HY 2021 FREQUENTLY ASKED INVESTOR QUESTIONS

How was the Group's financial performance in H1?

- The Group delivered a statutory profit before tax of £3,905 million for the half-year to 30 June 2021, whilst statutory profit after tax was £3,865 million, both benefiting from solid business momentum and a net impairment credit driven by the UK's improved macroeconomic outlook, combined with robust credit performance.
- The Group's statutory profit after tax included a benefit of £970 million from the revaluation of deferred tax assets, given the revised corporation tax rate effective from 1 April 2023, substantively enacted in the second quarter.
- Net interest income of £5,418 million was down 1 per cent versus the first half of 2020, impacted by a reduction in the banking net interest margin which more than offset the effects of higher average interest-earning banking assets. The banking net interest margin reduced by 9 basis points to 2.50 per cent, reflecting the lower rate environment and change in asset mix, including lower unsecured balances. Relative to the first quarter, the banking net interest margin improved to 2.51 per cent in the second quarter of 2021, benefiting from improving structural hedge earnings and asset and liability mix in Commercial Banking.
- Average interest-earning banking assets were up 2 per cent compared to the first half of 2020, driven by strong growth in the open mortgage book and the impact of Government supported loan schemes. These were partially offset by the effects of the continued optimisation of the Corporate and Institutional book within Commercial Banking and lower unsecured and motor balances.
- Other income of £1,282 million was up £147 million in the second quarter of 2021 versus the previous three months, including a strong contribution from the Group's equity investment businesses and positive assumption changes in Insurance. The Group is also seeing some early signs of increasing customer activity and new business, particularly in Retail and workplace pensions within Insurance and Wealth. In aggregate, other income of £2,417 million was 2 per cent lower than the first half of 2020, reflecting lower levels of insurance new business income, a lower Lex fleet size and significantly lower levels of gilt and other liquid assets. This was in part mitigated by strong performance in the Group's equity investment businesses, including Lloyds Development Capital.
- Total costs, including remediation, were up 7 per cent on the prior year, given the slight increase in operating costs and a higher remediation charge in the period, materially driven by a regulatory fine relating to the communication of historical insurance renewals, further costs in relation to HBOS Reading and other litigation relating to ongoing legacy programmes.
- Asset quality remains strong, with low levels of new to arrears. Impairment in the first half of the year was a net credit of £656 million, compared to a net charge of £3,818 million in the first half of 2020. The net credit in the period resulted from an £837 million release of expected credit loss (ECL) allowances driven by improvements to the macroeconomic outlook for the UK, of which £378 million was recognised in the second quarter of 2021. This was partially offset by a low run-rate impairment charge of £252 million, reflecting strong asset quality in a continued benign credit environment and some releases against Commercial Banking exposures.
- The Group's balance sheet reflects healthy franchise growth. Loans and advances to customers were 2 per cent higher at £448 billion compared to £440 billion at 31 December 2020. Within Retail, strong growth in the open mortgage book of £12.6 billion was only partially offset by the continued run off of the closed mortgage book and lower cards balances. Commercial Banking experienced reductions due to continued optimisation activity within the Corporate and Institutional book, and a market where corporate liquidity levels are high and demand for new lending restrained.
- Customer deposits have increased by £23.7 billion since the end of 2020, with continued inflows into the Group's trusted brands and significant growth of £47.2 billion seen in Retail current accounts and relationship savings balances since 2019. Within Commercial Banking, deposits were up £3.6 billion, largely driven by the inflow of short-term balances, in June 2021.
- The Group's capital position remains strong with a CET1 ratio of 16.7 per cent after dividend accrual. Given the strength of the capital position and the regulator's clarification that banks may resume capital distributions, the Board has announced an interim ordinary dividend of 0.67 pence per share, in line with the Board's commitment to future capital returns, and has reintroduced a progressive and sustainable ordinary dividend policy.

How do you expect the Group to perform going forward?

