

ANNUAL GENERAL MEETING – GROUP CHIEF EXECUTIVE’S SPEECH

16 MAY 2019

Good morning everyone, and thank you Chairman.

On behalf of the Board and the Executive Committee, I would like to take this opportunity to thank you for your continued support and the leadership you provide to the Group.

Last year, we launched our third strategic phase to transform the Group for success in a digital world through significant investment in our technology and our people.

It is this latest stage of our journey that I would like to update you on today – how we are continuing to transform our organisation to deliver even better results for our customers, colleagues, and of course, our shareholders.

We are confident that the course we are taking will not only enable the Group to be highly successful in the current environment, but will also allow us to pursue our purpose of helping Britain prosper.

I will briefly talk you through our financial performance in 2018, before summarising the significant progress we have made against our three-year strategy. Finally, I will highlight some of the opportunities for the Group in 2019.

2018 FINANCIAL PERFORMANCE

As outlined in our Full Year Results update on 20 February, 2018’s strong financial performance has put us in a great place for the coming year.

Statutory profit was up 24 per cent compared to 2017, and earnings per share up 27 per cent. Our market leading efficiency further improved in 2018 with our cost-income ratio standing at 49.3 per cent, despite significant investment as part of our strategy.

The Group has continued to expand in targeted segments such as car finance and lending to SMEs, which I will talk more on later. And we continued to attract new current account balances which finished the year £8 billion higher than the year before.

Not only this, but we announced plans to grow in the financial advice market through Schroders Personal Wealth, our joint venture with Schroders. This launches to the market later this year with the ambition to become a top three UK financial planning business within five years.

Our strong financial performance has allowed the Group to deliver an increased statutory return on tangible equity of 11.7 per cent, above our cost of equity – and we remain on track to deliver 14 to 15 per cent in 2019.

As the Chairman mentioned, as a result the Board was able to recommend a total dividend of 3.21 pence for 2018, up 5 per cent year on year and in line with our progressive and sustainable ordinary dividend policy.

The Board also announced an increased share buyback of up to £1.75 billion over the course of 2019, reflecting our desire to return surplus capital to shareholders.

We hope you take as much pride and confidence in this progress as we do.

HELPING BRITAIN PROSPER UPDATE

At Lloyds Banking Group, we want to be a company that puts our purpose – to help Britain prosper – at the heart of everything we do, using it as a compass for our decisions and a banner for our Group's activity.

As the largest retail and commercial bank in the UK, our success is inextricably linked to the prosperity of the UK – so we see it as a responsibility of the Group to go beyond our 'business as usual', to address the social and economic issues facing the UK.

Sara will provide a full update on this shortly, but as a snapshot of our progress in 2018: we have continued our support for small businesses by lending an additional £3 billion to start-ups, SMEs and Mid Markets businesses, helping them to achieve their business goals.

Since 2010 we have increased our net lending to small businesses by £8 billion, at a time when market lending to this group has decreased by £22 billion.

We are now the main bank to approximately one fifth of SME's in the U.K.

We continued to address issues in the housing market by investing £12.5 billion to help people buy their first home; that is 190 people buying their first home every day.

We have also launched our Lend a Hand product. This leading mortgage and savings product allows parents and sponsors to put down 10% of a home's purchase price into a three-year savings account, to help their children and family get on the housing ladder, while also giving them a competitive fixed savings rate of 2.5%.

And we continued to help communities prosper by supporting over 3,000 charities through our Foundations, while also training over 700,000 charities, SMEs and individuals in essential digital skills.

STRATEGY UPDATE

Our unique business model continues to be a source of competitive advantage, delivering significant benefits to our customers and shareholders in 2018. Our market-leading cost efficiency enables greater scope for additional strategic investment – £3 billion over the strategic period.

Everything we do is for the benefit of our customers, which is why this record investment is targeted at providing them with a leading customer experience.

And we are uniquely equipped to do this. Our distinct multi-brand approach allows us to provide for customers at every stage of life – from a couple buying their first home, to a family insuring theirs, to those thinking about retirement and helping their grandchildren secure a home.

But we know that customers like to access our services through a range of different outlets – in fact, more than 70 per cent of our customers use more than one channel, whether on the app, over the phone, online or in a branch.

That's why we have the UK's largest retail network, and why we have made a commitment to maintain that position with one in five branches in the UK.

At the same time we have expanded our fleet of mobile branches: we now have 48 of these providing coverage to 223 rural communities and to vulnerable customers who may not be able to access our branch network otherwise.

We are also innovating with different formats to meet our customers' changing needs. Last year saw the launch of our second flagship branch – this time for Halifax on Oxford Street – to join the Lloyds Bank equivalent in Manchester, providing a range of additional services and spaces for business and retail customers.

