LLOYDS BANKING GROUP PLC – 2026 HALF YEAR RESULTS & STRATEGY UPDATE PRESENTATION TRANSCRIPT
(amended in places to improve readability only)

Thursday 30 July, 2026 – 9.30am

LBG:
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William Chalmers, Chief Financial Officer
Douglas Radcliffe, Group Investor Relations Director (Moderator)

Charlie Nunn
Good morning everyone and thank you for joining us today. I'm delighted to welcome you to our 2026 half year results and strategy update presentation. Today represents an important milestone as we approach the end of our current five-year plan and announce an ambitious new strategy to take us through to the end of 2030. We've got a lot to cover this morning, so let me start with a brief overview of the agenda and key messages.

I'll begin with a look back on our progress to date. We've successfully executed our 2022 to '26 strategic plan and are on track to deliver our 2026 financial targets. This lays strong foundations for the next phase.

William will uncover our first half results that show sustained strength in financial performance. We are today announcing a significant step-up in our ordinary dividend with a 30% increase in the interim, alongside a share buyback of one billion pounds. We will then shift focus to our new strategic plan, Accelerate 2030, and the financial outlook. I'm hugely excited by this next phase where we will reimagine customer journeys, increase group connectivity, and deliver a productivity step change, all enabled by pioneering technology. These actions will extend our track record of profitable growth and support long-term sustainable value creation for shareholders. Following the presentation, we'll have plenty of time for your questions. So let us begin with a look back on our progress starting on slide four.

SLIDE 4 – THE UK FINANCIAL SERVICES LEADER - CUSTOMER FOCUSED, DIGITALLY LED
We are the UK's financial services leader with competitive advantages that reflect our scale, digital and AI capabilities, and cost and capital focus. These competitive advantages underpin sustainable value creation. Our customer lending and deposit balances today total nearly £1 trillion, in addition to circa £250 billion of open book AUA. These support a diversified revenue base that's on course to reach circa £20 billion in 2026. And we expect to deliver a return on tangible equity in excess of 16% this year and above this in the years to come. I'll discuss some of these areas in more detail, starting with our market leadership and revenue growth on slide five.

SLIDE 5 – MARKET LEADER: BROAD-BASED GROWTH SINCE 2021
Our strategy over the last four and a half years has represented a clear shift in focus towards growth. To this end, we are on course to deliver around five billion pounds of net income growth by the end of 2026. Benefits from the structural hedge, BAU growth, and our strategic initiatives have more than offset material headwinds in the period, including those from the runoff of our SVR mortgage book and highly competitive lending and deposit markets.

Growth has been broad-based. Our focus on improving customer propositions and service has improved satisfaction scores and supported market share growth in key areas up around three percentage points on average. This includes gains in PCAs, transport, unsecured lending, home insurance, and SME deposits amongst others supporting strong balance sheet growth. We've also meaningfully diversified the business, increasing our OOI contribution by four percentage points despite strong NII growth and building our presence in high value areas such as mass affluent.

Complementing this, we've realised significant benefits from our investment and are on track to deliver circa £2 billion of strategic initiatives revenues by the end of 2026, higher than originally targeted in 2022.

Turning now to digital and AI leadership on slide six.

SLIDE 6 – DIGITAL AND AI LEADER: ESTABLISHED THE PLATFORM FOR INNOVATION

We've been delivering against a clear strategy to enhance our capabilities, deliver new propositions for customers, and position ourselves to benefit from new technologies. We have significantly modernised our infrastructure, actively unlocking our legacy data estate and technology. Investment in our people has been a key enabler of this with around 11,000 technology and data hires since 2021. These actions mean that our organisation is better equipped to deliver significant change at pace. This has created the platform for increased innovation, driving clear benefits for both customers and the group.

At the same time, we've established leadership positions across new technologies, launching industry first use cases and realising value from AI. Our actions here position us well for the future, increasing our confidence as a scale leader.

Moving to cost and capital efficiency on slide seven.

SLIDE 7 – COST AND CAPITAL LEADER: CREATED CAPACITY TO FUND GROWTH

Our growth has been enabled by a continued focus on delivering a more efficient organisation. We've now realised more than £2 billion of gross cost savings since 2021, having surpassed our original targets. Savings have been broad-based, including meaningful contributions from technology modernisation and the rationalisation of our office footprint. These savings have more than offset pay and inflation headwinds in the period, creating capacity for the group to invest.

At the same time, we've delivered £28 billion of RWA optimisation, offsetting regulatory headwinds to ensure that RWA growth more closely aligns with revenue generating activities. These actions combined with ongoing portfolio de-risking and steps to clarify legacy remediation charges have helped increase the predictability of capital generation. This has supported growing shareholder distributions. The ordinary dividend has more than doubled versus 2021. And we've now announced circa £17 billion of distributions in the period, equivalent to around 25% of our current market cap.

Now turning to slide eight.

SLIDE 8 – ON TRACK TO DELIVER 2026 AND ACCELERATE BEYOND

Delivery against our longstanding purpose of helping Britain prosper provides clear benefits for customers and communities across the UK, supports the real economy, and creates profitable growth opportunities for the group. Over many years, we've made a significant impact towards addressing key societal issues such as increasing access to housing and supporting the shift to a more sustainable future. Importantly, our actions have supported healthy franchise momentum, delivering profitable growth across both sides of the balance sheet. Looking ahead, we see further opportunities to help Britain prosper with bold ambitions for the next phase.

Let me close this section on slide nine.

SLIDE 9 – DELIVERY ON OUR PURPOSE, DRIVING PROFITABLE GROWTH

Our successful strategic execution supports strong shareholder outcomes, diversified income growth, improving operating leverage, and higher, more sustainable returns and capital generation. We're on track to meet the financial targets that we laid out over four years ago, having upgraded many of these along the way. By the end of 2026, we will have delivered a cost income ratio of less than 50%, a RoTE of greater than 16%, and more than 200 basis points of capital generation. I'm very pleased with how well we have delivered for customers, colleagues, and shareholders in this period. This creates the platform from which we can accelerate, further reinforcing our competitive advantages in the next phase. I'll discuss this in more detail shortly, but for now, let me hand over to William to run through our first half results.

William Chalmers:

Thank you, Charlie. And good morning everyone and thank you again for joining. As usual, let me start with an overview of the financials on slide 11.

SLIDE 11 – SUSTAINED STRENGTH IN FINANCIAL PERFORMANCE

Lloyds Banking Group again demonstrates sustained strength in financial performance during the first six months of the year. As Charlie mentioned, we're on track to deliver our 2026 commitments. Statutory profit after tax was £3.1 billion with a return on tangible equity of 17.1%. Within this, we delivered net income of £9.7 billion, up 9% on the previous year. Q2 net income was 4% higher than Q1. This was driven by continued strong momentum across both net interest income and other income.

We remain committed to cost discipline. H-1 operating costs of £4.9 billion were flat year-on-year. Notably, the Q2 cost income ratio at 49% was in line with our guidance for less than 50% for the full year. Credit performance meanwhile remained strong and stable. The H1 impairment charge of £617 million equates to an asset quality ratio of 25 basis points. Our performance resulted in strong capital generation of 108 basis points in the first half and a pro forma CET1 ratio after distributions of 13.1%. Given our confidence in the group's strong capital position and earnings trajectory, we are announcing a significant step up in our dividend, increasing the interim dividend by 30%. We'll also implement a £1 billion interim share buyback, and together this represents over £1.9 billion of capital distributions as at the half.

Let me now turn to slide 12 to look at developments in our customer franchise.

SLIDE 12 – ROBUST BALANCE SHEET GROWTH

Our customer balances showed strong growth in the first six months across both the lending and the deposit franchises. Focusing on Q2, group lending balances of £492 billion were up over £5 billion or 1% versus Q1. We saw broad-based customer-led growth across all business lines. Within retail, mortgages were up £0.2 billion in the quarter. This was net of a legacy mortgage book securitization of £1.8 billion. Excluding this, mortgages grew by £2 billion. And that reflects a positive trading performance and share of around 18% of net new lending.

Mortgage applications remained strong if slightly below the level seen in Q1 given the context of a higher rate environment. Pleasingly, completion margins were slightly higher quarter on quarter, albeit again rounding to 70 basis points. Elsewhere in the retail business, we saw continued and broad-based growth across each of our cards, loans, and motor businesses, as well as European retail. Commercial balances meanwhile were up in the quarter by £3.1 billion. This reflects strong growth in CIB, particularly in securitized products and infrastructure. BCB also continued to grow before the impact of £0.3 billion government-backed lending repayments, after which balances were flat.

In looking at the liability franchise, we saw a good performance in deposits up £5 billion or 1% in Q2 to now over £0.5 trillion. Retail deposits were flat as we maintained price discipline in the remainder of what was a competitive tax year end and focused value on our relationship customers with broader product holdings and other selective propositions. We were also happy to see PCA stability in the quarter, maintaining our greater than 24% market share of balances. Commercial deposits meanwhile were up £5.2 billion driven by growth in targeted sectors across both CIB and BCB, continuing recent strength in this area. And insurance pensions and investments, we saw significant open book AUA growth of around £25 billion in the quarter to £251 billion.

Let me now turn to net interest income on slide 13.

SLIDE 13 – CONTINUED GROWTH IN NET INTEREST INCOME

Net interest income continues to grow robustly. H1-NI was up 9% year-on-year to £7.3 billion. This included a 4% growth in Q2, helped a little by day count. NI was underpinned by average interest earning assets of £476 billion for the first half, up 4% or roughly £18 billion year-on-year. Income growth continues to be supported by positive momentum in the net interest margin. In H1, the margin was 319 basis points, and this included a second quarter margin of 322 basis points up five basis points in the quarter.

In this context, the growing structural hedge contribution continues to more than offset mortgage refinancing and other pressures. The non-banking NI charge, meanwhile, in the first half, was £251 million with Q2 down slightly on Q1. Structural hedge earnings were £3.4 billion for the half with an average yield of 2.7%, still well below market refinancing rates. Within this, the notional of £246 billion and the weighted average life of around 3.75 years was stable in the quarter. We continue to expect hedge income to grow to greater than £7 billion in 2026 and greater than £8 billion in '27. Further growth thereafter to the end of the decade. Coming back to this year, we continue to expect net interest income for 2026 to be greater than £14.9 billion.

Let me now turn to other income on slide 14.

SLIDE 14 – CONTINUED MOMENTUM IN OTHER INCOME

We continue to build momentum in other income across our franchise. Other income was £3.3 billion in the first half, up 11% on the prior year, with Q2 up 6% versus Q1. Pleasingly, this growth is driven by broad-based momentum across our businesses linked to strategic initiatives as well as BAU activities. Within retail, we saw 10% growth in H1 versus the prior year, supported by continued strength in our motor leasing business and our payments business. There was also a one-off benefit from the mortgage securitization in Q2 that I mentioned earlier on.

In commercial, year-on-year growth in fees on lending activity and transaction banking was more than offset by lower markets income in the context of market volatility. Importantly, however, commercial and CIB in particular was up in the second quarter after a slightly weaker Q1. And that's as markets and issuance activity recovered.

Insurance pensions and investments continue to deliver a positive performance in the first half, up 19% versus H1 25. Growth in workplace income was particularly positive alongside a full half of strong performance from Lloyds Wealth. Equity investments OI meanwhile was up more than 40% year-on-year in what was a very good half for LDC realisations alongside ongoing Lloyds Living growth.

Looking forward, while Q3 won't grow quite as fast as Q2, given the benefit of the securitization that I mentioned earlier on, growth in other income will continue. Diversification of our income remains a strategic focus and indeed our base case expectation. Operating lease appreciation was £452 million in Q2, up £63 million quarter on quarter. This was driven by fleet growth, but also by a £41 million charge for used car price adversity. Going forward, we expect this charge to revert back to a normalised run rate growing more in line with the fleet size.

Moving to costs on slide 15.

SLIDE 15 – CONTINUED DISCIPLINE ON COSTS

Cost discipline continues to be an imperative. H1 operating costs were £4.9 billion flat year-on-year. This reflects continued efficiency savings, some timing impacts, and slightly lower investment, including severance. At the same time, we've been able to effectively absorb the operating expenses of both the Lloyds Wealth and the Curve acquisitions. Alongside the remediation charge remains low at £39 million and a half. And taken together, this has resulted in a cost to income ratio of 50.4% in H1. And again, notably a ratio of 49% in Q2. Overall, operating costs are in line with full year expectations, reinforcing our confidence in delivery of a cost income ratio of below 50% for 2026.

Let me turn to credit performance on slide 16.

SLIDE 16 – CONTINUED STRONG AND STABLE CREDIT PERFORMANCE

Credit performance was again strong and stable in the period. Retail and commercial both continue to see low and stable impairments. New to arrears and other early warning indicators remain benign. The first half impairment charge was £617 million. That equates to an asset quality ratio of 25 basis points, which of course is in line with our guidance. The Q2 impairment charge was £322 million, including a pre-MES AQR of 28 basis points in the quarter. This was slightly higher than Q1 given model updates and the non-repeat of Q1 releases. As always, we updated our economics in the second quarter. This resulted in a small Q2 release from modest improvements to our forecast. And looking forward, we continue to expect a 2026 AQR of around 25 basis points.

Let me now address returns and TNAV on slide 17.

SLIDE 17 – SUSTAINED STRENGTH IN RETURN ON TANGIBLE EQUITY

Our return on tangible equity of 17.1% for the first half represents a strong performance. Within H1, the restructuring charge of £34 million includes costs for the integration of Curve and Lloyds Wealth. The volatility and other items credit of £112 million was largely driven by insurance related gains. Tangible net asset value per share ended the half of 57 pence in line with our full year 2025. This included a 0.9 pence decrease in Q2 with strong profitability build offset by shareholder distributions, including a full year ordinary dividend payment in May.

And as usual at this time, TNAV is also temporarily suppressed by an accrual for the share buyback over the H1 close period with no corresponding share count reduction. This is worth one pence per share and it will mechanically reverse in Q3.

Looking ahead, we continue to expect material TNAV per share growth in both the short and the medium term. We also continue to expect return on tangible equity to be more than 16% in 2026. Clearly our H1 performance reinforces our confidence in this regard.

Turning now to capital generation on slide 18.

SLIDE 18 – STRONG CAPITAL GENERATION
Capital generation was strong in the first half of the year at 108 basis points, particularly in the second quarter. Within this, total RWAs ended H1 at 242 billion, up £6.3 billion from the year end. This increase reflects healthy lending growth partly offset by continued optimisation activities, notably in Q2. The pro forma CET1 after deductions for distributions is 13.1%. We continue to expect to pay down to a CET1 ratio of 13% by the end of the year. We also continue to guide to 2026 capital generation of more than 200 basis points. I'll now move on to capital distributions on slide 19.

SLIDE 19 – SIGNIFICANT GROWTH IN CAPITAL DISTRIBUTIONS
The group's strong capital generation supports sustained growth in shareholder distributions. Today, the board announces an increased interim dividend of 1.58 pence per share, 30% growth on last year's interim. This significant step up reflects the actions taken to de-risk the business, our strong capital position, and our confidence in the future earnings trajectory of the group.

Looking back, dividends per share have grown significantly over our strategic plan. As Charlie said, now more than doubled the equivalent interim dividend in 2021. And beyond 2026, we continue to target a progressive and sustainable dividend, expecting good growth in future years, albeit likely more akin to recent periods. Additionally, today we announce our first interim share buyback of £1 billion. This is in line with our stated intention of moving to excess capital reviews over and above the dividend every half year. We expect this growth in distributions to continue both this year and into the new strategy, returning substantial excess capital to our shareholders year in, year out.

