Q4 2025 FREQUENTLY ASKED INVESTOR QUESTIONS

How was the Group's financial performance in FY 2025?

- Statutory profit before tax of £6.7bn (2024: £6.0bn) benefitting from higher total income, partially offset by higher operating expenses and a higher impairment charge. Return on tangible equity of 12.9%, or 14.8% excluding a charge for motor finance commission arrangements in the Q3. Fourth quarter return on tangible equity of 15.7%.
- Net interest income of £13.6bn, up 6% compared to 2024. This reflects a banking net interest margin of 3.06%, up 11 basis points YoY (up 4 basis points in the fourth quarter to 3.10%), alongside higher average interest-earning banking assets of £462.9bn, up 3% YoY.
- Other income of £6.1bn, 9% higher than the prior year (2% higher in the fourth quarter versus the third), driven by strengthening customer activity and the benefit of strategic initiatives.
- Operating lease depreciation of £1,454m, up 10%, due to fleet growth, the depreciation of higher value vehicles and declines in used electric car prices, partially offset by risk mitigation actions.
- Operating costs of £9.76bn, up 3% versus the prior year, reflecting strategic investment (including increased severance expense), business growth costs and inflationary pressures, partially offset by cost savings from investment and continued business-as-usual cost discipline.
- Remediation costs of £968m, of which £800m related to the potential impact of motor finance commission arrangements taken in the third quarter.
- Impairment charge of £795m, reflecting strong and stable credit performance and an asset quality ratio of 17 basis points.
- Loans and advances to customers increased by £22.0bn (5%) in the year to £481.1bn, with growth across Retail of £18.8bn and Commercial Banking of £2.7bn.
- Customer deposits increased in the year by £13.8bn (3%) to £496.5bn, with £5.5bn growth in Retail and £8.5bn in Commercial Banking.
- Strong capital generation of 147 basis points, or 178 basis points excluding the third quarter charge for motor finance. Pro forma CET1 ratio of 13.2% after increased ordinary dividend (up 15% YoY) and announced share buyback of £1.75bn.
- Tangible net assets per share of 57.0 pence, up 4.6 pence in 2025, benefitting from attributable profit, the unwind of the cash flow hedge reserve and a reduction in the number of shares following the share buyback programme. This was partially offset by capital distributions, a lower pension surplus and higher intangible assets.

How do you expect the Group to perform going forward?

Based on our current macroeconomic assumptions, for 2026 the Group expects:

- Net interest income of c.£14.9bn.
- Cost:income ratio of less than 50% (including operating costs of less than £9.9bn).
- Asset quality ratio to be c.25 basis points.
- Return on tangible equity to be greater than 16%.
- Capital generation to be greater than 200 basis points.[1]
- To pay down to a CET1 ratio of c.13.0%

[1] Excludes capital distributions.

Why are you confident in your <50% Cost:income ratio guidance for 2026?

- We expect to deliver continued improvements in net income in 2026. Whilst headwinds will persist, these will be more than offset by an additional c.£1.5bn of structural hedge earnings and continued growth within core franchise.
- This accelerating income growth, combined with flattening costs, will further improve operating leverage and underpin the delivery of a cost:income ratio below 50% in 2026.
- We have now delivered circa £1.9bn of gross cost savings since 2021. This has been supported by the ongoing shift to mobile-first and consequent refinement of our physical footprint, as well as actions taken to reduce both the size and complexity of our legacy technology estate. These savings reinforce our confidence in delivering a cost:income ratio of below 50% in 2026.

Why have you upgraded your 2026 RoTE target?

- Our RoTE target was previously >15% for FY26.
- Our upgraded guidance is underpinned by the momentum across the business.
- This includes revenues from our strategic initiatives now expected to be c.£2bn in 2026 (prev. guided to >1.5bn).
- Post 2026, we are committed to continued income growth, improving op. leverage and stronger sustainable returns.
- We will announce our next strategy in Jul 2026 alongside half year results.

