

**LLOYDS**  
BANKING GROUP



# HELPING BRITAIN PROSPER

Retail shareholder letter: half-year 2020



**The impact of the coronavirus pandemic in the first half of 2020 has been profound on the way we live our lives and on the global economy. We remain fully focused on helping our customers and the UK economy recover, in collaboration with Government and our regulators.**

**António Horta-Osório**  
Group Chief Executive

## Dear Shareholder,

In the first six months of 2020, the coronavirus pandemic has had an unprecedented impact on the people and economies of the world. The UK has seen the fastest contraction in economic activity in modern times as the country was forced into lockdown in March, alongside the most comprehensive and co-ordinated set of government and central bank support packages ever implemented. Although the economy has now started to re-open and activity has somewhat rebounded, it largely remains below pre-crisis levels and the economic outlook remains uncertain. Despite this challenging operating environment, the Group's financial strength, business model and successful strategic delivery have enabled us to play a significant role, together with Government, regulators and other authorities, in helping the country manage through this crisis and we will continue to ensure that we can support customers and help Britain recover.

Lloyds Banking Group has always been at the heart of the British economy and I am proud of the continuing financial and social support we have been able to provide. Thousands of colleagues across the Group have worked tirelessly over the past months to ensure continued service to our customers and I would like to sincerely thank them for their efforts.

It was with mixed emotions that, earlier this month, I announced my intention to step down from my role as Group Chief Executive of Lloyds Banking Group by the end of June of next year. It has been an honour to play my part in the transformation of our business. I will continue to be completely focused with my executive team on delivering the remainder of our current strategic plan, as well as the plans put in place to address the COVID-19 pandemic effects and support our customers during these difficult times.

MEASURING  
PERFORMANCE

**£7.4bn**

Net income was  
down by 16%

**£3.9bn**

Total costs were  
4% lower

Although the economic  
outlook remains uncertain,  
the Group's financial  
strength and business  
model will ensure we  
can continue to support  
our customers and help  
Britain recover.

## Support for customers

Customers remain our priority throughout this crisis and beyond. Working closely with the UK Government and our regulators, we have continued to support our retail, small business and commercial customers through a comprehensive and unprecedented range of flexible measures. For our retail customers we have provided over 1.1 million payment holidays on their mortgages, loans, cards and motor finance. For small business and commercial customers we have approved over £9 billion in loans under the different Government schemes and through facilities offered via the Group's own £2 billion COVID-19 fund. To support our Insurance and Wealth customers we have offered payment holidays on insurance premiums and accelerated claims payments on life and critical illness policies.

Beyond providing financial support, we have stood by our customers and communities to ease the pressure of the crisis by offering a range of expert support and guidance with the help of our partners including We Are Digital and Mental Health UK. We have also made a commitment to our four independent charitable foundations to provide the same £25.5 million funding in 2021 that they have received this year, to provide certainty to the charities we support.

## Financial performance

The effects of the coronavirus outbreak are reflected in our financial performance. The trading surplus for the first six months of the year of £3.5 billion was 26 per cent down on the prior year, with lower interest rates and activity levels having an impact on performance. Our continued focus on efficiency reduced total costs by 4 per cent, with a 6 per cent reduction in business as usual costs, enabling continued investment in the business.

The most significant impact of COVID-19 is seen in the impairment charge. The first half impairment charge of £3.8 billion includes an additional £2.4 billion taken in the second quarter, mainly reflecting the significant deterioration in the economic outlook during the quarter.

Statutory profit after tax of only £19 million has clearly been significantly impacted by this impairment charge.

## Dividend decision

We announced the cancellation of the final 2019 dividend on 31 March. Our decision on the outstanding 2019 dividend was taken by the Group's Board at the specific request of our regulator, the Prudential Regulation Authority (PRA) in line with all other major UK listed banks. At that time, the Board also decided, again in line with all other major UK listed banks, that until the end of 2020 we will undertake no quarterly or interim dividend payments, accrual of dividends, or share buybacks on ordinary shares in order to improve further our capacity to serve the needs of businesses and households through the extraordinary challenges presented by the coronavirus pandemic.

