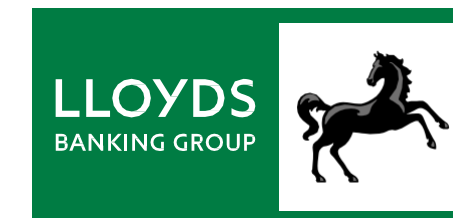




Deepen and innovate in Consumer

Lloyds Banking Group
5 October 2023

Welcome and introduction



Today's presenters



Charlie Nunn
Group Chief Executive



Jayne Opperman
CEO, Consumer Relationships



Jas Singh
CEO, Consumer Lending

Agenda

- 1 Introduction**
- 2 Business updates**
- 3 Summary and Q&A**

Executing on our priorities; clear plans for future delivery



Purpose

**Helping
Britain
Prosper**

- **Leading Consumer franchise**, supported by significant scale, breadth and strong customer engagement across all channels
- **Delivering on our purpose**, supporting customers through uncertain environment
- **Well positioned** to manage near-term competitive dynamics; **investing for growth** across strategic initiatives
- **On track to deliver** targeted Consumer outcomes, supporting **material contribution** to Group revenue and cost targets

Clear strategy for the Group delivering higher, more sustainable value



Our vision

UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale

Our priorities



Grow

Drive revenue growth and diversification



Focus

Strengthen cost and capital efficiency



Change

Maximise the potential of people, technology and data

Higher, more sustainable value

Higher, more sustainable, returns

c.13% RoTE in 2024

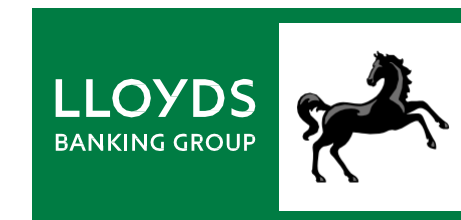
>15% RoTE in 2026

Strong capital generation

c.175bps capital generation in 2024

>200bps capital generation in 2026

Consumer business in context



Significant scale and reach

Largest UK bank

26m

Active customers

Digital leader

21m

Digitally active customers

Extensive physical offering

#1

Largest distribution network

A trusted brand portfolio



Key contributor to Group¹

Key income lever

62%

H1 23 income contribution²

Largest profit contributor

62%

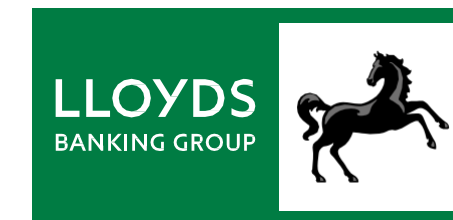
H1 23 PBT contribution

Balance sheet scale

80%

H1 23 L&A contribution³

Deepen and innovate in Consumer



- 1
Deepen and innovate in Consumer
- 2
Create a new mass affluent offering
- 3
Digitise and diversify our SME business
- 4
Target our Corporate & Institutional offering

