

LLOYDS
BANKING
GROUP



HELPING BRITAIN PROSPER PLAN

2016/17 update

Helping Britain Prosper Plan

People, businesses and communities across Britain are facing significant challenges. We're helping to address them through our Helping Britain Prosper Plan.

We believe no other bank is better placed to do this. We already serve approximately 25 million customers and 1 million small businesses but we want to be more than a bank. We want to go beyond business as usual and help address systemic social and economic challenges such as Britain's housing shortage, the skills gap in key industries, social mobility and social disadvantage.

Why the Plan matters

We're part of the fabric of Britain, visible on almost every high street through our iconic brands. The challenges Britain faces affect us directly: our operations and our 75,000 colleagues. Through our independent charitable Foundations, which support thousands of charities, we can help some of the most disadvantaged people in Britain. In 2016 we donated £18.5 million to our Foundations and our colleagues' gave their skills and expertise to help them become more sustainable.

The Plan is core to our strategy. We know from long experience that when Britain prospers we do too, so the Plan is an investment in our collective long-term success. It supports our strategy to become the best bank for customers and it's fundamental to rebuilding trust in our brands and sector. It sets ambitious and stretching targets, recognising that we can achieve more as a Group than we ever could as separate brands.

Evolving the Plan

We launched the Plan in 2014, drawing on advice about how to shape it from our senior leaders and many external stakeholders, including our Independent Stakeholder Panel and Foundations. These stakeholders play a role in its continuing evolution.

Since launching the Plan we've achieved a lot, meeting 20 of our 25 targets in 2014, and 27 of our 28 targets in 2015. In 2016, we adjusted the Plan to make it more ambitious, more measurable in its outcomes and more focused on what we can do best for Britain and achieved 20 of our 24 targets.

We've evolved the Plan for 2017 by:

- Reducing the number of targets – so it's even more focused on ways we can best help Britain
- Structuring it around social and economic challenges
- Developing a new environmental target related to our Green Loan Initiative, which incentivises low carbon commercial real estate
- Bringing together leaders from our business to develop future targets

The challenges our Plan addresses

Housing

- Finding and buying an affordable home – including access to social housing for those who need it

Saving for the future

- Planning for later life – with education and advice from us to help people understand their retirement options

Skills and employability

- Getting the skills and training needed to find a rewarding job – one of the keys to increasing social mobility

Sustainable business growth

- Starting and growing a business – especially manufacturing, house building and infrastructure businesses
- Boosting exports and growing internationally
- Supporting a greener, lower carbon economy

Social disadvantage

- Widening digital skills and the benefits they bring
- Improving financial inclusion for disadvantaged and vulnerable people
- Helping people improve their lives for the better

Please turn over

2016 performance overview

What we achieved this year:

- We made good progress and achieved 20 of our 24 targets for 2016.
- Created more than 1,000 new apprenticeship places, with a third of them being offered to candidates from the UK's most disadvantaged areas.
- Provided £1.2 billion in new funding to Britain's manufacturing businesses – helping support a crucial sector of the UK economy.
- Helped business grow and trade – we supported 121,000 start-up businesses and helped more than 10,000 clients export for the first time.
- Reached our target to recruit more digital champions in local communities – we now have 23,000 colleagues helping to build Britain's digital capability.

We missed just 4 targets:

- Helped 75,000 first time buyers, and remained one of the largest lenders to first time buyers in the UK, but fell short of our target to support 1 in 4 of all first time buyers this year. We want to remain a leading provider in this market.
- Increased our net lending to SME and Mid Market businesses by £1.6 billion, despite challenging market conditions, meaning we missed our £2 billion target this year. We remain open for business and committed to helping businesses prosper in the UK and globally.
- Maintained the engagement scores of disabled colleagues at 2015 levels but didn't increase them – so we'll do more to help them in 2017 through training, development and our award-winning workplace adjustment programme.
- Missed our target to achieve 33% of all our senior roles held by women but we're still committed to our goal of 40% by 2020. Our 2016 focus was on improving our internal female talent pipeline.

2016 performance summary

	NUMBER OF TARGETS	ACHIEVED	NOT ACHIEVED
People	9	6	3
Businesses	8	7	1
Communities	7	7	0

Targets achieved


	%
2016	83 (20/24)
2015	96 (27/28)
2014	80 (20/25)



Helping Britain Prosper Plan targets

HELPING PEOPLE

We'll help individuals and families whether they're buying a home, planning for later life or looking for a rewarding job.



HELPING BUSINESSES

We'll help businesses of all types and sizes to prosper by offering them the funding, support and encouragement they need to grow at home or abroad.



HELPING COMMUNITIES

We'll help communities by addressing inequality, supporting disadvantaged people and championing Britain's diversity.



