

LLOYDS  
BANKING  
GROUP



# BANK OF AMERICA MERRILL LYNCH DIGITAL BANKING CONFERENCE

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13 May 2015

# STRATEGIC FOCUS

Strengthening our unique capabilities to respond to the changing external environment



## Our business model

**Simple,  
Low risk,  
Customer  
focused,  
UK Retail and  
Commercial  
bank**

## Our strategic priorities

**Creating the  
best customer  
experience**

**Becoming  
simpler and  
more efficient**

**Delivering  
sustainable  
growth**

## Our aim

**Best bank for  
customers**

**Strong and  
sustainable  
shareholder  
returns**

# DIGITAL IN CONTEXT OF MULTI CHANNEL

Digital in a multi channel context allows us to better meet customer needs and create value for the bank

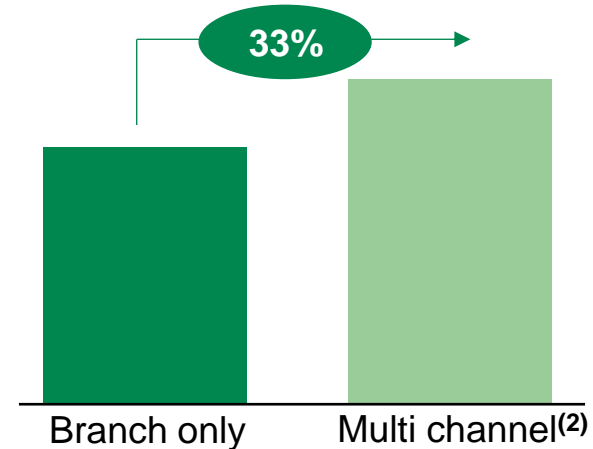


## Digital as part of a multi channel approach

- **More choice and convenience for customers and clients**
- **Greater value to the bank:**
  - More customer needs met
  - Simpler products
  - Reduced acquisition and servicing costs
  - Increased engagement and loyalty
- **Faster, cheaper innovation through shared investment and development**

## Value of multi channel approach

Average retail product holdings<sup>(1)</sup>, Feb 2015



Average customer interactions

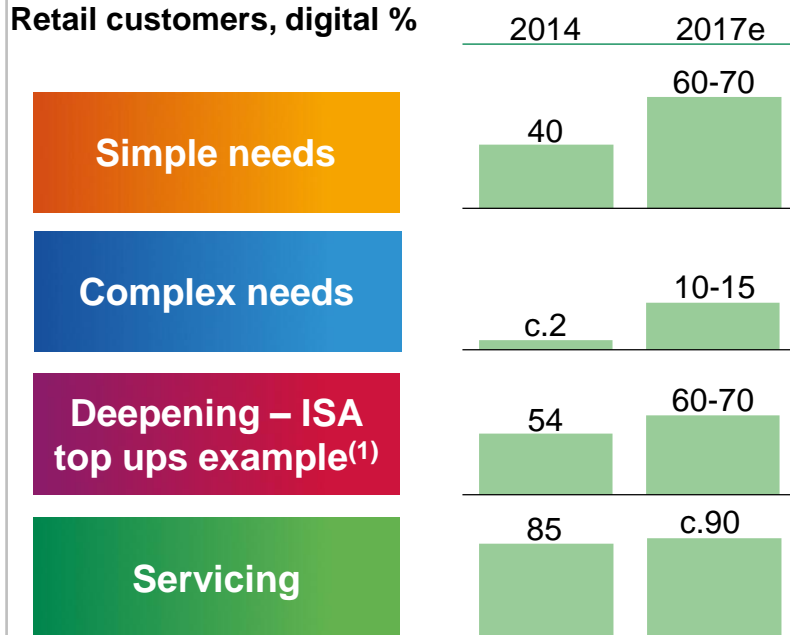
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# DIGITAL BANKING ACCELERATION

Digitisation is expected to accelerate with opportunities to provide better service, greater efficiency and growth



## More needs to be met through digital



## Future opportunities to capture

- **Better service**
  - Meeting complex needs digitally
  - Seamless, multi channel experiences
- **Greater efficiency**
  - Extending processes automation
  - Consolidating IT systems
- **Growth where LBG under represented**
  - Digital opportunity for Insurance / Cards
  - Enhancing Commercial digital offer

<sup>(1)</sup> ISA top ups: digital as % of total ISA top-up value.

# INVESTING IN THE DIGITAL TRANSFORMATION OF BANKING

Historic investment in digital platforms and architecture for consumer and commercial clients allow us to now accelerate pace of customer innovation



## Building on our digital strength

Since 2011...

