STRATEGY UPDATE: BROADEN OUR MASS AFFLUENT AND IP&I OFFERING
(amended in places to improve readability only)

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LBG:
Charlie Nunn, Group Chief Executive
Jo Harris, CEO, Mass Affluent
Chira Barua, CEO, Insurance, Pensions and Investments (IP&I)
Douglas Radcliffe, Group Investor Relations Director (moderator)

Charlie Nunn, Group Chief Executive

SLIDE 1 – WELCOME AND INTRODUCTION
Good afternoon everyone, and welcome to our third investor seminar. During these events, we provide more details on our strategic growth priorities. Today's session will focus on two areas of our Group that have distinct opportunities but work closely together to deliver better outcomes for our customers. Our Mass Affluent and our Insurance, Pensions and Investment businesses. We are starting to deliver real momentum in both areas, and we believe we have a clear vision to build a differentiated proposition over the coming years. I am joined today by Jo Harris, the CEO of our Mass Affluent business, and Chira Barua, the CEO of our Insurance, Pensions and Investments, or IP&I business. As per usual, I will provide a few introductory remarks about the businesses and the opportunity we see before handing over to Jo and Chira. Following the presentation, we will have plenty of time for your questions, so let me start on slide two.

SLIDE 2 – DELIVERING ON OUR PRIORITIES TO GROW AND DIVERSIFY REVENUES
The key messages that I'd like you to take away from today's session are as follows. Firstly, we are two years into delivering our strategic priorities and are making strong progress across our Mass Affluent and IP&I businesses. In Mass Affluent, we are demonstrating that we can grow and deepen our relationships as we build a broader, more tailored offering whilst we are bringing more of our IP&I products to customers across multiple channels, including through increased connectivity with the rest of the Group. Secondly, our success in both areas is driven by a number of factors. We are building upon a base of strong, trusted relationships and leveraging our digital leadership position to increase customer engagement. Importantly, there is also growing regulatory support in this area, given the clear need to tackle the advice gap for customers. And finally, our strategic priorities translate into meaningful financial benefits, including a combined contribution of around £0.4 billion to the target £1.5 billion of additional revenues from strategic initiatives by 2026, as well as further revenue upside from the core franchise. These growth opportunities are accretive to the Group's RoTE with a strong proportion of the revenue being other operating income, therefore improving our diversification. Turning now to slide three, where I will provide an overview of how both businesses fit within the wider Group.

SLIDE 3 – A CONNECTED MODEL TO MEET ALL CONSUMER FINANCE NEEDS
As you've heard from me previously, our consumer businesses are captured within our externally reported retail division with IP&I operating as a standalone reporting division. These areas work together closely with IP&I manufacturing products that are then distributed across our consumer franchise, allowing us to meet all of our customers' financial needs in one place. To recap, our Mass Affluent business reflects a higher value customer segment where income or wealth is above £75,000 addressing a gap in the market for this customer group. And in IP&I, we have significant presence in the wealth, retirement, and insurance markets across the major channels of workplace, direct consumer, and supporting IFAs. These account for the vast majority of wealth distributed in the UK. We are also focused on building deeper relationships with our retail banking customer base as a direct channel. As you will hear later from Chira, our priority business areas are those focused on supporting customers in the accumulation and de-accumulation of wealth as well as protection. On slide four, I will provide more detail on the opportunity we see across these areas.

SLIDE 4 – UNIQUE OPPORTUNITIES CONFIDENT IN EXECUTION
Whilst these businesses work together closely with IP&I in particular being a key enabler of mass affluent growth, these businesses are at different stages and their opportunities are unique. In Mass Affluent, more than 40 per cent of UK adults in this segment have at least one product with the Group. However, our share of their broader financial services needs is lower than the Group average, particularly in areas such as investments and protection. Having established this business in 2022, we are focused on providing this under-served higher value customer group with an enhanced digital first offering across banking and investments that better reflects their specific needs. Our IP&I business is well established and a leading provider across multiple products and channels. Having modernized our technology estate, we are focusing on developing new innovative propositions for customers as well as maximizing the benefits of having this business operate alongside our banking franchise.

Despite their different opportunities, the factors that provide us with the confidence that will be successful are similar. This includes the strength of our customer franchise, growing customer demand, and the ability to lean into a shift to digital, given our scale, engagement levels and ongoing investment in technology and data. As I mentioned upfront, we are also observing a positive shift in the regulatory environment, recognizing the need to be more effectively serve customers to meet the advice gap and better prepare their financial futures. To close on slide five, I will briefly cover the significant financial contribution these businesses will make going forward.

SLIDE 5 – STRONG GROWTH POTENTIAL

We are committed to delivering £1.5 billion of additional revenues from strategic initiatives by 2026. In total, these businesses contribute around £0.4 billion towards this or more than 25 per cent of the total. This includes £0.3 billion across our Mass Affluent initiatives. IP&I represents around half of the broader contribution, supporting the delivery of our Mass Affluent priorities, as well as delivering around £0.1 billion of revenues across our consumer and commercial pillars in areas such as workplace pensions. These revenues are capital-lite in nature, given they're weighting towards other income, thereby supporting broader Group aims of improving capital efficiency and revenue diversification. Additionally, we see a further significant revenue opportunity across these businesses from core franchise growth, such as the value generated from retaining Mass Affluent deposits and delivering our broader growth initiatives across IP&I. So with that in mind, I will now hand over to firstly Jo and then Chira to take you through this in more detail. Jo, over to you.

Jo Harris, CEO Mass Affluent

SLIDE 7 – MASS AFFLUENT OVERVIEW

Thank you, Charlie, and good afternoon everyone. So I will begin with an outline of our business today, and then I will talk about why we have all the right ingredients to succeed in our new and exciting proposition. We have the largest Mass Affluent customer base in the UK with over two and a half million customers and £190 billion of banking balances. Our scale translates into a material contribution to the broader Group performance with around £3 billion of annual revenues equating to just over one third of retail divisional income. This segment also presents a significant growth opportunity. Mass Affluent customers have on average double the number of product needs versus mass market, a number of which are currently met outside of the Group. Given the scale of our franchise, as well as our broader IP&I business, which you will hear about from Chira later, we are uniquely placed to capture this growth. Over the next few slides, I will tell you how we are expanding in this market and delivering an integrated proposition focused on three key areas. We are building on our already strong banking offering to meet more of our customer's financial needs. Through expanding our personalized investment offering, we are capturing market share in an area where we are currently underweight. And we are bringing all our banking and investment products together via a market first and vertically integrated digital proposition, specifically tailored towards Mass Affluent customers. And on slide eight, I will introduce this opportunity.

SLIDE 8 – SIGNIFICANT MARKET OPPORTUNITY

So the UK Mass Affluent segment is highly attractive, representing roughly 25 per cent of market assets. These customers have diverse, complex and evolving needs, which require a range of financial solutions and support across banking, investments, and retirement. The market is competitive and evolving at pace. No one player provides a fully integrated proposition, and therefore customers use several different providers that only meet a subset of their needs. This fragmentation, as well as the gap that currently exists around advice and guidance from Mass Affluent customers, creates pain points in managing finances, including narrow personalization and overlapping fees. The breadth of our capabilities means we are well-placed to meet customers' needs through a single vertically integrated proposition. On slide nine, I will explain how we have designed our strategy in conjunction with the broader Group.

SLIDE 9 – OFFERING IS COMPLEMENTARY TO BROADER WEALTH BUSINESS

We have a clear strategy to meet customer expectations across three key areas. A tailored banking proposition, an enhanced investment offering, and finally delivering through a digitally led integrated proposition. Our new Mass Affluent proposition is complimentary to our broader wealth business, increasing our focus within an area where we already have strong capabilities. Our successful private bank enables us to continue serving our affluent and high net worth clients, and we also provide more holistic wealth management through our joint venture, Schroder's Personal Wealth and Cazenove Capital.

Our offering is facilitated through leveraging our established product knowledge in the wealth space. Including specialist services such as estate planning, trusts and tax, and combining this with our strong digital capabilities within mass markets. This means we can meet our customer's financial needs at a low cost to serve. Over the coming slides, I will go into our proposition in more detail, but first, let me take a look at our competitive positioning on slide 10.

