

Tax strategy and approach to tax



As the UK's largest retail and commercial financial services provider our purpose is Helping Britain Prosper.



[More on our purpose](#)



Welcome

Chairman's introduction

We are currently one of the highest corporate payers of UK taxes¹ – paying £2.5 billion in 2024 and £2.8 billion in respect of 2025.

We share the public's interest that businesses pay their 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 public tax strategy document, 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-focussed 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.

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

Sir Robin Budenberg

Chair
Lloyds Banking Group plc



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 2025. For those who want more detailed information, we've provided useful links throughout.

Contents



Why our approach to tax matters to us and our stakeholders	04
Our tax strategy	05
Where we're taxed and how much tax we pay	10
UK taxes	12
Economic value generated and distributed	14
Tax in our financial statements	16
Our overseas businesses	21

Find out more

Further information can also be found in our 2025 Annual Report and Accounts, and our Group Sustainability Report.

- [Our 2025 Annual Report and Accounts](#)
- [Our 2025 Group Sustainability Report](#)



Why our approach to tax matters to us and our stakeholders



Overview

Who are Lloyds Banking Group, what is the business model and how do taxes arise on us?

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.

Banks play a central role in a well-functioning economy. By taking deposits, providing loans and managing payments, banks help households save securely, support businesses to invest and grow, and enable day-to-day economic activity. A strong and stable banking sector also supports confidence in the financial system and helps governments deliver wider economic and social objectives.

As the UK's largest retail and commercial banking group, Lloyds Banking Group plays a particularly important role in supporting people, businesses and communities across Britain, aligned to our purpose of Helping Britain Prosper.

Our business model

Our business model is focused primarily on the UK and is built around serving the long-term needs of individual customers and businesses. We earn income mainly from providing financial products and services, such as the bank accounts, mortgages, loans, lease financing, pensions, savings, investments and insurance products that allow over 28 million customers and 1 million small businesses to thrive. Our scale, strong customer franchises and diversified offering support sustainable performance across economic cycles.

How taxes arise on us

Taxes arise as a direct consequence of our activities, the profits we generate and the people we employ. We pay a wide range of taxes, including corporation tax on profits, the banking surcharge and bank levy, employer taxes on our people, and indirect taxes such as VAT and insurance premium tax. We also collect taxes on behalf of governments, for example through payroll and customer transactions. Together, these taxes form an important part of our overall contribution to the public finances in the countries in which we operate.

Sector-specific taxation and economic impact

In addition to the taxes faced by most large UK companies, banks are subject to certain sector-specific taxes, reflecting the important role they play in the economy and the regulatory environment in which they operate. These taxes form part of the overall framework within which banking services are provided to customers.

As with all taxes, they influence the cost of doing business and the level of capital that banks are able to retain. Capital supports lending, investment and resilience, and is an important factor in banks' ability to support customers and economic growth over the long term. The design of bank taxation therefore requires a careful balance between generating public revenues and maintaining a strong, well-capitalised banking sector that can continue to serve the needs of households and businesses.

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



Our tax strategy

Introduction

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.

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 2026.

Approach to tax management

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.



Who is responsible for tax in the Group?

1. Ultimate responsibility rests with the Board, and our Group Chief Financial Officer (CFO) is responsible to the Board for managing our tax position.
2. Our Group Tax Director reports to the CFO.
3. The CFO raises any significant tax issues with the Board and with the Group Executive Committee (GEC), and reports twice a year to the Audit Committee in respect of tax risk management.
4. The Group Tax Director also regularly updates both Board and GEC about tax matters.
5. The Group's Tax strategy and approach to tax document has been reviewed and noted by the Audit Committee.





Our tax strategy continued



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 all colleagues as 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



Feature

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.

1. Inaccuracies in the calculation, tax returns or payment of any tax liabilities or in reporting obligations to tax authorities including customer information reporting.
2. That tax law, regulation and advice is not reflected in day-to-day operations.
3. 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.
4. Inaccurate or non-compliant reflection of tax in accounting records, financial statements or customer tax certificates.
5. 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



Interactions with authorities

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.



The UK banking code of practice

The Code of Practice on Taxation for Banks in the UK, introduced in 2009, mandates that participating banks and building societies adopt responsible tax governance, follow the spirit of tax laws, and avoid promoting tax avoidance. It is a voluntary commitment with annual reports published by HMRC to monitor compliance. Banks that adopt the Code but fall short of its requirements are publicly named by HMRC.

