LLOYDS BANKING GROUP PLC – Q3 2024 INTERIM MANAGEMENT STATEMENT – PRESENTATION TRANSCRIPT
(amended in places to improve readability only)

Wednesday 23 October 2024 – 9.30am

LBG:
William Chalmers, Chief Financial Officer

William Chalmers
Good morning everybody. Thank you for joining our Q3 results call. As usual, I'll run through the group's financial performance before we then open the line for Q&A. Let me start with an overview on slide two.

SLIDE 2 – PURPOSE DRIVEN STRATEGY BENEFITTING ALL STAKEHOLDERS

In Q3 we continued to make good progress on our strategic transformation to the benefit of all stakeholders. We are building momentum across our business, delivering for customers, and driving higher, more sustainable returns. In the third quarter, the Group again delivered a robust financial performance, in line with our expectations. This includes income growth alongside cost discipline and strong asset quality. Our performance as well as the strength of the Group's franchise, allows us to reaffirm our 2024 guidance and gives us increasing confidence in our 2026 commitments.

Let me turn to a summary of the financials on slide three.

SLIDE 3 – ROBUST FINANCIAL PERFORMANCE

As mentioned, Lloyds Banking Group delivered a robust financial performance both in Q3 and in the year to date. Statutory profit after tax for the first nine months of the year was £3.8 billion with a return on tangible equity of 14 per cent. Net income was £12.7 billion year to date. Pleasingly, Q3 has seen growth in income versus the prior quarter, including net interest income up 2 per cent. This was supported by a quarterly net interest margin of 2.95 per cent, up two basis points on Q2.

Operating costs of £7 billion in the first nine months of the year were up 5 per cent year on year in line with our expectations. Asset quality meanwhile remains strong. The year to date impairment charge of £273 million equates to an asset quality ratio of nine basis points. The Q3 impairment charge was £172 million or an AQR of 15 basis points. TNAV per share increased to 52.5 pence, up 2.9 pence in Q3 driven by profits and the unwind of the cash flow hedge reserve given the falling rates. Our performance delivered strong capital generation 132 basis points in the year to date in line with our guidance of 175 basis points for the full year.

I'll now turn to slide four to talk through the balance sheet growth that we saw in the third quarter.

SLIDE 4 – CONTINUED GROWTH IN CUSTOMER FRANCHISE

Our customer franchise continues to grow across the balance sheet. Group lending balances of £457 billion, were up £4.6 billion in Q3. This was primarily driven by strong mortgage book growth with balances up £3.2 billion. Higher mortgage completions reflect both the strengthening market throughout 2024 and the market share of new business that is in excess of our share of stock. Notably, our customer proposition in mortgages is being supported by improvements off the back of our strategic investments.

Elsewhere in the retail business, we saw continued growth across cards and unsecured loans of £0.1 billion and £0.6 billion respectively. Motor finance balances were down by £0.6 billion, although this was impacted by a £0.3 billion securitisation in the quarter and dealers holding lower stock levels than seen in the first half. Commercial lending balances were down slightly in Q3 by £0.2 billion. Within this, we saw similar trends to recent quarters with targeted growth in corporate institutional more than offset by net repayments in small and medium businesses including £0.4 billion of government backed lending balances.

It's been another positive quarter for our deposit franchise. Deposits now stand at £476 billion, up £1.0 billion in Q3. Within this, we saw growth of £1.7 billion in retail with savings accounts up £2.8 billion. Current accounts were £1.1 billion lower in a quarter, an outcome which was a little better than we expected. Deposit churn overall eased slightly as anticipated in the declining rates environment. Commercial deposits were down £0.5 billion quarter on quarter. Growth in targeted sectors within small and medium businesses was offset by an expected outflow in CIB. Alongside these deposit developments, insurance, pensions and investments saw £3.5 billion of net new money year to date.

Turning to income on slide five.

SLIDE 5 – INCOME GROWTH ACROSS NII AND OOI

The group delivered income growth across both net interest income and other operating income in Q3. Net interest income of £3.2 billion in Q3 was up 2 per cent quarter on quarter. This includes a net interest margin of 2.95 per cent up 2 basis points on Q2. A significant contribution from the structural hedge more than offset the ongoing headwinds from deposit churn and mortgage refinancing. Overall, the margin is a touch stronger than expected given the favourable deposit dynamics mentioned earlier together with yield curve developments. The structural hedge notional balance remained unchanged at £242 billion in the third quarter after reducing five billion in the first half of the year. This reflects increasing stability in our rate intensive deposit balances and generated hedge earnings of £1.1 billion for the quarter.

Looking forward, we continue to expect the 2024 net interest margin to be greater than 290 basis points. Alongside, year to date, AIEAs are £450 billion with healthy growth in Q3 led by the mortgage book. We continue to expect AIEAs to be greater than £450 billion for the year as a whole. Also within NII, the non-banking interest charge was £118 million broadly stable on Q2 and consistent with our expectations. Note that this will tick up a bit in Q4 given expected refinancing and activity growth in the businesses. Overall, the NII performance has improved in Q3. Looking forward, Q4 will be more stable given structural factors, but we expect the improvement seen in Q3 to be the beginning of a gradual trend.

In other income, we saw continued momentum in the third quarter. Year to date OOI of £4.2 billion is up 9 per cent year on year, with Q3 OOI up 3 per cent quarter on quarter. Our performance this year continues to be driven by stronger activity and our strategic initiatives across the franchise. As you know, we'll give a full update on our strategic progress at the year end. That said, we're continuing to execute at pace and are on track to deliver the £0.7 billion of additional strategic income in 2024.

Operating lease depreciation was £315 million in Q3. This is consistent with our expectations at the half-year based on business momentum and revised depreciation schedules.

Let me now turn to costs on slide six.

SLIDE 6 – CONTINUED COST DISCIPLINE

We remain on track to deliver our cost guidance of £9.4 billion in 2024. Q3 operating costs were £2.3 billion stable quarter on quarter. Over the first nine months of the year operating costs of £7 billion were up 5 per cent year on year or 4 per cent excluding the Bank of England levy. As noted at the half year, this also includes accelerated severance charges versus 2023 taken to facilitate cost efficiencies. Excluding both the levy and the component of severance, which is in excess of last year, costs were up just 2 per cent. Inflationary pressures are being significantly offset by continued cost discipline and investment in savings.