SLIDE 10 – WELL-POSITIONED TO DEEPEN RELATIONSHIPS AND DELIVER VALUE
So as mentioned, we already have a strong customer base, however, their assets currently held in the Group are heavily weighted towards banking products, particularly deposits, with only 20 per cent coming from investments. This gives us an opportunity to deepen relationships, improve retention, and meet more of our customers' financial needs. In addition to our well-defined strategy, we have set out a clear roadmap for delivery and we are already up and running. Over the past two years, we have focused on building the foundations of the proposition before launching to the market, following extensive customer research and learning from our competitors and global peers. Last year we started to test and launch products including our flagship Lloyds Bank 360 proposition to 50,000 customers. We are speaking to you at an exciting time in our journey as we are now ready to scale our Mass Affluent proposition to more customers.

Looking further ahead, we have additional plans to evolve and personalize propositions, products and services in order to keep attracting new customers and recoup flows from competitors. Before I go into product specifics, let me give you a sense of how we are approaching these rollouts on slide 11.

SLIDE 11 – GROWING AT PACE, ALREADY DELIVERING VALUE
Over the past year, we have made great strides in scaling our business through launching new products and propositions. These rollouts tend to start off via a soft launch to a small number of customers, and then over time we make these available to more and more people, increasing engagement and delivering value. A good example of this is ready-made investments, which was soft launched in quarter one last year, and is now available to all Mass Affluent customers as well as a good proportion of the mass market. The pace of these rollouts is enabling us to build strong business momentum, and as the charts demonstrate, ultimately delivering value for the Group. I will now go into more detail on the first element of our strategy, our tailored banking offering, starting on slide 12.

SLIDE 12 – BUILDING UPON OUR STRONG BANKING OFFERING
So given our existing franchise and scale, a key component of our investment has been focused on leveraging our already well-established banking capabilities and tailoring our comprehensive product suite towards Mass Affluent customers. We know that deepening these banking relationships presents a meaningful growth opportunity as Mass Affluent customers that have both deposits and lending products with the Group contribute around three times the amount of revenue than those who just hold a current account.

At the same time, whilst these customers have on average double the number of product needs versus mass markets, our market share across banking products in Mass Affluent is three percentage points lower. We therefore have the opportunity to achieve our natural share in this segment through ensuring our banking proposition is tailored to these customers throughout their life cycle. We are making strong progress in this area, recognizing a key value driver being how we support deposit performance. Whilst we have historically designed products for the mass market, we are adapting these for mass affluent through, for example, rewarding higher balances with tiered pricing, helping us to attract and retain more price sensitive customers.

We have also been developing our lending offering. Given that mass affluent individuals tend to have stronger credit performance and lower arrears, we are evolving our credit approach with a view to facilitating more lending to these customers. On slide 13, I will talk in more detail about the compelling propositions we have been delivering.

SLIDE 13 – COMPELLING NEW PROPOSITIONS FOR MASS AFFLUENT CUSTOMERS
Our mass affluent banking balances have grown by over 10 per cent since the end of 2021, supported by digital and personalized propositions and importantly offering strong value for money. We know that these customers particularly value the benefits that come with a packaged product, and we therefore relaunched our silver packaged bank account last year resulting in nearly 140,000 new account openings.

In addition, responding to strong deposit competition last year, we launched a tiered rate proposition on variable savings to reward higher balances. This supported greater retention versus our high street bank peers. On the lending side, given the appeal of rewards for this customer group, we launched our MasterCard World Elite product, a credit card with cash back and travel benefits. We also implemented credit policy enhancements and bespoke lending criteria to recognize the lower credit risk of mass affluent customers. These include changes to LTI and LTV thresholds as well as reviewing how we consider variable income.

This supported an additional £1 billion of mortgage lending in 2023 with opportunity for further growth following the recent launch of our new remortgage product. As we look ahead, we are focused on introducing more to our product suite this year, creating a clear differential that will serve in both attracting and retaining customers. Building on this is the introduction of an integrated investments offering into our portfolio, which I will now turn to on slide 14.

SLIDE 14 – DIGITAL-FIRST, PERSONALISED INVESTMENT SOLUTIONS
So we already have strong foundations and investments with established wealth management capabilities through SPW. We currently have an 8 per cent market share of UK ISAs, and with the direct to consumer investment market expected to grow 30 per cent by 2026, there is scope to unlock growth where we are under-represented. Once we recognize the drag that the current macro environment has on investments, particularly compared to savings, we are developing products and functionality to capture the opportunity when the market shifts. Working closely with Chira's team in IP&I we are increasing the reach of our offering through digital first and personalized solutions to improve customer's understanding of their wealth and to provide support on opportunities to maximize returns. We are also widening our range of pensions to cater for customers at different life stages and partnering with external providers to broaden our proposition.

Finally, we are really focused on closing the advice gap. We think it is critical that mass affluent customers have access to quality low cost advice. Our personalized digital advice includes support for customers on the most suitable investment products bolstered by a human ancillary support model if sort. This has been built within an FCA sandbox and we are also actively engaging with the FCA on the future of advice and guidance, ensuring we stay at the forefront of regulatory change in this space. Let's take a closer look at our new investment products on slide 15.

SLIDE 15 – DELIVERING TAILORED INVESTMENTS TO INCREASE MARKET SHARE
We have made bold steps in D2C and in conjunction with IP&I recently launched a new service called Ready Made Investments (RMI). This is a simple proposition which makes investing easier and more accessible, tailored to each customer's risk appetite, and fund size. Already RMI has gained particularly strong traction with younger customers with around half making regular contributions. We also had the most successful share dealing incentive campaign in the market last year, which drove higher value customer portfolios. We are committed to building attractive digital offerings tailored to customers investing experience, including a new ready-made pensions proposition, which is in the process of being rolled out.

To complement our compelling propositions, we have placed increased focus on providing clear digital advice and guidance, whether this be through additional digital advice tools or via our new investment needs finder, which is coming soon, we are committed to supporting customers on their investment journey. For those that meet the eligibility criteria, we also continue to work with SPW to provide holistic financial planning with over 50,000 referrals per year. In the high rate environment, market conditions to grow new a flows have been challenging. Despite this, we are on a positive trajectory with 5 per cent growth in net flows since the end of 2021.

As we look ahead to the launch of larger ticket items this year, we feel confident in delivering substantially higher AUAs. Finally, let's look at a key enabler to delivering all of this, our digital first experience on slide 16.

SLIDE 16 – DRIVING ENGAGEMENT THROUGH A DIGITAL-FIRST EXPERIENCE
We are a leading provider across our digital channels with the largest digital bank in the UK. Mass affluent customers have on average 30 per cent higher digital engagement than mass markets, and therefore being able to provide a digital first experience is key to successful engagement. Last year we became the first provider to integrate banking, investment and retirement needs via a new and innovative proposition called Lloyds Bank 360.

Lloyds Bank 360 brings together products and services from across the bank in a simple way with a different look and feel and a modern visual identity. Bespoke features and benefits tailored to Mass Affluent customers include a financial coaching service, investment solutions which are personalized to life stage and risk appetite, as well as a save and invest tab within the app, which provides a single view of finances. Last year we soft launched Lloyds Bank 360 to 50,000 customers and have already started to see value with 30 per cent of customers who had a financial coaching session in Q4, subsequently opening a savings account with us.

Based on feedback, we have been developing and incorporating new features into the proposition and we are looking forward to a full customer rollout later this year. As well as Lloyds Bank 360, we have several other exciting products and propositions in the pipeline, which I will cover on slide 17.

SLIDE 17 – ON TRACK TO DELIVER A LEADING MASS AFFLUENT PROPOSITION
Building on the progress we made last year and the new products spoken about today, we have further plans to enhance our Mass Affluent offering. We have already made good progress in the first quarter of 2024 with further launches and have even more planned for the rest of this year and into 2025.

We are gaining momentum, we are working at pace and in an agile way to deliver additional features, tools, and products to ensure we continue to meet the differing needs and demands of our customers. And lastly, I will close with the financial outlook on slide 18.

SLIDE 18 – CONFIDENT IN DELIVERY OF FINANCIAL BENEFITS
Based on our progress and plans, we are confident in the outlook for the Mass Affluent business. Our strategic growth is supported by less than 10 per cent of the Group's strategic investment through 2024. In return, we make a material contribution to the Group's strategic revenue delivering around £100 million of additional income per annum by the end of 2024 and £300 million per annum by 2026.

However, this growth from strategic initiatives represents a subset of a much broader revenue growth opportunity for our business. There is significant financial upside available through retaining customers banking balances, which will continue to provide income tailwinds linked to the rate environment. I say this in the context of the £3 billion of annual revenues generated last year and that this growth is already materializing in some of the numbers I showed you earlier.

A key driver for our success is the broader set of capabilities we have through IP&I in addition to the banking strengths I've spoken about. So with this in mind, thank you for listening and I will now hand over to Chira to take you through the IP&I business in more detail.

