

BARCLAYS GLOBAL FINANCIALS SERVICES CONFERENCE WITH WILLIAM CHALMERS – PRESENTATION TRANSCRIPT (amended in places to improve readability only)

Monday, 14 September 2026 – 2.00pm

William Chalmers, Chief Financial Officer, Lloyds Banking Group

Aman Rakkar, Director, Banks Equity Research, Barclays (Moderator)

Aman Rakkar:

So, look, first of all, I just want to say thank you very much, everyone, for joining us this morning. You're in the European track at the Barclays Global Financial Services Conference.

Delighted this morning to kick things off with William Chalmers, Chief Financial Officer of Lloyds Banking Group PLC. I don't think William needs much introduction. But first of all, I did want to thank you, William, for your time and joining us here.

William Chalmers:

Thank you for inviting me.

Aman Rakkar:

Okay cool. Just to kick things off then, you announced Accelerate 2030 alongside the half-year results, with new targets, including RoTE above 18% by 2028 and around 20% by 2030. What are the key strategic priorities of the plan? And how does it differ from the previous 2022-26 strategy?

William Chalmers:

Thank you, Aman, and as said, thank you for inviting me here, and thank you to everybody for taking the time to join us today.

I guess, first of all, in terms of what have we tried to do over '22 to '26, essentially, three things. One is restore growth within the business. Two is improve the efficiency of the business. And three is de-risk the business. And I think we achieved some success in respect of each of those three.

So, if I think about our market share in target areas, we increased it by around 3%, on average. If I think about the efficiency point, we got to greater than £2 billion in gross cost savings. And if I think about de-risking, we took the pension deficit down from £7 billion to zero. We did about £28 billion of RWA optimisation; a fair chunk of that in the context of the legacy mortgage book. So, some decent successes in that respect, Aman.

And what it does is it gives us a very firm foundation for delivering '26 ambitions, which as you know, are terribly important to us, and then, at the same time, the foundation for Accelerate 2030.

So, Accelerate 2030 really builds upon that. And maybe the first port of call is to say, you'll have seen our participation decisions. They're very consistent with where we left off, number one, and they're very consistent with the core strengths of the group, number two.

The strategy beyond that, I'll maybe just spend a moment in terms of dissecting. So, first of all, it's about enhancing customer experience. Second of all, it's about improving group connectivity. Third of all, it's about improving group productivity (i.e., efficiency.) And then fourth of all, it's about driving all of that through the implementation and introduction of new technologies right the way across the business. So, that's the strategy.

When we put it forward, it rests upon three pillars. Grow the core. Grow the core is pretty much what the name suggests; that is to say, taking advantage of our market leadership positions and developing those further, whether that is through technology, whether it's through rewards, whether it's through ecosystems, whether it's through proposition enhancement – all of the above, really – it's about growing just that, the core.

The second we describe as innovate, deepen, and diversify. And again, the objective is really in the name, and it's about innovative offerings across the group. Sometimes those will be standalone; Wealth is an example. Sometimes those will rely upon cross-group behaviours; and indeed, bancassurance is one example of that.

Innovative banking within BCB, linking up Retail. BCB and Wealth is another example of that. In most cases, they will hinge upon and benefit from the introduction of new technology, just like growing the core will benefit from the introduction of the rewards program.

And then, the third pillar is simplification; "simplify to outperform" is the way that we've named it. And there's three components to that. One is about an AI-enabled data set operating on a set of modernised platforms. Absolutely key. The second is that will then allow us to access efficiencies in terms of the operations of the bank, in terms of the servicing of the bank, and so forth. And then related to that, thirdly, it's about capital optimisation and about continued capital efficiency. So, those are the three pillars, if you like, that the strategy rests upon.

Where does that take us? It takes us to the financial outcomes that we have articulated. So, mid-single-digits income growth; and within that, high-single-digits OOI growth. Sub-45% cost-income ratio. Circa 20% RoTE by the time we get to 2030, as you highlighted, Aman. And then, in addition to that, greater than 225 basis points capital generation, again by the 2030 period. So, that's really the financial outcome of what I've just outlined as the strategy in Accelerate 2030. We're looking forward to it.

