleagues with a deeper understanding of how cultural differences can play out in the workplace.

**c.10,000**

**line managers and senior leaders participated in sessions since launch**

Watch a colleague share their experience at the Group in this video →

Purpose in action

# Supporting disabled entrepreneurs

We are committed to providing an inclusive workplace for colleagues with disabilities, long-term health and neurodivergent conditions and providing accessible and inclusive products and services to better support our customers.

In 2024, we became a signatory of the Disability Finance Code for Entrepreneurship which aims to drive engagement between the disabled entrepreneur community and the financial services sector in the UK. We were also proud to host the launch of the Lilac Review – an independent, government-backed initiative designed to identify and overcome the barriers faced by disabled business owners.

Disabled entrepreneurs are a critical yet often overlooked segment of society. By embracing this wealth of talent, innovation and resilience, there is a significant opportunity to further the Group's commercial objectives and economic potential.

**£230bn**

**could be added to the UK economy by improving opportunities for disabled entrepreneurs (Lilac Review)**

Read more on how we're supporting UK entrepreneurs →

# The business has delivered significant strategic progress and a robust financial performance

# Financial

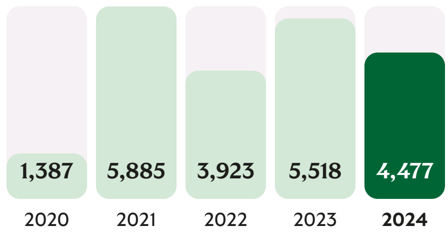
## Our key performance indicators provide clear evidence of our performance in relation to the Group's most important priorities.

These encompass a range of measures designed to assess both financial and non-financial performance, ensuring a balanced consideration of the interests of all stakeholders, including customers, shareholders and colleagues. A detailed outline of these can be found on the following **pages 110 to 133** of the annual report and accounts.

These key performance indicators also inform remuneration at all levels across the Group to ensure that our colleagues act in the best interests of both customers and shareholders. This alignment considers the Group's financial performance as well as specific conduct and risk management controls.

**Statutory profit after tax**
£m
R

**4,477**

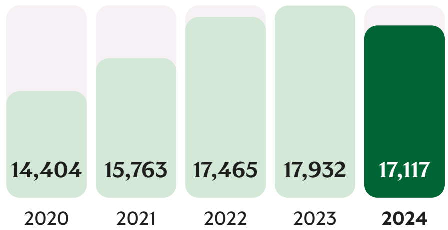



Statutory profit after tax is lower than 2023 due to lower net income, higher operating costs and higher charges for remediation and impairment. Excluding the charge for motor finance commission arrangements, statutory profit was £5,035 million.

**Link to strategy**

**Net income**
£m
A

**17,117**

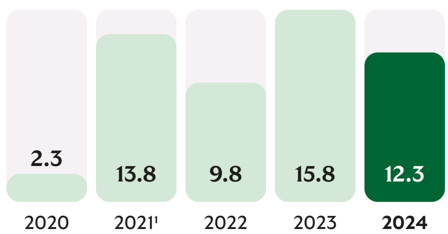



Net income is lower than 2023, with lower underlying net interest income and increased operating lease depreciation, partly offset by higher underlying other income. The banking net interest margin was resilient, increasing since the first half of 2024. 2025 guidance[2]: Underlying net interest income of c.£13.5 billion.

**Link to strategy**

**Return on tangible equity**
%
R A

**12.3**




Return on tangible equity of 12.3 per cent reflects the Group's robust financial performance. Excluding the charge for motor finance commission arrangements, return on tangible equity was 14.0 per cent. 2025 guidance[2]: Return on tangible equity of c.13.5 per cent.

**Link to strategy**

R Key performance indicators that are directly linked to our remuneration balanced scorecard are marked with this symbol. See **page 119** of the annual report and accounts.

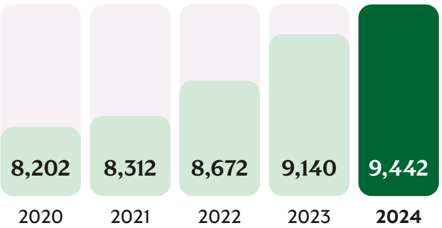
A We use a number of alternative performance measures in the description of our business performance and financial position. These measures are labelled with this symbol. See **page 314** of the annual report and accounts.

1 From 2021, to aid comparability with peers, we began reporting return on tangible equity without adding back post-tax amortisation of intangible assets. Pre-2021 comparatives have been restated.
2 Expectation based on the Group's current macroeconomic assumptions.
3 Reported on a pro forma basis, reflecting declared share buybacks and the dividends received from the Insurance business in the subsequent quarter, but excluding phased unwind of IFRS 9 relief.

**Link to strategy**
Grow Focus Change

## Operating costs
£m
R A

9,442

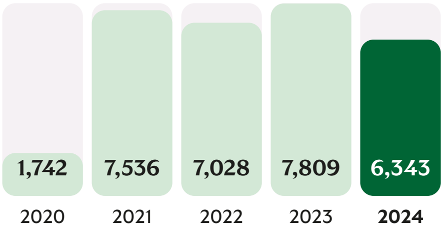



Operating costs are 3 per cent higher than 2023 with cost efficiencies helping to partially offset inflationary pressures, business growth costs and ongoing strategic investment. 2025 guidance[2]: Operating costs of c.£9.7 billion

**Link to strategy**

## Underlying profit
£m
A

6,343

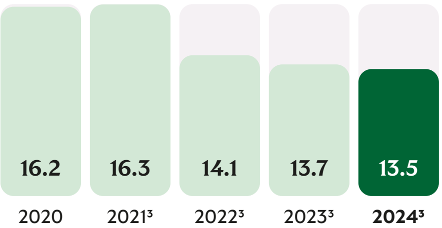



Underlying profit is lower than 2023 due to lower net income, higher operating costs and higher remediation and underlying impairment charges. Excluding the charge for motor finance commission arrangements, underlying profit was £7,043 million.

**Link to strategy**

## Common equity tier 1 ratio (CET1)
%
R A

13.5

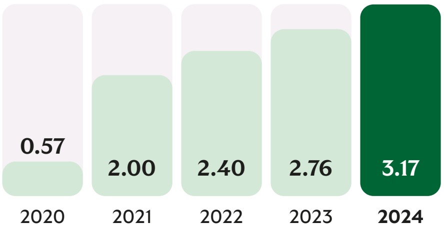



Pro forma CET1 ratio remains strong at 13.5 per cent, after increased ordinary dividend and announced share buyback. Expect to pay down to a CET1 ratio of c.13 per cent by 2026.

**Link to strategy**

## Ordinary dividend
p per share
R

3.17

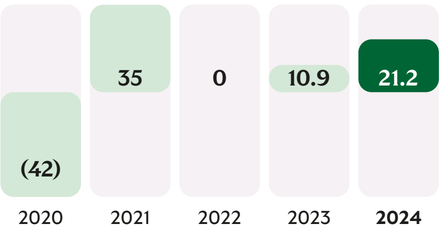



Total ordinary dividend of 3.17 pence per share, up 15 per cent, reflecting our progressive and sustainable ordinary dividend policy. Includes both interim and final dividends. The Group has also announced a share buyback of up to £1.7 billion.

**Link to strategy**

## Total shareholder return
%

21.2




Total in-year shareholder return was 21.2 per cent. The share price was 14.8 per cent higher with capital return of 6.4 per cent.

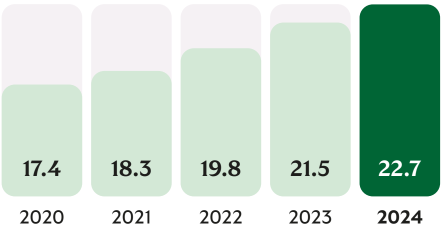
**Link to strategy**

# Non-financial

## Customer

**Digitally active users**
m
R A

22.7

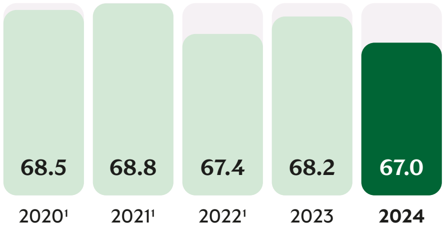



Reflecting the pace of digital adoption, the number of active digital users increased in the year to 22.7 million, up 5.7 per cent year on year. Within this we had 20.2 million app users, which is an 8.3 per cent increase from last year.

**Link to strategy**

**Customer satisfaction**
All-channel net promoter score
R A

67.0

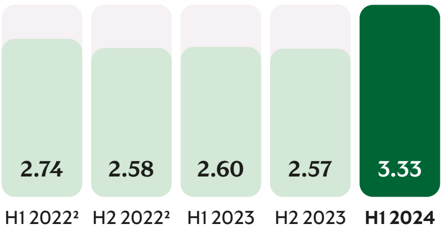



Our all-channel net promoter score measures the customer perception of day-to-day service across our channels, seeing broadly stable performance against the backdrop of considerable changes to how we serve customers in all channels.

**Link to strategy**

**Customer complaints**
FCA reportable complaints per 1,000 accounts
R A

3.33

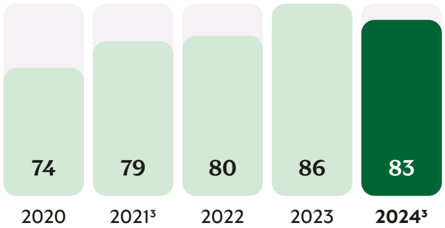



We always want to provide our customers with the best possible service and our colleagues work tirelessly to understand the concerns of those who contact us. During the first half of 2024, we saw an increase due to commission complaints in Motor. Data for the second half of 2024 is not available at time of publishing.

**Link to strategy**

**Group customer dashboard (GCD)**
(November YTD)
Pts – 2024
% – 2021 to 2023
Index – 2020
R A

83



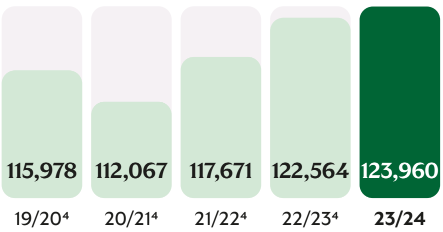

In 2024, the total GCD score is 83, 8 points above target of 75. Across all measures, 58 per cent of scores have improved compared to 2023. Continued focus is required to maintain strong customer performance in the context of our strategic priorities.

**Link to strategy**

## Climate

**Operational carbon emissions**
$tCO_2e$
R A

123,960



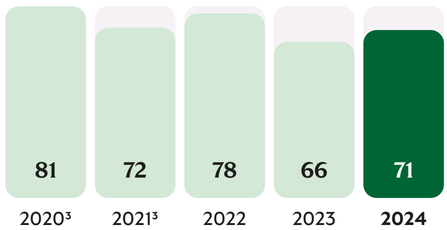

Our overall market-based carbon emissions were 123,960 tonnes $CO_2e$, a 30 per cent decrease since baseline year 2018/19 when market-based carbon emissions were 176,993 tonnes $CO_2e$. There is a 1.1 per cent increase since 2022/23, mainly driven by an increase in our emissions from business travel. Read more on **page 59** of the annual report and accounts.

**Link to strategy**

## Colleague

**Employee engagement index**
% favourable
R A

# 71




Engagement has increased since 2023. The improvement this year is due to an increased sense of pride among colleagues working for the Group and a perception of the Group having a supportive work environment.

