

LLOYDS
BANKING GROUP



2018 HALF-YEAR RESULTS

Presentation to analysts and investors | 1 August 2018

Highlights

António Horta-Osório
Group Chief Executive



Strong and sustainable earnings continue to demonstrate the strength of the business model



- **Significant business progress with strong start to the Group's latest strategic plan**
 - Successful delivery of key initiatives including Open Banking, the planned integration of Zurich and MBNA and launch of Lloyds Bank Corporate Markets
 - Strong start to the latest strategic plan with increased strategic investment together with reduced underlying cost base
 - Continued growth in targeted segments, including SME, consumer finance and financial planning & retirement
- **Strong financial performance with continued growth in statutory and underlying profit**
 - Statutory profit after tax up 38%, EPS up 45% and return on tangible equity of 12.1%
 - Strong pro forma capital build of 121bps, including 25bps from the sale of the Group's Irish mortgage portfolio; 30bps reduction in the Group's Pillar 2A requirement
 - Increased interim ordinary dividend of 1.07p
- **Improved guidance for 2018**
 - Net interest margin for the full year now expected to be in line with H1
 - AQR now expected to be less than 25bps
 - Capital build now expected to be c.200bps, pre-dividend

Financial performance – strong and sustainable statutory performance



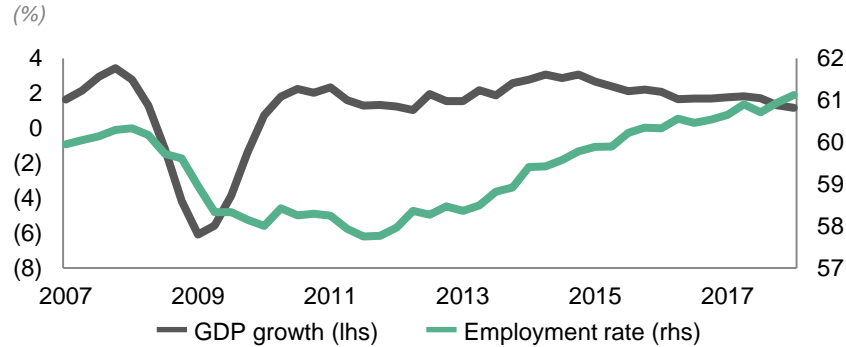
Net income	£9.0bn +2%
Cost:income ratio (incl. remediation)	47.7% (4.2)pp
Cost:income ratio (excl. remediation)	44.9% (0.9)pp
Underlying profit	£4.2bn +7%
Statutory profit after tax	£2.3bn +38%
Earnings per share	2.9p +45%
Return on tangible equity	12.1% +3.9pp
Capital build (pre dividends)	121bps

- **Strong statutory profit of £2.3bn up 38%**
 - Net income up 2% with increased NII and stronger Other Income in Q2; NIM increased to 293bps
 - BAU costs⁽¹⁾ down 4% (or 7% excluding MBNA) driving flat operating costs despite increased investment and inclusion of MBNA cost base
 - Positive jaws of 8% (2% excluding remediation); market leading cost:income ratio of 47.7% (44.9% excluding remediation)
 - Credit quality remains strong with an AQR of 20bps
- **Earnings per share up 45% to 2.9p reflecting improved profitability**
- **Statutory RoTE of 12.1%, up 3.9pp**
- **Strong pro forma capital build of 121bps (including 25bps from the sale of the Group's Irish mortgage portfolio)**

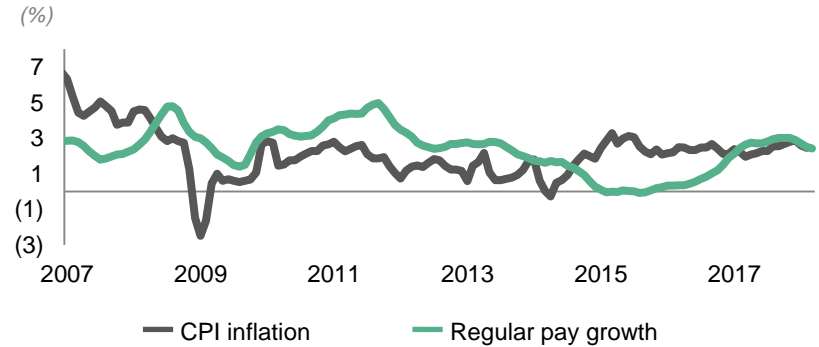
1 – BAU costs reflect operating costs, less investment expensed and depreciation.

