LLOYDS BANKING GROUP PLC – 2026 Q1 RESULTS – SELLSIDE ROUNDTABLE TRANSCRIPT
(amended in places to improve readability only)

Tuesday 5 May – 4.00pm

LBG:
William Chalmers, Chief Financial Officer

William Chalmers:
Thank you operator and thank you to everybody on the line for joining us this afternoon. I thought I might kick off with just a few introductory comments from last Wednesday and then hand over to you all to ask whatever questions might be of most interest.

First of all, in respect of our messages last Wednesday, the points that we were trying to get were, as you know, this is the last year of our strategic plan. In that context, we wanted to paint a picture of continued strategic execution, both in terms of customer propositions, but also in terms of the enablers behind that; the people, data, technology, which is so important to delivering on the strategy.

Second, sustainable strength in financial performance off the back of what is a resilient business model. You can see that manifested in a number of different ways, net-interest margin 317 basis points, income up 9%, cost down 3%, AQR of 25 basis points, an ROTE of 17% on the P&L. You can also see it manifested in terms of the balance sheet. Lending, for example, up at £5.1 billion excluding hedges and over £6 billion including them. In addition to that, we wanted to state reiteration of our financial guidance for '26. As you know, cost income ratio, ROTE, capital generation, foremost amongst them. Those three messages, were the core of what we wanted to get across last Wednesday. I hope they landed appropriately.

Again, thank you for taking the time this afternoon. I'll hand over to you for whichever questions may be most useful.

Question 1 – Ben Caven-Roberts, Goldman Sachs:
Afternoon, thank you very much for taking the questions. So two for me, please, first on deposits and then second on the business mix.

First on deposits, the call last week, you mentioned a recent period of strong performance in hedge-eligible deposit balances. How do you try and disaggregate what's people being cautious in spending amid uncertainty, versus a genuinely higher structural level of sticky deposits? Secondly, just on the portion of business which includes Europe and other in Q1 and looking ahead. Do you see the role of that international business changing at all in terms of prominence over coming quarters, particularly as you're continuing to roll out new tech capabilities? Thank you.

William Chalmers:
Thank you, Ben, for both of those two questions. I'll just take them in turn.

First of all, in respect of hedge-eligible deposits, it has been a strong, well, several years of performance really. You saw the PCA balances ending up at about £103 billion over the course of Q1. That is up, over the course of the quarter, by about £0.6 billion or so. That follows a number of years, I suppose, of really quite solid and resilient PCA performance. That is off the back of both a strong customer base that has been pretty resilient to the kind of economic developments, but alongside of that, quite a significant investment in terms of our strategic initiatives, boosting of the mass affluent proposition, for example, launching of the premier account, for example, a strong switcher offer, which has been out there for several months now, for example. All of that has led to continued strong performance in the PCA account.

Alongside of that, we have strong performance in NIBCA within the SME business. That's been more kind of ebbing and flowing in line with the business needs of our client base, but nonetheless, overall, over the period as a whole, pretty resilient. Then, of course, going back to the retail, instant access has been actually modestly up over the course of the first quarter and certainly showing signs of resilience right the way through '25 and indeed before that.

Now, your question, Ben, is how do we tell the difference between a cautious customer base, if you like, and strong performance in hedge-eligible deposit balances? It is quite difficult to determine exactly which is what, in that context, but I think when we look at the performance in Q1, for example, Q1 is typically quite a challenging quarter because of tax year-end payments and the like. Yet still we've seen really quite robust client performance in terms of, again, things like PCA balances, likewise, instant access.

Similarly, the clients, if they were overly cautious and wanted to lock up balances, you might think they would have migrated more heavily to accounts that attract a higher rate of interest. If this is about just securing balances, if you like, and putting them away for a rainy day, then in turn, it would be most logical to migrate those balances. Instead, we've seen, as I said before, resilient performance, which in turn leads us to believe that these balances have stuck around for a while and are likely to stick around for a while longer.