The Q3 cost to income ratio is 53.4 per cent or 52.7 per cent excluding remediation. As said, we continue to expect operating costs of circa £9.4 billion in 2024, including the £0.1 billion Bank of England levy.

The remediation charge is £29 million in the quarter and £124 million year to date. There have been no further charges relating to the FCA investigation into historical motor finance commission arrangements. Stepping back for the full year run rate remediation charge, we still see circa £200 to £300 million as an appropriate guide.

Let me move to asset quality on slide seven.

SLIDE 7 – STRONG ASSET QUALITY

Asset quality remains strong and reflects resilient group credit performance. The Q3 impairment charge is £172 million, equivalent to an asset quality ratio of 15 basis points. This benefitted from strong portfolio performance but also a debt sale of unsecured assets providing a circa £80 million credit worth about 7 basis points in the quarter. Year to date, the impairment charge is £273 million. This reflects a low underlying charge helped by some one offs, and an improving economic outlook in the first half of the year. On a pre-MES basis year to date, the impairment charge is a still low £597 million or an AQR of 18 basis points.

Our stock of ECLs on the balance sheet remains £3.8 billion. This is about £500 million in excess of our base case and like for like higher than pre pandemic levels. Looking forward, we continue to expect the asset quality ratio to be less than 20 basis points for 2024.

Let me move on to slide eight and address the below the line items and TNAV.

SLIDE 8 – ROBUST ROTE, TNAV BUILDING

Return on tangible equity in Q3 was 15.2 per cent contributing to a robust year-to-date performance of 14 per cent. Within this, restructuring costs remain low at £6 million in the third quarter and £21 million for the first nine months of the year. The volatility and other items charge was £24 million in Q3. This was driven by the usual fair value unwind offset by positive banking and insurance volatility, given recent rate movements. This contributes to a year-to-date charge of £182 million.

Tangible net assets per share at 52.5 pence are up 1.7 pence year to date and up at 2.9 pence in Q3. The increase over both periods was driven by profits and the unwind of the cash flow hedge reserve offset by shareholder distributions. In Q3, the TNAV also benefitted from the mechanical reversal of a 0.9 pence per share accrual from the share buyback that we flagged at Q2.

Looking ahead, we continue to expect TNAV per share to grow as headwinds unwind and the reduced share count from the buyback continues to provide support. We also continue to expect the group's return on tangible equity to be circa 13 per cent for 2024. This incorporates ongoing TNAV growth alongside slightly lower fourth quarter earnings given the usual seasonal factors such as the bank levy and a more normalised impairment charge.

Turning now to capital generation on slide nine.

SLIDE 9 – STRONG CAPITAL GENERATION IN LINE WITH EXPECTATIONS

The group delivered strong capital generation in the first nine months of the year of 132 basis points. This is in line with our expectations and keeps us on track for our target of circa 175 basis points for the full year. Within this, risk weighted assets were £223 billion, up £4.2 billion in the first nine months. This continues to be largely driven by lending growth, partially offset by securitisations and other capital optimisation activity. We remain confident that RWAs will end the year consistent with guidance of between £220 and £225 billion. Further lending growth and regulatory inflation will be partially offset by continued active balance sheet management.

Our closing CET1 ratio for the quarter is 14.3 per cent after 71 basis points of ordinary dividend accrual. We continue to expect to pay down to a circa 13.5 per cent CET1 ratio by the end of 2024. Looking further forward since we last met, the PRA has published its policy statement on Basel 3.1. We now expect the impact to be modestly positive when introduced on 1 January 2026.

I will now move on to slide 10 to wrap up the presentation.

SLIDE 10 – PURPOSE DRIVEN STRATEGY BENEFITTING ALL STAKEHOLDERS

Overall, the group delivered an encouraging performance in the third quarter. This includes strong progress on our strategic transformation. In that respect, we look forward to updating you on this at our full year results, which will represent the closing of the first chapter of our strategic plan.

Q3 also represented another robust financial performance reflecting income growth, continued cost discipline, and strong asset quality leading in turn to strong capital generation. Our continued strategic execution and consistent financial performance allows us to reaffirm our 2024 guidance. It also gives us increasing confidence in our commitment to generate higher, more sustainable returns for our shareholders.

That concludes my comments this morning. Thank you for listening. We'll now open the lines for your questions.

QUESTION AND ANSWER SESSION

Question 1 – Aman Rakkar, Barclays
Good morning, William. Thanks very much for the presentation. I had a question on net interest income, please. I guess first of all around the usual NIM and NII drivers into Q4 as you see them would be helpful. I guess I'm particularly interested about the structural hedge. It's a big, big contribution in the quarter in Q3, and I'm just ultimately trying to work out if there's any upside to the structural hedge this year. I suspect that there should be, by virtue of the kind of year-to-date performance that you've achieved I think it's close to the 700 million or in excess of 700 million that you're guiding for the full year.

I also suspect that your structural hedge notional probably isn't going to fall much from here, so I think there should probably be a pickup from this hedge being more stable and I guess that the swap rate environment has been better than expected through the course of this year. I know you've pre-hedged but it does seem to me like there is upside to that structural hedge. So to be more succinct here, should we expect a meaningful sequential pickup in the structural hedge Q on Q in Q4 and what does that mean for the NIM please?

And then I had a second question on average interest earning assets. So you've pointed to sequential growth in Q4 in your IMS, I can see that averaging is a decent tailwind Q on Q, but I think there is some decent underlying momentum in your retail business as well. So could you help us maybe think about Q4 average interest earning assets? I feel like it should be decent Q on Q, I think you need it to be in order to deliver on your full year. I think that's what you are pointing to, right? That the lending momentum really should drive average interest earning assets quite meaningfully from here.

Thank you very much.

William Chalmers
Thanks Aman. Those two questions, I'll take them in order. Net interest margin. First of all, as you know, net interest margin was at 2.95 per cent during quarter three. The drivers in respect of that were the principal ones that we've discussed before. But to go through each of those, we've seen the structural hedge make a good contribution in the third quarter, 10 basis points as you'll have seen in our numbers. And then on the flip side of that, the two headwinds that we've seen are deposit churn and mortgage refinancing. So to comment on those respectively, the deposit churn we've seen during the course of the quarter is as anticipated actually, that is to say modest PCA outflows in combination with a continued drift from instant access into fixed term and limited withdrawal.