UK economy remains resilient

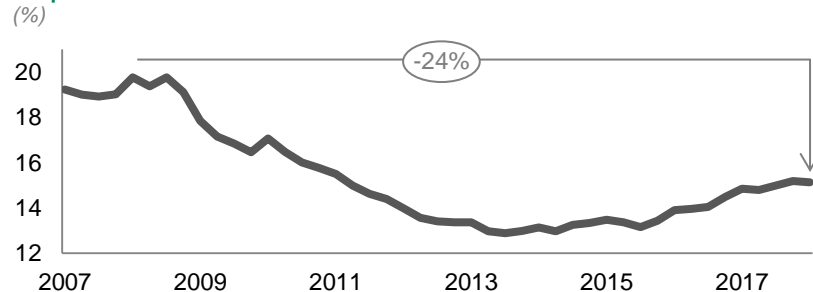
Employment rate⁽¹⁾ and GDP growth



CPI inflation and pay growth⁽²⁾

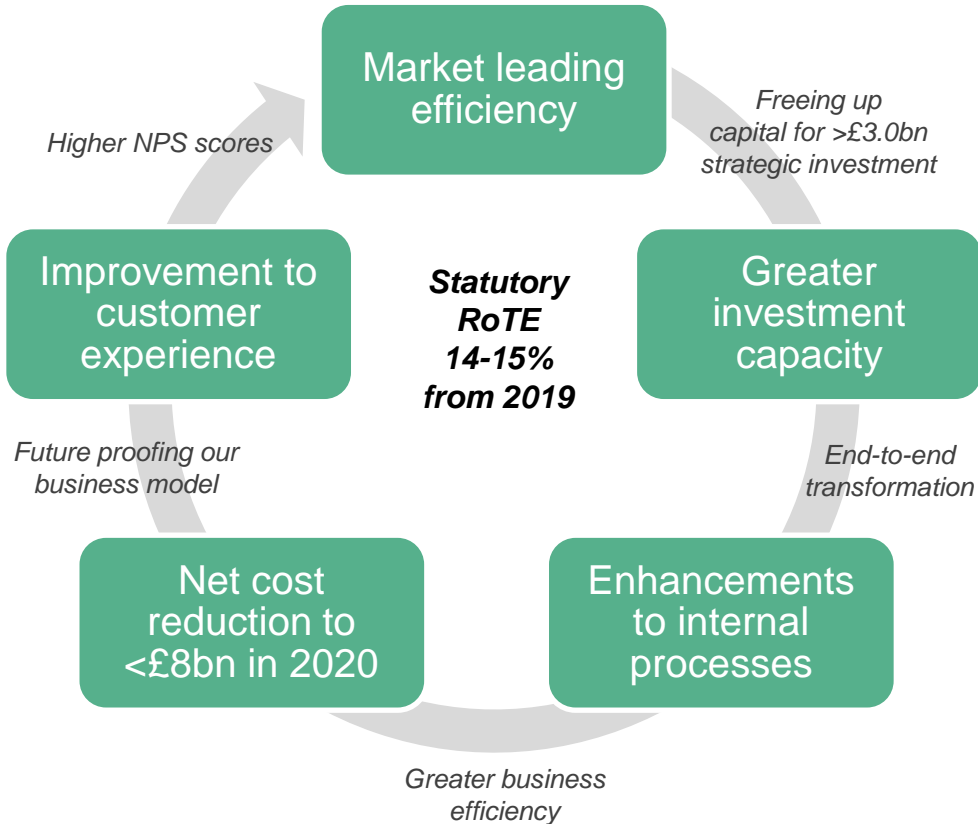


Consumer credit balances as a proportion of household disposable income⁽³⁾

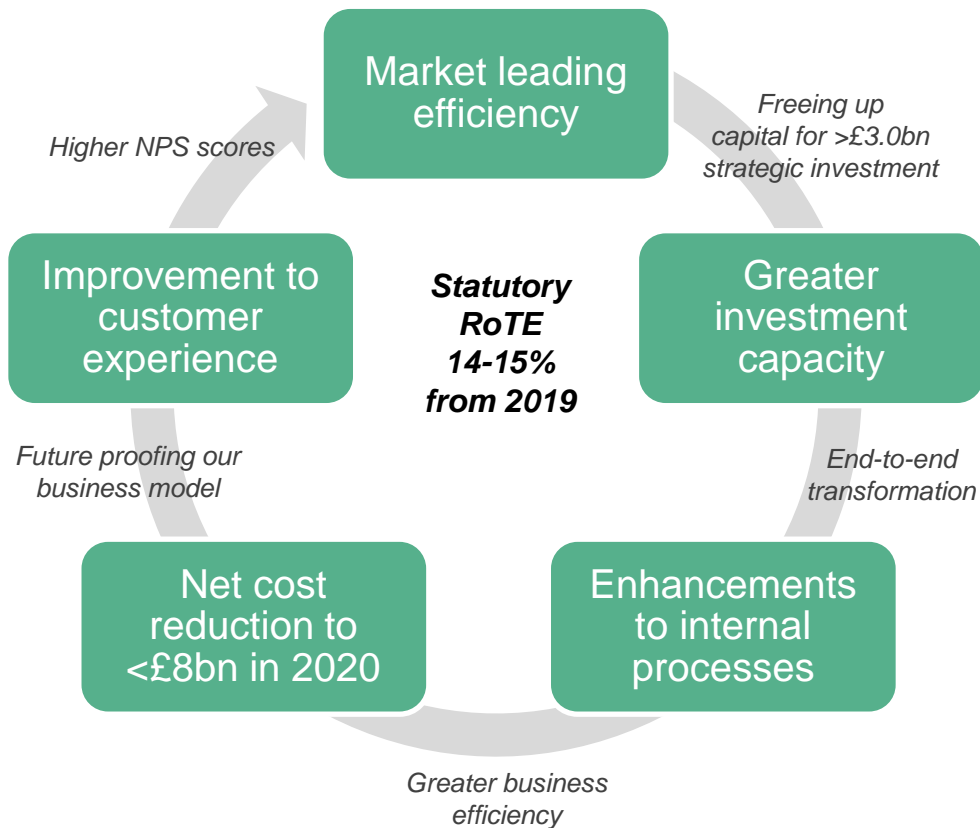


- Economic growth recovering from weather-impacted first quarter
- Consumer incomes supported by record employment rate as real pay squeeze continues to abate
- Consumer debt service ratio down 24% from pre-crisis
- Global growth positive for UK exports
- Expect one rate rise per year 2018 to 2020

Cost discipline enables greater investment capacity and increased returns

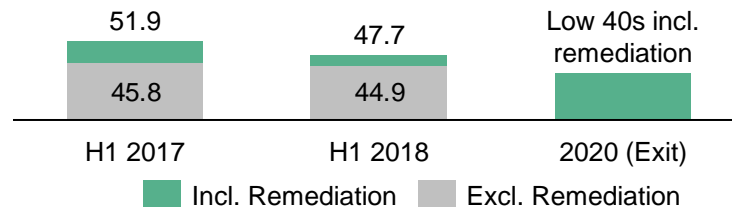


Cost discipline enables greater investment capacity and increased returns



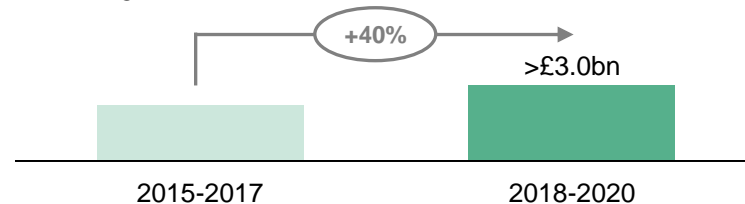
Market leading efficiency position

Cost:income ratio⁽¹⁾, %



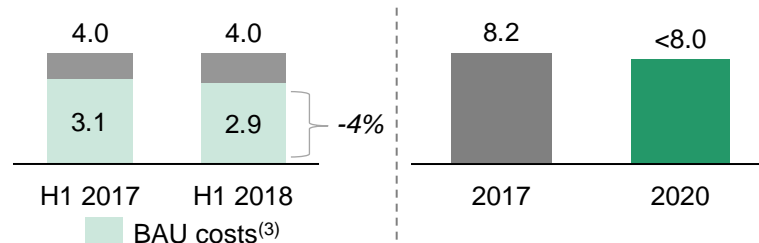
Greater investment capacity

Total strategic investment

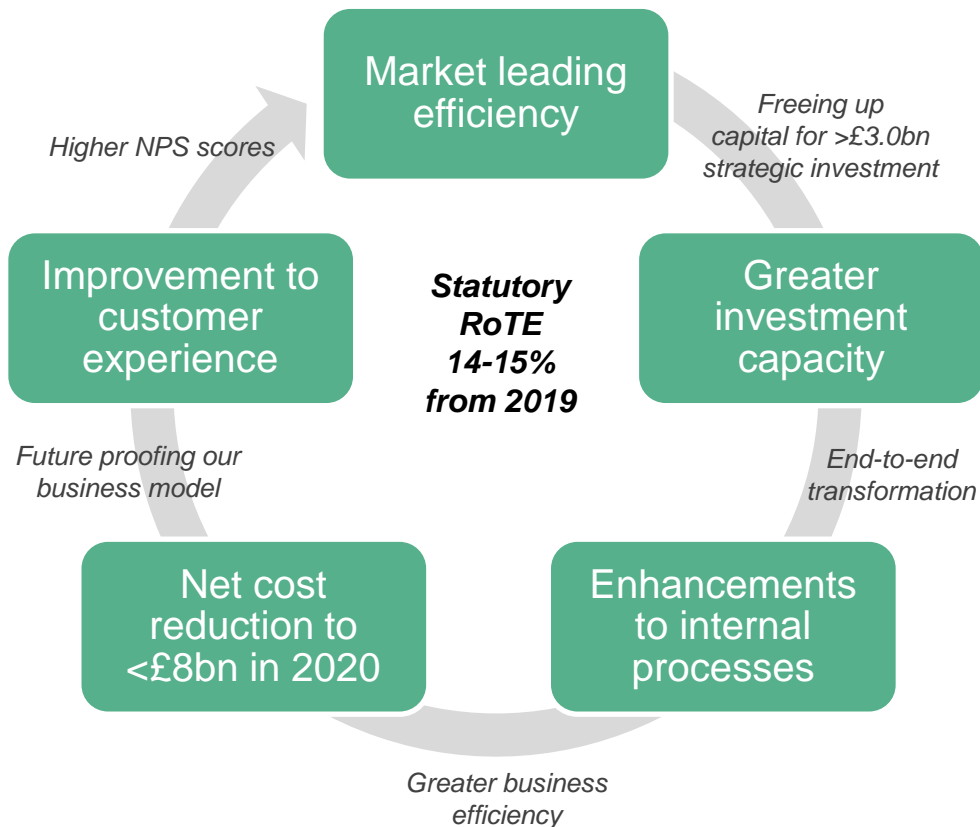


Committing to net cost reductions

Operating costs⁽²⁾, £bn

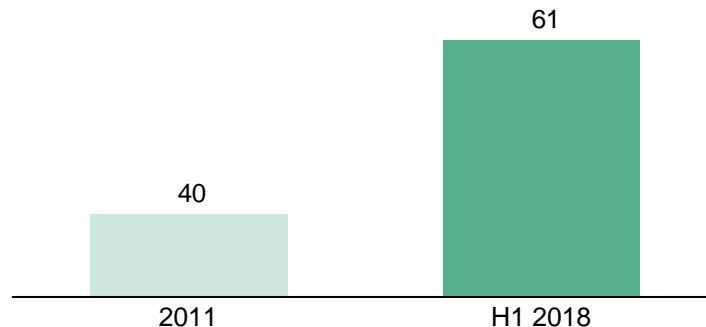


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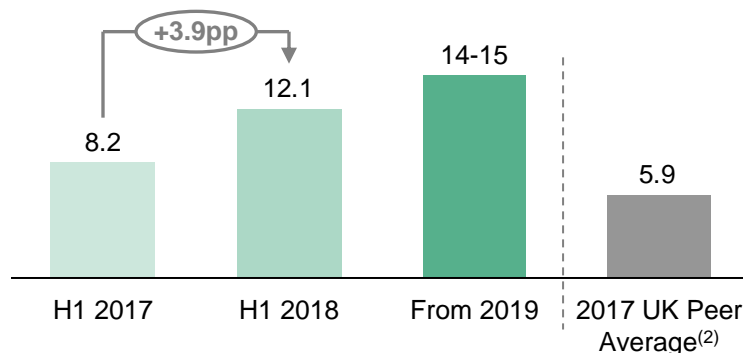
Improved customer experience

NPS⁽¹⁾



Delivering superior returns

Statutory RoTE, %



1 – YTD average. 2 – Reflects average of Barclays, RBS, HSBC Holdings, Santander UK and Virgin Money.

