

LLOYDS  
BANKING GROUP



# 2017 Full Year Results

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Presentation to Fixed Income Investors | 21 February 2018

# Simple, low risk customer focused UK bank with strong multi-channel franchise



## Clear strategic plan

OUR PURPOSE

Helping Britain Prosper

OUR AIM

Best bank for Customers, Communities, Colleagues and Shareholders

OUR BUSINESS MODEL

Digitised, simple, low risk, customer focused, UK financial services provider

## Iconic brands serving over 27m retail customers

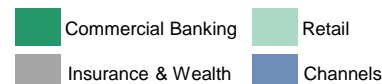
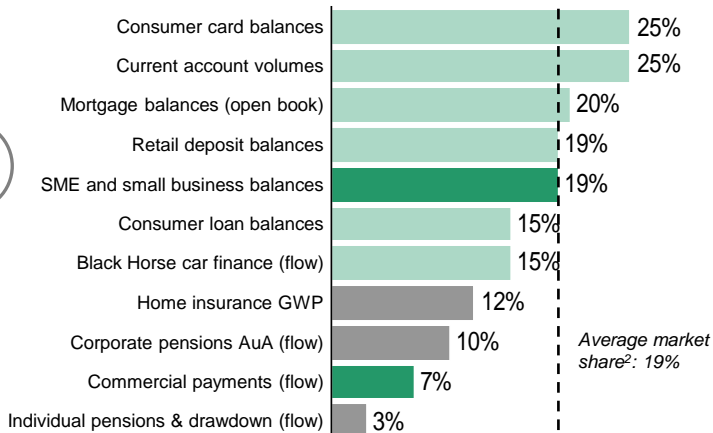


## Strong franchise across key channels and products

### Channels market share



### Product market share

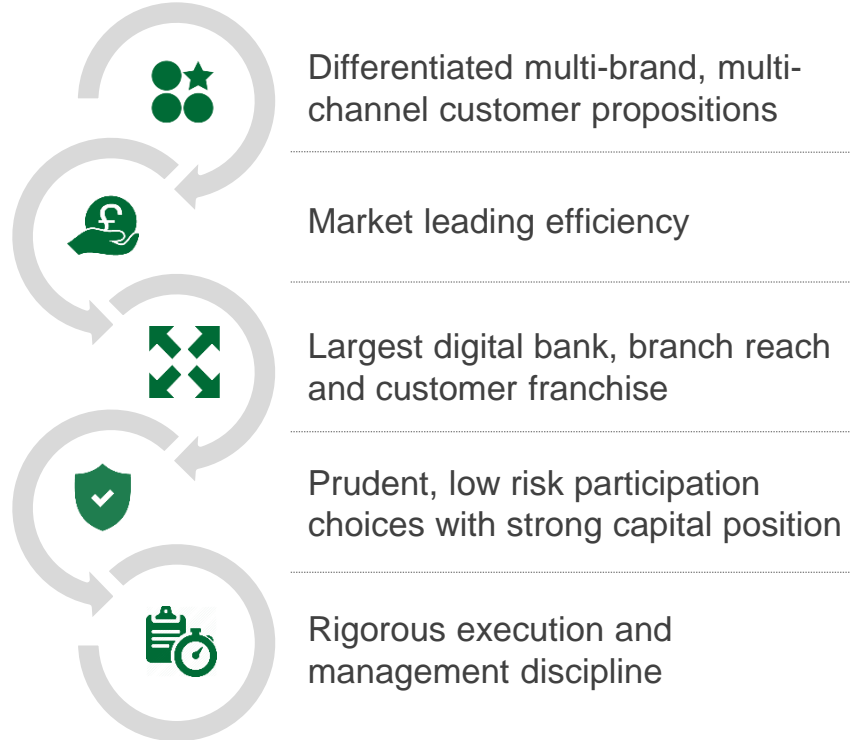


<sup>1</sup> – Volumes across PCAs, loans, savings, cards and home insurance. <sup>2</sup> – Average market share calculated for 'core banking products': consumer cards, PCAs, mortgages, retail deposits, SME and small business balances, consumer loan balances, Black Horse car finance. Market data Sources: ABI, Bank of England, CACI, eBenchmarkers, Spence Johnson, UK Finance. All market shares as at December 2017 except individual pensions and drawdown (September 2017)

# Solid foundations underpinning our customer centric business model

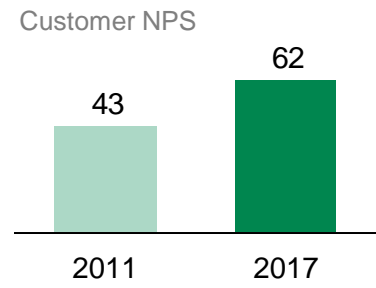


## Distinctive competitive strengths



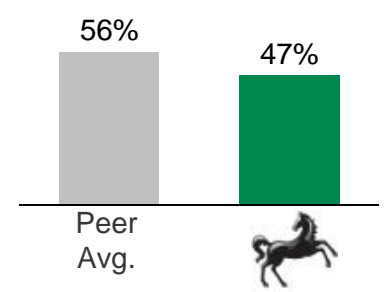
### Best-in-class customer experience

Customer NPS



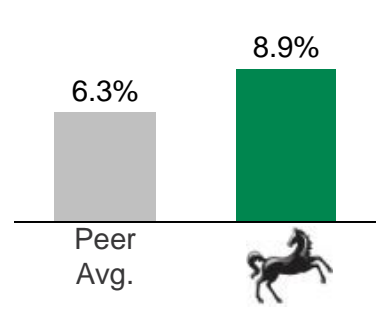
### Highly efficient

Cost:income Ratio<sup>1</sup>, FY2017<sup>2</sup>



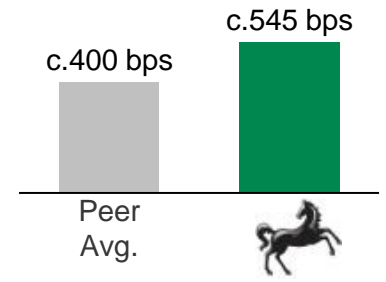
### Strong profitability

Statutory RoTE, FY2017<sup>2</sup>



### Capital generative

Cumulative capital generation<sup>3</sup> 2015 – 2017<sup>2</sup>

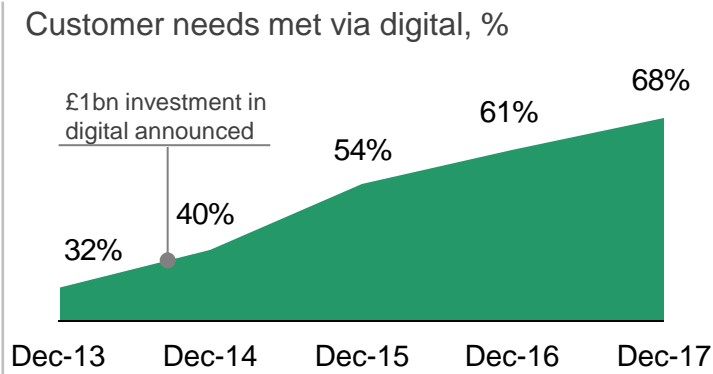


1 – As stated by major UK banking peers. 2 – Lloyds Banking Group figures as of Dec 2017 and peer group as at 9M 2017. 3 – Pre-dividend capital generation, excluding acquisitions (peers annualised).

# Largest digital bank in the UK, delivering market leading experience



Largest digital bank in the UK

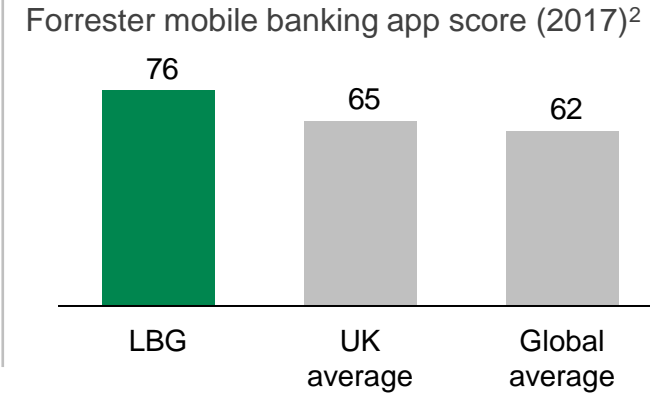


>13m digitally active customers

209m digital visits per month

#1 rated UK mobile app since 2015<sup>1</sup>

Leading functionality



- **“Excels at usability”**: easy enrolment/ login, seamless navigation, context-sensitive help function
- **“Outstanding marketing and sales functionality”**: tailored product offers, comparison tools, third-party offers
- **“Wide range of touchpoints”**: mobile-optimised website, SMS interactions, Facebook Messenger
- **“Excellent cross-channel guidance”**: branch appointment scheduling function

