

**Thursday 29 October, 2026 – 9.30am**

**LBG:**

William Chalmers, Chief Financial Officer

**William Chalmers**

Thank you, operator, and good morning everyone. Thank you for joining our Q3 results call. As usual, I'll run through the Group's financial performance before we then open the line for Q&A. Let me start with an overview on slide two.

**SLIDE 2 – CONTINUING TO DELIVER, CONFIDENT IN OUR OUTLOOK**

In the third quarter, the Group again delivered sustained strength in financial performance. We demonstrated continued income growth, improving operating leverage, and strong and stable credit quality. We are on track to meet our 2026 guidance. The Group is continuing its strategic delivery, focusing on supporting UK households and businesses while laying firm foundations for Accelerate 2030. The business is performing well, and we are excited to execute on the opportunity ahead.

Let me now talk to our financials on slide three.

**SLIDE 3 – SUSTAINED STRENGTH IN FINANCIAL PERFORMANCE**

As said, Lloyd's Banking Group again demonstrated sustained strength in financial performance during the first nine months of the year. Statutory profit after tax was £4.8 billion. Within this, we delivered net income of £14.8 billion, up 9% on the previous year, driven by broad-based growth across our businesses. Q3 net income was 2% higher than Q2. We remained disciplined on costs, year to date operating costs of £7.2 billion were up 1% year-on-year, supporting a cost-income ratio for the first nine months of 49.3%. The cost-income ratio for the third quarter was 47.2%.

Credit performance remains strong and stable. The year to date impairment charge of £930 million equates to an asset quality ratio of 25 basis points. Together, this delivered underlying profit of £6.6 billion for the first nine months, £2.4 billion in Q3. Our performance year to date has resulted in a return on tangible equity of 17.9%, strong capital generation of 153 basis points, and a CET1 ratio of 13.3%.

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

**SLIDE 4 – CONTINUED STRENGTH IN CUSTOMER FRANCHISE**

We have seen solid growth across both the lending and deposit franchises so far this year. Focusing on the third quarter, Group lending balances of £495.5 billion were up £4 billion or £5 billion, excluding movements in hedge accounting. We saw growth across all business lines.

Within retail, mortgages increased £0.3 billion in Q3. We realised slightly higher mortgage completion margins quarter on quarter at circa 75 basis points, although this remains below maturity margins. The market remains highly competitive. Elsewhere in retail lending, we saw continued growth in each of our cards, loans, and motor businesses, as well as European retail, again in competitive markets. Commercial lending balances meanwhile were up again in the quarter by £3.3 billion or 3%. As has been the case throughout the year, this reflects strong broad-based growth in CIB across sectors. BCB also continued to grow with balances increasing £0.2 billion after the impact of government-backed lending repayments.

As we look forward across the lending businesses, we believe higher rates, if sustained, may start to slow asset growth. As always, our strategy will be to balance volume and returns.

Turning to the liability franchise, we saw a solid performance in deposits up £1.9 billion in the quarter. Total retail deposits were broadly stable with growth of £0.2 billion in UK deposits and a decline of £0.5 billion in Europe. We were pleased to see PCA growth of £0.6 billion in the quarter, again, increasing our market share of balances in this core product and helping deepen customer relationships. This more than offset a small decline in UK savings of £0.3 billion.

Commercial deposits increased by £2.1 billion, reflecting growth in targeted sectors across both CIB and BCB and continuing recent strength in this area. As called out throughout the year, we have again seen a competitive quarter in the deposit market. For now, these conditions look set to persist and we continue to manage for both franchise enhancement and sustainable value.

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

#### **SLIDE 5 – CONTINUED GROWTH IN NET INTEREST INCOME**

Net interest income continues to grow robustly. Year to date NII was up 10% year-on-year to £11.1 billion. This included 3% growth in Q3, helped a little by day count. Income growth continues to be supported by positive but slowing momentum in the net interest margin at 325 basis points in Q3, up three basis points on the second quarter.

Driving this in Q3, the growing structural hedge contribution continued to more than offset mortgage refinancing and deposit churn headwinds. Structural hedge earnings were £1.9 billion with an average yield of 3%, still well below current 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 based on our economic assumptions. NII strength was also supported by the growth in our franchise with average interest earning assets of £481 billion in Q3, up over £3 billion on Q2.

Based on these developments, we are on track to meet our 2026 NII guidance of greater than £14.9 billion. In the current competitive market conditions, we expect to deliver modestly above £14.9 billion. Looking further forward, these same conditions will likely impact 2027 NII growth, partly offsetting benefits from higher volumes and hedge income. While still healthy, the pace of NII growth in 2027 is likely to be lower than in 2026. Let me now turn to other income on slide six.

#### **SLIDE 6 – BROAD BASED MOMENTUM IN OTHER INCOME**

We continue to deliver strong momentum in other income across our franchise. Year to date, other income was £5.0 billion, up 10% in the prior year. Q3 OOI is up 8% year-on-year at £1.7 billion.

Within this, Q3 was very slightly lower than Q2. This reflects continued strength in transport, current accounts, and Lloyd's Living. These factors were offset by increased subsidence claims within general insurance, lower markets income within Commercial banking, and the non-repeat of certain second quarter gains as we flagged in July. Excluding weather claims, third quarter underlying OOI growth was over 10% year-on-year, continuing the strong performance that we've seen in recent periods.

Income diversification remains a strategic focus and indeed our base case expectation. We continue to see good progress in our strategic initiatives as laid out on the slide. These include strong momentum within Tusker as well as the successful launch of new propositions, for example, Lloyd's Accept within BCB. Such developments and upcoming plans will maintain our forward momentum.

Briefly turning to operating lease appreciation, the Q3 charge of £420 million has decreased from Q2, largely due to the non-repeat of the revaluation charged for used car price adversity that we recognised at the half year. This is partly offset by the quarterly run rate, which is increasing in line with fleet growth.

Moving to cost on slide seven.

#### **SLIDE 7 – ONGOING COST DISCIPLINE**

Cost discipline continues to be an imperative. Operating costs for the first nine months were £7.2 billion up 1% year-on-year. Our robust performance reflects business cost growth, inflationary pressures, and costs related to Lloyd's Wealth, largely offset by continued cost savings and lower investment at this stage of our current strategic cycle.

Third quarter costs of £2.4 billion were down 1% versus Q2. As we look forward, Q4 will see higher costs due to the usual seasonal factors, including bank levy as well as investment timing. The remediation charge was £22 million in the quarter, taking the year to date charge to 61 million.

Taken together, this resulted in a cost-to-income ratio of 47.2% in Q3 and 49.3% for the first nine months. Importantly, we remain on track to deliver a full year cost-to-income ratio below 50% and operating costs of less than £9.9 billion in 2026. Let me turn to credit performance on slide eight.

#### **SLIDE 8 – STRONG AND STABLE CREDIT PERFORMANCE**

Credit performance remains strong and stable. This reflects our prudent approach to lending and resilient customer base. Arrears and early warning indicators across our portfolios remain benign.