I'll now wrap up the financials on slide 20.

SLIDE 20 – SUSTAINED STRENGTH IN FINANCIAL PERFORMANCE
To summarise, in H1, the group showed sustained strength in its financial performance and delivery on its strategic ambitions in the final year of our plan. In the first half, we saw continued net income growth, cost discipline, and strong and stable credit performance, all contributing to strong capital generation. This allows us to deliver a significant step up in interim dividend and to announce an interim share buyback for the first time, together providing over £1.9 billion of capital return for the first half alone. As we look ahead to the remainder of 2026, we are confident of meeting our financial guidance as laid out on slide. I'll now hand back to Charlie to talk about our exciting and ambitious new strategic plan. I'll return later, of course, to discuss the associated financial framework. And, needless to say, this will include continued income growth, improved operating leverage, stronger sustainable returns, and of course, growing capital generation for our shareholders.

Charlie Nunn:
Thank you, William. So, I'll now discuss the vision and priorities that define our new strategic plan, Accelerate 2030. I hope by the end that you'll be as excited as I am about the group's future.

Before getting into detail, I'd like to start on slide 22 by reflecting on the external environment that we operate in and outline why we are well positioned to continue to grow faster than the wider economy over the coming years.

SLIDE 22 – STABLE UK ECONOMY, LBG UNIQUELY POSITIONED TO GROW FASTER
Our base case outlook for the UK economy is one of stability with resilient fundamentals. At the same time, we see clear opportunities for the UK to move to a higher growth trajectory than is forecast today. This reflects the improving capacity for spending and investment combined with the government's ongoing focus on

regulatory reform and growth. The latter is likely to drive structural shifts in key areas, including housing, infrastructure, and wealth and pensions, creating long-term nominal GDP plus opportunities.

As the UK's only integrated financial services provider, we are uniquely positioned with established leadership positions and a proven track record of driving growth in these faster growing high potential areas. And as you'll hear today, our strategic choices reinforce these strengths.

Let me now unpack Accelerate 2030, starting on slide 23.

SLIDE 23 – ACCELERATE 2030 BUILDS ON EXISTING PARTICIPATION CHOICES
Our strategy represents an acceleration of our transformation and ambition, but fundamentally, the business model we have today is the right one. Therefore, Accelerate 2030 will also reflect a strategy of evolution and build on our existing participation choices. This includes our UK focus, product breadth, connectivity, reach, and low risk diversified balance sheet. These provide us with confidence in our ability to deliver unique propositions for customers, diversified growth, and long-term sustainable value creation for our shareholders. On slide 24, I'll highlight the new components we are adding to this.

SLIDE 24 – ACCELERATE 2030
Our purpose of helping Britain prosper remains at the core of Accelerate 2030, supported by a clear promise to our customers to make finance simpler, smarter, and more connected for every moment that matters. Building upon our existing strengths, we will reimagine experiences to delight our customers, better connect than ever before, making the group more than the sum of its parts, and deliver a productivity step change to create value. All of this will be enabled by pioneering technology and a clear commitment to investing in the business.

Our strategic priorities will be delivered through three pillars. Grow the core, innovate to deepen and diversify, and simplify to outperform. And successfully executed, our plan will reinforce a clear financial framework with our investments supporting continued income growth, improving operating leverage, stronger sustainable returns, and growing capital generation. Let me explain in more detail on slide 25.

SLIDE 25 – THREE PILLARS REPRESENT DISTINCT OPPORTUNITIES
Our pillars represent distinct opportunities. Grow the core is focused on reinforcing our position as the UK's financial services leader. We will meet more needs in areas of strength and accelerate in faster growing areas where we have headroom, maintaining or gaining share across the core franchise. To achieve this, we will reimagine customer experience, embedding AI to make things simpler and more personalised than ever before.

Innovate to deepen and diversify is focused on increasing group connectivity whilst extending into higher value fee generating adjacencies and building new businesses. We will also increase the group's presence in third party and AI channels to be where our customers are. Our delivery here will support a high single digit OOI CAGR.

And finally, simplify to outperform is focused on how we'll create the capacity, pace, and discipline to enable our acceleration. Investment in our people, data, and AI are the cornerstones of this and are critical to enabling our growth ambitions and a productivity step change. This includes a further £2 billion of gross cost saves.

I'll shortly run through our strategic priorities by business area with deep dives on opportunities where we can differentiate. This includes things like our unique group-wide rewards offering and bancassurance. This will help you better understand both our ambition and how grounded our plans are in these areas.

As well as delivering unique value for customers, Accelerate 2030 will further improve our financial performance as shown on slide 26.

SLIDE 26 – ACCELERATE 2030
By building upon our competitive advantages and raising our ambition, Accelerate 2030 will create the foundations for long-term outperformance. Growing business momentum will support continued income growth with net income growing at mid-single digit CAGR. As highlighted already, OOI will be a significant contributor to this. Strong income growth combined with our continued efficiency focus will further improve operating leverage. We're targeting a cost income ratio of less than 45% in 2030 with year-on-year reductions.

This will support stronger sustainable returns and growing capital generation. We're targeting a RoTE of circa 20% and more than 225 basis points of capital generation in 2030, including continued investment in the business and growth in the balance sheet.

We believe this represents an attractive shareholder proposition focused on long-term sustainable value creation, both in this strategic cycle and beyond. Having introduced the strategy, I'll now cover our priorities in more detail. Firstly, I'll discuss our refreshed purpose ambitions on slide 28.

SLIDE 28 – ACCELERATE 2030 IS UNDERPINNED BY OUR PURPOSE

In line with helping Britain prosper, we remain focused on addressing critical societal issues. The strategic actions across our business units are aligned to these aims. Whilst our purpose remains unchanged, our 2030 ambitions are bold. For example, we're targeting more than £45 billion of new finance to small business customers and more than £100 billion of sustainable and transition financing.

These actions will reinforce our existing leadership positions, deliver significant impact for customers and communities, and create attractive growth opportunities. Let me now move to our business priorities, starting with retail on slide 29.

SLIDE 29 – BUSINESS PRIORITIES: RETAIL

Our retail business has significant scale and reach, including relationships with half of the UK adult population, colleagues present in around a thousand communities, and nearly 22 million mobile app users. We also have leading market shares in our key product areas. Our strategic priorities are focused on further deepening relationships through an even more connected personalised offering and AI enabled experiences. In addition, having established a digitally led European mortgage business with strong returns, we will selectively scale this, supported by European deposit growth.

To support these aims, we will progressively extend our new core banking engine, which will improve speed to market and personalization. Agentic AI-powered customer journeys will also drive further improvements in our ability to grow and serve customers significantly more cost-effectively. We recently announced the decision to move our Halifax customers under the Lloyds brand, operating alongside our other relationship brand, Bank of Scotland. This will make it simpler for our customers to access all of the group's products and servicing capabilities, as well as positioning us to stay connected in a more digital and AI world going forward. Our strategic priorities will deliver improvements in both income growth and operating leverage. We're targeting a mid-single digit net income CAGR and CIR reduction over the plan. Over the next few slides, I'll deep dive on three priorities that will support around 80% of our retail net income today, starting with rewards on slide 30.

SLIDE 30 – THE UK'S MOST REWARDING BANK

We have deep customer relationships today with around 70% recognising us as their main bank. This supports leading positions in high value areas, including a greater than 24% share of PCA balances, a significant underpin of the group's structural hedge. We see opportunities to reinforce our scale position further by building a truly unique group-wide rewards offering. This will increase advocacy and retain primary relationships, rewarding our most valuable customer groups, in the world of multi-banking. We've taken the first steps here by relaunching our rewards portal earlier this year. More than eight million of our customers have already used this and are benefiting from discounts and cashback offers, participating in challenges, and monthly prize draws. But this is just the start, and we want to take this much further. In the future, we'll leverage AI to make better use of our extensive data and provide offers with even greater personalization tailored to key life moments and based on spending behaviours.

Rewards will also be increasingly based on loyalty and relationships across the whole of the group. This will include differentiated pricing, providing greater benefits to our most valuable customers. And to encourage regular engagement, customers will be able to track the value of their rewards over time. We see significant value upside here with rewards customers typically having greater monthly account contributions, larger payments values, and higher depth of relationship. As we strengthen these primary relationships, we look to meet even more of these needs and reinforce our leading deposit franchise.

Now moving to our homes offering on slide 31.

SLIDE 31 – A BROADER, TRANSFORMED HOMES EXPERIENCE

We are the market leader for homes today with a 19% mortgage market share. From this position of strength, we understand that there are currently many challenges for prospective and existing owners, including saving for deposits, affordability, and complexity in the mortgaging journey. We want to change that and deliver a broader transformed home experience. There are two main parts to this.

Firstly, we'll launch new propositions that broaden our reach. This includes better serving first-time buyers and buy-to-let customers and meeting more of the customer's homeowning needs, including protection insurance and retrofit solutions. We will also innovate to help unlock the £9 trillion of residential property value in the UK today.

At the same time, we're committed to transforming customer journeys. Direct remortgaging is live today and has reduced times to offer, but we have a lot more to do. The home's journey of the future will be AI and blockchain powered, increasing both personalization and speed. Agentic AI will make it easier than ever for customers to get advice and better value on their mortgages and broader homeownership needs. This will position the group to have closer, longer lasting, and deeper relationships with its mortgage customers, complementing our leading position with intermediaries. I'll now cover our last retail deep dive on slide 32.

SLIDE 32 – THE UK'S FIRST INTEGRATED TRANSPORT ECOSYSTEM

We're the UK's largest motor financing and leasing provider with significant scale. Through our Black Horse, Lex and Tusker brands, we finance or lease more than one million vehicles. Transport is a core need of UK consumers, SMEs, and large corporates. Given its importance, customers are demanding simplicity, confidence, and personalised support. We believe we are uniquely placed to reimagine vehicle ownership, working closely with our OEM and broader partners. By delivering simple, joined up solutions within a single trusted platform for broader transport needs, we'll create a smoother, more empowering experience for customers. First phase of this is already live today within the Lloyds app. As you can see on the screen, customers already have access to tools, including MOT, tax and insurance reminders. We'll add more functionality over time before broadening the ecosystem to serve more needs supported by greater connectivity with a wider group and industry partnerships.

To bring this to life, in future years, customers will be able to search verified listings from branded partners to select their next vehicle within the app. AI will offer tailored guidance, helping customers choose vehicles that suit their needs and budgets. We view this as a significant opportunity to acquire, serve, and retain customers at scale, driving OOI growth. Moving now to commercial on slide 33.

SLIDE 33 – BUSINESS PRIORITIES: COMMERCIAL

Commercial captures both our BCB and CIB franchises with around one million relationships. In BCB, we are a leading provider of lending and deposits to small businesses. Whilst in CIB, we have strong positions in our core areas of participation. I'll elaborate on the different priorities across each of these businesses within the deep dives. But in short, we're focused on deepening penetration of our existing client base, broadening our reach to capture new clients, and enhancing our capabilities to further improve both cost and capital efficiency. The two businesses have a broadly 50/50 net income contribution today of a circa £6 billion total. Combined, we're targeting a mid-single digit net income CAGR and a low single digit CIR reduction by 2030. On slide 34, I'll cover our priorities for BCB.

SLIDE 34 – BCB: THE MOST TRUSTED, DIGITAL AND AI-ENABLED COMMERCIAL BANK

BCB is a highly profitable area built on longstanding trusted relationships. However, we have more to do to digitise end-to-end to improve experience. Additionally, whilst we have strong market shares across lending and deposits, we have the opportunity to grow in higher value areas such as trade, mid-market corporates, and within specific sectors. Our strategy therefore focuses on digital and AI enabled differentiation and doubling the size of our relationship team to support clients and growth and further enhancing our products. We will offer seamless digital experiences, improving access to cash alongside simple, flexible payment solutions for small businesses. On product, we'll focus on delivering more comprehensive offerings across both trade and working capital. Enhancements here will be complimentary to our heightened focus on mid-market corporates. Relationship managers will leverage AI tools to establish us as the leading partner for this vital segment, supported by our deep regional presence.

We will also increase connectivity with the rest of the group, building our presence with high growth companies across the UK innovation economy, and connecting our merchants with retail customers to facilitate two-sided growth. I'll discuss this in more detail later. Now turning to CIB on slide 35.

SLIDE 35 – CIB: A FOCUSED, MODERN, CLIENT-CENTRIC BUSINESS
CIB is an important source of diversification for the group, contributing to OOI growth and acting as a key enabler of group connectivity. The business is built upon disciplined participation choices across our cash, debt, and risk management offering. However, only 15% of our clients have needs met across all three areas today. As we've highlighted previously, there is significant revenue multiplier effect as relationships deepen, representing clear upside as we become a broader solutions provider.

To support this, we're continuing to enhance our capabilities across the full spectrum, supported by investment in our technology infrastructure and data. We also see opportunities from selectively increasing our international presence. Around 70% of our clients operate internationally today with UK issuance activity increasingly in US dollars and euros. We're underweight here and have headroom for growth. Building on an established base, we will broaden our European offering and further deploy our existing product capabilities and expertise in the US, supporting UK linked clients. This represents a continuation of our strategy in this area, and you should expect us to be disciplined in our participation and returns on this growth. I'll now discuss IP&I on slide 36.

SLIDE 36 – BUSINESS PRIORITIES: IP&I
IP&I is a profitable business and a key differentiator for the group. The business is a scale provider in a UK insurance and retirement markets with leading positions across home insurance, annuities, and workplace pensions. We've refocused the business in recent years and have delivered strong growth with open book AUA of £250 billion, doubling since 2021. In addition to reinforcing our leadership positions, our priorities are focused on further improving our propositions with digital and AI innovation and better connecting the group to transform our bank assurance and wealth offerings. These initiatives will support a high single digit net income CAGR. At the same time, we're highly focused on driving productivity in this area to support a high teens CIR reduction. Combined, IP&I will further strengthen its returns, supporting larger and more predictable distributions from Scottish Widows to the group. Let me deep dive on the bancassurance opportunity on slide 37.

SLIDE 37 – THE UK'S ONLY INTEGRATED BANCASSURANCE OFFERING
Since 2021, we've focused on better connecting our scale retail and insurance franchises and have made strong progress. Our retail customer penetration has increased in this period with growth in both protection and home insurance as examples. Given the scale of our customer base, we have a significant further opportunity. Indeed, over 20 million of our retail customers still do not have an insurance relationship with us, and 17 million have their home insurance needs met elsewhere. Our industry recognised digital bank will be a key driver of growth with simpler, more integrated journeys and greater insight to increase engagement. AI-enabled claims management will also increase certainty and lead to faster resolution times, improving satisfaction. We will also broaden our core product capabilities, including increasing customer access to protection through ready-made and micro products. Above all, we believe the scale of our data and insight can help to provide differentiated customer value, supporting market leading pricing and rewarding loyalty and relationship depth as part of the group-wide rewards offering I discussed earlier.

We're encouraged by the progress we've made to date and believe we're better positioned to address this opportunity than ever before, supported by a more constructive regulatory backdrop. By leveraging the full capabilities of our business model, we'll be able to maximise the potential of a unique growth lever. Now turning to wealth on slide 38.

SLIDE 38 – A UNIQUE END-TO-END, LIFETIME WEALTH PROPOSITION
The group operates a full-service wealth offering today with around £110 billion of open book AUA. This includes a top five D2C platform, scale intermediary business, and Lloyds Wealth. This is in addition to our top three workplace pensions business. These are strong businesses positioned in an attractive growing market, but we have the potential to better connect them to retain value across the group and offset outflows to third parties.