# Changing customer behaviour and expectations create opportunities



## Evolving customer needs and expectations...



Increasing personalisation



Connected, seamless experience



Safety and security



Convenience and ease



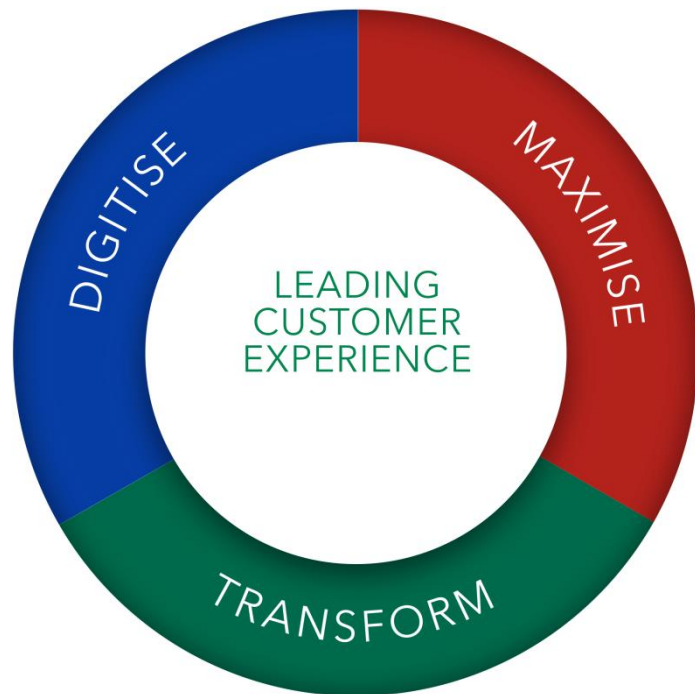
Simpler products with greater transparency



## ...require a proactive response

- **Richer interactions**, better understanding of **customer needs**
- Deeper **customer engagement**
- More **personalised propositions**
- **New channels** to serve customers and guide to propositions that serve their needs
- Harnessing **value from data**
- **Safe, secure** and **trusted** online environment
- **Increased productivity** and process **automation**

## Strategic priorities



## Developing new sources of competitive advantage

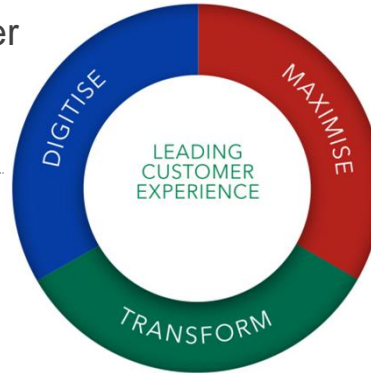


## LEADING CUSTOMER EXPERIENCE

- **#1 UK digital bank**, with Open Banking functionality
- **#1 Branch network**, serving complex needs
- **Data-driven and personalised** customer propositions

## DIGITISING THE GROUP

- **End to end transformation** covering more than 70% of our cost base
- **Simplification** and **progressive modernisation** of IT and data architecture



## MAXIMISING GROUP CAPABILITIES

- **£6bn loan growth in start-ups, SME and Mid Market** businesses
- Sole integrated UK banking and insurance provider targeting **>1m new pensions customers** and **£50bn AuA growth**

## TRANSFORMING WAYS OF WORKING

- **More than half** of transformation delivered through **Agile methodology**
- **Biggest ever investment in our People with 50% increase** in colleague training and development to **4.4m hours p.a.**

## Group Strategic Review 2 (2015-2017)

## Group Strategic Review 3 (2018-2020)

### Increased investment

c.£1bn investment in digital

**>£3.0bn** strategic investment

### Market leading efficiency

£1.4bn simplification run-rate savings

**<£8.0bn** operating costs in 2020, including increased strategic investment

<45% underlying CIR exiting 2019

**Low 40s CIR** exiting 2020, including remediation

### Sustainable and low risk growth

Growth in under represented areas and maintain market leadership in key retail areas

Growth in **key targeted segments**

c.40bps AQR through-the-cycle

**c.35bps** AQR through-the-cycle and **<30bps** in plan period

### Superior returns and lower cost of equity

13.5%-15.0% statutory RoTE in 2019

**14.0%-15.0%** statutory RoTE from 2019  
Strong growth in **statutory profit**

c.12% CET1, plus c.1% management buffer

**c.13%** CET1, plus around 1% management buffer

### Strong capital generation and attractive capital return policy

**170-200bps** pre-dividend CET1 capital generation per annum

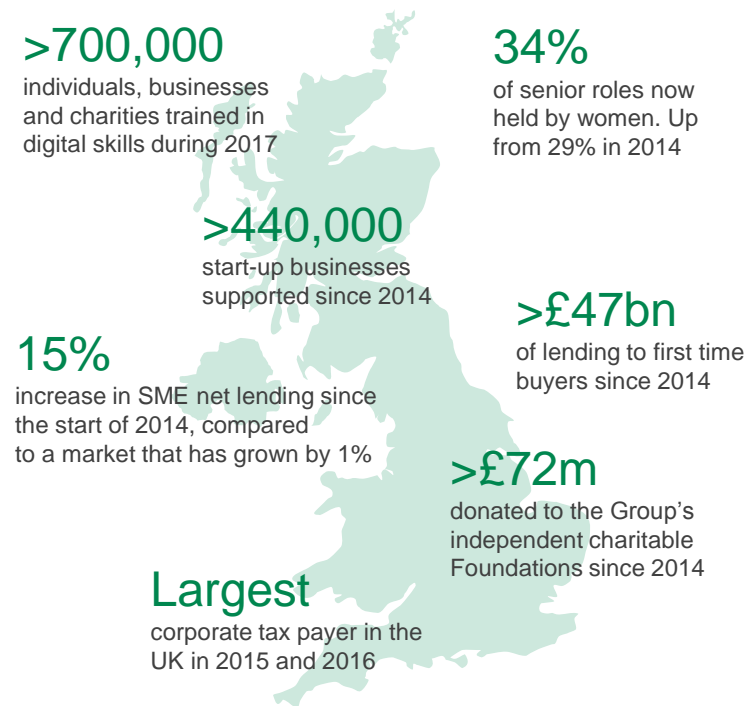
**Progressive** and **sustainable** ordinary dividend  
Flexibility to **return surplus capital**



# Committed to Helping Britain Prosper



## Delivering on our purpose



## Increasing our support going forward

### People



Lending to first time buyers

Individuals, businesses and charities trained in digital skills

Growth in assets managed in retirement and investment products<sup>3</sup>

### Businesses



Growth in net lending to start-up, SME and Mid Market businesses

### Communities



Charities supported by our £100m commitment to the Group's independent charitable Foundations

Percentage of senior roles held by women

Percentage of roles held by Black, Asian and Minority Ethnic colleagues

2018<sup>1</sup> 2020<sup>2</sup>

£10bn £30bn

700k 1.8m

£8bn £50bn

£2bn £6bn

2,500 7,500

36% 40%

8.9% 10%

1 – Year end target. 2 – Cumulative from 2018. 3 – Growth in assets under administration in our open books.

# Evolving our business model and transforming the Group for success in a digital world



## Our purpose

Helping Britain Prosper

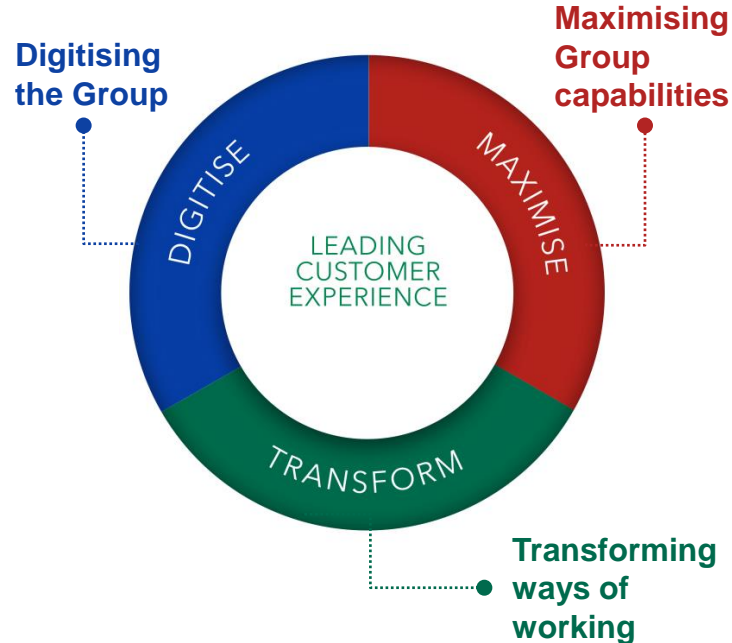
## Our aim

Best bank for customers, colleagues and shareholders

## Our business model

Digitised, simple, low risk, customer focused, UK financial services provider

## Our strategic priorities



## Our ambition

Transforming the Group for success in a digital world

# Full year results



# 2017 a landmark year – strong strategic and financial performance



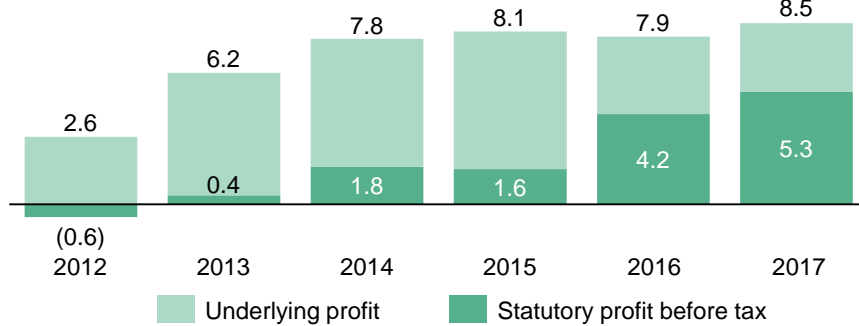
- Group returned to **full private ownership** at a surplus for the UK taxpayer
- **Successful delivery of GSR 2** with improved customer service, market-leading digital proposition, targeted lending growth and Simplification savings ahead of the original target
- Completed **acquisition of MBNA** and announced acquisition of **Zurich's workplace pensions and savings** business
- **Restructured the business and reorganised the team**; ready for the next stage of the Group's strategic journey
- **Improved statutory and underlying profits and returns**; growth in loans and advances
- **Strong capital generation of 245bps** and strengthened balance sheet
  - CET1 capital required of c.13% plus a management buffer of around 1%
  - Total ordinary dividend of 3.05p per share, an increase of 20%, with a share buyback of up to £1bn, representing an increase in total capital returns of up to 46%; total return to shareholders of up to £3.2bn

