ANNUAL GENERAL MEETING – CHAIRMAN'S SPEECH

Thank you Andrew, and welcome to the Lloyds Banking Group virtual shareholder event. It's highly unusual to be addressing you from my home, instead of from our usual venue in Edinburgh, I hope for those of you watching, your families and loved ones are staying safe and well.

Our Annual General Meeting is an important event for the Group, allowing us to engage directly with you, our shareholders as well as for you to vote on our resolutions. But, with the current restrictions on people's movement and ability to gather, like many other companies, we have been forced to hold a virtual shareholder event rather than our usual AGM. The results of the votes on the resolutions proposed at this morning's AGM will be announced on our website in the usual way shortly.

However, we hope that this virtual meeting will help maintain our commitment to engaging with you as shareholders. We know how important it is to address your questions, and we value the opportunity to update you on the development of the Group, particularly given the extraordinary times in which we find ourselves.

I am pleased that later on in this presentation, after you have heard from Antonio and myself, we will be joined by Sara Weller, our Chair of the Board's Responsible Business Committee to spend some time addressing many of the questions you have submitted. And, while we may not have time to address them all in this broadcast, we will ensure every question gets an individual reply.

But let me start with Covid-19, which has changed and disrupted life for everyone in this country. Lloyds Banking Group's core purpose is to Help Britain Prosper, and this commitment is now more important than ever. While the outlook is challenging and uncertain, we are determined to play our part in helping Britain recover from this crisis, and you'll hear more from Antonio on this later.

In our 250 years of serving the British economy we have experienced many downturns and several crises and on each occasion we have worked hard to contribute to the recovery of the economy and be there, by our customers' side. We expect to do exactly the same this time.

At this stage we can't be sure how the situation will evolve. But we do know that the impact of Covid-19 on our society, our economy and the way we go about our lives will be long lasting and profound. We recognise that our success is inextricably linked to the success and health of the UK economy. The funding support that we are providing to companies, supports businesses that employ millions of people, who in turn are repaying mortgages, loans and credit cards. Similarly the direct relief we are providing to households is crucial to help them cope with the pressure on their finances. In addition, our charitable Foundations are continuing to play a vital role supporting the communities in which we operate, as are our many volunteers.

As a Group at the heart of the UK economy, we have a responsibility to take action. And it's in our interests to play our role in helping to get the country through the current crisis and return to prosperity.

This support will of course have a cost, but we see this social contribution as a type of social dividend – recognising both our obligations as a responsible business and the benefit we gain from operating in communities that we can help return to prosperity. It's the right thing to do and deployed at a time when our customers and communities most need it.

And, of course, this support for our customers and communities is only possible because of our people. Antonio will add his observations later about the remarkable work of so many of our employees. But let me say how deeply proud I am of how they have responded to this crisis. Many are going to exceptional lengths every day to serve our customers and their communities. Thank you to all of them.

Let me now turn to the more usual business of the meeting, starting with the Board.

Since our 2019 AGM we have appointed Sarah Legg and Catherine Woods as Non-Executive Directors. Sarah who joined the Board on the 1st December 2019, was previously Group Financial Controller of HSBC. Catherine joined the Board on the 1st March 2020 after retiring as Deputy Chairman and Senior Independent Director of Allied Irish Bank last October. Both, I believe, are excellent appointments with strong relevant experience in the financial sector and bring different perspective and insight as well as supporting the Board's commitment to diversity.

I'd also like to take this opportunity to thank Anita Frew who stepped down as Senior Independent Director in December and is retiring as Deputy Chairman and Non-Executive Director at this AGM. Anita joined the Board in 2010 and her support and insight have been invaluable to me personally and to all the Board.

Alan Dickinson succeeded Anita as Senior Independent Director and he will also now take on the role of Deputy Chairman. As part of this, Alan is stepping down as Chair of the Board Risk Committee and passing that role to Nick Prettejohn.

I would also like to thank our Chief Operating Officer and Director, Juan Colombás, who had planned to retire in July for agreeing to remain in post and on the Board until September. Juan is playing a key role in the Group's response to the Covid-19 crisis and his delayed departure will enable us to draw on his deep understanding of the business for a little while longer.

