

LLOYDS
BANKING GROUP



HELPING BRITAIN PROSPER

Notice of Annual General Meeting 2020

Contents

Letter from the Chairman	3
Notice of annual general meeting	4
Explanatory notes on resolutions	7
Important notes	11
Frequently asked questions	13
Appendix 1 - Directors standing for election or re-election	14
Appendix 2 - Summary of the Long Term Share Plan (LTSP) principle features	16

A glossary covering the terms and definitions used by Lloyds Banking Group is on the Company's website at www.lloydsbankinggroup.com/investors

Please refer to the Group's website, www.lloydsbankinggroup.com, for any updates on arrangements for the AGM

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 the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements.

Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements.

Examples of such forward looking statements include, but are 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; statements of plans, objectives or goals of the Group or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; 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 made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; 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; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; 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 and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report or Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements.

Lloyds Banking Group may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Lloyds Banking Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group 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 to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. 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.

If you would like a paper copy of this notice, or a version in large print, Braille or on audio CD, please contact the Company's registrar, Equiniti Limited, on 0371 384 2990* or textphone 0371 384 2255 (from inside the UK) or +44 121 415 7066 (from outside the UK).

*Lines are open 8.30 am to 5.30 pm (UK time) excluding English and Welsh public holidays.

Requests may also be made in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Calls to 03 numbers will cost no more than a national rate call to an 01 or 02 number.

Calls to +44 121 415 7066 from outside the UK are charged at applicable international rates.

This document is important and requires your immediate attention.

If you have any doubt about the action you should take, it is recommended that you consult your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom, or, if you reside elsewhere, another appropriately authorised financial adviser.

If you have sold or transferred all of your ordinary shares in Lloyds Banking Group plc, please give this document and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was made for transmission to the purchaser or transferee.

LETTER FROM THE CHAIRMAN OF LLOYDS BANKING GROUP PLC



19 March 2020

Dear Shareholder

Our current plan, as set out in the enclosed notice, is to hold the Annual General Meeting of Lloyds Banking Group plc (the 'Company') at the Edinburgh International Conference Centre, The Exchange, Edinburgh, EH3 8EE on Thursday, 21 May 2020 at 11.00 am (the 'AGM'). However, we find ourselves in unprecedented times this year, with the UK, and indeed the world, in the grip of a pandemic, meaning many shareholders are likely to be advised against attending the AGM in person by the Government. I set out below the way we are responding to this.

The notice of AGM is set out on pages 4 to 6 of this document.

A copy of the Annual Report and Accounts or Annual Review for the year ended 31 December 2019 is enclosed, together with a proxy form to enable you to exercise your voting rights. The Annual Report and Accounts for the year ended 31 December 2019 is available on our website at www.lloydsbankinggroup.com/investors.

The Board is closely monitoring the developing COVID-19 situation and I want to assure you that the wellbeing of the Company's shareholders, customers and employees remains of paramount importance. We have announced a number of measures to support our retail and business customers which can be found on the Lloyds Banking Group website: www.lloydsbankinggroup.com.

As of this date, the Government has announced that they are advising individuals not to undertake any non-essential travel, and to avoid large gatherings in venues such as restaurants, clubs and theatres. They are also withdrawing emergency service support for large gatherings. While it is not clear how long these measures will be in place, it seems likely that they will affect attendance at the AGM. I would encourage you to refer to the Government's official websites, www.gov.uk/guidance/coronavirus-covid-19-information-for-the-public and www.gov.scot/coronavirus-covid-19/ for the latest guidance.

While it is a legal requirement for us to hold the AGM in order to pass essential shareholder resolutions, circumstances may require the normal proceedings to be shortened or amended and for public health reasons we will not plan to offer refreshments this year after the meeting. For shareholders who are not able to attend we will seek to provide alternative arrangements for them to be involved. We will communicate with shareholders before the meeting through the Group's website, www.lloydsbankinggroup.com. Updates will also be available on the Shareholder Helpline, the number for which is set out in this Notice of AGM. If you are unable to attend or would prefer not to you can still ask questions or raise matters of concern for you as a shareholder, by emailing ShareholderQuestions@lloydsbanking.com with the subject line "AGM 2020".

During 2019 the Group continued to make strong strategic progress and delivered solid financial performance in a challenging external environment. Much of the year was impacted by economic and political uncertainty, but our customer focus has remained strong and remains the cornerstone of our business.

As I have mentioned in previous years, despite the external challenges the Board are determined to continue building long term value for shareholders by maintaining our focus on results delivery whilst simultaneously investing in the major transformation required to serve our customers and operate effectively in a digital world.

Your Vote

As the present situation may change in response to COVID-19, with further restrictions on travel or changes as to how the meeting itself may be conducted, I strongly encourage you to exercise your right to vote and to submit your proxy as early as possible - even if you currently plan to attend the meeting in person. You can appoint a proxy online, which is a quick and easy way of doing this. Simply go to www.sharevote.co.uk and follow the instructions. Alternatively, you can appoint a proxy using the enclosed proxy form. A completed form should be sent to the Company's registrar, Equiniti Limited ('Equiniti'), in the envelope provided. For more information on appointing a proxy, please refer to the proxy form.

Proxy appointments must be received by Equiniti no later than 11.00 am on Tuesday 19 May 2020 in order to be valid.

Your Dividend

The Board is recommending for approval at the AGM a final ordinary dividend payment of 2.25 pence per ordinary share in respect of the financial year ended 31 December 2019, taking the total ordinary dividend for the financial year ended 31 December 2019 to 3.37 pence per ordinary share.

The Company will again be offering shareholders a choice of a share alternative to a cash dividend through its Dividend Reinvestment Plan ('DRIP'). Shareholders can find out more about the DRIP on page 7 of this document.

Your Board of Directors

There have been a number of changes to your Board since the last AGM.

William Chalmers joined the Board on 1 August 2019 as Executive Director and Chief Financial Officer. Sarah Legg was appointed to the Board in December 2019 and Catherine Woods in March 2020, in each case as an Independent Non-Executive Director.

Anita Frew stepped down as Senior Independent Director in December 2019 and will retire as Deputy Chairman and Non-Executive Director at the AGM and accordingly is not seeking re-election. In line with Board succession planning, Alan Dickinson succeeded Anita Frew as Senior Independent Director on 1 December 2019 and will also take on the role of Deputy Chairman following Anita's retirement from the Board at the AGM.

Juan Colombás plans to retire from the Group and the Board in July 2020 and I plan to retire as Chairman at or before the AGM in 2021 as I will by then have served some nine years on the Board. The Group has initiated a search process to allow time to identify my successor and enable an orderly handover.

Details of each Director seeking election or re-election (as the case may be) are set out in Appendix 1 on pages 14 and 15 of this document.

Recommendation

The Board considers that all of the resolutions in the notice of AGM are in the best interests of the Company and its shareholders as a whole and recommends unanimously that you vote in favour of them. Your Directors intend to vote in favour of all of the resolutions in respect of their own holdings.

Yours faithfully

Lord Blackwell
Chairman

Lloyds Banking Group plc is registered in Scotland, No. 95000.
Registered office: The Mound Edinburgh EH1 1YZ

Letter from
the Chairman

Notice of annual
general meeting

Explanatory notes
on resolutions

Important
notes

FAQs

Appendix 1 - Directors
standing for election or re-
election

Appendix 2 - Summary of the
Long Term Share Plan (LTSP)
principle features

Notice of annual general meeting

The annual general meeting of Lloyds Banking Group plc (the ‘**Company**’ and unless set out to the contrary, the ‘**Group**’) will be held at the Edinburgh International Conference Centre, The Exchange, Edinburgh EH3 8EE on Thursday 21 May 2020 at 11.00 am to conduct the business set out in the resolutions below.

Resolutions 1 to 23 (inclusive) are proposed as ordinary resolutions. For each of these to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 24 to 29 (inclusive) are proposed as special resolutions. For each of these to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

The Board recommends unanimously that you vote in favour of all resolutions as they intend to do in respect of their own holdings.

Resolution 1. Report and accounts

To receive the Company's accounts and the reports of the Directors and of the auditor for the year ended 31 December 2019.

Resolution 2. To elect Mr W L D Chalmers as a Director of the Company.

Resolution 3. To elect Ms S C Legg as a Director of the Company.

Resolution 4. To elect Ms C M Woods as a Director of the Company.

Resolution 5. To re-elect Lord Blackwell as a Director of the Company.

Resolution 6. To re-elect Mr J Colombás as a Director of the Company.

Resolution 7. To re-elect Mr A P Dickinson as a Director of the Company.

Resolution 8. To re-elect Mr S P Henry as a Director of the Company.

Resolution 9. To re-elect Mr A Horta-Osório as a Director of the Company.

Resolution 10. To re-elect Lord Lupton as a Director of the Company.

Resolution 11. To re-elect Ms A F Mackenzie as a Director of the Company.

Resolution 12. To re-elect Mr N E T Prettejohn as a Director of the Company.

Resolution 13. To re-elect Mr S W Sinclair as a Director of the Company.

Resolution 14. To re-elect Ms S V Weller as a Director of the Company.