Our vision is to offer a lifetime wealth management proposition that caters for a broad spectrum of customers across accumulation, decumulation, and generational wealth transfer. By increasing interaction with our banking and workplace customer base, we can turn savers to investors and mitigate workplace outflows at the point of retirement. We'll also increase customer access to advice through agentic AI enabled offering, InvestAI. The initial version of this is currently live within Scottish Widows app, but over time we'll further its capabilities with targeted support and extend it to the retail banking app alongside coaching agents, significantly increasing the addressable customer base. In an increasingly fragmented market, we believe the ability to help customers build, manage, and transfer their wealth with one provider is a unique differentiator that will allow us to grow in a high value area. Now turning to our final area, equity investments on slide 39.

SLIDE 39 – BUSINESS PRIORITIES: EQUITY INVESTMENTS

Equity investments primarily captures Lloyds Development Capital, an award-winning private equity firm, and Lloyds Living, our residential landlord business. Here, we're primarily focused on consolidating and establishing leading positions across these high-quality non-banking businesses, whilst increasing connectivity with the rest of the group. We're targeting a high single digit net income CAGR and to maintain a low CIR with the current position, roughly half of the wider group. Let me elaborate on our plans on slide 40.

SLIDE 40 – LDC/LLOYDS LIVING: UNIQUE NON-BANKING BUSINESSES

Equity Investments is a growing contributor to the group representing more than 10% of OOI in the first half of 2026, with a RoTE in excess of 20%. In LDC, we've delivered strong momentum in the first half of the year with nine new investments made, and we're focused on supporting higher growth businesses through the life cycle to maximise potential returns. We'll also further increase connectivity within our BCB franchise.

For Lloyds Living, we're aiming to become the UK's leading private institutional landlord, doubling the home's portfolio to more than 20,000 by the end of 2030. This will be supported by strong relationships with CIB, with 85% of new homes today in collaboration with house builder clients. We will also increase connectivity to the rest of the group, providing insurance solutions for renters and moving customers to shared ownership through our pathways proposition. Across both, we'll retain a disciplined focus on efficiency. Taken together, equity investments will continue to support the group's diversification efforts. On slide 41, I'll bring all of these areas together with a focus on connected opportunities.

SLIDE 41 – CROSS-GROUP PRIORITIES: AN OUTSTANDING CONNECTED OPPORTUNITY

As you can see, we have exciting plans across all of our businesses and expect to deliver broad-based revenue growth and efficiency improvements over the plan. Each of these plans is enhanced by our focus on further increasing group connectivity. We've talked about a number of these areas already, such as bancassurance and wealth. But beyond these, we see many more outstanding opportunities as we look ahead. For example, we've grown Tusker from a fleet of 23,000 in 2023 to more than 100,000 today, benefiting from increased connectivity with our commercial client base and funding synergies. We'll scale this business even further as part of Accelerate 2030. We will also add new growth levers in this period, unlocking the full potential of the connected group to further diversify our revenue streams. I'd like to highlight some of these new opportunities in more detail, starting with slide 42.

SLIDE 42 – DRIVING GROWTH THROUGH NEW, UNIQUE CROSS-GROUP OFFERINGS

By combining our scale retail and commercial franchises and digital and AI leadership, we see the potential to offer value to customers on both sides in a way that only we can. Connected Commerce will enable our business customers to provide targeted campaigns and offers to our retail customer base. For merchants, this has clear potential benefits, including increased sales and more effective marketing spend. Whilst our retail customers will feel more rewarded with access to offers that only they can receive. I'm also delighted to announce that we are today opening the wait list for Lloyds Smart Wallet, which builds on Curve's pioneering capabilities to provide an enhanced payments experience for customers. Retail customers will be able to store their payment and loyalty cards in one place, apply spending rules and rewind payments. Over time, customers will also be able to increase payment flexibility with the potential to offer point of sale financing options for merchants. We will also look to integrate a personal digital vault for customers, allowing secure document storage. You'll be able to hear more about the vision for this exciting proposition later today.

Moving now to digital assets on slide 43.

SLIDE 43 – DIGITAL ASSETS: UNLOCKING THE OPPORTUNITY
We've been an early mover on digital assets, co-chairing the GB Tokenised Deposits project and delivering notable UK first transactions. We continue to support the various industry initiatives that are critical to establishing the necessary foundations for future growth. At the same time, we're developing our own capabilities so that we can move from pilot to production at the earliest opportunity with initial proposition launches to take place for our commercial clients during the second half of this year. We're also establishing the capability to facilitate stable coin payments, recognising that adoption is likely to increase over the medium term.

We believe that digital assets have the potential to deliver meaningful benefits for customers, with these likely to be amplified by the interaction with Agentic AI. The effective integration of these solutions into broader customer journeys will support our competitive advantage over time. And we're well-placed to do this given the proactive stance we've taken. I've spoken a lot about the opportunities across our grow and innovate pillars so far, but a strategic acceleration of this scale is only possible with ongoing investment in our organisation and capabilities. With that in mind, let me now turn to an overview of simplify to outperform on slide 44.

SLIDE 44 – SIMPLIFY TO OUTPERFORM: ENABLING OUR STRATEGIC ACCELERATION
This pillar is critical to enabling the innovation and pace that underpins our growth and efficiency ambitions. I've already described many of the important elements in the business updates and therefore will not go into too much detail here but would like to highlight a few key points. Talent, data and technology are the key unlocks of this. In the next phase, we'll further build out our in-house expertise through a constant commitment to colleague upskilling alongside targeted hiring, whilst we'll take our technology and data modernisation efforts to the next level. At the same time, investment in AI and specifically agentic AI will deliver value across all divisions and functions. We'll expand on some of the main opportunities we see in more detail on the next slide. And finally, as you'll hear from William, capital efficiency remains of the utmost importance, creating the capacity for further growth. This is supported by our continued shift towards OOI and increased balance sheet velocity through origination and optimisation initiatives. Moving now to a deep dive on AI specifically on slide 45.

SLIDE 45 – AI: A SCALE FINANCIAL SERVICES LEADER, WITH SIGNIFICANT OPPORTUNITY
As I outlined in November, I believe there to be four key characteristics of a scale AI leader, trust, breadth, data, and capabilities. We're uniquely positioned across all four of these areas and have a differentiated starting point. Added to that, we've made significant strides in recent years to both adopt AI at scale and measure its impact. As you can see on the slide, we have many examples where AI is driving significant benefits today for both customers and colleagues. It is with this in mind that I see significant revenue and cost opportunities over the coming period as we scale further.

As covered in the deep dives, every part of the group has a clear AI enabled strategy that will further enhance our ability to differentiate our services, grow, and deliver improved productivity. Indeed, by 2030, we expect AI-powered tools will support every customer interaction and all of our colleagues. As these opportunities scale, so too will the value that we realise. We're on course to deliver more than £100 million of value from generative and agentic AI in 2026 with substantial benefits driving our revenue growth and efficiency in Accelerate 2030. Fundamentally, we expect to remain right at the forefront of this change and are extremely well-equipped to realise value given our scale leadership and starting position. I'll now close the section on slide 46.

SLIDE 46 – FINANCIAL OUTLOOK REINFORCES OUR TRACK RECORD
I appreciate I've covered a lot of detail, but hopefully this has given you a feel for the breadth of the opportunity across the group and has given you confidence that we are uniquely positioned to deliver it. We will, of course, provide more detailed progress in future updates, and you'll hear more in divisional plans in the interim years through investor seminars with the first of these likely next year. The group has strong growth momentum today, and our plans will further reinforce this, supporting nearly a decade of ongoing mid-single digit revenue growth by 2030 and continued improvements in operating leverage. These actions will drive stronger sustainable returns as we target a RoTE of circa 20% in 2030. With that in mind, I'll now hand over to William to discuss the financial outlook in more detail.

William Chalmers:

SLIDE 48 – PRUDENT MACRO ASSUMPTIONS OVER PLAN PERIOD
Thank you, Charlie. Now that you've heard about our strategic priorities and business outcomes, let me talk through the financial framework that sits behind this plan.

As you might expect, I'll start with our economic outlook. We've built a strategy based upon prudent assumptions. We assume a stable UK economic environment with real GDP growth averaging 1.4%. We expect CPI inflation to settle at around the 2% target level in the second half of '27. Taken together, this means nominal GDP growth of around 3.5% per annum in the period to 2030.

Turning to interest rates, we continue to assume a terminal base rate of 3.5%. Our expectations for the reinvestment on our hedge are predicated upon this assumption and average around 3.7% over the period. Now clearly this is below current market implied rates, which are around 50 basis points higher.

Against this backdrop, we expect unemployment to increase slightly before peaking in the first quarter of '27, around 5.5%. And for house prices, we assume growth of around 1% in '26 and '27 before rising towards 3% later on in the period. While we will inevitably be impacted if actual economic outcomes differ materially to our expectations, we have nonetheless built the strategy to be resilient to a range of scenarios. Let me now explain our financial framework on slide 49.

SLIDE 49 – ROBUST FINANCIAL FRAMEWORK: LONG-TERM, SUSTAINABLE VALUE
Accelerate 2030 is built upon a robust financial framework that will generate long-term sustainable value for our shareholders. The framework rests upon the three foundations of investment discipline, efficiency focus, and risk management. Together, they underpin continued income growth, improving operating leverage, and stronger returns and capital generation.

These financial outcomes drive a positive feedback loop. They create capacity for further investment to reinforce business performance alongside, and importantly, delivering growing and sustainable shareholder distributions. Let me now talk about each of the foundations in turn, starting with investment discipline on slide 50.

SLIDE 50 – INVESTMENT DISCIPLINE: VALUE FOCUSED EXECUTION, EFFICIENT FUNDING
In the current rapidly evolving and competitive context, it is essential that we continue to invest significantly in the business. Disciplined investment transforms the infrastructure of the bank and it reinforces our market leadership positions. Ultimately, it supports the financial performance that we will deliver over the plan. Since 2021, we have invested successfully to drive improvements in the business and generated significant shareholder value. In Accelerate 2030, we will focus our investment on the priorities that Charlie set out earlier, re-imagining our customer propositions in our market leading businesses, building cross-group connectivity, driving an AI and digital enabled productivity step change. All the time investing in talent.

As you know, we are intensely focused on investing with discipline. While we will invest at scale, commensurate with the opportunity that we see, our investment will be governed by demanding return hurdles. We will constantly track performance and if required, we will reprioritise to ensure delivery. The opportunity that we see necessitates a step up in investment. Indeed, our total cash investment will increase by around 10 to 15% in '27 versus '26 before stabilising in the years thereafter. Cash investment will in total be in excess of £13 billion over the strategic period. Alongside, OpEx will increase in '27, growing at levels closer to the '22 to '25 period versus our 1% in '26.

However, we will invest efficiently. Over time, our investment will be increasingly financed by the capacity created by gross cost savings in our strategy, allowing us to control overall OpEx growth during the planned period. Let me talk a little bit more about that now.

SLIDE 51 – EFFICIENCY FOCUS: REMAINS A KEYSTONE
At Lloyds, efficiency remains a keystone and we have a strong track record of delivery. Over the current plan, we've achieved more than £2 billion in gross cost savings. This has been through a variety of levers, including modernising technology, digitising processes, reducing our property footprint, and tightly controlling BAU costs. Going forward, we'll continue to build on these sources of efficiency. For example, there is more

that we can do to modernise our infrastructure, to automate, to scale our offshore hub, Lloyds Technology Centre, to optimise our property footprint and so forth. And on top of this, AI presents a huge opportunity to drive a step change in productivity. Charlie talked to you earlier about some of our ambitions here, as well as some of the early successes that we've had in driving efficiency. We believe there is much further to go.

As examples, we aim to drive a significant improvement in the number of active customers served per customer-facing colleague. Alongside, AI tools will transform engineering productivity and automate manual processes such as fraud and complaints. This combination of new and existing levers will drive around £2 billion of gross cost savings from 2027 to 2030. As Charlie said, our focus on efficiency also encompasses capital utilisation. Since 2021, we've improved our net income per average RWA by around 50 basis points. This is despite significant regulatory RWA inflation over the period. Going forward, we'll continue to optimise balance sheet capital utilisation alongside growing income in capital efficient areas such as IP&I and equity investments. This will drive further improvement in net income per RWA, supporting growing returns in capital generation. I'll speak further on growth in just a second.

Let me talk now about the third of our financial foundations, risk management.

SLIDE 52 – RISK MANAGEMENT: HIGH QUALITY BOOK, PRUDENT RISK APPETITE

Effective risk management is core to Accelerate 2030. Lloyds has a strong track record in credit performance. Over the course of the current strategy, balance sheet risk has been tightly managed. Asset quality ratios have been consistently at or below 30 basis points, and arrears have been low and stable. Alongside, we've been disciplined in our participation choices and taken steps to manage conduct risk very carefully. Our performance is built on a prudent risk appetite and a strong focus on governance to deliver sustainable growth. Let me highlight a couple of key components of our risk management.

Firstly, we have a low risk diversified balance sheet. For example, an average loan to value in mortgages of 46%. An SME lending portfolio that is around 90% secured. Secondly, we have and will continue to make appropriate and low risk participation choices across our businesses. This means a strong focus on strong risk-adjusted returns within a consistent risk framework across the bank. In sum, Accelerate 2030 is aligned with our current risk appetite. Finally, we have comprehensive data and robust underwriting, increasingly AI powered. We aim to continually improve the speed and quality of our credit decisions. Consistent with these points going forward, we are guiding to an AQR of 25 to 30 basis points throughout the new plan.

Let me now move from foundations to outputs.

SLIDE 53 – CONTINUED INCOME MOMENTUM

Building on our current tailwinds and with these foundations, we expect to see continued income growth during Accelerate 2030. Strong franchise growth, strategic initiatives, and of course, the structural hedge has driven income growth of around 30% over the current plan. Importantly, this has been diversified with more than 30% NII growth and 40% OOI growth versus '21. We expect this pattern to continue. Going forward, the structural hedge tailwind persists, growing by more than £2 billion from 2026 to 2030. Headwinds will also remain, including expected competitive pressures. I'll talk more about this in relation to NII in a later slide.

Accelerate 2030 and the consequent franchise growth will then provide income momentum beyond this. By growing the core, we will drive strong performance across our existing businesses through balance sheet growth and continued OOI momentum in areas including CIB and workplace, for example. Our focus on innovation will drive further growth from building out existing propositions, for example, in the transport ecosystem, bank assurance, embedded finance. And finally, we expect to deliver new revenue streams in several areas such as digital wallet, digital assets, connected commerce, just as Charlie discussed. Taken together, this means we are targeting a mid-single digit net income CAGR in our plan. Albeit, it is important to highlight that we expect net income growth to be higher than this in 2027.

Let me explain income growth a little further, starting with net interest income in slide 54.

SLIDE 54 – NII SUPPORTED BY DIVERSIFIED LENDING AND DEPOSIT GROWTH…

Net interest income will be supported by continued balance sheet expansion. Lloyds has a strong and diversified balance sheet with £492 billion of customer lending funded by more than half a trillion of customer deposits. Over the plan, we expect lending to grow at nominal GDP plus. This will be supported by strength in faster growing areas of the economy, such as infrastructure and innovation, and targeted market share gains from our strategy. Of course, we will always be disciplined with respect to volume and value.

