

Digitise and diversify Business and Commercial Banking

Lloyds Banking Group
27 June 2024

Welcome and introduction



Today's presenters



Charlie Nunn
Group Chief Executive



Elyn Corfield
CEO
Business and Commercial Banking (BCB)

Agenda

- 1 Introduction**
- 2 Strategic overview**
- 3 Summary**

Growing our scaled and profitable BCB business



Purpose

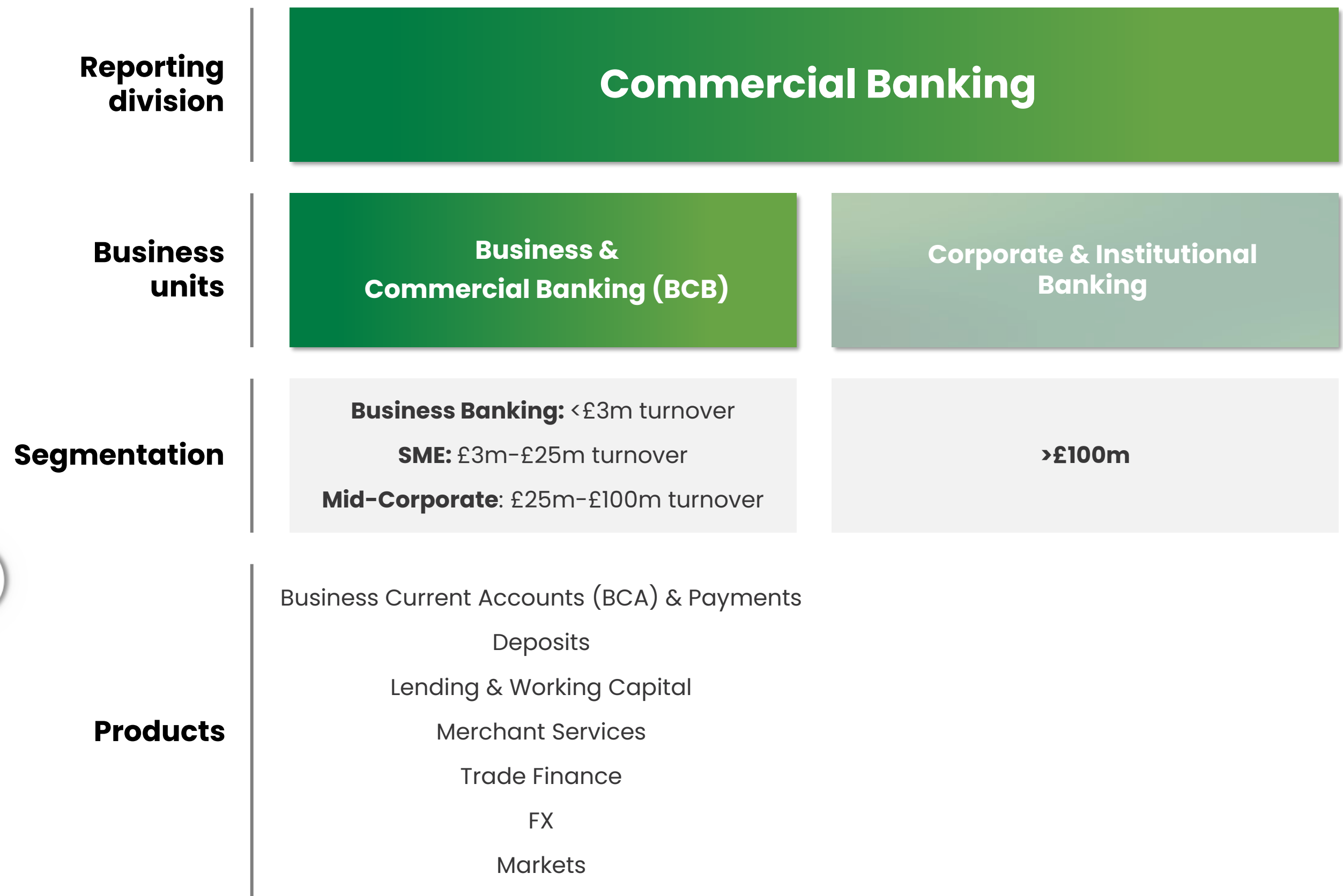
**Helping
Britain
Prosper**

- **Important contributor** to UK economy and the Group
- **Differentiated** offering building on **strong, trusted relationships**
- Investing to **diversify, digitise and transform** the business, whilst leveraging unique benefits of **broader Group offering**
- Contributing **c.£0.3bn** of Group's targeted c.£1.5bn additional revenues by 2026, with additional core franchise upside

