



## ANNUAL GENERAL MEETING – GROUP CHIEF EXECUTIVE’S SPEECH

Thank you Chairman. On behalf of the Board and the Group Executive Committee, thank you for your continued support and the leadership and guidance you provide to the Group.

I would like to echo your acknowledgement of the extraordinary times we are living in and take this opportunity to wish everyone watching, and their families, well and hope that they stay safe and healthy.

Despite the unusual circumstances, I am pleased that we still have this opportunity to speak to you, our shareholders, and look forward to answering the questions you have submitted. Before I talk about our recent financial performance and progress in terms of Responsible Business and the environment, I’d like to spend some time on our response to the COVID-19 crisis and the incredible work of our colleagues who continue to go above and beyond, in very unusual and challenging circumstances to support our customers.

### **Lloyds Banking Group response to Covid-19**

Covid-19 will have a deep and lasting impact on all of us. We are totally committed to helping households and businesses, in turn supporting the UK economy to weather the impact of Covid-19. This has meant responding rapidly and at scale to lend to those who need it while offering support to those who are struggling. As the Chairman has said, this of course has come at a cost and we will clearly see a financial impact from the steps we have taken to support customers in our future results. However, we believe it is the right thing to do. For Lloyds Banking Group, our customers and the UK.



For our personal customers we have offered a range of practical measures to help take the pressure off their finances in these difficult times. This has included agreeing almost one million repayment holidays for customers with mortgages, loans, motor finance and credit cards. In addition, we are offering interest and fee-free overdrafts up to £500.

And for our most vulnerable customers we have introduced a new dedicated line for customers aged over 70. In addition, we have put in place measures to give priority to customers who need extra support, such as NHS workers.

I am also pleased to say that our operations have shown resilience and we have adapted swiftly to the challenges we face. Over 95 per cent of our branch network remains open and our call centres are well-staffed to handle the significant increase in volume being seen from customers. Importantly, our digital banking apps have remained fully operational throughout the lockdown, despite the significantly increased demands from existing and new customers through new registrations and daily logins.

For the business community we have fully embraced the decisive action of the Government to set up a number of emergency lending schemes, as well as adopting our own measures to address companies' cash flow pressures. Our commercial businesses have supported clients by agreeing over 45,000 fee free overdrafts, capital repayment holidays and deferred payments. This is all backed by our £2 billion Covid-19 fund for SMEs and Mid Corporates.



As I look at the challenges we have faced and the way we have had to rapidly adapt, I have been deeply impressed by the commitment of our relationship managers who have been working tirelessly, talking to tens of thousands of business customers to understand how the coronavirus crisis is impacting them and to provide support wherever they can.

For smaller businesses, which are the lifeblood of the British economy, we have moved quickly. We are proud to be playing our part by delivering the Government's flagship Bounce Back Loan scheme approving loans totalling over £3.6bn and over 115,000 applications, which supports our business customers needing to borrow less than £50,000. Our teams worked through many nights to be successfully up and running on day one, with over £1bn of loans paid within 24 hours to business customers who applied on the first day.

The Coronavirus Business Interruption Loan Scheme – or CBILS – is also a key part of our nation's response offering larger loans to SMEs and we are approving the vast majority of eligible CBILS applications that we assess. We have adapted our product range, rapidly put in place new systems and significantly increased our resources to speed up loan requests and approvals. This means we have now been able to approve more than 6,700 CBILS loans to a value of £1.1bn.

Finally, we have also enhanced our financial support for our charitable partners and the Group's independent charitable Foundations. In recent weeks we have launched a partnership with We Are Digital which has seen tablet devices delivered free of charge to over-70s isolated by Covid-19, to help keep them connected, as well as providing a specialist phone line to help up to 20,000 customers access the internet.