The year to date impairment charge is £930 million equivalent to an asset quality ratio of 25 basis points. Compared to the prior year, the increased charge is driven by retail model updates both last year and this year, and a more normalised level of impairment in 2026 as well as lower one-off releases within commercial. The charge of £313 million in the third quarter also represents an asset quality ratio at 25 basis points and reflects stable underlying development alongside model updates. It incorporates a small MES charge of 8 million in the quarter.

Our performance year to date means that we are on track to meet our guidance for a full year asset quality ratio of around 25 basis points. Let me now address returns and TNAV on slide nine.

#### **SLIDE 9 – STRONG RETURN ON TANGIBLE EQUITY**

The Group delivered a strong return on tangible equity of 17.9% for the first nine months and 19.5% in Q3. Below the line, the third quarter restructuring charge and volatility and other items were modest.

Tangible net assets per share ended the quarter at 55.4p, down by 1.6p per share, both year to date and in the quarter. Growth from attributable profits and the reduction in share count from the buyback were offset by shareholder distributions, and in particular, the temporary impact of higher rates on the cashflow hedge reserve.

Looking ahead, we continue to expect material TNAV per share growth over the medium term. We remain on track to deliver a return on tangible equity of greater than 16% in 2026. Indeed, given our current TNAV, we expect to comfortably exceed this. Turning now to capital generation on slide ten.

#### **SLIDE 10 – STRONG CAPITAL GENERATION**

Our business performance has driven strong capital generation. Within this, total RWAs ended the quarter at £247.4 billion, up £11.9 billion from the year end. This increase reflects strength in lending and market and other movements, partly offset by optimisation activities. Turning to Q3, RWA's increased £5.6 billion, again driven by customer and bank lending growth, but with limited optimisation in the quarter. Q4 should be more active in this respect.

Looking forward, we continue to expect a £6-8 billion positive day one impact from Basel 3.1 on the 1st of January '27. Note that we're also awaiting finalisation of CRD IV secured model weightings. Year to date, strong banking profitability has driven capital generation of 153 basis points, including 45 basis points in the third quarter. We remain on track to deliver our capital generation guidance of more than 200 basis points in '26. The group CET1 ratio ended the quarter at 13.3%. We continue to expect to pay down to a CET1 ratio of 13% by the end of the year.

I'll now turn to our updated macroeconomic outlook on slide eleven.

#### **SLIDE 11 – UPDATED MACROECONOMIC OUTLOOK**

As usual, we've updated our economic outlook for the performance of the UK economy. We now expect inflation to average 3.1% this year before peaking in the first quarter of '27. Our bank rate forecast now incorporates a 25 basis point increase in November, although our terminal rate assumption remains unchanged at 3.50%, reaching that level in mid-28. I referred to the potential impact of higher market rates versus our own forecast in my earlier comments.

We expect GDP growth to be 1.3% this year, falling to 1.1% next. Unemployment is forecast to peak at 5.3% in the middle of 2027 and house price growth to be 0.7% in '26, rising to 1.7% next year.

While these forecasts represent a modest uplift, our diversified and resilient business model remains well-placed to withstand various economic outcomes. In this context, the budget yesterday does little to change our views. Stepping back, let me now remind us of our 2026 guidance on slide twelve.

#### **SLIDE 12 – ON TRACK TO MEET OUR 2026 GUIDANCE**

We remain on track to meet our 2026 guidance. We continue to expect net interest income of more than £14.9 billion, a cost-to-income ratio below 50% with operating costs below £9.9 billion and an asset quality ratio of around 25 basis points. Alongside, we expect return on tangible equity of more than 16% and capital generation of more than 200 basis points, paying down to a CET1 ratio of around 13%.

As always, we remain committed to a progressive and sustainable ordinary dividend. As we have said many times, delivery of our current strategy and financial commitments lays the foundations for the next stage. Let me briefly turn to this to finish up on slide thirteen.

#### **SLIDE 13 – LAYING FIRM FOUNDATIONS FOR ACCELERATE 2030**

The successful delivery of the current strategy has been all about building new strategic revenue streams, diversifying income growth, and continuing our focus on cost and efficiency. These are the foundations for Accelerate 2030.

We are now mobilising the business at all levels. We've established a new business unit to unlock connected growth opportunities across the group. We have allocated over 95% of our 2027 strategic investment spend, which is now built into delivery plans. Our core franchise will remain a key contributor to value creation as we deliver new products and build distribution in critical markets. We will innovate to further grow and diversify our revenue streams with many new propositions in the coming months, such as Lloyd's Smart Wallet.

Growth will be led by investment in technology and skills. We are continuing to extend our AI use cases across the Group and are on track to deliver over £100 million of AI benefits in 2026. We were pleased to see our continued progress was recognised in the latest evident AI report.

Our strategic ambitions are underpinned by the robust financial framework that we outlined in July. As you know, the expectation is continued income growth, improving operating leverage, strong sustainable returns, and growing capital generation.

Stepping back, and as said in my opening comments, the Group is delivering in full on the current strategy. Looking ahead, we are more convinced than ever that the opportunity for the Group is compelling and Accelerate 2030 is the right way to seize it.

That concludes my comments for this morning. Thank you for listening. We'll now open the line for your questions.

#### **QUESTION AND ANSWER SESSION**

##### **Question 1: Benjamin Toms – RBC**

Morning, William. Thanks for taking my questions. The first one's on other income. It was a little bit weak in the quarter, albeit you're still trending up 10% on a year to date basis. Is Q3 the right base to model off? It sounds a bit artificially depressed. If it is depressed, how depressed do you think Q3 roughly is?

And then secondly on NII, you defined greater than 14.9 as modestly above. I think consensus is slightly above 15. Was the modest comment designed to move expectations down slightly to somewhere between 14.9 and 15? Thank you.

##### **William Chalmers:**

Thank you, Ben, for both those two questions. Just to answer them in turn, OOI, first of all, roughly £1.7 billion, £1.68 billion. The performance in OOI is something that actually we are pretty pleased with over the course of the year. There were some points, if you like, in Q3, one specifically the subsidence event off the back of a dry summer, and the second is a little bit of weakness in markets, in particular in September off the back of the volatile markets that we saw. That's occurring in the commercial banking business, specifically the CIB business.

The quarter-on-quarter comparison, which is down about £19 million over the quarter, is a little bit softer because quarter two was particularly strong. What I mean by that is that we saw some securitisation gains in quarter two, and we also saw some outsized LDC gains. And so there's a bit of strength in Q2 that is in turn contributing to the relative Q2 to Q3 performance. Now, as you said, we're up 10% year to date, which is very much consistent. In fact, even a touch ahead of our high single digits expectation for the year. We also added into that Lloyd's Wealth.

I think, Ben, to answer your question, if you strip that out, the two effects that I mentioned in respect to Q3, subsidence number one, markets number two, are we think largely one-off in nature. Subsidence is an event that was particularly acute over the course of summer. We're now seeing rates hardening, i.e., premium price increases in the general insurance market, which is good to see, and I think it's partly in compensation of that. And then secondly, we're also seeing a stronger start to the quarter in the CIB markets area, which is good to see. So I think we expect to see continued growth in OOI over the course of the fourth quarter. We do expect to be very consistent with our high single digits plus Lloyds Wealth guidance that we gave at the beginning of the year and we feel very comfortable about the trajectory of OOI in that context.