Resolution 15. Directors' Remuneration Policy

To approve the Directors' Remuneration Policy set out on pages 115 to 123 of the Annual Report and Accounts for the year ended 31 December 2019.

Resolution 16. Annual report on remuneration

To approve the annual report on remuneration set out on pages 103 to 114 of the Annual Report and Accounts for the year ended 31 December 2019.

Resolution 17. Dividend

To declare and pay a final ordinary dividend of 2.25 pence per ordinary share in respect of the financial year ended 31 December 2019, payable on 27 May 2020 to ordinary shareholders whose names appear in the register of members at the close of business on 17 April 2020.

Resolution 18. Re-appointment of the auditor

To re-appoint PricewaterhouseCoopers LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 19. Auditor's remuneration

To authorise the Audit Committee to set the remuneration of the Company's auditor.

Resolution 20. Lloyds Banking Group Long Term Share Plan 2020

That the rules of the Lloyds Banking Group Long Term Share Plan 2020 (the ‘**LTSP**’), the principal terms of which are summarised in Appendix 2 to this notice, and a copy of which is produced to the meeting and signed by the Chairman for the purposes of identification, be approved and the Directors be authorised to:

- (a) do all things necessary to operate the LTSP, including making such modifications as the Directors consider appropriate to take account of the requirements of the Listing Rules and best practice; and
- (b) establish further plans based on the LTSP but modified to take account of local tax, exchange controls or securities laws outside the UK, provided that any new issue or treasury shares made available under such further plans are treated as counting against the plan limits in the LTSP.

Resolution 21. Authority for the Company and its subsidiaries to make political donations or incur political expenditure

- (a) That the Company and those companies which are subsidiaries of the Company at any time during the period for which this resolution has effect be authorised for the purposes of Part 14 of the Companies Act 2006:
 - (i) to make political donations to political parties, and/or independent election candidates not exceeding £100,000 in total;
 - (ii) to make political donations to political organisations other than political parties not exceeding £100,000 in total; and
 - (iii) to incur political expenditure not exceeding £100,000 in total,
 in each case during the period from the date of the passing of this resolution and ending on the date of the next annual general meeting or at the close of business on 30 June 2021, whichever is the earlier;
- (b) that all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the Companies Act 2006 are hereby revoked without prejudice to any donation made or expenditure incurred prior to the date hereof pursuant to such authorisation or approval; and
- (c) that words and expressions defined for the purpose of the Companies Act 2006 shall have the same meaning in this resolution.

Resolution 22. Directors' authority to allot shares

That the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:

- (a) up to an aggregate nominal amount of £2,348,070,087; and
- (b) comprising equity securities (as defined in Section 560(1) of the Companies Act 2006) up to a further nominal amount of £4,696,140,174 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any security into shares in the Company granted under paragraph (a) above) in connection with an offer by way of a rights issue,

such authorities to apply in substitution for all previous authorities pursuant to Section 551 of the Companies Act 2006 and to expire at the conclusion of the next annual general meeting or at the close of business on 30 June 2021, whichever is the earlier, but, in each case, so that the Company may, before such expiry, make offers and enter into agreements during the relevant period

which would, or might, require shares to be allotted or rights to subscribe for or convert other securities into shares to be granted after the authority given by this resolution has expired.

Resolution 23. Directors' authority to allot shares in relation to the issue of Regulatory Capital Convertible Instruments

That the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into ordinary shares in the Company:

- (a) up to an aggregate nominal amount of £1,250,000,000 in relation to the issue of Regulatory Capital Convertible Instruments; and
- (b) subject to applicable law and regulation, at such conversion prices (or such maximum or minimum conversion prices or conversion price methodologies) as may be determined by the Directors of the Company from time to time,

such authority to apply in addition to all other authorities pursuant to Section 551 of the Companies Act 2006 and to expire at the conclusion of the next annual general meeting of the Company or at the close of business on 30 June 2021, whichever is the earlier, but, in each case, so that the Company may, before such expiry, make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into ordinary shares to be granted after the authority given by this resolution has expired.

Resolution 24. Limited disapplication of pre-emption rights

That, subject to the passing of Resolution 22, the Directors be authorised to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) wholly for cash:

- (a) pursuant to the authority given by paragraph (a) of Resolution 22 or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the Companies Act 2006 in each case:
 - (i) in connection with a pre-emptive offer; and
 - (ii) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £352,210,513; and
- (b) pursuant to the authority given by paragraph (b) of Resolution 22 in connection with a pre-emptive rights issue,

as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment;

such authority to expire at the conclusion of the next annual general meeting of the Company or at the close of business on 30 June 2021, whichever is the earlier, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted and treasury shares to be sold after the authority given by this resolution has expired and the Directors may allot equity securities and sell treasury shares under any such offer or agreement as if the authority had not expired.

Resolution 25. Limited disapplication of pre-emption rights in the event of financing an acquisition transaction or other capital investment

That, subject to the passing of Resolution 22 and in addition to any authority granted under Resolution 24, the Directors be authorised to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) wholly for cash pursuant to the authority given by Resolution 22 or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the Companies Act 2006 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, such authority to be:

- (a) limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £352,210,513; and

- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of Directors of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice of meeting,

such authority to expire at the conclusion of the next annual general meeting of the Company or at the close of business on 30 June 2021, whichever is the earlier, but so that the Company may, before such expiry, make offers and enter into agreements which would, or might, require equity securities to be allotted and treasury shares to be sold after the authority given by this resolution has expired and the Directors may allot equity securities and sell treasury shares under any such offer or agreement as if the authority had not expired.

Resolution 26. Limited disapplication of pre-emption rights in relation to the issue of Regulatory Capital Convertible Instruments

That, subject to the passing of Resolution 23, and without prejudice to any existing authority, the Directors be empowered to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) wholly for cash:

- (a) pursuant to the authority given by Resolution 23, up to an aggregate nominal amount of £1,250,000,000; and
- (b) in relation to the issue of such Regulatory Capital Convertible Instruments, as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment,

such power to expire at the conclusion of the next annual general meeting of the Company or at the close of business on 30 June 2021, whichever is the earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power given by this resolution has expired.

Resolution 27. Authority to purchase ordinary shares

That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693 of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company and where such shares are held in treasury, the Company may use them for the purposes of its employees' share plans, provided that:

- (a) the maximum aggregate number of ordinary shares authorised to be purchased shall be 7,044,210,261;
- (b) the minimum price which may be paid for each ordinary share shall be 10 pence;
- (c) the maximum price, exclusive of expenses, which may be paid for each ordinary share shall be an amount equal to the higher of (i) 105 per cent. of the average of the closing price of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five London business days immediately preceding the day on which such share is contracted to be purchased or (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the capital of the Company on the trading venues where the market purchase by the Company pursuant to the authority conferred by this Resolution 27 will be carried out;
- (d) this authority shall expire at the conclusion of the next annual general meeting or at the close of business on 30 June 2021, whichever is the earlier, unless such authority is renewed before then; and
- (e) the Company may make a contract to purchase its ordinary shares under this authority before its expiry which would or might be executed wholly or partly after such expiry, and may make a purchase of its ordinary shares under that contract.

Notice of annual general meeting continued

Resolution 28. Authority to purchase preference shares

That the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693 of the Companies Act 2006) of the following issuances of securities:

- (a) £299,987,729 9.25 per cent. non-cumulative irredeemable preference shares;
- (b) £99,999,942 9.75 per cent. non-cumulative irredeemable preference shares;
- (c) £186,190,532 6.475 per cent. non-cumulative preference shares;
- (d) US\$750,000,000 6.413 per cent. non-cumulative fixed to floating rate preference shares; and
- (e) US\$750,000,000 6.657 per cent. non-cumulative fixed to floating rate preference shares,

(together, the '**Preference Shares**'), provided that:

- (i) the maximum number of Preference Shares which may be purchased is all such Preference Shares in issue;
- (ii) the minimum price which may be paid for each Preference Share is the nominal value of the relevant Preference Share;
- (iii) The maximum price which may be paid for each Preference Share is 105 per cent. of the following:
 - (A) in respect of any Preference Share denominated in U.S. dollars, the Bloomberg FIT Composite bid price shown on the relevant Bloomberg page ALLQ for the relevant Preference Share (or any replacement page which displays that price) at or around 11.00am UK time on the business day before the day on which the Company agrees or (if earlier) publicly announces an offer or invitation to buy such share;
 - (B) in respect of any Preference Share denominated in pounds sterling, the London Stock Exchange bid price shown on the relevant Bloomberg page ALLQ for the relevant Preference Share (or any replacement page which displays that price) at or around 11.00am UK time on the business day before the day on which the Company agrees or (if earlier) publicly announces an offer or invitation to buy such share; or
 - (C) in respect of any Preference Share, where the relevant bid price is not available as described in (A) or (B) above, the highest independent bid price shown on the relevant Bloomberg page ALLQ for the relevant Preference Share (or any replacement page which displays that price) at or around 11.00am UK time on the business day before the day on which the Company agrees or (if earlier) publicly announces an offer or invitation to buy such share;
- (iv) this authority shall expire at the conclusion of the next annual general meeting or at the close of business on 30 June 2021, whichever is the earlier, unless such authority is renewed before then; and
- (v) the Company may make a contract to purchase the Preference Shares under this authority before its expiry which would or might be executed wholly or partly after the expiry, and may make a purchase of the Preference Shares under that contract.

