



21 February 2018

LLOYDS BANKING GROUP – SUMMARY REMUNERATION ANNOUNCEMENT

The purpose of this announcement is to provide transparency in a single remuneration disclosure. It contains details of upcoming remuneration disclosures for the Group, including salary, Group Performance Share, Group Ownership Share awards and Fixed Share Awards for the Person Discharging Managerial Responsibilities (PDMR).

2017 REMUNERATION OUTCOMES

The remuneration outcomes set out in this announcement reflect the Group's preference for a high proportion of awards to be delivered in shares, deferred where appropriate and with the potential for performance adjustment, and where applicable clawback, to be applied, aligning the interests of senior executives with those of shareholders and customers.

Where awards have not yet been made, estimates have been provided. A statement will be provided to the market following the actual awards in the normal way.

Further information will be available in the 2017 Annual Report and Accounts.

Lord Blackwell, the Group's Chairman said:

Our approach to reward aims to provide a clear link between remuneration and delivery of the Group's key strategic objectives, namely, becoming the best bank for customers whilst delivering long-term, superior and sustainable returns to shareholders. We believe in offering fair reward where colleagues are rewarded for performance aligned to the long-term sustainable success of the business, our commitment to rebuilding trust and changing the culture of the Group.

2017 GROUP PERFORMANCE SHARE OUTCOME

As announced in the 2016 Directors' Remuneration Report, the Group's Annual Bonus plan is known as the Group Performance Share plan from 2017. The Group Performance Share outcome is based on a percentage of the Group's underlying profit, adjusted by a strategic modifier based on the Group Balanced Scorecard metrics and a collective adjustment to reflect risk matters and other factors.

2017 saw the Group's successful return to full private ownership, repaying the taxpayer's original investment of £20.3 billion, plus an additional £900 million. The Group has delivered a strong financial performance in a very challenging operating environment that has been characterised by low interest rates for a longer period than had perhaps been expected, as well as heightened market volatility and uncertainty following the EU Referendum. Despite this uncertainty, underlying profit increased to £8,493 million in 2017, exceeding budget by 8.2 per cent. Capital generation of 245bps has been well ahead of market expectation.

The ordinary dividend increased to 3.05 pence per share (2016: 2.55 pence plus special dividend 0.5 pence per share), in line with the Group's progressive and sustainable dividend policy, with a share buyback of up to £1 billion.

The Committee determined that the share of underlying profit should be 5.1 per cent. In reaching this decision, the Committee took into account the Group's actual performance against budget where outperformance was 8.2 per cent and distributions to shareholders which have increased by 46.9 per cent. This was adjusted to reflect strong performance against stretching Group strategic objectives and issues impacting negatively on profitability and shareholder returns, customers, conduct and the Group's reputation. The collective performance adjustment for 2017 was £109.6 million (approximately 21 per cent). The overall Group Performance Share outcome determined by the Committee was £414.7 million, approximately 5.5 per cent higher than the equivalent bonus outcome for 2016 (£392.9 million).

The individual awards for Executive Directors are determined in the same way as for colleagues across the Group by reference to Group and individual performance. Information regarding the performance of the Executive Directors in 2017 will be available in the Annual Report and Accounts. Group Performance Share awards are deferred into ordinary shares of the Group ('Shares') under the Lloyds Banking Group Deferred Group Performance Share Plan ('Deferred Group Performance Share Award'). Deferred Group Performance Share awards made to Executive Directors and members of the Group Executive Committee are subject to clawback for at least seven years from the date of grant. This period may be extended to ten years where there is an ongoing internal or regulatory investigation.

2017 Group Performance Share Awards

In line with requirements of the PRA Rulebook and FCA Remuneration Code (SYSC 19D), a maximum of 40 per cent of any variable remuneration awarded to Executive Directors and other members of the Group Executive Committee can be paid in 2018. The remaining 60 per cent must be deferred.

For the 2017 Group Performance Share, £2,000 is paid in cash in March 2018, with the balance of the upfront 40 per cent delivered in Shares, 50 per cent delivered immediately in June 2018 and the remainder subject to holding until March 2019. The remaining 60 per cent is deferred into Shares with 40 per cent vesting in 2019 and 20 per cent in 2020.

Name	Number of shares awarded ⁽¹⁾⁽²⁾
António Horta-Osório	1,050,075
George Culmer	474,733
Juan Colombás	474,733
Karin Cook	256,871
Antonio Lorenzo	403,086
Vim Maru	399,984
Zak Mian	380,070
David Oldfield	442,204
Janet Pope	213,035
Stephen Shelley	407,281

¹ Based on an assumed share price of 66.65 pence. The actual number of shares awarded will be determined by the average of the closing share price of the five trading days prior to the date of award.

² The number of shares shown is the net amount, after deductions for estimated income tax and NIC.

