LLOYDS BANKING GROUP – BOARD GOVERNANCE EVENT 2022 –TRANSCRIPT
(amended in places to improve readability only)

Wednesday 14 December 2022 – 2.00pm

LBG PRESENTERS:
Robin Budenberg, Group Chair
Amanda Mackenzie, Chair of the Responsible Business Committee
Sarah Legg, Chair of the Audit Committee
Catherine Woods, Chair of the Board Risk Committee
Alan Dickinson, Deputy Chair, Senior Independent Director, Chair of the Remuneration Committee
Douglas Radcliffe, Group Investor Relations Director (moderator for Q&A)

In Attendance:
Nigel Hinshelwood, Ring Fenced Bank Senior Independent Director, Chair of the IT and Cyber Advisory Forum
Becky Heaton, Director of Environmental Sustainability

Robin Budenberg
Good afternoon everyone and firstly welcome to you all, to this Governance Event for Lloyds Banking Group. It is my privilege to be Chairman of Lloyds and my name is Robin Budenberg and we just wanted to talk to you about the importance of Governance for us and the clear connection that we see between strategy, performance and culture as linked through our governance framework. We are of course a bank and therefore regulation and risk is a very important part of the way in which we operate, but it is also incredibly important that we spend time at the Board focused on the big strategic issues that we face. So we try and operate as a Board with two principles in mind. First of all very clear accountability between the Board and the executive and secondly equally clear accountability between the Board and Committees. It is vital that we trust our committees to do the detailed work that is required in order to allow us as a Board to be comfortable with the conclusions that they reach.

So I am joined today by a number of my colleagues. You can see them on the list. First of all Amanda who is Chair of our Responsible Business Committee, Sarah on the Audit Committee, Catherine on the Board Risk Committee and Alan Dickinson on the Remuneration Committee. And I am also delighted today that we have with us Nigel Hinshelwood, who is Senior Independent Director of our Ring Fenced Bank. It is worth just saying in advance of the presentation how we operate the Ring Fenced Bank. I am Chair of the Ring Fenced Bank. All our Board sits on the Boards of the Ring Fenced Bank and Nigel is Senior Independent Director. We have through the year an appropriate number of Group Board meetings and separate Ring Fenced Bank Board meetings. I strongly feel this integrated approach to the Ring Fenced Bank is important in the context of the fact that naturally the Ring Fenced Bank provides the vast majority of our activities.

So if I go on to my part of the session. The first slide is something that I hope that you are all very familiar with. We are a purpose driven organisation and we strongly believe that our strategy is a reflection of our purpose and it is our strategy that generates the returns for all our stakeholders. In the past our strategy was very much about simplification and efficiency. Under Charlie Nunn's leadership we are moving that to a more growth focused strategy and that brings important implications for governance, particularly around things like culture and, as Alan will speak on later, remuneration. We need to have very clear growth objectives that we hold our executives accountable for.

So we are an inclusive and sustainable business and our strategy produces outcomes for a broad range of stakeholders in addition to those of our shareholders. But I hope you can see from the list of outcomes that we have here that all of these have very direct commercial benefits for our business. And therefore it is easy to see how our purpose is entirely consistent with our commercial objectives and the interests of our shareholders. Amanda will go through this list for a bit more detail in her section.

So turning now to the Board's focus areas, as you can imagine the year after the advent of the new Chief Executive is always a very busy period for a Board and Charlie has indeed kept us extremely well occupied. As you can see we have set now the Group's purpose, its strategy. We have aligned the organisational structure to that new strategy. We have set important key performance indicators and indeed we have also had time for a Board effectiveness review reflecting the outcome of that strategy and as ever there were useful inputs that we will reflect properly in our annual report and accounts. And that leaves us with a very clear, long-term focus and it is important to reflect the differential between the long-term focus which we cannot be deflected from and important short-term focus areas which we have to deal with as life goes on, and our long-term focus builds naturally. It begins with our customer experience. That relies upon our people and our culture. We cannot drive the right outcomes unless we have a properly effective technology and data infrastructure. And as you will know we are going through substantial investment in that infrastructure at the moment and that is a very important focus for the Board because we all know how difficult it is to get that absolutely right. We need to focus on our growth

initiatives and then of course our key outcomes of building an inclusive society and transition to a low carbon economy alongside the benefits that the strategy will bring for our shareholders in financial terms.
And finally it is important to point out that risk and resilience, particularly around cyber and a number of other issues is always very close to our heart. At the same time of course we are facing short-term issues and cost of living is naturally one of those that we are very heavily focused on as well in the near-term on the transformation of our Executive Management team and indeed holding ourselves to account for the delivery of the initial phases of the key performance indicators I referred to earlier as well as retaining operational effectiveness.

Another very important focus for the Board is our culture and of course without the right culture growth initiatives are difficult to implement. We need to move from a historic culture of command and control to one where our people feel empowered, where people feel a willingness to be held accountable. And to make mistakes when they make mistakes because it is very difficult to move forward without occasionally making mistakes and then learning from them.

And finally another key element of our cultural transformation is moving from a process driven culture to one that is fundamentally focused on agility and speed of change. And this culture is something naturally that is headlined by the Executive Team, particularly by Charlie, but it is something that the Board plays a very strong role in oversight and continuous monitoring.

In order to implement this new strategy we have changed our organisational structure and also made some significant changes to our management team. It's great that out of an existing number of fifteen members of our Group Executive Committee, eight are new, of those, five are external recruits and three internal recruits. That gives a good balance in that regard. And we also have six female members of this committee as well as two ethnic minority members. So we feel we have a good balance of diversity in relation to this which should allow us to meet all the diversity targets that we set ourselves.

Finally, when we look at the Board I have discussed the way in which we structure the Board between the main Group Board and the Ring Fenced Bank Board. That means that we are a busy Board because a very significant number of individual members of the Board have specific roles that they need to play. And I am very grateful to everyone being a part of the Lloyds Board bringing significant commitments which everyone lives up to in an extremely positive way. Again we have two new recent NED appointments, we have five female members, two ethnic minority members. We have five Board committees and you can see how membership of those committees is spread across our different members. And as I said earlier we have a clear delineation of committee responsibilities that allows us to delegate key discussions to those committees whilst also allowing the Board to listen to the outcome of those deliberations before making any final decisions. We fully aim to meet all our diversity targets, very sadly Alan Dickinson will be moving on as our Senior Independent Director towards the end of the year and at that point we will look very closely at the key leadership roles on the Board to make sure that we have a proper level of diversity in those.