- We launched Strategic Review 2021 in February this year, with a focus on Helping Britain Recover and further enhancing our core capabilities, specifically technology, payments, data and our people. Strategic Review 2021 supports the creation of sustainable shareholder value through revenue generation and diversification, further efficiency gains and disciplined growth as we accelerate our transformation and build the UK's preferred financial partner for personal customers and the best bank for business. In the first half of 2021, we invested £0.4 billion to support these strategic initiatives.

- We are committed to helping our customers, clients, colleagues and communities through the coronavirus pandemic and rebuilding livelihoods, whilst delivering long-term sustainable returns for shareholders. We recognise that the focus of the Group's purpose, Helping Britain Prosper, must evolve in response to the current environment with changing societal and customer needs and expectations. We are therefore committed to Helping Britain Recover and supporting a sustainable recovery which benefits all of our stakeholders.
- Given our solid financial performance and the improved UK macroeconomic outlook, the Group is enhancing its guidance for 2021. Based on the Group's current macroeconomic assumptions:
  - Net interest margin now expected to be around 250 basis points
  - Operating costs now expected to be c.£7.6 billion
  - Net asset quality ratio now expected to be below 10 basis points
  - Return on tangible equity now expected to be c.10 per cent, excluding the c.2.5 percentage point benefit from tax rate changes
  - Risk-weighted assets in 2021 now expected to be below £200 billion
- Although the macroeconomic outlook remains uncertain, the Group's people, financial strength and business model will ensure that we can continue to support our customers and Help Britain Recover. This is fully aligned with the Group's long term strategic objectives, the position of the franchise and the interests of our shareholders.

Are you seeing any credit deterioration given the current challenging external environment?

- Asset quality remains strong, with low levels of new to arrears. Observed credit performance remained robust in the period, with the flow of assets into arrears, defaults and write-offs remaining at low levels. The Group's ECL allowance reduced in the first half of the year by £1.3 billion to £5.6 billion, of which £837 million resulted from improvements to the macroeconomic outlook, including stronger GDP performance, improved unemployment outlook partly given the impact of the extension of the Government's Coronavirus Job Retention Scheme announced in the first quarter of 2021 and strength in house prices. Reductions in Commercial Banking ECL allowances also reflect improved outcomes on restructuring cases, reduction in Stage 2 exposures and lower flows to default.
- The ECL allowance remains high by historical standards, £1.4 billion above 31 December 2019 and assumes that a large proportion of these additional expected losses will crystallise over the next 12 months. This is expected to take place as support measures subside and unemployment increases, with the Group's base case predicting a peak of 6.6 per cent in the fourth quarter of 2021.
- The Group has retained the judgemental overlays applied at year end and has continued to offset modelled releases not deemed reflective of underlying risk. Management judgements in respect of coronavirus of c.£1.2 billion (31 December 2020: c.£0.9 billion) include a central £400 million overlay, as well as c.£800 million of judgements within the underlying portfolios (31 December 2020: c.£500 million).
- Given the experience of the first half of the year and the Group's current macroeconomic assumptions, the full year impairment charge is expected to be materially lower than the guidance set out in the first quarter, with the net asset quality ratio for 2021 now expected to be below 10 basis points.

Do you expect default levels to increase when Government support schemes come to an end?

- The Group has continued to actively support its customers throughout the pandemic with a range of flexible options and payment holidays across major products, as well as lending through the various UK Government support schemes. However, despite expiry of almost all payment holidays arrears rates across the portfolios remain low.
- The macroeconomic outlook has improved and as the UK shows signs of exiting the crisis, the Group's focus is now on supporting its customers to recover.
- The Group's lending portfolios were well positioned entering the crisis and we retain a prudent approach to credit risk appetite and risk management, with robust LTVs in our secured portfolios. Considering the external environment, flows of assets into arrears, defaults and write-off have remained at low levels.
- It is recognised that Government support measures mean that the true underlying risk may not be reflected in asset performance and there is an expectation of increased arrears and defaults as these various arrangements, designed to alleviate short-term financial pressure, come to an end.