But a couple of points within that, Aman, which are relevant, the PCA outflows are probably a little more modest than we had expected. That is to say the PCA balances are a little better than we had expected. That's off the back of things like inflationary wage settlements. It's probably off the back of slightly more conservative spending patterns, but also things like government or bank giro credits and the like. So overall a more benign picture in PCA is down £1.1 billion in the quarter, but leading to a balanced outcome that I said is a touch better than expectations perhaps. And then alongside of that, the churn taken overall has, as I mentioned in my comments earlier on, eased up a little bit over quarter two. So we're seeing essentially what we thought might happen in the falling rates environment, which is to say the deposit churn eases a little bit as we go through the year.

The mortgage refinancing headwind continues pretty much in line with where we thought it might do, that is to say we've got mortgages that are refinancing or rather coming off the balance sheet at about 110 basis points as a margin.

They're going on the balance sheet at a completion margin of around 70, maybe a touch over 70 basis points. So you've still got that mortgage refinancing headwind playing out again in a more or less mechanical way in line with how we expected. Now when you look forward on that and pursuant to your question on structural hedge, which I'll come back to Aman, we would expect that net interest mechanic if you like, i.e. the principle tailwind allied to the two headwinds that I mentioned to continue to play out in the course of the fourth quarter.

Overall, as I mentioned in my comments earlier on, we think the net interest margin has more or less turned for the time being. It looks to us like the net interest margin increased by a couple of basis points in the quarter of Q3, I think we might expect something roughly similar in the course of Q4. Of course that will be affected by things like deposit behaviour, for example, competition, the mortgage market and the like. But overall taking what we can see into perspective if you like, I would expect that net interest margin to continue to tick up a little bit in the course of Q4.

Now the structural hedge role in that is clearly important. As I said a second ago, we've seen the structural hedge contribute 10 basis points in the course of quarter three. That was a particularly strong contribution simply because of maturities, because of yields on those maturities and the like. And that's the type of overall very positive contribution that you get from the structural hedge. But it will go up and down a little bit quarter on quarter.

When we look forward the structural hedge expectation for the year as a whole, as you know, I think we mentioned at our half-year numbers, that we thought it would be growth of greater than £700 million in the course of 2024. As we stand today, maybe the swap curves have been a little bit stronger than we expected, but there's probably not much in it to be honest Aman. And so maybe it's a touch stronger than that, but not awfully much and not terribly material.

Your notional comment is interesting. How do we see the notional balances in the structural hedge? We thought at the beginning of the year that they would come off by a modest amount. We compared that I think at the time to what we saw in 2023, which is an £8 billion reduction. So far we've seen a £5 billion reduction and I mentioned earlier on that the deposit churn picture is easing up just as we thought it might. Where does that take us to? Let's see what depositors do during the course of the fourth quarter. But overall, I think we feel pretty good about the notional balance at £242 billion as it is right now and we'll report back to you how we fare during Q4.

Just taking a step back on your first question still Aman, what does that net interest margin picture look like? Rather what does it imply for net interest income? And I think it's just worth finishing the question on that, which is to say when you look at net interest income as a whole, as you know it's composed of net interest margin, AIEAs and non-banking net interest income. And I'll come back to AIEAs in a bit more detail in just a second. But to round that off, net interest margin as said, looks like it's turned maybe a bit more progression in the context of Q4 would be our base case.

AIEAs, you've got our guidance there. It's a greater than £450 billion. I'll come back to that in just a second. But don't forget, during my scripted comments, I did comment that NBNII, non-banking net interest income, is expected to tick up a little bit in the course of Q4 and that's off the back of greater levels of activity, which in turn go into securing our other operating income growth that you've seen year to date. So consider that point too. Where does that take us to net interest income? Our expectation is that net interest income will be broadly stable Q4 versus Q3. And that's overall if you like the point that I'd finish off that question on.

Second question, AIEAs Aman, couple of points there. You've seen a strengthening of AIEAs through the course of the year. In quarter three you saw AIEAs of £451 billion. Year to date, as you know, AIEAs are touch below that at basically £450 billion. When we look into Q4, we see the type of growth that we've seen in assets, £4.6 billion lending increase in assets in quarter three. We would overall expect that growth to continue during the course of quarter four and therefore contribute to the AIEAs build over that time. But where we think that will land us in terms of AIEAs for the year as a whole is in line with our guidance of greater than £450 billion. I don't think we'll be an awful lot ahead of that to be perfectly clear. But nonetheless, we do expect to meet our guidance of greater than £450 billion based upon that building trajectory of AIEAs quarter 3, £451 billion, let's see where we get to in quarter four. But overall as said, meeting our guidance of greater than £450 billion. So that's an overall picture. Perhaps I'll stop there for now. Aman, hopefully that's helpful.

Aman Rakkar
Thank you so much. Appreciate it.

Question 2 – Jonathan Pierce, Jefferies
Hi William, hope you're well. I've got a couple of questions if that's okay. The first is on this hedge tailwind. Again, I mean £450 million annualised increase in the third quarter. Given there probably wasn't any averaging benefit coming through from Q2, given there was no tailwind in that quarter, is obviously pretty big in the context of the £20 billion maturity number you previously talked to across H2 as a whole. I just really want to clear something up from a definitional perspective here. When you talk about maturities, that £20 billion in H2 for instance, is that number, as I understand it, excluding positions you have already pre-hedged. We can't look at £20 billion and multiply by a yield delta to get the tailwind in any particular quarter. So that's the first question.

The second question is a broader one on 2026. The TNAV is obviously now moving up at a decent clip. I think if you look at consensus retained earnings next couple of years you get about 10 pence by the end of 2026, the cash flow hedge reserve is still a 5.5 pence negative I think. And presumably a lot of that will unwind. So TNAV feels like it's moving into the mid-sixties plus if that's a number you recognise. And are you still confident if that is the base that the ROTE will be north of the 15 per cent? And are you still wedded to this idea that you'll do a 15 per cent plus ROTE even if the CET1 ratio of 13.5 per cent rather than 13 per cent as you talked to earlier in the year? Thanks a lot.

