STRATEGY UPDATE: DEVELOP OUR CORPORATE AND INSTITUTIONAL BUSINESS TRANSCRIPT
(amended in places to improve readability only)

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LBG:
Charlie Nunn, Group Chief Executive
John Winter, CEO, Corporate & Institutional Banking
Carla Antunes da Silva, CEO, Lloyds Bank Corporate Markets
Douglas Radcliffe, Group Investor Relations Director (moderator)

CHARLIE NUNN, GROUP CHIEF EXECUTIVE
Good afternoon, everyone, and welcome to the second of our four investor seminars focusing on our strategic growth priorities. Following our session on our consumer business in October, we will today focus on our corporate and institutional franchise, CIB. We're making great strategic progress in an area where we have placed renewed focus in recent years.

We're excited to provide you with more detail on our performance and plans in this important growth area. I'm joined today by John Winter, CEO of CIB, and Carla Antunes da Silva, CEO of Lloyd's Bank Corporate Markets, our non ring-fenced bank. Like last time, I'll provide a few introductory remarks about the businesses and then I'll hand over to John and Carla. Following the presentation, we'll have plenty of time for your questions. Let me start on slide two.

SLIDE 2 – CIB IS CORE TO OUR GROUP GROWTH STRATEGY
The key messages I'd like you to take away from today's session are as follows. Firstly, CIB is a core part of the group's growth strategy. We've made a strong start in this area and we're on track to achieve our targeted strategic outcomes. Secondly, CIB plays a critical part in supporting on our purpose of helping Britain prosper, and this is delivered across the breadth of our business. These activities are vitally important to creating a more prosperous and fairer society. John and Carla will expand on some of these themes shortly. Thirdly, we've delivered significant revenue growth over the last two years supported by momentum across all of CIB's business areas. Fourthly, our strategy is built around our clear cash debt risk management offering with a particular focus on transaction banking and markets. We are deepening and expanding client relationships as well as providing a platform for broader group collaboration. And finally, based on our strategic initiatives and broader growth opportunities, CIB is making a growing contribution to the group's revenues. Importantly, this represents a significant other income growth opportunity.

On slide three, I'll provide an overview of how CIB contributes to the wider group.

SLIDE 3 – DEVELOP OUR CORPORATE AND INSTITUTIONAL BUSINESS
Our CIB business is part of our externally reported commercial banking division. CIB accounts for roughly half of commercial banking income and is focused on serving our largest clients. Our CIB franchise provides a wide range of solutions to clients across its core business areas that span lending, transaction banking, and markets. It is also an enabler for the rest of the group. This includes providing support services to other areas such as our treasury activities, as well as connecting clients to our broader group offering.

We have clear participation choices with the strength of our business lying in our simple connected model. As you've heard from me previously, we are not looking to expand into regions or areas where we do not have sufficient scale, capability, or there is a clear link to the UK. This ensures that our ambition is bold but grounded.

I'll now close my brief introduction with an overview of the growth opportunity we see on slide four.

SLIDE 4 – CLEAR CIB GROWTH OPPORTUNITY FOR THE GROUP
Our CIB business may be lesser known than other areas of the group, but it is no less established. CIB is built on the base of strong client relationships. We are a national champion supported by leading capabilities in core areas such as Sterling DCM, UK infrastructure and project finance, and sustainable financing. We're also a leader across certain core sectors such as social housing and higher education. As a result, we are recognised and a trusted partner for our clients and differentiated versus our peers. Despite these strengths, there is a clear opportunity to unlock further growth in this space. Our strategy is focused on deepening and expanding client relationships across our main business areas, as well as increasing connectivity with our broader group offering in areas such as workplace pensions.

Successfully executed, CIB will prove to be an important source of group revenue growth and diversification. Indeed, it is expected to deliver around 25 per cent of the group's additional strategic revenues by 2026. This is being achieved through less than

10 per cent of the group's incremental investment spend to 2024, representing a strong return on investment. Importantly, this will be delivered in a capital efficient manner.

And so with that, I'd now like to hand over to John to talk you through our strategy in more detail.

John Winter
Thank you, Charlie, and good afternoon everyone.

SLIDE 6 – CIB IN CONTEXT
I will begin with an outline of our CIB business today and then discuss why we are well-placed to be a growth engine for the group going forward.

Our CIB business is built upon strong foundations with over 85 billion pounds of deposits and 57 billion of lending across roughly 3,000 clients. Our scale translates into a meaningful contribution to the broader group performance.

As Charlie mentioned, CIB revenues account for circa 50 per cent of commercial banking revenues and around 15 per cent of total group revenues. It also contributes around 25 per cent of group OOI with opportunities for further growth. In terms of geography, as you would expect, we have an exceptional UK presence with approximately 70 per cent of our income generated from UK domiciled clients. 30 per cent of our revenues come from non-UK domiciled clients, which provides a welcome geographic diversification of revenues.

Outside of the UK, we have local expertise in the deep capital markets of Europe and the US. Here we are focused on supporting UK linked clients on a broader spectrum of activities in their key geographies and facilitating foreign direct investment into the UK. In turn, this supports the UK economy and demonstrates one way that CIB is a key contributor to our purpose of helping Britain prosper.

On slide seven, I will provide more detail on our business mix and why we think this leaves us uniquely positioned for growth.

SLIDE 7 – COMPLEMENTARY AND DIVERSIFIED CIB VALUE PROPOSITION
We have a diversified client base and a focused business mix. CIB's revenues are split roughly 50/50 between our corporate and institutional clients. Our corporate clients typically have the deepest relationships with our lending and transaction banking businesses, while the needs of our institutional clients are mostly met by transaction banking and markets businesses. Our integrated business model enables us to effectively serve both client groups and provides a strong platform for growth.

