AMERIPRISE FINANCIAL INC
Form 4
June 12, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Berman Walter Stanley

(Last) (First) (Middle)

GENERAL COUNSEL'S OFFICE, 1098 AMERIPRISE FINANCIAL CENTER

(Street)

MINNEAPOLIS, MN 55474

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AMERIPRISE FINANCIAL INC [AMP]

3. Date of Earliest Transaction (Month/Day/Year)
03/30/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive VP and CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Phantom Stock	(1)	03/30/2007		A		6,233.3633		(2)	(2)	Common Stock	6,233.36
Phantom Stock	(1)	04/02/2007		A		3,012.5667		(2)	(2)	Common Stock	3,012.56

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Berman Walter Stanley GENERAL COUNSEL'S OFFICE 1098 AMERIPRISE FINANCIAL CENTER MINNEAPOLIS, MN 55474			Executive VP and CFO	

Signatures

/s/ David H. Weiser for Walter Stanley Berman	06/12/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each share of phantom stock represents the right to receive one share of Ameriprise Financial, Inc. common stock.

(2) Shares of phantom stock are payable in shares of Ameriprise common stock following termination of employment or during a specified future year in accordance with The Ameriprise Financial Deferred Compensation Plan.

(3) Includes 22.5731 phantom shares credited to the reporting person's account as a result of the deemed reinvestment of dividends paid in May 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. STYLE="text-align: left; border-bottom: #E6E6E8 1px solid"> 38,210 Treasury bills and other bills **18** **– 18** 20 – 20 Total other assets held at fair value through profit or loss **32,414** **2,144** **34,558** 35,742 2,488 38,230 Total held at fair value through profit or loss **42,895** **2,303** **45,198** 47,907 2,491 50,398

1 Credit ratings equal to or better than ‘BBB’.

2

Other comprises sub-investment grade (2017: £331 million; 2016: £485 million) and not rated (2017: £1,972 million; 2016: £2,006 million).

Credit risk in respect of trading and other financial assets at fair value through profit or loss held within the Group's unit-linked funds is borne by the policyholders and credit risk in respect of with-profits funds is largely borne by the policyholders. Consequently, the Group has no significant exposure to credit risk for such assets which back those contract liabilities.

DERIVATIVE ASSETS

An analysis of derivative assets is given in note 16. The Group reduces exposure to credit risk by using master netting agreements and by obtaining collateral in the form of cash or highly liquid securities. In respect of the Group's net credit risk relating to derivative assets of £12,785 million (2016: £17,599 million), cash collateral of £5,419 million (2016: £6,472 million) was held and a further £275 million was due from OECD banks (2016: £613 million).

	2017			2016		
	Investment grade[1]	**Other[2]**	**Total**	Investment grade[1]	Other[2]	Total
	£m	**£m**	**£m**	£m	£m	£m
Trading and other	**21,742**	**2,211**	**23,953**	31,373	2,053	33,426
Hedging	**1,874**	**7**	**1,881**	2,664	48	2,712
Total derivative financial instruments	**23,616**	**2,218**	**25,834**	34,037	2,101	36,138

1 Credit ratings equal to or better than 'BBB'.

2 Other comprises sub-investment grade (2017: £1,878 million; 2016: £1,830 million) and not rated (2017: £340 million; 2016: £271 million).

FINANCIAL GUARANTEES AND IRREVOCABLE LOAN COMMITMENTS

Financial guarantees represent undertakings that the Group will meet a customer's obligation to third parties if the customer fails to do so. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group is theoretically exposed to loss in an amount equal to the total guarantees or unused commitments, however, the likely amount of loss is expected to be significantly less; most commitments to extend credit are contingent upon customers maintaining specific credit standards.

D. COLLATERAL HELD AS SECURITY FOR FINANCIAL ASSETS

A general description of collateral held as security in respect of financial instruments is provided under *Credit risk*. The Group holds collateral against loans and receivables and irrevocable loan commitments; qualitative and, where appropriate, quantitative information is provided in respect of this collateral below. Collateral held as security for trading and other financial assets at fair value through profit or loss and for derivative assets is also shown below.

F-83

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 51: FINANCIAL RISK MANAGEMENT continued

LOANS AND RECEIVABLES

The disclosures below are produced under the underlying basis used for the Group’s segmental reporting. The Group believes that, for reporting periods following a significant acquisition, such as the acquisition of HBOS in 2009, this underlying basis, which includes the allowance for loan losses at the acquisition on a gross basis, more fairly reflects the underlying provisioning status of the loans.

The Group holds collateral in respect of loans and advances to banks and customers as set out below. The Group does not hold collateral against debt securities, comprising asset-backed securities and corporate and other debt securities, which are classified as loans and receivables.

LOANS AND ADVANCES TO BANKS

There were reverse repurchase agreements which are accounted for as collateralised loans within loans and advances to banks with a carrying value of £771 million (2016: £902 million), against which the Group held collateral with a fair value of £796 million (2016: £785 million).

These transactions were generally conducted under terms that are usual and customary for standard secured lending activities.

LOANS AND ADVANCES TO CUSTOMERS

RETAIL LENDING

Mortgages

An analysis by loan-to-value ratio of the Group's residential mortgage lending is provided below. The value of collateral used in determining the loan-to-value ratios has been estimated based upon the last actual valuation, adjusted to take into account subsequent movements in house prices, after making allowance for indexation error and dilapidations.

	2017				2016			
	Neither past due nor impaired £m	**Past due but not impaired £m**	**Impaired £m**	**Gross £m**	Neither past due nor impaired £m	Past due but not impaired £m	Impaired £m	Gross £m
Less than 70 per cent	**217,070**	**4,309**	**2,443**	**223,822**	220,497	5,288	2,334	228,119
70 per cent to 80 per cent	**43,045**	**787**	**595**	**44,427**	39,789	1,004	648	41,441
80 per cent to 90 per cent	**25,497**	**500**	**436**	**26,433**	23,589	621	495	24,705
90 per cent to 100 per cent	**7,085**	**177**	**245**	**7,507**	7,983	223	355	8,561
Greater than 100 per cent	**3,068**	**161**	**450**	**3,679**	4,445	204	488	5,137
Total	**295,765**	**5,934**	**4,169**	**305,868**	296,303	7,340	4,320	307,963

Other

The majority of non-mortgage retail lending is unsecured. At 31 December 2017, impaired non-mortgage lending amounted to £817 million, net of an impairment allowance of £542 million (2016: £972 million, net of an impairment allowance of £458 million). The fair value of the collateral held in respect of this lending was £154 million (2016: £139 million). In determining the fair value of collateral, no specific amounts have been attributed to the costs of realisation and the value of collateral for each loan has been limited to the principal amount of the outstanding advance in order to eliminate the effects of any over-collateralisation and to provide a clearer representation of the Group's exposure.

