

UBS EUROPEAN CONFERENCE WITH WILLIAM CHALMERS – PRESENTATION TRANSCRIPT

(amended in places to improve readability only)

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William Chalmers, Chief Financial Officer, Lloyds Banking Group
Jason Napier, Head of European Banks Research, UBS (Moderator)

Jason Napier:

Well, good, good morning, everybody. My name is Jason Napier. I run financial research on the equity side at UBS. Welcome to the UBS European Conference. We're thrilled to have so many people with us today. We're thrilled to be in this new venue. We're very pleased that William Chalmers, the CFO of Lloyds is opening this particular stream for us today. William, thank you for joining us.

William Chalmers:

Thank you very much for inviting me, Jason, it's a pleasure to be here. Thank you.

Jason Napier:

So you've been CFO for 6 years now, it feels like maybe more than 6 years potentially on some days. The market is already focused on the next strategic plan, which we get next summer, I wonder whether you wouldn't mind setting us off by reflecting a little bit on what it is you saw in the Group at the outset of the last plan, what it is you are looking to change and how you think that process is going.

William Chalmers:

Sure, very happy to Jason. As you say, there are definitely some days when it feels more like 6 to 10 years, let's say, and some days when it feels much less, so it goes up and down. But, you know, overall, it's been a fantastic journey for the management team and for the bank, but we've got a lot more to do. Jason, in respect of your particular question, I guess what would I say? I think the inheritance that Charlie and I had was of course a fantastic bank with a fantastic customer base. But also, a bank that had spent essentially 10 years being optimised post the financial crisis. And so it was really incumbent, I think, upon both Charlie and I to set out a growth agenda to allow the bank to capitalise upon the opportunity in front of it and indeed to put up a much more resilient franchise for the future.

I think within that, as you know, we set out a strategy that was UK focused, that was in turn digital led, that was in turn about an integrated financial services proposition and that allowed the bank to capitalise on opportunities with the scale that it has. That's what the strategy was focused on. Three elements to that, we described them as grow which is obviously about revenue growth and diversification. We described it as focus, which is around cost and capital efficiency. And we described it as change, which is around maximising the potential of people, of data, technology. So grow, focus, change was what was behind the strategy as a whole. Where have we gotten to in respect of that?

Growth, first of all, we've obviously benefited from the rate cycle for sure. That has been supported by some pretty decent franchise growth. But at the same time it was important for us to diversify that growth and to reduce the net interest income dependency, and you can see that coming through in terms of the other operating income. 9% year to date, similar pattern in 2024, supported by a broad base of businesses.

When you look at the focus agenda maybe is around cost efficiency. At the end of 2024, we delivered in excess of £1.5 billion of cost efficiencies versus where we were in 2021. Those gross cost efficiencies are now running at in excess of £1.9 billion. And we'll see more of that as we unfold the remainder of the strategy going through into 2026. Capital efficiency, we've seen RWA growth off the back of lending growth, but also off the back of regulatory calibrations. But we've also optimised against that, now in excess of £21 billion of RWA efficiencies since we started out on the strategic journey. Alongside of that, the growth has been focused on those areas which are capital light if you like i.e., can produce efficient and indeed return generative, components to the business. Insurance, pensions and investments and businesses like workplace are examples of that.

And then finally on the focus agenda, we have tried to remove capital blockers to distributions. The pensions deficit was the best example of that. £7.3 billion when we came in, it's now zero and so as a result what was previously a significant capital blocker has been removed. And then finally on the change agenda, Jason, you'll

be aware, and we talked a bit about this in the context of the digital seminar last week, but we've invested heavily in talent. We've invested in the Lloyds Technology Centre out in India to allow us to enable an efficient change process. We've invested in removing legacy, data centres down by 40% since we started. And we are engaged in the building of product efficiently. So for example, the Lloyds Premier product was built with 60% less time and resources, versus similar product builds earlier on in our journey.

So all of this allows us to deliver a more efficient change process, which of course is behind the kind of continued fulfilment of our strategic ambitions. So there's a lot that, there's a lot to reflect on when we came in. There's a lot that's been done since then, but as said, there's a lot more to do going forward.

Jason Napier:

I mean, yeah, exactly. And so I guess none of those themes are time-barred or ever done, really. And so I guess the expectation in the market would be sort of more of the same next summer, but I guess we'll have to wait and see for that.