Our business model is reassuringly simple with disciplined participation choices within our cash debt and risk management framework. Lending typically acts as the entry point for many of our corporate relationships. Transaction banking serves the core payment and cash management needs of our clients, and our markets businesses support clients in accessing liquidity in the debt capital markets and in hedging their FX interest rate and commodity exposures.

Our clear value proposition is focused on effectively supporting our client needs in these three areas. We see this highly focused approach as a key differentiator for our business relative to our competitors. To put it simply, we have the right client base and business model to effectively compete and unlock growth. We are developing this within one of the leading commercial banking franchises in the UK.

On slide eight, I'll provide an overview of our significant growth opportunity.

SLIDE 8 – CLEAR OPPORTUNITY TO CREATE ADDITIONAL VALUE
As I highlighted, we operate across three businesses, lending, transaction banking, and markets. At its core, our most significant growth opportunity stems from the fact that we have the smallest markets business and least developed transaction banking business amongst our peers relative to the size and strength of our UK client base. We are investing in these areas to meet the banking needs of a greater proportion of our clients. We are not building an investment bank.

This can be achieved through increased engagement and enhancements to our offering, maximising the strengths of our complimentary and diversified client base and business mix. To scale this opportunity, we generate roughly three times more value where our clients hold relationships with two of our CIB business areas rather than just one. This increases to eight times on average when a relationship involves all three businesses. 50 per cent of our client base only has a relationship with one business, so meaningful growth potential exists. This focus on deepening client relationships represents a significant, capital efficient revenue opportunity and is a key reason Charlie made the decision to form CIB.

Encouragingly, we are already beginning to deliver on this opportunity, as you can see on slide nine in our financial performance.

SLIDE 9 – DELIVERING SUSTAINABLE GROWTH

Total revenue growth of more than 50 per cent and OOI growth of over 20 per cent since 2021 is the result of strong broad based momentum across all our main businesses. Only a small proportion of this growth is linked to our current strategic initiatives. We have generated this revenue growth while also focusing on cost efficiency.

Our cost to income ratio of circa 55 per cent is compelling relative to our peers and is supported by a disciplined approach to strategic investment. Additionally, we have a prudent risk appetite supported by a robust risk management framework. This has been demonstrated by our consistent financial risk performance over many years. We are also making solid progress on improving our risk and control environment for non-financial risks. Our commitment to capital efficiency is demonstrated by our targeted allocation choices and clear commitments regarding RWA growth. Combined, these factors have strengthened our returns profile with our return on tangible equity being in excess of 10 per cent. Looking ahead, we believe we can continue to contribute meaningfully to the group's return targets.

Let's now look at our strategic priorities on slide 10 and our progress towards meeting the 2024 objectives we set in February of 2022.

SLIDE 10 – ON TRACK TO ACHIEVE 2024 OUTCOMES

The strategic initiatives we outlined focused on enhancing our product offerings to better meet client needs and increasing balance sheet velocity to limit RWA growth. These initiatives are being delivered alongside our clear sector focus, supporting clients that align to our purpose and capabilities.

We are also committed to addressing new opportunities, such as supporting the UK's position as a global leader in sustainability and the net zero transition, but doing so in a commercially viable way. We are delivering this through extensive sector specific support for ESG financing and advisory. These activities are clearly supportive of our purpose, but also offer compelling growth opportunities. Our strategic initiatives are supported by around 200 million pounds of incremental strategic investment and are anchored by our four targeted outcomes set back in 2022.

I am pleased to say we are making great progress against these objectives to date, including delivering over 11 billion pounds of sustainable financing and growing OOI by more than 20 per cent since the end of 2021. Despite the strong income growth that we have seen to date, we have maintained RWA growth below three billion pounds on a net basis, and this remains on track as we look ahead to the end of 2024.

On slide 11, I will cover how these strategic initiatives support our financial performance.

SLIDE 11 – STRATEGIC INITIATIVES CONTRIBUTE TO CIB GROWTH POTENTIAL

Our strategic initiatives deliver a very strong return on investment. We are investing less than 10 per cent of the group's incremental strategic investment through 2024 with material revenue upside. Investment is prioritised towards our core business areas further supported by digitization and active portfolio management. This investment is enabling us to deliver more comprehensive solutions for our clients and increase our competitiveness in priority areas such as transaction banking and markets. For example, investments in our financial markets platform allow us to deliver a more broad and scalable product set across rates and FX, thereby meeting more of the hedging needs of our clients.

The revenue contribution from our strategic initiatives is material, with CIB delivering around 400 million pounds of additional revenues for the group by 2026, with 200 million expected to be delivered by year-end 2024. This growth includes a strong OOI contribution. However, this growth from strategic initiatives represents a subset of a much broader revenue growth opportunity for our business. This growth is already materialising in some of the numbers I showed you earlier.
With this in mind, slide 12 looks at how these business initiatives contribute to our broader strategic thinking.

SLIDE 12 – STRATEGIC PRIORITIES ADDRESS CLEAR GROWTH OPPORTUNITIES

We have prioritised three key levers to unlock further franchise value and generate significant revenue upside. The first of these is to deepen our existing client relationships. Our existing business is currently weighted towards lending and deposits, and we have opportunities to meet more of our existing client needs, building on our significant reach and leading market positions. Doing so will enable us to build diversified and sustainable revenue streams.

Secondly, we are focusing on our institutional franchise. As a national banking champion with an integrated business model, we are well-suited to meet the needs of this client group, an area where we have historically been underrepresented. These institutional clients are important for supporting our ongoing efforts to maintain capital efficiency. Thirdly, there is a significant opportunity to connect our CIB relationships with the wider group and generate higher value. Opportunities include leveraging our position as a leading provider of workplace pensions as well as vehicle leasing and financing. To deliver these opportunities, we are investing in our cash, debt and risk management offering to ensure we offer compelling and competitive propositions for our clients.

Let's take a closer look at these three priorities starting on slide 13.

