LLOYDS BANKING GROUP PLC– DIGITAL AND AI INVESTOR SEMINAR TRANSCRIPT
(amended in places to improve readability only)

Thursday 6 November 2025 – 1pm

LBG:
Charlie Nunn, Group Chief Executive
Ron van Kemenade, Group Chief Operating Officer
Douglas Radcliffe, Group Investor Relations Director (Moderator)

Charlie Nunn:
Good afternoon, everyone, and thank you for joining us today. Having previously covered our growth priorities across our business units, I'm delighted to welcome you to the final investor seminar in this strategic phase focusing on digital and AI, a very topical subject. These capabilities cover the full breadth of the organisation and act as a critical underpin to our strategy. It's an area that myself, the Board, and the rest of the management team have been extremely focused on over the last four years. And I was proud to see yesterday that our excellent progress has been recognised in Euromoney's latest assessment of digital banks where we ranked within the top 20 globally out of a sample of more than 300 banks. I'm excited to be able to share with you some of the actions we've taken since 2021, as well as giving you an insight as to how we're thinking about future opportunities. I'm joined today by Ron van Kemenade, our Chief Operating Officer. As in previous sessions, I'll provide a brief overview before handing over. As always following the presentations, we'll have plenty of time for Q&A. Let me start on slide four.

Slide 4 – Innovating at scale to unlock value
We're going to cover a number of topics as part of today's presentation, but the key messages that I'd like you to take away are as follows.

Firstly, we're a digital and AI leader today and have distinct competitive advantages that will provide the foundations for long-term leadership.

Secondly, since 2021, we've taken decisive action to enhance our infrastructure and underlying capabilities to enable change. The ongoing progress here creates a platform for innovating at scale both today and in the future.

Thirdly, as a result of this change, we're now delivering leading propositions and extending our digital capabilities right across the Group for the benefit of both customers and colleagues.

Fourthly, we're extending our leadership position into new and emerging technologies and we feel well-placed to succeed in a period of potentially transformational change for the industry. Taken together, these actions are delivering significant value for the Group today, both in terms of driving revenue growth and improving efficiency. We see scope for this to accelerate meaningfully in future periods.

On slide five, I'll provide an overview of our strong foundations.

Slide 5 – Building on distinct competitive advantages
With 23 million digitally active users and over 21 million of these also using our mobile app, we are the largest Fintech in the UK, but we're also much more than that. Our scale drives unrivalled engagement with nearly 7 billion annual logons. It's also helped create a unique data asset with the Group processing one in four card transactions every year, equating to nearly £330 billion pounds of annual spend. Given we have relationships with over 50% of the UK adult population and more than 1 million businesses, nobody is better placed within financial services to understand their needs. As you'll hear shortly, we're unlocking more value from our data today and believe this will be one of growing importance into the future. On top of this, we have long since recognised that we must invest to be at the forefront of change, building strong AI foundations that will equip us with the necessary capabilities to continue to innovate at pace and deliver for our customers. Whilst others may be able to demonstrate strengths across some of these areas, it is the combination of scale, engagement, data, and capability that we believe provides us with a distinctive competitive advantage, reinforced by our strategic priorities.

Turning now then to our strategy on slide six.

Slide 6 – **Significant progress to date, executing on a clear journey**
When we presented our strategy in February 2022, we acknowledged that despite strong foundations, there was a significant opportunity to unlock the Group's full potential. From a digital perspective, we had scale, but like all large financial services firms, we had a complex technology estate in need of modernization, which limited opportunities to truly innovate and deliver at pace for the benefit of our customers. Our strategic priorities have been focused on addressing these challenges and we've made great progress. We've further extended our scale leadership position, but have shifted the digital channel from one of purely servicing to one of engagement too.

This has been supported by modernising our technology estate in the areas that are most important to effectively compete. This means we can significantly increase the pace of innovation and extract more value from the unique data asset, unlocking new growth opportunities for the Group. As our legacy becomes less of a headwind, we've also been able to shift our investment toward building future capability. New and emerging technologies such as agentic AI and digital assets have the potential to significantly shape the future of our industry, reimagining customer outcomes. We're taking proactive action to be at the forefront of this change, cementing our status as the UK's digital and AI leader.

On slide seven, I'll highlight how digital and AI leadership delivers clear financial benefits.

Slide 7 – **Driving significant value now and for the future**
The actions that we've taken during this strategic cycle are creating significant value for shareholders today. Innovative propositions and enhanced experiences are deepening customer relationships and driving revenue growth through both existing and new streams. In addition to supporting our ongoing franchise growth, the benefits of our investment in specific digital and AI initiatives will contribute more than 70% to our strategic revenues target in 2026.

At the same time, we're driving efficiency gains across the Group, lowering cost to serve and delivering a more agile organisation with a more flexible cost base. More than 60% of the circa £1.5 billion pounds of cost savings realised to date are directly attributable to our digital and AI initiatives. This is great progress and a sizeable contribution, but encouragingly we see additional upside beyond the current plan. Our commitment to investing in new and emerging technologies has the potential to unlock further value, improving operating leverage through new revenue growth opportunities, drastically reduced acquisition and servicing costs, and a step change in productivity. We'll discuss some of these areas today and you will of course hear more about these benefits when we update you on our strategy in 2026.

Before handing over, I'll briefly introduce you to Ron on slide eight.

Slide 8 – **Introduction to Ron van Kemenade**
To deliver such a significant transformation, it was critical to put in place the right leadership. I was therefore delighted that Ron agreed to join the Group in 2023, bringing a proven track record of leading major technology transformations. Ron has a clear understanding of what makes companies best in class and is able to keep us honest throughout the journey, as you'll hear, as well as providing the necessary expertise and the leadership to drive the change. Ron has a broad remit at the Group bringing together multiple areas to deliver a technology centre of excellence. His teams are a key enabler to our strategic growth priorities with connectivity to our customer facing business units established through integrated CIOs to help foster innovation. I'll return briefly at the end to explain why I'm so excited about the opportunity that new and emerging technologies present for the Group. But for now, let me hand over to Ron to talk you through the journey we're on.

Ron van Kemenade: Slide 10 – **Overview**
Thank you, Charlie. Well, after such an introduction, I can probably only disappoint you.

Let me talk you through indeed our digital and AI strategy. And if you can't pay attention for all 12 slides, just remember three things. When I joined, like Charlie said, mid 2023, neither Charlie nor Robin Budenberg made it a secret that there was a lot of work to do, addressing ways of working, people, technology, the legacy estate. But at the same time, they did convince me with the opportunity because it's an honour to be the technology, data, the Group COO leader of a bank that is the largest financial institution in the UK, having impact, like Charlie said, on half of the households with 30% of every payment processed in this country. There is a huge opportunity to become the biggest Fintech of the UK. That convinced me, and now two and a half years into the journey, I can confidently say that we are effectively addressing our past, that we are delivering on our strategic objectives of the Grow, Focus, and Change strategy to '26, and then we are laying a solid foundation for innovation and base in the future.

And let me elaborate on those things in the succeeding slides.

Slide 11 – **Modernising infrastructure to create a platform for innovation…**
Let's start at the beginning. There was obviously a legacy landscape. All banks have legacy, we as well. It's a matter of how you address it. And dealing with modernization of your infrastructure is critical to lay a foundation for pace, for cost-effectiveness, and for innovation for the future. And we are making good progress. On the lowest layer of the stack, we are consolidating our data centre footprint from eighteen in '21 now down to nine, and by the end of '27, we'll reside most of our tech landscape into hyper-modern, scalable data centres next to our public cloud usage.

Secondly, if you look at our application landscape, we are simplifying hugely, having taken out 20% of all the applications by pure decommissioning. And at the same time, of the remaining landscape, we have modernised half of it, bringing us to a point where legacy is not in the way of pace nor innovation anymore. You could say, 'well, Ron, there is still 40% left', and you're right, but we consciously chose three major platforms that we believe are crucial to deliver more value at pace for our customers and colleagues. First one being our digital platform, enabling our digital channels. Secondly, our data platform so we can unlock the value, as Charlie said, of our rich wealth of data. And thirdly, our co-banking platform which unlocks new products for our customers.

Slide 12 – **…whilst investing in our people to create enduring benefits**
Second part of our transformation is of course about people. And arguably this is the most important part, one I'm extremely passionate about. We have decided we want to build a workforce of highly engaged, highly motivated, purpose-driven, and above all highly skilled engineers in data, in cybersecurity, in AI, and in tech. And in doing so, we are recognised in the market. We are able to attract top talent from recognised tech companies, from Amazon, from Google, and you've seen the announcements of recent appointments of our Head of AI, our CIO for the Commercial bank as good examples.

Secondly, we have hired over 900 graduates, people coming in fresh from university with a new mindset who are, I would say, born with technology, to whom a mobile app or AI is just something that they have grown up with. And we have hired over 8,000 engineers over the past four years, effectively changing the ratio from 30% permanent workers to 60%, on our way to make it 80% by the end of next year. Again, a workforce that is committed by signing up as an employee for Lloyds, people who know our purpose, who live the experience of our services every day, either working in the UK or in India.