Digitise and diversify our BCB business



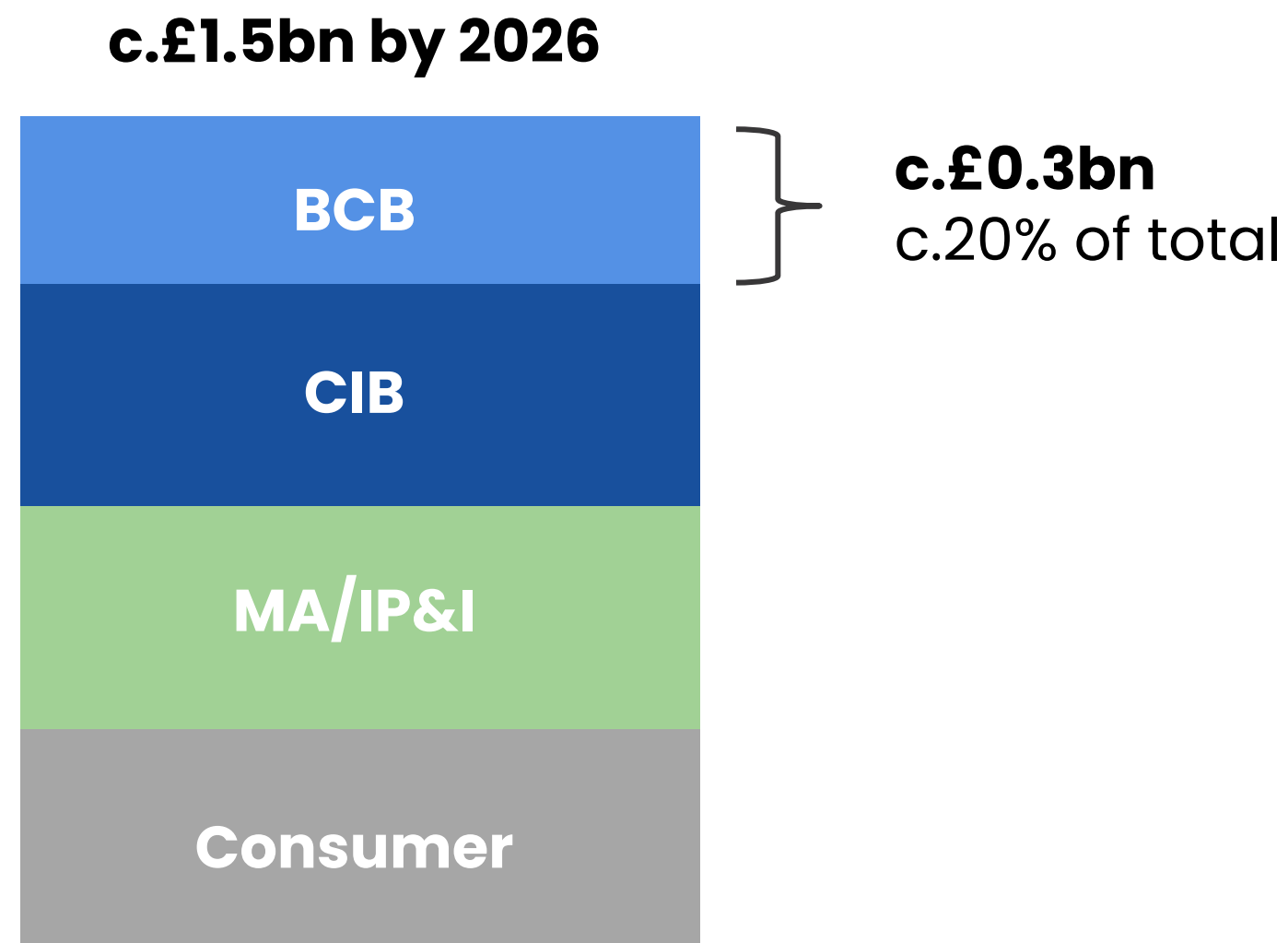
- 1 Deepen and innovate in Consumer
- 2 Create a new mass affluent offering
- 3 **Digitise and diversify our BCB business**
- 4 Develop our Corporate and Institutional business



Strong financial upside



c.£0.3bn strategic initiative revenues



Additional benefits from core franchise growth

Further upside

- Deposit retention
- Market share growth

c.£2.9bn FY 2023 BCB net income, up >20% since FY 2021

c.45% FY 2023 CIR

Contributing **c.20%** to targeted **c.£1.5bn** additional revenues per annum by 2026; **c.15%** of associated investment spend

Further revenue growth from the core franchise and broader Group opportunities

Increased digitisation **further supporting cost efficiency**

Delivering **strong, Group-accretive returns (>20% in FY 2023)**

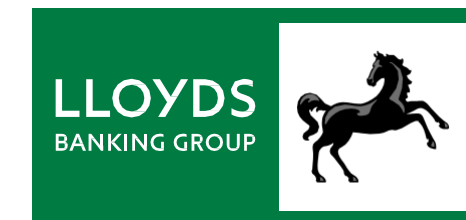


Strategic overview

Elyn Corfield

CEO, Business and Commercial Banking

Scale business, with opportunities for growth



Strong foundations

As at FY 2023

Reach

c.1.1m
Customers

c.20%
SME relationship share¹

Scale

£33bn
Customer loans

£77bn
Customer deposits

Contribution

c.15%
Group net income contribution

>20%
Return on Tangible Equity

Presentation focus areas

Outlining the strategic opportunity

Diversifying the business

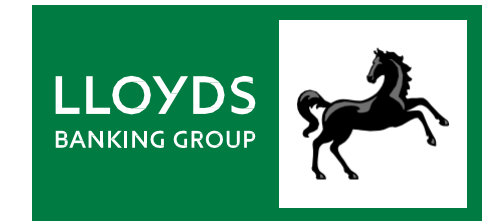
Digitising and Transforming to generate value

Unlocking broader Group opportunities



¹ – Source: Experian – businesses reporting LBG as main banker, turnover £3m – £25m (excludes Charities, Clubs and Societies), Jan 24.

Important sector, key contributor to the UK economy



Crucial area to Helping Britain Prosper

c.60%

Contribution to all jobs in UK¹

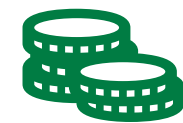
>50%

SME contribution to private sector turnover¹

>75%

Proportion of SMEs in UK that are part of supply chains²

Continuously evolving market...



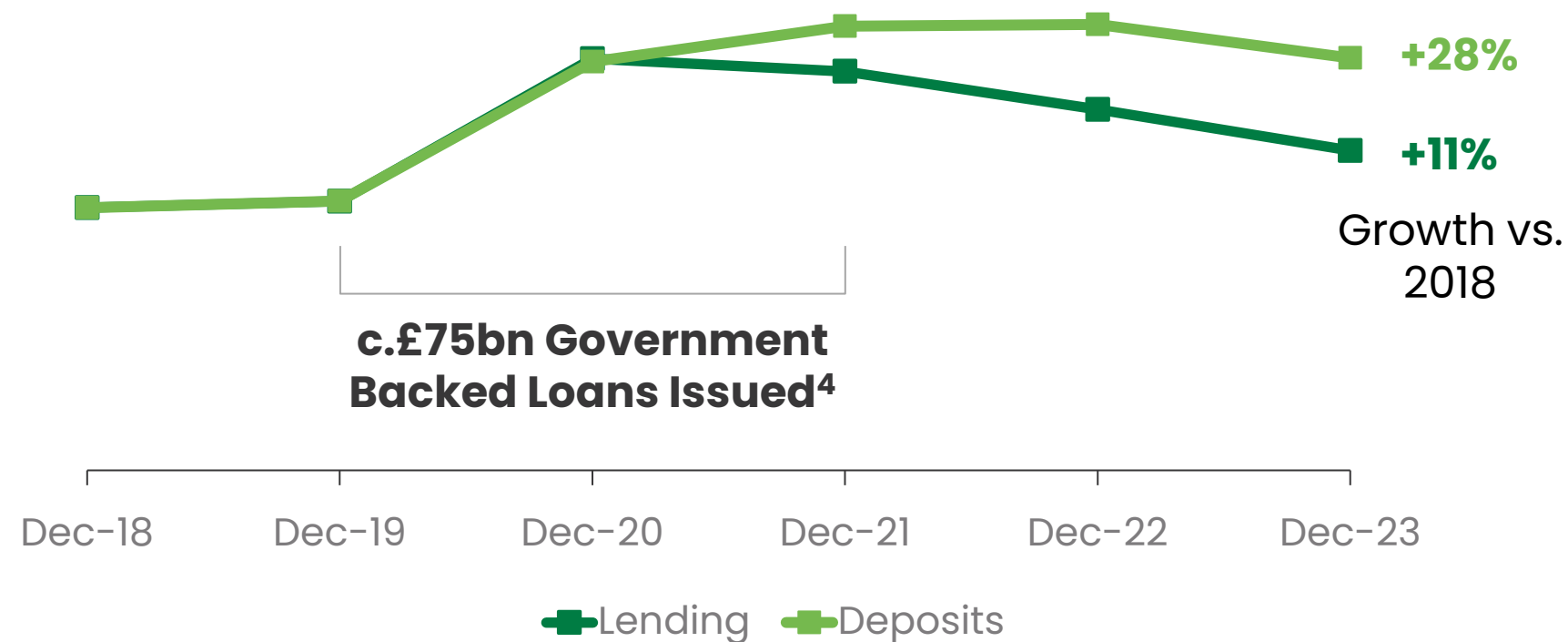
Inflationary pressures impacting cash flow



