



# Helping Britain Prosper

Lloyds Banking Group plc  
Annual Review 2025

# We're delivering sustainable profit and returns

With a clear strategic plan...

 **Grow**

Drive revenue growth and diversification

 **Focus**

Strengthen cost and capital efficiency

 **Change**

Maximise the potential of people, technology and data

...reinforcing competitive advantage...

Market leader

#1 in key markets, enhancing growth as an integrated financial services provider.

Cost and capital leader

Efficient scale model, building operating leverage. De-risked and optimised balance sheet.

Digital and AI leader

Largest UK digital bank, leading across emerging technologies, reinforcing revenue and cost opportunity.

...delivering strong shareholder outcomes...

Strengthening income

**7%**

Year-on-year net income growth

Growing balance sheet

**5%**

Year-on-year loan growth

Stronger, sustainable returns

**12.9%**

Return on tangible equity

Increasing shareholder distributions

**£3.9bn**

Dividend and share buyback

...and well positioned for 2026 and beyond.

## In this report

# Our purpose of Helping Britain Prosper has long guided how we support customers to invest, grow and thrive.

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The 2025 annual report and accounts incorporates the strategic report, the directors' report and the consolidated financial statements, all of which have been approved by the Board of directors.

### On behalf of the Board



**Sir Robin Budenberg**  
Chair, Lloyds Banking Group plc  
13 February 2026



Register here to go paperless for 2026 →

### Going paperless

Help reduce our environmental impact by viewing shareholder documents, including the annual report, on our [website](#) →.

## Our reporting

Our reporting suite helps us communicate clearly with a wide range of stakeholders. The annual report and accounts outlines our strategic direction, financial and operational performance, and environmental and social impact. It includes forward-looking statements on the Group's future financial position, results and objectives. We use alternative performance measures to complement statutory results, with strategic report commentary on an underlying basis unless stated. Additional disclosures, including our sustainability report, are available online.



See our full reporting suite including our sustainability report on the [Investors page](#) → of our website.



### Report of the Auditor

The auditors' report on the full accounts for the year ended 31 December 2025 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.

# Driving growth through purpose and innovation

Sir Robin  
Budenberg  
Chair



[Read full biography →](#)



## Delivering on our purpose-driven strategy

Reflecting on 2025, it has been another year of significant progress for the Group, delivering for customers, colleagues, communities and shareholders. We have continued to invest and transform the business, delivering strong progress against our strategic objectives and further enhancing the customer proposition and our platform for growth.

At the heart of our transformation is digital innovation, bringing together transformative technologies and skilled people to meet customer needs effectively. We are a digital and AI leader with distinct competitive advantages and have taken action to enhance our infrastructure and capabilities to create a platform for innovation and business growth. This is enabling us to deliver leading and innovative customer propositions and experiences across the Group and we are now extending this to new and emerging technologies such as digital assets. These steps will open up new opportunities for our customers and maintain our commercial leadership. Read more on [pages 14 to 17](#).

At the same time, we are delivering on our purpose of Helping Britain Prosper and creating a more sustainable and inclusive future for people and businesses across the UK whilst accessing new commercial growth opportunities. Embedding a positive, values based performance culture remains important. The Board places great emphasis on shaping and fostering this culture and, throughout 2025, engaged with colleagues better to understand their experiences. These insights informed Board discussions and decision making, ensuring that we continue to build the culture of the organisation. Read more on [page 79](#) of the annual report and accounts.

The UK economy proved resilient to a volatile and uncertain global economic and political environment in 2025, with growth similar to its recent long-term trend rate. Regulatory developments have been constructive from a prudential perspective where we now have more clarity on capital requirements. We have taken an additional provision of £800 million for Motor Finance as a result of our assessment of the impact of the FCA's proposed redress scheme and we await further clarity on the final rules. We welcome the FCA's broader strategic focus on growth and simplifying regulation.

## Generating value for shareholders

I was pleased to see our market value strengthen considerably during the course of 2025, with the share price up more than 79%. I believe this improvement reflects the Group's strategic progress, consistent financial performance and the growing confidence in our ability to deliver higher, more sustainable returns.

Following the financial progress made during the year, the Board has recommended a final ordinary dividend of 2.43 pence per share, bringing the total proposed ordinary dividend for 2025 to 3.65 pence per share, an increase of 15% compared with the prior year. In addition, on 30 January 2026 the Group announced the launch of a share buyback programme to repurchase up to £1.75 billion of ordinary shares.

## Shareholder returns

**3.65p**      **£3.9bn**  
total ordinary dividend      returned to  
per share, up 15%      shareholders for 2025

## Directors

We regularly review the Board's composition and diversity to ensure we maintain the right balance of skills, experience and perspectives at the highest level. In June 2025, Chris Vogelzang was appointed as a non-executive director and joined the Responsible Business Committee. Scott Wheway stepped down from the Board in October 2025. For more insight into our Board structure and changes, refer to [page 68](#) of the annual report and accounts.

## Remuneration

As we advance our strategy, attracting and retaining talent across the business remains essential. The Board's Remuneration Committee carefully determines all awards, ensuring that they align with market conditions, regulatory developments, Group performance and shareholder expectations. The Group intends to implement a new remuneration policy in 2026, designed to incentivise the leadership team to deliver continued strategic and financial progress and guide the Group into its next strategic cycle. The policy places greater emphasis on sustainable high performance and shareholder value creation. More information on our approach to remuneration can be found on [page 98](#) of the annual report and accounts.

## Summary

I'm proud of what Lloyds Banking Group continues to deliver for customers, colleagues and shareholders and of how we're doing it. Through long-term investment in our business and communities, we're driving sustainable growth and building resilience. I'd specifically like to thank our colleagues for their continued dedication and focus on meeting the evolving needs of our customers.

Sir Robin Budenberg  
Chair

# Purpose-driven strategy delivering enhanced results

**Charlie Nunn**  
Group Chief  
Executive



[Read full biography →](#)



2025 was a key year for the Group, entering the second phase of our strategy, investing for the benefit of our customers and wider stakeholders and guided by our purpose of Helping Britain Prosper. As we enter 2026, our transformation is accelerating, supported by strong business momentum as well as enhanced digital capabilities and innovative propositions that are driving growth and efficiency across the franchise.

The Group demonstrated sustained strength in financial performance in 2025, with franchise, balance sheet and income growth. Strong business performance drove capital generation across the year of 147 basis points allowing total shareholder distributions of £3.9 billion, even after an additional £800 million charge for motor finance in the third quarter.

Given our continued strategic execution and sustained strength in financial performance, we remain confident in meeting our 2026 commitments (including our upgraded target for return on tangible equity) and the Group's outlook beyond 2026. We look forward to setting out the next phase of the Group's strategy, beyond the current plan, in July.

### Sustained strength in financial performance

Statutory profit before tax was £6.7 billion, up 12% year-on-year, with higher underlying profit of £6.8 billion, driven by 7% growth in net income, partially offset by higher operating costs and a higher underlying impairment charge. Net income of £18.3 billion benefitted from a higher banking net interest margin of 3.06% and continued broad-based growth in underlying other income of 9%. Operating costs of £9.8 billion increased by 3%, reflecting strategic investment (including an increased severance charge), business growth costs and inflationary pressures, partially offset by increasing cost savings from investment and business-as-usual cost discipline. The impairment charge remained low at £795 million, with strong and stable credit performance across our portfolios. Overall, this resulted in a return on tangible equity of 12.9%, or 14.8% excluding the motor finance charge.

The Group's franchise and balance sheet grew during 2025. Underlying loans and advances to customers of £481.1 billion were up £22.0 billion (5%), reflecting growth across all Retail areas including UK mortgages and the European business, alongside growth in Corporate and Institutional Banking. Customer deposits of £496.5 billion increased by £13.8 billion (3%) across the year. This included growth in Retail of £5.5 billion, driven by strength in current accounts and savings, and Commercial Banking of £8.5 billion, including growth in targeted sectors.

The Group delivered strong capital generation of 147 basis points in 2025 (178 basis points excluding the motor finance charge), and has a pro forma CET1 ratio of 13.2%. Given the capital generation and strength of the CET1 position, the Board has recommended an increased final ordinary dividend of 2.43 pence per share, resulting in a total dividend for the year of 3.65 pence per share, up 15% on the prior year. In addition, the Group has announced its intention to implement an ordinary share buyback of up to £1.75 billion, as we continue to distribute excess capital to shareholders. Together this represents distributions of £3.9 billion in respect of 2025. Going forward, reflecting increasing confidence in our capital generation, the Group will now review excess capital distributions in addition to the ordinary dividend every half year.

### Guiding purpose of Helping Britain Prosper

The fundamentals of the UK economy are constructive. Our purpose allows us to play a key role in promoting UK prosperity, aligning our strategy to support UK economic growth sectors. As part of this, we recently committed to providing a further £35 billion of new finance to companies investing and operating in the UK in 2026. Alongside, we remain focused on improving access to quality and affordable housing, lending £17 billion to first time buyers, as well as supporting £3.2 billion of new finance to the social housing sector in 2025.

We continue to financially empower our customers. For example, our Ready-Made Pensions product is a simple, long-term financial planning solution benefitting customers including those who do not participate in auto-enrolment. Of the over 7,000 accounts opened since launch, c.40% are self-employed customers.

Supporting the net zero transition remains a significant strategic and commercial opportunity. The Group has cumulatively delivered over £70 billion of sustainable financing since 2022, including over £21 billion in 2025.

### Second phase of purpose-driven strategy, continued strong momentum, on track for 2026

In 2025, we entered the second phase of our five year strategic plan, continuing to scale the core business, driving growth in high value areas, deepening customer relationships and strengthening cross-Group collaboration. Strong strategic momentum means we now expect to generate c.£2 billion of additional revenues from strategic initiatives by the end of 2026, exceeding our initial £1.5 billion target.

In 2025 we continued to grow our Retail franchise through innovative new propositions and enhanced capabilities. We maintained our focus on high-value segments, building our Mass Affluent current account offering with the launch of our Lloyds Premier product.

## Group Chief Executive's review continued

As the UK's largest digital bank, we continued to accelerate the shift to mobile-first. We now have c.21.5 million customers using our app, an increase of c.45% since 2021. Alongside, we recently announced the acquisition of Curve (subject to regulatory approval) which will reinforce our leading digital experiences, including enhanced digital wallet capabilities.

In Insurance, Pensions and Investments (IP&I), we are reinforcing our competitive position in areas of strategic focus. We now have over 750,000 customers using our core app for workplace pension customers, helping to drive regular workplace pension contributions up 5% year-on-year. With the intention of capitalising on our position as the UK's only scale integrated financial services provider, we continue to embed IP&I products across banking journeys. The protection take-up rate for mortgage customers is now at 20% in 2025, up from 15% in 2024. Alongside, the recent full acquisition of Schroders Personal Wealth accelerates delivery of our Wealth strategy and will deepen relationships in a high value segment.

In Commercial Banking, we are building a digitally-led relationship bank and driving income diversification through capital efficient growth. In Business and Commercial Banking, we have strengthened deposit and lending growth capabilities through enhanced digital propositions. This includes our new Gen AI powered application which simplifies the Commercial Real Estate lending journey by expediting the tenancy schedule process. In Corporate and Institutional Banking, we are delivering on our ambition to become a broader scale solution provider, meeting more of our customer needs. For example, in 2025 we launched a market-leading FX solution, supporting a c.21% increase in foreign exchange volumes year-on-year.

Finally, within Equity Investments, alongside strong LDC performance in 2025, our Lloyds Living business continues to be a significant growth driver, with a portfolio of close to 8,000 homes, up from c.5,500 this time last year.

As we deliver growth we are focused on improving operating leverage through cost and capital efficiency. Since 2021 we have delivered £1.9 billion of gross cost savings through both business-as-usual management as well as more transformational initiatives enabled by strategic investment. Alongside, we have driven £24 billion of risk-weighted asset optimisation, primarily through enhanced capabilities, data improvements and risk reduction transactions.

### Leveraging our enablers to drive long-term competitive strength

As highlighted in our recent Digital and AI seminar, our investment in technology, data and people underpins our ambitions to grow the business with innovation and improved operating leverage.

Advances in our infrastructure and capabilities allow us to deliver on our strategic priorities, such as enabling a seven minute mobile current account opening process, in line with the sector best, driving c.85% of our current account openings in 2025. Digital investments have also supported simplification of our technology estate and helped improve productivity, with an increase of c.45% in active customers served per distribution FTE since 2021. Finally, we are extending our leadership across new and emerging technologies, including Gen AI and digital assets, and are well-placed to succeed in a period of potentially transformational change for the industry. Our c.50 major live Gen AI use cases delivered c.£50 million of value in 2025, as we built the foundations of our capabilities. We are now targeting over £100 million of incremental P&L benefit from Gen AI in 2026, as we start to scale the foundations.

Together, these developments drive improved operating leverage, helping towards our target cost:income ratio of less than 50% in 2026. As we enter the final year of our current strategy, we remain confident in our 2026 ambitions to generate higher, more sustainable returns for our shareholders. Beyond 2026, we are committed to continuing income growth, improving operating leverage and stronger, sustainable returns.

### 2026 guidance

Based on our sustained strength in financial performance and our current macroeconomic assumptions, for 2026 the Group expects:

- Underlying net interest income of c.£14.9 billion
- Cost:income ratio of less than 50% (including operating costs of less than £9.9 billion)
- Asset quality ratio of c.25 basis points
- Return on tangible equity now of greater than 16%
- Capital generation of greater than 200 basis points<sup>1</sup>
- To pay down to a CET1 ratio of c.13.0%

<sup>1</sup> Excludes capital distributions.

**Charlie Nunn**  
Group Chief Executive

### Purpose in action

## Empowering customers for digital success

The Consumer Digital Index is a comprehensive study of digital and financial lives. As the nation's largest digital bank, we use our unique data and expertise to deliver powerful insights through this report.

Our 2025 findings reveal a major shift, with more than 28 million adults now using AI tools to manage their money, from everyday budgeting and savings goals to financial education. Further information can be found on page 33 of our [sustainability report](#) →.

We're committed to ensuring everyone has the tools, confidence and access to thrive in a digital-first economy. Through Lloyds Bank Academy, c.428,000 individuals have benefitted from our digital and financial skills programmes in 2025, empowering our customers with knowledge and building a more resilient, inclusive financial future.



[Read our 2025 UK Consumer Digital Index](#) →

## Customers



**c.28m**

customers with 23.6 million digitally active

## Colleagues



**>60,000**

colleagues who take pride in working for an inclusive and diverse Group

## Communities



**>325 years**

of supporting individuals and communities throughout the UK

## Shareholders



**2.1m**

shareholders, one of the UK's most widely held companies



## We're Helping Britain Prosper whilst successfully delivering for all stakeholders in 2025

**£17bn**

of lending to first time buyers, supporting greater access to home ownership

**40.4%**

of our executive senior roles were held by women

**£1bn**

commitment to finance opportunities aligned to our Regional Impact Fund



**£35bn**

committed in new finance to support companies investing and operating in the UK during 2026

**>30,000**

customer facing colleagues actively using AI to enhance customer experiences

**c.£36m**

donated to our Charitable Foundations, and more than £800 million donated over the last 40 years

**Many**

UK pension funds hold Group shares, benefitting UK pensioners



**£9.1bn**

interest paid to customers, of which around £8.2 billion was paid to savers

**c.£31m**

invested in upskilling and training our colleagues for the future

**£2.8bn**

cash taxes paid, one of the UK's largest corporate taxpayers

**147bps**

of capital generation, reinforcing stability and long-term returns



**£5.4bn**

paid in salaries, investing in talent and driving performance

**£4.4bn**

paid to suppliers and regulatory bodies, supporting our ability to serve customers effectively

**£3.9bn**

in dividends and share buybacks to shareholders

See our key performance indicators on pages 18 to 21



### What we do

**Our business model is focused on Helping Britain Prosper in a way that delivers sustainable profit 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 competitive advantages

#### **Leading UK customer franchise with deep customer insight**

c.28 million customers with unequalled reach across the UK. Extensive customer data and analysis ensures we can anticipate and meet the needs of these customers more effectively.

#### **All-channel distribution 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.

#### **Innovation through modern and transformative technology**

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

#### **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 attractive returns for shareholders.

#### **Financial strength and robust risk management**

Strong capital position. Robust approach to risk, as reflected in 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.

See how our purpose is driving performance on pages 14 to 17



## Our structure

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



### Retail

#### Consumer relationships

Current accounts  
Savings accounts  
Mass affluent proposition  
UK private bank

#### Consumer lending

Mortgages  
Credit cards  
Personal loans  
Motor finance

See page 61 of the annual report and accounts



### Insurance, Pensions and Investments

#### Insurance

Home, Motor, Health, Pet  
Protection

#### Pensions and retirement

Workplace pensions  
Direct to customer pensions  
Retirement

#### Investments

Ready-Made Investments  
Share dealing

See page 63 of the annual report and accounts



### 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 page 62 of the annual report and accounts

In addition, **Equity Investments and Central Items** includes the Group's direct investments businesses.  
Read more on page 64 of the annual report and accounts

## Our trusted brands

With over 325 years' heritage across our family of brands, we serve and support the evolving needs of our customers and clients across the UK.



