JP MORGAN UK LEADERS CONFERENCE WITH WILLIAM CHALMERS – PRESENTATION TRANSCRIPT
(amended in places to improve readability only)

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Sheel Shah, UK Banks Analyst, JP Morgan (Moderator)

Sheel Shah
I am Sheel Shah. I'm the UK Banks Analyst on the Equity Research Team at JPMorgan. I'm joined by William Chalmers, CFO of the Lloyds Banking Group. He's been a great supporter of the event over the years and an alumni of JP Morgan as well, I thought I'd mention. If we start with the big elephant in the room.

Motor finance, could you tell us where we are with this? Maybe the key uncertainties to think about as we head towards a decision by the Supreme Court as to where we're heading with this?

William Chalmers
Thank you very much for inviting us here today and it's very good to see everybody in the room. The elephant in the room, as you say, Sheel, the motor commission situation. The Court of Appeal's decision was a complete surprise I think to everybody, it's fair to say. It was a surprise to us for sure, but also, a surprise to the regulator and a surprise to the market. The uncertainties that it's created are very significant and realistically, they're going to be with us for a little bit of time. There are many uncertainties. One way to look at it is to categorise them. There are two or three buckets that come to mind in that context, judicial uncertainties, first and foremost of which is will the Supreme Court take the appeal? And if it does, what will it decide? Allied to that, a further example of the judicial uncertainty is what, if any remedies, might be applicable if the Supreme Court did not overturn the court of Appeal's ruling? The Court of Appeal left that to the lower courts to determine, it's really very unclear where that might go, what it might entail.

The second type of uncertainty, factual uncertainties. What I mean by that, if you read the Court of Appeal's ruling, the question comes, what type of fact patterns might that ruling apply to? Specifically, there is talk in the ruling about vulnerable customers, sophisticated customers, and the difference between the two of them. There's talk in the ruling about the sales process, there's talk in the ruling about the sales documentation, so what type of fact patterns might that ruling apply to?

And then third type of uncertainty is regulatory uncertainty. What, if anything, will the FCA choose to do about the situation? So far at least, it's determined that there will be an extra period of time for people to file motor complaints, but equally, to what extent will it get involved beyond that in terms of its expressing its views to the Supreme Court? I'll come back to that in just a second. Likewise, in terms of trying to figure out what a remediation regime might look like, if it ends up in that space. It may or may not end up in that space, and as a further example of, if you like, regulatory uncertainties, the FCA has made it pretty clear as to its views on one or two of the substantive questions here. Not only does the FCA want to move things quickly, as we all do, but it's also expressed its point of view that it does not believe there is a fiduciary duty between the dealer and the customer.

So there's plenty of uncertainties out there, Sheel. Whether one can categorise them as judicial, as factual, as regulatory, and as I said, realistically, they'll be here with us for a period of time and we'll just have to deal with that.

Sheel Shah
Yeah, and uncertainty seems to be the key word that you put across.

William Chalmers
For now.

Sheel Shah
In that context, how are you thinking about provisioning for any liability that comes? We saw Santander take a charge this morning, and in that context, how are you thinking about capital return for the fourth quarter?

William Chalmers
The provisioning question, as I think everybody in this room will know, depends upon the answer to two questions. One is, is there a reasonable probability of an impact? And two, is can you estimate that impact with any degree of certainty? Those are the two things that we discuss with our auditors when we take any provision. You can tell from my comments earlier on that there is quite a bit of uncertainty with respect to both of those two hurdles. It's quite difficult to figure out whether there will be an impact from this, the Supreme Court may turn it over, let's see. And if it does, or if it doesn't, it's quite difficult to figure out what the impact, if you like, of any remediation might be per my earlier comments. So both hurdles are quite tough.