So that was really what I wanted to say. I very much look forward to your questions and in the meantime I will hand on to Amanda. Thank you.

Amanda Mackenzie
Thanks very much Robin. So I am going to talk briefly about the Responsible Business Committee. I think as a committee we have worked hard this year to really focus the agenda on impact and to support the Board agenda which may sound obvious but I think it is often this equivalent committee and other companies have this series of unconnected topics if you are not careful. So ensuring that it really does support the Board agenda and drive the purpose of the organisation I think is quite essential. So I think you can see what we have been working through and what we have helped deliver this year. I think in terms of long-term focus embedding the purpose in the operations is essential but also going to take a lot of tenacity. Again I would say people hugely underestimate this task and fundamentally we have to get to the point where it is Blackpool through a stick of rock. It has to be consistent, rigorously applied and really sort of forensically looked at. But I think it is very fair to say that the leadership team under Charlie are very much getting after this which is great.

I think the other thing to point out on this chart under long-term focus is just transition. Again I think it is always easy to go after Net Zero to the sort of detriment potentially of other things. I think you have to always be aware of unintended consequences. So really thinking about just transition, so we don't want to accidentally level down when we are trying to green up. So really using our strength to think that through, what that means I think is going to be important too. And in terms of very specifically short-term right now, as you would expect we are thinking about the rising cost of living and the impact on our customers, on our vulnerable customers and our people. And importantly and most recently in this past year thinking about the implementation and embedding of Consumer Duty which again will be something that will be evolving over the coming year.

I think in terms of very specifically right now supporting customers and communities, obviously it is an incredibly challenging context. And what we are seeing at this point is that customers are actually demonstrating remarkable resilience and they are at this point adapting to that higher cost of living. I am sure it is not easy, but really thinking about that. Nevertheless we have vulnerable customers that we need to think about and that is very targeted support to them, proactively contacting those most impacted. I mean some of these numbers are quite huge, helping a hundred thousand out of persistent debt so far this year. And then obviously that works through into the commercial aspects of what we are doing. And then similarly in our communities additional cost of living support to 800 new and existing charities through the charitable foundations. I think it is a unique thing in terms of the foundation actually that they tend to give smaller amounts of money locally so that impact is so tangible, be it East Kilbride, Aldershot, Jersey, Belfast, you name it, it is tangible on the ground. So a grant of £15,000 will actually pay for half a support worker and that is going to profoundly help that local community. But the other lovely stat that goes alongside that is that 85,000 hours of skill based volunteering, colleague volunteering, has been helping those various charities. And we have got 900 colleagues alone who are volunteering within a foundation under charity or trusteeship. So it is a really vivid part of our social story as Lloyds Banking Group.

So, focused on building an inclusive society, onto the next chart please. As you will see of our activities, they are routed in our strategy. It is about living our purpose and it is fundamentally using our scale to the benefit of society. So if you look at the headlines on my left as I am facing this chart, the key areas are access to quality housing, financial inclusion, regional development and inclusive organisation society. And if you just look at some of the things around housing, you know, £12 billion funding into the social housing sector over the past four years is not an insignificant amount of money. But importantly that is also routed in our whole strategy overall.

And then if I just draw your attention to the partnership with UK Urban Future commission, the support for levelling up is incredibly detailed, incredibly wholehearted and we are not going to get there unless it is a significant collaboration with civic society and Government. And it is really working together in those areas to really support levelling up. It is going to be very, very powerful.

And then finally the inclusive organisation, I think as Robin clearly said, we are fortunately achieving the targets that we set out and I think it is something that makes us all proud that we were the first FTSE 100 to set targets both for gender and ethnic diversity at senior levels. So again I think it has just always been really thoughtful and where that balance of ambition and pragmatism lies and driving for that.

So moving onto the continued progress towards our Net Zero ambitions. I think it is probably fair to say across the market at the moment sustainability as a whole is largely targets, targets, targets and at this point not so much about results because they haven't been achieved. So I think it is fair to say that the team are being incredibly methodical about the sectors and the approach so that it is grounded in what we know and that we are being realistic, ambitious, but ensuring it is better than the day today and that is the general basis upon which the various targets you see on this page have been set. And as you can see on the left hand side some chunky sets of targets now across Net Zero Banking Alliance, across the supply chain and making some big commitments on terms of no new green field oil and gas development finances, and we are the first major Bank to do so and the first group financial transition plan will be published in February of next year. So I think on every aspect of that just really thinking what do we know, how are we going to get there and I think it is probably fair to say that the work, and you will hear this from both Sarah and then Catherine, is the work of the Committees together now ensuring we are joined up and driving that is going to be incredibly important and it has been this past year.

And then finally onto cultural change and alignment with purpose, values, and strategy. You heard very clearly from Robin what we are trying to get after and this is very obviously something for Charlie and the whole Leadership team, but it has been hugely supported by the Board and I think the interesting thing for me is one of the holy grails in this area is how you measure culture. I think it is an incredibly hard thing to do and with the combination now of listening, learning and really the closed loop of all of that is going to drive a mechanism where we can really measure that and drive it forward. And I feel, well I think it is very fair to say on behalf of my colleagues, that we are all really pleased with how that is emerging and how that is going to happen because we know therefore it will drive the change that we are looking for and make the progress that we want to see.

So I think that is everything I was going to say. It is a fabulous Committee to chair and there is certainly a lot of commitment and passion to do what you have seen today. So thank you very much. I am going to hand over to Sarah Legg, thank you.

Sarah Legg
Thank you Amanda. I am really pleased to be able to give you an overview of the work of the Group Audit Committee and some detail of the matters that we focused on in the year. So I thought it would be helpful to give you a sense of the topics we are spending more time on from a forward looking perspective. And we are conscious of how the work needs to connect with the work of the other committees and the Board itself as Amanda has said and Robin has said, particularly an important area of climate reporting.

I am just going to start with a quick reminder of how we operate. We have an Audit Committees at the Lloyds Banking Group Plc level as well as the principle subsidiary levels, with independent non-executive on those subsidiary committees. Notably those would be the insurance subsidiaries with Scottish Widows and at the Lloyds Bank Capital Markets level, LBCM. The Lloyds Bank and Bank of Scotland legal entity Audit Committees, effectively together the Ring-Fenced Bank are run on a line basis to the Group so that ensures that we get appropriate legal entity, discipline at time to time having a single, legal entity Audit Committee sessions as well as effective consideration of the Group as a whole. So on this slide you will be familiar with the purpose of Audit Committees just to remind that we monitor and review the Group's financial and narrative reporting arrangements, the effectiveness of the internal controls, including those over financial reporting and the risk management framework. Whistle blowing arrangements and each of the internal and external audit processors. So in this respect the committee agenda is taken up with a number of standard items including of course a scrutiny of the quarterly external publications.