- To reflect this, the Group has retained £1.2bn of management judgemental overlay within its impairment charge.
- The Group has participated fully in UK Government lending schemes, including the Bounce Back Loan Scheme (BBLS) and the Coronavirus Business Interruption Loan Scheme, where UK Government guarantees are in place at 100 per cent and 80 per cent, respectively. Whilst covered by Government guarantees and with significant adoption of the Government's Pay As You Grow scheme, early trends in BBLS repayments indicate fewer than 10 per cent of customers due to commence repayment across the Group have entered arrears.

Did the Group take any additional charges for PPI in Q2?

- No further provision has been taken for PPI in Q2.
- The Group has made provisions for PPI costs over a number of years totalling £21,960 million. Good progress continues to be made towards ensuring operational completeness, with the final validation of information requests and complaints with third parties at an advanced stage, ahead of an orderly programme close.

What is your dividend policy and why have you moved to half yearly dividends?

- The Group's capital position remains strong with a CET1 ratio of 16.7 per cent after dividend accrual. Given the strength of the capital position and the regulator's clarification that banks may resume capital distributions, the Board has announced an interim ordinary dividend of 0.67 pence per share, in line with the Board's commitment to future capital returns, and has reintroduced a progressive and sustainable ordinary dividend policy.
- Going forward, the Group will revert to paying any ordinary dividends half yearly, rather than quarterly, with the quantum announced with the half year and full year results. The Board believes this approach is appropriate in the current environment given its simplicity, environmental benefits and the additional flexibility it provides to the business. The Board will continue to give due consideration at each year end to the return of any surplus capital through the use of special dividends or buybacks.

How is the Group being impacted by Coronavirus?

- Since the start of the pandemic the Group has continued to Help Britain Recover, supporting Retail and Commercial customers and communities across the UK. In this context, over the last six months the Group has delivered a solid financial performance, with continued business momentum and balance sheet growth. We are proud of the positive impact that we have had on businesses and within communities.
- The coronavirus pandemic continues to have a significant impact on the people, businesses and communities in the UK and Government support measures remain important. While we are clearly seeing positive developments and the macroeconomic outlook is improving, supported by the successful vaccine roll out in the UK and emergence from lockdown restrictions, the outlook remains uncertain. However, the Group's people, financial strength and business model will ensure that we can continue to support our customers and Help Britain Recover. This is fully aligned with the Group's long term strategic objectives, the position of the franchise and the interests of our shareholders.
- The Group's successful ongoing transformation, continued investment and growing franchise strength position us well to recover from the pandemic. In response to the challenging economic environment, to date we have provided nearly 1.3 million payment holidays on mortgages, loans, credit cards and motor finance products.
- We have managed to keep 96 per cent of our branches open during the coronavirus pandemic, using appropriate safeguarding measures. In addition, we have set up dedicated telephone services for the over 70s and NHS workers with 2.4m customers supported.

How are you supporting your colleagues?

- The Group remains focused on supporting our customers, whilst protecting our colleagues.
  - We have provided colleague training including 'Emerging Stronger' focused on building resilience and 'Ways of Working' to prepare our people for the reopening of the offices
  - Emergency paid leave policy for all colleagues, bookable desks for those finding it hard to work from home, and cautious office reopening plans prioritising health and wellbeing

  - We have prioritised the mental health of our colleagues in a period of significant uncertainty and change with regular check-ins and increasing access to a number of wellbeing tools. For example, colleagues have made use of the mindfulness app, Headspace, for which the Group provides a free annual subscription
  - Regular Group-wide communications to colleagues
  - Employee engagement remains strong reflecting support to colleagues through pandemic

How are you supporting your customers during this time?