Now, in the past when we faced those, we looked at the FCA motor issue at the end of last year. We looked at scenarios in that context and we looked at scenarios based upon, let's say two or three variables of significant importance in terms of determining what any given impact might look like. We've made the determination that whether it's through admin costs and/or through remediation, we were probably going to get impacted and we made the determination that we could figure out two or three principle variables, which would help us determine what that impact might look like. And based upon that scenario planning, we came up with £450 million. You can look at this in a similar way. The issue is that there are very many more uncertainties at play, and that affects your ability to determine if there is an impact. And if so, what scenarios might look like is just much, much harder than it was in the context of the FCA situation.

Now, how do we look at that in the context of year-end distributions, as we would normally do? First point is we remain very committed to our philosophy of repatriating capital, our capital distribution commitment, and indeed in that context, our capital targets. So whatever it is that happens with the motor issue, that impact will be transitory in relation to our capital distribution commitments and in relation to our capital targets. What we'll have to do at year-end is recognise those commitments, the strength of the capital base of the company which as you know, is 14.3 per cent as of Q3 and building, the strength of capital generation of the business, which is circa 175 basis points this year, that's over £4 billion of capital, and indeed is building over the period between now to 2026. And the position, if you like, of the uncertainties with respect to the motor situation. We'll have to take both those capital points and the motor uncertainties into account at the point at which the decision is made and just figure out what the net of all of that is.

Sheel Shah
That's clear. Coming back to the business, we've had a few macro events. We've had the UK budget, we've had US elections, we've had the recent Mansion House speech. What is your sense on the sentiment on the ground and the conversations you're having?

William Chalmers
Yeah, it's a good question and we're obviously in a period of quite significant change right now. Overall, the UK economy, from our perspective is in pretty reasonable shape. Now, what does that mean? It means basically, it's in line with our expectations for how the UK economy is going to perform. They're not particularly extravagant, 1.1 per cent growth in 2024, 1.3 per cent growth in 2025. It feels like the UK economy is more or less operating within those types of tram lines.

When we look at the budget, the budget was focused, as I'm sure everybody in this room knows, on education, on housing, on health, and all of that makes sense, but it was probably a degree less focused on specific growth initiatives than we might've expected at the beginning. We were pleased to see, obviously in that context, no targeted bank actions, as I'm sure all banks that are presenting today were. Having said that, we also saw things like NIC contributions being increased, for us, that's about £100 million charge. Overall, what difference does that budget make to the economic environment? I think by virtue of the type of fiscal commitments that were made, it is probably mildly expansionary, versus the type of expectations that we had as of Q3. So that's the budget.

Now, we've also seen a whole load of other moving pieces, and obviously the US election is part of that. That in turn, it's a little early to call exactly what will come out of it. But nonetheless, you can see through the budget and through the US election, an overall pretty pronounced increase in rates. And I think that's the one point we're keeping an eye on. At the moment at least that increase in rates, that rally in rates that we've seen is not enough to disturb our expectations of macroeconomic activity. And you can point to various different variables to, if you like, lend testimony to that. The housing market being one. So for now it's fine. It is probably a rally in rates that is net mildly additive from our P&L point of view. But we keep an eye on it and we hope that it kind of stays at around that level, rather than become something that is more disruptive. For now, it's just fine.

Final point, you asked about Sheel, Mansion House speech. The Mansion House speech is the backdrop against which many of these macro and regulatory and sector developments are taking place. And I think overall for us the bottom line is it is a good one, it is a good backdrop against which we are operating.

And the reason why I say that is because fundamentally you can see, by the tenor of the comments in the Mansion House speech, that it is an increasingly understanding and indeed supportive environment that is being projected by the politicians, and we hope will in due course exert its influence upon the regulatory picture.

That's at a general level. You can see from some of the comments that were made last week about the views on how far regulation has gone and how that should be balanced against growth generally in the economy

But it is also at a specific level. And you can look at some of the comments from the Chancellor's speech last week, and point to things like questions around redress mechanics, questions around national payments vision, questions around growth objectives, pension funds and the like. Which are specific examples of what is meant by that type of regulatory agenda. Again, the growth objectives within the remit letters to regulators might be another one.