In deposits, we expect to deliver growth, but in a measured way in what will no doubt be a competitive market. We focus on deepening relationships and the attraction and retention of valuable customers. And moving to RWAs, as you know, Basel 3.1 will drive a reduction of around six to eight billion on the 1st of January '27. Beyond that, lending growth will increase RWAs roughly proportionately. And alongside business growth will increase RWAs and operational risk and inequity investments, thereby modestly increasing RWA density. As always, we will seek to mitigate some of this growth through value added optimisation.

I'll now move to the other supports for NII on slide 55.

SLIDE 55 – ...AND UNDERPINNED BY HEDGE TAILWIND

Alongside customer led balance sheet growth, the structural hedge tailwind will support healthy NII growth during Accelerate 2030. The hedge will remain a significant tailwind until at least the end of the decade. Based on our plan assumptions, we expect hedge income to grow to more than £9 billion in 2030. This will continue to be supported by our strong deposit franchise, albeit we assume any modest notional growth in the hedge during the period. We also assume a reinvestment rate averaging 3.7% consistent with a terminal base rate of 3.5%. Clearly, that is well below market rates and applying those to our hedge would drive a meaningful uplift in income.

The structural hedge tailwind combined with the lending and deposit growth will inevitably be partly offset by competitive margin pressures. As we've seen over recent periods, higher hedge income for the sector may be partially offset by tighter asset and liability margins. Realistically, this is likely to continue and we have built it in. There will also be modest growth in the charge associated with non-banking NII, the funding cost for our OOI generating businesses. So let me move on to OOI on slide 56.

SLIDE 56 – HIGH-SINGLE-DIGIT, CAPITAL EFFICIENT OOI GROWTH

Impressive other income momentum, as seen over the course of our current strategy, will continue in Accelerate 2030.

Group OOI has grown at 8% CAGR since 2021, driven by broad-based growth across each of our businesses. As we look forward, this momentum will continue. It'll provide capital efficient growth and it'll provide diversification. To underline the point, we are targeting high single digit OOI CAGR through to 2030. This performance will once again be supported by delivery across the divisions. You heard Charlie speak about retail initiatives, including the new transport ecosystem, the digital wallet from our Curve acquisition, supporting growth and payments and associated spend. Likewise, as we invest in platforms and product capabilities, including digital assets and in coverage, we see meaningful OOI growth in CIB within the existing cash debt risk perimeter. In insurance, growth in bancassurance, workplace, and wealth is augmented by the mechanical unwind of five billion of deferred profit. And finally, in equity investments, LDC and Lloyds Living will become increasingly important and differentiated drivers of our OOI momentum. Of course, beyond each of the division's individual contributions, growth will increasingly be unlocked through our ability to connect the group's unique portfolio of businesses just as Charlie described. CIB, for example, is driving growth across our group by meeting our corporate clients' transport and workplace needs. Offering value to our retail bank customer base is a huge source of opportunity for IP&I.

Income growth alongside the foundation of efficiency will deliver improved operating leverage. So let me talk more to that on slide 57.

SLIDE 57 – CONSISTENTLY IMPROVING OPERATING LEVERAGE

As said, Accelerate 2030 will consistently deliver year-on-year improvements in our operating leverage. We make good progress on this in our current strategy. We are targeting a less than 50% cost income ratio this year and we expect to deliver.

However, this year is a staging post on our journey. We're targeting a reduction in cost income ratio every year of our new strategy to less than 45% by 2030. Our ambition will be underpinned by the significant income growth talked to a moment ago and a productivity step change, including a circa £2 billion of gross cost saves in this plan. AI will of course be a major contributor to our transformation in this respect. The substantial AI value we are delivering is driving both revenue growth and cost efficiency. Charlie has given you a flavour of this, and our capabilities will only grow.

Outside of OPEX, our plan assumes remediation that is around £200 million, at the lower end of the range that we've historically guided you towards. Enhanced operating leverage will drive greater returns. So let me talk to that on slide 58.

SLIDE 58 – STRONGER, SUSTAINABLE RETURNS ON A GROWING EQUITY BASE
Accelerate 2030 will deliver stronger sustainable returns. This year we will generate a greater than 16% return on tangible equity. That will rise to around 20% by the end of the plan period. Importantly, this encompasses both material earnings growth and a significant increase in tangible equity. That in turn is driven by the strong balance sheet momentum that we expect to deliver. To reiterate, this means we expect to generate a sustainably higher ROTE on a fast-growing equity base.

We expect returns to progress through the life of the plan. In 2028, we are targeting an ROTE of more than 18% before rising, as said, to around 20% in 2030. Importantly, our returns will continue to be balanced with the investment necessary to position and to grow the business sustainably. Higher returns will of course drive growing capital generation. Let me talk to that on slide 59.

SLIDE 59 – GROWING CAPITAL GENERATION, GROWING SHAREHOLDER DISTRIBUTIONS
Our strong financial performance over Accelerate 2030 will drive growing capital generation. As with ROTE, this will progress through the plan. We're targeting capital generation that rises from greater than 200 basis points this year in 2026 to around 225 basis points in '28, before then rising to beyond this level by 2030. This is on a growing RWA base from the customer lending growth that we discussed earlier.

Our strong capital generation will create further capacity for business investment, including M&A if value added. But most importantly, it will drive strong and growing shareholder distributions. Shareholder distributions will come firstly through our continued commitment to a progressive and sustainable dividend. As mentioned earlier, this year we are significantly stepping up our ordinary dividend up by 30%. This reflects the actions taken to de-risk the business over the course of the current plan, our strong capital base today, and our confidence in our future earnings trajectory. Going forward, we expect dividend growth to be healthy, but likely to revert to a sustainable growth rate more akin to recent years.

And beyond the dividend, we will of course continue to review excess capital distributions every half year. Currently, buybacks remain the preferred form of excess capital distribution as we see a lot of value in the stock. With that, I'll close this section with a summary of our full financial guidance on slide 60.

SLIDE 60 – GUIDANCE OVERVIEW
As said, in Accelerate 2030, our financial foundations will drive continued income growth, improving operating leverage, and growing returns and capital generation. We are targeting a mid-single digit net income CAGR over the plan supported by a high single digit OOI CAGR. Alongside gross cost saves, this will drive a reduction in our cost income ratio every year, falling to less than 45% in 2030.

Our credit performance will remain robust. Plan for an asset quality ratio between 25 to 30 basis points through the plan period. We expect this strong financial performance to drive an ROT of around 20% in 2030, including more than 18% in 2028. This will equate to capital generation of more than 225 basis points by the end of the period. Given a stable CET1 target of 13%, this creates capacity for material and sustainably growing capital distributions. Putting it all together, we believe Accelerate 2030 delivers ambitious and sustainable financial performance. All along, this will result in attractive and growing returns to our shareholders. Thank you for listening. I hope that's been helpful. I'll now hand back to Charlie to close.

Charlie Nunn:

SLIDE 62 – ACCELERATE 2030
So you'll be very pleased we're almost there. So thank you, William. And to briefly recap, we've made excellent progress in the 2022 to '26 strategic phase, reinforcing our competitive advantages and position as the UK's financial services leader. Our progress has created the platform from which we can take the group to the next level, and we're committed to investing in the business to do so. Accelerate 2030 represents a new, ambitious

plan where we will reimagine customer experiences, increase group connectivity, and deliver a productivity step change, all enabled by pioneering technology. And our strategic actions will further enhance our financial performance, supporting long-term sustainable value creation. Thank you for listening this morning. We'll now take a quick break to allow people to stretch their legs or use the toilet before the Q&A session commences. See you back here in five minutes. Thank you.

QUESTION AND ANSWER SESSION

Douglas Radcliffe:
Welcome back everybody. It's now your favourite part. We now have plenty of time allocated for today's Q&A session. We will start by taking questions from the room, but as ever, we'll cover those submitted online throughout the session. For those joining via the webcast, please follow the prompt to register a written question. If you could please provide your name and institution before asking your question, that would be appreciated. Okay, so let's begin. Why don't we start in the front row, Guy?

Question 1: Guy Stebbings, BNP Paribas.
Morning. Thank you, it's Guy Stebbings at BNP Paribas. The first question was on investment and whether you could call out any sort of lumpiness in the profile. I think there's a comment around '27 having slightly higher investment and depreciation. And if I squint carefully on slide, I think 57 is that the cost income improvement looks a little bit less in that year than other years, yet it's the year you call out the biggest income growth. So is it right to think the cost and growth is going to be highest in that year of the plan, if you like? And then the second question is on non-interest income. Very pleasing guidance for non-interest income through the plan. Could you call out any divisions or areas you expect that to be most pronounced? And then specifically, it was interesting to see this one million of new customers that invest. Could you call out specifically what the definition is there? Are these customers that don't invest at all with you now and what would classify as an investment? Thank you.

William Chalmers:
Thanks very much indeed for the question, Guy. In terms of the chart, I'm afraid our graphics are probably not quite good enough to refine to the second decimal place or so, so I wouldn't read too much into the fuzziness of charts and the exact progression. Safe to say that in the cost income ratio, we do expect year-on-year improvements in terms of operating leverage in the business, which of course translates to lower cost income ratio year on year. What do we think about the cost growth behind that? Between '22 to '26, as you know, we had cost growth of roughly 4% during that period. I would expect us to be a shade lower than that over the course of this new plan. And probably around a 3% mark is what that translates as, around that level.

I did mention in my script earlier on that we will step up investment a little bit as we go into this new plan, and that is partly what is behind that step up in cost between '26 to '27. And indeed we do expect that, but it's in line with the comments that I just gave Guy, so nothing terribly much beyond that. I would expect, just as we have done at the end of this plan where we kind of taper off towards the end, you might see a little bit of that by the time we get round to 2030. But that seems like a long way off right now, but it's something like that that's built in.

The OOI point, the OOI performance, as you say, it's been encouraging over the course of the last four years. So 8% CAGR between 22 to 26, which has been a strong performance. As I mentioned in my script earlier on, we've had 11% improvement in OOI over the course of first half of '26 versus this time of year ago. And that's been boosted by performance really across all of the different business areas. Charlie will comment, I'm sure in just a second, upon which of the particular business areas we're looking out for.

But on a look forward basis, we expect growth from multiple engines. So growth in retail, for example, through transportation, through some of the digital capabilities that Charlie mentioned earlier on. Likewise, PCA value add. CB from breadth of coverage, if you like, within the cash debt risk portfolio that we have, improving product capabilities, IP&I, workplace and bancassurance, LEIL, the investments business, Lloyds Living, and so forth. It's very similar this time around, augmented by some of the innovation that Charlie will, I'm sure, talk to in just a second.

I think one important point to make, why do we have this confidence in the OOI growth as we see it going forward? It's because A, we have the track record, number one. And B, because a lot of these businesses are pretty predictable. That is to say the transportation business is a bit like a balance sheet business in some respects. It reliably produces year in, year out. Likewise, I mentioned in my script, the unwind of the five billion CSM within the insurance business. Very mechanical, very predictable. Workplace is a balance sheet business. Lloyds Living more or less the same. These are not highly volatile sources of other income, and therefore we expect the predictability to be there, and we do have confidence in our investments to produce the growth on top of that. Charlie, I don't know whether I'll pause there.

Charlie Nunn:
You've done a great job of describing the engines of growth. I suppose the same level of diversification with the same predictability with some additional areas we're going to grow and be able to go further, and that's really why we have that confidence over this period.

You asked specifically about the one million new investors, and hopefully the disclosure we gave you on wealth gave you a bit more detail now around the different wealth businesses we have. A D2C business, our ready made pensions, and increasingly, I'll come back to that, our targeted advice, AI-empowered business. Obviously our advisory business that we've just brought in from Schroders Personal Wealth, Lloyds Wealth. And we can point that set of capabilities at both the 28 million retail customers we have, and also the about 5 million workplace pensions customers we have where we see pension consolidation, attrition to third parties, and the opportunity to consolidate more. So that broad pattern we think gives us additional growth looking forward versus what we've had in the past.

The one million new to invest, look, this has always been the challenge in the UK. Unless you have broadly £100,000, can be £75,000 to £100,000, you don't get advice in the UK because of the current regulation. The regulators introduced this new concept, targeted support, which gives you an ability to support customers in new ways. And we are the only, I can see that the CEO of my business is there, we're the only FinTech or bank that has got our invest AI in their sandbox that is actually intending to use targeted advice in Q3 this year. So we're going to be able to start talking to customers about their investment needs. Most of those customers will be relatively smaller ticket customers that will build wealth over time.

But we think it's a really important part of helping the UK invest safely and to get more diversification. Now, as you know, there's a lot of other providers out there today, so I don't think this is about people taking their deposits out of us. It's about creating new opportunities for people to invest and for us to do that in a way that's really relevant to our broader customer base. And it's kind of a unique opportunity for us, and that's where the million number comes from. What should that mean? You've seen we've broken down the £250 billion of AUA, we've grown in the IP&I business into the wealth parts and then the other parts of that growth. That means we should be having strong, sustainable growth in our wealth AUA and our wealth OOI over this next period.

Question 2: Ben Toms, RBC.
Thanks for taking my questions. The first one is on your RoTE guidance in '28, greater than 18%. It was a bit light versus consensus, though I appreciate there's a greater than symbol in front of it. Maybe you could just unpack where some of the areas you think that you are being conservative in your assumptions versus where analysts might be thinking otherwise. And specifically, I guess around the structural hedge, your guidance of greater than £9 billion in 2030. What would that look like if you did market to market the number? My number's around ten and a half billion, just interested about unpacking that.

And then secondly, you don't have an absolute cost target. And if we take the assumption that you are being conservative in your assumptions and you start coming in ahead on income, how fixated are you on the cost to income ratio target? Will you start spending that additional revenue in terms of higher costs or will you allow it to drop to the bottom line? Thank you.

William Chalmers:
Thanks, Ben. Shall I kick off here and then hand over to Charlie you for the cost issue in particular? First of all, Ben, as you say, it is greater than 18% for 2028. So I guess that greater than is there for a reason. You asked then specifically about which areas might we be being conservative in. It's worth just maybe pausing in terms of how we've approached this overall income question, and then alongside of that, the cost to give you some insight into the answer to your question. We've said mid single digits net income growth. Within that we see,

as said, high single digits, other operating income growth. And then we haven't specified, but certainly there is room for what we describe as very healthy NII growth.

How have we approached it? In the context of NII we see some strong tailwinds, in particular the structural hedge. Alongside of that, the volumes in terms of the pickup in business that we expect to see on the asset and the liability side. And then some headwinds. Some will attenuate, the mortgage refinancing point, for example. Some may grow, i.e. good sources of, or good headwinds, let's say. Things, for example, like non-bank net interest income that in turn finance other operating income.

And then on top of that base, we've then applied, if you like, layers of interpretation or prudence, which may be part of the answer to your question. The refinancing rate on the hedge is one of them. We've got a refinancing rate of 3.7%. The market at the moment is at least some 50 basis points ahead of that. I'll come back to that in answering your second point in just a second. Alongside of that, we've assumed pretty modest notional growth in the hedge. Again, perhaps I'll revisit that in just a second.

And then I would say a series of what I've described as non-heroic assumptions in terms of our margins, both on the asset side and the liability side. That in turn is related to the competitive pressure box that you'll have seen in our graphics earlier on. There are one or two other items in there, including things like the SVR runoff in the mortgage book, for example. Including, for example, things like optimisation headwinds for when we do NPV positive transactions, those types of things. But again, these are sources of, I suppose, prudence or interpretation that we've applied where you might look for a degree of conservatism.