Finally, on Board matters, since I am now moving to my 9th year on the Group Board, I previously announced that I plan to retire as Group Chairman no later than the next AGM. A search process was started at the beginning of the year to enable an orderly handover once my successor is identified.

I'd like to thank all our Board Members for their contribution and commitment over the past year.

Let me now turn to business performance and strategy. The Group delivered a resilient performance in 2019, maintaining our underlying profit with continued focus on our leading cost efficiency while increasing our strategic investment and strengthening our position as the UK's largest digital bank. During 2019 we also continued to deliver on our purpose to Help Britain Prosper, including lending to around 1 in 4 first-time buyers; lending some £18bn to businesses across the UK; and supporting renewable energy projects which will power 5 million homes by 2020.

However we were of course disappointed that our statutory performance was impacted by additional PPI charges in the year, reflecting the increased volume of claims in the run up to the deadline last August.

Although the world has changed significantly since the year end, Antonio will highlight the key points from our 2019 performance in a moment. However I would like to say a few words about our long-term strategic aims and progress.

Following the Group's return to profitability after the last financial crisis, our strategic aim has been to transform the business to succeed in the rapidly changing consumer, technology and competitive environment. This means not only ensuring we have leading digital channels that allow customers to interface quickly and easily with our services on their phones and tablets, but also reengineering our internal processes and technology platforms to provide the speed and reliability that customers increasingly expect. That in turn means significant new demands on the skills and working patterns of our dedicated staff. It is a massive but essential programme of change to ensure we have a business that can sustain its service to customers and returns to shareholders in the years to come.

Given the growth of new competition, both large and small, our strategy has also been to recognise and build on the Group's areas of distinctive strength. One of those is the unique position we have to serve customers savings and retirement needs by linking the strength of our Scottish Widows business to our wider bank franchise. Our unique Single Customer View, where customers can see details of their pension and insurance products alongside their bank accounts online, is now available to over 5 million banking and insurance customers. We expect this to rise to around 9 million by the end of 2020.

During 2019 we took significant steps to add to our offering through strategic partnerships and acquisitions. We launched Schroders Personal Wealth to customers in September and we are now making good progress towards our ambition of becoming a top three financial planning business by the end of 2023.

In other areas, we completed the integration of MBNA and announced the acquisition of Tesco Bank's £3.7 billion prime residential mortgage portfolio, demonstrating our ability to grow in target areas where we see value for shareholders.

And in line with our overall strategic transformation, we continued to respond to our customers' changing needs through our multi-channel and multi-brand strategy. Alongside our commitment to maintain the UK's largest branch network, we have invested in innovative new branch formats and also strengthened our position as the UK's largest digital bank. This continues to grow and we now have over 16.9 million digital users.

For our commercial clients, we launched self-serve business banking loans and rolled out a new digitised small business lending tool. We were the first UK financial services provider to offer access to a digital app to allow commercial clients to identify and make energy-efficient investments in their buildings.

So I am pleased we continued to make strong strategic progress in 2019, and are well placed with a strong balance sheet to continue to support the UK through Covid-19 while maintaining our vital strategic development.

Which brings me to the dividend. These extraordinary times lead to difficult decisions. Following a request from the Prudential Regulation Authority the Board of Lloyds, alongside all other major UK banks, agreed to cancel the final dividend for 2019 in order to provide assurance that the banking industry had the capital it needed to support businesses and households through the current crisis. We also made a commitment that we would declare no ordinary dividends or share buybacks until the end of 2020. These were decisions we did not take lightly. The Board fully understands the decision on the dividend will be disappointing to you, our shareholders, but we believe it was appropriate to agree to this in the current exceptional circumstances.

However, while we have held back on the payment of dividends, I am well aware that any surplus capital in the business still belongs to you as shareholders. I would like to reassure shareholders that the Board remains committed to returning surplus capital to shareholders in due course both through future dividends and potential share buy backs as appropriate and we will continue to keep this under review.

Now let me turn to executive remuneration, and before I talk about the changes we are proposing to our Remuneration Policy, I would like to briefly mention a decision that has been taken in the context of Covid-19.