That, as I mentioned on Wednesday, has built our buffers. We normally operate with a buffer of uninvested hedge-eligible deposits, number one, allied to maturities within the next three months, number two. The combination of those two has been operating well in excess of our buffer requirements. In recognition of that, we've put the balances up by just a couple of billion, relatively cautious. We still remain in excess of our buffer guidance, but we think it recognises what has been a period, as I say, of strong resilience.

Again, I think your point around how easy is it to determine cautious behaviour from that resilience, it is of course difficult to tell, but I think the resilience in the context of tax year-end, the fact they're not putting them into interest bearing accounts, the fact that our customer base, as a whole, is a relatively prime customer base, as you know, the fact this is coming off of many of our strategic initiatives, as a fourth point, all of these things I think give us confidence. In that context at least, we feel very comfortable with the moves that we've made, recognising that confidence.

Ben, you asked about Europe and other. We've seen some decent growth in the context of the European business. You'll have seen quarter 1 balances up to around £21 billion, or thereabouts. The significant majority of that lending asset is Dutch mortgages. They have been and continue to be, very attractive return mortgages in a pretty low risk asset book. So if I give you some statistics, the LTV is about 57%. It is very significantly long-dated, just over eight years. A new business margin in excess of a hundred basis points giving us an ROTE of somewhere between 15 to 20%. All of that feels pretty comfortable.

When we look forward, we think we have the beginnings of a franchise there that is quite interesting. You can see, from the growth that it's achieved over recent periods, you can see from some of the financial statistics that I've just given you, it's relatively attractive. We now have it on systems, which we think have somewhat of a USP in the market. That is to say it's a pretty robust operating structure. It delivers levels of service to the distribution base, ultimately to the customers, which we think are relatively market-leading. We'll be cautious, but at the moment at least, we have the franchise, which we feel very comfortable with, is delivering at decent returns, and it gives us a little bit of an option.

Lloyds today and looking forward is very much about being a UK retail and commercial bank. That isn't going to change, but having this type of profitable option, in the context of what is preponderantly, about £20 billion of that £21 billion, the Dutch mortgage franchise funded by deposits, it's attractive to have it there. In that context, we'll build into it in suitably prudent and incremental ways.

Ben Caven-Roberts:
Very helpful, thank you.

William Chalmers:
Thank you, Ben.

Question 2 – Ben Toms, RBC:
Afternoon, William, thank you for the session. You've got a strategy day looming, so I guess it would make sense to execute any material M&A in advance of that date. The bank continues to be under penetrated in wealth. The first question is, do you continue to believe that you can close this penetration gap organically, facilitated by the changes around targeted support? And then secondly, the market reacted negatively to a peer transacting in this space. Just conceptually, does that kind of factor into management's mindset at all when it comes to weighing up future potential transactions? Thank you.

William Chalmers:
Yeah, thank you, Ben. The M&A point is understandably coming to the fore a little bit more as the institution gets better capitalised, more capital generative, and indeed increasingly confident around the execution of its strategic plan. I think the overall stance on M&A is a reasonably constructive one, by which I mean the strategy first and foremost is organic, number one. That kind of goes without saying, I suppose. But then beyond that, where we see M&A opportunities that are strategically coherent, then we will look at them. If they pass that coherency test, then they have to be subject to basically a three-pronged bar, which is pretty high around speed versus the organic alternative, around risk versus the organic alternative, and around value versus the organic alternative. And you've heard me say that before, Ben, but it's worth repeating because as I said, it is a primarily organic strategy, but we will look at M&A subject to meeting those constraints, all of them.