Slide 13 – **Resetting change through our Platform operating model**
Third part of our transformation is the way we work. And we have effectively moved all of our change and run activities into a platform model. And you've heard words like platform, maybe you've heard of words like tribes in my previous employer. It's one and the same. We combine people from technology and business into one organisation that fully own run and change, that are joined up by one backlog that is fully product driven to deliver value, that share the same objectives, where the business is leading on what we are supposed to do to deliver on our strategy, and the tech people worry about how to deliver this. And a very good example what benefits this delivers, this platform model, is the recent introduction of a new personal current account for our mass affluent customers called the Premier account.

And arguably, a personal current account is one of the most complex products to introduce in a bank. It is connected to literally everything, to the lending domain for overdrafts to payments obviously to the customer wellbeing or arrears management platform, your channels - both colleague channels as well as digital. It ships data to marketing, risk and finance. So it's probably the most connected product. And we delivered a fully new proposition just within five months where if we look back to previous introductions, this would've taken us arguably in between 12 and 18 months. And I think 12 is on the more optimistic side of the spectrum.

And next to the pace, the platform model does help us reduce the cost to deliver. In gross savings, we have saved over £300 million annually so far, which if reinvested, adds only to additional capacity to further accelerate our change.

Slide 14 – Providing leading experience within the mobile app…
Now, this is the effort, this is what we have done. The question is what does that actually deliver for our customers? And let's look at our mobile app. And Charlie already alluded to this, highly recognised by Euromoney in the benchmark.

I think we're up in the right quadrant at somewhere number five, six, or seven - close to ING by the way. That's no coincidence. Yeah, it's slightly ahead, Charlie, that's what you get. So it is arguably our most important channel, that's why it's so relevant to look at the impact there. In terms of engagement, we are now driving over 30 million fully personalised engagements a day, just imagine that, by sending out 20 million notifications that customers react to.

In terms of sales, the channel share for sales has gone up 20 percentage points from 55% in '21, to now over 75% of all of our product sales go through the mobile app, which is a huge impact. And in terms of our impact for customers, we are now embedding AI, which makes their interaction with the mobile app even more engaging. It feels more natural because you can simply talk and it feels you talk to a person that gives you relevant answers, which is arguably a more intuitive and natural way of interaction than just clicking on buttons, going through forms and dialogues.

Now, let me give you one example that I'm really proud of.

Slide 15 – …supported by frictionless customer journeys
In only eight weeks, or we express this in sprints of two weeks, but let's say for normal people eight weeks, we fully redefined our onboarding for new customers. So from downloading the app, to having a personal account that is actually reachable, you can fund it and you can withdraw money, you have your card in your wallet, your virtual card in literally seven minutes. Just imagine, if you would start this onboarding right now, which I'm sure you will all do, you're eager to open an account with Lloyds I'm sure, you would be done before I'm actually done with my presentation, and this is on par level with our competitors in the market, in particular the neobanks. And the impact of this, again, for the bank, the value is huge. Where only two years ago, 20% of all the personal current accounts openings were done through the mobile app, that has increased to 90% today and still counting.

So where we talked about the impact on just one channel, the mobile app, the question obviously is do all these investments actually scale? Is there leverage to it? And the answer is 'yes'. And let me talk you through this in three ways.

Slide 16 – Extending capabilities across the Group
The first one is that digital platform that I was alluding to, which is the basis of the successful mobile app. We are reusing this across the Group for BCB, for IP&I in the Scottish Widows app, which is built on the same digital platform, now scaling from 0.7 million customers this year to 1.5 million, which is our ambition next year. Again, using the same platform.

Second example is our business current account. I just told you about the beautiful story of onboarding in literally minutes. In the business banking account, this has reduced the time to onboard from an amazing 30days to now two days. And two days is still not where we want to be, but it's just an example of reusing the same investments that we did for consumers is paying off in the business banking domain as well.

Another example is in the domain of AI where relationship managers for real estate finance that need to capture these very complex tenancy schemes that they need to kind of take from all kinds of documents, which normally takes them hours to do, its tedious work and administrative work obviously, distracting them from interacting with customers. By implementing our generic AI capabilities has brought that down to less than five minutes. Just imagine what that unlocks in terms of value for our relationship managers in interacting with our customers.

Slide 17 – **Increasing reach through ecosystems to drive high-value growth**
Second way in which we are growing our business based on all the investments is how we have introduced ecosystems, something I'm really proud of, because there is this question of how do you engage customers that initially apply for a product, you approve them, and then what? And in particular for mortgage customers, this is an issue because customers do not have particular reasons to frequently interact with the bank unless they want to repay or they want to remortgage or whatever. But in between, there is hardly any engagement. And I think we really cracked this equation by introducing our Home Hub where we now have over 450,000 newly engaged interactions where customers are benefiting from insights about homes and living where we have offered additional services serving broader customer needs, and in doing so, we have retained £10 billion of mortgages in just over one and a half years. And £10 billion, as you will all appreciate, is more than many mortgage providers actually have on their books and only this in one and a half years. And having built this ecosystem capability, we are now leveraging this across to transport, one of our most important businesses on the lending side, where we are now offering additional car insurance products and more mobility services contracting with other partners in our ecosystem. So, a good second example how initial investments pay out across the Group.

Slide 18 – **Leveraging unique data asset through innovative propositions**
And then to our data. As Charlie already said, we are, you could say figuratively, sitting on a wealth of data. We know more about British households and companies than any other company in the UK. It's a matter of how we unlock that value and grow our revenues by doing so. And we have enabled this by investing in our new fully cloud-based data platform, unlocking AI capabilities and analytics capabilities.

Two examples here. Personalised offerings, and a good example again here is from our mobile app for consumers where your credit score has been introduced, where customers can see what their actual credit score is as it is registered, what the components of that are, and we offer advice how you could improve your credit rating. It's fully personalised. Again, 12 million customers, to Charlie's point of scale, 12 million customers have registered for it and are using it and have now accounts, and this is only the start for 10% of all lending leads.

Second example of how we are using our data to drive revenues - we are all offering data products directly to our BCB and CIB customers in the commercial market, offering products under the name of market intelligence, where we are able to tell customers, based on obviously anonymized data, what their market developments and market share developments are actually compared to competition, which drives a huge value for those customers, driving deeper engagement with those customers, and helping us to ancillary business.

Slide 19 – **Progress to date positions us well for the future**
Now, all of this is kind of addressing my first points. What have we done to address the past and do we deliver on our promises today? And as you can see, we believe that we are effectively doing this. Legacy is not in our way anymore, we are leveraging value out of our initial investments across the Group, and we have laid a foundation for innovation for the future. And let me address this as the last part of my story.

Slide 20 – **Actively scaling Gen AI, delivering value**
What about the future? There are two major technologies that we believe will define the next couple of years. One is generative or agentic AI, no surprise to you, and the second one is digital assets, and I'll talk about them both.

We have invested into a generative AI platform, making use of the best available capabilities in the market, open to different LLMs in the back, using our data in a safe way with guardrails around it to make sure that we have ethical, unbiased propositions for our customers.

And we have moved beyond, and this is an important message, the phase of beautiful experiments, promising proof of concepts, and small pilots. Every investment we make needs to go to production. So we have committed to deliver 50 use cases into production this year alone, and we're on our way to meet that target, bringing £50 million of concrete money in the bank benefits this year only, and that's just the start of it. This will scale substantially, and I'm sure, Charlie, we will come back to this next year in our strategy update. This will scale substantially into the future. But that £50 million, and I can't emphasise that enough, is real money in the bank. It's no future promise. It's validated by our people in finance.

So we do invest in five areas, like I said. Directly in our customer interaction in our digital channels. Secondly, supporting our customer operations people, our relationship managers. And I gave you the example of real estate. We offer generic HR support through a modern proposition called Prosper to all of our 60,000 colleagues. And we are investing in improving productivity for our engineers, making use of GitHub and other tools. So those five areas - and I'm glad to say we are again seen by the market as leaders in this domain. One is Microsoft, who has called us out as one of the leading financial institutions in adopting AI, and if you don't believe, them, look at the survey of Evident AI, which ranks financial institutions globally, where we were in number 27 last year, now we're ranked number 15 and moving up, which puts us right at the top of UK banks which is obviously relevant to compare ourselves to.

Slide 21 – Building capability to be at the forefront of Agentic AI
Now, these are cases that I'm sure you're more or less familiar with, but this is not where it stops. We are using generative AI, and in particular Agentic AI to reimagine our propositions, and there is no limit to ambition here. As you all know, one of the big unsolved equations in financial services is, how do you scale financial advice, whether that's for pensions, investments or any advice-intensive products without adding people? How do you scale this in a digital way? And we are doing this, it's a proposition that in the consumer market actually has been introduced yesterday as a pilot for friends and family. It's called CoachAI, which is more like a broader advisor. In the next couple of months we will introduce a similar proposition specifically for investment advice called InvestAI, and we are proud that we have been elected one of the just five companies to be allowed in the experimentation and innovation environment of the FCA. So, they can work with us that we are working on a proposition that actually meets the regulatory requirements, as well as meeting customer expectations.

And let me show a short demo of this to-be-launched proposition.

So, big ambition here for how we want to use GenAI and Agentic AI to reimagine our propositions for our customers.

