

HELPING BRITAIN PROSPER

Lloyds Banking Group
2019 Half-year update

LLOYDS
BANKING GROUP



HOW WE'RE HELPING



BRITAIN PROSPER

As part of our purpose of helping Britain prosper, we believe we have a responsibility to help address some of the social, economic and environmental challenges that the UK faces



Supporting businesses
to start-up and grow

£10bn

lending to UK businesses
in the first half of 2019

Helping the transition to a
sustainable low carbon economy

Real Estate Capital
Sustainable Finance Provider
of the Year Award in 2019

Building capability
and digital skills

c.23,000

colleagues volunteering
as Digital Champions
as at the 2019 half-year results

Championing Britain's
diversity

Times Top 50 Employer
for Women Award in 2019



Go online to find out more:

www.lloydsbankinggroup.com

www.lloydsbankinggroup.com/prosperplan





The first half of 2019 has seen strong strategic progress and good financial performance. We have the right strategy for the current environment and are well placed to continue to support our customers, deliver for our shareholders and help Britain prosper.

António Horta-Osório
Group Chief Executive

1.12p

interim dividend per ordinary share, up 5%

£2.2bn

statutory profit after tax, down 4%

£1.5bn

Strategic investment to date, with the total investment over the three year plan period (2018 to 2020) to be >£3bn

Dividend

Key dates for the payment of the dividend are:

8 August 2019 Shares quoted ex-dividend date

9 August 2019 Record date

23 August 2019 Final date for joining or leaving the dividend reinvestment plan

13 September 2019 Dividend paid

Dear shareholder

I am pleased to be able to report that in the first six months of 2019 the Group has delivered good financial results with consistently strong returns and growing dividends. Our unique business model continues to be a source of competitive advantage and is delivering benefits for our customers and shareholders.

Operating environment

Over the past six months, the UK economy has remained resilient but continued economic uncertainty is having an impact on business confidence, with companies' investment and employment intentions declining. Consumers remain well positioned with high levels of employment and real wages growth supporting consumption and GDP growth. We believe, that in the current environment, our business model continues to be the right one for our customers and shareholders, enabling us to fulfil our purpose to help Britain prosper.

Financial performance

In the first half of the year we have delivered good financial performance. Underlying profit was £4.2 billion, in line with prior year. Statutory profit after tax was £2.2 billion and return on tangible equity was 11.5 per cent, despite an additional PPI charge of £650 million.

Net income of £8.8 billion was down 2 per cent but more than offset by a 5 per cent reduction in costs while credit quality remains strong.

In recent years we have taken a prudent approach to growth and risk, and have continued to invest in the business while maintaining a careful focus on efficiency. Our cost:income ratio has further improved to 45.9 per cent.

These results have allowed the Board to recommend an increased interim ordinary dividend of 1.12 pence per share, 5 per cent higher than last year, and in line with our progressive and sustainable ordinary dividend policy. Good progress has also been made on the share buy back that was announced in March 2019. To date we have bought back approximately 1.4 billion shares, with around 50 per cent of the £1.75 billion programme now complete.

As announced in May, the Group will commence paying quarterly dividends in 2020 to provide a more regular flow of income to our shareholders.

Business and strategic progress

In February last year we announced our intention to invest over £3 billion during the current three year strategic plan. We have invested £1.5 billion to date, driving strong progress with our strategic priorities and transforming the Group for success in a digital world.

We have demonstrated that our multi-brand, multi-channel strategy is the best approach to meet customers' rapidly-evolving needs. In the first half of 2019, around 75 per cent of our customers' needs were met using digital channels, and we now have around 16 million

digital banking customers. We launched our next generation of mobile banking, with searchable statements, upcoming payment notifications, cheque deposits and card controls. Open Banking is now available to all customers, and we were the first in the market to extend this functionality to both savings products and credit cards. We have also reduced the time it takes for business customers to receive credit approval for an unsecured loan from six days to as little as two hours. We are running the largest digital bank in the UK but, at the same time, we remain committed to maintaining the biggest branch network in the country.

Our continued customer focus means that these innovations go hand in hand with our core purpose of helping Britain prosper. So far this year we have lent more than £6 billion to first-time buyers, supported over 56,000 start-up businesses and contributed £10 billion of gross new lending to businesses. Since 2011, we have grown our lending to SMEs by 36 per cent as part of our continued support for the UK economy at the same time as the market has contracted by 11 per cent.

We have now trained around 4,000 people in digital life skills through our Lloyds Bank Academy and have 23,000 colleagues volunteering as Digital Champions in their local communities as part of our efforts to help close the digital skills gap in the UK.

To help the UK transition to a sustainable, low carbon economy we have been promoting sustainable lending to our customers. We have a range of new propositions under development which I will tell you more about in our 2019 full year results letter.

Outlook

Our results for the first half of the year continue to demonstrate the strength of our business model and strategy. We remain well placed to support customers, help Britain prosper and deliver sustainable superior performance.

Beyond 2019, our longer term targets remain unchanged although continued economic uncertainty could impact the outlook.

Our retail shareholders now account for around 19% of our total shareholding. We are keen to deepen our retail shareholder relationships and to improve our communications with you. We plan to enhance our online presence to make company information more accessible. We also want to enable better two way communication. I will let you know more about these improvements when I tell you about our full year results.

Thank you for your continuing support. I look forward to reporting on further progress at the year end.

António Horta-Osório
Group Chief Executive

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Statements to note

This 2019 half-year update should be read in conjunction with Lloyds Banking Group's 2019 half-year results. This 2019 half-year update is provided for information purposes only, and is not intended to be a substitute for reading the 2019 half-year results.