# Continued progress – business model is delivering increased profits and returns



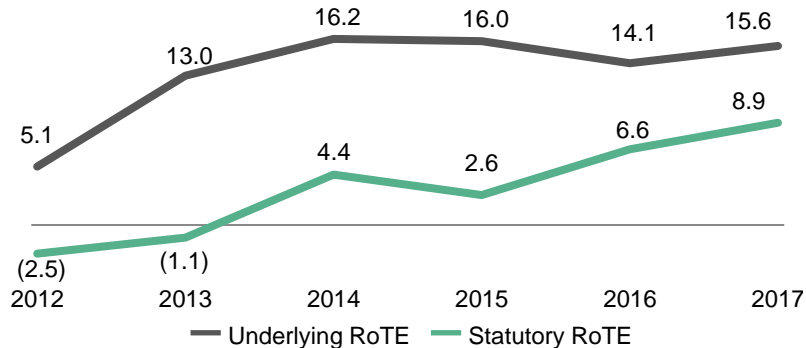
## Profit progression

(£bn)



## Returns progression

(%)

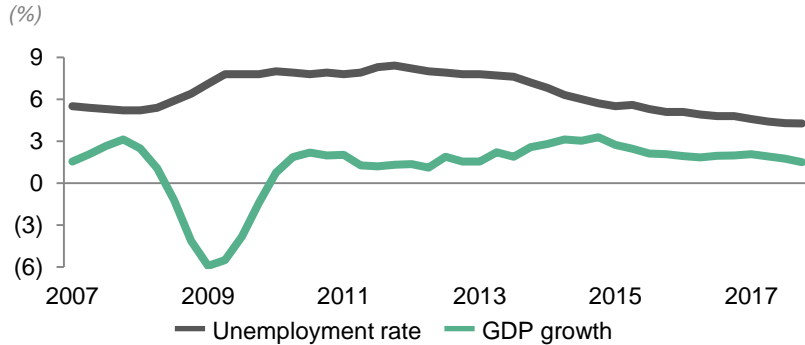


- **Statutory profit increasing: growth in underlying profit and reduction in below the line charges despite higher PPI cost**
- **Consistent strong underlying profit**
  - Net income growth of 5%, NIM up to 2.86%
  - Market-leading cost:income ratio of 46.8%
  - Strong asset quality with AQR of 18bps
  - Moody's upgraded Lloyds Bank's rating to Aa3 and S&P improved outlook to positive
  - Loan growth of £6bn with growth in targeted segments
- **Strong underlying RoTE of 15.6%, with the statutory RoTE increasing to 8.9%**

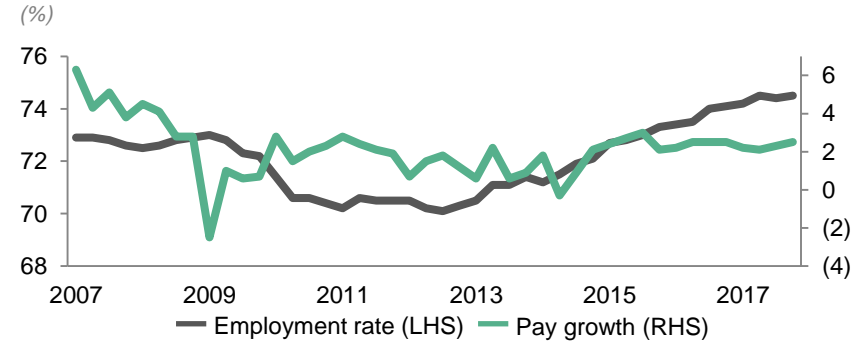
# UK economy has proven resilient



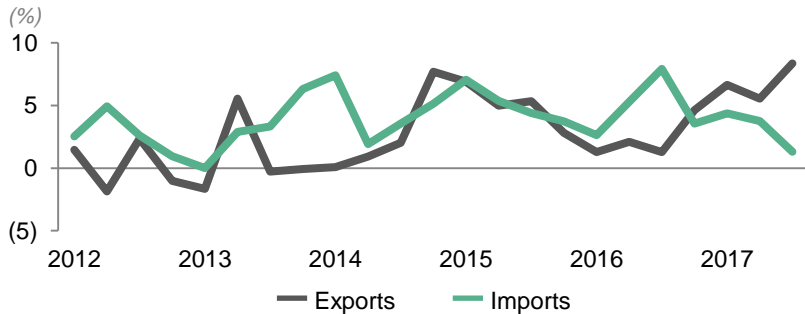
## Unemployment rate and GDP<sup>(1)</sup>



## Employment rate<sup>(2)</sup> and pay growth



## UK external trade volume growth<sup>(3)</sup>



- UK economy remains resilient; GDP growth of 1.8% in 2017 and expected to be similar in 2018
- Employment at record high, supporting consumption
- Inflation impacting consumers' real wages
- Low interest rate environment; rates expected to rise slowly
- Export growth consistently ahead of imports for first time in 6 years with higher earnings from UK foreign assets
- Global growth creates supportive backdrop

# Summary – confidence in the Group’s future prospects reflected in 2018 targets



- **Significant strategic progress** in the year
- **Continued strong financial performance**
  - Cost discipline and low risk business model continue to provide competitive advantage
  - Strong profit, returns and capital generation
- **Strong financial targets for 2018 reflecting the strength of the business model**
  - NIM expected to be around 2.90% for the full year
  - Cost:income ratio expected to improve further
  - Asset quality ratio expected to be less than 30bps
  - Capital generation expected to be 170-200bps, pre-dividend
- **The Group is well positioned for the future** and enters the next stage of its strategic development with confidence

## Strong statutory and underlying performance with continued improvement in profits and returns



(£m)	2017	2016	Change
<b>Net income</b>	<b>17,472</b>	16,605	5%
Operating costs	<b>(8,184)</b>	(8,093)	(1)%
Impairment	<b>(795)</b>	(645)	(23)%
<b>Underlying profit</b>	<b>8,493</b>	7,867	8%
Charges and other items	<b>(3,218)</b>	(3,629)	11%
<b>Statutory profit before tax</b>	<b>5,275</b>	4,238	24%
Net interest margin	<b>2.86%</b>	2.71%	15bp
Cost:income ratio	<b>46.8%</b>	48.7%	(1.9)pp
Asset quality ratio	<b>0.18%</b>	0.15%	3bp
Underlying RoTE	<b>15.6%</b>	14.1%	1.5pp
Statutory RoTE	<b>8.9%</b>	6.6%	2.3pp

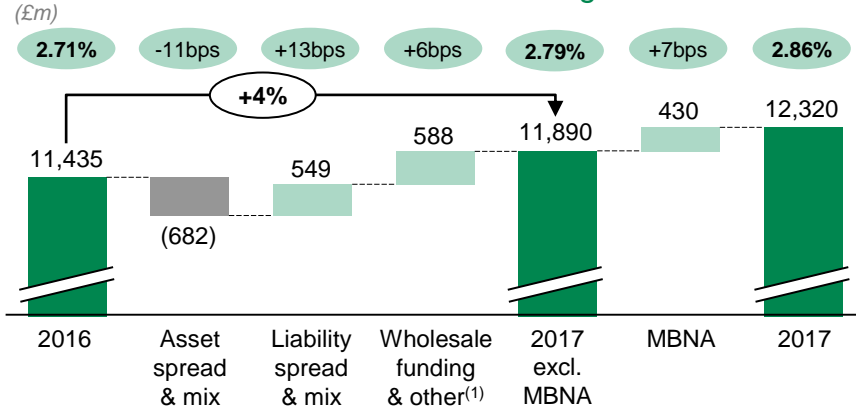
- **2017 statutory profit of £5.3bn up 24% with underlying profit of £8.5bn up 8%**
- **Strong Q4 performance, with NII up 14% on Q4 2016 and underlying profit up 7%**
- **2017 net income of £17.5bn up 5%; higher NII and other income offsetting increased operating lease depreciation**
- **Positive operating jaws of 4%, with the cost:income ratio improving to 46.8%**
- **Credit quality remains strong; with a net AQR of 18bps and gross AQR stable at 28bps**
- **Statutory RoTE of 8.9% up 2.3pp, with underlying RoTE of 15.6%**



