

2023 AGM – CEO's speech

Speech from Charlie Nunn, Lloyds Banking Group Chief Executive, at our 2023 Annual General Meeting.

Thank you, Robin and good morning everyone.

It was great to be with you at last year's AGM and have the chance to hear and answer your questions. A lot has happened in the past twelve months, so I will share an update on what we've been up to, how I see the outlook for 2023, and why, like Robin, I'm excited for the future of Lloyds Banking Group.

It is an immense privilege, responsibility and opportunity to be the CEO of a bank which is so intrinsically entwined with the lives of its customers and communities. We have the ability and potential to change the lives of millions of people across the UK – from helping someone to buy their first, next or forever home....to enabling a small business to become more sustainable, and play their part in the transition to net zero.

Last year, I spoke about our new strategy – much of which is focused on how Lloyds Banking Group will invest, grow and become more sustainable, in order to better support the evolving needs of our customers, and ensure we are 'Helping Britain Prosper'. We are making good progress against our strategic priorities, and I will talk you through some highlights shortly.

First, as Robin said a moment ago, we know that many individuals and families are experiencing pressures due to the cost-of-living environment, and the bank as a whole has mobilised to better understand and mitigate the challenges our customers face.

We are proactively identifying and supporting those who need it most – reaching out to over 200,000 mortgage customers most affected by rising interest rates...and a further 550,000 business customers. And, through financial tools and health-checks, increasing

the number of customers with a meaningful financial buffer – that's enough deposits to cover 3 months' essential spend – to nearly 10 million people by the end of 2022. Just some of the ways we are committed to help increase resilience for our customers.

May I now reflect on our financial results for last year.

Robin has already provided a high-level overview of our financial performance in 2022, so I won't repeat that, aside from echoing his view that this constitutes a strong performance across the business.

I would like to provide some further insight around both the key indicators and outputs which pertain to our performance, and the very real positive impact we have across the UK.

In our Retail business, we continued to build on our open mortgage portfolio; growing by £6.3 billion in 2022. Consumer finance lending was also up. This positive trend was echoed in the commercial part of our business, where we saw balances up by £1.2 billion – led by our Corporate and Institutional business, where we see attractive opportunities for growth.

And in Pensions and Insurance, we reported more than £8 billion of net new assets under administration.

Let me provide a little more detail on these numbers, to show what they mean for our customers:

- We helped 64,000 first-time buyers move onto the property ladder.
- 95,000 start-ups and small businesses banked with us for the first time.
- We provided £2.1 billion in funding for the social housing sector, supporting access

to safe, good-quality homes for those on the lowest incomes. This is part of the £15 billion we've provided in financing to the social housing sector, since 2018.

- And we made significant contribution to the transition to a low carbon economy – becoming the first major UK bank to no longer provide direct project finance to new greenfield oil and gas developments...providing over £13 billion of green and sustainable lending....and publishing our first Group Climate Transition Plan. Amanda will go into more detail on our relevant activity shortly.

It's important to note the efforts of our colleagues in making all this possible – they are by the side of our customers in the key moments, and when supporting their everyday banking needs. This has enabled us to achieve our high customer satisfaction objectives, exceeding our target for 2022.

Turning to our results for the first quarter of this year, released earlier in the month, we see a solid financial performance.

Net income of £4.7 billion was up 15% on the previous year – supported by net interest margin of 322 basis points, growth in other income and a continued low operating lease depreciation charge.

Operating costs of £2.2 billion were up 5% on the first quarter of 2022. This reflects our continued strategic investment, alongside inflationary effects on the cost base. We remain committed to market leading efficiency, and are on target to achieve our cost guidance of around £9.1 billion for 2023.

Asset quality is resilient. The impairment charge of £243 million is equivalent to an asset quality ratio of 22 basis points, supported by a small release relating to an improved macroeconomic outlook versus Q4.

Statutory profit after tax for Q1 was £1.6 billion, and the return on tangible equity was 19.1%. This drove strong capital generation of 52 basis points, even after taking the full £800 million fixed pension contribution.

The performance we are seeing across the Group, and our capital strength – which Robin spoke about – provides the solid footing from which we can make progress on our growth-oriented strategy. Despite sector uncertainty in the US and Europe, we remain resilient in our liquidity and capital, and confident in delivering on our strategic ambitions.