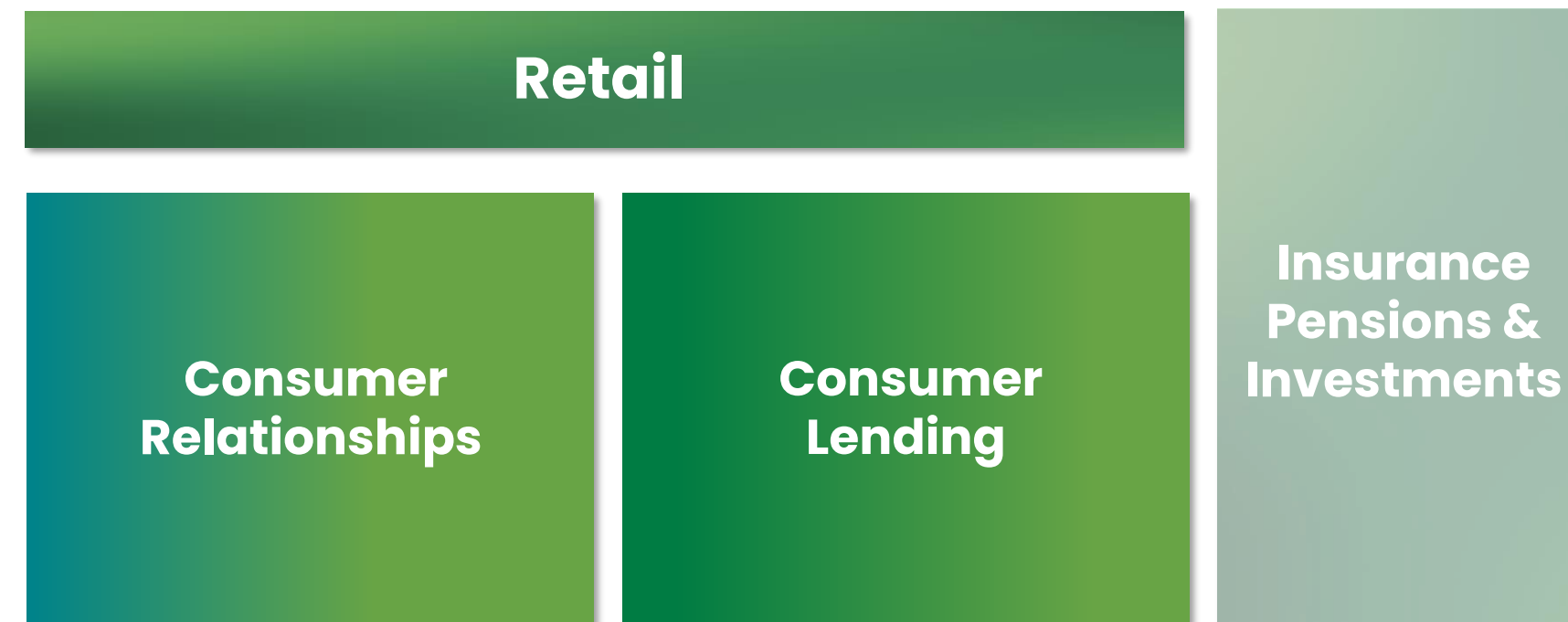


Reporting division

Business units

Product

Investment in growth



← Delivering a connected model to meet all consumer financial needs →

PCAs
Savings

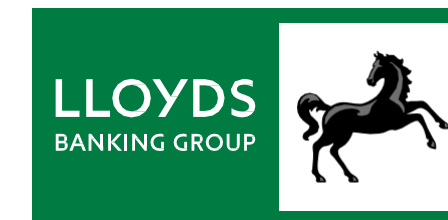
Mortgages
Motor finance
Credit cards
Personal loans
Embedded finance

Home insurance
Protection
Pension savings
Investments
Retirement

c.30% of 2022-2024 investment spend¹

1 – Does not include Consumer’s contribution to ‘Enabler’ initiatives or Tusker acquisition costs.

Confident in financial outlook



Effectively managing competitive dynamics across core markets

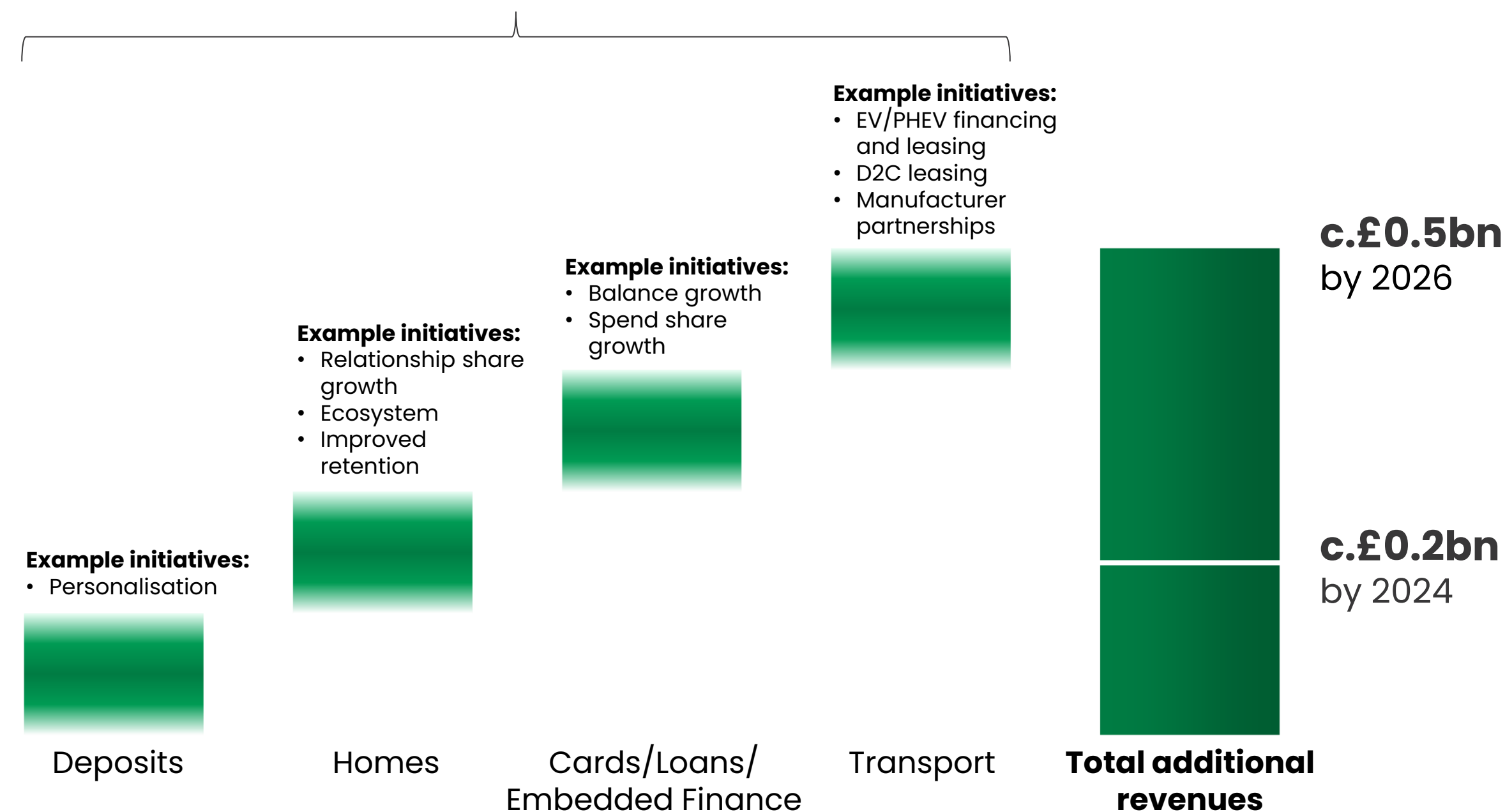
Contributing c.30% towards £1.5bn additional revenues by 2026
 £0.2bn by 2024, £0.5bn by 2026