Competitive market, with new digital entrants

...which has impacted core product lines

UK market commercial deposits and small business loans indexed from 2018³



Improving conditions

+22pp

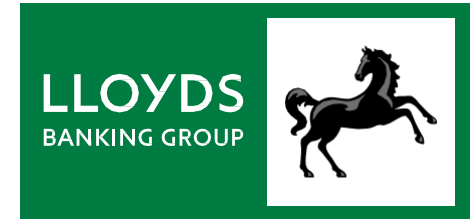
Higher business confidence vs. long-term average⁵

c.6%

Increase in new UK start-ups in 2023⁶

1 - Source: UK Small Business Statistics, 2023, FSB. SME contribution to private sector turnover estimated. 2 - Source: FSB. 3 - Source: BoE, UK bank lending and deposits. 4 - Source: gov.uk and British-business-bank.co.uk. 5 - Source: Lloyds Bank Business Barometer as at May 24. 6 - Financial Year 2023, GOV.UK, Companies register activities.

BCB is a broad and deep business



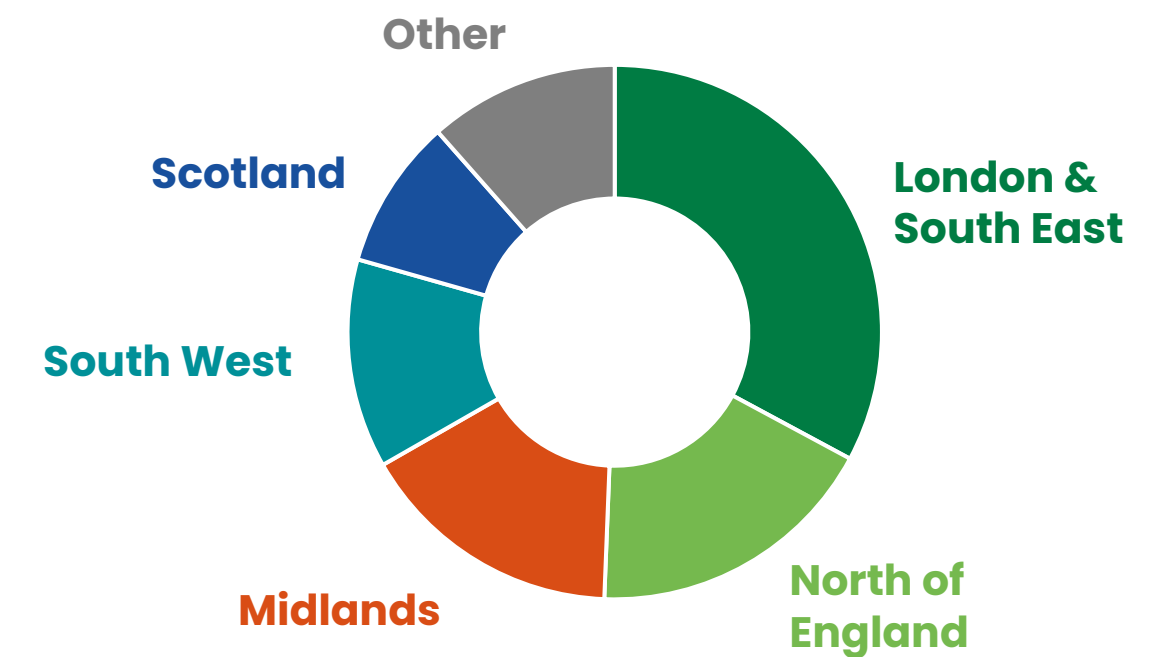
Coverage across customer segments...

As at FY 2023	Business Banking	SME	Mid Corporates
Business turnover	< £3m	£3m-£25m	£25m-£100m
Customers	>1m	>60k	c.3k
Deposit mix	c.30%	c.50%	c.20%
Lending mix	c.15%	c.75%	c.10%
Typical product needs	Business Current accounts (BCA) & Payments; Lending & Working Capital; Deposits; Merchant Services; FX		
		Structured Lending; Markets; Trade Finance	
Channel interactions	Digital first, with human support	Highly digital with increasing sector-led relationship offer	Sector specialised relationship proposition, with digital self-serve