You mentioned there one area. I mean, actually, we'll look at M&A across the piece, really. It will often either be scale, or capability. So, since I've been here, we've done scale M&A transactions in the context of mortgages. We've done capability transactions in the context of wealth number one, and transport number two as examples of that. So, scale, or capability will typically be the areas that we look at in that context. You mentioned wealth as a particular example, and you mentioned the reception, if you like, or the receptivity to other transactions that have happened in the market. I have to say, when we have looked at recent opportunities in the market, we have subjected them to the three tests that I just mentioned to you. And where we looked at an opportunity recently, it fell down on the ROIC measure, i.e. the returns measure, versus what we could feel that we could get either organically and/or through the buyback. It failed that test. To an extent at least, it also failed the risk test because of certain issues around migrations, and other factors, I suppose, that we felt implied a level of risk that we didn't feel entirely comfortable with.

Those are the types of metrics that we will scrutinise very carefully in the context of an acquisition. I don't want to be too presumptive about why it was that some other transactions that have happened in the market were not necessarily best received, but certainly when we scrutinise the M&A opportunities using the lenses I've just applied, we will only present them to the market if we are confident that they tick all the boxes. And then in the event they do tick all the boxes, we'll put them forward very confidently, and then hopefully get a positive reception off the back of them.

Ben Toms:
Thank you.

William Chalmers:
Thanks, Ben.

Question 3 – Jonathan Pierce, Jefferies:
Hi, William, I hope you're well. I've got two actually, they're pretty broad. Firstly, on Friday when we were all looking at NatWest numbers, the Bank of England told us that large corporate loan growth, non-financial corporates was 11% year-on-year in March, your CIB loan book I think was up about 10% as well. It's pretty broad spread by industry if you look into the detail of that Bank of England data. I was just wondering what you think is driving that. Is it simply a catch-up of the pretty substantial nominal GDP growth that we've seen in recent years? So, interested in your insights from your own book as to why we're seeing that level of growth. Secondly, more broadly, just wondering how you're feeling about the rating on your shares at the moment it's probably quite a good day to ask this question. You deliver period in, period out over the course of the last few years, yet you're still trading on about six and a half times two year forward earnings with a double-digit yield.

Does it sort of bear down on enthusiasm, and optimism internally, this sort of thing? We can see there's been a few share sales recently by some of your PDMRs, and maybe linked to all of this, you can say something if you're able to on the political outlook as you see it. Thanks, William.

William Chalmers:
Yeah, thanks. Thanks, Jonathan. Just addressing each of those, and actually at the end, I might just come back to Ben's question previously as well, where he asked about the wealth, the confidence in addressing the wealth opportunity organically, and I didn't fully answer that point, so I might just come back to that as well at the end.

In terms of large corporate loan growth, as you say, we've had some pretty decent growth in terms of the CB business within Lloyds. It's actually up £2.8 billion over the course of quarter 1. That's about 3%. That's pretty much consistent with the overall trajectory over the last year that you highlighted, Jonathan.

To be clear, we're seeing it on both the SME stroke BCB side, and also the C&I side, corporate institutional side that is. I think to date, though, the BCB side, the SME side has been somewhat camouflaged, if you like, by government backed repayments, that is to say the bounce back loans getting repaid. Underneath that, we've seen some reasonable, albeit less than C&I, but nonetheless, some reasonable SME progress. For the first time in Q1, for the first time in a while, you actually saw net growth within BCB, the SME franchise of about £0.4 billion versus Q4. So, for the first time, private sector lending overtook bounce back loan repayments. Alongside of that, corporate and institutional, as you can tell from our numbers, was responsible for about £2.4 billion of that £2.8 billion growth within the first quarter. And again, that's pretty consistent with the large corporate comment that you made, Jonathan.

Why are we seeing that? I think we're probably seeing it partly because of catch up with nominal GDP, number one. I think partly because the ambitions and cycles of corporates to an extent at least have favoured it. So, if I look at some of the areas of growth that we've seen, infrastructure, trade, for example, institutional clients has been a big part of it, too. This is a client base which has extended its ambitions over the course of recent periods. Some of it has been M&A inspired, some of it more organically inspired, but I think there is in that area, in that part of the economy, if you like, not just in the UK, but also more broadly, a degree of appetite, I suppose, for borrowing, risk appetite, which is supporting the catch up in nominal GDP.