- The coronavirus pandemic continues to have a significant impact on the people, businesses and communities in the UK and Government support measures remain important. While we are clearly seeing positive developments and the macroeconomic outlook is improving, supported by the successful vaccine roll out in the UK and emergence from lockdown restrictions, the outlook remains uncertain. However, the Group's people, financial strength and business model will ensure that we can continue to support our customers and Help Britain Recover.
- Given our purpose of Helping Britain Prosper, we are here to support our customers through this time and have continued to provide a range of supportive measures for customers who need it:
  - More than £13 billion of approved lending to businesses through Government-backed schemes, including Bounce Back Loan, Coronavirus Business Interruption Loan and Coronavirus Large Business Interruption Loan schemes
  - Nearly 1.3 million payment holidays granted to retail customers, to alleviate temporary financial pressures
  - 96 per cent of branches remained open through the pandemic, enabling the Group to continue to serve customers
- To support our Insurance and Wealth customers during the pandemic, we offered payment holidays on insurance premiums and accelerated claims payments on life and critical illness policies. We also supported the NHS by providing free additional insurance cover to its workers and by alleviating pressure on GPs with a reduction in medical evidence required for customers' claims.
- Beyond providing financial support, we have stood by our customers and communities, offering a range of expert support and guidance, to help alleviate the pressure of the current crisis. For example, the Group delivered a new dedicated phone line which provides guidance and remote training to customers less able to see us in branch, to help them stay connected with everyday digital activities, including online banking. Customers were contacted and able to access free and practical support to help them stay connected online.
- We are working hard to tackle social disadvantage across Britain. In 2021, the Group's independent charitable Foundations received £25.5 million of funding, following the same funding in 2020, ensuring that these charities can secure a more certain future during these difficult times and safeguard their important work. These charities tackle vital issues such as domestic abuse, mental health, modern slavery and human trafficking, and employability.
- Consistent with our purpose to Help Britain Prosper, we are focussing on Helping Britain Recover, with objectives that are fully embedded in our business. Our response is taking action in five key areas where we believe we can make a difference: 1) Help rebuild households' financial health and wellbeing, 2) Support businesses to recover, adapt and grow, 3) Expand availability of affordable and quality homes, 4) Accelerate the transition to a low carbon economy, 5) Build an inclusive society and organisation. You can read more about these key areas later in this document.

What is the Group's strategy?

- The Group is a customer focused, sustainable, efficient and low risk UK financial services leader with a clear purpose of Helping Britain Prosper. As the bank with the largest retail and commercial presence throughout the UK, we have the largest digital bank and the largest branch network in the UK, with distinctive and sustainable competitive strengths.
- The Group's previous three-year strategic plan was launched in February 2018 and in 2020 we achieved our ambitious target of transforming the Group for success in a digital world by investing £2.8 billion across our four strategic pillars Leading customer experience, Digitising the Group, Maximising Group capabilities and Transforming ways of working.
- We launched Strategic Review 2021 in February this year, with a focus on Helping Britain Recover and further enhancing our core capabilities, specifically technology, payments, data and our people. Strategic Review 2021 supports the creation of sustainable shareholder value through revenue generation and diversification, further efficiency gains and disciplined growth as we accelerate our transformation and build the UK's preferred financial partner for personal customers and the best bank for business. In the first half of 2021, we invested £0.4 billion to support these strategic initiatives.

