FULL YEAR 2022 FREQUENTLY ASKED INVESTOR QUESTIONS

How was the Group's financial performance in the year?

- The Group has delivered robust financial performance with continued business momentum. Statutory profit before tax of £6.9 billion (2021: £6.9 billion), with higher net income and lower total costs offset by impairment charges as a result of the revised economic outlook (versus a significant write-back in 2021).
- Net income of £18.0 billion, up 14 per cent, supported by continued recovery in customer activity and UK Bank Rate changes, alongside continued low operating lease depreciation.
- Underlying net interest income up 18 per cent, primarily driven by a stronger banking net interest margin of 2.94 per cent in the year (3.22 per cent in the fourth quarter) and increased average interest-earning assets.
- Other income of £5.2 billion, 4 per cent higher, building our confidence in growth potential. The fourth quarter included a £0.2 billion benefit from insurance assumption and methodology changes.
- Operating costs of £8.8 billion, up 6 per cent compared to 2021 and in line with guidance, reflecting stable business-as-usual costs despite inflationary pressures, alongside higher planned strategic investment and new business costs. Remediation of £0.3 billion, down 80 per cent in the year.
- Underlying profit before impairment up 46 per cent to £9.0 billion in the year (with £2.4 billion in the fourth quarter), as a result of solid net income growth.
- Asset quality remains strong and the portfolio well-positioned in the context of cost of living pressures. Underlying impairment charge of £1.5 billion (£0.5 billion in the fourth quarter) and an asset quality ratio of 32 basis points reflect strong observed credit performance and a deteriorating economic outlook, partly offset by COVID-19 releases.
- The Group has benefited from continued franchise growth and increased capital returns. Loans and advances to customers at £454.9 billion were up £6.3 billion in the year, with continued growth in the open mortgage book.
- Customer deposits of £475.3 billion down £1.0 billion in 2022, with Retail current account growth of £2.5 billion more than offset by reductions in Commercial Banking deposits. Loan to deposit ratio of 96 per cent continues to provide robust funding and liquidity and potential for growth.
- The return on tangible equity for 2022 was 13.5 per cent, reflecting the Group's robust financial performance (2021: 13.8 per cent). Earnings per share were 7.3 pence (2021: 7.5 pence). In 2021, both the return on tangible equity and earnings per share benefitted from a net impairment credit and remeasurement of deferred tax assets.
- Pro forma capital generation of 245 basis points[1] in the year was strong, based on robust banking performance.
- Pro forma CET1 ratio of 14.1 per cent after capital distributions and pension contributions, remained ahead of the ongoing target of c.12.5 per cent, plus a management buffer of c.1 per cent.
- The Board has recommended a final ordinary dividend of 1.60 pence per share, resulting in a total ordinary dividend for 2022 of 2.40 pence per share, up 20 per cent on prior year, and in line with the Group's progressive and sustainable ordinary dividend policy.
- Given the Group's strong capital position, the Board has also announced its intention to implement an ordinary share buyback programme of up to £2.0 billion which will commence as soon as is practicable and is expected to be completed by 31 December 2023.
- Total capital returns in respect of 2022 of up to £3.6 billion, are equivalent to more than 10 per cent[2] of the Group's market capitalisation value.

For more on our FY results, please see our FY 2022 News Release.

How do you expect the Group to perform going forward?

- Based on our current macroeconomic assumptions, for 2023 the Group expects:
  - Banking net interest margin to be greater than 305 basis points
  - Operating costs to be c.£9.1 billion
  - Asset quality ratio to be c.30 basis points
  - Return on tangible equity to be c.13 per cent
  - Capital generation to be c.175 basis points[3]
- Based on the expected macroeconomic environment, the Group's strategy and investment and reflecting our growth potential, efficiency and the capabilities of our people, technology and data, the Group has enhanced its medium and longer-term guidance:
  - Operating costs now expected to be c.£9.2 billion in 2024, with a cost:income ratio of less than 50 per cent by 2026
  - Asset quality ratio now expected to be c.30 basis points in 2024
  - Return on tangible equity now expected to be c.13 per cent in 2024 and greater than 15 per cent by 2026
  - Additional revenues from strategic initiatives of c.£0.7 billion by 2024 and c.£1.5 billion by 2026
  - Risk-weighted assets to be between £220 billion and £225 billion at the end of 2024
  - Capital generation now expected to be c.175 basis points in 2024, increasing to greater than 200 basis points by 2026[3]
  - The Group will maintain its progressive and sustainable ordinary dividend policy, whilst the Board expects to pay down to its target CET1 ratio by the end of 2024
- Although the macroeconomic outlook remains uncertain, our people, business model and financial strength ensure that we can continue to support our customers and Help Britain Prosper. Our purpose-driven strategy is more relevant now than ever before and our experience in the last year reinforces our belief that successful strategic delivery will create a more sustainable business and deliver increased shareholder returns in the medium to longer-term.