Aman Rakkar:

Great. I just wanted to step back then. So, clearly, very topical at the moment, the top-down picture in the UK. There's significant focus on UK policy, the economic backdrop, including change in Prime Minister and relentless discussion around bank taxation. Interested in kind of how would you assess the operating environment, current customer sentiment and activity? And do you have any insights on potential bank taxation from here?

William Chalmers:

Sure. I mean, I wouldn't claim necessarily privileged insight into that point, but let me address it in my comments.

The first part of your question, Aman, is about how we see the operating environment right now. In two words, really. The operating environment as we see it is pretty constructive. It's not a bad operating environment.

Now, we put forward, as you know, some relatively modest – I guess you might describe them as prudent – forecasts for the macro over the course of '26 and '27 and indeed beyond. So, we're looking at GDP growth of a shade over 1%. We're looking at HPI growth probably about the same for each of the two years that I've just described. We're looking at unemployment peaking at around 5.5% sometime probably Quarter 1, Quarter 2 next year. So, overall, some relatively modest expectations for how the economy is going to play out.

I would say, so far, Aman, the actual performance has probably exceeded our expectations. We saw a GDP print, for example, the other day which was – significantly, actually – in excess of where we expected it to be, just like the market. But at the same time, the possibility of things like data revisions, the possibility of energy prices, which still have to work their way through the macro, that's tempering our enthusiasm. We're not getting carried away by what we're seeing because of these two points that I've just mentioned, maybe one or two more.

So, we stick with something like our relatively modest expectations. But as said, that doesn't obscure a pretty constructive operating environment.

The customer positioning in that – and this is partly why I think the business is doing reasonably well – the customer positioning in that is pretty positive. Debt to GDP levels, at least in the private sector, are pretty good. Savings levels, pretty high. Confidence indicators, generally speaking, going in the right direction. So, all of that, I think, betrays a customer positioning that is generally pretty constructive and additive to the points I made earlier.

We've seen that evident in the performance: £11 billion growth in lending in H1, about 2.5%; £4.5 billion or thereabouts in deposits. Overall, a pretty constructive performance.

And then if you track down the P&L, you can see it echoed in the context of the asset quality numbers, for example. Really very constructive. Likewise, you take a step further forward and look at the early warning indicators, which we monitor across the retail and the corporate base, again very benign.

I think there's no doubt that as we look forward we'll probably see lending slow a little bit in H2; that's expected. At the same time, rates, maybe they're a touch higher than we might otherwise like. But in a sense, these are shades. The overall operating environment, as said, is pretty constructive.

You've got to the devilish topic of tax, Aman. So, I obviously can't ignore it. First of all, as said, I don't think we would claim necessarily any privileged insight particularly. But when we have our government conversations – and of course, we have a lot of them as the UK's largest bank – we see a government that is positive on the bank sector. It recognises the role of the bank sector in the context of the government's overall growth objectives. So, that's where the government's coming from.

I think in this context it is important, therefore, to look at tax in the context of everything else that is going on; and in particular, things like the regulatory reform agenda. So, there's a tax debate, for sure. But equally, there is a Financial Services and Markets Act, which is generally reforming or proposing to reform the conduct agenda in a positive way. Likewise, the prudential agenda around ring fencing or around the FPC capital debate, heading in a positive direction.

So, it's worth just putting the tax debate in the overall context, which as I say, I think is evidence of a basically supportive government.

It's also worth keeping the tax debate in proportion from a statistical point of view, from a numerical point of view. And specifically, what I mean by that is that for every 1% increase in the bank levy, which as you know, Aman, is the one that's most speculated upon, for us it's about £75 million.

An increase in the bank levy, to be clear, is not our base case. But you can tell from my comments that a modest increase in the bank levy, it's not going to make any difference. It's not going to make any difference to our equity story. It's not going to make any difference to our return targets. Again, it's not our base case, but if it happens, that's the way I'd see it.

Aman Rakkar:

Returning kind of back to the business itself and the update in H1, you're guiding to a pretty significant increase in cash investment, 10% to 15% from '27. I'm interested in how do you expect the investment to be allocated? And in particular, what outcomes are you kind of seeking from that investment?