And I think what we're encouraged by is that it's not just a kind of high level blanket statement, but there are specific examples in the Mansion House speech that are net pretty helpful to the direction of travel. Now the question is what will those commitments and consultations turn into? And we're very alive to that. We're not banking it until we see it actually come through, but at the same time we recognise that we have a contribution to make to what those outcomes are going to be, as do our peers within the sector.

And I think with that political will, with those manifestations in a very direct way, and with the type of contributions that we can make to actually getting to a better outcome, then I'm very hopeful, not yet confident, but I'm very hopeful we are going to get to a better place in respect of the environment.

Sheel Shah
That's clear, and it could have a positive impact on the cost of equity going forward for the bank as well.

Now looking at the financials, the net interest income and margin trends have inflected positively for the first time in almost two years. How are these dynamics playing out in the fourth quarter? And how are you thinking about the trajectory of NII across the medium term?

William Chalmers
It's good to talk about the business actually rather than the regulatory environment and all the rest of it. Because underneath it all, as many of the people in the room know, we feel very good about the business and the direction of travel.

You asked there about some of the income trends on the net interest income side, and the NIM is part of that, Sheel. As you say, we saw an inflection in terms of net interest margin and net interest income as of the third quarter. Now, we always expected that to happen in the second half, but it's good to see that it happened in the first half of the second half, i.e., in the third quarter. So that's good to see.

What's going on there, a couple of different things. First of all, from the net interest margin side, we're seeing pretty much as expected a gradual abeyance in terms of deposit churn, i.e., it is still a headwind, but it's receding a little bit off the back of declining rates, off the back of customers therefore choosing to go less into fixed rates, staying more in instant access and the like. So that's one factor.

Second factor is we're seeing an increasingly powerful contribution from the structural hedge. And you saw that was 10 basis points in the course of Q3, that will continue in the course of Q4. It'll ebb and flow a little bit in any given quarter, but overall it will be a strong tailwind going forward.

And that drives a decent margin outlook as well as decent margin performance that you saw in Q3. Margin went up by a couple of basis points in Q3, margin will go up again, is our expectation, in Q4. Margin will gather pace in '25 and further gather pace in '26 off the back of those factors.

There's one point I haven't mentioned, which is the mortgage refinancing. That has been a headwind, as you all know. That does start to recede in the course of '25, it's pretty much done by the first half of '26.

So it's those three things for the net interest margin development. It's the deposit churn going into abeyance, albeit to an extent livened up by bank base rate changes and lag effects. That's factor number one. Factor number two, it's the mortgage refinancing headwind slowly going into abeyance and being done by first half of '26. And factor number three, it's a strong structural hedge tailwind coming through.

That net interest margin, it is augmented on a net interest income basis by volume growth. We saw £1 billion of deposit volume growth in Q3, so far in Q4 it's looking pretty good. It has been frankly all year. But deposit growth gives us an additional tailwind, if you like, from a net interest income perspective.

Then allied to that, average interest earning asset growth, which as you know, we saw £4.6- 4.7 billion of growth in assets. Average interest earning asset growth is starting to pick some of that up. And indeed, we expect to meet our guidance of greater than £450 billion average interest-earning assets for the year as a whole.

And looking forward, we expect that AIEA growth to continue in '25 and indeed in '26. That then lends, if you like, additional leverage, I suppose, or impetus to net interest income on top of what's contributed by the margin. So where does that leave us as a group? That leaves us pretty confident for net interest income for '25 in terms of decent clip of growth, and frankly stronger net interest income growth for '26.

Sheel Shah
And on that topic, deposit pricing. Now, we've had a handful of base rate cuts from the Bank of England. How are you thinking about deposit pricing going forward? And has there been any regulatory scrutiny as it was on the way up, are you getting any of that on the way down?

William Chalmers
So far this year, as everybody knows, we've had two bank base rate cuts. That is basically in line with our expectations. Let's see what happens in December, but we've got two baked in for this year. It is good to see that the market has basically been rational off the back of those bank base rate cuts. So the market has passed on around 50 per cent of those bank base rate cuts.