Slide 22 – Positioning the Group as the UK leader for digital assets
Let me finally move on to the second area of innovation, technology-driven innovation that I announced. And that is digital assets or programmable money.

Two examples here. Again, we believe we are well-positioned as a, not just a thought leader, but a very early mover, and in doing so we are positioning ourselves as a leader in digital assets as well. We have started a new lab and platform for this and we are co-chairing actually the UK finance platform for digital assets and GBTD, which is Great Britain Tokenised Deposits. And for those who think, "what are tokenised deposits?" That's a fair question, right? Let's say a tokenised deposit is nothing more than a deposit as you know it, so sterling money, but then deployed as code as smart contracts on a blockchain.

And why is that so relevant? Why do we need to digitise money? Because it gives us the opportunity to put logic to the transaction. For example, in peer-to-peer payments you can add conditions to it. How do we transfer the money? Only when the service has been delivered, right? Which a good example, and I'm sure Charlie will say a bit more about it, but in the conveyance of mortgages where you need a whole system of solicitors, notary services to actually make sure that there is trust in the system. When one customer hands over the money, the other customer hands over the deed to the property. Digitization of money gives you the opportunity to do exactly that without all of the intermediary steps. Because you can programme that condition into the money that it will only be released at exactly the same moment the digital deed is being transferred. I think that's a great example of how digital money, in particular tokenized deposits can actually help unlock a lot of value for the larger UK economy.

Second example is we did a UK-first transaction with Aberdeen Asset Management where we did a FX forward for two months. And then as you are undoubtedly familiar with, in an FX forward, you always have the margin calls, if the actual price is deviating from the set price. And to settle those margin calls is a hassle. You need to provide collateral - if the margin call is in your favour, you need somebody to repay you, and the other way around. There is transaction cost involved; you need to sell the collateral, you need to cash it, then transfer the cash.

And in tokenization in their case of a money market fund and on our side a digital bond, a digital gilt, we have been able to make margin calls real time. So, you don't need to sell cash out and pay, but you can simply transfer part of the tokens of that digital asset, which lowers transaction costs for margin calls for the customers and it speeds up the process from one to two days to actually instantaneously. So, real benefits to customers and real benefits to us. That's why we believe digital assets are such a relevant second area of innovation in the market.

Third element is we are actively working with government with a consortium of banks to work on digital identity and digital verification services. Because again, we are sitting on a wealth of data and we are best positioned to verify people's age, for example, or people's address, or even people's affordability of certain things. So again, a third area where we believe there is again, we are only at the start of a new ecosystem of services where we are in front seat. And with that, Charlie, I hand back to you.

Charlie Nunn:
Thank you, Ron. Ron has just highlighted some of the exciting things we're doing today, but before closing, it's worth briefly stepping back to explain why we believe new and emerging technologies will present such a transformational opportunity, some of the examples Ron was just talking about.

Slide 24 – **Increasing pace of change creates unique opportunity**
Technological change has been a constant over the past three decades and has transformed the way in which the financial services sector operates. Looking ahead, as Agentic AI and digital assets become increasingly more mainstream, these present the next likely step change for the industry. Like with all change, this will present both opportunities and threats. However, given our existing leadership positions combined with broad-based support amongst government, Bank of England and other industry participants to position the UK as a leader for these new technologies, we see more opportunities than threats as we look out today. As an active participant in these discussions, we believe we're well-placed to shape a future that drives positive outcomes for our customers, whilst at the same time unlocking profitable growth opportunities for the Group and our shareholders.

I'll explain with an example on slide 25.

Slide 25 – **Well positioned to address a transformational opportunity**
Agentic AI and digital assets have the potential to be highly complementary with customers interacting with agents as a channel, and digital assets increasing the ease of transaction execution. For example, it's possible to imagine a scenario where home buying experiences could be enhanced by agents scanning for the best deals and undertaking the transaction on behalf of customers, with tokenized records and programmable money ensuring a seamless conveyancing process. For our customers, this has the potential to drive a meaningful improvement in the experience with reduced effort, greater security, and real-time settlement. It also presents opportunities for the Group, including lowering costs to both acquire and serve, and increasing direct engagement with customers in what is a highly intermediated market today.

It's clear to me what is required to be a leading provider in that future. Firstly, trust established over many years will be hugely important to both customers and regulators. Secondly, a broad offering will be necessary to maintain relevance and remain front of mind. Thirdly, those with the deepest pools of data will be best placed to train models on financial interactions. And finally, targeted investments in capabilities will be critical for leveraging AI at pace.

This Group, Lloyds Banking Group, is uniquely placed across all four of these areas within the UK. Our scale and breadth of businesses spanning retail and commercial banking, insurance and wealth is unrivalled. And our unique data asset will become of even greater importance than it is today, benefiting from the infrastructure investments that Ron's just described in this strategic phase. Combined, we have a truly differentiated position compared to all other providers.

We're going to talk more about these areas more in detail when we provide the next phase of our strategy in 2026, but I'm highly confident that the actions we're taking today will continue to position the Group as a leader going forward.

I'll now close on slide 26.

Slide 26 – Innovating at scale to unlock value
In summary, we're building upon unique competitive advantages to reinforce our position as a digital and AI leader. We've made significant progress since launching our strategy in 2022. This is driving significant value for our shareholders today, contributing more than 70% of our strategic initiatives revenues by 2026, and more than 60% of the gross cost savings realised to date. Our strong execution to this point means we are well positioned to take advantage of future opportunities, extending our leadership position across new and emerging technologies. This will further enhance operating leverage through new growth opportunities and continued improvements in efficiency.

Thank you for listening. I'll now hand over to Douglas who will facilitate the Q&A.

QUESTION AND ANSWER SESSION

Douglas Radcliffe:
Thank you, Charlie, and thank you, Ron. We now have plenty of time allocated for today's Q&A session. We will start by taking questions from the room, but we'll also cover questions submitted online throughout the session. So, for those joining via the webcast, please follow the prompts to register a written question. When asking your question in the room, if you could please provide your name and institution before asking your question, that will be appreciated. Okay, so let's begin. I'll probably just start over that side. Guy, why don't we start with yourself?

Question 1: Guy Stebbings, BNP Paribas.
Thank you very much. It's Guy Stebbings at BNP Paribas. The first question is on ready-made investments, which I think is really exciting proposition. Could you tell us around the sort of expected timeline for the full launch of that? And then the working with the FCA in sandbox, how should we think about that in terms of safeguards around any future claims around quality of advice and that sort of thing?

The second question was on the Home Hub refinancing. Can I check that 15% definition? What that means is that 15% of total balances of refi through the Home Hub? Is there other refi's that happen outside of that? I'm just kind of keen to understand the definition and how that's evolved over time. Clearly that could be quite sort of powerful from a value perspective. We see more and more going through that channel.

Douglas Radcliffe:
Thank you, Guy. Probably makes sense for you to kick off with those questions I suspect, Charlie.

Charlie Nunn:
I think it probably does. Well, first of all, thanks. Thanks very much for the questions, and what's great about these as Ron teed up. You can see we're trying to make sure what we're doing around digital AI is leading into better propositions and enhancing the areas. Just in terms of ready-made investments, we already have a ready-made investment product live as you know, and it's been part of the success we've had to date. I think I've mentioned in previous sessions, we've gone from nine or less than 9% share of equity ISAs up to more than 20% and we continue to trade at that level of growth in our market share. And it was partly based on our ready-made investments journeys as well as some of our self-directed channels.

The exciting thing as you say, is the industry actually in the whole world, they've introduced robo-advice years ago, but it hasn't really had any intelligence in the advice journey. It's just been a structured logic journey to get through to a simple rebalancing ETF broadly. And the journey that Ron gave you an example of, a kind of conversational advice journey, which also uses the existing data the customer has to give them confidence to make the right choices, and that will sometimes, by the way, not be investing, it'd be better to pay off existing, for example, credit card loans. That's the journey we've got in this regulatory sandbox. We're intending to get it live in the Q1 next year. So, we'll be going through, as Ron described, we have a big user base internally with families and friends that we do co-development in the way that all the firms that you've spent time covering do who are not big banks, we've been doing that for a while now. So, we'll be working on that basis in the next period of time and then going live with customers.

And yes, the regulatory sandbox we think is really important in this context. Obviously, whatever we do, we want to make sure is endorsed by the regulator. There's been a significant change around the regulation that underpins investment advice, this concept called targeted advice or targeted support, which means we already have a regulatory framework, which is much simpler than RDR, which is the regulation that underpins investment, and resulted in the majority of the market having access to investment advice. And so, we do have a regulatory framework that's clear around that, but as you rightly pointed out, Guy, actually getting the way the conversation and the journey works and having clarity with the regulator that they are comfortable and we are comfortable that gets to the right outcomes is really important.

So, one thing I think coming out of this is when you see this land, it'll be a fully functioning journey, but this is one of the things about Agentic AI, it'll be based on our data and our training of in many cases millions of interactions of customers that will improve the journey, and the journey will improve over time.