Chira Barua, CEO IP&I

SLIDE 20 – INSURANCE, PENSIONS & INVESTMENTS OVERVIEW
Well, thank you, Jo, and good afternoon everyone. Let me build on Jo's presentation to show you how IP&I supports not only growth in Mass Affluent but beyond. But before we get into details of a strategy, a few facts, we start the journey from a position of financial strength. We have more than £200 billion of assets growing at double digits and almost 5 billion pot of deferred profits to draw down from every year. This reflects the contractual service margin and the risk adjustment on the IFRS 17 and then finally a strong capital position that has allowed us to pay around £1.5 billion in dividends to the Group since 2019. And with a recent sale of a bulk annuity book we now have the portfolio that we need to build the best consumer waterfront in the UK across Insurance, Pensions and Investments. So over the next few slides, I will walk you through the pillars on which we are building our growth strategy. But first let me give you a quick recap of the IP&I business on slide 21.

SLIDE 21 – BROAD, CAPITAL GENERATIVE BUSINESS DELIVERING DIVERSE GROWTH ACROSS A RANGE OF FINANCIAL SERVICES PRODUCTS
IP&I's open book business comprises three key products. Accumulation, which is building your wealth, then you have decumulation, which is the retirement choices, and then protection, which is both life and general insurance products within.

Now on the channels, these products are distributed via a multichannel approach. We have intermediaries, which is the principle channel today, and then through the bank and finally directly to customers in the open market. We also have a sizable, closed book largely comprised of a longstanding business that is very cash generative. In 2023, IP&I generated over £1 billion of IFRS17 income, and as you can see from the chart on the right, accumulation and decumulation accounted for just under a half of that. Protection was at a fifth and around a third was from the legacy businesses. Let me now talk a bit about the foundations of our business in slide 22.

SLIDE 22 – IP&I HAS BRILLIANT FOUNDATIONS TO BUILD FROM
There are three things that I want to call out. Let's take scale first, across all the three spaces that we operate, we have leading market shares in our flagship products and by flagship I am talking workplace pensions, home insurance, and individual annuities. But as you can see, there are a number of others where we punch well below our weight and that's the opportunity. And the fact that more than 80 per cent of these products are distributed through intermediaries provides a massive D2C opportunity, which of course is significantly better economics, while also providing great value to our customers.

Second, it is a large consumer base of more than 10 million adults in IP&I alone, and we have the bank. And then finally there's the brand, which is probably the hardest thing to build in this industry. At Scottish Widows, the brand leads on consideration, trust and awareness. So in our strategy that you will see in a bit, all that we are doing is using these foundations to drive three major pivots. Let me cover this in three points starting with slide 23.

SLIDE 23 – EXECUTING ON THREE FUNDAMENTAL PIVOTS: 1. DELIVERING A MODERN OPERATING MODEL

The first pivot in its simplest form is what I call analog to digital. Now, there are parts of IP&I, especially in GI where we have brilliant technology, but most other products are still quite analog. If you take individual annuities business for example, it is still largely paper-based and screaming for modernization. So, the good news is that we have done a ton of investments in modernizing our architecture over the past two and a half, three years, and as you can see from the slide, we are well on our way in migrating our systems to our target architecture. These investments will allow the business to do three things. First, build and release features at base. That's what you finally see in bias customers.

Second, it allows us to drive efficiency and productivity at the backend, and here we are talking automation and AI. Then the third is to build a customer service model that is distinctive and allows us to tap into the world of gen AI to service our customers. Now let's go to a second pivot on slide 24.

SLIDE 24 – 2. DEEPENING CUSTOMER RELATIONSHIPS

We are today a very siloed product factory, and we will change that. A 10 per cent penetration of LBG customers is low by any global bank assurance standards and the fact that 95 per cent of IP&I customers are single product holders makes the upside very attractive. We know those numbers have been low in the UK for more than a decade now, so you'd naturally ask what's new this time around.

Three things that I will call out. The first and I think this is important is technology. It is become much easier both to mine data and to offer customized digital propositions as opposed to offering the same through branches or a call centre as was the act in the past.

It is getting easier with every passing year. Second is customer behaviour itself. The willingness of customers to take advice remotely or engage in a digital tool, it is fundamentally changed post COVID. And third, something that Charlie alluded to, there's an increased realization across all stakeholders including regulators, that we must do more to close the massive advice and protection gaps today.

A significant portion of customers today can't afford and hence don't take advice. The vast majority who are sleepwalking into retirement gaps while one in two don't even have protection on the mortgages. Now let me turn to a final pivot in slide 25 from product to proposition.

SLIDE 25 – 3. FROMA A PRODUCT FACTORY TO A PROPOSITION PROVIDER

Now, shocking as it may sound until this year, IP&I didn't have a mobile proposition either in the bank app or in a single dedicated wealth planning app. There's nothing that shows your pensions against your ISAs and share dealing accounts or a space that shows all your protection products together. We are changing that. The good news about going last is you can tap the latest in technology and design and that's what we are doing.

There are three building principles we are weaving into our digital proposition. First, complete open architecture, pulling together your products across companies using open banking and open finance both. Second, simple and intuitive user interfaces and experiences. And third, gamification to simplify financial guidance and advice. Now, we are rolling out this proposition in two ways.

What do you see on the left is the spaces or tabs in the bank app, such as the save invest tab that Jo talked about. This is how we will put forward the IP&I end-to-end proposition in front of the bank's customers. Now, in parallel, we are launching your tomorrow, which is the Scottish Widows app that you see on the right in the open market for a 4 million workplace customers, a dedicated wealth and protection platform that we know customers are demanding today.

So basically it is the same IP planted across two powerful digital platforms to cover most of the UK market today. Initial customer tests have been very positive, both for the save and invest tab that we launched in the bank app, but also for the Scottish Widows app that we have already taken to a few workplace customers. So now that we have gone to the three pivots, let me give you some colour on the three product areas in the business. Let's start with accumulation, which is building your wealth, and that's on slide 26.

SLIDE 26 – ACCUMULATION: LEADING WITH OUR WORKPLACE PLATFORM…

Workplace pensions is our flagship product in this space. We are number two and have grown AuA by more than 50 per cent since 2019. The fact that workplace assets form more than 80 per cent of UK households liquid assets, it makes it a very purposeful business. Now, there are strong tailwinds in this business, which is annuity like income streams.

The first is a leverage that we can use from a commercial banking franchise. You'd have heard John speak in November about the collaboration between IP&I and CIB. Our current penetration of workplace across key CIB clients is around 13 per cent. We want to accelerate that.

Second, as you know, contribution today for auto enrolment is around 8 per cent, it is much lower than in other developed countries, and more importantly, it doesn't support a decent retirement for most. We at Lloyds have called for an increase to at least 12 per cent. Now, you can never be sure about timing, but when it does come, it'll naturally benefit the business. The same applies for pension pot consolidation.

Third, which is nearer term, the business has enjoyed a sort of inflation hedge benefiting from strong wage growth in recent years. We also believe that the launch of the Your Tomorrow app will be a game changer in this space for workplace customers, makes it a much more dynamic proposition and brings together investment choices. Let's cover the choices in slide 27.

SLIDE 27 – …AND BUILDING A HOLISTIC INVESTMENT SOLUTION

Now, outside of workplace, we have a small but rapidly growing D2C investment business, which is at the heart of the collaboration with mass affluent. As you've heard from Jo, we are making real progress here. We have launched products such as Ready Made Investments with a buying journey, which is just a few clicks.

We are having great traction with an 18 to 25 years Gen Z product to get junior Britain investing. And there's a quick list ETF product with BlackRock and finally a Ready Made pensions product that is in the process of going live as I speak now, I guess the best proof is a chart in the middle. Most people in the industry wouldn't be aware that Lloyds was number one in new stocks and shares ISA accounts at the backend of 2023. So that 28 per cent market share that you see has come with an 8 per cent share of assets as we draw in first timers, both young and old, with low ticket sizes.

And that's the future potential of this business as we get follow-on investments in the coming years. Now while we celebrate the strong traction in D2C, the intermediary market is absolutely core to IP&I, it'll remain the major driver of new business in the UK for some time to come.

Through the acquisition of Embark in 2022, we have a 5 per cent share in this market. We have launched a new tech platform at the backend of 2023 for this business. We feel we are in a good place to grow share here. Now let's move on to decumulation on slide 28, that's when customers transition into retirement.