The committee has continued to focus on the issues relevant to the Group's financial reporting including consideration of the key accounting judgements and estimates, ensuring integrity of the financial accounts and the associated disclosures. The committee has also spent a significant portion of its time considering other related areas including maintaining the Group's internal control framework to ensure it remains fit for purpose. Our commitment to the continuous improvement of the reporting control environment is key in supporting the strategic development of the Group in line with our strategic development.

The source of information for us remains the Company's financial control function, the risk function, internal audit and external audit. So the committee is receiving multiple independent and objective reports in support of its assurance worth. And on this I would like to draw out some of the specific areas where we focused in 2022 and where we will probably spend more time in 2023 and likely beyond. And those areas that I would pull out would be impairments under IFRS9 as we emerge from the pandemic situation in 2021 and 2022, into an environment of higher inflation, higher interest rates. And IFRS17, the implementation of this accounting standard in 2023 which impacts insurance contracts. Climate impact and reporting and the continuous improvement of the reporting and control environment. I think on this last point it is worth mentioning that we are overseeing improvements in the Sarbanes-Oxley reporting processes, regulatory reporting and the finance transformation programme which pulls this together.

If we move onto slide 18, I thought I'd highlight the oversight work that the Committee conducts in respect of Expected Credit Losses or ECL. Given firstly its importance to the financial statements, secondly the forward looking nature of the standard and thirdly the impact of volatility in the economic environment, this is an area that has received increased investment over the last two years. This has resulted in improved agility in the financial processes that allows the capture of more recent economic news. The Committee scrutinises the multiple economic scenarios or effectively the economic estimate that underpins Expected Credit Losses and it examines the movements period on period and the supporting evidence relating to external benchmark information. The accounting standard requires that judgement is applied and the economic environment in 2021 and 2022 reflecting the emergence from pandemic conditions moved us into one of higher inflation and higher interest rates. The Committee has examined the management judgements that have applied consequently ensuring that they are all well-defined, discreet by individual rationale and portfolio, and are supported by documented release criteria. The Committee also considers the consistency of methodology from period to period, external benchmarking where available, and the quality of both quantitative and qualitative disclosures. This will continue to be a focus of our attention in 2023.

I'll move to the next slide, just some brief words on two other areas that have taken more of our committee's attention in 2022 and will continue to do so in 2023. Firstly, as mentioned previously, planet related disclosures where we spent more time both within the Committee and outside of the Committees. In fact we recently brought the Audit and Risk committee members together across the Group's subsidiaries for our inaugural Audit and Risk Forum to discuss common topics and climate risk and reporting was a key topic as you would imagine on that agenda. From an Audit Committee perspective we have been examining the impact on the audited financial statements and where climate could be a consideration as we look at assets and liabilities. And we apply our lens of fair balance and understandable as we review the linkages between the strategic report, the financial statements and the standard on client reports. We request and obtain regular reports from the team with respect to the developing systems of reporting and controls as well as assurance and it is really important to mention that Internal Audit will continue to build out their capabilities here providing that third line assurance. And with the evolving regulatory and reporting standards we review and discuss updates on the necessary preparations in response to the maturing external landscape and demands.

I will just briefly then turn to IFRS17, a long awaited accounting standard impacting insurance contracts. We receive regular updates on the progress on the implementation project, it is a complex project. The standard impacts the previously recognised value in force asset and leads to a change in the balance sheet on the transition to adopting the standard and to a timing change in the recognition of profits on those contracts. In this respect the Committee has had deep dives and have looked at some considerable detail into the implications of the standard, the choices that are being made and how this will impact the results going forward. We have heard directly from the component external auditors, i.e. the insurance external audit team and we continue to receive updates from the Chair of the insurance legal entity Audit Committee. And all this means that the governance is well connected.

I hope that this gives you a good sense of what is taking up our time in 2022 and we will continue to take up our time in the future. And with that I would really like to pass over to my colleague Catherine Woods, Chair of the Board of the Risk Committee. Thank you.

Catherine Woods

Thank you Sarah and good afternoon everyone. I would like to take this opportunity to share with you how the Board Risk Committee delivers on its purpose and also spend some time with you on three important topics that we spent time on at the BRC this year. First of all, I will start with the purpose of the BRC, this is to assist the Board in fulfilling its risk governance and oversight responsibilities. So that is quite a broad remit and we do it in a variety of ways. We have regular cyclical reports coming into us but in addition to that we also have a series of deep dives which are dynamic and pre-planned, but also reprioritised as necessary. We take a strategic forward looking approach at the BRC with respect to risk management. And the key principles and themes that drive our long-term focus are laid out there for you in the middle of the slide. This is a ramification clearly for both our short-term focus but also our deliverables and I have laid out some deliverables that we have had in 2022 on the left hand side of the slide. Risk strategy and risk appetite are very important for us from a long-term focus. I really see this as establishment of guardrails within which the Group can safely deliver on both its purpose and its strategy.

On governance and oversight really this is to ensure that we have an effective control environment that is fit for purpose. And it really has to be supported by a risk culture that is fully embedded as this is how we operate day to day in everything that we do. We work closely with Alan and the Remuneration Committee to ensure that the risk culture is properly reflected in remuneration and that our colleagues are properly motivated and conscious of risk management.

Principle risks, as you would imagine, we have both financial and non-financial, and non-financial covers quite a variety. We have people in there, we have cyber, but in addition now we have climate in there as a principle non-financial risk.

On the emerging side we look at this at both an immediate horizon basis, but also on a long-term basis, and we do this both on a thematic and a strategic basis. And to that end we spent a lot of time both in emerging this near-term in 2022 as outlined there in terms of cost living and the macro environment which I will come onto shortly.

Finally then we also approve a number of stress and scenario testing. Now this is important in order to ensure that the Group has comfort, that we have sufficient capital and liquidity in stress situations. But not only do we look at capital and liquidity, we also look at cyber, doing both idiosyncratic and systemic testing there. And this year we also added in climate, through the CBES Bank of England exercise.