**Link to strategy**

**Women in senior roles by 2025**
(%)

● Progress ● 2025 ambition


**Link to strategy**

**Black, Asian and Minority Ethnic representation in senior roles by 2025**
(%)

● Progress ● 2025 ambition


**Link to strategy**

**Black Heritage representation in senior roles by 2025**
(%)

● Progress ● 2025 ambition


**Link to strategy**

**Disability representation in senior roles by 2025**
(%)

● Progress ● 2025 ambition


While proud of our progress, we recognise there's more to do. We remain committed to meeting the FTSE Women Leaders report goals, where we're ranked 5th in the FTSE 100. We are also pleased to have surpassed our 12 percent goal for senior roles filled by colleagues with disabilities. From 2025, we are taking a new approach to our representation ambitions, which we aim to achieve by the end of 2030. We are setting an ambition to reach and maintain a gender balance of 45 per cent to 55 per cent in executive roles. Additionally, we are moving to goals ranging between 3.5 per cent and 4 per cent for Black heritage colleagues, and between 19 per cent and 22 per cent for Black, Asian and Minority Ethnic colleagues in executive roles. Read more on **pages 30 to 32** of the annual report and accounts.

R Key performance indicators that are directly linked to our remuneration balanced scorecard are marked with this symbol. See **page 119** 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 314** of the annual report and accounts.

**Link to strategy**
Grow Focus Change

1 Re-stated to reflect structural changes to our measurement programme.
2 Excludes PPI, claims management companies and legacy TSB accounts.
3 Change in measurement approach, so comparison to current years is not like-for-like.
4 Restated data since 2019/20 to improve the accuracy of reporting, using actual data to replace estimates and updates to historical emissions.

# Engaged colleagues are critical to the success of the Group and our transformation


Read more from our colleagues →

## We are committed to building an inclusive organisation that is representative of our customers and modern-day Britain. We will enhance our success if differences are embraced and everyone reaches their potential.

**71%**

**Engagement increased by 5pts from prior year to 71 per cent**

**+4pts**

**our advocacy measure (employee net promoter score) increased by 4 points to 8**

### Our colleague engagement

In 2024, we broadened how we listen to our colleagues to provide a more regular and complete picture of sentiment.

We want people to love working here. With more than 66,000 colleagues working across the Group, we welcome their views and opinions on a range of topics to help us grow together. We evolved our pulse and annual surveys by providing greater alignment to our strategy and purpose, with further changes to the survey made to improve the colleague experience.

Our annual survey was completed by 81 per cent of colleagues in the Group, which gave us a near-complete view on sentiment on our transformation journey, including over 190,000 comments.

Engagement increased by 5 percentage points from prior year to 71 per cent and our advocacy measure (employee net promoter score) increased by 4 points to 8. Both are robust outcomes considering the backdrop of high volumes and pace of change. Our line managers continue to be integral in building and maintaining a positive culture, with trust in leadership showing strong growth.

During the year the Group communicated directly with colleagues detailing Group performance, changes in the economic and financial environment, and updates on key strategic initiatives. Meetings were held throughout the year between the Group and our recognised unions. Please see **page 86** 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 2024, 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. The vast majority of our colleagues hold shares in the Group.

### Our approach to flexible working

Through Flexibility Works we offer colleagues a range of flexible working options. We're focused on balancing the needs of our customers as we transform our business by creating a workplace people love and where they feel supported in the moments that matter.

All colleagues have access to a range of flexible working options, depending on their role. These include flexibility for everyone, flexibility for health and carers, flexibility for families and flexibility for growth. For further information refer to our Colleague Handbook →.

## Our approach to flexible working

**Flexibility for everyone**

**79%**

**of colleagues used at least one element of our Flexibility Works offering in 2024**

**Flexibility for health and carers**

**7,500**

**carers have access to additional flexibility**

**Flexibility for families**

**3,821**

**colleagues used family leave to spend time with their growing families**

**Flexibility for growth**

**26,000**

**hours of leave used to support public duties**

## Our 2024 diversity, equity and inclusion performance

A more diverse and inclusive business is a stronger business. In line with our Group strategy and our activity to maximise the potential of people, our goal is to ensure diversity, equity and inclusion is at the heart of everything we do, further integrating initiatives across our operations, ensuring it influences every aspect of our work with our customers, colleagues, communities and partners.

Our refreshed approach and plans remain centred around our guiding principle of Inclusive Every Day, our internal campaign launched in 2023. This is supported by our inclusion plans which we have developed in partnership with our Group Executive Allies, diverse colleague panels, and our employee networks.

Recognising the importance of social mobility, we are dialling up our focus on this important topic, ensuring we provide equitable opportunities for all.

The Board and senior management have a vital role to play in shaping, role modelling and embedding a healthy corporate culture, and this continues to be a priority in 2025.

### Gender

We are committed to leading the way in gender equality. Our focus is on enhancing the talent pipeline to achieve a gender balance, championing gender equality for all, and promoting allyship and inclusive leadership.

Our commitment to gender balance is reflected in the steady progress we have made with 40.4 per cent of senior[3] roles held by women at the end of 2024. This is against an ambition we set ourselves in 2020 to achieve 50 per cent representation of women in senior roles by 2025.

Our dedication to gender diversity remains steadfast and in 2024 we refreshed our overall approach, moving to new ambitions that better align to our strategic goals and accelerate meaningful diversity in our leadership team from 2025.

We are setting a new ambition to reach and maintain a gender balance of between 45 to 55 per cent in executive[1] roles by the end of 2030. Alongside this, we will continue to focus on meeting the goals outlined in the FTSE Women Leaders report.

Our disclosures in relation to board diversity as required under the UK Listing Rule UKLR6.6.6(9) are on **page 136** of the annual report and accounts.

### Ethnicity

We are committed to building an inclusive society and creating an organisation that reflects the community we serve.

Increasing representation of colleagues from Black, Asian and Minority Ethnic backgrounds remains challenging, but we are focused on accelerating progress. At the end of 2024, 12.6 per cent of senior manager positions were held by Black, Asian or Minority Ethnic colleagues, and 1.8 per cent held by Black heritage colleagues.

We continue to be guided by the principles of our 2020 Race Action Plan, which focuses on driving cultural change, improving recruitment and progression within the Group, and actively supporting Black heritage communities across the UK.

As we move into the next chapter, our new ambitions for 2030 reflect the fluid nature of both our transformation and our evolving society. Grounded in census and industry benchmarking, we are moving to ranging goals between 3.5 per cent and 4 per cent for Black heritage and 19 per cent and 22 per cent for Black, Asian and Minority Ethnic representation in executive[2] roles.

### Disability and neurodiversity

In April 2023, we set a public goal to double the representation of senior management colleagues[3] with disabilities to 12 per cent by 2025. Alongside this goal we committed to improve the working environment and experience for our colleagues with disabilities, including making our recruitment processes more accessible and inclusive; supporting career development; improving the accessibility of our workspaces and technology; upskilling colleagues to reduce stigma; and taking work beyond our own organisation to champion the disability community.

You can read more on the progress we have made as part of our Blueprint for Disability and Neuro-inclusion Blueprint for disability and neuro-inclusion →. In addition in 2024, we launched a publicly available disability and neurodiversity training → which any individual, business owner, or organisation can access.

As of the end of 2024, 16.1 per cent of our senior management colleagues shared with us that they had a disability, meaning we've exceeded our original target earlier than anticipated. Since launching our goal, we've seen a significant uplift in the number of colleagues sharing their disability data, rising from 24.7 per cent in March 2023 to 60.5 per cent at the end of 2024. Our aspiration is for 80 per cent of UK colleagues to have shared their data with us by the end of 2025.

### Sexual orientation and gender identity

We continue to focus on building an inclusive and open working environment for our LGBTQ+ colleagues. Our LGBTQ+ colleague network, Rainbow, continues to play a pivotal role in our approach to supporting our colleagues. In 2024, we introduced comprehensive guidance to support colleagues who transition or change their gender at work. This guidance was developed in collaboration with colleagues from our Rainbow network, internal experts, legal advisors and external specialists. It aims to assist both colleagues and their line managers, enhancing support for individuals on their journey and improving line managers' understanding of the complexities involved in transitioning or changing gender identity.

We have piloted an enhanced Employee Assistance Programme (EAP) specifically for our LGBTQ+ colleagues and allies. This initiative was launched in response to feedback indicating that the existing EAP could better address the unique challenges faced by our LGBTQ+ colleagues.

1 Executive roles include Grade X colleagues only, subject to local laws and regulations.
2 Executive roles include UK based Grade X colleagues only.
3 Senior managers: Grades F, G and Executive.

# **Our colleagues** continued

## 2024 progress and performance on diversity, equity and inclusion metrics

| | | | Number 2024 | % 2024 | % 2023 |
|---|---|---|---|---|---|
| **Gender**[1] | Board members | Men | 5 | 50.0 | 54.5 |
| | | Women | 5 | 50.0 | 45.5 |
| | Senior positions on the Board[2] | Men | 3 | 75.0 | 75.0 |
| | | Women | 1 | 25.0 | 25.0 |
| | GEC | Men | 7 | 53.8 | 53.3 |
| | | Women | 6 | 46.2 | 46.7 |
| | GEC and GEC direct reports | Men | 71 | 54.6 | 53.8 |
| | | Women | 59 | 45.4 | 46.2 |
| | Senior managers | Men | 4,691 | 59.6 | 59.9 |
| | | Women | 3,184 | 40.4 ⍟ | 40.1 |
| | All colleagues | Men | 30,090 | 45.2 | 43.7 |
| | | Women | 36,397 | 54.8 | 56.3 |
| **Ethnicity**[1] | Board members | White British or other White | 8 | 80.0 | 81.8 |
| | | Asian heritage | 1 | 10.0 | 9.1 |
| | | Mixed/multiple ethnic groups | 1 | 10.0 | 9.1 |
| | Senior positions on the Board[2] | White British or other White | 4 | 100.0 | 100.0 |
| | GEC | White British or other White | 11 | 84.6 | 86.7 |
| | | Asian heritage | 2 | 15.4 | 13.3 |
| | Colleague | Senior managers of Black, Asian and Minority Ethnic heritage | 950 | 12.6 ⍟ | 11.3 |
| | | Senior managers of Black heritage | 138 | 1.8 ⍟ | 1.7 |
| | | All colleagues of Black, Asian and Minority Ethnic heritage | 10,735 | 16.9 | 15.3 |
| **Disability** | Colleagues who disclose that they have a disability | | 11,895 | 18.7 | 12.2 |
| | Senior managers who disclose that they have a disability | | 1,281 | 16.1 | 12.4 |
| **Sexual orientation and gender identity** | Colleagues who disclose their sexual orientation | | 49,682 | 77.8 | 72.9 |
| | Colleagues who disclose that they are LGBTQ+ | | 2,569 | 4.0 | 3.6 |
| | Colleagues who disclose their gender identity | | 44,644 | 69.9 | 60.7 |

1 Data is collated and reported in compliance with the provisions of section 414C(8)(c) Companies Act 2006. For Listing rule UKLR 6.6.6R (9) and (10) please see further information on our Board diversity and executive management on **page 136** of the annual report and accounts.
2 Senior positions on the Board refer to the roles of the Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair of the Board.
⍟ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2024 Sustainability Reporting. Deloitte's 2024 assurance statement and the sustainability metrics basis of reporting 2024 are available online at sustainability download.

Methodology and definitions:
- Data is sourced from the HR system (Workday) containing all permanent colleague details
- All data as at 31 December 2024
- All diversity information for ethnicity, disability, sexual orientation and gender identity 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, temporary and agency staff
- LGBTQ+ includes Asexual / Ace Spectrum, Bisexual / Bi, Gay Man, Lesbian / Gay Woman, Pansexual, Other Sexual Orientation and includes Trans*
- The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to the 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, the Group Chief Financial Officer and colleagues who report to them or to any other member or attendee of the GEC, excluding administrative or executive support roles (personal assistant, executive assistant)
- Senior managers: Grades F, G and Executive (Executive being grades above G)
- 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
- Ethnicity data excludes non-UK colleagues

# Evolving our risk and control capabilities

## The Group's approach to risk

Risk management is integral to our business model and strategy, taking advantage of appropriate opportunities and ensuring sustainable growth for the Group. A strong risk management culture is crucial to keep the Group, our colleagues and our customers safe and secure from existing and emerging risks.