Transformational strategy targeting significant customer and business enhancements

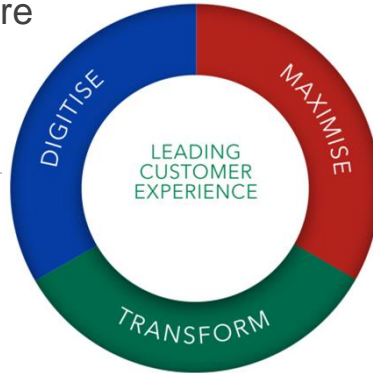


DIGITISING THE GROUP

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

LEADING CUSTOMER EXPERIENCE

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



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.**

Strategic Progress

Juan Colombás
Chief Operating Officer



Transformational strategy targeting significant customer and business enhancements

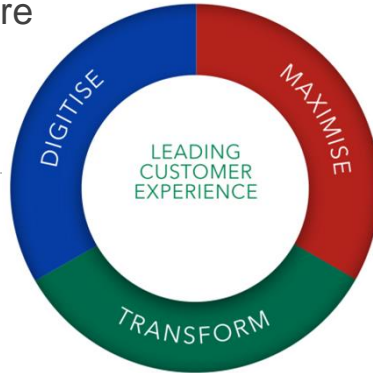


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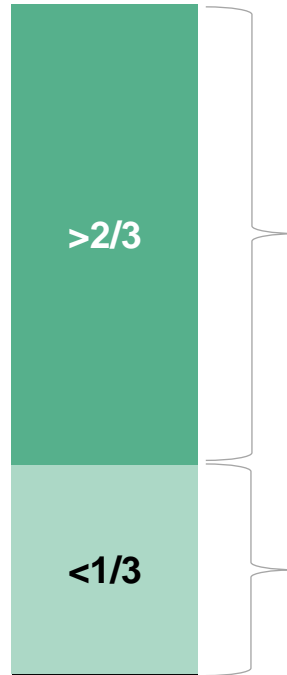
Digitising the Group – simplification and progressive modernisation of IT and data architecture



- Significantly increasing technology spend, up **c.20%** in FY18
 - Represents **c.15%** of operating costs, covering both run and change
 - Over two-thirds weighted towards **enhancing** and **creating new capabilities**
 - Improved capabilities driving **further cost efficiencies**
- One of the largest **transformation programmes** in financial services, with **c.15k colleagues** working across Transformation (**>20%** of Group)

Increasing spend in technology

H1 2018 example initiatives



- Enhancing **machine learning** capabilities – Savings solution resulting in **56% accuracy improvements** in forecasting
- **Robotic Process Automation** releasing **c.115k colleague hours** capacity across multiple areas
- **Re-platformed mobile app** to improve change process and performance
- Establishing private & public **cloud solutions** to provide secure, cost efficient and scalable infrastructure
- **External outsourcing partnership** agreed for customers with long-term insurance products

■ New Capabilities & Enhancement ■ Simplification

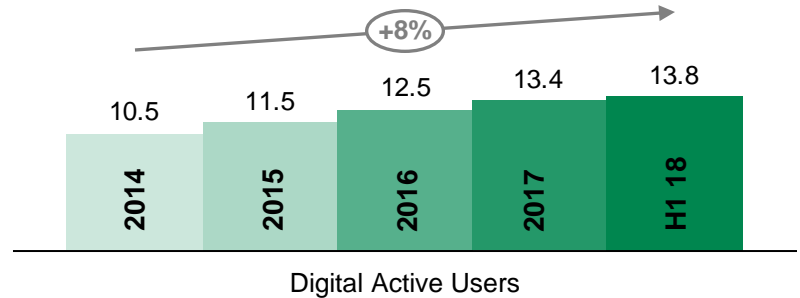
Leading customer experience – #1 UK digital bank with Open Banking functionality



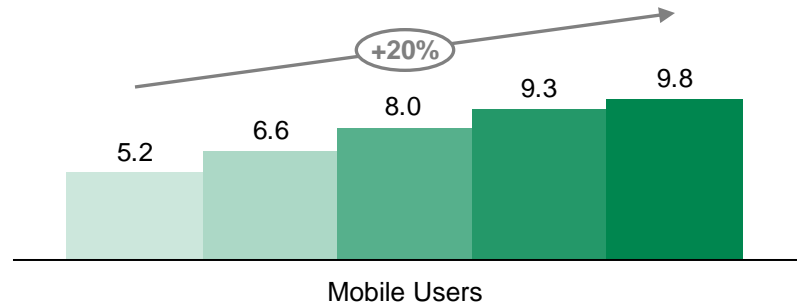
- **Largest digital bank in the UK** with **13.8m** digitally active customers and **9.8m** mobile users
- Only major UK bank compliant with **Open Banking industry deadline**, and well placed to remain customers' bank of choice
 - **41%** believe account aggregation to be useful⁽¹⁾
 - **76%** would trust their main bank to provide these services, more so than other providers⁽¹⁾
- **Re-platformed mobile app** to enhance existing capabilities
 - **Increasing scalability** allowing Group to respond to opportunities provided by **Open Banking** across all brands
 - **Simpler, more intuitive** and **personalised** customer experiences
 - **Faster release cycle** – frequency of retail customer releases **doubled**

Continued growth across digital channels

Digitally active users, million



Mobile users, million



% 2014-H1 2018 CAGR

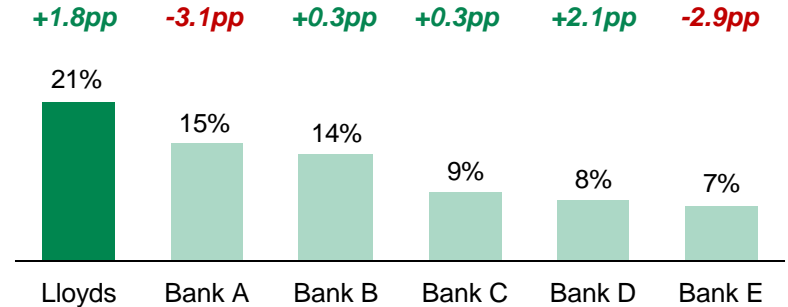
Leading customer experience – #1 branch network, serving complex needs



- **Re-shaping our branch network** as a source of competitive advantage to respond to changing customer demand, while **maintaining market leading reach**
 - **More than doubled** locations providing access to **remote advice**, increasing customer access to qualified mortgage advisors
 - **36 mobile branches** covering **190 locations**, with 8 new in H1 2018
 - Lloyds multi-purpose flagship branch demonstrating **48% greater productivity⁽¹⁾** and **c.14pt higher NPS⁽¹⁾**
- Evolving the purpose of our branches by continuing to shift branch focus towards **complex needs**
 - Customer facing time on complex needs **up 10% YoY⁽²⁾**

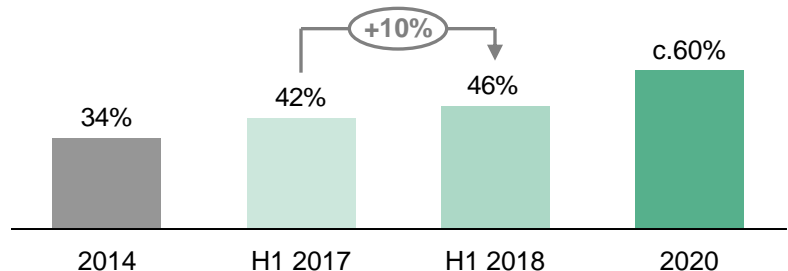
Maintaining our branch reach

Branch market share (March 2018) and movement since Dec 2012⁽³⁾



While increasing focus on complex needs

Customer facing time on complex needs⁽²⁾



1 – Reflects monthly average of needs met productivity and NPS in 6 months post launch, compared to monthly average in 3 months prior to launch for Lloyds flagship branch in Manchester (launched in FY17).

2 – Branch colleagues customer facing time - Kiran (2014), Finalta (2017) observation studies, complex needs include mortgage appointments, moments of truth and other enquiries/appointments that customer find complex. 3 – Based on CACI Branch Base Data as at 1 March 2018 (excluding agency branches). Lloyds excludes TSB at 1 December 2012.