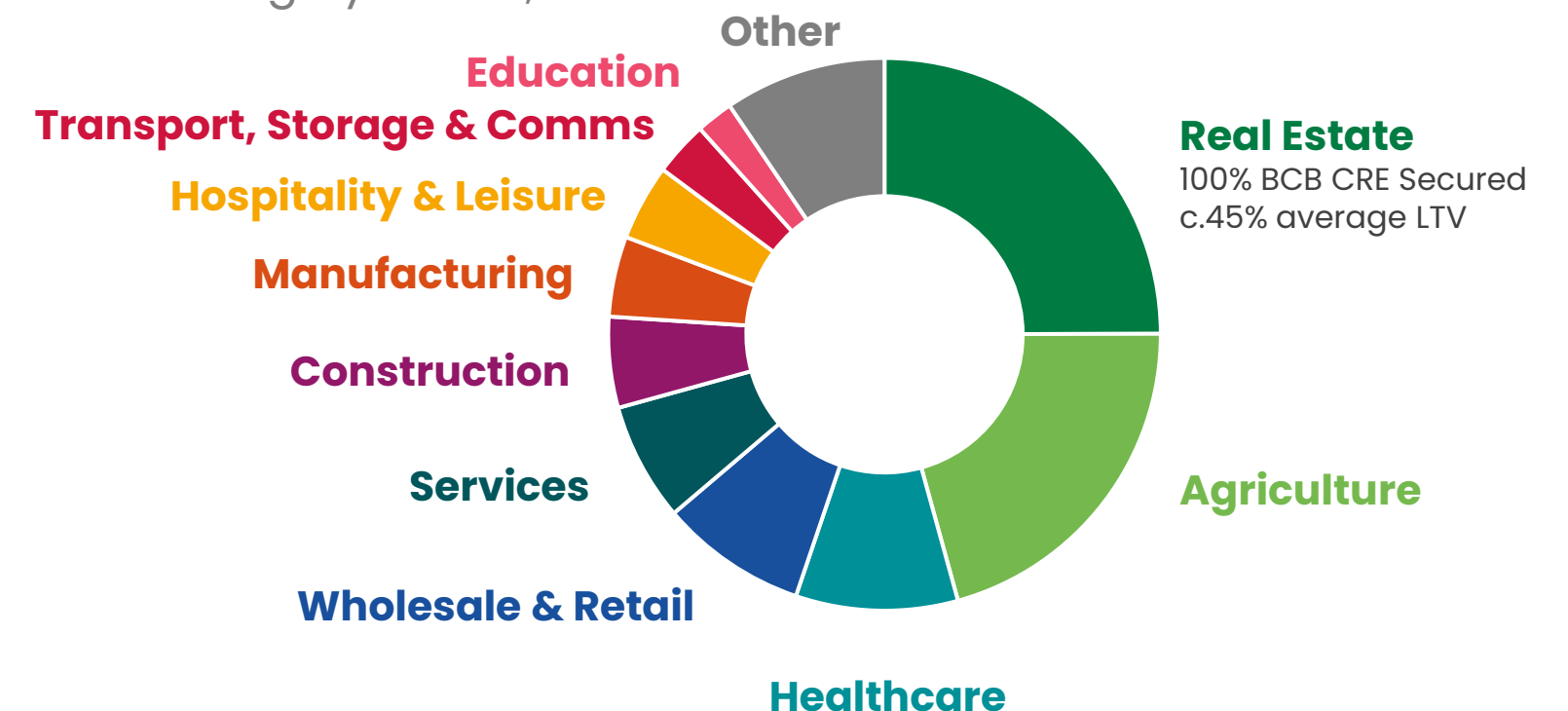


...with regional breadth and sector expertise

Customers by region, FY 2023¹



Lending by sector, FY 2023²



1 – Excluding AMC, clubs, charities & societies, customers in default or recoveries and non-franchise asset finance and invoice finance customers. 2 – Other includes customers in default or recoveries, non-franchise asset finance and invoice finance customers, commercial cards balances and sectors with <1% coverage.

Strong franchise, with unique competitive advantages



Strong foundations

#1

Brand for small businesses¹

>90

Relationship Manager customer satisfaction score²

>45%

Customer relationships 10 years or more

c.70%

Business Banking customers have a broader LBG relationship

c.90%

SME lending book secured³

Competitive advantages

Leading brand

Trusted high street bank; leader for **brand** and **service quality**

Strong relationships

>**1,000** sector, product and relationship **specialists**

Regional breadth and long-standing relationships

Full-service proposition

Broad product offering with **integrated** merchant services

Delivering **front-to-back digitisation**

High quality portfolio

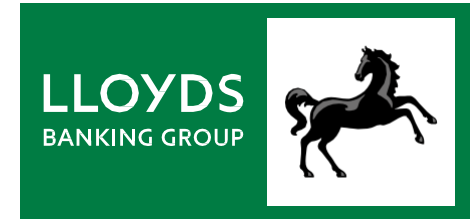
Prudent risk appetite, with diversified lending book