The enterprise risk management framework (ERMF) is the foundation for the delivery of effective and consistent risk control across the whole Group, and is regularly updated to ensure it remains in line with regulatory expectations, corporate governance and industry good practice. The ERMF enables proactive identification, active management and monitoring of the Group's risks, and enables a consistent approach across the Group's entities and sub-groups.

Enhancements to the ERMF have been introduced during 2024 to further define the Group's proportionate and materiality-based approach to risk management.

During 2024, the Group reviewed its three lines of defence model to provide greater clarity to roles and responsibilities and further strengthen the Group's risk management capabilities.

Activity to deliver further improvements to the ERMF and its supporting risk management methodologies will continue into 2025.

Further information on the changes can be found on **page 138** of the annual report and accounts.

## Risk profile and performance in 2024

The Group is committed to maintaining support for its customers during continued economic uncertainties in both global and domestic markets.

The Group's credit performance improved in the year. The Group's loan portfolio continues to be well positioned and is closely monitored to identify signs of stress.

Potential impacts to customers, shareholders and the Group's risk and control profile following the Court of Appeal decision on motor finance commissions continue to be closely monitored and assessed.

As part of the Group's strategy, there will be continued investment in technology and infrastructure. The Group's operational risks continue to be a key area of focus, particularly relating to information, cyber and physical security risk and supply chain management.

The management of financial crime risks and consumer fraud remains a key priority for the Group. The economic crime prevention strategy has been reviewed, with funding allocated to deliver improved systems and controls.

Model risk and the use of artificial intelligence are also areas of significant internal and external focus.

The Risk overview provides a summary of the Group's principal risk performance and current emerging and topical risks.

### Enterprise risk management framework

| | | |
|---|---|---|
| 01 | **Role of the Board and senior management** | • The Board and senior management are responsible for the approval of the ERMF, together with Group-wide principles and policies<br>• The Board delegates executive authorities to ensure there is effective oversight of risk management<br>• More information on the Board's responsibilities can be found on **page 91** of the annual report and accounts |
| 02 | **Risk culture and the customer** | • The Group's Code of Ethics and Responsibility helps foster the appropriate culture, which ensures performance, risk and reward are aligned and good customer outcomes are consistently delivered |
| 03 | **Risk appetite** | • Risk appetite is approved by the Board annually and is defined as the type and aggregate level of risk that the Group is willing to take or accept in pursuit of its strategic aims and business plans<br>• Board-level risk appetite metrics are augmented further by lower-level measures to facilitate the management of Board risk appetite |
| 04 | **Risk and control self-assessment** | • The Group adopts a continuous risk management approach from identifying the risks through risk and control self-assessment, and managing the risks through to producing appropriate, accurate and focused risk reporting<br>• Further details regarding the Group's risk and control cycle can be found on **page 141** of the annual report and accounts, with a summary of the changes to principal risk categories on **page 138** of the annual report and accounts |
| 05 | **Risk governance** | • The governance framework supports a consistent approach to enterprise-wide behaviour and decision making<br>• Senior executives are supported by a committee-based structure, which is designed to ensure open challenge and enable effective Board engagement and decision making |
| 06 | **Three lines of defence** | • The three lines of defence model defines the responsibilities and accountabilities for risk management, with effective independent oversight and assurance<br>• Enhancements have been made to the model during 2024. The Risk management section on **page 137** of the annual report and accounts provides further information |

## Principal risks

The principal risks outlined in this section are used to monitor and report the risk exposures posing the greatest potential impact to the Group.

All principal risks are Board-approved enterprise-wide risk categories which are reported to the Board Risk Committee and the Board regularly.

The Group has undertaken a detailed review of its risk categories during 2024 and implemented an events-based risk management framework. This has resulted in a reclassification and reduction in the number of principal risk types, and the simplification of level two risk categories. Further information on these changes can be found on **page 138** of the annual report and accounts.

The risk management section on **pages 137 to 198** of the annual report and accounts provides a detailed review of these risks, including definitions and how they are identified, managed, mitigated and monitored.

The Board Risk Committee report on **pages 104 to 108** of the annual report and accounts outlines its purpose, structure and responsibilities in addition to activities during the year.

### Key

**Risk trends**

Stable | Improving | Elevated

**Link to strategy**

Grow | Focus | Change

**Changes to risk categories since 2023**

New principal risk | Unchanged risk | Reclassified risk

### Capital risk

**Risk performance and key developments in 2024**

The Group continued to maintain its strong capital position in 2024 with a CET1 capital ratio of 13.5 per cent on a pro forma basis (2023: 13.7 per cent pro forma). This remains ahead of minimum capital requirements and in excess of the Group's ongoing target of c.13.0 per cent, which includes a management buffer of around 1 per cent. Banking business profits for the year and the receipt of dividends from the Insurance business, partially offset by risk-weighted asset (RWA) increases and other movements, has enabled strong shareholder distributions.

Downside risks arising from economic and regulatory challenges, including in relation to Retail secured CRD IV RWA increases, along with the potential impact of the Court of Appeal decision on motor finance commission arrangements are being closely monitored.

**Key mitigating actions**

- Capital management framework is in place, which includes the setting of capital risk appetite, capital planning and stress testing activities
- Regular refresh and monitoring of a suite of early warning indicators and maintenance of a Capital Contingency Framework, designed to identify and act on emerging capital concerns at an early stage
- Derisking the business through prudent underwriting standards and continual portfolio management, and enhancing capital efficiency through optimisation initiatives including net present value positive securitisation activity

**Risk trends**

Stable

**Link to strategy**

See **pages 22 to 23** of the annual report and accounts

**Changes since 2023**

Unchanged risk

### Climate risk

**Risk performance and key developments in 2024**

The Group is continuing to develop and embed its capabilities for measuring and managing key climate risks within its risk management approach, including cross-cutting impacts on other principal risks.

The Group has monitored its progress against net zero ambitions, however the external landscape presents increasing challenges, both in relation to the policy changes required to support the transition to net zero, as well as increasing regulatory expectations.

**Key mitigating actions**

- Progress against our net zero ambitions and targets monitored through the Group Net Zero Committee
- Enhanced transition risk assessments across commercial lending, expanding into key net zero sectors, such as commercial and residential real estate and agriculture
- Incorporating quantification of climate impact into the calculation of expected credit losses
- Horizon scanning and tracking regulatory compliance requirements

**Risk trends**

Stable

**Link to strategy**

See **pages 17 to 25** of the annual report and accounts

**Changes since 2023**

Unchanged risk

## Compliance risk

### Risk performance and key developments in 2024

The compliance risk profile has remained stable in 2024, however it continues to be closely monitored given the pace of regulatory and legislative change and an increasing volume of regulatory data requests.

In 2024, the Group dedicated investment to enhance coverage of our regulatory and legal obligations to ensure risk owners obtain prompt access to skilled compliance risk specialists.

This risk was previously named regulatory and legal risk.

### Key mitigating actions

- Policies and procedures setting out clear requirements and key controls that apply across the business, which are aligned to the Group's risk appetite
- The identification, assessment and implementation of regulatory and legal requirements by risk specialists, with the involvement of legal colleagues as required
- The establishment of local controls, processes, procedures and resources to ensure appropriate governance and compliance by business units

### Risk trends

Stable

### Link to strategy

See **pages 22 to 23** of the annual report and accounts

### Changes since 2023

Reclassified risk

## Conduct risk

### Risk performance and key developments in 2024

Conduct risk has been elevated in 2024, with several areas of ongoing focus driven by legal decisions, regulatory changes and geopolitical influences.

The Group continues to monitor impacts to customers and its risk and control profile, liaising closely with regulatory bodies regarding the review into motor finance commission arrangements.

The Group continues to enhance its control environment, with mitigating actions and controls in place to deliver good outcomes for customers, protect market integrity, prevent colleague misconduct and ensure effective management of concerns raised through whistleblowing.

### Key mitigating actions

- Robust policies in place to support good customer outcomes, with ongoing focus on utilising root cause insights, to support the management and mitigation of complaint volumes
- Active engagement with regulatory bodies and key stakeholders to ensure that the Group's strategic conduct focus continues to meet evolving stakeholder expectations
- Continued focus on strengthening policies, controls and reporting capabilities to demonstrate good customer outcomes

### Risk trends

Elevated

### Link to strategy

See **pages 17 to 23** of the annual report and accounts

### Changes since 2023

Reclassified risk

## Credit risk

### Risk performance and key developments in 2024

Asset quality remains strong with improved credit performance in the year. In UK mortgages and unsecured portfolios, reductions in new to arrears and flows to default have been observed in 2024. Securitisations in primarily legacy Retail mortgages during 2024 will help mitigate credit risks. The Group's commercial portfolio remains broadly stable and resilient. Underlying impairment charge of £433 million, increasing from a charge of £308 million in 2023, which benefitted from a significant write-back following the full repayment of debt from a single name client. The Group's expected credit loss allowances have decreased in the year to £3,651 million (2023: £4,337 million).

### Key mitigating actions

- Extensive and thorough credit processes, strategies and controls to ensure effective risk identification, management and oversight
- Significant monitoring in place, including early warning indicators
- Selective credit tightening reflective of forecast changes in the macroeconomic environment, including updates to affordability lending controls for forward-looking costs

### Risk trends

Improving

### Link to strategy

See **pages 17 to 23** of the annual report and accounts

### Changes since 2023

Unchanged risk

## Economic crime risk

**Risk performance and key developments in 2024**

Economic crime has been promoted to a principal risk during 2024. This is a result of increased inherent risks seen across the industry, to which the Group is also exposed, driven by the continued geopolitical instability and ever-evolving economic crime threat landscape.

An effective framework is in place to manage risks associated to bribery and corruption, fraud, money laundering and sanctions, with business units continuing to deliver action plans to strengthen the control environment, lower residual risk and respond to changes in regulatory expectations.

**Key mitigating actions**

- Robust economic crime policy, standard and framework
- Implementation of the new Group-wide economic crime prevention strategy
- Continued enhancements of our industry-leading fraud detection capabilities to respond to evolving threats

**Risk trends**

Stable

**Link to strategy**

See **pages 22 to 23** of the annual report and accounts

**Changes since 2023**

New principal risk

## Insurance underwriting risk

**Risk performance and key developments in 2024**

Insurance underwriting risk remains stable. Life and Pensions present value of new business premium increased to £18.2 billion (2023: £17.4 billion), driven by strong performance in the individual annuities and workplace business, partly offset by the agreed sale (subject to High Court approval) of the in-force bulk annuity portfolio.

General Insurance total gross written premium increased to £737 million (2023: £579 million), due to strong trading.

**Key mitigating actions**

- Significant reinsurance of mortality, morbidity and General Insurance weather risk
- Robust processes for underwriting, reinsurance, claims management, pricing, product design and product management
- Management through diversification and pooling of risks

**Risk trends**

Stable

**Link to strategy**

See **pages 17 to 23** of the annual report and accounts

**Changes since 2023**

Unchanged risk

## Liquidity risk

**Risk performance and key developments in 2024**

The Group maintained its strong liquidity and funding position with a loan to deposit ratio of 95 per cent (2023: 95 per cent). The Group's liquid assets continue to exceed the regulatory minimum and internal risk appetite, with a monthly simple average over the previous 12-months' liquidity coverage ratio (LCR) of 146 per cent (2023: 142 per cent). The Group maintains access to diverse sources and tenors of funding.