The Code describes the approach expected of banks with regard to governance, tax planning and engagement with HMRC. Banks operating in the UK that sign up to the Code commit to adopt good practices in relation to their own tax affairs, and not to promote tax avoidance by others. The Code sets out that banks should:

- adopt adequate governance to control the types of transactions they enter into;
- not undertake tax planning that aims to achieve a tax result that is contrary to the intentions of Parliament;
- comply fully with all their tax obligations; and
- maintain a transparent relationship with HMRC.

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

How we interact with HMRC and other tax authorities

- We prepare and file all tax returns required each year, within the legal time limits
- We aim to provide complete, accurate, transparent and timely returns that are easy to understand
- We proactively contact HMRC so they are aware of all significant transactions that could affect our UK tax obligations
- We meet HMRC regularly to discuss business issues and the status of our tax compliance

Seeking and accepting tax incentives

We will only use tax incentives where they are aligned with our business and operational objectives and where they require economic substance, and we will not take advantage of incentives, exemptions or reliefs that are not specified in law and generally available to all market participants. For example, the UK tax law grants tax incentives to businesses that invest in innovative technology solutions, and we claim this relief where our spend meets the criteria.

Disagreements

Although we discuss areas of tax uncertainty with tax authorities ahead of implementing business decisions, there can still be occasions where there are disagreements about how tax laws apply to specific cases.

When occasional differences of opinion occur, usually concerning the 'fine detail' of tax legislation, we work together to resolve them. For example, in 2025 we finally resolved the deductibility of costs incurred as part of the EU-mandated divestment of TSB, with tax deductions agreed at an amount in line with our expected outcome.

On the rare occasions when we cannot reach agreement with a tax authority, then as a last resort and supported by expert third-party opinions, we may have to go through the courts in order to achieve certainty. For example, we are currently preparing for an appeal hearing at the Upper Tier Tax Tribunal to achieve certainty in how the tax rules that allowed UK tax relief in respect of EU losses applied to our Irish business which closed in 2010.



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.

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 date with new tax legislation and guidance and ensuring colleagues adhere to them
- Providing specialist support to colleagues responsible for employee tax matters and customer tax reporting

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 tax strategy continued



Q&A



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 as appropriate for local tax authorities.

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.

Find out more

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.

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.





Where we're taxed and how much tax we pay

Introduction

We understand why our customers and the societies in which we do business want to know where we pay tax. Almost all of our profits are subject to tax in the UK.

Where we pay tax

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, corporate income taxes 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 (CRD IV).

Following the principles of tax transparency best practice, the disclosures set out in the following table expand on those required by 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.



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

Basis of preparation

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

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

The cash tax paid amount disclosed in this table is £780 million lower than that reported under CRD IV. This difference arises because we have excluded UK payments of £730 million relating to the Irish tax loss case, as well as a UK tax refund of £200 million relating to 2024 overpayments received in early 2025. Offsetting this, we have included a refund of £150 million relating to 2025 overpayments received in early 2026. Taken together, these adjustments ensure that the amounts disclosed more accurately reflect cash taxes attributable to 2025.

Tax deductions in reserves relate to pension contributions made in the period that exceed the annual accounting charge in the profit and loss account, plus tax deductions related to employee share schemes where the share price on vesting exceeds the accounting charge.

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).



Country-by-country tax reconciliation – Year ended 31 December 2025

	UK	Channel Islands	USA	Germany	Netherlands	India	Others	Consol adjustment	LBG Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	18,508	174	300	126	168	143	3		19,422
Profit/(loss) before tax	6,162	109	225	48	117	18	(18)		6,661
Expected tax at local rates of corporation tax	1,541	11	63	14	30	4	(4)	6	1,665
UK banking surcharge	167	0	0	0	0	0	0	0	167
Deferred tax rate changes	0	0	0	0	0	0	0	0	0
Non-deductible expenses	432	3	2	0	5	0	3	5	450
Non-taxable income	(153)	0	(9)	0	0	0	0	1	(161)
Tax relief on equity instruments	(116)	0	0	0	0	0	0	0	(116)
True-up of prior year tax returns	(131)	(1)	(3)	6	15	0	8	0	(106)
Overseas taxes	17	0	0	0	0	0	0	(12)	5
Tax expense/(credit) for the year	1,757	13	53	20	50	4	7	0	1,904
Non-cash current tax items (PYA)	86	1	4	0	(14)	0	0	0	77
Non-cash current tax items (PHT)	(80)	0	0	0	0	0	0	0	(80)
Deferred tax credit/(expense) included above	(461)	0	0	(7)	(2)	3	(8)	0	(475)
Current tax accrued on profits	1,302	14	57	13	34	7	(1)	0	1,426
Tax deductions in reserves	(61)	0	0	0	0	0	0	0	(61)
Current tax payable on profits	1,241	14	57	13	34	7	(1)	0	1,365
Less: refunds/(payments) due next year	16	(3)	3	8	(9)	(1)	2	0	16
Add: payments/(refunds) for prior year	38	0	0	0	6	0	0	0	44
Cash tax paid/(received) in year	1,295	11	60	21	31	6	1	0	1,425



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



UK taxes

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 in the UK.