Unimpaired non-mortgage retail lending amounted to £49,482 million (2016: £39,864 million). Lending decisions are predominantly based on an obligor's ability to repay from normal business operations rather than reliance on the disposal of any security provided. Collateral values are rigorously assessed at the time of loan origination and are thereafter monitored in accordance with business unit credit policy.

The Group credit risk disclosures for unimpaired non-mortgage retail lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes that this approach is appropriate. The value of collateral is reassessed if there is observable evidence of distress of the borrower. Unimpaired non-mortgage retail lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the entire unimpaired non-mortgage retail lending portfolio is provided to key management personnel.

COMMERCIAL LENDING

Reverse repurchase transactions

At 31 December 2017 there were reverse repurchase agreements which were accounted for as collateralised loans with a carrying value of £16,832 million (2016: £8,304 million), against which the Group held collateral with a fair value of £17,122 million (2016: £7,490 million), all of which the Group was able to repledge. Included in these amounts were collateral balances in the form of cash provided in respect of reverse repurchase agreements of £nil (2016: £8 million). These transactions were generally conducted under terms that are usual and customary for standard secured lending activities.

Impaired secured lending

The value of collateral is re-evaluated and its legal soundness re-assessed if there is observable evidence of distress of the borrower; this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt.

At 31 December 2017, impaired secured commercial lending amounted to £698 million, net of an impairment allowance of £242 million (2016: £204 million, net of an impairment allowance of £401 million). The fair value of the collateral held in respect of impaired secured commercial lending was £797 million (2016: £1,160 million). In determining the fair value of collateral, no specific amounts have been attributed to the costs of realisation. For the purposes of determining the total collateral held by the Group in respect of impaired secured commercial lending, the value of collateral for each loan has been limited to the principal amount of the outstanding advance in order to eliminate the effects of any over-collateralisation and to provide a clearer representation of the Group's exposure.

Impaired secured commercial lending and associated collateral relates to lending to property companies and to customers in the financial, business and other services; transport, distribution and hotels; and construction industries.

Unimpaired secured lending

Unimpaired secured commercial lending amounted to £48,120 million (2016: £36,275 million).

F-84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 51: FINANCIAL RISK MANAGEMENT continued

For unimpaired secured commercial lending, the Group reports assets gross of collateral and therefore discloses the maximum loss exposure. The Group believes that this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state.

Unimpaired secured commercial lending is predominantly managed on a cash flow basis. On occasion, it may include an assessment of underlying collateral, although, for impaired lending, this will not always involve assessing it on a fair value basis. No aggregated collateral information for the entire unimpaired secured commercial lending portfolio is provided to key management personnel.

TRADING AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (EXCLUDING EQUITY SHARES)

Included in trading and other financial assets at fair value through profit or loss are reverse repurchase agreements treated as collateralised loans with a carrying value of £31,590 million (2016: £33,079 million). Collateral is held with a fair value of £39,099 million (2016: £30,850 million), all of which the Group is able to repledge. At 31 December 2017, £31,281 million had been repledged (2016: £27,303 million).

In addition, securities held as collateral in the form of stock borrowed amounted to £61,469 million (2016: £47,816 million). Of this amount, £44,432 million (2016: £16,204 million) had been resold or repledged as collateral for the Group's own transactions.

These transactions were generally conducted under terms that are usual and customary for standard secured lending activities.

DERIVATIVE ASSETS, AFTER OFFSETTING OF AMOUNTS UNDER MASTER NETTING ARRANGEMENTS

The Group reduces exposure to credit risk by using master netting agreements and by obtaining collateral in the form of cash or highly liquid securities. In respect of the net derivative assets after offsetting of amounts under master netting arrangements of £12,785 million (2016: £17,599 million), cash collateral of £5,419 million (2016: £6,472 million) was held.

IRREVOCABLE LOAN COMMITMENTS AND OTHER CREDIT-RELATED CONTINGENCIES

At 31 December 2017, the Group held irrevocable loan commitments and other credit-related contingencies of £63,237 million (2016: £66,240 million). Collateral is held as security, in the event that lending is drawn down, on £10,956 million (2016: £10,053 million) of these balances.

COLLATERAL REPOSSESSED

During the year, £297 million of collateral was repossessed (2016: £241 million), consisting primarily of residential property.

In respect of retail portfolios, the Group does not take physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations. In certain circumstances the Group takes physical possession of assets held as collateral against commercial lending. In such cases, the assets are carried on the Group's balance sheet and are classified according to the Group's accounting policies.

E. Collateral pledged as security

The Group pledges assets primarily for repurchase agreements and securities lending transactions which are generally conducted under terms that are usual and customary for standard securitised borrowing contracts.

REPURCHASE TRANSACTIONS

DEPOSITS FROM BANKS

Included in deposits from banks are balances arising from repurchase transactions of £23,175 million (2016: £7,279 million); the fair value of the collateral provided under these agreements at 31 December 2017 was £23,082 million (2016: £8,395 million).

CUSTOMER DEPOSITS

Included in customer deposits are balances arising from repurchase transactions of £2,638 million (2016: £2,462 million); the fair value of the collateral provided under these agreements at 31 December 2017 was £2,640 million (2016: £2,277 million).

TRADING AND OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of collateral pledged in respect of repurchase transactions, accounted for as secured borrowing, where the secured party is permitted by contract or custom to repledge was £48,765 million (2016: £45,702 million).

SECURITIES LENDING TRANSACTIONS

The following on balance sheet financial assets have been lent to counterparties under securities lending transactions:

	2017	2016
	£m	£m
Trading and other financial assets at fair value through profit or loss	**6,622**	6,991
Loans and advances to customers	**197**	583
Available-for-sale financial assets	**2,608**	3,206
	9,427	10,780

SECURITISATIONS AND COVERED BONDS

In addition to the assets detailed above, the Group also holds assets that are encumbered through the Group's asset-backed conduits and its securitisation and covered bond programmes. Further details of these assets are provided in notes 18 and 19.

Liquidity risk

Liquidity risk is defined as the risk that the Group has insufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Liquidity risk is managed through a series of measures, tests and reports that are primarily based on contractual maturity. The Group carries out monthly stress testing of its liquidity position against a range of scenarios, including those prescribed by the PRA. The Group's liquidity risk appetite is also calibrated against a number of stressed liquidity metrics.

F-85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 51: FINANCIAL RISK MANAGEMENT continued

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining contractual period at the balance sheet date; balances with no fixed maturity are included in the over 5 years category. Certain balances, included in the table below on the basis of their residual maturity, are repayable on demand upon payment of a penalty.