- **>£750m** invested in digital
- **£2bn Simplification 1 savings** achieved with a significant contribution from digitalisation
- **Agile consumer digital platform** – resilient, scalable, cross-channel
- **New Commercial Bank digital platform** as single front-door to the bank
- **Digital proposition development** to be best bank for customers



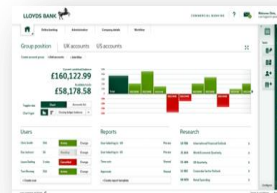
New consumer digital platform



Upgraded self service machines



Remote advice and video conferencing



New commercial digital platform



New mobile apps

## Seamless multi channel interactions

By 2017...

- **>c.1bn** further investment in digital
- **Transformed customer experiences and efficiency**
  - Improved digital sales and service capability
  - Digitised end to end customer journeys
- **Extended multi brand multi channel capabilities**
  - Commitment to branch network
  - Increased self service and introduction of remote advice

# DIGITAL TRANSFORMATION PRIORITIES

Three digital priorities to continue to embrace the digital future through c.£1bn investment over three years



## 1 Deliver customer-centric digital propositions

- Simple, **mobile first propositions and innovative digital services**
- Transformation of **customer experience**
- **Opportunity for growth** where we are under represented

## 2 Transform customer journeys end to end

- Better service through **improved customer journeys**
- **Lower risk and more efficient operating model**
- **Seamless, multi channel** servicing

## 3 Enhance our digital capabilities and delivery

- Consistent **multi channel** servicing
- Advanced **insight** capability and personalisation
- Digital technology to enable greater **efficiency**

# 1. DELIVER CUSTOMER CENTRIC PROPOSITIONS

Leveraging consumer and commercial digital platforms to be best bank for customers in a digital world