Contributing c.40% towards £1.2bn gross cost savings by 2024
 £0.5bn by 2024

Maintaining strong risk appetite

Additional revenues from Consumer strategic initiatives, 2026¹

Increasing depth of relationship to drive higher revenue



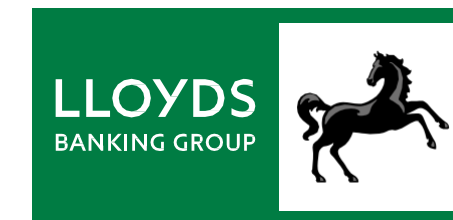


Business updates

Jayne Opperman

CEO, Consumer Relationships

Consumer Relationships overview



Outstanding franchise

£306bn

Consumer deposits (as at H1 2023)

21m

Digitally active customers; largest UK digital bank

#1

Largest physical footprint in the UK

69

All-channel NPS; leading customer engagement across trusted brands

Presentation focus areas

Targeted deposit strategy

Revitalising customer value propositions

Enabling mobile-first distribution

Growing depth of relationship

Strong deposit franchise supporting broader relationships



Broad deposit offering

Market shares¹

24%

Personal Current Account (PCA) balances

15%

Savings balances

17%

Total consumer deposit balances



Deposits are a core anchor product



Foundation for broader relationships

c.9m customers hold both PCA and Savings products

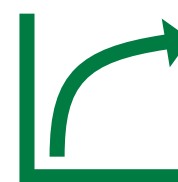
PCA-led relationships twice as likely to take out at least one additional product with same brand²



Unique data asset

>5bn mobile app annual logons

34m daily customer transactions



Structural hedge enabler

Supports structural hedge profile, building sustainable earnings

Clear deposit strategy delivering in changing environment



Approach

Focused on retention and relationship building, actively balancing **value** and **liquidity** dynamics

Differentiators

Continued investment in **broad** and **varied** deposit offering

Focused on **proposition developments**, including lifestyle rewards and targeted benefits

Channel and **brand** strength provides pricing optionality

Investing in data to improve analytics and increase agility

Responding to the changing environment

Recaptured PCA balance outflows through **savings inflows**

c.2pp lower deposit outflows across Consumer balances in H1 versus peers

Launched new limited-withdrawal product, attracting **c.£10bn** balances in under 1 year

Doubled size of fixed rate book in 2023

Contacted **>15m** savings customers YTD

Targeting our offering to grow in valuable segments



Vision

Customer-led, holistic, end-to-end offerings focused on key life stages

Opportunity

c.2pp lower market share in valuable segments¹

Targeting valuable segments across key customer life stages

Building new ecosystems

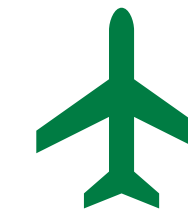
Learners	Future higher-value relationships
Independent earners	c.60% of new to bank PCAs are under-30
Families & households	c.10 financial needs across multiple providers, c.30% above UK average ²
Later life	Hold c.60% of UK savings ³



Homes

Example customer needs

Help me buy my home
Help me retrofit my home



Travel

Help me pay for my holiday
Help me book a flight



Transport

Help me buy a car
Help me arrange insurance

Opportunity

Deepening and growing relationships in valuable segments, with increasing other income opportunities

Case study: Families & Households



A valuable segment

>25% Higher personal income than other segments

>40% Higher combined deposit and mortgage balances than other segments



Clear growth potential

c.70% Proportion of financial needs met by other providers

Delivering a more targeted offering that meets the needs of customers

Simplifying household finances

Rolling out new tools to simplify managing **joint** and **household finances** e.g. bill splitting, simple payments journeys

Enabling progress towards **household financial goals**

Helping children understand money and build good habits through extension of **Smart Start**

Rewarding everyday banking

Developing new **signature reward proposition**

Building exciting portfolio of **lifestyle rewards** e.g. Disney+

Meeting more needs for homeowners, e.g. retrofitting, **extending beyond financial services**

Developing attractive, personalised **insurance offering**

ODEON



octopusenergy

Mobile leader, with opportunity to transform engagement



Largest UK digital bank

21m

Digitally active customers

18m

Mobile app users

Rapidly expanding user base with **c.10%** digitally active customer CAGR since 2021

High trust and satisfaction

68

Mobile app NPS¹

4.8

Mobile app user rating²

Highly engaged customers, supporting deeper relationships

Broad offering, personalised insights

#1

Broadest product range via digital channels

15m

Customers registered for personalised marketing

Leading digital sales capability across European banks, recognised by industry benchmarks³