MATURITIES OF ASSETS AND LIABILITIES

	Up to 1 month £m	**1-3 months £m**	**3-6 months £m**	**6-9 months £m**	**9-12 months £m**	**1-2 years £m**	**2-5 years £m**	**Over 5 years £m**	**Total £m**
At 31 December 2017									
Assets									
Cash and balances at central banks	**58,519**	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**58,521**
Trading and other financial assets at fair value through profit or loss	**11,473**	**13,345**	**4,858**	**2,781**	**1,056**	**2,655**	**5,341**	**121,369**	**162,878**
Derivative financial instruments	**449**	**601**	**763**	**451**	**503**	**965**	**2,763**	**19,339**	**25,834**
Loans and advances to banks	**3,104**	**314**	**190**	**190**	**192**	**131**	**2,405**	**85**	**6,611**
Loans and advances to customers	**28,297**	**15,953**	**13,585**	**11,881**	**10,482**	**29,340**	**70,967**	**291,993**	**472,498**
Debt securities held as loans and receivables	**10**	**29**	**–**	**–**	**7**	**350**	**2,775**	**472**	**3,643**
Available-for-sale financial assets	**59**	**365**	**286**	**1,025**	**265**	**3,040**	**15,366**	**21,692**	**42,098**
Other assets	**3,807**	**897**	**414**	**1,170**	**854**	**725**	**5,618**	**26,541**	**40,026**
Total assets	**105,718**	**31,506**	**20,096**	**17,498**	**13,359**	**37,206**	**105,235**	**481,491**	**812,109**
Liabilities									
Deposits from banks	**2,810**	**2,318**	**1,885**	**87**	**28**	**–**	**22,378**	**298**	**29,804**
Customer deposits	**366,778**	**18,821**	**10,615**	**5,524**	**5,074**	**7,823**	**2,986**	**503**	**418,124**
Derivative financial instruments, trading and other financial liabilities at fair value through profit or loss	**19,215**	**16,932**	**4,933**	**3,419**	**948**	**1,961**	**4,298**	**25,295**	**77,001**
Debt securities in issue	**3,248**	**6,014**	**4,431**	**3,506**	**2,902**	**6,333**	**25,669**	**20,347**	**72,450**
Liabilities arising from insurance and investment contracts	**1,898**	**2,003**	**2,484**	**2,466**	**2,425**	**8,532**	**21,842**	**77,210**	**118,860**
Other liabilities	**4,229**	**2,805**	**239**	**2,216**	**1,894**	**1,498**	**1,933**	**13,991**	**28,805**
Subordinated liabilities	**–**	**202**	**1,588**	**–**	**570**	**574**	**3,983**	**11,005**	**17,922**

Total liabilities	**398,178**	**49,095**	**26,175**	**17,218**	**13,841**	**26,721**	**83,089**	**148,649**	**762,966**
At 31 December 2016									
Assets									
Cash and balances at central banks	47,446	2	4	–	–	–	–	–	47,452
Trading and other financial assets at fair value through profit or loss	20,168	14,903	7,387	2,914	817	1,680	6,011	97,294	151,174
Derivative financial instruments	956	1,700	1,393	786	651	2,230	4,165	24,257	36,138
Loans and advances to banks	9,801	6,049	3,894	1,201	867	1,281	3,692	117	26,902
Loans and advances to customers	20,179	10,651	14,235	12,400	10,773	26,007	69,300	294,413	457,958
Debt securities held as loans and receivables	8	–	–	242	–	–	34	3,113	3,397
Available-for-sale financial assets	127	259	73	637	222	1,887	16,080	37,239	56,524
Other assets	5,025	583	584	1,560	1,059	1,846	4,808	22,783	38,248
Total assets	103,710	34,147	27,570	19,740	14,389	34,931	104,090	479,216	817,793
Liabilities									
Deposits from banks	3,772	2,779	1,062	503	13	43	7,859	353	16,384
Customer deposits	347,753	18,936	8,961	10,482	8,477	13,859	6,430	562	415,460
Derivative financial instruments, trading and other financial liabilities at fair value through profit or loss	18,381	19,640	8,779	1,696	1,179	3,843	5,575	30,335	89,428
Debt securities in issue	4,065	8,328	6,433	4,158	1,224	6,939	25,020	20,147	76,314
Liabilities arising from insurance and investment contracts	1,583	2,190	2,737	2,463	2,377	8,588	19,971	74,593	114,502
Other liabilities	3,282	2,266	1,213	2,164	1,440	413	3,087	23,544	37,409
Subordinated liabilities	–	390	161	393	–	1,750	4,527	12,610	19,831
Total liabilities	378,836	54,529	29,346	21,859	14,710	35,435	72,469	162,144	769,328

The above tables are provided on a contractual basis. The Group’s assets and liabilities may be repaid or otherwise mature earlier or later than implied by their contractual terms and readers are, therefore, advised to use caution when using this data to evaluate the Group’s liquidity position. In particular, amounts in respect of customer deposits are usually contractually payable on demand or at short notice. However, in practice, these deposits are not usually withdrawn on their contractual maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 51: FINANCIAL RISK MANAGEMENT continued

The table below analyses financial instrument liabilities of the Group, excluding those arising from insurance and participating investment contracts, on an undiscounted future cash flow basis according to contractual maturity, into relevant maturity groupings based on the remaining period at the balance sheet date; balances with no fixed maturity are included in the over 5 years category.

	Up to 1 month £m	1-3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
At 31 December 2017						
Deposits from banks	2,516	3,545	2,096	21,498	660	30,315
Customer deposits	367,103	18,854	21,308	11,198	2,375	420,838
Trading and other financial liabilities at fair value through profit or loss	21,286	14,424	6,499	4,251	13,044	59,504
Debt securities in issue	3,444	6,331	12,562	36,999	23,923	83,259
Liabilities arising from non-participating investment contracts	15,447	–	–	–	–	15,447
Subordinated liabilities	231	454	2,907	7,170	19,164	29,926
Total non-derivative financial liabilities	410,027	43,608	45,372	81,116	59,166	639,289
Derivative financial liabilities:						
Gross settled derivatives – outflows	23,850	31,974	24,923	43,444	30,605	154,796
Gross settled derivatives – inflows	(23,028)	(30,972)	(23,886)	(43,523)	(32,065)	(153,474)
Gross settled derivatives – net flows	822	1,002	1,037	(79)	(1,460)	1,322
Net settled derivatives liabilities	17,425	128	776	974	2,795	22,098
Total derivative financial liabilities	18,247	1,130	1,813	895	1,335	23,420
At 31 December 2016						
Deposits from banks	3,686	4,154	1,541	5,883	1,203	16,467
Customer deposits	347,573	19,151	28,248	20,789	1,294	417,055
Trading and other financial liabilities at fair value through profit or loss	14,390	19,718	11,845	1,938	13,513	61,404
Debt securities in issue	7,590	8,721	12,533	36,386	17,635	82,865
Liabilities arising from non-participating investment contracts	20,112	–	–	–	–	20,112
Subordinated liabilities	41	674	1,289	9,279	18,542	29,825
Total non-derivative financial liabilities	393,392	52,418	55,456	74,275	52,187	627,728
Derivative financial liabilities:						
Gross settled derivatives – outflows	33,128	24,088	25,366	52,925	36,462	171,969
Gross settled derivatives – inflows	(31,359)	(22,401)	(23,510)	(49,239)	(32,382)	(158,891)
Gross settled derivatives – net flows	1,769	1,687	1,856	3,686	4,080	13,078
Net settled derivatives liabilities	21,669	117	620	1,167	3,020	26,593
Total derivative financial liabilities	23,438	1,804	2,476	4,853	7,100	39,671