We have also supported The Silver Line, a partner to Age UK, to enable it to continue to offer a 24/7 helpline and friendship services to those aged 55 and over who may be feeling lonely or isolated. More broadly, we are continuing to support our charitable Foundations as they help tackle social issues in communities, from mental health to domestic abuse, homelessness and disability.

## **Colleagues**

Secondly, our people have been – and will continue to be – absolutely central to how we respond to the challenges of Covid-19. Our colleagues have adapted swiftly to ensure the resilience of our operations. I want to express my gratitude to all my colleagues across the Group. They have shown exemplary dedication and professionalism. I know that many of them remain anxious about the health of loved ones and the impact of coronavirus on their communities, but they have continued to be focused on serving our customers every day.

I am proud to say that our colleagues support for customers has been flexible and sensitive, while operationally we have shown resilience, strength and the ability to adapt and innovate at pace. In the first few weeks of the crisis we rolled out the technology and training to allow around 45,000 of our colleagues to work from home, up from the previous level of around 15,000. Where working from home is not possible, and our colleagues are providing a critical service, such as in our branch network, we have consistently and closely followed government guidance around social distancing and we have regularly updated and supported colleagues on the precautions they should take. I want to commend the collaborative role our unions, Unite and Accord have been playing in helping us address staff concerns.



We have suspended all role reduction plans while committing to pay all of our staff, in full, whatever their circumstances. This is important as it removes uncertainty for our colleagues, and allows them to focus on supporting our customers and serving their communities.

I am proud of the way Lloyds Banking Group is responding, collectively and individually. On behalf of the Board and Executive Committee, thank you to all of our colleagues for the remarkable contributions they are making at work, at home and in their communities at this time.

I would now like to spend a bit of time talking about:

- Our recent financial performance, the impact of Covid-19, and how our financial strength is critical to our response and support for customers;
- Sir Ross Cranston's independent assessment of the Customer Review implemented to compensate victims of the HBOS Reading fraud, and
- Our approach to responsible business and the environment.

### **Financial performance**

Let me start with our recent financial performance and the financial strength of the Group, which is fundamental in our ability to support our customers through Covid-19.

Following a solid start to 2020, we are now seeing the emerging economic impact of the coronavirus crisis and this will of course be reflected in our performance going forward.



At our recent first quarter results we announced statutory profit before tax of £74 million. This was heavily impacted by the impairment charge of £1.4 billion in the quarter, primarily due to forward looking charges relating to the projected economic impact of the COVID-19 crisis. Our revenues were down 11 per cent year on year, impacted by the rate environment and a slowdown across all of our key markets, both of which we expect to continue into Q2.

Importantly, the Group is in a strong financial position and our balance sheet remains well positioned for the current environment given our prudent approach to lending and low risk UK focused strategy.

Secured lending makes-up over 80 per cent of our balance sheet, including £310 billion in Retail and £30 billion in SME and Mid Corporate assets. The rest of our loan book comprises our prime UK consumer portfolio and our prudent exposure to UK Large Corporates. We have no net wholesale debt and meanwhile our capital ratio of 14.2 per cent is significantly above our requirements. This gives us substantial capacity to absorb risks while continuing to play our part through lending and repayment holidays and other financial measures to overall support households and businesses and ultimately the UK economy.

Although the UK faces an uncertain outlook, our financial strength will enable us to remain absolutely focussed on supporting our customers and continuing to support all of the Government's schemes.



## **Update on Cranston Report**

As the Chairman mentioned earlier, I would now like to update you on the steps we have taken following publication of Sir Ross Cranston's independent report to assess the Customer Review, put in place to compensate victims of the HBOS Reading fraud.

Sir Ross Cranston's review concluded that while compensation for distress and inconvenience was generally "beyond what a customer could hope to have been awarded under that head of loss by a court", the way the Review operated did not achieve its objective of giving all customers the confidence that they had received fair and reasonable outcomes in respect of the assessment of direct and consequential losses. The Group deeply regrets that these customer concerns were not adequately addressed by the operation of the Customer Review, despite our best intentions. We have fully accepted Sir Ross's recommendations and are committed to implementing them in full in order to put this right for customers.