The challenges	Our commitment		Our targets	2017	2020
HOUSING	We'll help the construction industry build more homes, support the social housing sector and be a leading provider of new build and first time buyer mortgages		Amount of lending committed to help people buy their first home	£10bn	X
			Number of homes our Housing Growth Partnership has committed to build¹	1,500 (cumulative from 2016)	2,000 (cumulative from 2016)
			New funding support provided for the Social Housing sector	£500m	X
SAVING FOR THE FUTURE	We'll help people save and plan for later life by providing education and guidance		The number of people better informed about their retirement options as a result of our guidance and support	82,000	372,000 (cumulative from 2017)
SKILLS AND EMPLOYABILITY	We'll support the workforce with skills and training to improve social mobility and make Britain more competitive in the global marketplace		Number of undergraduates from lower income² households supported through the Lloyds Scholars Programme	135	1,185 (cumulative from 2011)
			Number of internal apprenticeship positions created within the Group with permanent employment	1,000	8,000 (cumulative from 2012)
			Number of Social Entrepreneurs supported through the Lloyds Bank and Bank of Scotland Social Entrepreneurs Programme	250	2,350 (cumulative from 2012)
			Number of individuals, SMEs and charities trained in digital skills including internet banking	700,000	2.5m (cumulative from 2017)

The challenges	Our commitment		Our targets	2017	2020
HELPING BUSINESSES TO GROW SUSTAINABLY	We're supporting businesses across the UK to start up, grow and trade internationally		Increased amount of net lending to SMEs and Mid Market companies	£2bn	X
			Investment in the UK manufacturing sector through financial support	£1bn	X
			Number of manufacturing apprentices, graduates and engineers trained as a result of our £1m annual investment in the Lloyds Bank Advanced Manufacturing Centre	500 (cumulative from 2014)	1,000 (cumulative from 2014)
			Value of UK infrastructure projects supported in the government's National Infrastructure Plan	£30bn (cumulative from 2015)	X
			Number of businesses we will help to start-up	100,000	1 in 5
			Number of clients we will help to export for the first time	5,000	25,000 (cumulative from 2016)
			We'll support the transition to a low carbon economy		Amount of commercial real estate space we will fund to become more energy efficient with green loans³

The challenges	Our commitment		Our targets	2017	2020
TACKLING SOCIAL DISADVANTAGE	We'll tackle disadvantage and help people improve their lives for the better. We'll help improve financial inclusion by offering access to finance for disadvantaged and vulnerable groups		Share of social banking accounts we will support	1 in 4	1 in 4
			Additional sustainable lending Credit Unions make to their customers across the UK through our annual £1m commitment to their capital funding	£5m	X
			Number of charities we will support as a result of our £100m commitment between 2014 to 2020, to the Group's independent charitable Foundations	2,500	10,000 (cumulative from 2016)
			Number of colleague volunteering hours used to support community projects (with a minimum of 30% used to support skills-based activity like mentoring)	240,000	2.3 million (cumulative from 2012)
			Amount raised by colleagues and communities for our charitable fundraising partners (including Matched Giving⁴ from the Group's independent charitable Foundations)	£2m	£22m (cumulative from 2013)
	We'll help make Britain an inclusive and diverse place to live and work by reflecting that diversity in our workforce		Percentage of senior roles held by women	34%	40%
			We will consistently increase the engagement levels of our colleagues:		
			Black, Asian & Minority Ethnic (BAME)	70%	70%
			Disabled	65%	70%
			Lesbian, gay, bisexual colleagues	65%	70%

1 The Housing Growth Partnership is a socio economic equity investment fund launched by Lloyds Banking Group and the Homes and Communities Agency
2 With household income less than £25,000 and who meet Programme eligibility criteria
3 Discounted lending provided through the Lloyds Bank Green Loan Initiative
4 The Matched Giving scheme allows LBG colleagues to claim up to £1,000 per calendar year for registered charities that meet the eligibility criteria
X No 2020 target published: these targets are dependent on the next phase of the Group's Strategic Review

Helping people

What we've done

We achieved 6 of our 9 people targets. We provided 1 in 4 of all new build mortgages, received more than 280,000 customer visits to our Retirement Planning website and met our targets to engage our Black, Asian and Minority Ethnic and Lesbian, Gay and Bisexual colleagues, helping us build a diverse and inclusive business.

What's coming next

We supported 75,000 first time homebuyers, but missed our target to support 1 in 4. However, we've simplified our mortgage application process by making it quicker and easier for customers. We want to do more to support the whole housing market: by making first time buyer mortgages easier to acquire and being a leading supporter of new build mortgages. Our 2017 Plan reflects this ambition.

We continue to make progress against our target that women hold 40% of our senior roles by 2020. In 2016, despite focusing on building our talent pipeline of female managers, we fell slightly short of our 33% senior management goal.