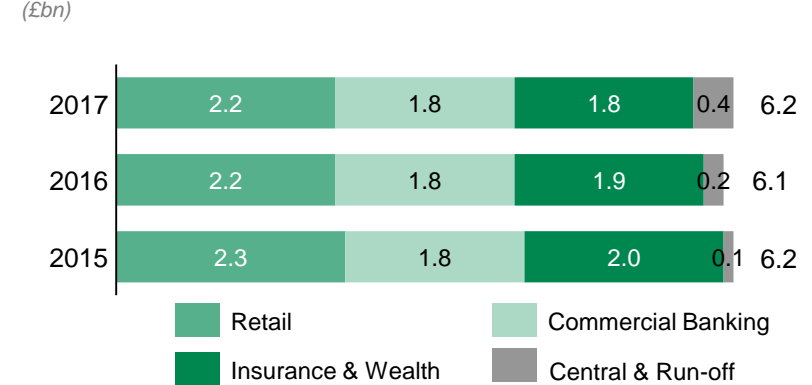
# Net income up 5% with improvements in net interest income and other income



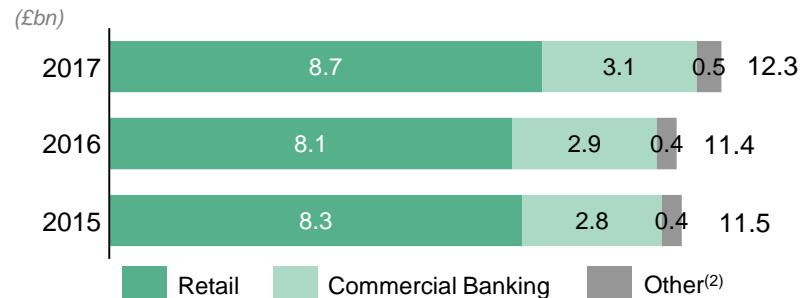
## Net interest income and net interest margin



## Other income



## Net interest income



- **Improved NII of £12.3bn with 15bps increase in NIM and asset growth in targeted segments**

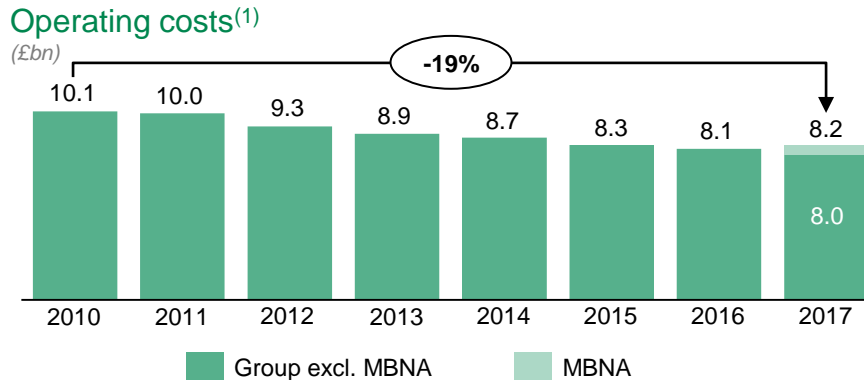
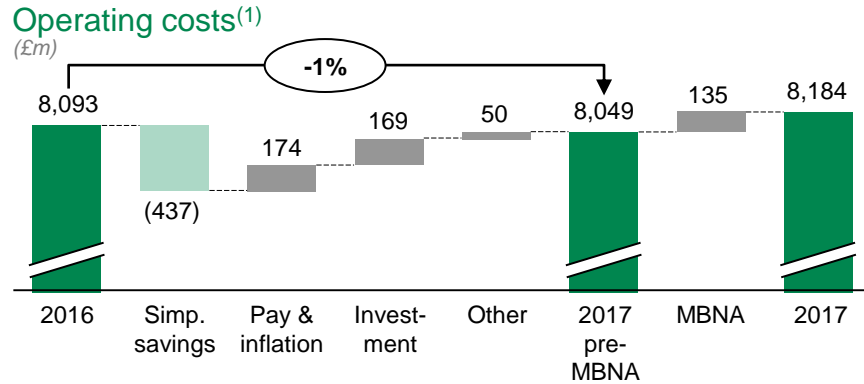
- NIM: lower funding and deposit costs more than offset ongoing asset pressure; MBNA benefit 7bps
- Q4 NIM stable on Q3 at 2.90%, +22bps on Q4 2016

- **Other income of £6.2bn up slightly on 2016**

- 2% up after sale of Vocalink and treasury liquid assets
- Robust divisional performance

1 – Other includes non-banking net interest income. 2 – Other includes Insurance & Wealth, Central and Run-off.

# Operating costs continue to be tightly managed providing competitive advantage



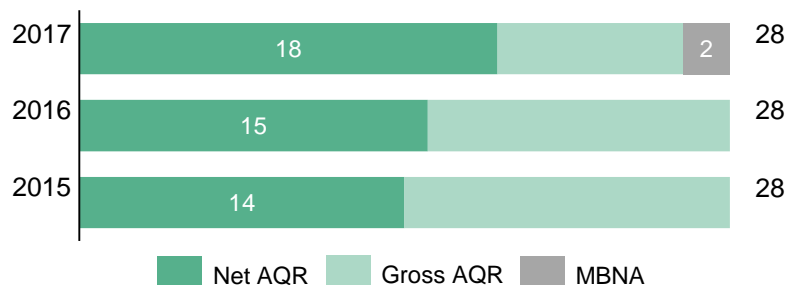
- Operating costs down 1% year on year before MBNA, driven by Simplification savings
- Delivered enhanced Simplification run rate savings target of £1.4bn
- Operating costs reduced by c.£2bn, or 19%, since 2010 despite significant investment
- Market leading cost:income ratio improved to 46.8% and continues to provide competitive advantage
- Cost:income ratio expected to improve in 2018

1 – Operating costs exclude operating lease depreciation.

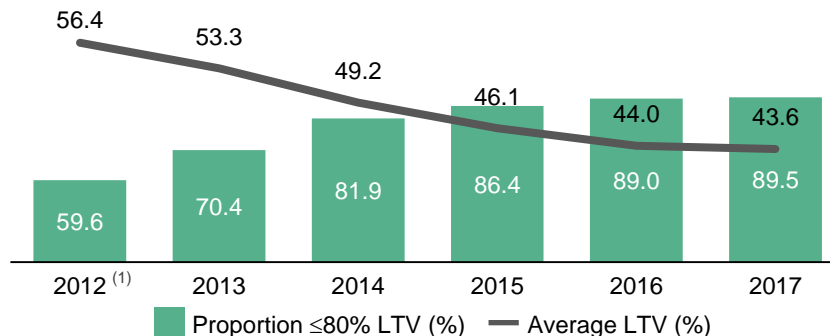
# Asset quality remains strong reflecting a continued prudent approach to risk

## Asset quality ratio

(bps)

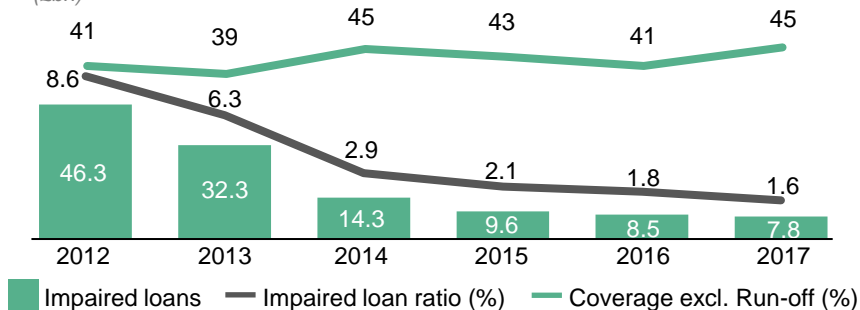


## Mortgage portfolio quality



## Impaired loans

(£bn)



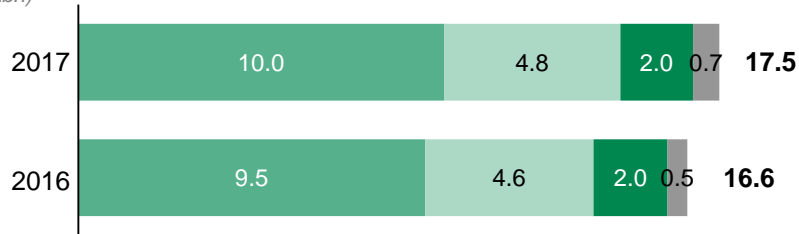
- **Gross AQR stable at 28bps with net AQR up due to lower releases and write-backs**
- **Continuing to benefit from low risk approach**
  - Strong mortgage affordability and LTV profiles
  - Portfolio optimisation in Commercial Banking
  - Low risk consumer lending with prudent residual value provision and prime credit card book
- **Impaired loan ratio 1.6% and coverage 45%**