I think when we look at it on a look forward basis, Jonathan, we do see these trends actually continuing from our perspective, at least when we're looking at whether or not we're going to support the infrastructure, institutional, to an extent, structured product trades, and the like, we will do so as long as the overall lending balance makes sense. That is to say we're happy to do it, provided that it is supported by a reasonable flow of ancillary opportunities, which in turn makes it profitable lending from our perspective. And that is not least because as you know, it is relatively capital intensive, and therefore we're very mindful of the overall return, and the relationship balance we get in these areas.

But I think Jonathan, in terms of drivers, it's the two, or three points that I just mentioned that I would highlight. I think on the shares rating, the start point, and perhaps the end point is that value is obviously for others to judge rather than us. But I think the overall point, when you see the level of volatility in the stock, it is at some level, slightly frustrating, but it is what it is, and we just have to get on with it, and focus on the job in hand. We have always been of the view and continue to be of the view that if we deliver over time, that will in turn be rewarded in the stock.

We can't do much about the kind of external political volatility that we see, but we can deliver on our commitments. And there's a strong belief here that if we do deliver on our commitments, then ultimately the stock will reflect that. You asked me to comment on the political outlook. The only comment that I'll really make, Jonathan, is that the relative instability at times of the political outlook is not overall helpful for the economy, or for that matter financial institutions' ratings within the economy. I wouldn't say much more than that. Ultimately, we can work with all political outcomes, and I firmly believe that actually we can make a decent return for shareholders in all political outcomes. It is more the instability, and the process of getting there that I think acts as a distraction, and that's what we'd like to move on from.

I mentioned that I'd come back a little bit more to Ben's question on wealth, and maybe just to finish off there, Ben, when we look at what we have done with what is still Schroders personal wealth, what will shortly be Lloyds Wealth, we think we've got a great opportunity there. It's not huge, but it's meaningful. So, assets under management of about £17 billion, or so over the course of the year as a whole, significant increase in those AUM, a significant customer base, a significant intermediary, or sorry, relationship manager base that we've acquired with that. 60,000 clients, 300 advisors to put some numbers on it.

We believe that if we get this right, it is a significant accelerant of our wealth management strategy going forward in a way that is complimentary to some of the other areas that we are going into. For example, execution only share dealing, for example, self-guidance as part of that. It fits very nicely upon with rather alongside the other aspects of the wealth strategy that we're pursuing.

I think for that reason, Ben, we're keen to let Lloyds Wealth, as it will be called, settle down in the near term. We think it's very complementary to what else we're doing strategically. We think it gives us a tremendous opportunity to further build the proposition to customers. Over time, will it need supplementing? We'll see, but I think we've got a lot of work to do to get this to successfully land. We've been encouraged by some of the signs in terms of inflows and increased numbers of customer relationships in the first quarter, but of course it's got a long way to go, and then we have to see where we are towards the end of this year, beginning of next, to see what more we need to do.

Question 4 – **Aman Rakkar, Barclays:**
Hi, William, thanks for the call and the chance to ask some questions. Could I ask one question on NIM, please? I was looking at funding capital and other three basis points positive contribution in the quarter. If you could help lift the lid on that specific driver of NIM on a go-forward basis? So if there's anything that you'd expect to fall out of that number in Q2 sequentially, but more so, could you help us understand what's going on there? I think you're retiring some expensive legacy funding, but it'd be great to get a sense of how to think about the opportunity there going forward. And is there any kind of monetisation of the rate backdrop? So are you rebalancing your liquidity portfolio? Are you able to take additional duration to lock in this high interest rate environment?

Second question was just interested in just to round out the discussion on capital and buybacks, how do you think about the balance of buybacks and dividends from here? I guess I'm asking, my view is that you're going to be a very capital-generative business going forward and there's going to be a question about exactly how you're going to deploy that capital, and if you're not doing it through M&A, we're going to have to think about the various mechanisms that might be available to you. So are there constraints on the size of buybacks that we should think about? Would you be thinking about special dividends? Should we expect you to re-base the ordinary higher? Any colour you could give us there would be really appreciated. Thank you very much.