We also missed our target to engage disabled colleagues by 1%, so we're working hard to ensure we engage them better in the future. We know that colleagues with mental health problems are less engaged, so we've launched an awareness campaign and will provide mental health training for all colleagues in 2017. We're also exploring ways to support colleagues through our new Charity of the Year partnership with Mental Health UK.



1 in 4

new build mortgages provided in 2016



Supporting women in the workplace

We've made great progress on gender diversity and have been recognised as a Times Top 50 employer since 2011, but women are still under-represented in senior roles. To address this, we now monitor gender diversity on our long and shortlists for all senior management appointments and have a Women in Leadership development programme for mid-level managers. More than 400 women have completed this programme so far, with 25 per cent achieving a promotion since 2014. Our women's network, Breakthrough, is now the largest of its kind in Britain, with 15,000 members and 4,000 mentors.

15,000

members of our Breakthrough women's network



Helping Radhika to become an Emerging Leader

Radhika Patel completed a Geography degree at UCL and thanks to our Lloyds Scholars Programme has now joined our Emerging Leadership programme for graduates. Through the Scholars programme, Radhika received financial support, paid internships, a personal mentor and the chance to develop her employability skills while at University. She's just one of 120 individuals who completed the programme in 2016. Lloyds Scholars boosts social mobility by increasing opportunities for talented young people like Radhika – helping them move into graduate level employment.

"The Lloyds Scholars programme supported me through my university education and introduced me to career opportunities I would otherwise not have considered."

Radhika Patel, Lloyds Scholar

632

internships completed by our Scholars since 2011

Helping businesses

What we've done

We achieved 7 of our 8 business targets. We've provided £1.2 billion of new funding support to manufacturing businesses. Our manufacturing targets reflect the complete support we give the sector, from lending through to talent development at the Lloyds Bank Advanced Manufacturing Training Centre in Coventry.

We provided £955 million in funding to help housing associations expand affordable housing and exceeded our target to support infrastructure projects worth a combined £10 billion, under the Government's National Infrastructure Plan. These projects will deliver economic growth and boost productivity in Britain. They include a new cargo terminal at Port Dover and the Beatrice Offshore Windfarm in Scotland.

What's coming next

We increased net lending to SME and Mid Market companies by £1.6 billion, but fell short of our £2 billion target. Since 2011, our net lending to SMEs has increased by 30% whilst the market has contracted 11%, and since 2012 lending to Mid Market companies has increased by 15% compared to a market that has declined 3%. We aim to increase lending to the sector by £2 billion in 2017. We also want to do more to support green business initiatives, so we've set a new environmental target to provide funding to help 10 million square feet of commercial real estate, equivalent to ten London Shards, become more energy efficient by 2020.



>£30m

invested in house builders through our Housing Growth Partnership in 2016



Helping AMA build more affordable homes

Through our Housing Growth Partnership with the Homes and Communities Agency we're helping small and medium-sized regional house building businesses, such as AMA Homes, build more homes to meet Britain's housing challenge. Our investment has allowed AMA Homes to build their Shandon Gardens development and provide affordable housing for key workers and we're now supporting them with a second development which will see a further 29 homes built. The Partnership has committed over £30 million of equity investment which will deliver more than 1,000 new homes across the UK. Our support often facilitates projects that could not have progressed due to capital constraints and provides a valuable contribution to the housing sector and smaller house builders, who play a vital role.

"The Housing Growth Partnership is providing much needed development funding for small and medium-sized house builders like us, so we can play a part in building new homes and reviving our industry."

Mike Afshar, Joint Managing Director, AMA Homes



Helping Evenbreak find work for talented disabled people

Thanks to the financial support and mentoring she received through the Lloyds Bank Social Entrepreneurs Programme, Jane Hatton has scaled up an already successful recruitment company for disabled people, which she originally started in 2011. With a background in HR and diversity, Jane knows that people can face discrimination on the basis of their disabilities. Consequently, they miss out on job opportunities and employers miss out on recruiting capable, talented people. With an initial £15,000 grant, plus £6,000 received as a runner-up in the 2014 Social Entrepreneur of the Year Awards, Jane has expanded Evenbreak. The business now works with some major employers, including Lloyds Banking Group, helping many more disabled people to find employment.

"The financial support and advice helped us raise awareness and grow Evenbreak. Lloyds Banking Group's Meet the Buyer events also help us connect with other social enterprises and meet potential new clients."

Jane Hatton, Director, Evenbreak

Helping communities

What we've done

Through our independent charitable Foundations we've continued our support for communities across the UK. In 2016, we gave £18.5 million to the Foundations to tackle disadvantage. In addition, our colleagues completed more than 260,000 hours of volunteering and raised £6.1 million for our Charity of the Year, BBC Children in Need.