The Group's financial guarantee contracts are accounted for as financial instruments and measured at fair value, upon initial recognition, on the balance sheet. The majority of the Group's financial guarantee contracts are callable on demand, were the guaranteed party to fail to meet its obligations. It is, however, expected that most guarantees will expire unused. The contractual nominal amounts of these guarantees totalled £5,820 million at 31 December 2017 (2016: £6,883 million) with £3,132 million expiring within one year; £627 million between one and three years; £1,471 million between three and five years; and £590 million over five years (2016: £3,815 million expiring within one year; £667 million between one and three years; £1,334 million between three and five years; and £1,067 million over five years).

The majority of the Group's non-participating investment contract liabilities are unit-linked. These unit-linked products are invested in accordance with unit fund mandates. Clauses are included in policyholder contracts to permit the deferral of sales, where necessary, so that linked assets can be realised without being a forced seller.

The principal amount for undated subordinated liabilities with no redemption option is included within the over five years column; interest of approximately £24 million (2016: £23 million) per annum which is payable in respect of those instruments for as long as they remain in issue is not included beyond five years.

F-87

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 51: FINANCIAL RISK MANAGEMENT continued

Further information on the Group's liquidity exposures is provided under *Funding and liquidity risk*.

Liabilities arising from insurance and participating investment contracts are analysed on a behavioural basis, as permitted by IFRS 4, as follows:

	Up to 1 month £m	1-3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
At 31 December 2017	**1,708**	**1,747**	**6,467**	**26,479**	**67,012**	**103,413**
At 31 December 2016	1,283	1,836	6,266	23,425	61,580	94,390

For insurance and participating investment contracts which are neither unit-linked nor in the Group's with-profit funds, in particular annuity liabilities, the aim is to invest in assets such that the cash flows on investments match those on the projected future liabilities.

The following tables set out the amounts and residual maturities of the Group's off balance sheet contingent liabilities and commitments.

	Up to 1 month £m	1-3 months £m	3-6 months £m	6-9 months £m	9-12 months £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
At 31 December 2017									
Acceptances and endorsements	**12**	**51**	**4**	**–**	**–**	**4**	**–**	**–**	**71**
Other contingent liabilities	**392**	**669**	**210**	**131**	**205**	**506**	**271**	**656**	**3,040**
Total contingent liabilities	**404**	**720**	**214**	**131**	**205**	**510**	**271**	**656**	**3,111**
Lending commitments	**66,964**	**3,137**	**5,966**	**5,525**	**11,440**	**17,374**	**15,106**	**3,913**	**129,425**
Other commitments	**19**	**–**	**–**	**38**	**–**	**46**	**71**	**210**	**384**
Total commitments	**66,983**	**3,137**	**5,966**	**5,563**	**11,440**	**17,420**	**15,177**	**4,123**	**129,809**
Total contingents and commitments	**67,387**	**3,857**	**6,180**	**5,694**	**11,645**	**17,930**	**15,448**	**4,779**	**132,920**

	Up to 1 month £m	1-3 months £m	3-6 months £m	6-9 months £m	9-12 months £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
At 31 December 2016									
Acceptances and endorsements	13	6	–	–	1	1	–	–	21
Other contingent liabilities	427	782	163	153	122	466	280	623	3,016
Total contingent liabilities	440	788	163	153	123	467	280	623	3,037
Lending commitments	48,210	3,546	5,276	4,783	11,628	17,212	18,775	4,090	113,520
Other commitments	–	3	–	41	1	79	122	402	648
Total commitments	48,210	3,549	5,276	4,824	11,629	17,291	18,897	4,492	114,168
Total contingents and commitments	48,650	4,337	5,439	4,977	11,752	17,758	19,177	5,115	117,205

NOTE 52: CONSOLIDATED CASH FLOW STATEMENT

(A) Change in operating assets

	2017 £m	2016 £m	2015 £m
Change in loans and receivables	**(24,747)**	710	6,081
Change in derivative financial instruments, trading and other financial assets at fair value through profit or loss	**9,916**	(13,889)	20,689
Change in other operating assets	**(661)**	961	7,930
Change in operating assets	**(15,492)**	(12,218)	34,700

(B) Change in operating liabilities

	2017 £m	2016 £m	2015 £m
Change in deposits from banks	**13,415**	(654)	6,107
Change in customer deposits	**2,913**	(3,690)	(4,252)
Change in debt securities in issue	**(3,600)**	(6,552)	5,657
Change in derivative financial instruments, trading and other liabilities at fair value through profit or loss	**(12,481)**	11,265	(16,924)
Change in investment contract liabilities	**(4,665)**	(2,665)	(3,922)
Change in other operating liabilities	**136**	(363)	1,349
Change in operating liabilities	**(4,282)**	(2,659)	(11,985)

F-88

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 52: CONSOLIDATED CASH FLOW STATEMENT continued

(C) Non-cash and other items

	2017 £m	2016 £m	2015 £m
Depreciation and amortisation	2,370	2,380	2,112
Revaluation of investment properties	(230)	83	(416)
Allowance for loan losses	691	592	441
Write-off of allowance for loan losses, net of recoveries	(1,061)	(1,272)	(3,467)
Impairment of available-for-sale financial assets	6	173	4
Change in insurance contract liabilities	9,168	14,084	(2,856)
Payment protection insurance provision	1,300	1,350	4,000
Other regulatory provisions	865	1,085	837
Other provision movements	(17)	(40)	337
Net charge (credit) in respect of defined benefit schemes	369	287	315
Impact of consolidation and deconsolidation of OEICs[1]	–	(3,157)	(5,978)
Unwind of discount on impairment allowances	(23)	(32)	(56)
Foreign exchange impact on balance sheet[2]	125	(155)	507
Loss on ECN transactions	–	721	–
Interest expense on subordinated liabilities	1,436	1,864	1,970
Loss (profit) on disposal of businesses	–	–	46
Net gain on sale of available-for-sale financial assets	(446)	(575)	(51)
Hedging valuation adjustments on subordinated debt	(327)	153	(162)
Value of employee services	414	309	279
Transactions in own shares	(411)	(175)	(816)
Accretion of discounts and amortisation of premiums and issue costs	1,701	465	339
Share of post-tax results of associates and joint ventures	(6)	1	3
Transfers to income statement from reserves	(650)	(557)	(956)
Profit on disposal of tangible fixed assets	(120)	(93)	(51)
Other non-cash items	–	(17)	(11)
Total non-cash items	15,154	17,474	(3,630)
Contributions to defined benefit schemes	(587)	(630)	(433)
Payments in respect of payment protection insurance provision	(1,657)	(2,200)	(3,091)
Payments in respect of other regulatory provisions	(928)	(761)	(661)
Other	–	2	7
Total other items	(3,172)	(3,589)	(4,178)
Non-cash and other items	11,982	13,885	(7,808)

1 These OEICs (Open-ended investment companies) are mutual funds which are consolidated if the Group manages the funds and also has a sufficient beneficial interest. The population of OEICs to be consolidated varies at each reporting date as external investors acquire and divest holdings in the various funds. The consolidation of these funds

is effected by the inclusion of the fund investments and a matching liability to the unitholders; and changes in funds consolidated represent a non-cash movement on the balance sheet.

