FULL YEAR 2024 FREQUENTLY ASKED INVESTOR QUESTIONS

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

- The Group delivered a robust financial performance, underpinned by franchise growth, continued cost discipline and strong asset quality, enabling strong capital generation and increased capital returns for shareholders.
- Statutory profit after tax for the year was £4.5 billion (£5.5 billion in 2023). This included net income of £17.1 billion, down 5 per cent on the prior year.
- Return on tangible equity was 12.3 per cent (14.0 per cent excluding £700 million provision for motor finance).
- Underlying net interest income was £12.8 billion in the year, including growth of 1 per cent in Q4 against Q3. This was supported by a net interest margin of 2.95 per cent in the year, with the Q4 net interest margin of 2.97 per cent continuing the upturn seen in Q3.
- Other income was £5.6 billion for the year, 9 per cent higher than 2023, driven by strengthening customer and market activity and the benefit of strategic initiatives.
- Operating costs were £9.4 billion, up 3 per cent on the prior year, in line with guidance, with cost efficiencies helping to partially offset ongoing strategic investment, planned severance charges and inflationary pressure, alongside the c.£0.1 billion Bank of England Levy in the first quarter.
- Remediation costs were £899 million in the year (£675 million in 2023), including £775 million in the fourth quarter, of which £700 million was in relation to the potential impact of motor finance commission arrangements.
- Asset quality is strong, with the portfolio remaining well-positioned with resilient credit performance. The 2024 impairment charge of £433 million and asset quality of 10 basis points reflect stable credit trends.
- Loans and advances to customers increased by £9.4 billion in the year (£2.1 billion in the fourth quarter) to £459.1 billion. The increase in the year was led by UK mortgages growth of £6.1 billion.
- Customer deposits of £482.7 billion increased by £11.3 billion in the year, with growth in Retail deposits of £11.3 billion, while Commercial Banking deposits were stable. Customer deposits growth was strong in the fourth quarter, with an increase of £7.0 billion.
- The Group delivered strong capital generation of 148 basis points in the year (177 basis points excluding the motor finance provision), resulting in a CET1 ratio of 13.5 per cent after an increased ordinary dividend and announced share buyback. This is comfortably above our ongoing target of c.13.0 per cent by 2026.
- Tangible net assets per share of 52.4 pence, were up by 1.6 pence in the year, driven by profits and a reduced share count from our buyback programme. This was offset by shareholder distributions.
- The Board has recommended a final ordinary dividend of 2.11 pence per share, resulting in a total ordinary dividend for 2024 of 3.17 pence per share, up 15 per cent on the prior year and in line with the Group's progressive and sustainable ordinary dividend policy.
- Given the Group's strong capital position, the Board has also announced its intention to implement an ordinary share buyback program of up to £1.7 billion.
- Total capital returns in respect of 2024 of up to £3.6 billion, are equivalent to c.9 per cent of the Group's market capitalisation value.

For more on our Q4 results, please see our Q4 2024 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

Why have you taken a further provision for motor finance commissions?

- In Q4 we took an additional £700 million provision for the potential remediation costs relating to motor finance commission arrangements.
- This is 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 reflects a probability weighted scenario based methodology incorporating a number of inputs. Clearly significant uncertainty remains around the final financial impact.

How does your total ordinary dividend of 3.17 pence per share relate to your progressive dividend policy?

- With our Full Year 2024 results the Board announced a final ordinary dividend of 2.11 pence per share, resulting in a total ordinary dividend for 2024 of 3.17 pence per share, up 15 per cent on prior year and in line with the Group's progressive and sustainable ordinary dividend policy.
- The Board will maintain its progressive and sustainable ordinary dividend policy going forward whilst retaining the flexibility to consider excess capital distributions.

When will your shares be quoted ex-dividend, and when will the final ordinary dividend be paid?

- Our UK shares will be quoted ex-dividend on 10 April 2025 and the final ordinary dividend paid on 20 May 2025.
- Important dates for our UK dividend can be found in our financial calendar.

Given your excess capital position, why a wasn't a special dividend paid?