And we continue to be the UK's largest digital bank with almost 16 million digitally active users – so customers can access our products and services anytime, anywhere.

Digitising the Group

Which brings me to our first strategic pillar: digitising the Group.

We are adopting and investing in technology to drive our competitive advantages and our success. As a result 70 per cent of our products can now be accessed by customers digitally – up from 40 per cent in 2014.

With 9.3 million app users, mobile is now our largest channel.

That's why we have developed additional features for our mobile apps from improved spending alerts – such as payday insights giving customers real-time budgets after regular bills are paid – to allowing customers to view records of their purchases on Google maps, and a 'Save the Change' feature that allows customers to round up purchases to the nearest pound and put the spare change into a pot.

We launched our Open Banking service to all Lloyds Bank, Halifax and Bank of Scotland app users at the start of the year – but we went even further than our competitors by becoming the first and only bank to provide a Single Customer View service.

This allows three million customers to see their banking, insurance and longer term savings products side-by-side on the app for the first time.

Maximising existing capabilities

A key part of our strategy is to drive further competitive advantage and targeted growth by maximising our existing position.

Not only has our position as a leading UK banking and insurance provider allowed us to give three million customers a digital view of all their products in one place, but we are also growing our products and services in the financial planning and retirement space.

In 2018 we expanded our workplace pensions and savings offering to over two million customers, while net inflows into our financial planning and retirement propositions increased to £13 billion.

Our partnership with Schroders is as an essential part of our strategy to accelerate growth in the financial planning market, combining our multi-channel and customer reach with Schroders' investment expertise and established brand.

I will talk more on this later regarding our plans for 2019.

Transforming ways of working

Alongside our plans to digitise and maximise our capabilities, we are also taking action to make sure that our organisation is equipped to thrive in a digital world. This means creating a more agile organisation, one that empowers colleagues by reducing layers and giving them confidence to make decisions – and therefore to better serve our customers.

Since announcing our strategy in 2018, over one million hours of training have been delivered to colleagues to equip them with the skills they need to work in the changing environment of modern day working, including agile methodologies, data analytics and cyber security.

These changes will ensure that our efforts to create a simple, efficient and digital organisation are driven by the people at the heart of that effort – our 70,000 colleagues across the UK – who are empowered to deliver great results for our customers.

Linking to our work to support mental health in the workplace, we have rolled out our Optimal Leadership Resilience Programme for our top 2000 leaders, equipping them with the tools and strategies needed to maintain their personal resilience and wellbeing.

This is a critical component of our leadership efforts to address the issue of mental health at work.

LOOKING TO 2019

Looking to the remainder of 2019, there are many exciting initiatives planned for the rest of the year and over the remaining 20 months of our three-year plan, and our results for the first quarter of 2019 show that we continue to make great progress.

In the first three months of this year, the Group has delivered another strong financial performance with increased profit, strong returns and continued capital build, which reflects our confidence in our unique business model and market leading cost efficiencies.

We also had approval from the Regulator to lower capital requirements, as the Chairman said, which endorses our continuous efforts to have a strong and lower risk bank.

Regarding the remainder of the year, we will continue innovating to offer even more personalised services to our customers, and to deliver more targeted products that customers value – including the full roll-out of our ‘Lend a Hand’ mortgage .

We will continue to digitise our Commercial Banking services for customers, which will deliver a number of benefits such as significantly reducing transaction times for small business lending.

And, in Insurance, we will meet more of our customers’ insurance and wealth needs by finalising our joint venture with Schrodgers, which will launch as an operation next month and offer services later in the year.

As I have said, we will continue our progressive and sustainable dividend policy, including moving to quarterly dividend payments from Q1 next year, as the Chairman announced.

Through it all, we will maintain our commitment to supporting and investing in the UK by delivering against our Helping Britain Prosper plan.

There are two initiatives that I want to briefly mention to demonstrate how we are thinking about the UK's problems – then doing something about it.

First, we are doing our part to address uncertainty in the business community as the UK negotiates its exit from the EU, by committing to lend up to £18 billion to British businesses in 2019.

Secondly, to further de-stigmatise the issue of mental health, we will continue to support mental health initiatives through our charity partnership with Mental Health UK – which in 2019 will focus on mental health amongst young people.

We will also be raising awareness of mental health in the workplace through the roll out of our mental health platform, designed with support from external experts, which will be available to all colleagues by the end of the year.

I think these are great examples of how Lloyds Banking Group is going beyond its 'business as usual' in 2019 to help tackle genuine business and social issues facing the UK.

CONCLUSION

So I hope you now have a picture of the great progress we have made in the last year to transform our Group for success in a digital world.

I hope you see how we are using our unique position as the UK's largest retail and commercial bank to help Britain prosper.

And I hope you see the clear opportunities that lie ahead of us in the year to come.

My thanks for your time and I will now hand over to Sara Weller.