William Chalmers
Thanks Jonathan. I may ask you to just repeat your first question to make sure I followed it, but in essence on the structural hedge, what we've committed to in terms of the income profile is, as you know in 2023 we saw £3.4 billion. We believe that we're going to achieve greater than £700 million growth over the course of 2024. We then, I'll take it further forward for now, expect a step up from that £700 million growth in 2025 and a further more significant step up in respect to 2026. So that's the overall income picture, Jonathan. When we describe that income picture, it takes into account the dynamics of the hedge in terms of notionals, in terms of the extent to which we have pre-hedged, in terms of the yields on maturities that are coming up and so forth. So everything is gathered together. That may or may not answer your question. Perhaps you can tell me at the end if there's anything further you'd like to ask.

On your second question, in respect to TNAV, we've seen pretty decent TNAV build over the course of the third quarter, as you know, up 2.9 pence per share during the third quarter to 52.5 pence. We do expect that TNAV per share to increase over the course of the near term and into the medium term. And the primary drivers for that from a business point of view, from a TNAV as a whole point of view, if you like, are business growth, are the unwind of the cash flow hedge reserve, are asset performance in the context of pensions. And that overall drives TNAV positivity. That is then augmented by the buyback, which obviously reduces the number of shares and therefore further boosts the TNAV per share.

In respect of the cash flow, hedge reserve in particular Jonathan, you've seen the rates profile that we have, the cash flow hedge reserve right now is about £3.3 billion thereabouts. In the context of the rates profile, we have that unwind more or less in line with the structural hedge, albeit some of it is frontloaded by its nature. That overall leads to pretty decent TNAV growth over the immediate future as said and over the forecast period. When we look at the 2026 expectations Jonathan, we always thought that was going to be the case. There's nothing new there, that is consistent with what we said at the beginning of this year and indeed in the preceding year. So nothing terribly much has changed in that respect. We've had some short-term volatility in rates for sure, but the overall profile hasn't changed terribly much from what we previously set out. Where does that leave us? That leaves us with greater than 15 per cent ROTE expectation for 2026. And you've seen our capital commitments and likewise alongside of that, but greater than 15 per cent ROTE expectation for 2026 off the back of what will, in our expectation at least be an undoubtedly a materially high TNAV. It is that combination, Jonathan.

Jonathan Pierce
Okay. And you're still comfortable, you'll do that even if the CET1 ratio had been held at 13.5 per cent as it was when the target was put in place?

William Chalmers
Well absolutely, that's what we committed to at the beginning of this year and that's very much where we continue to be.

Jonathan Pierce
Just to follow up on the hedge tailwind point, I think it's the point that if I just took £20 billion in maturities in the second half, it's very difficult to see how you are getting the tailwind in income terms that you are talking about. And I'm just wondering whether the £20 billion is really the relevant number or if they're more maturities and you're not including within the £20 billion stuff that's been pre-hedged.

William Chalmers
No, I think the maturities are always slightly difficult to model if you like, off the back of the hedge expectation simply because you don't have other parts of the puzzle, such as the yield on maturities and the pre-hedging, which as you say is a further metric. So overall I think it's that balance. I think I would pay more attention to the income expectation for the hedge as a whole in terms of modelling expectations.

Jonathan Pierce
Very clear. Thanks William.

Question 3 – Benjamin Toms, RBC
Morning. Thank you for taking my questions, William. At a recent conference, I think you talked about NIM gently rising in 2025 and more significantly in 2026. Can I just check whether you think that current consensus accurately reflects that sentiment that you were trying to convey at 301 basis points for next year and 311 for 2026. And then secondly, in respect to motor finance, I think there's a couple of court cases we're due to get judgment on before Christmas. Can you just give some timing around those and do those cases have the potential to impact your motor finance provisioning modelling or are we really waiting for the May 25 consultation paper for shifting impact expectations? I think I noticed in your presentation that your remediation charge year to date is £124 million, but you're guiding still to £200 to £300 million, which leaves me with a slight feeling you might be giving yourself room to do a top-up at year end. Thank you.

William Chalmers
Thanks Ben for those two questions. In respect to NIM, as said in my comments earlier on, the NIM has effectively turned as of Q3. We expect that to continue over the course of Q4. Then when we look at 2025, we obviously haven't given guidance to 2025. We'll certainly do that in February of next year when we meet to discuss full year results. But overall, some comments on the shape there that we might expect. It is our expectation that the same factors, if you like, will drive the 2025 NIM outcome as are currently driving the setup right now.

Specifically, what do I mean by that? I mean a gathering pace in the structural hedge. As said, we're delivering greater than £700 million growth in respect to 2024. Our expectation is that 2025 delivery from the structural hedge will be in excess of that £700 million growth during that year. And alongside of that continued slowdown in deposit churn, I think very much consistent with our interest rate expectations. And off the back of that, the incentive if you like, to move from instant access or PCA for that matter into fixed term savings. So that reduces deposit churn over time. And then alongside of that, finally the mortgage headwind tapers a little bit going through 2025, albeit it will not be done until the first half of 2026. So we'll give specific guidance for the margin in 2025 at the beginning of next year. But the expectation is based upon those dynamics that we do indeed, to your point Ben, see an increase, but a gradual one during the course of the year.

The only offset to that that I would highlight that we have not seen during the course of this year so much is rate cuts. That is to say we've seen one rate cut so far this year. We expect one further rate cut during the course of Q4, and we expect three rate cuts during the course of 25. And those do act as a lag effect, a cost effect essentially on the margin. But still taking that point into account, you add up all of what I've just said and we would expect to see a gradual increase in the margin over the course of next year.

On the motor points, Ben, that you raise, first of all, just to distinguish between the £200 to £300 million remediation guidance that I mentioned earlier on and anything to do with motor. £200 to £300 million of remediation guidance that I gave, that that has been our long standing guidance in remediation for a very long time, which predates motor. So it's not with reference to anything to do with motor, it's simply to guide you to what we expect on a full year run rate remediation basis.

In respect of the court cases that you referred to, Ben, a couple of points to make. I mean, one is obviously the main event here is the FCA Motor Commission review, which as you know has been moved into May of next year, which from our perspective at least, is a timing event rather than anything more substantive than that. So we obviously look forward to getting that motor commission review wrapped up and moving on from that. It's going to be May rather than this year. Fine. That doesn't affect our £450 million provision.

With respect to court cases, they're obviously a matter of law as opposed to the FCA review, albeit the FCA did say that they would take them into account in considering the overall stance. So we will observe those court cases. We'll obviously consider them in the context of where they might go. I would note a couple of things. The principle, one of which is to say that the court cases that have been determined to date on motor have predominantly gone in our favour. Not everyone, but mostly gone in our favour. So, we'll look with interest to the court cases and how they come out, but with that context in mind.

