Tax strategy and approach to tax

Lloyds Banking Group
Report 2025

Tax strategy and approach to tax

Our purpose as the UK's largest retail and commercial financial services provider is to Help Britain Prosper.

We are currently one of the highest corporate payers of UK taxes[1] – paying £2.6 billion in 2023 and £2.5 billion in respect of 2024. As a responsible business, we share the public's interest that 'big business' pays its fair share of tax, contributing to the stability of society provided by the government framework which these taxes fund. We understand that our investors and shareholders want assurance that the value created by the Group is underpinned by appropriate, prudent and transparent tax behaviour. This is why we aim to be open and transparent about our approach to tax – including our overall strategy and payments.

Our annual transparency report, explaining how we approach tax and our tax contribution, has been highly commended at the Building Public Trust Awards every year since 2018 and we were voted the best UK-focused reporter of taxes in the FTSE 350 in 2021.

We want to build on the positive feedback we've received from many stakeholders by going into more detail about the way we approach tax and how, ultimately, this is Helping Britain Prosper.

Sir Robin Budenberg
Chair
Lloyds Banking Group plc

1 As reported in the PwC Total Tax Contribution survey of the 100 Group.

Contents

This document summarises our approach to tax. In line with our ambition to be open and transparent in our stakeholder communications, it summarises our tax strategy and tax-related processes, providing extracts from a number of relevant Group policies, including our Tax Policy.

It also contains details of our tax payments made in 2024. For those who want more detailed information we've provided useful links throughout.

Find out more

Further information can also be found in our 2024 Annual Report and Accounts, and our Group Sustainability Report.

Our 2024 Annual Report and Accounts →
Our 2024 Group Sustainability Report →

Overview

Why our approach to tax matters to us and our stakeholders

We're a UK-focused financial services provider with a clear and driving purpose: to help people, businesses and communities in Britain prosper. We do this by providing useful and affordable products and services, by going beyond business as usual through our purpose of Helping Britain Prosper and through the taxes we pay.

Lloyds Banking Group in brief

- The UK's leading provider of financial services to individual and business customers
- The UK's largest branch and digital bank
- Active in retail and commercial banking, general insurance, savings, protection and investment
- Iconic high street brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows

Helping Britain Prosper

People, businesses and communities across Britain are facing significant challenges. Although the outlook remains uncertain, our customer-focused strategy and the strength of the Group's business model will allow us to continue to help Britain recover and play our part in helping to return the UK to prosperity.

We believe no other financial services provider is better placed to do this. We already serve over 28 million customers and 1 million small businesses, but we want to be more than this. We want to go beyond business as usual and help address systemic social, environmental and economic challenges such as Britain's housing shortage, the skills gap in key industries, social mobility and social disadvantage.

Helping Britain Prosper is integral to our business strategy. We know from experience that when Britain prospers we do too, so it's an investment in our collective long-term success.

Our tax strategy

Tax is one of the ways in which businesses contribute to the societies in which they operate. Appropriate, prudent and transparent tax behaviour is therefore a key component of corporate responsibility.

We want to pay the taxes due on the profits we make, in line with the letter and spirit of the law.

As a large group, we document the way we deal with our tax matters in our Tax Policy, Enterprise Risk Management Framework and Code of Responsibility. These cover both our tax obligations and the risks to our Group associated with tax matters.

Our Tax Policy forms part of our Enterprise Risk Management Framework, which seeks to identify all of the risks that affect our businesses. We've included extracts from it in this section and also commented on these extracts to provide further insight.

Although our business is primarily UK-focused, our Tax Policy is applicable to all jurisdictions in which we operate.

The way we approach tax is in line with the way we see Lloyds Banking Group – as a responsible, sustainable business. We support a competitive tax environment in the UK, to encourage growth and investment.

How do we define 'responsible business'?

- We have an important role in society and take responsibility for acting in a fair and transparent manner towards all external stakeholders
- We act in the spirit of relevant regulatory requirements and aim to be a role model in our industry
- We ensure business activities are consistent with our strategy and reasonable expectations of our stakeholders
- We have strong, open and transparent relationships with our regulators

All these statements come from our Code of Responsibility →

Lloyds Banking Group plc regards the publication of this Tax strategy and approach to tax document as complying with its duty under paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish its UK tax strategy in respect of the year ending 31 December 2025.

What we mean when we talk about 'risks associated with tax'

Our Tax Policy identifies five major risks associated with tax. These are all concerned with accuracy and with complying with the letter and the spirit of current tax legislation.

01 Inaccuracies in the calculation, tax returns or payment of any tax liabilities or in reporting obligations to tax authorities including customer information reporting.

02 That tax law, regulation and advice is not reflected in day-to-day operations.

03 That changes to the business, structure or operating model with a tax impact are not identified and that tax costs, consequences, obligations and opportunities are not identified correctly or completely.

