

**HALF YEAR 2025 FREQUENTLY ASKED INVESTOR QUESTIONS****How was the Group's financial performance in the first half?**

- The Group demonstrated sustained strength in its financial performance in the first half of 2025, following on from the robust performance delivered in 2024.
- Statutory profit after tax in the half was £2.5 billion (half-year to 30 June 2024: £2.4 billion). This included net income up 6%, partly offset by a higher operating costs and higher impairment charge.
- Net interest income was £6.7 billion in the half, up 5% compared to the first half of 2024 . This was supported by a net interest margin of 3.04% (up 1 basis point quarter-on-quarter), alongside higher average interest-earning banking assets of £458 billion.
- Other income was £3.0 billion, 9% higher than the prior year (and 4% higher in the second quarter than the first quarter of 2025), driven by strengthening customer activity and the benefit of strategic initiatives.
- Operating costs of £4.9 billion, up 4%, reflecting inflationary pressures, strategic investment and business growth costs, partly offset by cost savings and continued cost discipline.
- A remediation charge of £37 million was recognised by the Group in the first half of 2025 (half-year to 30 June 2024: £95 million), across a small number of rectification programmes.
- Robust asset quality with underlying impairment charge of £442 million and asset quality ratio of 19 basis points.
- Loans and advances to customers increased by £11.9 billion in the half to £471.0 billion, with growth across Retail of £10.1 billion, alongside an increase in Commercial Banking of £1.2 billion.
- Customer deposits increased in the first half of 2025, by £11.2 billion (2%) to £493.9 billion, with £3.7 billion growth in Retail and £7.6 billion in Commercial Banking.
- The Group delivered capital generation of 86 basis points in the quarter, with a closing pro forma CET1 capital ratio of 13.8%.
- Tangible net assets per share were 54.5 pence, up by 2.1 pence in the first half of 2025, from attributable profit and the unwind of the cash flow hedging reserve, partially offset by capital distributions in respect of 2024.
- Return on tangible equity for the first half was 14.1%.

For more on our HY25 results, please see our [HY 2025 News Release](#)

**How do you expect the Group to perform going forward?**

Based on our current macroeconomic assumptions, for 2025 the Group continues to expect:

- 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%
- Capital generation of c.175 basis points

Based on our current macroeconomic assumptions and confidence in our strategy, the Group is maintaining its guidance for 2026:

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

**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 we are awaiting the upcoming judgment.
- 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.

**How are you progressing against your strategy?**

- We continue to deliver on our strategic transformation. In 2024, we completed the first chapter of our five year strategic plan, driving positive change at scale and returning the business to growth.
- We are now accelerating our progress to drive long-term competitive advantage and deliver on our 2026 targets. We are driving growth in high value areas, deepening customer relationships and strengthening cross-Group collaboration, whilst continuing to grow the core scale franchise.
- This momentum underpins our confidence in generating more than £1.5 billion of additional revenues from strategic initiatives by 2026. So far we have generated over £1 billion in additional annualised revenues.
- We also remain highly focused on driving operating leverage through cost and capital efficiency. Since 2021 we have delivered around £1.5 billion of gross cost saves through efficiency and productivity gains alongside £20 billion of RWA optimisation through enhanced capabilities, data improvements and risk reduction transactions.

**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 over £57 billion of sustainable finance since January 2022 (as at H1 2025). In Scottish Widows, we have invested over £37 billion in climate-aware investments (since January 2021), currently exceeding the target of £20 billion to £25 billion by the end of 2025.
- 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 20.9 million users, up 3% year-to-date. 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. As at 30 June 2025, the Group has purchased c.1.0 billion ordinary shares under the programme, for a total consideration of £733 million.

## 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 escalation of 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](http://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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