One of the issues that is unfortunately continuing front page news in the UK is the sort of legacy product refund issue. The banks that we track have paid £69 billion pounds in refunds so far. That's 20% of today's NAV. Government have said they want motor to be the last one, notwithstanding the disquiet that we have with the FCA's first proposals around how to repay people around motor. What is it that from the outside we should be looking to see delivered so that we can have any confidence that this will indeed be the last one?

William Chalmers:

It's a fair question, Jason, and you know, obviously something that we are acutely aware of as a management team. I think the first point that I'd make is that we agree with the premise of the question, that is to say, there is no doubt that conduct risk, is impacting or has impacted investability and therefore something on which we should all be focused. The, your question, Jason, is around, you know, what should the market be looking out for, for signs of change in this respect, i.e. for change, for signs of lasting improvement, I suppose. I guess I would make 3 or 4 points.

The first is when we look externally, we should look for signs of acknowledgement of the problem. And so what I mean by that is when you look at things like the Government and regulatory statements, Mansion House is an example of that, the Leeds reforms is another example of that. There is, I think, a clear acknowledgement of the issue. That is to say, the conduct agenda needs to be addressed in order to secure UK investability as a whole. So that acknowledgement point is the first sign. I think then you would hope to see some appetite for change. And again, you look at things like statements, the FCA statement on the motor issue being the last mass redress event has been pretty clear and unequivocal actually. So you look for appetite for change as reflected in governmental and indeed regulatory statements. I think then third and perhaps most importantly, you look for signs of meaningful reform, not least in the conduct agenda in respect of the financial ombudsman, the so-called FOS. And we're seeing there signs of reconsideration of the read across obligations which FOS has previously imposed upon the financial services sector.

Likewise, reconsideration of the lookback period. Both of these two topics are really up for debate and potential reform right now, and we see, you know, very realistic chances of the situation being improved. And so meaningful reform, the third element I think, is starting to come through. More to see for sure, but nonetheless, we think the direction of travel is good.

I think then we would also look for what I'll describe as appropriate implementation of existing regulation. And you know, what do I mean by that most specifically, you might refer to things like the consumer duty. When we look at how the consumer duty is being implemented right now, we see it as basically being appropriate. You know, there is no sign that consumer duty is being used in an obstructive or difficult way from the FCA. Rather, it is a constructive ingredient to producing sensible and appropriate customer outcomes. So you're looking at existing regulation being implemented in an appropriate way. And then the final point, which is really on us, is to ensure that we and all the other banks behave in the appropriate way. And so in reference to that, since 2012, we've implemented something called conduct risk appetite metrics, which in turn allow us to look carefully at things like product pricing and disclosures and make sure they are absolutely appropriate. And likewise, we have very extensive customer contact programs when we do things like change prices on products.

Likewise, we trial products in the FCA sandbox, and you'll have heard a bit about that in the context of the AI seminar last week. So, you know, banks have to get it right too as part of this, and I think there is significant progress that has been made certainly by us and I suspect by the sector as a whole. But those 4 or 5 things or themes Jason, I think are the types of things that you look for. And as I said, from our perspective at least, we are seeing meaningful signs of progress here. Again, more to be done for sure, but nonetheless, the direction of travel is positive.

Jason Napier:

Interesting. So the other area of, I guess, some gathering interest is whether we might see a change in capital requirements. The review that we get the results from on 2 December. You know, if, if you've watched the UK banks as long as I have, one feels that RWA density is up, risk is down, data is better, conduct risk is lower. Should we have any expectation of a sort of a more competitive capital setup, do you think out of that process?

William Chalmers:

It's a good question, Jason, and obviously one that we look at with a great deal of interest. I think it, you know, for me it falls into the broader context of what is going on in terms of the governmental / regulatory agenda that is conducive to or supportive of the UK financial services sector. I think the first point that I'd make in that context is that the Government has been pretty clear about the importance of a competitive sector to drive UK growth, and that's a helpful backdrop to have in the context of any of these exercises.