2 When considering the movement on each line of the balance sheet, the impact of foreign exchange rate movements is removed in order to show the underlying cash impact.

(D) Analysis of cash and cash equivalents as shown in the balance sheet

	2017 £m	2016 £m	2015 £m
Cash and balances at central banks	**58,521**	47,452	58,417
Less: mandatory reserve deposits[1]	**(957)**	(914)	(941)
	57,564	46,538	57,476
Loans and advances to banks	**6,611**	26,902	25,117
Less: amounts with a maturity of three months or more	**(3,193)**	(11,052)	(10,640)
	3,418	15,850	14,477
Total cash and cash equivalents	**60,982**	62,388	71,953

1 Mandatory reserve deposits are held with local central banks in accordance with statutory requirements; these deposits are not available to finance the Group’s day-to-day operations.

Included within cash and cash equivalents at 31 December 2017 is £2,322 million (2016: £14,475 million; 2015: £13,545 million) held within the Group’s long-term insurance and investments businesses, which is not immediately available for use in the business.

F-89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 52: CONSOLIDATED CASH FLOW STATEMENT continued

(E) Acquisition of group undertakings and businesses

	2017 £m	2016 £m	2015 £m
Net assets acquired:			
Cash and cash equivalents	**123**	–	–
Loans and receivables: Loans and advances to customers	**7,811**	–	–
Available-for-sale financial assets	**16**	–	–
Intangible assets	**702**	–	–
Property, plant and equipment	**6**	–	–
Other assets	**414**	–	–
Deposits from banks[1]	**(6,431)**	–	–
Other liabilities	**(927)**	–	–
Goodwill arising on acquisition	**302**	–	–
Cash consideration	**2,016**	–	–
Less: Cash and cash equivalents acquired	**(123)**	–	–
Net cash outflow arising from acquisition of MBNA	**1,893**	–	–
Acquisition of and additional investment in joint ventures	**30**	20	5
Net cash outflow from acquisitions in the year	**1,923**	20	5

1 Upon acquisition, the funding of MBNA was assumed by Lloyds Bank plc.

(F) Disposal and closure of group undertakings and businesses

	2017 £m	2016 £m	2015 £m
Trading and other assets at fair value through profit or loss	**–**	–	3,420
Loans and advances to customers	**342**	–	21,333
Loans and advances to banks	**–**	–	5,539
Available-for-sale financial assets	**–**	–	654
Value of in-force business	**–**	–	60
Property, plant and equipment	**–**	–	150
	342	–	31,156
Customer deposits	**–**	–	(24,613)
Debt securities in issue	**–**	–	(9)
Liabilities arising from insurance contracts and participating investment contracts	**–**	–	(3,828)

Liabilities arising from non-participating investment contracts	**–**	–	(549)
Non-controlling interests	**(242)**	–	(825)
Other net assets (liabilities)	**29**	5	(314)
	(213)	5	(30,138)
Net assets	**129**	5	1,018
Non-cash consideration received	**–**	–	–
(Loss) profit on sale	**–**	–	(46)
Cash consideration received on losing control of group undertakings and businesses	**129**	5	972
Cash and cash equivalents disposed	**–**	–	(5,043)
Net cash inflow (outflow)	**129**	5	(4,071)

NOTE 53: EVENTS SINCE THE BALANCE SHEET DATE

The Group intends to implement a share buyback of up to £1 billion. This represents the return to shareholders of capital surplus to that required to provide capacity for growth, meet regulatory requirements and cover uncertainties. The share buyback programme will commence in March 2018 and is expected to be completed during the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 54: FUTURE ACCOUNTING DEVELOPMENTS

The following pronouncements are not applicable for the year ending 31 December 2017 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Group and reliable estimates cannot be made at this stage.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Group has chosen 1 January 2018 as its initial application date of IFRS 9 and has not restated comparative periods.

CLASSIFICATION AND MEASUREMENT

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

In October 2017 the IASB issued an Amendment to IFRS 9, 'Prepayment Features with Negative Compensation' which has an effective date of 1 January 2019. This Amendment changes the requirements of IFRS 9 so that certain prepayment features meet the solely payments of principal and interest test. The Group has some loans in its Commercial Banking division that have these features and so the Group has decided to apply the Amendment in 2018 in order to avoid further changes to accounting for financial assets in 2019.

IMPAIRMENT

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees not measured at fair value through profit or loss.

IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions.

The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39, and then a lifetime expected loss allowance is recognised.

IFRS 9 requires the use of more forward looking information including reasonable and supportable forecasts of future economic conditions. The need to consider a range of economic scenarios and how they could impact the loss allowance is a subjective feature of the IFRS 9 ECL model. The Group has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL reflects an appropriate distribution of economic outcomes.

For all material portfolios, IFRS 9 ECL calculation will leverage the systems, data and methodology used to calculate regulatory 'expected losses'. The definition of default for IFRS 9 purposes will be aligned to the Basel definition of default to ensure consistency across the Group. IFRS 9 models will use three key input parameters for the computation of expected loss, being probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). However, given the conservatism inherent in the regulatory expected losses calculation and some differences in the period over which risk parameters are measured, some adjustments to these components have been made to ensure compliance with IFRS 9.

IMPACT ON 31 DECEMBER 2017 BALANCE SHEET

It is estimated that the new impairment methodology will result in higher impairment provisions of approximately £1.3 billion, predominantly for loans and advances to customers, recognised on the Group's balance sheet. The re-classification and measurement of assets under IFRS 9 also results in a reduction to the carrying value of financial assets of approximately £0.2 billion gross of tax, mainly as a result of transferring assets managed by the Insurance division to fair value through profit or loss. The total net of tax impact on shareholders' equity is a reduction of approximately £1.2 billion.

The ongoing impact on the financial results will only become clearer after running the IFRS 9 credit risk models over a period of time and under different economic environments, however, it could result in impairment charges being more volatile when compared to the current IAS 39 impairment model, due to the forward looking nature of expected credit losses.