The other great thing about these journeys that we build and then the technology we now have, is we can collect a lot more data around how customers are actually going through the journey, where the fail points are and their understanding. And again, it's the engineering team working together with the experts in our investments and advice journey. We will then use that data to make these journeys safer. And I say this with a smile having run wealth businesses for a lot of my time. Instead of relying on one or 2% callbacks and sales quality, we can build agents, monitoring agents and do 100% quality checking, and that's the kind of mindset that we're going to be building into these journeys, so you should see it improve materially over time.

The final thing to say is that, look, it should improve what we're capable of doing today, which is already delivering value for the Group. But as we know, if we really start to, this is not really a phrase, but anyway, democratise wealth. We get wealth and investments to be something that the mass market really can safely get access to. It's going to take some time for them to engage to decide to put money every month aside for investments and for those balances to build. So, we think it's strategically really important in terms of relationship trust and over time it'll build a very attractive bluntly return business, but it's not going to happen overnight.

And then your second question around Home Hub, look, I'm going to give you what I think the answer is, but I think, Douglas, we should just make sure offline, I think that's relative to the whole of the refinancing market. As you know, we are by some way the largest mortgage provider in the UK. What's interesting of course is, as you know, only 40% of homes have a mortgage, and the average LTV is about 50%.

So, when you look at the numbers of customers, actually there are not that many people who are refinancing a mortgage. And we are by far the biggest. So, getting to 15% is material. Ron mentioned the over 400,000 customers engaged, that may feel low relative to the 28 million, but relative to the stock of mortgage customers it's a very, very high level of engagement. And that's why we are very excited about this homes hub tool. It really is material in terms of customers engaging with it, and then us having an opportunity to build a broader relationship. The one other point about the homes hub and you will get it immediately is we happen to operate in this market with 85% of mortgages distributed through brokers. And so, we find our customers are broker originated, may not have a relationship with the rest of the bank. Engaging with this Home Hub, looking at protection, thinking about our retrofit solutions, understanding the broader offers of the Group. So, it's actually one of these brilliant tools for helping ensure we give good outcomes to our very important mortgage customers, but engaging them on the Group more broadly.

Because the UK has got to this place where intermediation has become material. And as you start to think about the future and us connecting with customers and providing Agentic AI advice, we're pretty excited about where we could go.

Douglas Radcliffe:
Thank you. Let's take James next.

Questions 2: James Invine, Rothschild & Co Redburn
It's James Invine here from Rothschild & Co Redburn. I've got two, please. The first is that I think in the presentation everything was about Lloyds Banking Group products. I was just wondering if there's any scope to combine this with the open banking agenda and help customers to manage their finances across a lot of different providers. And if you don't do it, do you think somebody else will?

And then the second question is, it certainly seems like this is a great platform. Do you think it would work internationally? Have you considered opening a digital-only bank somewhere else? I know you wouldn't have all the customer data, but you would have the infrastructure. Thank you.

Douglas Radcliffe:
Thank you, James. Ron, I suspect probably the open banking side would probably be worth you addressing to start with and I suspect the international element will be Charlie.

Ron van Kemenade:
So, brilliant question actually, because as Charlie alluded to this, GenAI is based on LLMs, right, which provides generic insights, it creates generic knowledge. And then you have your own view on the customer based on their product possession today, based on their channel behaviour, based on what you know about their credit worthiness, all of this. Open banking definitely broadens that picture again where you add to the relevant context knowing more about the customer than you do today. Now, as you're aware, we are offering open banking APIs to the market as well, as we offer our customers the opportunity to open their accounts and other products into our digital channels. And we are actively integrating this into CoachAI and further AI based propositions.

Charlie Nunn:
Great, so it is a really interesting, and I don't want to take the question further, James, but my guess is you're thinking as we build intelligence that's really supporting customers, how do they start navigating the market? And so we are actually, I don't know whether we are, my guess is we are, I should know this data point. My guess is we are the biggest provider of integrated products across providers through our digital app, because we've got by far the biggest digital app. And many of our customers, I can see my head of this over here, I'm not going to ask her the answer to this. Many of our customers already show their other products and other banks in our app, and we see that data today. The really interesting question is what happens next as the intelligence in our app and then through other LLMs in the market start to provide advice to customers about who they're going to shop, how do you provide the best advice and how do you compete?

And that's where, again, being at the forefront of this with the best data to get the best outcomes to build the trust we think is the most important thing. And I'm not being vague and avoiding it, but I think there's an opportunity and a threat in that we feel well-placed and positioned to look after. Look, just on the international side, one of the things that I say a lot to our team is, we are staying focused on delivering the current strategy for now. And through 2026 we've got some pretty bold commitments that I know many of you and all of you are aware of and you've got real clarity that we as a team are committed to delivering. And at the starting point, when you look at the value of the Group and the value coming out of our UK businesses specifically, delivering this agenda both in '25, '26 and then for the potential beyond is huge.

The kind of cash flows, the outcomes, and then as you know, our commitments to greater than 15% Return on Tangible Equity, 200 basis points of capital and a cost income ratio of less than 50% by next year is forefront of our mind. So, that's where we're focused for now. Definitely, there are options for us to do things internationally. We will be, and we have been having a discussion around that as a team. And we'll come back on the next phase of the strategy. And I think you teed it up well. We know we have one of the best digital platforms, and Ron and the team have just gone through an exercise of modernising the infrastructure behind it. There's a bit of a way to go on that. So that could be a choice for us, but we always need to come back to what's our core strategy and what's the best return for our shareholders and we're going to look at that option in that context.

So, no commitments at this stage, but I think when you become, we're going to end up being one of the biggest and certainly most successful digital retail and then SME, we're slightly smaller, but digital retail banks in the world. We will have very distinctive capabilities that we could take elsewhere. But no commitments around that, because I want to stay focused on the current strategy.

Douglas Radcliffe:
Thank you. Let's go to Alvaro next.

Question 3: Alvaro Serrano, Morgan Stanley
Hi, Alvaro Serrano from Morgan Stanley. Two questions please. First one is on the current account upgrade, which is kind of trying to tie that with the other income initiatives. The vision when Scottish Widows was revamped, my understanding was always that you would be able to access all the current account data and predict when there was an insurance payment coming, and offer Scottish Widows as an alternative product or any other parts of the product suite that the Lloyds Group has to offer. Is this PCA upgrade sort of, can you do that today? If so, how much? You alluded to an uptick in revenues, I think, or I don't know how you phrase it exactly, but are we there today? What's the revenue opportunity, or if not, when do you see that happening?

Then the second question is around tokenization of deposits and you've mentioned, and it's been widely reported, how the efficiency and the convenience is clear on the lower costs. Obviously, Lloyds and the banks make money out of payments. What risk are we seeing from a revenue perspective versus the opportunity? How should we think about tokenization more broadly, not just deposits? Thanks.

Douglas Radcliffe:
Thank you, Alvaro. Ron, it's probably you I suspect on the first bit there about the integration between insurance and banking. It probably makes sense for an initial view from your side, and then we can move on to tokenization of deposits.

Ron van Kemenade:
There are two opportunities, I think. One is, we have these 22 million digitally engaged customers on the banking side, where we offer the full breadth and depth of all of our propositions, product and services, including the Scottish Widows products. And this is the famous bank assurance model, and increasingly we are successful at that. On the other side you have the Scottish Widows app that is unlocking more and more insights into people's products, whether that's their pensions products, protection products. We are offering those customers the opportunity through open banking APIs to give insight into the banking product as well. Now, how that exactly will materialise into additional revenues either on the insurance or personal current account or other products on the bank side, that's a bit of a guess for the future. But obviously, the intention of the whole cross-fertilisation across the Scottish Widows digital engagement on one side and the banking digital engagement on the other side is exactly what you're hinting at. And maybe Charlie wants to add to that.

Charlie Nunn:
Well, one other I'll add, I think, Alvaro, the question was, are we doing it today, and are we predicting, for example, someone that doesn't have an insurance relationship with us, but we can see has a relationship with somebody else and we should be putting in front of them offers of our product? And are we starting to think about providing preferential product and discounted pricing? The answer is yes, we are. It's not as advanced as we can see it could be. And we've talked to you before about the increase in us bringing, I'm going to use the word cross sell, cross selling bank insurance products to our core customer franchise. We've increased that very significantly on the back of mortgages, on the back of home insurance and the Home Hub, the enhanced mortgage journey, and then this personalised messaging. And Ron talked about the data earlier and how many messages we put out.

That's been the progress that's helped us do that more successfully, more joined up journeys with better insights, and then in the language of the nerds like me, a contextual relevant message, it's contextual to the customer at a time that's relevant through a channel that they want to access that channel. That's the intelligence that we have a leading capability in, in the UK. So we do all that today and it's been driving those improvements we've seen.

When Ron and I sit together with our teams and we talk about what's going to be feasible based on how we now have the data and then the use of agentic AI, and then as we move to a more conversational banking engagement through coach AI and investment AI, I think we're going to become incredibly better, much better at doing this. And so there's a real opportunity for us to really help customers get better outcomes with products that we can then price in a way that gives them more value across the Group.

So it's been a big part of what we've delivered to date, but actually there's a step change still in front of us that we are positioning for based on these new technologies.