Group franchise strength

Broader Group offering meets more customer needs

Leverages strengths of **leading digital Consumer bank**

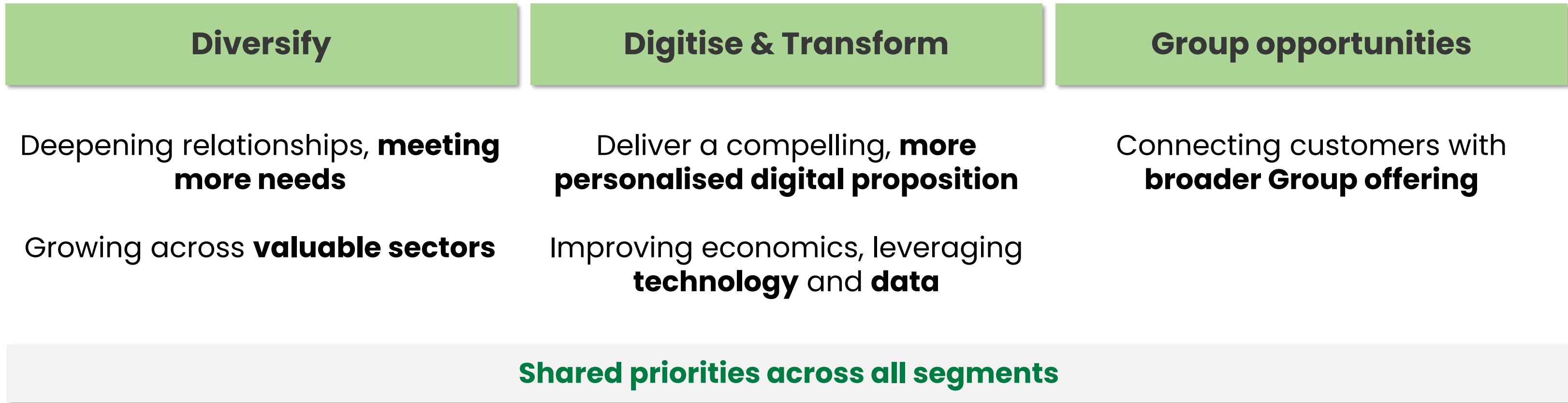
Strategic priorities to drive value



Vision

Building a digitally-led relationship bank

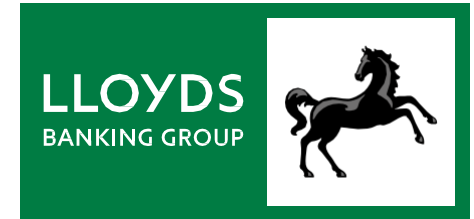
Strategic priorities



Outcomes

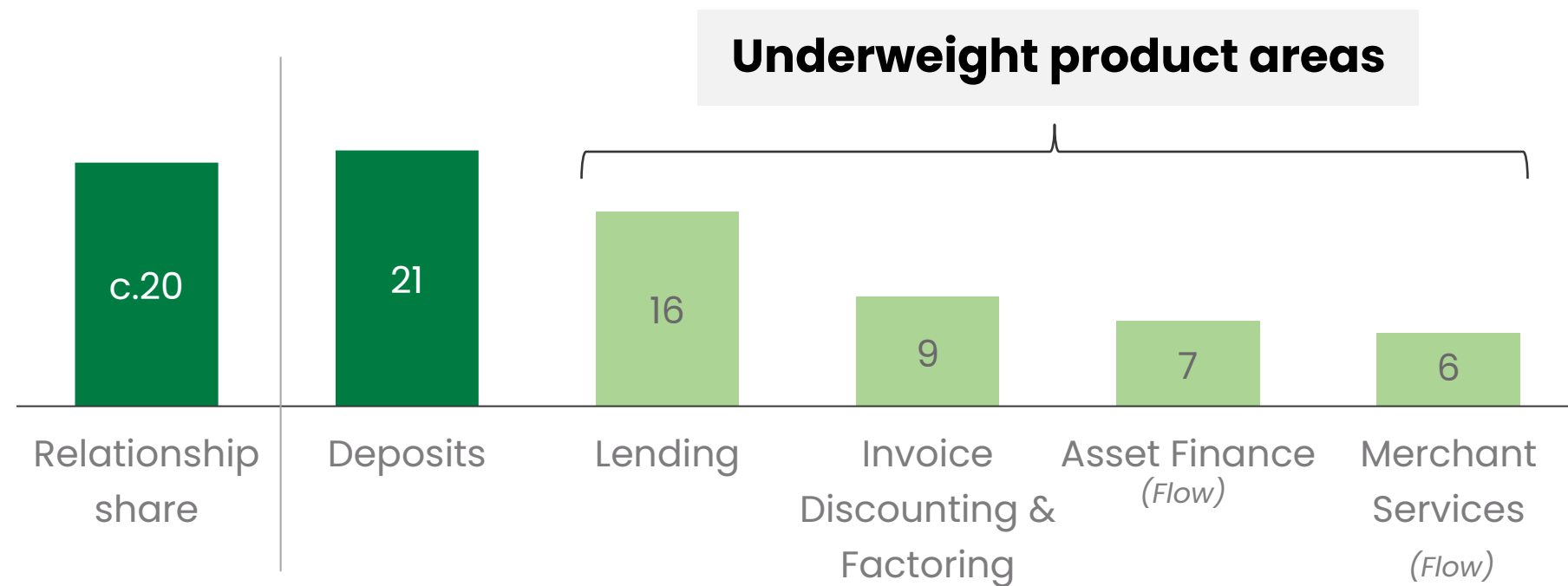


Clear upside from building a more diversified business

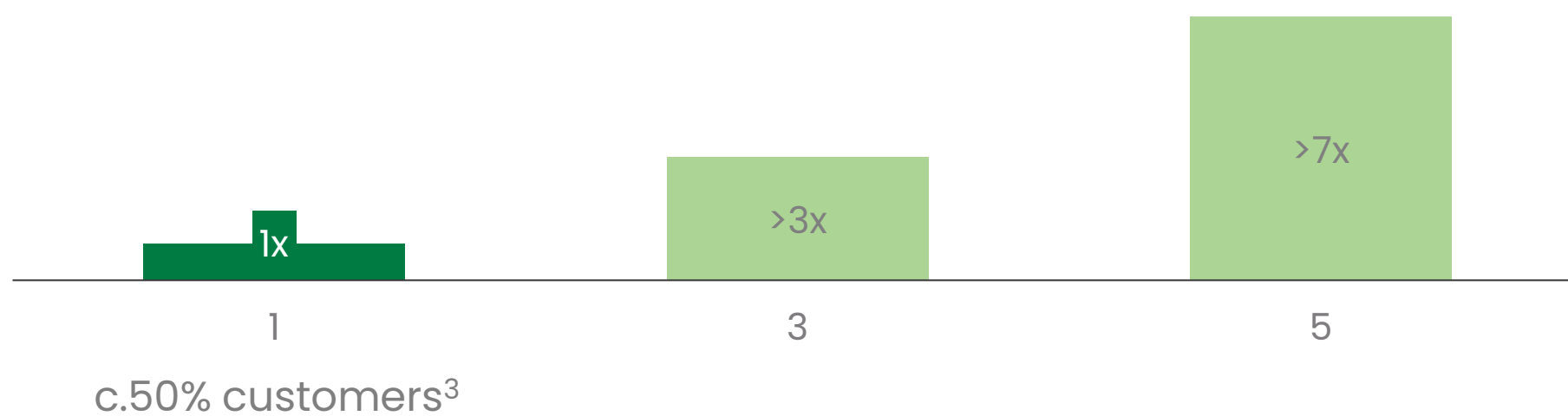


Opportunity to deepen customer relationships...

Market shares (%), Dec 23¹



Revenue per customer multiple by # of products held vs. single product²



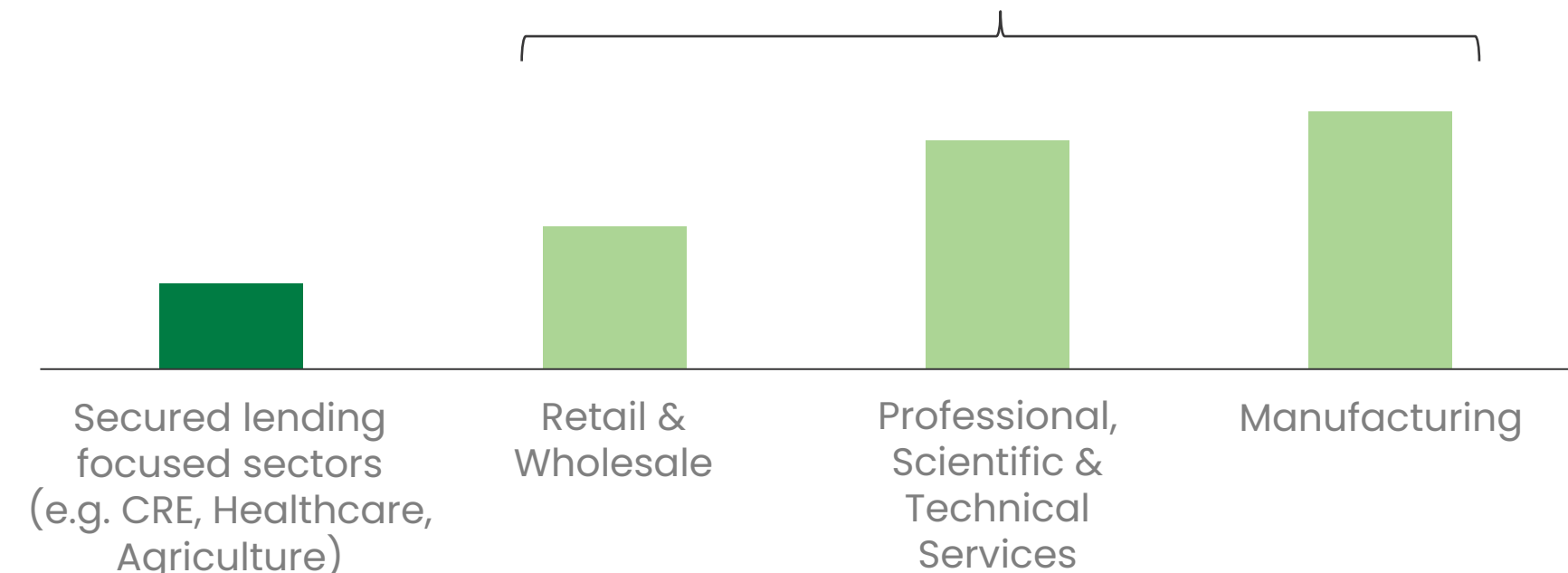
...and expand franchise to deliver growth