SLIDE 28 – DECUMULATION: LEADING WITH INDIVIDUAL ANNUITIES TO BUILD A DISTINCTIVE RETIREMENT PROPOSITION

With an aging population in the UK, supporting retirement is core to our purpose. Our flagship product in the space is individual annuities. We were number two in the market and as you can see from the chart, rapidly building share. We gained more than 400 basis points last year and it is an area we are investing in modernization.

Customer demand should increase here over the years, both structurally from an increasing DC deal to pension funds and also from our growing workplace book. This is a business with strong IRR and contributes materially to the value booked and deferred profit, one that we can draw from in future years.

In addition to individual annuities, there are three other areas where we are focusing on, which also leverages the capabilities of the wider bank. The first, it is about giving pensioners more choice on their retirement pathways. The UK has a lot to catch up with options available in the rest of the world, and that's what we will bring to the market.

Second is to look at options to monetize property, an area we know well as a leading mortgage provider. And third is to facilitate smooth inter-generational wealth transfer with tools such as digital wills. So we have got a strong backlog into space and we are building games to inform customers around all these choices. Let's turn to protection now on slide 29.

SLIDE 29 – PROTECTION: LEADING WITH HOME INSURANCE, WITH LIFE INSURANCE A SIGNIFICANT UPSIDE

Insurance is a critical area that too few UK adults use currently other than in motor. Just to reemphasize the point, the fact that half the homes with mortgages don't have a life cover is a massive gap in risk to the UK, and that gap increases materially as you go down socio-economic rungs. So from our perspective, it is also part of the market where we need to enhance our offer to serve as existing customer needs. So what are we doing in this market? Three things.

First, we lead with home insurance where we leverage the bank's leading position in mortgages. We are back at number two in the market, clawing back 500 basis points of share following a dip in 2022 when we consciously reduced our presence as we thought the economics didn't stack up. We built some great digital journeys in home insurance.

Today around 40 per cent of claims are managed digitally using AI tools, and the plan is to take that number to 70 by end of next year. Second is a step-up in life insurance share. We are pulling two levers here. The first is the penetration within our banking customer base. I've already talked about how we will use technology and a propositional approach to change the legacy bank assurance model. A 500 basis point increase in protection take up rates on mortgages last year just shows the impact a simple digital tool can have on the market. The acquisition of Cavendish Online, a specialist advice and guidance firm, will also help.

Second, in order to get to our ambition of being a top three provider in life insurance, the intermediatory market is equally important and we are investing heavily in the number of features all that go live this year. This should help us move to the top of advisor panels.

Finally, in the broader protection space, we also plan to bring in manufacturers of other insurance products such as pet, private medical insurance, travel, to support customers' holistic insurance needs. And that's the screen you see on the left. Let us now get in the financials of the business in slide 30.

SLIDE 30 – IP&I HAS BEEN A STRONG CONTRIBUTOR TO GROUP FINANCIALS

Now, before commenting on our expectation of growth, let me give you a quick recap on IP&I'S contribution to the crew. Now, investors have always valued the dividend as the best cash proxy out of the unit. And on that, we paid the Group around £1.5 billion of dividends since 2019. That's 500 basis points of market cap and around 70 basis points of CET1 for the Group.

We intend to continue this trend going forward supported by strong underlying earnings growth and capital generation on profits, which is the chart on the right, you well know IFRS 17 reversed the trend of increasing profit contribution. Our 2023 profits would've been roughly double in IFRS4 terms, but we are confident of growing momentum going forward with strong earnings growth. Let's cover that on slide 31.

SLIDE 31 – WELL-POSITIONED FOR MEDIUM-TERM EARNINGS GROWTH

IP&I plays an important role in the £1.5 billion strategic revenue ambition laid out by the Group. However, our plan gives us the momentum to carry that income growth materially beyond. I've already laid out the areas of revenue growth that we are pursuing, but wanted to make three additional points.

First, our front book growth across production should meaningfully outweigh the runoff of legacy books. Second, these revenues are mostly weighted towards OOI, a key focus of the Group for diversifying its revenue streams and finally post the sale of the bulks business, these growth areas will all be largely kept light in nature. Onto cost, while we expect cost to grow only marginally in this period, reflecting both investments and volumes, we plan to deliver a much leaner operating model that will be way more productive.

After the last few years of heavy investment on re-platforming, we plan to see increased efficiency starting this year itself. So we are looking at positive jaws over the medium term. At the same time as growing earnings, we are also adding to the stock of deferred profits. As we mentioned, we start this year with a pot of £4.7 billion from which we draw down around 30 per cent in OOI every year. Now, in spite of that, we plan to add £100 to £200 million to that pot every year.

Now all of this will be with capital equity, broadly flat over the medium term as we pivot towards capital-lite products.

So taken together, this represents a compelling financial outlook for the IP&I business. And to remind everyone, this earnings and deferred profit growth will be delivered at returns that are accretive to the Group's 2026 RoTE target. Many thanks for listening. And now let me hand it back to Charlie for closing remarks.

Charlie Nunn

SLIDE 33 – DELIVERING ON OUR PRIORITIES TO GROW AND DIVERSIFY REVENUES

Thank you, Chira. So I hope you found this to be a useful session. To summarize, we have clear opportunities in both businesses and are encouraged by the progress we are making generating real business momentum. We expect further growth as we develop new propositions and meet more of our customers' needs in an integrated manner. As we do so, we will unlock additional attractive revenue streams that support the diversification of our top line over the medium term. Thank you for listening. I will now hand over to Douglas who'll facilitate the Q&A session. Douglas.

Douglas Radcliffe

Thank you, Charlie, and good afternoon everyone. Similar to the last two seminars, we have allocated about 45 minutes for today's Q&A session. If you're joining us by phone, please press star one if you would like to ask a question. For those joining via the webcast, please follow the prompt to register a written question. Please try to limit yourself to two questions. Okay, so let's begin. Our first question today is from Rohith at Bank of America.

Rohith Chandra-Rajan – Bank of America

Thank you very much for the presentation. I'd like to explore two areas, please, the first of which is regulation. You've talked a lot about the advice gap, but it seems like it is been getting increasingly hard to provide advice for quite a long time in the UK. So, do you see the regulatory environment easing or is it a digital element that's different? And with that digital element, how do you ensure that automated advice or guidance is relevant to the individual that's receiving that advice? That's the first question.

So, the second is just on Mass Affluent and you've highlighted, I guess actually across deposits, lending and investments that all of those markets are quite fragmented and it seems that Mass Affluent is more fragmented than the mass market, both in your own experience and for the broader market. So if you could just help bring together what it really is about the Mass Affluent proposition that's going to enable Lloyds to consolidate these three fragmented markets. Thank you.

Jo Harris

Okay, lovely. Thank you very much Rohith for your questions. First of all, on regulation, we believe really strongly that we have a big part to play in closing the advice gap. And to your question about the regulatory context, the regulator recognizes that there needs to be change here as well.

So I think a couple of things. First of all, there is currently a discussion going on around the advice and guidance boundary review led by the regulator, and we have been very active in responding to that and working with the broader industry to think about that. We have given a formal response to the regulator's suggestions, but actually, we have gone further than that as well to say we really believe that getting a low cost, fair value advice proposition for those customers that aren't going to take that full holistic advice is critical.

And we think that there is a way to do that. The digital advice proposition that's gone live recently, we have developed alongside the regulator in their sandbox because we recognize the needs to get this right and make sure that first of all it is working for customers, it is working for the regulators and that it works for us in terms of how it all fits together and how we use digital along with the human support that I've mentioned that we think is key here.

So I think just a combination of the regulator wanting to address this advice gap, recognizing that there are many customers losing out at the moment because they're not currently investing and also just going step by step in the sandbox I think is the way that we do this safely.

And then just on your second question around the fragmentation, this is really what creates the opportunity for us, and I think there's a few things here that mean that we are very well placed. First of all, it is the breadth of our offering. If we think about the strengths of the brands that we have, the trust that we have, the scale of our business, so two and a half million Mass Affluent customers already that we can talk to, the ability to do this in a digital way using our data to make this far more personalized for customers. And then with the range of products, that's what we think makes the difference. And we have been doing this all the way through with a lot of customer research and testing.

A couple of the examples that I gave in the slides earlier, the Save and Invest tab. So just to bring that life, you go into the Lloyds Bank app if you haven't seen it, and there is now this separate tab alongside where you can see all of your accounts and just showing customers their full financial picture in a different way, we have been really encouraged by what we have seen there and that's now scaled to 16 million customers to the mass market customers as well. And already we are seeing the levels of engagement, four million customers are going into that and we have seen a real uptick, both in terms of the savings products that they're taking, but also we have seen a five-fold increase in the ready-made investment product that Chira and team have created. That just shows that digital engagement and making it more personalized gives us confidence that this is the right strategy.