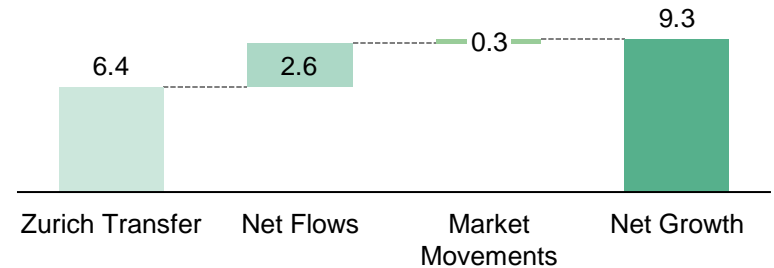
Maximising Group capabilities – sole integrated UK banking and insurance provider



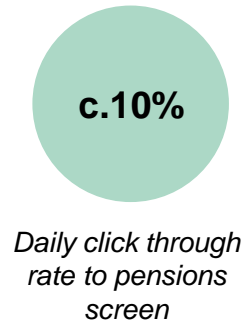
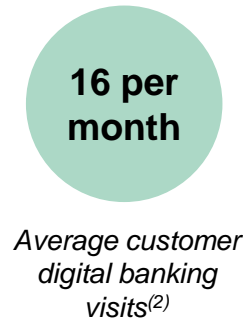
- **More than £9bn** FP&R **open book AuA growth**
 - Increase supported by **stronger net flows**, and accelerated transfer of Zurich assets
 - Targeting **£50bn** open book growth by 2020
- Leveraging our unique customer base to create a **single home for banking and insurance needs**
 - Pilot and initial roll out of **single customer view** across all three brands; **targeting c.3m customers** by FY18⁽¹⁾
 - **Unrivalled level of digital engagement** with **16 visits per customer per month**⁽²⁾ on average, significantly higher than standalone insurers
- Over **550k new pension customers** against target of 1 million by 2020
- Increased engagement provides further opportunities to leverage benefit of **>27m** Group customers, meeting long term savings needs

Delivering growth in FP&R

H1 2018 FP&R open book AuA growth⁽³⁾, £bn



Single customer view pilot supported by strong existing digital capabilities



Financial Results

George Culmer
Chief Financial Officer



Strong financial performance with continued growth in profits and returns



(£m)	H1 2018	H1 2017	Change
Net interest income	6,344	5,925	7%
Vocalink	–	146	–
Other Income	3,124	3,202	(2)%
Total income	9,468	9,273	2%
Operating lease depreciation	(497)	(495)	0%
Net income	8,971	8,778	2%
Operating expenses	(4,024)	(4,018)	0%
Remediation	(257)	(540)	52%
Total costs	(4,281)	(4,558)	6%
Impairment	(456)	(268)	(70)%
Underlying profit	4,234	3,952	7%
Statutory profit before tax	3,117	2,544	23%
Net interest margin	2.93%	2.82%	11bp
Cost:income (incl. remediation)	47.7%	51.9%	(4.2)pp
Cost:income (excl. remediation)	44.9%	45.8%	(0.9)pp
Asset quality ratio	0.20%	0.12%	8bp

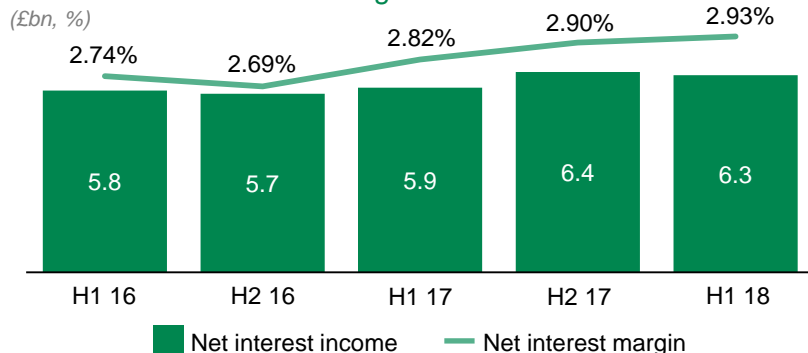
- **Underlying profit increased 7% to £4.2bn**
- **Net income increased 2% to £9.0bn**
 - NII up 7% with improved margin of 2.93%
 - Other Income of £3.1bn including benefit of a good second quarter of £1.7bn
- **BAU costs⁽¹⁾ down 4% (or 7% excluding MBNA) driving flat operating costs despite increased investment and inclusion of MBNA cost base**
 - Improved cost:income ratio, both including and excluding remediation
- **Credit quality remains strong**
 - Gross AQR in line with full year at 27bps; net AQR up to 20bps due to expected lower releases and write-backs
- **Statutory profit before tax increased 23% to £3.1bn**

1 – BAU costs reflect operating costs, less investment expensed and depreciation.

Net interest income increase driven by improved margin and AIEA growth



Net interest income and margin



- **Net interest income up 7% to £6.3bn driven by an improved margin of 2.93% and higher AIEAs**

- Lower funding and deposit costs more than offset mortgage pricing pressure
- Asset margin benefiting from positive mix change, including benefit from MBNA

- **NIM for 2018 now expected to be in line with H1; continue to expect resilient NIM through the plan**

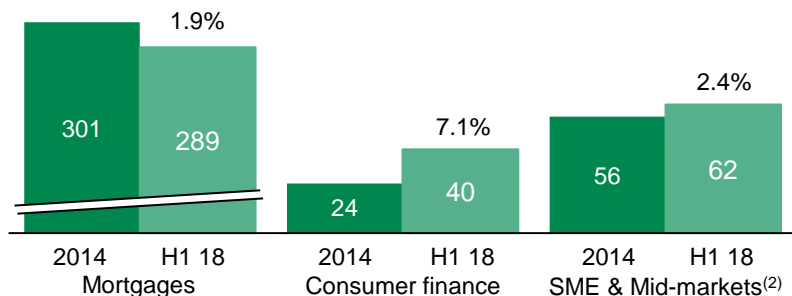
- **Medium term outlook underpinned by approach to managing margins**

- Management of mortgage margins
- Asset growth in higher margin, targeted segments
- Further opportunities to improve liability mix, reprice deposits and targeted growth
- Strong deposit franchise generating increased contribution from the structural hedge
- Improved credit ratings

- **Positively exposed to rising interest rates**

Key product mix and gross margin⁽¹⁾

(Book size £bn, Gross margin %)

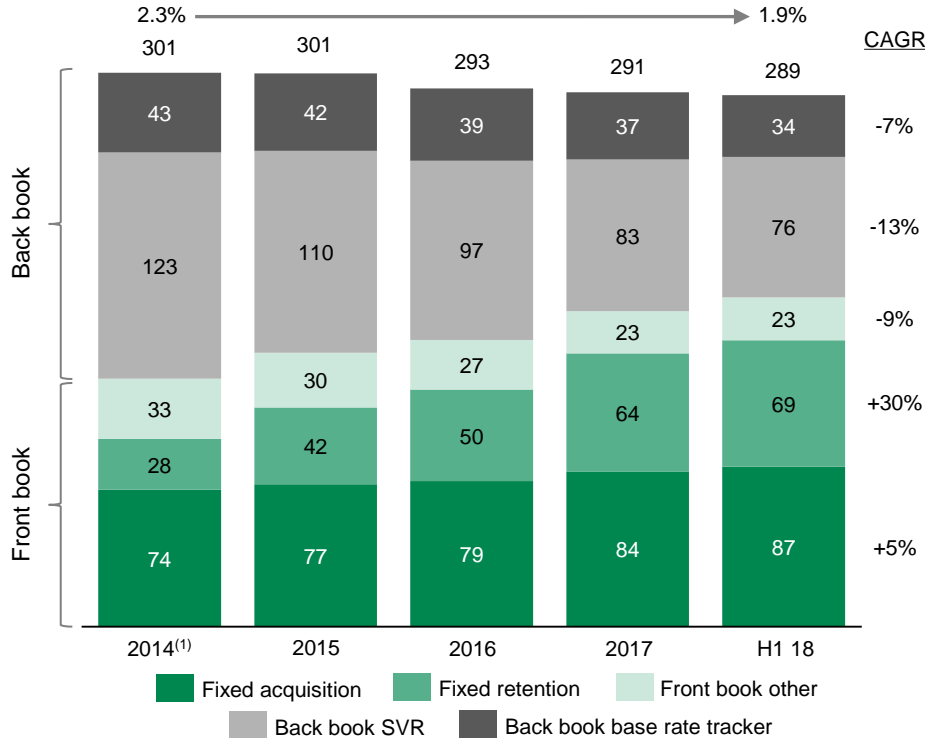


Asset margin and mix – mortgage pricing remains competitive but margin resilient given active management