04 Inaccurate or non-compliant reflection of tax in accounting records, financial statements or customer tax certificates.

05 That transactions entered into or judgements made in respect of tax result in reputational damage for the Group.

All these extracts are from our Tax Policy

Our tax strategy continued

Managing our tax risks in practice

Our Tax Policy sets out clear actions for colleagues to manage our tax risks.

Q. How do we manage our tax risks in practice?

A. The Group will ensure compliance with all statutory and regulatory obligations.

The Group will act in accordance with HMRC's Code of Practice on Taxation for Banks and the Group's Code of Responsibility.

Overseas operations are required to adopt similar tax behaviours and conduct, but local tax legislative requirements must be followed where differences arise.

The Group will not do anything that it believes would cause it reputational damage.

All these statements are from our Tax Policy.

For example, we would not enter into a transaction purely to obtain a tax benefit and separately we would not approve a business transaction where tax was the sole or main purpose of the transaction.

Want to know more? Read our **Code of Responsibility →**

Finding a responsible balance

Like any business, our success rests on maintaining a good brand reputation. We understand that the way we approach our tax obligations has a powerful impact on this reputation, so finding the most responsible balance is vital. How we actually achieve this balance is explained in the Tax Policy.

Q. What do we mean by 'balance' when we talk about tax?

A. The Group aims to manage risk in such a way that it keeps the organisation safe, supports sustainable business growth and minimises losses within our risk appetite. To reflect our stakeholders' interests and the Group's overall risk appetite, while maintaining the Group's tax position we will balance the management of the Group's tax costs and reporting of customer information, with the maintenance of the Group's reputation.

Extract from our Tax Policy

Corporate criminal offence:
failure to prevent the facilitation of tax evasion

We are committed to preventing the offence of criminal facilitation of third party tax evasion. We comply with the relevant legislation and regulation in this area which covers both UK and foreign taxes and provide training for all colleagues to ensure compliance.

Making tax a Group-wide priority

Frameworks and policies are only effective if people work in line with them. That's why we cover tax in our Code of Responsibility – a code that applies to every colleague, team and business in our Group, day in and day out. Each year a mandatory Tax Policy training programme is delivered to finance and relevant business colleagues.

The Code makes tax a personal responsibility for every colleague in our Group.

Q. What does our Code of Responsibility say about tax?

A. Our approach to tax is governed by our Tax Policy which is part of our Board-approved Enterprise Risk Management Framework. We have discussed the Tax Policy with HMRC.

We comply with the HMRC Code of Practice on Taxation for Banks.

We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament and we do not promote tax avoidance products to our customers.

Extract from our Code of Responsibility

Q. What does our approach to tax mean for colleagues?

A. Colleagues should be aware of and act in accordance with, the Group's Tax Policy.

Colleagues should engage collaboratively with Group Tax to ensure the Group complies with the letter and spirit of tax law.

Colleagues should not enter into transactions where the main purpose is to minimise or reduce tax cost.

Extract from our Code of Responsibility

Our tax strategy continued

Group Tax – our in-house tax specialists

At the heart of all our tax matters is our Group Tax team. The team contains highly skilled and experienced tax specialists. Our Tax Policy assigns a great deal of the responsibility for managing tax risks to the team. Group Tax colleagues provide advice right across the Group. They also work closely with HMRC and other relevant regulatory, advisory and policy steering bodies, to make sure we're always up to speed with UK tax requirements and any planned changes that may affect us.

The team frames its advice to comply with the Tax Policy, the Banking Code of Practice, our own Code of Responsibility and the letter and spirit of the law. If there is ever any doubt concerning the tax implications of transactions or tax returns, this is discussed by members of the Group Tax team through a senior tax review committee.

When there is uncertainty about whether a proposed transaction is contrary to the Banking Code of Practice, the senior tax review committee will document its conclusions and discuss them with HMRC. Transactions that do not clearly meet the Code of Practice criteria do not proceed.

The Group Tax team is not incentivised to reduce the tax we pay. In fact, our Tax Policy prohibits them from approving any transaction where the sole or main purpose is to minimise tax in a way that is contrary to the intention of Parliament. Transactions between Group companies in the UK and overseas are priced using the arm's length principle, and we do not use 'secrecy jurisdictions' or so-called 'tax havens' for tax avoidance.

The regulatory reporting of customer information by our business is supported by the Group Tax team to ensure that tax authorities receive the necessary information so that the correct income is declared and the correct tax is paid by our customers across our full product suite.

What are our Group Tax team's main responsibilities?