Should I go to the second one just on tokenization and deposits? Look, this is a really broad question, so tell me whether this kind of covers it. Look, there's both opportunity and threat. And to be clear, on the way we think about GBTD, which I want to call Britcoin still but nonetheless no one else does as I'm told that's very 1990s, this is largely around domestic payments. And interestingly of course, it's wholesale and retail, we do have some of those payments that have a fee, but the biggest platform by volume, by number of payments is Faster Payments, which is actually free.

So, interesting. First of all from a pure transactional payment perspective, there's a combination, and actually some of the bigger use cases would be the Faster Payments mechanism. As you know, we process 20% to 30% of domestic lower value payments every day, so we are right at the centre of that activity.

Look, we see it as both an opportunity to grow, and also there's a defensive part to it when you think about the future of this. The opportunity to grow, as we just described, is we're going to be able to build programmability and embed the payments in broader transactions in the way we said. And if we are better at doing that than other people, we can help people when they're on their online P2P purchases, whatever platform they're using in their mortgage journeys, businesses doing B2B transactions, trade transactions.

The integration of the digital asset programmability, and then how we embed that in the broader journey for the customers we do think will be a source of competitive advantage for those that do it better. And we'll be able to do that as a leader in deploying that technology and that will give us growth.

And in many of those products, the reason I went more broadly is it won't be the payment that brings the value, it will be the broader transaction, and in some cases there's fees and in some cases it's around broadening and deepening our lending or deposits relationships. So that's the first thing.

The second thing is, and Ron gave a great example in the context of our money market fund and Gilt digitization, we do think there's a significant opportunity for efficiency improvement, not just on the payment, interestingly, but also on the associated document sharing and then engagement of the customers and the fulfilment of the transaction.

And many of us have been doing this for 30, 40 years now. The history of financial services through my whole career has been one where the application of technology has resulted in margin compression, and you need to then scale, be more relevant, do more for your customers and get efficiency. So we just see when you look out into the future, this is another one of those opportunities to build efficiency. So those are both opportunities for us and our shareholders.

The defensive side to it is, especially on the back of the stablecoin announcement in the US and the GENIUS Act and the STABLE Act and the derivatives that are coming, is if we saw a significant shift on domestic payments to any kind of stablecoin, you then get the question around does liquidity start to shift out of the banking system?

And so our intent here is to very rapidly, because we think we've already got pilots live and we think we could get this live for the whole system, the whole banking system by H1 2027, Q1 '27, subject to working with our regulators, which would be the first market in the world that's done this. Singapore, China, all my favourite ones I always beat us up on haven't done this.

The opportunity is I think to make tokenized commercial bank deposits as cheap, as good for our customers and better from a programmability perspective than alternatives. I clearly think we should be interoperable with international stablecoins at some stage, and we'll work with our regulators on that, but there's a defensive play around that and we think it's really important to make it a better customer experience and more integrated, and that's one of the reasons we think it's a really important thing to do going forward.

So there is a defensive part to it, but it's less about payments' transaction fees, it's more about maintaining the role of commercial banking deposits. Does that make sense?

Alvaro Serrano:
Yeah.

Douglas Radcliffe:
Let's go to Chris next before moving across.

Question 4: Chris Cant, Autonomous
Afternoon. It's Chris Cant from Autonomous. Thanks for the presentation and taking questions. I have one on sort of the longer-view look on the landscape I guess, and then one about risks. So Charlie, just following up on something you just said and thinking about what you were saying during the presentation around the number of software engineers and how much that's sort of becoming an intrinsic part of the Group staff base, where do you see the UK banking landscape going over the next 10 years?

I mean, are we just going to see essentially all of the smaller players drop away as they're simply not going to have the scale of customer base to make things work in the way that you're expecting to? Do you see challenger banks in any meaningful sense existing in kind of 10 years' time, or will it actually tend to what we see in software markets for instance where it really concentrates evermore in the hands of a few large players? So that'd be the first question.

And then the second, in terms of the opportunities outweighing the risks, obviously fraud risk is quite a problem I guess around AI, and particularly in the UK the banks are on the hook for APP fraud in a way that simply isn't the case elsewhere, so how should we be thinking about that?

There was a statistic in there that you've saved I think £200 million or something in one of the footnotes over the last three years. I can't remember exactly what it said, but there was a number in there. But how much worse is this getting, and are you worried about it being something that could outpace your ability to kind of protect customers? Because you can only put up so many tick box screens I guess in the app saying, yes, I'm really sure I definitely want to make this payment. How are you thinking about that risk?

Douglas Radcliffe:
Excellent. Thanks, Chris. I think the strategic landscape, probably both Ron and Charlie have probably got input onto that, so shall we address that one first?

Charlie Nunn:
Yeah. Shall I have a go, Ron, and then I'll hand over to you? Look, I think actually my IR team will say we're going to stray here into our 2026-plus strategy, and I need to be careful, but it's a great question.

Of course whatever either of us say now will almost certainly be wrong. I think that's what you need to start with. As you know, I've been in every major tech disruption geography in the last 30 years, including Silicon Valley 1990 to 2000, and Asia, and various other countries, and what actually ends up happening is almost certainly different. But I will come back to your question.

However, in every situation I've been in the '90s, 2000s, and 2010s, hilariously in London, New York in the '90s around trading floors, in Silicon Valley during the dot-com boom and then in Asia when Asia really took off in China and Singapore, it was very easy to work out what the basis of competition was going to be. And so I think we have a very clear view around what we need to do to be successful.

How the industry shakes out exactly I think is less clear. And for what it's worth, without going back to it, having data and data at scale around the area, you want to provide advice in the context of Agentic AI with a very, very strong digital engagement platform that the regulators understand and trust. I won't go through all of them again, Chris, but those are the foundations that I think we are very clear you need.

How do I think the world will turn out in 10 years time? I think your question's a really good one, and I think financial services may be a bit different from other technologies, partly because the regulator plays a role in this and they require a level of openness, not just through open banking. Which will allow probably more competition than you might see in the tech sectors. But similarly, we'll put constraints on the pace and level of innovation because of regulatory obligations, which will be complex for us and other participants in this space. But I do believe people with the best data and the best talent and teams to be able to use it will have an advantage in that future.

I alluded to it, but I think there's an opportunity for players to reposition themselves directly with customers again, so the intermediation market and model will evolve significantly during that period, which is an opportunity, I think, for some players.

And then to go one step further, which I'm sure you're already at, Chris, because I know you and your organisation are incredibly thoughtful about this, we need to get ready for a world where apps and what we think of as the big tech today may no longer be relevant.

And when you look at the way agentic AI or, more importantly, generative AI that the ChatGPTs and the Perplexitys are emerging, they're going to be a real challenge in this next period for the Apple and Google platforms. Now, I think Google's obviously doing a lot to respond to it.

So the exciting thing there is that's going to change this dynamic at the front of our engagement with customers, which has been emerging in a pretty duopolistic type way in the UK, and it's going to provide opportunities for us to be more relevant, but it's going to be more complex.

So I won't give you an exact answer. What our view is, is there are very clear competencies and capabilities that will enable us to compete in that world. And I'll tie it back to one thing in this phase of the strategy, if that's right, so to become a bit more real. In 2022 we said to you in our Retail businesses, and it's true on both SME and also insurance, but let's just stay with Retail because it's easy, we need to be a leader in both having relationships direct to our customers and building out the best relationship bank, which Ron's talked a lot about, and being able to bring the full breadth of the relationship for those customers that want to have a full relationship with us.

We know in the UK, and most people have multiple banks, but at least the majority of the relationship, but we're also number one in every product, which is intermediated. And so we're number one in mortgages, number one in cars, number one in loans, number one in transport, and they are highly intermediated markets.

And so we are also today the best at integrating our services and embedding them through brokers, sharing our data. If it's our customer that touches us through a broker, we can give them preferential pricing in a number of these channels. We're pretty sophisticated at it, right? For what it's worth, it's the most sophisticated market in the world, maybe behind Ali and Tencent in China. But even there, you did the same stuff as we are doing here.

So in that world today, we said we're going to be the best at both of those things. We're going to have to do that in the future. And the exciting thing is there's almost a new channel if you like, which is agents talking to agents, without getting too conceptual, and that's how we're going to win. Ron, have I just taken all of the content away from you?

Ron van Kemenade:
No, maybe just one build, right? Because indeed it's a very important question in terms of can all these relatively smaller players follow, can they lead? Does it scale the level of investment needed to build that beautiful ecosystem of agents talking to agents that Charlie was alluding to?

And this brings me to my one build, and that is there is only so much talent in the market. Even if you make use of vast talent pools like India, Philippines, et cetera, there is only so much talent, and we're all competing for that, and people make a conscious choice for whom they want to work.

And I think we can see from both graduates as well as experienced people in AI, people want to work for companies that have a clear purpose and that are winning in the market, and that won't make it easier for smaller competitors in the market to survive. That's my only build.

Charlie Nunn:
Brilliant. Ron, do you want me to do the fraud one?

Ron van Kemenade:
Yes.

Charlie Nunn:
Look, this is hugely important. Chris, as you know actually, the APP fraud is primarily linked to Faster Payments. It's one of the things that I think is slightly challenging in terms of the way the regulation works.

Consumers and businesses get different outcomes depending on what their payment is. Credit cards have chargeback and retrievals and fraud's built within APP, fraud applies to Faster Payments, if you do a CHAPS and BACS, let's just use the language, you don't get any fraud protection. So it is one of the things I think we'll have to evolve over the next period of time.