For the purposes of determining compliance with the conditions in paragraphs (ii) and (iii), the nominal value of the share or the relevant price (as applicable) shall, if necessary, be converted into the currency in which the purchase is to be made, calculated by reference to the spot rate of exchange between the currency of the nominal value or of the relevant price (as applicable) and the currency in which the purchase is to be made, as displayed on the appropriate page of the Bloomberg screen (or on the appropriate page of such other information service which publishes that rate from time to time) at or around 11.00am UK time on the business day before the day on which the Company agrees or (if earlier) publicly announces an offer or invitation to buy such share.

Resolution 29. Notice period for general meetings

That a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the next annual general meeting unless such authority is renewed at a general meeting of the Company before then.

A member entitled to attend and vote at the annual general meeting can appoint a proxy or proxies to attend, speak and vote instead of that member.

A member may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member.

A proxy need not be a member of the Company.

Further information relating to voting and proxy appointments can be found on page 11 of this document.

By order of the Board



Kate Cheetham
Company Secretary

19 March 2020

Registered office:
The Mound
Edinburgh
EH1 1YZ
Registered in Scotland, No. 95000

Explanatory notes on resolutions

Resolution 1. Report and accounts

The Directors are required to present the Company's accounts and the reports of the Directors and of the auditor for the year ended 31 December 2019 at the AGM.

Resolutions 2 to 14. Election of William Chalmers, Sarah Legg and Catherine Woods and re-election of continuing Directors

The Company's articles of association provide that any new Director appointed by the Board during the year may hold office only until the next AGM, when that Director must retire but shall be eligible for election as a Director by the shareholders at that meeting.

William Chalmers, Sarah Legg and Catherine Woods have joined the Board since the last AGM and are accordingly seeking election by shareholders.

In accordance with the provisions of the UK Corporate Governance Code (the 'Code'), all of the other Directors will retire and those willing to serve again will submit themselves for re-election by shareholders at the AGM.

In line with Board succession planning, Alan Dickinson succeeded Anita Frew as Senior Independent Director and will take on the role of Deputy Chairman following Anita's retirement from the Board at the AGM.

As previously announced Juan Colombás will be retiring from the Group in July 2020. Lord Blackwell plans to retire as Chairman at or before the AGM in 2021 and will have served nine years on the Board in 2021. A search process has commenced to identify a suitable successor and enable an orderly handover.

The Chairman leads the annual review of the Board's effectiveness, and that of its Committees and individual Directors, with the support of the Nomination and Governance Committee, which he also chairs. The annual evaluation of the Board is facilitated externally at least once every three years.

The Nomination and Governance Committee recommended that the annual review of the Board's performance in 2019 should be facilitated internally by the Company Secretary. The review was overseen by the Nomination and Governance Committee.

The review of the Chairman's performance was carried out by the Non-Executive Directors, led by the Senior Independent Director, taking into account the views of the Executive Directors.

At the time of the AGM, Sara Weller and Lord Blackwell will have been on the Board for more than eight years and seven years, respectively. Therefore their reviews were particularly rigorous.

The annual review for 2019 concluded that the performance of the Board, its Committees, the Chairman and each of the Directors continues to be effective. All Directors demonstrated commitment to their roles, including the commitment to the time required to effectively discharge their duties.

Further information on the Board, the evaluation findings, including the roles and performance effectiveness of the Directors, can be found in the corporate governance report on pages 77 and 78 of the Annual Report and Accounts for the year ended 31 December 2019.

All Non-Executive Directors seeking election or re-election are independent in accordance with the criteria set out in the Code. The Chairman was independent on appointment.

A summary of the skills, experience and contribution of each Director proposed for election and re-election, which in the Board's view illustrates why each Directors' contribution is, and continues to be, important to the Company's long term sustainable success, can be found in the Appendix 1 on pages 14 and 15 of this document.

Resolution 15. Directors' Remuneration Policy

This resolution relates to remuneration of the Directors and seeks approval of the Directors' Remuneration Policy as set out on pages 115 to 123 of the Annual Report and Accounts for the year ended 31 December 2019. In accordance with the Companies Act 2006, the resolution to approve the Directors' Remuneration Policy is a binding vote.

This means that the Company must act according to the voting result. If the resolution is not approved, the Directors' Remuneration Policy previously approved at the Company's 2017 AGM would apply and if the Company wished to change this policy, it would need to present a revised Directors' Remuneration Policy to shareholders for approval at a general meeting of the Company.

The Directors' Remuneration Policy presented for approval at this AGM is compliant with relevant regulation and codes of best practices.

It is based on principles which are applicable to all colleagues within the Group and in particular the principle that the reward package should support the delivery of the strategic aim of becoming the best bank for customers whilst delivering superior and sustainable returns to shareholders.

Resolution 16. Annual report on remuneration

The Company is required to ask shareholders to approve by ordinary resolution the implementation of the current Directors' Remuneration Policy as detailed in the annual report on remuneration. The annual report on remuneration can be found on pages 103 to 114 of the Annual Report and Accounts for the year ended 31 December 2019.

The Group places high importance on the opinions of shareholders and other stakeholders when considering its remuneration policy and its implementation. The Group has listened carefully to its shareholders and other key stakeholders and has made a number of changes to simplify the determination of bonus awards for Executive Directors and has enhanced its disclosures. The Group continues to align its remuneration principles to the Group's strategic objectives to ensure it pays for performance and ensures its approach to remuneration is aligned to the interests of its shareholders.

In accordance with remuneration reporting rules, the vote on the annual report on remuneration is an advisory vote. This means that the Company can still act according to the annual report on remuneration as proposed if the resolution is not approved.

Resolution 17. Dividend

Shareholders are being asked to approve a final ordinary dividend of 2.25 pence per ordinary share in respect of the financial year ended 31 December 2019.

An interim ordinary dividend for 2019 of 1.12 pence per ordinary share was paid on 13 September 2019, making a total ordinary dividend of 3.37 pence per ordinary share in respect of the financial year ended 31 December 2019. If the recommended final ordinary dividend is approved, it will be paid on 27 May 2020 to all ordinary shareholders whose names appear in the register of members at the close of business on 17 April 2020.

The Company will continue to offer a share alternative to a cash dividend through its Dividend Reinvestment Plan ('DRIP').

Shareholders who wish to join or cancel their participation in the DRIP before payment of the recommended final ordinary dividend must provide their instruction to Equiniti for receipt by no later than 4.30 pm on 4 May 2020. Shareholders can find further information about the DRIP on the Company's website at the following address: www.lloydsbankinggroup.com/investors/shareholder-info/dividends.

Subject to shareholder approval of the recommended final ordinary dividend, an entitlement notice in respect of the dividend paid and used to purchase shares under the DRIP will be dispatched by Equiniti to shareholders participating in the DRIP.

Resolutions 18 and 19. Auditor re-appointment and fees

Resolution 18 proposes the re-appointment of PricewaterhouseCoopers LLP ('PwC') as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company. PwC was re-appointed as auditor with effect from 1 January 2016 following a competitive tender process. There will be a mandatory rotation for the 2021 audit and, following the conclusion of the formal audit review process led by the Group's Audit Committee, the Board has approved the appointment of Deloitte LLP ('Deloitte') as auditor for the year ending December 2021. The appointment of Deloitte will be recommended to shareholders for approval at the 2021 AGM. PwC will continue to audit the Group until the year ended 31 December 2020, subject to reappointment by shareholders at the AGM and, on completion of the audit for the 2020 financial year, PwC will stand down as required by the Companies Act 2006. The Company's Audit Committee recommends the re-appointment of PwC.

Resolution 19 follows best corporate governance practice in authorising the Audit Committee to set the auditor's remuneration.

Letter from the Chairman

Notice of annual general meeting

Explanatory notes on resolutions

Important notes

FAQs

Appendix 1 - Directors standing for election or re-election

Appendix 2 - Summary of the Long Term Share Plan (LTSP) principle features

Explanatory notes on resolutions continued

The Audit Committee oversees the relationship with the external auditor. During the year, the Audit Committee considered the auditor's terms of engagement (including remuneration), as well as their independence and objectivity. The Audit Committee also considered the effectiveness and performance of the auditor and the audit process, and concluded that it was satisfied with the auditor's performance.

Further details of the work carried out by the Audit Committee are set out on pages 85 to 88 of the Annual Report and Accounts for the year ended 31 December 2019.

Resolution 20. Lloyds Banking Group Long Term Share Plan

This resolution is to approve the Lloyds Banking Group Long Term Share Plan rules in order to facilitate the implementation of the Company's proposed new reward structure.

The Company is a simple, low risk, UK financial services provider and rewards for the executive management team should reflect and encourage the steady creation of shareholder value over the longer term, best measured through the share price. The Directors' Remuneration Policy is subject to approval this year and the Company believes it is the most opportune time to restructure the current reward package for Executive Directors and therefore proposes to replace the current LTIP, known as the Group Ownership Share, with a new long term (restricted) share award. Further details of the Company's proposed policy in relation to the new structure can be found on pages 100-102 and 117 of the Annual Report and Accounts.