- Preparing our UK Corporation Tax returns, submitting VAT returns and paying tax liabilities
- Resolving any tax uncertainties with HMRC
- Calculating the tax figures that we report in our accounts
- Advising colleagues on the tax implications of transactions and business initiatives
- Keeping the Group up to speed with new tax legislation and guidance and ensuring colleagues adhere to them
- Providing specialist support to colleagues responsible for employee tax and customer tax matters

The role of external advisers

We sometimes ask for advice from external tax advisers to help us understand the implications of new or proposed legislation, or to provide opinion on the interpretation of existing law. We also use external advisers to provide additional resources for the Group Tax team when they're required.

Our relationship with HMRC

We're pleased to report that we have a very open, cooperative and transparent relationship with HMRC. The Group works with HMRC in real time (and before tax returns are filed, where possible) in accordance with the principles of the Framework of Cooperative Compliance. When occasional differences of opinion occur, usually concerning the 'fine detail' of tax legislation, we work together to resolve them professionally.

How do we interact with HMRC?

- We submit hundreds of tax returns every year within the legal time limits
- We aim to make our tax returns accurate, transparent and easy to understand
- We proactively contact HMRC so they are aware of all significant transactions that could affect our tax obligations
- We meet HMRC regularly to discuss business issues and the status of our tax obligations

Good governance and our approach to tax

As a responsible business, we're committed to strong and transparent governance in all aspects of our operations, from Board to branch – and that includes tax.

How do we ensure good governance?

Our Tax Policy

Sets out what needs to happen to make sure we manage tax risks in line with our overall risk appetite and legal obligations.

- The Tax Policy is part of the Enterprise Risk Management Framework

Our Code of Responsibility

Also makes clear what we expect from colleagues regarding our tax-related activities.

- We deliver mandatory training programmes each year to ensure that colleagues understand their responsibilities
- The Group's whistle-blowing service (Speak Up) is available to give all colleagues a way to report anonymously any concerns, including those related to tax matters

Our Enterprise Risk Management Framework

Requires all of our businesses to self-certify that they've complied with our Tax Policy and to identify any failures to do so.

- Any failures that have a material impact are escalated by our Divisional Risk teams to our Group Risk Committee, which discusses them and advises on appropriate action

Board Supervision

Our Group Chief Financial Officer (CFO) is responsible to the Board for managing our tax position.

- Our Group Tax Director reports to the CFO
- The CFO raises any significant tax issues with the Board and with the Group Executive Committee (GEC)
- The Group Tax Director also regularly updates both Board and GEC about tax matters
- The Group's Tax strategy and approach to tax has been reviewed and noted by the Audit Committee

How we're taxed and how much tax we pay

As a financial services provider with the purpose to Help Britain Prosper and with most of our business subject to tax in the UK, we're proud to be one of the largest contributors to domestic tax revenues.

What taxes do we pay?

This section sets out the amounts of the different taxes we pay. The table below highlights the taxes we paid in respect of the years 2020 to 2024. The UK Corporation Tax data reported here forms part of the annual PwC Total Tax Contribution Survey for the 100 Group to which we contribute our tax data. The survey is independent and widely referenced by corporate reporters and commentators.

The 100 Group is made up of members of the FTSE 100 (which collectively account for 90% of its market capitalisation) along with a number of large private companies.

£2.5bn

tax paid in respect of 2024

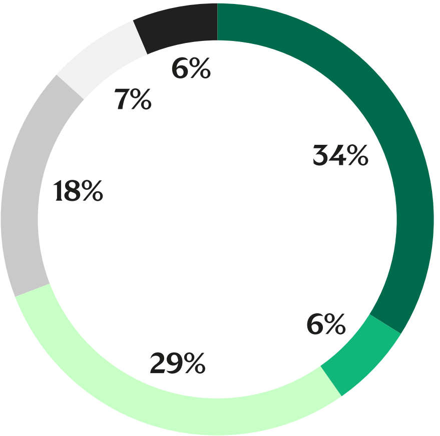
Here's a quick summary of the different taxes we paid in respect of 2024.

Find out more

Our total tax breakdown (2020 to 2024)

	2020 m	2021 m	2022 m	2023 m	2024 m
UK Corporation Tax	£508	£938	£495	£792	£855
UK Corporate Tax surcharge	£205	£358	£181	£218	£157
Irrecoverable VAT	£632	£622	£695	£825	£722
Employer's NIC	£353	£315	£391	£423	£439
Business rates, stamp duties etc	£204	£214	£170	£182	£176
Bank Levy	£208	£171	£128	£154	£154
Total	**£2,110**	**£2,618**	**£2,060**	**£2,594**	**£2,503**

Total tax contribution in 2024



UK Corporation Tax	£855m
UK Corporate Tax surcharge	£157m
Irrecoverable VAT	£722m
Employer's NIC	£439m
Business rates, stamp duties etc	£176m
Bank Levy	£154m

£2,503m

How we're taxed and how much tax we pay continued

UK Corporation Tax

We pay UK Corporation Tax on our profits in the UK. You can read more about this on **page 13**.