# Divisions showing continued progress and strong financial performance



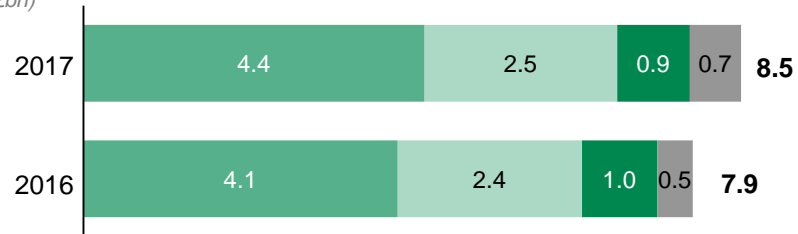
## Net income

(£bn)



## Underlying profit

(£bn)



## Retail

- Underlying profit increased 9% with NII up 8%, 14bps improvement in NIM and OOI up 3%
- Lending up 3%, including open mortgage growth
- MBNA performing ahead of expectations

## Commercial Banking

- Underlying profit up 5% with RoRWA 2.82%
- Net income up 5%, NIM up 18bps
- SME lending growth 2%, ahead of the market

## Insurance and Wealth

- Underlying profit down 3% with life & pensions sales up 12% and new household premiums up 12%

## Central and Run-off

- Gain on sale of Vocalink and treasury liquid assets

# Significant improvement in statutory profit and returns



(£m)	2017	2016	Change
<b>Underlying profit</b>	<b>8,493</b>	7,867	8%
Market volatility and other items	(82)	(922)	
Restructuring costs	(621)	(622)	-
PPI	(1,650)	(1,000)	(65)%
Other conduct	(865)	(1,085)	20%
<b>Statutory profit before tax</b>	<b>5,275</b>	4,238	24%
Tax expense	(1,728)	(1,724)	-
<b>Statutory profit after tax</b>	<b>3,547</b>	2,514	41%
Effective tax rate	33%	41%	(8)pp
Statutory RoTE	8.9%	6.6%	2.3pp

- **Statutory profit after tax of £3.5bn, up 41%**
  - Market volatility and other items in 2016 included the £790m charge for redemption of ECNs
  - Restructuring costs include Simplification, non-branch property rationalisation, ring-fencing spend and MBNA integration costs
  - PPI charge of £600m in Q4 with £2.4bn outstanding provision and other conduct charge of £325m in Q4
- **Effective tax rate of 33% largely due to conduct; lower than 2016 due to prior year DTA write-downs**
- **Statutory return on tangible equity of 8.9%**

# Balance sheet – balance growth while continuing to optimise the portfolio



- **Loans and advances £456bn, up £6bn since 2016**

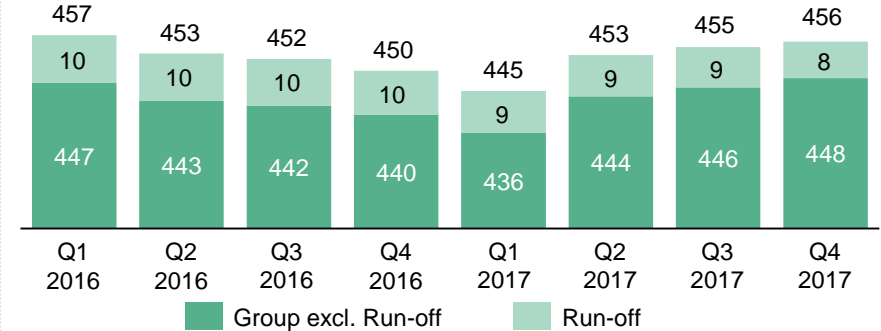
- Open mortgage book growth in 2017 while continuing to focus on the Group margin
- SME growth continues to outperform the market
- Continued high-quality growth in unsecured lending portfolio
- Consolidated the £8bn prime MBNA credit card book in Q2; portfolio in line with expectations

- **RWAs include £7bn for MBNA**

- Improved capital returns and RWA efficiency through business mix optimisation
- Continued de-risking of portfolio

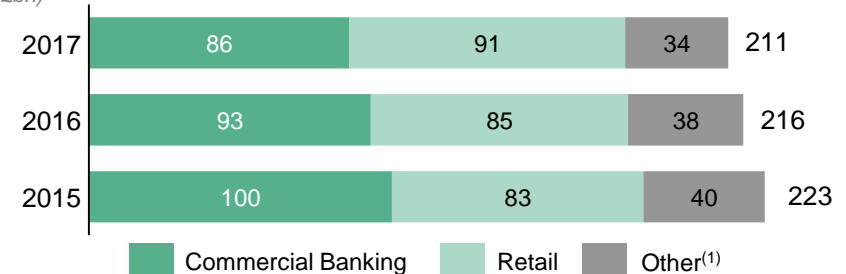
## Loans and advances

(£bn)



## Risk-weighted assets

(£bn)



1 – Other includes Insurance & Wealth, Central, Run-off and threshold RWAs.

# Summary – confidence in the Group’s future prospects



- **Continued strong financial performance**

- Cost discipline and low risk business model continue to provide competitive advantage
- Strong profit, returns and capital generation

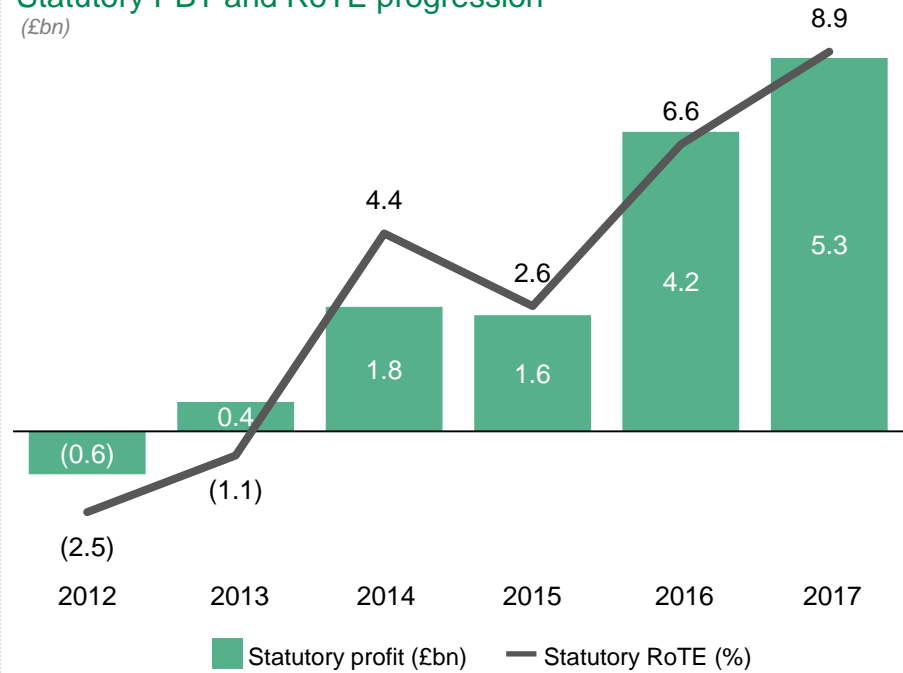
- **Strong financial targets for 2018 reflecting the strength of the business model**

- NIM expected to be around 2.90% for the full year
- Cost:income ratio expected to improve further
- Asset quality ratio expected to be less than 30bps
- Capital generation expected to be 170-200bps, pre-dividend

- **Significant strategic progress in the year; the Group is well positioned for the future and faces the next stage of its strategic development with confidence**

## Statutory PBT and RoTE progression

(£bn)