This time last year, I outlined my aspirations for Lloyds Banking Group to be on a path that leads to higher revenue growth by meeting a broader, interconnected range of customer needs... as well as more diversified revenues. Let me share an update on what we achieved in the first year of this five-year plan.

In 2022 at a headline level, we delivered £900 million of incremental strategic investment. This included broadening our product offering – expanding in areas where we are underrepresented, and investing in technology that will improve customer experience.

For example, we have seen a 15% increase in daily log-ons and, earlier this year, the Group reached 20 million digitally-active customers. That's two years ahead of schedule.

Building a compelling offering for the 'mass affluent' customer segment is also an important part of our strategy. Later this year, we will launch our new 'digital-first proposition', and we have already increased by more than 5% the savings and investments of this segment of customers.

The acquisition of Embark Group, which we completed in early 2022, has further strengthened our offering to these customers. This year, we began rolling out a simple,

direct-to-consumer investment offering through our Lloyds Bank, Halifax and Bank of Scotland apps.

Embark is also helping us support intermediaries and independent financial advisers more than ever – an important part of our growth strategy. And we're also making significant progress in growing our life and critical illness insurance market through Scottish Widows, which has also attracted £6 billion of net workplace pension flows, taking our total assets under administration to £197 billion. This year, we will launch an enhanced intermediary proposition for life and critical illness insurance, as we look to achieve our ambition of becoming a top three home-insurance and workplace pensions provider.

In our commercial business, we are investing in our product capabilities – for example, by delivering the first phase of our new FX platform. We have already seen some early benefits from this investment, including around 20% growth in our FX trading percentage share of wallet.

In addition, we are looking to broaden the services we can offer our customers through strategic fintech partnerships, such as the one with Satago for invoice discounting; helping customers better manage their cash flows.

Alongside our full year results, we announced the acquisition of Tusker – a market-leading, vehicle leasing company that provides electric and ultra-low emission vehicles, via salary sacrifice schemes. This acquisition supports our ambitions of growing our Transport business, while achieving our Net Zero emissions target by 2050.

More broadly, and as part of this support for the green transition, we delivered £8 billion of sustainable financing to businesses last year – which constitutes over half of our 2024 target.

Overall, I am pleased with our progress so far – particularly in light of the challenges in our operating environment. Our unique business model and competitive strengths provide a solid foundation from which to grow, whilst continuing to deliver strong shareholder returns. I am confident that we will continue to build momentum in delivering on our purpose and strategy – meeting evolving customer needs in more pertinent and integrated ways.

Building a strong, inclusive society is at the heart of our purpose. And as one of the UK's leading mortgage providers, and biggest lenders for house building and development, we know we have an important part to play in providing greater access to safe, affordable and sustainable housing.

At present, there is a chronic undersupply of genuinely affordable housing in the UK, with over 1 million households on waiting lists for social homes in England, Scotland and Wales. Meanwhile, Housing Associations need over £100 billion to finance Net Zero requirements on their existing buildings – integral to the UK's transition to a low carbon economy, which could help reduce fuel poverty, and create more zero energy homes. Through our sector-first Housing Sustainability Finance Framework, we're keeping sustainability at the forefront of newbuilds and retrofits which we finance.

Last month, in partnership with the charity Crisis, we called for 1 million more social homes to be built over the next decade. This is a defining issue for the housing market, and we believe Lloyds Banking Group can play a significant role in addressing these structural, economic and sustainable challenges in a way that is aligned with our commercial objectives.

In summary, I believe that our purpose-driven strategy and financial standing reinforces confidence in the ability of Lloyds Banking Group to support our customers, colleagues and communities, whilst delivering robust financial performance for shareholders – which includes shareholder distributions of up to £3.6 billion for 2022.

We are well underway with transforming our digital-first customer propositions to deliver our growth targets – aligned with our purpose of ‘Helping Britain Prosper’. We are committed to building a more sustainable and inclusive future for people and businesses; making a particular difference in housing, climate transition and improving customers’ financial resilience.

Whilst we continue to operate in uncertain times, and this is undoubtedly a challenging period for customers, we remain resilient and continue to provide proactive support. We are confident about delivering on the strategic priorities set-out at our 2022 Full Year Results, and we see a clear pathway to higher and more sustainable capital returns – which we are on track to achieve.

I would like to end by thanking all of our colleagues for their dedicated efforts over the past year; enabling us to support and deliver for all those we serve.

And may I now hand over to Amanda Mackenzie, Chair of our Responsible Business Committee.