William Chalmers:

Yes, really important question. I guess maybe to start off '26, what's going on there. '26 cash investment, around the £3 billion mark. That's consistent with two things, really. One is the culmination of this strategic cycle. And then two is a reduction in severance versus '25. And that's what leads to our circa £3 billion in cash investment in '26.

When we look forward, we would expect that to step up in '27. That is consistent with obviously starting Accelerate 2030. It's the new cycle. It's a new cycle of investment.

What that results in is obviously slightly higher cost growth in the course of '27 versus '26. When you look forward, I guess, and figure out what are we actually going to be spending over the course of this cycle, it's about £13 billion; £13 billion over four years, that suggests just over £3 billion per annum, which is a bit of a step-up versus the last cycle that we've just been through and very deliberately so to seize the opportunity that we see in front of us.

You asked about allocation, Aman. Timing allocation-wise, I think it will more or less mimic the current cycle that we're in, which is to say a little bit of front loading, probably followed by a period of stability, probably followed by a bit of tailing off towards the back end. So, that's the kind of timing allocation shape that I would expect to see.

Business unit allocation, which is maybe the more interesting part of that, is if you look at all the business units and indeed all the functions, including my own Finance, we are all going to be getting a decent dose of investment over the course of this plan. There will be some business units e.g. Retail, where proposition development, just to keep pace with the competition and hopefully exceed it, is going to be quite intense. And so, there's probably a bit more stock of investment flowing into some of those areas.

By the same token, there are other areas – CIB is a great example for us; Corporate Institutional Banking is a good example for us – where it's going to be slightly more OpEx intensive. That's just the nature of the business.

And so, there's that kind of change, if you like, that variant. But underneath all of it, there is going to be a lot of investment in what we describe as enablers, a lot of investment in enablers. And obviously, specifically there, I mean things like AI and data. And it's that, in turn, that will enable us not just to better equip the business units for achieving their objectives, but also to inform the connectivity point that I made earlier on and allow us as a Group to better exploit the breadth of the business model in bringing value to our customer base.

What's the outcomes of all of that? I think in two words, Aman, it is franchise enhancement. That is what it is all about. And of course, that should deliver on the revenue side, and it should deliver on the cost side and likewise the risk side and so forth.

As you would expect and as we saw in the last cycle, we are going to govern that investment – it's a lot of money – we're going to govern that investment with rigorous return expectations, with continuous tracking from painful people like me in the team, and, if necessary, reprioritisation. None of this stuff is a given. It is always, if you like, held to accountability and held to task.

What does all that get us? It gets us the targets, Aman. That is to say, it gets us the mid-single-digits income growth, it gets us the sub-45% cost-income ratio, and it gets us the inputs to those targets, the greater than £2 billion cost reductions that I mentioned earlier on. So, ultimately, it's that investment that delivers the financial targets that we set out.

Aman Rakkar:

Okay. Let talk about income then. You've alluded to it a few times. You're targeting mid-single-digit income CAGR through to 2030. Stronger growth expected in 2027. Interested in the primary drivers of that growth rate, and what do you see as the main factors that could lead to a different outcome versus perhaps that base case expectation? So, interest rates? Clearly, the structural hedge. You've also made some quite prudent assumptions around competition.

William Chalmers:

Yes, I mean, we certainly tried to. We'll discuss them more, I know.

But what would I say? I mean, first of all, as you know, our income expectations for the group – mid-single-digits growth, with high-single-digits OOI growth within that – that's the backdrop.

Now, informing that is a bunch of macro assumptions, clearly. We've tried to lay them out in relatively prudent terms; we've tried to make relatively prudent forecasts, that is. But at the same time, to be clear, we do assume a stable macro. So, it might be modest, but nonetheless it is stable. That's the core assumption.

And then in terms of the drivers, Aman, it's really twofold. Driver one is obviously net interest income. What is behind that net interest income? Really, two or three components. Structural hedge is a big part of it, as your comment just alluded to. Structural hedge income growth we expect to be in excess of £1.5 billion this year; get us to £7 billion. We then expect a further £1 billion over the course of '27; gets us to over £8 billion.