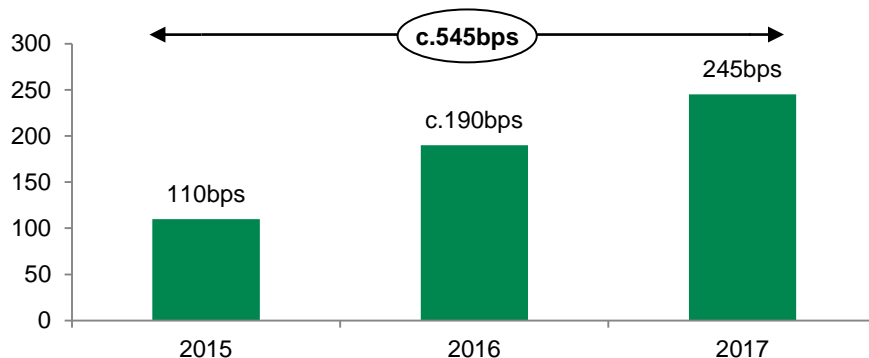
# Capital Position



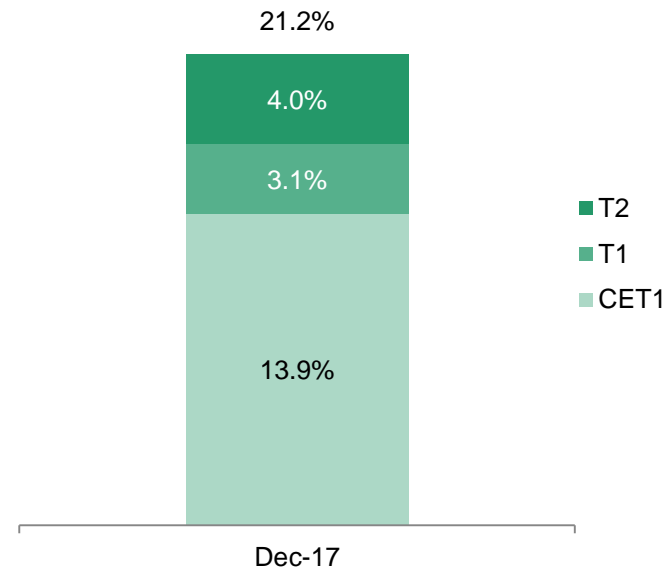


# Group continues to maintain a strong capital position

## Strong CET1 capital generation<sup>1</sup>



## Capital composition<sup>2</sup> (%)



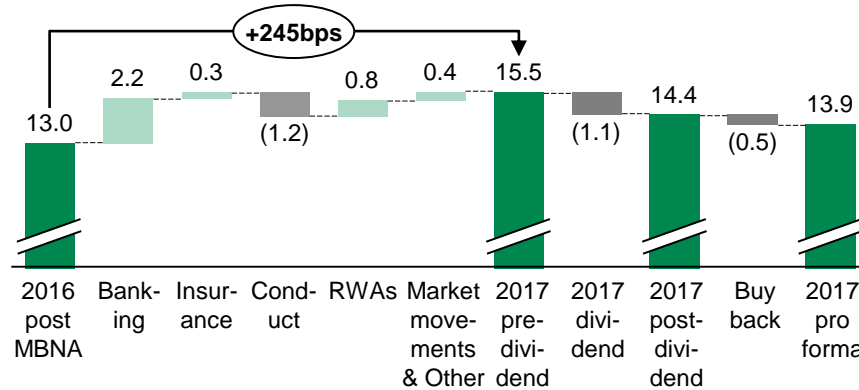
- **Strong capital position supported by 245bps of capital generation over 2017**
- **Ongoing capital generation guidance of 170-200bps p.a.**
- **CET1 ratio of 14.4% post dividend accrual; 13.9% post share buyback**
- **Total capital remains strong at 21.2%; UK leverage ratio of 5.4%**
- **CET1 capital required now c.13% plus a management buffer of around 1%**

1 - Capital generation is pre-dividend, excluding acquisitions. 2 - Fully loaded CET1 ratios on a pro-forma basis after accruing for dividends and allowing for the share buyback. Total capital presented pre-Insurance dividend.

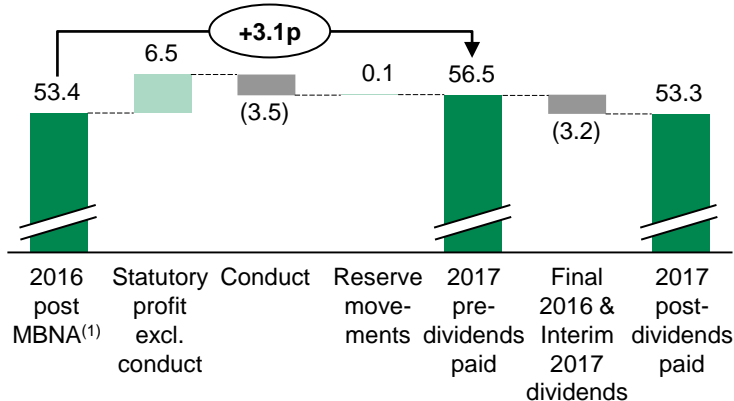
# Capital generation very strong with capital ratios enhanced



Common equity tier 1 ratio (%)



TNAV per share (pence)

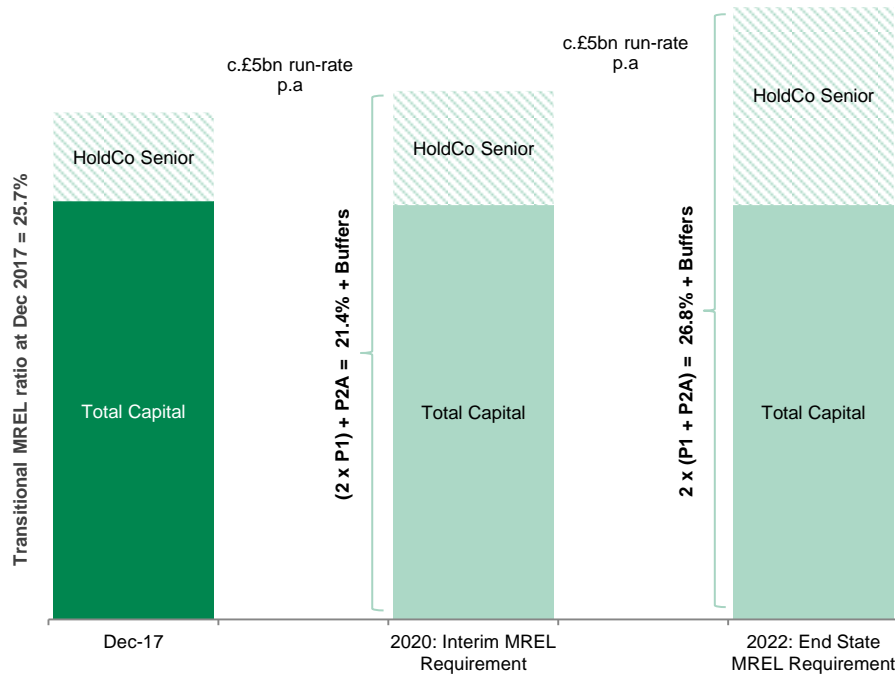


- **CET1 capital generation of 245bps**
  - CET1 ratio of 15.5%, 13.9% post-ordinary dividend and buyback
  - Total ordinary DPS 3.05p, up 20%, with a share buyback up to £1bn
  - Total return to shareholders up to £3.2bn, an increase of up to 46%
- **CET1 capital required c.13% plus a management buffer of around 1%**
- **Total capital remains strong at 21.2%; UK leverage ratio of 5.4%**
- **Future pension contributions agreed and reflected in ongoing capital generation guidance of 170-200bps**
- **TNAV generation of 3.1p fully offset by dividends paid in the year**
- **IFRS 9 day 1 CET1 impact 30bps before transitional relief, 1bp after**

1 – 2016 reported TNAV 54.8p, adjusted for 1.4p impact of MBNA acquisition.

# Strong progress made towards future MREL requirements

## MREL Requirement



### Notes:

- Indicative interim MREL requirement of 21.4% plus buffers on the basis of 2017 ICG
- Indicative final MREL requirement of 26.8% plus buffers on the basis of 2017 ICG – to be confirmed following Bank of England review in 2020

- Dec 2017 transitional MREL – 25.7%
- MREL met with regulatory capital and senior unsecured issuance at HoldCo level in line with Single Point of Entry (SPE) resolution strategy
- Strong total capital base supports continued MREL build; 2017 issuance exceeded run-rate required
- On track to meet interim and final MREL requirements

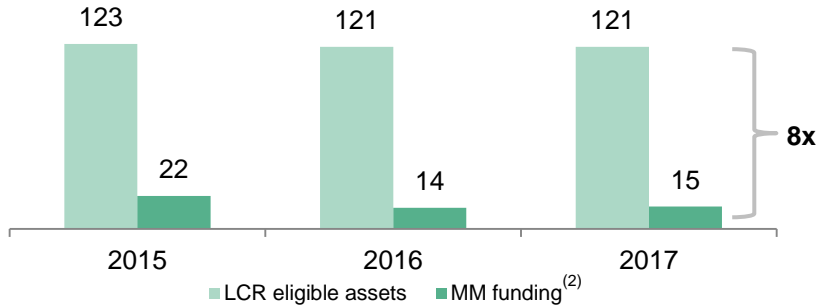
# Liquidity, Funding & Credit Ratings



# Strong and stable liquidity position



## LCR eligible assets



- LCR eligible liquid assets represent over 8 times Money Markets funding and exceed total wholesale funding

- LCR of 127%<sup>1</sup> exceeding regulatory minimum

## Loan to deposit composition

Balance sheet	2015	2016	2017
Loans and advances to customers	£455bn	£450bn	£456bn
Customer deposits	£418bn	£413bn	£416bn
Loan to deposit ratio	109%	109%	110%

- Strong liquid asset portfolio maintained, comprised largely of cash and LCR eligible securities