SLIDE 13 – DEEPENING CLIENT RELATIONSHIPS

Our strong client relationships are the foundation of our success. Our 3,000 client relationships include a significant portion of organisations with over 100 million of turnover in the UK, as well as many large corporates, banks, asset managers, and sponsors globally.

Our client relationships are the bedrock of our CIB franchise. Encouragingly, our clients tell us that there is significant additional upside amongst these relationships. Around half of our clients have a relationship with only one element of our offering across lending, transaction banking and markets. This cross-selling opportunity can be unlocked through greater collaboration across our coverage and product teams maximising touch points across our clients to deliver additional solutions. We are already seeing the benefits of this in our client conversations today, allowing us to add significantly more value in these areas.

On slide 14, let's cover the benefits of expanding our relationships with institutional clients.

SLIDE 14 – EXPANDING INSTITUTIONAL COVERAGE

Our institutional client base generates circa 50 per cent of CIB income but comprises only 30 per cent of clients by number. Earlier this year, we created a dedicated institutional client coverage team to ensure a specific focus on enhancing and growing our institutional business. We see many of these clients as a natural fit for us and collaborate, transact, and indeed compete with many of them every day, whether it be as trading counterparties, for sourcing assets, or for enabling balance sheet de-risking.

We have an opportunity to expand and strengthen our institutional franchise, increasing our wallet share relative to our size, such as through regular transactional flows with our FX business. Our institutional clients are highly complimentary to our corporate clients, especially in our markets businesses.

Our institutional clients also provide the ability to increase balance sheet velocity through risk distribution activities, including originate to distribute. Distributing innovative assets to our institutional clients is an excellent way to strengthen our relationship with them and often facilitates cross-selling opportunities. By expanding our institutional footprint, we are building additional OOI accretive, capital efficient relationships. As ever, our participation in this area is supported by a strong risk management framework and risk appetite.

Finally, let's look at our broader group collaboration opportunities on slide 15.

SLIDE 15 – DRIVING GROUP COLLABORATION OPPORTUNITIES

Beyond traditional CIB opportunities, we see the breadth of our group offering as a unique differentiator. In February of 2022, we stated that CIB clients generate an additional 500 million pounds of income for the rest of the group. This additional group-wide income is not captured in the CIB financials we are discussing today.

Interestingly, around 70 per cent of our clients have no relationships with the wider group, providing an opportunity for us to broaden more of our relationships.

For example, we are a leading provider of workplace pensions through Scottish Widows and manage several such schemes for our CIB clients. However, around 20 per cent of our client base use an alternative provider, which represents a meaningful opportunity for us.

Additionally, in transport, we are the number one provider of vehicle leasing and financing in the UK and have strong business flows with many of our clients. Looking ahead, the acquisition of Tusker and its salary sacrifice proposition provides us with an opportunity to meet even more vehicle leasing needs. Echoing the opportunity Jas outlined last month.

Our Citra business also offers new opportunities for our house building clients, whilst at the same time building a new revenue stream for the group and delivering on our purpose.

Finally, we're working more closely with the rest of the group to deliver its RWA and balance sheet optimization and funding activities which drive synergies by capitalising on our internal expertise.

We also provide services to BCB businesses with growing clients within this segment having a potential pathway to CIB over time. Through all these activities, we expect to generate additional value for the group over the course of the plan.

To summarise, we have strong client relationships across the breadth of our business and are a leader in the businesses and sectors that we participate in. Our growth opportunity is focused on meeting more needs of our corporate and institutional clients, as well as connecting more of these relationships to the rest of our group offering.

Thank you for listening. I will now hand over to Carla to take you through the business initiatives that will contribute to this growth in more detail.

Carla Antunes da Silva
Thank you John, and good afternoon everyone.

SLIDE 17 – INTEGRATED AND COMPREHENSIVE CLIENT APPROACH
Now that you have a sense of our sizable growth opportunity, I'd like to show you how these will be delivered through our three businesses: lending, transaction banking, and markets.

These businesses comprise our integrated and comprehensive cash, debt, risk offering that allows us to meet the core requirements of our clients. Whilst we have delivered growth in all these three areas, as you've heard from John, we are repositioning our businesses to reduce reliance on lending, which is weighted towards NII and is therefore more capital intensive.

To this end, the proportion of our CIB income generated from transaction banking and markets has already increased by around 10 percentage points since the start of 2021 even though lending has grown meaningfully in absolute terms during that same period. This repositioning has contributed to the more than 20 per cent increase in CIB's other operating income that John mentioned and gives us confidence we will meet our '24 targeted outcomes.

Looking specifically by business, we are maintaining our strong lending relationships and using these as a platform to meet additional needs that deliver ancillary income. At the same time, within transaction banking, we are leveraging our market leading capabilities across cash management and payments to deliver durable and stable revenue streams.

And in markets, we are partnering with clients across a greater proportion of their capital markets and risk management activities, investing in our platforms to deliver a more modern, robust proposition. I will discuss each of these in detail over the next few slides.

Let us start with lending on slide 18.

SLIDE 18 – DISCIPLINED LENDING BUSINESS
For most of our corporate relationships, lending acts as the entry point to our group. Within lending, we have extensive capabilities across the capital stack, providing our clients with revolving credit facilities and term loans to support their day-to-day operations and CapEx, as well as more complex lending such as asset securitizations.

Our lending book is diversified by sector and is high quality with 80 per cent of our customer lending being investment grade. Our teams manage the portfolio with robust through the cycle discipline, limiting sector, or single name concentrations.

Additionally, our portfolio management team undertake extensive capital optimization activities, including significant risk transfer transactions. This enables risk-weighted asset relief and optimises our balance sheet, ensuring we meet our '24 targeted outcome of less than 3 billion risk-weighted asset growth. It is also an attractive offering for our institutional clients.

