

2020 ANNUAL GENERAL MEETING QUESTIONS AND ANSWERS

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DIVIDENDS AND SHARE BUYBACKS

Q1. Why has Lloyds Banking Group cancelled the final 2019 dividend and share buybacks?

Cancelling the final 2019 dividend was not an easy decision for the Board to make, and they are very conscious of the importance of dividends to many individual shareholders. However, given the bank's critical role in supporting the economy – and individual businesses and consumers – through this difficult COVID-19 pandemic, this had to be balanced against ensuring we retained enough capital in the bank to support us in that role.

It was against those considerations, and in response to a [request from our regulator](#), the Prudential Regulation Authority, that the Board agreed to preserve capital by cancelling payment of the final 2019 dividend in relation to ordinary shares.

In addition, as set out in the [letter to shareholders](#) of 3 April, the Board decided that it was appropriate for the Group to make no quarterly or interim dividend payments, accrual of dividends, or share buybacks on ordinary shares until the end of 2020 when the position will hopefully be clearer.

At this stage, it is difficult to forecast how events may turn out, but the Board will review the situation at the end of 2020 and take a view on our level of capital and capacity to pay dividends, or otherwise return surplus capital to shareholders, at that time.

While the Board recognises that the cancellation of dividends will be disappointing to shareholders, we hope you will understand why it was appropriate to agree to this in the current exceptional circumstances.

Q2. When will the Group reinstate dividends and share buybacks?

At this stage, it is difficult to forecast how events may turn out, but the Board will review the situation at the end of 2020 and take a view on our level of capital and capacity to pay dividends, or otherwise return surplus capital to shareholders, at that time.

While the Board recognises that the cancellation of dividends will be disappointing to shareholders, we hope you will understand why it was appropriate to agree to this in the current exceptional circumstances.

Q3. What happens to shares that are repurchased by the Group?

All shares repurchased by the Group, including preference shares, are cancelled.

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EXECUTIVE REMUNERATION AND THE PAY GAP

Q4. Will the Group's Executive Directors be taking pay cuts in light of the COVID-19 crisis?

In responding to the COVID-19 crisis, the Group Executive Directors and Group Executive Committee asked not to be considered for their Group Performance Share for 2020, meaning that they will give up all of their bonus entitlement for 2020.

As we said at the time of that announcement, this decision was made in solidarity with the communities in which we operate and in recognition of the priorities of our stakeholders; and we hope you agree it was the right thing to do.

In addition, no cash bonuses are payable to senior staff for the rest of 2020, which complies in full with the PRA recommendation on variable remuneration.

It is important to note that the Group Chief Executive and Chief Operating Officer also asked not to be considered for any bonus for 2019. This is detailed in our 2019 Annual Report & Accounts.

Q5. What is the Group doing to close the pay gap between its highest paid and lowest paid colleagues?

The Group is committed to reducing the pay gap between executives and wider colleagues and continues to remain focused on addressing the gap from the bottom up and not just from the top down.

For example, we are making improvements to the pensions for all 50,000 colleagues who participate in Defined Contribution arrangements to make all members eligible for a maximum employer contribution of 15 per cent, and to increase the employer contribution for our lower paid colleagues by 1 per cent.

The Group has also, for several years, been awarding higher pay increases to colleagues who are lower paid, or paid lower within their pay range, than to senior managers. In 2020, for example, the pay budget has been set at 2.4 per cent, with over 63 per cent of colleagues at lower grades receiving a pay award

of 2.5 per cent or over, while the pay budget for senior colleagues was set lower, at just 2 per cent. Against that, the lowest paid colleagues have had awards of up to 3.5 per cent.

We are also proud to have been an accredited Living Wage employer since 2015 and, from April 2020, we've raised the minimum salary for all full-time colleagues to £18,200 pounds, reflecting a rate of £10 per hour.

While we acknowledge that we have further to go, we are responding to these concerns, and we will continue to focus on this over the coming year.

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AGM ATTENDANCE AND FORMAT

Q6. Why were shareholders not permitted to attend the AGM this year?

Our AGM is an important event for the Group, but with the lockdown restrictions on people's movement and ability to gather, we, like many other companies, were forced to restrict attendance in order to comply with the law and do everything possible to keep people safe and prevent the spread of COVID-19.

This year's AGM therefore took place with the minimum number of shareholders necessary to form a quorum under the Company's articles of association and in accordance with the Companies Act 2006. These shareholders, who are also employees of the Group, conducted the formal business of the meeting relating to the AGM resolutions, while ensuring that they adhered to strict social distancing measures to protect their health and the health of others. Although Board members were not able to attend due to the current COVID-19 restrictions, we still ensured that the AGM was held in a legally-compliant manner.