I think then you say, well, you know, how can that be driven, and I think 3 directions of travel, I suppose. One is around the prudential agenda, one is around the conduct agenda, and the other is obviously around the fiscal agenda. In respect of the conduct, we just made some comments a second ago, which, you know, hopefully are helpful. In respect to the prudential, you highlighted the FPC review there. When we look at that, there are a variety of areas that the FPC review could consider. You mentioned risk weighting there. One might also mention calibration of buffers, which are relatively high by international standards, at least if you look at the countercyclical buffer. Sure, absolutely, there are other aspects, if you like, within that, the leverage ratios, for example, and inclusion or exclusions from that. These are the types of areas that the FPC review could look at. It's hard to be too specific at the moment about exactly where the FPC review would go, but I think based upon the commentary that we see externally, based upon the discussions that we and others are having, it feels like, it is unlikely that nothing is going to come out of it.

Why is that? I think it's coming back to those points that I made earlier around the appetite for change, around the constructive statements. And these types of things give you a lead into what might be arriving in December. Allied to that, I think the secondary growth objective that the PRA has now been given alongside the FCA is constructive in that context. So, you know, we'll wait and see. I mentioned the fiscal agenda there and I think there it's about a stable and a predictable and a competitive tax regime that we'd be looking for. So I think if you add up all of these things, you have a conduct agenda which hopefully is making progress. You see a prudential agenda where the FPC review is a piece of evidence that we may see some progress. You might also add to that things like the ringfencing review that is going on as a further example.

And you know, let's see what happens with the fiscal agenda in the upcoming budget, but overall I think a relatively constructive backdrop for the sector, probably better than we've seen for at least the period that I've been in charge.

Jason Napier:

So if we turn to sort of more Lloyds-specific, mercifully more Lloyds-specific factors, the UK domestic banks are going to produce the best revenue growth in Europe driven by the hedges. And the market, as is its habit is looking to, you know, interrogate what happens beyond that already, even though that may be 3 or so years from now. If, if you talk about the capacity of the organisation to deliver positive jaws, ex-hedge for a second cause it's, I mean, it's interesting considering the tailwinds we've had around growth and rates and so on. The cost:income ratio of the bank now is the same as it was before rates went up. And so if you could just talk to the capacity to keep the jaws between the two, which are going to be like 9% next year, can you sustain that ex-hedge is the first question I guess.

William Chalmers:

Sure, sure. In short, Jason, the answer is we look forward to 2026 is that yes, ex-hedge, there should be positive jaws. Now, a couple of points in respect of that. Why is that, first of all, people in this room will be aware of the strength in OOI growth that we've seen over recent periods. 9% year to date follows a similar pattern in respect to 2024. It's based off of a set of broad-based and diverse drivers across the business units, and we do expect that to continue going forward into 2026. It would also be bolstered by the acquisition, or the full acquisition I should say, of Schroders Personal Wealth, now renamed Lloyds Wealth. And so that is all helpful on the income side, and that is allied with as you would expect from Lloyds, rigorous cost discipline.

So specifically, what do I mean by that? In '25 we'll see costs up 3%. If you exclude severance, it's up 2%. We've talked before about a flatter cost expectation for 2026, and indeed that remains our expectation. Off the back of maturing investments, achieving a full year run rate off the back of the usual BAU cost discipline that we apply kind of across the piece. But I think coming back to your question, Jason, removing the structural hedge I think is the wrong way to look at it, and the reason for that is because the structural hedge for us and for everybody else drives their income profile. That in turn drives the sector's ability to reach returns and indeed drives the sector's ability to meet targets. That means in turn that the structural hedge drives pricing decisions. And if you remove the structural hedge, then those pricing decisions elsewhere in the asset and the liability profile change.

The best example of that is in respect of mortgage pricing. Mortgage completion margins right now are around 70 basis points. It's not far off the cost of equity, i.e., there or thereabouts. If you remove the structural hedge, that mortgage pricing changes. If you look back at the pre-COVID and indeed the COVID period, you saw mortgage completion margins double or more, what they are today. And that was in a period when we had much flatter curves and therefore much less structural hedge growth. And so there's kind of concrete empirical evidence there is that if you remove the structural hedge as a driver, you then affect other pricing elsewhere in the balance sheet, and therefore, the removal of structural hedge in the context of pricing decisions, Jason, should not be seen in isolation, it is rather part of a holistic picture. When we look at the structural hedge, you know, with that in mind, with it in place, we're delivering about 2.3% yield on £244 billion of deposits and equity over the course of '25. It is still below 3% by the time we go into '26, and that is below, well below term rates, and therefore the structural hedge should continue as it refinances to deliver meaningful growth through the P&L. As said, I don't think removing it is the right way to look at it, but if you do remove it, you can be pretty sure that all other pricing within the business will change with it.