Just as a kind of data point, if you like, informing that growth pattern, at the moment, Q2 yield on around £246 billion of structural hedge was 2.8%. That's in an environment where we are refinancing that hedge currently at around 4.6%, 4.7%. There's a big gap there, and it's that gap, if you like, refinancing into that gap, that drives the structural hedge income growth certainly to 2030 and indeed most likely beyond.

So, that's what's going on the structural hedge side.

The second component of net interest income growth is some ebbing away in terms of some of the headwinds that we've seen. Most notably, the mortgage refinancing headwind, where effectively, at the moment at least, every new mortgage that we write is coming in at a lower price point than the mortgage that is maturing. That headwind basically lays off during the course of Quarter 1, Quarter 2 next year. That's based upon current spreads, and it remains our expectation.

And then, thirdly, within net interest income, we are obviously benefiting from lending and deposit growth (i.e. volume growth, in essence). Now, I mentioned some statistics earlier on that gave an indication of that in the course of H1. Over the course of the plan, we expect our lending growth to be at GDP-plus, is how we've described it. You're probably all – I should say, nominal GDP-plus, to be even clearer. You're all probably familiar with, roughly speaking, our nominal GDP expectations. You obviously have your own, but nominal GDP-plus is where we expect to be.

So, that's NII, driver number one, if you like, Aman.

Driver number two, other operating income. And of course, really, really important to us strategically. As we seek to, if you like, wean the business off its dependency on net interest income, other operating income is what we're counting on, and other operating income is what we expect to build.

What's going on there? I guess it's three points, really. One is business unit-specific engines, and that's of course what we've seen over the course of the current plan and we expect to carry on. So, Retail: transportation, value-added services, for example. Commercial Banking: proposition and coverage development, for example. Insurance, Pensions, and Investments: workplace development, general insurance development. And then Lloyds Equity Investments Limited, Lloyds Living and LDC. That's kind of – that's bucket number one, if you like, business unit-specific engines.

Bucket number two is getting the Group to more effectively work on a cross-collaborative basis. There's plenty of examples there. Bancassurance is a good example. I mentioned Innovation Finance in BCB is another example, where we should be able to link up the combination of BCB, CIB products, and indeed the Wealth proposition. There's plenty more examples we might make in the digital payments area, for example, which will give rise to Retail opportunities, allied to payments opportunities, including things like embedded finance.

And then, beyond that, we expect there to be a third strand, which is around innovation, and innovation implies things that we haven't really done before. Connected Commerce is one example, linking up again the Retail and the SME space. Digital payments is another example. These are innovative strands of income growth within the OOI line. We haven't done much of it yet – a lot of it is testing ground – but it's very exciting, and we do expect it to add something over the course of the plan.

You mentioned risks, Aman, and of course there are risks. For sure, there are risks. The first one that you might talk about is the macro. I really don't think that's a UK issue, frankly. I think it's more of a global issue. And obviously, everybody will have their own interpretation as to what the global risks are, but that's out there.

Interest rates probably right now a touch higher than we might ideally like to see them. What effect that's going to have, I really don't think it's an asset quality issue. It's more just about maybe tempering asset formation i.e. loan growth. That's a second type of risk.

I think then competition, for sure. We can always talk about competition. When we look at the competition, it's always there. Sometimes it's stronger than others. Right now it's strong in the deposits area, as you know. But having said that, that is what Accelerate 2030 is about i.e. it is about developing a broad customer relationship, the rewards program, for example.

We put in place in our plan appropriate margins. We're also assuming a rational market. But most of all, as said, Accelerate 2030 is about our response to those competitive markets, and we believe it's a pretty good one. And now we've got to execute.

Aman Rakkar:

Thanks for the fulsome answer. I mean, just to kind of round it out then, on the fee income, you're guiding to a high-single-digit CAGR. You've been delivering a high-single-digit CAGR since 2022. There's clearly a lot of

conviction around the broad-based nature of that growth. I was just interested in the mix of the business then, kind of when you project forward. How does the mix of the business evolve from here? And there is a leaning-in to fee income in terms of the revenue composition from here, right?