Delivering value

+60%

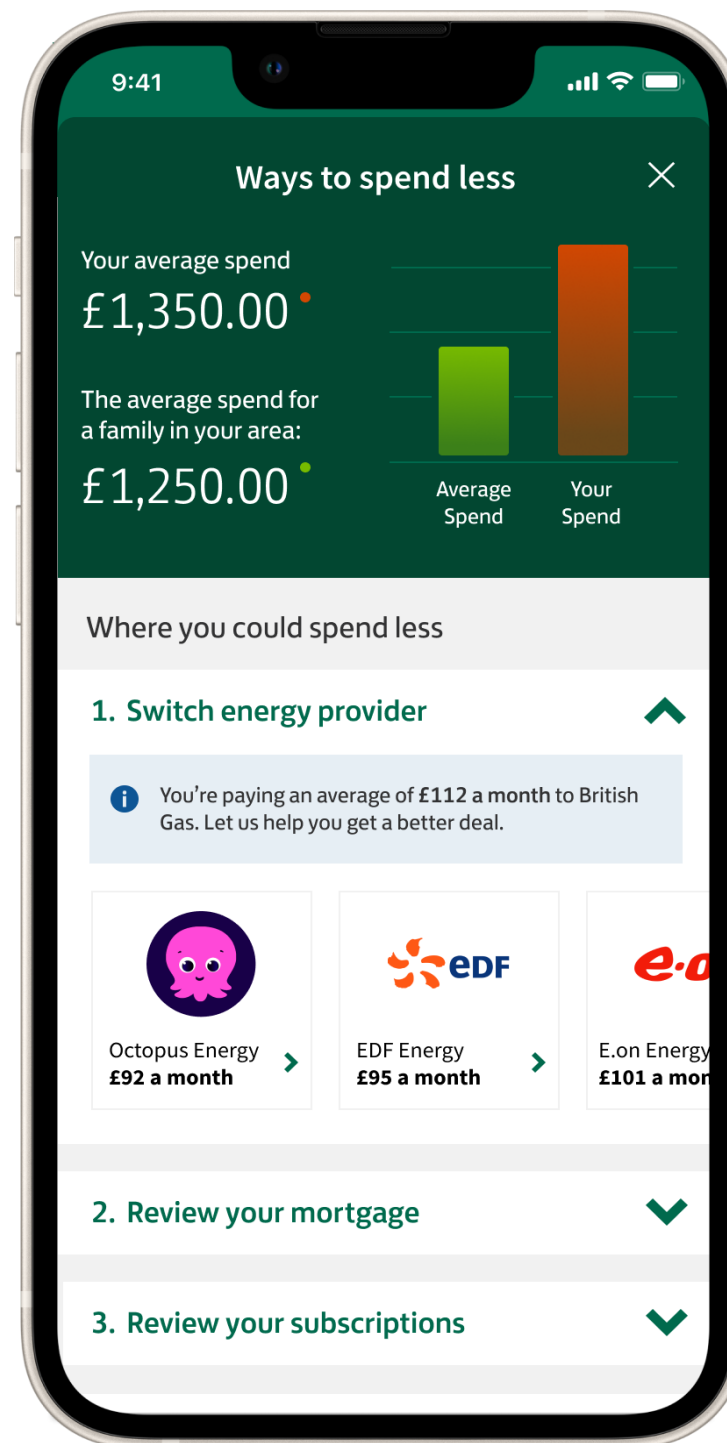
Growth in mobile app product openings YoY

c.7%

Reduction in calls from digital users since 2021

Increasing income contribution with more **cost-efficient servicing**

Enhanced mobile app to launch in 2024



Comprehensive product offering

Serving all needs in one place, including insurance and investments

Simplified navigation with transformed onboarding

Improved customer journeys to reduce friction points

Enhanced design with customisable experiences

Strengthening customer engagement with improved relevance

Increased personalisation and prompts

Meeting more customer needs with greater efficiency

Connected, conversational insights and tools

Improving customers' financial awareness

Opportunity

Combining unique user experiences with broadest offering to transform engagement and deepen relationships

Adapting our physical footprint



Physical presence retains value

c.50% Customers who used a branch in last 12 months¹

c.10% Customers who only use branches

Evolving customer behaviours

c.30% Digital only customers²

+30% YTD increase in digitally originated needs met

1 – Primary active customers. 2 – Last 12 months. c.50% over last 3 months. 3 – Compared to average full-service branch

Trialling new branch formats to maximise efficiency and engagement



Branch co-servicing – Launched in 2021

Increasing customer access through co-servicing e.g. Post Office Hubs
Scope to extend to own brand sites
c.25% of branch network shares same location



Kiosks – Trial expected to launch in 2024

Reducing set-up and closure costs, providing flexibility to meet demand
Investing in meeting more complex needs e.g. mortgages, protection



Community Banker – Launched in October 2022

Providing targeted support to communities with reduced presence
Minimal cost impact given utilisation of existing branch colleagues

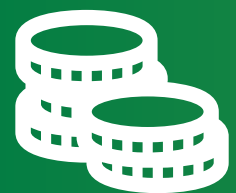
Opportunity

**Extending use of alternative formats with
>80% lower cost-to-serve³**

Deepening consumer relationships



Clear priorities...