I would like to take you through now three topics that I thought you would be interested in, in terms of how we have spent a lot of our time at the BRC this year. The first one is the credit impact on the cost of living. Now inflation, on this potential impact has been a concern for the BRC throughout 2022. And given these inflation concerns and also the macro environment, the potential cost of living pressure is in addition. We have put in place heightened monitoring for the whole long portfolio. This has consisted of early warning indicators and dashboards which we have developed and enhanced for all segments of the long portfolio at quite a granular level. And in addition we have also undertaken a number of vulnerable sector reviews. The discussion then at BRC has centred on the implications for our Board Risk appetite metrics, but also ensuring that the actions and initiatives that have been deployed are appropriate and proportionate. And this then also feeds into the discussions that we have at the Audit Committee on provisions. Now while we have seen some early signs of cost living pressures there is no evidence to date of any significant deterioration in the portfolio at this stage. And if I draw your attention to the chart on the bottom left-hand corner of the screen, you will see that this is neutral arrears across the retail portfolio. And the levels remain low and there are pre-pandemic levels and also actually at or below historical levels.

I have also given you some information on the credit quality of our portfolio and in particular on the mortgage side and CRE portfolio at the top of the chart. I thought this was interesting because it highlights the impact of tightening our risk appetite since 2019. And as you can see now on the mortgage portfolio only 4 per cent of our book has an LTV above 80 per cent and only 11 per cent of our CRE portfolio in the commercial banking book is above 60 per cent.

An additional focus of the BRC in 2022 has also been on our capacity and ability to support our customers who make it into financial difficulty and this could be obviously through cost of living pressures but also as the Government backed lending schemes roll off. Our focus there has been on conduct risk, capacity planning, ensuring that the skilled resources are in place and also contingency planning. And also within an appropriate environment that is effective and fit for purpose. We also want to ensure that there were adequate resources and attention paid to both early and pre-arrears because this reflects our preventative approach to our customers getting into difficulty and you have heard a little bit more from Amanda on that in terms of the RBC.

If we turn now to climate risk management, this has been an issue that has been reviewed a number of times at the BRC and we expect to continue to do so in 2023. Climate change strategy itself is set at the Board and considered at RBC. The BRC's focus is on climate risk management so for example if I look at the electric vehicles and PHEV portfolio, the leasing and financial targets for that were set at the RBC but the BRC recommended the appropriate risk appetite for the residual value of these vehicles.

Our focus in 2022 has been on defining a consistent risk framework with clear responsibilities. And we believe that this has resulted in a fundamental shift from risk ownership or second line ownership of climate risk to business ownership during the year. This has enabled us to embed climate risk management across the Group and also enhance our capabilities. We assess that we have made solid progress in 2022 and in particular I have referred to our response to the CBES exercise. The fact that we have met regulatory expectations on financial risks from climate risks and also that we have embedded climate risk in all of our new credit applications and renewals in Commercial Banking, with a dedicated sub-team available to support them. It is clear also where we want to enhance our approach to climate risk in 2023. We want to further embed the climate risk factors in credit decisioning and MI. We want to strengthen our scenario analysis capability and we want to develop further Board risk appetite metrics. There is also a number of data gaps which we know we have to close down and perhaps I could just refer here to a consultancy pilot that we have with the Soil Association Exchange which will help us at an individual farm level, give us a better understanding of the make-up of our own farm emissions and that also help farmers adjust to the transition.

If we move on then finally to the strategic transformation. There is a significant strategic transformation within the Group in order to deliver on our strategic objectives and initiatives which Robin referred to earlier. Now the oversight of this strategic transformation has evolved during 2022. We have new change related risks which have emerged both as we have moved really from mobilisation of strategic initiatives to delivery, but also as the existing change related risk evolves as well in this scenario. And operational resilience from this strategic transformation has been uppermost on our minds. Robin referred earlier to a committee called ITCAB, IT and Cyber Advisory forum chaired by Nigel. This is a very important committee that supports the BRC's direct oversight of technology and resilience related matters. It does this through a series of prioritised deep dives which focus on the implications of the transformation for both our important business services and critical business processes. And alongside the work done by ITCAB, BRC receives regular updates from the Executive Committees on the progress of strategic transformation and the impact this has upon the Group risk profile. We also look at external assessments that have been undertaken and the results and discuss those.

We have introduced a new agile approach to change management in 2022 and we refer to this as “the Platform Team approach”. This ensures that business and technology owners are aligned and changed delivery. And we have also introduced end to end accountability for business unit heads. The BRC oversaw and were very supportive of these changes as we believe that they will reinforce the risk culture within the Group. And as a consequence of us overseeing the up scaling of the second line of defence to help ensure that the strategic transformation is delivered in a safe way within risk appetite guard rails. The second line defence also delivers regular risk opinions on a number of executive papers to both ITCAB and the BRC. Internal audit is also being up scaled and has delivered a number of important thematic reviews on this subject to the Audit Committee and that will continue into 2023. As a consequence our risk management framework has evolved throughout 2022 and really what we are trying to do here is reflect the requirement for really enhanced integrated and better co-ordinated oversight as we implement these changes. We also expect that the framework will evolve further in 2023.

So that brings me to the end of the Board Risk Committee presentation so I would now like to hand over to Alan who is our Deputy Chair and Chair for our Remuneration Committee.

Alan Dickinson

Thank you very much indeed Catherine. I suspect it won't be difficult for those listening in to think what are the key issues on the remuneration committee agenda this year, just looking at the inflation numbers this morning whilst they are down we are still in double digits. And frankly cost of living affects our customers but also affects our colleagues and that has been very much uppermost in our mind over the last twelve months. There are a few things to talk about and I will come onto them but if I think about the first priority, our colleagues. Twelve months ago if I talked to you then, there was a considerable disquiet amongst our colleagues because in 2020 we did not pay a bonus, we felt that we should align with our shareholders who hadn't received dividends and didn't pay our colleagues a bonus. And that caused a considerable amount of disquiet and some heightened attrition. That was twelve months ago. I would say that we are in a much stronger position today partly because as a result of the performance in 2021 we were able to pay a bonus earlier this year which met colleague expectations. So that has helped and I will talk if I may about what we delivered in the year for colleagues in a little bit more detail later in terms of the cost of living payments that we made and an agreement we have already reached for a pay around for 2023.