Now, we've passed on actually a little bit less than that, not much, we're kind of around the same mark, but probably a little bit south of that. What's that informed by? It's the usual things, Sheel. So it's informed by, first of all, customer value, clearly maintaining our customer value. Secondly by the competitive dynamics within the market. And then thirdly by a very strong funding position that we're seeing in the bank, and in fact have seen all year. So those are the three things that are informing our price decision.

As you say, the regulator took a keen interest in the pass through on the way up. There was a lot of talk about it last summer. I think it was all in the spirit of ensuring that the sector respected its customer obligations. But having said that, it's important not to mistake new regulatory terminology for a new way of running the business. And what I mean by that is that there's much talk about consumer duty. There's much talk about good outcomes and the like. That is basically consistent with the way in which we have run the business for some time. The regulatory terminology, the regulatory emphasis doesn't really change the way in which we run our business, which is based upon frankly very similar objectives. Will the regulator be as focused on the way down? I'm sure it will. But again, per the comment that I just made, I don't think it really changes our plans. We aim to deliver outstanding customer value. It is also alongside other customer attributes, whether that is access, whether it's security, whether it's fraud protection, whatever it is, we consider ourselves to be outstanding in respect of all of these things, and that's where, if you like, the holistic customer proposition resides.

Now, what's the best testimony to that? And we'll point it out obviously to this room, but we'll also point it out to the regulators and the like, the best testimony to that is the deposit performance. So again, I mentioned earlier on that we've seen £1.1 billion deposit increase in the course of Q3, but actually if you step back over the course of the year, that's £4.4 billion. If you look just at retail, we saw £1.7 billion in terms of retail deposit increases in Q3. Over the course of the year, we've seen £6.6 billion year to date increase in retail deposits. This is testimony to a pretty strong deposit proposition, and that in turn is very consistent with the regulatory objectives that are out there and again, with the way in which we manage the business.

Sheel Shah
The other element of your income trajectory is other income, and that's going to be a significant contributor towards your 15 per cent RoTE target by 2026. How are you thinking about how this evolves through the years and maybe what areas have surprised positively and negatively compared to your expectations within the other income trends?

William Chalmers
Other income for us is a good story. We are pleased by it and we expect to see more of it going forward. So what do I mean by that? We've seen so far year to date, 9 per cent increase in other operating income, which is good. It's also good that it has been spread across the business units. As you know, we have four business units, retail, commercial, IP&I and our equity businesses, including LDC, and the other income performance has been pretty diversified in that respect, which is good to see.

It's a function of really two things. One is a pretty stable macro and therefore activity levels off the back of that. And then two is the gradual, if you like, fruition of our strategic initiatives and the investments that we've been making over now a couple of years, which in turn have augmented the OOI growth that we've seen.

There are plenty of examples that one can give of that. So if you look at retail, mass affluent, transportation PCA proposition augmentation. If you look at IP&I, we've transitioned the general insurance platform. We're also in the process of transitioning the workplace offering. General insurance as an example, net income after claims is up 19 per cent, year-on-year. Likewise, if you look at our SME digitisation objectives, and indeed onboarding is one manifestation of that, we're showing progress. Onboarding is now 15 times faster than it used to be in our SME proposition. Likewise, C&I, DCM and FX capabilities, cash management these are, the tangible proofs I suppose, of the benefits of strategic investments, which in turn are leading to the other income opportunity. Looking forward, it will manifest itself in BAU other income.

It would also manifest itself in the increase in revenues that we expect to see attached to strategic investments. So by '26, we expect strategic investments to yield £1.5 billion incremental revenues over and above what it would've been, of which about 50 per cent we expect to be other operating income. And it's coming from each of those points that I made earlier on. So, we feel pretty good about the other operating income performance to date. We think that you should expect us to continue to deliver more of it going forward. And why do we like it? We like it because it grows obviously. We like it because it's diversified and we like it because it's capital light. And so each of those three things cause us to lean in and continue the investment strategy that we've used to date.