LBG Average Product Holding (APH) by sector⁴

Example valuable sectors:

c.5-20% higher APH

Up to 3pp lower market share⁵



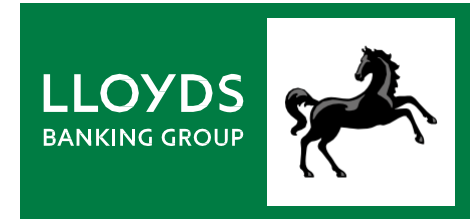
>2x higher average returns in valuable sectors, benefitting from capital-lite needs



Increasing average product holdings through deepening existing customer relationships and targeted growth in valuable sectors

1 – Relationship share – businesses reporting LBG as main banker, turnover £3m - £25m (excludes Charities, Clubs and Societies), Experian; Deposits – SME Deposit balances (vs. UK high street banks excl. Nationwide) UK Finance; Lending – SME lending balances (<£25m) BoE; Invoice Discounting & Factoring – advances, UK Finance; Asset Finance – new Lending, businesses ≤£25.9m annual turnover (excl. vendor), FLA; Merchant Services, transaction t/o (flow), UK Finance. 2 – Mar 24, number of distinct products. 3 – Excluding clubs, charities & societies and BBLs-only customers. 4 – Across SME and Mid Corporates. 5 – businesses reporting LBG as main banker, turnover £3m - £100m (excludes Charities, Clubs and Societies), Experian, Jan 24.

Deepening and expanding across product and sector



Vision

Progress to date/delivering value

Building deeper customer relationships

Leading digital propositions, including through commercial partnerships

Enhanced data capabilities across credit risk and pricing

Tailored **sustainability** solutions

New **digital journeys** e.g. credit cards, overdrafts, merchant services, asset finance

Auto credit decisioning live up to £75k in BB

Bespoke pricing for **energy efficient properties**

c.60%
Business Banking lending decisions automated¹

>2x
YoY growth in Business Banking gross new Lending¹

...and enabling...

Growth in valuable sectors

Increased share and penetration within **valuable sectors**

Created **new specialist team** to provide structured financing solutions

Specialised training across coverage and credit teams

>£100m
Sanctioned lending through new specialist team²

Opportunity

Building deeper and more diversified revenue sources across sectors, meeting more customer needs

Enhancing our merchant services offering



Attractive opportunity

c.25bn

Total market transaction volumes (FY23)¹

+3%

Forecast market growth 2023-26 (CAGR)¹

Strong progress

>20%

Growth in new merchant services clients per annum since 2021

c.50pts

Improvement in NPS since 2021²

Clear, segmented strategy leveraging strategic partnerships...

Business Banking

Delivering a targeted proposition, with **enhanced digital servicing** and **mobile acceptance solutions**

Integrating **point-of-sale solutions** into digital origination journeys

SME/Mid-Corporate

Enhancing **terminal offering** and **omni-channel payments solutions**

Providing enhanced **value-add-services** and bespoke integrations

...with new solutions for merchants

Embedded Finance

Building unique **POS instalment lending consumer proposition** for BCB merchants with third-party partner, **launching in 2024**

Opportunity

Growing the merchant services client base to build a valuable other income stream

Ongoing journey to Digitise and Transform our business



Accelerated shift to digital, driving value for customer and Group

Growing customer usage

c.85%

% of customers that are digitally active¹

c.30%

Growth in mobile active customers²

Building engagement

c.10%

Growth in average monthly mobile logins per customer³

Delivering value

c.10%

Higher APH for digitally-active vs. non-digitally active customers⁴

Opportunity to go further

1

Scaling **digital origination** and **servicing** to enhance experience and reduce cost

2

Increasing personalisation to improve conversion

3

Leveraging **data** and **technology** to enhance **pricing and propositions**

Leveraging the broader Group's digital strength and expertise as UK's largest digital bank



1 Scaling digital origination and servicing

Digitising onboarding and servicing to drive growth and efficiencies

Increasing mobile-first origination

Scaling **digital origination** and **fulfilment**, including mobile-first deposit journeys and widening lending auto-credit decisions

Integrating multi-product proposition to **increase conversion**, such as merchant services in new BCA journey

Digitising servicing experience

Digitised **c.45%** of servicing journeys to date, improving experience, reducing complaints and lowering unit costs

Developing **GenAI use cases**, with strong initial results e.g. 50% colleague time saving

Progress to date

Up to 15x

Reduction in BCA opening times since roll out in H1 2023

c.15%

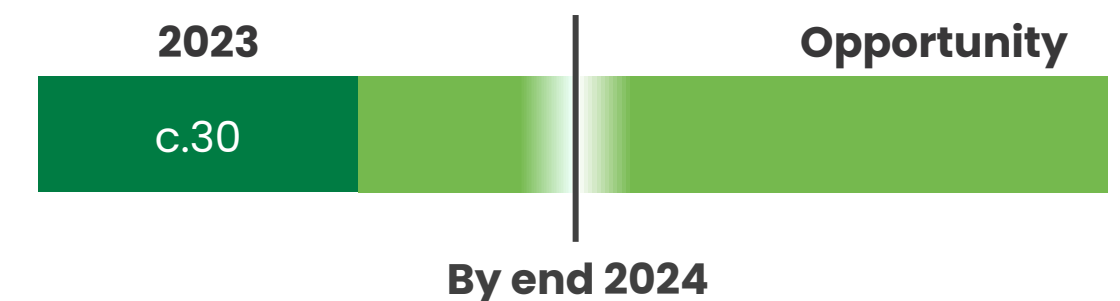
Uplift in merchant services conversion through integration in new BCA journey¹