William Chalmers:
Yeah. Thanks, Aman. Thanks for both of those two questions. On funding capital and other, it is, as you can tell from our charts, a bit of a catch all for a number of things. You can see in terms of the net interest margin chart, we've got deposits, structural hedge and mortgages broken out separately, and then we've got funding, capital and other catching pretty much everything else. What's going on there is two or three elements, really. One is the funding release that we see off the back of, frankly, just cheaper wholesale funding costs. That is an element, but alongside of that in the first quarter, we've seen a bit of positivity from commercial banking spreads, from retail spreads, both on the asset side, and that is also captured within funding capital and other, and that's what leads in total to the three basis points. It's a combination of all three of those elements.

Looking forward and indeed in the first quarter, there's not much more in it than that. That is to say it's the funding benefits, the capital benefits alongside of that, if you like, being the main part of it. It's retail assets, it's CB assets, but there are a number of different classes of assets, both within retail and CB. As I said, in totality, three basis points in the course of the first quarter. When we look forward, it'll ebb and flow a little bit. I don't think it'll necessarily be three basis points in every quarter going forward. It may well be less than that, but that's what's in it, and as said, it will vary a little bit between zero to three over any given quarter, depending upon when you look at it, and depending obviously upon what the particular benefit is in a quarter.

It's worth just saying also, Aman, in answering that question, as you know, it doesn't take much to give us a benefit, sorry, to give us a one basis point benefit in the NIM in any given quarter. It's about £11 million. So you get the benefit inserting itself into a funding instrument or a capital instrument. £11 million isn't a great deal, and all of a sudden you get a one-basis-point benefit off the back of it.

On the second question, it's a good question, Aman. When we look at the expectation for capital generation, for this year and beyond, it remains very strong. Now, the philosophy to date, at least, has been, we generate capital in order to generate return for our shareholders, and therefore the principle of repatriating it to shareholders is pretty deeply ingrained within the organisation. Once we get beyond that, the principle of the dividend, as you know, has been a sustainable, progressive dividend looking forward. A progressive and sustainable dividend is the dividend principle that we have. That means growing. We've been growing at 15% for the last three years or so, but it also means sustainable, and so over time, as we grow into a slightly more mature payout ratio versus where we're at today, then you would expect the pace of that dividend growth to taper somewhat.

Now, at the moment, as you can see from our overall earnings and indeed our dividend payout, we are at pretty modest payout ratios, which suggests that we've got room for significant dividend growth, not just for last year, but potentially for this year and indeed years to come. So there is quite a bit of room to continue to grow that dividend at levels not unlike what we've seen in the last couple of years.

The buyback point, the philosophy behind the buyback has essentially been hinged upon the value of the stock, the preference of our investors, the ability of buybacks to enhance the income growth for those that are in the investment, I suppose, for income growth, and off the back of that, we see the buyback as pretty well-founded. Jonathan mentioned earlier on that the rating of the stock looks relatively low. Clearly, value is not for us, but we believe that there is an awful lot of organic value or an awful lot of value still in the stock today, and therefore the buyback feels like a very appropriate response to that.

A special dividend is an alternative. Ultimately, the form of distribution is a question for the board clearly, but when we look at the value that is on offer with the stock, when we look at the ability to build the income streams within the stock, the ability to keep the TNAV in as good a shape as possible, when we look at our investor preferences, we think the buyback is pretty well-supported.

So, we'll see where that goes, but I think overall what you're hearing from me, Aman, is a commitment to a progressive and sustainable dividend with quite a lot of growth trajectory in front of us. Alongside of that, to the extent that we have further excess capital, which of course we expect to, a belief that the buyback offers meaningful and positive value to our shareholders, today's rating, if you like, accentuates that even more.