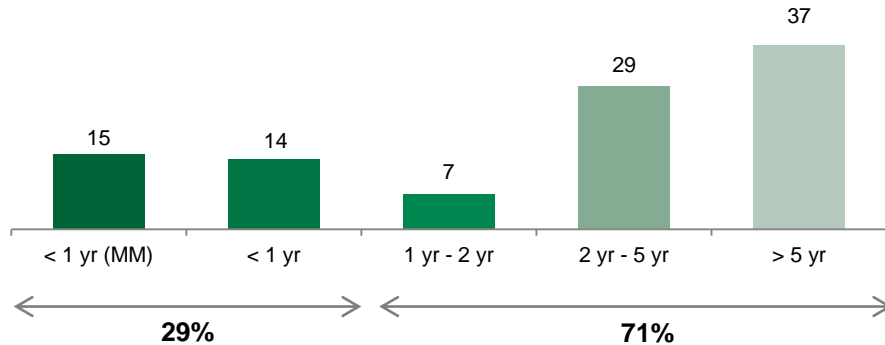
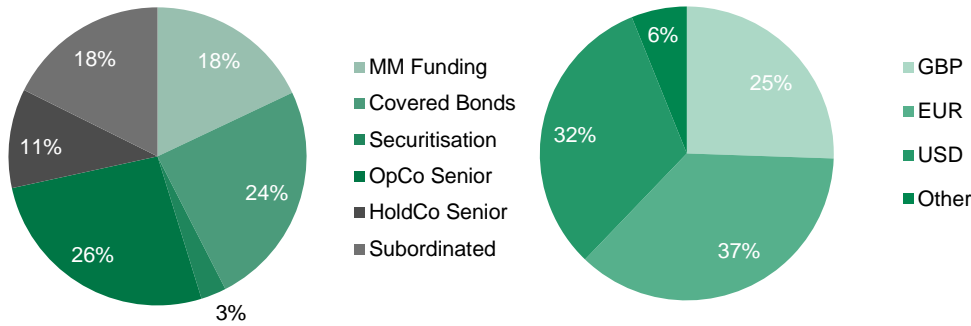
1 – Based on EU Delegated Act

2 – Excludes balances relating to margins and settlement accounts

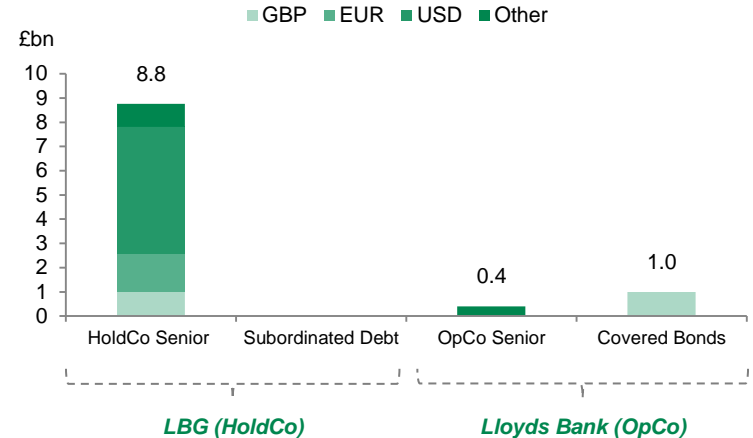
# Composition of wholesale funding as at 31 Dec 2017



## Product, currency and maturity – £101bn



## £10.2bn<sup>1</sup> Term Issuance



- £8.8bn HoldCo Senior issuance in 2017
- Steady-state funding requirement of £15-20bn per annum
- Continue to diversify wholesale funding across currencies and platforms; £4.1bn issued 2018 YTD

<sup>1</sup> – £8.8bn HoldCo Senior issuance; £8.5bn GBP equivalent as at 31 December 2017

# Global issuance capability supported by strong credit ratings



LBG entity		Credit Rating			Product	Programmes	
		Moody's	S&P Global Ratings	Fitch Ratings			
HoldCo	Lloyds Banking Group	Long-term	<b>A3</b> / Stable	BBB+ / Stable	A+ / Stable	Senior Unsecured Subordinated debt	EMTN, SEC Registered Shelf, Kangaroo, Samurai
		Short-term	P-2	A-2	F1	-	-
Ring-fenced <sup>(1)</sup>	Lloyds Bank / Bank of Scotland	Long-term	<b>Aa3</b> / Stable	A / <b>Positive</b>	A+ / Stable	Senior Unsecured Covered Bonds RMBS Credit Card ABS	GMTN, EMTN, SEC Registered Shelf, Kangaroo, Samurai, Uridashi Shelf, SSD, NSV
		Short-term	P-1	A-1	F1	Money Market (CD, CP)	ECP, USCP
Non-ring-fenced	LBCM <sup>(2)</sup>	Long-term	A2 / Stable	A- / <b>Positive</b>	A / Stable	Senior Unsecured	EMTN programme to be established
		Short-term	P-1	A-2	F1	Money Market (CD, Yankee CD, CP)	ECP/CD, Yankee CD

(Green denotes positive movement in 2017)

1 - Excluding HBOS as is no longer an active issuance entity

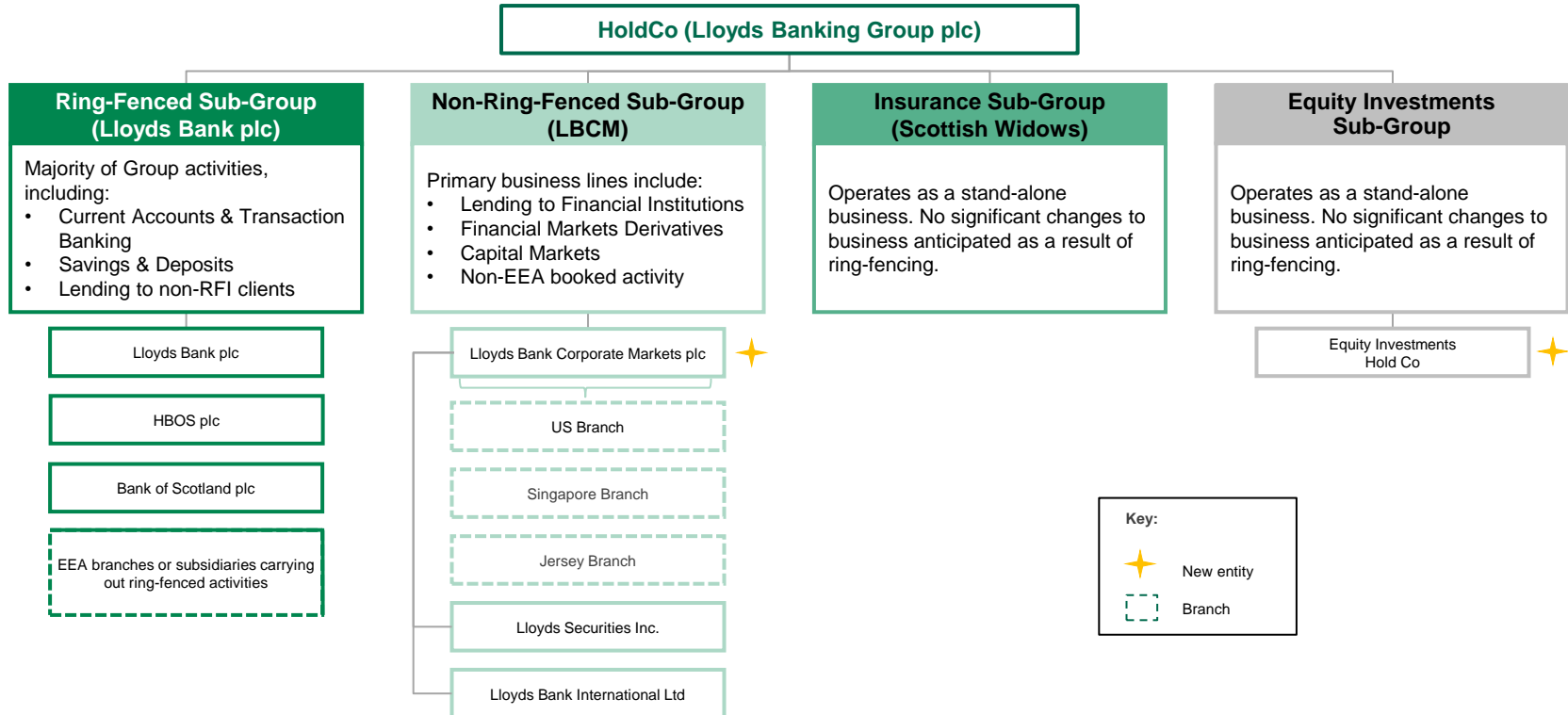
2 - LBCM ratings are currently Prospective (Moody's), Preliminary (S&P) or Expected (Fitch); final ratings will be assigned to LBCM in 2018