Benjamin Toms
Thank you.

Question 4 – Jason Napier, UBS
Good morning, William. Thank you for taking my questions. Two pieces. Good momentum in parts of the loan book in particular. So first question on the mortgage growth in the quarter. Thank you for the completion margin. Presumably this is strong from a market share perspective. If we think about in the background, you've got an SVR book that is running down and so on. Can you just talk about your share, where it's coming from and what you're seeing on front-end pricing there.

And then secondly, UK Retail's done phenomenally well year to date, up another 7 per cent in the quarter. If you could just talk about the credit quality of what's going on in the book there and how you're seeing end consumer credit demand. UK savings rate at 10 per cent looks like everybody's very, very cautious, but you're generating really quite good commercial momentum in that portfolio in particular, if you could talk through that, that'd be helpful. Thank you.

William Chalmers
Thank you, Jason. First of all, in respect of mortgage growth, yes, we're pleased with the mortgage growth that we've seen in the context of the third quarter. In fact, in the context of the year to date. The third quarter growth, as you know, is £3.2 billion, which represents a good performance. We've always taken a stance with mortgage growth, the mortgage market I should say, as you know, which is to say that we will aim for a decent, healthy proportion of share, but we will only do so if it is acceptable on a value basis. It's good to see actually that over the course of this year and particularly in the third quarter, the trade-off between share and value, from our perspective at least, has been a constructive one. So what have we seen in respect to pricing and what have we seen in respect of share? Respect of pricing, we've seen a circa 70 basis points maybe a touch over, as I mentioned earlier on, for completion margins. So that's a return that allows us to deliver a cost of capital positive return both on a stock basis and a marginal basis.

What have we seen in terms of share? We've seen around a 21.5 per cent market share inflow within mortgages within third quarter. Importantly, I think what is delivering for us there is the results of some of the investments, as I mentioned in my script comment earlier on, and specifically what do I mean by that? We've invested heavily in the intermediaries journey, for example, to address the needs of intermediaries to get a quicker result for our customers and we've invested heavily in the overall proposition including focusing on certain segments, including, for example, the mass affluent mortgage that we've recently put out. So it is that combination of investing in end product, investing in journeys, which we think is helping us to achieve a successful market share, again, in the backdrop of what we see to be acceptable pricing.

UK Retail. Overall, yes, I think we've seen some decent growth within UK retail outside of mortgages too, Jason, which is good to see. A couple of comments within that. We've seen about £0.6 billion increase in loans. We've seen about £0.1 billion increase in cards. That's all in the third quarter. We've seen a modest decrease actually about £0.6 billion decrease in motor. So that motor one, I'll just dwell on briefly, the motor reduction of £0.6 billion, half of that is about a securitisation that we did in August, which is an important risk management approach in the context of our operating lease depreciation exposure. So half of that reduction in UK motor is off the back of a securitisation done in August. The other half, or a good part of the other half, is essentially about dealer de-stocking. Dealers had built up their stocks early on in the year, through the course of the year they run those down basically as vehicles get sold. We've seen a bit of that during the third quarter. So as you step back, and I think, Jason, to your point, we've seen strong personal loans growth, we've seen strong cards growth and that's pleasing.

You asked about the credit quality. The credit quality I think is not just benign but actually more benign than probably surpassing our expectations. What is behind that? I think it's a benign macroeconomy on the whole, I think it's also some of the approaches that we've invested in the context of our strategic initiatives. So for example, we've created your credit score tool, which is a tool that customers can visit and build an understanding of their overall credit performance. We've seen that link to greater take up within the personal loans business, and indeed I think that is probably what's one of the factors behind the good credit quality that we're seeing. So overall, Jason, I think it's been healthy volume growth. I think it has been very benign credit quality that we've seen behind that and it's a good combination. One slight point that I would make on the personal loans growth again, £0.6 billion up during a quarter, which is great. Don't forget the fact that we did a securitisation on the personal loans tail-end of last year, which in turn probably slightly flatters that £0.6 billion increase in personal loans. It's still healthy growth underneath it, but just bear that in mind.

Question 5 – Chris Cant, Autonomous
Good morning. Thank you for taking my questions. Two relatively quick ones, I think. Firstly, you mentioned Basel 3.1 is now expected to be modestly positive upon transition in '26. I was just wondering if you could give us a little bit more quantification there in terms of how we should think about the RWA impact. Obviously that will be a factor potentially within how you think about distributions for next year, given it hits 1st January 2026, but any more precise quantification than modestly positive would be appreciated.

And then the other question I wanted to ask was on non-banking NII. I'm sure we're all going to spend a bit of time today trying to wrangle the generally positive commentary on the direction of NIM and loan growth with the fact NII is expected to be broadly flat and you mentioned non-banking will be stepping up into the fourth quarter. Is there any way you could give us a sense of the quantum of that impact and I guess more importantly how we should be thinking about that looking into 2025. I think the 2025 consensus for non-banking NII would essentially be flat on roughly where you were as of the third quarter of this year. If it's stepping up into 4Q, should we be expecting a bigger negative non-banking NII number in '25 than consensus currently has in? Thank you.

William Chalmers
Thanks, Chris. Take those in order. Basel 3.1, you are quite right to spot a change in language. We do believe that Basel 3.1 is now going to come out modestly positive as opposed to neutral to modestly positive, which is what we have said before. What's behind that is a number of changes that have been adopted in the consultation process, which in turn are marginally favourable versus where they previously were. So things like scalar in the context of infrastructure, things like credit conversion factors, those types of things, reduction in standardised loss given default, trade facilities being more benign than we'd expected, all of these things add up into a slightly more benign RWA outcome for Basel 3.1, Chris.

I shan't put a number on it actually because the Basel 3.1 process is still going through finalisation. And as you know, the types of estimates that we're adopting now basically assume a more or less static balance sheet and likewise credit environment. And so we have to see how that evolves over the course of the coming periods in order to give you a more precise number at the beginning of 2026. But overall, I do expect it to be modestly positive, which is frankly a better outcome than we previously thought. Our capital commitments, you asked about that in the context of your question. We remain at 13 per cent as of 2026. It is still our ambition to get to that level and it's our intention to get to that level so hopefully that gives you some context to think about.