**Retail**

**Consumer Finance**

**Insurance**

**Commercial**

**Best in class digital user experience**

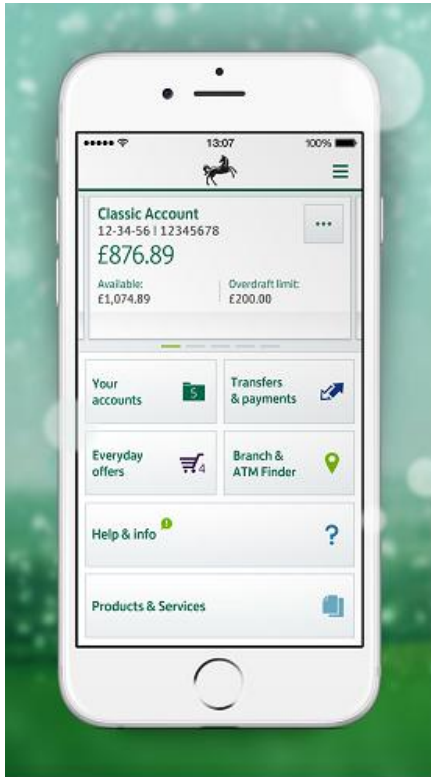
**Mobile-first design and development**

**New propositions targeting under-represented areas**

**Complete digital bank – full set of services available online**

# 1. DELIVER CUSTOMER CENTRIC PROPOSITIONS

Our consumer and SME mobile banking apps lead the way in the ratings

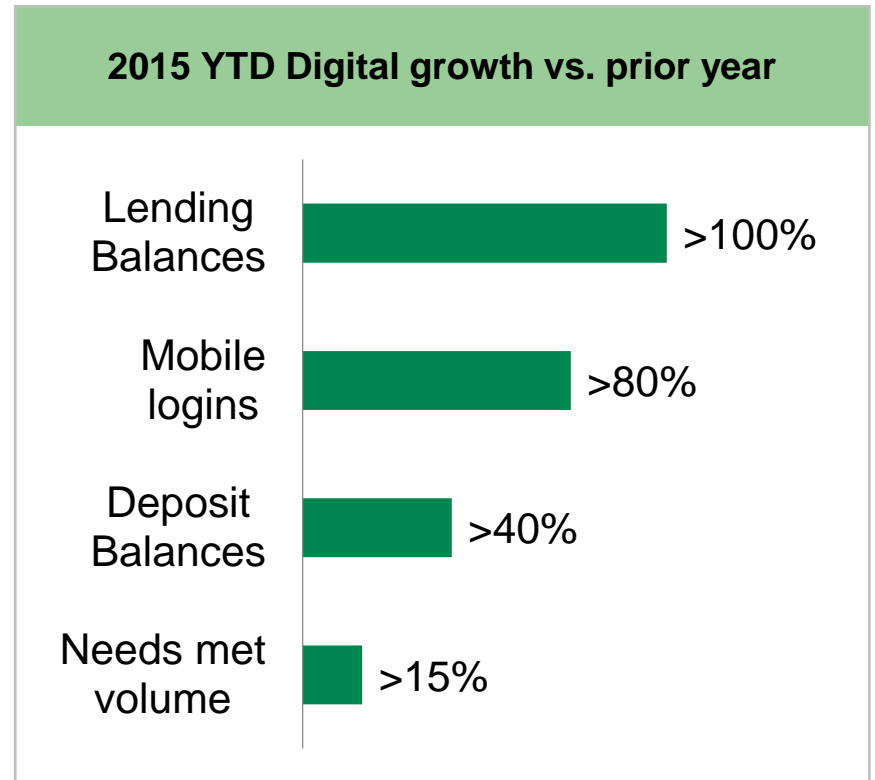
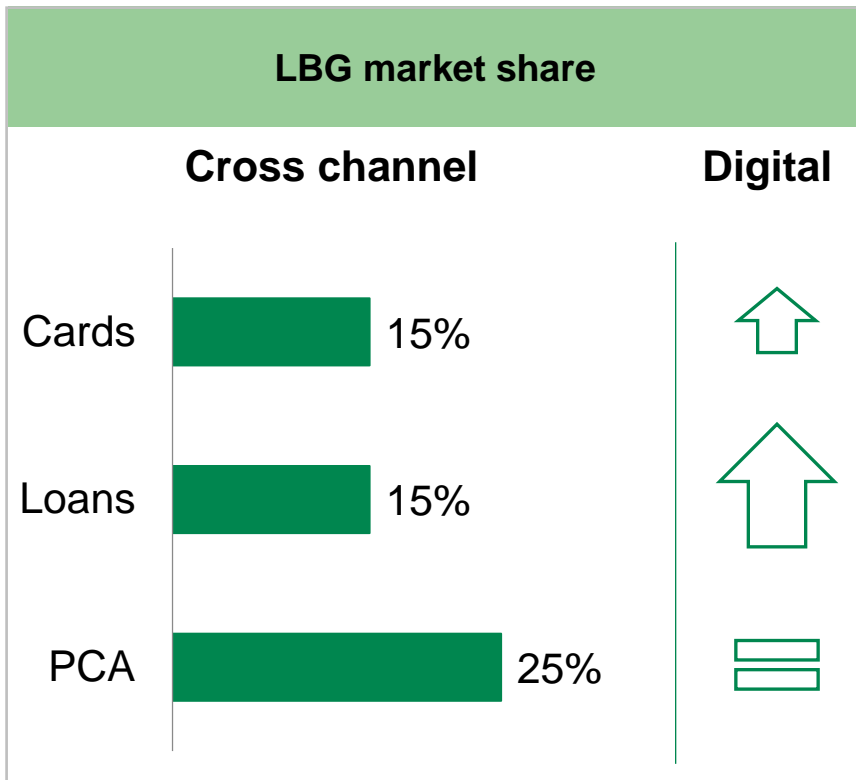


	iOS		Android	
	★★★★★	5.0	★★★★★	4.3
	★★★★★	4.5	★★★★★	4.2
	★★★★★	4.5	★★★★★	4.2
	★★★★★	3.5	★★★★★	4.0
	★★★★★	3.5	★★★★★	3.7
	★★★★★	3.5	★★★★★	3.8
	★★★★★	3.5	★★★★★	4.0
	★★★★	3.0	★★★★★	3.8
	★★★	2.5	★★★★★	3.4
	★★	2.0	★★★★★	3.7
	★★	2.0	★★★★★	3.9



# 1. DELIVER CUSTOMER CENTRIC PROPOSITIONS

Extending digital UK market leadership



## 2. TRANSFORM CUSTOMER JOURNEYS END-TO-END

Triple win - improve customer experience, achieve cost efficiencies and lower conduct risk



### Example journey to transform



Help me to buy a home



Help me to set up an account for everyday needs



Help me to set up a new business banking account



Help me to get my property back to normal

### Transform customer experience

- Contextual, anytime, anywhere **self-service**
- **Seamless across channels, fewer errors**
- **Straight-through** fulfilment

+

### Improve efficiency

- **15-35%** reduction in end to end costs<sup>(1)</sup>
- Consolidation and **rationalisation of back-office**

<sup>(1)</sup> For the top ten journeys to be digitised over the next three years.