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.

The majority of our business is conducted in the UK, and so a fuller discussion of the UK tax charge and UK tax payments we paid and collected in 2025 are set out in the following pages, with a summary of our operations in other jurisdictions set out on page 22.

The table below highlights the taxes we paid in respect of the years 2021 to 2025. The UK corporate 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.



Our total tax breakdown (2021 to 2025)

	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m
UK Corporation Tax	938	495	792	855	1,116
UK Corporation Tax surcharge	358	181	218	157	179
Irrecoverable VAT	622	695	825	722	721
Employer's NIC	315	391	423	439	485
Business rates, stamp duties etc	214	170	182	176	172
Bank Levy	171	128	154	154	138
Total	2,618	2,060	2,594	2,503	2,811

Total tax contribution in 2025

£2.8bn

tax paid in respect of 2025

Here's a quick summary of the different taxes we paid in respect of 2025.



- UK Corporation Tax £1,116m
- UK Corporation Tax surcharge £179m
- Bank Levy £138m
- Employer's NIC £485m
- Irrecoverable VAT £721m
- Business rates, stamp duties etc £172m



Where 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 16.

UK Corporation Tax surcharge

The corporation tax surcharge is an extra 3% tax payable by UK banks on their profits on top of the main 25% UK rate of corporation tax.

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. Because almost all of the financial products and services we provide are free from VAT, we can't recover it this way and so we suffer it as a cost.

Employer's National Insurance contributions

We employ 56,069 employees in the UK and pay Employer's National Insurance contributions in respect of their wages.

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.

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 2025 was 0.10% on short-term liabilities and 0.050% on long-term liabilities.

Taxes Paid 2025

2025 UK Corporation Tax

£1,116m

2025 UK Corporation Tax surcharge

£179m

Irrecoverable VAT

£721m

Employer's NICs

£485m

Business rates, stamp duty and other taxes

£172m

Bank Levy

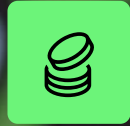
£138m

Taxes collected in 2025

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 £1,770m
- Employees' NIC £152m
- VAT £8m
- Tax deducted at source £10m
- IPT and stamp duties £120m



Economic value generated and distributed

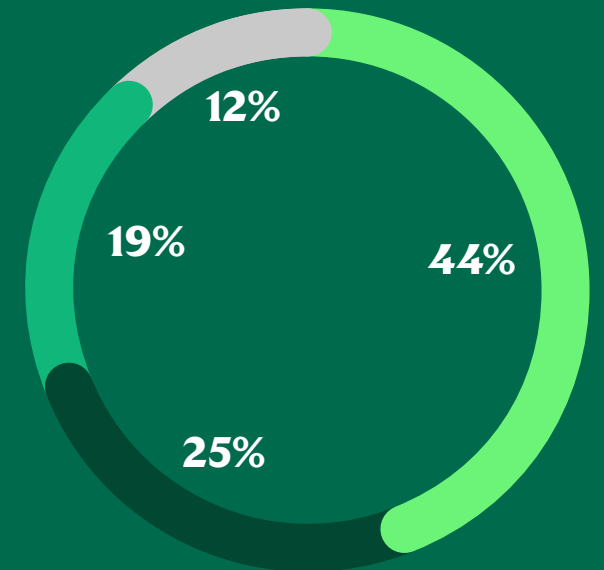
Introduction

Economic value is distributed to governments in taxes, to employees as wages paid and as profits retained in the business for reinvestment or paid to shareholders as dividends. The tax paid to the UK government represents 44 per cent of the economic value generated by the Group in the UK in 2025.

Economic value generated and distributed (UK)

Tax paid to the UK government is important for public finances but is only part of our impact on society. For example, the profits we reinvest in our business become the income of our suppliers which allows them to pay the wages of their staff and generate profits on which they also pay taxes.