As John outlined in his strategic overview, our sectoral focus is aligned to our purpose, driven by key themes including climate transition, access to quality housing, and regional redevelopment where we provide our clients with innovative commercial solutions.

For example, we've maintained our league table position as a leading provider of finance to the infrastructure and project finance sectors in the UK. Separately, we are one of the only financial service providers operating across the UK housing ecosystem, including our longstanding commitment and support for social housing.

The group has been an early leader in the energy transition in the UK, financing our first ever offshore wind farm back in 2009, and since then we funded over 20 projects.

Looking ahead, we are building on this expertise by developing detailed net-zero strategies and targets for our high emitting industries, which we then use to engage our broader clients and address new growth opportunities.

Our corporate lending relationships are more risk-weighted asset consumptive, making it key that we are able to develop broader relationships with these clients in order to meet our return ambitions. We intend to achieve that through greater connectivity with our transaction banking and markets businesses.

Let us now turn to the opportunity in transaction banking on slide 19.

SLIDE 19 – EXTENDING COMPETITIVE ADVANTAGE IN TRANSACTION BANKING

We have a market leading transaction banking proposition with broad capabilities spanning liquidity, payments, trade, and working capital.

Our scale and expertise in this area is demonstrated by the fact that one in every three payments in the UK are processed by the group. The benefits of our investment to date are evident. For example, we are delivering a significant improvement in tender wins from one in 10 back in 2017 to three and five today. Additionally, our award-winning offering is being recognised across the industry.

Looking ahead, we see further opportunities for growth. This includes maximising value from our leading cash management and payments platform. This platform provides a comprehensive view of our client's treasury functions with a seamless experience that embeds our capabilities into their existing platforms.

Acting as a client's primary banking partner is critical to the success of our CIB strategy, as it enables us to develop much deeper relationships, providing us with the insights to partner on further solutions across their business needs.

Around 70 per cent of our clients trade internationally. We are well-positioned to support them with access to working capital and risk mitigation across their supply chains, facilitated by partnerships with banks across multiple geographies where we see further opportunities to grow share.

At the same time, we are leveraging data to provide client insights, particularly in the retail sector, benefiting from our connectivity with the rest of the group. Through these actions, we have grown our CIB deposit base despite competitive market dynamics and see further upside.

Finally, let me now move on to our markets franchise starting on slide 20.

SLIDE 20 – WELL POSITIONED MARKETS FRANCHISE

Our markets franchise is built on two complimentary businesses: capital markets and financial markets.

Our capital markets business supports our clients in raising long-term funds in Sterling, Euros, and US dollars, as well as related credit trading and rates risk management on the back of issuance.

Financial markets supports our clients with risk management across FX rates, repo, and commodities. We have leading market positions across several product types, including Sterling interest rate swaps, and DCM, as well as repo.

Our Lloyds Bank Corporate Markets business is a top five sterling interest rate swap counterparty and we support the UK DMO on their guilt issuance. With both capital and financial markets sitting in the same business area, we adopt a holistic approach to financing and risk management. This allows us to meet client needs in one place within our sophisticated risk and compliance framework.

Our CIB markets business also acts as a centre of excellence for the broader group supporting access to funding and balance sheet management. This is a clear example of synergies that exist across our business and how investing in one part of the group can support other areas. From a financial perspective, our markets business delivers a diversified OOI-focused revenue stream with an attractive returns profile.

To close, on slide 21, I'll outline the strategic actions we are taking and our progress to date in markets.

SLIDE 21 – STRONG PROGRESS IN MARKETS WITH FURTHER UPSIDE POTENTIAL
We have made great progress across markets over the past couple of years and there is potential for further upside.

Within capital markets, given the majority of UK PLC debt issuance is euros or dollars, we have recognised the importance of building a presence in these markets to better serve our clients. Testament to this, we have outperformed the market in key product lines across our main currencies, including being ranked number one in structured finance. We have also seen significant growth in euro and dollar issuances, with our FI DCM teams supporting twice the number of transactions so far this year versus the same period last year, as well as being a top five franchise for sustainable issuance.

We have seen similar strength in our financial markets business. Executed FX volumes have increased significantly since year-end 2021, well above market growth, deepening our share of wallet. Similarly, in inflation-linked gilts, our volumes have grown well above the market and we maintain a top 10 position.

With regards to future opportunities, our strategic priorities in financial markets are focused on broader and more effective participation in core product areas such as FX and rates. Whilst investment in technology enables us to improve our pricing, risk management, and efficiency to drive long-term sustainable growth.

Linked to this, the investments in our markets platform will enable us to support institutional clients across more of their needs and expand our footprint. These increased flows will benefit corporates with an enhanced service demonstrating synergies between these two client groups. The sustained performance we have delivered in markets and across the rest of the business is demonstrative of the strategic progress we are making. It provides us with confidence for future delivery.

We are executing our strategy, unlocking a meaningful future revenue opportunity, and providing diversification benefits to the group. Thank you for listening. I'll now hand back to Charlie to summarise.

Charlie Nunn
Thank you Carla.

SLIDE 23 – CONFIDENT IN CIB OUTLOOK
So, in summary, our CIB business is core to our growth strategy at the group level. Based on the performance that we've seen to date, combined with our plans, we are confident in our outlook for the CIB business.

We've seen more than 50 per cent revenue growth since the end of 2021, supported by the momentum across all businesses. Contributing to this, we are making good progress against our strategic priorities and are on track to deliver around 25 per cent of the group's additional revenues by 2026.

At the same time, we're focused on maintaining capital efficiency and are committed to limiting net RWA growth to less than 3 billion pounds between 2021 and the end of 2024. Despite the strong revenue growth we've delivered, we very much remain on track in this regard.

Taken together, these actions will support group income diversification and our group return on tangible equity objectives whilst continuing to deliver outcomes that align with our purpose of helping Britain prosper.

Thanks for listening. I'll now hand over to Douglas who'll facilitate the Q&A session.