As we were unable to permit shareholders to attend the AGM this year, we held a virtual shareholder event which was streamed by webcast on Thursday, 21 May 2020. The webcast is available to view [here](#). During the presentation, updates were provided by our Chairman, Lord Blackwell, and our Chief Executive Officer, António Horta-Osório. We also answered pre-submitted questions from shareholders. Any questions that we were unable to cover during the course of the virtual event are receiving a personal reply.

Shareholders are also welcome to submit questions to the Group at any time throughout the year. You can send your questions by email to ShareholderQuestions@LloydsBanking.com.

Q7. Why didn't Lloyds Banking Group hold a virtual AGM?

The Group's articles of association do not presently permit the Group to hold virtual shareholder meetings. However, if they did, with nearly 2.5 million shareholders, it would be a significant technological challenge to facilitate a meeting for such a large number of attendees, all of whom must be enabled to participate in the meeting.

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We felt that the virtual shareholder event was the best and fairest outcome for our shareholders under the current circumstances.

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SUPPORT FOR CUSTOMERS AND CHARITIES DURING COVID-19

Q8. How is Lloyds Banking Group supporting customers during the COVID-19 crisis?

Although we expect that the months ahead will be exceptionally challenging for businesses and households across the UK, we remain focused on our purpose of Helping Britain Prosper.

We have provided more than one million payment holidays on mortgages, credit cards and loans since the start of the COVID-19 crisis, as well as providing our customers with access to a £500 fee-free overdraft to give them a little breathing space.

Over 95 per cent of our branches remained open through the crisis and we introduced a range of measures to help our vulnerable customers and essential workers, such as dedicated telephone lines for customers over 70 years of age and for NHS staff.

In addition, we have lent more than £7 billion (as of 8 June) to British businesses since early March through the various government measures such as CBILS and Bounce Back Loans. This has helped businesses to pay their employees and suppliers, ensuring they survive the interruption to their business and can return to normal trading as the lockdown begins to be eased.

Further details of our support for customers is available on the [Group's website](#).

Q9. How is Lloyds Banking Group helping vulnerable customers during the COVID-19 pandemic?

We recognise that many more people will be struggling with their money, or will be feeling vulnerable or isolated during this extended period of lockdown. It is a high priority for us to help people manage their money and to bridge the gaps in their finances.

We have provided more than one million payment holidays on mortgages, credit cards and loans since the start of the COVID-19 crisis, as well as providing our customers with access to a £500 fee-free overdraft to give them a little breathing space.

Over 95 per cent of our branches remained open through the crisis. But for some customers, calling us still remains the best option, which is why we have introduced dedicated lines for those over 70 years of age and for NHS workers, and we have put in place measures to prioritise calls from vulnerable customers.

We have also arranged for those who are not online to name a trusted person who can access their account on their behalf. And, so far, we have written to over three million elderly and vulnerable customers to explain the help available, including a guide on how best to manage their money and stay safe from fraud.

Our colleagues in branches have been proactively contacting many of these customers to check on them and making sure that they're okay. Often these customers have had very little contact with anyone since the lockdown started, so these calls can mean a great deal.

We are also helping our business customers, having lent more than £7 billion (as of 8 June) to tens of thousands of businesses since early March through the various government schemes.

Q10. How is Lloyds Banking Group supporting charities, which have been hit so hard during the COVID-19 crisis?

These are indeed very difficult times for charities, which face an increased demand for their services just as fundraising activity is having to be cut.

We continue to fund our four Charitable Foundations across the UK, which support the vital work of hundreds of small and local charities, working with those experiencing a whole range of challenges, including homelessness, domestic violence or mental health conditions. Together, the four Foundations have committed up to £3.3 million in emergency funding to respond to COVID-19 and all have adapted their grant-giving programmes, offered practical support and have offered their grantees a greater degree of flexibility in how grants are used and reported.

We have also announced that we will guarantee a £25.5 million annual donation to our four independent Charitable Foundations in 2021 in order to provide greater certainty for small charities during the COVID-19 pandemic. This brings the Group's total commitment for the 2020 to 2021 period to over £50 million, allowing the Foundations to continue to support over 3,000 small charities.

Lloyds Banking Group is also directly supporting specific needs, for example:

- We are helping the Silver Line (Age UK) to continue to offer a 24/7 helpline and friendship services to those aged over 55 who may be feeling lonely or isolated;
- We are helping to support Mental Health UK's Money and Mental Health Advice line; and
- An initiative with We Are Digital provides vulnerable customers with access to free and practical support to help them stay connected and safe online. It will also deliver up to 2,000 tablets to over 70s who don't have a suitable device to access the internet.