Douglas Radcliffe:

Thank you, Jo. Chira, Charlie, is there anything you'd want to add to that answer at all?

Chira Barua:

Just one build on what Jo said, completely agree. I think Rohith here leads us to it in terms of digital proposition. A thing that we, in our research when we look at it, one thing we forget is for 90 per cent of the people in the UK, when you talk advice and guidance, it is very, very simple.

I have £2000 that have landed in my account, what do I do with it? That is the guidance. It is not complicated advice that we tend to get. And the regulatory enthusiasm, let's put it that way, in the FCA sandbox that Jo talked about. So there's a huge amount of engagement in trying to serve for the simple needs of the 90 per cent. So there's advice and guidance for the 10 per cent as I say, which is much more complicated. But remember we have got the distribution footprint to go and place products in front of the 90 per cent with very simple digital advice and I think that's the swing factor.

Douglas Radcliffe:
Thank you. Let's take the next question now. The next question is from Kerry at Morgan Stanley.

Kerry Shaw – Morgan Stanley
Hi all. Thanks for this session and for taking my questions. I have two, if I may. The first one's on cross-selling in home insurance. So where are you currently in terms of mortgage production including a home insurance product and where do you think this could go to? I think previously you said you were cross-selling home insurance with one in every 10 mortgages. So just if we could get an update on that.

And then the second question is just to get a sense around what you're feeling about what consensus has for other income growth in terms of how that might be driving the disconnect to your greater than 15 per cent RoTE guidance for 2026. Thanks.

Douglas Radcliffe
Excellent. Great. Chira, do you want to kick off with this one?

Chira Barua
Let me take the first one. Very good question. If you look broader, so when we think about what you're saying is cross-sale in terms of the uptake rates that you talked about, so we are trying to get away from a product mentality and go into a much more buying experience for the customer because a critical event that ties all this together is home purchase and you know that we are the leading mortgage advisor.

So from that perspective you're starting with home purchase and building all this together. So that's how we are doing it. It is one proposition. I will extend your question in a way it goes beyond home insurance into protection as well. So the take up rates, I alluded to it in my opening remarks, if you think about home insurance, we have almost seen doubling of rates in the last 12 to 18 months. And if you think about protection, which is life insurance specifically, take up rates have increased by 500 basis points. Now where should it go to? It should go to a natural share. We have seen take up rates in other markets which is around three times the rates it is right now. Now it all depends on where we get to. We need to get to natural shares. So the way I think about it is in protection you've got a five per cent share, on mortgages we have a 20 per cent share.

So there's massive upside in it in terms of uptake. But the good news is we are doing the tools, we are trying to build it as a customer journey and not product sales and when we do all of it, we are seeing significant uptakes right now. Early days, but it should be significantly north of where it is right now.

Charlie Nunn
Shall I take the other operating income question? So thank you for the question. Such an important part of the Group strategy. Just a reset on the Group numbers of which these two businesses are hugely important for driving the other operating income, but it is a much bigger picture. As you know, we have committed in 2026 to a greater than 15 per cent RoTE and greater than 200 basis points of capital generation. At the heart of that is £1.5 billion growth in strategic revenues, of which we have said broadly 50 per cent will be other operating income. If you look backwards in 2022, we grew other operating income about 7 or 8 per cent year-on-year. There was a bit of noise in that data, there was some one-offs, but it showed good underlying growth.

Last year we grew other operating income by 10 per cent and if you look at what we need to continue to deliver to achieve the growth, it is a similar growth rate going forward. What's really important is we have seen progress across the businesses. Our corporate and institutional business, our SME businesses, IP&I and Mass Affluent, and also our core retail businesses. So this isn't a one trick pony, we need to make progress across the businesses and that's what we think is important as the underlying foundations for the 2026 returns. So hopefully that's clear. Thank you.

Douglas Radcliffe
Thank you. The next question I will take is actually a question that's coming direct from the buy side. How are you thinking about M&A to scale in the mass affluent wealth space? The sector has faced many headwinds recently, Consumer Duty, redress, cyclical headwinds, multiple compression and now looks reasonably good value. In addition, perhaps certain businesses could be

rebranded to enable growth to resume as well as the cross-selling opportunity if you acquired into advice. What are your latest thoughts on this?

Jo Harris
Should I take that one? Yeah, thank you for the question. So when Charlie set this strategy out at the start, he was clear that this is predominantly an organic strategy and that's very much the path that we are on and that's what I've talked through today. We have a really good breadth of product and proposition offerings. We have great digital capability and if I refer back to the October update that Jane and Jas gave talking about the mobile first strategy, we have those capabilities already.

Having said that, we will always look opportunistically if there is something that comes up that we think would give us a great capability build or gets us there faster than we might do ourselves. So, there is a lot moving in this market at the moment as the question suggests, we would take a look, but predominantly this is an organic strategy.

Douglas Radcliffe
Is there anything you'd want to add to that at all, Charlie?

Charlie Nunn
No, I think that's right. I think as Ben says, I think it is Ben online who has submitted the question. It is important that the valuations have changed. We will always look at the capability and acceleration of our strategy and also whether an acquisition is actually accretive given who we are and given the valuations.

So, I think you're right, there's a lot going on in this market, Ben, you probably have a really clear view. A lot of the assets or businesses you'd look at aren't necessarily the ones that we'd want to grow strategically from. So, this is whether you look at the Insurance, Wealth or Mass Affluent space, there's not an obvious set of businesses that give you scale or assets to grow safely going forward and that's not talking in code, but I think you will understand what I am saying. So definitely we will continue to look. But what we are committed to is the organic growth and we are confident about the trajectory in that sense.

Douglas Radcliffe
Excellent, thank you. The next question is from the telephone lines again is from Raul Sinha at JP Morgan.

Raul Sinha
Hi, good afternoon. Thanks very much for taking my questions and the presentation. I guess the first question is a sort of broader question around product pricing just related to the concept that Chira talked about of moving away from a siloed product factory towards being a proposition provider.

My question is, how do you price products within the strategy, especially given the fact that the regulator seems to be scrutinizing individual product pricing decisions under a microscope many years down the line. So how do you make sure that as you move away from focusing on individual products to an overall proposition, the cross-sell approach doesn't leave you vulnerable to various different interpretations down the line as we are seeing with some of the other products?

And I guess the second question is just to follow up to the previous question and what Charlie mentioned around the £750 million of additional growth initiatives related non-NII income. Can I just double check that most of the £300 million you're flagging here is still ahead of you in terms of growth. So there has been very little of the growth that's already been baked into the run-rate so far within these two businesses. So the £300 million is all incremental from here. Thank you.

Douglas Radcliffe
Excellent, thank you. Chira, it probably makes sense, address the first one.

Chira Barua
Yeah, thank you. Thanks Raul. Let me take up and try to explain how we are thinking about pricing and using examples on home insurance and protection. And this is exactly the same conversations Raul by the way, the same discussions we are having with regulators. First of all, fundamentally in a perfect market, pricing should be market cleared and we stick to that. That is the principle of fundamental value. We gave away around about 400 basis points of share last year purely based on pricing because we thought the way the home insurance market was working was dysfunctional and it has come back and we have launched share, then we put capital back. So it always will be market led based on the fundamental thing that it should return cost of capital and we will be very transparent and we will show that to regulators.

The second, there's a new lens that has come in, which is where I think you're leading to with on Consumer Duty. There are couple of things in there. Consumer duty says you need to be fair by the customer, which means that there shouldn't be discrimination one way or the other. Negative discrimination is what they're thinking about. I don't think the regulators are worrying about positive. So negative discrimination, what we are trying to take to the regulators and the way we are doing pricing is on a much more transparent, clear basis. So pricing by channel.

So if you're think about pricing by channel, there are certain channels where the cost of acquisition is significantly lower for me if you go for direct as opposed to those which are significantly higher if I go through intermediaries. So we need to think through pricing through the channels and bringing that transparency.

The third one, which is on benefits and it is an active engagement that we are having with our regulators. It would be, based on Consumer Duty, quite odd if Raul, you've been on our books for 15 years and we know all about your risk across all the products and you get exactly the same pricing from someone who has just turned up and is buying a single product, that is almost unfair from a Consumer Duty perspective.