£11.1bn



UK profit after taxes paid	£4,867m
Taxes paid	£2,811m
Taxes collected	£2,060m
Wages paid (net of employee taxes)	£1,396m

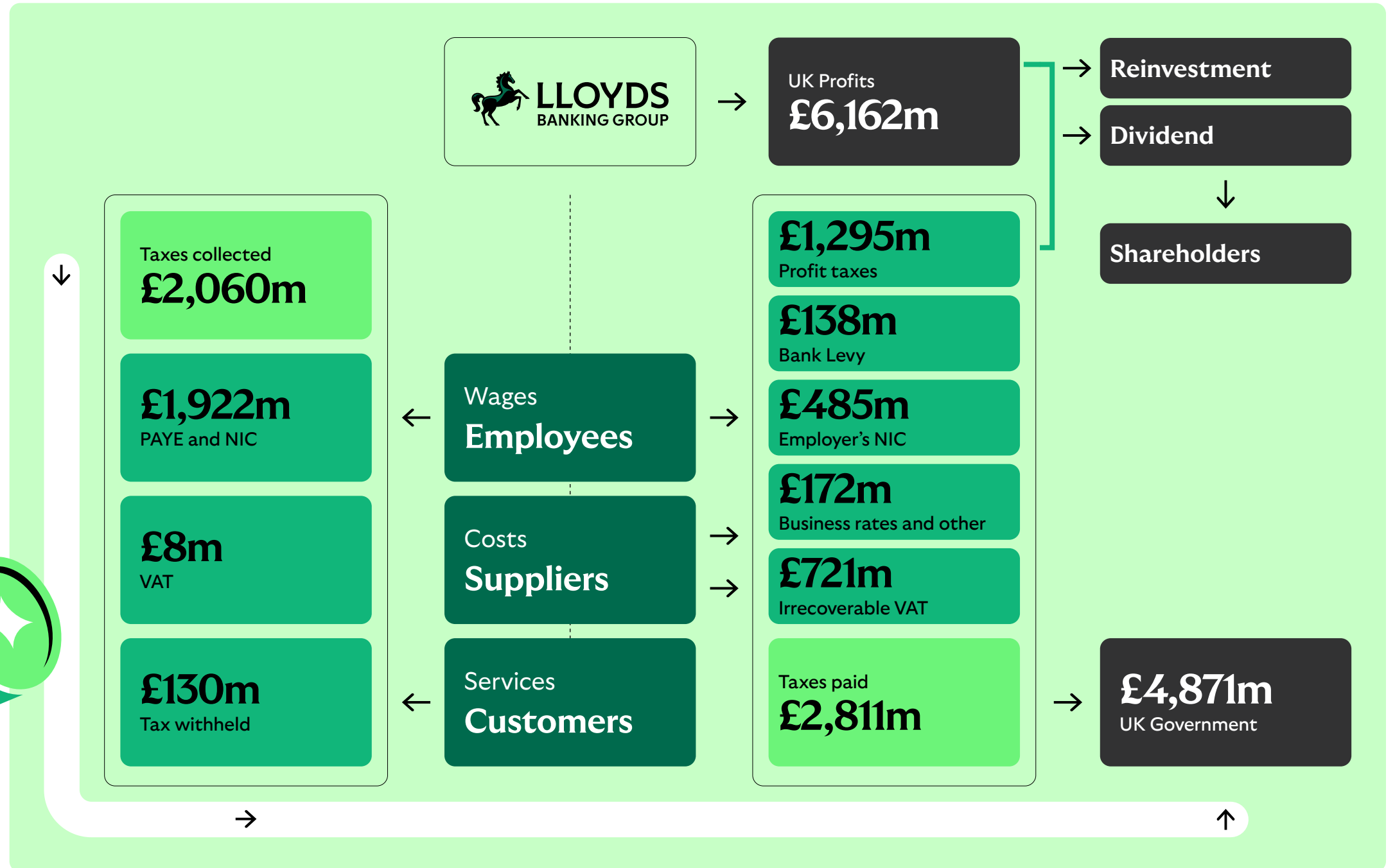


Economic value generated and distributed continued

Where tax arises on our business

The diagram on the right presents a simplified graphic of where tax arises in our business. For example, as an employer we pay NIC in respect of the wages we pay, and we also collect the employee's PAYE income tax and NIC and pay them over to the government.

In 2025, the UK government received £4.9bn of tax revenues as a result of our operations.





Tax in our financial statements

Introduction

In note 15 of the financial statements section of our 2025 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 per cent of accounting profit.

In this section we look specifically at how the UK tax expense is calculated.

Tax expense

We publish information about the Group's tax expense each year in our financial statements. In this section we talk about what drives our UK corporate income tax expense in the profit and loss account.

The corporation tax rate applicable to profits of UK companies in 2025 was 25 per cent; our tax expense for 2025 was the equivalent of a tax rate of 28.5 per cent.

Banking profits surcharge

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

Non-deductible costs: conduct charges

The costs of compensation payments made by UK banks to their customers as a result of financial product 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.

Bank Levy add-back for tax

The Bank Levy is not allowed to reduce the profits of the Group subject to tax. In 2025, the Bank Levy expense included in accounting profit was £132 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.