Maintaining strong deposit franchise as foundation for Group relationships



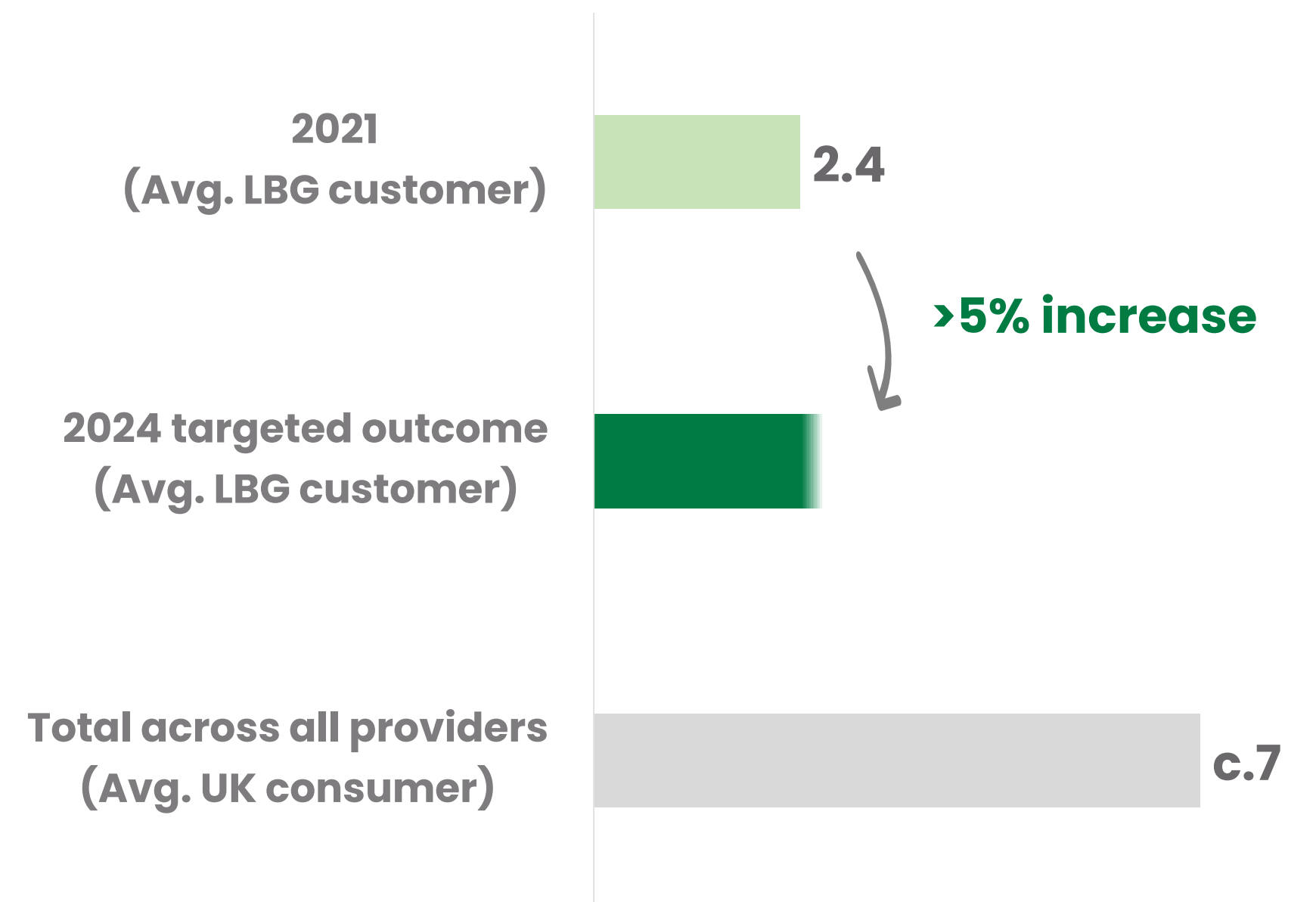
Meeting lifecycle customer needs across high-value, targeted segments



Building on digital strengths to transform experience and personalisation

...supporting increasing depth of relationship

Customer financial needs met¹



¹ – Customer financial needs defined by average product holdings.

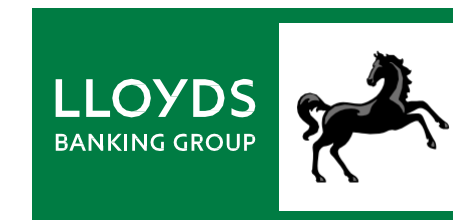


Business updates

Jas Singh

CEO, Consumer Lending

Consumer Lending overview



Outstanding franchise

£362bn

Consumer loans (as at H1 2023)

c.20%

Average market share¹

#1

UK provider of mortgages, credit cards, personal loans, vehicle financing and leasing

c.£10bn

Green consumer lending since end-2021²

Presentation focus areas

Broadening our Homes offering

Transforming affordability and building engagement in loans and cards

Building presence in embedded finance

Expanding our transport offering

1 – Stock average across mortgages, credit cards, personal loans and transport (Black Horse only). 2 – Green mortgage lending and EV/PHEV financing and leasing.

Resilient mortgage business, with long-term strategy



Approach

Adopt long-term view, focused on delivering **accretive returns** and **supporting customers**

Differentiators

Broad proposition, growing in **high-value segments**

Deepening relationships and **integrating products**

Improving retention through broader **Homes ecosystem**

Optimising broker channels; market leading NPS of **89**

Enhancing **sustainability offering**

Responding to the changing environment

Sharp increase in rates; **arrears broadly stable** across our book

Carefully managing value and volume trade-off

Focus on **retention of customers** given reduced new business

Margin delta from high-yield maturities **reduces over time**

Delivering **attractive returns** and **market leadership** with **high-quality, diversified book**

Mobile-first mortgage onboarding journey



Seamless customer journey, improving experience and engagement



Digitally-led user experience...

Digital journey from the point of confirming intent

Intuitive and **simple** journey



...seamless transition to mortgage advisor...