So actually Consumer Duty when you think about it, actually allows you to reward people who have a broader envelope because your cost of acquisition for that customer is significantly lower. And these are active conversations we are having with our regulators around pricing. So it is a bit more nuanced than the headline regulatory pressures that most people talk about, but I think overall broadly, I think we are in a good place in terms of pricing.

Douglas Radcliffe
Excellent. And do you want to talk about the growth initiatives? I am sure Jo will probably have something on that as well, so perhaps Jo kicks off first.

Jo Harris
Yeah, that's fine. Yeah, thanks for the question. In terms of if most of the growth is ahead of us? In terms of income, yes it is. So what we have been doing is we have been building the capability that we need. As I talked through earlier, we have been filling in a number of the product and proposition gaps that we have got. We have got Lloyds Bank 360 now launched but on a small scale. And so now it is all about scaling up and so some of those numbers that I shared earlier, we delivered a good level of incremental income last year against strategic initiatives that grow this year. We are expecting £100 million for this year and we are confident in that and then that grows to £300 million as we go out to 2026.

But I just wanted to give a broader view as well because I think the strategic initiatives are a critical part of this, but I just want to comment on the core franchise here as well because Mass Affluent is very important in that context. I shared that there's £190 billion of balances within the Mass Affluent customer base, that is predominantly deposit led.

And so in addition to those strategic initiatives, we want to maintain and grow those balances. Even just maintaining them because such a high proportion of them are hedge eligible, there is also a tailwind that we see through the hedge which will come through that core franchise, which helps to grow that £3 billion revenue figure I talked about. So that is sort of separate to the very specific £300 million of strategic initiatives. So hopefully that just helps to break it down and give you a bit more information.

Chira Barua
Thanks Jo. Raul on the IP&I side, the first clarification that I would do is you saw on the slide that Charlie alluded to, showed £100 million incremental opportunity in terms of strategic initiatives in IP&I. I just want to clarify, that is purely products distributed through the consumer and wholesale channels. The actual income opportunity in IP&I is significantly higher than that. So that's one thing, just to clarify. I go back to slide 24 in the presentation and that's what you should hold us accountable to. When you see the 10 per cent penetration number, that number in different markets we have seen is anywhere from 30 to 50 per cent in best in class across the world. There's significant headroom in there. IP&I, less than 1.1 in terms of product penetration within IP&I products. So in short, those two should tell you that the income is a tailwind and a significant part of it. Thank you.

Douglas Radcliffe
Thank you. The next question is also going to come to yourself actually Chira, which again is one that's come in directly. The implied return on equity for the insurance business looks as though it is currently below Group targets. Do you calculate the RoE on a cash basis and how do you see this moving?

Chira Barua
Technically on a spreadsheet that is absolutely right, but let me walk you through the different ways in which we measure it. I will take the numerator first in terms of the return on equity. So when you look at the IFRS returns, and I think I alluded to it in the

presentation, the first thing is when we had IFRS4, and if I apply that same on say the £190 million of profits, which was last year, it would double on the same capital base, same cashflow, same economics.

So returns in an insurance business is not best calculated purely from an IFRS return numbers. So what we do is we will definitely improve the earnings that is what you saw in my last slide and materially. But we also strictly look at the cash that goes out from IP&I in form of a dividend and we upstream it to the Group. So the cash yield on the capital that we hold is the second thing that we look at and that's the truest form of returns going up from insurance to the Group shareholder and that you will see is significantly higher in certain cases.

Then if you come to the denominator, yes, solvency capital and the broad equity component of it is an important thing, but just want to say there's two things. One, if you look at 2023, our solvency capital ratio was at 175 per cent. Our appetite is to run it at around about 150, so there's a kicker in there. And the second one, which is quite important is that for the Group shareholder, they have significant double leverage in terms of the capital that's needed to run the insurance business.

So if you put a step back, the actual returns are significantly higher than the headline returns that you're alluding to for the Group shareholder. And as I've said in my presentation, what we are planning to do over the next two and a half years actually is to drive returns for the Group shareholder, which will be accretive to the 15 per cent plus returns that the Group has.

But having said that, what we do in insurance is we look at these metrics on a standalone basis as IP&I. So the IP&I returns, the way we do it is a return based on capital, the amount of deferred profit growth that you have, the amount of cash you're taking out of the capital. All those three should be absolutely best-in-class against our peers in the industry, the four or five big insurance majors. And then you've got the double leverage on top for the Group. So for the Group shareholder, hopefully it'll be a much better answer.

Douglas Radcliffe
Thank you. Another question that's been submitted direct, how should we really think about your increased focus on bank assurance? What's really different this time? When will we actually know it is successful?

Chira Barua
Can I start with the last question first? Yeah, a couple of things and it is all over the presentation, if you think about. So when we think bank assurance, bank assurance is a very traditional word when I at least think about bank assurance. So in the past we always used to think about cross-sell of home insurance and life insurance to bank customers in the current account, I think it is much broader than that.

You saw my ISA market shares chart when we put it up and that is what Jo and I have been working together really hard on seeing penetration. All that we did was put a very simple product, which is a ready-made click goes into 16 ETFs that you can pick for and then put it in the ISA. We went and put it on the digital highway that is the bank app and that has six billion hits a year and just placed a product in there.

And we had that ramp up in market share and it goes up to 28 per cent market share in a quarter and for a business that no one even knows that Lloyds is strong in. And that's the kind of ramp up. That's modern bank assurance. So there's lots of opportunities in the bank assurance space in the past, than we think about it. But going back to what has changed, again, I will call out the three things which are the most important from the way it was done in the past. The first is technology.

Technology in terms of mining the data so that you can put the product that we don't sell. We know when you have moments of truth. We know when you're building up your cash to an equity that's going into a house. So it is right that I introduce a home insurance and a protection product at that time. So that's become quite brilliant. Then in terms of digital proposition, I talked about the last one that's become much easier.

And the third is the AI tools that you can actually use to look at something which we are talking with the regulator around to monitor all these processes, the digital guidance and advice that Jo talked about. So there's a lot of technology right now, which is upfront, which allows you to do it much better than it was done in the 1990s and early 2000s.

The second one is customers. Customers can engage digitally. Bank assurance doesn't need to be sold in a brick and mortar environment. Customers draw it down from the proposition that you lay out. So that's the second one, which has been quite effective around that. So from that perspective, it is a very different bank assurance model right now than it was in the past.

Douglas Radcliffe
Okay, thank you.

Charlie Nunn
Douglas, maybe I should, there was a second part to that question. When do we know we have been successful? I think we said this actually back in February 2022 when we launched the strategy. We laid out some critical KPIs and we will continue to report on those.

So depth of relationships in some of the retail and mass affluent businesses, we were talking about the number of mortgage customers that do engage with us on a protection need or a home insurance need. We will continue to lay those out, the AUA distributed to our Mass Affluent customers and we will make sure you have transparency around those.

The real answer is we have what we think we can achieve by 2026. The reality is this opportunity to engage our customers differently and to leverage the fact that we have now 19 million mobile app users logging on 30 times a month doing payments 50, 60 times a month. That means every day of every month of every year for the next five, six years, we have that opportunity to put in place in front of them the right need at the right time. So this is something that will take a bit more time than 2026 to scale, but you will have clarity around those targets and metrics by 2026 and we will then be able to look at the next aspiration for this model.

Douglas Radcliffe
Thank you, Charlie. Another question that's been submitted online, which I think is very much focused on the Mass Affluent space actually, how should we think about the cost profile of the business given the need to invest in order to maintain your position versus competitors?

Jo Harris
Yeah, thank you. So we have shared broadly how we are investing in the business, partly in building the new products and propositions. Much of that is done particularly on the banking side of things. There is still more to do as we continue to build out propositions, working closely with Chira in IP&I, particularly as we get into some of the sort of higher ticket items. So ready-made pensions is just going live now, SIP later on this year. So there is that investment.

And then also on the digital side of things, building this digital experience that we really think is going to engage customers differently where we can then use our data to personalize. But you will have seen from the presentation, we have an attractive cost income ratio in this segment already of about 25 per cent. We don't see that changing significantly. We are not looking to put significant physical cost into this. This is a digitally led strategy and actually, most of the investment that we are making through the strategic initiatives we will have spent by the end of this year, and then we expect to start to see the growth in the income coming through.

Charlie Nunn
Douglas, it is probably just helpful, I am sure everyone's heard us say it multiple times, but the broader cost story we have committed to as part of the strategy is that we will create £1.2 billion worth of gross cost savings during this period. That's what underpins the absolute cost target that William shared just a few weeks ago for 2024, and our cost income ratio target for 2026, and our target there is less than 50 per cent cost to income ratio for the Group. I know I am bundling it for you for Mass Affluent, but that broader opportunity to build efficiency in the Group is enabling us to maintain those targets, and then recycle investment into these areas that we are talking about today so we can engage customers with a better proposition, fulfil more needs, and get the growth and the efficiency we need.