I can confirm that in response to the current situation, our Group Executive Committee have asked that they do not receive an annual bonus under the 2020 Group Performance Share Award. This decision was made in solidarity with the communities in which we operate and in recognition of the priorities of our stakeholders – and I believe it was the right thing for them to do.

In setting our general remuneration principles the Group believes in pay for performance, ensuring our approach to remuneration is aligned to the interests of our shareholders. Variable remuneration is heavily weighted towards long-term performance, with the majority being share-based. Awards are also subject to deferral and holding periods.

For 2019, the reduction in statutory profit meant that the Group Performance Share pool was reduced 33 per cent compared to 2018, reflecting the impact of PPI and other conduct-related costs. The Group Chief Executive and Chief Operating Officer also independently requested not to receive Group Performance Share awards for 2019.

As you will be aware, we proposed a new Directors' Remuneration Policy for approval at today's AGM, following extensive consultation with shareholders. You can read the detail of this plan in the Annual Report, but I would like to draw your attention to some of the highlights.

In November 2019, we announced that we would be reducing pension allowances for Executive Directors to 15 per cent of salary, subject to shareholder approval of the new Remuneration policy at today's AGM. At the same time, we are making improvements to pensions for all other 50,000 colleagues who participate in Defined Contribution schemes to make them eligible for a maximum employer contribution of 15 per cent as well.

We are also introducing a new long-term variable reward, known as the Long Term Share Plan, to replace the current Group Ownership scheme. We believe this plan is more closely aligned to creating shareholder value over the longer term. We have aimed to reduce complexity in our reward structure, but awards will be subject to a pre-grant test as well as performance underpins to ensure they don't reward failure - and the maximum opportunities in the plan have also been significantly reduced. As a result of all these changes, the maximum total compensation for the Group Chief Executive is reducing by almost 30 per cent.

While we have had broad support for the new policy in our consultation with shareholders, I'm aware that a number have expressed continuing reservations about different aspects of the plan, and in the light of today's votes we will continue to engage with them, to discuss their concerns.

There, of course, has been a great deal of public interest in matters of executive pay and fairness, and rightly so. We remain very focused on addressing the pay gap in our organisation from the bottom up, and not just from the top down. We hope you'll agree that we have made significant progress in this respect over the past year.

Finally, I would now like to provide a brief update in relation to the historic HBOS Reading fraud and the progress made since last year's AGM. As outlined last year, we have been providing shareholders with a rolling update on the status of these matters on our website.

As I have said before, the Group has deeply apologised to those customers affected by these crimes and, following the conclusion of the trial, sought to provide them with compensation for their distress and losses. As detailed in our latest update, in December we published the independent report by Sir Ross Cranston on our compensation review which contained a number of recommendations, and Antonio will update you further on this shortly.

We also continue to cooperate fully with the ongoing Dame Linda Dobbs enquiry which the Board set up to look at the handling of the investigations following the HBOS acquisition, and we are committed to providing her with all the resource she needs to conclude her review as rapidly as possible. Meanwhile, however, the Group continues to develop our own learnings based on the insights from customers and stakeholders, and we summarised some of those in our shareholder update earlier this year.

As set out in that note, one clear conclusion we have recognised is that the culture of the Group has at times been too defensive, too bureaucratic and legalistic, failing to fully understand the concerns raised by customers and communicate sympathetically. That is something which, in recent years, we have been working hard to address.

I am very conscious that the criminal activities that took place over a decade ago in this HBOS operation have cast a long shadow over the victims of the fraud as well as the reputation of our bank, but I can assure you that we will continue our efforts to do the right thing for all those whom it has impacted. And I am proud of what I see now in the commitment of the many people who work for Lloyds, who work every day to serve our customers to the best of their ability and to earn their trust and loyalty.

So to conclude, the longer-term impact of coronavirus remains unclear but the Group will maintain its focus on supporting customers and the UK economy through the crisis while continuing to transform the business for future success. I am confident in our ability to do this and want to again express my gratitude to our colleagues and customers at this difficult time.

I would like to thank all our shareholders for their continued support and hope that this time next year we will be able to gather for our AGM in the usual way. Meanwhile I hope all of you, and your families, stay well and safe. Now let me hand over to António.