**2023 AGM – Chair's speech**

*Speech from Robin Budenberg, Lloyds Banking Group Chair, at our 2023 Annual General Meeting.*

Good morning everyone, and welcome to the Lloyds Banking Group 2023 Annual General Meeting. I'm Robin Budenberg, Chair of the Group.

It's a privilege to be here in the great city of Glasgow this morning. Given our long-standing relationship with Glasgow's industrial past, and investment in its enterprising future, I am very pleased to be holding our AGM here for the first time since 2011. I am also pleased to see so many of our shareholders present in person, and I know we also have a large number joining via the webcast; welcome to you as well.

The AGM is an important annual event for Lloyds Banking Group. Not only does it provide us with a platform to speak to all our shareholders, but it also gives each of you the opportunity to ask us questions. Lloyds Banking Group has over two million shareholders, many of whom are individual investors, which means that the AGM holds particular significance as an opportunity for us to engage directly.

The Question and Answer session will take place after updates from me; Charlie Nunn, our Group Chief Executive; and Amanda Mackenzie, Chair of our Responsible Business Committee. After the Q&A has finished, we will conduct the formal requirements of the meeting, including voting on the proposed resolutions.

Turning to the business of the meeting. I will share a few reflections on the performance of Lloyds Banking Group over the last year, including how we continued to deliver on the Group's Purpose of Helping Britain Prosper and supported our customers in a challenging economic environment. I will begin, however, by outlining a few changes we made to our Board in 2022.

In August, Scott Wheway joined the Board as a Non-Executive Director and in September he became Chair of Scottish Widows Group. Scott brings outstanding experience in the retail, insurance and banking sectors, and both the Group and Scottish Widows boards are already benefitting from this. Thank you to Sophie O'Connor who so ably held the role of interim Chair of Scottish Widows Group before Scott assumed the role.

We also announced the appointment of Cathy Turner as a Non-Executive Director and a Member of the Remuneration Committee from November last year. Cathy has strong non-executive and financial services experience and, like Scott, we are already benefitting from her input as a member of the Board.

At this point, I would like to thank all our Board members. Their guidance, input and contributions are greatly valued by me, Charlie and our management team. In a year when we announced a new strategy and navigated an unpredictable external environment, their support has been hugely important.

Sarah Legg and Catherine Woods, who are other Non-Executive Directors, send their sincere apologies – they were unable to attend today for extremely good reasons.

Turning to an overview of the Group's performance last year. Overall, we have made good progress in maximising the potential of our people, technology and data – these are critical enablers for the strategy we launched in February 2022. We committed then to transform our organisation; creating higher, more sustainable contribution for all stakeholders and driving revenue growth and diversification across all our main business areas.

In 2022, we saw a robust financial performance, with early evidence of strategic delivery.

Our net income was £18 billion, up 14 per cent on 2021, supported by continued recovery in customer activity and the interest rate environment. We are a beneficiary of rising interest rates, and our net interest income was up 18 per cent, driven by the recovery of our net interest margin and increased lending to our customers.

Our other income, which includes the income we earn from some of our products in wealth and insurance, was up 4 per cent at £5.2 billion. This income grew across all business lines and is an important part of our strategy to diversify our revenue – on which Charlie will reflect further in his speech.

You will have seen that our results for 2022 included a further £50 million remediation charge in relation to HBOS Reading.

Our focus continues to be on providing a resolution and closure for those impacted. We continue to cooperate with Sir David Foskett and the independent Re-Review Panel, who are progressing well with their re-review and, following their introduction of the Fixed Sum Award, have now completed assessments on more than half of the cases.

In addition, we continue to provide all the assistance and resource required as Dame Linda Dobbs continues her independent review.

As in previous years, we've shared on our website a Shareholder Update, giving the latest position on matters relating to HBOS Reading.

Although our new strategy is targeting growth, cost discipline remains a core focus for us and an important part of our competitive advantage. In 2022, we reported operating costs of £8.8 billion; in line with our guidance, and reflecting stable business-as-usual costs and increased strategic investment.

Our statutory profit before tax for the full year was £6.9 billion, broadly flat year on year, despite a net impairment charge of around £1.5 billion – which was partly driven by a revised economic outlook.

And so, I hope you agree that these figures show good business momentum.

This robust performance underpinned our strong capital generation, of 245 basis points for the year. Our Core Tier 1 capital ratio, the key measure of our capital strength, finished the year at 14.1 per cent, well above our ongoing target of around 13.5 per cent. During a time when there has been considerable uncertainty in the banking sector, it is worth reminding ourselves of the strength of the balance sheet we have at Lloyds Banking Group.

