

Press Release



12th May 2022

Chair's speech

Good morning, and welcome to the Lloyds Banking Group Annual General Meeting.

It's a great pleasure to be here with you today.

Thank you to everyone who has travelled to be with us in Edinburgh.

Welcome, also, to those of you watching on the live stream.

I'm Robin Budenberg and this is my second AGM since becoming Group Chair in January 2021.

Following the more 'virtual' approach we had to take in 2021 and 2020 due to the pandemic, it is really pleasing to be without constraints.

I'll begin our meeting by sharing my reflections on the last year and thoughts on the future for the business.

Then later you'll hear from Charlie Nunn, our Group Chief Executive and Amanda Mackenzie, Chair of our Responsible Business Committee.

We will then have time to answer your questions at the end, after which we will conduct the formal business of the meeting, including voting on the proposed resolutions.

So, to kick-off, I'll start with a few words on what we achieved last year and the outlook as I see it for Lloyds Banking Group.

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Let me start by mentioning changes to the Group's Board.

Last August, we welcomed **Charlie Nunn** as our new Group Chief Executive.

Charlie has already made a significant impact, notably as the driving force behind the new purpose and strategy that will shape how our business operates over the next three to five years and beyond.

Charlie brings an energy, enthusiasm and passion that he shares with our people every day.

I am pleased that you'll all see and hear this first hand when Charlie speaks in a moment.

I'd like to thank **William Chalmers** for so capably assuming the responsibilities of Interim Group Chief Executive last year prior to Charlie's arrival, and I know how grateful Charlie and the Board are to him for making the transition so seamless.

There have also been some other changes to our Board in the last twelve months.

We have had two Board members, **Nick Prettejohn** and **Stuart Sinclair**, stepping down as Non-Executive Directors of the Group. Nick in September and Stuart after this AGM. Thank you Stuart for your contribution over the last 6 years.

In November, **Harmeen Mehta** joined the Board as an independent Non-Executive Director.

Harmeen has extensive experience in leading digital, engineering, IT and transformation as well as cyber security.

Harmeen's expertise in these important areas is already proving of great value to the Board.

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Throughout 2021 all our Board members made significant contributions.

In a year in which we launched a new strategy and emerged from the dark clouds of the pandemic, their guidance and insight was hugely important, and I would like to thank all of them.

Turning to an overview of the Group's performance last year.

While the COVID-19 pandemic continued to loom large in 2021, we also saw the continued resilience of society, individuals and businesses as the UK showed strong signs of recovery from the economic crisis caused by the onset of the pandemic.

Last year's recovery is reflected in the solid financial performance we reported for 2021 including **good progress against our Strategic Review 2021 targets**.

In terms of **financial performance**, we reported **net income of £15.8 billion, statutory profit after tax of £5.9 billion** and **a return on tangible equity of 13.8 per cent**, all significantly ahead of the prior year.

This performance, and our ability to support the economic recovery, is fundamentally enabled by our clearly understood purpose of Helping Britain Prosper.

In 2021 this focus was on Helping Britain Recover.

Once again, I am hugely proud of how our colleagues helped to make a real difference.

This included:

- Supporting over 93,000 start-ups, small businesses and charities;
- Getting more people on the housing ladder by lending more than £16 billion to over 80,000 first time buyers, and;
- Expanding the availability of affordable homes by providing more than £3 billion of new

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funding to social housing.

You will also have seen that our results included a charge of £790 million for **HBOS Reading**, with £600 million recognised in the fourth quarter to reflect the estimated future cost of the process and redress.

Our focus continues to be on providing resolution and closure for those impacted as well as cooperating with Dame Linda Dobbs' ongoing Review of the events.

As in previous years we've shared an updated Shareholder Update on matters relating to HBOS Reading on our website.

We know how important capital distributions are to Lloyds Banking Group shareholders, and we were pleased to be able to increase these significantly as a result of our financial performance in 2021 and the Group's exceptional capital position.

In total we have made a **distribution of £3.4 billion**.

Finally, we outlined our **new strategy** at our full year 2021 results.

Charlie will speak in more detail on this, so I'll avoid stealing his thunder, but I believe it represents a compelling plan for our purpose-led business over the coming years.

Most notably, the strategy transitions the Group into a more growth-centric mindset.

This includes diversifying our revenue streams and capitalising on the potential of establishing a greater digital capability across our segments.

At the same time, we will not lose sight of the market-leading cost discipline for which Lloyds Banking Group is known.

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Clearly we're only at the start of this strategic journey, and we look forward to updating you on our progress in the years ahead.

Remuneration, is a key topic for both our shareholders, and our wider external stakeholders.

We are especially conscious of this against the backdrop of inflation and the rising cost of living across the UK.

I believe it is worth highlighting that Lloyds Banking Group remains one of the largest taxpayers in the UK, while our total bonus pool of £399 million is significantly lower than many other major UK banks.

However, we know that as we deliver the next phase of our strategy it is vital that we are able to attract and retain talent and reward our colleagues appropriately.

Our bonus awards are directly based on a percentage of our underlying profit.

Last year, given the Group's improved performance, we awarded an annual bonus having not done so in 2020.

Our colleagues, especially at a more junior level, are impacted by the rising cost of living and our 2022 pay budget will seek to prioritise spend towards these individuals.

All awards are determined by the Board's Remuneration Committee following extremely careful consideration against our policy's scorecard.

You can read more about our remuneration approach in the Remuneration Report section of our Annual Report.

Shifting from Lloyds Banking Group to the environment in which we operate, I am conscious that, once again, we are holding our AGM against the backdrop of uncertain times.