To give you one further data point, Ben, which you might find useful is if you strip out some of the quarter two benefits, I mentioned securitisation in Lloyds Development Capital as part of that, LDC as part of that. And if you strip out the one-offs, for want of a better word, i.e., the weather and maybe a bit of the CIB weakness in markets number two, then actually what you're seeing is more like a 5% quarter-on-quarter growth rate as opposed to the £19 million reduction that we saw in quarter three. So that gives you some idea of the underlying performance that we're seeing in OOI, and again, expect a decent fourth quarter.

In respect of NII, Ben, the second of your two questions, we have, I suppose, first wanted to confirm that we will very much meet all of our guidance in full, and that of course includes greater than £14.9 billion for NII guidance for the full year. At the same time, we wanted to make sure that people were, if you like, aware of our expectation that we expect to be modestly above £14.9 billion for the year.

Now, what is going on there? In quarter four, we expect to see continued growth in NII, which will be driven by similar drivers, frankly, excluding obviously the day count benefit that we had in quarter three. We should expect to see a modest increase in the net interest margin, likewise AIEA growth, which will be flatter, but it will be driven up by in particular averaging effects. And that all delivers as modestly in excess of £14.9 billion.

I won't comment on consensus Ben, but hopefully you can tell by my answer to your question there what we're aiming at.

## **Question 2: Guy Stebbings – BNP Paribas**

Morning, William. Thanks for taking the question. The first one was back on NII, really on the funding side. It's clearly a competitive marker out there for funding, and at the same time you're seeing good lending dynamics, particularly on the corporate side. Given the market's no longer awash with liquidity, if you like, your own loan deposit ratio has been trending upwards or normalising, just interested how comfortable are with lending growth running ahead of deposit growth from here, or does there come a point where you need to either compete harder for deposits or pull back slightly from lending? Or is that just not really an issue for quite a while?

And then the second question, which is partly linked to this is on capital. I mean, the chancellor yesterday made a push again in terms of the Bank of England ahead of its upcoming capital update to lower sector capital requirements and overlaps, if you want to call them that, on constant domestic buffers. If we do see that come through, which could have quite a meaningful impact on your regulatory requirements, how do you think you'd use that freed up capital? Would it, as the Chancellor would presumably want, go towards incremental lending, which would add to funding needs for the sector or might you have other uses for that capital? I guess behind my question, certainly welcome any incremental capital being freed up, but interested in how you think about the competitive pressures that might come out of that. Thank you.

**William Chalmers:**

Thank you. Thanks for the questions, Guy. I'll answer them in turn. I might pull apart the first one a little bit. First of all, in respect of lending, as you say, healthy lending growth over the course of the year and indeed over the course of the quarter. If you take each of those over the course of the year and you add back in securitisations, which is just shy of £2 billion, you add back in movement in the fair value hedge, you add all of that together, we've seen roughly or just shy of £18 billion lending growth over the course of the year, and that includes just over £5 billion of lending growth in the course of quarter three. So some really healthy lending growth developments there, and they are on both the retail side and indeed the commercial side. Likewise, we've seen very healthy deposit growth too, £6.3 billion over the course of the year, just shy of £2 billion in the course of quarter three.

That is slightly more skewed towards the corporate banking side but equally includes growth within the UK deposit book over the course of quarter three of about £0.2 billion, which most notably and interestingly includes increases in PCA balances of about £600 million, including an increase in share. So I think all of that is good to see, Guy. When we then look at the balance, if you like, as your question highlights, we've seen faster lending growth than we have deposit growth, and that has ticked up the loan deposit ratio a touch. We're now about 99% versus year end, about 97%. To answer your question, we don't see that as a particular constraint. We don't really have a loan deposit ratio target. It is relatively easy to reduce it if we were to choose to do so by going out and gathering deposits. We've chosen instead to focus deposit value on those where we have the most valuable customer relationships and to avoid, if you like, gathering deposits in what have sometimes been relatively negative margin fixed term areas.

So we don't see the loan deposit ratio as a constraint. We don't see, at the moment at least, any inhibition on our ability to continue lending into the economy, which of course is important to us. And the best testimony to that is, as said, funded lending of around £16 billion. And then of course you can add in the securitisations as I did earlier to get to £17.9 billion in total.

The capital point, Ben, the capital point is interesting. We see the FPC discussion ongoing and we'll expect to see more in November. Now, so far, the changes that have been brought about by that review in terms of the leverage ratio have not made a significant difference to us because as you know, we are CET1 constrained as opposed to leverage constrained. Looking forward, the FPC is looking at, as your question pointed out, a couple of topics. One is whether there's overlap in buffers, and two is the question of buffer usability. It'll be interesting to us to see what it is the FPC comes back with off the back of that. At the same time, and again, as your question highlighted, as we land Basel 3.1 on the 1st of January next year, we will see a reduction in our Pillar 2A targets of about 20 basis points.

They will go from 1.4% to 1.2%. What that will mean is that at the beginning of next year, we have our CET1 target of 13%, but we will have a capital stack of more like 11.6%. And of course, in that context, we look with interest to see what the FPC is going to do on capital buffers that feed into that capital stack. What we'll then choose to do beyond that, Guy, at the moment at least, I think is to be determined, depending upon where all that plays out, number one, but recognising that we have a degree more management flexibility in the way in which we run the business, simply because that management buffer goes from what is currently 120 basis points to what will be 140 basis points.

So I think for now, Guy, without wanting to pre-empt future discussions or alternatively second guess what it is the FPC might come out with, we look with interest to how the situation will evolve. We maintain our capital target of 13% CET1. And if we do get more flexibility by way of large management buffers, that's clearly helpful from the perspective of running the business.

**Question 3: Sheel Shah – JP Morgan.**

Great. Thanks for taking the question. If I can ask on the asset margin, you spoke about some pressure in the mortgage market, which isn't new and that continues, but what about some of the other markets like the corporate and the unsecured market? Are you seeing pricing pressure? Are you seeing mix change? What's driving this pressure on the margin basis?

And then secondly, just to follow up on the LDR question earlier, how do you think about the balance between raising more deposits in this competitive environment versus wholesale funding, considering that LDR ratio is probably going to rise above 100 shortly? Thank you.

**William Chalmers:**

Sure. Thanks, Sheel, for questions. When we look at the environment, I think we've been calling out all year that the environment is a relatively competitive one. And of course there's been a lot of attention paid most recently to the deposit side of that. And indeed, deposit markets are relatively constrained. That is for a host of cyclical and structural reasons. I might just dwell upon that for a moment. So for example, energy prices, increased inflation, higher rates in turn limits disposable income growth. That limits deposit market growth for those cyclical reasons, but at the same time, one or two structural factors. QT is one example, reduction of TFSME is another example. The fact that we've got a number of non-UK lenders in the market taking out deposits from the UK market and not recycling them as UK lending is a third point within those structural drivers.