William Chalmers:

Yes, a little. A little. I mean, the trends within OOI I just covered in the previous answer, which they're really important to us. But again, business unit-specific, number one; cross-group offerings, number two; innovation, number three. Those are the three strands that will power OOI, going forward.

The first two of those we have got a pretty decent track record in. We've delivered something like 8% compound annual growth rate in terms of OOI over the course of the '22 to '26 plan. This year, OOI is up around 11% as of the half, and I wouldn't be surprised if it's a similar number over the course of the year as a whole. So, that's all looking in pretty good shape, and there's a pretty good track record that suggests we can at least deliver on the first two of the three strands that I mentioned earlier on. Then innovation, it's about us proving out what we can deliver there, assisted by the technology developments that we see, the opportunities where we think the Group is in a leadership position on, and so forth.

What does all of that mean? I mean, fundamentally, as I mentioned earlier on, the participation choices of this bank for the Accelerate 2030 cycle are pretty much the same as the participation choices for the last cycle. Maybe a little bit of difference around the edges. We might accentuate some parts over others. But overall, we end up in 2030 continuing to be a retail and commercial focused financial institution. That's the shape of the Group.

But within that, to your point, Aman, two points that might be worth making. One is OOI will probably assume a greater weighting in the overall revenue picture. That is by design, not by accident. Because as said earlier on, whenever it is the next rate cycle happens and rates go down, we want to be equipped for that as an institution, and we want to be able to perpetuate the growth and the success of the franchise, going forward. And so, building the OOI share, if you like, of overall income towards the 40% mark is very much the ambition of Accelerate 2030.

And then, beyond that – and this is only really the edges, but maybe worth mentioning – I would expect from Commercial Banking and IP&I, because they are starting from smaller bases and because there's probably more for us to do there, a slightly faster growth rate than you might see in other areas e.g. Retail. Therefore, you might see a percentage point or two rebalancing in that respect. It's not a big deal. Doesn't change the shape of the Group much. But nonetheless, that's probably a second strand that I would say.

And then, final point – and this is a cyclical point, not a structural point – within any given quarter, within any given period, you're going to see certain of those engines within our OOI streams ebb and flow. So, take an example of that. We saw Commercial Banking pretty weak at the tail end of '25, pretty weak in the first half of '26, but now coming back in Quarter 3. By the same token, we saw Insurance, Pensions, and Investments pretty strong at the tail end of '25, pretty strong in the first half of '26, but we're going to see a bit of subsidence in Quarter 3 of '26.

In all of that, what's key is diversification. Diversification is what really matters, because it means that one engine works when the other one might be a little bit slower. And what that allows us to deliver is strong OOI growth in H1 of this year, and it will be strong OOI growth in H2 of this year. But as I say, the different engines tick over at different rates at different times for these idiosyncratic reasons.

Aman Rakkar:

Perfect. So, I guess we're going to move on to efficiency and AI. So, you're targeting £2 billion of gross cost saves in the new plan, broadly in line with the pace achieved under the current plan, with AI expected to play a key role. How are you thinking about deploying AI across the Group? And what's the kind of impact that you're targeting across your business?

William Chalmers:

You're going to be asking this question a lot today, I suspect.

Aman Rakkar:

I know. Yes.

William Chalmers:

It's obviously really important to Accelerate 2030. I think, just as everybody else, we see AI as presenting a very significant opportunity for the Group.

What would I say about all that? First of all, I think I'd say AI in its broad form has played a pretty key role to date in terms of the overall franchise. But it's been more about traditional forms of AI. So, machine learning is an example of that. Whereas today, what we – and I guess everybody else is all talking about – is the potential of generative AI and the potential of agentic AI, and that's really what's different about this next cycle.

I would like to say – and I think we have some validity to the claim – that we have a little bit of a leadership position in this respect. Of course, I would say that. But nonetheless, it is manifested in terms of it being increasingly kind of intrinsic and integrated, ingrained within the business model, number one. We have a very established setup, with effectively a control tower at the centre and then dispersed use cases around the institution as a whole. It's proliferated through the organisation. So, we have, as an example of that, somewhere in excess of 40,000 Copilot licenses for around a 60,000, 65,000 colleague base. All of these I think are examples of kind of how we're set up. And if you go back to Ron and Charlie's video, which was back in, what, November of last year, they'll no doubt be able to give you more, and greater detail as to that.