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 dividends 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.

£1,757m

UK tax expense

	LBG £m	Overseas £m	UK £m	%
(Loss) Profit before tax	6,661	499	6,162	
UK corporation tax thereon	1,665	125	1,541	25.0%
Impact of surcharge on banking profits	167	–	167	2.7%
Non-deductible costs: conduct charges	70	–	70	1.1%
Non-deductible costs: Bank Levy	33	–	33	0.5%
Other non-deductible costs	72	11	61	1.0%
Non-taxable income	(99)	(8)	(91)	(1.5%)
Tax relief on coupons on other equity instruments	(116)	–	(116)	(1.9%)
Non-deductible foreign exchange losses	75	–	75	1.2%
Tax-exempt gains on disposals	(62)	–	(62)	(1.0%)
Tax losses where no deferred tax recognised	7	7	0	0.0%
Differences in overseas tax rates	5	(12)	17	0.3%
Policyholder tax in respect of life assurance business	71	–	71	1.2%
Deferred tax in respect of life assurance policyholder tax	119	–	119	1.9%
Adjustments in respect of prior years	(106)	25	(131)	(2.1%)
Tax effect of share of results of joint ventures	3	–	3	0.1%
Pillar 2 current tax provision	–	–	–	0.0%
Tax expense	1,904	148	1,757	28.5%



Tax in our financial statements continued

Non-deductible foreign exchange losses

The FX gains and losses on the foreign currency assets that underpin our non-sterling additional tier 1 capital instruments are not taxable or deductible, as they are viewed for tax as being a hedge of the capital instruments themselves. In 2025, sterling strengthened compared to the US dollar in particular, so the sterling value of dollar assets reduced, and we recognised a non-deductible FX loss.

Policyholder tax in respect of the life assurance business

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.

Deferred tax in respect of life assurance policyholder tax

Strong life business investment returns in the year mean that its brought forward expenses have now been fully utilised in the calculation of policyholder tax liabilities. We therefore utilised the £104 million of policyholder deferred tax in respect of life assurance expenses brought forward from prior years, and recognised a deferred tax liability for the policyholder tax that will become payable.

Tax free gains and income

UK 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).

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 suffers withholding tax on some of the profits it makes there that are recognised in the UK business. In 2025, the overseas tax expense represented withholding tax on income from investments in overseas portfolio funds that cannot be credited against UK taxes, and so represent a cost to the Group.

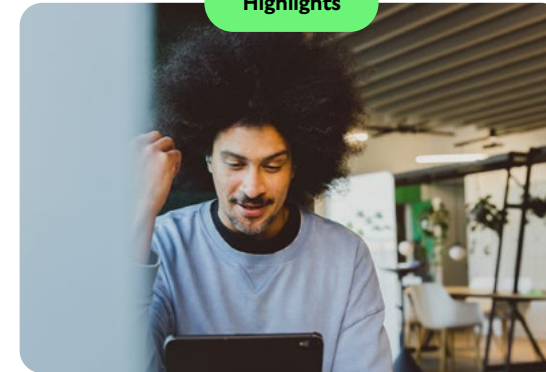
Joint venture tax costs

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 2025 this difference was £3 million.

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 per cent tax rate on all of their profits arising after 31 December 2023 anywhere in the world. In 2024 we 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 per cent in that year. In 2025, following changes in the tax rules in the Channel Islands, there is no additional tax payment required to meet the minimum tax rate.

Highlights



At 31 December 2025,
the Group has a UK net
deferred tax asset of

£3.8bn



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.

Deferred tax

Tax rules say which profits are taxable and which are not, but they can also change the timing of when items that have been recognised in the accounts are recognised as taxable profits. For example, the tax rules dictate when fixed assets depreciation can reduce taxable profits, and they also set out when losses from one year can be used against profits of another year.

If there is a timing difference between when cash tax is payable on taxable profits and accounting profits, IFRS requires us to record the future tax impact as a deferred tax asset or liability.

When the cash tax eventually becomes payable or recoverable in future, the current tax cost will be offset by the reversal of the deferred tax recognised today.



Tax in our financial statements continued

UK Deferred tax assets in 2025

UK tax losses

£4,239m

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.

UK tax rules limit the amount of losses from earlier years that banks can offset against profits to 25 per cent of the profits arising in the banks after all other available tax deductions for the year have been taken. This means that in recent years, where we made significant pension contributions for example, other tax deductions have reduced our ability to realise the value of these tax losses.

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 2036, 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.

Derivatives

£583m

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.

The bulk of this deferred tax relates to items in the cash flow hedge reserve.