HEDGE ACCOUNTING

The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach than IAS 39. The standard does not address macro hedge accounting, which is being considered in a separate IASB project. There is an option to retain the existing IAS 39 hedge accounting requirements until the IASB completes its project on macro hedging. The Group expects to continue applying IAS 39 hedge accounting in accordance with this accounting policy choice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 54: FUTURE ACCOUNTING DEVELOPMENTS continued

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for annual periods beginning on or after 1 January 2018.

The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

In nearly all cases the Group's current accounting policy is consistent with the requirements of IFRS 15, however, certain income streams within the Group's car leasing business will be deferred with effect from 1 January 2018. This results in an additional £14 million being recognised as deferred income at 1 January 2018 and a corresponding debit of £11 million, net of tax, to shareholders' equity; as permitted by the transition options under IFRS 15 comparative figures for the prior year have not been restated.

IFRS 16 Leases

IFRS 16 replaces IAS 17 'Leases' and is effective for annual periods beginning on or after 1 January 2019.

IFRS 16 requires lessees to recognise a right of use asset and a liability for future payments arising from a lease contract. Lessees will recognise a finance charge on the liability and a depreciation charge on the asset which could affect the timing of the recognition of expenses on leased assets. This change will mainly impact the properties that the Group currently accounts for as operating leases. Finance systems will need to be changed to reflect the new accounting rules and disclosures. Lessor accounting requirements remain aligned to the current approach under IAS 17.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 'Insurance Contracts' and is effective for annual periods beginning on or after 1 January 2021.

IFRS 17 requires insurance contracts and participating investment contracts to be measured on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. Changes to estimates of future cash flows from one reporting date to another are recognised either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it. The effects of some changes in discount rates can either be recognised in profit or loss or in other comprehensive income as an accounting policy choice. The risk adjustment is released to profit and loss as an insurer's risk reduces. Profits which are currently recognised through a Value in Force asset, will no longer be recognised at inception of an insurance contract. Instead, the expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

The standard will have a significant impact on the accounting for the insurance and participating investment contracts issued by the Group.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 (including IFRS 2 Share-based Payment and IAS 40 Investment Property) and effective 1 January 2019 (including IAS 19 Employee Benefits, IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Group.

F-92

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 55: PARENT COMPANY DISCLOSURES

A COMPANY INCOME STATEMENT

	2017	2016	2015
	£ million	£ million	£ million
Net interest (expense) income	**(121)**	66	276
Other income	**2,792**	3,618	983
Total income	**2,671**	3,684	1,259
Operating expenses	**(255)**	(221)	(290)
Profit on ordinary activities before tax	**2,416**	3,463	969
Tax expense	**(17)**	(328)	(72)
Profit for the year	**2,399**	3,135	897
Profit attributable to ordinary shareholders	**1,984**	2,723	503
Profit attributable to other equity holders[1]	**415**	412	394
Profit for the year	**2,399**	3,135	897

1 The profit after tax attributable to other equity holders of £415 million (2016: £412 million; 2015: £394 million) is offset in reserves by a tax credit attributable to ordinary shareholders of £79 million (2016: £82 million; 2015: £80 million).

B COMPANY BALANCE SHEET

	2017	2016
	£ million	£ million
Assets		
Non-current assets:		
Investment in subsidiaries	**44,863**	44,188
Loans to subsidiaries	**14,379**	6,912
Deferred tax assets	**22**	38
	59,264	51,138
Current assets:		
Derivative financial instruments	**265**	461
Other assets	**961**	959
Amounts due from subsidiaries	**47**	67
Cash and cash equivalents	**272**	42
Current tax recoverable	**724**	465
	2,269	1,994
Total assets	**61,533**	53,132

Equity and liabilities		
Capital and reserves:		
Share capital	**7,197**	7,146
Share premium account	**17,634**	17,622
Merger reserve	**7,423**	7,423
Capital redemption reserve	**4,115**	4,115
Retained profits	**1,500**	1,584
Shareholders’ equity	**37,869**	37,890
Other equity instruments	**5,355**	5,355
Total equity	**43,224**	43,245
Non-current liabilities:		
Debt securities in issue	**10,886**	2,455
Subordinated liabilities	**3,993**	4,329
	14,879	6,784
Current liabilities:		
Derivative financial instruments	**327**	–
Other liabilities	**3,103**	3,103
	3,430	3,103
Total liabilities	**18,309**	9,887
Total equity and liabilities	**61,533**	53,132

F-93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 55: PARENT COMPANY DISCLOSURES continued

C COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital and premium	Merger reserve	Capital redemption reserve	Retained profits[1]	Total shareholders' equity	Other equity instruments	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 1 January 2015	24,427	7,764	4,115	1,720	38,026	5,355	43,381
Total comprehensive income[1]	–	–	–	897	897	–	897
Dividends paid	–	–	–	(1,070)	(1,070)	–	(1,070)
Distributions on other equity instruments, net of tax	–	–	–	(314)	(314)	–	(314)
Redemption of preference shares	131	(131)	–	–	–	–	–
Movement in treasury shares	–	–	–	(753)	(753)	–	(753)
Value of employee services:							
Share option schemes	–	–	–	133	133	–	133
Other employee award schemes	–	–	–	172	172	–	172
Balance at 31 December 2015	24,558	7,633	4,115	785	37,091	5,355	42,446
Total comprehensive income[1]	–	–	–	3,135	3,135	–	3,135
Dividends paid	–	–	–	(2,014)	(2,014)	–	(2,014)
Distributions on other equity instruments, net of tax	–	–	–	(330)	(330)	–	(330)
Redemption of preference shares	210	(210)	–	–	–	–	–
Movement in treasury shares	–	–	–	(301)	(301)	–	(301)
Value of employee services:							
Share option schemes	–	–	–	141	141	–	141
Other employee award schemes	–	–	–	168	168	–	168
Balance at 31 December 2016	24,768	7,423	4,115	1,584	37,890	5,355	43,245
Total comprehensive income[1]	**–**	**–**	**–**	**2,399**	**2,399**	**–**	**2,399**
Dividends paid	**–**	**–**	**–**	**(2,284)**	**(2,284)**	**–**	**(2,284)**
Distributions on other equity instruments, net of tax	**–**	**–**	**–**	**(336)**	**(336)**	**–**	**(336)**
Issue of ordinary shares	**63**	**–**	**–**	**–**	**63**	**–**	**63**
Movement in treasury shares	**–**	**–**	**–**	**(277)**	**(277)**	**–**	**(277)**
Value of employee services:							
Share option schemes	**–**	**–**	**–**	**82**	**82**	**–**	**82**
Other employee award schemes	**–**	**–**	**–**	**332**	**332**	**–**	**332**
Balance at 31 December 2017	**24,831**	**7,423**	**4,115**	**1,500**	**37,869**	**5,355**	**43,224**

1 Total comprehensive income comprises only the profit (loss) for the year.
F-94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 55: PARENT COMPANY DISCLOSURES continued