In respect of non-banking net interest income, your second question, we've given an overall guidance, for non-banking net interest income, of £450 to £500 million for the year as a whole, and it's the upper end of that that I would steer you towards in the context of the overall year and therefore hopefully give you some sense as to where we might go during the course of quarter four. What's going on there? As you know, it's off the back of increasing levels of other operating income, increasing levels of activity often fuelled by the strategic investments that we're making. And so that's the main characteristic, if you like, or say good part of the characteristic of the increase in non-banking that interest income. Alongside of that, we've got some areas of activity within OOI that are basically term financing, transport being the obvious case in point. And so there's a bit of a lag effect between, if you like, base rates going up and the refinancing of those term structures, which in turn feeds into NBNII in a slightly lagged way, versus changes in base rates.

You ask about next year. I would expect that lag effect plus a little bit of the activity to slightly tick up NBNII next year. We'll give you more precise guidance at the end of the year, but a modest tick up might be a reasonable expectation. But having said that, Chris, the overwhelming pattern, I think, in the context of our NII for next year, if you like, overcomes that. That is to say, the effect of any NBNII increase is offset more than offset by the other positives that we're seeing going on in the NII line, by which I obviously mean the developments in average interest earning assets, and alongside of that the developments in the margin. That's what prevails during the course of 2025.

Chris Cant
That's helpful, thank you. Just to clarify on the non-banking NII, when you say slightly tick up into next year, do you mean relative to the implied 4Q run rate of just north of £600 million or do you mean relative to the £500 million that you're now pointing to for full year at '24 as a whole? So should we be assuming growth on the 4Q level given those continued investments and the lagging effect, or is it actually coming down sequentially quarter over quarter from that 4Q implied number and I'm taking the top end of your £450 to £500 million. I appreciate that there’s some give towards the top end.

William Chalmers
My answer, Chris, referred to the £450 to £500 million and that's what I was referring to in terms of slight tick up.

Chris Cant
Okay, thank you.

Question 6 – Edward Firth, KBW
Yes. Morning, everybody. Morning, William. Just two quick questions. One was actually broadly I think answered by Chris's, but just to clarify that, so just to be absolutely clear, you would expect net interest income to broadly follow your margin guidance for next year. Should we broadly take that, and I guess sort of supplemental to that, is my understanding correct that in a falling rate environment that the non-banking charge should go down? I think it went up with higher rates and I assume it reverses, but just to check that, that would be point number one.

And then the second question is a sort of broader question. You're still buying back shares, but you're obviously now buying them back at above tangible book and at a price that is probably, well, considerably higher, let's say, than you've done in the past. Is that something you think about when you're buying back shares or is it more of a sort of mechanical process, you've got the surplus capital then you buy it back, and does it in any way influence your thinking about buybacks versus dividends, firstly. And secondly, does it influence your thinking in terms of acquisitions? Because obviously you will see that there are a number of banking assets available in the UK at the moment at substantial prices materially cheaper than you are, and I wonder if that's the trade-off you think of as a management team strategically. Thanks so much.

William Chalmers
Yeah. Thanks, Ed. On the net interest income point, I'll start there, as it refers to your questions. Again, just bear in mind that net interest income is a function of margin, of AIEAs and of NBNII, non-banking net interest income. I mentioned earlier on, and again I won't get any more specific about this, but I will underline the patterns that we expect to see, the shape that we expect to see if you like. Our expectation on NIM as set out is that it gradually moves upwards, basically from here on. Our expectation around AIEAs is that we've seen the rise to £451 billion in the course of quarter three. We'll see more modest lending growth during the course of quarter four to be sure, but we do expect AIEAs to grow during the course of next year in line with our strategic ambitions to grow the business and in line with, I won't put a number on it at all, but in the line with the spirit of the growth in the balance sheet that we've seen over the course of this year and expect to continue to see next year. So that's an AIEA comment.

And then this probably addresses both question one and question two of your questions. NBNII, however, is lagged in terms of its growth off the back of rates. And the reason for that is said is because we've got within NBNII financing of things like transportation assets. Those transportation assets will often be on let's say three-year lending facilities, and therefore base rates can come down, but there's a lagged effect as the higher level of rates versus when these things were financed and put into the

NBNII structure. Alongside of that, and perhaps more importantly, we get growth and activity, and that growth and activity drives OOI. You've seen OOI up 9 per cent year-on-year up, up 3 per cent quarter-on-quarter. It's our expectation that OOI continues to grow next year, and we have to pay for that. We have to pay for that at some level, which is still frankly shareholder value accretive, but we have to pay for the financing of that through the NBNII line.

So it's that combination, Ed, which hopefully answers question one and question two. On the buyback, I'm very pleased to see that the share price actually is ahead of tangible net asset value for all sorts of reasons, as you can imagine. Starting from the beginning though, the key point here is that we are very committed as a team, as a board, as an organisation to capital return to shareholders. That's a core commitment of the organisation. You've seen it hopefully manifested in abundance or testified to over the course of the last few years, both in terms of the dividend, which again, we've increased by 15 per cent as of the half year. And also in terms of the succession of buybacks that we have launched. At the moment, as you know, we have a £2 billion buyback out there, which is being completed more or less as we speak, and we remain very committed to that. As we look forward, we expect the business to continue to be strongly capital generative.

We do expect to continue to invest in the business. We also expect to produce surplus capital above and beyond the investment needs of the business, even in the context of the strategic transformation that we're undertaking. And so the question of excess capital generation is unlikely to go away, and it will drive, if you like, both the growing dividend and also a question beyond that about, what we do. Now, you've asked the question about how does the current share price drive the decision on that excess capital? Couple of points to make there. One is, we still see significant value in the business, even at the current share price, significant value. The second point is our investors, I think likewise see significant value and as a result, like the buyback structure. From a value-based proposition, the buyback makes sense to them, and that's the consistent feedback that we get. Alongside of that, it's obviously an EPS and a DPS driver, which is good to see. And alongside of that, we see many banks out there who are engaging in buyback, at significantly higher valuation. So Ed, in short, we think we've got a long way to go on the valuation, which in turn will, I'm sure, be a factor in any board decision that will be made at the year-end as to what to do with excess capital.