I am personally overseeing this, working with victims and other stakeholders to ensure those customers affected by the HBOS Reading fraud can now be confident their claims have been properly addressed in an open and transparent manner.

The distress caused to those affected by the criminal misconduct at HBOS Reading over a decade ago remains a matter of deep regret to me and my colleagues. We are determined to rebuild trust by implementing Sir Ross's recommendations as the Group continues to develop lessons learned based on insight from customers and stakeholders.



## **Responsible business and the environment**

While Covid-19 presents an immediate challenge, climate change remains one of the biggest issues facing the UK and indeed the world today. We have made it clear that we want to play our part in finding solutions to create a greener future.

I am pleased to be able to update you on the strong progress we have made on our sustainability strategy. This strategy, set out in 2018, recognises that Lloyds Banking Group has a unique position within the UK economy and this makes us well placed to support customers and clients to manage both the opportunities and risks posed by climate change. Our strategy supports the ambitions of the global Paris Agreement and the targets of the UK Government's Clean Growth Strategy.

Our goal is to be a leader in supporting the UK to successfully transition to a more sustainable, low carbon economy. We have set ourselves seven clear ambitions anchored to the objectives laid out in the UK Government's Clean Growth Strategy including, for example, supporting our clients to transition to sustainable business models and operations, financing the shift to low emission vehicles and to be a leading UK provider of customer support on energy efficient and sustainable homes. As a signal of our commitment, in January we announced an ambitious goal to work with customers, Government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030, supporting the UK's ambition to be net zero on carbon emissions by 2050.





In 2019 we made significant progress, reaching our 2020 targets to support 5 million homes that can be powered through UK renewable energy projects and use of green loans to fund commercial real estate space to become more energy efficient, both a year early. We have provided over £4.9bn in Green Finance since 2016, including raising over £2.8 billion in green bonds for our UK corporate issuers - more than any other UK financial services company.

Our sustainability strategy and our achievements continue to be well recognised. We were ranked as a “leader” and 2nd in Europe by ShareAction’s *‘2019 Banking on a Low Carbon Future’* and are the only UK Bank to be ranked in the CDP A List for 2018 and 2019, an independent analysis which names the world's most pioneering companies on environmental transparency and performance.

Looking ahead we are committed to announcing more products and services in 2020 that will help support a greener future for the UK. We want to help our customers make the lifestyle changes required in their homes, vehicles and investments by creating green products and services that make it easier for them to invest in tackling climate change. We will also support businesses by financing their investments in the green economy, as well as helping to improve the energy efficiency of commercial buildings.

Identifying and managing climate-related risks and disclosing these in line with the Taskforce for Climate Related Financial Disclosure (TCFD) framework is a key priority. We are making progress in this area and in our 2019 annual report disclosed our exposure to high carbon sectors, which is low at less than 0.5% of total loans and advances to customers. We have also updated our existing sector statements, tightening our coal sector appetite, and have introduced new positions on six additional sectors. We are on track for full disclosure in line with TCFD by 2022.



We recognise that improving our own environmental footprint is an important foundation for sustainability activity at Lloyds Banking Group. For example, we have reduced our operational carbon emissions by 63%, avoiding over 1.7 million tonnes of carbon entering the atmosphere – this is equivalent to taking 360,000 cars off the road.

We know there is more to do, and we are continually improving, but our ambition to finance a greener future for the UK is clear.

### **Concluding remarks**

I would like to conclude where we started. Covid-19 represents an unprecedented challenge for the Group, and the whole of the UK. We have faced many challenges and we will all continue to be tested over the weeks and months ahead. However, I have great confidence in the resilience of our business model, the strength of our balance sheet and most importantly the dedication of our colleagues.

My thanks for your time and I will now hand back to Andrew for questions from you, our shareholders.