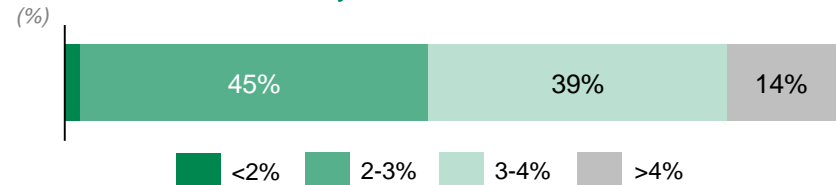
Mortgage book

(Book size £bn, Gross margin %)



- Mortgage pricing remains competitive – some increases in recent months
- Overall book margin resilient; down <40bps despite 34% reduction in back book since 2014
 - Benefit from focus on risk and margin instead of volume
- Average back book⁽²⁾ customer rate c.3.4% with only 14% paying over 4%
- Attrition stable at c.13%
 - c.£18bn of mortgages on balance <£50k
- New business margin benefits from high retention (>80%) and more 5-year business (c.40% of flow)

Back book of £110bn by customer rate



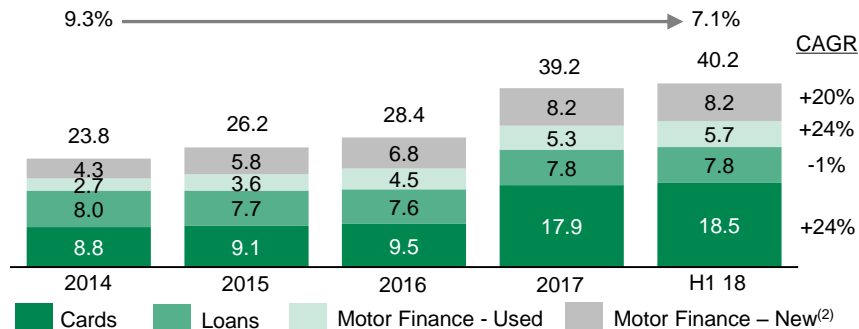
1 – Excluding TSB. 2 – SVR and Base rate tracker books.

Asset margin and mix – Group margin benefiting from mix and growth in under represented segments



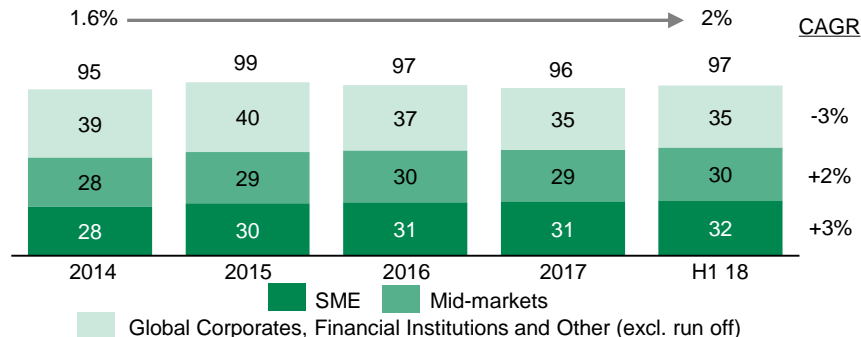
UK consumer finance⁽¹⁾

(Book size £bn, Gross margin %)



Commercial Banking incl. Retail Business Banking⁽¹⁾

(Book size £bn, Gross margin %)



• Growth in high margin consumer finance portfolio

- Cards up at 24% CAGR since 2014 with gross margin c.9%; £8bn MBNA credit card portfolio acquired in 2017
- Motor Finance New vehicles grew at 20% CAGR and Used vehicles at 24% CAGR
- Motor Finance margin reduced since 2014 due to focus on lower risk business and new cars; gross margin on New and Used both now c.4%

• Improved Commercial margin due to targeted growth

- Growth in higher margin SME and Mid-markets with c.3% and c.2% gross margin, respectively
- Volumes down in lower margin segments in Global Corporates, Financial Institutions and Other

• Continue to target prudent lending growth in consumer finance, SME and Mid-markets

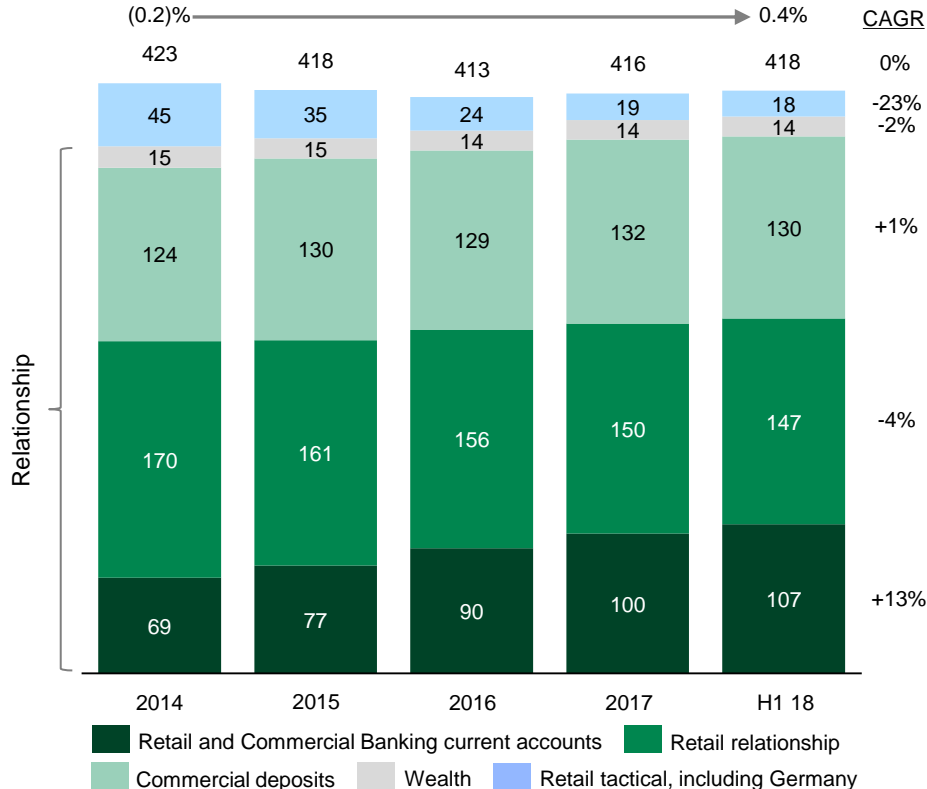
- Motor Finance to continue growing ahead of market
- Credit cards expected to grow in line with the market
- £6bn growth in SME and Mid-markets by 2020

Liability margin and mix – improving mix with focus on current accounts; further opportunity to reprice Group deposits, enhance the mix and grow the book



Improving liability mix⁽¹⁾

(Book size £bn, Gross margin %)



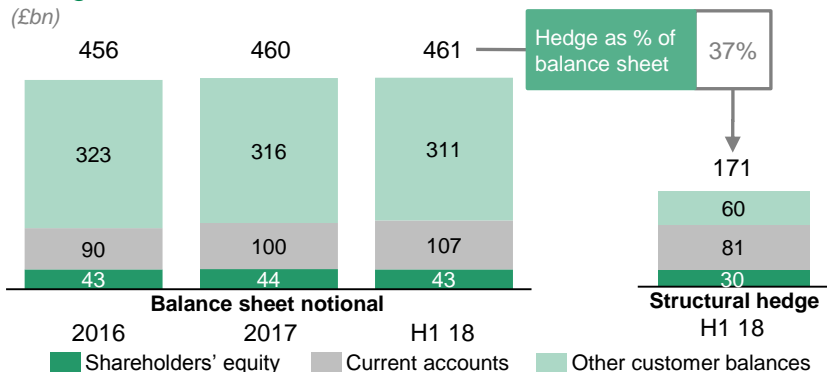
- **Increased margin due to pricing changes and mix shifting to high quality current accounts**
- **Strategy to grow current accounts, reduce tactical balances and optimise mix**
 - Current account balances at £107bn, up 13% CAGR and tactical balances down 23% CAGR since 2014
 - Current accounts increased from 16% of deposits in 2014 to 26% at H1 2018
- **Multi-brand strategy gives ability to maintain pricing segmentation in low rate environment**
- **Further opportunities for growing current account balances and product repricing**
 - Tactical balances expected to reduce further
 - Retail relationship includes £25bn of low margin fixed rates balances – expected to largely revert to front book pricing by the end of 2019

1 – Retail Business Banking included within SME.