I will also spend time talking about directors' remuneration policy, we are due to go to a vote at the 2023 AGM for Lloyds Banking Group. And we have done an awful lot of preparatory work in looking at the market and coming up with our thoughts as to which way we should go. Climate change has been uppermost in our minds and how we embed this in the Group policy and how we reinforce that with our remuneration strategy has also been a key focus in the current year. Longer term the new strategy that we announced in 2022 in February this year has been a key issue for us. How we should look to amend remuneration strategy if appropriate to align with the new corporate strategy that we have. We have looked at how we can make sure that our colleagues are part of this more growth-oriented journey and we have also as I say looked at how we embed ESG into the remuneration measures. We have made progress in 2022 on gender and ethnicity pay gaps but there is a long way to go. There is more to do and we have set ambitious targets going forward. But I will come back to the short-term focus and I think there are probably three issues there working from back to front.

The remuneration outcomes in 2022 remain to be firmed up and agreed but they have been a focus for us over the last few months and I think also cost of living impacts on the lowest paid employees and how we should approach directors remuneration going forward.

So moving on to the first issue of workforce engagement. We have been very concerned that the lower paid colleagues in Lloyds Banking Group, and we have a very large group of people, the lower paid colleagues have been and are being disproportionally affected by inflation. I think that is very well known and it has been a concern to us, we need a motivated workforce. So in August we led in the industry by making a one off payment of £1,000 to all colleagues which was very well received, I think much needed but very well received. But we then moved on to thinking about 2023 and the pay award and what we could and should do. And we have agreed with the unions and then employees and union members have supported that and voted for this. We have agreed a deal which will afford the lower paid between 8 per cent and 13 per cent increase. In terms of the overall pay bill that will be only 6.3 per cent and as you can imagine when we come to the higher paid colleagues and the executives those awards will be materially less. I think we have also provided a good deal of financial and non-financial support to colleagues, helping managing personal finances. And I think we have been very mindful of the impact of people's mental health as well throughout what has been a very difficult year.

We have heightened our attention to colleague sentiment through annual colleague survey and monthly poll service. We have completed recently the 2022 annual survey. The employee engagement is up which is absolutely to be welcomed and in particular 87 per cent, a very high number, have connected with the renewed purpose of Helping Britain Prosper. People really believe that is the right way for this organisation to go to be a very purpose driven organisation. I mentioned before that we have made further progress which we will announce in February on ethnicity and gender pay gaps and more to do and we remain ambitious in our targets for the future.

Moving on then to the other key topic of directors' remuneration going forward. This is an issue because we need to talk to the shareholders at the 2023 AGM having last been to the 2020 AGM with proposals at that time. And many of you will know that in 2020 we looked to move to a restricted share plan. The review that we have undertaken now just makes one particular point. Given our strategy has changed to being efficient but also growth oriented, it is important that we align that strategy with the remuneration outcomes. And we therefore see returning to a long-term incentive plan. Not an easy decision but one which we think is the right one and in the conversations I have had with investors which have been very welcome and very helpful, that has been reinforced. We wouldn't propose to change the target remuneration, the maximum award with 300 per cent of salary and that would align with the LTIP previously. In fact there was an option to be at 400 per cent before, that would not be the case going forward it would be 300 per cent. We would have increased pay for performance, and quite simply if LTIP targets were met and awards invested in full there would be a 30 per cent increase in pay-out versus the current policy, but if performance wasn't met there will be up to 30 per cent reduction in pay-out versus current policy which does achieve the alignment that I think we need.

We are in course of preparing the metrics and the targets and I will be consulting with investors in January in that regard. And given the uncertain economic climate we have also given a lot of thought as to whether this is the right time to make this move. At the moment we feel it is and we feel that there is always going to be challenges whatever time we pick. But we are very mindful that the world is very fast changing and we are in an economic crisis and do need to be very careful that this is the right thing to do at the right time.

Two additional changes are likely to be proposed, one in terms of our over deferral of parts of the reward package. We have a policy which is to align with regulatory minimum requirements but we go beyond that at the moment and that is perhaps a legacy of the past but it has meant that it has been expensive for us to hire the new recruits we have wanted to build up the management team. Now I think that can be addressed fairly reasonably and we have proposed to move to the policy to enforcing that and to taking that into practice. There was also a minor change proposed in terms of the quantum for the CFO in terms of the bonus award rather than anything else and I have spoken to investors about that and will continue to do so.

As I say the feedback from the initial consultation has been extremely positive. I am grateful for that. I am very grateful for all the guidance that you have given. Robin I propose to hand back to you at that point if I may.

Robin Budenberg
Thank you Alan and that completes the formal presentations and we now look forward to taking your questions. You can either submit questions by the usual hands-up method or through the chat function and I am going to ask Douglas to dish out the questions. This is the point where Douglas has his fun for the year and we may also allocate questions to Nigel who as I said earlier has the important role in relation to the Ring Fenced Bank and as Catherine said, in relation to the ID advisory forum. So I am going to hand now back to you to do your worst as they say.

Douglas Radcliffe
Excellent thank you very much indeed Robin. As Robin just indicated there, if you wish to ask a question, if you could simply indicate through raising the hand button which is actually within the reactions content section at the top of the screen. I will then call your name out and the studio will open your audio lines so that you can ask the respective question. When asking specific

questions it would be great if you could actually reference your name, your institution, clearly the question and ideally who the question should be directed at.

I also have a number of other pre-submitted questions which I can reference as well. We do actually have the first question that has come in which is from Hendrick. So Hendrick would you mind asking the question?

Question and Answer Session

Question 1 – Hendrik Schmidt, DWS
Thank you very much for taking the time, it is Hendrik Schmidt speaking from DWS German asset manager based in Frankfurt. Indeed very good to have this conversation near the year end. I would have two major aspects that I would like to address here. First with regard to the disclosures that you have already made in terms of your Net Zero commitment and the progress and let's say pathway to achieve that. In this particular aspect I was wondering to what degree or how far are you extending your net zero commitment and when could we expected that you will also be, let's say, willing or able to commit or to conduct a validation of your targets by the science based targets initiative which for us is let's say currently the best external evaluation that we can rely on.

And the second aspect would be with regard to the remuneration and Alan, I am looking forward to our discussion in the new year on that already and I do recall that we had initial exchange about the balanced scorecard method and I can see that you have reduced the complexity in which I think is in favour of all that are effective by that.

Just with regard to the employee engagement index and first of all it is good that this is included in that measure. It would be good to understand what kind of threshold you have introduced so that we can understand let's say what the requirement is so that this incentive really kicks in. And obviously it would be good to understand what sort of succession planning in terms of you and your Senior Independent Director is currently ongoing, so thank you very much.

Douglas Radcliffe
Amanda do you want to take the first question then perhaps on the Net Zero?

Amanda Mackenzie
Yes great and also Becky Heaton who is our Head of Sustainability is also in the background somewhere if we get an incredibly complicated question, that is a real expertise requiring one.