Why are you now reviewing excess capital on a half yearly basis?

- Going forward, given the Board's continued confidence in capital generation, the Group intends to consider additional capital distributions in addition to the ordinary dividend twice per year, starting in mid 2026.
- We still remain committed to paying down to our target CET1 ratio of around 13.0% by end of 2026.

Why are you buying back shares?

- In Dec 2025 we completed the buyback announced with FY24 results, repurchasing and cancelling c.2.2m shares equating to £1.7bn.
- Alongside the Group's FY 2025 results, the Board announced an ordinary share buyback programme of up to £1.75bn.
- 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.

Is there any further update on your motor provisions?

- The FCA published Consultation Paper CP25/27 in Oct 2025 setting out detailed proposals for a scheme to redress unfair customer relationships.
- The Group has made representations to the FCA on a number of aspects of the proposed scheme, including that the proposed redress methodology does not reflect the loss to the customer.
- The Group will assess developments and potential impacts on the provision following the announcement of the final scheme rules, which are expected by the end of Mar 2026.
- The current provision represents the Group's best estimate at this time.

How are you progressing against your strategy? When will you announce a new strategy and what should we expect?

- In 2025, we entered the second phase of our five year strategic plan, continuing to scale the core business, driving growth in high value areas, deepening customer relationships and strengthening cross-Group collaboration.
- Strong strategic momentum means we now expect to generate c.£2bn of additional revenues from strategic initiatives by the end of 2026, exceeding our initial £1.5bn target.
- As the UK's largest digital bank, we continued to accelerate the shift to mobile-first, including via our recently announced intention to acquire Curve. We now have c.21.5m customers using our app, up c.45% since 2021.
- We continued to grow our Retail franchise through innovative new propositions and enhanced capabilities.
- In Insurance, Pensions and Investments (IP&I), we are reinforcing our competitive position in areas of strategic focus.
- In Commercial Banking, we are building a digitally-led relationship bank and driving income diversification through capital efficient growth.
- Finally, within Equity Investments, alongside strong LDC performance in 2025, our Lloyds Living business continues to be a significant growth driver, with a portfolio of close to 8,000 homes, up from c.5,500 this time last year.
- We are also focused on improving operating leverage through cost and capital efficiency. Since 2021 we have delivered £1.9bn of gross cost savings through both business-as-usual management as well as more transformational initiatives enabled by strategic investment. Alongside, we have driven £24bn of risk-weighted asset optimisation through enhanced capabilities, data improvements and risk reduction transactions.

How are you transforming in light of emerging technologies and growing fintechs?

- As highlighted in our recent Digital and AI seminar, our investment in technology, data and people underpins our ambitions to grow the business with innovation and sustained operating leverage.
- Advances in our infrastructure and capabilities allow us to deliver on our strategic priorities, such as enabling a seven minute mobile current account opening process, in line with the sector best, driving c.85% of our current account openings in 2025.
- Digital investments have also supported simplification of our technology estate and helped improve productivity, with an increase of c.45% in active customers served per distribution FTE since 2021. Finally, we are extending our leadership across new and emerging technologies, including Gen AI and digital assets, and are well-placed to succeed in a period of potentially transformational change for the industry.
- Our c.50 major live Gen AI use cases delivered c.£50m of value in 2025, as we build the foundations of our capabilities. We are targeting over £100m of incremental value from AI in 2026, as we start to scale the foundations.

How are you progressing on your transition to net zero?

- The fundamentals of the UK economy are constructive. Our purpose allows us to play a key role in promoting UK prosperity, aligning our strategy to support UK economic growth sectors.
- To support transition to a low carbon economy we have provided over £70bn of sustainable finance since Jan 2022. Climate-aware investments increased by £55.4bn in 2025 driven by the launch of Scottish Widows Lifetime Investment, bringing overall investments to £81.3bn, with the original target met at the end of 2024.

FORWARD LOOKING STATEMENTS