Douglas Radcliffe
Thank you Charlie. We appreciate that it has been a busy afternoon for you all. So we have allocated 45 minutes for today's Q&A session. If you're joining us by phone, please press *1 if you would like to ask a question.

For those joining via the webcast, please use the messaging icon at the top of your screen to submit a question. Please try to limit yourself to two questions. Okay, so let's begin. Our first question today is from Rohith at Bank of America.

Rohith Chandra-Rajan, Bank of America
Afternoon everybody, and thank you very much. I do have two, please. The first one's on your clients, and particularly just to understand a little bit better what the cross-sell opportunity is. So you mentioned that you have 50 per cent of clients only have one product relationship with you. Do you have a sense of how many might actually need all three or is it really moving the chunk of that 50 per cent from one to two product relationships?

That was the first question. I guess sort of linked to that actually is just on the revenue mix, the 50/30/20 transaction lending and markets. You mentioned de-emphasising lending, so how much further should we expect that to evolve if you are successful I in executing the strategy? Thank you.

John Winter
Sure, thank you for the question. Maybe the best way to answer the cross-sell is to give you an example of how we're working today and compare it to how it worked in the past. So using an airline example, one of our airline clients, they did a sustainability loan with us, an SLL. It has metrics in there where their coupon can change depending on whether they hit some of their sustainability targets. Normally in the past, we would've just made the loan and said, that's great, it's a good loan and we move on. But that then triggered a broader conversation around FX opportunities. So we ended up doing a sustainability-linked FX hedging transaction where if they hit their sustainability targets, they have a cost-saving on their FX, that then also triggered another conversation with them about trading carbon credits in the carbon emissions market. And so we executed their first carbon emissions trade as a result of that.

So I think that's a nice example of various ways we can interact with them and build on the relationship we've had. So what does that mean in terms of going from one product to two or three? We believe we can get the majority of our clients to three because we think we have something to add in all three categories, but it is difficult to predict.

In terms of the revenue mix of 50/30/20, one of the priorities that you've heard from all three of us is the importance of growing our other operating income. And the CIB business, and in particular the products in LBCM that Carla looks after, are a big source of OOI growth for us.

So we see, as revenues grow in all three areas, we see the faster growth coming in the transaction banking and markets and the slower growth in the lending side. So it's likely over time you'll see the percentage of income in that lending bucket decline as a percentage, but still have overall net positive increase. Carla, do you want to talk a little bit about the prospects for OOI growth and some of the things we're doing in the markets business as well?

Carla Antunes da Silva
Thank you, John. Yes, so the markets business contributes a meaningful OOI contribution, both to CIB and to the group. And so we plan to have more growth there as well. And I think the growth we've seen so far in terms of the markets area is really predicated on probably two or three areas that I would highlight. One is deepening client relationships. So to what John has just said, the dialogue with these clients has been much more interlocked and I think the creation of CIB allowed for that, probably unlike it did in the past, so it's much more seamless. And actually within those conversations, the clients are also using us beyond our traditional UK-centric capabilities. And so what you've also seen is more business done in terms of issuance, et cetera, in dollars and euros. And so that is a greater share of wallet that's simply wasn't there. That's why you see those growth rates outpacing that of the market as we catch up on that.

I think also the focus on institutional clients has meant that there's more circular argument between what corporates are doing and also what institutional clients are doing. And so that's also helped and I think there's still further potential on that. And in particular because of what the group also has to offer, whether that's through our treasury function, whether that's through our Scottish Widows conversation. So again, the link there probably has more potential than in maybe some other businesses which don't have those characteristics. And I think the third one I would also link was the investment. So the investment in the platforms has allowed us to do a greater scale with more resilience as well for greater trades and larger trades than we would've done in the past. So that is also keeping up with the client needs.

Douglas Radcliffe
Thank you, Carla. Thank you, John. The next question we have on the line is from Andrew Coombs at Citi.

Andrew Coombs, Citi
Follow up question on the revenue split. So 50 per cent transaction banking, 30 per cent lending, 20 per cent markets, you've talked about how you see that growing from here, but if we look backwards, I would be interested in that split three years ago. I'd imagine that the vast majority of your growth has come from transaction banking as a function of higher rates. So perhaps you could tell us how that split has evolved over time. That would be very helpful.

And then more broadly, you've talked about expanding in institutional clients. I kind of understand your business rationale from a corporate side where perhaps you own the lending relationship with the UK corporate, but what is your USP when it comes to the markets business, for example, in expanding that institutional footprint? How do you think you can compete with some of the bigger capital markets names that are out there? Thank you.

John Winter
Thank you for the question, Andrew. In looking at the revenue split going back a couple of years, the proportion of lending income was higher, markets was lower, and transaction banking was lower. So the shift in percentages have been, while an overall growth of 50 per cent over the last couple of years, the proportion of that growth coming from lending has been by far the smallest. And you're right, transaction banking has benefited, our deposit base has benefited, from the increases in base rates, and that has been a nice tailwind for us. However, we've also seen dramatic growth in our markets platform as well. Within that, as we look ahead, our revenue growth is not just linked to changes in base rates. We are shifting the quality of our business mix, our quality of our revenue mix, as we've talked about.

And even within our deposit base, we now have something we didn't have two years ago, which is a market leading cash management and payments product. Carla referenced in her presentation how two years ago we used to win, several years ago we used to win basically one out of 10 mandates, and now we've gone from that kind of hit ratio, if you will, to three out of five. So it's a really dramatic increase in the quality and that really is down to the investments we've made over many years into our cash management and payments business. Interestingly enough, also when I talk about transaction banking, we oftentimes include trade finance in that, our trade finance business has really had a fantastic year and has benefited from multi-year investment and our ability to do digital trade transactions. In fact, we won Trade Bank Of The Year in the UK this year, as well as Digital Transaction Of The Year. So looking ahead, we think we can continue to grow revenues in the right areas, regardless of what happens to base rates.