In addition, thousands of colleagues are volunteering their time and skills to support local charities. We support them with time off and match their fundraising.

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FINANCING A GREENER ECONOMY

Q11. How is Lloyds Banking Group helping the UK move towards a more sustainable, greener economy?

Climate change is one of the biggest issues facing the UK today and Lloyds Banking Group has made it clear that we want to play a leading role in finding solutions to create a greener future.

In January 2020, we were the first in the UK financial services sector to announce a carbon emissions target when we pledged to cut the carbon emissions we finance by over 50 per cent by 2030, recognising the urgent need to tackle climate change, grow the green economy and promote green finance for the future business prosperity of the UK.

This will require working with our customers, Government and the market to help reduce emissions and meet our goal. Businesses account for around half of the UK's emissions, so we'll be working very closely with them as they seek to cut their own emissions and transition to new, lower-carbon business models.

However, we have already made a good start. We have raised over £2.8 billion of Green bond finance for our UK corporate customers – more than any other bank. Our £2 billion Clean Growth Finance Initiative is already supporting projects such as Metroline's low emission bus fleet for London. And our £1 billion Green Lending Fund for commercial real estate helped the University of West Scotland create the UK's first 'carbon neutral' office development at its Ecocampus in Lanarkshire.

But the transition to a lower carbon economy isn't just about businesses, so we'll also be looking for ways to support customers – for example, with more energy-efficient housing, or to transfer to more sustainable electric vehicles.

Our sustainability strategy and our achievements continue to be well recognised. We were ranked as a "leader" and second in Europe by ShareAction's '2019 Banking on a Low Carbon Future' and we 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.

You can find out more about how we are helping the UK transition to a more sustainable, greener economy on the [Group's website](#).

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LINKS TO THE SLAVE TRADE AND STEPS TO INCREASE B.A.M.E. DIVERSITY AND INCLUSION

Q12. Given the revelations that former companies associated with Lloyds Banking Group have links to the slave trade, what is the Group doing to right the wrongs of the past?

A lot has changed during the 300 year history of our brands and while we have much within our heritage to be proud of, we can't be proud of it all. Like any institution that is so interwoven with our country's history, we must acknowledge and learn from our past.

The Black Lives Matter movement is prompting many of us to reflect, learn and understand more about the active steps we must take to drive positive change.

One way is to equip ourselves with knowledge. We cannot ignore Britain's colonial past, however uncomfortable this makes us feel. We're working to identify the direct and indirect connections of some of our legacy companies and their customers to slavery. We have published what we know on our websites:

[Lloyds Bank](#)

[Bank of Scotland](#)

Today we strive to create a fully inclusive environment for all of our colleagues, customers and communities; one that is truly representative of modern-day Britain. We stand against racism, slavery and discrimination in all its forms and truly believe that by reflecting, understanding, promoting and valuing the diversity of our colleagues, we will deliver better results for our staff and customers.

Being able to attract, develop, fully utilise and retain top talent from a diversity of ethnic and cultural backgrounds is hugely important to us. We recognise that companies with diverse management teams perform better, and so we have made a commitment to better reflect the customers and communities we serve through our Helping Britain Prosper Plan. We aim to be an organisation where our Black, Asian and Minority Ethnic (B.A.M.E) colleagues feel included, valued and able to realise their full potential.

In 2018, Lloyds Banking Group became the first FTSE 100 company to set public goals to increase B.A.M.E. representation across both our total workforce and in our senior management population. Within our Helping Britain Prosper Plan, we have committed to having 10 per cent of all roles and 8 per cent of senior management roles held by B.A.M.E. colleagues by 2020. At the end of 2019, we reported that 10.2 per cent of all roles were held by B.A.M.E. colleagues, thus exceeding the target we had set for the end of 2020, and we are on track to meet our target for senior management roles.

In October 2018, Lloyds Banking Group also became one of the first employers to sign up to the UK Government's inaugural Race at Work Charter and we are already meeting or exceeding all of its various requirements.

We have invested heavily in creating a diverse pipeline of talent into our organisation, as well as ensuring that we provide opportunities for the most talented B.A.M.E. individuals to succeed. The various measures we have introduced are working: 47 per cent of new starters on our graduate programme in 2020 are B.A.M.E. individuals and 8 per cent are Black. In addition, our Lloyds Scholars programme seeks talented young people from disadvantaged backgrounds and funds them through university, as well as providing them with internship opportunities with us. In 2019, 45 per cent of the Scholars we recruited were from a B.A.M.E. background and 10 per cent were Black.