Then I think you asked about other uses of capital, Aman. We will always look carefully at other opportunities, whether they are M&A, whether they are organic internal capital investment, all with the pursuit or all with the objective of maximising the value of the group over time. And as said, that requires business and balance sheet growth, it requires organic investments in other things, customer propositions, operational resilience. It will present itself or at least be applied to M&A from time to time, but most importantly, it implies to capital distribution, and healthy capital distribution.

Aman Rakkar:
Thanks, William. Sorry, just on the liquidity point, I think you alluded to last week not necessarily looking to expand hedge notional into this interest rate environment, but I wondered if elsewhere in the liquidity portfolio or if there's anywhere else you're tactically looking to monetise this movement higher in interest rates?

William Chalmers:
In terms of will we capitalise upon where rates are, Aman, and whether we will invest more heavily in terms of structural hedge notional and so forth?

Aman Rakkar:
Investing in long-term assets, whatever that looks like.

William Chalmers:
I see. The primary vehicle for capitalising upon the rates environment that we see is obviously the structural hedge, and as you saw, we increased the notional by a couple of billion in that context. That in turn has allowed us to have modest upgrade in terms of our guidance for net interest income over the course of the year to greater than £14.9 billion, then in turn led to an expectation that the hedge benefits will be greater than £7 billion for this year, greater than £8 billion for next year. So that is the primary vehicle over the course of the investment strategy.

There is alongside of that, I suppose, the benefit of our liquid asset portfolio at higher yields, I suppose, because of the investments that it has in, and to the extent they turn over and invest in a higher rate, so much the better. Then off the back of that, the asset swap spreads increasing in turn makes a difference for FVOCI, the fair value through other comprehensive income, that we see within the overall business, which will from time to time give us benefits, Aman, but that's the sequence that I'd suggest. It's really about the structural hedge. We'll get some benefits through the liquid asset portfolio positioning in the treasury, and then we'll see some fair value through other comprehensive income changes, depending upon where the asset swap spread is at any given time.

Aman Rakkar:
Really appreciate it.

William Chalmers:
Thanks, Aman.

Question 5 – Guy Stebbings, Exane BNP:
Thank you, afternoon, William. Wanted to come back to this point on the hedge in the context of higher rates, but specifically in terms of pre-hedging. I know you tend not to comment in too much detail on pre-hedging, which I can absolutely understand, but in an environment with swaps jumping all over the place it gets a lot more focused. So are you able to give any sense of how effective you've been at pre-hedging with the benefit of hindsight of where swaps are today, what sort of rates you've been able to pre-hedge at, and then how to think about pre-hedging as we look further out in terms of the quantum that might have been done. I suppose we're all probably doing similar scenarios around what different rate paths might mean for earnings. So any colour you can give us is appreciated as we try to tweak our hedge models, that'd be very helpful. Thank you.

William Chalmers:
Yeah, thanks Guy. As you know, the objective for the hedge is earning stability and shareholder value. I think I've always pushed you in the direction, first and foremost, thinking about this as a caterpillar hedge with then a degree of optionality preserved around shortening or lengthening the weighted average life, depending upon where rates are in a given period. And Guy, I would steer you in that direction still actually. So that if we look at the overall extent to which the hedge is locked in for '26, as I said the other day, it's about 95%, for '27, it's about 80%. You would get to very similar outcomes if you are simply to divide our seven and a half year weighted average life by £240 billion, or rather £244 billion divided by seven and a half year weighted average life would get you to very similar outcomes, that 95% and 80% that I just mentioned.

So I think that is the place to steer to. Just a couple of points around that. Over the course of the first quarter of this year, we've been achieving about 3.9% in terms of the overall yield that we've been reinvesting, maturing hedges in. As we look forward, we will pre-hedge a little bit, partly with that value point that I just mentioned in mind, but also partly with respect to reducing concentration risks. And so you should expect to see some uptick from hedge benefits off the back of the rates curve that we've seen. I think at the margin, it might be slightly ahead of what you would strictly get to by applying a caterpillar methodology to it, but I think if you use that as a baseline and then just sort of aim off a little bit from that, you won't be too far away. I'd be hesitant to give much more precise guidance than that though.