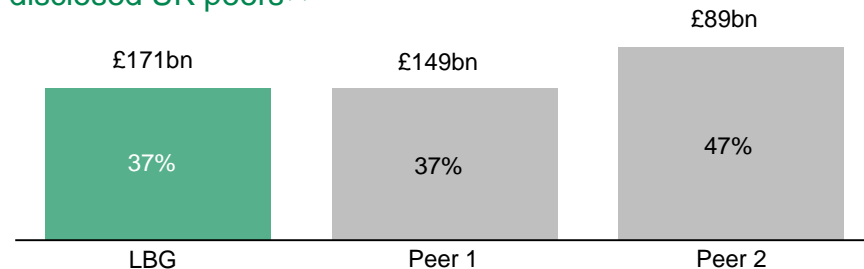
Structural hedge – prudent approach and increased contribution to earnings given increase in current account balances



Hedged balances⁽¹⁾

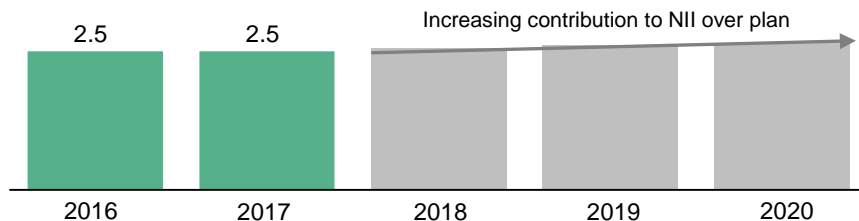


Structural hedge balance as % of balance sheet in line with disclosed UK peers⁽²⁾



NII contribution from structural hedge balances expected to increase given balance growth, maturity schedule and rates

(£bn)



- **Structural hedge will continue to provide strong support for margin over plan period**
 - Earnings on structural hedge balances of £1.3bn in first half
 - Natural position to be fully hedged
 - 1ppt move in yield curve drives c.£1.7bn increase in NII in time
- **Fully hedged at £171bn with weighted average life of 4.1 years**
 - Hedge size predominantly driven by current account growth
 - Prudent approach means less than 20% of customer savings and c.75% of current account balances are hedged

Resilient Other Income performance with good Q2



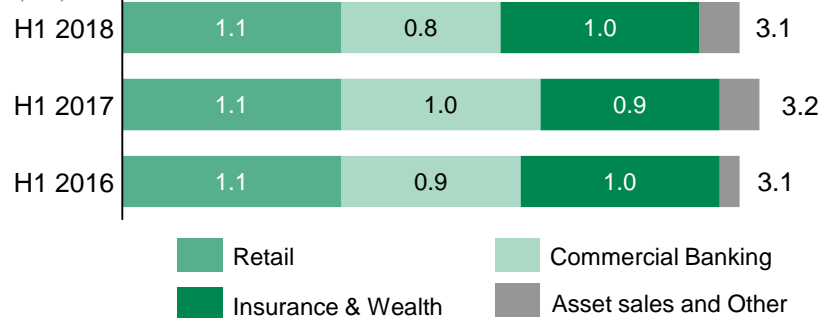
Other Income (excluding Vocalink)

(£bn)



Divisional Other Income (excluding Vocalink)

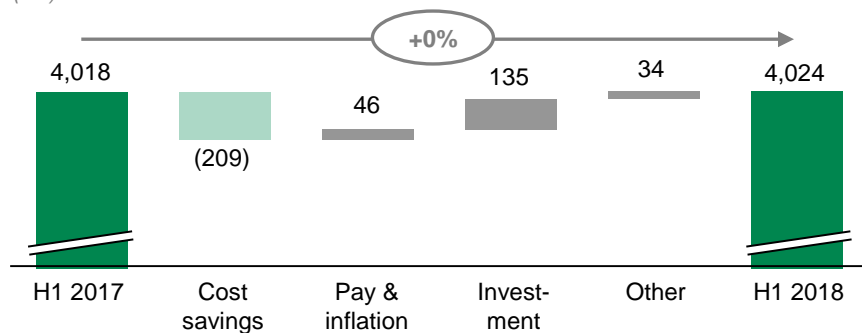
(£bn)



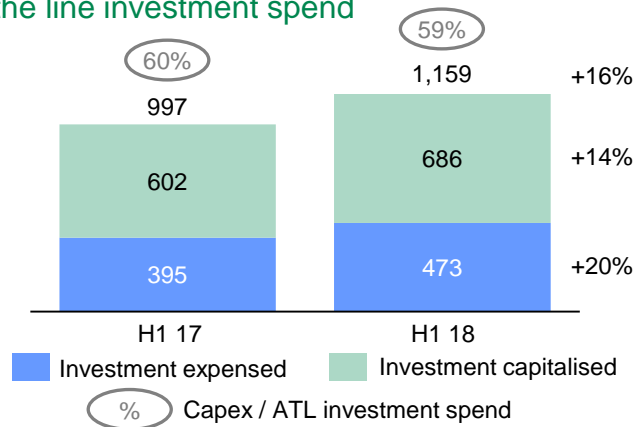
- **Other Income of £3.1bn broadly stable in recent years with robust divisional performance**
- **Good Q2 performance of £1.7bn driven by**
 - Strong insurance new business with higher workplace pensions volumes
 - Increased markets activity in Commercial with stable Retail income
- **Continue to sell gilts and other liquid assets, £11bn sold in H1, realising income of £191m**
- **Expect 2018 Other Income to be broadly in line with 2017 excluding Vocalink**

Reduction in BAU costs creates capacity for increased investment

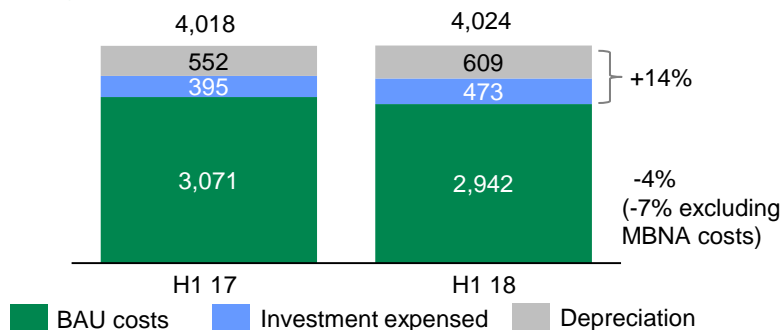
Operating costs (£m)



Above the line investment spend (£m)



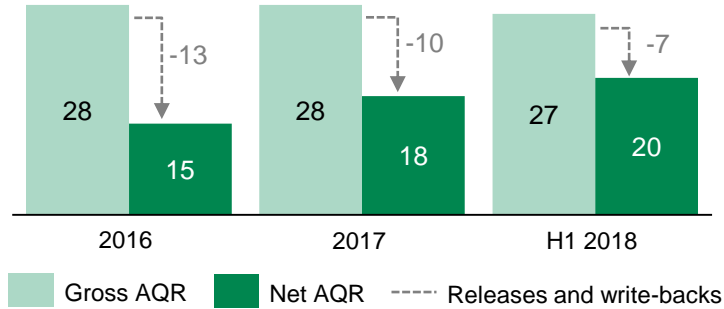
Operating costs (£m)



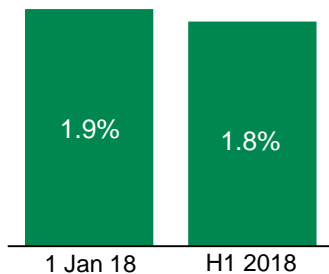
- BAU costs down 4% YoY or 7% excluding MBNA
- Flat operating costs despite increased investment and inclusion of MBNA cost base
- Investment expensed and depreciation of £1,082m broadly in line with above the line cash spend of £1,159m
- Capitalisation rate broadly stable at c.60% of above the line investment or c.45% of total investment spend including below the line

Credit quality remains strong reflecting a continued prudent approach to risk

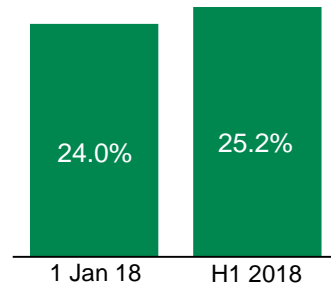
Asset quality ratio (bps)



IFRS 9 stage 3 as a proportion of loans and advances



Stage 3 ECL as a proportion of drawn balances⁽¹⁾



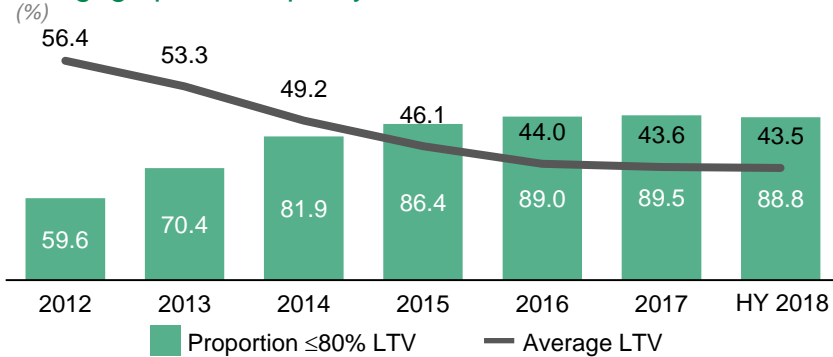
- **Gross AQR lower at 27bps with net AQR up due to lower releases and write-backs**
- **Underlying credit portfolio remains stable with no overall deterioration in credit risk indicators**
- **Continuing to benefit from low risk approach**
 - Strong mortgage affordability and LTV profiles
 - Low risk consumer lending with prudent residual value provision and prime credit card book
 - Commercial portfolio optimisation – diversified and high quality
 - Minimal non-core balances and Run-off portfolio (less than £4bn) now subsumed within divisions
- **Stage 3 loans down to 1.8% of total loan book while increasing coverage to 25.2%**
- **AQR now expected to be less than 25bps in 2018**

1 – Stage 3 expected credit loss allowance as a proportion of stage 3 drawn balances.

