Lloyds Banking Group - Year ended 31 December 2015

The disclosures set out in the table are required by the Capital Requirements (Country by Country Reporting) Regulations 2013. The requirements originate from Article 89 of the Capital Requirements Directive (CRD IV).

The strategic focus of Lloyds Banking Group plc and its controlled subsidiaries (the Group) is on its core UK business and its international presence has reduced significantly since 2010.

Country	Entity established in the country [(1)]	Description of activity	Revenues (£m) [(2)]	Profit (loss) before tax (£m)	Tax paid (received) (£m)[(3)]	Number of Employees (average FTE)
Netherlands	Lloyds Bank plc - branch	Banking and financial services				
	Bank of Scotland plc - branch	Banking and financial services				
	Total:		77	56	1	75
Germany	Bank of Scotland plc - branch	Banking and financial services				
	Total:		108	89	-	280
United Kingdom	Lloyds Bank plc	Banking and financial services				
	Scottish Widows Limited	Life assurance				
	HBOS plc	Holding company				
	Bank of Scotland plc	Banking and financial services				
	Total:		16,861	1,342	164	80,846
Channel Islands and Isle of Man	Lloyds Holdings (Jersey) Limited	Banking and financial services				
	Total:		172	54	-	549
USA	Bank of Scotland plc - branch	Banking and financial services				
	Lloyds Bank plc - branch	Banking and financial services				
	Lloyds Securities Inc	Banking and financial services				
	Total:		202	137	12	330
Other [(4)]	Total:		1	(34)	2	120
	Total:		17,421	1,644	179	82,200

Basis of preparation

The Group's country-by-country disclosures have been prepared on the basis of the geographical location of the business unit booking the transaction. Income and expenses between business units in the same jurisdiction have been eliminated; transactions between business units in different geographical locations have not been eliminated. Dividend payments and other remittances of profits between business units are excluded.

Notes (unaudited)

(1) Entities

Principal entities only. A full list of the Group's subsidiaries and their location is included in the Group's Annual Report and Accounts.

(2) Revenue

Reported revenues represent the Group's total statutory income net of insurance claims.

(3) Corporation tax

The tax paid numbers disclosed under CRD IV are corporation tax only. They do not include the wider tax contribution to the UK Exchequer or other tax authorities.

In 2015 the Group paid tax to the UK Exchequer of £1.8bn which primarily comprised irrecoverable VAT, employers' national insurance contributions and bank levy. According to the Total Tax Contribution 2015 PwC Survey for The Hundred Group of Finance Directors, the taxes borne by the Group in 2014 (at a similar level to that borne in 2015) were such that it was the second most significant taxpayer in the Survey.

Specific points to note in respect of the numbers above

3.1 In any given year tax paid will not directly relate to the accounting profits earned in that year – this is because there is often a difference between accounting profit and taxable profit (as a result of applying local tax legislation) and any tax due on taxable profits is usually payable across multiple years.

3.2 The Group is UK headquartered and is subject to UK tax in respect of its operations overseas through the UK controlled foreign company rules. The UK's controlled foreign company rules subject the profit of companies in 'low tax' countries to UK tax where they do not satisfy certain exemptions.

3.3 In certain branches the local tax paid may be low due to the operation of local tax rules, however, these branch profits are subject to tax in the UK.

3.4 The amount of tax paid reflected the fact that the Group had losses incurred in prior periods that were offset against current year profits. Following the enactment of the Finance Act 2015, there is now a restriction in the UK on the amount of banks' profits that can be offset by certain carried forward losses for the purposes of calculating corporation tax liabilities. This has the effect of accelerating UK corporation tax payments made by the Group.

As noted above, we are one of the largest contributors to UK tax revenues. Consequently, it is important that we explain our approach to tax clearly to reassure our stakeholders, including UK taxpayers, customers, colleagues and others, that we comply fully with the law and have a consistent approach to managing risk.

We do not interpret tax laws in ways that we believe are contrary to their intention; and we do not promote tax avoidance products to our customers. We comply with the HM Revenue & Customs (HMRC) Code of Practice on Taxation for Banks and the Confederation of British Industry's Statement of tax principles. The tax system covering our activities is complex and wide ranging. As a result, any decisions and actions we take regarding tax are based on a considered assessment of long-term costs and risks, including their impact on our relationship with stakeholders and our reputation with our customers.

The Group's approach to tax is governed by a Group Board-approved tax policy and strategy, which has been discussed with HMRC. Our Group Tax Team makes sure that our tax policies, procedures and controls are appropriate. The team liaises closely with HMRC regarding all significant transactions to understand their view.

As with any large group, we may occasionally have a different view to HMRC. These differences of opinion are discussed, with the intention of resolving them in a transparent, honest and professional manner.

(4) Other

Other includes a number of countries which individually had revenues of less than £15m in 2015 and are immaterial in the context of the Group.

(5) Public subsidies received

The Group did not receive any public subsidies during the year.

Independent auditors' report to the Directors of Lloyds Banking Group plc

We have audited the accompanying schedule of Lloyds Banking Group plc for the year ended 31 December 2015 ("the schedule"). The schedule has been prepared by the directors based on the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Directors' Responsibility for the schedule

The directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule, and for such internal control as the directors determine is necessary to enable the preparation of the schedule that is free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the country-by-country information in the schedule for the period ending 31 December 2015 is prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Basis of Preparation and Restriction on Distribution

Without modifying our opinion, we draw attention to the basis of preparation and the notes to the schedule. The schedule is prepared to assist the directors to meet the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. As a result, the schedule may not be suitable for another purpose.

Our report is intended solely for the benefit of the directors of Lloyds Banking Group plc. We do not accept or assume any responsibility or liability to any other party save where terms are agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
4 November 2016
London