- Given the Group's strong capital position, along with a final ordinary dividend of 2.11 pence per share, the Board also announced its intention to implement an ordinary share buyback programme of up to £1.7 billion.
- Given the total ordinary dividend of 3.17 pence per share and the intended ordinary share buyback, the total capital return in respect of 2024 was equivalent to £3.6 billion, c.9 per cent of the Group's market capitalisation value (as at 14 February 2025).
- The Board remains committed to future capital distributions and the Group paid down to its capital target of c.13.5 per cent at the end of 2024, along with guidance of an ongoing target of c.13.0 per cent by the end of 2026.
- As usual, the Board will continue to give due consideration at each year end to the return of any surplus capital.

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 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.
- We are UK's largest digital bank with over 22 million digitally active users, of which over 20 million are users of our consumer mobile app, up around 40 per cent since 2021. Across all our digital interfaces, we saw almost 7 billion logons in 2024, doubled since 2018.
- We have also increased the roll out of 'Lloyds Bank 360', now reaching over 500,000 customers and we launched both Ready-Made Pensions and Invest Wise, a bespoke investment product for those aged between 18 and 25. Through investment in digital capability and product development, we have seen more than 50 per cent growth in digital product openings within our Business and Commercial Banking franchise.
- We are investing in maximising the potential of people, technology and data, the key enablers of our strategy. We have reduced legacy applications by 17.5 per cent and our office footprint by more than 30 per cent.

How are you progressing on your transition to net zero?

- Building a sustainable and inclusive future is core to our purpose-driven strategy.
- Supporting the UK transition to net zero Helps Britain Prosper, by building resilience and creating a more sustainable future for the Group, customers and communities.
- To support the transition to a low carbon economy we have provided c. £47 billion of sustainable finance[1] since January 2022. In Scottish Widows, we achieved our cumulative investment target of £25 billion in climate-aware strategies one year early, with £25.9 billion invested by the end of 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; also partnering with Effective Home and Octopus Energy to help customer improve the energy efficiency of their homes;
    - £10 billion financing for electric vehicles by the end of 2027; 1 in 8 ultra-low emission vehicles on UK roads financed by the Group
- Working towards our bank financed emissions ambition to reduce the carbon emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050 or sooner. In Scottish Widows, our ambition is to align all our investments with the goals of the Paris Agreement, reaching net zero carbon emissions by 2050 or sooner. Examples of action include:
    - Exited direct lending to UK thermal coal power in 2023. Committed not to directly finance new greenfield oil/gas developments approved after 2021.

  - Progressed our approach to credible transition plans, expanding the number of clients we assess, with £14 billion of our CIB book now covered by transition plan assessments (up from £2.9 billion at year end 2023).
  - Developed 10 Net Zero Banking Alliance sector emission reduction targets covering 83 per cent of our bank lending in scope of PCAF[2].
  - Calculated and published our facilitated emissions baseline (related to primary bond and syndicated loan issuances); small in relation to our banking financed emissions.
- Working with our suppliers to reduce the emissions from our supply chain by 50 per cent by 2030 on path to net zero by 2050.
  - 162 key suppliers assessed against our Emerald Standard; representing c.80 per cent of the Group's supply chain emissions and spend.
- Continuing to make strong progress towards our ambition to achieve net zero in our own operations by 2030, supported by five operational pledges:
  - Reduce our direct carbon emissions by at least 90 per cent by 2030;
  - Reduce energy consumption across our operations by 50 per cent by 2030;
  - Maintain domestic travel-related carbon emissions below 50 per cent of 2018/19 baseline;
  - Zero waste and water neutrality by 2030.
- Climate performance measures included in both the short (Group Performance Share) and long term (LTIP) variable pay structures (5 per cent and 15 per cent of weight of measures, respectively) to drive progress and focus.

[1] In line with the Group's Sustainable Financing Framework available on the Group's webpage here.
[2] Bank lending in scope of financed emissions calculation in accordance with the Global GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financials (PCAF).

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 on our ambition to grow.
- 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 over 22 million digitally active users. 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 headroom to grow as we improve our capability with technology investment, particularly in our pensions and protection businesses.
- We continue to invest in front-to-back digitisation of our SME bank, and in our core strengths in cash, debt and risk management within corporate and institutional business.
- We have also increased our focus on collaborating with fintech during the year to broaden our product capabilities, for example a partnership to enable digital invoice financing and factoring for our SME bank clients.

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); 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. 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