Provisions

£176m

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 £67 million related to the adoption of IFRS 9 in 2018 (which will be recovered as tax deductions over the next three years), and £80 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.

Share-based payments

£90m

Tax legislation gives relief to companies in respect of employee share awards when the shares are released to the employee. The tax deduction available is calculated as the difference between the share price and the amounts paid by the employees when they exercise their options.

The increase in the Group's share price in 2025 has resulted in an increased size of the expected future deductions, and so the deferred tax asset recognised has also increased in the year.

Plant, property and equipment

£47m

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.

In recent years, the availability of incentives such as 100% tax relief on new additions of certain assets has reduced the gap between the accounting and tax depreciation claimed in our tax returns.

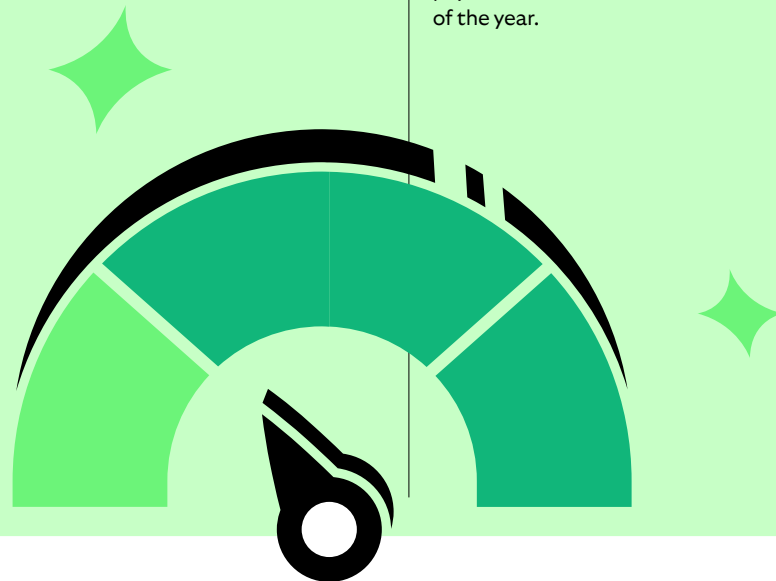
Overall, the Group has still claimed fewer capital allowances than its accounting depreciation add-backs in total so far and expects to get net deductions worth £47 million in future periods.

Asset revaluations

£30m

IFRS 9 accounting requires the Group to account for gains or losses on certain financial instruments in the statement of other comprehensive income rather than the profit and loss account. This allows the balance sheet to show the asset measured at current fair value but defers recognising cumulated gains or losses in profit until the instrument is actually sold.

Deferred tax is recognised on the unrealised gains or losses each year until the instrument is sold, at which point the gains become taxable and net losses become tax deductible.





Tax in our financial statements continued

UK Deferred tax liabilities in 2025

Fair value of
acquired assets**£(268)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

£(694)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**£(225)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.

Most of this deferred tax liability relates to fair value hedging accounting gains in respect of our Dutch mortgage business, which will only be taxable when the gains are realised in future periods as profits under Dutch GAAP accounting rules.

Capitalised software
enhancements**£(90)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.

Long-term
assurance business**£(68)m**

This deferred tax liability represents the future policyholder cash taxes we expect to pay in respect of the net unrealised investment gains and losses recognised on the investments we hold on behalf of our policyholders.

In recent years, we had recognised a deferred tax asset in respect of expenses available to offset these liabilities, but gains in 2025 were large enough to utilise all the expenses, and move us to a tax liability position.





Tax in our financial statements continued

UK 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.