Sheel Shah
And the other element of your RoTE target is a 50 per cent cost to income ratio by 2026. How are you thinking about the path of costs going forward in the context of inflationary pressures? You've got the tax changes from the budget coming through. Is this more cost focused or would you say it's more revenue focused to get to the cost income ratio?

William Chalmers
The reality is, Sheel, it is both. That is to say, in order to achieve our RoTE targets of greater than 15 per cent, and in order to achieve our capital generation targets of greater than 200 basis points, we have to deliver both revenue growth and we have to deliver cost efficiency and therefore operating leverage. It's got to be both. Now, where are we on that? This year, as you know, we've got £9.4 billion as our cost target. That includes the Bank of England levy. We'll deliver on that. Looking forward, we've got a range of pressures, frankly, BAU cost inflation, for example, the impact of investment expense and the depreciation charge associated with that. The NIC charges in the context of the budget, for example. These types of things added to which you might also say heightened severance. I've talked about in the context of '24. We'll see a bit more of that in the context of '25 as we seek to gain access to our efficiency objectives.

These types of things, they are cost pressures and they're kind of ongoing. But by the same token, I think we see plenty of opportunity out there to ensure that we remain relatively efficient. Specifically, within that, we've got our BAU cost take out, matrix management, for example, organisational design, for example, third-party cost management. The stuff that we've always implemented, we inherited, frankly, not just from Antonio, but from Brian Pittman before him. Likewise, we've got a lot of investment-led often technology-focused cost initiatives. What do I mean by that? Decommissioning, for example, data centre rationalisation for example. generative AI-inspired initiatives that we might have, for example.

Automation is a very important one. These types, again, of often technology-inspired, but investment-driven saves. And then as a third bucket on top of that, the property savings that we might expect to make from head office or from branch efficiencies. And those three as buckets are what allow us to deliver the £1.2 billion of gross cost efficiencies that we expect to deliver in '24, but as maybe more importantly, the ongoing cost efficiency that leads to a flatter cost base, not a flat, but a flatter cost base by the time we get to '26 and indeed the operating leverage that delivers the targets that we've committed to.

Sheel Shah
And you mentioned about the capital generation objectives to grow towards 200 basis points by 2026. How are you thinking about the capital allocation priorities between maybe M&A, which we've seen over the past few years across the sector versus maybe distributions versus growth.

William Chalmers
The start point is just to emphasise the capital generation of the business. That 175 basis points capital generation is strong. We'll meet our commitments this year, but it is also strengthening as we go forward. So in excess of 200 basis points in '26 is a target that, as you know, we continue to express confidence in. That is very strong capital generation and I think it augurs well in terms of our ability to meet all of our various prioritisation objectives. Those in part, I think, are a function of a focused business.

Again, that's a legacy of managers well before me at Lloyds. It is a result of growth in the franchise and it is a result of that operating leverage that I mentioned earlier on. So there's a bunch of reasons why that capital generation is strong and strengthening.

You asked about capital allocation priorities, Sheel. Where do we go with that? I think there are two or three that we pay particular importance to. One is in what is an incredibly fast changing environment, we have to maintain investment in the business. We have to ensure that the business is every bit as successful tomorrow as it is today. And frankly, we all know and everybody in this room knows just what that means in terms of ongoing investment obligations in the business. The second is we have to ensure that we have the most talented, capable workforce out there. So investing in our colleagues is a second objective in terms of capital distribution. And then a third, which ultimately is what it's all about, is capital distribution to our owners. That so far has been pursued, as you know, in the context of a progressive and sustainable dividend. We upped it by 15 per cent at the half year. That should give a pretty good indication of what we'd expect to do at the year-end. And it's then augmented by buybacks or at least it has been to date.

And there are pretty clear reasons for that. The first of which, most important of which, is that there is compelling value in the stock. We thought there was compelling value before the whole motor business kicked off. We think there's even more compelling value today. But that compelling value has caused us rather to lean into buybacks as the tool for capital repatriation. I think, those priorities are likely to continue to be emphasised going forward.