Mortgage advisor **interview arranged through app**

Improved platform enhances conversation with advisor



...integrates related products & proposition

Early introduction to **protection** products

Insurance calculators to aid budget planning

Delivering value

c.15k

Daily users of digital tools

+5pp

Increase in protection take-up rate

+4pp

Increase in relationship mortgage share¹

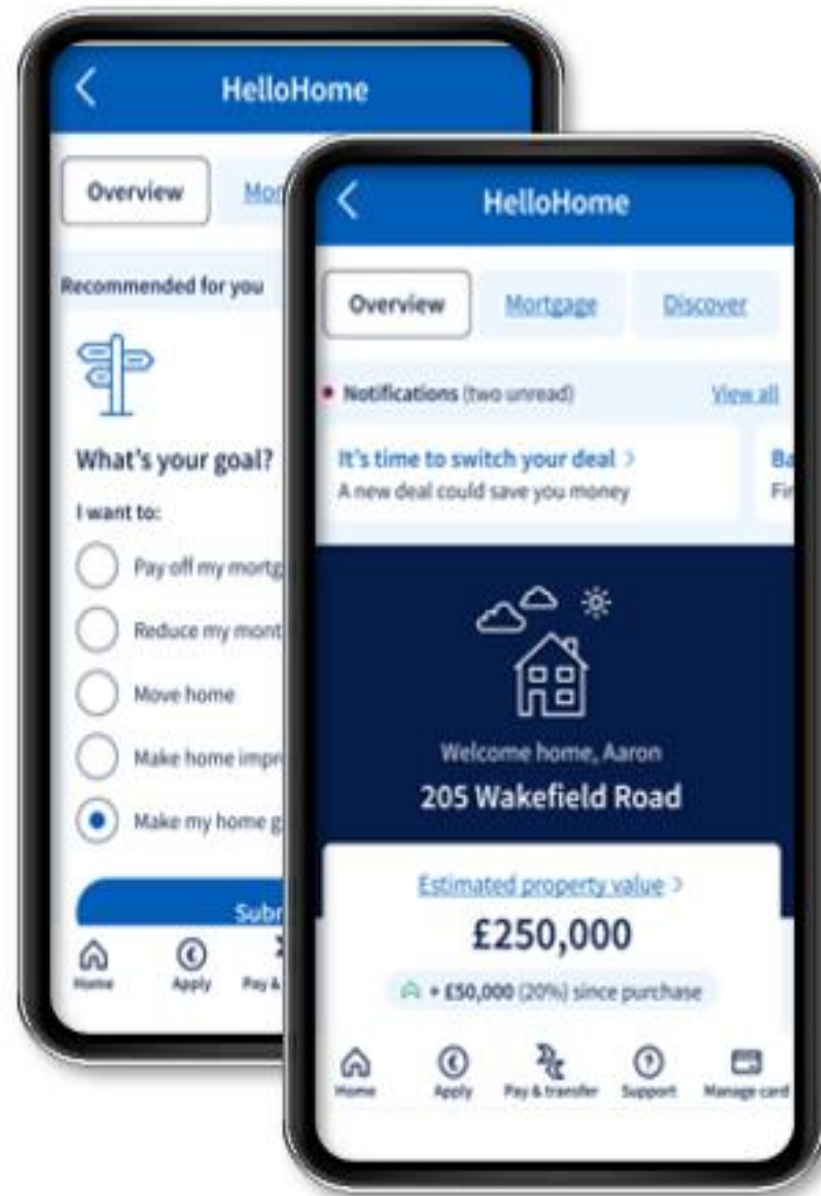
Opportunity

Differentiating proposition to capture flows through relationship channel and increase connectivity with wider Group offering

Richer proposition through our Homes ecosystem



Personalised and comprehensive mobile-first hub



A market leading one-stop-shop...

Includes **mortgages**, **protection** and **additional finance**
Integrates **partnerships** such as home retrofitting to meet broader set of customer needs



...driving improved engagement and retention...

Personalised content and tools with **best-in-class** experience



...with scope for continued development

Continuous evolution, adding **functionality** and **partnerships**
Expectation for continued **increase in active user base**

Delivering value

>200k

Unique visits to the Homes ecosystem per month



10%

Residential refinancing through Homes ecosystem

c.£0.7bn

Incremental refinancing balances retained¹

Opportunity

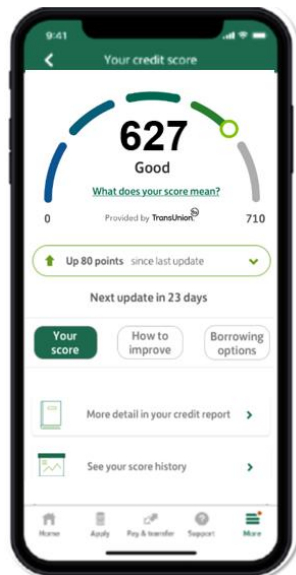
Building engagement with both relationship and intermediary customers, supporting retention and unlocking other income opportunities

Transforming affordability to deepen relationships



Improving engagement and enhancing risk decisioning, within existing appetite

Your Credit Score



Primary engagement tool for credit worthiness

Enhanced data allows for **better understanding** of customers

8m registered customers since launch

Helped **>500k** customers improve their **credit score**

Delivering value

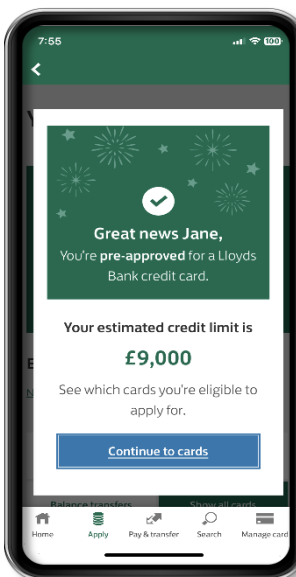
c.60%

Customers login regularly; industry-leading engagement

+10pp

Increase in loans conversion rate¹

Pre-approval



Providing **earlier and improved certainty** for consumers

Customers only offered **products in-line with eligibility**

Providing **greater transparency** for LBG and consumers

Delivering **frictionless** buying experience

Delivering value

70k

Incremental needs met p.a.