Deferred Bonus Awards for 2014, 2015 and 2016 Performance

Deferred Bonus Awards are due to be released in 2018 which relate to performance in 2014, 2015 and 2016. In accordance with the Group's deferral policy, a proportion of the Shares are released over three years, being received in tranches in March and September.

The Group expects that, after the settlement of estimated income tax and national insurance contributions, the PDMRs listed in the table below will receive in 2018 the number of Shares (for no payment) as set out by their name, split between vesting in March and September.

Name	2014	2015	2016
António Horta-Osório	530,463 ¹	617,054 ²	375,709
George Culmer	-	335,413	176,935
Juan Colombás	-	330,754	177,967
Karin Cook	29,839	35,654	118,467
Antonio Lorenzo	57,333	87,242	168,580
Vim Maru	57,024	52,977	139,736
Zak Mian	14,421	11,376	94,655
David Oldfield	36,728	46,238	184,026
Janet Pope	11,739	11,534	22,590
Stephen Shelley	38,682	38,490	50,770

¹ Subject to holding period until March 2020

² Subject to holding period until March 2021

2018 Executive Director Base Salaries

Executive salary levels are set in the context of all colleague salaries, for which a budget of 2.7 per cent was agreed, including funding to ensure a minimum salary award of £600 for eligible colleagues.

Salary increases for António Horta-Osório and George Culmer are set below the budget for the wider colleague population, at 2 per cent. Juan Colombás took on a new role of Chief Operating Officer (COO) in September 2017 and accordingly it is proposed he receive a salary increase of 3.4 per cent to reflect the fact that the COO role is larger than his previous role as the Chief Risk Officer.

Salaries will therefore be as follows, with the effective dates shown below:

António Horta-Osório	£1,244,400	(1 January 2018)
George Culmer	£779,351	(1 April 2018)
Juan Colombás	£779,351	(1 January 2018)

Fixed Share Awards in 2018

After the settlement of income tax liabilities and national insurance contributions, Shares are due to be acquired on behalf of the PDMRs as listed in the table below in respect of each quarter.

The Shares will be held on behalf of the PDMRs and will be released over five years, with 20 per cent being released each year on the anniversary of the award.

Name	Quarterly share awarded⁽¹⁾
António Horta-Osório	178,919
George Culmer	100,195
Juan Colombás	98,803
Karin Cook	80,712
Antonio Lorenzo	99,360
Vim Maru	90,453
Zak Mian	90,453
David Oldfield	97,411
Janet Pope	69,579
Stephen Shelley	98,803

¹ Based on a share price of 66.65 pence. The actual number of shares awarded will be determined by the share price on the date of award.

Release of Long-Term Incentive Awards made in March 2015

The Long Term Incentive Plan (LTIP) awards made in 2015 are vesting at 66.3 per cent, as detailed in the table below.

This reflects the Group's strong performance since 2015, balanced against uncertainty in the economic and political environment. In particular, this has impacted negatively on absolute share price performance, resulting in no vesting for the Total Shareholder Return component.

	Threshold	Maximum performance	Actual performance	Weighted payout
Economic profit (25% of award)	£2,870m	£3,587m	£3,987m	25%
Absolute total shareholder return (30% of award)	8% per annum	16% per annum	(1.7)%	0%
Cost:income ratio (10% of award) ¹	45.6%	44.5%	44.9 %	6.3%
Customer Complaint Handling ² and (FCA reportable complaints / FOS uphold rate) (10% of award)	0.79 =<32%	0.73 =<28%	0.53 15%	10%
Net promotor score (10% of award)	3 rd place	1 st place	1 st place	10%
Digital active customer base (7.5% of award)	12.7m	13.3m	£13.4m	7.5%
Colleague engagement score (7.5% of award)	62	70	76	7.5%

¹ Adjusted total costs.

² The FCA changed the approach to complaint classification and reporting from 30 June 2016. The Committee determined that the original target should be translated on a like-for-like basis into the new reporting requirement. The Committee was satisfied that the revised targets, set on a mechanical basis, were no less stretching.

The Group expects that, after the settlement of income tax and national insurance contributions, the PDMRs listed in the table below will receive in March the number of Shares (including dividend equivalents) as set out by their name, following the partial vesting of long-term awards made in March 2015. Executive Directors and Material Risk Takers at the time of the award in 2015 are required to retain any shares vesting for a further two years.

Name	Shares
António Horta-Osório	1,792,442
George Culmer	969,681
Juan Colombás	956,214
Karin Cook	146,920
Antonio Lorenzo	883,487
Vim Maru	320,974
Zak Mian	124,882
David Oldfield	781,131
Janet Pope	109,357
Stephen Shelley	318,328

Group Ownership Share Plan – 2018 awards

Awards for the 2017 performance period are expected to be made in March under the rules of the 2016 Long-Term Incentive Plan. The 2018 awards will be subject to a three-year performance period with vesting between the third and seventh anniversary of award, on a pro-rata basis.