How are you progressing against your strategy?

- We have made a good start on our new strategy, with early evidence of delivery across all areas.
- Strategic investment of £0.9 billion in 2022. Some examples of progress made are as follows:
  - We remain the UK's largest digital bank and have continued to invest in personalisation and digitisation, resulting in a 15 per cent increase in daily logons and growing our digitally active users by 8 per cent to 19.8 million
  - We have expanded our presence in areas where we are under-represented, for example, we grew our protection market share by around 1 percentage point
  - In our new mass affluent business, we saw an increase in banking balances[4] of over 5 per cent and launched new, tailored banking products, including packaged bank accounts and credit cards, as well as enhanced direct to consumer investments
  - In SME, we continued to digitise and diversify our business, with positive early momentum demonstrated by more than 20 per cent growth in new merchant services clients
  - Our targeted Corporate and Institutional offering delivered c.£8 billion of green and sustainable financing[5] to clients, supported by our purpose-driven growth within loan origination and businesses transitioning to net zero
  - We are meeting more needs for existing clients and growing non-lending income, supported by investment in product capabilities, reflected in c.20 per cent growth in our percentage share of wallet for foreign exchange trading
  - We reduced our office space by c.12 per cent as we focus on a modernised office footprint
  - We have established an experienced, new leadership team with significant capabilities in strategic and digital delivery, alongside a flatter executive structure aligned with our strategic priorities
  - We decommissioned 5 per cent of our legacy applications, modernising our technology estate and improving resilience and operational agility

For more examples, please see our [FY Results Presentation].

How are your customers managing with current cost of living pressures, and what support are you providing to customers and colleagues?

- We are committed to maintaining support for our customers, clients and colleagues in the current environment and have invested in deep capabilities to facilitate this.
- This includes training more than 4,600 colleagues to provide financial assistance to individuals and businesses, build financial resilience to face cost of living challenges and support customers with tailored products if needed.
- We also saw over 5 million registrations for our Your Credit Score tool, leveraging our digital strengths to help customers take greater control of their own finances.
- For our colleagues, we provided additional payments in August and December 2022 and designed a new pay deal for 2023, focused on lower paid colleagues, to provide more protection and certainty.
- The Group's loan portfolio continues to be well-positioned, reflecting a prudent through-the-cycle approach to credit risk with high levels of security, and demonstrated in our strong observed asset quality.

How are you progressing on your transition to net zero?

- We continue to make progress towards our climate ambitions, supporting the UK's transition, including:
  - Working with our customers, government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050 or sooner
  - Halve the carbon footprint of Scottish Widows investments by 2030 on the path to net zero by 2050
  - Net zero carbon operations by 2030
  - Reduce emissions from our suppliers by 50 per cent by 2030 on the path to net zero by 2050 or sooner - a new ambition which we announced in October 2022
- Some examples of our progress include:
  - Provided over £13 billion of green and sustainable financing and c.£12 billion of investment in climate-aware strategies in 2022
  - Published our first Group climate transition plan
  - Published our second dedicated Environmental Sustainability Report with disclosures in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations
  - Published seven sectoral targets for high emitting sectors: Thermal Coal, Oil & Gas, Power Generation, Retail Motor, Automotive (OEM), Transport (Aviation) & UK Retail Homes
  - Launched new partnerships with Octopus Energy to help our customers switch to an air-source heat pump in their homes and with Soil Association to help British farmers accelerate their transition
  - Commitment to a full exit from thermal coal by 2030
  - Committed not to directly finance new greenfield oil and gas developments approved after 2021
  - Financed one in ten new electric cars on the road today
  - Two climate performance measures included in our Group Balanced Scorecard (now 10 per cent of the scorecard)

What are you doing to address the deficit in your pension fund?