## Our values

These values are at the heart of everything we do – guiding our decisions, shaping our culture, and driving our purpose of Helping Britain Prosper.

### 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.

## How we do it

We deliver for our customers by focusing on their needs, continually innovating the products and services we offer, developing and investing in new solutions, and using our expertise and influence to create positive change.

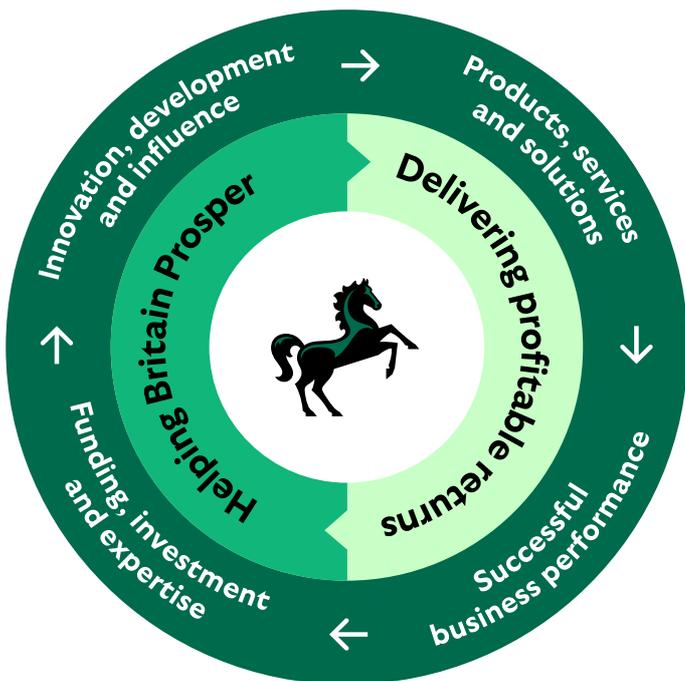
### Innovation, development and influence

Driving innovation through effective use of customer feedback, data and technology 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 can access the right financial solutions.

## How we serve our customers



### Successful business performance

Delivering sustainable profit and growth based on financial strength ensures 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 sustainable returns.

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 sustainable growth.

### c.£14bn

of sustainable finance provided for Commercial Banking customers in 2025

### £7.5bn

of new tax-free savings supported through ISA propositions in 2025



### Colleagues

We are committed to building an inclusive and sustainable organisation that is truly representative of our customers.

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

### 19.0%

of our senior roles were held by colleagues with disabilities in 2025

### 17.5%

of our executive roles held by Black, Asian or Minority Ethnic colleagues in 2025



### 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.

### £3.2bn

of new finance supported in the social housing sector in 2025

### >£1.8m

raised by our colleagues and customers to support Crisis and Simon Community in 2025

## Sustainable profit and returns



### Shareholders

Our strategic progress, coupled with our financial results and continued investment, reinforces our confidence in achieving our 2026 guidance.

The Group's sustained strength in financial performance has delivered strong capital generation, enabling an increased dividend and a share buyback of up to £1.75 billion.

### 3.65p

total proposed ordinary dividend per share for 2025, up 15%

### £3.9bn

returned to shareholders for 2025



# External context, opportunities and risks

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

[Link to strategy](#)

[^](#) **Grow** [>](#) **Focus** [△](#) **Change**

## Economy

### Overview

The UK economy proved resilient to global challenges in 2025. Although elevated inflation and pay growth resulted in slower interest rate cuts than in the US and Eurozone, real-wages grew and households' spending growth rose. Lower inflation in 2026 is expected to allow further interest rate cuts to support the economy while the government continues to address its deficit. Low private sector indebtedness and high household savings provide resilience and capacity for improving growth.

[Link to strategy](#)



### Market context

- The UK economy is estimated to have grown by 1.4% in 2025, proving resilient to rising taxes, uncertainty from the shift in the global trade environment as the US introduced significant import tariffs, and to continued conflict in Ukraine and the Middle East
- The economy has not settled back to pre-pandemic norms, however. Inflation remained elevated above its 2% target, increasing from 2.5% in 2024 to 3.4% in 2025, partly a result of government policy impacts – a large rise in water bills, VAT on private school fees, Vehicle Excise Duty changes, a 6.7% rise in the National Living Wage and an increase in employer National Insurance. Consequently, households' high inflation expectations kept pay growth strong through much of the year
- As a result, the Bank of England reduced interest rates only slowly. Bank Rate was cut by 100 basis points through 2025 to end the year at 3.75%, 150 basis points lower than its 2023 to 2024 peak – a smaller reduction than the 175 basis points in the US and 200 basis points in the Eurozone. The unemployment rate rose by 0.7 percentage points in the year to November, to 5.1%
- With this backdrop, UK households raised their spending growth, but cautiously, saving a high proportion of disposable income. House prices rose by less than 1%, reflecting affordability of mortgage payments being still more of a constraint than pre-pandemic
- Nevertheless, growth in 2025 in the markets we operate in returned to rates similar to, or better than, pre-pandemic. Both households' and corporates' leverage had fallen to low levels, creating space for a pick-up in borrowing. Mortgages and household deposits benefitted from the high level of housing transactions early in the year in advance of the stamp-duty increase in April. The drag on SMEs' borrowing balances from pay-down of government-guaranteed COVID-scheme lending is now abating

## Our response

- In a world of heightened economic uncertainty, our purpose of Helping Britain Prosper is ever more important. Our strategy and business model position us well in both constructive and more challenging economic environments
- Our strategy is focused on faster growing, high potential sectors such as housing, pensions, investments, and infrastructure. We are already driving growth in these areas, leveraging our competitive advantage as the UK's only integrated financial services provider. As a result, we expect the Group to continue to grow faster than the wider economy over the coming years
- Our transformation allied to our strong customer franchise captures opportunity by effectively meeting evolving customer needs and demands, diversifying income streams, and also with efficiency. Our large scale and strong balance sheet, with a prudent approach to risk, provides both access to growth opportunities and resilience at times of challenging economic conditions

## 2026 outlook

- We forecast GDP growth of 1.2% in 2026, a little below 2025's estimated 1.4%. Although the government will continue to shrink its budget deficit via rising taxes, the resulting drag on the economy is expected to be offset by lower rates and reduced policy uncertainty, allowing the economy to grow closer to its 'potential' or 'trend' rate through the year
- Some uncertainties are expected to reduce now that the scale and impact of US tariffs has become clearer, notwithstanding likely readjustment in response to legal challenges
- More importantly, interest rates are switching from being a drag on the economy to a marginal support, as many customers refinancing mortgages will begin to obtain lower rates than their existing deals. Mortgage rates fell in late 2025 as markets priced earlier Bank Rate cuts, in response to Budget measures subtracting c.50 basis points from mid-2026 inflation forecasts
- The reduced near-term inflation outlook should lessen concern of a self-perpetuating cycle between elevated inflation and elevated pay growth that some members of the Bank of England's Monetary Policy Committee had cited as a key reason for reticence to cut rates more swiftly through 2025. We expect CPI inflation to decline to 2.6% in 2026 from 3.4% in 2025, and assume two further Bank Rate cuts to 3.25% by the third quarter of 2026
- Growth closer to the economy's 'potential' or 'trend' rate through 2026 should mean that unemployment drifts up only a little further from its level of 5.1% at November 2025
- However, we expect the lagged impact of rising unemployment to mean that pay growth falls by more than the reduction in inflation during 2026
- Households are therefore likely to maintain a cautious approach towards spending. Alongside, we expect house prices to rise by only 2%, close to the average of the past three years, lacking the benefit from elevated housing transactions early in 2025
- Growth in the markets we operate in is expected to slow slightly in comparison to 2025, for these reasons

# Customers

## Overview

Most customers continue to prefer digital engagement channels which offer convenient and personalised financial solutions with frictionless journeys, to proactively manage their finances. AI is accelerating this shift by enabling customers to rapidly evaluate the market and seek advice on the best products to meet their needs. Alongside, financial health across most households and businesses is strengthening, supported by improving confidence and falling rates.

[Link to strategy](#)



## Market context

- Reducing rates have increased consumer confidence and improved the outlook for mortgage holders, as the majority of the market is currently financed on higher rates
- With one in three customers now using AI weekly to manage their finances (UK Consumer Digital Index 2025, based on survey of 5,000 customers, results may not be representative of all customers), expectations for seamless and personalised digital journeys continue to grow
- Customers are seeking to access financial solutions at their point of need, supported by growth in embedded finance
- Corporates and SMEs are confident about future prospects for their businesses, despite wider economic uncertainty

## Our response

- Redesigned app with improved onboarding and servicing journeys, empowering customers to achieve financial goals
- Integration of AI into servicing journeys, such as underwriting for SME CRE lending, driving better and faster decisioning
- Branch co-servicing enabling Halifax, Bank of Scotland or Lloyds customers to use any of our branches to manage their accounts
- Enhancements across our product suite, including launch of Lloyds Premier, meeting more needs for Mass Affluent customers
- Improved mobile PCA onboarding journey. Launch of mobile Business Banking loans journey

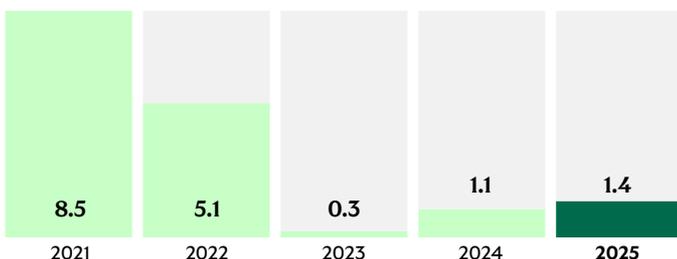
## 2026 outlook

- Launch of AI financial assistant bringing personalised, round-the-clock financial guidance to mobile app customers
- Integration of digital wallet capabilities following our proposed acquisition of the fintech Curve to provide greater payment flexibility and access to advanced digital wallet features
- Scale digital journeys across Business Banking with extended digital onboarding and origination and greater personalisation capacity

## UK economic growth

% GDP growth

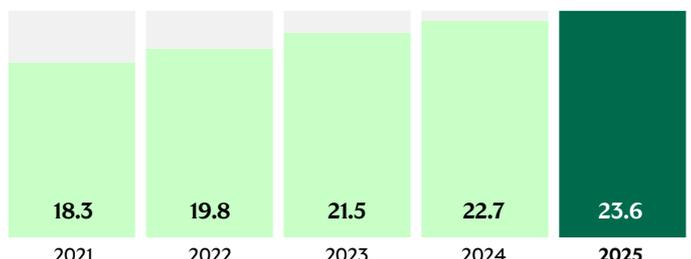
# 1.4%



## Digitally active users

m

# 23.6m



## Our external environment continued

# Competitors

### Overview

Competition remains intense with high street banks and building societies maintaining their focus on share growth, and building scale by consolidating smaller players. Alongside, neobanks and fintechs continue to gain momentum by leveraging their strong digital experiences and broadening their customer offering across Retail and Commercial segments.

[Link to strategy](#)



### Market context

- Ongoing new business margin pressure across deposit and mortgage markets, driven by intense competition
- Continued disruption to the single-provider banking model, with digital onboarding and engagement channels making it easier for customers to manage relationships across multiple providers
- New, smaller entrants reshaping financial services through tightly targeted propositions supported by strong digital experiences
- Opportunity for providers with breadth of offering and personalised journeys to deepen their customer relationships

### Our response

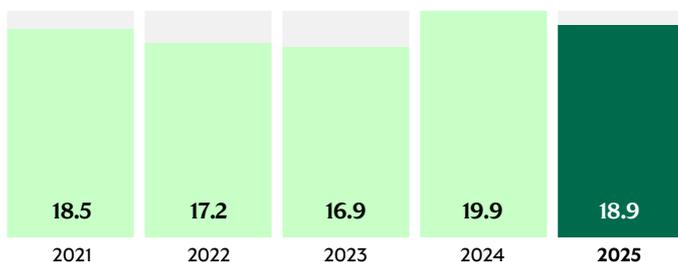
- Market-leading direct and intermediary journeys reaching customers in their preferred channel
- Relevant and differentiated cross-Group propositions meeting a wider set of financial needs
- Tailored solutions designed to simplify complex financial decisions, offer expert guidance, and provide exclusive rewards
- Empowered customers financially with up-to-date credit report insights enabling over 500,000 customers to improve their credit score each quarter
- Focus on high value areas, including our Home ecosystem which is increasing engagement and helping retain customer balances
- Successful pilot of embedded finance offering through BlackHorse Flexpay with growth in merchant sign-ups in 2025

### 2026 outlook

- Enhance access to relevant and tailored propositions across customer life stages, leveraging our proposition breadth
- Integrate Schroders Personal Wealth, to be rebranded as Lloyds Wealth, combining expert face to face advice with powerful digital tools to deepen our relationships in high value segments
- Leverage technology and data to deliver more compelling, personalised digital propositions to support customer goals

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

**18.9%**



# Technology and data

### Overview

Rapidly evolving technology landscape, accelerated by developments in artificial intelligence and digital transformation. These shifts are enabling new engagement models, innovative propositions and greater cost efficiency. Gen AI is enhancing customer interactions through more personalised engagement, with digital asset innovation creating opportunities for greater customer control and faster, more efficient transactions.

[Link to strategy](#)



### Market context

- Digital banking with AI-powered functionality continues to lower cost to serve, whilst increasing innovation and speed to market, driving accelerated customer adoption and greater competition
- Incumbents are moving to modern and efficient platforms, which unlock richer personalisation and proposition development capabilities, enabling accelerated revenue growth through more targeted and differentiated offerings
- Sophistication of cyber threats requires banks to continually enhance security measures to protect customers

### Our response

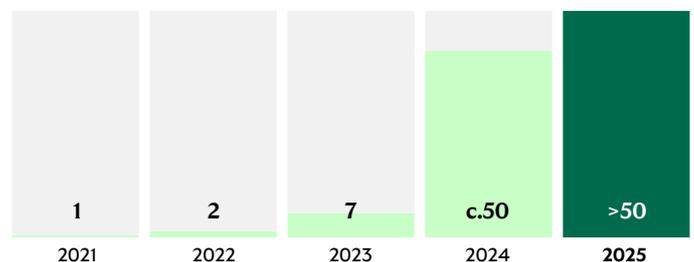
- Launched the UK's first in-app financial assistant
- Agile Platform operating model, increasing efficiency and speed of change by combining our business and technology teams
- Increasing our technology hires, including the launch of Lloyds Technology centre to bring talent in-house
- Continued enhancement of legacy infrastructure with more than 20% reduction in technology applications and c.50% reduction in data centres since 2021
- Extending our capabilities in new and emerging technologies through investment in Gen AI and digital assets, with 50 live Gen AI use cases in 2025 generating c.£50 million incremental value
- UK first digital assets use-case with Aberdeen Investments and Archax, using tokenised units as collateral for FX trades

### 2026 outlook

- Actively scaling Gen AI deployment, targeting over £100 million in incremental P&L benefit in 2026 as we build seamless digital journeys and personalised customer interactions
- Building capability to be at the forefront of agentic AI, bridging the advice gap through in-app agents
- Position as the UK leader in digital assets, developing GB Tokenised Deposits pilot use cases to build value add in customer journeys

**IT applications on cloud**  
%

**>50%**



# Society and environment

## Overview

Evolving environmental and societal issues, along with new regulations, require companies to clearly understand the related risks and opportunities. This includes recognising the role the Group can play through its products and services in helping customers and their communities respond to these developments.

[Link to strategy](#)



## Market context

- Organisations must have a clear understanding of environmental and sustainability issues and integrate them in their strategies and decision making, understanding their impacts, dependencies, risks and opportunities
- Organisations need to respond to the evolving regulatory and geopolitical landscape including evolving stakeholder expectations, uncertainty and the acceleration of sustainability-related financial risks and opportunities

## Our response

- Since 2022, the Bank has financed £70.9 billion of sustainable lending, with £21.9 billion of sustainable finance supported in 2025
- Scottish Widows have achieved discretionary investments of £81.3 billion in climate-aware strategies, with the increase primarily driven by the launch of Scottish Widows Lifetime Investment
- Issuance of the first sterling corporate blue bond by a UK corporate for Thames Tideway
- Delivered £340 million of lending against our £500 million financing commitment with the National Wealth Fund
- Empowered over 7,000 customers through our Ready-Made Pensions since launch
- Over £800 million donated to our four charitable Foundations across the UK since 1985

## 2026 outlook

- Integration of sustainability approach into the next stage of our Group strategy, identifying risks and opportunities
- Continue to evolve our sustainable finance framework and related financing activities and propositions, remaining aligned to our sustainability pillars, whilst shaping finance as a force for good
- Enhance our disclosures through the use of data, to support meeting evolving regulatory expectations

## Sustainable lending (active targets) and climate-aware investments

● Progress | Target

### Commercial Banking



### Mortgages



### Motor



### Scottish Widows

£81.3bn invested in climate-aware strategies

For further details on our sustainable finance progress see page 45 of the annual report and accounts.