UK tax rules limit the amount of losses from earlier years that banks can offset against profits. (As of 1 April 2016, this offset is restricted to 25% of profits, annually.)

£855m
2024 UK Corporation Tax

UK Corporation Tax surcharge

From 1 April 2023, the corporation tax surcharge on UK banks taxable profits was reduced from 8% to 3%.

£157m
2024 UK Corporation Tax surcharge

Bank Levy

Banks pay a levy to the UK Government based on the value of the liabilities in their consolidated balance sheet. The levy rate in 2024 was 0.10% on short-term liabilities and 0.050% on long-term liabilities.

£154m
Bank Levy

Irrecoverable VAT

Like most businesses, we pay VAT on the goods and services we buy from suppliers. Many companies can recover the VAT they pay by offsetting it against the VAT they charge to customers on their own goods and services. Almost all of the products and services we provide are free from VAT, so we can't recover it in this way.

£722m
Irrecoverable VAT

Employer's National Insurance contributions

We employ 59,490 employees in the UK and pay Employer's National Insurance contributions in respect of them.

£439m
Employer's NICs

Business rates, stamp duty and other taxes

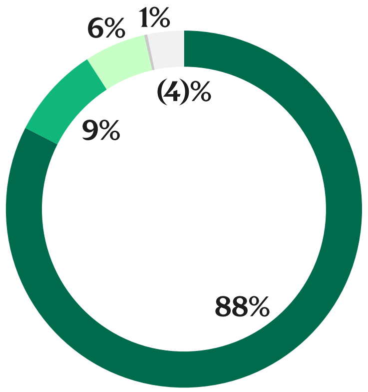
We pay business rates to local authorities across Britain. We also pay stamp duties on any transactions relating to land and shares.

£176m
Business rates, stamp duty and other taxes

Taxes collected in 2024

We don't just pay taxes – we collect them too

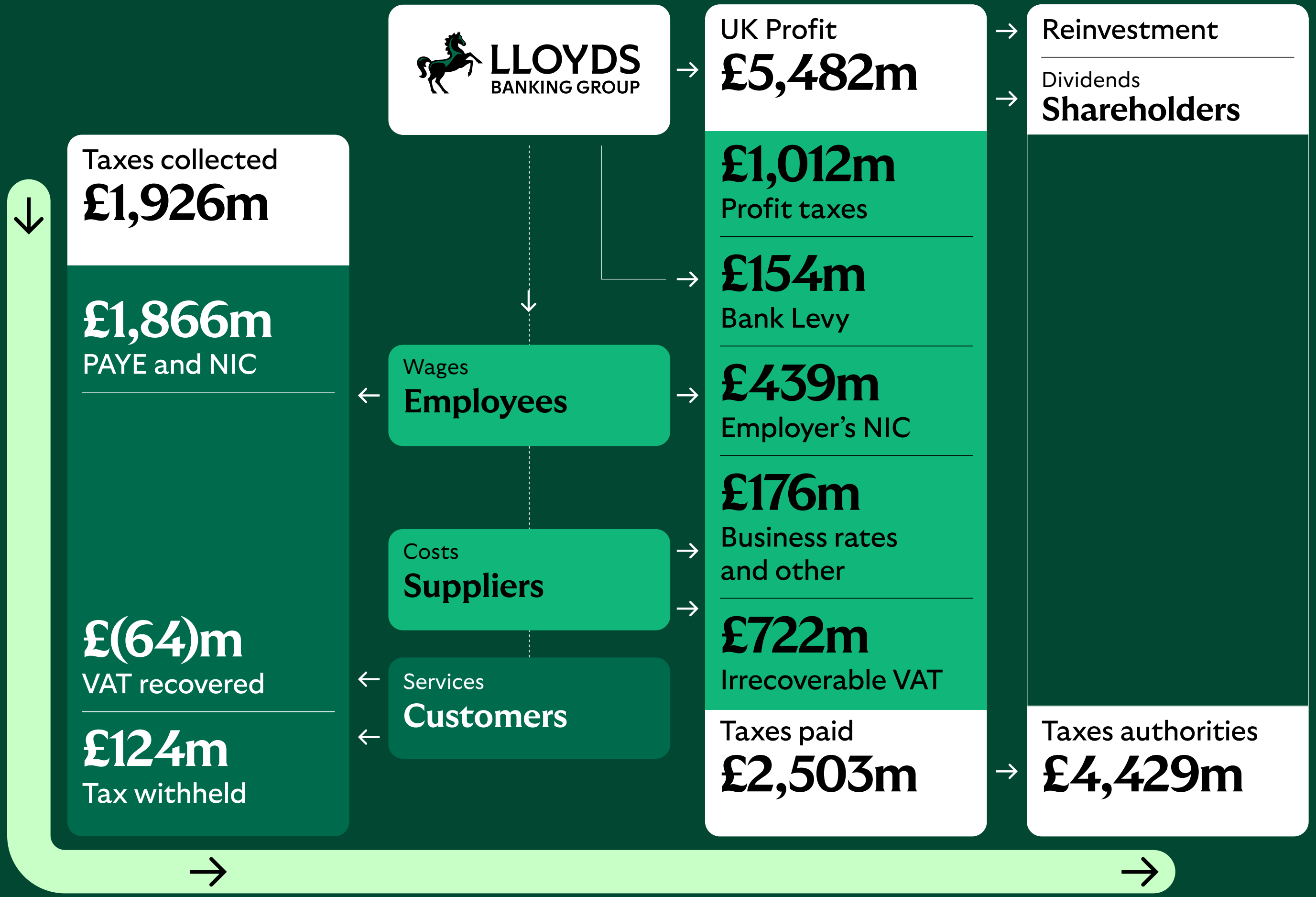
In addition to the taxes we pay, we also collect taxes for the UK Government. These include the PAYE income tax and National Insurance contributions that our employees pay, the Insurance Premium Tax on general insurance products purchased by customers and income tax deducted on some payments in relation to investment, savings, pensions and other products purchased by customers.