Our Authentic Leadership Programme for talented B.A.M.E. leaders equips colleagues with the skills to lead in an authentic way, maximising their visibility and impact, and provides the sponsorship to make the next step in their career. Since its launch, the programme has accelerated a number of B.A.M.E. managers into executive roles. Alongside this, our sponsorship programme for B.A.M.E. middle managers pairs talented colleagues with senior leaders who can mentor them. Since its launch, the programme has delivered a promotion rate for participants five times greater than that for colleagues not on the programme.

The Group's REACH Network (Race, Ethnicity and Cultural Heritage) connects, supports and develops colleagues from a range of ethnic and cultural backgrounds, with membership open to all colleagues. The network has over 4,000 members and allies. REACH holds regular events and mentoring workshops for B.A.M.E. colleagues. The network produces a monthly cultural awareness communication highlighting festivals, celebrations and important cultural events in both religious and secular calendars.

However, our commitment to increasing diversity and inclusion extends beyond our own offices and branches. Since 2019, we have sponsored the Pathways to Success programme – in conjunction with Operation Black Vote and Oxford University – which aims to progress talented B.A.M.E. candidates into public office. Our School for Social Entrepreneurs programme, in partnership with the Big Lottery Fund, saw us invest £6 million over five years to support over 1,300 businesses to start up or scale up. Twenty per cent of entrepreneurs supported have been from a B.A.M.E. background and 11 per cent from a Black background. In addition, in 2018, we launched our “Reflecting Modern Britain: Ethnicity in Advertising” report, which provides insight into how advertisers could do more to authentically portray people from different ethnic groups.

Lloyds Banking Group has received external recognition for the steps we have taken, winning the overall “Outstanding Employer Award” at the 2018 inaugural Investing in Ethnicity Awards, the first major UK benchmark to assess employers against standards of advancing racial equality, while our colleague network, REACH, was also the joint winner in the “Best Network” category.

However, we know that there is more that we can do and we know that we can do better. We will strive to do so.

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BRANCH CLOSURES AND HEADCOUNT REDUCTIONS

Q13. Is Lloyds Banking Group planning any branch closures in 2020?

We are transforming the Group to meet customers’ changing needs and behaviours, which are evolving at an unprecedented rate.

We are committed to having the biggest branch network of any bank in the UK and, as we have previously stated, we will maintain a 21 per cent market share of branches.

We do need to review individual branches where they are no longer widely used. When making the difficult decision to close a branch, we visit each location and use more than 100 different measures to assess the impact that closing the branch would have on that community, as well as the other ways customers can access their banking locally. This includes analysing regular customer numbers; distance to alternative branches; access to ATMs; availability of alternative local channels, such as our mobile branches or the Post Office; number of vulnerable customers; and level of social deprivation.

Even as use of our telephone and digital channels grows, our branches will remain a core strength of our multi-channel strategy.

Q14. Is Lloyds Banking Group planning to reduce headcount during 2020?

We have made a number of commitments to our colleagues to address their concerns during the current crisis, including continuing to pay them in full regardless of their working circumstances.

We have also pledged that any colleague placed on notice of redundancy will not leave the Group before October 2020. We will continue to review these and other commitments to our colleagues on an ongoing basis.

These are important steps to support our colleagues who are doing remarkable work helping our customers and serving their communities.

Those who were “at risk” before the current crisis will have had the option to delay their departure in line with that commitment unless they wished, for their own personal reasons, to continue to progress. For anyone who had already been given notice and a departure date – in many cases, colleagues who had asked for voluntary redundancy – they are able to leave as planned, but have also been given the option to delay their departure. Any colleague who had received and already accepted their redundancy offer has also been given the option to proceed as planned should they wish to leave, or delay their departure.

Therefore, our intention is that no colleague will leave our business before October 2020, unless it is through their own personal choice.

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SHARE PRICE

Q15. What is the Board doing to increase the share price?

We recognise that the current share price level is disappointing, with the COVID-19 crisis in particular having had a significant impact on equity market valuations globally in recent weeks and months. Unfortunately, we cannot control the share price, as it is set by the markets.

However, the Board and Executive team are very focused on building a business that is able to sustain long-term profitability in a rapidly changing world, and we believe that is the best and only sustainable way to build real shareholder value.

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ASKING THE BOARD A QUESTION

Q16. Can I still ask a question of the Board, even though the AGM has concluded?

Shareholders are welcome to submit questions to the Group at any time throughout the year. You can send your questions by email to ShareholderQuestions@LloydsBanking.com.

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