- In H1 we have delivered progress against a number of our priorities:
  - **Building the UK's preferred financial partner for personal customers and best bank for business.** We are building on our position as the UK's largest personal customer franchise with our multi-brand, multi-channel model, leveraging our unique capabilities to meet more of our customers' needs. During the first half of 2021, we increased our net open mortgage book by £12.6 billion. We are exceeding our target to maintain record all channel net promoter score with a 3 point increase in the first half of 2021. We have seen positive annual net new money in Insurance and Wealth, with cumulative net flows for open book assets under administration of £4 billion in the first half of 2021
  - **We have progressed towards our vision to be the best bank for business**, building on our outstanding reach, supported by our brand and scale, our historic above-market growth in SME and a strong presence among large corporate clients. During the first half of 2021, we increased our SME and Retail Business Banking digital net promoter score by 3 points, targeting a 5 point increase by the end of 2023. We have also improved our share of FX products for core clients in 2021 and have improved our GBP rates ranking by four places to sixth
  - **Enhanced capabilities**. We are progressively modernising our technology architecture in order to deliver better customer propositions and to structurally improve our operational efficiency and agility. We have further strengthened our digital offering for customers, including increasing the volume of mobile releases and improving customer satisfaction, with our record mobile app net promoter score increasing by 4 points in the first half of 2021, surpassing our target. Additionally, in line with the technology R&D investment we highlighted at the full year, we safely migrated around 120,000 customer accounts to our pilot new bank architecture in the first half. Although fewer than the c.400,000 originally planned, it was sufficient to provide a significant proof-point for our investment, allowing work to progress
  - **Payments.** We have further invested in our payments proposition with a leading market share of card spend, in line with target. In addition, we have achieved a twofold increase in the number of corporate clients onboarded to the new cash management and payments platform with its improved capability to meet client needs. We remain on track for a threefold increase by the end of the year
  - **Data-driven organisation.** We have further invested in data capabilities to deliver more effective outcomes for our customers and our colleagues. During the first half of 2021, we have extended machine learning capabilities to drive faster mortgage approvals for 20,000 franchise customers using automated income verification analysis. In addition, we migrated 45 million customer records to private cloud hosting to prove our data migration capabilities. This reflects another important proof-point
  - **Reimagined ways of working.** The pandemic has accelerated many of the trends previously evident in the workplace. These require a reduced office footprint, but also enhanced workspaces to foster collaboration and creativity. It is very important that we respond to this opportunity to best serve our colleagues and to enhance efficiency. During the first half of 2021, we have reduced office space by c.3 per cent, on track to meet our target of an 8 per cent reduction in 2021. We have also created three distinct workstyles, known as 'home', 'hub' and 'hybrid', as part of our planning for future ways of working. We expect around 80 per cent of colleagues to work in a hybrid manner under this model
- Much work remains to be done on Strategic Review 2021, but the first half represents a strong start on our programme
- We are committed to helping our customers, clients, colleagues and communities through the coronavirus pandemic and rebuilding livelihoods, whilst delivering long-term sustainable returns for shareholders. We recognise that the focus of the Group's purpose, Helping Britain Prosper, must evolve in response to the current environment with changing societal and customer needs and expectations. We are therefore committed to Helping Britain Recover and supporting a sustainable recovery which benefits all of our stakeholders.
- Consistent with our purpose to Help Britain Prosper, we are focussing on Helping Britain Recover, with objectives that are fully embedded in our business. During the first half of 2021 we have made meaningful progress across all five of our Helping Britain Recover priority areas that are embedded in our business ambitions and where we can make the most difference. For example:
  - We have helped rebuild households' financial health and wellbeing through directing customers to free independent debt advice for more than 130,000 accounts
  - We have supported businesses to recover, adapt and grow through supporting over 48,000 businesses to start up and helping 75,000 small businesses boost their digital capability
  - We have expanded the availability of affordable and quality homes with new lending of c.£9.0 billion to nearly 43,000 first-time buyers, almost reaching our full year 2021 target of £10 billion, as well as delivering £2.1 billion of new funding support to the social housing sector, exceeding our full year target

- We are accelerating the transition to a low carbon economy, expanding the funding available under our discounted green finance initiatives from £3 billion to £5 billion in the first half of 2021, with more than £8.6 billion of total green finance delivered since 2016. In addition, we have renewed our strategic relationship with Jaguar Land Rover, and have extended our contract with Tesla, supporting the delivery of the Group's goal of helping to reduce the emissions we finance by more than 50 per cent by 2030 on path to net zero by 2050, or sooner. Furthermore, our progress on reducing our own operational emissions has recently been recognised by being ranked sixth in the Financial Times' inaugural listing of Europe's Climate Leaders
- We are continuing to contribute to an inclusive society and build an inclusive organisation. In June 2021 we collaborated with City Mental Health Alliance to publish a research report on 'Mental Health And Race at Work' and have launched a pilot to improve free access to cash in underserved areas

What are your aspirations for the Schroders joint venture?

- We are working hard to help people save for the future and in 2019 in partnership with Schroders, we launched a new financial planning joint venture (JV) company, Schroders Personal Wealth (SPW). Our JV with Schroders has harnessed the unique strengths of two of the UK's strongest financial services businesses to create a market-leading wealth proposition with the expertise and bring financial planning to more people across the UK.
- The partnership is in line with the objectives outlined in the Group's latest strategic review and will accelerate the development of its financial planning and retirement business, and deliver significant additional growth.
- While the pandemic has caused some delays, our ambition for Schroders Personal Wealth to become a top three UK financial planning business remains unchanged, although we now expect to achieve this by 2025.
- Our partnership with Schroders provides opportunities for the Group in two areas: Financial Planning and Wealth Management.