I think then moving on to the cost side, we have been, I would say, demanding in terms of our cost ambitions, but let's see whether we're able to do better than. I think a lot will depend upon not so much the traditional levers, where we believe that we have a very clear line of sight to continued performance in terms of technology modernisation and simplification, in terms of things like organisational design setups, in terms of things like the property footprint and so forth. It's pretty clear what we're going to be doing there, but more in terms of the technology upside that might be offered over time. And let's see what that translates as.

Those are a couple of areas. We have assumed a pretty stable macro environment, I would say, beyond that. And then on top of that, while you talk about greater than 18% as being, if you like, on the lower end of consensus maybe, it is important to say that it is underpinned by meaningful balance sheet growth, which in turn leads to meaningful equity growth, and therefore it is a higher RoTE, but on a higher equity base. And those two points are worth bearing in mind at the same time. Ben, on your structural hedge point, we won't put a number on it precisely, but we said greater than £9 billion based upon our expectations. You could tell from my earlier comments just a second ago that our expectation for the refinancing rate, 3.7%, has a degree of, if you like, conservatism built in versus market.

On top of that, we expect pretty modest notional growth. To dig in a bit behind that and give you some idea, PCA is pretty much flat over the period, not quite, but pretty much flattish, I would say. Instant access, another important driver of balances that then in turn inform structural hedge. Again, pretty modest growth expectations. So that gives you some insight into the assumptions for the hedge. If you simply layer on the market refinancing on top of the notion, again, I shan't give you a number, but we're at £246 billion notional right now. You grow that relatively conservatively and put on the market assumptions, and you'll get to a number that I suspect isn't wildly different to what you've just said.

Charlie Nunn:
I think that was a pretty full answer. Maybe just come back to the costs and cost ambition question you asked. Look, the reason we left the cost income ratio as less than 45% is we think we could out execute in this period. But based on what we can see and predict today, that's a good outcome. We've just delivered £2 billion of gross cost savings over four and half / five years, and we're committing to £2 billion pounds, as William said, both with some of the existing levers, but some of the new levers like agentic AI looking forward for the next four years, so over a shorter period of time. And as you know, we see agentic AI as both a lever that will support revenue growth and differentiation, 50% of our investments around that and 50% are around productivity and efficiency and improving how we can manage risk decisions internally.

If we can out-deliver, we think we are right at the forefront of this, certainly in the UK. If we can out-deliver, we will out-deliver, and then we'll go back to the framework that William always lays out around if we have additional capital, we'll look at the alternatives. And you know now that distributing to our shareholders is an important way that we think we add value. And we certainly believe the stock has value so we'll make sure we do that. And that's why we laid out the framework in the way we did.

Question 3: Ben Caven-Roberts, Goldman Sachs.
Thanks very much, two questions please. First on the return on investment landscape as you look between organic and inorganic opportunities. Has that balance changed at all in terms of whether you're seeing the ROI of organic changing in terms of relative attractiveness versus inorganic?

And then secondly, just to drill on AI, could you talk about some of the assumptions you have within the plan there in terms of opportunities it creates, but then also risks on deposit attrition, cyber risks, cost inflation? Thank you.

Charlie Nunn
So just on organic and inorganic versus the ROI, look, the first thing is, as you know, we've done a few acquisitions in the last cycle. I gave some examples in the presentation just now around Tusker where we've now almost quadrupled the fleet in a few years. And, what we've always said is, our plan will be primarily an organic plan because that's what you can base your plan on. But we'll look for inorganic opportunities where they bring strategic value, where they would accelerate our plans, and where there is a very good return for our shareholders. And that's the discipline that we've had in the past, and I think you should expect that's the discipline we'll have going forward.

What we're really pleased about is that we're now proving we can bring in new capabilities and scale them. It's too early to say what we do with Curve, but you've seen our ambition is quite exciting in terms of how we can scale that business. And you should expect us to continue to look at things in that context. Do I think the ROI and expectations has changed? I don't think so, William, but you may have a point of view on that. I mean, we have a clear view around the returns you can get from investing in our own business and obviously from doing buybacks on behalf of our shareholders. And that's a high bar, but that's always been the case, I think, William.

William Chalmers:
I think so. I mean, to your point, Ben, what has changed is clearly the share price that we operate on has changed. So the relatives maybe have changed a little. But I think when we look at the prospect of M&A, we pass it through a number of filters, just as Charlie said. Strategic coherence is clearly a baseline. Without that, you don't go anywhere. But then beyond that, you have not just value, but also speed and risk in terms of the boxes, if you like, that M&A has to tick before you're going to proceed. And therefore, although the ROI, I suppose, of the target that you're looking at, as long as it's cash funded, hasn't terribly much changed. Our stock price that we compare it against vis-a-vis buybacks and like clearly has. But then M&A still has to be better than the organic alternative in terms of delivering a solution faster, and perhaps most importantly, in some respects, it has to do so at a level of risk that is acceptable to the group. And as you know, M&A doesn't always perform that task terribly well, even though I speak with the history that I have.

Charlie Nunn:
And then in your AI point, let me have a go at this and see if this helps. I mean, look, the first thing is, as we've said, we see AI and agentic AI particularly, and I think the language will evolve, so we've used this language of pioneering technology underpinning our plan, because it may go to other areas as we look forward, as a really important differentiator for both our services and then obviously the depth of our relationships and growth of the business, as well as around productivity and efficiency. And we do think it's an important lever. You've seen we've taken a very narrow view definition over 2025 and 2026 to talk about the in-year value we've delivered, but the fact that we have delivered in-year value with a narrow definition, which is generative AI and agentic AI, not broader AI models and digital innovation, which obviously some other people have decided to use those broader definitions, we think should give you some confidence that we're seeing returns today from those businesses.

Now, look, why are we excited on the revenue side? We just talked about the Invest AI example. We teed up our customer promise as simpler, smarter, more connected. Those are really simple words, but if you think about what they could mean for every single business, whether it's a retail customer, a small business, a wealth insurance customer, a corporate and institutional customer, if you think about really making things simpler, smarter, more connected, there is just a massive opportunity for us to innovate. And when you come back to the strengths of what you need to be able to innovate, you need to have the relationship, you need to have strong digital capabilities and products and services, you need the data that underpins those interactions, and you need the capabilities to innovate safely with them.

So we've built in a view, and as you've heard today, I've talked about some of the innovations by business, we've got a view around how that'll support our growth. But the two things we can't control in that context is customer adoption and regulatory approvals. So we think this is a sensible plan, we think it is ambitious, and we'll be right at the forefront in our businesses, in our sectors, in our country around driving forward that innovation on the revenue side. The same's true on the cost and efficiency side. And in fact, risk management side, if I do that more broadly, things like fraud, obviously credit risk models, and then how do we think about operational risk, and I'll come to cyber in a second. And we have a really good track record already of not just deploying those services, but actually seeing value from them today. So better productivity, better efficiency.

I think they're going to be particularly helpful when you think about lower cost of growth so we can scale businesses more cost-effectively, and we're trying to do that across every business in the group, onboarding customers, getting them up to speed, and then deepening the relationships with them. But again, we're just at the early start, in the early days really, of using agentic AI at scale. So we've laid that out within the context of our net interest income growth of mid-single digits. We've included AI as driving that, and we've included in the £2 billion gross cost saves. If we can go faster, further for our customers and for the organisation, we will do, and we'll deliver on that.

Question 4: Andrew Coombs, Citi.
Firstly, just returning to costs. You talked about the investment spend being front-loaded to 2027. If you could just advise us on the path of the £2 billion cost saves. Is that a linear recognition? And also the source of those cost saves. Based on what you've said on the net income and the cost income carries, it looks like more of it's coming from retail versus commercial, but perhaps you could just elaborate there.

And then the second question, I'm just interested in your thoughts, Charlie, on multi-brand strategy. Given what you've announced with Halifax, it seems quite a step change. Is there anything you could say there as well? Thank you.

William Chalmers:
Thanks very much indeed, Andrew, for the question. I think, well, maybe two comments to make. One is there is, as I say, a bit of a step up in terms of 2027 costs as we reignite the investment plan for the business in pursuit of Accelerate 2030. You've got that right, but I wouldn't want to overstate the point. That is to say we expect to step up investments, and then as my script mentioned, we expect more or less a bit of plateauing thereafter and maybe a little bit of phasing out toward right at the back end of the strategy, just like we've done on this one. So that's the kind of pattern, if you like. And overall, that produces, together with the OpEx spend that we expect, a little bit of a tick up in '27 versus '26, i.e. 1% growth in '26. You should expect that to be a bit higher in the context of '27. I mentioned the sort of circa 3% mark as being about right in that respect.

And then that type of level, more or less carrying on again, maybe with a little bit lower later on in the plan. That gives you perhaps an overly precise shape, but it gives you a sense as to what we're planning going forward. You asked about the spread of the £2 billion of gross cost saves. What we found in this plan is that much of our investment has indeed, much of it has been, to be clear, targeted towards customer-facing propositions and ultimately for the group, revenue generating initiatives. But much of it has also been devoted to improving our infrastructure, which ultimately results in cost saves. And what we found is that those investments then take time to mature and they hit our cost base progressively more, i.e. in a good way, as we get towards the second half of the plan.

There will be a little bit of that in this case, and that in turn informs some of my OpEx points just a second ago. So there is a bit of that, Andrew. And then finally, in terms of the spread, I wouldn't want to comment too much in terms of the spread actually. I think it will be more or less across the business and in no small part because actually a lot of the operational efficiency that we expect to achieve is delivered in an infrastructure way, number one, and number two, a lot of the efficiencies that we'd expect to achieve are actually transferable right the way across the group. That's not true in every case, clearly the groups have different customer facing propositions and therefore to a degree different infrastructures, but there are certainly similarities and transferabilities within the overall investments that we make that are directed towards cost saves. So I'm not sure there's a particular pattern within the divisions. There may be a little bit, but I wouldn't want to overstate it.

Charlie Nunn:
So on the multi-brand decisions we've made specifically around Halifax, obviously hugely important decision. Just let me state the brand architecture we now have going forward and then I'll tell you why that decision was made. We think about it at two levels. We have full relationship brands where we aspire to really bring the whole of the group together for our customers.

And so in our go forward model, we'll have Bank of Scotland supporting our customers in Scotland and we'll have Lloyds supporting customers in England, Wales, Northern Ireland, and then in the businesses which we do overseas in the commercial area. And then we still have a series of specialist brands really focused on important needs, whether that's Scottish Widows, which we've talked a lot about today, MBNA, which enables us to really serve customers in specific areas with specific propositions and pricing. Tusker, we've talked about. We've got Birmingham Midshires for a specific mortgage proposition around buy-to-let and other products.

So, we still think that's an important part of our architecture to serve the full breadth of our customers and to bring specialist propositions and pricing and all the rest of it to our market. The choice around Halifax was really grounded looking forward in two things. First thing is you've seen our strategy has been increasingly to bring the full breadth and capabilities of the group to our customers. And having one relationship brand for customers in England, we think really gives us that opportunity. That discussion around rewards, I could waste the rest of today around how excited we are around really innovating around rewards and how that can create incentives for customers. Being able to do that on a single brand for our customers and give them the ability to really understand all of the different products and capabilities we have, we think is going to be an important part around how we serve those customers going forward.

And then secondly, the world continues to get more complex. We have already a business in the UK where most of our customers have both a relationship bank and then they go through third party channels, whether it's a mortgage broker, or an IFA, or a dealer for auto finance, or a broker for SME lending. So, there's already a world where we're operating effectively through our relationship brands and then through third party channels. Embedded finance has started to emerge. And we do expect Agentic AI to create almost a new way of interacting between financial institutions and their customers. And to be top of mind and really be relevant to our customers as they're trying to reach us through these different channels, we think having one brand that's really well recognised and really understood for those customers is going to really position us well in that future. So those are the kind of two reasons.

As you know, we're deeply committed to our Halifax customers. We're deeply committed to the region. We've done everything we can to make this transition as simple as possible for them. And we're actually quite excited about the next few months because to date we've announced the decision. We're going to start helping them understand what's good for them as they start to come into the broader Lloyds Banking Group, kind of the magnet for why they should be excited and that'll start landing in the next couple of months. But thanks for the question.

Question 5: Amit Goel, Mediobanca.
Hi, it's Amit from Mediobanca. I'd just like to ask on the capital and capital generation. I mean, when I'm looking at it, even taking, I guess your assumptions for revenue growth and the cost income, which you know, may or may not be at the low end of where people are expecting, I'm still getting a lot more than the 225 bps capital generation. I mean, it looks like there's quite a lot of RWA growth then baked in, so I, just wondering and, above and beyond the kind of nominal GDP plus point. So just trying to understand what you are thinking there in terms of the capital consumption. Also, are you going to be looking to use RWA optimisation strategies or the like? Or is there kind of conservatism there? But just, just trying to circle that back because, net profit, even on basic assumptions, is materially higher than where it is today. Capital generation you're saying is about 10% higher. So just trying to circle that. Thank you.

William Chalmers:
Thanks for the question, Amit. You know, the start point might be to say the group is highly capital generative. And as you know, this year we expect to generate credit in 200 basis points capital generation, which in turn is a significant sum and will allow us to both increase the interim dividend so far by 30%, but then also create significant space for meaningful buybacks too. So, it's a very capital generative group, which in turn gives us a good start point.

Your question, Amit, is how do we progress from here? Again, at a high level, it's worth saying that there is significant capital generation coming off of a growing business from a profitability point of view and a growing business also from an RWA point of view. So, I'm sure that you've seen it, but in a sense, don't lose sight of both of those two points. You've got increasing profitability. You've also got circa 225 in 2028 and greater than 225 by 2030 off the back of a growing RWA base. So those sums are significant as a result.

The third point is we are quite deliberately saying greater than 225 by the time we get to 2030. So you have a sum which we haven't precisely defined, but we have full confidence obviously in the guidance and it is very deliberately greater than 225 by the time we get to 2030. I won't comment sort of specifically too much on the kind of spreadsheets or models or whatever, but today, I mean, roughly speaking, the relationships today, we have greater than 16% RoTE producing greater than 200 basis points capital generation. Every 1% increase in RoTE is somewhere between 10 to 15 basis points increase in capital generation. So a circa 18% RoTE is probably around 230. And then let's say circa 20% therefore is 260. Now why are you saying therefore are we guiding to greater than 225?

I think there's a couple of points going on there. One is, as you say, a bit of balance sheet growth, off the back of business as usual, plus off the back of the strategic initiatives that Charlie's been highlighting. We do want to grow this proposition. We do want to grow this business. The more relevant we are to more customers, the more relevant we are to our existing customers, the better. And that does entail balance sheet growth. So there's probably a bit of the answer there.

And then secondly, I mentioned in my comments earlier on a modest increase in RWA density. It's not more than a couple of percentage points or so. It is driven by basically two things. One is operational risk off the back of the business growing income. And as you know, operational risk RWAs are basically geared to income. And then secondly is a slight modification in the RWAs attached to the equity business, which is a function of regulatory change rather than anything else.

Again, it's not more than a couple of percentage points, but that, as said, modestly increases the RWA density. I think then on top of that, this is an RoE point, not a capital generation point, but the RoE has the kind of layers of interpretation that I mentioned earlier on, particularly in respect to the income side of the story. And then beyond that, we obviously have our usual prudence. You add all of that together and we're saying greater than 225 basis points for a circa 20% RoE.

Question 6: James Invine, Rothschild & Co Redburn.
Hi, good morning it's James Invine here from Rothschild & Co Redburn, I've got two please. The first is on branches. I don't think I've heard you mention branches this morning. So I was just wondering where you think the size of your branch network will settle now that we're getting rid of the Halifax brand. Is that an opportunity to close quite a few branches? So that's the first one. And then the second one is thinking about international expansion. So, you're clearly building some very strong digital capabilities. Do you think they would travel abroad? Can you do something with these in other countries, or does it rely on your kind of deep relationships with customers that you already have here in the UK?