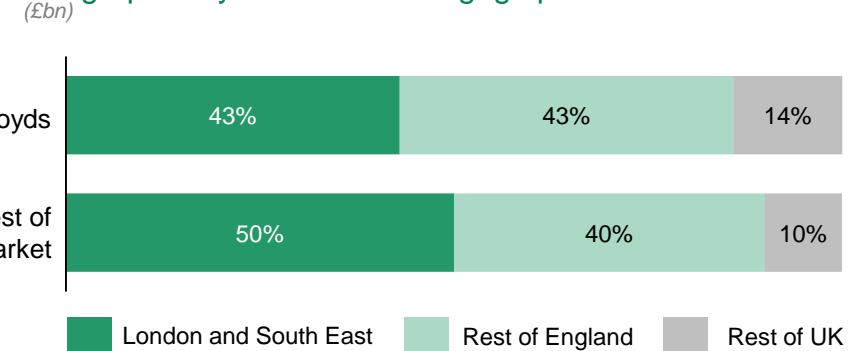
Credit quality – diversified, high quality £290bn UK mortgage portfolio



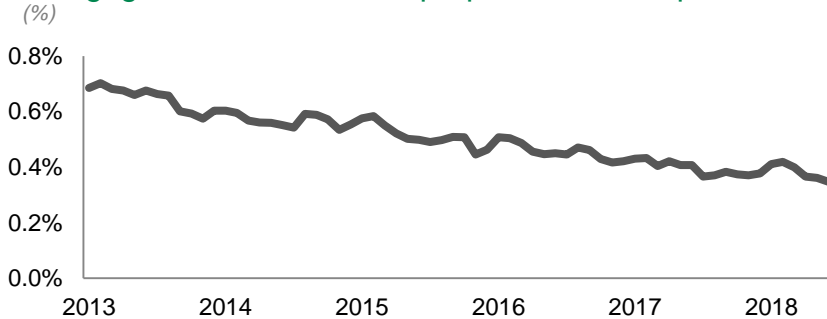
Mortgage portfolio quality



Geographically diversified mortgage portfolio⁽¹⁾



Mortgage new to arrears as proportion of total portfolio



- **High quality portfolio with low average LTV of 43.5%**
 - Mainstream residential, largely outside London and SE
 - Prudent credit decisioning prioritised over volume
 - New residential lending stressed at 300bps over SVR
- **No deterioration in credit seen across the portfolio; mortgage new to arrears continue to fall**

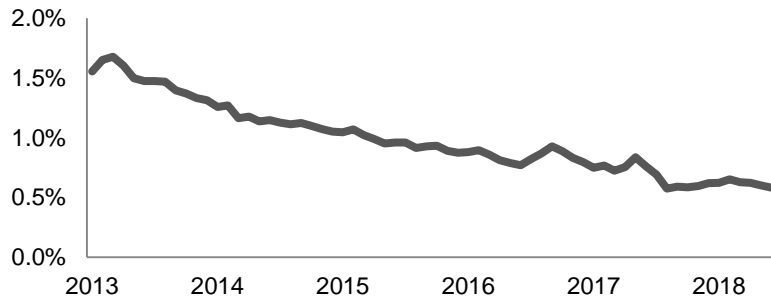
1 – Share of stock; market based on CACI data for 2017.

Credit quality – consumer finance portfolio benefits from conservative underwriting and prudent assumptions



Credit cards – new to arrears as proportion of total book

(%)

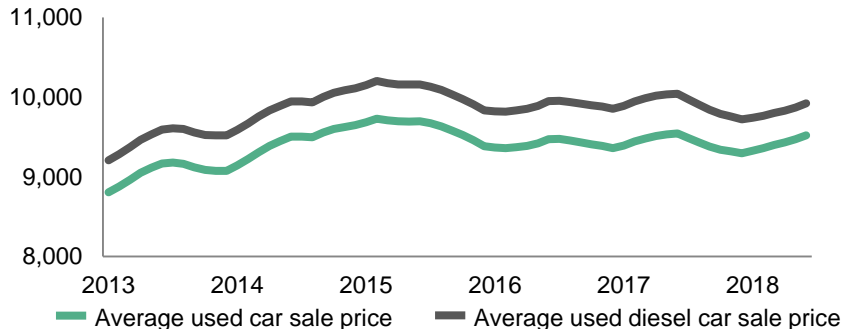


- **Prime credit card book with conservative risk appetite**

- No deterioration seen across the portfolio
- New to arrears falling
- MBNA performing in line with expectations
- Prudent Effective Interest Rate accounting across credit cards with small deferred income asset

Average used car prices⁽¹⁾

(£)



- **Prudent approach to Motor Finance**

- Used car prices remain resilient
- Continue to make a profit on sale of vehicles given prudent residual values
- Additional protection from c.£200m residual value / specific event provision

1 – Lex Autolease rolling six month average; excludes commercial vehicles.

Significant growth in statutory profit and returns



(£m)	H1 2018	H1 2017	Change
Underlying profit	4,234	3,952	7%
Volatility and other items	(190)	(37)	–
Restructuring costs	(377)	(321)	(17)%
PPI	(550)	(1,050)	48%
Statutory profit before tax	3,117	2,544	23%
Tax expense	(850)	(905)	6%
Statutory profit after tax	2,267	1,639	38%
Effective tax rate	27%	36%	(9)pp
Statutory RoTE	12.1%	8.2%	3.9pp
Earnings per share	2.9p	2.0p	45%

- **Statutory profit after tax of £2.3bn, up 38%**
- **Market volatility and other items includes £105m loss on sale of Irish mortgage portfolio**
- **Restructuring costs relating to severance of £155m, property rationalisation, ring-fencing spend and Zurich and MBNA integration costs**
- **PPI charge £550m; outstanding provision £2.0bn**
 - £460m charge in Q2 reflecting higher expected claim volumes (now assuming c.13,000 per week)
- **Effective tax rate of 27% lower than prior year due to lower non-deductible conduct charges**
- **Statutory return on tangible equity improved to 12.1%**
- **Earnings per share up 45% to 2.9p**

Balance sheet – targeted loan growth while continuing to optimise the portfolio



- Loans and advances of £442bn**

- Open mortgage book in line with year end; continue to expect book growth in 2018
- Continued high-quality growth in SME⁽¹⁾ (+£0.5bn) and Motor Finance (+£0.4bn) in H1
- Sale of c.£4bn Irish mortgage portfolio in H1

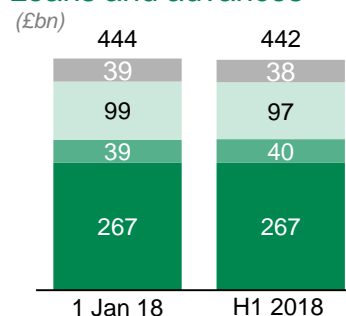
- AIEA growth of £1bn: c.£2bn targeted growth and c.£1bn reduction from sale of Irish mortgages**

- Continued reduction in RWAs to £211bn**

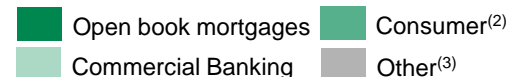
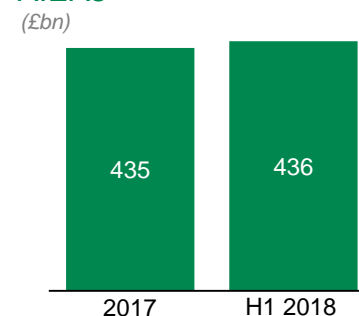
- Improved capital returns and RWA efficiency through business mix optimisation
- Continued de-risking of portfolio