# Regulation

## Overview

The regulatory landscape continues to evolve rapidly to support growth of the UK economy and innovation. The Government's Leeds Reforms, announced in July 2025, contained a number of proposals seeking to position the UK as the number one destination for financial services companies by 2035. The proposals announced by the Government and regulators span a range of areas directly relevant to the Group.

[Link to strategy](#)



## Market context

- The Economic Secretary is reviewing the ring-fencing regime to support growth and stability, while the Financial Policy Committee has reviewed bank capital requirements
- The FCA will introduce a new regulated activity, 'targeted support' in spring 2026. It will complement existing advice by letting firms offer tailored suggestions to customer groups, aiming to broaden access and help consumers manage their finances
- The Government, FCA and Financial Ombudsman Service consulted on reforms to modernise the UK's redress system. In 2025, the FOS introduced a case fee for professional representatives and announced plans to change the interest rate on compensation awards
- The Government is reforming the Consumer Credit Act to create a simpler, more agile regime that allows firms to deliver innovative new products and services, and good consumer outcomes
- The Government has published the Strategy for Future Retail Payments Infrastructure, and is progressing plans to abolish the Payment Systems Regulator and consolidate its functions primarily within the FCA
- The UK is rapidly developing a regulatory regime for digital assets; crypto, stablecoins and tokenised assets, set for implementation by late 2026
- The FCA launched a consultation process on a scheme for motor finance compensation

## Our response

- We will continue to engage constructively with the authorities on the wide range of regulatory reforms currently being progressed to ensure that tangible changes are delivered which will promote better outcomes for consumers and the wider economy
- We're monitoring developments and contributing to consultations to support innovation while ensuring market integrity and stability
- We responded to the FCA's consultation on a proposed motor finance compensation scheme emphasising that a strong and stable motor finance market is critical to ensuring that customers have access to competitive finance to support their needs

## Timeline of key regulatory changes



# 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 thereby creating value for our shareholders.

## Our strategic priorities

### Grow

Growth is a core focus of our strategy. Around two-thirds of our c.£3 billion strategic investment over 2022 to 2025 was aligned to growing and diversifying revenue. There are four primary pillars for growth.

Read more on [page 16](#)

### Focus

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

Read more on [page 17](#)

### 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.

Read more on [page 17](#)

## Our purpose pillars

Our strategy is driven by our purpose, with each of the five pillars below woven into our core strategic priorities and helping deliver shareholder value.



#### Access to quality and affordable housing

To help all UK households regardless of income or tenure



#### Empowering a prosperous future

For our customers and businesses



#### Supporting regional development and communities

As our success is intrinsically linked with their success



#### Building an inclusive organisation

To better support our customers and communities



#### Supporting the UK transition

By providing financial solutions and building resilience

Read more on [page 36](#) of the annual report and accounts

## Increased confidence in delivering our 2026 strategic commitments

**c.£2bn**

additional revenues from strategic initiatives

**<50%**

cost:income ratio

**>16%**

RoTE

**>200bps**

capital generation

## Supporting first time buyers

As the UK's largest mortgage lender we support first time buyers to get on the housing ladder, providing £17 billion of funding in 2025 to them.

Our 'First Time Buyer Boost' proposition launched in August 2024, is helping more customers by enhancing the amount they can safely borrow by up to 22%. In 2025 we have made available £5 billion of lending through this proposition, helping 14,000 first time buyers borrow more than 4.5 times their income.

In addition, our 'Your Credit Score' tool helped over 500,000 customers improve their credit score every quarter during 2025. We are equipping our customers with the tools to improve their financial wellbeing while gaining insights to generate sustainable growth.



[Read more on how we're supporting the UK housing market →](#)



# £17bn

of funding to first time buyers

## Financing the transition in the North West

In 2025 we acted as Mandated Lead Arranger in the provision of a £154 million debt commitment as part of a wider £2.5 billion financing package to support the HyNet CO<sub>2</sub> Transport and Storage Project in the North West of England and North Wales.

Eni's Liverpool Bay Carbon Capture and Storage project is the backbone of HyNet which will be critical in reducing emissions from essential but hard-to-abate sectors such as energy-from-waste, cement manufacturing, and low-carbon hydrogen production. Once operational, HyNet will play a significant role in the UK government's net zero strategy.

The project also expects to create over 2,000 jobs during its initial construction phase and thousands more through wider investment across the North West, demonstrating how finance can drive commercial growth and supporting regional development, aligned to our purpose of Helping Britain Prosper.



[Read more on how we're supporting the UK transition to net zero →](#)

## Deepening our commitment to social housing

We've supported over £22 billion of financing for social housing since 2018 – including £3.2 billion this year alone.

In 2025, the Group announced a £100 million loan agreement to fund the sustainable retrofit of thousands of social homes across the South, West and East of England, with Sovereign Network Group (SNG), one of the UK's leading housing associations. This lending formed part of our £500 million commitment to finance the retrofit of social housing in the UK.

Social housing continues to be a source of lending growth for the Group.

# £100m

loan agreement to fund sustainable retrofit of social homes with SNG

## Helping more people plan for the future

The UK has the largest pension market in Europe, worth over £2 trillion, however our latest Scottish Widows retirement report shows that 39% of people will fail to meet basic living standards in retirement, notably those who are self-employed and younger workers.

In 2024 we launched our Ready-Made Pension offering to help customers manage their pension savings and plan for retirement, with this offering now available to those who are not an existing customer through our Scottish Widows website. At the end of 2025 we now have over 7,000 accounts opened, with 27% of our customers aged 35 and under and approximately 41% self-employed.

We are committed to designing products that directly address our customers' needs and bridge gaps in the market, ensuring we play a vital role in supporting the prosperity and resilience of communities across the UK while growing our assets under management.



[Read more in our Women and Retirement Report →](#)



# Grow

## 2025 progress

## 2026 priorities

## 2026 outcomes

### Deepen and innovate in Consumer

- Completed a full redesign of the app experience across Lloyds, Bank of Scotland and Halifax with improved onboarding and servicing
- Expanded lending through our new Ultra and Advance credit cards and tailored mortgage propositions for limited companies
- Announced third-party Motor and Health insurance partnerships with Axa and Vitality
- Continue to build personalised, seamless experiences across all channels, driving customer value and simplifying interactions
- Broaden and innovate across our product range to meet evolving customer needs and the competitive challenge
- Accelerate our mobile-first approach while reimagining physical spaces to enhance efficiency and deepen engagement

**3%**  
further increase in-depth of relationship (versus 2024)

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

### Create a new Mass Affluent offering

- Strengthened and grew relationships with Mass Affluent customers through Lloyds Premier, supporting customers who have a c.2 times greater depth of relationship with exclusive benefits, offers and optimised digital experiences
- Strong uptake across our Direct-to-Consumer investment products with 84,000 accounts opened to-date
- Continue to enhance our Mass Affluent proposition, with improved digital experiences, supporting customers to achieve their financial goals
- Integration of Schroders Personal Wealth, offering full advice propositions to Mass Affluent customers across Lloyds, Halifax, Bank of Scotland and Scottish Widows

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

### Digitise and diversify our BCB business

- Strong progress towards becoming a digital-first relationship bank, with over 50% of products originated and fulfilled digitally, and over 50% of key servicing interactions digitised, achieving our 2026 target a year early
- Diversified our business, shifting sector mix and enhancing propositions across Merchant Services, Cards, Trade and FX to meet more client needs
- Deliver more personalised and engaging digital solutions through automating lending decisions, expanding our multi-currency capabilities, and introducing tailored nudges to support client goals
- Provide greater client flexibility with enhanced data ingestion capabilities and connecting the Group to over 70 accounting software packages

**Maintain**  
small business deposit market share

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

### Develop our Corporate and Institutional business (CIB)

- Awarded a landmark cash management and payments contract with the government to serve over 30 central departments and public sector bodies
- Delivered c.21% year-on-year growth in foreign exchange volumes
- Launched a market-leading foreign exchange algorithmic proposition
- Position ourselves as a broader CIB partner, providing an integrated Cash-Debt-Risk offering to meet all client needs
- Disciplined expansion across key client markets in the US and Europe
- Connect CIB clients to wider Group propositions to unlock greater value

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

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



# Focus

## 2025 progress

### Strengthen cost and capital efficiency

- Disciplined cost management with a further c.£700 million gross cost savings delivered in 2025, contributing towards a total gross cost saving of £1.9 billion since 2021
- Investment in digital journeys continued to lower our cost to serve with a c.45% increase in customers served per distribution FTE compared to 2021
- Strong balance sheet management with risk-weighted assets optimisation of £24 billion since 2021, including over £5 billion in 2025
- Maintained strong capital generation of 147 basis points in 2025

## 2026 priorities

- Continued commitment to enhance productivity and cost saves through strategic investment in simplification and digitisation, driving an improved cost:income ratio of less than 50% in 2026
- Ongoing focus on growth of capital-lite revenue and other operating income from strategic initiatives
- Maintain focus on risk-weighted asset optimisation supported by value-add securitisation opportunities

## 2026 outcomes

**<50%**  
cost:income ratio

**>200bps**  
capital generation



# Change

## 2025 progress

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

- People**
- c.9,000 technology and data hires since 2021, supporting our growth and change delivery
  - Deployed Gen AI colleague tools at scale with over 30,000 Copilot licences distributed
  - Modernised our property estate, supporting improved ways of working

- Technology and data**
- Continued mobile app and digital journey investment, enabling more than 95% of Retail sales via digital channels
  - Greater change efficiency; c.30% gross reduction in run and change tech costs since 2021
  - Developed Gen AI foundations

## 2026 priorities

- Support strategic delivery by increasing the number of new hires in key skill areas
- Continue to scale enterprise Gen AI support tools to enhance productivity of our colleagues
- Ongoing commitments to building a more inclusive organisation

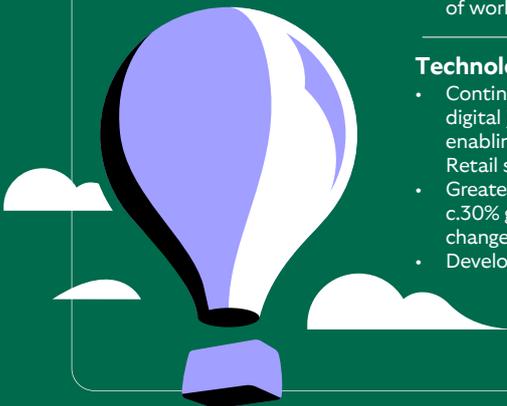
- Continue to accelerate legacy app decommissioning and cloud migration
- Actively scale Gen AI in use cases to support customers and colleagues, including the deployment of the UK's first large-scale, multi-feature agentic AI powered financial assistant

## 2026 outcomes

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

**>30%**  
applications on modern technology

**35%**  
gross reduction in run and change technology costs (versus 2021)



## Our key performance indicators

# Strategic progress and sustained strength in financial performance

## Financial

### Our key performance indicators highlight our progress 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.

The majority of these key performance indicators also inform remuneration across the Group to ensure that our colleagues are rewarded for delivering for both customers and shareholders. This alignment considers the Group's financial performance as well as specific conduct and risk management controls.

This year we have refined our financial key performance indicators to ensure they more clearly reflect progress against our strategic priorities and our approach to creating long-term shareholder value. The former ordinary dividend chart has been replaced with a broader shareholder distributions measure, which captures both ordinary dividends and share buybacks, providing a more comprehensive view of total capital returned to shareholders. In addition, we have introduced capital generation, recognising its importance as a key outcome of our strategy and a fundamental driver of our ability to maintain sustainable distributions.

During 2025, the Group continued to perform well, demonstrating strategic progress and sustained strength in financial performance. Strong capital generation was delivered by income growth, cost discipline and strong credit performance in 2025, despite the impact of the additional motor finance charge in the third quarter. Our strategic progress combined with this financial performance gives us confidence in our 2026 guidance.

**R** Key performance indicators that are directly linked to our remuneration are marked with this symbol. More information can be found within our directors' remuneration report from **page 98** 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 308** of the annual report and accounts for our alternative performance measures.

- 1 Expectation based on the Group's current macroeconomic assumptions.
- 2 Reported on a pro forma basis, reflecting declared share buybacks and any dividends received from the Insurance business in the subsequent quarter prior to the publication of the financial results. Excludes phased unwind of IFRS 9 relief.
- 3 Capital generation excludes capital distributions and variable pension contributions but includes dividends received from the Insurance business in the subsequent quarter prior to the publication of the financial results.
- 4 Excludes a decrease of 230 basis points related to regulatory changes that came into effect on 1 January 2022.
- 5 Excludes a decrease of 21 basis points related to the acquisition of Tusker.

#### Link to strategy

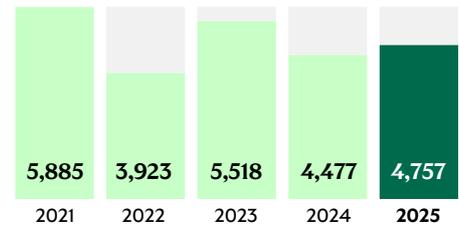
**Grow** **Focus** **Change**

#### Statutory profit after tax

£m

**R**

**4,757**



#### Link to strategy



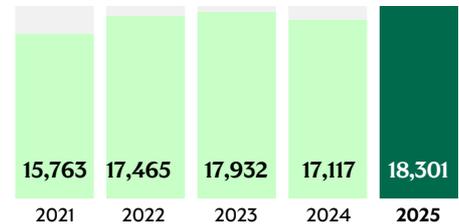
Statutory profit after tax of £4,757 million is 6% higher than 2024 with higher total income partially offset by higher operating expenses, a higher impairment charge and a higher tax expense. 2025 was impacted by a charge relating to motor finance commission arrangements of £800 million. Excluding the motor finance charge, statutory profit after tax was £5,428 million (2024: £5,035 million).

#### Net income

£m

**A**

**18,301**



#### Link to strategy



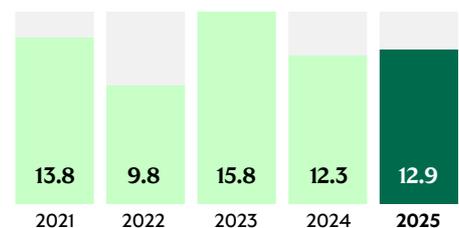
Net income of £18,301 million is 7% higher than 2024, with higher underlying net interest income, in line with guidance, and higher underlying other income, partially offset by increased operating lease depreciation.

#### Return on tangible equity

%

**R** **A**

**12.9**



#### Link to strategy



Return on tangible equity of 12.9%. Excluding the charge for motor finance commission arrangements, return on tangible equity was 14.8%, above guidance. This reflects the Group's sustained strength in financial performance.

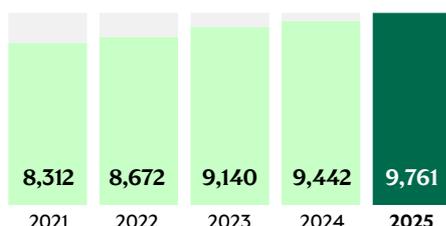
2026 guidance<sup>1</sup>: Return on tangible equity of greater than 16%.

### Operating costs

£m

R A

9,761



Link to strategy



Operating costs of £9,761 million rose 3% versus 2024, reflecting strategic investment, business growth and inflationary pressures, partially offset by cost savings from investment and continued cost discipline. Delivery was in line with guidance excluding the full acquisition of Schroders Personal Wealth.

2026 guidance<sup>1</sup>: Cost:income ratio of less than 50% (including operating costs of less than £9.9 billion).

### Underlying profit

£m

A

6,777



Link to strategy



Underlying profit of £6,777 million in 2025 was 7% higher than in 2024 due to higher net income partially offset by higher operating costs and a higher underlying impairment charge. Excluding the motor finance charge, underlying profit was £7,577 million (2024: £7,043 million).

### Common equity tier 1 ratio (CET1)

%

R A

13.2



Link to strategy



The pro forma CET1 ratio remains strong at 13.2%, after an increased recommended ordinary dividend and the announced share buyback of up to £1.75 billion.

2026 guidance<sup>1</sup>: Expect to pay down to a CET1 ratio of c.13.0% by end of 2026.

### Capital generation<sup>3</sup>

bps

R

147



Link to strategy



The Group delivered strong capital generation of 147 basis points in 2025, in line with updated guidance (178 basis points excluding the motor finance provision).

2026 guidance<sup>1</sup>: Capital generation of greater than 200 basis points.