- The Group's three main defined benefit pension schemes continue to have an actuarial funding deficit, but are in a significantly stronger financial position than at 31 December 2021, when the deficit was c.£4 billion.
- During 2022, deficit contributions of £2.2 billion were paid into these schemes (in accordance with the current agreement with the Trustee) being the full £800 million annual fixed deficit contribution, plus £1.4 billion variable contributions which included a £400 million acceleration of future planned contributions, following the strong capital generation in 2022.
- The Group expects to make a further fixed contribution of £800 million in the first half of 2023, consistent with 2022.
- The Group has discussed with the Trustee the likelihood that further variable contributions will not be necessary in 2023 and beyond, dependent upon the outcome of the triennial valuation as at 31 December 2022. The Group expects to have substantially agreed the triennial valuation with the Trustee by the end of the third quarter of 2023, along with a revised contribution schedule in respect of any remaining deficit.

What is your dividend policy?

- The Group has a progressive and sustainable ordinary dividend policy, whilst maintaining the flexibility to return surplus capital through buybacks or special dividends.

What is a share buyback and how might I benefit?

- A share buyback (also known as a share repurchase) is a form of returning surplus capital held by a company to shareholders involving the purchase by a company of its own shares.
- The effect of a buyback is to reduce the total number of shares in issue. It is expected that shareholders who retain their shares in the company will benefit from the share buyback programme as they will own an increased proportion of the total shares in the company and should therefore see an increase in the dividend per share going forward given the reduced number of shares in issue.

How can I participate in the share buyback programme?

- The share buyback programme does not work by buying individual investors' shares, regardless of whether they are large or small holders. The buyback operates through the bank's brokers buying shares on the open market, as any investor can do every day. Once the brokers have bought the shares in the market, they transfer them to the Group treasury function, who then cancel those shares.
- If an investor wished to sell their shares, the appropriate way to do so would be on the open market, in the normal way.

Why are you undertaking a share buyback rather than a special dividend?

- 2022 distributions total up to £3.6 billion, comprising a total ordinary dividend of £1.6 billion and a share buyback of up to £2 billion. This represents a very significant return to shareholders and is equivalent to over 10[2] per cent of the Group's market capitalisation.
- The Board's current preference is to return surplus capital by way of a buyback programme given the amount of surplus capital, the growth in ordinary dividends and the flexibility that a buyback programme offers. This approach is consistent with UK and European banking peers, who have also returned capital in the form of dividends and share buybacks.
- Going forward, the Board will continue to consider surplus capital distributions at each year end and will consider both share buybacks and special dividends.

Who are Tusker and what benefits does this acquisition bring to the Group?

- In February 2023, the Group announced its acquisition of Tusker, a UK-based vehicle management and leasing company focused on electric and low emissions vehicles via salary sacrifice schemes.
- This acquisition will further develop the Motor business, and enable the Group to expand its salary sacrifice proposition in a way that is clearly aligned with the organisation's purpose and sustainability ambitions.

How are you addressing the competitive threat posed by the rise of fintechs and challenger banks?

- We are well positioned to continue our market leadership across multiple markets and deliver on our ambition to grow.
- We have a strong customer franchise and core capabilities including credit decisioning and market leading efficiency, which is increasingly important given inflationary pressures.
- We have strong relationships with our 26 million customers and will continue to drive strong customer engagement through our multi-channel model and deepen customer relationships through a comprehensive offering.
- Our multi-brand strategy allows us to compete effectively in intermediary driven markets, where we have headroom to grow as we improve our capability with technology investment, particularly in our pensions and protection businesses.
- We continue to invest in front-to-back digitisation of our SME bank, and in our core strengths in cash, debt and risk management within corporate and institutional business.
- We have also increased our focus on collaborating with fintechs during the year to broaden our product capabilities, for example a partnership to enable digital invoice financing and factoring for our SME bank clients.

[1]Excluding regulatory changes on 1 January 2022, ordinary dividends, variable pension contributions and the impact of the announced ordinary share buyback programme. Inclusive of the dividend received from the Insurance business in February 2023.

[2]Market capitalisation as at 17 February 2023.

[3]Excluding capital distributions. Inclusive of dividends received from the Insurance business.

[4]Banking balances calculated as the absolute total of Retail customers, excluding Motor.

[5]Under the UK Emissions Trading Scheme.

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. 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, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited 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 and other statements that are not historical fact; expectations about the impact of COVID-19; 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 include, but are not limited to: general economic and business conditions in the UK and internationally; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks; conduct risk; 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; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. 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 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 whether as a result of new information, future events or otherwise. 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