QUARTER 1 2025 FREQUENTLY ASKED INVESTOR QUESTIONS

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

- The Group demonstrated sustained strength in its financial performance in Q1, following on from the robust performance delivered in 2024.
- Statutory profit after tax in the quarter was £1.1 billion (£1.2 billion in Q1 2024). This included net income of £4.4 billion, up 4 per cent on the prior year driven by growth across both net interest income and other operating income, partly offset by a higher operating lease depreciation charge.
- Net interest income was £3.3 billion in the quarter, including growth of 1 per cent on the previous quarter. This was supported by a net interest margin of 3.03 per cent (up 6 basis points quarter on quarter), supported by the structural hedge tailwind more than offsetting ongoing mortgage and deposit headwinds.
- Other income was £1.5 billion in the quarter, 8 per cent higher year on year, driven by broad-based momentum including growth in Motor and General Insurance.
- Operating costs were £2.6 billion, up 6 per cent year on year, driven by front-loaded severance (3 per cent up year on year excluding this). This was as planned and we still expect 2025 operating costs to be c.£9.7 billion as guided.
- There was no net Q1 remediation charge.
- Impairment charge was £309 million with an asset quality ratio of 27 basis points, reflecting resilient asset quality and healthy customer behaviours. Arrears are low and stable across our portfolios.
- The impairment charge includes a net £35 million charge for changes in our economic assumptions. This is driven by a £100 million central adjustment to incorporate the potential tariff related risks to our economic assumptions. Excluding the MES charge, the asset quality ratio was 24 basis points.
- Loans and advances to customers increased by £7.1 billion in the quarter to £466.2 billion. The increase was led by UK mortgages growth of £4.8 billion.
- Customer deposits of £487.7 billion increased by £5.0 billion quarter on quarter, with growth in Retail deposits of £2.7 billion, while Commercial Banking deposits were up £2.3 billion.
- The Group delivered capital generation of 27 basis points in the quarter. This was driven by a strong underlying banking build, impacted by a circa £2.5 billion temporary increase in risk-weighted assets, equivalent to 14 basis points.
- The Group's CET1 capital ratio at 31 March 2025 was 13.5 per cent.
- Tangible net assets per share as at 31 March 2025 were 54.4 pence, up by 2.0 pence compared to 31 December 2024. This increase was driven by accumulated profits and the unwind of the cash flow hedge reserve.
- Return on tangible equity was for the first quarter was 12.6 per cent.

For more on our Q1 results, please see our Q1 2025 Interim Management Statement.

How do you expect the Group to perform going forward?
Based on our current macroeconomic assumptions, for 2025 the Group expects:

- Net interest income of c.£13.5 billion
- Operating costs of c.£9.7 billion
- Asset quality ratio to be c.25 basis points
- Return on tangible equity to be c.13.5 per cent
- Capital generation of c.175 basis points

Based on the expected macroeconomic environment and confidence in the Group's strategy, the Group is maintaining its medium-term guidance for 2026:

- Cost:income ratio of less than 50 per cent
- Return on tangible equity of greater than 15 per cent
- Capital generation of greater than 200 basis points
- To pay down to a CET1 ratio of c.13.0 per cent

Do you have any further update on the FCA's motor finance review?

- In Q4 2024, we took an additional £700 million provision for the potential remediation costs relating to motor finance commission arrangements.
- This was in light of the Court of Appeal judgment on Wrench, Johnson and Hopcraft that goes beyond the scope of the original FCA motor commissions review. The provision reflected a probability weighted scenario based methodology incorporating a number of inputs.
- There have been no further charges relating to motor finance commission arrangements. The Supreme Court heard the appeal of the Wrench, Johnson and Hopcraft decision in early April and has stated that it is likely to produce its judgment in July.
- The FCA has indicated that the decision will inform its next steps in the discretionary commission arrangements (DCA) review and that it will confirm within six weeks of the decision if it is proposing a redress scheme and if so, how it will take that forward. The FCA has also noted that its next steps on non-DCA complaints will be informed by the decision.

Why is your impairment charger higher this quarter?

- The impairment charge was £309 million in the quarter, up £149 million on the previous quarter. This includes a £35 million charge for changes to our economic assumptions (MES). The pre-MES charge of £274 million reflects a resilient customer base and our prudent approach to risk.
- The Group had included assumptions for expected tariffs and potential responses in its quarter-end base case conditioning assumptions prior to announcements at the start of April. Initial non-UK tariffs announced in the first few days of April and the immediate market response were larger than expected.
- Accordingly, the Group has adopted a £100 million central adjustment to reflect the potential ECL impact, informed by high level sensitivity to key UK economic metrics based on tariff scenarios. Subsequent developments through April were judged to relate to conditions after the balance sheet date and will be reflected in the second quarter reporting period.

How are you progressing against your strategy?

- We continue to deliver on our strategic transformation. We achieved our targeted 2024 strategic outcomes, including c.£0.8 billion of additional income and c.£1.2 billion of gross cost savings from strategic initiatives, and we remain confident in achieving our 2026 strategic and financial outcomes.
- The second phase of our five year strategy to 2026 will accelerate our transformation. We have ambitious plans across our divisions including to further deepen our consumer relationships, create differentiated Retail lending propositions, transform engagement in IP&I and digitise and diversify in Commercial.

How are you progressing on your transition to net zero?

- Building a sustainable and inclusive future is core to our purpose-driven strategy, as is supporting the UK transition to net zero, by building resilience and creating a more sustainable future for the Group, customers and communities.
- To support transition to a low carbon economy we have provided c.£47 billion of sustainable finance since January 2022 (as at year-end 2024). In Scottish Widows, we achieved our cumulative investment target of £25 billion in climate-aware strategies a year early, with £25.9 billion invested by year-end 2024 (since January 2021).
- Having met our previous targets, we announced two new sustainable finance targets in February 2025:
  - £11 billion EPC A/B mortgage lending by the end of 2027;
  - £10 billion financing for electric vehicles by the end of 2027

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

- We are well positioned to continue our market leadership across multiple markets and deliver our growth ambition.
- We have a strong customer franchise and core capabilities including credit decisioning and market leading efficiency, which is increasingly important given inflationary pressures.
- We are the UK's largest digital bank, and now have almost 21 million customers using our app. This creates significant opportunities to deepen our customer relationships using data and insights.
- Our multi-brand strategy allows us to compete effectively in intermediary driven markets, where we have room to grow as we improve our capability with technology investment, particularly within pensions and protection.
- We continue to invest in front-to-back digitisation in our SME bank, and in our core strengths in cash, debt and risk management within our Corporate and Institutional business.
- We have also increased our focus on collaborating with fintechs to broaden our product capabilities, for example a partnership to enable digital invoice financing and factoring for our SME bank clients.

Why are you buying back shares?

- Alongside the Group's Full Year 2024 results, the Board announced an ordinary share buyback programme of up to £1.7 billion.
- In the course of our buyback programme, you would generally expect the Group's share count to reduce. Share buybacks can be an effective use of excess capital. 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 share buyback progressing?

- The share buyback scheme commenced on the 21 February 2025 with 273 million shares bought back and cancelled in the first quarter of 2025.

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 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, targets, 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 (including in relation to tariffs); imposed and threatened tariffs and changes to global trade policies; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; 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; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; 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 including risks as a result of the failure of third party suppliers; 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) and decarbonisation, 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. 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.