In terms of institutional clients, one of the things that I've been very impressed by since I've come to Lloyds is how interested so many clients are at doing business with us. We are the national champion of the domestic UK market. So whether it's being, number one in structured finance, we originate and distribute a lot of products that institutional investors want. We are a top gilt-edge market maker in the gilt market. A surprising percentage, around 45 per cent, of investors in the gilt market historically have been headquartered outside the UK. And our role there is really important. We also, across the group, have many different parts of the group that institutional clients are interested in transacting with.

So for example, our insurance business in its own right is a client to us in CIB and is also a client to the street, and the management of Scottish Widows and ourselves work very closely together to align our client priorities and give business to the clients that really are doing a good job for the group, not just one area. And then finally, when you look at other parts of the group, for example, we work a lot with some of our asset management clients around our mass affluent business. They're interested in finding access to that, distributing, coming up with savings products that can be used by our mass affluent clients.

And I could go on about this for a lot longer, but whether it's a bank, an asset manager, an insurance company, hedge fund and so forth, we have something that is relevant to them and it's been a very, very pleasant surprise to me to see how much interest there is in doing business with Lloyds. Carla, you want to comment?

Carla Antunes da Silva
So the capital markets and financial markets are two different businesses, but they work very closely, they're very complementary. And frankly, they focus on the things that they're real experts in. So if you look back, and I think it was on the slide that showed you the different business areas, on the capital markets, it's really around when a company needs to have a debt solution for some reason. Maybe it's an M&A acquisition, maybe it's a restructuring. And so what we come in with is either for the issuance needs through the DCM, through our securitisation team where we have a very strong team and a very strong offering, and also through our rate solutions.

So from that point of view, you have a very concentrated and expert offering that we go with. And we don't do other things that others might do, so we have much more tailored conversations. Then moving on to financial markets, the same happens again. We have strong presence in terms of our rates, our FX, our repo and the commodities business. But again, we won't travel everywhere, and I think that makes a difference when actually clients are looking for an expertise in the areas that we are present in.

Douglas Radcliffe
Thank you, Carla. We have another question on the phone. The next question is from Ed Firth at KBW.

Ed Firth, KBW
Yeah, thanks very much, and very helpful presentation. I guess I had two questions. The first one is, a number of big UK banks have been stepping back a little bit from markets businesses generally. And I guess another of the very big players is reviewing the whole thing at the moment, if I read the FT correctly every morning. I just wondered what your sense is in what you're seeing at the front end in terms of the market dynamics. Are you finding it a less competitive market? Are some people stepping back

from some of the areas where you've got expertise? Is that either helping you in some way or hindering you in some way? And I was very interested to get your sense as to what you're seeing on the front line in that area. That's my first question.

And then I guess the second question is, it's a sort of perennial question, I guess, from investors, but you highlight you're targeting greater than 10 per cent return on tangible, which is quite a way below the group target. I mean, the group is, what? Greater than 14 per cent, so there's a reasonable gap there. I mean, do you see potential over time once the growth starts to mature to start closing that gap? Or do you think we just have to accept that this is a business which structurally is less profitable? And I guess related to that, I mean, some of these disclosures are super helpful, but it's always frustrating to get them as a sort of one snapshot. I mean, is it possible to start giving us the sort of CIB business separate from commercial going forward? Because obviously, the dynamics of this versus the rest of your franchise are quite different, and I think it would be very helpful for people going forward. Sorry, that's a bit of a ramble. I hope that makes sense.

John Winter
Thank you, Ed. Makes perfect sense. So let me take them in order, starting with the markets business at some of our UK competitors and other banks. Is some of the decisions they're making around shifting away from the market and so forth, is that impacting us or making the market here less competitive? The answer is no. The markets are very competitive.

But one of the things that I think is very clear in some of the choices other banks are making is they feel like they have options to be in different markets. For us, the UK is our market. There is no plan B. We're absolutely committed to the UK and the market's in the UK, so whether it's the gilt market, the new issue market and so on, we are in these markets and we're not going anywhere. And we think that there is no reason for us to have the smallest markets franchise amongst our peer group in this country compared to the size of our commercial banking franchise. So sadly, it's not becoming less competitive, but there is no plan B. We are committed to the UK and investing in these markets.

Regarding ROTE, so we are covering our cost of capital. We are meaningfully contributing to the group's 13 per cent ROTE target in 2024, and the group's greater than 15 per cent ROTE target in 2026 and beyond. That's in our plans and we absolutely have the ability to do that. Just going back to the presentation, this is not a traditional investment banking markets kind of conversation. It is a corporate institutional banking business, which is the lending, transaction banking and markets franchise. I've been in the UK now for 31 years, and that combination of businesses, I believe is absolutely the right model for Lloyds, combined with our absolute focus on the UK, this geography, and clients that have a UK angle to their business. And you see that our geographic choices, our client choices, and our product choices, we have absolutely a business which is not structurally unprofitable, which I'm very convinced can be ROTE accretive to the group and contribute to the group's objectives.

Douglas Radcliffe
Charlie, is there anything you want to add on business mix and portfolio from a returns perspective?

Charlie Nunn
Yeah. And I should talk about the CIB space, so thanks Ed for the questions. Just on ROTEs, as John said, comfortable with the overall group returns, and we think this is accretive. And as you've heard from John and Carla, the dynamics are that we think we can grow the top line, we can manage costs and capital efficiently and we can have a bias towards OOI. And when we look through the cycle, as you know, some businesses will be stronger at some points in the cycle and others will be weaker. And I'm managing a portfolio that delivers those strong capital returns through cycle. And we think this is a good part of that overall proposition.