And critically, you pointed to the work we've done, and we're really proud of this. For our customers first and foremost and then obviously for our shareholders, we've done a lot to invest in AI tools to manage fraud better, and it does create friction for some customers. I feel like I should apologise in front of the media for that, but we know it's actually saved and materially protected customers from being exposed to fraud and reduced the cost to shareholders. And we track our share of interactions and transactions volume and value relative to our losses on frauds, and we're better than the market. So it has been a very significant part of what we do.

We had a very big deployment, for what it's worth, in the last six months this year where we applied all of those very advanced fraud tools also to debit cards. And so we're protecting more customers with more pace and saving money for the Group.

Your point though which is how does this evolve and how do we continue to do it? It's top of mind. We do it by continuing to invest and be ahead of how we protect customers. And then I'll do one more link if that's all right. Ron, it's why we're excited about GBTD. The very first use case that we piloted already and we proved works between a number of banks in the UK was for online marketplaces. And actually, I know you'll have heard me say this before, Chris, about 40% of all crime in the UK, individual crime, is financial crime. And about 80% of that has been facilitated by the big tech companies and the biggest facilitation is online marketplaces, and it's actually the Facebook Marketplace.

So one of the first use cases of the programmable money that we'd like to go live with on a system-wide basis means that you could pay money to someone online on an online marketplace, the money would leave your account, it basically goes into escrow, and so it's available to the seller of the good, but you only release it once the goods have been received.

And the reason I give you that as an example is suddenly if you have programmable money, which means nothing to anyone until you see the use cases, you can see that we can build use cases into this money that makes it safer and is actually a tool for managing fraud. Now, that won't solve all types of fraud, as you know better than me, Chris, but there's a huge opportunity to use this as a platform to innovate.

And our intent would be to make this a platform that's available to the whole market so everyone can start innovating off this. It'll be seamless and create a singleness of money, if we're here with the central bankers, for the whole of sterling. And I think it's a really important tool for us to then be able to innovate and for the whole market to innovate on how we continue to fight fraud.

It's not a single answer by itself, Chris, but it's another reason why we're excited about GBTD. Thanks for the question.

Douglas Radcliffe:
Let's take a question from Aman first in the front and then we'll come around.

Question 5: Aman Rakkar, Barclays
Thank you, it's Aman from Barclays. I appreciate you're not going to want to talk about your new strategy and your new plans in the forward look, but clearly this technology has potentially compelling implications for the operating model and the number of people that work at an organisation like Lloyds, the profile of that workforce, and ultimately, the cost base. So is there anything you can kind of give us perhaps not in terms of numbers, but qualitatively how you're thinking about the evolution of these from here?

And a related question is just around the role of the branch in this world, particularly if you're opening personal current accounts in minutes. Interested to kind of get your updated thoughts on what the value proposition of a bank branch is now? Thank you.

Douglas Radcliffe:
Thanks, Aman. I suspect it might be quite limited as to how much Charlie can respond on these questions, but I'll let him respond on both of those areas.

Charlie Nunn:
I think that was guidance, guidance to me about the guidance I give! Look, I think the first thing to say on your point about operating leverage, whether it's cost efficiency and the mix and type of people, is it's actually been a meaningful part, not generative AI because that's still newer and Ron gave you the numbers, but it's been a meaningful part of this phase.

The biggest thing is where you can enable customers to serve themselves, whether they're businesses, pensions, customers, retail customers, and anything in between. And then once you've got that, if you can help them get whatever answer or question they've got, right first time in a channel of their preference. And increasingly, 97% of our interactions are digital. The UK is, out of Western democracies, by far the most digital country in the world that way. Even compared to Nordics and compared to Australia, it's quite advanced. Obviously US and Canada are behind.

So that's been a big part. And as you saw in the presentation, we're saying that 70% of the £1.5 billion of additional revenues by 2026 are being supported by this, and 60% of the £1.5 billion gross cost saves to date. We haven't given you a target for 2026. Our original target was £1.2 billion, is what we committed to by 2024, have been delivered by those kinds of efficiencies even before we think about the next stage.

So I think that's the first thing, and so you should absolutely expect that kind of scale of impact. The exciting thing is when you think about the new technologies Ron's talked about, on one of the slides we talked about one of our agentic AI use cases which is supporting our contact centre and customer service colleagues. That's been live for a while now. Ron, I think it was Q1 this year, end of last year we went live with Athena?

Ron van Kemenade:
Q1.

Charlie Nunn:
Q1, we've got tens of thousands of colleagues using it and we can track the minutes saved per interaction per colleague. And as you know, in those environments, you can then manage and optimise what you need to support customers or you can take it as a trade and say, we're going to materially increase how we serve customers and provide a higher service level. And those are choices that are operating at a scale that we're using today and will be increasingly capable and available to us.

So we definitely see it as a really significant opportunity to differentiate our propositions, like investment propositions we talked about, drive efficiency right across the organisation, and manage risk better in the spirit that Chris has laid out.

You will forgive me if I won't give you that guidance at this stage, because I don't want to go beyond our current targets of 2026, and I want to deliver those. But the confidence you should have is these are the kind of mechanisms we've been using to deliver that growth and efficiency to date. And we see these new tools, now that we've got the technology and the platforms built, as giving us the ability to kind of continue that journey and accelerate it in a number of areas.

What I am most excited by, for what it's worth, is obviously I care massively about the operating leverage and the efficiency, but our ability to differentiate what customers experience.

There's even simple things, right? So why should there be any wait times in IVRs any longer when you've got brilliant colleagues with the expertise that can support around the most difficult transactions and you've got the agentic AI capability to support around the simple stuff? Can you start to eliminate that. This isn't a commitment by the way. Douglas, don't get worried. It's not a commitment around what we're going to do, but there's even simple things you can materially improve what customers experience.

And then when you get into providing truly what we have wanted to do, and certainly I've been a nerd committed to this for over 30 years, getting down to the customer of one and actually differentiating how we support those customers. We've finally got the technologies to do what I've spent 35 years doing. Ron's been doing it for even longer, but he was in the wrong industry to start with. So I'm sorry, I'm not going to answer that question fully.

Just in terms of the role of the branch, look, I think again, you should just see this as a natural extension of what we're doing. The branch plays many roles, and part of it is about community engagement and us being relevant to our communities, and it's one of the reasons we're differentiated.

We haven't talked about this, but there's a lot of noise in the marketplace about market shares. But we have grown our market shares of personal current accounts and business current accounts in this phase of the strategy, and that's where the value is and that's where the trust is. At the moment we're seeing obviously neobanks and fintechs take a quite a big share of personal current account flow.

And I know there's lots of concerns around can you compete with what's happening? What we focus on is real customers and value. And we've grown our market share for the first time since the financial crisis actually.

So branches play a role in that. They play an important role around supporting parts of society that aren't yet digitally active, and we announced today a really kind of exciting but also quite challenging, I don't know if you've had a chance to look at the survey around digital engagement. The pace of adoption of generative AI and digital has exceeded even my expectations in the last 12 months, but there are still 5 to 10% of customers who don't engage digitally.

And for what it's worth when you look at where the value in the UK retail market is and in the commercial market SME, a lot of it still resides with people who aren't that digitally engaged. So that's important to recognise. And then in the moments that matter, people still do want to go and talk to people.

So I think you've seen a significant, really significant reshaping of our branch network. Ignore points of presence for a second. The stuff that we are most excited about is that we managed to virtualize, if you like, the RMs and the relationship bankers so that they're not stuck with a single branch and they're available to talk to customers and bring the expertise they have in a much more joined up way, and I think that's going to be the really exciting part of the next few years, which is how do you let customers engage with our intelligent agentic AI agents to support them when they are comfortable and that's the best outcome for getting their task done or doing what they need to do. And then when they need to talk to somebody, how do we give them access? And in some cases, I still think a physical presence will be very important in this period.

So we have got a, kind of going back 10 or 15 years, everyone used to talk about multichannel branch banking. I've banned that phrase since I've been here because I don't think it's very helpful. But if you take it truly customer back, that's what's driving our branch strategy.

We still believe it's important. It's very important for some customer segments that are valuable for our shareholders. It's a very important moment. It can be a way of providing support in moments that matter, but clearly we need to significantly modernise and drive the operating leverage out of that infrastructure. And you've seen that happening in this space.

Douglas Radcliffe:
Thank you. That was actually a much more fulsome answer than I expected.

Douglas Radcliffe:
Next question from Stuart

Question 6: Stuart Michell – SW Mitchell Capital
Thank you very much, Charlie and Ron. I know we're at an incredibly early stage and it's really connected with the previous questions around challenger banks and the branch network. But I was just wondering, and it's a

super high-level, but just how much more successful a selling machine do you think the app can be compared to the branch network and the old way of doing things with adverts?

And specifically, I was wondering if you had any data, it'd be really interesting to see how much longer people are spending on the app now with all the new offerings that have been coming on in the last few months.

And maybe you have some data about what proportion of customers are using agents and perhaps how that compares to time in the branch. And related to that, it'd be interesting, again, to see just how successful, what the success rates are like on some of their personalised offerings. And if you've got data you can compare that with to the old letters of branch network.