In order to facilitate the implementation of this new reward structure, the Company is proposing to adopt a new share plan, to be known as the Lloyds Banking Group Long Term Share Plan 2020 (the 'LTSP'). As described in the Annual Report and Accounts, it is intended that the first grants under the LTSP will be made in 2021.

Awards under the LTSP will be subject to defined underpins measured over a period of three years. The underpins will be set at the time of grant, and the underpins applicable to the first grant of awards under the LTSP will therefore be determined in 2021. The indicative underpins to apply to the first grant of awards would focus on capital strength, relative returns and a progressive and sustainable ordinary dividend, with each element set to determine the ability of 33 per cent of the award to vest, as set out in more detail on page 102 of the Annual Report and Accounts. Details of the finalised underpins to apply to the first grant of awards will be disclosed in the 2020 Directors' Remuneration Report. The Committee also retains full discretion to amend the payout levels should the award not reflect business and/or individual performance, and the Committee may adjust the level of vesting of awards where it considers it appropriate.

As the LTSP offers an alternative reward structure to a traditional long term incentive plan, and to reflect the different nature of awards under the LTSP, maximum opportunities have been reduced. The maximum annual award level permitted under the LTSP will be equivalent to 200 per cent of base salary.

Participation by Executive Directors in the LTSP including the vesting and post-vesting holding periods of awards will be in accordance with the Company's Directors' Remuneration Policy as approved by shareholders from time to time. As set out on page 102 of the Annual Report and Accounts, it is intended that for Executive Directors the initial grant of awards will vest pro-rata over the period of three to seven years from the date of grant, with each tranche then subject to a further one-year post-vesting holding period (and with the final release therefore being eight years after grant). Awards under the LTSP are also subject to malus and clawback in accordance with the Company's Deferral and Performance Adjustment policy.

A summary of the principal features of the LTSP are set out in Appendix 2 to this notice on pages 16 and 17.

Resolution 21. Authority for the Company and its subsidiaries to make political donations or incur political expenditure

This resolution will renew the authority to incur expenditure which would otherwise be prohibited under Part 14 of the Companies Act 2006.

In accordance with Group policy, the Company does not make any political donations or incur political expenditure in the UK within the ordinary meaning of those words.

However, the definitions of political donations, political organisations and political expenditure used in the Companies Act 2006 are very wide and the penalties for breaching the legislation, even if inadvertent, are severe. As a result, such definitions may cover activities that form part of relationships that are an accepted part of engaging with our stakeholders.

The activities referred to above are not designed to support any political party nor to influence public support for any political party. The authority the Company is requesting is a precautionary measure to ensure that the Company can continue to support the community and put forward its views without inadvertently breaching the Companies Act 2006.

While shareholders are permitted to grant authority for up to four years, the Directors will seek shareholder authority each year in accordance with best practice.

Resolution 22. Directors' authority to allot shares

This resolution, as in previous years, renews the Directors' authority to allot shares.

It gives the Directors the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

The Directors consider it desirable to have this flexibility.

Paragraph (a) gives the Directors the authority to issue new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal value of £2,348,070,087, equivalent to one third of the whole of the issued ordinary share capital of the Company, exclusive of treasury shares, as at the close of business on 18 March 2020, being the latest practicable date prior to publication of this notice of AGM.

Paragraph (b) authorises the Directors to allot shares and grant rights to subscribe for, or convert other securities into, shares in connection with a rights issue up to a further one-third. The aggregate of the amounts in paragraphs (a) and (b) of Resolution 22 represents a total of approximately two-thirds of the whole of the issued ordinary share capital of the Company, exclusive of treasury shares, as at the close of business on 18 March 2020, being the latest practicable date prior to publication of this notice of AGM. Information on the issued share capital can be found on page 11 of this document.

No shares are held in treasury as at the date of this document.

The authority being sought is in line with The Investment Association's Share Capital Management Guidelines issued in July 2016.

This authority will expire at the conclusion of the next annual general meeting or at the close of business on 30 June 2021, whichever is the earlier. There are no present plans to undertake a rights issue or to allot new shares save that the Directors may, as part of capital management planning, authorise new issuances of ordinary shares in an amount that is not material in relation to the Company's capital.

For the purposes of this resolution, 'rights issue' means an offer to:

- ordinary shareholders in proportion (as near as may be practicable) to their existing holdings; and
- people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or jurisdiction.

Resolution 23. Directors' authority to allot shares in relation to the issue of Regulatory Capital Convertible Instruments

This resolution, as in previous years, renews the Directors' authority to allot shares or grant rights to subscribe for or convert any security into ordinary shares, in accordance with Section 551 of the Companies Act 2006, up to an aggregate nominal amount of £1,250,000,000 in connection with the issue of Regulatory Capital Convertible Instruments.

The authority sought in this resolution will be utilised as considered desirable to comply with or maintain compliance with regulatory capital requirements or targets applicable to the Group.

The Company intends to seek to renew authority for the issuance of such Regulatory Capital Convertible Instruments on an annual basis. The amount of this authority is, in aggregate, equivalent to approximately 17.75 per cent. of the issued ordinary share capital of the Company, as at the close of business on 18 March 2020, being the latest practicable date before the publication of this notice of AGM.

No ordinary shares are held in treasury as at the date of this document.

Resolutions 23 and 26 provide the Directors with the authority to issue Regulatory Capital Convertible Instruments which contain contractual debt to equity conversion features. The resolutions are not intended to provide authority for any bail-in or conversion of capital or senior debt obligations pursuant to the Banking Act 2009, as amended, or otherwise.

This authority is separate and distinct from the authority sought in Resolution 22 which is the usual authority sought on an annual basis in line with the Share Capital Management Guidelines issued by The Investment Association.

Conditional upon the passing of Resolutions 23 and 26, the Directors would not expect to make use of Resolutions 22, 24 or 25 to issue Regulatory Capital Convertible Instruments, although these resolutions may be used for other purposes and, if so used, would have the effect of diluting the interests of ordinary shareholders.

Regulatory Capital Convertible Instruments include additional tier 1 ('AT1') instruments which convert into ordinary shares of the Company should the Company's common equity tier 1 ratio fall below a contractually defined trigger point.

For the purpose of this resolution:

'Regulatory Capital Convertible Instruments' means any securities to be issued by the Company or any member of the Group, or by a company outside of the Group with the consent of the Company or a member of the Group and which are intended on issue to form all or part of a type or class of securities the terms of which are eligible to meet any Regulatory Capital Requirements and which are:

- (a) convertible into or exchangeable for ordinary shares of the Company; or
- (b) issued together with share warrants relating to ordinary shares of the Company,

and in each case, which grant to, or require, the holder of such security and/or its nominee a right or obligation (as applicable) to subscribe for such ordinary shares following a specified event relating to an actual or prospective adverse change in the capital position or viability of the Company, any member of the Group or the Group as a whole or any other event specified in the Regulatory Capital Requirements as defined below and otherwise on such terms as may be determined by the Directors of the Company or a committee thereof upon issue;

'Regulatory Capital Requirements' means any applicable requirements specified by the Prudential Regulation Authority or other such authority having primary supervisory authority with respect to the Company from time to time in relation to the margin of solvency, capital resources, capital, contingent capital or buffer capital of the Company, a member of the Group or the Group taken as a whole; and

'Group' means the Company, its subsidiaries and its subsidiary undertakings from time to time.

Resolutions 24 and 25. Limited disapplication of pre-emption rights

If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings (known as pre-emption rights).

It is usual practice for the Company to seek a renewal of this authority on an annual basis. As was the case in previous years, there are two separate resolutions permitting the disapplication of pre-emption rights in limited circumstances.

Sections (a)(i) and (b) of Resolution 24 seek shareholder approval to allot a limited number of ordinary shares or other equity securities, or sell treasury shares, for cash on a pre-emptive basis but subject to such exclusions or arrangements as the Directors may deem appropriate to deal with certain legal, regulatory or practical difficulties. For example, in a pre-emptive rights issue, there may be difficulties in relation to fractional entitlements or the issue of new shares to certain shareholders, particularly those resident in certain overseas jurisdictions. The Board has no current intention of exercising such authority, but considers the authority to be appropriate in order to allow the Company to have the flexibility to finance business opportunities or to conduct a pre-emptive offer or pre-emptive rights issue having made appropriate exclusions or arrangements to address such difficulties.

In addition, there may be circumstances when the Directors consider it in the best interests of the Company to allot a limited number of ordinary shares or other equity securities, or sell treasury shares for cash on a non pre-emptive basis.

The Pre-Emption Group's Statement of Principles, as updated in March 2015, supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash representing no more than five per cent. of issued ordinary share capital (exclusive of treasury shares), without restriction as to the use of proceeds of those allotments.

Accordingly, the purpose of section (a)(ii) of Resolution 24 is to authorise the Directors to allot new shares and other equity securities pursuant to the allotment authority given by Resolution 22, or sell treasury shares, for cash up to a nominal value of £352,210,513, equivalent to five per cent. of the total issued ordinary share capital of the Company excluding treasury shares, as at the close of business on 18 March 2020, without the shares first being offered to existing shareholders in proportion to their existing holdings. As at the close of business on 18 March 2020, the Company did not hold any shares in treasury.