So the first part of your first question in terms of how much further we should go on Net Zero. I mean I think working backwards from the climate transition plan, planned for February, I think if you think about the combination of the depth of the data inheriting that TCFD, TNFD is also on the stocks for the future. We have got the climate, the CDP disclosures that we do every year, the Net Zero Banking Alliance ones that were published for the first time in October and obviously the Bank of England work. So if you put all of that together that is a pretty thorough run-round of this subject and we have made, as you know, some pretty challenging targets to reduce by 50 per cent the carbon that we finance by 2030 and I think that is not insignificant frankly. So we could spend the whole half an hour on this and clearly I should shush. Becky, what would you like to add?

Becky Heaton
Just to say on SBTI, we are in active conversation with them and absolutely you are right they are the sort of pre-eminent organisation on this. Most of NZBA targets we have set would meet the SBTI criteria. Housing is one sector which did involve in both for us after SBTI. So SBTI at the moment looking what some different scenarios might look like. And so that is really why we are holding off at the moment just whilst we carry on those discussions.

Amanda Mackenzie
Thank you. Shall I hand over to Alan, Douglas.

Alan Dickinson
Thank you very much. I would just say if you don't mind, I will leave the decisions and timing on my replacement to Robin to talk about as I think it would be wrong for me. Robin may have implied I was going at Christmas this year which is not quite right, I think it is probably towards the end of next year. So I am afraid you have got me a little longer. But then, in terms of the balanced scorecard I am a great believer as you are in simplicity. And I think it is fair to say that LTIP that we are proposing will be heavily around financial measures, around the normal TSR capital generated and return on tangible equity. Together with as close to financials as we can get in terms of the strategic objectives we have set plus the ESG targets that we regard as very important in the long-term. That is our current thinking to be finalised but that is the direction of travel. When it comes to the employee engagement that is very much more likely to be in the twelve month bonus score card and that is certainly not finalised as yet.

We normally look for variation around the UK norm and obviously a threshold which would be below the UK norm and a maximum would be quite a bit above the UK norm. I am happy to engage more separately offline if you wish at some point but probably now is not the time to be specific on the numbers as we are coming up to negotiating about those. Robin do you want to tell everybody about my succession?

Robin Budenberg
Just to be clear, the reason I said that, and you are right later next year, I assumed we are in January it looks so cold and dreary outside. It is sadly for us your full term as a non-exec comes up at the end of, in September of next year which means that you unfortunately no longer are able to play the role of Senior Independent Director and it was in that context that I was talking about the ability to think about the leadership roles on the Board. More generally obviously Alan does deserve a break at some stage, we'll hold onto him for as long as we possibly can, but we have plenty of people particularly in relation to remuneration who are well qualified to take over the Remuneration Committee and we will be thinking about that as we get closer to any final decisions on letting Alan hand on any or all of his responsibilities.

Douglas Radcliffe
Thank you Robin, I think that addressed all of your questions there Hendrick? Excellent thank you. So we have another question in from Jeanette Andrews.

Question 2 – Jeanette Andrews, Legal & General
Hello everybody. So pleased I was able to join you here today. My colleague Caroline who normally joins these meetings does send her apologies. So I was also going to ask about SBTI so I was really pleased that that question had been asked, it is so important to us as investors and we'd encourage you to put as much effort and emphasis in your discussions of SBTI so that could be moved along as quickly as possible.

I also wanted to ask about culture which really centred on I think most of your presentations today talking about where you want the culture of Lloyds to be. And I wondered how you think about the line between that individual decision making, that agility that is needed and how that interplays with the recommendations and prompting coming from your regulators. And whether you see any conflict there and how you may be overcoming some of those barriers. As we know culture is almost the hardest thing to change in any organisation particularly when you are as heavily regulated as yourselves.

Douglas Radcliffe
Robin, do you want to start off there?

Robin Budenberg
Yes, it is a very insightful question. And what I would say is that there should not be any issues between us and our regulator because we are both trying to achieve exactly the same outcome and culture is an issue that we are in constant dialogue with both of our regulators about and which they are extremely focused on. And I think for us this is about leadership in many ways and we are implementing a very clear programme where we are effectively running our culture down through our top 300 leaders in order to make sure that they really understand what we are seeking to achieve. We also have really quite a sophisticated form of measurement through our monthly and less or more annual based surveys which goes down into quite a lot of detail in individual areas so that we can pinpoint the areas where we feel the message is not getting through and make sure that we do things about that. So there is no black and white answer to your question because as you say culture is something that is a constant journey, but it is a journey that we are very firmly together with our regulators in relation to and they understand our challenges and always say to us that if we demonstrate that we are heading in the right direction they will work with us.

Douglas Radcliffe
Excellent, hopefully that addressed the question Jeanette. The next question we have online is coming from Andreas. Andreas do you want to ask your question?

Question 3 – Andreas Thomae, Deka Investment
Andreas Thomae, Deka Investment from the ESG Department. I would be interested in where you have ESG targets in the LTIP plan. But I would be interested in when you want to implement to the KPI's the sector environmental targets because it is key to the strategy to manage to Net Zero. And so far as I know they are not already included. Thank you.

Douglas Radcliffe
I think Alan that probably makes sense to come through to yourself.

Alan Dickinson
You are absolutely right. It is part of the thinking we are doing at the moment for the future of the proposed LTIP that we need to embed appropriate targets and you are obviously right that we have just set out some very clear sector specific goals and I think we need to marry those up. So I think within a short space of time we will be able to clarify that and I am happy to engage with investors as I say in January on the detail of that.

Andreas Thomae
Great, thank you very much.

Question 4 – Miles Hamilton, Ninety One
Hi there thank you and nice to meet you all. A follow-up question from me on culture. So you mentioned the shift, or the need to shift, from a commanding control culture to empowerment. That word empowerment I thought was very interesting and trying to create a culture of ownership within the banking industry must be quite a challenge. So if you could speak a bit more about how you are approaching that shift I would be really interested, thank you.

Robin Budenberg
A really good question and it is not straightforward but it is about shortening lines of commands so that there is less distance between senior management and what happens on the ground and that is about also reducing process. Banks tend to layer process on process and we need to address that issue so that people do not hide their accountability behind process which is something that happens. And again in order to make that happen we have to go through the strategic transformation that Catherine talked about in relation to the oversight of that strategic transformation. So it is a number of different things that come together. But most importantly it is about tone from the top and I think when you bring a new Chief Executive in that is an opportunity to change the feel of an organisation. And I think we as a Board feel that the organisation is changing almost every day, but we can't allow that to be the only thing that effects this change. We have to do it through formal programmes and through effectively removing some of the process that we have in place without releasing any of the controls that are essential for us as a regulated entity. Does that make sense?