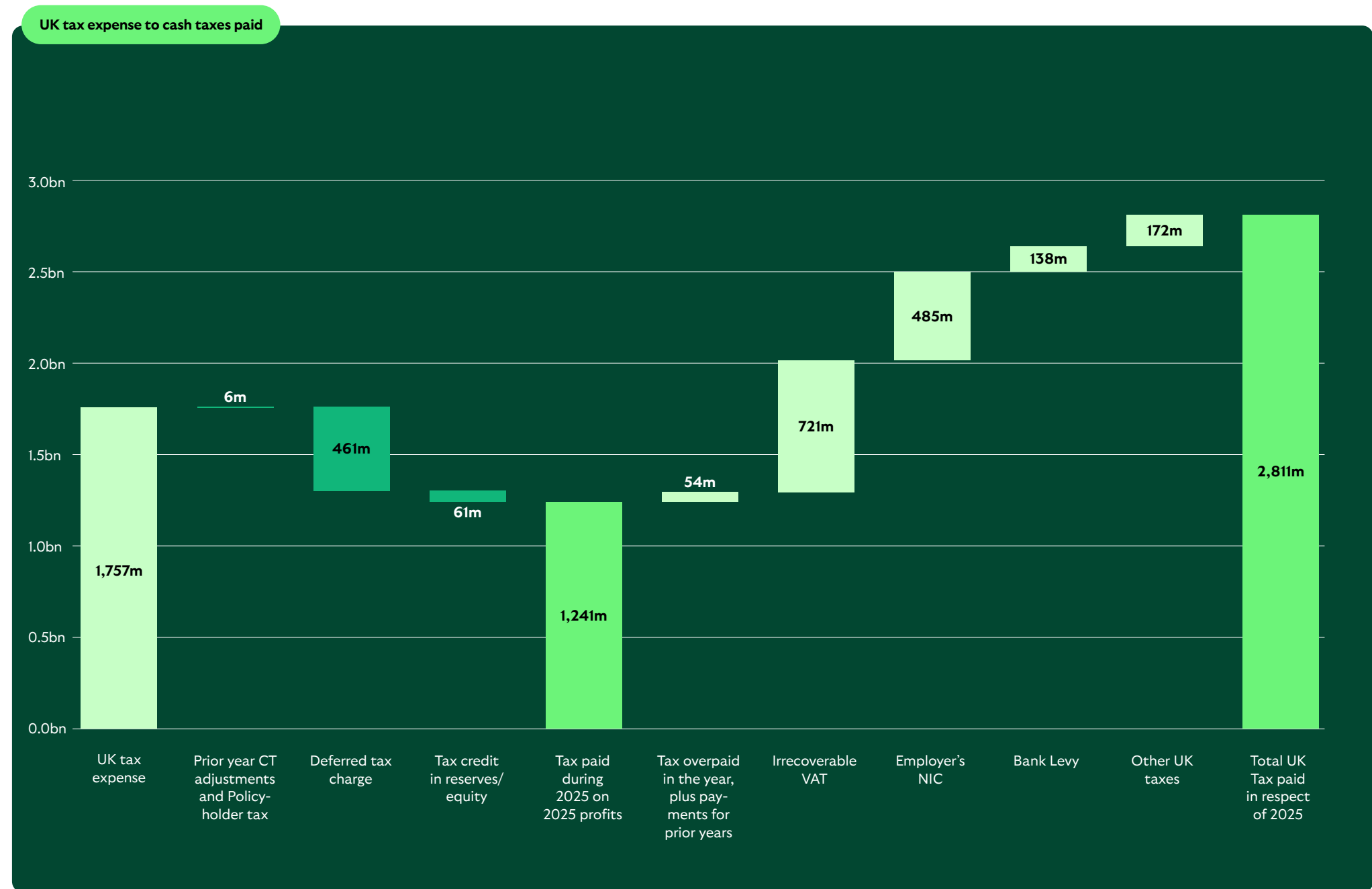
Certain profits and costs recognised in the Group financial statements do not result in a cash tax effect until a future date. When this happens, an accounting entry called deferred tax is made to recognise the expected future cash tax costs or benefits.

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 2025, £400m of the deferred tax charge related to the use of brought-forward tax losses to reduce current corporation tax payable. Although the 2025 effective tax rate on UK profits was 28.5 per cent, the cash tax effective rate was only 21.0 per cent reflecting the cash benefit of losses and other deferred tax timing impacts.

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 2025 we then add on cash tax costs included in accounting profit to get to our total tax contribution in respect of 2025 of £2,811 million.





Our overseas businesses

Introduction

Although almost all of our profits are made and subject to tax in the UK, the Group includes businesses that operate outside the UK and pay tax in their local jurisdictions.



Where we pay tax

Overseas businesses

Channel Islands and Isle of Man

Profit before tax: **£109m**
Deferred tax: **£ nil**
Employees: **495**

The Group has operated businesses in Jersey, Guernsey and the Isle of Man ('the Islands') for over 120 years, which 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. Our 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.