Financial Planning

- The Group and Schroders see significant growth opportunities in the financial planning and retirement market and the JV will aim to become a top three UK financial planning business by end of 2025.
- The Group owns 50.1 per cent of the share capital and Schroders the remaining 49.9 per cent. The JV will address the growing gap in the advice market through a personalised, advice-led proposition, backed by world-class investment expertise and best in class technology.
- The Group has transferred approximately £13 billion of assets and associated advisers from its existing Wealth Management business to the JV and there is a referral agreement in place to enable the Group's customers to benefit from this enhanced proposition.
- Schroders Personal Wealth has introduced a new proposition to tackle the £2.4 trillion protection gap in the UK and address a growing societal need. The new proposition is based on SPW's established existing relationships with Scottish Widows and Legal & General, providing life insurance, critical illness, income protection and whole of life. This forms part of a holistic financial planning service for clients.

High Net Worth Wealth Management

- Our partnership with Schroders provides the Group the opportunity to offer the specialist investment management services of Cazenove Capital to our customers who require specialist wealth management services as well to as charities and family offices, with which the Group has strong relationships via its Commercial Banking business.

What has driven your updated cost guidance and how do you expect to continue reducing costs going forward?

- The Group continues to maintain its focus on cost management, with a market-leading cost:income ratio of 54.9 per cent. In the context of stronger than expected financial performance in income and impairments, the Group is accelerating the rebuild of variable pay in 2021, which has resulted in the slight increase in operating costs in the period.
- Total costs, including remediation, were up 7 per cent on the prior year, given the slight increase in operating costs and a higher remediation charge in the period, materially driven by a regulatory fine relating to the communication of historical insurance renewals, further costs in relation to HBOS Reading and other litigation relating to ongoing legacy programmes.
- Total investment spend in the first half of 2021 amounted to £0.9 billion, prioritising technology and digital projects whilst building on the customer ambitions and enhanced capabilities outlined in Strategic Review 2021, including £0.4 billion strategic investment spend. During the first half of 2021 the Group capitalised c.£0.6 billion of investment

spend, of which c.£0.4 billion related to intangible assets. Total capitalised spend amounted to 64 per cent of investment.

- Although investment spend continues to be managed carefully in response to the current operating environment, the Group has continued to prioritise technology and digital projects and will continue to invest in the long-term success of the business. These investments also provide opportunity for future structural cost savings in the medium-term.
- The Group now expects operating costs for 2021 to be broadly in line with 2020 at c.£7.6 billion, entirely due to the accelerated of rebuild of variable pay, in line with better than expected financial and capital performance, as reflected in our enhanced guidance. Although the Group's operating cost guidance is higher than guidance given at FY 20 of c.£7.5bn, it nevertheless highlights that significant cost savings are still being achieved in order to mitigate the impact of variable pay inflation and Covid-related costs in 2021, reflecting the Group's cost discipline.

Who are Embark? What are the costs involved and will this deliver value for shareholders?

- Embark Group (Embark), are a fast growing investment and retirement platform business. Embark enhances the Group's capabilities to address the attractive mass market and self-directed Wealth segment, completing the Group's Wealth proposition. Embark will also enable us to re-platform the Group's pensions and retirement proposition, delivering a market-leading platform for intermediaries and significantly strengthening the Group's offering in Retirement, an important growth market.
- As announced within Strategic Review 2021, the Group aims to meet more of its customers' broader financial needs, whilst retaining more of the c.£10 billion assets under administration which customers invest with third parties each year. The acquisition of Embark will deliver a modern, industry-leading mass market, direct-to-consumer proposition, complementing the Group's existing advice offerings through Schroders Personal Wealth and Cazenove Capital. The acquisition will see the Group acquire c.£35 billion of assets under administration on behalf of c.410,000 consumer clients.
- We are targeting a top-three position in direct-to-consumer self-directed and robo-advice business in the medium term. We are also targeting a top-three position in the individual pensions and retirement drawdown market by 2025. The acquisition of Embark transforms our ability to achieve these objectives. As a consequence, we are increasing our Strategic Review 2021 net new money target from £25 billion to c.£40 billion by 2023, to reflect this increased growth potential.
- Through a combination of the Group's new capabilities and its multi-brand, multi-channel distribution model across more than 25 million customers, the Group expects this acquisition to deliver attractive growth and returns over time and create value for shareholders. A consideration of c.£390 million will be paid for the entire share capital of Embark upon completion. The transaction is expected to have a c.30 basis points impact on Group CET1 capital and deliver a mid-teens return on invested capital in the medium term, both including all integration and restructuring costs.