PAYE	£1,696m
Employee's NIC	£170m
IPT and stamp duties	£114m
Tax deducted at source	£10m
VAT recovered	£(64)m

£1,926m

Economic value generated and distributed



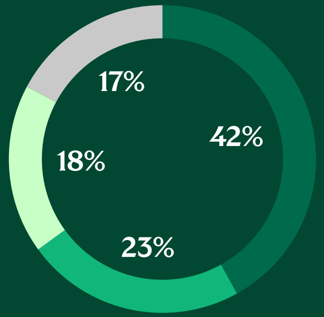
Economic value is distributed to the Government in taxes, to employees as wages paid and as profits retained in the business for reinvestment or paid to shareholders as dividends. Tax paid to the Government represents 41% of the economic value generated by the Group in the UK in 2024.

- Taxes paid to the Government are important for public finances but this is only part of our impact on society.
- For example, part of the profits we reinvest in our business becomes the income of our suppliers, which allows them to pay the wages of their staff and generate profits on which they also pay taxes.

Economic value generated and distributed (UK)

- Profit after profit taxes paid
- Taxes paid
- Taxes collected
- Wages paid (net of employee taxes)

£10.7bn



Tax in our financial statements

In note 15 of the financial statements section of our 2024 Annual Report and Accounts is a reconciliation of the tax expense for the year compared to the expected tax expense we would suffer if we paid tax of 25.0% of accounting profit.

£5,971m
profit before tax

Find out more

	£m	%
Accounting profit before tax	5,971	
Expected tax expense at UK tax rate	**1,493**	**25.0**
Impact of surcharge on banking profits	157	2.6
Non-deductible costs: conduct charges	27	0.5
Non-deductible costs: Bank Levy	37	0.6
Other non-deductible costs	73	1.2
Non-taxable income	(78)	(1.3)
Tax relief on coupons on other equity instruments	(125)	(2.1)
Tax-exempt gains on disposals	(98)	(1.6)
Tax losses where no deferred tax recognised	7	0.1
Differences in overseas tax rates	9	0.1
Policyholder tax	75	1.3
Deferred tax asset in respect of life assurance expenses carried forward	5	0.1
Adjustments in respect of prior years	(94)	(1.6)
Tax effect of share of results of joint ventures	1	0.0
Pillar 2 current tax provision	5	0.1
Tax expense	**1,494**	**25.0**

Tax expense

We publish information about the Group's tax expense each year in our financial statements. The corporation tax rate applicable to profits of UK companies in 2024 was 25.0%, our tax expense for 2024 was also the equivalent of a tax rate of 25.0%. In this section we talk about the things that can have an impact on tax expense.

Banking profits surcharge
UK banks pay an additional 3% tax on top of the ordinary UK tax rate, which means they pay tax at 28% of banking profits each year.

Non-deductible costs: conduct charges
The costs of compensation payments made to customers as a result of matters such as Payment Protection Insurance mis-selling and similar misconduct are not allowed to reduce the profits of the Group subject to tax. This means we add the cost back to accounting profits and tax the higher profit number.

Pillar 2 current tax provision
On 11 July 2023, the UK Government implemented its version of the OECD's global minimum tax rules (the 'Pillar 2 rules'). This legislation means that UK-headquartered groups will pay a minimum 15% tax rate on all of their profits arising after 31 December 2023 anywhere in the world. In 2024 we therefore included a current tax charge of £5 million in respect of the Group's Channel Islands businesses, whose profits were subject to a tax rate of only 10% in 2024.

Tax in our financial statements continued

Bank Levy add-back for tax
The Bank Levy is not allowed to reduce the profits of the Group subject to tax. In 2024, the Bank Levy expense included in accounting profit was £148 million.