### Total shareholder return

%

R

87.9



Link to strategy



Total in-year shareholder return was 87.9%. The share price was 79.3% higher than one year earlier, with the remaining return being attributed to the ordinary dividend.

### Shareholder distributions

£bn

R

3.9



Link to strategy



● Interim dividend ● Final dividend ● Buyback

For 2025, total distributions amounted to £3.9 billion. This includes a total recommended ordinary dividend of 3.65 pence per share, up 15% versus last year and reflecting our progressive and sustainable ordinary dividend policy; this covers both interim and final dividends. The Group has also announced a share buyback of up to £1.75 billion.

# Non-financial

## Customer

### Digitally active users

m  
R

23.6



#### Link to strategy



The Group operates the largest digital bank in the UK and reflecting the pace of digital adoption, the number of active digital users increased in the year to 23.6 million, up 4% year-on-year. Within this we had c.21.5 million app users, which represents a 6% increase from last year.

### Customer satisfaction

Relationship net promoter score  
R

16.1



#### Link to strategy



In 2025, we transitioned from an all-channel net promoter score to a relationship net promoter score, which measures the customer likelihood of recommending us based on their overall experience. We believe the year-on-year decline is largely driven by changes to the mobile banking app, with customers telling us that there is more we can do to improve journeys and experience. Actions are in place to support improvement in 2026.

### Customer complaints

FCA reportable complaints per 1,000 accounts  
R

4.84



#### Link to strategy

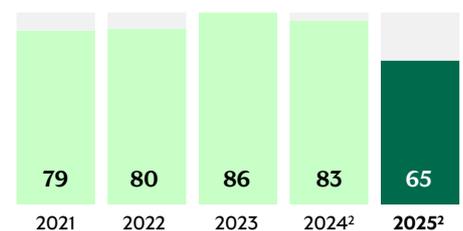


We remain committed to delivering the highest level of service to our customers, with our colleagues working diligently to understand and address the concerns raised. Despite the ongoing impact of Motor commission complaints, overall volumes fell from the second half of 2024. Data for the second half of 2025 is not available at time of publishing.

### Group customer dashboard (GCD)

(November YTD)  
Pts – 2024 to 2025  
% – 2021 to 2023  
R

65



#### Link to strategy



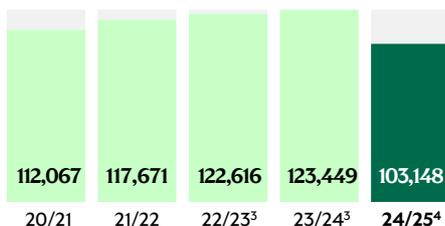
In 2025, the Group customer dashboard (GCD) score declined to 65. This was down year-on-year, in part due to a decline in our net promoter score and elevated customer complaints, as outlined on this page. While we improved or maintained performance on 64% of our GCD measures, we continue to strive to achieve more of our customer ambitions in 2026.

## Climate

### Operational carbon emissions

tCO<sub>2</sub>e  
R

103,148



#### Link to strategy



In 2024/25, our market-based carbon emissions that form part of the balanced scorecard were amended to exclude international travel. Compared to previously reported numbers there has been a 42% decrease since baseline year 2018/19 when market-based carbon emissions were 176,993 tCO<sub>2</sub>e and 16% decrease since 2023/24. Restating prior year comparatives to exclude international travel gives a reduction of 39% from baseline year and 10% from 2023/24. With the decrease from the prior period mainly driven by a reduction in domestic employee commuting. Further details of our market-based overall emissions including international travel can be found in the [sustainability metrics datasheet](#) →.

## Colleague

### Employee engagement index % favourable

R

75



### Link to strategy



Our annual colleague survey, MyVoice, achieved a record participation rate of 85%<sup>2</sup>, indicating positive colleague sentiment. The employee engagement index of 75% improved by 4 percentage points. This increase was driven by career development opportunities, a supportive and inclusive culture and reward, putting us in a strong position to continue our transformation.

## Inclusion

### Link to strategy



In 2025 we launched a suite of inclusion ambitions which include one gender and two UK ethnicity ambitions for our executive colleagues. We believe that setting ambitions for our leadership team is important to provide role modelling and inspiration for our colleagues and ensures more inclusive and better strategic decision making. The focus will continue to 2030. Read more on [pages 22 to 23](#). To understand the Group's approach on inclusion, please see our [sustainability report](#) → .

### Gender balance in executive roles<sup>6</sup>

%

R

40.4

45% to 55%



● Progress  
| 2030 ambition range

### Black heritage colleagues in executive roles<sup>6</sup>

%

4.3

3.5% to 4%



● Progress  
| 2030 ambition range

### Black, Asian and Minority Ethnic colleagues in executive roles<sup>6</sup>

%

R

17.5

19% to 22%



● Progress  
| 2030 ambition range

### Disability representation in senior roles by 2025<sup>7</sup>

%

19.0

12%



● Progress  
| 2025 ambition

R Key performance indicators that are directly linked to our remuneration are marked with this symbol. More information can be found within our directors' remuneration report from [page 98](#) 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 308](#) of the annual report and accounts for our alternative performance measures.

### Link to strategy



Grow



Focus



Change

- 1 Data for 2021 and 2022 is not available and has been excluded from the chart.
- 2 Change in measurement approach from 2024, so comparison of 2024-2025 to prior years is not like-for-like.
- 3 Restated data to improve the accuracy of reporting, using actual data to replace estimates and updates to historical emissions.
- 4 Excludes international travel.
- 5 Our annual survey (MyVoice) is sent to both UK and international colleagues.
- 6 Executive roles include Grade X colleagues only. For gender, it includes UK and international based colleagues, excluding US and subject to local laws and regulations. For ethnicity it includes UK based colleagues only.
- 7 Senior manager roles include grades F, G and X.

## Our colleagues

# Being inclusive allows us to be the best business for colleagues and customers

### Our colleague engagement

In 2025, we extended how we listen to colleagues to create a more regular and complete picture of sentiment across the year.

We ran six surveys at key points during the year and reintroduced our joiners and leavers survey, giving us a continuous view across the colleague lifecycle – from onboarding through to exit. With more than 64,000 colleagues working across the Group, this cadence ensures we hear from a broad cross-section of roles, locations and tenure, and can take timely action where it matters most.

MyVoice, our annual colleague survey, achieved a record 85% completion rate, delivering the widest view of sentiment so far. Colleagues also shared over 200,000 comments, providing a rich, nuanced evidence base to understand what is working well and where we can strengthen our approach. Results this year show robust improvements across themes, including our employee engagement index (up four percentage points to 75%) and employee net promoter score (up 15 points to +23). Taken together, these outcomes indicate we are in a strong position to continue to progress our transformation.

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 77** 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 2025, 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 2025 inclusion performance

We aspire to be the UK's leading business for inclusion by supporting our customers, colleagues and communities. In 2025, we strengthened our commitment by laying strong foundations that will enable long-term progress. We placed inclusion at the centre of how we work, embedding it into our purpose, performance and culture. This meant integrating inclusive governance principles into organisational design, pay and recruitment processes to support fair, transparent and consistent decision making.

Our progress was further supported by our inclusion plans which we have developed with our Group Executive Allies and our employee networks.

#### Social mobility

We remain committed to removing barriers and providing opportunities for people from all socio-economic backgrounds to reach their potential.

According to MyVoice, 65% of UK colleagues have shared their socio-economic background with us. Notably, 22% of colleagues overall and 21% of our senior colleagues come from low socio-economic backgrounds, which compares favourably against other organisations as per the Progress Together annual benchmarking.

We're proud to be named finalists in four categories at the 2025 UK Social Mobility Awards, and one of our senior leaders was a finalist of the Champion of the Year. In 2025, we supported young people in education from primary to further and higher education. Our Youth outreach helped over 100,000 young people across all education levels (including school, college and university students). They were supported with developing essential skills and experiences to realise their potential.

Outreach extended to five UK regions, inclusive of regions where opportunities for social mobility are significantly lower relative to the UK as a whole.

#### Gender

We are dedicated to advancing gender equality by strengthening the talent pipeline and driving balanced representation.

In 2025 we set a new ambition to reach and maintain a gender balance of between 45 to 55% in executive roles by the end of 2030<sup>1</sup>. Setting this ambition for our leadership team is important in providing role modelling and inspiration for our colleagues and ensures more inclusive strategic decision making. At the end of 2025, the number of women in executive level roles (X+) stands at 40.4%, putting us on track to meet our 2030 ambitions.

Our award winning Elevate Programme, which develops leadership capability among women across tech, data and security, continues to grow, with over 100 women participating in 2025.

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.

Building representation of colleagues of Black, Asian and Minority Ethnic heritages, to reflect the society of which we are a part, remains challenging, but we are focused on it and continue to make progress. We have moved to range ambitions of 3.5 to 4% for Black heritage and 19 to 22% for Black, Asian and Minority Ethnic colleagues in executive roles<sup>1</sup>. These new 2030 UK ethnicity ambitions reflect UK census data, the evolving diversity of society and industry benchmarks.

We continue to exceed the Parker Review recommendation of having at least one Black, Asian or Minority Ethnic Board member. Guided by our Race Action Plan since 2020, we remain focused on driving cultural change, improving recruitment and progression, and unlocking potential for Black heritage communities across the UK.

#### Disability and neurodiversity

We aspire to be a best-in-class leader in disability and neuro-inclusion. Last year, we publicly launched our Blueprint for disability and neuro-inclusion, sharing our commitments.

Alongside our ambition, we've committed to making recruitment more inclusive, supporting career development, improving accessibility in workspaces and technology, upskilling colleagues to reduce stigma, and championing the disability community beyond our organisation. In 2025, we held a facilitated workshop for all our talent acquisition managers, which tangibly increased their confidence in supporting hiring managers and candidates with disabilities and neurodivergent conditions, throughout the recruitment process.

#### Sexual orientation and gender identity

We continue to build a more inclusive environment for our LGBTQ+ colleagues. Our LGBTQ+ network, Rainbow, remains central to this work and has supported colleagues for ten years. In 2025, we partnered with our Employee Assistance Programme (EAP) provider to launch an enhanced clinical pathway tailored to the needs of LGBTQ+ colleagues and allies. We believe this is the first service of its kind in the UK offered jointly by an employer and EAP provider. Developed in response to colleague feedback, it was piloted in 2024 and is now a permanent offering. Staffed by people with lived experience and specialist training, it provides a safe, empathetic space for support, shared experiences and tailored resources.

<sup>1</sup> Executive roles include Grade X colleagues only. For gender, it includes UK and international based colleagues, excluding US and subject to local laws and regulations. For ethnicity it includes UK based colleagues only.

## Purpose in action

# Upskilling colleagues on neuro-inclusion

Since its launch in September 2024, over 54,000 colleagues have completed the 'This is Me' e-module and c.8,500 line managers have attended the workshop. This programme plays a pivotal role in helping us build a more disability and neuro-inclusive organisation, driving better outcomes for our colleagues, customers and communities. Our commitment to neurodiversity was also honoured globally at the 2025 Davos Neurodiversity Summit, where we received the Impact Award for Corporate Leadership in Neuro-inclusion.



Read more from our colleagues →

## 2025 progress and performance on inclusion metrics

			Number 2025	% 2025	% 2024
<b>Gender<sup>1</sup></b> (UK and international colleagues, excluding colleagues who are based in the US, subject to local laws and regulations)	Board members	Men	5	50.0	50.0
		Women	5	50.0	50.0
	Senior positions on the Board <sup>2</sup>	Men	3	75.0	75.0
		Women	1	25.0	25.0
	GEC <sup>3</sup>	Men	8	61.5	53.8
		Women	5	38.5	46.2
	Executive roles <sup>4</sup>	Men	199	59.6	61.4
		Women	135	40.4 (⊕)	38.6
	Senior managers <sup>5</sup>	Men	4,577	59.6	59.6
		Women	3,101	40.4	40.4
All colleagues	Men	29,722	46.5	45.2	
	Women	34,200	53.5	54.8	
<b>Ethnicity<sup>1</sup></b> (UK based colleagues only)	Board members	White British or other White	8	80.0	80.0
		Asian heritage	1	10.0	10.0
		Mixed/multiple ethnic groups	1	10.0	10.0
	Senior positions on the Board <sup>2</sup>	White British or other White	4	100.0	100.0
	GEC <sup>3</sup>	White British or other White	11	84.6	84.6
		Asian heritage	2	15.4	15.4
	Executive roles <sup>4</sup>	Black, Asian and Minority Ethnic representation	57	17.5 (⊕)	14.6
		Black heritage	14	4.3 (⊕)	3.3
	Senior managers <sup>5</sup>	Black, Asian and Minority Ethnic representation	996	13.6	12.6
		Black heritage	139	1.9	1.8
<b>Disability</b> (UK based colleagues only)	Colleagues who disclose that they have a disability		12,776	21.6	18.7
	Senior managers <sup>4</sup> who disclose that they have a disability		1,388	19.0	16.1
<b>Sexual orientation and gender identity</b> (UK based colleagues only)	Colleagues who disclose their sexual orientation		47,560	80.4	77.8
	Colleagues who disclose that they are LGBTQ+		2,506	4.2	4.0
	Colleagues who disclose their gender identity		43,897	74.2	69.9

<sup>1</sup> Data in the table above is collated and reported in compliance with the provisions of section 414C(8)(c) Companies Act 2006. For Listing rule UKLR 6.6.6(10) please see further information on our Board diversity and executive management on **page 136** of the annual report and accounts.

<sup>2</sup> 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.

<sup>3</sup> The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to the Board. The 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).

<sup>4</sup> Executive roles include grade X colleagues only.

<sup>5</sup> Senior manager roles include grades F, G and X.

⊕ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2025 sustainability reporting. Deloitte's 2025 assurance statement and the sustainability metrics basis of reporting 2025 are available online at sustainability download.

### Key definitions:

- 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 colleagues who have not declared this information and is for UK payroll only
- Gender data includes those on parental/maternity leave, absent without leave and long-term sick and excludes contractors, temporary and agency staff. International colleagues are included, except those based in the US, subject to local laws and regulations
- LGBTQ+ includes Asexual / Ace Spectrum, Bisexual / Bi, Gay Man, Lesbian / Gay Woman, Pansexual, Other Sexual Orientation and includes Trans\*
- 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 subject to and local laws and regulations). Excludes leavers, Group non-executive directors, contractors, temps and agency staff
- Diversity calculations are based on headcount, not full-time employee value

# Continuing our risk transformation journey through 2025

## The Group's approach to risk

Risk management is essential to our business model and strategy, helping us to embrace opportunities responsibly and drive sustainable growth for the Group. Our strong risk management culture, underpinned by our enhanced risk management framework (RMF), is vital in safeguarding the Group, colleagues and customers against both existing and emerging risks.

## Risk profile and performance in 2025

The Group's credit performance remains strong and stable; the loan portfolio remains well positioned amid macroeconomic uncertainty and is closely monitored to proactively identify signs of stress.

Operational resilience remains crucial, enabling the Group to prevent, withstand and respond to cybersecurity threats and IT outages, using intelligence and learnings from recent global events.

The Group continues to modernise its technology and strengthen capabilities and ensure the safe, responsible use of models and tools such as artificial intelligence.

The latest position regarding motor finance commission arrangements and the potential impact is provided on **page 284** of the annual report and accounts.

The Risk overview provides a summary of performance for each of the Group's principal risks, along with emerging and topical risks.

## Resetting Risk

During 2025, the Group has continued to make progress in its risk transformation journey, allowing us to further evolve our risk management approach to deliver good outcomes for our customers. This has included the consistent implementation of the RMF requirements for all of the Group's legal entities, business units and functions.

The RMF ensures processes are in place to facilitate robust risk management and effective decision making.

The Group's risk policies are supported by risk toolkits, which set out clear guidance and minimum standards for proactive identification and effective risk management, fostering a strong risk management culture across the Group. Further information about the RMF and the Resetting Risk programme can be found on **pages 138 to 139** of the annual report and accounts.

## Our approach

"We're on an exciting transformation journey through our Resetting Risk programme, allowing us to further evolve our risk management approach and accelerate decision making to achieve improved outcomes for our customers."