In turn, this enables us to return capital to shareholders, which we know is a very important part of our investment case. In total, we have announced capital returns of up to £3.6 billion; more than 10 per cent of the Group's market valuation at year end. This included a total ordinary dividend of 2.40 pence per share, up 20 per cent on 2021.

Remuneration is an important topic, especially in today's economic environment.

We recognised early last year that some of our colleagues might face challenges and we have been very focused on supporting them. We were among the first organisations to make a payment to our colleagues to help with increases in the cost of living. This meant a payment of £1,000 to the vast majority of our colleagues in August 2022, with an additional £500 cash payment in December 2022 for many of our colleagues at lower pay grades.

For this year, we have also implemented pay increases of between 8 and 13 per cent, with the majority of additional spend on pay directed to around 43,000 of our lowest paid colleagues, which we believe is the right thing to do.

There were no pay increases for the Executive Directors this year, and variable awards were carefully assessed against the financial, customer and ESG-related measures agreed at the beginning of the year.

It is also worth noting that our current Directors' Remuneration Policy, approved at the 2020 annual general meeting, was due for review this year. The Remuneration Committee has undertaken a comprehensive review over several months to consider whether any changes should be recommended to shareholders.

In light of our renewed strategy, the Group is looking to implement a new Directors' Remuneration Policy this year to align executive remuneration more closely with our longer-term strategic objectives. This will include a return to a long-term incentive plan. The Committee believes that the new long-term incentive plan will deliver stronger alignment with our strategic objectives.The plan will support a more demanding performance culture; directly linking vesting outcomes to delivery of the strategy and the realisation of its benefits for shareholders.

This is consistent with incentive arrangements for most of our peers, and we consulted on the proposals with a broad range of shareholders and other key stakeholders, who expressed support for alignment between business strategy, performance and executive remuneration outcomes. The policy reflects that the transition to a low carbon economy is at the core of our strategy, and aligns with our corporate purpose of Helping Britain Prosper.

As a bank with more than 26 million customers, we have a financial relationship with half of all adults in the UK. Coupled with the fact that we have more private shareholders than any other UK stock market listed company, we play an integral role in our financial system and are a unique force for Helping Britain Prosper – helping our customers, colleagues, and communities in a year when many have been hit by significant inflationary pressures. For example:

- We trained more than 4,500 colleagues to provide additional financial assistance to our customers, when and where it is needed.

- We proactively contacted 5.5 million customers to let them know we are here to help.
- We contacted more than 200,000 of our mortgage customers to provide support with rising interest rates.
- Across the organisation we put in place around 250,000 personalised plans, helping individuals and businesses with their finances.
- And, for our business customers, we also got in touch with over 550,000 of those most impacted by the increased cost-of-living, to offer sector-specific support measures.

As well as contacting and speaking to our customers in order to better understand the challenges they're facing due to the increased cost-of-living, we have proactively designed and deployed a range of measures to provide practical help. For example, by offering reduced payment plans, or payment holidays, on mortgages, motor finance, credit card and loans. We've offered 230,000 people an interest-free overdraft buffer, and helped 110,000 to consolidate their debt into a single, more manageable loan. And for customers in acute financial difficulty, we have offered a hold on their account – pausing all interest and fees for 30 days, whilst they obtain further advice.

Since Charlie's appointment in August 2021, we have seen meaningful change across the Group – we have launched a new strategy; restructured our organisation with new business units and platform-enabled ways of working, and put in place a new dynamic leadership team with strong diversity of knowledge and expertise across financial services and digital. This has been, and continues to be, a pivotal period of investment in the future of Lloyds Banking Group.

To conclude, 2022 was a challenging year in several ways. Inflation, cost-of-living and interest rate rises have had a significant impact on individuals and businesses alike. We anticipate that the repercussions of this will mean 2023 remains difficult for many of our customers.

To me, this backdrop demonstrates the importance of operating as a purpose-led organisation. I am immensely proud of how Lloyds Banking Group colleagues have supported customers and made a positive contribution to our communities, while at the same time delivering a robust performance for shareholders.

We are well underway with delivering against our strategy, which will deliver higher and more sustainable returns for our shareholders. And underpinning this progress, are our strong financial foundations.

However it is the continued efforts and dedication of our colleagues that makes all this possible, so I would like to finish by thanking every one of them for their contribution.

With that, I will hand over to Charlie.