# Structural Reform



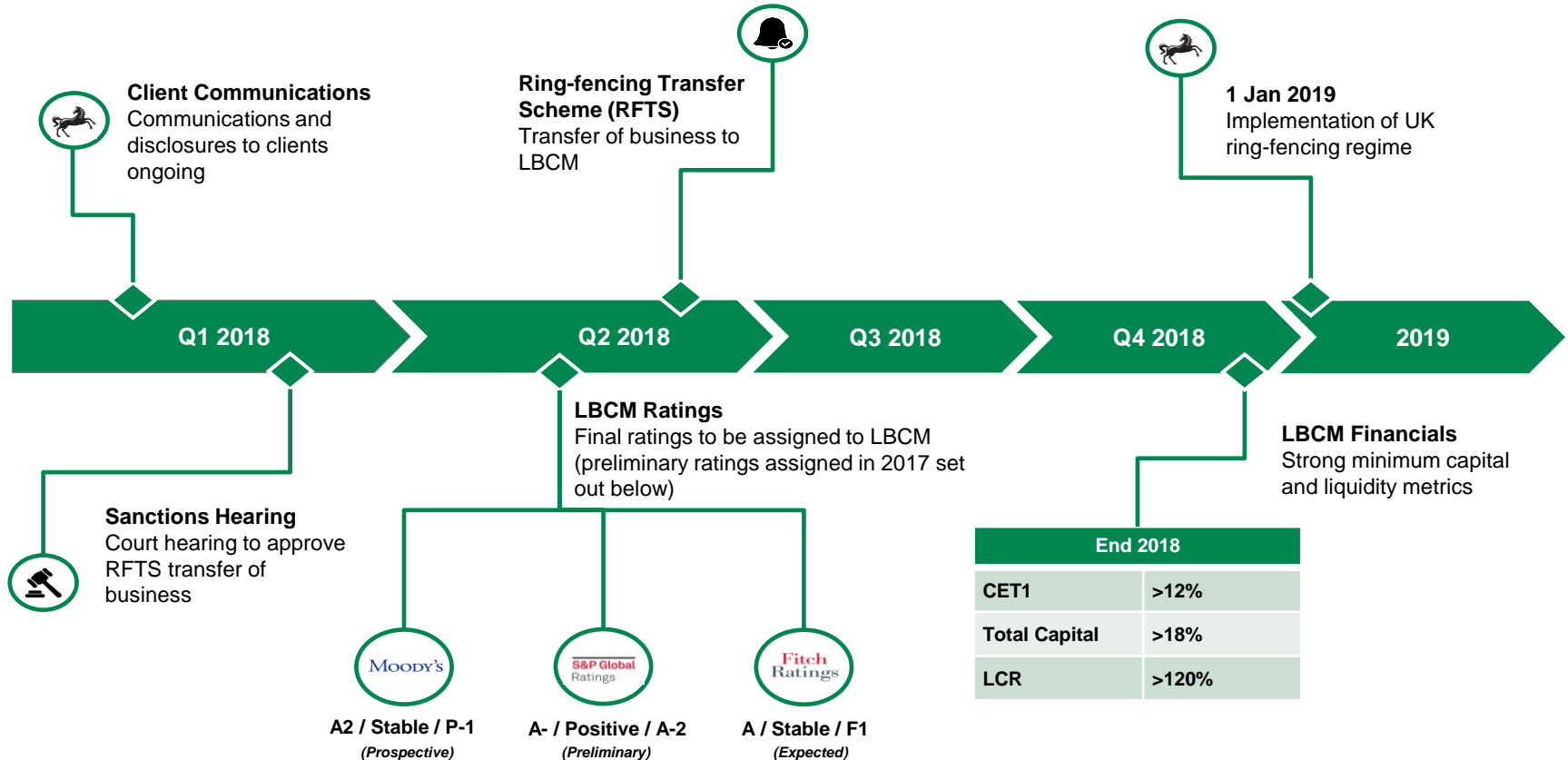


# Retaining simple, UK retail and commercial model supported by new entity LBCM



Entity structure shown is simplified

# Group on track to meet ring-fencing requirements



# Appendix



# Evolution of regulatory capital buffers

Capital Conservation Buffer	<ul style="list-style-type: none"><li>• <b>Currently 1.875% CET1 in 2018 during phase in</b></li><li>• 2.5% CET1 from 1 January 2019</li></ul>
Countercyclical Buffer	<ul style="list-style-type: none"><li>• <b>UK buffer 0.5% CET1 from June 2018, increasing to 1% CET1 from November 2018</b></li><li>• FPC to reconsider the adequacy of a 1% buffer rate during the first half of 2018, in light of the evolution of the overall risk environment.</li></ul>
Systemic Risk Buffer	<ul style="list-style-type: none"><li>• <b>Applicable to the ring-fenced bank; PRA to communicate requirement in 2019</b></li><li>• FPC to review calibration every two years; review in 2018</li></ul>
Pillar 2A CET1 (reviewed annually by PRA) 3% in 2018	
Pillar 1 Minimum CET1 4.5%	

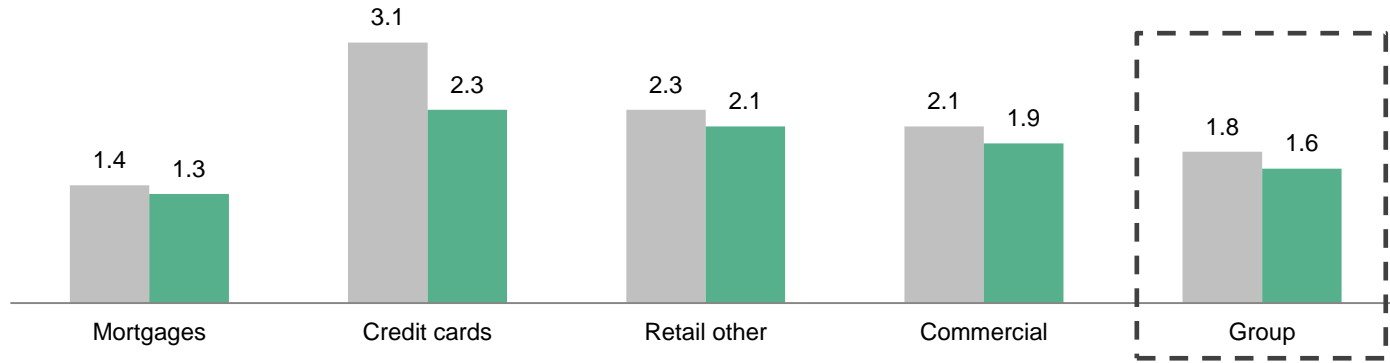
# Mortgage LTVs – further improvement in 2017



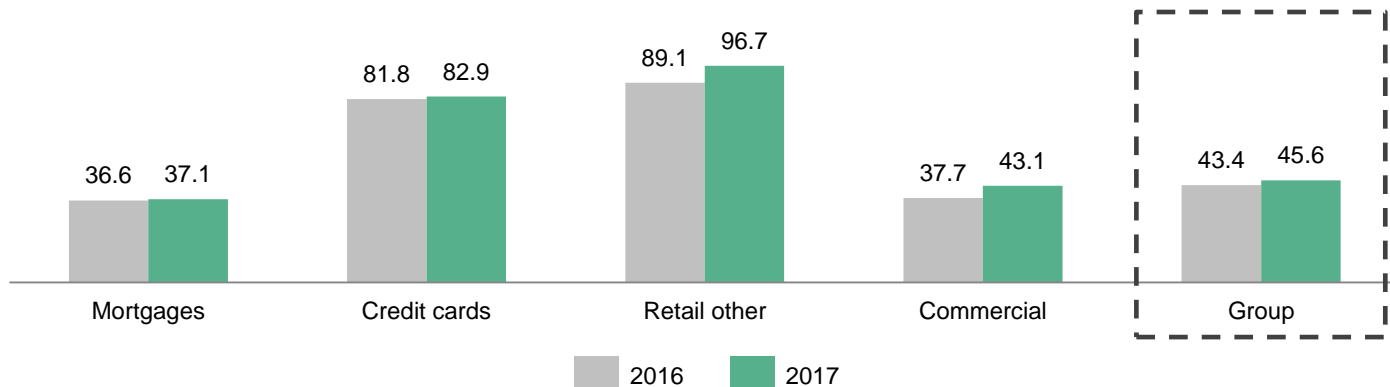
	Dec 2017			Total	Dec 2016 Total	Dec 2015 Total	Dec 2010 Total <sup>(1)</sup>
	Mainstream	Buy to let	Specialist				
Average LTVs	41.7%	53.0%	47.4%	<b>43.6%</b>	<b>44.0%</b>	46.1%	55.6%
New business LTVs	63.7%	59.1%	n/a	<b>63.0%</b>	<b>64.4%</b>	64.7%	60.9%
≤ 80% LTV	88.5%	94.6%	88.8%	<b>89.5%</b>	<b>89.0%</b>	86.4%	57.0%
>80–90% LTV	9.0%	4.1%	6.4%	<b>8.0%</b>	<b>8.0%</b>	9.0%	16.2%
>90–100% LTV	2.1%	0.7%	1.6%	<b>1.9%</b>	<b>2.3%</b>	3.5%	13.6%
>100% LTV	0.4%	0.6%	3.2%	<b>0.6%</b>	<b>0.7%</b>	1.1%	13.2%
Value >80% LTV	£25.9bn	£2.9bn	£1.8bn	<b>£30.7bn</b>	<b>£32.4bn</b>	£41.1bn	£146.6bn
Value >100% LTV	£1.0bn	£0.3bn	£0.5bn	<b>£1.8bn</b>	<b>£2.1bn</b>	£3.4bn	£44.9bn

# Prudently provisioned – coverage ratio increasing across the Group while impaired loan ratio falls

Impaired loan ratio (%)



Coverage ratio (%)



2016 2017



# Debt Investor Relations Contacts



Website: [www.lloydsbankinggroup.com/investors/fixed-income-investors](http://www.lloydsbankinggroup.com/investors/fixed-income-investors)

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## Forward looking statement and basis of presentation

This document contains certain forward looking statements with respect to the business, strategy, plans and /or results of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, instability as a result of the exit by the UK from the European Union (EU) and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

## Basis of presentation

The results of the Group and its business are presented in this presentation on an underlying basis. The principles adopted in the preparation of the underlying basis of reporting are set out in the inside cover of the 2017 Results News Release.