**Stephen Shelley**  
Chief Risk Officer



## Risk management framework

### 01 Group and risk management strategies

- The Group strategy is driven by strategic priorities and informed by the Group's risk profile, considering external economic, political and regulatory threats. This shapes risk appetite and risk management practices
- The risk management strategy supports delivery of the Group strategy by ensuring principal risks are managed consistently within appetite and the target control environment

### 02 Culture, values and behaviours

- The RMF provides tools for colleagues to make the right decisions, balancing stakeholder needs, risks and trade-offs and encouraging a culture of intellectual curiosity, innovation and proactive risk management

### 03 Risk governance

- Designed to enable sound decision making in line with good corporate governance standards across all legal entities. Board and executive committees hold key decision-making authority, with clear responsibilities for risk management, delegated powers and reporting requirements
- The Board's responsibilities can be found on **page 73** of the annual report and accounts

### 04 Three lines of defence

- Aligned with industry best practice, the Group applies a three lines of defence model, with all colleagues accountable for managing risk in daily activities and demonstrating behaviours consistent with the Group's purpose, values and culture

### 05 Risk function mandate

- Clarifies Risk's role as an oversight and control function within the three lines of defence, supporting the Chief Risk Officer in fulfilling accountabilities defined in their role profile and delegated by the Group Chief Executive and the Board

### 06 Risk appetite

- The type and level of risk the Group is willing to accept in pursuit of its strategic objectives, which must operate within Board-approved parameters. Set annually for the Group and its legal entities

### 07 Risk architecture and approach

- The Group's risk architecture defines a consistent, unified approach and a common language for all principal risks. Risk principles and policies translate risk appetite into actionable risk management

## Principal risks

The 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 reported regularly to the Board Risk Committee and Board, and are reviewed at least annually to ensure they remain fit for purpose.

Sustainability related risks are intrinsically linked to our principal risks. **Pages 39 to 41** of the annual report and accounts provide an overview of our sustainability related risks and opportunities assessment, and highlight related principal risks.

The risk management section on **pages 144 to 197** of the annual report and accounts provides a detailed review of these risks, including definitions and how they are identified, assessed, managed, mitigated, monitored and reported.

### Key

#### Trend

→ Stable      ↓ Improving      ↑ Elevated

#### Link to strategy

^ Grow      > Focus      Δ Change  
See **page 16**      See **page 17**      See **page 17**

## Summary table for 2025

Risk	Trend	Link to strategy
Capital	→	>
Climate	→	^ > Δ
Compliance	→	>
Conduct	↑	^ >
Credit	→	^ >
Economic crime	↓	>
Insurance underwriting	→	^ >
Liquidity	→	>
Market	→	>
Model	↓	> Δ
Operational	→	> Δ

## Capital risk

The Group continued to maintain its strong capital position in 2025 with a CET1 capital ratio of 13.2% on a pro forma basis (2024: 13.5% pro forma). This remains ahead of regulatory requirements and in excess of the Group's ongoing target of c.13.0%, which includes a management buffer of around 1%. Banking business profits for the year and the receipt of dividends from the Insurance business, partially offset by risk-weighted asset (RWA) increases and regulatory headwinds, have continued to enable strong shareholder distributions.

Downside risks and uncertainties arising from economic and regulatory headwinds, including in relation to Retail secured CRD IV RWA increases, continue to be closely monitored.

### Mitigating actions

- Capital management framework is in place, including the setting of capital risk appetite, capital planning and stress testing activities
- Regular refresh and monitoring of early warning indicators and maintenance of a contingency framework to address emerging capital concerns
- Robust risk management through prudent underwriting standards, balance sheet and portfolio management and capital optimisation

#### Trend



#### Link to strategy



## Climate risk

Climate risk remains stable, with no material adjustments to the Group's financial statements required for the impact from physical and transition risks, and ongoing monitoring of potential reputational impacts, including performance of emission reduction targets against broader UK progress.

The Group has refined how it reflects the cross-cutting impacts of climate risk with other principal risks. Focus remains on embedding consideration of climate-related risks and enhancing capabilities for measuring and managing these, in line with evolving external expectations.

### Mitigating actions

- Guidance outlines the impacts of climate risk across other principal risks, supporting embedding within Group policies and procedures
- This informs suitable consideration within the management of other principal risks, including client engagement, assessment informed by scenario analysis and relevant case management

#### Trend



#### Link to strategy



## Compliance risk

The compliance risk profile remains stable. The Group continues to monitor compliance risk closely given the pace of regulatory and legislative change, a continued volume of regulatory data requests and to enable strategic business growth within risk appetite.

### Mitigating actions

- Policies and standards setting out clear requirements and controls that apply across the business, aligned to the Group's risk appetite
- Identification, assessment and implementation of regulatory and legal requirements by risk specialists and legal colleagues as needed
- Local controls, processes, procedures and resources to ensure appropriate governance and compliance by business units

#### Trend



#### Link to strategy



## Risk overview continued

### Conduct risk

Conduct risk remained elevated in 2025, recognising areas of ongoing focus driven by legal decisions, regulatory changes and complaint trends.

The Group continues to monitor the evolving situation in relation to motor finance commission arrangements and potential impacts to customers and its risk and control profile, liaising closely with regulatory bodies.

Enhancements continue to be made to the Group's 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.

The Group remains focused on the treatment of vulnerable customers and complaints performance.

#### Mitigating actions

- Policies and strategies are in place to prevent colleague misconduct and 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
- Strengthening policies, controls and reporting capabilities to demonstrate good outcomes for customers and markets

#### Trend



#### Link to strategy



### Credit risk

Credit performance has remained strong and stable in 2025.

In the Group's retail portfolios, low and stable arrears have been observed. The Group's commercial portfolio remains strong.

The underlying impairment charge in 2025 was £795 million, up from £433 million in 2024, and includes a net charge from updates to the Group's macroeconomic outlook of £74 million compared to a large release of £394 million in 2024. Excluding macroeconomic updates, the Group's underlying impairment charge remains low and similar to 2024.

The total underlying probability-weighted expected credit loss (ECL) allowance was lower in 2025 at £3,353 million (31 December 2024: £3,651 million).

#### Mitigating actions

- Appropriate and robust 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

#### Trend



#### Link to strategy



### Economic crime risk

Economic crime remains a principal risk for the Group, reflecting the inherent risks within the external environment, driven by geopolitical instability and an evolving economic crime threat landscape.

Controls are in place to address bribery and corruption, fraud, money laundering and sanction risks. In 2025, business units continued to deliver against action plans, which strengthened the control environment, reduced residual risk and responded to changing regulatory expectations. During the year, two new Board-level risk appetite metrics were introduced to further enhance oversight of sanctions and fraud.

Protecting customers remains a key priority, with ongoing consideration of regulatory developments, data-sharing capabilities, and interventions across the economic crime lifecycle.

#### Mitigating actions

- Robust economic crime policy and standards
- Delivery of Group-wide Economic Crime Prevention Strategy, supported by periodic reviews to address emerging risks and regulatory developments
- Sustained progress in remediation activities to strengthen the control environment and reduce residual risk
- Continued enhancements of our industry-leading fraud detection capabilities to respond to evolving threats

#### Trend



#### Link to strategy



### Insurance underwriting risk

Insurance underwriting risk remains stable. Life and Pensions present value of new business premium increased to £21.0 billion (2024: £18.2 billion), driven by higher contribution from workplace, protection and Scottish Widows platform businesses, partially offset by lower sales in the annuities business due to market conditions.

Gross written premiums increased to £762 million (2024: £737 million).

#### Mitigating actions

- Underwriting quality is the primary mechanism used to manage insurance risk
- Robust processes are embedded for underwriting, reinsurance, claims management, pricing, product design and product management
- Management through diversification and pooling of risks

#### Trend



#### Link to strategy



## Liquidity risk

The Group maintained its strong liquidity and funding position with a loan to deposit ratio of 97% (2024: 95%).

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 145% (2024: 146%).

The Group maintains access to diverse sources and tenors of funding.

### Mitigating actions

- Maintenance of a portfolio of unencumbered high quality liquid assets in excess of regulatory requirements
- Robust management and monitoring of liquidity risks to ensure systems and arrangements are adequate with regard to internal risk appetite, Group strategy and regulatory requirements
- Significant customer deposit base, driven by inflows to trusted brands
- Participation in term issuance programmes

#### Trend



#### Link to strategy



## Market risk

Market conditions have remained stable in 2025. The Group remains well hedged, ensuring near-term interest rate exposure is appropriately managed. The Group's structural hedge has increased to £244 billion in 2025 (2024: £242 billion) due to strong deposit growth.

Following the agreements made as part of the Group's main defined benefit pension schemes triennial valuations at 31 December 2022, there are no further deficit contributions payable for this triennial period (to 31 December 2025). The IAS 19 accounting surplus has reduced to £2.6 billion at 31 December 2025 (2024: £2.9 billion).

### Mitigating actions

- Structural hedge programmes to stabilise earnings
- Close monitoring of market risks and where appropriate, all 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

#### Trend



#### Link to strategy



## Model risk

In 2025, the Group has made significant progress in strengthening its model risk management.

The Group's model risk operating framework continues to improve with investment in training and resources to support framework adoption and further development of our CRD IV models. The Group continues to anticipate and address regulatory requirements, embedding SS1/23 principles into our day-to-day risk management, including proactive engagement with regulators.

The control environment for model risk continues to be enhanced, meeting both internal and regulatory requirements to support the safe and strategic development of AI and machine learning applications within the Group.

Investment in model risk management remains a priority for the Group to further improve risk management and as an enabler to drive strategic developments.

### Mitigating actions

- Continued enhancement and embedding of the model risk management framework for managing and mitigating model risk
- The Group's independent model validation process provides ongoing, independent, and effective challenge to model development and use
- Establishment of a governance framework for the management of AI model risks across principal risk categories
- Introduction of a wider range of model status categories to provide more transparent and informative reporting of model risk

#### Trend



#### Link to strategy



## Operational risk

Operational risk remained stable in 2025, with key risks relating to change execution risk, data and privacy, supplier risk, IT systems and information, cyber and physical security. Operational loss event volumes continue to be low, primarily relating to transaction and data processing, IT systems and change execution.

The Group continues to demonstrate resilience in delivering strategic change safely, despite some IT outages occurring during the year. No material security breaches took place in 2025, though some events at third-party suppliers reinforced the need for vigilance and robust oversight.

The Group places a strong emphasis on analysing progress against its strategic transformation delivery, using learnings to drive improvements and ensure effective management of change execution risk.

### Mitigating actions

- Deployment of a range of risk management strategies, such as avoidance, mitigation, transfer (including insurance) and acceptance
- Ongoing focus on people risk measures including culture, capability and capacity to support strategic growth plans
- The Group continues to invest strategically to mitigate operational risks, strengthen controls and to meet operational resilience regulatory requirements
- Internal reviews and industry engagement on IT outages to drive control improvement and ensure effective supplier assurance

#### Trend



#### Link to strategy



# Risk overview continued

## Emerging and topical risks

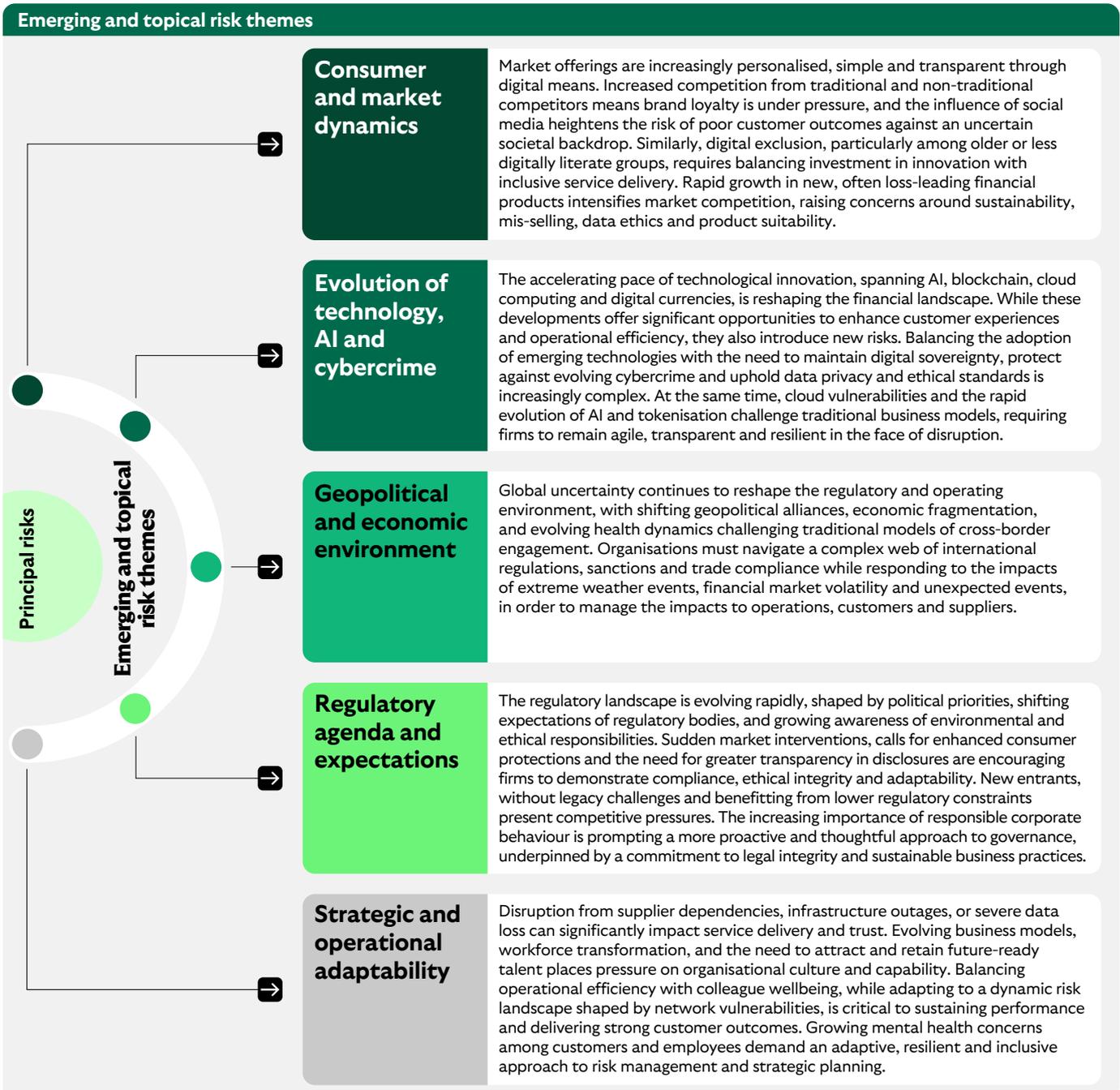
Emerging and topical risks remain an area of ongoing focus for the Group's Board and senior management. During 2025, the Group has continued to strengthen its approach to identifying, assessing and prioritising emerging risks, recognising the continued complexity and interdependence of global and sector-specific challenges.

The Group's emerging and topical risk themes have been refined in 2025, reflecting developments in geopolitical uncertainty, technological disruption, climate transition and regulatory change. These themes have been subject to reviews at executive and Board-level committees, including the Board Risk Committee, with actions agreed to strengthen monitoring and mitigation strategies.

Particular attention has been given to drivers of the emerging and topical risk themes, such as supply chain fragility and evolving customer behaviours.

Building on the foundations established in prior years, the Group's methodology now places greater emphasis on forward-looking, scenario-based exercises to anticipate potential shifts in the emerging risk landscape. These exercises explore how emerging risks could materialise and interact under plausible conditions, leveraging insights from senior leaders and subject matter experts to test critical assumptions, examine interdependencies and identify potential second-order impacts across the business.

Looking ahead to 2026, horizon scanning and thematic analysis will continue as a key risk management tool to anticipate future trends, ensuring preparedness for both risks and opportunities arising from an increasingly volatile environment while safeguarding customers, colleagues and shareholders.