Final point, Ed, you mentioned around acquisitions. As you know, our approach to acquisitions is a pretty cautious one. Where we see the ability to add scale or alternatively add a capability, which is strategically consistent, we will look at them. But on the other hand, it's a relatively high bar before we'll actually execute. And what informs that bar is it a faster way of getting to our strategic ambitions? Number one. Can it be done with an acceptable level of risk? Number two. And most importantly, can it be done with an acceptable value outcome for shareholders? Number three. And so Ed, although there might be a lot out there in the market and we do see everything clearly, it is relatively little or the opportunities that pass those hurdles are relatively few and far between.

Edward Firth
Great. Thanks so much.

Question 7 – Guy Stebbings, Exane BNP
Morning, William, thanks for taking the questions. First one is on other operating income. Wondering if you could give a little bit more colour on the drivers of growth there because you haven't spent too much time on that. If there is any sort of standout contributor supporting the positive performance in the quarter. And looking ahead, Q3 was quite strong, there can be a bit of seasonality, so just to confirm whether you're happy for us to start with the £5.7 billion or so Q3 annual run rate and grow off that base into 2025. I think consensus is only about 2 per cent above that figure, which doesn't look particularly stretching versus the sort of recent pace of growth we've seen for other operating income.

And then the second question was just on impairments, another very encouraging quarter. I'm not expecting you to guide on next year, but you've highlighted the 18 basis point charge ex the MES changes, it's quite a gap to the 27, 28 basis points consensus has in future periods. Just wondering if you're seeing anything in the data which leads you to stay a little bit conservative and expect a slight uptick from that or actually quite the opposite and you're quite comforted by the data you're seeing. Your remarks regarding personal lending certainly seem to suggest so. Thanks a lot.

William Chalmers
Yeah, thank you, Guy. Just taking each of those in turn. In respect of OOI, first of all, as you saw Q3 £1.43 billion OOI, which was a decent uptick, 3 per cent on Q2. First of all, Q3 underlying is much the same as Q3 headline. There's nothing going on an underlying basis that changes that picture and that, as you know, is up 9 per cent year to date, as I said, up 3 per cent quarter on quarter. So decent growth within OOI, the headline being much the same as the underlying.

Specifically what's driving the growth, I think what's pleasing about OOI growth is that over the course of the year, we've got a number of different engines that are driving that OOI growth, Retail, Commercial, IP&I and Central, by which I mean basically the equity businesses. There's four engines there. And then within each of those, there's a set of sub-businesses, if you like, that are diversified and driving growth. Their contribution in any given quarter is more or less, by which I mean in some quarters some areas will be stronger, some areas will be weaker, and then generally speaking, that evolves over the quarters.

What we saw in Q3 was a particularly strong contribution from the Retail business, including the PCA area and including the transport area. And then secondly, also a decent contribution from the equities business including LDC. So that was a good pattern to see in quarter three. If you look at the year as a whole, however, it is also complemented by strong contributions from commercial, particularly C&I, corporate and institutional that is, and strong contributions from Insurance, Pensions and Investments from a variety of different engines, including things like the general insurance business, home insurance has been particularly strong at very attractive pricing if you like. Alongside of that, long-standing business. And so that combination of businesses within OOI and the diversification that it affords is a good thing.

When we look at Q4, by its nature, Q4 is typically a slightly slower quarter and the reason for that is simply seasonal. That is to say there are fewer days I suppose, which in turn contributes to OOI being a slightly slower quarter. But overall, what would I expect? I'd expect to consolidate the gains that we have seen in Q3, if not necessarily keep up the growth rate between Q3 to Q4 that we saw from Q2 to Q3. Overall, I think that leads to a solid, pretty good outcome for OOI for the year as a whole for 2024.

Looking forward in 2025, I think it's the same pattern that informs the trends that we've seen. That is to say increasing levels of activity and as importantly the continued benefit of our strategic initiatives. Our strategic initiatives, as you know, will deliver £1.5 billion of incremental revenues by 2026, of which we expect about half to be OOI. So there's an engine of activity there in line with our economic forecast. There's an engine of activity there in line with our strategic investments and a good part of that is OOI driven.

Your second question on impairments, you're right to point out, Guy, that the impairments picture continues to be pretty benign. Q3 impairment charge £172 million, about 15 basis points. Underneath that, we did do a debt sale as mentioned in my script earlier on, and that debt sale was across a number of different asset classes actually, but overall contributed about nine basis points in the quarter, which if you add that back in means that the underlying impairment charge is about 24, 25 basis points. Interestingly enough, that is very consistent with what we saw at quarter two and I would say it's more or less consistent with what we expect to see in quarter four.

When we look at 2025, I shan't comment in any detail on 2025 other than to say that the overall impairment trends continue to be pretty stable and on the whole pretty benign. So that's, if you like, feeding into our expectations for that year. It is informed by, and this goes back to some of the comments on UK Retail earlier on, that not just the underlying charge being, again, pretty stable and being pretty benign, but alongside of that new to arrears being low, write-offs being low, flows to default being low, and perhaps most importantly early warning indicators. As you know, we look at an array of early warning indicators across our customer base within Retail, within Consumer, and we're not seeing anything there that is anything other than stable. If anything, we're seeing modest declines in new to arrears, for example, but equally a lot of stability in things like minimum repayments within credit cards and that sort of thing. Similar patterns within Commercial.

Guy Stebbings
Very clear. Thank you.

William Chalmers:
Thanks, Guy.

Question 8 – Amit Goel, Mediobanca
Hi, thank you. So two questions. One, I'm just basically curious to see if there were any kind of customer behaviour changes or anything that was even slightly different to what you were expecting post the Bank of England's rate cut. And then secondly, just curious if there's any colour that you could share from some of the meetings you've had more recently with Rachel Reeves and/or how receptive you think the government is to some of the proposals that you've been putting forward. Thank you.

William Chalmers
Thanks, Amit. I mean, I'll take your questions in order obviously, the first of which customer behaviour changes off the back of the Bank of England base rate change. There's nothing in particular that I would highlight, safe to say that the deposit churn comments that I made earlier on, which I think have been reinforced by the base rate changes that we've seen. So overall we took the base

rate change, we passed on an element of it. I would say it was less than 50 per cent that we passed on to our customer base most clearly within Retail. But overall, I think we were interested to look at how the market responded to those base rate changes and in turn, I think we saw it as a relatively rational response from the market.