This risk was previously named liquidity and funding risk.

**Key mitigating actions**

- 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
- Participation in term issuance programmes

**Risk trends**

Stable

**Link to strategy**

See **pages 22 to 23** of the annual report and accounts

**Changes since 2023**

Reclassified risk

## Market risk

### Risk performance and key developments in 2024

Market conditions in 2024 have stabilised. The Group remains well hedged, ensuring near-term interest rate exposure is appropriately managed. The Group's structural hedge has reduced to £242 billion in 2024 (2023: £247 billion) mainly due to the changing mix of customer deposits.

The Group completed the triennial valuation of its main defined benefit pension schemes as at 31 December 2022. There will be no further deficit contributions for this triennial period (to 31 December 2025). The IAS 19 accounting surplus reduced to £2.9 billion (2023: £3.5 billion).

### Key mitigating actions

- Structural hedge programmes 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

### Risk trends

Stable

### Link to strategy

See **pages 22 to 23** of the annual report and accounts

### Changes since 2023

Unchanged risk

## Model risk

### Risk performance and key developments in 2024

Model risk has been stable in 2024, despite changes to the regulatory environment, such as implementation of the PRA's model risk management principles for banks (SS1/23) and continued regulatory scrutiny of model risk across the industry.

Improvements to the Group's model risk operating framework have been made during 2024, focusing on developing CRD IV models, strengthening capabilities of our people through effective training and resources, and continued proactive regulatory engagement.

The control environment for model risk continues to be enhanced to meet both internal and regulatory requirements, as well as industry-wide challenges. Investment in model risk management remains a priority for the Group to further improve risk management and act as an enabler to drive strategic developments of AI and machine learning in a safe way.

### Key mitigating actions

- Enhancement of the model risk management framework for managing and mitigating model risk within the Group
- Establishment of an AI assurance framework
- Implementation of new model risk management policy and supporting standards to further increase ownership and accountability
- Initiation of model risk training for key stakeholders, including Board and GEC members
- Development of the process for the identification of quantitative methods, including models, and cascade across the Group

### Risk trends

Stable

### Link to strategy

See **pages 22 to 25** of the annual report and accounts

### Changes since 2023

Reclassified risk

## Operational risk

### Risk performance and key developments in 2024

Operational risk has been stable in 2024, with key risks relating to data and privacy, supplier risk, information, cyber and physical security risk. Operational loss event volumes are historically low, with the majority relating to transaction processing, IT systems and change execution.

Whilst there has been continued safe delivery of change, some IT outages in the supply chain have occurred. No material security breaches took place in 2024, though some events at third-party suppliers reinforces the need for vigilance.

Balancing people-related transformation and other strategic initiatives remains key to the success of the Group's transformation activity, with ongoing focus on evolving the operational risk framework and ensuring the appropriate resource and capabilities are in place.

### Key mitigating actions

- Deployment of a range of risk management strategies, such as avoidance, mitigation, transfer (including insurance) and acceptance
- Three-year control enhancement plans reviewed annually by Board Risk Committee to monitor progress against commitments
- The Group continues to invest strategically to mitigate operational risks, strengthen controls and to meet future operational resilience regulatory requirements
- Following IT outages, post-incident reviews undertaken to assess future mitigating actions for the Group and its suppliers
- Enhancement of skills, capabilities and reporting to strengthen supplier management practices

### Risk trends

Stable

### Link to strategy

See **pages 22 to 25** of the annual report and accounts

### Changes since 2023

Reclassified risk

## Emerging and topical risks

During 2024, the Group has continued to evolve and strengthen its methodology to identify, assess and prioritise emerging risks. Horizon scanning remains a key element in understanding and adapting to the changing risk landscape.

In order to better reflect the persistent nature of these risks and recognise the potential for changing impacts on the Group and its customers, the Group has shifted its focus from horizon risks to topical risks.

The Group has also refined its emerging and topical risk themes in 2024, enabling a deeper understanding of the underlying drivers and stronger management focus on the most pertinent emerging risks. An overview of these themes is shown below, with more information on the changes provided on **page 143** of the annual report and accounts.

Emerging and topical risks remain an area of ongoing focus for the Group's Board and senior management. During the year, a series of deep dives on the emerging risk themes reported at year end 2023 have taken place at key executive and board-level committees, including the Board Risk Committee, with actions assigned to monitor more closely their future manifestation, potential business growth and opportunities to reduce risk.

The emerging risk themes were also considered as part of the annual strategic planning cycle. Geopolitical risks, and how these may generate second order impacts for the Group, have been a focus.

Many emerging and topical risk topics are reviewed on a recurring basis, alongside ongoing activity addressing their impacts. However, it is acknowledged that the nature of the emerging risks will evolve and could drive future trends in the long term, which the Group will need to prepare for.

Looking ahead to 2025, the Group will continue to develop its strategy to proactively identify and monitor internal and external trends and consider effective measures to best protect its customers, colleagues and shareholders.

For further details on how the Group is managing, monitoring and mitigating key emerging and topical risks, see **page 143** of the annual report and accounts, with a summary of key matters discussed at Board Risk Committee on **pages 104 to 108** of the annual report and accounts.

### Emerging and topical risk themes


**01**

**Consumer expectations and market dynamics**

Consumer expectations: Customers are increasingly seeking personalised, transparent and digitally enhanced experiences, coupled with reduced loyalty, which elevates the risk of failing to meet expectations and delivering poor outcomes. The role social media is increasingly playing in influencing consumers' finance decisions further increases this. Consideration also needs to be made to a large section of society that are not digitally literate that are potentially being left behind and balancing the cost of enhancing the digital services and supporting customers that wish to be served in a traditional way.

Market dynamics: The rapid proliferation of new, often loss-leading financial products in the market intensifies competition. Consumers may be attracted in the short term. This can create long-term sustainability challenges for providers and increase the risk of mis-selling or unsuitable offerings.

**02**

**Evolution of operating model**

Failure to adequately prepare for disruption of service, third or fourth party supplier failure, technology outages, severe data loss, whilst evolving the structure and skillset of a dynamic workforce in line with the Group's strategy, alongside maintaining pace with the industry and delivering strong customer outcomes.

**03**

**Evolution of technology, AI and cybercrime**

Failure to keep pace with, or choosing not to participate in, technological advancements including AI, migration to cloud platform and blockchain solutions whilst balancing the competing requirements to:

- Maximise customer opportunities through adoption
- Maintain trust and confidence in customer data privacy
- Protect our customers from fraud, cyber and economic crime
- Ensure transparency on data ethics practices
- Adhere to evolving data protection regulations
- Prepare for potential business model disruption caused by adoption of the technology

**04**

**Global economic and geopolitical environment**

Inability to navigate changing international regulations, including sanction and trade compliance, economic fragmentation, deglobalisation, global health shifts and geopolitical events that may impact operations, customers and suppliers.

**05**

**Regulatory agendas and expectations**

The impact of:

- Potential political demands for tighter consumer protections
- Market interventions, leading to sudden regulatory shifts
- Evolving expectations on regulatory bodies and impact on financial services
- New entrants in the market benefitting from regulatory arbitrage
- Environmental, social and governance expectations associated with its operations and investments

**06**

**UK economic and political environment**

Failure to anticipate the longer-term impacts of a weak UK economy, quantitative tightening, change in government and resulting policy, regulatory shifts and the consequences of the UK becoming less attractive to external investors.

# 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 risks and emerging and topical 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 2025 to 2027 inclusive

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 ensure they 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 underlying assumptions in respect of expected market and business changes, emerging 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 function over the alignment of the plan with Group strategy and the Board's risk appetite. This assessment performed by the Risk function 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 consider a range of plausible risks, vulnerabilities and severities, 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 2024, stress tests have considered a range of economic scenarios covering multiple outlooks and economic paths, including differing downward interest rates paths and a range of severity in other key economic factors. 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 137 to 198** of the annual report and accounts, is taken into account. Further information on stress testing and reverse stress testing is provided on **page 142** of the annual report and accounts.

- Stress testing outputs are presented to the Board Risk Committee for review and challenge. All regulatory exercises are approved by the Board
- The final operating plan, Risk function 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. 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 1 to 44** of the annual report and accounts
- Emerging and topical risks are disclosed on **page 143** of the annual report and accounts
- 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 138 to 198** 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 142** 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 2027.

### 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 **pages 183 to 189** of the annual report and accounts and capital position on **pages 144 to 150** 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.

# Effective stakeholder engagement is fundamental to good governance

Stakeholder engagement takes place at all levels within the Group and is an important part of how we are delivering on our purpose of Helping Britain Prosper.

The Board recognises that engaging with its stakeholders is key to achieving the strategy and long-term objectives of Lloyds Banking Group plc (the Company). Managing and understanding their interests forms a key part of the Board's ongoing activities and training and the Board delegates day-to-day engagement with stakeholders to senior management as part of running the business.

The Board considers its stakeholders when making decisions. To gain an understanding of their perspectives, the Board receives feedback from stakeholders through engagement both inside and outside of the board room. Senior management supports Board decision-making by addressing stakeholder implications in proposals submitted to the Board for consideration and routinely provides the Board with details of stakeholder interactions.

## Key Board discussions and decisions Stakeholder and strategy key

**Stakeholders**

- Customers and clients
- Colleagues
- Shareholders
- Communities and environment
- Regulators and government
- Suppliers

**Link to strategy**

- Grow
- Focus
- Change

## Section 172(1) statement

This section (**pages 40 to 41** of the annual report and accounts) is our Section 172(1) statement for the purposes of the Companies Act 2006 (the Act), describing how the directors have had regard to the matters set out in section 172(1) (a) to (f) 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 86 to 87** of the annual report and accounts.

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.

The three key Board decisions outlined in this section (Customer-focused strategy, Consumer Duty and Operational resilience) illustrate how the Board is engaged in key decisions.

**Stakeholder impact**

**Link to strategy**

## Customer-focused strategy

### Board considerations:

The Board has an ongoing commitment to understanding and addressing customer needs which is central to achieving the Group's strategic ambitions.

### Board initiatives:

- In February, the Board approved targets for an enhanced Group Customer Dashboard (GCD) which reflects the Group's strategy, consists of a set of measures to evaluate and monitor customer experience and includes increasing focus on the customer view of the Group, customer experience and customer insights. The Board supported steps taken by the executive to simplify and personalise customer journeys including in relation to its digital transformation and noted enhanced targets for Insurance, Pensions & Investments (IP&I) including a commitment to increase digitisation across customer journeys
- In May, the Board considered the Group's focus to deepen customer relationships both across the Group and within IP&I and the progress made on bancassurance

### Future focus:

The Board will continue to put the customer at the heart of its decision making and remain focused on how the Group can best support its customers and enhance the customer experience.

Stakeholder impact

Link to strategy

# Consumer Duty

## Board considerations:

In 2024 the Board and its Responsible Business Committee considered the Group's progressive approach to implementation of the Financial Conduct Authority's (FCA) Consumer Duty (the Duty) requirements to deliver good outcomes for customers in line with the Group's customer-centric strategy.

## Board initiatives:

- The Board and its Responsible Business Committee received updates during 2024 regarding the Group's approach to the second implementation period regarding closed products and services and on the transition to embedding the Duty further into the Group's culture
- In June, the Board approved an assessment that the Group is delivering good outcomes for its customers consistent with the Duty as well as a tripartite approach to oversight of the Duty as between the Board, its Board Risk Committee and its Responsible Business Committee

## Future focus:

The Board is aware that the Group's approach to Consumer Duty compliance will evolve over time and the Board will continue to be updated on progress in 2025. Regular engagement with customers will continue to be a priority for the Board.