## Consumer and market dynamics

- Ageing population
- Changing and expanding customer base
- Data ethics and privacy
- Disinformation and social media
- Market dynamics
- Non-traditional competitive landscape
- Societal expectations of financial services institutions
- Societal polarisation

- Review of customer propositions, participation choices by business area. Continued focus on consumer duty, ESG and vulnerability
- Periodic review of the Group's strategy, including review of performance, key risks and external environment
- Ongoing assessment of the impact of customer sentiment, complaint volumes and media coverage
- Regular customer insight analysis and risk assessments undertaken to understand impacts of changing demographics

## Evolution of technology, AI and cybercrime

- Blockchain and tokenisation
- Cloud vulnerabilities
- Digital currencies and payments
- Digital sovereignty
- Emerging technologies
- Evolution and scaling of AI
- Evolution of cybercrime

- Regular updates on data and technology strategy, and deep dives completed on generative AI, cyber risk, technology risk and economic crime prevention at relevant committees
- Partnership with Cambridge Spark to deliver 'Leading with AI' programme to over 200 senior leaders
- Implemented a data ethics framework and Ethical AI framework within our Group data and model risk policies
- Establishing feature teams focused on emerging technology trends such as tokenisation and exploring new partnerships to deliver new capabilities

## Geopolitical and economic environment

- Extreme weather events
- Financial market volatility
- Geopolitical influences
- Quantitative tightening and fiscal restraints

- Quarterly review of the Group's economic assumptions in response to the macroeconomic environment
- Periodic intelligence scanning to detect and identify triggers and events which may impact the Group and its operations
- Undertake stress testing to analyse the impact of different economic scenarios on the Group's performance

## Regulatory agenda and expectations

- Compliance and legal integrity
- Failing to ensure ethical corporate behaviour
- Necessary regulatory reform
- Regulatory disclosures and external disclosures

- Ongoing monitoring of regulatory developments through horizon scanning activity
- Regular engagement by senior management and Board members with regulators on key topics and specific areas of regulatory focus, including responses to consultations
- Legal and regulatory lens applied to cost and investment prioritisation
- Organisational focus on meeting all relevant regulatory requirements and expectations

## Strategic and operational adaptability

- Business model evolution
- Colleague conduct and wellbeing
- Network and infrastructure blackouts
- Operational efficiency challenges
- Organisational culture and mindset
- Physical and mental health impacts
- Skills of the future
- Strategic transformation
- Supplier challenges and dependencies
- Talent attraction and retention

- The Group implements playbooks if significant disruptive events occur, such as another pandemic or system outages, and these are refreshed at least annually to prepare for such events
- The Group has strengthened measures to ensure that we are more prepared for significant disruption to supply chains
- Enhanced business continuity plans to enable the majority of our colleagues to work remotely where possible, supported by ongoing cloud migration of applications
- Regular reviews of the Group's strategic workforce planning focused on short- medium- and long-term view of the skills composition required, alongside our culture, inclusion and diversity goals

## Section 172(1) statement

# Effective stakeholder engagement underpins decision making by the Board

**Considering stakeholder interests is key to decision making by the Board. To better understand their interests, the Board receives feedback from stakeholders through engagement both inside and outside of the boardroom including at specific events and through the Group's Closer to Customers, Clients and Colleagues programme.**

Senior management supports Board decision making by addressing stakeholder implications in proposals submitted to the Board for consideration and providing the Board with details of stakeholder interactions.

Further detail on stakeholder engagement is contained within the directors' report on **pages 76 to 78** of the annual report and accounts.

### 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 30 to 31** 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 76 to 78** 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 Lloyds Banking Group plc (the Company) maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of the interests of, stakeholders.

The three key Board decisions outlined in this section (Empowering customers through technology and innovation, Growing wealth strategy and unlocking bancassurance potential and Delivering financial reporting at greater pace) illustrate this in practice.



#### Stakeholder impact



#### Link to strategy



**Empowering customers through technology and innovation**

### Board considerations:

In 2025, in line with the Group's customer-focused strategy, the Board considered initiatives aimed at accelerating and broadening the Group's digital transformation and deepening customer relationships as well as simplifying customer interactions.

### Board initiatives:

- In June, the Board approved the Consumer Duty annual report and considered how good customer outcomes remain critical as the Group focuses on customer experience and differentiation. Throughout 2025, the Board received updates on co-servicing, which enables customers to service products across our brands seamlessly – whether in branch, online or when they need extra support
- Customer differentiation was also the focus of executive briefings to the Board in June and November on the Group's proposed acquisition of Curve, a London based fintech operating an innovative digital wallet platform, with a view to accelerating the Group's digital wallet strategy and differentiate customer experience

### Future focus:

The Board is committed to supporting the Group's strategy to deliver market-leading digital experiences and empower its customers.

#### Stakeholder impact



#### Link to strategy



## Growing wealth strategy and unlocking bancassurance potential



#### Board considerations:

The Board has an ongoing commitment to the Group's focus on the customer, including through its wealth strategy and the offering of personalised propositions to customers for everyday value and key life events, both within Insurance, Pensions and Investments (IP&I) and across the Group more broadly.

#### Board initiatives:

- In July, the Board approved the acquisition of the outstanding interest in Schroders Personal Wealth (SPW), the wealth management and advice business previously operated as a joint venture with Schroders Group

- The Board engaged with the executive on the transaction's strategic rationale and the benefits for customers with SPW subsequently rebranding as Lloyds Wealth
- In May and June, the Board considered the steps being taken within IP&I to develop the Group's bancassurance model and enhance customer services

#### Future focus:

The Board will continue to support the executive to grow and diversify revenue by strengthening bancassurance and transforming the Group's wider wealth business with a full advice proposition available to mass affluent banking customers across brands as well as to new customers.

#### Stakeholder impact



#### Link to strategy



## Delivering financial reporting at greater pace



#### Board considerations:

In 2025, the Board and its Audit Committee considered whether the Group should move to preliminary reporting, reflecting the Group's strategic ambition to deliver at pace and enhance transparency with stakeholders.

#### Board initiatives:

- In June, the Board and its Audit Committee considered the strategic benefits of preliminary reporting which included earlier market messaging and focusing senior management on driving the organisation forwards earlier in 2026, as well as the risks, such as audit limitations and initial increased implementation workload for colleagues
- In July, the Board, upon recommendation from the Audit Committee, approved the half year results announcement, including disclosure related to the announcement of the intention to start preliminary reporting at year end

#### Future focus:

The Board will monitor the impact of this changed approach to financial reporting on stakeholders. Ongoing engagement with shareholders, colleagues and external audit will remain a priority for the Board.

# 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 22 to 23** and **32 to 33**; (ii) Sustainability review on **pages 35 to 49**; (iii) Risk management on **pages 150 to 152**; (iv) Governance **pages 80 to 81** 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. 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](#) → and [sustainability metrics data sheet](#) →. Our separate supplements ensure we can provide a comprehensive response, that is presented in a decision-useful manner for users of the reports.

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 Chapter 2 'Disclosures on climate-related financial information' (set out via FCA PS21/24) reporting requirements for the period ending 31 December 2025. This additional compliance will be met through Entity and Product level reporting to be published on the Scottish Widows website in June 2026.

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

## TCFD and Climate-related financial disclosures cross-reference table

Recommendations	Reference (ARA unless specified otherwise)
<b>Strategy</b>	
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))	Pages 39 to 41 Pages 44 to 47 Pages 150 to 152
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))	Pages 39 to 41 Pages 42 to 47 Pages 150 to 152  Notes to financial statements  Page 228 and pages 278 to 279
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))	Pages 48 to 49 Pages 150 to 152 Page 228 and pages 278 to 279
<b>Governance</b>	
A. Describe the Board's oversight of climate-related risks and opportunities. (Companies Act 2006 – Sections 414CA and 414CB 2A (a))	Pages 80 to 81
B. Describe management's role in assessing and managing climate-related risks and opportunities. (Companies Act 2006 – Sections 414CA and 414CB 2A (a))	Pages 80 to 81
<b>Risk Management</b>	
A. Describe the organisation's processes for identifying and assessing climate-related risks. (Companies Act 2006 – Sections 414CA and 414CB 2A (b))	Page 25 Pages 39 to 40 Pages 150 to 152
B. Describe the organisation's processes for managing climate-related risks. (Companies Act 2006 – Sections 414CA and 414CB 2A (b))	Pages 39 to 40 Pages 150 to 152
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))	Pages 150 to 152
<b>Metrics and Targets</b>	
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))	Pages 42 to 49, 110 and 122 Sustainability report pages 62 to 81 and 118 to 120
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))	Pages 42 to 49 Sustainability report pages 62 to 81 and 118 to 120
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))	Pages 42 to 49 Sustainability report pages 62 to 81 and 118 to 120

# Non-financial and sustainability information statement

The Non-Financial Reporting requirements contained in Sections 414CA, 414CB and 414C(7)(b)(i)(iii) of the Companies Act 2006 are addressed within this section. The table below signposts 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
<b>Business model</b>	Our business model	Pages 06 to 09
	Our approach to sustainability materiality and value chain	Page 38
	Our strategy	Page 36
	Progress and performance based on key non-financial metrics	Pages 20 to 21 and 42 to 49
<b>Principal risks</b>	Risk overview including risk management framework	Pages 24 to 29
	Climate risk	Pages 25 and 150 to 152
	Economic crime risk	Pages 26 and 179
	Operational risk	Pages 27 and 195 to 197
	Conduct risk	Pages 26 and 153
<b>Our stakeholders</b>	Stakeholder engagement	Pages 22, 30 to 31 and 76 to 78
	Further information on how we support our stakeholders is included within the <a href="#">Code of ethics and responsibility</a> → and internal colleague policies including Colleague policy <sup>1</sup> , Health and Safety policy <sup>1</sup> and Speak Up policy <sup>1</sup> which are summarised in our <a href="#">sustainability report</a> →	
<b>Climate and environmental sustainability</b>	Supporting the UK transition and our progress on ambitions and targets	Pages 42 to 49
	Identification, assessment and management of climate risk	Pages 39 to 40 and 150 to 152
	Task Force on Climate-related Financial Disclosures (TCFD)	Page 32
	Climate-related financial disclosures (CFD)	Page 32
	Policies which support our approach to environmental sustainability include our <a href="#">sector statements</a> → During 2025, we recorded no material environmental incidents or regulatory enforcement actions and reduced operational greenhouse gas emissions year-over-year	
<b>Social matters</b>	Social sustainability risk arises through operational, conduct and credit risk with identified risks and opportunities disclosed along with associated metrics	Pages 39 to 41
	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 <a href="#">sustainability report</a> →	Pages 14 to 15, 22 to 23 and 36 to 38
<b>Anti-bribery and corruption</b>	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. During the year, no bribery or corruption incidents were substantiated, and 99% of in-scope employees completed anti-bribery training	Pages 26, 94 and 179
	Further policies which support our approach include: <a href="#">Anti-bribery policy statement</a> → and <a href="#">Code of ethics and responsibility</a> →	
<b>Respect for human rights</b>	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: <a href="#">Our Code of Supplier Responsibility</a> → which sets out the key social, ethical and environmental values and behaviours that we want our suppliers to abide by. <a href="#">Human rights policy statement</a> →, <a href="#">Modern slavery and human trafficking statement</a> → and our colleague policy <sup>1</sup> , data privacy policy <sup>1</sup> , data ethics policy <sup>1</sup> and information, cyber and physical security policy <sup>1</sup> which has been summarised within the <a href="#">sustainability report</a> → During 2025, we had no substantiated reports of modern slavery across our business and supply chain, and strengthened controls through training and assurance, including continued rollout of our group-wide modern slavery module and executive/Board training.	
	Topic is considered as part of conduct, economic crime and operational risk	Pages 25 to 27
	Activities to support our colleagues and promote Inclusion	Pages 22 to 23
<b>Governance</b>	Key Board discussions and decisions	Pages 30 to 31
	Sustainability governance	Pages 80 to 81

<sup>1</sup> Certain Group policies, internal standards and guidelines are not published externally.

# 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 2026 to 2028

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 robust capital and funding stress testing management policies and toolkits. These allow 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 2025, stress tests have considered a range of economic scenarios covering multiple outlooks and economic paths, including differing 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 197** of the annual report and accounts, is taken into account. Further information on stress testing and reverse stress testing is provided on **pages 142 and 143** 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 01 to 34**
- Emerging and topical risks are disclosed on **pages 28 and 29**
- 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 137 to 197** 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 **pages 142 and 143** 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 their liabilities as they fall due over the next three years to 31 December 2028.

## 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 181 to 186** 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.

# 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](http://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 14 May 2026 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 <a href="https://www.bankofscotland.co.uk/investing.html">https://www.bankofscotland.co.uk/investing.html</a> →	0345 606 1188
Halifax Share Dealing <a href="https://www.halifax.co.uk/investing.html">https://www.halifax.co.uk/investing.html</a> →	0345 722 5525
Lloyds Bank Direct Investments <a href="https://www.lloydsbank.com/investing.html">https://www.lloydsbank.com/investing.html</a> →	0345 606 0560
Scottish Widows Share Dealing <a href="https://www.scottishwidows.co.uk/investing.html">https://www.scottishwidows.co.uk/investing.html</a> →	0345 070 7129

### 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, Lloyds Bank Direct Investments or Scottish Widows Share Dealing 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](http://www.adrbny.com) → or email [shrrelations@cpushareownerservices.com](mailto: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](http://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](http://www.actionfraud.org.uk) → for further information.

## Important shareholder and registrar information



### Company website

[www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com) →



### Shareholder information

[help.shareview.co.uk](http://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](http://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](http://www.shareview.co.uk/info/register) → or by scanning the QR code



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 was Chair of The Crown Estate for nine years until July 2025. He 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 qualified as a chartered accountant.

**Key external appointments:**

None

**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, Spectris plc and Countrywide plc.

**Key external appointments:**

Non-Executive Director of Rentokil Initial plc and 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 and Lloyds Bank GmbH

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<sup>1</sup>.

**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.

**Harmeen Mehta**  
Independent non-executive director



**Appointed:** November 2021

**Skills, experience and contribution:**

- Over 25 years' experience leading digital, AI-driven, 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 Equinix in April 2025.

Prior to that role, she was Chief Digital and Innovation Officer at BT and 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 Equinix and Non-Executive Director, UK Parliament, Information & Digital Board.

**Chris Vogelzang**  
Independent non-executive director

RB<sup>2</sup>



**Appointed:** June 2025

**Skills, experience and contribution:**

- Extensive experience in retail and commercial banking
- Strong understanding of technology's role in financial services
- Track record of driving transformation within organisations

Chris was Chief Executive Officer of Danske Bank A/S from 2019 until 2021. Prior to that, he held a number of senior positions at ABN AMRO, including Managing Board member with responsibility for Retail and Private Banking, Chief Executive Officer of Retail Banking for The Netherlands and Chief Executive Officer of Global Private Banking.

**Key external appointments:**

Non-Executive Director of Wolters Kluwer N.V.

**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.

**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.

**Board changes during the year**

**16 June 2025**

Chris Vogelzang joined the Board as a non-executive director

**31 October 2025**

Scott Wheway retired as a non-executive director of the Board and as Chair of Scottish Widows Group<sup>3</sup>

**A** Audit Committee member

**BR** Board Risk Committee member

**NG** Nomination and Governance Committee member

**Re** Remuneration Committee member

**RB** Responsible Business Committee member

**●** Committee Chair

<sup>1</sup> Nathan will continue to serve on the Centrica plc board until no later than the end of July 2026. Nathan will join the board of Jupiter Asset Management plc as a non-executive director and Chair designate on 1 March 2026 and will take on the role of Chair of that company, subject to regulatory approval, with effect from 1 April 2026.

<sup>2</sup> Chris Vogelzang will be appointed as a member of the Board Risk Committee with effect from 1 April 2026.

<sup>3</sup> Chris Moulder, the Senior Independent Director of Scottish Widows Group, assumed the role of interim Chair of Scottish Widows Group while a process is run for the appointment of the next Chair of Scottish Widows Group.

# Directors' remuneration report

**Cathy Turner**  
Chair, Remuneration  
Committee



[Read full biography →](#)



**Our proposed 2026 Policy places greater emphasis on sustainable high performance and the creation of shareholder value, pivoting from guaranteed fixed pay to performance-related variable pay.**

## Key activities in 2025

- Agreed a multi-year pay deal with a fixed award approach for the majority of our colleagues, which includes a £1,200<sup>1</sup> pay award for 2026 and 2027
- Conducted a thorough review of the Directors' Remuneration Policy to ensure it supports the Group's strategic priorities
- Completed an extensive shareholder consultation on executive remuneration

## Membership and attendance

Cathy Turner (Committee Chair)	<b>6/6</b>
Sir Robin Budenberg	<b>6/6</b>
Amanda Mackenzie	<b>6/6</b>
Catherine Woods	<b>6/6</b>

## Other attendees

Nigel Hinshelwood and Sarah Bentley, the Senior Independent Director and an independent non-executive director respectively of the Ring-Fenced Banks, attend meetings as observers to provide insight on the Ring-Fenced Banks when required. In addition, the Committee engaged with and received updates from the Group Chief Executive, Chief People and Places Officer, Total Reward Director and the Chief Risk Officer.

## Dear shareholder

On behalf of the Board, I am pleased to present the directors' remuneration report (DRR) for the year ended 31 December 2025 and the proposed Directors' Remuneration Policy (Policy), for which we are seeking approval at our annual general meeting (AGM) in May 2026.

I would also like to take this opportunity to thank our shareholders for the strong support received at the 2025 AGM, with 94% approval of our 2024 DRR.

## Sustained strength in financial performance and how we have delivered for our customers, communities and shareholders in 2025

2025 has been another year of significant progress for the Group, delivering for our customers, communities, and shareholders. Given our continued strategic execution and sustained strength in financial performance, this enabled a total proposed ordinary dividend for 2025 of 3.65 pence per share, an increase of 15% compared with the prior year. In addition, the Group announced the launch of a share buyback programme to repurchase up to £1.75 billion of ordinary shares, reinforcing our commitment to creating long-term value for our 2.1 million shareholders, including around 80% of our employees.

In 2025, we continued to deliver on our purpose of Helping Britain Prosper. We remain focused on improving access to quality and affordable housing, lending £17 billion to first time buyers in 2025 and supporting £3.2 billion of new finance to the social housing sector. Additionally, we recently committed to providing a further £35 billion of new finance to companies investing and operating in the UK in 2026.