And all of that means, Sheel, is that the deposit market is not growing all that fast. I think it was around £25 billion around the middle of the year from the Bank of England figures. Most of that has gone into fixed term and that fixed term, as you know, is pretty tightly priced. So that's the deposit side, but your question was also on the asset side. And I think consistent with what we've been saying all year really, we have seen competitive pressures on the asset side. And it's not just mortgages, it's kind of across the asset classes too but I think that's what, as said, we've been calling out in various different conferences and so forth. Now, having said all of that, we've seen decent volume growth in these areas. We are competing hard in what are still economically very attractive areas so cards, for example, up 7% year to date, personal loans likewise up 7% year to date, motor up 6% year to date, these are important areas for us to grow in. The CB business or the CIB business, just that sub-component of commercial banking is up over 10% year to date in its balances. All of this lending is healthy, value added, positive returning lending. We're pleased to see it, but I think it is fair to say that there is a dose of margin pressure going on, again, consistent with what we've been saying through the course of the year.

The second question that you posed there, Sheel, in terms of I guess the balance sheet, the loan deposit ratio, liquidity coverage ratio. I mean, first of all, I think you're right to point out the liquidity coverage ratio. When we look at the balance sheet, as said, loan deposit ratio is not something that we particularly target. We do not feel constrained by the loan deposit ratio as it is. It's relatively easy to fix in the sense that we could go out and raise deposits very easily if we were to choose to do so. But the issue as we see it is to stay on top of duration and to build the franchise. And as I say, to make sure that we're able to continue the type of £6.3 billion year to date deposit growth that we've seen across retail and across commercial banking.

Now, I think it is reality for us, and I suspect most banks in the sector, that actually it is a liquidity coverage ratio that is at least as important, if not more so, versus the loan to deposit ratio. And I suspect for most banks, it is the liquidity coverage ratio that is more likely the earlier biting point. Now, we feel very comfortable with our liquidity coverage ratio. It's about 143% as you'll have seen today, and it is backed up by predominantly retail and therefore very sticky deposits, which allow us to operate comfortably at the 143% liquidity coverage ratio. And indeed, I would stress that that is meaningfully ahead of where we were on a pre-COVID basis, so we are holding more liquidity today than we felt necessary on a pre-COVID basis.

When we look forward, I would make those points on the, if you like, LDR and LCR side. I would also add that what's important when you look at lending is, at least from our perspective, less to be constrained by LDR and LCR, more to make sure that whatever lending we do is value added, is economically value added to the shareholders. We clearly want to present strong customer propositions, and as said, just shy of £18 billion in total lending so far year to date shows that we're doing that from a customer point of view. We want to make sure that that lending is value added.

**Question 4: Jonathan Pierce – Jefferies.**

Morning, William. Two questions, please. First is on deposit competition. I really just want to get your view on what's going on here because rates on sight deposits haven't really changed since the start of the year. The extent to which those at the top end of Best Buy tables are paying above one year swap rates for one year

term deposits hasn't changed that much since the start of the year. I mean, it's very competitive, but significantly more so than it was. For me, what's really changed in the last six to nine months is the whole curve has shifted higher and that's led to this behavioural change with customers moving more money to term. So your sight deposit base is holding broadly flat, all the growth in deposits is coming from ISAs and term. And so your marginal funding cost is essentially at SONIA or above.

So I'm just wondering to what extent this idea of higher competition is being conflated with behavioural changes. And you may say the distinction doesn't really matter at the moment, and I would agree, but a behavioural change is transitory, whereas higher competition may be more structural and therefore a bit more concerning. So if you can break down what the real issue here is in terms of the marginal margin, that would be helpful.

Second question, Pillar 2A. The end result of Basel 3.1 for you looks to be a 20 basis point drop in your Pillar 2A requirement, but your Equity Tier one ratio going up 40 basis points. And so something the market's been worried about for eight years now is effectively leading to a 60 basis point reduction in capital requirements if I read the release as it seems to imply this morning. I'm just wondering, is there something else going on here? Does this Pillar 2A movements that you're expecting at the start of next year capture anything else other than Basel 3.1? Again, trying to get back to whether the domestic risk add-on changes we may get next month are being somewhat front run in some of the Pillar 2A movements we're seeing this season or whether there genuinely is something else we may get next month that drives your Equity Tier one requirement down significantly further.

**William Chalmers:**

Thanks for those questions, Jonathan. I'll take them in turn. First of all, on deposits, as said, up £6.3 billion year to date, up just shy of £2 billion over the course of quarter three. So the deposit performance has been in pretty good shape. Within that, and relevant to your question, Jonathan, you talked about sight deposits there. We've seen strength in both PCAs and also in non-interest bearing current accounts within the BCB area as well in quarter three. So we're pleased to see that on both counts. I mentioned earlier on about £600 million gain in PCAs over the course of the third quarter, a smaller number gain in non-interest bearing current accounts in BCB, but nonetheless going in the right direction.

I think that's off the back of strength of propositions. It's off the back of our customers choosing to hold sums. It's also noticeable actually, Jonathan, that even in the context of a rising rate environment, not only have we gained market share in the PCA front, but also the amount, i.e., the number of balances in terms of quantum in excess of £20,000, as an example, has gone up even in that rising rate environment, which I think is kind of interesting in the context of your question.

I'll add a couple of comments and then come back to the behaviour versus competition point that you raised. First of all, we think we have seen a bit of rates increase over the course of the year as a whole. As you know, we've been calling out deposit competition right the way through the year. We started in earnest at Q1, but we've been trying to continue that narrative indeed amplify it over the course of the remainder of this year. I do think at the same time, the curve has clearly shifted higher, especially in Q3 in that context. And your question therefore is how much behavioural change has that sponsored? When we look at our book overall, we've seen, I think, a combination of clearly higher rates. We ourselves have been out from time to time where we thought that it's economically value added to offer higher rates.

I would say the migration within the book has been relatively limited so far. Specifically, what do I mean by that? I think it's probably just over £1 billion switch from instant access into fixed term in the third quarter. That's in the context of an instant access book, which is comfortably over £100 billion. If I track that back over the course of the year, the migration that we've seen over the course of the year, basically from instant access into fixed term, I think over the year as a whole, it's been somewhere between £3-4 billion in that zone. So you can see the quarter three performance is not particularly different to what we have seen earlier on in the year. And in the context of an instant access book that is comfortably over £100 billion, that's relatively limited.

Now, as we look forward, we expect both aspects of competition on the deposit side to persist, as I mentioned in my script a little while ago. And that's partly what's behind, I suppose, some of our outlook comments, some of my outlook comments that I made in my commentary. The other point I would say, just to add onto this

discussion, Jonathan, is we've seen through the course of this year, not just deposit competition, but also asset competition, consistent with my response to Sheel's question just a second ago, there's a bit of asset side competition that's been going on over this year. We don't have... Well, let me put it another way. We expect competition to continue in those markets over the course of next year, and that's what we're basing our outlook comments on. We'll give you further guidance at the end of the year. But my point is it's both liability side and don't forget the asset side.

When we look at the... I'll move on, Jonathan, to the second of your questions on Pillar 2A. I don't think there's terribly much going on there above and beyond Basel 3.1, at least not for us. What I mean by that specifically is that when we look at the adjustments for Basel 3.1 that move RWAs into Pillar 1, they are things like the SME scaler, for example. They are one or two other aspects, so CVA and operational risk and so forth. These things in turn are leading to Pillar 2A relief of 20 basis points, and that's what we're calling out in the RNS. There is one other modest item that is moving in Pillar 2A. I don't think technically we're allowed to disclose it as such, but there's one other pretty modest item in the Pillar 2A piece that is moving that is net helpful to us, i.e. beneficial, but it's a very small part of that overall 20 basis point improvement or reduction in Pillar 2A that we see on the 1st of January next year.