Other costs added back for tax
Tax laws say that companies cannot reduce their profits for tax purposes for many of the costs that companies spend while going about business. This includes such things as legal fees on investment activity and customer entertaining.

Policyholder tax
Policyholder tax is additional tax payable by our life insurance business relating to policyholders' investment returns. It includes the tax on profits made by open-ended investment companies in which policyholder funds are invested and which are consolidated in our results.

Policyholder deferred tax asset in respect of life assurance expenses
We utilised £5 million of policyholder deferred tax in respect of certain life assurance expenses brought forward from prior years. This asset reflects the future tax deductions expected to be available against policyholder tax investment returns that will arise in future periods.

Tax relief on coupons on other equity instruments
The dividends we pay on our additional tier 1 capital are deductible for tax purposes. Until 2019, both the coupons and the tax relief were accounted for in equity, but following a change in accounting standards the tax relief is now recorded within tax expense in the income statement.

Tax free gains and income
Dividend income received by UK companies is tax free. In addition, capital gains on major investments in trading companies are not taxable (if they meet the requirements of the 'substantial shareholding exemption' rules).

Tax losses where no deferred tax recognised
In 2024, we didn't recognise deferred tax of £7 million in respect of overseas losses in our insurance business because it is not expected we will be able to utilise these losses against future profits of the business before they become time-barred.

True-up of prior year tax returns
Tax law is complicated. As a result, the tax expense included in the financial statements is an estimate of the final liability that will be payable when the tax returns are agreed by HMRC or the tax authorities in the countries in which we do business.

Overseas taxes
The Group operates in a small number of countries outside the UK and pays tax on the profits it makes there. In 2024, the overseas tax expense was slightly higher than the tax we would have paid in the UK.

Joint venture tax costs
Profits after tax of joint ventures are shown within Group profit before tax in the financial statements. This accounting presentation usually results in a small reconciling difference each year. In 2024 this difference was £1 million.

Deferred tax
Tax expense in our financial statements is made up of two elements: current tax and deferred tax.

Current tax
Current tax is an estimate of the cash tax to be paid in respect of the profits and losses that the Group has made in the year, plus any true-ups to the cash tax payable when tax returns are agreed with tax authorities.

At 31 December 2024, the Group has a net deferred tax asset of

£4.88bn

Deferred tax
Deferred tax is an accounting requirement that recognises the future tax consequences of tax laws expected to apply when assets and liabilities in the balance sheet are realised as income or paid as an expense. For example, say the Group has an asset that it bought for £100 million and it decides that it is going to sell that asset. If the market value of the asset is now £150 million, the Group will recognise the tax cost now that will arise on the gain when it sells the asset in future. The tax cost is accrued as deferred tax in the period when the Group decides to sell the asset. When the asset is sold, the Group will accrue for the cash tax cost payable on the gain and the deferred tax liability will be released. If the asset is not sold before the date of the next financial statements, the gain is recalculated at its current market value and the deferred tax liability recalculated on the basis of the new gain.

Tax in our financial statements continued

Deferred tax assets in 2024

Trading tax losses
£4.64bn

UK companies that make losses for tax purposes are allowed to carry those losses forward to set against taxable profits of future periods. Our banking businesses made significant losses in the financial crisis and we have recognised a deferred tax asset for the future tax benefits when we offset the losses against future profits.

Use of these losses is dependent on the Group making profits in the future and we estimate that on the basis of the current tax laws we will use the assets by 2037, depending on performance. This is an area of significant accounting estimates and judgements and we report on the use of these losses to the Audit Committee each year.

Capital allowances
£173m

Companies get tax relief on the equipment they use to carry out their businesses. This relief is given by adding back accounting depreciation on the equipment and replacing it with a deduction for tax depreciation (which in the UK is called 'capital allowances'), calculation of which is governed by tax law.

The Group has claimed fewer capital allowances than its accounting depreciation add-back so far and expects to get net deductions worth £173 million in future periods.

Share-based payments
£33m

Tax legislation gives relief to companies in respect of employee share awards when the shares are released to the employee. As a result, we recognise those expected future tax deductions in the balance sheet.

Provisions and other temporary differences
£372m

Tax laws will often require companies to defer tax deductions on provisions they make until cash is actually paid in the future.

The deferred tax assets covered under this heading includes £100 million related to the adoption of IFRS 9 in 2018 (which will be recovered as tax deductions over the next three years), and £99 million related to bonus provisions and other staff costs in respect of which tax deductions will not be available until payment is made after the end of the year.

Derivatives
£1.05bn

Derivatives are regularly revalued to their market value for accounting purposes. As a result, deferred tax is provided for the future tax we will pay or recover when the income or costs from the derivatives are recognised in accounting profit before tax.