Charlie Nunn:
First of all, thank you for the question, James. Yes, on branches, we've been continuing to evolve how we think about this because we've been following our customers basically. Today, post the closures that we have announced on branches, we are present physically. Our people are present in about a thousand communities. We have about 550 branches, and the banking hubs, and the banking hubs are growing and our colleagues are there. And then we have community bankers. On top of that, as you know, we then have 30,000 pay points and other free ATMs, 11,000 post offices. And then really importantly, and as we look going forward, we have increasing depth and capability in our telephony service, whether it's access through Teams or chat or telephony, to provide really specialist support to customers that we've never been able to provide in branches.

And that's the journey we've been on over the last few years. When we look at our access and reach to customers, no one else can get close. We know it's differentiating for our customers. And as what you've seen in the last few years is on branches specifically, we've continued to look closely at how customer usage is evolving and whether we're being successful at helping them in alternative channels. And on top of that, we've got 22 million customers logging on seven billion times a year. We don't guide to the number of branches. We follow our customers. And we definitely think though, as you build out these capabilities, first and most importantly, there's going to be an opportunity for us to be even easier to access and more relevant to our customers to drive the revenue, the stickiness of relationships. That growth of PCA market share by about 2 to 3% that we've achieved in the last few years is obviously really important for us as we look forward. And the same is true on the SME side.

So that's how I think about branches. I won't guide to branches, but we do see opportunity. Is it linked to Halifax? No is the answer. And the reason for that is about a year and a half, two years ago, we announced something called co-servicing, which meant any of our customers in any brand could walk into any branch. And so we've already been on, trying to work out where we have in a single town two branch locations that are supporting our customers. We've already been going through a combination to provide the best quality of service to customers in that context. So yes, that can continue, but that's not specifically linked to the Halifax brand.

On international expansion. Look, we've talked about two very specific areas. We didn't do a deep dive on it. The first is obviously around our corporate and institutional business, which you'll understand well is already a very international client base. But the depth and relationships and our brand presence in North America and the US, and what we can do for both UK-centred clients going internationally, international clients coming into the UK, and then given our origination capabilities, as we look at syndicating risk and then passing risk into the US market, we just see a significant opportunity for growth. That's less around digital, that's more around deep product experience and expertise, and then our ability to build those relationships and be more solutions oriented over time. And we have a similar mindset into Europe, although in Europe it's more around coverage and less around on the ground product capability.

On the European retail business, that is a digital proposition today. It's largely around mortgages, some loans, and then a savings proposition. There is benefit and opportunity to link that back to our capabilities in the UK. It's a really simple proposition. It's grown well. Most importantly, it's high return. And we've said we see some continued growth opportunity in that context. So, we do see synergies with our capability, product capabilities and some of our digital capabilities. And it's clearly an option for us as we look forward. Neither of those businesses are doing anything materially different from the last few years. It's more of a continuation and it becomes relevant and important as those businesses scale over the next four years. I don't know if you'd had anything else on the international?

William Chalmers:
No, I think that's exactly it. It is very much two buckets of business, just as you described, Charlie. And we have ambition in both, but it is within the context of the existing UK premise of the overall franchise.

Charlie Nunn:
Thanks.

Question 7: Christopher Cant, Autonomous.
Thanks, it's Chris Cant from Autonomous. Two, please. You have had in your slide deck for a long time this gross deposit margin. I think it's at the very back of today's deck. We're at 1.6% for the first half of '26, give or take. As we look forward, thinking about what you've said on the hedge, you're expecting a roughly 70 basis points improvement in the yield on the hedge over the plan period. You've mentioned deposit competition as something you're factoring in with regards to NII conservatism. Where do you see that deposit margin getting to? I think you've had a variation on that question at each of the last couple of strategic plan discussions, but I think in the past we'd heard you talk about 2%. So, as we're looking out to 2030, is that sort of a reasonable expectation as we think about the puts and takes there?

And I guess on a related point and coming to what you said about tangible equity growth, William. You're guiding to a hedge yield of 3.6%. Your base rate assumption is 3.5%. Should we be assuming the cashflow hedge reserve is essentially pulling to par within that tangible book build over the plan period? Or is there a structural element that will be remaining by the time we get to that point? Because it's obviously quite a big factor between CET1 and TNAV. Thank you.

William Chalmers:
Thanks for those questions, Chris. I think on the first of the two, I probably won't answer it too precisely because as you know, the way in which we look at it is that we are trying to give a picture as to net income over the course of the plan. And then within that, we've given a picture as to OOI within the course of the plan. And obviously that you can deduct from that some sense, at least within a range of mid-single digits for the income, what that might mean for net interest income over the course of the plan. And then as said, there are the, what I described earlier on, is the kind of layers of interpretation or prudence here as you will on top of that.

Having said that, when we look at the overall liability margins, first of all, in respect to the structural hedge, as you rightly said, Chris, we've got a Q2 yield on the structural hedge of about 2.8%. I think over the course of the remainder of this year, it goes up to around a 2.9% mark, something like that. And then it gradually matures or rather, if you like, builds into the 3.7% refinancing rate that we just mentioned. It's fractionally shy of that by the time we get to 2030, but not by much. And therefore, that's the pattern for the structural hedge.

The pattern for the liability margins beyond the structural hedge, if you like, is composed two elements. One is the margins in respect of the fixed term products, which are of course not hedge eligible. And for those, another similar product, e.g., limited withdrawal, restricted access, we are assuming a pretty flat, in some cases, modestly down overall margin picture. So we're not expecting to make money out of the fixed term market in short. And then we are seeing some part of the hedge come through into margins for stuff that is hedge eligible within the deposit range. PCAs and instant access obviously being good examples of that.

But equally, we are, as said earlier on, seeing some of that go off to, I suppose, maintenance of our competitive position, building the franchise that Charlie's been talking about. And that's what's taken account of by the grey box labelled competitive and other pressures. Now, that's the overall margin picture, which doesn't give you a precise answer to your question, Chris, but hopefully it gives you an ability to kind of build into it.

Secondly, on the cashflow hedge reserve, the cashflow hedge reserve effectively works its way through over the course of this plan. As you know, it is coming down, at the moment cashflow hedge reserve is worth about four, four and a half pence per share, something like that off the back of our whatever it is now, 58 billion shares. That in turn comes out over the course of time as a function of maturity of certain of the derivatives within the hedge and as a function of rates coming down, albeit they remain at 3.5% over the duration of our plan period. But of course, as we refinance, the hedges that we refinance too are effectively marked to market.

So as a result, I wouldn't say that necessarily you should expect the cashflow hedge reserve about £2.5 billion to play out to zero, but you should certainly expect it to come down meaningfully as a result of that maturity and that refinancing point that I just made.

Charlie Nunn:
I want to just add one thing on the first discussion, if that were alright, William, which is kind of a more macro point around NII because I know there's a lot of discussion. But there's two things we can't control in that. There's the shape of the yield curve over the next four years. But the great news is you can all model that and make your own assumptions around it. And then the second thing is the competitive context in which we operate and how we see other players competing during that period. And I hope what you'd expect from us is we're committed to delivering what we say and we navigate those two things very effectively as we have done in the last four or five years. One part to that is whether we feel we need to chase the market at any one quarter or any one half.

And actually just in terms of what we saw in the last quarter, you saw us not chasing the market because we though it wasn't the right thing either for our customers or for our shareholders. So you can see from the combination of guidance we've given and how we're laying out the market, we're going to be really ambitious around growing relationships, depth of relationship, positioning the bank to be more resilient through this. And we've been, I think, appropriately prudent around the two things we can't control. I know that doesn't give you kind of the detailed assumptions, Chris, but hopefully you can understand at least our mindset as a leadership team around that.

Question 8: Perlie Mong, Bank of America
Hello, good morning it's Perlie Mong from Bank of America. Charlie, you almost just answered what I'm about to ask, which is competitive dynamics. So deposit obviously is one part of it. I guess maybe can you comment on the sensitivities around that grey bar on the NII chart? By which I mean, as you say, the mark to market yield curve is probably at least 50 basis point higher and the terminal rate assumption is also probably higher. How does that affect the competitive dynamics in itself? Because obviously this is very different to, four or five years ago when we went from 0 to 5%. But equally, we are also in a situation whereby many of your peers are making very high returns and everybody wants a bit more market share. And obviously competitive dynamics in terms of if rates are higher, maybe people are more likely to switch products as well.

So that is one part of it. And the other part is I suspect that's also not the only product that would give you competitive pressure. So where else would that competitive pressure come from in terms of products? So number one. And number two, operating lease depreciation. So if I remember your OOI chart, actually the biggest chunk is probably transport. So I suspect motor finance is a big part of that growth story. And how should we think about the operating lease depreciation part of it? Because I suppose if we go back the last few years, if you net those two off, the growth rate is probably somewhat lower at the headline level. Now obviously there's some lumpiness with the used car prices and all that, but just how are you thinking about those two together? If you put operating lease depreciation in OOI, would you still expect a high-single-digit CAGR?

Charlie Nunn:
Perlie, first of all, thank you for the question. Completely agree. This is a really important question. I think the first thing is just to look back over the last four or five years. I know you've been on the journey with us, so you've seen this. Look, we've seen quite a lot of volatility and unexpected changes in rates, competitive context. We operate in an incredibly, I've said to you before, I think this is one of the most, if not certainly on retail, most competitive markets in the world. And we've had surprises geopolitically and politically and from a rates perspective during that period and from a competitive perspective. And what we've delivered is what we said. We've managed to manage the balance sheet, grow our relevance, increase our market share where it matters, and deliver within our guidance or exceed our guidance at every stage.

And without going through every step, because it's been a lot of our time, we're both, we've got less hair as a result of it. I really hope that gives you some confidence as to how, we as an institution think about this. And you've seen, in some stages we pull back on market share because we're typically the leader in the retail space and the SME space. And other points in time we're then leaning into specific products, propositions, areas where we can deliver for shareholders more broadly and our customers.

So just, it's a bit of a look back, and I know that's not what you asked, but I do think that's the most important point, which is we as a leadership team are highly aware of the competitive context. And we have a business where we are either number 1 or top 3 in virtually every business we operate within. There's a couple where that's not true. So we, you know, we spend a lot of time on this.

When you look forward, it's interesting, right? Do I think it's more competitive than we've seen in the last few years? I'm not sure it is. I think the difference, as you say, is actually the returns in the industry are strong and that's really good. And when our competitive response to that is about really working out how can we differentiate what we do for customers? And then where can we grow in a way that is differentiated bluntly?

And of course, balance sheet's really important and you've heard all of the innovation we're going to be delivering that will make customers want to bring their balance sheet to us and be stickier. But then all of the OOI growth and the related businesses and then joining up across our group. And for us, it's just, I'm very lucky being in this position. The fact that our commercial, retail, wealth, and insurance businesses are genuinely connected. Our clients come to us and they want us to join up. It puts us in a really unique position in the UK. So I think that's the other thing I'd say. The reason the strategy is lined up about further differentiation, being relevant from a relationship perspective where we can, and then joining up, that's one of the mitigants to this competitive context. Look, we'll always give you a prudent view around what we can't control. And I can't control the yield curve and I can't control competition. Hopefully what you've got is some confidence around how we've been navigating the last few years and how we're thinking about the next few years in that context. I know I didn't give you a specific answer.

You said which other areas? Look, it's competitive in virtually every. And it has been for a long time. So consumer finance is a very competitive area, but we're number one in loans and cards. So we feel good about our space there. Mortgages, we've been through a few years. You remember at the start of the last strategic cycle, we highlighted that we should expect as an industry as the other big banks in the UK and building societies commit to asset growth, that there's going to be tightness around mortgage margins. We have more than offset that with the strategic growth we've seen. Again, I can see our insurance pensions and investments. If you think about home insurance, you think about annuities, these are competitive businesses. It's about creating differentiation and then a reason to grow beyond your competitors. And I think that's what we are very focused on. I'll give you the more difficult question around OLD.

William Chalmers:
Sure. I might just add one further point actually on the grey bar that you're referring to Perlie, which is to say that bar, as you'll have seen, is labelled income headwinds. And what we've effectively done is to say, let's just gather everything together that we think might present an income headwind and so that we can take account of those and be transparent with you about them. And nonetheless, still produce our mid-single-digits income guidance, including high-single-digits OOI growth alongside healthy NII.

And so specifically what I mean by that, I mean that we add in there the SVR runoff, for example, within the mortgage book. The insurance business very much has a strategy focused on areas like workplace, for example, GI, for example, which represent the open book. And the closed book of insurance, more traditional slower growing book, is effectively in runoff. And so that falls also within the income headwinds.

So there's one or two points within that that we've added into the picture, if you like, to make sure that we are bringing everything out. And again, despite that, we are still showing mid-single-digits income growth, which as you know is a range, which in turn caters for healthy NII growth and alongside of that high-single-digits OOI. And all of that will be stronger in '27 for all the reasons that you know very well. So, in a sense, I see it as a sign of strength, and that's the reason for just bringing all of that together.

The operating lease depreciation point, you're right to draw attention to it. We had a £63 million increase in the course of quarter 2. £41 million of that £63 million increase was in respect of used car prices, which went down by more than we expected them to. And so you have to take account of that and bring the fleet, if you like, on a mark to market basis. As we go forward in the remainder of '26, we've taken that. And absent any, if you like, further deterioration in used car prices above and beyond what we already expect, you should expect that operating lease depreciation charge to recover somewhat in the course of quarter 3 and quarter 4. And let's just see how things fare, but that is indeed our expectation to give you some picture.

You asked about the picture beyond 2027. First of all, I would say the overall business continues to be very important to us. And in the context of the OOI growth, we expect transport to play a meaningful role within retail. Now having said that, within retail, we have a number of other engines that are taking over. Whether it's PCAs, whether it's payments, whether it's some of the digital capabilities that Charlie mentioned just a second ago, there are various other OOI engines also within retail, albeit transport is a meaningful part of it for sure.

How do we expect operating lease depreciation to follow that OOI? We expect operating lease depreciation to increase, to be clear, because we have a fleet that is growing, number one. We have increasingly highly valued vehicles, number two, which obviously contribute a higher, slightly higher operating lease depreciation charge. But at the same time, and forgive the term here, but we do expect operational leverage within that. That is to say we expect the OOI growth to go up more than the operating lease depreciation charge goes up. And that creates obviously an opportunity for us from an income point of view and ultimately a profitability and return on capital benefit. Why is that? It's a number of different reasons. One is simply because of the pricing that we're seeing within the overall market versus the lease expectations on the vehicles. But the second is because of various risk mitigation and other techniques that we are increasingly deploying into this business.

So, as you know, we have been doing things like lease extensions, which significantly enhance the profitability of any given leasing product. We've been getting better auction performance off the back of renegotiated contracts. We have been increasingly sharing RV risk with manufacturers. And that's an interesting one because effectively that allows us to get the benefits of the leasing deals with our customers, but to do so in a less capital intensive and certainly less volatile fashion. So over time, I would expect the OOI contribution from the transport business to grow at a faster rate than the operating lease depreciation. Albeit, I would expect operating lease depreciation to grow. But with those two points in mind.

And as part of that, and as part of these risk mitigation techniques that I've been talking about, we would expect the business to be increasingly positive, if you like, on a return on capital basis. And we would also expect it to be less volatile because of the reasons that I just mentioned.