- Pro forma RWAs of £207bn including completion of Irish mortgage sale**

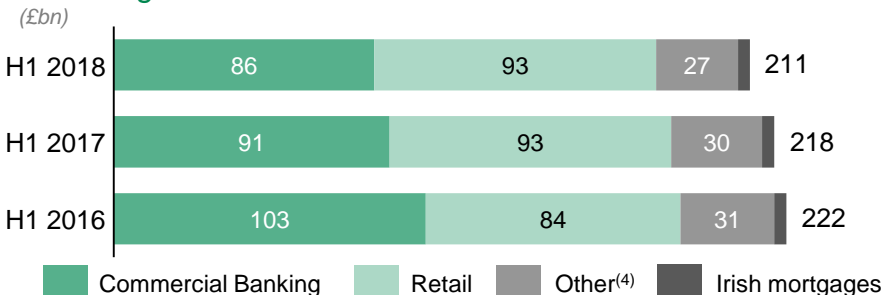
Loans and advances



AIEAs



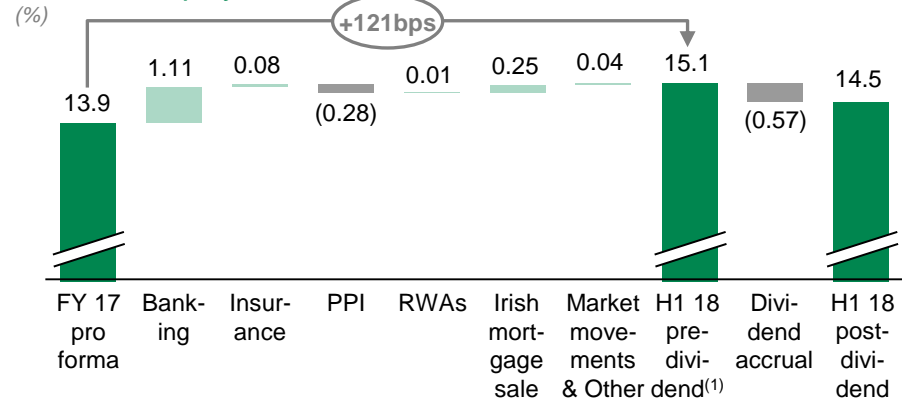
Risk-weighted assets



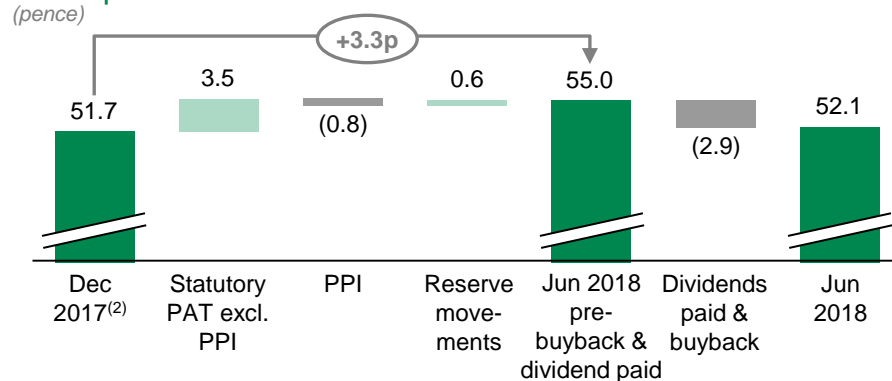
1 – Retail Business Banking included within SME. 2 – Consumer includes Cards, Personal Loans and Motor Finance. 3 – Other includes Insurance & Wealth and Central. 4 – Other includes Insurance & Wealth, Central and threshold RWAs.

Strong capital build with increased interim ordinary dividend

Common Equity Tier 1



TNAV per share – December to June



- **Pro forma CET1 capital build of 121bps**
 - CET1 ratio of 15.1%, 14.5% post-dividend
 - Includes capital benefit from sale of Irish mortgages
- **Capital build now expected to be around 200bps in 2018**
- **Pillar 2A reduced 30bps to 2.7%; CET1 capital required remains c.13% plus a management buffer of around 1%**
- **Interim ordinary dividend 1.07p**
- **UK leverage ratio 5.3%**
- **TNAV per share increased to 52.1p**
 - Strong statutory profit
 - Positive reserve movements
 - Partially offset dividends paid and buyback

Summary

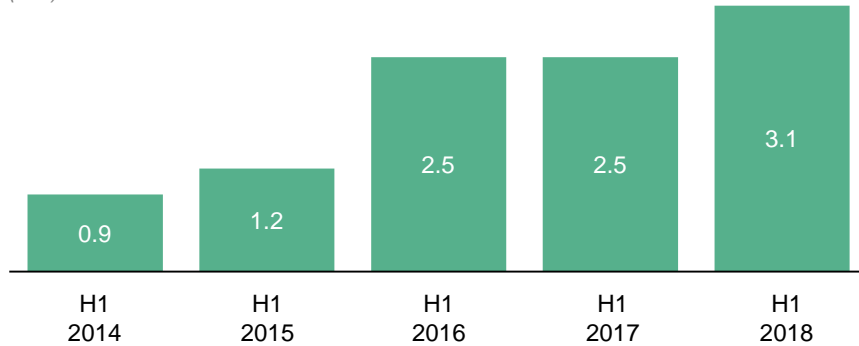
António Horta-Osório
Group Chief Executive



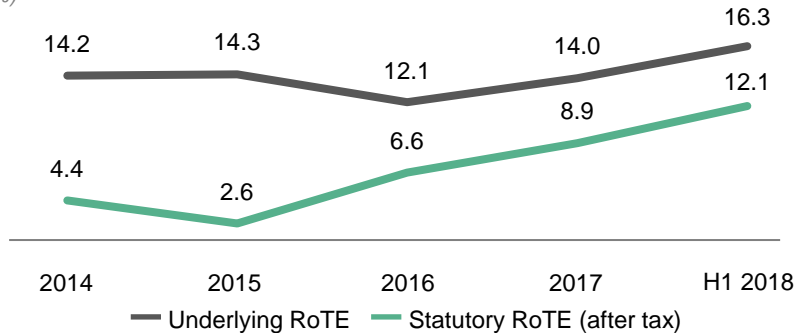
Continued progress – business model is delivering strong and sustainable profits and returns



Statutory profit before tax
(£bn)



Return on tangible equity⁽¹⁾
(%)



- Significant business progress with strong start to the Group’s latest strategic plan
- Strong and sustainable financial performance with continuing growth in statutory profit and return
- Guidance for 2018 improved
 - Capital build of c.200bps pre-dividend now expected
 - NIM now expected to be in line with H1
 - AQR now expected to be less than 25bps
- All other medium-term guidance reaffirmed and continue to expect to deliver 14-15% RoTE next year
- Strategy will allow the Group to continue to help Britain prosper whilst delivering strong and sustainable returns for shareholders

1 – 2014 to 2017 restated to show Remediation / Other Conduct within underlying profit.

Appendix



Mortgage LTVs – further improvement in the first half of 2018



	Jun 2018				Dec 2017	Dec 2016	Dec 2010
	Mainstream	Buy to let	Specialist	Total	Total	Total	Total ⁽¹⁾
Average LTVs	41.7%	52.2%	46.2%	43.5%	43.6%	44.0%	55.6%
New business LTVs	63.2%	57.6%	n/a	62.3%	63.0%	64.4%	60.9%
≤ 80% LTV	87.7%	94.1%	88.6%	88.8%	89.5%	89.0%	57.0%
>80–90% LTV	9.9%	4.3%	6.2%	8.7%	8.0%	8.0%	16.2%
>90–100% LTV	2.0%	1.1%	2.1%	1.9%	1.9%	2.3%	13.6%
>100% LTV	0.4%	0.5%	3.1%	0.6%	0.6%	0.7%	13.2%
Value >80% LTV	£27.7bn	£3.2bn	£1.7bn	£32.6bn	£30.7bn	£32.4bn	£146.6bn
Value >100% LTV	£0.9bn	£0.3bn	£0.5bn	£1.7bn	£1.8bn	£2.1bn	£44.9bn

Forward looking statements and basis of presentation



Forward looking statements

This document contains certain forward looking statements with respect to the business, strategy, plans and /or results of Lloyds Banking Group (the “Group”) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the 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, practices and 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 and risks 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 the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. 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 on the inside front cover of the 2018 Half-Year Results News Release.