How are you supporting communities?

- As one of the UK's largest corporate donors, we use our scale to reach millions of people and help tackle social disadvantage in communities across the UK.
- Spanning across the past 35 years, our four regional Foundations have been providing essential funding and support to charities across the UK and Channel Islands, helping communities overcome complex social issues and rebuild lives.
- In both 2020 and 2021, the Foundations received £25.5 million enabling them to support many charities. These charities are tackling issues such as domestic abuse, mental health, modern slavery and human trafficking, and employability. In 2020, a total of 2,787 charities were supported
- In addition to adapting many of our community engagement initiatives to virtual delivery, we have responded directly to community needs through new investments. These investments included the expansion of our Mental Health and Money Advice lines, CLIC online chat services run by our Charity of the Year partner Mental Health UK (MHUK) and the provision of mobile devices through a partnership with We Are Digital.
- Our total community investment in 2020 was £51.2 million and includes our colleagues' time, direct donations, and a share of the Group's profits given annually to the Foundations.
- Further information related to how we are supporting our community initiatives can be found in the 2020 Lloyds Banking Group ESG Report available on the Group webpage.

Can you give an update on your Race Action Plan announced in response to the Black Lives Matter movement?

- At Lloyds Banking Group, we stand against discrimination in all its forms, but the Black Lives Matter movement prompted many of us to reflect, learn and think about what more we must do to drive positive change.
- Prior to the announcement of our Race Action Plan in July 2020 we had made good progress:
  – We have a comprehensive Ethnicity Strategy to help us meet our goals, which focuses on attracting and retaining talented Black, Asian and Minority Ethnic colleagues, building cultural awareness at all levels, and increasing visibility of authentic role models from a wide range of backgrounds
  – Our Race, Ethnicity and Cultural Heritage (REACH) colleague network has over 4,000 members and holds regular events to support and develop our colleagues from a Black, Asian and Minority Ethnic background
  – Since 2019 we have sponsored the Pathway to Success programme, which aims to progress talented Black, Asian and Minority Ethnic candidates into public office. And in 2014 some of our colleagues established the RISE initiative, providing work experience and apprenticeships to young people from ethnic minority backgrounds at 10 colleges across the country
- In 2018, we were the first FTSE100 company to set public goals to increase Black, Asian and Minority Ethnic representation overall and at senior levels, which has led to positive changes, however feedback from our Black colleagues told us there was still more to do.
- In July 2020, our former Group Chief Executive, António Horta-Osório launched our Race Action Plan, which includes a new public goal to specifically increase Black representation in senior roles from 0.6 per cent at senior grades to at least 3 per cent by 2025 to align with the overall UK labour market.
- The plan aims to drive cultural change, recruitment and progression across the Group. In December 2020, we broadened our plan to go further and work beyond our own internal boundaries by actively supporting Black communities through our partnerships with Foundervine and the Black Business Network.
- We have already delivered a number of activities, including establishing a new Race Advisory Panel, made up of Black, Asian and Minority Ethnic colleagues to influence and inform our diversity strategy, delivering a series of race education sessions for all senior leaders, and publishing our Ethnicity Pay Gap report.
- We have commenced the roll-out of a wider race education programme for all colleagues, with nearly 10,000 colleagues enrolled to attend our new Line Manager Race Eduction training launched in Q1, launched our new Talent Identification Programme for our Black senior managers, and have started to review our key people processes to remove any issues of racial bias within the Group.
- In addition to our target to specifically increase Black representation in senior roles to 3 per cent by 2025, we have also in February 2021 announced our other updated diversity aspirations to increase representation of women to 50 per cent in senior roles and Black, Asian and Minority Ethnic colleagues to 13 per cent in senior roles by 2025 to align with the overall UK labour market.
- To demonstrate the importance of diversity and inclusion to Lloyds Banking Group and to ensure management delivers its commitments, the 2021 Group balanced scorecard includes a performance measure on diversity which focuses on on increasing our gender and ethnic representation in senior roles.