Miles Hamilton
Yes I think so, so reducing unnecessary bureaucracy and driving decision making down the organisation.

Robin Budenberg
Yes, and you know, it is the old things like storage I think. We need to celebrate people doing the right thing in the right way. We need to celebrate if I am honest people making mistakes, if they make those mistakes for the right reasons. We must allow people to feel that if they do things for the right reasons we will support them.

Alan Dickinson
If I may I'll just reinforce that. I think leadership is critical and one of the key reasons that we were delighted to bring Charlie Nunn in is because we see him giving that leadership to people. If you go back to the financial crisis I think banks for a period of time after were very nervous about making mistakes. And the regulatory regime and the individual persons regime sort of added to that concern. I think it is very, very important that we move away from that towards people taking accountability and making things happen and it all is down to Charlie and the leadership team he has brought in and that, as Robin says, the tone from the top, people will follow if they see a good and strong leader and that I firmly believe is what we have in Charlie.

Miles Hamilton
Thank you.

Douglas Radcliffe
Thanks Miles. There are a couple of other questions that have come in through the chat function. The first one was from Frederick.

Question 5 – Frederick Nichelon, Fideuram
Asking about the split of executives to non-executives on the Board. And also just seeing about how the management works effectively between the CEO and the Chair.

Robin Budenberg
Of course. I think the relationship between the Chief Executive and the Chair is possibly the most important element of governance that exists. And that is all about a sense of openness, about and there I said a lack of ego on both sides, a willingness to share, to listen, to understand and take advice. And again to Alan's point, in Charlie we have a Chief Executive who yes he is a strong Chief Executive but he does not have a big ego and he listens to the Board as a whole, to me in particular. We have weekly discussions about the issues that are on his mind and we supplement those in more frequent discussions about particular issues

if that is required. We have a set agenda for those discussions, so we both know what we are talking about, but equally we feel free to add to that and to speak to each other on a regular basis outside of those meetings over weekends whenever works and whenever is necessary. So to me it is all about an open relationship. In terms of the number of executives on the Board we have quite a big Board as you can see from the list because we have a lot of roles that we need to fill. And we feel that having two executives is the right approach. I would emphasise that the Chief Risk Officer is present at virtually all issues that are discussed at the Board and we think that is an important part of maintaining that proper balance between strategic discussions, control and risk discussions.

Douglas Radcliffe
Thank you Robin. Another question that came through on the message board was from Zack Fitter.

Question 6 – Zack Fitter, Sanderson
What are your views on shareholding requirements by Board members? Some firms require Board members to purchase shares in the market with some proportion of their fees to improve alignment. Thank you.

Robin Budenberg
I think we don't have formal requirements because I don't think it would be appropriate to insist upon requirements for a group of individuals who have very different financial and other characteristics. So I don't think it would be a good idea to have formal requirements. Equally if people ask me the question I obviously encourage people to do whatever they feel comfortable with to demonstrate that they have confidence in the business of which they are directors. But that is very much a matter for individual directors. There is no formal policy and I don't feel that any form of policy is appropriate. And on the whole we obviously have to be very careful to make sure that we buy shares at the right time from a market sensitive information point of view and individuals buy their shares in the market through very strict approval processes which includes direct approval by me. There is approval processes that are intended to make sure that we adhere to regulations rather than me approving what and when people buy.

Douglas Radcliffe
Thank you Robin. Before I move onto another question that came through, there was a pre-submitted question, a couple actually. The first one was are you going to undertake a climate vote this year? I think probably one that comes to you first isn't it Robin?

Robin Budenberg
Yes, look as I hope you gathered from the presentations, climate issues are absolutely integral to our strategy and we think about them throughout almost every process and I think it is being mentioned in almost each of our, it has been mentioned in every one of the presentations. So it is woven throughout everything that we do. We don't see it as a distinct factor. We disclose a lot of information in relation to our actions. We discuss that with shareholders and indeed with NGOs. I think given that I think it is still something that we would consider but we don't feel it is necessarily appropriate this year but we will monitor how things go.

Douglas Radcliffe
Thank you Robin. Okay let's now take the next question from Debbie Lusmon.

Question 7 – Debbie Lusman, First Eagle
Hi there and thank you so much. This question is for Sarah and it is on the audited financial statements related to climate. The question is could you just elaborate a little bit more on what it is going to take and what you are looking for in the linkages to be able to report on this? And is it going to be your auditors who will be conducting the audit? And also is there anybody, any competitors or anybody that you are looking at currently that you are sort of modelling the auditing of these statements after? Thanks.

Sarah Legg
Thanks very much for the question. And of course you know when we look at the financial statements we have got to look through all sort of asset types and think about how climate could impact either statement or valuation of those assets and liabilities. And if not now what would need to be considerations in the future for us to think about that? If I cast my mind back a few years it probably would have you know mention up front in the risk types but not actually directly in the financial statements. So if you look through our financial statements currently it identifies under some of the key judgements where we have made consideration, for instance in the fair value of assets. And whether that has, we think there is, any impact or not. We will continue to do that, I think like most companies it is a maturing activity. They also refer to the need to make sure that in the round the annual report and accounts is fair, balanced and understandable. So that means that if we are talking about things in the front half, in strategic report, in terms of what is important to us, in terms of the sectors that we are particularly considering and looking at and where we are thinking of taking actions in terms of meeting our Net Zero targets, we have to then put our minds into thinking about does that have any impact on how that might change any techniques that we might need to employ in terms of valuations there.

So I would say that that is at an emerging state at the moment and will mature over time and we believe that we are doing the right things in terms of connecting through the business, risk and finance. We have primary responsibility for the financial statements along with inputs from the second, third line through internal audit to be able to challenge through the internal governance frameworks of the organisation to develop maturity in this area. Our financial statements are audited by Deloitte and obviously Deloitte will review the entire document to make sure that in terms of that fair balance and consistency across the document that we have addressed that overall. But we believe that we are making good progress in that respect in joining these pieces together.

Douglas Radcliffe
Excellent and hopefully that addressed your questions there, Debbie?

Debbie Lusman
It did, thank you so much.

Douglas Radcliffe
Good, thank you. We actually have another question in from Hendrick, so Hendrick?