Long-term assurance business
£53m

The deferred tax asset recognised is mostly in respect of the future tax benefit of certain expenses of the life assurance business. These expenses can be carried forward indefinitely and recognition is based on the amount expected to be utilised against forecast investment returns in the long-term projections for the life insurance business. In addition, there is a deferred tax asset recognised for taxable losses incurred on transition to IFRS 17 in 2023. These will unwind straight line over ten years.

Deferred tax liabilities in 2024

Fair value of acquired assets
£(228)m

When a company buys another company the values of the acquired assets are restated to their 'fair value' in the balance sheet, but the tax value does not change. Deferred tax liabilities are recorded on the changes to fair value where there is no corresponding change to the tax value. The majority of this deferred tax arose on the acquisition of the HBOS Group in 2009.

Pensions
£(774)m

UK companies recognise their employee pension liabilities at a value based on long-term actuarial forecasts, but only get tax relief when cash is paid into the pension funds. As a result, companies recognise the future tax benefits they will receive when they pay cash to settle the pension liability in the balance sheet. Conversely, when pension schemes are in a net asset position, a deferred tax liability is recognised.

Other temporary differences
£(311)m

Tax laws sometimes allow companies to defer tax liabilities until the profit is recognised in the income statement, or to spread tax payments over a number of years.

Capitalised software enhancements
£(123)m

UK tax law allows companies to deduct the cost of capitalised software from taxable profits. Usually this relief is given as the accounting cost is charged against profits over a period of years, but for certain qualifying expenditure, companies can make a claim to accelerate all the tax relief to the year of expenditure. This deferred tax liability recognises that we will not get tax relief in future when the accounting cost is reflected in profits.

Tax in our financial statements continued

Tax expense vs Total tax contribution

Tax expense in our financial statements is made up of two elements: current tax and deferred tax in relation to the year covered by the financial statements.

Certain profits and costs recognised in the Group financial statements do not result in a cash tax effect until a future date. When this happens, an accounting entry called deferred tax is made to recognise the expected future cash tax costs or benefits.

When the underlying asset or liability is realised, the tax is payable or recoverable as cash tax. To reconcile tax expense to the amount of cash taxes, we strip out any deferred tax expense and remove any non-cash elements, e.g. prior year true-ups.

In 2024, the largest deferred tax charge related to the use of brought-forward tax losses to reduce current corporation tax payable.

The Group pays its profit taxes liability in quarterly instalments, and UK companies must make all four estimated payments in the year.

Total tax contribution includes not only UK corporation tax recognised in the tax expense line in the profit and loss account, but also all the other taxes we bear in the UK.

To those corporate profits taxes paid in 2024 we then add on cash tax costs included in accounting profit to get to our total tax contribution in respect of 2024 of £2,503 million.

Tax expense/(credit) and cash tax payments made in 2024

Where we pay tax

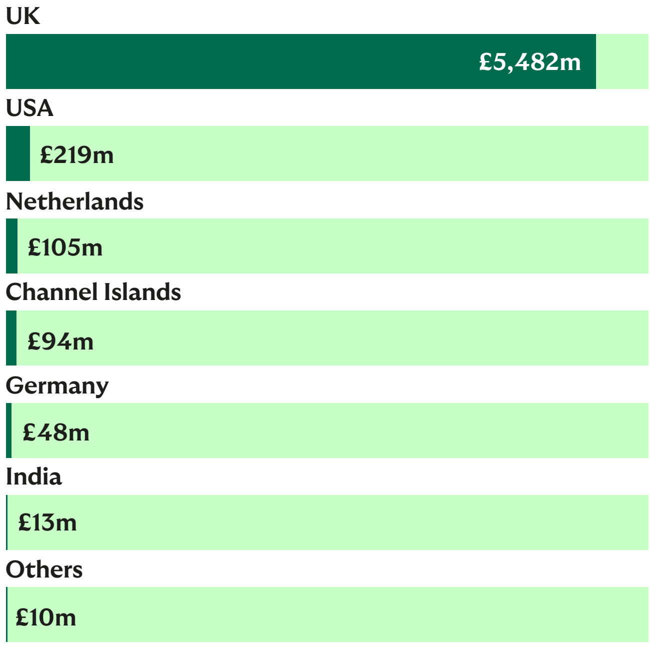
We understand why people in the UK want to know where we pay tax. Almost all of our profits are subject to tax in the UK.

We're proud to be the UK's largest financial services provider and both our corporate strategy and our Helping Britain Prosper plan are squarely focused on the UK domestic market.

Since 2014, we have published details of our turnover, profits before tax, tax paid and headcount in each of the significant locations where we have a business presence in our Country by Country Report published under Capital Requirements Directive IV.

In the next section we show how profits arising in these jurisdictions relate to Corporation Tax payments made in them in 2024.