c.60%

Lower unit costs²

Future upside

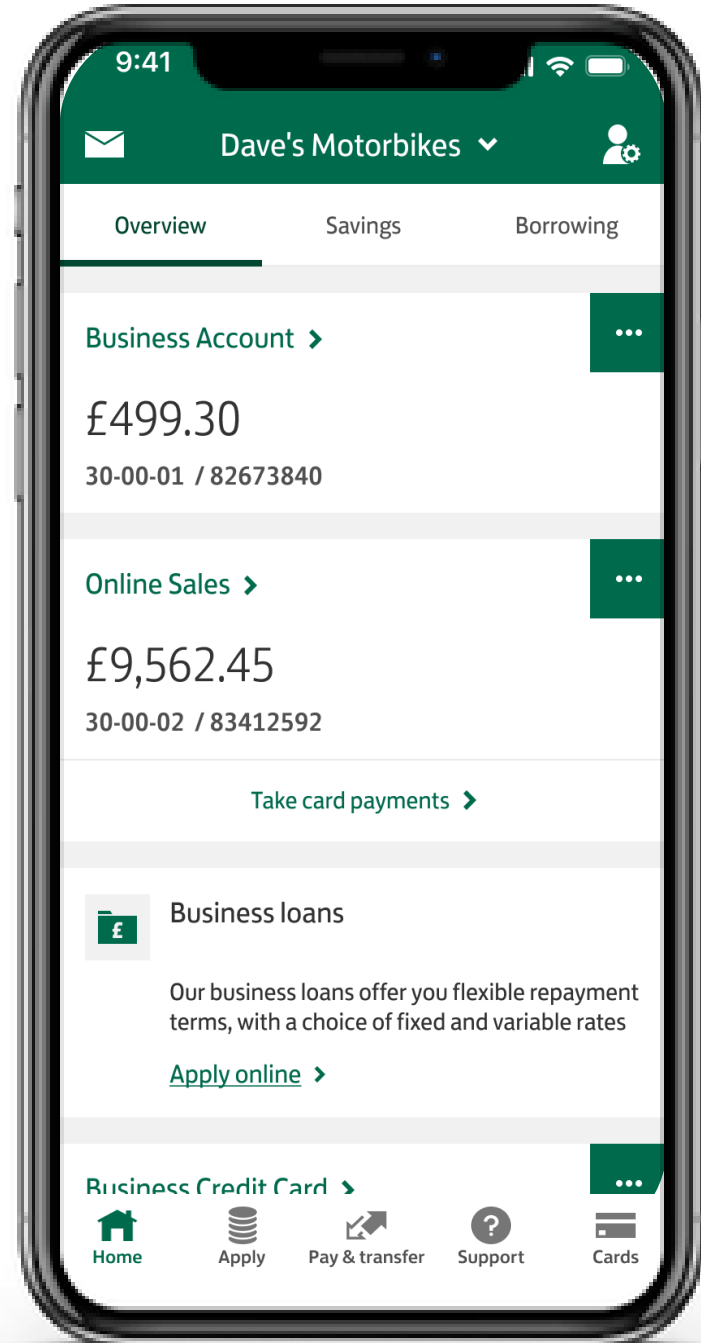
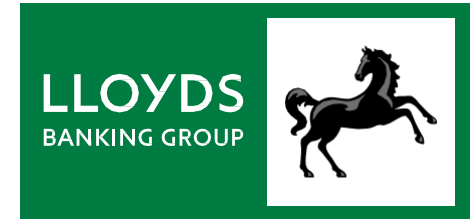
Products originated and fulfilled digitally (%)



Opportunity

Targeting >50% share of products originated and fulfilled digitally by 2024, with scaling benefits

2 Personalising to improve experience and conversion



Omni-channel personalisation strategy

Rolling out **personalisation engine** across channels, utilising **real-time customer interactions** and more sophisticated segmentation

Increasing volume of **unique customer content**

Launching new **customer insight tools** with nudges and prompts

Exploring GenAI use cases to enhance decisioning and scaling capabilities, driving cost efficiencies

Progress to date

6x

Increase in digital content engagement since 2021¹

5x

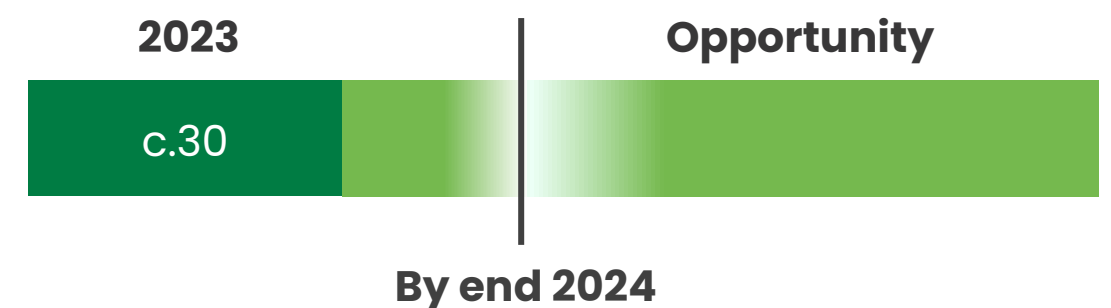
Increase in product conversion rate²

c.45%

Income uplift³

Future upside

Proportion of intended digital impressions personalised (%)



Opportunity

Increasing customer engagement and product penetration through personalisation to meet more customer needs and drive revenue growth

3 Transforming to drive value



Proven transformation track record, leveraging technology to go further

Increasing
focus on
value

Disciplined approach to value of lending relationships vs. volume

Targeted approach to deposits, moving significant proportion of interest-bearing deposits to **managed rate**

Improving margins with more sophisticated pricing capabilities

Optimising engagement model by transitioning customers to appropriate service model (>**30k** customers 2022-2024)

Leveraging
technology
& data

Enhancing **data-driven pricing and forecasting capabilities**, rolling out strategic pricing tools across multiple products

Increased number of **lending pricing points** (c.8m today)