Jason Napier:

Yeah, and of course, the further out you project, the more important the product pricing becomes in what NII actually is. Which sort of brings you back to a fairly philosophical but an important question, which is what is the clearing RoE for UK domestic banks?

Without the hedge, we might have, you know, earned more on mortgage spreads and so on, but it does feel like we're going into a Q4 and in your case, summer '26 outcome, where it's going to be very hard not to promise a higher RoTE than in the last plan. How, how do we sort of think about the right return for financial services in domestic UK? It's a tricky question. I appreciate that.

William Chalmers:

No, I think it's a fair question. I think when we look at the business and its return objectives, I mean, first of all, there's a lot of data out there in terms of the returns that us and others expect to earn in the business. This year, next year, and indeed by the course of, I guess end of year, next year, and indeed into the summer, you'll see a bunch of new targets from us and other providers. But I think at a more fundamental level, Jason, the right way to look at it is to look at the industrial structure. To look at macro expectations and then to look at each individual's competitive position. And it's those three things that I would really look at in answering your question and specifically, what do I think that delivers.

What I think it delivers is a sustainable RoE that is at least similar to what we expect to achieve next year, accompanied by an appropriate growth rate. I mean that's the bottom line that I think those three ingredients deliver. And maybe just take a moment on each of those. If you look at the industrial structure first of all. It's a competitive industrial structure for sure. You see it from the incumbents, you see it from the neobanks, you see it from big tech, you see it from stablecoin providers increasingly. But it is also a relatively stable industrial structure. And why is that? I think it's because of the investments that we make. It's because of the

competitive moats that we all have. It's because of the regulatory supervision of the sector too, to be perfectly frank, and that produces a relatively stable industrial structure, albeit quite a competitive one.

The second point I think, Jason, is you have to look at the set of macro expectations, and when we look at the macro, we see, pretty unspectacular but nonetheless a stable macro outlook. And if we look at rates in particular, going back to the earlier comments around the structural hedge, we are still refinancing, as I said, £244 billion of deposits in equity at rates that are meaningfully below term rates, meaning that there is quite a lot of growth still to come through the structural hedge. And as long as you think that rates are going to be more or less stable in the period thereafter, i.e., a bit of variance for sure, but more or less stable, then you're seeing a relatively stable contribution from that part of the balance sheet. So I think overall that is also long term supportive, and then I think you have to look at the competitive position of any given bank. And you know, speaking for ourselves at least, we have an outstanding brand. We have the trust of around 28 million customers on a daily basis. We have around 20% plus of key asset and liability markets. This is a very strong competitive position, and as everybody in this room knows, we are investing very heavily in the business right now to make sure that we maintain that competitive position. So I think when you add those things together, you've got an industrial structure which is competitive but stable. You've got a macro outlook which is, you know, uninspiring at some level, but nonetheless stable. And you've got a competitive position of Lloyds Banking Group, which is really very strong and being continually invested in to maintain that strength. And that in turn leads us to a strong conviction in the sustainable RoE at the bank, as said earlier, looking towards '26 and beyond.

Jason Napier:

Right. Now, one of the things that I'm not sure receives enough attention was one of the things you said earlier around the gross cost savings that you've delivered in the plan. Massive number. But because we're guided to higher costs every year, we're not sure, you know, whether that produces a Lloyds that's much better invested. Is it a coiled spring that can be much more efficient in the future, or whether this is just the nature of modern banking, fewer branches, more engineers. When you think about the right sort of cost income ratio for the bank or the right kind of cost structure for the bank, is the Nvidia market cap an indicator of a bright future for banking efficiency? Is there a step change to come, do you think, for the way that you run?