The other thing John referred to is the extra 500 million of revenue that we're generating today, as we look to bring other products and services from the group and sell them to the CIB client franchise. That additional half a billion of revenue is not included in this ROTE number. And I know you said that, John, but if I were to look at it with my hat on, I'd definitely look at the value that brings for the rest of the group because this is such a unique set of relationships and it really helps us position those services with clients in a differentiated way.

You did ask about disclosure on CIB separately from the rest of commercial. I really recognise it's more challenging for you on this business. That's not our position today, so apologies. We haven't done that to date and obviously we don't have the plan to do that going forward at this stage. But I do recognise the question and that's obviously why having a session like this I hope is really helpful for you to start to understand the strength of the business that we're talking about.

Douglas Radcliffe
Thank you. We've got a couple of questions that have actually been submitted directly online. So the first one is from Jason Napier at UBS. He says, "Lloyds has been very disciplined in risk weighted asset growth over time. Could you talk to balance sheet

demand requirements of the CIB operations, including whether it makes sense to grow commercial RWAs faster than retail and the shape of the group in the medium term from a capital deployment perspective?" So I suspect there's both a commercial and a group aspect there.

John Winter
Should I take the commercial and then maybe hand to Charlie to take the group? So look, when I look at the CIB business. The first thing that jumped out at me is we have enough capital deployed given the current client base and product set that we have. So my commitment in running this business is to adhere to the less than 3 billion RWA growth between now and the end of next year. So that is the plan and we're well on track to do that.

As part of that, we are increasing balance sheet velocity in the business. We are much more actively managing our portfolio. So it's not just a steady state of take and hold kind of exposures, but we actually manage it very actively. Looking ahead, we think that there is scope to continue to really minimise RWA growth given the plans that we have. We continue to see relatively modest RWA growth. That's the key. The other thing that we're not doing, anticipating another question on this, is we're not going down the credit curve. We're not taking on more risks to get higher yield on the existing capital we deploy.

Charlie Nunn
Yeah. Just at the group level, I mean, the first thing to say is we have guidance out there today that says 220 to 225 billion of RWAs by the end of 2024. We're still really comfortable with that and as you can see from the discussion with John and Carla, that means we are recycling capital we have to deploy it to important relationships and to drive new growth as well as keeping existing assets that we've deployed against customers that we think are right for the group and profitable for our shareholders. So we're comfortable with the current guidance.

Jason, you asked about the balance between CIB and other parts of the group. As you know, we do have some growth in AIEAs and assets in some other parts of the group. It's been a bit slower in the current cost of living context and the current economic environment, but we still do believe that there'll be opportunities for growth in those areas in the medium term and that's absolutely part of what Lloyds Banking Group should do.

But in those other areas there are opportunities for more capital efficiency as well. And earlier this year we did a transaction on our mortgage business. Actually, this team helped us structure it. It was a market-leading transaction. It was a great example of collaboration. We've also continued to see that some of the legacy mortgage assets roll off. So I'm highly focused on with a 900 billion pound balance sheet, how do I continue to recycle to get more growth in the top line and returns for our shareholders. And then as we see opportunities to grow in this business and others, if I can do it with a distinctive proposition with strong returns, we'll absolutely do that and continue to grow Lloyds Banking Group. But thanks for the question.

Douglas Radcliffe
Another question we have, I suspect this is going to be both yourself, John and Charlie as well is from S&P. From a macroeconomic perspective, what headwinds and or potential tailwinds do you see helping and or hindering your growth plans and how much will upcoming regulation impact your goals?

John Winter
So from a macro perspective, there's two things that really what I would say are key to us in a CIB context. The first is the level of client activity is the biggest driver of volumes and ultimately revenues across our business. So oftentimes in a volatile choppy market, if that expedites client activity, we do more business. So a classic example I would say was March and April of 2020. COVID hit, volumes went crazy, right? Every corporate in the world was trying to borrow and so forth. So it's not necessarily a downturn in the economy or something that we can automatically read across is going to create challenges for us.

So in terms of that macro context, the second thing that I think really is important when we look at our business is what I always call the price of risk. So it's not what is happening generally, it's what is happening to the risk and how it's being priced in the markets we're operating in. And oftentimes the price of risk is the most compelling when the headlines are the most challenging. So in that way, I also think we have the potential to be somewhat counter cyclical to the general economic trends that may impact the behaviour of other parts and other businesses in the Lloyds Group.

Charlie Nunn
Thanks, John. Let me keep it focused on CIB, Douglas, rather than go more broadly, if that makes sense. A couple of additional things from my side. The first thing you've heard from the team here is we're building a business which is really linked to our client's real activity, real flows, real risk and hedging needs, and or activity across the whole business. Actually all three platforms

in the business. That means it should be a business that's more resilient, durable, I think was the word you used Carla in your presentation.

Now, we know, as you say, volatility drives, flows and FX, and rates and we'll see different margins on savings balances, but we are seeing opportunity to really get behind the transactional needs and the risk needs of our corporate and institutional clients. And that should create stability through the cycle with some of the volatility that comes. Now, we can then all work out if the macro changes and we see more or less activity. If rates go a certain way, either volatile up or down, we will see a different impact on our client's needs and therefore running through this business. But by design it is a more resilient business than we've seen.

I think one of the tailwinds we talked about separately from our execution, as we've seen interest rates go up, we've seen stronger margins on our stable funding and our deposits through our transaction bank and our cash management business. I won't go into detail in this discussion, but you all know that William and I have talked about the structural hedge and how we're building resilience over the next few years and actually for the rest of this decade into our margins on a liability side of our balance sheet. So that's a good stable source of income and funding and if this team can continue to grow the underlying transactions and the activity that our clients trust us with in those deposits, that'll be really helpful for us as we look at the activity. So I think that's one of the core tailwinds that we have.