Stakeholder impact

Link to strategy

# Operational resilience

## Board considerations:

The Board considers operational resilience and sound risk management to be fundamental for customers and to the strength of the Group and its long-term success.

## Board initiatives:

- In 2024 the Board approved significant investment in the Group's operational resilience including new investment relating to people, processes, data and technology
- In March, deep dives on operational resilience were undertaken by the IT and Cyber Advisory Forum, the Board Risk Committee and the Board and the Boards of Lloyds Bank plc and Bank of Scotland plc approved the Ring-Fenced Bank Operational Resilience Self-Assessment
- In September, the Board considered a review of the Group's Board Risk Appetite Metrics (BRAMs) relating to operational resilience and approved the inclusion of 10 operational resilience BRAMs in the Q1 2025 BRAMs refresh

## Future focus:

The Board will continue to monitor operational resilience capabilities in 2025 and will maintain focus on response, recovery and remediation plans until 2027.

# Task Force on Climate-related Financial Disclosures (TCFD)

Creating a sustainable and inclusive future is core to our purpose of Helping Britain Prosper. We report on sustainability matters throughout the annual report and accounts (ARA), in particular in the following sections: (i) Strategic report, **pages 30 to 32** and **42 to 44**; (ii) Sustainability review on **pages 45 to 60**; (iii) Risk management on **pages 150 to 153**; (iv) Governance **pages 88 to 89**; and (v) in the supplementary sustainability report.

We comply with the UKLR 6.6.6R(8) and Sections 414CA and 414CB of the UK Companies Act 2006. Set out in the following table are our disclosures which are presented consistent with the 2021 TCFD recommendations and recommended disclosures across all four of the TCFD pillars: strategy; governance; risk management; and metrics and targets, requirements under Sections 414CA and 414CB have been considered by cross-reference.

Additional detail on our progress against our metrics and targets can be found in our sustainability report 2024 →. Our separate supplement ensures we can provide a comprehensive response, that is presented in a decision-useful manner for users of the reports.

We have referenced specific pages where additional detail and technical content relevant to our TCFD disclosures can be found in the table below.

In addition to the compliance below, in-scope entities within our Insurance, Pensions and Investments business, which are incorporated as part of Scottish Widows Group, are required to report in compliance with FCA ESG Sourcebook (set out via FCA PS21/24) reporting requirements for the period ending 31 December 2024. This additional compliance will be met through Entity and Product level reporting to be published on the Scottish Widows website in June 2025.

We will continue to assess and develop our disclosures against the TCFD recommendations and recommended disclosures, considering relevant TCFD guidance and materials along with new disclosure requirements such as International Sustainability Standards Board: IFRS S1 'General requirements' IFRS S2 'Climate-related disclosures'.

## TCFD and CFD cross-reference table

| Recommendation | Summary of progress | Reference (ARA unless specified otherwise) |
|---|---|---|
| **Strategy** | | |
| A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. (Companies Act 2006 – Sections 414CA and 414CB 2A (b) and (d)) | • Defined the key climate-related risks and opportunities across the Group and identified the potential time horizons (aligned with Group financial planning) over which they may arise | Pages 50 to 52 |
| | • Identifying and assessing our principal risks allows us to understand where we have the opportunities to deliver impact. With opportunities identified, assessed and managed by functional-level and divisional teams | Pages 50 to 52 |
| | • Disclosures made on the cross-cutting nature of climate risks and how this can impact a broad range of principal risks | Pages 50 to 51<br>Pages 150 to 153 |
| B. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning. (Companies Act 2006 – Sections 414CA and 414CB 2A (e)) | • The Group's financial statements consider the impact of climate-related risks on our financial position and performance, including consideration of the impact on expected credit losses in 2024 | Page 150 to 151<br>Notes to financial statements<br>Page 229 and 283 |
| | • Continued to embed climate risk into our financial planning process with financed emissions ambitions considered as part of the forecasting process | Page 60 |
| | • Embedded monitoring of sector targets, as reported in our Group climate transition plan, into the internal reporting process with the aim to support climate considerations forming part of the Group's regular decision making | Page 60 |
| C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. (Companies Act 2006 – Sections 414CA and 414CB 2A (f)) | • We have assessed the resilience of our lending and investment portfolio to climate risk based on sector exposure | Page 53 |
| | • We have used climate scenario analysis to assess the impact on expected credit loss for climate-related physical and transition risk on our Retail and Commercial Banking lending portfolio | Page 229 |
| | • We have noted that our Commercial Banking lending exposure to sectors with increased impacts from climate risk is relatively low | Page 53 and 150 to 151 |
| **Governance** | | |
| A. Describe the Board's oversight of climate-related risks and opportunities. (Companies Act 2006 – Sections 414CA and 414CB 2A (a)) | • Our governance structure provides clear oversight and ownership of the Group's environmental sustainability strategy and management of risks and opportunities at the Board and executive levels | Pages 88 to 89 |
| | • The Board received nine specific updates on climate-related matters in 2024, including updates on our strategy, progress against targets and ambitions and climate-related impacts on the four-year forecast | Page 88 to 89 |
| B. Describe management's role in assessing and managing climate-related risks and opportunities. (Companies Act 2006 – Sections 414CA and 414CB 2A (a)) | • The Group Net Zero Committee provides direction and oversight of the Group's environmental sustainability strategy including opportunities, supported by divisional governance | Pages 88 |
| | • The Group Risk Committee provides oversight of climate risk | Page 88 |
| | • Key committee oversight in 2024 included external sector updates, evolving regulatory environment and Group-wide framework to mitigate greenwashing risks | Page 89 |

## TCFD and CFD cross-reference table continued

| Recommendation | Summary of progress | Reference (ARA unless specified otherwise) |
|---|---|---|
| **Risk management** | | |
| A. Describe the organisation's processes for identifying and assessing climate-related risks. (Companies Act 2006 – Sections 414CA and 414CB 2A (b) | • The enterprise risk management framework supports the identification and assessment of the Group's material risks (including climate which has been identified as a principal risk). Key climate-related risks have been identified at Group level across four themes: net zero; greenwashing; disclosures; inbound physical and transition risks | Page 34<br>Pages 150 to 153 |
| | • The materiality of these risks has been assessed based on their potential impact on the Group, with scenario analysis outputs used to inform this in key areas | |
| B. Describe the organisation's processes for managing climate related risks. (Companies Act 2006 – Sections 414CA and 414CB 2A (b)) | • We have identified four key areas of climate risk: net zero, disclosures, greenwashing and physical and transition risks; with management processes differing across the risk types<br>• We are continuing to embed consideration of climate risk within our existing risk management processes to mitigate the cross-cutting impacts of climate risk | Pages 150 to 153 |
| | • We have developed some initial controls for managing these risks, although we expect to continue to enhance these as our understanding evolves | |
| C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. (Companies Act 2006 – Sections 414CA and 414CB 2A (c)) | • 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 | Pages 150 to 153 |
| | • The Group climate risk policy provides an overarching framework for the management of climate risks across the Group | |
| **Metrics and targets** | | |
| A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process (Companies Act 2006 – Sections 414CA and 414CB 2A (h)) | • We monitor progress against our net zero ambitions and targets, including measures related to our financed emissions, own operations emissions, supply chain emissions and sustainable finance and investment. We also monitor our progress in relation to our 10 NZBA sector targets | Pages 54 to 60 |
| | • To support us to achieve our ambitions and targets sustainability measures form part of the Group balanced scorecard and Long-Term Incentive Plan | Pages 121 and 131<br>Sustainability report 2024 page 140 |
| TCFD supplemental guidance | • Our exposure to sectors with increased climate risk has been analysed, and used to set our bank emission ambition and Net Zero Banking Alliance (NZBA) sector targets | Sustainability report 2024 pages 80 to 81 |
| B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. (Companies Act 2006 – Sections 414CA and 414CB 2A (h)) | • We have disclosed our Scope 3 emissions for our supply chain and financed emissions. We continue to develop our approach to calculating our Scope 3 emissions; in 2024 we have extended the scope of our disclosure to include sovereign debt and facilitated emissions | Pages 54 to 59<br>Sustainability report 2024 pages 83 to 84 and 122 |
| | • Our Scope 1 and 2 emissions for own operations have been reported in line with Streamlined Energy Carbon Reporting requirements | Pages 59 to 60 |
| TCFD supplemental guidance | • We calculate our emissions in line with GHG Protocol as outlined within our basis of reporting, which includes details on our approach to all 15 categories of Scope 3 GHG reporting | Sustainability metrics basis of reporting 2024 pages 4 to 40 |
| TCFD supplemental guidance | • In June 2024 Scottish Widows published entity and product level TCFD reporting in compliance with the FCA ESG Sourcebook (set out via FCA PS21/24). The next annual reports will be published by June 2025 | Scottish Widows fund climate related disclosure reports → |
| C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. (Companies Act 2006 – Sections 414CA and 414CB 2A (g)) | • We have defined sustainable financing and investment targets for our core business areas | Pages 56 to 57 |
| | • We have set emissions ambitions across Own Operations, Supply Chain, Bank Financed Emissions and Scottish Widows financed emissions. With most of the ambitions supported by more detailed targets and pledges | Pages 54 to 60 |
| | • Further details on additional metrics used for monitoring purposes can be found in our risks and opportunities table | Pages 51 to 52 |

# Non-financial and sustainability information statement

The Non-Financial Reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006 are addressed within this section. The table below provides the information necessary to understand our Group's development, performance and position and the impact of our activity relating to environmental matters, our employees, social matters, our respect for human rights, and anti-corruption and anti-bribery matters. We provide cross references to indicate in which part of the Group's reporting the respective requirements are embedded.

## Non-financial and sustainability information reference table

| Statement | Information necessary to understand our Group and its impact, policies, due diligence and outcomes | Reference to the annual report and accounts |
|---|---|---|
| **Business model** | Our business model | Pages 8 to 11 |
| | Our approach to sustainability materiality and value chain | Pages 48 to 49 |
| | Our Sustainability Strategy | Pages 48 |
| | Progress and performance based on key non-financial metrics | Pages 28 to 29 and 51 to 60 |
| **Principal risks** | Risk overview including enterprise risk management framework | Pages 33 to 38 |
| | Climate risk | Pages 34 and 150 to 153 |
| | Economic crime risk | Pages 36 and 181 |
| | Operational risk | Pages 37 and 196 to 198 |
| | Conduct risk | Pages 35 and 154 to 155 |
| **Stakeholders** | Stakeholder engagement | Pages 40 to 41 and 84 to 87 |
| | Further information on how we support our stakeholders is included within the Code of ethics and responsibility → and internal colleague policies including Colleague policy[1], Health and Safety policy[1] and Speak up policy[1] which are summarised in our sustainability report 2024 → | |
| **Environmental sustainability** | Transition to net zero and our progress on ambitions and targets | Pages 54 to 60 |
| | Identification, assessment and management of climate risk | Pages 150 to 153 |
| | Task Force on Climate-related Financial Disclosures (TCFD) | Pages 42 to 43 |
| | Climate-related financial disclosures (CFD) | Pages 42 to 43 |
| | Policies which support our approach to environmental sustainability include our sector statements → | |
| **Social sustainability** | Social sustainability risk arises through operational, conduct and credit risk with identified risks and opportunities disclosed along with associated metrics | Pages 50 to 52 |
| | Core to our purpose, our sustainability strategy identified four social sustainability focus areas, where we can make the biggest difference, while creating opportunities for our future growth. Further detail is included in the sustainability report 2024 → | Page 10, 30 to 31 and 46 to 49 |
| **Anti-corruption and bribery** | The Group has a dedicated Economic Crime Prevention (ECP) function. The ECP policy sets out the minimum requirements to which all Group businesses must comply across anti-bribery and corruption (ABC); anti-money laundering and counterterrorist financing (AML); fraud; sanctions; and tax evasion. Economic crime is treated as a principal risk | Page 36, 140 and 181 |
| | Further policies which support our approach include: Anti-bribery policy statement → and Code of ethics and responsibility → | |
| **Human rights and modern slavery** | The Group is committed to operating in accordance with internationally accepted human rights standards and with all relevant legislation including the UK Modern Slavery Act 2015. The Group's approach to human rights is supported by several Group policies and programmes including: Our Code of Supplier Responsibilities → which sets out the key social, ethical and environmental values and behaviours that we want our suppliers to abide by. Human rights policy statement →, Modern slavery and human trafficking statement → and our colleague policy[1], data privacy policy[1], data ethics policy[1] and cyber security policy[1] which has been summarised within the sustainability report 2024 → | |
| | Topic is considered as part of conduct, economic crime and operational risk | Pages 35 to 37 |
| | Activities to support our colleagues and promote Diversity, Equity and Inclusion | Pages 30 to 32 |
| **Governance** | Key board discussions and decisions | Pages 40 to 41 |
| | Sustainability governance | Pages 88 to 89 |

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

# 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 Edinburgh International Conference Centre, The Exchange, Edinburgh EH3 8EE on Thursday 15 May 2025 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 →.