Supporting the net zero transition remains a significant strategic and commercial opportunity. The Group has cumulatively delivered over £70 billion of sustainable financing since 2022, including over £21 billion in 2025.

## Continuing to support colleagues through our transformation

I am immensely proud of the role our colleagues have played in delivering for our customers, communities and shareholders in 2025. We have continued our significant transformation and the commitment of our colleagues remains critical to its success.

In 2024 and 2025, we provided a two-year pay deal to give colleagues certainty during a fast-changing economic environment as we continued to transform our Group. This year, we have agreed another multi-year pay deal for junior colleagues with our recognised unions, Accord and Unite, continuing our support for colleagues by keeping things simple and providing certainty. In 2026, this includes a pay award of £1,200<sup>1</sup>, with a new minimum salary of £26,200<sup>1</sup>, and in 2027, a further pay increase of £1,200<sup>1</sup> will apply, with the minimum salary rising to £27,400<sup>1</sup>. Our new minimum salary from 1 April 2026 will be 7.0% above the national Real Living Wage; our London rates will be 10.9% above the London Real Living Wage.

As set out last year, in continuing to consider arrangements for engaging with the Group's workforce, the Board approved an evolved approach to colleague engagement, implemented during 2025. This new approach built on existing colleague listening activity and introduced three colleague-led forums designed to increase colleague voice, particularly at grades where trade union representation is low.

For colleagues not included in the two-year pay-deal, we shared our approach with the People Forum and listened to and acted on their feedback, providing higher increases for those lower in their pay range. For our more senior colleagues, we continued our discretionary pay approach, maintaining a strong emphasis on individual impact and contribution, peer pay comparisons and position within the pay range.

<sup>1</sup> Pro-rated for reduced hours.

Finally, I'm delighted to celebrate the success of the 2022 Sharesave, a savings scheme combined with a share option plan which enables our colleagues to save for their future and then buy shares in the Group at a discounted price. The scheme launched in December 2022 with an option price of 39 pence and matured on 1 January 2026 at a price of 99 pence. Around 15,000 of our colleagues, approximately 25% of the Group's employees, have shared in the significant value they helped create for shareholders through Sharesave. The typical savings amount from colleagues participating in the 2022 Sharesave was £112 per month, and at the above gain would see a final realisation benefit of around £6,000.

## PRA/FCA remuneration reform

In October 2025, the PRA and FCA published a joint policy statement which made significant, positive changes to the delivery of variable pay for Material Risk Takers (MRTs); these changes better align the UK with global norms and make it easier for UK firms to attract and retain global talent.

Excluding our executive directors, we implemented these changes with immediate effect. For our executive directors, we are mindful that additional considerations apply. As a consequence, for our executive directors, we will be subjecting variable pay to a greater level of deferral and delivery of shares than required by the regulatory rules; this is detailed as part of our implementation report.

## 2025 Group-wide variable reward outcomes

2025 was a key year for the Group, entering the second phase of our strategy demonstrating sustained strength in financial performance with franchise, balance sheet and income growth.

In determining the 2025 Group Performance Share (GPS) annual bonus pool outcome, the Committee has considered a range of factors, including the Group's underlying financial performance, its reward market positioning, our Group balanced scorecard (BSC) outcome and our risk management. The Group BSC contains measures of financial and non-financial performance, reflecting a range of stakeholders including shareholders, customers and clients, colleagues, and our communities and the environment. The scorecard is described in more detail on **pages 110 and 111** of the annual report and accounts.

The Committee has approved a 2025 GPS pool of £405 million, representing a year-on-year increase of 10% compared to 2024. The increased pool in 2025 shows continuing alignment to the underlying financial performance of the Group.

In 2023, Long Term Share Plan (LTSP – a restricted share plan with underpins) awards were granted to approximately 840 colleagues, including our executive directors. The decision to award LTSP awards in 2023 was based on performance relating to 2022. 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 vest in full. The Committee also considered whether there was any requirement to adjust the final outcome for windfall gains, particularly as share price appreciation (c.75% share price growth over the life of the plan) accounts for such a significant proportion of the value realised by colleagues. The Committee concluded that the share price growth over the period was reflective of underlying performance and shareholder experience and as a consequence determined that no adjustment is necessary. The 2023 LTSP is the final long-term incentive in the form of an award under a restricted share plan to vest having been replaced by a performance-based Long Term Incentive Plan (LTIP) from 2024.

## 2025 Executive director variable reward outcomes

In 2025, our Group Chief Executive (GCE), Charlie Nunn, has overseen the continued delivery of the Group's strategy, financial targets, investment priorities, and market share growth in priority areas, which will set the Group up for success in 2026, the final year of the first strategic phase.

He has demonstrated strong leadership throughout another challenging year for consumers while working closely with the UK Regulators and UK Government on several key areas.

Our Chief Financial Officer (CFO), William Chalmers, has played a critical role in the execution of the Group's strategy and maintained positive engagement with investors and regulators on the Group's performance and strategic direction, while showing strong financial and risk management.

The Group BSC, comprising seven financial and non-financial performance measures, is the principal input into the annual bonus awards for the GCE and CFO. As I set out in my Chair statement in 2024, the impact of any motor finance provision in 2025 on financial metrics would be excluded, with any impact considered on a discretionary case-by-case basis, to allow the Committee to set robust financial targets aligned to the financial planning and budgeting process.

A detailed breakdown of the outcome of the Group BSC is set out on **page 110** of the annual report and accounts. After careful consideration, the Committee does not consider that the mechanical outcome of 81.9% properly reflects the performance of the Group given the additional provision taken for motor finance this year (see **page 283** of the annual report and accounts). In assessing the impact of the provision on the Group's financial performance with due consideration to the fact that it relates to issues that took place prior to the appointment of the current management team, the Committee has agreed a 74% outcome is appropriate which has resulted in a 7.9 percentage point reduction from the mechanical outcome. Taken with the impact on the Group BSC in 2023 and 2024, the Committee is satisfied that the total provisions taken by the Group to date have been appropriately reflected in executive variable pay outcomes.

On the basis of a Group BSC outcome of 74.0% the final 2025 GPS awards for the GCE and CFO were £1,424,895 and £908,835 respectively.

## 2026 Directors' Remuneration Policy

The current Policy, which received 96% support from our shareholders at the 2023 AGM, is due for renewal in 2026. In preparation, the Committee has undertaken a thorough review to ensure the Policy acts as a strong incentive to our management team, who are well regarded by our shareholders, to deliver continued strategic and financial progress and guide the Group into its next strategic cycle. The Policy places greater emphasis on sustainable high performance and shareholder value creation.

The 2026 Policy proposes a material reduction in guaranteed fixed pay for our executive directors alongside a higher performance-related variable reward opportunity to enhance our pay-for-performance proposition and further align executive reward outcomes with the experience of our shareholders. The scorecards which drive variable reward outcomes have also been reviewed, with an increased weighting towards quantitative financial measures, and 2026 financial targets have been set substantially higher than in previous years reflecting the Group's ambitious growth plans.

## Shareholder consultation

We place significant emphasis on our shareholders' views and have undertaken a comprehensive consultation, across both 2024 and 2025, on executive pay to ensure those views are well understood and properly reflected in the proposed Policy.

In 2024, I consulted with a range of shareholders and proxy rating agencies to discuss their views on executive pay ahead of Policy implementation in 2025. The feedback was valuable and indicated broad support for the management of executive pay at the Group which our shareholders consider is undertaken responsibly. Our shareholders clearly understood our rationale for the fixed pay changes and the importance of rewarding our executive directors, who are well regarded amongst our investors, fairly for their roles in the short and long term.

## Directors' remuneration report continued

One area of particular discussion during the 2024 consultation was the timing of fixed pay increases ahead of the Policy review in 2025. As I set out in my Chair statement in 2024, the Committee considered the feedback carefully and determined to take a two-step approach to ensure the executive directors were paid fairly ahead of the 2026 Policy review. Appropriate fixed pay changes were implemented in 2025.

In the 2024 DRR, I noted that fixed pay would be reconsidered as part of the 2026 Policy review, where we anticipated that, consistent with likely market movements, the fixed share award (FSA) element would be significantly reduced and a higher, performance-related, variable reward opportunity recommended.

I once again consulted with shareholders in 2025 to ensure our early Policy thinking was reflective of shareholder views. In October 2025, I spoke with our largest shareholders, representing around 25% of issued share capital (ISC), followed in November 2025 by engaging with the main proxy rating agencies whose recommendations are considered by a significant portion of our register.

During those meetings, we specifically focused on the significant pivot from fixed to variable pay, the increased weighting of financial measures across our scorecards, and how we benchmarked our proposals to test them against an appropriate range of peers. Feedback from shareholders during the consultation was positive. In particular, shareholders welcomed the early engagement, acknowledged the clear and well-articulated rationale for the changes and the market alignment of the proposed package.

Following our initial consultation, we issued a letter to a number of institutional shareholders who were not part of the initial consultation, seeking their input on the proposals discussed as well as sharing feedback received to date. In total, approximately 60% of the Group's ISC were contacted on the proposed 2026 Policy.

Taken as a whole, the Committee determined that the course we are on is appropriate for our business. However, our shareholders were also clear on three areas where they wanted the Committee to reflect:

- Future-proofing – shareholders expect the Policy to provide sufficient flexibility to last the cycle and do not expect the Group to seek a new Policy before 2029
- Performance targets – recognising the potential increase in quantum, shareholders expect performance measures to be transparent and targets should continue to be stretching
- Benchmarking – clear and transparent benchmarking, including consideration of the choice of peer group, particularly where firms have exposure to the US which has influenced their remuneration structure or overall quantum and those of similar size and performance to the Group

How the Committee has considered and addressed these key points is discussed in more detail below.

### Policy background and context

Since the appointment of Charlie Nunn as our GCE in August 2021, £43 billion of shareholder value has been created through a combination of growth in our market capitalisation of c.£25 billion and through distributions of c.£18 billion, c.131% of the value of the Company in August 2021.

In February 2022, the Group launched its new strategy, building on our strong foundations and our purpose of Helping Britain Prosper. At that time, the Committee conducted a thorough review of the Group's Policy to ensure it supported the Group's strategic priorities and the interests of our shareholders.

Following this review, as part of our refreshed 2023 Policy, we made significant changes to our executive reward package to drive a high-performing culture and create a stronger link between performance, reward, and the creation of shareholder value. Principal amongst those changes was the return to a performance-related LTIP, providing an increased variable opportunity but with significantly greater downside risk than the restricted share plan it replaced.

We also increased shareholding requirements for our executive directors to further strengthen alignment with our shareholders by requiring them to hold a higher multiple of salary in Group shares, increasing the requirement from 350% to 400% and from 250% to 300% for the GCE and CFO, respectively. The shareholding policy applies for two years post-employment.

The Committee believes that the current Policy, despite greater design constraints applicable at the time, has served the Group well and we continue to make strong progress in delivering our purpose-driven strategy, building differentiated customer outcomes and growing our business as we build towards our ambitious targets for 2026.

The Committee is also mindful of external factors which impact the 2026 Policy design, in particular the removal of the regulatory 2:1 bonus cap, FCA/PRA reforms, updated Investment Association Principles of Remuneration, and the new directors' remuneration policies approved by the shareholders of the Group's main UK banking peers.

The Committee has reflected on the 2023 Policy and has concluded that a simple annual bonus/LTIP structure remains most appropriate for our business, providing the closest alignment with the shareholder experience as well as transparency in terms of targets and outcomes for both our executive directors and our shareholders. During our consultations, investors have been supportive of this approach.

After careful consideration throughout 2025, the Committee has concluded that the direction set out in the 2024 DRR, pivoting towards a more leveraged, performance-oriented package, remains the right one to place more emphasis on sustainable high performance and shareholder value creation.

### Fixed pay

The new Policy removes FSAs (currently set at 100% of salary), reduces our executive directors' pension contributions from 15% to 10% of salary to better align to the market and at a level lower than the majority of the wider workforce, and removes the flexible benefits allowance and the CFO's company car allowance.

The base salaries of our GCE and CFO will be increased by 3%, in line with wider workforce fixed pay funding for 2026 to £1,416,642 and £903,572, respectively, effective 1 April 2026. Subject to approval of the Policy at the 2026 AGM, also effective 1 April 2026, salaries will be increased by an additional £112,531 and £82,684 to reflect the partial consolidation of FSAs and flexible benefits allowance. Taken together, these changes will reduce our executive director fixed pay by approximately 44%.

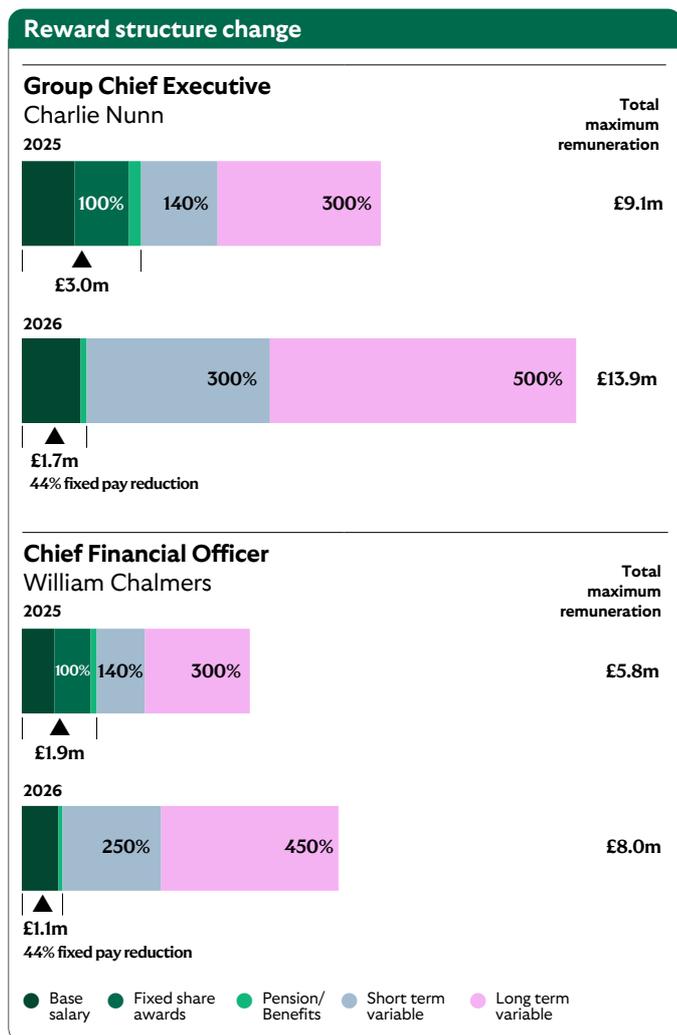
As acknowledged by the UK regulators at the time the bonus cap was removed, the regulations did not limit total remuneration but placed upward pressure on banking fixed pay which is not performance related and cannot be subsequently adjusted or clawed back. The fixed pay changes proposed as part of the 2026 Policy will bring the GCE's fixed pay as a percentage of total maximum compensation in line with FTSE 30 norms; down from 33% to 12%, compared to the FTSE 30 median of 14%. For the CFO, this would be down from 33% to 14%, compared to the FTSE 30 median of 15%.

### Variable pay

Alongside the reduction in fixed pay, the Committee also intends to make responsible use of the Group's 8:1 variable-to-fixed pay ratio to increase the executive directors' variable pay opportunity to place further emphasis on a high-performing culture and create a stronger link between performance, reward, and the creation of shareholder value.

For the GCE, the Committee is proposing to increase the maximum annual bonus award from 140% to 300% of base salary and the maximum LTIP opportunity from 300% to 500%; for the Group CFO, the proposed increases are to 250% and 450%, respectively.

These changes will place significantly more of the executive directors' pay at risk, increasing the variable pay component to over 85% of total maximum remuneration from 67% today.



The Committee is satisfied that the maximum total compensation opportunity under the proposed Policy is appropriately positioned relative to the market to create a strong incentive to the current management team to lead the Group into its next strategic cycle without needing to revisit the Policy ahead of 2029.

Subject to shareholder approval of the new Policy and following a pre-grant test based on 2025 performance, including the outcome of the 2025 Group BSC, 2026 LTIP awards will be granted following the AGM under the terms of the 2026 Policy at 500% of salary for the GCE and 450% of salary for the Group CFO.

### Shareholding requirement

To further strengthen the alignment between executive directors' interests and those of our shareholders, we are also proposing to increase the Group's shareholding requirement from 400% to 500% of base salary for the GCE and from 300% to 450% for the Group CFO as part of the 2026 DRP, aligned to their respective maximum proposed LTIP opportunities. As is currently the case, the shareholding policy applies for two years post-employment.