Douglas Radcliffe: Question 9
Okay, good. Just so I'm not completely predictable, I'm going to go to a couple of questions that have come online next. Sorry. The first question is from Jonathan Pierce at Jefferies. "Following up on Amit's question on free capital. Is software capitalisation stepping up in the next few years as well and holding back the free capital generation a little? Also, why is the significant investment deduction increasing a lot at the moment? Is that LDC or just the insurance company? And is that part of the free capital equation as well?"

He's also got another question on tangible equity growth over the next few years. And went on to say, "It seems you're looking at higher RWA growth than consensus has, the negative cashflow hedge reserve is still over 4p. Perhaps you can confirm that, do you think consensus is a bit prudent further out?"

William Chalmers:
Well, I heard the first couple of questions there, I didn't hear the last one, I'll have to ask you to repeat that one Douglas. Why don't I just answer the first kind of one, one and a half, and then maybe we can go back to the second.

In terms of the capital generation point versus the RoTE point, hopefully Jonathan on the line will have got a sense of my response to Amit, which was around in part RWA build, number 1, in part a modest increase in RWA density, number 2, and in part a function of our prudence in our overall planning expectations, number 3. And finally, when you get to 2030 at least, a very conscious greater than sign in front of the 225 basis points. So that's the answer there. I think in addition to that, Jonathan's asking about significant... Well, about software deductions, number one, and about significant investment deductions number two.

Douglas Radcliffe:
Yes.

William Chalmers:
Right now we have intangibles of about 8 and a half billion on our balance sheet. Of that 8 and a half billion, about 4 and a half billion is capitalised software. At the moment, as this room will know, that is a deduction from a regulatory capital perspective. And therefore that element is there today. When we go forward, because we've been investing fairly heavily over the course of the last strategic plan, we are going to tick it up a little bit in the next strategic plan, but it's not like night and day. You'll expect that intangible to increase, but it isn't going to suddenly take off. And therefore, the extent of the deduction will build, but it will only build modestly would be the expectation. I'm not sure which direction to look in, but Jonathan on the line. And that's probably what's going on behind that. So there's a little bit of a headwind there, but not much.

I think then in addition to that, significant investment deductions, as I think this room probably knows, that has traditionally been about Scottish Widows. That's the main investment deduction in our overall plans and capital base. I expect the Scottish Widows business to grow over time, but it is, as I said earlier on, a capital-lite business. And the great thing about a capital-lite business is that it doesn't demand too much capital as it grows, albeit I would expect there to be a bit of growth in that significant investment deduction over time, absent any regulatory change.

I think beyond that, Jonathan highlighted the Lloyd's equity investment businesses. And again, they're sources of growth. They are not hugely capital intensive. They're very attractive ROTEs, typically between a 15% to 20% ROTE mark for those businesses. In case of LDC actually higher than that. So as they grow, they will constitute a little bit more of a drag. They'll account for a bit of it. But I think the main reasons for, or rather the main answer to the question, is in the first 4 points that I mentioned.

Douglas Radcliffe:
And the second question was just on tangible equity growth.

Charlie Nunn:
The tangible equity growth. And the question is the RWA growth of consensus seems to be below where we are assuming.

William Chalmers:
I think quite possibly. I mean, I think we have an ambitious growth agenda for the bank. It is not an unrealistic one. We constantly look at it in the context of the environment that we operate in to make sure that we don't get ahead of ourselves. It is driven by a combination of business as usual, as said earlier on, but also the types of strategic initiatives and activities that Charlie mentioned earlier on. I don't want to comment on consensus. We never do, but I think it is fair to say that we have reasonably healthy RWA growth during the course of the plan, and that in turn builds into tangible net asset value. We also have the cashflow hedge reserve point that Chris was talking about earlier on.

Douglas Radcliffe: Question 10
Okay, thank you. Another question online is from Rob Noble at Deutsche. "It looks like about half the hedge benefit is given back as competitive margin pressure and optimisation. What products do you expect to see margin pressure in? If rate assumptions are higher than you expect, should we also expect higher competitive pressure as well?"

William Chalmers:
I'm going to give a very kind of mechanical answer, which will then leave the field wide and open for you. The reason for wanting to comment first is that, again, as we were saying in the discussion with Perlie earlier on, when you look at the grey box, don't interpret that as being competitive pressures in isolation. It's a couple of other things which again, we bundled together. Again, more or less to kind of show strength in the proposition. We are still mid-single-digit, high-single-digit, despite the fact that we've taken account of one or two income headwinds that we see. I mentioned earlier on the longstanding book within insurance. I mentioned earlier on the SVR book in respect to the mortgage business. We've taken some relatively, I guess, prudent assumptions in that respect, and that's bundled into that number there.

So I think when Rob says it looks like half of the structural hedge benefit is being given away in competitive pressures, that may be a bit of an overstatement if he's getting it from that box. Sorry, Charlie, that was the technical side.

Charlie Nunn:
No, I think that's right. And then, excuse me, beyond the businesses that you mentioned, William, which are more runoff businesses specific to us, look, I think the way to think about it is the big balance sheet-based businesses are the ones where we have seen competitive pressure in the last few years and that you would expect, given the nature of the market and the way this market operates, and then the slowdown in the growth of some of the parts of that market. I.e., we do expect slightly slower deposit growth over the next four years than we saw over the whole of the last five years because there was stronger deposit growth in '20, '21, '22 on the back of COVID. And you'd expect that to be the area where there is competitive pressure.

So from my perspective, it obviously shows up in different quarters in different parts of the balance sheet. But the net of it is, it's about those products, which are the ones that I think William, you'd say is on top of those additional areas. And I kind of go back to the commentary I gave to Perlie, which is that's what we've been facing for the last few years. You've seen our 2022 or '21 to '26 revenue growth now with the real data. We saw very significant margin compression during that period.

Obviously we've had structural hedge benefit, but the real alpha that we've delivered in that period has been market share gains, BAU growth in the balance sheet outside of that, and then the strategic initiatives' growth in new areas. And that's really important. That's what we see going forward.

When we said, I said it relatively briefly in my commentary, we gave you a set of market shares we were targeting back in '22. And we said on average, we've increased our market shares 3 percentage points. I won't go through all of them, but some of the businesses I talked about, retail PCAs have increased 2%, 3%. Business banking, SME deposits have increased more than 1%. We've increased share of transport as we were just talking about from about 14% to over 17%. Something as simple as credit card spending, we've increased from 15% to 17.5%. Share of life insurance has gone up four or five percentage points.

That's where you know you're delivering differentiation and you're growing value if those businesses are high returning, which they are. And that gives you the belief around our ability to continue to grow the franchise.

William Chalmers:
Two points to that if I could, Douglas. The first is hopefully helpful to the room and indeed to Rob. As said earlier on, we haven't put any heroic margin assumptions into the business, either on the asset side or the liability side. Good illustration of that is in respect to mortgages. Right now we're seeing, as I mentioned in my script a second ago, mortgage margins actually go up a little bit. They're still rounding to circa 70, but they're actually over 70 right now. And in that context, we think it is partly because we're seeing a slightly more competitive liability side of the market, which in turn is feeding through to slightly better mortgage margin assumptions.

Let's see, but that's certainly a bit of what's going on. We haven't assumed that that necessarily stays in place and we certainly haven't assumed that it grows over the course of the plan. In fact, our mortgage margin assumption, just by way of illustration, comes down over the course of the plan by a relatively modest amount, but nonetheless, it comes down versus where we are today. That's a good example of the type of approach that we're putting into asset margin assumptions, which hopefully is helpful to Rob. Second point is we are, to be clear, and I think this is understood, but nonetheless, we are achieving that circa 20% RoTE by 2030.

Absent the market refinancing expectations that are currently there for the hedge right now, we are assuming our 3.7% refinancing rate and we are not claiming any of the credit in our 20% or circa 20% RoTE for what is currently the discrepancy between where the market might see us as refinancing versus where we expect to see refinancing. We had a discussion earlier on about how much actual pounds benefit that might be. We're not assuming any of it in our plan when we get to circa 20%.

Question 11: Nicolas Payen, Keppler Cheuvreux
I have two questions please. The first one would be coming back to AI. We discussed actually AI a lot, agentic AI, generative AI, and just wanted to know if you could actually quantify revenue benefits of AI as well as the cost benefit that you expect from AI. I know that quantification can be a difficult exercise. So, maybe just the share of netting on growth or gross cost savings, which is expected from underpinned by AI. That would be the first question. Second question would be regarding the CET1 ratio target 13%. We haven't discussed much the regulatory environment that you're expecting throughout the plan.

So, just wanted to know whether your expectation is status quo. And if it's not, what kind of benefit would you expect going forward? Thank you.

Charlie Nunn:
Look, we had a long discussion as a team as to how much we would give you guidance around AI. And what we'd concluded was where we got to, which was we'd give you confidence around the revenue growth of the business and how it broke down between the total net income and also OOI, and then the gross cost saves. And then we would stay focused for now on delivering the 100 million in year benefit for a narrow definition of AI. And then as you'd expect, we have a really good line of sight on both the revenue and cost side as to how much of that growth that will drive going forward.

It gives us confidence that we can deliver the overall guidance we've given. But we felt if we gave you a number out to 2030, it was either going to be hard to be fully grounded by 2030 or it would look unambitious by 2030 because as I said earlier, there's a few things we can't control here. Notably, I think, and most importantly, how our customers decide to really adopt this and then how our regulators think about this. So, look, at this stage, we want to show you what we've delivered. We'll have a discussion next year at the year-end results in January as to how we give you guidance, if that's okay as we go. We'll show you the value. We are very ambitious.

We are at the forefront on both cost and revenue in our businesses, both in the UK and I think relative to international markets as well. And so, we'll be right at the forefront of it. But hopefully you'll understand that's where we got to.

One additional thought. Back in November when Ron and I did our digital and AI seminar, looking to the gross cost saves and the strategic initiative revenues, I know we did give you 70% of the revenue was linked to digital and AI, and 60% of our gross cost saves were linked to that. And that was a broader definition just to be clear of digital and AI. The £100 million in-year benefit this year is just generative AI and agentic AI.

And so, I think the other thing probably we as an industry, you can give us guidance as we go forward is we just need to be really transparent around the scope of these things because increasingly, whether it's using generative AI, agentic AI largely won't be using generative AI, traditional AI, or it's actually more just about building brilliant experiences that enable digital engagement. It's a very grey space. So, we'll think about that as we go forward. We'll definitely come back to you on it. Hopefully that makes sense. And sorry we haven't given you that transparency. I think it would be unhelpful actually.

We are confident in the £2 billion gross cost saves, the mid-single-digit revenue growth, the net income basis, and the high-single-digit OOI growth.

William Chalmers:
And thanks for the question on capital. First of all, it might just be worth saying, where does the 13% capital target come from? And as you know, we are effectively operating it at 13% because we think that is what is required to satisfy the business needs of the organisation, the growth ambitions of the organisation, and indeed provide a comfort, arguably quite a lot of comfort for any stress that the organisation might encounter. That's obviously in addition to not just the capital stock that we hold, but also the capital generation of the business going forward. So, 13% feels appropriate for those reasons. Once of course we've covered the regulatory requirements.

It is the case that the buffer that we have to regulatory requirements has in fact been growing recently. At the moment, it's well over 1%. As you know, based upon our RWAs right now, that's nigh on £2.5 billion of just management buffer before you get close to regulatory requirements for what is a capital generative business. So, the reason for saying all of that is because we feel very comfortable with the capital position at 13%. It feels very full, if you like. At the same time, we've taken a lot of steps, as you know, to de-risk the business over the course of the last strategic plan. You can talk about the reduced pension deficit. You can talk about the legacy mortgage book runoff.

Another illustration is that we've reduced by about 500 million the ECL content for legacy mortgages off the back of securitisations of those same legacy mortgages that we've done. In that context, again, we feel very comfortable about the capital position, but we're not having a particularly live discussion right now about whether to bring it down below 13%. And the reason for that is because we just want to see how the regulatory debate, if you like, settles. There are a couple of interesting things going on right now. One is the FPC debate, which so far hasn't materialised to any great extent.

There's not actually been much concrete come out of that, albeit the direction of travel and the tone is relatively positive. But if we look at leverage ratio as a CET1 constrained bank, we can't do much with it. If we look at buffer utilisation, let's see what they actually say when the publications are final. And if we look at buffer overlap, that is interesting, but I'd really like to see something concrete before we start having a discussion with the Board about what it might mean. And so, as a result, we're not actually planning a move. There are one or two other interesting, I suppose, developments within the regulatory debate. e.g. Post CRD4, there is now a commitment to take a look at mortgage weightings.

That's pretty interesting for us. Let's see where it goes to. Again, we have no plans to reduce below 13% right now. We'll watch the regulatory debate carefully and we will seek to manage the business to existing capital targets. The one kind of addendum that I've put on that, Nicholas, is that obviously as the regulatory debate evolves, how do we see that in excess of 1% management buffer? And can we somehow manage it more flexibly from time to time? For example, if we see a value added M&A activity or opportunity that ticks all the boxes I was talking to Ben about earlier on, would we slightly dip into it on a transitional basis?

Possibly, if there's more kind of regulatory flexibility and amenability to that sort of thing.

Question 12: Alvaro Serrano, Morgan Stanley
Hi, Alvaro Serrano from Morgan Stanley. A couple of questions on the bancassurance side. You've mentioned the 20% take up in protection. Obviously, there's more insurance products. And I'm thinking about those 17 million of customers. Can you give us a flavour of what you've baked in, how much that penetration can go, how high it can go along the plan and maybe related to the previous question, to what extent AI plays a role there? I've asked before at what point you've got the technology to sort of scan customer accounts and potentially offer and home insurance ahead of a renewal that's coming. Is that kind of technology going to be in place during the plan and does it play a role?

And the second question related is, and William, I suspect this might be for you, that you've talked in the past about a pickup in spread in those mortgages when you cross-sell. I don't know if you can give us a flavour of how much that pickup in spread as we try to think about the RoE premium that a bank insurance model has versus a model that doesn't have that product factory. Thank you.

Charlie Nunn:
Thank you, Alvaro. Obviously important question because we've said, I think both of us said actually, the first thing is to say we feel really good about where we've got to in the last 3 or 4 years. I know you've been on this for a long time to say there should be more to do to bring together some of our leading insurance products with our 28 million retail customers. And the fact that we have kind of doubled our ability to present protection, for example, on the back of a mortgage journey during the last few years.

And then we've captured market share in home insurance, especially in periods, for example, like this first half of the year where the home insurance market hasn't really been growing in terms of policies, but we've been winning share in that period, we think is testament to the progress we've made already in cross-sell and really meeting more needs of our broader retail base. We haven't guided specifically to a incremental amount of penetration of the retail base. I'm looking at Jas and Jira who run those two businesses. I know the numbers, but absolutely we see growth going forward. And to your questions, I think what's exciting about this next period is yes, AI will play a role but if you think about some of the things I talked about, first of all, our understanding of our customers based on the data we have, and then the moments in time, as you were just saying, when they might have a renewal, if it's not with us, or they have a mortgage with another bank, we know they might be having a life protection need. Our ability to identify those needs is already there. Our ability to increasingly provide offers and interact with customers is going to improve significantly over the next couple of years to enable us to drive some of that incremental growth. So, I think that's really important.