We put in place for '26 an ambition, as you know, of £100 million in terms of AI expectations for generative and agentic. And that is very deliberately both revenue enhancements and cost enhancements. So, on the revenue side, for example, we've invested in something called SpendAI, where we've now got 11 million retail customers checking out their spending patterns and learning more about how they spend money. We've got InvestAI helping people make investment decisions. On the cost side, we've got fraud detection mechanisms which have a 90% success rate, fired by AI. Likewise, in terms of legacy code conversion – obviously, important for us – we've had a 50% reduction in terms of code conversion time, facilitated by AI. All of that is going into that £100 million.

When we look forward, it's kind of more of the same really. If you look at the revenue opportunity, it's about customer coaching, for example. It's about the rewards program, for example. It's about personalised pricing. It's about quality underwriting. All of that, you've got access to just a different game when you deploy AI.

Likewise, when you look at the cost structure, an awful lot of our cost structure is basically about operational and servicing costs. And an awful lot of that is process-oriented, which in turn lends itself to what you might be able to do with AI.

And then, that's not to mention, obviously, risk advances that you will see – or we will see – and likewise, capital optimisation, including things like collateral savings.

All of these things become accessible through AI over the course of time. The timing point is important. It's important to keep that in proportion, but it is meaningful.

We had a big debate – before we set out Accelerate 2030, we had a big debate about whether we put an AI number into that presentation. And in the end, we stopped short. And I was very much in favour actually of stopping short for basically two reasons. One is because I think when you put a number in, it suggests that AI is just kind of over here and the rest of the business is over here. That isn't the case. AI is everywhere in the business, as you might imagine. And therefore, that, if you like, ever-present nature of AI, as opposed to compartmentalisation, was reason number one.

And the second reason, Aman, is we see this technology developing so fast that any number that we give the market today is probably obsolete by tomorrow. And so, we want to be really careful.

Therefore, no long-term business target, but an expectation that informs all of the targets that we've laid out.

Two points to finish up with maybe, which are very important to us, Aman. One is cost control. AI can get the better of you if you're not careful. And therefore, strategically designing a cost control approach to AI is at

least as important as the deployment of AI in the first place. I could talk more about how we're tackling that particular problem, but it's absolutely key to the strategy that we've adopted.

And then the second is commoditisation. In our view, there is no doubt that AI over time is going to be accessible to everybody; maybe it already is today. But a lot of what AI offers is going to be commoditised. And therefore, it's going to feed through to the sector as a whole. And the question becomes, what is the long-term competitive advantage that you can secure with AI?

And for us at least there, it's data, number one; it's scale, number two; it's innovation, number three; and it's trust, number four. And it's our view that we have a competitive advantage in respect of each of those four things. And therefore, over time, with AI, we would expect to have a meaningful competitive advantage, but by virtue of those four things as opposed to the earlier points I was making.

Aman Rakkar:

I was actually going to ask you a follow-up in that regard. There was a lot of focus around the disruptive impact of AI on traditional banking and advice businesses at the beginning of the year. Clearly, those concerns were kind of superseded by geopolitical events, more broadly. But just to kind of round this point out, I mean, how do you assess the implications for the kind of traditional banking and advice-driven businesses, more broadly?

William Chalmers:

It's a good question. I mean, I guess the first point I'd make is sometimes that question's phrased in the context of 'there's all the guys who are taking advantage of AI, and then there's the incumbents', and somehow they're two separate classes of organisation. The first comment that I'd make is to dispel that myth. They're not, right? We would consider Lloyds Banking Group to be an AI-enabled banking group. And therefore, it's not like the AI benefits are not accessible. In fact, the business is being driven by the AI benefits in the context of Accelerate 2030. So, I think that's one point that I'd make.