Developing more granular **sub-segments** to deliver **bespoke pricing**

Progress to date

>**50%**

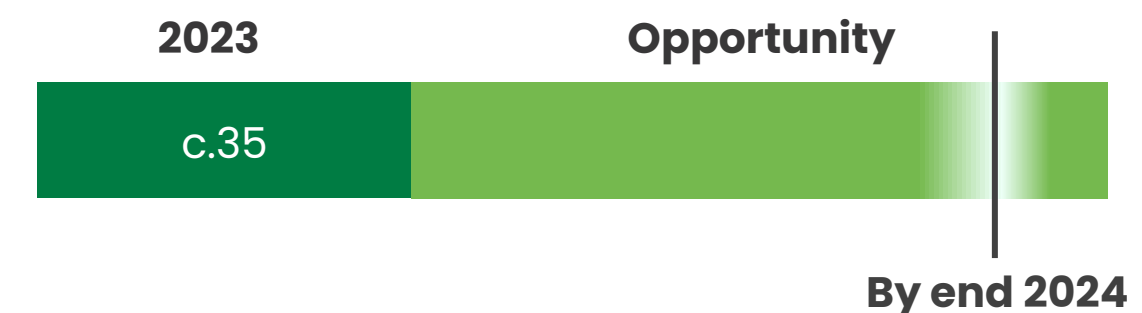
Increase in structural hedge eligible deposits since 2018¹

c.30bps

Improvement in SME new business term lending margin since 2018^{1,2}

Future upside

Proportion of balance sheet products covered by strategic pricing³ (%)



Opportunity

Investing in technology and data capabilities to further optimise existing strong returns; delivering operating model changes to improve service and efficiency

Unlocking broader Group opportunities



Clear Group connectivity

c.70%

Business Banking customers have a broader LBG relationship

c.15%

Mid-Corporate customers have Lex Autolease relationship

c.30%

Business Banking business owners are Mass Affluent or Affluent¹

Leveraging benefits of wider Group to deliver for customers

Strong existing links

Lower acquisition cost due to extensive Consumer franchise

Leveraging proven **Consumer digital expertise** and **architecture**

Low-cost, structural hedge eligible funding for Group

Facilitating client pathways for **CIB**

New growth prospects

Connecting merchants to **Consumer embedded finance**

Targeting **switcher introductions** from Mass Affluent

Referring customers to **Tusker**

Providing **Ready Made Pensions** for the self-employed

Introducing BCB customers to **Lloyds Development Capital**

Opportunity

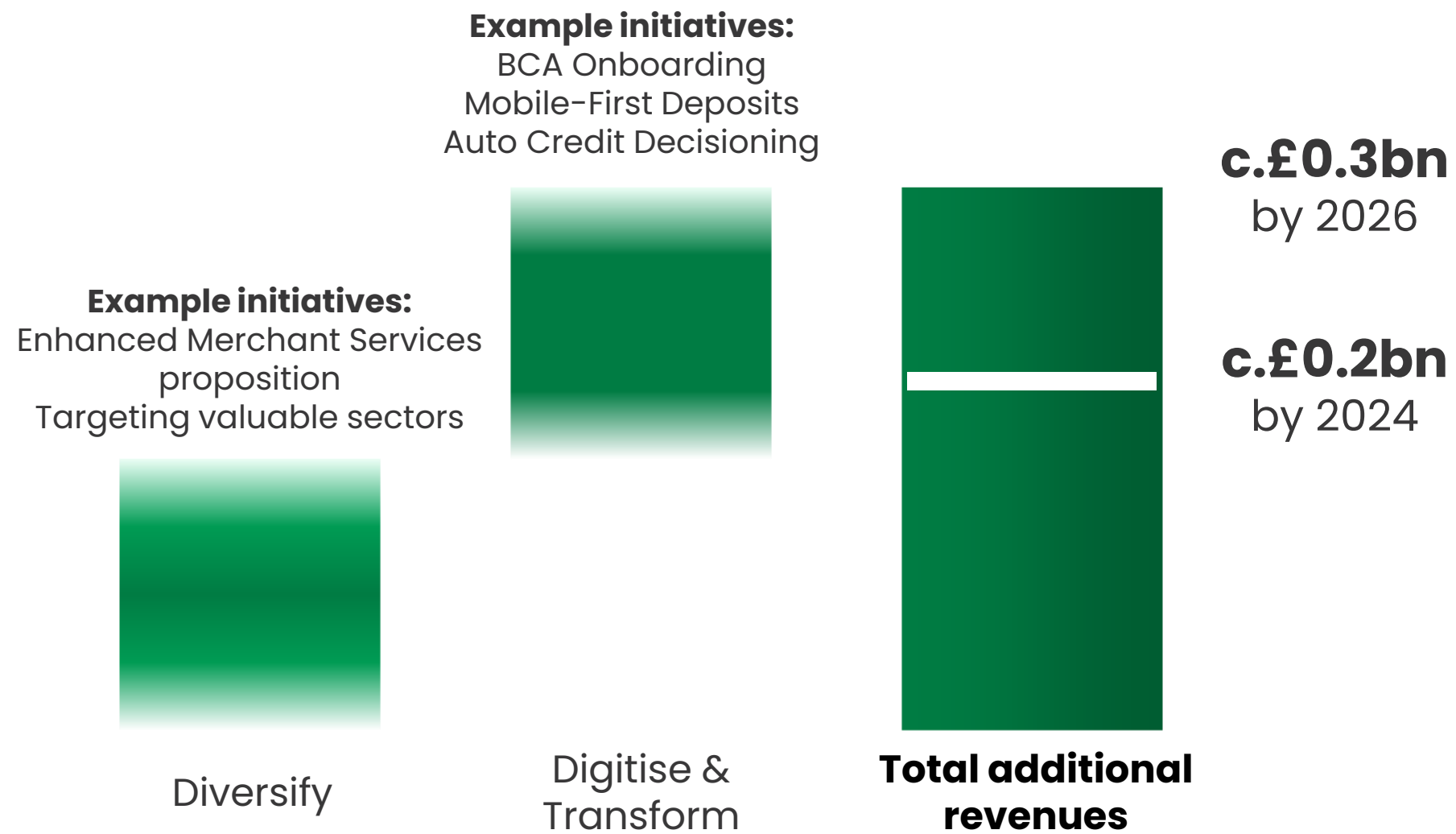
Building deeper customer relationships whilst contributing to Group-wide revenue opportunities

Confident in delivery of financial benefits



c.£0.3bn strategic initiative revenues

Additional revenues targeted from BCB strategic initiatives, 2026¹



c.15% Share of 2022-2024 Group strategic investment spend



Additional benefits from core franchise

Further revenue upside

Deposit retention

Market share growth

Improving operating leverage

Digitisation

Optimising servicing model

Delivering highly accretive returns for the Group



Summary

Growing our scaled and profitable BCB business



Purpose

**Helping
Britain
Prosper**

- **Important contributor** to UK economy and the Group
- **Differentiated** offering building on **strong, trusted relationships**
- Investing to **diversify, digitise and transform** the business, whilst leveraging unique benefits of **broader Group offering**
- Contributing **c.£0.3bn** of Group's targeted c.£1.5bn additional revenues by 2026, with additional core franchise upside



Q&A

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