1 – Increase in loans conversion following sharing of income and expenditure data.

Growing demand across loans and cards



Improving pipeline

c.10%

Loan demand generated through Your Credit Score

>80%

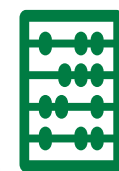
Franchise pre-approval in 3rd party channels (from c.20%¹)

Driving growth

Unsecured personal loans

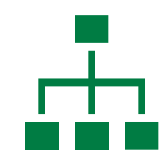


Launched **open market unsecured loans**, now **19% share** of new business



Leveraging **enhanced data capability** to personalise customer experience

Credit cards



Range of **affluent propositions** and more **personalised products**



Customer incentives to increase **front of wallet presence**

>1pp

Increase in market share²

7%

Growth in balances YTD

c.1pp

Increase in spend share³

c.10%

YoY growth in card spend



Opportunity

Broadening and deepening propositions to grow share and balances

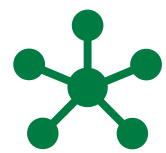
Significant opportunity in embedded finance



What is embedded finance?



Enables access to financial products at **point-of-need** in non-financial journeys



Full span of financial services, most commonly payments, lending and insurance



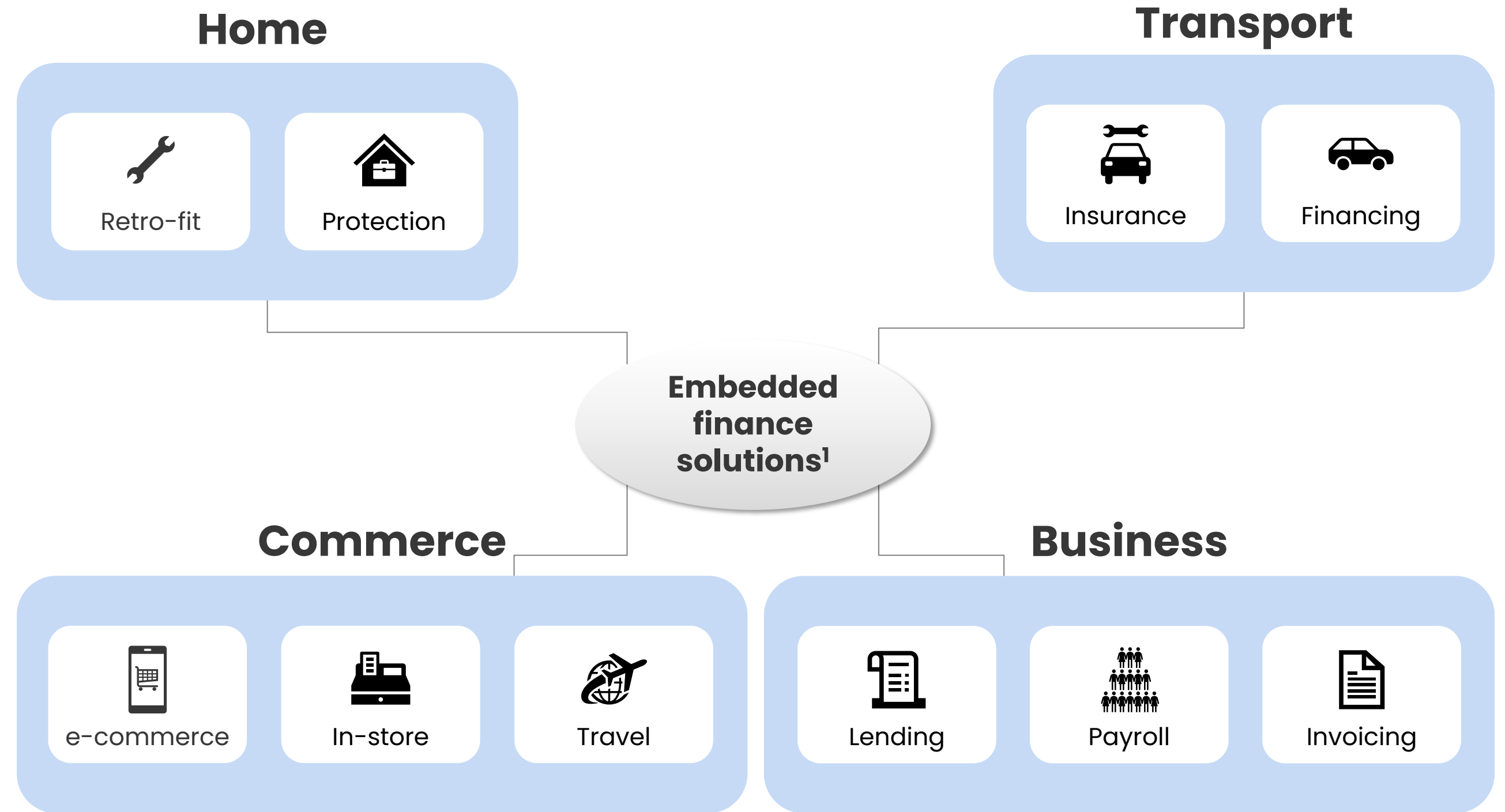
Forecast growth of >20% CAGR, taking an **increasing share** of consumer credit market