D COMPANY CASH FLOW STATEMENT

	2017	2016	2015
	£ million	£ million	£ million
Profit before tax	**2,416**	3,463	969
Fair value and exchange adjustments and other non-cash items	**495**	1,986	(1,357)
Change in other assets	**18**	(50)	(566)
Change in other liabilities and other items	**8,431**	(8,392)	458
Dividends received	**(2,650)**	(3,759)	(1,080)
Distributions on other equity instruments received	**(292)**	(119)	–
Tax (paid) received	**(197)**	(679)	(142)
Net cash provided by (used in) operating activities	**8,221**	(7,550)	(1,718)
Cash flows from investing activities			
Return of capital contribution	**77**	441	600
Dividends received	**2,650**	3,759	1,080
Distributions on other equity instruments received	**292**	119	–
Capital injection to Lloyds Bank plc	**–**	(3,522)	–
Acquisition of subsidiaries	**(320)**	–	–
Amounts advanced to subsidiaries	**(8,476)**	(4,978)	(1,157)
Redemption of loans to subsidiaries	**475**	13,166	570
Interest received on loans to subsidiaries	**244**	496	763
Net cash (used in) provided by investing activities	**(5,058)**	9,481	1,856
Cash flows from financing activities			
Dividends paid to ordinary shareholders	**(2,284)**	(2,014)	(1,070)
Distributions on other equity instruments	**(415)**	(412)	(394)
Issue of subordinated liabilities	**–**	1,061	1,436
Interest paid on subordinated liabilities	**(248)**	(229)	(129)
Repayment of subordinated liabilities	**–**	(319)	(152)
Proceeds from issue of ordinary shares	**14**	–	–
Net cash provided by financing activities	**(2,933)**	(1,913)	(309)
Change in cash and cash equivalents	**230**	18	(171)
Cash and cash equivalents at beginning of year	**42**	24	195
Cash and cash equivalents at end of year	**272**	42	24

E INTERESTS IN SUBSIDIARIES

The principal subsidiaries, all of which have prepared accounts to 31 December and whose results are included in the consolidated accounts of Lloyds Banking Group plc, are:

	Country of registration/ Incorporation	Percentage of equity share capital and voting rights held	Nature of business
Lloyds Bank plc	England	100%	Banking and financial services
Scottish Widows Limited	Scotland	100%[1]	Life assurance
HBOS plc	Scotland	100%[1]	Holding company
Bank of Scotland plc	Scotland	100%[1]	Banking and financial services

1 Indirect interest.

The principal area of operation for each of the above subsidiaries is the United Kingdom.

F-95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Company owns 100 per cent of the share capital of Lloyds Bank plc (Lloyds Bank), which intends to offer and sell certain securities in the US from time to time utilising a registration statement on Form F-3 filed with the SEC by the Company. This will be accompanied by a full and unconditional guarantee by the Company.

Lloyds Bank intends to utilise an exception provided in Rule 3-10 of Regulation S-X, which allows it to not file its financial statements with the SEC. In accordance with the requirements to qualify for the exception, presented below is condensed consolidating financial information for:

– The Company on a stand-alone basis as guarantor;

– Lloyds Bank on a stand-alone basis as issuer;

– Non-guarantor subsidiaries of the Company and Lloyds Bank on a combined basis (Subsidiaries);

– Consolidation adjustments; and

– Lloyds Banking Group's consolidated amounts (the Group).

Under IAS 27, the Company and Lloyds Bank account for investments in their subsidiary undertakings at cost less impairment. Rule 3-10 of Regulation S-X requires a company to account for its investments in subsidiary undertakings using the equity method, which would increase/(decrease) the results of the Company and Lloyds Bank in the information below by £1,408 million and £(1,140) million, respectively, for the year ended 31 December 2017; by £(1,072) million and £(851) million, respectively, for the year ended 31 December 2016; and by £(37) million and £(10,248) million, respectively, for the year ended 31 December 2015. The net assets of the Company and Lloyds Bank in the information below would also be increased/(decreased) by £5,682 million and £(9,962) million, respectively, at 31 December 2017; and by £4,780 million and £(8,268) million, respectively, at 31 December 2016.

INCOME STATEMENTS

For the year ended 31 December 2017	**Company £m**	**Lloyds Bank £m**	**Subsidiaries £m**	**Consolidation adjustments £m**	**Group £m**
Net interest (expense) income	**(121)**	**5,829**	**5,360**	**(156)**	**10,912**
Other income	**2,792**	**7,642**	**22,553**	**(9,662)**	**23,325**
Total income	**2,671**	**13,471**	**27,913**	**(9,818)**	**34,237**
Insurance claims	**–**	**–**	**(15,578)**	**–**	**(15,578)**

Total income, net of insurance claims	**2,671**	**13,471**	**12,335**	**(9,818)**	**18,659**
Operating expenses	**(255)**	**(7,201)**	**(6,939)**	**2,049**	**(12,346)**
Trading surplus	**2,416**	**6,270**	**5,396**	**(7,769)**	**6,313**
Impairment	**–**	**(462)**	**(281)**	**55**	**(688)**
Profit before tax	**2,416**	**5,808**	**5,115**	**(7,714)**	**5,625**
Taxation	**(17)**	**(529)**	**(1,153)**	**(29)**	**(1,728)**
Profit for the year	**2,399**	**5,279**	**3,962**	**(7,743)**	**3,897**

For the year ended 31 December 2016	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Net interest income	66	4,883	4,661	(336)	9,274
Other income	3,618	5,489	30,349	(9,119)	30,337
Total income	3,684	10,372	35,010	(9,455)	39,611
Insurance claims	–	–	(22,344)	–	(22,344)
Total income, net of insurance claims	3,684	10,372	12,666	(9,455)	17,267
Operating expenses	(221)	(7,722)	(6,380)	1,696	(12,627)
Trading surplus	3,463	2,650	6,286	(7,759)	4,640
Impairment	–	(620)	(239)	107	(752)
Profit before tax	3,463	2,030	6,047	(7,652)	3,888
Taxation	(328)	(77)	(1,815)	496	(1,724)
Profit for the year	3,135	1,953	4,232	(7,156)	2,164

F-96

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

For the year ended 31 December 2015	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Net interest income	276	4,170	7,129	(257)	11,318
Other income	983	16,057	10,035	(15,243)	11,832
Total income	1,259	20,227	17,164	(15,500)	23,150
Insurance claims	–	–	(5,729)	–	(5,729)
Total income, net of insurance claims	1,259	20,227	11,435	(15,500)	17,421
Operating expenses	(290)	(8,994)	(6,948)	845	(15,387)
Trading surplus	969	11,233	4,487	(14,655)	2,034
Impairment	–	(265)	(222)	97	(390)
Profit before tax	969	10,968	4,265	(14,558)	1,644
Taxation	(72)	(57)	(803)	244	(688)
Profit for the year	897	10,911	3,462	(14,314)	956