## Share dealing facilities
We offer a choice of four share dealing services for our UK shareholders and customers. Please search for 'share dealing' within the website links provided below, where you can also view the full range of services available. Alternatively, please use the additional contact details below.

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

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 → or by contacting Equiniti using the contact details provided on the next page.

## 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 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.adrbny.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
+44 (0) 371 384 2990* (please use the country code when contacting Equiniti Limited from outside the UK)

* Lines are open 8:30am to 5:30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

For deaf and speech impaired customers, we welcome calls via Relay UK. See www.relayuk.bt.com → for more information.

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

### Your communications, your choice – go digital!
- Receive company communications like this by email
- Buy and sell shares
- Manage your shareholding online

**01** Step 1
Register at
www.shareview.co.uk/info/register →
or by scanning the QR code

Scan here to register

**02** Step 2
Follow the on-screen instructions to complete your registration

**03** Step 3
Log on and update your communications choice

# Our Board

**Sir Robin Budenberg CBE**
Chair

NG
Re
RB

**Appointed:** October 2020 (Board), January 2021 (Chair)
**Skills, experience and contribution:**
- Extensive financial services and investment banking experience
- Strong governance and strategic advisory skills in relation 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 is qualified as a Chartered Accountant.
**Key external appointments:**
Chair of The Crown Estate.

**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.
**Key external appointments:**
None

**William Chalmers**
Executive director and Chief Financial Officer

**Appointed:** August 2019
**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 J. P. Morgan, again in the Financial Institutions Group.
**Key external appointments:**
None

**Cathy Turner**
Senior Independent Director

BR
NG
Re

**Appointed:** November 2022 (Board), September 2023 (Senior Independent Director)
**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 and at the Group. Cathy has previously been a Non-Executive Director and Chair of the Remuneration Committee of Aldermore Group plc, Quilter plc and Countrywide plc.
**Key external appointments:**
Non-Executive Director of Rentokil Initial plc and Senior Independent Director of Spectris plc. Partner on a part-time basis at Manchester Square Partners LLP.

**Nathan Bostock**
Independent non-executive director and Chair of Lloyds Bank Corporate Markets plc

A
BR

**Appointed:** August 2024
**Skills, experience and contribution:**
- A wealth of financial, risk and regulatory expertise
- Extensive experience in large-scale customer and corporate facing businesses
- Significant executive experience in the financial services industry

Nathan was Chief Executive Officer of Santander UK plc from 2014 until 2022 and then Head of Investment Platforms at Banco Santander S.A. until his retirement from Santander in 2023. Prior to joining Santander in 2014, Nathan was an executive director and Group Chief Financial Officer of RBS and previously held the post of Chief Risk Officer at RBS. Before joining RBS, Nathan held various senior positions at Santander UK plc between 2004 and 2009, including Executive Director, Finance Director and commercial Chief Executive Officer roles in Financial Markets and Corporate Banking and in Cards and Insurance. He is qualified as a Chartered Accountant.
**Key external appointments:**
Non-Executive Director of Centrica plc.

**Sarah Legg**
Independent non-executive director

A
BR
RB

**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. She was the Group Financial Controller, a Group General Manager and CFO for HSBC's Asia Pacific region. She also spent eight years as a Non-Executive Director of Hang Seng Bank Limited.
**Key external appointments:**
Non-Executive Director of Severn Trent plc, Non-Executive Director of Man Group plc and a Trustee of the Lloyds Bank Foundation for England and Wales.

**Amanda Mackenzie LVO OBE**
Independent non-executive director

A
NG
Re
RB

**Appointed:** October 2018
**Skills, experience and contribution:**
- Extensive experience in ESG matters including responsible business and sustainability
- Strong customer engagement and 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 Nations Sustainable Development Goals. She is also a former Director of British Airways AirMiles, BT, Hewlett Packard Inc and British Gas.
**Key external appointments:**
Non-Executive Director of The British Land Company plc, Chair of The Queen's Reading Room and Chair and partner of Otherwise Partners LLP.

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**Harmeen Mehta**
Independent non-executive director

**Appointed:** November 2021
**Skills, experience and contribution:**
- Over 25 years' experience leading digital 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 on 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.
**Key external appointments:**
Chief Digital and Innovation Officer at BT.

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

BR
NG

**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 a Non-Executive Director of Centrica plc between 2016 and 2020 and served as Chair of Centrica plc between 2020 and 2024. He 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.
**Key external appointments:**
None.

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**Catherine Woods**
Independent non-executive director

A
BR
Re

**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.
**Key external appointments:**
Deputy Chair of BlackRock Asset Management Ireland Limited.

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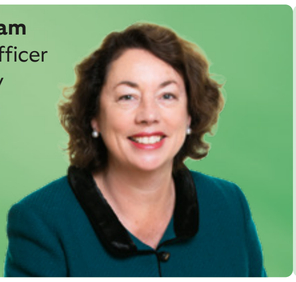
**Kate Cheetham**
Chief Legal Officer and Company Secretary



**Appointed:** July 2019 (Company Secretary)
**Skills, experience and contribution:**
- Significant legal and governance leadership experience within financial services
- Strategic functional planning and development, corporate, mergers and acquisitions, regulation and risk management

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.

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## Key

A Audit Committee member
NG Nomination and Governance Committee member
RB Responsible Business Committee member
BR Board Risk Committee member
Re Remuneration Committee member
● Committee Chair

**Cathy Turner**
Chair,
Remuneration
Committee

Read full biography →

## Remuneration Committee Chair's statement

Our two-year pay deal for 2024 and 2025 remains industry leading; between April 2024 and April 2025, we will have provided a minimum £3,000[1] pay award, worth a total of between 8.2 to 13.6 per cent of salary, for our colleagues at lower grades.

### Dear shareholder

On behalf of the Board, I am pleased to present the directors' remuneration report for the year ended 31 December 2024. We are grateful for the strong support received at the 2024 annual general meeting (AGM), with 96.4 per cent approval of our 2023 report.

### Supporting our customers, colleagues and communities in 2024

We are proud of how we have continued to deliver on our purpose of Helping Britain Prosper by supporting our customers, colleagues and our communities throughout 2024.

In 2023 we announced our two-year pay deal for 2024 and 2025 which remains industry leading. In the context of improving economic conditions and an easing of price increases, we will have provided a real-term pay increase for almost 55,000 colleagues at grades A to E in 2025. Our minimum award of £1,500[1], means our colleagues at lower grades received an average increase of between 4.4 and 6.3 per cent.

That means that between April 2024 and April 2025, we will have provided a minimum £3,000[1] pay award, worth a total of between 8.2 to 13.6 per cent of salary, for our colleagues at lower grades.

From 1 April 2025 we will also be increasing our minimum salary from £23,500[1] to £25,000[1] which will be 9 per cent above the national Real Living Wage; our London rates will be 13.9 per cent above the London Real Living Wage.

For 2024, we extended eligibility for significantly increased Group Performance Share (GPS) annual bonus plan awards to those of our more junior colleagues who have made an exceptional contribution to our purpose of Helping Britain Prosper.

In addition to our core reward offering, we also have a range of flexible options to provide colleagues with additional choice and to allow them to tailor their reward package to their own or their family's individual circumstances. Colleagues can also access a range of financial products at discounted rates from the Group portfolio; these include current accounts, mortgages and rental deposit or season ticket loans. For more information see **page 117** of the annual report and accounts.

Incentivising our colleagues helps us to deliver on our strategy and deliver for our customers by, for example, providing a range of housing options for our communities; amongst a range of actions, we have increased the number of people on the housing ladder by lending more than £15 billion in 2024 to first time buyers and expanding the availability of affordable homes by supporting over £2 billion of new funding to the social housing sector in 2024.

We also aim to bring more of our products and services to existing customers and broaden our product offerings. Our digitally active users grew to 22.7 million in 2024, retaining our position as the UK's largest digital bank and we launched new interactive tools such as Benefit Calculator, which empowers customers to identify support they might be eligible for.

### Group balanced scorecard

The Group balanced scorecard (BSC) is intended to provide insight into performance for the full range of our stakeholders and informs a range of key reward decisions, including for our executive directors. 60 per cent of the scorecard is linked to financial metrics, aligned to the interests of our shareholders, 20 per cent of the scorecard assesses how effectively we are serving customers across all our brands, products and services, 7.5 per cent relates to our culture and colleague engagement and 12.5 per cent is weighted to carbon reduction and inclusivity.

As discussed in more detail on **page 5** of the annual report and accounts, our financial results for 2024 include an additional provision for the potential remediation costs relating to motor finance commission arrangements; this has negatively impacted the profit after tax and return on tangible equity (RoTE) measures in the BSC resulting in a reduced outturn of 68.1[2] per cent of maximum, fully inclusive of the impact of the provision. More information on our Group BSC outcome can be found on **page 119** of the annual report and accounts.

As a consequence of including the outcome above, the Committee does not consider that the BSC outcome properly reflects the strength of the underlying Group performance or the performance of the executive directors whose variable reward is directly linked to it.

After careful consideration of the importance of transparency and to demonstrate the Group's commitment to respecting the targets it sets for itself, the Committee has decided not to exercise its discretion this year to adjust the BSC outcome to a higher level which it considers would better reflect the underlying performance.

The Committee considers it critical that it can set robust financial targets which provide clear line of sight to delivery against its ambitious strategy and align with the financial planning and budgeting process. As such, for the financial measures within our 2025 BSC (and beyond if required) we will exclude the impact of provisions related to the motor finance matter (as it is not a budgeted item) and the Committee will instead consider any impact on a discretionary case-by-case basis taking account of the impact on the full range of the Group's stakeholders including its customers, colleagues, shareholders and communities. With the exception of relative Total Shareholder Return (rTSR), the financial measures used to determine the future vesting of our Long Term Incentive Plan (LTIP) awards, including the remaining two years of our 2024 award, will be treated in the same way.

1 Pro-rated for reduced hours.
2 In line with our cost guidance, the BSC outcome includes a £0.1 billion adjustment to the Operating Cost measure target relating to the sector-wide change in the charging approach for the Bank of England Levy which was not included in the financial objective this measure was set against.