In terms of headwinds, obviously, it's always the uncertainty around the economy and people pulling back on either investing in the UK de-risking their businesses and a lack of volatility. But as I say, we're building a resilient business to that. And what's great about Lloyds Banking Group is we have other businesses in the group that will be negatively correlated with the CIB business, which gives you the confidence that the group can continue to generate capital.

Douglas Radcliffe
Thank you, Charlie. We have another question from the phone lines. The next question is from Joe Dickerson at Jefferies.

Joe Dickerson, Jefferies
Hi. Thank you for taking my question. The question I have, it's similar to Jason's question. This is put a different way, which is do you think that through growing the CIB over the next several years that the capital intensity of the overall commercial bank can come down? Because if I look at things like the risk-weighted asset density and so forth, it's been relatively more or less stable over the past few periods. Do you think that this will help drive a more efficient commercial bank from a capital standpoint? Thanks.

John Winter
Yeah. Thanks, Joe. The short answer is yes, I do believe that. One of the things that I think is just the reality of banking is a lot of the transactions that our clients want to do. In providing that capital, we are not necessarily the best long-term holder of that capital, of that risk. And so structuring it, originating it, and then in some cases distributing it and then reloading is something that in my previous life I've done and I think is likely to be increasingly something we do here.

In addition, we are becoming just more capital efficient at looking at our existing exposures and finding ways to de-risk different parts of that. We've done a number of significant risk transfer transactions. Charlie alluded to one we had collaborated on for the group. So I think just within our existing book there's more capital efficient measures we will continue to implement as well as going forward, it's less likely that we will continue to hold as big a percentage of some of the risk that we originate as we have in the past.

Douglas Radcliffe
Thank you. The next question is another question that's been submitted by Raul at JP Morgan. What are your thoughts on the growth in private capital and the risks and opportunities it creates for your growth strategy over the medium term? And secondly, could you comment on the LDC business? How does that business fit in, if at all, with the opportunities you see and the growth ambition there?

John Winter
So I'll take the risks in private capital and maybe Charlie, you want to comment on LDC in a minute. I'll make a brief comment. But risk and private capital, look, a lot of our biggest clients are providers of private capital. And what we often find is they are desperate to have access to the client base that we have here in the UK and in other markets and around the world. So a number of these transactions, whether it's lending or other forms of private debt, go beyond what we can hold ourselves. So we are partnering with providers of private capital on an absolute regular basis.

Let's look at the transition in net zero in the UK for example. If we're going to come up with 1.4 trillion of finance over the next 20 years, to fund the UK's net-zero ambitions, we need every form of capital we can get to deploy into that. We think this is an opportunity for us where each bucket of capital can end up holding and focusing on what they're the most efficient provider of. And in many cases that is private capital in a number of ways. Regarding LDC, we collaborate with a lot of the clients that are part of that effort within Lloyds. But I don't know, Charlie, if you want to comment a bit more on that as well.

Charlie Nunn
I think that's the core message. So LDC is managed from a different part of the group, but really obviously it has close working relationships with Carla and John. There's lots of opportunity through the event business and those smaller businesses and what they're trying to do to take advantage of this team and we definitely look at that opportunity, but it's being managed in a separate part of the group.

Douglas Radcliffe
Thank you. There are a couple more questions. First of all, do you have any plans to expand activity into any geographies other than where you currently have presence, i.e. Europe or the States?

John Winter
The short answer is no. We are very focused on clients that have a strong link to the UK. US clients are the biggest foreign direct investors in the UK, various countries in Europe are a close second like France and Germany. And so we are very focused on helping facilitate that activity and building those relationships. We also have the realities, and Carla mentioned it in her presentation, roughly 95 per cent of the capital markets business UK clients do is denominated in euros and dollars. Sterling market is great, but it isn't big enough and deep enough to handle all the funding needs of our client base. So for us also to be relevant to our UK clients, having that capability in the US and in Europe, which we currently have is a core area for us.

What we do is talk to clients, cover clients, deal with clients outside of the US and Europe, which do business in the UK. Charlie and I met with a number of them yesterday at the global investment Summit. So we are open to doing business with clients in other parts of the world, but in terms of where our physical footprint is and our real focus, it is absolutely between the EU, the UK, and the US.

Douglas Radcliffe
Thank you, John. Another question that came online, which is probably more for Carla, I suspect. How big are your growth ambitions within the market's business and what differentiates you from competitors in this space?

Carla Antunes da Silva
Thank you, Douglas. So we won't be giving growth target ambitions for any of the businesses or for CIB that matter, but I think what's safe to say is the trajectory of growth that we've had over the last couple of years is really giving us the confidence that there is more potential and the conversations are getting deeper and deeper with those clients. And as I mentioned, the markets business is very complementary. We're going to stay focused in the areas that we have. And what's interesting is that increasingly what we have is conversations that go beyond. Going to the capital markets like John was saying, I think we've doubled the number of DCM issuances this year just in Euros and dollars for instance. So that gives you again an example of how that is. And within structured finance, again, for those clients who have got the UK link, they too are coming to us. And so there is a natural gap there in terms of market share that we're capturing. So I hope that we can continue to contribute actively to the OOI for the CIB and for the group because we're a meaningful part of that. And with that, we will also contribute to the group ambitions for '24 and '26 strategic outcomes.

Douglas Radcliffe
Thank you very much. That actually concludes all of the questions both from the phone lines and directly submitted. So if I briefly hand back to Charlie who can conclude with a brief summary.

Charlie Nunn
Great. Well, thank you Douglas. Thank you, John and Carla. It was great to have a chance to have an easy role sitting in the middle of the two of you this afternoon. And thank you everyone for joining today's presentation. It's really great to get the active participation in questions. We look forward to our third seminar in March 2024 where we're going to share more details on our mass affluent proposition and our insurance businesses. But of course before then, William and I are going to be doing the year-end results in February. We'll look forward to seeing you then and goodbye. Thanks once again for joining.

END

FORWARD LOOKING STATEMENTS

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