The Pre-Emption Group's Statement of Principles also supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash representing no more than an additional five per cent. of issued ordinary share capital (exclusive of treasury shares), to be used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines "specified capital investment" as meaning one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets, the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, and in line with the template resolutions published by the Pre-Emption Group in May 2016, the purpose of Resolution 25 is to authorise the Directors to allot new shares and other equity securities pursuant to the allotment authority given by Resolution 22, or sell treasury shares, for cash up to a further nominal amount of £352,210,513, equivalent to five per cent. of the total issued ordinary share capital of the Company as at the close of business on 18 March 2020, exclusive of treasury shares, only in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in Resolution 25 is used, the Company will publish details of the placing in its next annual report.

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles and not allot shares or other equity securities or sell treasury shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 24 in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company, excluding treasury shares, within a rolling three-year period, other than:

- (a) with prior consultation with shareholders; or
- (b) in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Explanatory notes on resolutions continued

The Board considers the authorities in Resolutions 24 and 25 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions.

If the resolutions are passed, the authority will expire on the earlier of the conclusion of the next AGM or at the close of business on 30 June 2021.

For the purposes of this resolution:

- (i) **'rights issue'** has the same meaning as in the Explanatory Note to Resolution 22;
- (ii) **'pre-emptive offer'** means an offer of equity securities open for acceptance for a period fixed by the Directors to: (a) holders (other than the Company) on the register on a record date fixed by the Directors of ordinary shares in proportion to their respective holdings; and (b) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or jurisdiction;
- (iii) references to an allotment of equity securities shall include a sale of treasury shares; and
- (iv) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Resolution 26. Limited disapplication of pre-emption rights in relation to the issue of Regulatory Capital Convertible Instruments

This resolution proposes that, without prejudice to any existing power including that contained in Resolutions 24 and 25, the Directors be empowered to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) up to an aggregate nominal amount of £1,250,000,000 in relation to the issue of Regulatory Capital Convertible Instruments wholly for cash or otherwise as if Section 561 of the Companies Act 2006, to the extent applicable, did not apply to any such allotment. This is equivalent to approximately 17.75 per cent. of the issued ordinary share capital of the Company as at the close of business on 18 March 2020, being the latest practicable date before the publication of this notice of AGM.

Renewing this resolution will permit the Company to allot equity securities pursuant to any proposal to issue Regulatory Capital Convertible Instruments and, by virtue of such disapplication, without the need to comply with the pre-emption requirements of the UK statutory regime.

For the purposes of this resolution, Regulatory Capital Convertible Instruments has the same meaning as in the Explanatory notes to Resolution 23.

Resolutions 27 and 28. Authority to purchase ordinary shares and preference shares

Resolutions 27 and 28 renew the authority of the Company to purchase its own ordinary shares and certain of its preference shares (as specified in the resolution wording) in the market. The authority for the Company to purchase its ordinary shares in the market under Resolution 27 is limited to 7,044,210,261 ordinary shares, equivalent to 10 per cent. of the issued ordinary share capital of the Company as at the close of business on 18 March 2020, being the latest practicable date before the publication of this notice of AGM.

Any ordinary shares purchased in this way may be cancelled or held in treasury for eventual sale for cash, transfer in connection with an employees' share plan or cancellation. The resolution explicitly authorises the Company to use any shares purchased and held in treasury for the purposes of its employees' share plans.

If any shares were used in this way, the Company would take them into account when calculating the share issuing limits in the share plans, to the extent required under the Share Capital Management Guidelines issued by The Investment Association in July 2016.

There is no limit on the number or value of preference shares that can be purchased. Having authority to buy back any or all of the issued preference shares would provide the Company with flexibility in maintaining a prudent approach to the management of the Group's capital position taking into account other investment opportunities including, but not limited to, the ability to replace the preference shares with other forms of securities. The directors intend to keep under review the potential to buy back any or all of the issued preference shares.

As at the close of business on 18 March 2020, there were outstanding options and awards over 1,426,430,662 ordinary shares, which represented 2.03 per cent. of the Company's issued ordinary share capital as at that date. If the Company were to purchase and cancel ordinary shares up to the maximum amount permitted by this resolution, then these options and awards would represent 2.25 per cent. of the Company's issued ordinary share capital as at that date as the Company would have fewer ordinary shares in issue. If the Company were to purchase and cancel ordinary shares up to the maximum amount permitted under the remaining existing authority granted at the 2019 AGM and under Resolution 27, then these options and awards would represent 2.54 per cent. of the Company's issued ordinary share capital as at that date as the Company would have fewer ordinary shares in issue.

The Directors would exercise such authority to buy back shares only if they believe that to do so would be in the best interests of shareholders taken as a whole and in the case of a buyback of ordinary shares would result in an increase in earnings per ordinary share.

To the extent that any such shares were held in treasury, earnings per share would only be increased on a temporary basis, until the shares were sold or transferred out of treasury. Also, if the Directors were to decide to use the authority, they would, at that time, determine whether it would be in the best interests of shareholders as a whole for the shares purchased to be cancelled or held in treasury.

During 2019, the Company bought back 1,886,917,377 ordinary shares for an aggregate consideration of £1,092,356,277. All ordinary shares purchased have been cancelled.

Resolution 29. Notice period for general meetings

Under the Companies Act 2006, the notice period required for all general meetings of the Company is 21 clear days unless shareholders approve a shorter notice period of not less than 14 clear days for general meetings other than annual general meetings.

Accordingly, this resolution seeks to obtain shareholder approval for a notice period for general meetings (other than annual general meetings) of 14 clear days as required by the Companies Act 2006.

It is the Company's intention only to use this authority in circumstances when it would disadvantage the Company to delay shareholder approval for an urgent matter concerning, for instance, the issue or alteration of share capital. It is not intended to use this authority for routine Company business. The Company would aspire to provide shareholders with as much notice as possible and will, should it be necessary to use this authority, provide shareholders with a clear explanation as to why a shorter notice period is necessary.

The resolution shall be valid until the conclusion of the next annual general meeting (unless the authority granted by the resolution is renewed at a general meeting of the Company before then) and it is the Company's intention to renew the authority at each annual general meeting.

Annual general meetings will continue to be held on at least 21 clear days' notice.

Important notes

Issued capital and voting rights

As at the close of business on 18 March 2020 (being the latest practicable date prior to the publication of this document) the total number of shares, including shares represented by American Depositary Receipts, issued by Lloyds Banking Group plc was 70,442,102,615 ordinary shares of 10 pence each. At this date, no shares were held in treasury.

Each ordinary share of 10 pence carries one vote. Therefore the total number of voting rights is 70,442,102,615.

Directors

A summary of the skills, experience and contribution of each Director proposed for election and re-election, which in the Board's view illustrates why each Directors' contribution is, and continues to be, important to the Company's long term sustainable success, can be found in the Appendix 1 on pages 14 and 15 of this document. Additional details relating to the Directors and the work of the Board and its Committees can be found on pages 65 to 99 of the Annual Report and Accounts for the year ended 31 December 2019.

Attendance requirements

To be entitled to attend, speak and vote at the meeting, a shareholder's details must be entered in the register of members by 6.30 pm on Tuesday 19 May 2020.

Only shareholders, appointed proxies or corporate representatives are entitled to attend, speak and vote at the meeting.

If the meeting is adjourned, shareholders who wish to attend and vote must have their names entered in the Company's register of members by 6.30 pm on the day falling two working days prior to the date fixed for the adjourned meeting.

Voting in advance by proxy

By post: Complete the proxy/voting form and return it to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

The enclosed envelope is postage paid if mailed in the UK and also if it is mailed from overseas. You should not need to pay any additional local postal charges.

Online: Register your instruction at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder reference number noted on the enclosed proxy/voting form.

CREST: Participants can provide instructions using the CREST electronic proxy appointment service through Equiniti Limited (ID RA19) following the procedures described in the CREST manual available at www.euroclear.com.

Voting deadline

Instructions, together with any supporting authority (e.g. a certified copy of a power of attorney) must be received by Equiniti no later than 11.00 am on Tuesday 19 May 2020.

For instructions submitted in CREST, the time of receipt by Equiniti will be deemed to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry of Euroclear in the manner prescribed by Euroclear. Equiniti may treat as invalid a CREST instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointing a proxy

You can appoint one or more people to attend, speak and vote at the meeting on your behalf (your proxy). To appoint a proxy, please add the name of the person in the relevant box provided on the proxy card or as displayed on screen if you are appointing a proxy through the online service.

A proxy need not be a shareholder of the Company, but must attend the meeting to represent a shareholder.

Appoint more than one proxy

If you wish to appoint more than one proxy, you can obtain additional proxy cards by contacting Equiniti using the telephone or textphone numbers set out on page 2 of this document.

You should indicate the number of shares for which each proxy is entitled to vote next to their name.

Revoking a proxy

Proxy appointments may be revoked or amended by written notice to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. To be valid, such instructions must be received by 10.00 am on Thursday 21 May 2020.