Where Group profits/(losses) arise in 2024



£5,971m

Where we pay tax continued

Lloyds Banking Group – Year ended 31 December 2024

The disclosures set out in the table below expand on those required by Article 89 of the Capital Requirements Directive (CRD IV) to include a summary reconciliation of the tax expense/(credit) for the period to the charge that would be expected by multiplying profit before tax by the statutory tax rate in each country and then reconciling the tax expense to the net cash taxes paid in the period.

A fuller discussion of the UK tax charge reconciliation is set out on **page 9** and the UK cash tax reconciliation is illustrated on **page 12**.

	UK £m	Channel Islands £m	USA £m	Germany £m	Netherlands £m	India £m	Others £m	Consol adj. £m	Group £m
Revenue	17,219	155	287	133	139	66	4	0	18,003
Profit/(loss) before tax	5,482	94	219	48	105	13	10	0	5,971
Expected tax at local rates of corporation tax	1,370	9	61	14	28	3	3	5	1,493
UK banking surcharge	157	0	0	0	0	0	0	0	157
Non-deductible expenses	226	2	0	6	(3)	0	(5)	4	230
Non-taxable income	(175)	0	(1)	0	0	0	0	0	(176)
Tax relief on equity instruments	(125)	0	0	0	0	0	0	0	(125)
True-up of prior year tax returns	(91)	0	(1)	(7)	4	0	1	0	(94)
Overseas taxes	18	0	0	0	0	0	0	(9)	9
Tax expense/(credit) for the year	**1,380**	**11**	**59**	**13**	**29**	**3**	**(1)**	**0**	**1,494**
Non-cash current tax items (PYA)	89	0	1	6	(4)	0	0	0	92
Non-cash current tax items (PHT)	(88)	0	0	0	0	0	0	0	(88)
Deferred tax credit/(expense) included above	(296)	0	(9)	0	1	0	(1)	0	(305)
Current tax on accrued profits	**1,085**	**11**	**51**	**19**	**26**	**3**	**(2)**	**0**	**1,193**
Tax deductions in reserves	(89)	0	0	0	0	0	0	0	(89)
Current tax payable on profits	**996**	**11**	**51**	**19**	**26**	**3**	**(2)**	**0**	**1,104**
Less: refunds/(payments) due next year	16	0	10	(19)	(2)	0	0	0	5
Add: payments/(refunds) for prior year	0	0	(9)	3	0	0	2	0	(4)
Cash tax paid (received) in year	**1,012**	**11**	**52**	**3**	**24**	**3**	**0**	**0**	**1,105**

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. Overseas branches of UK companies are shown as separate business units for the purposes of this report. 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

(1) Countries

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) Cash tax paid

The tax paid numbers disclosed under CRD IV are corporate income taxes only. They do not include the wider tax contributions we make to the UK Exchequer and other tax authorities.

This number is higher by £770 million than that disclosed under CRD IV. We have excluded refunds received of £970 million related to prior years, and have included a refund of £200 million related to 2024 overpayments and received in early 2025, in order to better reflect 2024 cash taxes due.

(4) Others

Others includes a number of countries which individually had revenues of less than £10 million in 2024 and are immaterial in the context of the Group.

(5) Tax deductions in reserves

This tax deduction relates to pension contributions made in the period that exceed the annual accounting charge in the profit and loss account.

(6) Channel Islands and Isle of Man

The Group has operated businesses in Jersey, Guernsey and the Isle of Man ("the Islands") for over 120 years. During the year ended 31 December 2024 we employed 540 staff in the Islands, who serve retail and commercial customers resident in the Islands and internationally through a bank branch network, commercial offices, mobile and online banking services. Current accounts, savings, loans and mortgages are provided to retail customers. Commercial customers are offered cash management and lending solutions. These businesses are tax resident in the Islands and are subject to the requirements of our Tax Policy which ensures that we comply with both the letter and spirit of tax law. We do not seek to achieve tax avoidance outcomes for either ourselves or our customers.

(7) USA

For over 100 years from our offices in New York, we have provided a range of comprehensive commercial banking services for business customers with strong links to the UK.

(8) Germany

Based in Berlin, Lloyds Bank GmbH offers an online banking facility and motor finance products to its German customers under the Bank of Scotland brand. The Group also provides commercial banking services via Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH, based in Frankfurt.

(9) Netherlands

Our Dutch retail mortgages business now operates as a branch of Lloyds Bank GmbH.

(10) India

Lloyds Global Services Private Limited provides IT services to our UK business via its Indian Technical Centre. It also has a small team that supervises outsourcing, and charges the UK for its work.

(11) Consolidation adjustments

The consolidation adjustments in the tax reconciliation reclassify overseas tax rate effects into a single 'Overseas tax' line in the Group reconciliation (which is produced from the perspective of the UK parent company).

As noted in the Group's CRD IV disclosure, hedging for the Netherlands and Germany is carried out in the UK. Overseas deferred tax has been provided on the hedging derivatives reported in the UK.

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