What that all means, Jonathan, as your question is getting to, and please tell me if this isn't fully answering your question, but it means that our capital stack is getting to 11.6% as opposed to where it is today, 11.8%. As mentioned earlier on in response to, I think it may have been Guy's question or perhaps Sheel's, that's good. That added 20 basis point of flexibility or management buffer is helpful to us. Over the longer term, as the regulatory situation gets clearer, maybe as some of the macroeconomic risks play out, we'll obviously have a discussion with the board in due course about what does all that mean.

But I don't think that's necessarily a discussion for this year. I think it's a discussion based upon the maturity of the debates and the issues that I just mentioned. But there's no doubt that in the meantime, having 140 basis points of management buffer over 120 just allows us to manage the business with that much more flexibility.

**Jonathan Pierce:**

Okay. Yeah, that's really helpful. It basically sounds like you are saying that this isn't in any way treading on the toes of what may come next month because your ring-fence bank has got probably 460 basis points of domestic risk add-ons within it. If I assume pillar 2A credit concentration risk of circus 60 bps or something it's huge. So the door is still open to that 11.6 going, it may be quite a bit lower depending on what the FPC decides to do next month.

**William Chalmers:**

Yeah, conceivably. It's certainly not treading on the toes of what might come, Jonathan. I think you're absolutely right from that perspective. This is really just about pillar 2A in relation to Basel 3.1. The incremental point that I mentioned that is above and beyond the Basel 3.1 is really pretty small and has nothing to do with the FPC.

**Question 5: Jason Napier – UBS**

Morning, William. First question regrettably is back on the competitive environment. There's no doubt it's the number one issue on investors' minds. And if we did a word cloud of the call so far, competition and competitive is probably going to be the one in the biggest font. And so in fact, in your own words, you've been seeking to amplify that message this year.

So a couple of questions around that. Firstly, are things worse than budget in the market or in the outlook? And then secondly, when management sit down and war game various scenarios that may come to pass in the next year or so, what are the sort of strategic reactions that you might have to conditions being plausibly weaker than expected?

And then the second question coming back on slide seven around costs, I think it's clear you're expecting seasonally to spend more money in the next quarter, and as we know from the next plan, there will be an uptick in investment spend. I wanted to focus on the gross cost saves though. It's a very, very big number. It's annualising at about 7% of the bank's cost base, sort of £380 million of gross saves and £380 million of growth

costs. Could you talk a little bit more about how it is you're delivering that much on a gross basis and something around the composition of those saves please, just to get a sense as to whether that's something that can persist in the coming years and that we could take as a source of comfort as regards to capacity to keep investing, but managing costs to that sort of guided 3% annual growth rate that's in the new plan. Thanks very much.

**William Chalmers:**

Yeah, thanks. Thanks, Jason. We steadfastly refused to comment on consensus, so I'm not sure we can necessarily comment versus our internal budgets. That seems even more of a transgression. But nonetheless, let me address your point. When we look at the outlook, Jason, you could tell from our comments earlier on that when we're looking at net interest income for '27, we're not trying to give specific guidance. That's very much a job for the prelims that we'll do in January, but we are trying to give people an understanding, if you like, of the outlook as we see it.

And the outlook as we see it for NII growth next year is healthy NII growth to be clear, healthy NII growth, which I think is a word that we've used a lot over this year to describe NII growth.

Having said that, our base case is that the pace, the percentage growth within NII growth is going to be slower in '27 versus '26. And why is that? First of all, we've got this modestly above £14.9 billion for the tail end of this year. And obviously what's driving that will to an extent cross over into '27. The second is competitive asset and deposit markets as mentioned throughout the course of this call. Your word cloud comment is I'm sure an entirely fair one.

Specifically, you are saying, "Well, to what extent is that worse than we previously thought?" I think the deposit market is a touch slower than we previously thought. Again, I referenced the Bank of England July figures earlier on. I think at the same time, the fact that that is fixed term or rather most of that money is going to fixed term deposits number two, the fact that a lot of it is going to non-UK lending companies or firms number three and therefore not getting recycled back into the economy. These things at the edge are probably a touch tougher than we have previously expected for the reasons that I've just outlined.

And then on assets, I think it's probably more or less tracking to what we'd expected. Maybe there's a bit less interest bearing balances in cards, for example, than we previously thought, but overall not far off. And then the final point, as I said, if rates are high next year or as high as they are today, then maybe some asset growth, particularly in areas like mortgages and so forth, might be a touch lower than we previously expected, we'll have to see.

I think having said all of that, as said, number one is this NII growth expectation for next year remains healthy. And in that sense, pretty much exactly what we thought it previously was. And related to that, if you think back to the framework that we gave in July, Jason, in respect to the greater than mid-single digits growth in income for 2027, the improvement in operating leverage for 2027 indeed every year beyond that, and indeed improving returns, capital generation over the course of the Accelerate 2030 plan, we're still going to be meeting all of those commitments. We're still going to be using our guidance for 2026, to be clear, in full, and we're still going to be meeting every aspect of that framework that we laid out in July. There is no change to any of that. We're simply shading, as said, around the outlook for NII for the reasons just mentioned.

You mentioned slide seven on costs there, Jason, just to move on to the second of the two topics. As I mentioned in my script earlier on, cost savings or rather meeting cost targets consistently at an absolute level and on a cost:income ratio basis is an absolute imperative within Lloyd's Banking Group. It's been an imperative since a long time before Charlie and I came along, and I hope it will remain an imperative for a long time to come.

When we look at the overall cost performance in the course of the year to date and indeed the quarter, we're obviously pleased with how it's gone so far. We're up around 1% over the course of the year to date. We're down a little bit quarter on quarter, but I would stress that that is all in the context of expecting to meet our sub £9.9 billion absolute cost target for this year and expecting to meet our sub 50% cost:income ratio for the target for the 2026 period. Again, all consistent with the guidance we set out at the beginning of the year.

Your question was around the gross cost saves and what's going into that. I guess two or three things that I'd say in connection with that. The gross cost saves are made up of two or three streams of activity. One is what I'd describe as strategic investments. So things like property optimisation, for example, things like technology savings, new technology, cloud migration, reduction in data centres, this type of thing.

Second stream is what I'd describe as change saves. And what I mean by change saves are effectively the unit costs that we incur, some of which are depreciated in period, some of which are obviously capitalised, that in turn are about delivering change in a more efficient way. And often enough, that is of the differences in processes that we employ, the differences in the setup in the organisation, and of course the differences in the infrastructure that we deploy in order to deliver change.

Third strand, perhaps this falls to a degree within strategic investments, automation. Automation in terms of processes internally, automation in terms of customer service ambitions and the like. And then perhaps a final strand that I'd highlight here is what I'd describe as BAU really, Jason. So sourcing or rather third party management, organisational design, divisional initiatives, management of the pension scheme, productivity measures, these types of things.