Now overall, I suspect that played a bit of a role in terms of competitive pricing in terms of the stability, in fact, reduction as I mentioned earlier on that we have seen in deposit churning. Perhaps it was a factor in our PCA outcomes being a little stronger than expected. And so, forgive the term, but at the margin I would say, Amit, that the main effect of the Bank of England rates change was we saw a rational market response to it and we saw it as more or less confirmatory of our expectations and indeed experience in the context of deposit churn, which feed into the margin comments that I made earlier on. As you know, we expect one more Bank of England base rate change during the remainder of this year. That is also a factor behind our expectations for churn continuing to slow into this year and then again into next as the Bank of England continues to cut rates.

The second of your question, just remind me on the second of your questions, Amit, if you could.

Amit Goel
Sure. It was just in terms of your conversations with the Chancellor in recent weeks, just curious if there's any additional colour you could give from those and/or even with respect to some of the proposals you've made for enhancing UK growth.

William Chalmers
Yeah, of course. Thank you, Amit. When we look towards the budget, I guess a couple of points. One is when we look towards the budget, we note the pro-growth stance of the government and we very much hope the budget will be delivered in a manner consistent with that, and I'll come back to that in just a second. But I think most importantly when we look towards the budget, we look at it as an event that will provide some certainty, some clarity on what has been quite a few weeks of speculation as you know. And so we very much look forward to the budget in that context, as effectively a clearing event that means we can then get on with business, get on with the growth ambitions that we have as an organisation and that we hope to contribute to in respect to the UK.

We have no particular insight as to exactly where the government will come out in terms of its various choices it might face into in the budget. We do note, as said, it's pro-growth stance and we very much hope that the net, if you like, of all that the government does during that budget will be consistent with that pro-growth ambition.

Now you asked about our involvement. I mean we, as obviously a major player in the UK and with our purpose of helping Britain prosper, have a strong interest in where this comes out, in particular in the context of encouraging growth within the UK. If it is the case that the government chooses to come out with measures that are positive, if you like, or supportive of housing ambitions, of infrastructure ambitions, of energy transition ambitions, then we will find that obviously presenting opportunities for us to get involved and to promote the growth agenda that we all want to see happen over the course of the coming months and years ahead. So certainly we'll look at the budget with interest. We'll look forward to it being a clearing event, providing clarity, providing certainty, and we look forward very much to being supportive of the growth ambitions that we hope the government will launch.

Amit Goel
Thank you.

Question 9 – Ben Caven-Roberts, Goldman Sachs
Thank you very much. So just on completion margins for mortgages, you've indicated that a recent activity had been around 70 basis points or a touch above. Just curious, is that broadly consistent with the level you're baking into your returns guidance moving ahead or do you see any potential for a further strengthening there?

And then secondly, just in terms of operating costs looking ahead, your sub 50 per cent cost income ratio target for 2026 still sits a fair bit ahead of consensus. Do you think there are any elements of your strategic initiatives which are perhaps a bit more back-end loaded, or should the progress on mitigating cost growth driven by inflation and investment be relatively linear from here?

William Chalmers
Yeah, thanks, Ben. I'll take each of those in turn. Completion margins, as you say, are a touch ahead of 70 basis points or thereabout, so that's an overall, as said, pretty constructive picture which allows us to write EVA positive, economic value added positive, business both on a marginal basis and a stock basis at that, as said, just a touch above 70 basis points. Overall, while overall pricing might've been a bit volatile, it's good to see that that margin performance has been pretty consistent actually over

the course of recent periods. Not dissimilar to what we saw in Q2, a little bit stronger, maybe, not totally dissimilar to what we are seeing so far, at least in the context of Q4.

As we look forward, Ben, we've built in a more or less consistent picture in the context of our overall plans and that is what's behind, if you like, the convergence that we expect to see between new business that we're writing as the old business that rolls off as said with that headwind, more or less completed within the first half of 2026. So hopefully that addresses the point. The one point that I would add on to the back end of that, Ben, is that to the extent that we see pressure in mortgage margins beyond that, then I think we just like every other financial services organisation or at least every other bank would expect to manage the margin in a relatively realistic way. So if there is any given mortgage completion margins, you would likely see a bit of an offset to that in respect of other parts of the overall business, which in turn gives us continued confidence in the expectation around the NIM that I set out to '25 and indeed beyond.

Your second question, Ben, around the cost income ratio expectation less than 50 per cent for 2026. As you know, we set out ambitions for 2024 and 2026, hopefully very clearly. In the context of 2026, we've set out basically three main ambitions. One is a sub 50 per cent cost income ratio, one is an ROTE expectation of greater than 15 per cent, and one is a capital generation expectation of circa or above 200 basis points. So those three are the pieces of guidance that we've given for 2026 and again, as we said today, we have a lot of confidence in those. We reiterated the confidence earlier on today in exactly that commitment that we have made.

What's going on there? It is two or three things, but the main drivers of which are we see income is growing. We see income is growing off the back of a significantly greater structural hedge contribution as per my comment earlier on. We see income is growing off the back of increased added value from our strategic initiatives investments, £1.5 billion as you know, by 2026, number two, as well as a stable macroeconomic environment that we put out in our forecast today. So that combination delivers a materially stronger income picture going into 2026.

The second point that we see, Ben, is the overall cost picture starts to lead to a flatter cost base. Now a couple of points to make in respect of that. One is, as you know, we just like every other institution have been subject to a bit of inflation in the cost base recently off the back of macroeconomic trends. Now that's still there. It's still to an extent at least requiring us to tightly manage cost measures to at least partially offset that. The other thing that's going on in our cost base is that we're investing heavily and as you know, depreciation lags cash investments, which means that a bit of that carries on going into 2025, but then by the time getting into 2026, the depreciation pressure, if you like, is starting to slow down.

And so off the back of that, together with the benefits from the strategic investments in savings that we're making, you've heard me talk about severance, for example. Today we're making a lot of technology investments in our ambitions to ensure that we have an efficient cost base. It's that combination which leads to a flatter cost base by the time we get to 2026. Again, not flat but flatter. The combination of the income growth points that I've made together with the cost points that I've just made leads us to have a lot of confidence in our 2026 commitments as outlined just now and also earlier on in the session. It does however mean though, Ben, that 2025 looks more like 2024 than it does like 2026. So this is not a linear journey. It's going to tick up notably in 2026.

Ben Caven-Roberts
Thank you.

William Chalmers
Thanks, Ben.

END

FORWARD LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify 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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