These are difficult decisions and, while we recognise the disappointment and frustration this causes our shareholders, in particular those relying on dividends for income, we agreed that this was a prudent and appropriate response to exceptional circumstances. The Board will decide on any dividend distributions or buybacks on ordinary shares in respect of 2020 at year end, in line with the approved dividend policy.

In conjunction with this decision and in solidarity with the communities in which we operate, the whole of the Group Executive Committee has asked not to be considered for their Group Performance Share for 2020, meaning that they will give up all of their bonus entitlement for the year. In addition, no cash bonuses are payable to senior staff for the rest of 2020.

**Lloyds Banking Group has always been at the heart of the British economy and I am proud of the continuing financial and social support we have been able to provide.**

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**How we're  
supporting all  
our stakeholders**

## Strategic update

Despite our primary focus on customers and operational resilience during the pandemic we have continued to make strategic progress. We have seen the benefits of the investments we have made in our third strategic phase in our customer response, particularly in digital, transformation and Single Customer view. We operate the UK's leading digital bank with 17 million active customers, with daily logins now exceeding 11 million, up 12 per cent on last year.

The coronavirus pandemic has accelerated many trends around ways of working, digital adoption, societal expectations of companies, and sustainability. We now expect to accelerate our transformation and enhance and adapt customer propositions and colleague working practices as the Group learns from the crisis.

## Helping Britain recover

In the face of the ongoing uncertainties facing the UK, we remain fully committed to helping Britain recover as the economy gradually re-opens. We believe that the pandemic provides a unique opportunity to build a stronger bank, whilst supporting a more resilient economy, with a more sustainable future. We will continue our work to ensure fairer and more inclusive societal outcomes and we plan to play a leading role in financing the UK's green recovery and in helping our customers make green choices and benefit from the clean growth opportunity.

Although the economic outlook remains uncertain, the Group's financial strength and business model will ensure that we can continue to support our customers and help Britain recover. This is fully aligned with the Group's long term strategic objectives, the position of our franchise and the interests of our shareholders.

## Shareholder communication

I would like to take this opportunity to encourage you to register for electronic retail shareholder communications if you have not already. This has huge benefits in allowing us to communicate with you more easily and quickly, as well as reducing costs and being more environmentally friendly. It is very easy to do, you simply need to sign up as an e-Shareholder via Shareview Portfolio at [www.shareview.co.uk](http://www.shareview.co.uk) which is a free, easy and secure service.

Once you've registered for your Shareview Portfolio, log in and become an e-Shareholder by choosing to receive shareholder documents electronically.

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

Best Regards



**António Horta-Osório**  
Group Chief Executive





## HELPING BRITAIN PROSPER

Our simple, low risk, low cost business model combined with our strong balance sheet has enabled us to remain resilient and support all our stakeholders throughout the crisis.

### Customers

- Treating customers fairly and flexibly with over 1.1m payment holidays granted and £500 interest-free overdraft buffer automatically available to over 9m customers
- Focus on vulnerable customers and key workers with dedicated telephone services and priority branch access
- Around 90% of branches remained open during the lockdown and ATM availability exceeded 95%
- Over £9bn lending to businesses through government backed schemes



### Colleagues

- c.22k laptops distributed during the pandemic, with c.50k colleagues working from home
- Pay and job security for all colleagues since March
- Increased support in health and wellbeing by launching Wellbeing desks in London, Bristol, Edinburgh, Halifax and Manchester



### Communities and Environment

- In partnership with 'We Are Digital' delivering up to 2,000 tablet devices free to over 70s to help keep them connected
- Additional funding to Mental Health UK enabling them to extend their services
- Committed to maintain £25.5m of funding to our Foundations in 2021



### Shareholders

- Our response to COVID-19 is fully aligned with our purpose, long-term strategic objectives and the interests of our shareholders

### Suppliers

- Continued to pay suppliers promptly within 30 days or earlier, as well as supporting contractors with a 14 day quarantine pay policy

### Regulators and Government

- Supporting development and implementation of Government's response, including funding schemes



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### Statements to note

This 2020 half-year update should be read in conjunction with Lloyds Banking Group's 2020 half-year results. This 2020 half-year update is provided for information purposes only, and is not intended to be a substitute for reading the 2020 half-year results.