Q3 2022 FREQUENTLY ASKED INVESTOR QUESTIONS

How was the Group's financial performance in Q3?

- The Group has delivered robust financial results with resilient credit performance and continued business momentum. Statutory profit after tax of £4.0 billion (nine months to 30 September 2021: £5.5 billion), with higher net income more than offset by impairment charges as a result of the revised economic outlook (versus a significant write-back in 2021).
- Robust revenue growth supported by continued recovery in customer activity and UK Bank Rate changes. Net income of £13.0 billion, up 12 per cent; higher net interest and other income and continued low operating lease depreciation.
- Underlying net interest income up 15 per cent, significantly driven by a stronger banking net interest margin of 2.84 per cent year to date (2.98 per cent in the third quarter).
- Operating costs of £6.4 billion, up 6 per cent compared to the first nine months of 2021, reflecting stable business-as-usual costs alongside higher planned strategic investment and new businesses.
- Underlying profit before impairment up 29 per cent to £6.5 billion in the period (with £2.4 billion in the third quarter), as a result of robust net income growth.
- Observed asset quality remains strong and the portfolio is well-positioned in the context of cost of living pressures. Underlying impairment of £1.0 billion (of which £0.7 billion was recognised in the third quarter) reflects a resilient observed credit performance, but impacted by the weakening economic outlook and associated scenarios in the third quarter, partially offset by COVID-19 releases.
- The Group has benefited from continued franchise growth and strong capital generation during the year to date. Loans and advances to customers at £456.3 billion were up £7.7 billion in the first nine months and up £0.2 billion in the quarter, with continued growth in the open mortgage book.
- Customer deposits of £484.3 billion were up £8.0 billion in the first nine months and £6.1 billion in the quarter. Loan to deposit ratio of 94 per cent continues to provide robust funding and liquidity and potential for growth.
- Capital generation of 191 basis points[1] in the first nine months based on robust banking performance and including the Insurance dividend paid in July 2022.
- CET1 ratio of 15.0 per cent after ordinary dividend and variable pension contributions, remaining well 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 nine months of 2022 was 12.9 per cent. Earnings per share were 5.2 pence.
- Maintaining support for customers and progressing strategic priorities with significant strategic investment underway, supporting growth strategy.
- Supporting the transition to a low carbon economy; announced new sector-based 2030 emissions reduction targets and a new net zero ambition for our supply chain in our Net Zero Activity Update[2].

For more on our Q3 results, please see our Q3 News Release.

How do you expect the Group to perform going forward?

- Given the robust financial performance in the first nine months of 2022 and incorporating revised macroeconomic forecasts in the third quarter, the Group is updating its 2022 guidance:
  - Banking net interest margin now expected to be greater than 290 basis points *(updated)*
  - Operating costs expected to be c.£8.8 billion *(as announced in February)*
  - Asset quality ratio now expected to be c.30 basis points *(updated)*
  - Return on tangible equity expected to be c.13 per cent *(as announced in July)*
  - Risk-weighted assets at the end of 2022 expected to be c.£210 billion *(as announced in February)*
  - Capital generation now expected to be between 225 and 250 basis points[2] *(updated)*

[1]Excluding regulatory changes on 1 January 2022, ordinary dividend and variable pension contributions.

[2]The Net Zero Activity Update can be found at www.lloydsbankinggroup.com/investors/esg-information.

How are your customers managing with current cost of living and interest rate 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 and adapting to the higher cost of living.
- 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 and stable credit trends.
- We see a resilient franchise today and looking forward. However, where required and enabled by our deep customer insight, we are providing support with increased operational capacity.
- In Retail, we are proactively contacting those most-impacted, offering suppressed fees for vulnerable customers, and more than 100,000 customers have been helped out of persistent debt so far this year. We have also seen increased use of our digital tools to help manage finances.
- In Commercial, we are providing specialist relationship manager support, undertaking an ongoing outreach targeting clients in the most impacted sectors, and engaging with around 500,000 clients on building financial resilience.
- In Insurance, we have removed monthly APR charges on home insurance policies, and refreshed and relaunched our 'Be Money Well' hub helping customers with managing their finances.
- We also provided early financial support to our colleagues through a one-off £1,000 payment, made in August. We will consider pay at our normal pay evaluation point.

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 £800m 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 £1.8 billion in 2022 so far being the full £800 million annual fixed deficit contribution, plus £1 billion variable contributions. The deficit is therefore much lower than at the last revaluation.
- The Group will agree a revised contribution plan with the Trustees following the next valuation, based on balance sheet date 31 December 2022. .
- Recent volatility has had no material impact on the funding position of the pension schemes**.**

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?

- The announced £2.0 billion buyback was completed on 11 October 2022 with c.4.5 billion shares purchased, equivalent to more than 6 per cent of issued share capital.

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:
  - Net Zero Banking Alliance commitments - published seven sectoral targets for high emitting sectors: Thermal Coal, Oil & Gas, Power Generation, Retail Motor, Automotive (OEM), Transport (Aviation) & UK Retail Homes
  - Published a new supply chain ambition to reduce emissions from our suppliers by 50 per cent by 2030 on the path to net zero by 2050 or sooner
  - 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 inaugural 2021 Climate Report containing disclosures aligned to TCFD recommendations
  - Integrated a number of sustainable financing outcomes into our new strategy that will help finance the transition of our customers
  - Increased number of specific climate performance measures in Group Balanced Scorecard (now 17.5 per cent of the scorecard)
  - Committed not to provide direct financing of new greenfield oil and gas developments (fields which did not receive Oil & Gas Authority approval before the end of 2021)

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; changes in consumer behaviour; 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; the tensions between China and Taiwan; 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. 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.