And I guess wrapping it all up just into longer-term aspirations, how do you hope to increase the cross-sell or what are the kind of the fees you hope to generate per customer as the app develops?

Douglas Radcliffe:
Charlie, for the meeting customer needs, do you want to start that question and then Ron can probably layer on top?

Charlie Nunn:
Yeah. So the first thing on this, I think the first question is how much better is the app at selling than branch and how does that evolve?

The answer is even today, and Ron, you shared the data, the majority of our, I would like to call it needs fulfilled rather than sales, but the majority of what we do is through the app and through digital services and then through our very important intermediaries where they remain a really critical part of serving our customers. And the branch, it's true actually of most financial institutions in the UK, the branch has become less focused on sales since the financial crisis, and that's a strength I think because it gives us much more scalability, much more reach, and then we can be very innovative around how we position ourselves, whether it's bluntly through social media, through the internet, and pulling people into our journeys or into the app and all of the above. So the majority is already happening there.

And the second thing is when we do personalization, and we haven't shared this data, but I think what I might just do with this question is we might take it into, when we come back on the next strategy, think about how we could share some of this data.

So I'm not going to give you the specifics, although I know the actual data. You tend to get, I'll give you the anecdote, 10 to 100 times more likelihood that someone will engage on an offer or a discussion and go into a meaningful journey if it's properly personalised. And I use those two phrases, contextual and relevant. And relevant and contextual means it's presented to them at a time they're considering they need a product in a channel that they want to engage with you on. And by the way, even, and I always laugh, I use myself, I travel on a train at 6:30 in the morning. If someone sends me something as an SMS at 6:30, I might look at it. If you send it to me in the rest of the day, I'll try not to do it when I'm in front of you, but I won't have time. So we can start to personalise it, which channel, what time of day, what tone of voice? And then based on something you've done, you're searching the internet, you've looked at our channels.

So that's contextual and relevant. You get massively, massively higher engagement rates. And then you have what's called a funnel fulfilment opportunity. So these are huge things. We are the leader in the UK around this relative to high street banks. The fintechs do this very, very well by the way, as you know. It's not for today, but another part of the journey we've been on is to go from basically very limited use and engagement of social media to being one of the leading banks through the transformation of our marketing and data functions. And if it's okay, just because I'm not going into guidance beyond 2026, I'm not going to give you the guidance on how far we would like to go in terms of either cross engagement, breadth of depth of relationship or revenue growth.

However, you know we laid out at the start of this phase and we'll give you an update next year on depth of relationship as a good example of a metric we said was important. We gave you metrics at the start of this phase and we are on track to deliver them around numbers of FTEs per customer from a distribution perspective to give you this feeling of efficiency growth that we are talking about. We gave you some step changes in 2022. We'll continue to report on them, what I can tell you now is we're going to meet or beat those targets. And I think those things should continue to be value levers, horrible consulting word, that we will prioritise and focus on going forward.

I'm sorry I can't answer it more specifically than that because I just don't want to get into guidance, but it's exactly the right question. I love it. Let's come back and make sure we give you more clarity going forward.

Douglas Radcliffe:
Okay, thank you. Ben, in the front row.

Question 7: Ben Caven-Roberts, Goldman Sachs
Thank you very much. Ben Caven-Roberts from Goldman Sachs. Just two questions please. First on competition and then second, a bit of a follow-up on costs more conceptually. So within competition, it sounds as though the greatest part of your competitive moat revolves around quality of relationships, depth of data. So first of all, would you agree with that characterization?

And then secondly, if you think around potential for disintermediation or potential areas of your competitive moat you're trying to reinforce the most to ward off competition, what would you think about there over the medium term? And then secondly, just in terms of costs, conscious you don't want to give any numbers and that's completely fair. But more conceptually around the shape of tech investment, is that changing at all? The type of products that you're investing in, the type of tech change that you're trying to achieve, is that changing and the percentage of op-ex that tech is, is that shifting as well, even if the gross saves might be increasing? Thank you.

Douglas Radcliffe:
Excellent. Thank you, Ben.

Charlie Nunn:
Should I do the first one, Ron? Do you want to do the second one?

Ron van Kemenade:
Yep.

Charlie Nunn:
Because they're both great questions. Obviously, as always Ben. Look, on your first one, I think the answer is yes, but I say that, I'd need to think about it more. So I definitely think quality of relationships and depth of data that underpins those relationships is important, the build on quality because quality, it's not just do they trust us? Do they have a relationship with us today and do we have a channel? I think trust, we do think trust is today fundamental to who we are. That may sound even less quantitative than quality. But the reason I think it's important is when we look at where do we have the deepest relationships with people that bring the most value to us and that want to then work with us going forward, trust is at the heart of what they say they care about.

And interestingly, as you start to move into an agentic AI world, trust is more complex and people are already highly aware. Again, our digital survey we've just announced is really, really interesting in this context. They are willing to engage on very emotional personal issues, but they are highly aware that they may not trust the outcomes. And as we start to talk about regulated financial services outcomes, we think trust really is an important part of this. Now we spend a lot of time torturing ourselves on what trust looks like, how you build trust, and then how you manage it. Especially in this world that Chris talked about where fraud is prevalent and where historically banks have seen that they're not always trying to help you get the best outcome. We spend a lot of our time helping customers get the best outcome on our basic services today and protect them from fraud to build that trust.

And we do think that's going to be a really important battleground in this next period of time. And Ron talked about a whole bunch of other stuff like our role around ID&V, identity and verification, as one of the mechanisms for being a trusted provider of that data. It's particularly important, we will talk about this, I'm sure, in the strategy, but we'll have to see how this evolves if you start thinking about agents giving financial advice. So I think I agree with your question, but the build would be trust I think is a really important part of it and we need to be the best at doing that. And of course by the way, breadth and scale of your starting point both informs the data but also your ability to then build and test and pilot things and then iterate at pace. So I think that would be the third one.

And then on potential for disintermediation, look, this has been the history of our whole working careers, which is you've seen fragmentation in the value chains across wholesale, retail payments and insurance and then domestic and international payments. And you've seen especially as we've talked about in this market, the emergence of a significant amount of intermediaries on some of the most important products. So I think there is already a significant amount of disintermediation and you have to be the best at working with the people that are intermediating you to still succeed and be relevant and to work out where you add value versus them and I think that will continue. What I teed up earlier is I do think this next phase, and we'll think about it strategically, provides us an opportunity to get closer to our customers in a number of segments and products areas and also to join up for customers in a way that makes it much, much simpler for them.

So that's one of the strategic objectives we will have and we do have today. And without being too theoretical, the Home Hub is just a brilliant example of that. And the question I got earlier around what percentage of the Home Hub customers are doing their refinancing with us? Remember, 85% of mortgages today for the market are going through brokers. We actually outperform on our direct channel, we're up about 24% of our mortgages that are distributed ourselves. That's always on the new flow, the remortgage journey and engaging customers and making it really simple and showing them why there's value if they remortgage with us that happens digitally is a great way of broadening and capturing the value from an existing relationship that's intermediated. And so that's been part of our strategy today. Right. I'm going to hand to you, Ron, for the tech and costs discussion, which is a great question as well.

Ron van Kemenade:
Yeah, I think this is spot on, right? And as you heard me speak about the first phase of our transformation, much of the investments went next to obviously improving our customer propositions. You saw the examples, but a substantial part went into building new foundations, literally brand new data centre, our digital platform, our public cloud foundations, our cybersecurity platform, our data platform, all of it. So quite foundational, which I would say has a longer term return on investment across the Group. I think if looking forward, and I'm not saying we're not investing in those foundations anymore, but the shape will change, obviously investing more in the AI space and investing more into individual propositions, addressing more specific customer needs. To Charlie's point, in the end you could imagine that while using gen AI and agentic AI you would be able to specify and customise your offerings to the segment of one, right? So yes, the shape of our investments and the type of investments will change over time.

And the second element to this is, and there was a number in the slide saying gross savings on delivery and that number will increase as we further improve our productivity in the tech and data domain as we improve the skills of our workforce while we implement agentic AI adding further to the productivity, you get more value for the money invested. So even if we would leave the investments at the current level, and again that's for Charlie to discuss next year, even if you would maintain the same spend, you will get more value for the money that you invest.

Douglas Radcliffe:
Okay, thank you. This seminar is proving very popular in the fact I have numerous questions online as well as those in the audience. A number of the questions online have actually been addressed through other questions. However, particularly given your discussion, Charlie, on trust, I think there's one question here that is probably worth addressing at this point. It's probably one that you are quite close to as well. The question was how does the executive and the board ensure ongoing accountability and oversight of AI systems, particularly in high impact areas like credit decisions, fraud detection and customer profiling?

Charlie Nunn:
Yeah, maybe I'll say one thing and then Ron, I know we shouldn't double tag questions, but you have built out the team around ethics and oversight and AI and there's some really good developments in that context, which is, if you like, the controls and the capability to do this. It is a really important question. Look, the starting point is that you have a board and executive and then below the executive, the people that actually understand technology, data and AI. And as you know, we've done a lot in the Group to refresh the talent. Ron's an example, you've met some of the rest of the GEC, my Group Executive Committee, and a lot of them

have a lot more depth around technology than you'll see in other organisations. And that was a deliberate choice because we knew to deliver the strategy for our customers and for our shareholders, we needed to have that capability.