You asked specifically about M&A. Our strategy is basically an organic strategy. It's primarily and basically an organic strategy. Now, having said that, where we see opportunities that are strategically consistent to either add a capability or alternatively to build scale, we'll take a look at those. And to be clear, I'm sure you'll appreciate, for all the opportunities that are out there in the market, we see them. There isn't, in my view at least, and I obviously used to do this business, a situation where you don't see an opportunity. A bank as big as Lloyds basically sees everything. So you pick and choose what you think makes sense.

Again, if we see something that's strategically consistent, we'll take a look at it. If it adds capability, if it adds scale. But what will we do? We will apply a pretty strict set of filters against that. And again, this is consistent with my former life, if you like. But the filters will be, does it deliver value? Does it do so at speed? And does it do so with an acceptable set of risk parameters? All of which have to at least meet and ideally beat the organic alternative. And if they don't, then we have confidence in our ability to do it ourselves. And if they do, we'll take a look at it.

Three examples that we've done since I've been here, one, when I first came in, which was Tesco mortgages, added a bit of scale. Two, Embark in investments business where we added the capability, and three, Tusker, a salary sacrifice vehicle scheme, which has been very profitable and is growing fast, which again, has basically added the capability. All three of those have been value-add, but all three of those have been modest in size, and therefore, have not disturbed the capital distribution story that again, we place great store and importance by.

Sheel Shah
I'll pause here for any questions. Otherwise... one on the right there.

Audience question
What is the best level of interest rates for Lloyds and what else might you do on costs?

William Chalmers
Maybe I'll put a bit of context around the first question on rates. The environment from 2010 to 2020 was a tough environment of zero interest rates for the entire sector. But having said that, I think the focus and the scale of Lloyds allowed us to, relatively speaking, do better than most others. And so we'll deal with any interest rate environment. I think the scale and the focus of Lloyds as a business model is what allows us to relatively succeed. But your question is an absolute one. What is the best interest rate for us? And I think as we look at the environment, right now, our base case expectations which we set out at Q3 are not far from that level.

They might be 50 basis points higher than we would ideally like. Our end trajectory lands at 3.5 per cent in 2026. We might like to see 3 per cent, but it's really at the margin. We can probably settle for a level that is not too far distant from that. It's a level which simultaneously ensures that there is a curve, i.e., it's not just flat from interest rate point of view, but also that curve is not so steep that it discourages long-term investments, which of course, we seek to facilitate and indeed thrive alongside of. So something like the kind of 2.5 to 3.5 percent mark is not far off where we might see an ideal.

The question as to what else might we do in costs? I think the overall picture for Lloyds is one of continued commitment to cost efficiency. It always has been. It is, while Charlie and I are here, and I'm sure it always will be. So that's the kind of backdrop, if you like. What might we do on costs? I think there are ways in which one can accelerate costs in any given period. Some of those will, from time to time, require investment. Whether that is because you're, as I said, decommissioning technology or whether it is because you're imposing perhaps more aggressive severance programs in any given instance, there are techniques that one can deploy that might accelerate cost. Those will, on occasion, be free, but on occasion, to be clear, will require investment if you want to accelerate them.

The second thing that you can do, which accelerate cost savings, which we are loathe to do, and I don't frankly see any prospect of us doing it, is to cut investment. It is very easy to save costs if one cuts investment. We are, as you know, embarked on a strategic transformation plan, £3 billion over three years, £4 billion over five years. We believe in that, it is delivering for us. We'll talk more about it at the year-end, both qualitatively in terms of the programs that I mentioned earlier on and quantitatively in terms of the revenue increases that it will deliver. So one could deliver a more ambitious cost target off the back of decreasing investment at any given moment. But in today's climate, in the long-term interests of our shareholders, it's not an avenue that we'll choose to go down if we can possibly avoid it. And I would be very confident that we'll keep up investments going forward.

Sheel Shah
Thank you for your time, William, pleasure.

William Chalmers
Thank you very much indeed.

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FORWARD LOOKING STATEMENTS

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Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. 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