USA

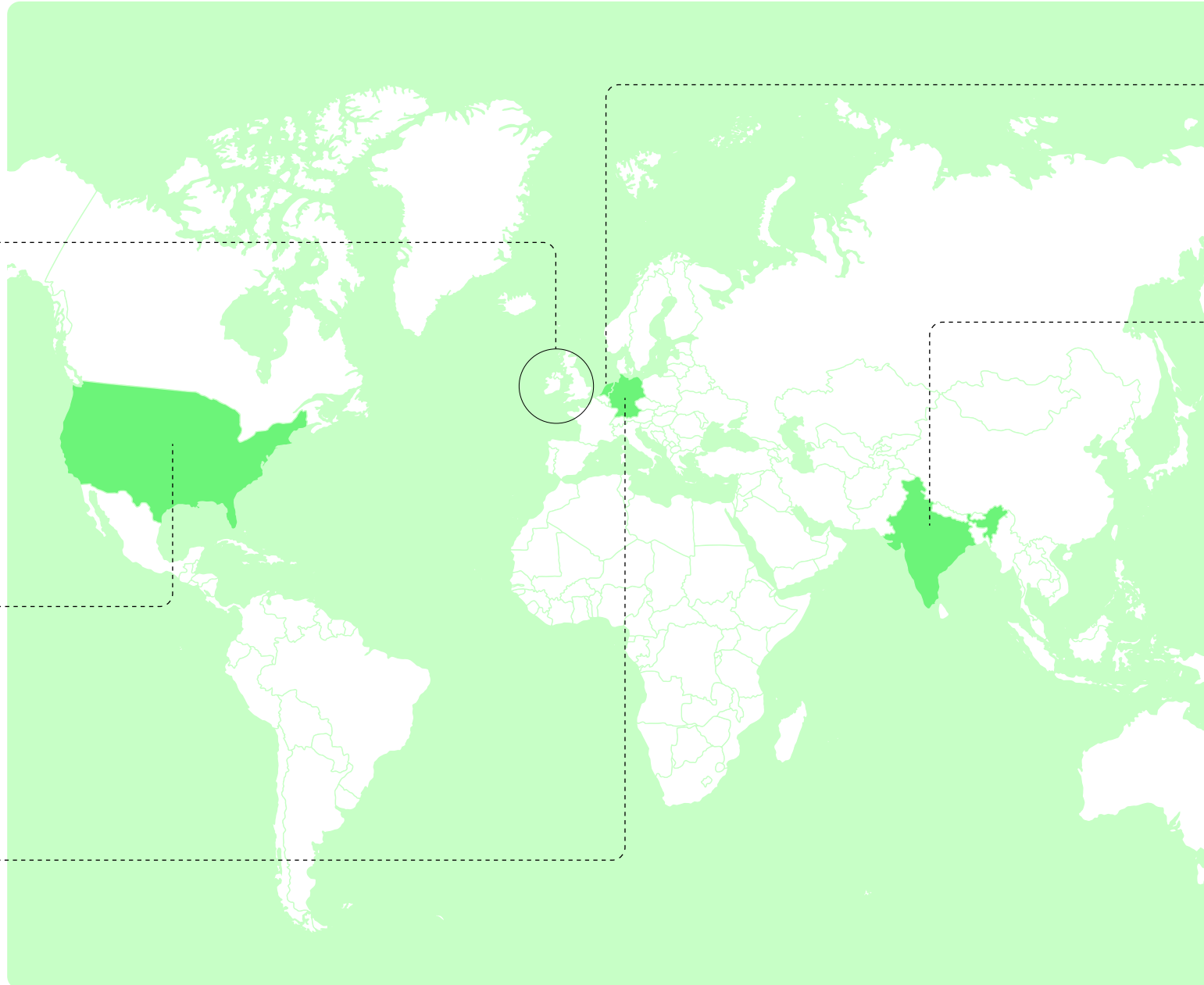
Profit before tax: **£225 million**
Deferred tax assets: **£16 million**
Employees: **197**

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.

Germany

Profit before tax: **£48 million**
Deferred tax liabilities: **£(5) million**
Employees: **439**

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.



Netherlands

Profit before tax: **£117 million**
Deferred tax: **£ nil**
Employees: **218**

Our Dutch retail mortgages and savings business operates as an Amsterdam branch of Lloyds Bank GmbH. Deferred tax on hedging undertaken by the UK in respect of the European businesses is reflected within UK deferred tax.

India

Profit before tax: **£18 million**
Deferred tax assets: **£3 million**
Employees: **2,779**

Lloyds Offshore Global Services Private Limited provides IT services to our Group via the Lloyds Technology Centre based in Hyderabad. It focuses on software engineering, data analytics, and cyber security to drive digital transformation for us as the UK's largest financial services provider. It also has a small team that supervises outsourcing and charges the UK for its work.

Other jurisdictions

Loss before tax: **£(18) million**
Deferred tax assets: **£10 million**
Employees: **32**

Other jurisdictions includes a number of countries which individually had revenues of less than £20 million in 2025 and are immaterial in the context of the Group. The largest jurisdictions under this heading are Luxembourg, where our European insurance business recorded a loss before tax of £21 million in 2025, and Brazil where we earned £3 million of interest on a long-standing tax case. The £10m deferred tax asset under this heading represents trading tax losses incurred in Luxembourg.



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