## 2. TRANSFORM CUSTOMER JOURNEYS END-TO-END

Early transformation delivery includes a new digital Agreement in Principle (AIP) process

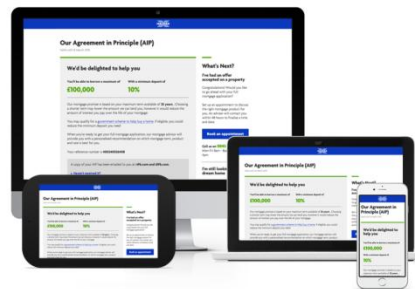


### What we delivered

- An online tool that allows customers to apply for an **instant mortgage lending decision online**
- The first AIP was successfully completed on the 2nd of February **in less than 12 minutes**
- Currently AIP is in pilot form and mass market roll out is **planned for May 2015**

### Customer impact

	From	To
<b>Decision time</b>	<b>2 days</b>	<b>Real time</b>
<b>Process time</b>	<b>30 mins</b>	<b>10 mins</b>
<b>Number of questions</b>	<b>90</b>	<b>40</b>
<b>Delivery cycle</b>	<b>15 months</b>	<b>4 months</b>






## 2. TRANSFORM CUSTOMER JOURNEYS END-TO-END

Commercial banking onboarding transformation blueprint will enhance customer experience, and deliver significant efficiencies



### Potential Improvement

<b>Client experience</b>	<ul style="list-style-type: none"><li>• Average time to onboard</li><li>• No. of data points required</li><li>• No. of interactions for data gathering</li><li>• No. of fields to be keyed in</li></ul>	 40%
<b>Support operation</b>	<ul style="list-style-type: none"><li>• No. of teams involved</li></ul>	 50%
<b>Streamlined process &amp; policies</b>	<ul style="list-style-type: none"><li>• Cost/CM&amp;P onboarding</li></ul>	 30%
<b>Digital enablement</b>	<ul style="list-style-type: none"><li>• Documentation</li></ul>	<div style="border: 1px solid green; padding: 5px; display: inline-block;">Paperless</div>

# 3. ENHANCING OUR DIGITAL CAPABILITIES AND DELIVERY

Building capabilities for a digital future



## Enhancing our digital capabilities

### Customers and Clients



### Digital gateway

- Customer-led propositions and innovation
- Insight-led, single customer view, personalised
- Anytime, anywhere, multi channel delivery
- Resilient and secure platform at scale

**LBG Group Digital capabilities**

## Digital outcomes

**Transforming customer / client relationships and service**



**Greater customer insight**



**More efficient and effective delivery**

### 3. ENHANCING OUR DIGITAL CAPABILITIES AND DELIVERY

Up-skilling the organisation through internal and external digital and innovation activities



 A hand with fingers spread, interacting with a network of icons representing people and devices.	<b>Customer connectivity/ experience</b>	 A perspective view of a tunnel made of glowing blue data points and lines.	<b>Data, analytics and marketing</b>
 A central circle surrounded by smaller circles containing icons for various digital channels like social media, mobile, and email.	<b>Efficient multi- channel platform</b>	 The 'JAM' logo with 'INNOVATION' above and 'BY DIGITAL TO BRANCH' below, featuring a stylized atom symbol.	<b>Innovation skills and culture</b>
 The 'startup bootcamp' logo, with 'startup' in green and 'bootcamp' in blue, next to a blue icon of a hand holding a network of nodes.		<b>Partnerships</b>	

# SUMMARY

Digital is at the heart of our ambition to become the best bank for our customers and shareholders while supporting the UK economic recovery



- **The Group has a clear digital strategic focus and a differentiated multi-channel business model**
- **Our strategic plan will deliver simple efficient solutions leading to improved fundamentals**
- **Promising start to the new strategic period with solid customer centric deliveries**
- **Well positioned for further progress in 2015**

## Best bank for customers

- **Delivering the best customer experience**

## Best bank for shareholders

- **Delivering strong and sustainable returns**

## Helping Britain Prosper

- **Supporting and benefiting from UK economic recovery**



## FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy and plans of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the potential for one or more countries to exit the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; pandemic, natural and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of further Scottish devolution; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities in the UK, the European Union (EU), the US or elsewhere including the implementation of key legislation and regulation; the ability to attract and retain senior management and other employees; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU State Aid obligations; the provision of banking operations services to TSB Banking Group plc; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and exposure to regulatory or competition scrutiny, legal proceedings, regulatory or competition investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. 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 Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements.

## BASIS OF PRESENTATION

The results of the Group and its business are presented in this presentation on a underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out on the inside front cover of the Q1 2015 Interim Management Statement