CREST participants may also give instructions to revoke or amend proxy appointments by CREST message up until 11.00 am on Tuesday 19 May 2020, after which time any revocation or amendment should be notified in writing to Equiniti at the address, and by the deadline, set out in the previous paragraph.

Joint shareholders

The signature of any one holder will suffice when completing the proxy/voting form. If multiple instructions are received, the instructions of the most senior joint holder will be accepted in priority to other instructions. Seniority will be determined by the order in which the names stand in the register of members for the joint holding.

Webcast

The AGM will be available to view online by webcast at www.lloydsbankinggroupagm.com. Shareholders attending the AGM may be broadcast and will be deemed to have consented to this. Shareholders choosing to view the AGM using the webcast will not be able to participate in proceedings at the AGM. It is recommended that shareholders choosing to use this service allow good time in advance of the meeting to visit the website to check system connectivity.

Indirect investors

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146(2) of the Companies Act 2006 ('Nominated Persons'). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Attending the meeting

Shareholders who intend to come to the AGM are asked to bring the attendance card with them. This can be located adjacent to the proxy card, and can be detached. This helps to speed up registration on arrival and reduces the length of time that shareholders may have to spend queuing.

Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers over the same shares.

Important notes continued

Questions at the AGM

Shareholders, their appointed proxies and authorised corporate representatives have the right to ask questions at the AGM relating to the business of the meeting. Some questions may not be answered if:

- (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- (b) the answer has already been given on a website in the form of an answer to a question; or
- (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.

If you intend to come to the AGM and would like to ask a question about the business of the meeting, you may register it in advance by sending it by email to AGMquestions@lloydsbanking.com. Please don't use this email address for personal or customer matters. If your question does not relate to the business of the AGM it may not be answered and may be referred to an appropriate team to respond. If you are unable to attend the meeting your question will not be raised at the AGM on your behalf. Shareholders are asked to be concise to ensure others who wish to ask a question are able to do so.

You may not use any electronic address provided either in this notice of AGM or any related documents to communicate with the Company for any purpose other than those expressly stated. Any electronic communication sent by a shareholder to the Company or Equiniti that is found to contain a computer virus will not be accepted.

Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged. Shareholders who decide to use them will receive an electronic mail message sent to the electronic address registered. This will give details of the location on the Company's website www.lloydsbankinggroup.com where this notice, together with other relevant documents and information, may be viewed. The Company will not regard itself as responsible for any failure in transmission beyond its control. There is no particular software needed, other than that which is described and is available on the Company's website.

Right to include a resolution at the AGM

Under Sections 338 and 338A of the Companies Act 2006, members who satisfy the threshold requirements in those sections have the right to require the Company:

- (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
- (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business at the meeting.

A resolution may properly be moved or a matter may properly be included in the business at the meeting unless:

- (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
- (b) it is defamatory of any person; or
- (c) it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 8 April 2020, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Right to publish a statement about the auditor

Under Section 527 of the Companies Act 2006, members who satisfy the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

- (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting for the financial year ended 31 December 2019; or
- (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which an Annual Report and Accounts were laid.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006.

Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

Documents available for inspection

The following documents, which are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the head office of the Company at 25 Gresham Street, London EC2V 7HN and at the Company's registered office at The Mound, Edinburgh EH1 1YZ, will also be available for inspection at the Edinburgh International Conference Centre from 10.00 am on Thursday 21 May 2020 until the end of the AGM:

- (a) the Company's Annual Report and Accounts for the year ended 31 December 2019;
- (b) copies of the Executive Directors' service contracts;
- (c) copies of the Non-Executive Directors' letters of appointment;
- (d) a copy of the articles of association of the Company; and
- (e) a copy of the Lloyds Banking Group Long Term Share Plan 2020.

Shareholder information

A copy of this notice of AGM and other information required by Section 311A of the Companies Act 2006 can be found at www.lloydsbankinggroup.com/investors/shareholder-info/shareholder-meetings.

Glossary

A glossary setting out a brief explanation of some of the terms used within this notice of AGM and the Annual Report and Accounts for the year ended 31 December 2019 or which may commonly also be used during the course of the AGM is on the Company's website at www.lloydsbankinggroup.com/investors.

That glossary of terms is not intended to provide legal guidance or advice. Shareholders are advised to seek independent legal or financial advice with regards to any matters contained in this notice of AGM and any other related document.

A list of abbreviations of the terms used within the Annual Report and Accounts or which may commonly also be used during the course of the AGM appears at page 331 of the Annual Report and Accounts for the year ended 31 December 2019.

Frequently asked questions

Where can I find the latest information if there are last minute changes to the AGM arrangements?

Please refer to the Group's website, "www.lloydsbankinggroup.com" where we will confirm arrangements for the day nearer to the time. Updates will also be available on the Shareholder Helpline, the number for which is set out in this Notice of AGM.

What is an AGM or Annual General Meeting?

A public company is required by law to hold an AGM with its shareholders and to table its accounts within six months of the end of its preceding financial year.

Will there be a webcast of the AGM?

The AGM is available via live webcast, at www.lloydsbankinggroupagm.com. Shareholders attending the AGM may be broadcast and by attending, will be deemed to have consented to being broadcast.

Why are you holding the AGM in Scotland?

The Company's articles of association require the Company to hold its AGM in Scotland.

Why should I vote?

It is your right as a shareholder to vote on matters put to the AGM and every shareholder is encouraged to vote. Your opinion counts and is very important in informing the Board on shareholder views. We urge you to use this opportunity to vote.

What is a proxy and who can be one?

A proxy is someone appointed by you to attend the meeting and vote on your behalf. This can be a person of your choosing or the Chairman of the meeting. A proxy does not need to be a shareholder in the Company but must attend the meeting if your votes are to be cast.

Can I lodge my proxy or voting instructions online?

Yes. Please see the reverse side of the proxy or voting form for details on how to do this.

How do I return the proxy or voting form?

Please use the enclosed envelope. Postage for UK residents has already been paid. Likewise the enclosed envelope can be used if you are mailing your proxy or voting form from overseas; you should not need to pay any further local postage costs.

I have shares in the Lloyds Banking Group Shareholder Account ('LBGSA'). The voting form does not provide an option to appoint a proxy, why is this?

In accordance with the terms and conditions of the LBGSA, only Equiniti Financial Services Limited can carry out your instructions in relation to these shares.

Can I receive a paper copy or a large print, audio or Braille version of the Annual Report and Accounts or AGM communications?

Yes. Please contact the Company's registrar, Equiniti, using the contact details for Equiniti on the contents page of this notice of AGM.

Where can I learn more about the terms used in this notice of meeting?

A glossary setting out a brief explanation of some of the terms used within this notice of AGM and the Annual Report and Accounts for the year ended 31 December 2019 or which may commonly also be used during the course of the AGM is on the Company's website at www.lloydsbankinggroup.com/investors.

Letter from
the Chairman

Notice of annual
general meeting

Explanatory notes
on resolutions

Important
notes

FAQs

Appendix 1 - Directors
standing for election or re-
election

Appendix 2 - Summary of the
Long Term Share Plan (LTSP)
principle features

Appendix 1 – Directors standing for election or re-election

Directors' biographies can be found on pages 66 and 67 of the Annual Report and Accounts for the year ended 31 December 2019.

1 NG Re RB Ri	2 A NG Re Ri	3 A Ri	4 A Ri	5 RB Ri
6 Re RB Ri	7 A NG Ri	8 Re RB Ri NG	9 NG Re RB Ri	10 Re Ri
11 A Ri	12 Re RB Ri	13 NG	<p>Legend:</p> <ul style="list-style-type: none"> A Member of Audit Committee Re Member of Remuneration Committee NG Member of Nomination and Governance Committee Ri Member of Board Risk Committee RB Member of Responsible Business Committee Committee Chairman 	

1 Lord Blackwell has announced his plan to retire as Group Chairman at or before the AGM in 2021.

2 Alan Dickinson succeeded Anita Frew as Senior Independent Director on 1 December 2019 and will succeed her as Deputy Chairman when she retires from the Board at the AGM in May 2020.

3 Juan Colombás has announced his plan to retire from the Group in July 2020.

1. Lord Blackwell Chairman

Appointed: June 2012 (Board), April 2014 (Chairman)

Skills, experience and contribution:

Deep financial services knowledge including in insurance and banking

Significant experience with strategic planning and implementation

Regulatory and public policy experience gained from senior positions in Downing Street, Regulators and a wide range of industries

Credibility with key stakeholders

Strong leadership qualities

Lord Blackwell is an experienced Chairman and Non-Executive Director within the financial services sector. He brings a strong understanding of the interaction between private and public sectors and in-depth experience of banking and has the governance expertise and external insight required to create and lead an effective Board, which is essential to the long term success of the Group.

External appointments: Governor of the Yehudi Menuhin School and a member of the Governing Body of the Royal Academy of Music.

2. Alan Dickinson Senior Independent Director

Appointed: September 2014 (Board), December 2019 (Senior Independent Director)

Skills, experience and contribution:

Highly regarded retail and commercial banker

Strong strategic, risk and core banking experience

Regulatory and public policy experience

Alan brings a deep understanding of banking and experience of managing relations with investors from his long career in financial services and serving as a director of UK

listed companies and are essential attributes to fulfilling his role of Senior Independent Director.