And so I think I'd characterise our gross cost savings in each of those four buckets really, strategic investments number one, change saves number two, automation at every level of the organisation number three, and BAU cost saves. And together that is what adds up to the gross cost savings as you described it as we describe it over the course of the year today and over the course of the third quarter. Now looking forward, Jason, I would expect every one of those cost save buckets to be continued into the next stage of the plan as we look forward. But I would also expect to leverage more heavily upon some of the new opportunities for cost saves that we see. And some of those of course will be technology enabled. AI is a great example of that. AI is clearly going to enhance our customer propositions from a revenue point of view, but it's also going to improve efficiency within the organisation.

And as you know, we've got a bunch of use cases that are starting to deliver on that. Fraud is one example, process automation is another example. And then a second illustration, if you like, of new themes which we expect to be able to deliver more on are things like our Lloyd's Technology Centre in India, which has been so far at least focused on... very effectively I would say, focused on technology development, but we see all sorts of opportunities for extending the remit of that going forward.

So Jason, hopefully that gives you some colour if you like, some context for why are the growth savings what they are today, but also why it is that we look forward to our circa £2 billion of gross cost savings for the next stage of the plan, Accelerate 2030 with quite a lot of confidence. We think that's going to deliver, I think in the past we've described because of the increased investments, a shade over 3% cost increase in '27, but then a progressively more controlled picture in the period thereafter as strategic savings come into play based upon some of the initiatives that I just mentioned.

#### **Question 6: Aman Rakkar – Barclays.**

Hi, William. Yeah, thanks for presentation and chance to ask questions. Could I just ask you about, just to round out the discussion on deposits, is there any chance you could just tell us again what your mix is of term deposits please, ideally within your retail business and corporate as a Q3. I think it's potentially quite a useful data point for us in the market as we think about potential outturns here for deposit dynamics going forward.

And the second question was just interested about more broadly, I guess we haven't really actually talked about the structural hedge really at all. I think your seven year swap rate's probably tracking 70 bps higher than I think the level that you assumed at Q2, which presumably has some decent rollover effect into next year. And I know your macro assumptions at the back of the slide deck, you are actually well below market pricing in terms of your rate expectations, one hike and then back 3.50% as a terminal rate. So I would just be interested in your take on the potential benefits of higher interest rates. I think we're talking quite a lot. You're showing us and front loading a lot of the kind of competitive intensity and some of the downside risks that interest rates pose to your earnings, but I wonder if there are some potential upside risks and benefits to realise over time. It'd be great to get your take on that please. Thank you so much.

**William Chalmers:**

Thanks Aman. I'll take each of those separately. On the deposit side, I think we might've said it before actually, but just to give you some rough idea, when we look at the overall fixed book within retail at least, I think in the past we've said it's somewhere between 25 to 30% of the savings book. So you take UK deposits of, what is that now? £307 billion, you knock out PCAs of about £104 billion and that leaves the residual of the UK savings book. So UK savings book therefore a shade over £200 billion.

Of that around 25 to 30% is fixed term. So hopefully that gives you a bit of a picture. And as I said in my comments earlier on, it's risen pretty gently, but nonetheless, it's risen over the course of this year by around a billion a quarter, maybe a shade over a billion a quarter, something like that. On the commercial side, we don't really break it down in the way that you've asked for, but just to give you some idea there, the overall commercial deposits book is about £180 billion now, £181 billion I think to be precise. And the non-interest bearing part of it, which hopefully addresses your question largely at least, the non-interest bearing part of it is about 20%.

And I think again, that's consistent with disclosures that we've given before in terms of just helping you understand the non-interest bearing current accounts part of the business. So hopefully that's helpful, Aman. I'm not going to commit to giving you exactly the same update in every single quarter looking ahead, but nonetheless, that gives you a bit of a breakdown.

The structural hedge point. Yeah, I mean structural hedge clearly is a significant, very significant tailwind for the Group. And that has been the case through '26. It will continue to be the case through '27, and indeed we see continued growth in structural hedge benefits over the course of the Accelerate 2030 plans, 2030 and potentially beyond. And to be clear, that is the case based upon modest increases in notional, which is what we expect just as you would expect off the back of franchise enhancement, but it is also the case even if we don't get any notional increases. So just the refinancing and maturing yields itself should deliver growth in structural hedge tailwind, if you like, over the course of the '27 through '30 and potentially beyond the period.

You'll have seen that we're earning 3% yield on the structural hedge right now at a time when equivalent market rates might be 4.7% or thereabouts. Over the course of next year, based upon our economic assumptions, you can expect that yield to go to around 3.3%. So still plenty of room for growth thereafter. That will continue to build as we look forward. We talked about it a bit in the summer and obviously rates have developed a little bit since the summer.

Now you asked about therefore what are the benefits of rates? They are clearly that they feed through into the income streams of the bank and are manifested through the margin of the bank on a look forward basis. So that isn't going to change, albeit the contribution of the structural hedge will vary from one quarter to the other. So it's I think about 9 basis points in the course of quarter three. I think it'll be more like 7 in the course of quarter four, just to give you some rough idea. But that quarter by quarter trend fluctuates, but the overall phenomenon of a strong structural hedge tailwind does not. It's persistently strong.

You asked about the benefits of that. Again, clearly at that level there's a benefit. It's a gross benefit if you like. I think what needs to be weighed against that is one's outlook for how much of that realistically is going to be competed away in what is, as said, a reasonably competitive market. Now, while it is a competitive market, as I said earlier on, it is still consistent with meeting all of our financial framework that we laid out in July, and indeed our circa 20% ROTE expectation that we expect to deliver by 2030 and are in excess of 18% that we expect to deliver by '28. So it's a competitive market, but it's still a pretty high returning market. And a big part of that is because the structural hedge is doing what it's doing. So it's important that we don't get too carried away, if you like, with the competitive dynamics in the market in the context of what is still a sustainably strong returning market, and indeed for the Lloyd's Banking Group business, a sustainably strong returning business.

As said, some element of that structural hedge upside is going to be competed away. Some element of the structural hedge growth is going to be competed away by a combination of primarily product pricing. If we see high rates, some element of it may also be attenuated by slightly slower lending growth. I think we have to see how that develops, but it's not unreasonable to expect things like mortgage growth, for example, to be impacted if rates stay at the current levels that they're staying.

One final point I'll make there on the question, Aman, is that when we look at the dynamics within the market, the dynamics in the market such as they are, are ultimately likely to play to the strength of scaled providers. That is what happens in competitive markets. Scaled providers succeed. We at Lloyd's would certainly consider ourselves to be the scale provider.

**Question 7: Chris Cant – Autonomous.**

Good morning. Thanks for taking the questions. One on capital and one on NII, please. So on NII, the remark about NII growth into '27 being slower year over year than '26, just to help us understand what's in your spreadsheet when you are commenting in that way, could you give us a view on what structural hedge yield churn assumption you're embedding there? So conscious you haven't revised the terminal rates assumptions, which I presume feed into your swap rate assumptions.

I suspect this may be something where consensus is a little bit different to what's in your spreadsheet with the management assumptions, but just trying to understand how much of an impact that should have on '27 consensus, which if I think about your greater than 14.9, modestly above 14.9 this year, it looks to me like consensus probably ends up 14.95 this year. That would be £1.3 billion up on last year. Current '27 consensus would be £1.4 billion up on '26. That's obviously not consistent, but part of that may be this hedge. So just want to understand please, what specific hedge churn assumption are you making there?