The second point that I'd make is that there is a risk of kind of the AI threat, if you like, to incumbents, large market share scale players like ourselves, as being this kind of nascent concept that nobody's quite sure what it means, but nonetheless, it's asserted as a major threat. It's important, I think, to get quite specific in terms of what it means. And as an example of that, I mean, one aspect could be, well, is it going to disintermediate, let's say, rate-sensitive deposits and put them faster into yielding accounts? Maybe. But that concept of rate-sensitive money chasing higher-rate accounts, that's been around for as long as any of us can remember, including before the financial crisis. But of course, AI is going to sharpen the toolbox, and it's going to make it easier for customers to respond – those customers that want to, to respond to that. So, it's not like AI doesn't contribute anything, but it doesn't initiate a trend that wasn't there before.

What is our response to that? Our response to that, of course, has to be to offer value. And that is a product-specific point. You can't afford to ignore the point. You have to offer value through your products in terms of pricing, for sure. But you also, in the context of a large-scale group such as ours, get to offer value in a whole load of other ways. Whether that is around brand, security, distribution, et cetera, maybe; but it's also increasingly AI-enabled through things like reward strategies, through things like personalised pricing, and all these other things.

So, actually, AI is giving you tools to, forgive the term, fight back against some of these pressures, which are very, very valuable. And as I say, in the context of Accelerate 2030, as I've just been highlighting, that's kind of what it's all about, responding to those types of competitive pressures.

So, I don't really fear AI as a source of disintermediation in that context. I rather see AI as a facilitating tool for Accelerate 2030, which is our competitive response.

The second way that I think AI comes up in this context is advice. That is to say, are we going to see many players in the market have AI-facilitated advice that somehow is better than what we can offer? The short answer to that is, no, I don't think so, because all of those same AI tools are available to us.

But I think, Aman, the critical point here is a level playing field. What I mean by that is if we're in a world where somehow advice is able to be given by a bunch of unregulated entities, leading to customer outcomes, which is different to the type of advice that we're able to give as a regulated entity, that unlevel playing field, of

course that's an issue. But I don't think that's where the regulator is. I think where the regulator is, is in the space of good outcomes. And by definition, good outcomes implies a level playing field.

So, with that qualification, I don't really fear the advice point either, but I do think it requires level playing fields. Otherwise, by definition, you've got differences in competitive advantage.

Aman Rakkar:

Okay. Great.

So, we're actually going to ask you guys to help us out. You've got these remotes sitting on your desk. I think we're just going to run through three questions at pace. I guess it's a bit unfair to ask you this question after just kind of listening to you for half an hour. But, please do answer. "How do you think bank share price, Lloyds Bank's share price, will perform relatively to the SX7P in the next 12 months?"

William Chalmers:

This is – it feels like a vote on my persuasion.

Aman Rakkar:

Yes, I know. Exactly. I should have asked this at the beginning rather than at the end.

William Chalmers:

Yes, it's a little unfair.

Aman Rakkar: Okay.

I see that as – I think that's a vote of confidence.

Next question, please. "What do you see as the main earnings driver for the bank over the next 12 to 18 months?"

William Chalmers:

I'm intrigued by this one, actually.

Aman Rakkar:

I guess it's also a test to see if people are listening, right? Paying attention. And look, they are. I think they're...

William Chalmers:

I think that's not a bad view. I mean, as you could tell from my earlier comments, I think we're going to see one and two – NII and fees – be particularly strong. Costs, as outlined, pretty predictable. I think provisions will be stable and benign. And then, the last two, well, you can see the audience has probably got in mind everything that's going to happen.

Aman Rakkar:

Question Three: "What would you prefer the bank to do with excess capital?"

William Chalmers:

This is important, because we pay a huge amount of attention to our investors about what they want us to do with excess capital.

Aman Rakkar:

That's a pretty balanced response, I think, actually.

William Chalmers:

Yes, not bad. I think that probably mirrors how we see it internally, too. They're very similar.

Aman Rakkar:

So, I'm going to ask you about capital then. So, you're guiding for an increase in cap generation from circa 200 bps this year to circa 225 in 2028 and more than that by 2030. Obviously, that reflects the higher return on tangible equity, but also a stronger underlying growth rate than I think perhaps the market was expecting

beforehand. Interested in kind of your take on how you're balancing capital deployment across these various areas: growth, dividends, buyback. Interested specifically if there's a price point at which the buyback makes no sense anymore.