Question 8 – Hendrik Schmidt, DWS
Thank you very much and indeed discussions like these always allow for further questions. So with regard to the climate vote, has the Board already discussed this scenario in which another investor might put up a climate vote for your AGM next year? And then what would be let's say your response to that because from an investors perspective you will see us regularly in the position if a company is not providing such a vote themselves, others might find the means to do that and it comes to us as shareholders to act responsibly and make an informed judgement on that. Taking into account all you have said before about the importance of the topic and the, I would say structural approaches and achievements so far including the targets and efficiency going forward, what would be a scenario that you could describe here to which we could prepare as shareholders? That would be the first question.

And the second question relates actually again back to the remuneration or the duty of the Board. Are there any grounds for claims against the former CEO resulting out of the FCA fine in terms of reclaiming paid out remuneration etc. So they are different questions but hopefully not difficult ones.

Douglas Radcliffe
Robin I think both of those come to you as well.

Robin Budenberg
Okay. So in relation to the first point, no we haven't discussed it as a Board and I think it is something we would think about if and when that happened and we would judge that against the issues that I talked about earlier and obviously it is something we would take note of what our investors felt about that. As I said we feel at this point in time that we address all the issues, there's a climate vote is designed to address but you know there is no point in saying never say never.

I am not quite sure on the second point what you are getting at. I don't think there has been any public suggestion that there would be any form of personal enforcement and it wouldn't be appropriate for me to talk about individuals further than that.

Hendrik Schmidt
Okay I mean just looking at either the FCA has imposed on Lloyds with regard to the insurance contracts dating back to 2009, understanding that Mr Horta-Osorio was not part of the management at that point of time. So I gather from your response that you have not identified any grounds for laying out claims against him for either not acting prudently and soon enough to basically stop the practice that have forced the fine by the FCA nor his personal involvement there. Am I correct?

Robin Budenberg
I think that would be correct yes. But again any personal issues relating to Antonio should be directed to him, it wouldn't be appropriate for us to comment on that. But we made no disclosures around that fine when we concluded it in our annual report this time last year and the impact was fully reflected in terms of the levels of bonus that were paid to all executives and indeed to the whole organisation. Alan is there anything you would add to that?

Alan Dickinson
Yes I would just say a full review was undertaken as you would expect for a penalty of that order. And appropriate investigation was undertaken of individuals contribution or not in that regard. Being quite blunt about it, former Chief Executive didn't fall into

that category at all and any appropriate adjustments have been made and announced in previous statements. So I think that is a legacy issue. I wonder whether you were talking about another issue but if you are talking about the insurance contracts then those adjustments that have been made were deemed appropriate in 2021.

Hendrik Schmidt
Okay, thank you very much that answers my question.

Douglas Radcliffe
Okay we have another question online from Andrew Risk.

Question 9 – Andrew Risk, abrdn
Hi there. I am Andrew Risk from abrdn. Thank you very much for the presentations today and the comments, maybe two questions from me please if possible. One with regards to the discussion around the sort of evolution and the risk management framework and enhancements there. I wondered if possible are you able to give a sort of tangible example of something that has been done differently to help us kind of understand what actually has changed in the follow-up. Presumably it was a strong system to something that is stronger, you know does it mean could you sort of pull out and help us understand what would be done differently?

And then the second question was on your sustainable finance targets there. You know there is quite a race in the market now, one of your peers has put up, sort of dramatically responded, its sustainable finance targets. Today I wondered if from the Board's perspective Lloyds has set up quite interesting or made interesting remarks about the share of the corporate lending book that could be allocated in finance next few years, and it is impressive and ambitious. I just wondered from of course your perspective whether you have any concerns around the sort of the risk to relate or returns related to those sort of new emerging areas? Thank you.

Douglas Radcliffe
Is it worth covering the risk element first?

Catherine Woods
Yes, the RMF first. So yes happy to give you a tangible element to that. So you have seen on one of our deliverables actually there was a risk performance review outlined there. So this was a change in how we actually assess peoples performance with respect to the risk management. So we really did quite a significant overhaul on that. We did it in conjunction with Remuneration Committee as well. And I suppose it is fair to say that this is now something that is done by the business rather than to the business. We have simplified it, there is a lot of cultural elements to this as well that we referred to earlier. So in terms of the performance of praising it is now built into that. We have also tried to reduce the cultural drag and bureaucracy involved. And with respect to the strategic transformation and technology we can now use technology better to improve the reporting and also the traceability of capabilities. So I think that it sort of plays actually into a number of areas in terms of cultural transformation, strategic transformation and proper remuneration. So that is all, for example that is one evolution in the RMF.

So your second question then with respect to the sustainable finance and the risks associated with that. So what I would say is we look at this on a sectorial basis in terms of risk appetite. We have a prudent through the cycle approach to our credit risk appetite and I would say we then apply the same principles there into sustainable finance. So they really have to satisfy the principles that we normally apply. Each sector is different as I mentioned in terms of for example on the automotive side, we recognise that residual value is the big issue there. We haven't seen electric batteries used after seven years, cannot be recycled, cannot be reused. So we had to really assess the individual element there. So what I would say is it is sector by sector and applying the same principles that we would use generally speaking with respect to credit risk appetite.

Douglas Radcliffe
Amanda, Robin is there anything that you would want to add to the sustainable finance side?

Amanda Mackenzie
No I mean just to say I mean to Catherine's point the veracity which we are going to approach the targets we have set, we have to apply. So it is the same point Catherine has put but from other point of view we are on target.

Andrew Risk
Thank you.

Douglas Radcliffe
Excellent. Okay there are no more questions now and actually we are coming to the close from a time perspective. Thank you very much indeed everyone for participating, thank you for the questions. If I now hand back to Robin for a couple of closing remarks before we finish.

Robin Budenberg
Great, thank you Douglas and thank you everyone for joining. Thanks to my colleagues. I am sorry Nigel that you didn't get to be grilled like the rest of us, but I hope that you feel that we are taking this very seriously. We see our roles and obligations in relation to governance as absolutely fundamental to making a purpose driven strategy work and making sure that our strategy fits with our governance is one of the biggest challenges of that. And I hope that you feel that through these presentations there has been a constant reference back to our purpose and to our strategy and to our people. And for us that golden thread is a really important one for us to maintain the right level of cohesion in pursuance of what we are trying to achieve.

So I would really like to thank for the very perceptive questions and I very much look forward to repeating this exercise at some stage in the future. So thank you very much.

END

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 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; expectations about the impact of COVID-19; 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, 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; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; changes in consumer behaviour; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of the Group's financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.