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All of us continue to be horrified by events in **Ukraine** and our thoughts continue to be with the millions impacted and displaced.

Our support includes the work done by our independent charitable foundations to support refugees and asylum seekers over many years, including recently from Ukraine and elsewhere.

We have also made a donation to the International Rescue Committee which will be split to support their crisis appeal for Ukrainian refugee families and also their overall support for refugees fleeing conflict across the world.

As I have already mentioned a number of times, we are acutely aware that **the cost of living** is a challenge for many of our customers, colleagues and society more widely. Lloyds Banking Group has an important role to play.

Already we have identified those customers who we believe are most vulnerable to the impacts of inflation and rising energy costs, and who most need our guidance and support.

This includes proactive outreach that helps them understand the tools and support available to them as part of our own customer financial assistance toolkit.

While the current difficulties are different from the pandemic, we are still able to apply a huge amount of what we have learned from it, such as the empathy coaching we offer for relationship managers for the benefit of our customers.

Last year, we also provided charities with working capital facilities to help them maintain liquidity during Covid and we will continue to offer increased hands-on advice.

Furthermore, we have provided over £12bn to 200 plus housing associations over the past four years and are taking significant steps to improve the energy efficiency of social housing reducing energy costs for tenants.

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Our contribution to building a more inclusive society is just one aspect of our **Responsible Business performance**, which is intrinsic to both our Purpose and our strategy.

Another central pillar of this is sustainability, and how we are supporting the UK's transition to a low carbon economy.

Charlie and Amanda will provide more details in a moment, but it would be remiss of me to not touch on this vital topic.

Highlights in 2021 include the extent to which sustainability has informed our new strategy and the pledges we made at COP26.

Against this backdrop, the importance of Lloyds Banking Group's Purpose is clear. It fundamentally underpins what we do, and how we do it.

We are deeply privileged to play such an instrumental role for our customers and communities and are intensely aware of the responsibility this imposes upon us.

This clarity of Purpose will continue to guide us as we look to deliver the right outcomes for all our stakeholders in the short, medium, and the long term.

In conclusion, 2021 was an important year for Lloyds Banking Group.

We returned to a strong financial performance, laid out a compelling strategic vision for the Group and played a central role as the UK began its recovery from the pandemic.

Last year I spoke of the monumental effort of our people at Lloyds Banking Group, and how proud they made me to be part of such an organisation.

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In 2021 they have once again lived up to the very best standards expected of us.

Our ambitious new strategy, improved financial performance, increased capital distributions to our shareholders as well as our role in supporting the UK economy in bouncing back from the pandemic was all possible because of the hard work of our people

On behalf of the Board and myself, I really would like to thank them all.

We know that the current outlook is uncertain and, as with the pandemic, the cost-of-living crisis will be another crucial test of the banking sector and its ability to support and to protect its customers.

I am confident that our Purpose, and the commitment of our colleagues, will enable us to meet these challenges head on and to remain by the side of our customers.

I will now hand over to Charlie Nunn, our Group Chief Executive, to talk through our performance and strategy in more detail.

Thank you.

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Speech continued post CEO and Chair of the Responsible Committee

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Thank you, Amanda, for those remarks.

I will now say a few words about the resolutions we will be voting on today, before giving shareholders the opportunity to ask questions.

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Voting will open before shareholder questions and will remain open for the duration of shareholder questions.

I will give you a reminder to vote towards the end of shareholder questions and again before voting closes.

Unless there are any objections, I will now take the Notice of Annual General Meeting as read.

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Resolutions 1 to 18 are Ordinary Resolutions requiring a simple majority of more than 50 per cent of the total votes cast to be approved.

Resolutions 19 to 24 are Special Resolutions and to be approved require at least three quarters of the votes cast to be in their favour.

All the resolutions will be decided by a poll, which means that each shareholder present in person, by proxy or corporate representative has one vote for every share held.

Turning to the voting handsets, can I first check that everyone who would like a handset has one?

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Please raise your hand if you need one.

Many of you will have used them before.

The leaflet handed to you on arrival will inform on how to use them for voting.

Once I declare voting open, the list of resolutions will appear on your devices.

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I would remind you that whilst you have the choice to withhold your vote this is not a vote in law and so does not count either 'for' or 'against' a resolution.

If you wish to vote on all resolutions in accordance with the Board's recommendations, there is an option to do this which is shown at the top of the list of resolutions.

To change your vote, you should choose the resolution and simply vote again, and your original instruction will be replaced.

To cancel a vote, select the resolution and press the 'X' button.

The vote will be removed and not counted.

If you require help, please raise your hand and one of our stewards will be pleased to assist you. I now declare the voting open.

We will now move to the part of the meeting where shareholders or their appointed proxies have the opportunity to ask questions.

Out of respect for all shareholders we ask that your questions keep to the order of the meeting – so they should relate to the items of business before the meeting.

We take customer complaints very seriously, and it is important that they are dealt with properly.

As I am sure you will appreciate, these are not something we can resolve in the room at the AGM, and it would be inappropriate to do so.

There is a Customer Services Desk downstairs in the reception hall, where my colleagues are available to assist you with any specific queries on customer matters.

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Could I therefore ask you to raise any individual customer issues or enquiries with colleagues outside this hall, after the meeting.

In the interests of other shareholders, I would ask you to keep your questions short and refrain from delivering long speeches.

If you have more than one question, please ask all your questions at the same time.

If you have already registered a question, I will call upon you to ask your question and a steward will provide access to a microphone so that you may ask your question.

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