## 2024 variable reward outcomes

The Group delivered robust financial results in 2024 and successfully completed the first phase of our five-year purpose-driven strategy. With that in mind, one of the key principles for the Committee this year has been the need to ensure colleague engagement and reward colleagues fairly for their contribution; this is reflected in the Committee's decision making and the pay and variable reward outcomes discussed below.

The Committee has considered a range of factors to determine the 2024 Group Performance Share (GPS) annual bonus pool outcome; these include the Group's underlying financial performance, its performance for our customers and communities and its reward market positioning.

The Committee has approved a 2024 GPS pool of £368 million, representing a year on year reduction of 4 per cent when compared to 2023. This acknowledges that, whilst our underlying results are robust and in line with our published guidance, underlying profit is down year on year, which the Committee considered is important to recognise in its GPS decision.

In 2022, Long Term Share Plan (LTSP) awards were granted to approximately 750 colleagues including our executive directors. To ensure that subsequent performance has been sustained a 'pre-vest test' consisting of three financial underpins and four key questions has been considered by the Committee. Based on the outcome of that test the Committee has determined that the awards should fully vest. More detail is provided on **page 121** of the annual report and accounts. The Committee also considered whether there was a requirement to adjust for windfall gains in respect of this award and determined that no adjustment is necessary.

## Executive director remuneration outcomes

Charlie Nunn, our Group Chief Executive (GCE), has overseen the successful completion of the first phase of our strategy and delivered robust financial results in 2024. The GCE has embodied the Group's values and has led through a year of substantial transformation and external uncertainties whilst maintaining a strong regulatory and risk environment.

Our Chief Financial Officer (CFO) has had a critical role in strategy development, communication and execution. He has embedded strong commercial and investment discipline across the Group.

The Committee determined that the GPS awards for the GCE and CFO should be in line with the Group's performance as assessed by the Group BSC of 68.1 per cent of maximum, with resultant awards of £1,126,633 and £812,014 respectively.

The 2024 Group BSC outcome also acts as part of a 'pre-grant test' for the 2025 LTIP awards. Given our robust 2024 performance, the Committee has determined to grant LTIP awards to the GCE and the CFO of 300 per cent of salary in line with the current Directors' Remuneration Policy (the Policy). The vesting outcome of the LTIP award will be subject to the achievement of stretching performance targets measured over the period 2025 to 2027.

The Committee assessed the performance measures and weightings used in the 2024 grant and concluded they remain strongly aligned to the Group's strategic transformation and public financial and environmental commitments. Therefore, they remain appropriate for the 2025 grant. For more details see **page 132** of the annual report and accounts.

As set out on **page 86** of the annual report and accounts, in continuing to consider its arrangements for engaging with the Group's workforce, the Board approved in 2024 an evolved approach to colleague engagement, to be implemented during 2025. This new approach builds on existing colleague listening activity and will introduce three forums to better represent colleagues particularly at grades where trade union membership is low. The forums will include the People Forum, the People Consultation Forum, and the Management Advisory Forum. Where appropriate, these forums will be engaged on matters of remuneration, including executive remuneration.

## Executive directors' 2025 pay

Aligned with its principle of ensuring all colleagues are rewarded fairly, an important area of focus for the Committee this year has been reviewing the appropriateness of executive directors' pay.

On appointment, the Committee set the base salary of the GCE lower than his predecessor, by 13 per cent, to recognise that this was his first lead executive role in a listed environment. This is in line with good practice and investor preferences.

The GCE made an immediate impact and, over the last three and a half years, has provided strong leadership of the Group, delivering progress against our ambitious strategic objectives and a series of robust financial results in a challenging and uncertain economic climate. Externally, he has raised the profile of the Group, to aid us in the delivery of our purpose of Helping Britain Prosper particularly in respect of the UK's housing crisis. Since 2018 we have supported around £20 billion of funding to the social housing sector.

Given the GCE's increased experience and strong track-record of delivery, the Committee has determined that it is an appropriate time to review his package. The most obvious inconsistency was his fixed pay recognising that it has only increased modestly since he was appointed – his fixed pay has risen by just 5 per cent over three and a half years.

The Committee also reviewed the fixed pay of the CFO. The Committee recognised the strong financial leadership throughout our transformation and the breadth of the role which includes responsibility for Lloyds Development Capital, Lloyds Living and Housing Growth Partnership, all key enablers of our purpose of Helping Britain Prosper.

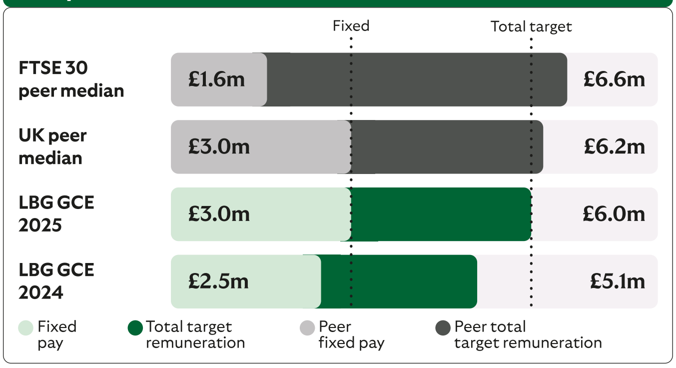
After careful consideration, including consultation with shareholders (see next section), the Committee decided, effective 1 January 2025, to reverse the impact of the discount applied to the GCE's salary on appointment (13 per cent) and apply a 3 per cent annual increase effective 1 April 2025 to the salary of both executive directors; the latter is less than the 4.1 per cent pay budget which colleagues will benefit from under our two-year pay deal. In line with our current Policy, the Fixed Share Award (FSA) of the GCE and CFO will be increased by £283,381 and £353,094 respectively to align with their salaries.

As part of its decision, the Committee considered that, excluding the exceptional salary increase in January 2025, the GCE's salary will have increased by 8 per cent between his date of appointment and April 2025; over the equivalent period, colleagues will have benefitted from a total pay budget of 18.2 per cent.

In determining these changes, the Committee reviewed the relevant benchmarking data. This included comparing the on-target total reward opportunity of the Group's executive directors with peers, including the FTSE 30 and our main UK banking peers. Due to significant pay practice differences compared to the UK, US and European firms were not included in the analysis.

Changes in respect of the GCE improve the competitiveness of his total reward opportunity, but the package remains below the median of both our UK banking peer group and the FTSE 30.

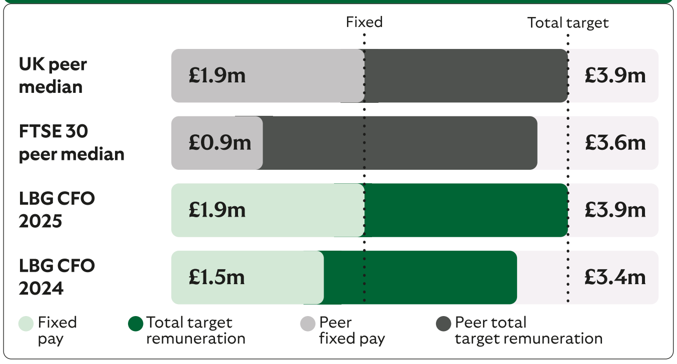
**Group Chief Executive** Charlie Nunn




UK peers: Barclays, HSBC, NatWest and Standard Chartered. Peer 2024 data aged 3 per cent.

The changes for our CFO will align his fixed pay and on-target opportunity with the market.

**Chief Financial Officer** William Chalmers




UK peers: Barclays, HSBC, NatWest and Standard Chartered. Peer 2024 data aged 3 per cent.

## Shareholder consultation

In 2024, I consulted with a range of shareholders and proxy rating agencies to discuss their views on executive pay and our thoughts on Policy implementation for 2025 and beyond. During this process I spoke with our largest shareholders, representing around 25 per cent of the Group's issued share capital, as well as representative bodies whose members make up a significant portion of our register.

The feedback received was valuable and indicated broad understanding amongst investors for both the 2025 modifications and the longer-term trajectory for executive pay at the Group which is considered to be managed responsibly. Our shareholders clearly understood our rationale and need to pay the executive directors, who are well respected amongst our investors, fairly for their roles in the short term as well as over the long term.

One area of particular discussion was the timing of fixed pay increases given the opportunity the Group now has to set its own variable to fixed pay ratio.

The Committee considered the variable to fixed pay ratio feedback carefully and determined to take a two-step approach. To ensure the executive directors are paid fairly ahead of the 2026 Policy review, the fixed pay changes set out above would be implemented. Fixed pay will be reconsidered as part of the 2026 Policy review where it is anticipated that, consistent with anticipated market movements, the FSA element will be significantly reduced and a higher, performance-related, variable reward opportunity will be recommended to shareholders as part of the new Policy presented to the 2026 AGM.

I would like to thank our shareholders and advisory bodies for their engagement and the feedback received as part of our consultation; your support is important and I look forward to engaging with shareholders again as we develop our 2026 Policy over the coming year.

## Board Chair fee

The Committee has also considered how the fee paid to the Board Chair compares with the market. This was reduced, at his request, on appointment by 20 per cent versus his predecessor.

Recognising investor expectations that non-executive director fees properly recognise the time commitment, skills and experience necessary to perform the role, the Committee decided, in line with the Policy and with Sir Robin Budenberg not participating in the discussion, to increase the Chair fee to a more market comparable level of £850,000 in two steps over 2025 and 2026. In January 2025, the Chair fee increased from £654,500 to £750,000.

## Variable to fixed pay ratio for material risk takers (MRTs)

Following the approval by the Group's shareholders of a resolution to allow the Committee to set an appropriate variable to fixed pay ratio for its MRTs, it has approved a maximum ratio of 8:1 for 2024 and later years. The Committee considers that this will provide it with sufficient flexibility in terms of variable reward design without creating an incentive for excessive risk taking.

The variable opportunity for the executive directors will remain subject to the limits set out in the 2023 Policy and cannot be increased as a consequence of the increase in the ratio.

## Dilution limits

As our GPS, somewhat unusually, operates across such a broad base of colleagues, (approximately 30,000 received shares in respect of awards over £2,000 in 2024) it is more consistent with an all employee, rather than an executive, share plan. Therefore the 'inner' dilution limit is a particular challenge for the Group. To aid the operation of our share plans, we will be recommending a resolution at the upcoming AGM to remove the 5 per cent 'inner' dilution limit for our discretionary share schemes. We will maintain the 'outer' dilution limit of 10 per cent for all our share plans.

This change aligns with the recent updates to the Investment Associations Principles of Remuneration and certain proxy rating agencies guidance and will provide the Group with more flexibility in terms of how it administers colleague share awards in its overall capital management.

Together with my Committee members, I would like to thank our shareholders for their ongoing support and our colleagues for their continued commitment to our customers and our communities.

