LLOYDS BANKING GROUP – SHAREHOLDER FREQUENTLY ASKED QUESTIONS

The Board recognises the importance and value our shareholders place on engaging directly with us. Shareholders are invited to submit questions, or raise matters of concern as a shareholder, to shareholderquestions@lloydsbanking.com . Responses to questions on key themes can be found below.

Question: What, if any, investments does Lloyds Banking Group currently hold in fossil fuels and what are your future plans?

Answer: Compared to our industry peers, our involvement in fossil fuels is minimal. That said, our exposure to this sector remains a priority focus for us and we are committed to financing the energy transition. As one of the UK's largest financial services companies, we know we have a unique and essential role in helping the UK transition to a low carbon economy. We have set ourselves the ambitious goal of reducing the carbon emissions we finance by more than 50% by 2030, on the path to net zero by 2050 or sooner. In 2021, we also developed three new operational climate pledges including net zero carbon emissions across our buildings and operations by 2030. At the end of our full year in 2021 the coal mining sector accounted for <0.1% of Group loans and advances, and our oil & gas clients accounted for 0.2% of Group loans and advances. As part of our 2021 Annual Report & Accounts and inaugural 2021 Climate Report, we published sectoral targets for both coal and oil & gas which is highlighted for you below and is also available online at lloydsbankinggroup.com should you wish to review these.

- In November last year, we joined the Powering Past Coal Alliance (PPCA) and have enhanced our external sector statements to align with the objectives of this initiative.
- We expect to completely exit thermal coal power in the UK by the end of 2022 - two years ahead of the UK Government's 2024 deadline to end reliance on all coal power.
- We also plan a full exit from all entities that operate thermal coal facilities by 2030.
- Scottish Widows has also recently updated its exclusions policy so that companies deriving 5% or more of their revenues from thermal coal mining or tar sands will now be excluded (previous threshold was 10%).
- We will reduce our absolute emissions from the oil & gas sector by 50% by 2030 (from our 2019 baseline).
- We will work closely with our existing clients and support them in establishing credible transition plans by the end of 2023.
- We have also taken the decision to no longer provide direct financing (either via project finance, or reserve-based lending) that finances the development of new oil fields (fields which did not receive an Oil & Gas Authority approval before the end of 2021).
- We will not provide financing to new clients in the oil & gas sector unless it is for viable projects into renewable energies and transition technologies and clients have credible transition plans at the point of onboarding.

Question: What is Lloyds Banking Group doing to improve the share price and shareholder value?

Answer: Unfortunately, we have no control over the share price, as it is set by the market. The Board and Executive team are very focused on our strategy and continuing to build a Group that is able to sustain long-term profitability in a rapidly changing world.

The Board understands the importance of dividends to you, our investors, and, as shareholders know, we have a strong track record of returning excess capital to our shareholders. The Board's current preference is to return surplus capital by way of a buyback programme given the amount of surplus capital, the normalisation of ordinary dividends, and the flexibility that a buyback programme offers. Our approach is consistent with our UK and European banking peers who have also returned capital in the form of both dividends and share buybacks.

Question: Tell me more about the Lloyds Banking Group Digital Banking App?

Answer: At Lloyds Banking Group, we have witnessed a rapid increase in the demand for digital services in banking over the last 10 years. But it's been given further impetus since March 2020 with customers becoming more and more comfortable with online alternatives and different ways to pay for things. Throughout the pandemic, we've remained entirely committed to ensuring our mobile apps fulfil customers' banking requirements as comprehensively as possible. Consequently, we have seen our Mobile App Net Promoter Score – the metrics by which customer experience is gauged – improve.

During 2021, our scores were consistently above 70. Throughout this period, we also noticed that customers were engaging strongly with our services and were, on average, accessing the mobile apps 26 times per month. We've made a number of positive improvements to our apps.

For example, we've introduced the ability to log in swiftly and easily using your fingerprint or Face ID.

In addition we have added new features such as:

- The opportunity to pay in a cheque from anywhere.
- Real-time alerts on spending to help customers keep a close eye on their day-to-day spending using push notifications.
- The opportunity to access your personal identification number (PIN), as well as being able to request a new one.
- Greater control for customers over how and where cards are used, including being able to block usage online, abroad and for gambling.
- The option to temporarily freeze and unfreeze your debit and credit cards.
- The facility to report lost or stolen cards quickly and easily and order replacements
- The ability to set your own contactless card transaction limit and block contactless spend altogether.
- A new and improved App search functionality to help users find information and transactions more easily.

Questions: Why are you closing more branches?

