

Annual General Meeting

Charlie Nunn, Group Chief Executive, Lloyds Banking Group

16th May 2024

Thank you Robin, and good morning to everyone here.

As you've heard, we delivered a robust financial performance in 2023, meeting our guidance. We are building good momentum in support of our strategy – transforming the way we support customers; achieving strong returns for shareholders; Helping Britain Prosper.

Our statutory profit after tax of £5.5 billion was driven by a strong net income performance of £17.9 billion, up 3 per cent year on year, and a 10 per cent growth in other operating income.

As always, operational discipline is an area of careful focus and we continue to manage costs tightly. We reported a competitive cost-income ratio, and total operating costs were £9.1 billion – up 5 per cent, but in line with guidance and reflecting our continued strategic investment as well as the impact of inflation.

Our 10 per cent increase in other operating income aligns with our strategic ambition to grow and diversify our revenue. In 2023 we realised approximately £500 million of additional annual revenues as part of our target of £700 million by the end of 2024, and £1.5 billion by 2026.

Turning to our results for the first quarter of this year, released last month, we see a robust performance with net income at £4.2 billion – broadly the same level as the previous quarter. Operating costs were £2.4 billion – in part due to a new sector-wide approach to the Bank of England levy, as mentioned in February. Excluding the levy, operating costs were up 6 per cent year on year and, as I said a moment ago, this reflects ongoing strategic investment and disciplined cost management.

Asset quality remains strong. And, as a result, statutory profit after tax for Q1 was £1.2 billion, and the return on tangible equity was 13.3 per cent. This drove strong capital generation of 40 basis points, and we remain on track to generate around 175 basis points of capital in 2024.

We will soon be halfway through our five-year strategic transformation – in order to better support, enable and empower our customers in the way that they want to bank. We are therefore reducing costs which have diminishing value for our customers and, instead, we are investing in the growth areas, innovation and skills which we know will serve them better.

This means recruiting two-and-a-half thousand new jobs in data and digital – as the UK's biggest digital bank, with 21 and a half million digitally-active customers... 17% more than 2021. Customers are logging onto our mobile app and internet banking, 6 billion times a year. We're using data to quickly identify and support those who need it most, as well as unlocking the growth-aspirations of millions of people and businesses.

Across our business, digital investment is increasing value and impact; making things faster, simpler and more personalised for our customers....

- In our Consumer business, last year we helped nearly 56,000 first-time buyers with over £12 billion of lending – thanks, in part, to our new Homes Platform; prototyped with colleagues and customers. We also launched Lloyds Bank 360 – a one-stop-shop for wealth, financial education and coaching. A brilliant part of our mass-affluent offering, which has supported growth of this customer base to over 2.5 million people. And in collaboration across Consumer and Insurance, Pensions & Investments, we launched Ready Made Investments – making it much simpler and easier to invest. Over half of these customers are under the age of 35.
- We also recently launched Ready-Made Pensions – helping people manage their retirement savings easily, in ways which work for them. We've seen nearly 20% increase in general insurance policies, and have protected over twenty thousand families through our life and critical illness offering. And we've grown our Assets under Administration to £213 billion – thanks to a 9% annual increase in regular workplace pension contributions. Through Scottish Widows, we're also deploying our pensions and investments to support decarbonisation – having invested £21.7 billion in companies' climate strategies.
- In Commercial Banking, we exceeded our target of £15 billion of sustainable financing one year early....and have set a new target of £30 billion, for 2024-2026. And we were proud to

become the UK's first major bank to invest in Community Development Finance Institutions – the not-for-profit lenders that offer credit to customers....who cannot access it elsewhere. This will increase lending to hundreds of local businesses, with a particular focus on areas of socio-economic need. Thank you to my colleagues who have led on this work, and thank you also to the teams who are supporting diverse business leaders – including the launch of the Lilac Review this February, which aims to address the inequalities faced by disabled entrepreneurs.

- Meanwhile, our technology transformation is continuing to win new commercial clients. Thanks to our cash management GEM platform, every University that switched accounts last year... switched to Lloyds. SME businesses are also benefitting from mobile-first and digital solutions, contributing to over 20 per cent growth in merchant services' clients, for the second year in a row. Overall last year, we welcomed around 105,000 small businesses and charities to bank with us for the first time. And our new mobile-first journey for sole traders has reduced approval time for new-to-bank businesses from over 30 days, to two days.

As these examples demonstrate, we are making strong progress against the targets we set ourselves in 2022 and growth of our overall income – enabling us to invest in innovation in service of our customers, and deliver higher, more sustainable returns to shareholders.

Across the piece, we are making strategic investments to support a more sustainable and inclusive future for all those we serve. And as Robin said earlier, a key focus area is the provision of good-quality, genuinely-affordable housing – the foundation for financial resilience, strong communities and sustainable growth.

At present, too many people are at risk of homelessness, or being held back by the uncertainty and often inadequacy of temporary accommodation – with over 1.2 million households on waiting lists for social housing. This is creating dysfunction and pressure across the housing market, which is not working for a growing number of people and families.

We are the biggest supporter of social housing in the UK – delivering over £17 billion in financing since 2018, partnering over 340 housing associations, and working with city leaders,

housebuilders and developers... but there is more to be done. I've spent time on the ground with housing associations, providers, and regional leaders – building a shared understanding of the barriers to good homes, and what we can do in partnership to overcome them.

Green and sustainable investment is an important part of this. Those on the lowest incomes are often paying a high price for energy-inefficient housing, and we're providing billions of pounds to make homes warmer, more comfortable and cheaper to run.

Meanwhile at a macro-level, as the UK's leading bank for infrastructure and project-finance, we're enabling many of the largest Foreign Direct Investment projects which have renewables, energy-efficiency and sustainability at their heart.

This is our purpose in action – Helping Britain Prosper for the long-term.

In recent years, many have felt the impact from low growth and persistent inflation – particularly those with lower incomes, small to medium-sized enterprises, and home owners. The UK must grow its way back to economic health and prosperity, which can only be achieved with an attractive, innovative and successful financial sector:

- Serving as an effective conduit for investment into our communities;
- Generating jobs, growth and long-term value creation; and,
- Delivering returns for shareholders, and the economy in which we operate.

For Lloyds Banking Group, 'Helping Britain Prosper' means playing our part in continuing to build one of the world's best banking environments – increasing consumer confidence, financial resilience and prosperity. Supporting the needs and ambitions of businesses, entrepreneurs and individuals across our communities.

So may I end by saying a huge thank you to all of my colleagues who are helping us to do just that. Thank you to them, and thank you to all of you for joining us today.

May I now hand over to Amanda MacKenzie, Chair of our Responsible Business Committee.

(1340 words)