Can you give an update on your ambitions to support the transition to a sustainable low carbon economy?

- The Group is committed to helping the UK transition to a sustainable low carbon economy. To signal our commitment we set an ambitious goal at the start of 2020 working with customers, Government and the market to help reduce the emissions we finance by more than 50 per cent by 2030, on path to net zero by 2050 or sooner.
- In support of these commitments and to help accelerate the transition to a low carbon economy, the Group joined in April 2021 the Net Zero Banking Alliance as one of its founding members.
- We continue to make progress in implementing our ambitious goal and in doing so we are also focusing on enhancing our green finance products and services. For example, we have:
  – Launched an online tool for our mortgage customers that provides a tailored action plan on home improvements that could make their home more sustainable
  – More than doubled the number of electric vehicles we finance in 2020
  – Delivered more than £8.6 billion of total green finance since 2016 to support our customers on their transition journey

- In early 2021, we announced Scottish Widows' target to halve the carbon footprint of its investmenst by 2030, reaching net zero across our investment book by 2030.
- We intend to reach this target through proactive investment in climate solutions, selective divestments and using our influence through stewardship to drive the transition to a low carbon future.
- We also continue to improve the sustainability of our own operations. In 2019 we announced achievement of our 2030 carbon emission reduction goal for our own operations, 11 years early, and exceeding our 60 per cent reduction target.
- We have now announced three new operational climate pledges, including achieving net zero carbon operations by 2030, to accelerate our plan to tackle climate change.
- Our progress on reducing our own operational emissions has recently been recognised by being ranked sixth in the Financial Times' inaugural listing of Europe's Climate Leaders.
- To demonstrate our focus and to ensure management delivers its commitments around our journey toward delivering zero carbon operations by 2030, the Group balanced scorecard for 2021 includes a performance metric on reducing operational carbon emissions.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as ‘believes’, ‘achieves’, ‘anticipates’, ‘estimates’, ‘expects’, ‘targets’, ‘should’, ‘intends’, ‘aims’, ‘projects’, ‘plans’, ‘potential’, ‘will’, ‘would’, ‘could’, ‘considered’, ‘likely’, ‘may’, ‘seek’, ‘estimate’, ‘probability’, ‘goal’, ‘objective’, ‘endeavour’, ‘prospects’, ‘optimistic’ and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. Examples of such forward looking statements include, but are not limited to, statements or guidance relating to: projections or expectations of the Group’s future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group’s future financial performance; the level and extent of future impairments and write-downs; the Group’s ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group’s credit ratings; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; potential changes in dividend policy; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality impacting the recoverability and value of balance sheet assets; concentration of financial exposure; management and monitoring of conduct risk; exposure to counterparty risk (including but not limited to third parties conducting illegal activities without the Group’s knowledge); instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and the EU-UK Trade and Cooperation Agreement, instability as a result of the potential for other countries to exit the EU or the Eurozone, and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic (including but not limited to the COVID-19 pandemic) and other disasters, adverse weather and similar contingencies outside the Group’s control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, or other such events; geopolitical unpredictability; risks relating to sustainability and climate change, including the Group’s ability along with the government and other stakeholders to manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the UK’s exit from the EU; changes to regulatory capital or liquidity requirements (including regulatory measures to restrict distributions to address potential capital and liquidity stress) and similar contingencies outside the Group’s control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key laws, legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes in the Group’s ability to develop sustainable finance products and the Group’s capacity to measure the ESG impact from its financing activity, which may affect the Group’s ability to achieve its climate ambition; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC’s website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the SEC, Lloyds Banking Group plc annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.