William Chalmers:

It's a good question, Jason, and, and obviously pointed towards AI in particular as a driver of the cost base. I mean, you know, I think overall, start point for me would be costs discipline is an incredibly important ingredient of the Lloyds story. It has been since Pitman took over, it was inherited by Antonio, it was then taken on the mantle by Charlie, and it remains, you know, absolutely critical to the success of the story going forward. That in turn is what allows us to deliver the absolute cost targets circa £9.7 billion this year plus a little bit of SPW or now Lloyds Wealth costs. But that is what gives us confidence in the Lloyds absolute cost targets. And then behind that you've got two or three particular drivers. Strategic investments, for example, in property and technology and automation, decommissioning, these types of things. Alongside of that, efficiency of the change program. I mentioned the investment in Lloyds technology centre in India as an example of that earlier on. And then finally, the BAU savings, sourcing, matrix management, organisational design, these types of things. These three strands are pieces of solving the puzzle and in turn allowing us to deliver what we'd expect to see.

When we then overlay the potential of AI on top of that, I mean, it comes into the first of my three strands, that is to say, it is a source of meaningful strategic investments for the Group going forward. And when we look at that, I think there is a number of points to make. I mean, first of all, we see this as a really quite significant opportunity within the Group. You heard all about it with Charlie and Ron last week in the Digital and AI seminar. But two or three points to make there, a lot of work going on, around 50 major use cases, for example, greater than 35,000 co-pilot licenses within the Group, for example. More than 800 machine learning and AI models within the Group. All of these things are signs, of serious implementation within the business. But I think we have to do a couple of things.

We have to put this in context, in the context of time to maturity. And indeed allow this progress to build up from the foundations to scale as we look forward. Specifically, what do I mean by that? The opportunity is large, therefore, and it cuts across both revenue potential and indeed cost opportunity. Personalisation is an obvious example in the context of revenue potential, customer interactions, AI assistance. You probably heard last week about the use of generative AI in SME where we're effectively allowing generative AI to do much

more of the processing, allowing the relationship manager to free up time to deal with customers. The cost opportunity is much talked about. Colleague assistance in the case of things like KYC and AML, for example, and customer help, likewise, engineering solutions much more effectively and efficiently sponsored with the help of AI. So, you know, a lot of stuff going on and a lot of potential in the context of revenue and cost opportunity. But as said, put it in context in the sense that there is a need for a little bit of time to maturity. Because essentially what we're doing right now is we've organised ourselves into five domains, if you like, key areas of focus for AI.

They are having the foundations built this year. We will be scaling them up over the course of 26, 27 and beyond. And therefore meaningful benefits from the revenue and from the cost side, you should expect to come through in a as I say, a scale way in the course of '27 and beyond. We're getting benefits from this year, onwards really, '25, '26, Ron and Charlie talked about that last week, but it's in the £50-100 million type zone. When we get to 27 and beyond, you should expect a meaningful scale up in that context.

But Jason, coming to the bottom line of your question, what does that mean for the cost ambitions of the bank going forward? For sure it allows us to scale more efficiently within the bank. For sure it allows us to manage costs more efficiently. But don't forget two facts. One is that we will be investing heavily in the bank at the same time. And that includes obviously AI as part of that investment. But alongside of that, it also includes investment kind of across the piece within the bank. So you'll for sure see cost benefits and indeed effective cost management off the back of AI and related technologies, but also expect us to continue investing in the success of the franchise going forward, because ultimately that's what will, that's what will deliver that sustainable RoTE that we talked about earlier on, which in turn will allow us to deliver an attractive capital return for shareholders.

Jason Napier:

Any questions from the audience? We've got time for maybe 1 or 2. Over here in the middle? Is there a microphone? Go for it and I'll, yeah, sure.

Audience Question – Ian Smillie:

Who knows what stablecoin will bring to the bank, but it's definitely on the radar, and potentially disruptive. My question is, how do you think about the role of a structural hedge in a banking world where stablecoin has meaningfully disrupted deposit franchises? Because I worry that deposit duration or your ability to behaviouralise the duration might change in a meaningful way.

William Chalmers:

Sure, shall I answer that first, Ian, and then come to the second. You know, it's an interesting question, particularly right now when stablecoin is changing so fast. I think when we look at stablecoin and where it is gaining momentum versus where it is slower to make progress. The areas where it gains momentum are the areas where there are greatest friction costs, and greatest times to execution. And so examples of that are things like international payments, where stablecoin is really making inroads into international payments business because you can effectively transfer money instantaneously at next to zero cost. If you look at the application of stablecoin within the UK domestic payment system, however, it has to come up against competition such as faster payments, where already payments are effectively instantaneous and also zero cost.