And then on capital, just coming back to this FPC letter, I mean, beyond the reiteration, I think the Bank of England called out last year that they were going to do some work on these domestic exposure overlaps, but I thought it was quite interesting that the Chancellor yesterday in his letter also called out that he wants the Bank of England to be considering the international competitiveness of the UK capital framework.

As you look at things, is there anything that would be on your shopping list, so to speak? So what aspects of the capital framework in the UK do you think are particularly penal or uncompetitive relative to what you see internationally? Thank you.

**William Chalmers:**

Thank you for that, Chris. Maybe just to deal with each of those by in turn, on the structural hedge, I'm not sure I'll completely answer your question, but hopefully I'll give you a bit of information that'll be useful to it. When we look at the structural hedge, as you know, it's a notional right now that it's been very stable over the course of the year. So £246 billion, that's been stable over the course of the year, and indeed, we expect it to be stable over the course of the remaining part of this year. Now, when we look into '27, we are expecting continuity pretty much on the notional. So, I should not be so guarded. We are expecting the notional to be flat during the course of '27, to be clear. What that means is that whatever churn that we might get in the migration, I suppose, in the deposit book, that might be impactful is offset by flows in that we expect over the course of the year. So, I'm not sure that I would necessarily expect our migration pattern to be markedly different next year to what it has been this year, but I would expect some sort of continuation of that migration pattern.

Overall, the net of that combined with the new balances that we attract in in the context of what we think will be relatively modestly growing deposit markets, for all reasons that I just mentioned earlier on, that produces a flat notional on the structural hedge for '27. The second point that I'd make is that-

**Chris:**

Apologies, maybe I didn't express that very clearly. I was meaning in terms of your swap rate assumption. So, you haven't changed the terminal rate assumption, presumably when you are guiding on your expectation for '27 NII, that's still therefore reflecting a hedge churn yield, the swap rate you're churning into, which is below forward market rates. I just wanted to understand what that number was.

**William Chalmers:**

... understand. Understand. We don't disclose our swap rates particularly, what we do disclose, Chris, is our bank base rate, and obviously swap rate feeds off the back of that. So, when we look at the bank base rate expectation, it's a 4% in quarter four, we remain at 4% for '27, and then we come down to our terminal rate via two cuts in '28 to 3.5%. We don't disclose swap rates that we assume in our plannings and our plans publicly, but the swap rates more or less track that type of bank base rate pattern with a bit of a term premium

on top. What that means, Chris, is that our swap rate assumptions in our plans right now are clearly below where the market is. So, again, that's not giving you a precise answer to your question, but it gives you a direction of travel. There's then a couple of other points that I'd make which are worth attaching to what I've just said.

One is, as you would expect in the way that the hedge rolls, we are probably about 90%, 91%, 92%, something like that locked in for '27 right now. If you took our hedge of £246 billion and looked at it in a completely kind of caterpillar way, you would expect us to be roughly 90% locked in for '27. That's about where we are. We might be a percentage point or so ahead of that, but that's about where we are. What that means is that the upside in the hedge based upon market implied rates is a bit less of a 2027 phenomenon, although it's a little bit there, but it is more of a '28 and beyond phenomenon, the reasons just mentioned. And then secondly, there's a very slight tilt towards year-end maturities in the structural hedge, it's not much, but it's perhaps worth mentioning in the context of this discussion.

On your second question, Chris, on the capital reforms or potential reforms I should say, I'll probably just mention two things really above and beyond our previous conversation. The areas that we are most interested in are the potential buffer overlaps, i.e. the buffers that are addressing the same risk in our capital stack. And for us, of course, that most relevantly applies to domestic concentrations. Therefore, we look with particular interest to what might be said around the O-SII buffer and the CCyB buffer. Those to us look like and feel like they are addressing much the same UK concentration risk. And that's where we would look to see some sort of unlock of potential overlap, if indeed the FPC is going to go there.

I really don't want to second guess what the FPC might do, but that's one example of where you might see overlap. And then the second point, which I think is less interesting, but nonetheless we're keeping an eye on it, is the buffer usability, by which I mean banks have rightly been very shy of dipping into regulatory buffers during periods of either opportunity or macroeconomic challenges, for fear that the regulator will then turn around and say, right, you've got to immediately rebuild those buffers and that then cuts off the continuity of dividends and none of us want to do that. And so, as a result, we have these comfortable management buffers and refuse to dip into regulatory buffers. I know that everybody on the call and certainly my colleagues and I here, who have operated in some of these markets for a while, just feel very strongly that that is the right way to manage the business.

Now, to the extent that buffer usability is part of the FPC theme, and they can talk about something credible that, if you like, buys time at the very least for rebuilding of buffers in a way that does not interrupt equity holder cash flows, then of course we'll look at that, and we'll figure out whether or not that's interesting. I don't know whether it will be or not, but it's that type of discussion. So, I think that's one. And then we're moving on, in terms of international competitiveness, I suspect that if you were to ask this question of some of our peers who are more active in some of the international wholesale markets, they would probably give you a slightly different set of answers to the ones that I would give you.

But where I see the most meaningful opportunities are things like mortgage risk ratings, we've had secured CRD4, rebalancing mortgage risk ratings, we think in excess of what is the required economic capital against those same set of risks. We look with interest to what Katharine Braddick, said at her Mansion House speech the other day, about a review of mortgage risk ratings. Quite what that will mean, I don't know, but if we think about the capital agenda, that's quite an important area for us. I think then above and beyond that we might look at some other areas of CB, but the mortgages itself would be a big win.

#### **Question 8: Ben Caven-Roberts – Goldman Sachs**

Thanks very much for the presentation and for taking the questions, just one from me please on other income actually. So, could you just give some comments on where you are most confident in near term growth? I think you mentioned Q3 being even stronger quarter on quarter if you strip out certain items, and Q4 looking good as well so far. So, any colour there on where you are confident on near term growth and maybe elements that are different from the longer term build coming through to deliver the sustained high single digit growth in the guidance? Thank you.

**William Chalmers:**

Yeah, thanks. Thanks for the question, Ben. Maybe again, I'll just start off with a couple of comments on where we are year to date and also where we are in the third quarter. As I said, year to date performance, we're pretty pleased with £5 billion so far, up 10%, if you take Lloyd's Wealth out of that equation, we're up 7% year to date, and that's even after the subsidence points that I mentioned and the CB points, CIB markets points that I mentioned earlier on. So, a pretty robust pattern of OOI growth despite, as said, a couple of headwinds in the context of subsidence and CIB markets. Now, what's driving that, what's good to see is across each of our different areas of activity.

So, retail, for example, we've seen some overall strength within retail in quarter three in particular, in transport, of course, but also in areas like PCA, also in areas like cards. So, some decent growth within retail in quarter three is an example of that. Actually, retail year to date is up around 10%. IP&I, we've seen some pretty good growth in workplace, some pretty good growth in, as I mentioned earlier, on Lloyd's Wealth, I'll come back to that in a second, set against this GI subsidence issue. And IP&I, despite that GI subsidence issue, is up around 13% year to date. Commercial's been a little bit more weak, but that's been predominantly because of the trading point that I mentioned. And of course when markets are volatile, the financing opportunities are a little bit tougher to come across in that context. So, commercial's been a bit down over the course of the year, but then again, our fourth income stream, LBGI, our equity investments, LDC, Lloyd's Living, these types of things, the earning streams from those businesses are up just shy of 30% year-on-year when we look at the quarter three year to date performance.