External appointments: Chairman of Urban&Civic plc and Non-Executive Director of England and Wales Cricket Board.

3. Simon Henry Independent Director

Appointed: June 2014

Skills, experience and contribution:

Deep international experience in board level strategy and execution

Extensive knowledge of financial markets, treasury and risk management

Qualification as an Audit Committee Financial Expert

Strong board governance experience, including investor relations and remuneration. Simon's extensive knowledge of financial markets and his financial expertise gained in previous roles provide an excellent foundation for his role as Chair of the Audit Committee. He also brings an invaluable perspective and insights gained from his extensive international business career.

External appointments: Non-Executive Director of Rio Tinto plc and Rio Tinto Limited and Chair of their Audit Committee, Independent Director of PetroChina Company Limited, Member of the Defence Board and Chair of the Defence Audit Committee, UK Government, Member of the Advisory Panel of CIMA and of the Advisory Board of the Centre for European Reform.

4. Sarah Legg Independent Director

Appointed: December 2019

Skills, experience and contribution:

Strong financial leadership skills

Significant experience in financial and regulatory reporting

Strong transformation programme experience. Sarah's highly relevant and significant financial services audit and risk experience strengthen the Board. Her knowledge and experience in these areas is important and will help enhance the Board's discussions as she continues to contribute on these and other matters.

External appointments: Honorary Vice President of The Hong Kong Society for Rehabilitation and Chair of the Campaign Advisory Board of King's College, Cambridge University.

5. Lord Lupton CBE Independent Director and Chairman of Lloyds Bank Corporate Markets plc

Appointed: June 2017

Skills, experience and contribution:

Extensive international corporate experience, especially in financial markets

Strong board governance experience, including investor relations and remuneration. Regulatory and public policy experience

Significant experience in strategic planning and implementation

Lord Lupton's considerable financial knowledge and extensive board governance experience are crucial for his role as Chair of Lloyds Bank Corporate Markets and helps to deepen the Group Board's analyses of important matters.

External appointments: Senior Advisor to Greenhill Europe, Trustee of the Lovington Foundation and Chairman of the Board of Visitors of the Ashmolean Museum with effect from 1 January 2020.

6. Amanda Mackenzie OBE Independent Director

Appointed: October 2018

Skills, experience and contribution:

Extensive experience in responsible business

Considerable customer engagement experience

Strong digital technology experience

Significant marketing and brand background

Amanda's strong digital knowledge and experience enables her to make contributions to Board deliberations generally and with respect to the Group's digital strategy in particular, in addition to valuable contributions on customer focus, communications, people issues and the responsible business agenda.

External appointments: Chief Executive of Business in the Community – The Prince's Responsible Business Network.

7. Nick Prettejohn Independent Director and Chairman of Scottish Widows Group

Appointed: June 2014

Skills, experience and contribution:

Deep financial services experience, particularly in insurance

In-depth regulatory knowledge and experience

Governance experience and strong leadership qualities

Significant experience in strategic planning and implementation

Nick's extensive regulatory knowledge, leadership qualities and governance experience are essential to his role as Chair of Scottish Widows Group and helps deepen the Board's considerations of important industry-related matters.

External appointments: Chairman of Reach plc (formerly Trinity Mirror plc) and of their Nomination Committee. He is also Chairman of the Royal Northern College of Music and a member of the Board of Opera Ventures.

8. Stuart Sinclair Independent Director

Appointed: January 2016

Skills, experience and contribution:

Extensive experience in retail banking, insurance and consumer finance

Governance and regulatory experience

Significant experience in strategic planning and implementation

Experience in consumer analysis, marketing and distribution

Stuart brings in-depth understanding of remuneration and financial matters to his role as Chair of the Remuneration Committee. His broad range of expertise within the consumer finance and banking sectors enables him to make key contributions to Board discussions.

External appointments: Senior Independent Director and Chair of the Risk & Capital Committee at QBE UK Limited (formerly QBE Insurance (Europe) Limited). He is also Non-Executive Director of Willis Limited and of International Personal Finance plc.

9. Sara Weller CBE Independent Director

Appointed: February 2012

Skills, experience and contribution:

Background in retail and associated sectors, including financial services

Strong board governance experience, including investor relations and remuneration

Passionate advocate of customers, the community, financial inclusion and the development of digital skills

Considerable experience of boards at both executive and non-executive level

Sara is a passionate advocate of customers, the community and financial inclusion. This coupled with her extensive board experience and her background in retail and associated sectors makes her ideally suited to Chair the Responsible Business Committee.

External appointments: Non-Executive Director of United Utilities Group and Chair of their Remuneration Committee, Lead Non-Executive Director at the Department for Work and Pensions, Chair of the Remuneration Committee of New College, Oxford and Trustee of Lloyds Bank Foundation for England and Wales.

10. Catherine Woods Independent Director

Appointed: March 2020

Skills, experience and contribution:

Extensive executive experience of international financial institutions

Deep experience of risk and transformation oversight

Strong focus on culture and corporate governance

Catherine's extensive experience in financial services providing strategic insights, risk oversight, finance, corporate governance and a deep knowledge of change management will enable her to bring a positive insight on a broad range of issues to Board and Committee debates.

External appointments: Non-Executive Director of Beazley plc and Chair of the re-insurance and European insurance subsidiary, Beazley Insurance. Non-Executive Director and Vice Chair of Blackrock Asset Management Ireland Limited and Chair of its Accounts Review committee.

11. António Horta-Osório Executive Director and Group Chief Executive

Appointed: January 2011 (Board), March 2011 (Group Chief Executive)

Skills, experience and contribution:

Extensive experience in, and understanding of, both retail and commercial banking built over a period of more than 30 years, working both internationally and in the UK

Drive, enthusiasm and commitment to customers

Proven ability to build and lead strong management teams

António's deep industry understanding and proven leadership experience are crucial to his role as CEO. He continues to lead the implementation and development of the Group's strategy and during the year he has

continued to lead the delivery of a strong customer experience and make significant progress in building new capabilities to transform the Group to succeed in a digital world.

External appointments: Non-Executive Director of EXOR N.V., Fundação Champalimaud and Sociedade Francisco Manuel dos Santos in Portugal, a member of the Board of Stichting INPAR Management/Enable and Chairman of the Wallace Collection.

12. William Chalmers Executive Director and Chief Financial Officer

Appointed: August 2019

Skills, experience and contribution:

Significant board level strategic and financial leadership experience including strategic planning and development, mergers and acquisitions, equity and debt capital structuring and risk management

Worked in financial services for over 25 years

William's significant board level strategic and financial leadership experience is a welcome addition to the Board. His previous experience enables him to provide key input on the development of the Group's strategy, is essential to his role as Chief Financial Officer and will be important in the coming year as the Board focuses on developing its next strategy, GSR4.

External appointments: None.

13. Juan Colombás Executive Director and Chief Operating Officer

Appointed: November 2013 (Board), January 2011 to September 2017 (Chief Risk Officer), September 2017 (Chief Operating Officer)

Skills, experience and contribution:

Significant banking and risk management experience

International business and management experience

Juan is responsible for leading a number of critical Group functions and driving the transformation activities across the Group in order to build the Bank of the Future. He has a strong track record of delivering operational excellence and has significant financial, risk, commercial and strategic experience which is key to his role as Chief Operating Officer. Following the announcement in October 2019 that he plans to retire from the Group in July 2020, this will be the final annual general meeting at which he will seek re-election.

External appointments: Member of the FCA Practitioner Panel.

Letter from the Chairman

Notice of annual general meeting

Explanatory notes on resolutions

Important notes

FAQs

Appendix 1 - Directors standing for election or re-election

Appendix 2 - Summary of the Long Term Share Plan (LTSP) principle features

Appendix 2 – Summary of the Long Term Share Plan (LTSP) principle features

The principal terms of the Lloyds Banking Group Long Term Share Plan 2020 (the ‘LTSP’ or ‘Plan’) are set out below.

Administration

The Plan will be administered by the Board, or a duly authorised committee or delegate. It is intended that the Plan will be operated by the Remuneration Committee of the Company (the ‘Committee’), which will always be the case in respect of awards granted to Executive Directors of the Company (‘Executive Directors’).

Executive Directors

Participation by the Executive Directors in the Plan shall, unless or until approved otherwise by shareholders, be in accordance with the Company’s Directors’ Remuneration Policy as approved by shareholders from time to time.

Eligibility

Any employee or Executive Director of the Company, any of its subsidiaries or designated associated companies is eligible to participate in the LTSP.

Individual limits

The maximum value of shares over which an Award may be granted to a participant in any financial year shall not exceed 200 per cent. of the participant’s annual basic salary.

As under the current 2016 Long Term Incentive Plan and as provided for in the Company’s current and proposed updated directors’ remuneration policies, in calculating this limit the Committee may take into account the regulatory restriction on the Company from being able to award dividend equivalents on awards under the LTSP.

Grant of Awards

The level of Award shall be determined on an annual basis by the Committee, taking into account an assessment of performance of the Company, any group company or business unit or team, and/or the performance, conduct or capability of the participant, on such basis as the Committee determines.