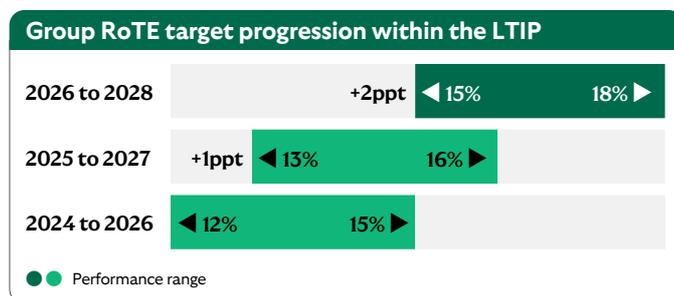
### Performance scorecards and targets

The Committee is clear that the performance targets which drive both GPS and LTIP outcomes are key in driving executive director behaviour and ensuring focus on sustainable high performance and the creation of shareholder value. For that reason, the Committee has dedicated significant time to both the Group BSC and the LTIP performance measures and is making substantive changes.

Our 2023 Policy rightly placed significant emphasis on strategic transformation, and that was reflected in the 35% weighting to the Strategic Delivery block in our LTIP scorecard. Under the new 2026 Policy, the Committee is clear that the Group's transformation and change must translate into sustainable high performance and the creation of value for our shareholders. To reflect that pivot we plan to significantly increase the financial weighting of the LTIP scorecard from not less than 50% to not less than 75%, to focus the vesting outcome of the LTIP on the financial results of our transformation.

For 2026, the LTIP measures will be return on tangible equity (RoTE) (30% weighting), capital generation (15% weighting) and relative total shareholder return (TSR) (30% weighting).

Recognising the importance of stretching financial targets to our shareholders, we have increased our RoTE target range for the 2026 LTIP award by two full percentage points from 13% to 16% to 15% to 18% and our capital generation range from 185 to 230 basis points to 200 to 250 basis points. Both the RoTE and capital generation targets are on a three-year average basis from 2026 to 2028.



The remaining weight will remain aligned to strategic delivery (15%) and environmental sustainability commitments (10%), which we intend to maintain as a separate block to ensure clarity and visibility over our climate-related performance.

Our current Group BSC, which is a key input into annual GPS decisions for our executive directors and informs the level of annual LTIP grant, has, for a number of years, included a strong weighting to financial measures; for that reason, the Committee is not proposing to change the current 60% weighting for 2026.

However, to recognise the longer-term nature of the Group's ambitions on decarbonisation, the Committee will use the LTIP as the principal measure of the Group's progress on environmental sustainability by moving the Reduction in our Operational Carbon Emissions measure from the short-term to the long-term scorecard.

To reflect the criticality of continued transformation of our workforce to enable delivery of Group strategy, our 2026 Group BSC will include a broader and more comprehensive 'People measure' weighted 15%; this will retain our current focus on inclusion and colleague engagement but also include a wider range of people transformation metrics considered by the Board. These will include, for example, colleague upskilling and the adoption of AI, a first we believe amongst our peers.

To recognise the importance of our customers and to ensure executive variable reward outcomes reflect their experience, the remaining 25% weight will be aligned to the Group Customer Dashboard (an increase of 5 percentage points from 2025).

Collectively, these changes will represent a significant pivot toward financial performance, with over 60% of total reward opportunity being linked to financial measures versus approximately 35% under the previous Policy.

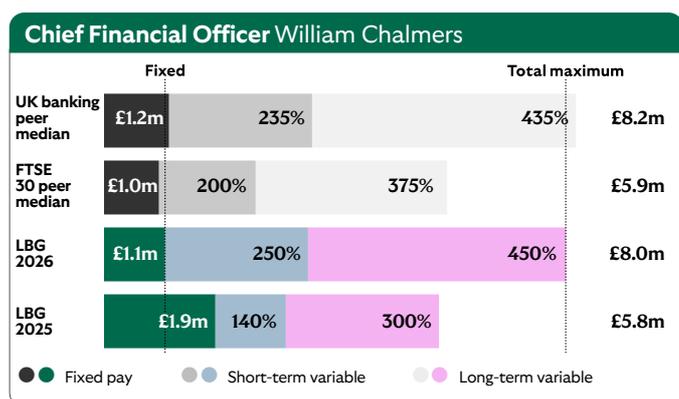
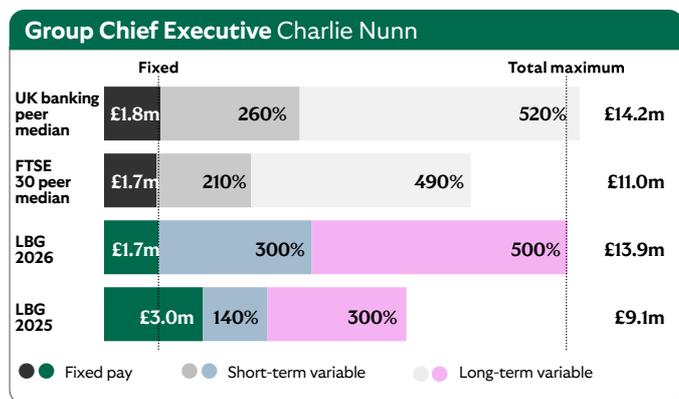
### Market benchmarking

Benchmarking was one of the key discussion points during our shareholder engagement; from those conversations it was clear that our investors expected us to use benchmarking to test our proposals, rather than be led by it, and also to be thoughtful over our choice of peers.

## Directors' remuneration report continued

To satisfy itself that the increased total reward package on offer to the executive directors is reasonable, the Committee has carefully tested its proposals against our main UK banking peers and a subset of the FTSE 30 which excludes firms whose pay structures are heavily influenced by the US market where pay practices are markedly different to the UK. For similar reasons, the Committee has decided not to consider a specific European peer set as part of the exercise.

Based on the benchmarking data set out below, the Committee is satisfied that the proposed Policy is well positioned versus market:



UK banking peers: Barclays, HSBC, NatWest and Standard Chartered.

FTSE 30 firms included: 3i Group, Anglo American, BAE Systems, Barclays, BP, Compass Group, Diageo (CFO only), Experian, Glencore (GCE only), Haleon, HSBC, Imperial Brands, NatWest, RELX, Rio Tinto, Rolls-Royce, Shell, SSE, Standard Chartered, Tesco, Unilever and Vodafone Group.

FTSE 30 firms excluded for having pay structures heavily influenced by the US market: Ashted, AstraZeneca, BAT, GSK, LSEG, National Grid and Reckitt Benckiser.

Peer 2025 data aged 3% for comparison purposes.

A key discussion point with shareholders during the consultation was how the Committee considers peers closest to the Group in terms of size, complexity and performance, given the diverse nature of the companies comprising the FTSE 30.

The Committee has also considered a narrower subset of the FTSE 30 which are more comparable to the Group in terms of market capitalisation (as a useful proxy for size and complexity) as well as TSR performance and has, again, concluded that the proposals are reasonable.

### Renewal of the North America Employee Stock Purchase Plan 2016 Rules

We will also be recommending a resolution to the AGM to renew our US Employee Stock Purchase plan, which is similar to our UK Sharematch scheme, to ensure its continued operation beyond the current approval period, which is due to expire in 2026.

### Conclusion

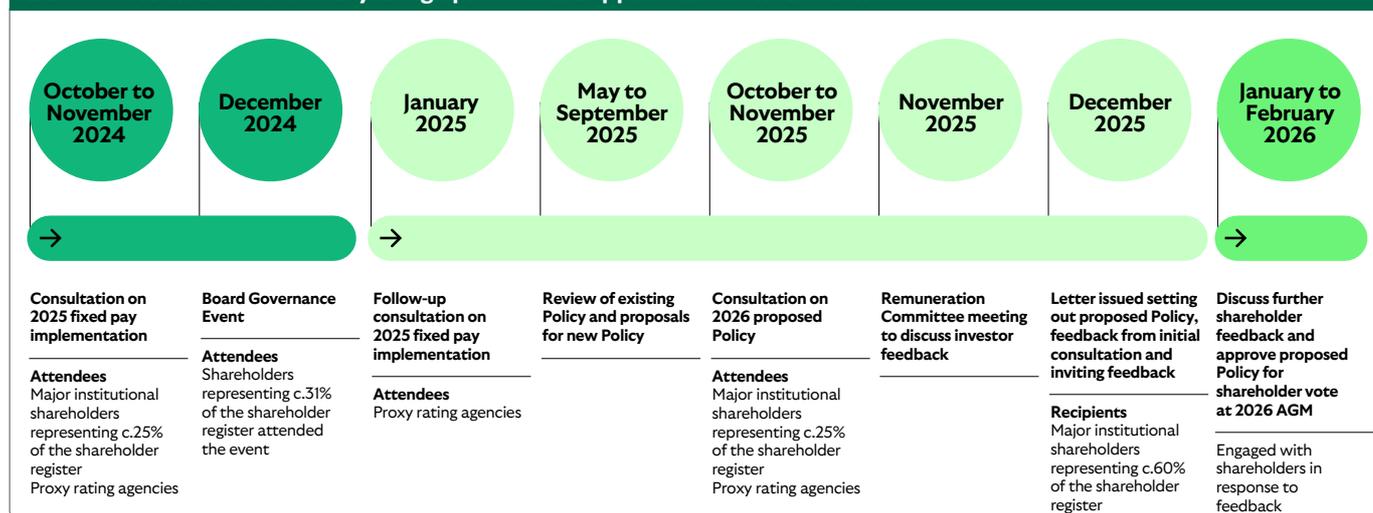
Together with my Committee members, I would like to thank our shareholders for their continued support and critical engagement on executive pay during 2025, and our people for their commitment to our customers and communities, and for delivering another set of robust results in 2025.

On behalf of the Board

*Cathy Turner*

**Cathy Turner**  
Chair, Remuneration Committee

### Directors' Remuneration Policy design process and approach to consultation



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

£000	Charlie Nunn		William Chalmers	
	2025	2024	2025	2024
Base salary	1,365	1,170	871	844
Fixed share award <sup>1</sup>	1,365	1,082	871	519
Benefits	71	52	48	63
Pension	205	176	131	127
<b>Total fixed pay</b>	<b>3,006</b>	<b>2,480</b>	<b>1,921</b>	<b>1,553</b>
Group Performance Share <sup>2</sup>	1,425	1,127	909	812
Long-term incentive <sup>3,4</sup>				
– Value excluding share price appreciation	1,704	1,687	1,228	1,216
– Share price appreciation	1,272	875	917	631
<b>Total variable pay</b>	<b>4,401</b>	<b>3,689</b>	<b>3,054</b>	<b>2,659</b>
Other remuneration <sup>5</sup>	–	–	1	–
<b>Total remuneration</b>	<b>7,407</b>	<b>6,169</b>	<b>4,976</b>	<b>4,212</b>
Less: Performance adjustment <sup>6</sup>	–	–	–	–
<b>Total remuneration less performance adjustment</b>	<b>7,407</b>	<b>6,169</b>	<b>4,976</b>	<b>4,212</b>

- The fixed share award is part of fixed remuneration and is not subject to any performance conditions (see page 106 of the annual report and accounts).
- Awards for Charlie Nunn and William Chalmers will be made in March 2026 in a combination of cash and shares.
- The 2023 Long Term Share Plan (LTSP) vesting (see page 112 of the annual report and accounts) at 100% was confirmed by the Remuneration Committee at its meeting on 12 February 2026. The total number of shares vesting will be 3,283,896 for Charlie Nunn and 2,366,848 for William Chalmers. The average share price between 1 October 2025 and 31 December 2025 of 90.64 pence has been used to indicate the value. The shares were awarded in 2023 based on a share price of 51.901 pence. The amount of the long-term incentive vesting attributable to share price appreciation is shown in the table above.
- The long-term incentive figures for 2024 have been adjusted to reflect the vesting share price of 71.42 pence instead of the average price of 55.969 pence reported in the 2024 report.
- Other remuneration payments comprise income from all-employee share plans, which arises through employer matching or discounting of employee purchases.
- No malus or clawback provisions were applied in relation to the executive directors during the year.

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

	Fees (£000)		Benefits (£000) <sup>4</sup>		Total (£000)		Total shareholding <sup>5</sup> at 31 December 2025
	2025	2024	2025	2024	2025	2024	
<b>Chair and non-executive directors</b>							
Sir Robin Budenberg	750	655	1	1	751	656	2,500,000
Nathan Bostock	359	140	4	–	363	140	430
Sarah Legg	254	232	6	13	260	245	200,000
Amanda Mackenzie	239	219	3	3	242	222	63,567
Harmeen Mehta	117	106	7	5	124	111	20,000
Cathy Turner	285	277	3	2	288	279	424,113
Chris Vogelzang <sup>1</sup>	77	–	1	–	78	–	80,500
Scott Wheway <sup>2</sup>	407	475	18	17	425	492	168,356
Catherine Woods <sup>3</sup>	264	250	12	(9)	276	241	124,262

- Chris Vogelzang was appointed on 16 June 2025.
- Scott Wheway retired on 31 October 2025. The number of shares shown is as of the day of leaving.
- 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.
- 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. Non-executive directors do not receive variable pay.
- Shares owned outright. Includes holdings of any Person Closely Associated. There has been no change in shareholdings from 31 December 2025 to 13 February 2026. Directors are not permitted to enter into any hedging arrangements in relation to share awards. No director uses shareholding as collateral.

## Income statement – underlying basis<sup>A</sup>

	2025 £m	2024 £m	Change %
Underlying net interest income	13,635	12,845	6
Underlying other income	6,120	5,597	9
Operating lease depreciation	(1,454)	(1,325)	(10)
<b>Net income</b>	<b>18,301</b>	<b>17,117</b>	<b>7</b>
Operating costs	(9,761)	(9,442)	(3)
Remediation	(968)	(899)	(8)
<b>Total costs</b>	<b>(10,729)</b>	<b>(10,341)</b>	<b>(4)</b>
<b>Underlying profit before impairment</b>	<b>7,572</b>	<b>6,776</b>	<b>12</b>
Underlying impairment charge	(795)	(433)	(84)
<b>Underlying profit</b>	<b>6,777</b>	<b>6,343</b>	<b>7</b>
Restructuring	(46)	(40)	(15)
Market and other volatility	72	(144)	
Amortisation of purchased intangibles	(86)	(81)	(6)
Fair value unwind	(56)	(107)	48
Volatility and other items	(70)	(332)	79
<b>Statutory profit before tax</b>	<b>6,661</b>	<b>5,971</b>	<b>12</b>
Tax expense	(1,904)	(1,494)	(27)
<b>Statutory profit after tax</b>	<b>4,757</b>	<b>4,477</b>	<b>6</b>
Earnings per share	7.0p	6.3p	0.7p
Dividends per share – ordinary	3.65p	3.17p	15
Share buyback value	£1.75bn	£1.70bn	3
Banking net interest margin <sup>A</sup>	3.06%	2.95%	11bp
Average interest-earning banking assets <sup>A</sup>	£462.9bn	£451.2bn	3
Cost:income ratio <sup>A</sup>	58.6%	60.4%	(1.8)pp
Asset quality ratio <sup>A</sup>	0.17%	0.10%	7bp
Return on tangible equity <sup>A</sup>	12.9%	12.3%	0.6pp

A See page 308 of the annual report and accounts.

## Key balance sheet metrics

	At 31 Dec 2025	At 31 Dec 2024	Change %
Underlying loans and advances to customers <sup>A</sup>	£481.1bn	£459.1bn	5
Customer deposits	£496.5bn	£482.7bn	3
Loan to deposit ratio <sup>A</sup>	97%	95%	2pp
CET1 ratio	14.0%	14.2%	(0.2)pp
Pro forma CET1 ratio <sup>A,1</sup>	13.2%	13.5%	(0.3)pp
UK leverage ratio	5.4%	5.5%	(0.1)pp
Risk-weighted assets	£235.5bn	£224.6bn	5
Wholesale funding <sup>2</sup>	£99.4bn	£92.5bn	7
Wholesale funding <1 year maturity <sup>2</sup>	£37.0bn	£31.3bn	18
of which: money market funding <1 year maturity <sup>2</sup>	£26.6bn	£16.9bn	57
Liquidity coverage ratio – eligible assets <sup>3</sup>	£131.4bn	£134.4bn	(2)
Liquidity coverage ratio <sup>4</sup>	145%	146%	(1)pp
Net stable funding ratio <sup>5</sup>	124%	129%	(5)pp
Tangible net assets per share <sup>A</sup>	57.0p	52.4p	4.6p

1 31 December 2025 and 31 December 2024 pro forma CET1 ratios reflect the full impact of the share buybacks announced in respect of 2025 and 2024. 31 December 2024 pro forma CET1 ratio also reflects the ordinary dividend received from the Insurance business in February 2025. The CET1 and pro forma CET1 ratios at 31 December 2025 both reflect an ordinary dividend received from the Insurance business in December 2025, that would previously have been received in February of the following year.

2 Excludes balances relating to cash collateral of £1.5 billion (31 December 2024: £2.8 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.

## 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); imposed and threatened tariffs and changes to global trade policies; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the escalation of 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;

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