The second thing, and this is where I think the rewards offers that is already there hopefully, Alvaro, you're a customer of Lloyds so you can see your rewards tab and see how it's developing. I know that's true. But we're really excited because again, it gives you additional data on how customers are using their services with us. And it'll be both providing rewards for broader product holdings with us, but also better pricing. Now we've got some examples today where our club and our premier customers get 20 or 10 basis point discounts on their mortgages. Increasingly as we get better data, we know we can bring that pricing benefit to our customers across other products because it's such an efficient way for us to serve them great products and so, the returns for us still remain very strong. And we absolutely intend to do that around the bancassurance model. So, we are going to be ambitious over the next few years. It's already working. It's proving that we can win share when the markets are difficult and do it very profitably for our shareholders. So, we see that as a really good opportunity and I won't go back to it. Wealth, if you now look at the full spectrum of wealth opportunities we have and our ability to plug that in as well, we feel really positive around that. The one thing we haven't been fully, we haven't been transparent, we haven't talked about, our D2C wealth businesses, which we gave a bit more disclosure on today where we're fifth in the market.

We had to prioritise the real re-platforming and positioning of those businesses to the back end of this strategic cycle. So, that stuff's going to be landing back end of this year, first quarter of next. And that's going to give us even more opportunity to bring a really high quality platform. It's a great platform today, which is well-priced, but a really high quality competitive platform to really build out the wealth proposition. And that's also going to be benefiting from the rewards and the joined-up thinking. So, a meaningful part of this next phase.

William Chalmers:
Thanks, Charlie. On the second point, Alvaro, it's worth maybe just distinguishing between the mortgage spread and the overall spread that we enjoy in the customer relationship, if you like. The mortgage spread, I would expect to be basically much the same. The circa 70 basis points I said earlier on a shade over 70 basis points that we're making on mortgages right now. That won't really change as a function of this relationship. But as your question implies, what will change is the overall, I suppose, profitability of the customer relationship at the same time is hopefully giving a lot of value to customers.

Specifically what I mean by that, in the context of either protection or home, if you like, coming alongside the mortgage relationship, then what you have is a business or rather a growth in the business within insurance pensions and investments, which this half, by the way, grew by 19%. So, it's kind of a meaningful growth business for us. It will be on a look forward basis. But that being augmented to the extent that you're able to increase the overall bancassurance penetration.

It'll come from three main areas. One is reduced origination costs because you're dealing with a customer that you're already in a dialogue with. Two is these are scaled businesses, that is to say the protection business, the home business, they are businesses that experience operational leverage and therefore you don't get a one for one offset of the income with the cost. And then the third is, as Charlie and I both mentioned in our commentary, these are capital-lite businesses. The intention of this insurance strategy is to orientate itself towards capital-lite businesses. And these are attractive ROE businesses. And so, that's where you get the pickup in the overall customer relationship.

I think the trick is, Alvaro, as we go forward, and as some of what Charlie was saying earlier on, that we really need to deliver is to make sure that we're not just making a more efficient customer journey, a more attractive proposition, but we're constantly enhancing value to customers. And some of that will come through greater understanding and indeed deployment of the data through some of the AI initiatives that Charlie was talking about to deliver precisely that. But when you bring them together on that basis, you have a very attractive customer relationship, both from customer value perspective and indeed from the group profitability perspective.

Charlie Nunn:
Can I have one more thing which I don't try and do normally? And it's getting later, Alvaro, but you're letting me talk more strategically. We talked about the homes hub and the homes ecosystem, which is broadening out to looking at retrofit, looking at home energy usage, other related activity. And then we talked about transport and having the first transport ecosystem for the UK. When you start to look at what we're delivering and we start to see how customers are already engaging with the relatively early stages of those, you see lots of opportunity for depth of relationship deepening and also value for customers.

And one of the things we are most excited by is when customers, for example, get an EV, that's when they first think about home charges and solar panels and then retrofitting or looking at their homes. And our ability to help customers reduce the costs of heating their homes and reduce the cost of running their vehicles and make that ecosystem work suddenly becomes really exciting. And we're starting to see real traction with customers. We're building out those ecosystems.

We're not looking to make massive incremental marginal money from some of those platforms, but what we do see is stronger engagement, more willingness to re-engage with us around financing needs, and then to look at us for the broader products that we have in the group. So, that's why those are such important strategic things for us. And again, when you look at our ability to do that in the UK context, it's pretty unique. And so, we'll increasingly talk to you about how that's developing. And under the rewards, we showed you the level of engagement, depth of relationship and value as people get more engaged with rewards.

We'll continue to show those metrics over time because I think that'll give you real confidence that those other activities really benefit the franchise and therefore our position for shareholders.

Douglas Radcliffe:
Okay, great. We're running out of time, but let's just take a couple more questions. Ed.

Question 13: Ed Firth, KBW.
Thanks very much. It's Ed Firth here from KBW. I just had two questions. The first one was, I just wondered if you could chat a little bit about the logic of a capital generation target. Because I understand that when you first put those out there, that was when you were making returns below your cost of equity. But in a world where you're making 20% returns, shouldn't you be looking to put as much of that capital to work as possible rather than returning it at what is at best your cost of equity? So, I guess that's the first question.

And then the second question was, during your tech day, we had a super interesting discussion about legacy systems and in particular, the fact that you've got mainframe systems running huge parts of your business still. And I guess what I'd be interested to know is firstly, is that important or should we just forget about that really? They're run in the background and it doesn't matter. But assuming it does matter, does this plan include removal of those and replacement of those? And if it does, how should we expect that to come through? Is that a cost saving opportunity or is it a revenue opportunity? Because you'll obviously have much richer data once you've actually got up-to-date systems running your customers rather than systems from sort of 20 , 30 years ago. Thanks everyone.

William Chalmers:
The first question in terms of capital generation, there's a couple of reasons for having a capital generation target, Ed. One is because it is an objective, a KPI, if you like, internally. And that allows people like me to effectively corral the Group and manage it in a purposeful direction. And that's very helpful. The second is we are not really constrained by available cash in terms of our investment strategy. We are rather constrained by capacity. That is to say we need to keep our eye on the ball and we need to make sure that each of our divisions and Group as a whole is able to deliver on their ambitions.

It is not the case that we could deliver a whole lot more if we simply put a bit of the buyback into internal investment at least. I mean, maybe at the margin we could, but actually this is about capacity and delivering our ultimately customer ambitions and Group ambitions with the available management teams and so forth that we have. So, the capital generation point, again, it's an internal focus point. The investment constraint is we have a lot of very highly attractive on an ROIC basis, opportunities that we could throw money at. And frankly, the list would be longer than the list that we're currently engaged in. But the question is capacity and the ability to spend that money wisely.

And our working assumption for us all as shareholders, because that's what we all are, is that we would rather spend the money wisely. And that much that we can't spend wisely, we're going to give it back to the shareholders. Or if there are value added opportunities, we'll look at it in the context of M&A deployment, for example, if we see favourable opportunities in that respect. So, that's the kind of line of reasoning if you like. And I'll be happy to come back to it, but hopefully that addresses your question.

Charlie Nunn:
Yeah. And sorry, any other build on that because it's exactly right. I mean, we told you how much we're going to be investing over this strategic cycle, so it is a material investment. We know we take that decision heavily, right? We make those choices heavily. You can also only grow the balance sheet at a certain rate and deploy the capital into balance sheet growth as well, just given the whole discussion we had earlier. Look, I'll try and be relatively quick. And Ed, if we want to catch up separately, we should do. Just on legacy systems, we've demised about 30% of our legacy applications in this last phase, which is great. Some of those are mainframes, some aren't, but they're older technologies.

We still have some legacy mainframes. As you say broadly, mainframes can be great if the data is externalised and you've got the functionality being exposed and you're innovating in front of them. So, they don't represent a constraint necessarily. There are some areas though where we really do want to, and we have got within this strategic plan, an intent to modernise those mainframes. The big one, we talked about our core banking system in the presentation, which is obviously a really big part of the group's infrastructure.

We made a lot of progress on that in the last phase, including we've launched a set of new products on a modern mainframe system, sorry, modern technology platform, not mainframe, which is based on Thought Machine as you know, because that's something I inherited when I came in. But we'll complete that transition by 2030. And then your point around, is it cost or revenue is a really good question. Typically, mainframes are pretty cheap. So, they're fully depreciated. They don't cost very much to run if you're managing the vendors appropriately in that context. And so, it's less about cost.

It's much more about ability to make change quickly, especially with some of the ways that we need to change product constructs because the mainframes are typically in products and therefore to drive innovation and revenue growth, revenue defence and growth in that context. So, that's why we think about how the way we'll think about it. There are definitely some legacy platforms where you get significantly lower running costs. For example, some of the data environments and some of the legacy vendors. And that's been a big part of our cost savings. There's more to go there, but it's typically less about the mainframes themselves.

But no, we're being ambitious in this next phase just as we were in the last period. And I'm really pleased with the progress the CIOs and COO teams have made around that.

Douglas Radcliffe:
Excellent. Okay, I'll take two more questions. I've got Aman online then Sheel, I know you've been patiently waiting as well. So, Aman from Barclays. "On NII, what is your view of the long-term sustainability of banking NIM at these higher levels? And what have you assumed for deposit mix shift, please?

William Chalmers:
Yeah, fine. Thanks for the question, Aman. I guess the start point is what will be familiar to this group, which is that we're not guiding in terms of NIM. We're guiding in terms of expectations around income growth and as said earlier on by deduction and net interest income growth. And as said, we expect that to be healthy. Having said that, how do we see the NIM progressing within this? Without putting specific numbers on it. We expect a decent couple of years, a strong couple of years even in respect of NIM. As you know, we're up 13 basis points, I think it is in H1.

We're up five basis points in Q2. We said at the beginning of the year that we expect the NIM to tick up in every quarter of this year, and that is still what we expect it to do. So, that NIM progress, we expect to be there in '26 and to persist thereafter. Now, over time, over the course of this plan indeed, we do expect that NIM to broadly plateau, maybe even at the later end of the plan, come off a little bit. And that is embedded in our plans. And therefore, we see it as volume-led growth more so as we get into the later years of the plan. The development in respective assets, the development in respective liabilities is what starts to take over as you get into the later years of this plan.

And that is what's in there, if you like. So, essentially NIM continuing to grow and then broad stability, maybe even coming off a touch towards right at the end of it, is what we're putting in there. And as said, importantly, that is based upon A) no heroic assumptions and assets and liabilities. I mentioned mortgage margins as an example of that earlier on. It is also based upon the refinancing rate not being in, or the market refinancing rate, I should say, not being in the structural hedge. Again, I mentioned that earlier on. And it is also our outcomes are obviously in a range. And that in turn encompasses, as I said earlier on, some pretty healthy net interest income growth.

So, there's a third to answer Aman's question. There is hopefully a picture of net interest margin over the course of the plan there, albeit not putting specific numbers on it. Deposit mix shift. We've got a terminal rate of 3.5%, which takes over from about 3Q 2027. We do expect over time there to be continued interest in some of the fixed term part, the interest-bearing part of the retail market, for example. And so, we do expect that to grow. I mentioned earlier on that we're expecting PCA deposits to be relatively flattish over the course of the cycle. That combination hopefully gives Aman a little bit of insight into our expectations.

Douglas Radcliffe:
Yeah, final question. Two. Okay. There you go.

Question 14: Sheel Shah, JP Morgan.
Two follow-ups. First, going back to the technology, do you at the moment have a single customer view in terms of the multi-products, the multi-divisions, whether it's a Scottish Widows or a transport product of a customer? So, it'd be interesting to get your perspective there and whether the systems between the divisions are all linked up.

And then secondly, a follow-up on the multi-brand strategy. In a world of AI where there is transparency and there is a focus on cross-sell, is there value in having a single brand across, for example, these transport businesses with Scottish Widows, for example? Or do you think the value of the brand is large enough that you don't want to really erode that? Thanks.

Charlie Nunn:
Two brilliant questions. Look, on the tech, operationally in effect, we have all the data we need to be able to do this cross-sell in the way we want to today. So, we have created over time the operational platforms that enable us to do that on the scope of the business we have today. The data and the platforms aren't fully complete in target state. So, there is more work to do just to be clear, number one. And then again, I get very excited about this. As you know, excitingly, when you start to look at some of our new capabilities to interact with customers, let's take the InvestAI agent or the Coach AI agent.

The context and data that you need to create a brilliant conversation that's safe in terms of the outcomes for the customers, leveraging the data we have in the bank is actually in some cases a set of new data, some of which we have in the bank, but we haven't yet ingested into the right place. Or that actually is going to be based on learnings from our interactions with customers. And that's why we were so keen to get live with that early and that first. So, yes, we are joined up for what we need to do today in our data. There is some modernisation of that data platform that we're well progressed on. I think the really interesting part of this is how the data is going to really grow.

And what we're seeing is it's less the large language model or the specific model that you're building. It's more the context and harness and the data you put around it, which is contextual to that customer, to the products and services that we have, to how those work in a regulatory context like the UK, and then linked to the broader ecosystem. And that's really exciting because it puts us in a very strong position to build that out as a very strong source of competitive advantage going forward. On the multi-brand piece, look, I think it's a really good question. We know for now, based on what we can see, based on the specialist brands that we have, that we think we've got the right choices.

Some of those specialist brands are partly because it's quite a different channel. So, even Scottish Widows, which is both a retail, it's also an important B2B brand. So, when you take workplace to a corporate and you're selling to the CFO, the head of HR, or the CEO, that's who the brand is resonating with. It also has to have a D2C relevance. Tusker, again, for example, and Lex, those are much more SME and corporate brands at this stage. Of course, they're relevant to the employees or the users of those services, but that's why we still see those specialist brands really being helpful at this stage.

I think a bit like our channel strategy, brands is always something we're going to follow the data and follow the customers on. So, we'll continue to look at that, but at this stage, we think that's the right multi-brand strategy for our customers. And I think kind of explicit in your question is exactly the issue that we see, which is as you move from the traditional internet and SEO, search engine optimisation, increasingly into GEO, generative engine optimisation, it's a much more complex world for your products and your brand to win in that GEO space.

And now we've been on this now for quite a while, we're now already working out how that works, but we think really strong brands with very differentiated products are going to be even more important in that world because you can't buy preference, at least not yet. Whereas in SEO, you can buy way up the rankings. So, we think we've got the right strategy for now, but we'll definitely continue to be sure we look at it and follow the data.

William Chalmers:
Sheel, the only point I'd add in the context of transport in particular is that this is an evolving market and we are exceptionally well positioned in that evolving market by virtue of the salary sacrifice scheme in Tusker, by virtue of financing in Black Horse and by virtue of leasing within Lex. As we see other players drop out of the market, indeed that is what is helping our pricing positions that I mentioned earlier on. It might over time, of course, inform how we attack the market best and what the brand strategy should be accordingly.

Douglas Radcliffe:
Thank you. So, that concludes what's been a comprehensive Q&A session. Perhaps I'll just briefly hand over to Charlie for concluding remarks.

Charlie Nunn:
Thank you, Douglas. And thank you very much to everyone in a very, very busy week for spending so much time with us. We spent a lot of time trying to work out, was this too long. But we felt we had to go into the strategy in enough detail. So, we really appreciate you being here today. As ever, Douglas and the IR teams will be around to answer some questions. I think we're going to spend a bit of time. For those that want to stay, we've still got some of our kiosks with some of our new and emerging products and services available upstairs. So, we're going to hang around a little bit up there. And if you want to talk, please come and find us in that context. We'll be around for 15 minutes or so.

And obviously really look forward to speaking to you again. We're committed to delivering 2026 first. We're going to get ourselves mobilised for this new strategy at the same time. And before we next see you, I hope for those of you that are getting a break, have a fantastic holiday, but thank you for coming today.

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