We've done more than ever before to help communities through skills-based volunteering, which now accounts for 35% of the total time contributed by colleagues to support local organisations. More of our colleagues have used their expertise to support credit unions, for example, two colleagues in Bristol and London have become non-executive directors of credit unions. In line with our efforts to help Britain become more digitally capable, 23,000 colleagues have now signed up as Digital Champions to support people and organisations in their local communities – exceeding our original target to create 20,000 by 2017.

What's coming next

We want to encourage even more colleagues to volunteer their skills and experience to help their communities. We also want to develop our new Charity of the Year partnership with Mental Health UK, and have set a target to raise £4 million over two years to help millions of people with their mental health and financial well-being.


£18.5m
given to the Group's Foundations in 2016



Helping homeless people in Colchester

A £65,922 grant over three years from Lloyds Bank Foundation for England and Wales enables the charity, Beacon House Ministries, to provide health and wellbeing services for homeless people. The grant funds the salary of a Centre Manager, who coordinates the charity's services. These include washing and laundry facilities, clothing donations, hot meals and advice about how to overcome issues that make it hard to find permanent accommodation. Vivienne Wiggins, Chief Executive of Beacon House, also benefits from the support and advice of her Lloyds Banking Group Mentor, Chris Gardiner.

"Funding means we can plan for the long term and my mentor provides a critical friend when we think about our strategy."

Vivienne Wiggins, CEO Beacon House

3,700
charities supported by the Group's Foundations across the UK in 2016



Helping Riverside Credit Union in Liverpool

This year, we've provided an additional £1 million to help credit unions support more customers. In Liverpool, we've helped Riverside Credit Union to provide a better service for more members. Riverside serves around 5,000 local people, most of them mothers aged 18-30, by providing safe, affordable loans and savings services. They've used a £17,000 grant to create a members' website that's designed and built by a local business. The website makes it easier for people to reach Riverside on their devices and frees up staff from answering calls so they can process more applications. Riverside is also employing three apprentices, helping young people to find a way into employment.

"Thanks to this additional financial support, we've built a website that helps our members budget more effectively."

Mike Knight, Manager, Riverside Credit Union

21
credit unions supported in 2016 across the UK

Looking forward

We review the Plan every year to ensure it addresses the most important challenges and keeps pace with our changing business. In 2017, we'll review our overall strategy and the long-term targets we've set.

Developing new targets for our Plan

We've brought together senior colleagues from across the Group to help us define new targets and ways we can better support our customers. We'll discuss these targets with the Responsible Business Committee and our Independent Stakeholder Panel in 2017. We'll also be preparing for the Group's next Strategic Review in 2017, and reviewing some of our longer-term commercial targets, which may have an impact on the Plan.

Some of our targets for 2017

£10bn
of lending to help people buy their first home



£2bn
of lending to SMEs and Mid Market companies



£2m
fundraising target for our charity partner Mental Health UK



"The Helping Britain Prosper Plan captures the commitments we're making to help the country economically and socially, which as a UK focused retail and commercial bank we are uniquely placed to do."

António Horta-Osório
Group Chief Executive

Find out more

You can find out how the Plan supports our strategy and responsible business activities at www.lloydsbankinggroup.com/prosperplan

Twitter: @LBGNews

Contact us:
Group Chief Executive's Office
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN



ON THE FRONT COVER

Helping Sophie teach Edinburgh to remake and mend

With a grant, learning support and mentoring, from the Lloyds Bank Social Entrepreneurs Scale Up Programme, in partnership with The School of Social Entrepreneurs, Sophie Unwin is growing a successful social enterprise called 'Remade in Edinburgh'. It teaches local people, including those who are homeless, unemployed or refugees, to repair household goods in order to save money. Remade in Edinburgh is growing fast and in May 2016 opened The Remakery, where it runs everything from sewing to digital repair courses for local people.

About us

Lloyds Banking Group is the leading provider of financial services to individual and business customers in the UK.

Our main business activities are retail and commercial banking, general insurance, and long-term savings, protection and investment. We provide our services under a number of well-recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows and through a range of distribution channels including the largest branch network and digital bank in the UK.



✱ BANK OF SCOTLAND



Forward-looking and cautionary statements

This Helping Britain Prosper Plan Update (the 'Update') contains certain forward-looking statements with respect to the business, strategy and plans of Lloyds Banking Group (the 'Group') and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's, or its directors' and/or management's beliefs and expectations, are forward-looking statements. Forward-looking statements by their nature involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

The Group's actual business, strategy, plans and/or results may differ materially from those expressed or implied in this Update as the result of a variety of economic, commercial, legal and regulatory risks, uncertainties and other factors, including but without limitation, those set out in the Group's 2016 Annual Report and Accounts. Except as required by any applicable law or regulation, the forward-looking statements contained in this Update are made as at the date of this Update and the Group expressly disclaims any obligation to update or revise any forward-looking statements.



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