HY 2022 FREQUENTLY ASKED INVESTOR QUESTIONS

How was the Group's financial performance in H1?

- The Group delivered strong financial performance with continued business momentum. Statutory profit after tax of was £2.8 billion (first half of 2021: £3.9 billion), given higher net income being more than offset by the non-repeat of the significant impairment release and the deferred tax credit in the first half of 2021.
- Strong revenue growth was supported by continued recovery in customer activity and UK Bank Rate changes. Net income of £8.5 billion was up 12 per cent driven by higher net interest and other income and continued low operating lease depreciation.
- Underlying net interest income benefitted from increased average interest-earning banking assets and deposit growth in the first half of 2022 and a stronger banking net interest margin of 2.77 per cent.
- Operating costs of £4.2 billion were up 5 per cent compared to the first half of 2021, reflecting stable business-as-usual costs and higher planned strategic investment and new businesses.
- Underlying profit before impairment of £4.1 billion was up 34 per cent in the first half of 2021, driven by strong net income growth.
- Asset quality remains strong with the portfolio well-positioned in the context of cost of living pressures. Underlying impairment of £0.4 billion reflects stable and benign observed performance, COVID-19 releases and updated economic outlook including inflationary pressures.
- The Group has benefitted from continued franchise growth and strong capital generation during the year to date. Loans and advances to customers were up £7.5 billion in the first half to £456.1 billion, including continued growth in the open mortgage book (up £3.3 billion to £296.6 billion).
- Customer deposits were up £1.9 billion to £478.2 billion, with continued inflows to the Group's trusted brands. Loan to deposit ratio of 95 per cent continues to provide robust funding and liquidity and potential for growth.
- The strong pro forma capital generation of 139 basis points in the first half was based on strong banking performance and included benefits from lower risk-weighted assets and the insurance dividend. The Board has declared an interim ordinary dividend of 0.80 pence per share, up c.20 per cent on the prior year and equivalent to £550 million.
- Pro forma CET1 ratio of 14.8 per cent, remaining ahead of the ongoing target of c.12.5 per cent, plus a management buffer of c.1 per cent. Commitment to consider excess capital returns as usual at year-end.
- The return on tangible equity for the first half of 2022 was 13.2 per cent. Earnings per share were 3.7 pence.

For more on our full year results, please see our HY 2022 News Release.

How do you expect the Group to perform going forward?

- Given the strong financial performance in the first half of 2022 and based on current macroeconomic assumptions, the Group is enhancing its 2022 guidance:
  - Banking net interest margin now expected to be greater than 280 basis points *(enhanced)*
  - Continue to expect operating costs of c.£8.8 billion on the new reporting basis *(as announced in February)*
  - Asset quality ratio now expected to be below 20 basis points *(enhanced)*
  - Return on tangible equity now expected to be c.13 per cent *(enhanced)*
  - Continue to expect risk-weighted assets at the end of 2022 to be c.£210 billion *(as announced in February)*
  - Capital generation now expected to be greater than 200 basis points *(enhanced)*

How are you progressing against your strategic goals in 2022 so far?

- The Group is mobilising resources for our strategic priorities which will drive revenue growth and diversification, strengthen our cost and capital efficiency, as well as maximise the potential of our people, technology and data.
- The Group's organisational restructure closely aligns its new business units within existing divisions to the delivery of strategic objectives. Alongside, a new leadership team is in place. We are making significant incremental strategic investments against these priorities, and implementing a new operating model to deliver change more effectively.
- Initial strategic progress includes more than £4 billion of net new money in Insurance and Wealth open book Assets under Administration, 1.5 percentage point year-on-year growth in Protection market share, over £0.9 billion increase in funding for electric vehicles, greater than 20 per cent increase in percentage share of FX wallet and c.£4 billion of sustainable financing. The Group expects to provide a detailed update on strategic progress in the first half of 2023.

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

- We are well-positioned to support our 26 million customers through this challenging environment, although to date the vast majority of them are demonstrating resilience, adapting behaviours and many increasing their savings.
- Asset quality remains strong with sustained low levels of new to arrears, remaining below pre-pandemic levels. 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, also reflected in the strong recovery performance.
- We see a resilient franchise today and looking forward. However, where required and enabled by our deep customer insight, we stand ready to proactively help potentially impacted customers through financial health checks and support to manage debt and spending.
- We have also provided early financial support to our colleagues through the announcement of the one-off £1,000 payment to be made in August.

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

- The Group has agreed a plan with the Trustees of its final salary pension schemes to return the schemes to a fully-funded position. These plans include additional payments of £800 million a year, plus a 30 per cent share of whatever amount the Group returns to shareholders (up to a maximum total contribution of £2 billion per year). This is in addition to the Group's regular monthly payments.
- The schemes are required to have valuations every 3 years. The most recent valuation (December 2019) identified a shortfall of c.£7.3 billion. At December 2020, an interim valuation update showed the deficit had reduced to £6.0 billion and we have subsequently paid c.£1 billion into the schemes during 2021, and a further £1.3 billion in 2022 so far being the full £800 million annual fixed deficit contribution, plus around half of the expected variable contributions relating to our year end planned distributions. The deficit is therefore much lower than at the last revaluation.

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 is the buyback programme progressing?

- As at 30 June 2022, the programme had completed £1.3 billion of the previously announced £2.0 billion buyback, with c.2.8 billion shares purchased.

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 would be on the open market, in the normal way.

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
- Some examples of our progress include:
  - As part of our Net Zero Banking Alliance commitments we have published four sectoral ambitions for some of our highest emitting sectors: power, motor (Retail), oil & gas and thermal coal
  - Committed to publish further sectoral ambitions in the second half of 2022 for residential mortgages, automotive (OEM) beyond retail and transportation
  - Published our Climate Transition Plan for Scottish Widows
  - Confirmed our commitment to a full exit from thermal coal by 2030
  - Financed one in ten new electric cars on the road today
  - Completed our first three net zero carbon operations branches
  - Published our inaugural 2021 Climate Report containing our disclosures aligned to the TCFD recommendations
  - Integrated a number of sustainable financing outcomes into our new strategy that will help finance the transition of our customers
  - Increased the number of specific climate performance measures in our Group Balanced Scorecard (now accounting for 17.5 per cent of the scorecard)

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

- While competitive threats are real, we remain able to compete effectively in the market, including against fintechs and challenger banks, utilising our strong customer franchise, broad product suite, and profitable businesses with positive cash flow which allows sustained, through-the-cycle investments to improve our customer proposition.
- We are in a strong position to compete effectively in the market, not least through a leading digital business, underpinned by our robust UK focused franchise and multi-brand model.
- Neobanks often don't have product breadth or all channel capability, which limits appeal given all start-ups have to spend significant money to acquire customers, whereas we already have over 19m digitally active users. Our challenge is to create the digital capability to offer the same easy, convenient and personalized experiences. We already have the skills to do this and can replicate success in these new areas.

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 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; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; 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; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; 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; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; risks relating to sustainability and 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; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; 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; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of the Group's financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. 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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