Name	Number of shares awarded⁽¹⁾⁽²⁾	Expected value⁽³⁾
António Horta-Osório	6,864,216	£2,287,500
George Culmer	3,940,721	£1,313,245
Juan Colombás	3,885,989	£1,295,005
Karin Cook	2,829,294	£942,862
Antonio Lorenzo	3,831,257	£1,276,766
Vim Maru	3,661,852	£1,220,312
Zak Mian	3,291,072	£1,096,750
David Oldfield	3,831,257	£1,276,766
Janet Pope	1,743,466	£581,010
Stephen Shelley	2,356,568	£785,326

¹ Based on a share price of 66.65 pence. The actual number of shares awarded will be determined by the average of the closing share price of the five trading days prior to the date of award. As regulations prohibit the payment of dividend equivalents on awards in 2018 and subsequent years, the number of shares subject to the award has been determined by applying a discount factor to the share price on grant, as previously disclosed. The Committee approved an adjustment of 25 per cent for colleagues who are senior managers, including the Executive Directors.

² Vesting determined in 2021 subject to the satisfaction of stretching performance targets over the performance period ending 31 December 2020.

³ The values for the Group Ownership Share awards are shown at an expected value of 50 per cent of maximum value and before deduction of income tax and NIC. The actual vesting value will depend on the achievement of performance conditions and the share price at the date of vesting. These awards are subject to malus and clawback for at least seven years from the date of award.

Shareholding Requirement

From 1 January 2017 the shareholding requirement for Executive Directors has been focused on base salary only (previously: base salary plus fixed share award) to provide greater transparency in the measurement of the shareholding requirements. This resulted in an increase in the percentage required as a multiple of salary. The new requirements are 350 per cent of base salary for the GCE and 250 per cent of base salary for the other Executive Directors. The shareholding requirement for members of the Executive Committee is 100 per cent of the aggregate of base salary and fixed share award. Newly appointed individuals have three years from appointment to achieve the shareholding requirement.

The following table sets out the total shareholding for each of the PDMRs as at 31 December 2017.

Name	Shareholding at 31 December 2017¹
António Horta-Osório	21,609,127
George Culmer	12,618,058
Juan Colombás	7,935,164
Karin Cook	2,188,943
Antonio Lorenzo	8,699,280
Vim Maru	3,959,478
Zak Mian	1,431,115
David Oldfield	2,288,570
Janet Pope	1,451,665
Stephen Shelley	1,763,545

¹ Includes shares owned outright reduced by forfeitable Matching Shares under the Share Incentive Plan, plus the estimated net number of vested unexercised options.

2017 Executive Director Remuneration Outcome Table

The following table summarises the total remuneration delivered during 2017 in relation to service as an Executive Director.

£000	António Horta-Osório		George Culmer		Juan Colombás		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
Base salary	1,220	1,125	760	745	753	739	2,733	2,609
Fixed share award	900	900	504	504	497	497	1,901	1,901
Benefits	156	143	46	42	71	70	273	255
Group Performance Share	1,323	1,220	599	574	599	578	2,521	2,372
Long-term incentive ¹	2,257	1,834	1,221	992	1,204	883	4,682	3,709
Pension allowance	565	568	190	186	188	185	943	939
Other remuneration ²	1	1	1	1	1	1	3	3
Total remuneration	6,422	5,791	3,321	3,044	3,313	2,953	13,056	11,788

¹ The LTIP vesting at 66.3 per cent and dividend equivalents awarded in shares were confirmed by the Remuneration Committee at its meeting on 19 February 2018. The total number of shares vesting were 3,035,880 and 346,087 shares delivered in respect of dividend equivalents for António Horta-Osório, 1,642,361 shares vesting and 187,227 shares delivered in respect of dividend equivalents for George Culmer and 1,619,551 shares vesting and 184,627 shares delivered in respect of dividend equivalents for Juan Colombás. The average share price between 1 October 2017 and 31 December 2017 (66.75 pence) has been used to indicate the value. The shares were awarded in 2015 based on a share price of 79.93 pence. LTIP and dividend equivalent figures for 2016 have been adjusted to reflect the share price on the date of

vesting (67.51 pence) instead of the average price (58.30 pence) reported in the 2016 report.

- ² Other remuneration payments comprise income from all employee share plans, which arises through employer matching or discounting of employee purchases.

External Appointments held by the Executive Directors

António Horta-Osório – During the year ended 31 December 2017, the Group Chief Executive served as a Non-Executive Director of Exor, Fundação Champalimaud, Stichting INPAR and Sociedade Francisco Manuel dos Santos, for which he received fees of £323,688 in total.

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FORWARD LOOKING STATEMENTS

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