For Executive Directors, the basis on which the level of grant shall be determined in accordance with the Company’s Directors’ Remuneration Policy as approved by shareholders from time to time.

Awards under the LTSP will normally only be granted within 42 days after the announcement of the Company’s results for any period. Awards may also be granted within 42 days of the LTSP being approved by shareholders, a general meeting of the Company at which a Directors’ Remuneration Policy or amendments to the LTSP are proposed, or at other times when grants would be restricted for regulatory reasons or where exceptional circumstances exist.

Vesting Period and Holding Period

Awards shall be subject to a Vesting Period set by the Committee on grant and may be subject to a post-vesting Holding Period. The Vesting Period shall end no earlier than the end of the Underpin Period (as described below) but may be a longer period.

The Underpin

Awards under the LTSP are required to be granted subject to an underpin metric (the ‘Underpin Condition’), assessed over an Underpin Period. The Underpin Period is required to be a period of at least three years. There will be no provision for the retesting of any element of an Underpin Condition.

For Executive Directors, save as may otherwise be approved by shareholders, the Underpin Condition will be set in accordance with the Company’s Directors’ Remuneration Policy as approved by shareholders from time to time.

Subject to approval, the first grant of awards will be in 2021, full details of which and the Underpin Conditions applicable, will be disclosed in the 2020 Directors’ Remuneration Report. The indicative Underpin Conditions that will apply to the initial grant of awards will focus on capital strength, relative returns and a progressive and sustainable ordinary dividend with each element of the underpin set to determine the ability of 33 per cent of the award to vest.

The Committee may vary an Underpin Condition (or a performance criteria used to grant an Award) if events happen which cause the Committee to consider that it is appropriate to do so to ensure that the Underpin Condition (or such criteria) continues to assess performance on a basis consistent with that intended in setting the original condition, and provided in the case of an Underpin Condition that the revised condition is not, in the opinion of the Committee, materially less challenging in the circumstances (taking account of the intervening event) than was intended in setting the original Underpin Condition.

Vesting and discretion to adjust vesting level

An Award will only vest if and to the extent that the Underpin Condition is met. The Underpin Condition will continue to apply in all cases where an Award may vest in connection with the cessation of employment or a corporate event and will be taken into account in the case of a participant’s death, as described in more detail on page 17 below.

However, notwithstanding the extent to which the Underpin Condition is met, the Committee may apply a discretionary positive or negative adjustment to the vesting of an Award if it considers it appropriate to do so, including to lapse an Award in full.

Deferral, malus and clawback

Awards will be subject to malus and clawback as set out in the Company’s Deferral and Performance Adjustment Policy, as amended from time to time.

This policy has been adopted and is revised from time to time to ensure full compliance with all of the regulatory rules on remuneration applicable to the Company under the Capital Requirements Directive and other applicable regulatory regimes, as well as with all applicable regulatory guidance.

In relation to malus, this policy currently provides that malus may be applied in any circumstances where the Committee considers it appropriate to make an adjustment to any unreleased elements of variable remuneration. Such circumstances include, but are not limited to, cases where there is reasonable evidence of employee misbehaviour or material error (including, but not limited to, an employee participating in or being responsible for conduct which results in detrimental impact or losses to the Group or failing to meet appropriate standards of fitness or propriety); the relevant business unit suffering a significant downturn in its financial performance; there being a material failure of risk management at Group, business unit or division level; or the Committee determining that the financial results for a given year do not support the level of remuneration awarded.

In relation to clawback, this policy currently provides that clawback may be applied within seven years (which can in some cases be extended to ten years) from the date of the award, where the Committee determines that there is reasonable evidence of employee misbehaviour or material error (including, but not limited to, an employee participating in or being responsible for conduct which results in detrimental impact or losses to the Group or failing to meet appropriate standards of fitness or propriety) or there being a material failure of risk management at Group, business unit or division level.

Form of Awards

Awards under the Plan may take the form of a conditional right to receive Shares, or a nil- or nominal-cost option over Shares, which may be exercised during a permitted exercise period (extending not later than the tenth anniversary of the date of grant). The Committee retains discretion to settle Awards in cash.

Discretion to delay vesting

The Committee retains discretion to delay vesting, or the settlement of an Award, where it considers it appropriate to do so. The circumstances in which the Committee may exercise such discretion could include circumstances where there is any ongoing investigation or other procedure which may lead to the application of malus in accordance with the Deferral and Performance Adjustment Policy, or if the Committee decides that further investigation is needed.

Operation of the Holding Period

During any Holding Period, the Award (or the Shares in respect of which the Award vests, net of any Shares sold to cover tax liabilities on vesting) will be restricted and will also remain subject to malus and clawback provisions.

Special circumstances - leavers, death and corporate events

Leaver events and death

Participants who leave employment prior to vesting will normally forfeit their Awards when they leave. However, Awards will not be forfeited if participants leave due to ill-health; injury; disability; retirement; redundancy; the sale or transfer of their employing company or business out of the group; or, at the discretion of the Committee, for any other reason.

Where a participant ceases employment before the normal vesting date and the Award does not lapse, Awards will continue and vest on the normal vesting date, unless the Committee determines that the Award will instead vest on or at any other time following the date of cessation. Awards will vest to the extent that the Underpin Condition has been met and, unless the Committee decides otherwise, the number of shares will be reduced on a pro rata basis to reflect the proportion of the Underpin Period elapsed to the date the participant ceases employment.

On the death of a participant, an Award shall vest immediately in full, unless the Committee determines that full vesting is not appropriate considering the Underpin Condition.

Where Awards are subject to a Holding Period, the Holding Period will normally continue to apply. The Holding Period will cease immediately in the case of a participant's death, or if the Committee so determines.

The treatment of Awards held by Executive Directors in the event of their cessation of employment, including any exercise of any discretion, would be applied in accordance with the Company's Directors' Remuneration Policy as approved by shareholders from time to time, and the treatment of awards held by other participants, including the exercise of any discretion, may be applied in accordance with any policy or similar adopted by the Committee from time to time.

Change of control and other corporate events

In the event of a takeover, scheme of arrangement, merger or other corporate event, Awards will generally vest at the time of the relevant event. To the extent that the Underpin Condition has been satisfied at that time and lapse to the extent they do not vest. The number of shares received will be reduced pro-rata to reflect the proportion of the Underpin Period elapsed to the date of the relevant event, unless the Committee decides otherwise.

Alternatively, participants may be required or allowed to exchange their Awards for equivalent awards over shares in the acquiring company or cash-based awards of equivalent value.

General

Where the Underpin Condition, or any other applicable condition, is to be assessed prior to the end of the relevant period it may be assessed using such information (not limited to published accounts), and on such basis as the Directors determine, including taking account of expected performance over the remainder of the period.

Plan limits

In any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company may be issued or issuable under the Plan and all other employees' share plans operated by the Company. In addition, in any 10 year period, not more than 5 per cent. of the issued ordinary share capital of the Company may be issued or issuable under the Plan and all other discretionary share plans adopted by the Company.

These limits do not include Awards which have lapsed or been surrendered. Awards may also be satisfied using treasury shares or market-purchased shares. If treasury shares are used, the Company will, so long as required under the Investment Association Principles of Remuneration, count them towards the plan limits set out above.

Variation in share capital

Awards and options (including any option price) may be adjusted following a variation in share capital of the Company, a demerger, a special dividend or any other corporate event which might affect the value of an Award.

Dividend equivalent

Subject to any regulatory requirements, additional Shares or cash may be delivered on the vesting of Awards under the Plan to take account of dividends that would have been paid on the number of Shares which vest between grant and vesting.

Amendments to the rules of the Plan

The Committee may amend the rules of the Plan in any way. However, provisions relating to eligibility; individual and plan limits; a participant's entitlement to cash or shares under the Plan; the adjustment of Awards and options on a variation of capital; and the amendment of the Plan cannot be amended to the advantage of participants without prior approval of the shareholders in general meeting.

The Committee is able to adjust any applicable conditions in accordance with the rules of the Plan and make minor amendments to the Plan without shareholder approval to benefit the administration of the Plan; comply with legislation or any changes in legislation; and maintain favourable tax treatment, exchange controls or regulatory treatment for the Company, any subsidiary or any participant.

Non-transferable and non-pensionable

Awards are personal to the participant and may not generally be transferred or assigned.

Benefits granted under the Plan are not pensionable.

General

Participants will not have any shareholder rights until the shares subject to Awards have been issued or transferred to the participant.

Any shares issued under the Plan will rank equally with shares of the same class in issue on the date of allotment.

The Plan may be terminated at any time and, in any event, no grants may be made after the tenth anniversary of the Plan's approval by shareholders.

Overseas plans

The Plan contains provisions which permit the Company to establish further plans or sub-plans for the benefit of overseas employees based on the relevant plan but modified to take account of local law, tax, exchange control and securities laws in non-UK territories. However, any shares made available under such plans shall be treated as counting towards the individual and overall plan limits outlined above.

Letter from
the ChairmanNotice of annual
general meetingExplanatory notes
on resolutionsImportant
notes

FAQs

Appendix 1 - Directors
standing for election or re-
electionAppendix 2 - Summary of the
Long Term Share Plan (LTSP)
principle features

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