And we are feeling good about the £1.2 billion, we are on track for delivering that, and we talked about what we have already delivered through 2023.

Douglas Radcliffe
Thank you. Another question submitted online, which, again, I think, is actually on the Mass Affluent area, how do you think about the competitive landscape, and who does this well presently?

Jo Harris
Good question. So genuinely, I don't think any one organization does this well. It is a very fragmented market, and I think at the moment, customers go to different organizations for different things, and that's really what is driving this strategy. I think there are some really good Mass Affluent banking propositions out there, some D2C, there are different players that you can go to as you start to think about retirement and a lot of the work that Chira is focused on.

But the important thing that we are focused on here is this vertically integrated proposition, recognizing we have the scale of the customer base already, and if we can bring the breadth of the Group together to cover that whole range of needs, from the banking, the accumulation, the decumulation, that, I think, allows us to do something very different.

I think there's some interesting examples that we have looked at globally, there's some interesting stuff in North America which has started to do this, there's some stuff in Asia, but I think there is a real opportunity to be the ones who make this a lot easier for customers, and make it simple for them to understand their total financial situation, and provide them with solutions.

Douglas Radcliffe
Thank you. Is there anything else you'd want to add on the competitive environment on the insurance side, Chira?

Chira Barua
Yeah, this is one of the things, I know Jo alluded to this, going across the world, there are very few propositions out there that bring Your Today, the transaction side of banking, and Your Tomorrow, which is your building, retirement, and protection, all together.

There are some who do the accumulation bit phenomenally well, there are, of course, banks who do transactions phenomenally well, but no one's bringing this whole together, the 360 that you talked about, and that's very central, there are very few. You do not have the products to actually put in there, and that's where the range comes in, and we have never had a digital proposition that goes end to end. I think that's distinctive.

Jo Harris
Yeah. And I think the final thing I'd just add, we have spent a lot of time talking to customers, and in the early days of developing 360, we put it in front of them, and they said, "Actually, if Lloyd's could provide something like this, we trust you to be able to provide this for us." So I think that gives us real confidence as well.

Charlie Nunn
Without jumping in, just one more macro view, I know we talked about this a number of times. My view, I think, our view, but I will say as my view, as we have done the strategy is, we know not all customers are going to want to engage with us in a joined up way, and we know that a number of customers will still want to go and find, in their minds, a best-in-breed provider for their different banking, insurance, investments, and even sub-banking needs, savings versus transactional accounting versus their credit card. What we are trying to build here is a business model for those that want a more joined up proposition at the right cost to serve, we will be the leader around that, and we already are the leader on virtually every underlying product that we are talking about, with some of the opportunities that you've talked about, Chira, that we are investing in to get to that point.

So when you operate at our scale in a market like the UK, which is a complex market, we see opportunities on both sides to still be the leader around individual products, and that's why some of the channels and the capabilities Chira is talking about, and, at the same time, to really reinvent, in a new environment, from a cost to serve, because of digital technologies, with a conduct regulator that's willing to work with us, how do you serve this segment that is under-served, and that's both sides of the strategy will help us be successful over this next period of time.

Douglas Radcliffe
Thank you, Charlie. Actually, linked to that is another question that's just come in, when you talk about serving customers, there's been another question talking about how specifically we are looking to co-operate with the commercial division from an insurance perspective.

Chira Barua
Thanks for that. So I will highlight three things. The first is workplace is a flagship product that we work very, very closely with the commercial banking business, right from mid-market all the way to the big corporates, and with financial institutions as well. 13 per cent, that's what I showed you in the slide, 13 per cent is the penetration that we have today of commercial customers who have their workplace with us, and if I am looking at pipeline, if we are looking at attraction in the last 12 to 18 months, so that number should be significantly higher, so we work a lot in the workplace.

The second is commercial banking also supplies us with the assets that we need in a unique source to fund the individual annuities book. So just in terms of the way we are, we have sold the bulk annuities book, but we still have a significant individual annuities book, and we have 20 per cent share there and building fast. So we look towards the commercial bank to give us this best-in-class, if you will, in terms of credit participation in the market. So that's the second thing.

Third, we are also in the initial stages, it is a backlog for the next 12 to 18 months, with the mid-market and smaller size of the business in commercial to bring insurance products in a much more digital front. You will hear from Elyn later in the year properly, and she's building a best-in-class digital proposition for SMEs. So once that's up, what we will want to do is definitely tailor as many insurance products, both manufactured and distributed, and bring it to that customer base.

So those are the three ways, but it is very strong collaboration, it is very strong, and I think it is a distinctive advantage for us.

Douglas Radcliffe:
Excellent. Thanks, Chira. Another question submitted online, which, again, is coming to you, Chira. Can you tell us a bit more about your decision to exit the bulks market? How should we think about that, and are there any other businesses that you would consider selling?

Chira Barua
Thanks, let me take on the bulks one. So when we looked at the portfolio, the first thing we looked at is scale. If you do not have scale in a certain product, you can't compete, and scale, I am putting it out roughly, is 10 per cent of share. And if you think about bulks, we have had anywhere between 1-3 per cent share for the last four, five years, so we are definitely sub-scale, and you know that there are four or five players out there, one of which has bought our business right now, all of this operated significantly higher scale, much better economics than us. So that was number one, scale was a big consideration.

The second thing was it is a very capital-intensive business. Going back to the earnings question and the cash distribution that we talked about, if we had to scale up this business, we could have scaled up this business, it would have had significant impacts on the cash that we could have upstreamed to the Group, because the capital strain is quite big, and in terms of returns, you get the returns in years seven, eight, which is a break even. It is a very private business, it is not suited, from my experience, for bank shareholders. That's the second.

The third one, it is not really a customer business, it is an institutional business. And what you've heard from me across all the products today is that we are trying to build a very dynamic customer proposition, that is exactly what we are doing with Mass Affluent right now, so it didn't fit in. Those are the three things, and the value that we have got clearly says that they're a much better holder of the business.

Is there anything else? No, there's nothing material in the portfolio. As I said, we have all the products that we need, where we have the scale, or we are building scale, which is customer-backed, and which can piggyback on the big bank channel that we talked about with the six billion hits. So I think we have the right portfolio, don't expect anything material, we are done and we are building the business going ahead.

Douglas Radcliffe
Excellent, thank you. The next question is going to be taken from the lines, if we could go to Ed Firth at KBW?

Ed Firth - KBW
There is a lot about, obviously, a one-stop shop approach, and I just wonder how you find that in terms of the challenges. I see the advantages, but I guess one of the whole things about digital delivery of financial services is the breakdown of the value chain, and people can patch, on a single platform, all sorts of different providers who are good at this, good at that, and good at other things. And I guess I do see some challenges if you're trying to provide everything as good as everybody, and so I just wonder how you thought about that. To what extent is it a cost saving you can deliver customers that will make your product better than everybody else's?

And I guess partly related to that, the insurance business you've got, that's a product of history rather than a product of design, and I wonder, do you think you'd actually be buying life insurance businesses if you didn't have them? Do you think the competitive advantage is such that other banks, like Barclays and all the other competitors, should be looking to develop the same model because it is so significant? I guess that's the first question.

And then, the second question is slightly related, but I noticed that if you're looking in the US in particular, companies like Apple are now starting to get into financial services and embracing the customer by offering them savings products, various other annuity products, et cetera, and it is not really happened yet in the UK, but I wonder how you feel you would stack up against perhaps some of the non-banking deliverers of similar platforms. Thanks so much.

Douglas Radcliffe
Chira, perhaps you start off with the initial question, and then maybe hand over to Charlie?

Chira Barua
Yeah. Thanks, Ed. Good question. We think about it all the time. When you're wanting to offer a broad suite of products to the customer, you need to be very careful. Only way you can have a distinct competitive advantage, and I think the simplest way that I at least and all of us look at it, is around scale. So if you have the scale, you will always have the investment capacity to offer something in a proposition which the customer wants. But many times, we should not waste our time doing that, and it is much easier, as you say, with people who are distinctive.

Let me give you an example on that. When we did our research, it came across that private medical insurance is probably one of the most, from a shareholder's perspective, one of the most exciting businesses, because you know that there's a massive demand, and it is growing, and it is growing way more than any GDP metric or any economic metric.