Guy Stebbings:
Okay, understood, thank you.

William Chalmers:
Thanks, Guy.

Question 6 – Sheel Shah, JPMorgan:
Hi, William, I've just got a question on Lloyds Living, in that if you achieve your target of 50K homes by 2030, that's a property portfolio probably worth more than £10 billion or so. So I'd like to ask, what are the yields you're getting on this portfolio at present with the sort of 8 to 9K homes that you have at the moment? And how are you accounting for things like house price inflation? I presume these are all accounted for at cost, but how does house price inflation feed through into the numbers? Thank you.

William Chalmers:
Yeah. Thanks, Sheel. I'll answer that with some thoughts and then you can tell me whether or not it addresses your question.

I might just, in the spirit of answering Guy's questions slightly more fully, the other point, Guy, that I might make in respect of the structural hedge, which hopefully is coming through in your analysis, is just the length of the structural hedge or rather the growth profile of the structural hedge going forward. I mean, essentially what you can see off the back of the rates rises that we have seen is previously we had expected the structural hedge to continue growing into the '29, 2030 period.

You should now be expecting that structural hedge to grow materially more into the '28, '29, 2030 period. That's an additional comment that I would make in addressing more fully your question. The benefits will be longer lasting and they will be more material.

Sheel, coming to your question in terms of Lloyds Living. Lloyds Living has been a really solid investment from our perspective. I mean, essentially we've taken what we think is a poorly served market where we think we can help. We have significant expertise clearly in housing risk. It is adjacent to, as you know, a lot of what else we do. It used to be a feeder actually for other areas of our business, in particular the Scottish Widows bulk business, but of course we've gotten out of that now, so it needs to stand on its own two feet more. But there is also a set of ways, including from the insurance area, where we are developing adjacencies between what we do in, again, take insurance as an example, alongside what we're doing in Lloyds Living in respect of renters insurance and the like. Likewise, we're seeing significant synergies between the sourcing of Lloyds Living assets and the commercial business, the CIB business, which of course is home to a number of those clients.

You asked, Sheel, about the profile of the business, what returns we get out of it, how does HPI feed into it? To address those points, we're looking at a return on Lloyds Living business of between 15 to 20%. I won't put a precise number on it, but that is typically what we see in terms of the overall return within the Lloyds Living business. The growth trajectory of that alongside of that is obviously fairly significant because we've been acquiring properties by the year end of '26, we should be around 7,500 homes, somewhere around that level by the end of '26. The way in which the accounting works for this business is that you take acquisition costs upfront, and so as a result, you're getting relatively accelerated earnings growth over the course of the current and indeed look forward period.

You asked about how that responds to HPI. In essence, the values of the business or the values of the homes effectively are on our balance sheet. We are exposed to them, but they are determined in large part by rental yields. In turn, that gives us a relatively natural hedge on the balance sheet. That is to say rental yields tend to be inversely related to house prices. And as a result, we see rental yields, A, they've been pretty robust so far, but also we see them as a somewhat of a offset, if you like, or hedge against weaker housing prices. People tend to go to rental market at that time, see rental markets be more resilient and that holds up the value of the Lloyds Living asset. So overall, we feel comfortable with the risks that we're taking on here. It's a pretty good return for that risk. And as said, it offers somewhat of an offset to the rest of our business.

Sheel Shah:
That's great, thanks.

William Chalmers:
Thanks, Sheel.

William Chalmers:
I think then if there are no further questions, we will draw a line under it. And just to say to everybody, thanks very much indeed for taking the time today. I'm sorry the stock market and the share price is giving you the trouble that it is. We wish it were much smoother sailing, but as said, all we can do is deliver on our commitments. Thanks very much indeed for taking the time and we look forward to continuing the dialogue.

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; risks related to new and emerging technologies, including artificial intelligence; 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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