And so the competitive advantage of stablecoin in that context in the UK domestic scene is much less than it is in the international scene for those very reasons. And that's important because it will impact the take up of stablecoin. Now alongside of that, you know, we recognise that the whole context of digital programmable capabilities is a really interesting context, and that's why we're looking to solve this and address this through something called GBTD, Great British Tokenised Deposits. And that is a solution which is a digital programmable payment source, which allows all the advantage of, as said, programmable payments. I'll come back to use cases in just a second. But also preserves the singularity of money and therefore gives customers assurance that their deposits are 100% safe, meeting all of the KYC obligations that we already meet. And a deposit is freely exchangeable between what's in their bank account in an analogue form and what is a GBTD, a GB Tokenised Deposit. That from our perspective is a much stronger competitive proposition versus stablecoin, which is not on the bank's balance sheet for which the customer has no protection, and for which as said earlier on, doesn't offer an obvious competitive advantage versus what's already available in the UK domestic scene.

Now, I said, we do think that there are use cases, whether it's account to account payments, so for example, payment on proof of delivery, or whether it's in the context of mortgage conveyancing, greatly reducing funding and indeed settlement times, or for that matter in the wholesale area, digital gilt. We do think there are, there are benefits from implementing digital programmable currencies in each of those three use cases, and that's, from our perspective, the areas in which we are developing pilot use cases. We think that more than offsets the stablecoin risk. And so in a sense, Ian, I think the premise of your question is one that we would challenge. What is it that stablecoin has to offer? And by implementation of things like GB Tokenized Deposits, we should be able to offer the customer much more value than either stablecoin can offer and indeed even to make progress upon what we already offer them in the domestic payment scene.

Jason Napier:

Do you want to ask the second one?

Audience Question – Ian Smillie:

Last week, I heard being introduced to the debate for the first time, the thought about taking the franchise beyond the UK, a reflection of your confidence in the digital capabilities that you've built. Could you just contextualise that for me a little bit, please, because that is something quite new.

William Chalmers:

The start point, Ian, is simply to say that the strategy is and remains, a very much a UK focused strategy. You know, we have a purpose of Helping Britain Prosper, as I replied to Jason earlier on, our strategy as set out in 2022 was around UK focus, increasing the digital interaction, taking advantage of opportunities at scale. And, and that has not changed, Ian, and there is no prospect of that changing in substance on a look forward basis. Now, having said that, what we do want to make sure of is really two things. One is that we have a fully-fledged and serious franchise in pursuit of that strategic agenda. So for example, areas like corporate and institutional, for example, will demand our ability to compete in things like US dollar currency, which in turn will demand a degree of US presence. Same thing within the Euro. So in order to get an effective corporate institutional strategy, you have to have a dose of non-UK presence for sure, and that indeed is what we will do and make sure that we inform the strategy with.

We also have, in a similar vein, we also have, as you know, a decent, Dutch mortgage business, which at the moment is about £20 billion in assets. It's a very attractive, low risk, high returning business, which we've had for a long time actually within the Lloyds Group, and it's always been an interesting option for us to develop. It is, as I said, relatively modest in the size of the overall balance sheet. It is at the same time low risk and high returning, so we're very happy just to kind of keep that turning over. I think then when we look forward, and this is the second point, when we look forward, if we are able to build real capabilities, that have a competitive advantage that we believe that will then benefit from further scale, then of course there is a possibility that we seek, we will seek to plug those into other areas. But Ian, at the moment at least, that is based upon our ability to build those capabilities in due course, because we are very focused, as said, in executing our strategy informed by the purpose of Helping Britain Prosper. Within the perimeter of the strategy as laid out in 2022, and going back to Jason's question about what you should expect to see thereafter, it is effectively completion of the projects that we have taken on and then gradual extension from there. It's not really about geographic transformation.

Jason Napier:

Thank you, William. Thank you so much for joining us today.

William Chalmers:

My pleasure. Thank you very much indeed. Thank you everybody.

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. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. 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 (including in relation to tariffs); imposed and threatened tariffs and changes to global trade policies; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the escalation of 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; 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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