Now, that's a complicated business, and you know that it has got long chain stuff. We should not be getting into private healthcare, there are already three or four players out there. What we have done is, we have now, it is out, we are in negotiations with different providers right now, so that's something that we will bring, which we will not manufacture, we will just build into the platform, which is a bit like what you say Apple's doing. So we would want to be the Apple in that space.

Exactly the same with pet insurance, because we don't have the underwriting capabilities to do pet insurance, but our customers in Mass Affluent absolutely like pet insurance and they would want. And what we are doing, we are going out and sourcing it.

But there's certain things which are fundamental where we have scale, underwriting life, there we have scale, underwriting a simple equity-linked ISA, there we have scale. So those are the places that you will hold, and the other, whatever customer wants and where we don't have scale, we should go out and source it from whoever's best in the market. That's the philosophy we have taken.

Charlie Nunn
I think that's right. It partly goes back, Ed, to the point I made, which is we know not all customers are going to want to put an increasing share of their wallet with one provider, although there's opportunity for them to consolidate some of their relationships. But we also know some really value that, and some want the simplicity and the joined-up servicing experience, or the joined-up distribution experience, as Chira said, and without getting too complex, Chira and his slides talked a bit about, for his Scottish Widows app, he's going to use open banking to be an aggregator of third-party relationships, as well as potentially distribute third-party product where we need to from a best-in-class. So what we are able to do is meet all of those kinds of needs. Customers that want to have multiple third-parties, customers that want to have multiple financial services relationships, but aggregate them through an app, and those that want to have an increasing portion of their relationship with us.

For the growth objectives that we have laid out, and for a very sustainable, attractive business, we don't need 100 per cent of our customers to consolidate 100 per cent of their wallet with us, we actually need relatively marginal gains to get significant upside. And if you remember back to February '22, one of the metrics we talked about, we talked about a depth of relationship on the retail customers, and it declined from 2.7 to 2.4 products per year, I think, over the last decade. We are talking about that back up, 0.1/ 0.2 could make a significant difference. So I think just building on what you said, Chira, that's the way I think about it.

On Apple and the big tech, so let's just talk about the big techs more broadly, I think it is a really good point. I don't think it is a short-term issue for us at this stage. As you know, Apple, Google, Microsoft, Facebook, all have incredibly different approaches to their customers, the ecosystems, and then financial services, so this is not a one-size-fits-all. And as you know, today, we partner closely with some of those platforms and ecosystems to embed our products in their services. And your point about what Apple is doing in the US to start to, if you like, manufacture a credit card, having started with Goldman Sachs in a simple savings account, we are very aware and aligned to those issues. My strong personal view is we have all the tools to both compete and/or collaborate where we need to.

And it very much reminds me of the 1990s, competition. We know, with these large technology platforms, we will both be embedding our services through them and competing, and everything we have talked about here, and then actually the broader retail discussion that we had with Jas and Jane last year, gives us the capabilities to do just that. So I think it is right for us to think about that strategically, I think it really is more the backend of this decade before it becomes material in the UK.

Douglas Radcliffe
Thank you. If we could take another question from the lines now, Jason Napier from UBS?

Jason Napier – UBS
Good afternoon. Can you hear me okay?

Douglas Radcliffe
Yes, perfectly, Jason. Thank you.

Jason Napier
Fantastic, thank you. Thank you for the presentation. I just wonder whether you could talk a little bit, please, about distribution channels. If we get away from Mass Affluent and selling to the large customer base that you have and think about the intermediary channel, if you could talk about what proportion of revenues or profits have contributed at the moment, and whether you expect to invest significantly in making that more competitive, and what products that might be, and how much of a growth opportunity that might present for the strategy? Thank you.

Douglas Radcliffe
Thank you. And I think that's one primarily for Chira.

Chira Barua
Yeah. Jason, good to hear for you. Let me take that up across channels. Let’s start with the market. There are two things which are important on the intermediary side. The first is 80 to 85 per cent of products today are distributed to intermediaries. That is why you have the 10 per cent penetration on bank customers, that's why you have got an IP&I of less than 1.1 product penetration within products, because most of the products are sold through intermediary, so it is a very important channel.

The other thing that I am going to highlight is the economics. The economics are way starker, in my role, which I've been in for about a year, so the most important stats that I've realized is in protection, for example, in life insurance, the value of exactly the same product to a shareholder is round about 7 or 8 times higher if you distribute it through your own bank channels as opposed to intermediaries. It is very simple, it is an 80 per cent, 20 per cent economics, and obviously 20 per cent economics stays with the bank and you have a significant higher capital base. But however, on scale, the intermediary channel, as I said, is going to be hugely important.

Let me start with the three things that we are doing here, first on the accumulation and wealth management side. We have talked about Embark as one of the important channels out there where we have 5 per cent share. We spent a lot on investments last year bringing the technology and the entire platform up. We have got significant market share ambitions out there. That's one thing where we are putting in a huge amount of focus.

The second one is life insurance, which is protection, again, a huge amount of releases which are going out this year. So if you look at the protection landscape, which is life insurance today, we actually can't participate in half of the market, and that is because we do not have the capabilities and the products. Income protection, for example, it is not a product that you can offer to intermediaries. It is a simple product, but we didn't have the digital capabilities. We built all of that, it is best-in-class, it is all being released this year, so hopefully that gives us a significant up-lift.

And the third is just if you're thinking about mortgages, mortgages in Lloyds, more than 80 per cent is distributed to intermediaries, which means, as the market leader, we have a very strong relationship with mortgage intermediaries. So what we are doing is we are taking the entire IP&I product suite, and along with Jas and the team, we are going ahead and starting relationships on a much wider than mortgage basis.

These are the three things on intermediaries. So many times, we focus on D2C and the digital brand, all the technology that we are investing in the platforms and the CRM, that's exactly the same thing that we are offering to intermediaries as well. It is a critical part of the income growth that we have around all these three pivots that we have talked about.

Douglas Radcliffe
Thank you. Just one final question, which has been submitted online. Can you tell us about the drivers of dividends to Group? Historically, there hasn't seemingly been a correlation to earnings, and would you say it has been more driven by the balance sheet? How should we think about dividends going forward? Is there excess capital currently in the insurance business?

Chira Barua
That's a lot of questions, so let me break it down. First of all, in terms of capital, I've talked about that. We have got 175 per cent solvency ratio, we need to be at 150 per cent. There is a significant amount of growth, you'd have seen around about 23 per cent growth in the solvency ratio last year pre-dividend.

Most of the growth has come from Solvency UK, and as you know, the Solvency UK is not over. We just had the initial stuff, there's loads of other things that we need to work through for the next four or five months before we take a call. The business that we are growing is absolutely capital-lite. If you think about capital in the business, you will have the long-standing capital come down gradually, and that's the capital that we will use to build the front book business as it'll be light. So from our perspective, we will not hold capital, so anything broadly above 150 per cent, everything being equal should be going up to the Group, so that's number one.

The second thing is, I think in the past, when you looked at capital distributions, and when you looked at the distributions and you looked at earnings, there was no correlation. Part of that was IFRS 4, where it was not really a cash metric. I think IFRS 17 is much more aligned to earnings growth. So if our earnings growth increases, which is exactly how we told them, we also have significant dividend growth as well up to the Group, which is what we will try to do. So as earnings grow, you will see that translate into cash growth in an IFRS 17 world much more than you've seen in the past.

So you've got excess capital on the 175 per cent right now, we are waiting for the final regulations and everything to come through, not growing a capital intense business post the sale of bulks, earnings growth, and that strong earnings growth, should definitely translate into more distributions in the next two to three years.

Douglas Radcliffe
Thank you very much, Chira. That actually completes all the questions that have been submitted. Perhaps, Charlie, if you have a couple of closing comments?

Charlie Nunn
Great. Thank you, Douglas. So just for everyone who joined today, thank you again for joining the session, and thank you for all the great questions. I love these sessions. I hope they are informative for you, because it gives us a chance to get to the next level of detail, to really talk about what we are doing and to unpack a little bit of the underlying businesses and our competitive strengths, so thank you for joining.

Chira and Jo, thank you very much for leading the discussions. The other reason I love these sessions is I am not really allowed to talk too much, so you've made it very easy on me.

A couple of shameless sales pitches before we go, if that's all right. We have one seminar left to go where we are going to provide an update on our SME business, and that's in June, so we will be joined by Elyn Corfield who'll provide that update. And then, before then, obviously, William will be hosting our Q1 results in April, so we will really look forward to seeing you then. Goodbye, and thanks very much.

END

FORWARD LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. 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A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. 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