On behalf of the Board

Cathy Turner

**Cathy Turner**
Chair, Remuneration Committee

## Executive director single total figure of remuneration (audited)

| £000 | Charlie Nunn 2024 | Charlie Nunn 2023 | William Chalmers 2024 | William Chalmers 2023 | Totals 2024 | Totals 2023 |
|---|---|---|---|---|---|---|
| Base salary | **1,170** | 1,136 | **844** | 819 | **2,014** | 1,955 |
| Fixed Share Award[1] | **1,082** | 1,050 | **519** | 504 | **1,601** | 1,554 |
| Benefits | **52** | 48 | **63** | 62 | **115** | 110 |
| Pension | **176** | 170 | **127** | 123 | **303** | 293 |
| **Total fixed pay** | **2,480** | 2,404 | **1,553** | 1,508 | **4,033** | 3,912 |
| Group Performance Share[2] | **1,127** | 1,277 | **812** | 921 | **1,939** | 2,198 |
| Long-term Incentive[3,4,5] | **2,008** | – | **1,448** | 749 | **3,456** | 749 |
| **Total variable pay** | **3,135** | 1,277 | **2,260** | 1,670 | **5,395** | 2,947 |
| Other remuneration[6] | – | – | – | 1 | – | 1 |
| **Total remuneration** | **5,615** | 3,681 | **3,813** | 3,179 | **9,428** | 6,860 |
| Less: Performance adjustment | – | – | – | – | – | – |
| **Total remuneration less performance adjustment** | **5,615** | 3,681 | **3,813** | 3,179 | **9,428** | 6,860 |

1 The Fixed Share Award is part of fixed remuneration and is not subject to any performance conditions (see **page 115** of the annual report and accounts).
2 Awards for Charlie Nunn and William Chalmers will be made in March 2025 in a combination of cash and shares.
3 The 2022 Long Term Share Plan (LTSP) vesting (see **page 121** of the annual report and accounts) at 100 per cent was confirmed by the Remuneration Committee at its meeting on 13 February 2025. The total number of shares vesting will be 3,588,364 for Charlie Nunn and 2,586,292 for William Chalmers. The average share price between 1 October 2024 and 31 December 2024 of 55.969 pence has been used to indicate the value. The shares were awarded in 2022 based on a share price of 47.027 pence and as such 19 per cent of the reported value is attributable to share price appreciation.
4 The long-term incentive figures for 2023 have been adjusted to reflect the share price on the date of vesting (6 March 2024) of 48.4 pence instead of the average price of 43.564 pence reported in the 2023 report.
5 The 2021 LTSP awards were granted prior to Charlie Nunn joining as Group Chief Executive from 16 August 2021.
6 Other remuneration payments comprise income from all employee share plans, which arises through employer matching or discounting of employee purchases.

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

| | Fees (£000) 2024 | Fees (£000) 2023 | Benefits (£000)[4] 2024 | Benefits (£000)[4] 2023 | Total (£000) 2024 | Total (£000) 2023 |
|---|---|---|---|---|---|---|
| **Chair and non–executive directors** | | | | | | |
| Sir Robin Budenberg | **655** | 629 | **1** | 2 | **656** | 631 |
| Nathan Bostock[1] | **140** | – | – | – | **140** | – |
| Alan Dickinson[2] | **112** | 402 | **4** | 3 | **116** | 405 |
| Sarah Legg | **232** | 228 | **13** | 5 | **245** | 233 |
| Lord Lupton[3] | **112** | 286 | **2** | 6 | **114** | 292 |
| Amanda Mackenzie | **219** | 179 | **3** | 1 | **222** | 180 |
| Harmeen Mehta | **106** | 102 | **5** | 1 | **111** | 103 |
| Cathy Turner | **277** | 157 | **2** | – | **279** | 157 |
| Scott Wheway | **475** | 458 | **17** | 25 | **492** | 483 |
| Catherine Woods[5] | **250** | 246 | **(9)** | 23 | **241** | 269 |

1 Nathan Bostock was appointed on 1 August 2024.
2 Alan Dickinson retired on 16 May 2024.
3 Lord Lupton retired on 16 May 2024.
4 Benefits for the non-executive directors relates to reimbursement for expenses incurred in the course of duties. The Chair's benefits also include private medical insurance, including a one-off settlement of tax in 2023 relating to the restatement in the 2022 annual report. Non-executive directors do not receive variable pay.
5 The value of benefits in respect of 2024 includes the correction of previous tax treatment from 2023. Excluding the correction, the benefits figure for 2024 is £7,047. The figure on a revised basis for 2023 is £6,548.

# Income statement – underlying basis[A]

| | 2024 £m | 2023 £m | Change % |
|---|---|---|---|
| Underlying net interest income | **12,845** | 13,765 | (7) |
| Underlying other income | **5,597** | 5,123 | 9 |
| Operating lease depreciation | **(1,325)** | (956) | (39) |
| **Net income** | **17,117** | 17,932 | (5) |
| Operating costs | **(9,442)** | (9,140) | (3) |
| Remediation | **(899)** | (675) | (33) |
| **Total costs** | **(10,341)** | (9,815) | (5) |
| **Underlying profit before impairment** | **6,776** | 8,117 | (17) |
| Underlying impairment charge | **(433)** | (308) | (41) |
| **Underlying profit** | **6,343** | 7,809 | (19) |
| Restructuring | **(40)** | (154) | 74 |
| Market volatility and asset sales | **(144)** | 35 | |
| Amortisation of purchased intangibles | **(81)** | (80) | (1) |
| Fair value unwind | **(107)** | (107) | |
| Volatility and other items | **(332)** | (152) | |
| **Statutory profit before tax** | **5,971** | 7,503 | (20) |
| Tax expense | **(1,494)** | (1,985) | 25 |
| **Statutory profit after tax** | **4,477** | 5,518 | (19) |

| | | | |
|---|---|---|---|
| Earnings per share | **6.3p** | 7.6p | (1.3)p |
| Dividends per share – ordinary | **3.17p** | 2.76p | 15 |
| Share buyback value | **£1.7bn** | £2.0bn | (15) |

| | | | |
|---|---|---|---|
| Banking net interest margin[A] | **2.95%** | 3.11% | (16)bp |
| Average interest-earning banking assets[A] | **£451.2bn** | £453.3bn | |
| Cost:income ratio[A] | **60.4%** | 54.7% | 5.7pp |
| Asset quality ratio[A] | **0.10%** | 0.07% | 3bp |
| Return on tangible equity[A] | **12.3%** | 15.8% | (3.5)pp |

A See **page 314** of the annual report and accounts.

# Key balance sheet metrics

| | At 31 Dec 2024 | At 31 Dec 2023 | Change % |
|---|---|---|---|
| Underlying loans and advances to customers[A] | **£459.1bn** | £449.7bn | 2 |
| Customer deposits | **£482.7bn** | £471.4bn | 2 |
| Loan to deposit ratio[A] | **95%** | 95% | |
| CET1 ratio | **14.2%** | 14.6% | (0.4)pp |
| Pro forma CET1 ratio[A,1] | **13.5%** | 13.7% | (0.2)pp |
| UK leverage ratio | **5.5%** | 5.8% | (0.3)pp |
| Risk-weighted assets | **£224.6bn** | £219.1bn | 3 |
| Wholesale funding[2] | **£92.5bn** | £98.7bn | (6) |
| Wholesale funding <1 year maturity[2] | **£31.3bn** | £35.1bn | (11) |
| of which: money market funding <1 year maturity[2] | **£16.9bn** | £23.8bn | (29) |
| Liquidity coverage ratio – eligible assets[3] | **£134.4bn** | £136.0bn | (1) |
| Liquidity coverage ratio[4] | **146%** | 142% | 4pp |
| Net stable funding ratio[5] | **129%** | 130% | (1)pp |
| Tangible net assets per share[A] | **52.4p** | 50.8p | 1.6p |

1 31 December 2023 and 31 December 2024 reflect both the full impact of the share buybacks announced in respect of 2023 and 2024 and the ordinary dividends received from the Insurance business in February 2024 and February 2025.
2 Excludes balances relating to margins of £2.8 billion (31 December 2023: £2.4 billion).
3 Eligible assets are calculated as a monthly rolling simple average of month end observations over the previous 12 months post any liquidity haircuts.
4 The liquidity coverage ratio is calculated as a simple average of month-end observations over the previous 12 months.
5 The net stable funding ratio is calculated as a simple average of month-end observations over the previous four quarter-ends.

# Balance sheet analysis

| | At 31 Dec 2024 £bn | At 30 Sep 2024 £bn | Change % | At 30 Jun 2024 £bn | Change % | At 31 Dec 2023 £bn | Change % |
|---|---|---|---|---|---|---|---|
| UK mortgages[1,2] | **312.3** | 310.1 | 1 | 306.9 | 2 | 306.2 | 2 |
| Credit cards | **15.7** | 15.7 | | 15.6 | 1 | 15.1 | 4 |
| UK Retail unsecured loans | **9.1** | 8.8 | 3 | 8.2 | 11 | 6.9 | 32 |
| UK Motor Finance[3] | **15.3** | 15.6 | (2) | 16.2 | (6) | 15.3 | |
| Overdrafts | **1.2** | 1.1 | 9 | 1.0 | 20 | 1.1 | 9 |
| Retail other[1,4] | **17.9** | 17.3 | 3 | 17.2 | 4 | 16.6 | 8 |
| Business and Commercial Banking[5] | **29.7** | 30.7 | (3) | 31.5 | (6) | 33.0 | (10) |
| Corporate and Institutional Banking | **57.9** | 57.2 | 1 | 56.6 | 2 | 55.6 | 4 |
| Central Items[6] | **–** | 0.5 | | (0.8) | | (0.1) | |
| **Underlying loans and advances to customers[A]** | **459.1** | 457.0 | | 452.4 | 1 | 449.7 | 2 |
| | | | | | | | |
| Retail current accounts | **101.3** | 100.6 | 1 | 101.7 | | 102.7 | (1) |
| Retail savings accounts[7] | **208.2** | 204.3 | 2 | 201.5 | 3 | 194.8 | 7 |
| Wealth | **10.2** | 10.1 | 1 | 10.1 | 1 | 10.9 | (6) |
| Commercial Banking | **162.6** | 160.7 | 1 | 161.2 | 1 | 162.8 | |
| Central Items | **0.4** | – | | 0.2 | | 0.2 | |
| **Customer deposits** | **482.7** | 475.7 | 1 | 474.7 | 2 | 471.4 | 2 |
| | | | | | | | |
| **Total assets** | **906.7** | 900.8 | 1 | 892.9 | 2 | 881.5 | 3 |
| **Total liabilities** | **860.8** | 854.4 | 1 | 847.8 | 2 | 834.1 | 3 |
| | | | | | | | |
| Ordinary shareholders' equity | **39.5** | 40.3 | (2) | 39.0 | 1 | 40.3 | (2) |
| Other equity instruments | **6.2** | 5.9 | 5 | 5.9 | 5 | 6.9 | (10) |
| Non-controlling interests | **0.2** | 0.2 | | 0.2 | | 0.2 | |
| **Total equity** | **45.9** | 46.4 | (1) | 45.1 | 2 | 47.4 | (3) |
| | | | | | | | |
| Ordinary shares in issue, excluding own shares | **60,491m** | 61,419m | (2) | 62,458m | (3) | 63,508m | (5) |

1 From the first quarter of 2024, open mortgage book and closed mortgage book loans and advances, previously presented separately, are reported together as UK mortgages; Wealth loans and advances, previously reported separately, are included within Retail other. The 31 December 2023 comparative is presented on a consistent basis.
2 The increases between 31 December 2023 and 30 June 2024 and between 30 September 2024 and 31 December 2024 are net of the impact of the securitisations of primarily legacy Retail mortgages of £0.9 billion and £1.0 billion respectively.
3 UK Motor Finance balances on an underlying basis[A] exclude a finance lease gross up. See **page 314** of the annual report and accounts.
4 Within underlying loans and advances, Retail other includes the European and Wealth businesses.
5 Previously named Small and Medium Businesses.
6 Central Items includes central fair value hedge accounting adjustments.
7 From the first quarter of 2024, Retail relationship savings accounts and Retail tactical savings accounts, previously reported separately, are reported together as Retail savings accounts. The 31 December 2023 comparative is presented on a consistent basis.

## Report of the Auditor

The auditors' report on the full accounts for the year ended 31 December 2024 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.

# 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 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, targets, 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 (including in relation to tariffs); acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; 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; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; 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 including risks as a result of the failure of third party suppliers; 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) and decarbonisation, 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. 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**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