William Chalmers:

Important question. And obviously, that that last audience poll gave us some good insights there.

What would I say? I think, first of all, I would say the business model, as I think everybody in this room is aware, is very capital generative. So, it's a good start point. Why is that? I think it's fundamentally, number one, the participation choices of the business; and then, number two, disciplined execution. I mean, that's really what gives rise to that outcome.

When we look at capital generation looking forward, first of all, this year we are going to deliver on the in-excess-of-200 basis points, consistent with our guidance. Then when we look forward, we would expect meaningful growth in terms of capital generation, and it's coming off of basically two engines. One is improving RoTE, for reasons mentioned earlier on, and two is a growing business. So, that in turn is where we're coming from.

The capital management framework is pretty much as outlined at our Accelerate 2030 presentation. And it is, in turn, expected to lead to, as I just said, meaningful growth in free cash flows.

When we think about what to do with those, the first priority, the first absolutely key priority, is obviously investment in the business. And what I mean by that is essentially two things. One is investment in the infrastructure of the business, which of course goes to the physical infrastructure of the business, but it also goes to talent and capabilities. We've got to do that. That is an absolute imperative, and that goes to the £13 billion cash investment that I mentioned earlier on over the course of the Accelerate 2030 cycle. The second stop, if you like, is around investing in value-added customer growth.

And those first two that I just mentioned – investing in the infrastructure, number one, and value-added customer growth, number two – is what then delivers sustainability within the overall business, which of course is key to our equity story and our investor proposition.

I think then when we get beyond that, we see this free cash flow generation as basically shareholder money. And therefore, the principle, the core principle, is about returning it to shareholders. What does that mean in practice? It means, first of all, the dividend. Now, the dividend is an absolute bedrock of the equity story. It always has been, probably always will be. And as testimony to both the de-risking and the positioning of the business that we've done over the last cycle and our confidence in the earning streams of the business going forward into Accelerate 2030, we increased the dividend by 30% as of the half-year.

Now, without giving any Board decisions away, I would expect that to be the pattern for '26, to be clear. When we then go to '27 and beyond, I would expect growth to continue to be healthy, but looking a bit more like the '22 to '25 period, as opposed to a repeat of the 30% act that we're doing this year.

Beyond that, everything that then takes us down to the 13% CET1 target, as I say, first port of call is to recognise it's shareholder money and to repatriate it to shareholders. So far, because of the value proposition that we've seen and a view that we see a lot of value in the stock supported by our owners, we've chosen to use buybacks in that context. When we look forward, Aman, to your point, is there a price at which that changes? I'm sure there is, but in the context of Accelerate 2030 and what we believe is achievable in this cycle, it feels like we're a long way from that point today.

The only other point that I haven't mentioned in capital allocation – I guess it's inevitable, as a point of discussion at least – is what role M&A plays in all of that. When we look at M&A, I would say we're open-minded. What does that mean? It means that, first of all, it's clearly got to be strategically consistent. I mean, that goes without saying. And then, we have a bunch of filters which we've consistently applied over the years and will continue to do so, which are around value, number one; speed, number two; and risk, number three.

And we will assiduously assess that for the M&A opportunity against what it is the organic approach allows us to deliver, and does M&A beat organic in each of those three measures once strategic consistency is accepted.

On occasion, it's going to. On occasion, it has. Capability-led transactions in the investments area, for example. The transport area, salary sacrifice. Scale transactions, mortgages, for example. Technology transactions too, actually; we bought a business called Curve, which is now being translated into the Lloyds smart digital wallet, giving us what we think are really exciting digital payments capabilities.

So, it definitely happens from time to time. But equally, so does the flip side. That is to say, we will walk away from M&A opportunities where we don't see it as ticking all those boxes. And we have done. I've no doubt we will continue to do so, going forward.

So, M&A has a place, but it's a place with discipline.

Aman Rakkar:

Perfect. We're exactly on time. So, I am going to thank William for your time. Thanks, everyone, in the room. We really do appreciate it.

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. 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