Answer: We've seen customers use our branches less frequently in recent years, and this decline is continuing. This trend has accelerated during the pandemic. Of the branches announced for closure in March 2022 (a list of these is available on our website) on average usage has fallen 60% over the last five years. More and more customers are choosing online and digital banking. Overall, we have 18.5m customers regularly using online banking, and over 15m using mobile banking (up 12% and 27% respectively in the last two years). We have to respond to this changing behaviour.

We appreciate branches have an important role to play, and we are committed to make sure that we have the right branches in the right places. Customers now have more choice than ever before over how they do their everyday banking; in our branches, online, on the phone from home or on the move, in the local Post Office, Banking Hubs or mobile branches.

Question: Why does Lloyds Banking Group's AGM continue to be held in Edinburgh / Scotland?

Answer: The need for Lloyds Banking Group, which is registered in Scotland, to continue to hold its AGM in Scotland is reflected in our Articles of Association. A copy of our Articles of Association is available online at lloydsbankinggroup.com should you wish to review these.

Question: Why does Lloyds Banking Group not pay a reasonable amount of interest on saving accounts?

Answer: We appreciate that the low interest rate environment has been difficult for savers, and we are aware of how the current climate is impacting some of our customers.

We continue to offer a range of competitive market products to meet a wide variety of different customer needs and make it easy for our savers to switch to accounts that best meet their needs. We'll continue to review our offers against the market and our competitors.

Our pricing decisions are a function of a variety of different factors, and we believe that we offer a good home for savers. In April, Lloyds Bank, Halifax and Bank of Scotland increased rates on savings accounts with over 80% of accounts seeing an increase to their rates, with increases between 9 basis points and 25 basis points across our range.

Question: Has the Board considered breaking up Lloyds Banking Group and to list separately on the stock exchange or sell off individual elements and return the capital to shareholders in the form of cash or shares in the newly listed companies?

Answer: Lloyds Banking Group is performing well and has guided to a return on tangible equity in excess of 11% for 2022, which is ahead of our cost of capital. This suggests a business which is return accretive and generates value.

We have a very strong customer franchise, economies of scale and significant investment capacity. Lloyds Banking Group is the sole integrated UK provider of banking, insurance and wealth propositions offers unique competitive advantages and our new strategy seeks to further build on this by meeting more customer needs whilst diversifying income, which will set the Group on a higher growth trajectory– none of these would exist if the organisation was broken up.

Question: What specifically is the supervision and oversight of the Agricultural Mortgage Corporation?

Answer: Agriculture Mortgage Corporation plc (AMC) is a separate legal entity within Lloyds Banking Group (LBG/Group) and accounted and governed as such for statutory purposes, in line with standard industry practice from a business and operations perspective. It is operated, managed and controlled within the SME & Mid Corporates coverage business of our Commercial Banking Division and subject to all the standards, financial and risk management controls, planning and forecasting to which every business unit in Commercial Banking is, as part of our wider Group. AMC has its own Board which meets quarterly and an Operating Committee which meets monthly. The Operating Committee has a direct escalation route to both the AMC Board and the SME & Mid Corporates Risk Committee, with the latter in turn escalating directly to Commercial Banking Risk Committee.

LBG is a registered member-of the Lending Standards Board (LSB). Commercial Banking, and its businesses (including AMC) adhere to the Standard of Lending Practice for Business Customers. These Standards set out good practice in relation to lending to business customers across the lifecycle from the product design phase to the initial offering of the product, through to dealing with customers who find themselves in financial difficulty.

Our Risk Management Framework applies across all our business Divisions and subsidiaries. It brings together risk management practices operating across the Group, ensuring a robust and consistent approach to risk management and improving the Group's risk profile in line with our risk appetite. The Group operates a strong and independent Risk Division with rigorous management controls to keep the Group safe, support sustainable business growth and minimise losses within risk appetite. Risk Division oversight includes Conduct, Compliance and Operational Risk (CCOR), Economic Crime Prevention and Credit Risk. Further Group Functions oversight and support is also provided by Group Audit, Group HR, Group Information and Security, Group Legal, Group Finance and other Group functions.

Commercial Banking and its businesses (including AMC) have established policies and procedures to ensure that they meet the needs of clients in a compliant and consistent manner. As a subsidiary of LBG, AMC operates in accordance with the group-wide framework of policies and procedures, as well as in compliance with policies and procedures specific to Commercial Banking. These policies and procedures set out, amongst other things, the requirement for Group company Directors, senior management and all staff to act honestly, fairly, professionally, independently and in the interests of customers.

Question: Do you consider that that supervision and oversight is adequate?

Answer: Yes the supervision and oversight is adequate.

Questions: What financial provision is made for failure, in terms of conduct, operational and regulatory risk within the Agricultural Mortgage Corporation?

Answer: There is no specific provision held for these risk categories in respect of AMC; rather AMC (in line with all Group subsidiaries) would be captured within LBG's overall approach to these areas.