Potential to become **significant UK revenue pool**



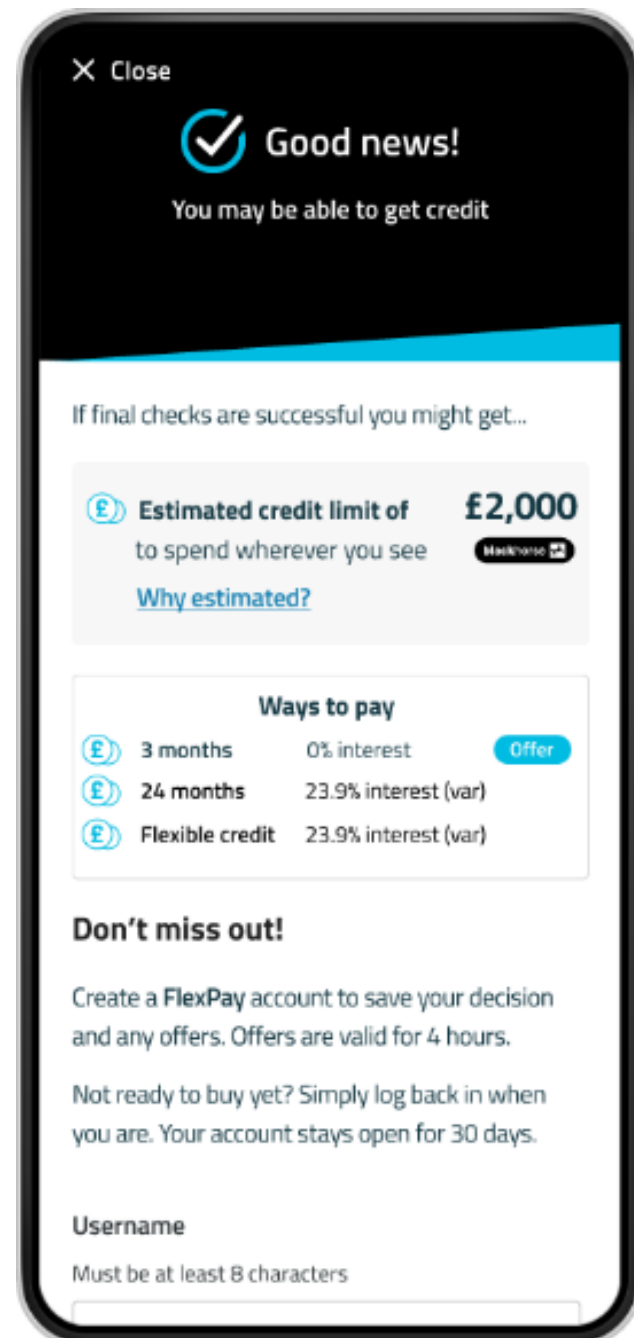
Broad range of solutions exist across the market



Building our embedded finance e-commerce proposition



Instalment solution for customers and merchants



Innovative technology, seamless proposition...

Instalment lending at **point-of-sale**

Sign-up once and use across ecosystem of retailers

Technology partnership with **dual lending solution**



...utilising our extensive merchant network...

Offered to **LBG commercial merchants**

Includes **self-service portal** and tech support



...launching in 2024, with significant growth potential

Opportunity to **learn, evolve** and **scale**

Best in class proposition

Unique dual lending technology, ensuring unchanged risk appetite

High customer coverage expected, with LBG lending only to **prime customers**

Third-party partner will finance near-prime lending

Customer registration builds **data asset** and **improves decisioning**

Opportunity

Future-proofing our consumer credit business and accessing new revenue pools

Leading, profitable and growing motor franchise



Significant scale

#1 UK vehicle financing and leasing provider

>1m Vehicles currently financed or leased

SUZUKI
JLR Manufacturer partnerships with strong brands

1 in 8 Low emission vehicles registered financed or leased through LBG

Comprehensive, complementary offering with broad coverage

blackhorse 

Personal vehicle financing through network of dealers

c.14% market share²

LEX AUTOLEASE 

Vehicle leasing for businesses and consumers, including new D2C offering

c.18% market share²

Tusker.

Salary sacrifice car schemes for ULEVs¹

c.20% market share²

Well positioned to support net zero transition opportunity

50%

Clear climate targets
Targeted reduction in emission intensity of LBG financed & leased vehicles by 2030³

c.40%

Growing demand
Increase in UK ULEV new car registrations YTD⁴

c.£8bn

Targeted growth
LBG financing and leasing for EV/PHEV by 2024

Tusker is well positioned for growth



A strong and growing business...

32k Fleet size (up c.55% YoY)

1.6m Employees served by **1.6k business customers** (up c.45% YoY)

c.70% Contract renewal rate (up c.20% YoY)

c.90% Proportion of order book that is ULEV

...with compelling case for ongoing success



Growing eligibility for salary sacrifice schemes; **c.14m employees** in serviceable market



Preferred provider for **9 of 10 most prominent employee benefit providers**



Meeting customer needs for simplicity with **comprehensive, all-inclusive subscription**



Benefitting from LBG **scale** and **synergies** and helping commercial clients **transition to net zero**

Opportunity

Highly complementary acquisition, with strong return on investment and adding to wider transport business growth potential



Summary

Executing on our priorities; clear plans for future delivery



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Britain
Prosper**

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Q&A

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