The second thing I think is you need to invest in the experts who can then oversight and manage the different tools we're talking about, and I'll ask Ron to talk about that in a second, and have the PhDs and have the systems and the tools that enable you then to do quality checking, both pre-putting AI tools into production, but then critically for the ongoing optimization and review and control of them. I'll talk about that as my third thing. And as I said, we start this next phase of AI with already 800 live AI models using large language models, another form of AI infrastructure. So this isn't our first rodeo. We know how to do this, we know how to do it safely. And to give you a feeling for it, one of the things, because all AI models have a level of black box outcome, is you have to get very good at back testing.

And the complex part of that is creating a clean data set against which you can back test. So we have significant capability around control testing. The third thing, which I won't spend more time on now, but it floats my boat because I've spent my whole career trying to do this, but I just teed it up earlier on investments. We've got very good as an industry of dealing with humans which are black boxes and doing 1 or 2% quality checking retrospectively on their outcomes. What we're already doing with Ron's team's input is creating monitoring agents who then audit themselves, produce exception logs.

You can have agents looking at those outcomes with 100% fact-checking and then presenting data for a human to then oversight. The world that we have built, the biggest Retail and Commercial banking in the UK where you do 1 or 2% checking with a lot of humans that are black boxes, I love my colleagues and they're awesome, to one where you can start to have more data driven oversight is the one that we are able to start executing today. And it will become the model that defines great quality control, whether it's credit decisions or whether it's processes or whether it's customer outcomes. So I think that's the third thing. Ron, do you just want to talk about the capabilities that you've been helping us build out in this context?

Ron van Kemenade:
Yeah, so there is actually three layers to this. One is people, the second part is capabilities or technology capabilities. The third one is governance. So on people, we have a specific data ethics and AI ethics centre of expertise. Like Charlie said, very smart, well-educated and conscious people. Secondly, like I slightly explained in the presentation, AI use cases require access to data, access to LLMs and they require guardrails which translate into real capabilities to avoid data privacy breaches, intellectual property breaches, regulatory compliance breaches, biases, hallucination, unethical behaviour. All of these guardrails you need to build into your platform, which is arguably the most challenging part. The giving access to LLMs or unlocking around data I would argue are the more simple parts.

So that's on capabilities and as we are building out our agentic platform, these are embedded, crucial and critical elements into that. And thirdly, like I said, to governance, we do have a data ethics committee which is actually chaired by myself with obviously our legal and risk people, business representatives where we do discuss the use cases we want to bring to production, discuss what the potential ethical dilemmas are in there and how we deal with them. And it's not the case that every single proposed use case will survive the scrutiny of that committee. We do actually reject certain use cases that we believe are not sufficiently well thought through in terms of how they deal with ethical dilemmas.

Charlie Nunn:
And then the outcomes of all those controls will go back up through governance to both our committee at the top of the bank and the executive and up to the board, which I think was the question Douglas asked.

Douglas Radcliffe:
Excellent. Look, we've already run out of time, but let's just take one final question. We'll take it from Andrew.

Question 9: Andrew Coombs, Citi
I might try and sneak in two if I can. Sorry, Douglas. The first one was just you highlighted the ranking in Evident AI and how you've moved up to 12 places to 15th. When I look at that index, I think it's very difficult to rank the banks, but they do a very credible job of attempting to do so. But the top 10 is still dominated by the US banks. So is there anything for you to learn from the US banks or do you simply think that they are better at

advertising what they're doing already? And the second one just on costs, gross versus net. I think you talked about agentic AI being almost a continuation of what you're already seeing evolving in terms of digital adoption.

If you had to go back 15 years ago and tell somebody that the branch network across the UK, not yours, but industry would halve, I think they'd be surprised. If you were to go back and tell me it'll halve, but costs will be broadly stable, they'd probably be even more surprised. So what do you think about gross versus net costs from here? Because clearly the gross cost saving opportunity is sizable, but does it just all get redeployed?

Charlie Nunn:
Shall I do the second one? Ron, do you want to do the first one?

Ron van Kemenade:
Sorry, remind me the first question was...

Charlie Nunn:
Evident AI, and the top 10 being US banks and lessons to be learned from that.

Ron van Kemenade:
We did study obviously the report in depth and then since we participate we get more detailed insight a bit behind the curtains. I would argue. Obviously the US banks are leading. However, if you look at the ranking, the top three banks in that ranking, and from top of mind that's JPMorgan, Cap One and RBC, that they're clearly leading, they're ahead of us and we should acknowledge that. From let's say the top three down to probably roughly where we are it is more or less we're all on par level. Some may excel in some dimensions, other excel in other dimensions.

I think what we strongly believe is while we continue our effort, and this is not, like we explained, a small effort of a small group of people, we are investing in our senior leadership together with Cambridge. We are investing in our data science and engineering community to retrain them using agentic AI and on the broader colleague base we are skilling them as well, re-skilling them with AI tools so they are better positioned for the future and approaching this in a more sustainable, broader, and you could argue democratic way, I believe we are well set up to gain more position. It's not per se spending a lot of money, which arguably the US banks have plenty of. Do you want to take the second?

Charlie Nunn:
Great. Yeah, thank you. So the second one, we've had this discussion with this Group before about gross versus net cost, so it is the killer question. Obviously, look, the first thing I'm going to say is one you'd expect me to say, which is we're going to get to our 50%, just under if William were here, just under 50% cost income ratio next year. And obviously given the market we operate within, you've got to remember because cost income ratio is a revenue and cost, there's many markets where revenue, the margins are wider and what you can do as a bank are very different. So given the scale we've got the market we operate within and then the efficiency level we're delivering, achieving that we think is an important stepping stone.

So we're committed to that. And whatever your numbers are, that will be having achieved approximately 30% revenue growth since 2021 and having dealt with a very significant margin compression through our mortgage book, which means that revenue growth is showing actually very significant alpha - underlying market share growth and underlying business growth. And the easiest one for me to describe you to today in that context is the other operating income growth of 8 to 10% CAGR, 9% CAGR now through this cycle, which is very differentiating. So the reason I go there is that's the first thing. Now as you point out rightly, that has shown gross cost increases and even though we've saved £1.5 billion... Sorry, net cost increases. Even though we've seen £1.5 billion of gross cost savings, we've seen two things broadly, inflation, which everyone can understand and model, number one.

Number two, I asked for permission from all of you to invest £4 billion more beyond our run rate to do the things we've talked about today and to tee up a business that was pivoting back to growth and transforming and being competitively relevant. So that's been a higher impact on our costs. And then the third thing which I always think of as good cost is business growth. And I don't know whether we're going to be able to do this next year actually, but certainly when I look at it, I look at the marginal cost-income ratio for the business growth I'm getting, ex those two other factors and obviously that's a very, very healthy number given how we operate.

What do I think is going to happen going forward? I'm not going to give you guidance, but I do think whatever you look at, we should definitely as an industry and we will have very high expectations on our ability to continue to deliver gross cost savings, I can't control inflation, but you'll have your own models or views around that.

Ron talked to you about it, I'm not going to give you guidance on it, but our ability to deliver more with the same capacity or less we think is strategically really important, (a) so we can compete from a pace perspective, But secondly, so we can deliver more for less to our shareholders and investors from our technology capacity. So that will be part of the story that we have going forward. And then the third part which we need to come back and be really clear on is there is some, I think, really exciting growth opportunities for this Group. We are proving we can now capture market share, be relevant and create value and those will require investment in people and capabilities to grow.

And we should be transparent around how much is actually growing the operating expenses in support of accretive growth. So those things will be true. What happens on a net basis I think will depend obviously on the combination of choices we make and for the industry more broadly the choices they make for us. But as you know, through 26 and we'll come back beyond that, this is a business that you'd want us to be able to invest in because the returns are very, very strong. Sorry I can't give you the full answer. We will take it as input for next year.

Andrew:
Thank you for a really interesting presentation.

Douglas Radcliffe:
Thank you. So given the time, we'll need to finish the questions at that point. Before we actually finish, if I could just hand over to Charlie for some brief closing remarks.

Charlie Nunn:
Well, thank you, Douglas, and thank you, Ron, for joining. Look, I really appreciate you joining the session. I really appreciate you doing it in person. I hope it's been interesting. As I said at the start, this is the last of the seminars alongside our quarterly updates for this strategic cycle. Thank you for bearing with us. We knew this one was a bit more conceptual and the risk was Ron and I are deeply, deeply passionate about technology innovation and we've spent our careers doing it. So thank you for bearing with us with the more theoretical answers. But I hope it was helpful for you.

Obviously we are working towards the strategy update next year. I know we haven't given you a specific date, but we have said that'll be in the summer next year. We'll come back and give you that date probably at the year-end I'm guessing, which is at the end of January because we're doing prelims to get pace going and get the organisation looking forward. So thank you very, very much for attending today and really look forward to the next meeting I suppose, which will be the prelims in January. Thank you.

FORWARD-LOOKING STATEMENTS

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