So, some really good performance in terms of that diversified set of earning streams within OOI. What's really going to come back? I mentioned rates hardening in the context of GI earlier on, partly in response to that subsidence event earlier on. Wealth is up something like 12% year-on-year income, it is also up about 9% year-on-year assets, and that's a combination of new flows and also markets-based growth. So, a couple of examples in that area. And then, I think ongoing strength in the context of our retail streams, again, I'd highlight transport Tusker, which is a very successful salary sacrifice scheme, earning, frankly, very good margins, is proving to be very resilient and very growth-oriented for the business, which is good to see. And then, we get ongoing strands of growth in some of the long-term ambitions. LDC has done particularly well so far this year, I think Lloyd's Living is really coming through now.

So, I think putting all that together, Ben, where do we expect to be? I think we're very confident in OOI as we go into the remainder of this year. Market volatility, notwithstanding, let's see what happens in markets, but we feel very confident on OOI performance over the course of this year, meeting our high single digits plus Lloyd's Wealth commitments.

**Question 9: Perlle Mong – BofA**

Hello, thank you for taking my question at the end of this presentation. I think we've talked enough about deposits, so just a very quick clarification maybe. So, it does sound like Q4 is going to be a little bit tougher in the deposit market. So, I suppose to what extent is it a choice? As in, are you taking some actions to attract more deposits? Because if I look at Q3, I think your trend is a little bit different versus some of your peers, that you've grown PCAs, but seen some outflows in savings. I think it's slightly different to some of the peers we have seen. So, is that partly because in Q4 you're stepping a bit more into the market? And I've noticed that you've got this, I thought, very interesting scheme, where you pay one year term deposit interest upfront. So, is that a choice to do that? Or when you say deposit competition is persistent, is that deteriorating in Q4 or is it partly to do with choice? Because I suppose one of the things the market might do is annualise in Q4 into next year, right? So, if it's choice, then maybe we shouldn't be annualising into next year. So, I would just appreciate some thoughts there.

And then just very quickly, mortgage completion margin, I think you said 75 basis point, which is a bit of an improvement versus where we were before. Is that sustainable? I think the market you said is still very competitive, and I think we might see a little bit of mix shift towards remortgages. So, just how does that 75 basis point look going forward?

**William Chalmers:**

Yeah, thank you for those questions, Perlie. To take them in turn, on the deposit side, just a couple of points on Q3 performance, first of all. Q3 performance up just shy of £2 billion year to date, that is a performance which has seen strength in commercial banking up £2.1 billion, it has also seen positive movement in UK deposits to be clear. So, UK deposits up £0.2 billion in the course of quarter three. That is consisting of about £600 million gains in PCA, i.e. up, and then a little bit of modest deterioration, i.e. down, in UK savings of about £200 million. So, pretty modest move within UK savings, offset more than offset in fact, by PCA positive movements. We've then seen a little bit of weakness in European deposits of about £0.5 billion, and that is what, if you like, results in the round picture of the deposits movement up just shy of £2 billion, with the pattern that I've just described.

Now, that's point one, Q3 performance as said up in UK deposits, combining PCAs and savings, which is what is important to us, alongside that particular PCA point. Secondly, when we look at the deposit strategy, that is very much a strategy that we are very deliberate about, and it is therefore, to use your words Perlie, a strategy of our own choosing. And what is going on there, overall as said, very positive deposit performance over the course of the year, £6.3 billion up. Now, what we've chosen, if you look at the year as a whole, when we saw Q1 activity within in particular the ISA market, we saw quite a lot of negative margin development during that time, and therefore chose to focus upon retention and delivering value to our relationship customers. That's where we've chosen to stay more or less through the course of the year, but occasionally coming into markets where we've seen value added opportunities.

In that context, if non-relationship money that is on a negative margin doesn't come to the Group, we're okay with that. What we want to make sure of is that relationship money on a sustained basis, where we see good customer value, and where it makes sense for the Group stays with us in the strategy as described. Now, as we look forward, Perlie, what does that mean? I mean, for both the cyclical reasons that I mentioned a second ago, as well as the structural reasons, we do see this deposit market competition continuing over time. We will seek to continue to build value with our most important customer relationships, and to make sure that we enter the deposit markets when it is value added, both for customers and for shareholders. You should expect us to continue that strategy going forward, alongside that being sufficient, if you like, to deliver healthy lending growth in turn translating into average interest earning asset growth.

So, that's the strategy. I think therefore it is fair to say on the asset and liability side, some of what you see in the context of modestly above £14.9 billion expectations, what that implies for Q4, you should expect to see a little bit of that continue into 2027 as described.

Your second question, Perlie, on mortgages. We've seen about 75 basis points spread within mortgages, that is probably a touch better than where we were at Q2. It's probably a touch better than where we were at Q1, which is good to see. But a couple of points in that context. One is that in an environment of significant swaps volatility, it is quite difficult to tell what the equilibrium set of prices is. We think it is nudging up off the back of some of the trends that we've discussed before, but it is hard to be too precise on the point.

Nonetheless, 75 basis points is a modestly positive direction of travel, I would say. Now, in the mortgage market, again, we're running the business so that we can continue to build the franchise, if you add back in securitisations, we're up about £4 billion in mortgages this year, which keeps us comfortably about the 17% market share. I think so far year to date, we're about 17.6% market share in completions, in the context of Q3, we're about 17.1% market share of completions. So, that's all pretty good and we're pretty happy to stay within that zone. What I would say is that we are constantly looking for opportunities to enhance the margin performance of mortgages by making them part of our holistic customer dialogue.

So, a couple of examples on that. If you are a Lloyd's Premier customer, you are going to get a discount on your mortgage product. That's a basis on which we can enhance the overall margin, we have a good understanding of the customer's risk, and we encourage the stickiness, if you like, of the Lloyd's Premier relationship. Another example, Perlie, we've talked a lot about how we've managed to get to 20% penetration of protection products in our mortgage product. As an illustration within that, which I think is kind of interesting, we're now at the point where 42%, 42% of our first time buyers take a protection product. That's a number that we're going to continue to grow and build on going forward, but it gives you a sense of progress, and it gives you a sense of how in competitive markets off the back of the holistic customer relationship, and off the back of

much of what we're trying to do and accelerate 2030, we can enhance the overall customer value added at the same time as we enhance the shareholder value added.

**William Chalmers:**

I think we are at the end of the call. So, I'd just like to say thank you to everybody for joining the call this morning, and thank you very much indeed for all of the questions. Appreciate your interest in the company and the stock, and look forward to our continuing engagement. Thanks very much indeed.

## FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward-looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); imposed and threatened tariffs and changes to global trade policies; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the escalation of conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; risks related to new and emerging technologies, including artificial intelligence; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at [www.sec.gov](http://www.sec.gov), for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. 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