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2017	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Profit (loss) for the year	**2,399**	**5,279**	**3,962**	**(7,743)**	**3,897**
Other comprehensive income					
Items that will not subsequently be reclassified to profit or loss:					
Post–retirement defined benefit scheme remeasurements:					
Remeasurements before taxation	**–**	**442**	**186**	**–**	**628**
Taxation	**–**	**(110)**	**(36)**	**–**	**(146)**
	–	**332**	**150**	**–**	**482**
Gains and losses attributable to own credit risk:					
Gains (losses) before taxation	**–**	**(55)**	**–**	**–**	**(55)**
Taxation	**–**	**15**	**–**	**–**	**15**
	–	**(40)**	**–**	**–**	**(40)**
Items that may subsequently be reclassified to profit or loss:					
Movements in revaluation reserve in respect of available-for-sale financial assets:					
Change in fair value	**–**	**231**	**38**	**34**	**303**
Income statement transfers in respect of disposals	**–**	**(333)**	**(131)**	**18**	**(446)**
Income statement transfers in respect of impairment	**–**	**–**	**9**	**(3)**	**6**
Taxation	**–**	**46**	**17**	**–**	**63**
	–	**(56)**	**(67)**	**49**	**(74)**

Movements in cash flow hedging reserve:					
Effective portion of changes in fair value	**–**	**15**	**(136)**	**(242)**	**(363)**
Net income statement transfers	**–**	**(436)**	**46**	**(261)**	**(651)**
Taxation	**–**	**130**	**23**	**130**	**283**
	–	**(291)**	**(67)**	**(373)**	**(731)**
Currency translation differences (tax: nil)	**–**	**(5)**	**(27)**	**–**	**(32)**
Other comprehensive income for the year, net of tax	**–**	**(60)**	**(11)**	**(324)**	**(395)**
Total comprehensive income for the year	**2,399**	**5,219**	**3,951**	**(8,067)**	**3,502**
Total comprehensive income attributable to ordinary shareholders	**1,984**	**4,946**	**3,740**	**(7,673)**	**2,997**
Total comprehensive income attributable to other equity holders	**415**	**273**	**121**	**(394)**	**415**
Total comprehensive income attributable to equity holders	**2,399**	**5,219**	**3,861**	**(8,067)**	**3,412**
Total comprehensive income attributable to non-controlling interests	**–**	**–**	**90**	**–**	**90**
Total comprehensive income for the year	**2,399**	**5,219**	**3,951**	**(8,067)**	**3,502**

F-97

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

For the year ended 31 December 2016	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Profit (loss) for the year	3,135	1,953	4,232	(7,156)	2,164
Other comprehensive income					
Items that will not subsequently be reclassified to profit or loss:					
Post-retirement defined benefit scheme remeasurements:					
Remeasurements before taxation	–	(682)	(666)	–	(1,348)
Taxation	–	184	136	–	320
	–	(498)	(530)	–	(1,028)
Items that may subsequently be reclassified to profit or loss:					
Movements in revaluation reserve in respect of available-for-sale financial assets:					
Adjustment on transfer from held-to-maturity portfolio	–	1,544	–	–	1,544
Change in fair value	–	268	84	4	356
Income statement transfers in respect of disposals	–	(507)	(68)	–	(575)
Income statement transfers in respect of impairment	–	172	1	–	173
Taxation	–	(269)	(32)	–	(301)
	–	1,208	(15)	4	1,197
Movements in cash flow hedging reserve:					
Effective portion of changes in fair value	–	1,290	125	1,017	2,432
Net income statement transfers	–	(241)	(233)	(83)	(557)
Taxation	–	(258)	29	(237)	(466)
		791	(79)	697	1,409
Currency translation differences (tax: nil)	–	19	44	(67)	(4)
Other comprehensive income for the year, net of tax	–	1,520	(580)	634	1,574
Total comprehensive income for the year	3,135	3,473	3,652	(6,522)	3,738
Total comprehensive income attributable to ordinary shareholders	2,723	3,354	3,450	(6,302)	3,225
Total comprehensive income attributable to other equity holders	412	119	101	(220)	412
Total comprehensive income attributable to equity holders	3,135	3,473	3,551	(6,522)	3,637
Total comprehensive income attributable to non-controlling interests	–	–	101	–	101
Total comprehensive income for the year	3,135	3,473	3,652	(6,522)	3,738

F-98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

For the year ended 31 December 2015	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Profit (loss) for the year	897	10,911	3,462	(14,314)	956
Other comprehensive income					
Items that will not subsequently be reclassified to profit or loss:					
Post-retirement defined benefit scheme remeasurements:					
Remeasurements before taxation	–	31	(305)	–	(274)
Taxation	–	(1)	60	–	59
	–	30	(245)	–	(215)
Items that may subsequently be reclassified to profit or loss:					
Movements in revaluation reserve in respect of available-for-sale financial assets:					
Change in fair value	–	(300)	(27)	9	(318)
Income statement transfers in respect of disposals	–	(14)	(37)	–	(51)
Income statement transfers in respect of impairment	–	1	38	(35)	4
Taxation	–	(17)	2	9	(6)
	–	(330)	(24)	(17)	(371)
Movements in cash flow hedging reserve:					
Effective portion of changes in fair value	–	294	183	60	537
Net income statement transfers	–	(421)	(557)	22	(956)
Taxation	–	(76)	59	24	7
	–	(203)	(315)	106	(412)
Currency translation differences (tax: nil)	–	(13)	52	(81)	(42)
Other comprehensive income for the year, net of tax	–	(516)	(532)	8	(1,040)
Total comprehensive income for the year	897	10,395	2,930	(14,306)	(84)
Total comprehensive income attributable to ordinary shareholders	503	10,395	2,834	(14,306)	(574)
Total comprehensive income attributable to other equity holders	394	–	–	–	394
Total comprehensive income attributable to equity holders	897	10,395	2,834	(14,306)	(180)
Total comprehensive income attributable to non-controlling interests	–	–	96	–	96
Total comprehensive income for the year	897	10,395	2,930	(14,306)	(84)

F-99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

BALANCE SHEETS

At 31 December 2017	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Assets					
Cash and balances at central banks	–	55,835	2,686	–	58,521
Items in course of collection from banks	–	490	265	–	755
Trading and other financial assets at fair value through profit or loss	–	43,977	126,864	(7,963)	162,878
Derivative financial instruments	265	26,764	14,785	(15,980)	25,834
Loans and receivables:					
Loans and advances to banks	–	3,611	2,975	25	6,611
Loans and advances to customers	–	170,804	294,463	7,231	472,498
Debt securities	–	3,182	420	41	3,643
Due from fellow Lloyds Banking Group undertakings	14,698	180,772	119,914	(315,384)	–
Available-for-sale financial assets	–	42,566	1,582	(2,050)	42,098
Goodwill	–	–	2,332	(22)	2,310
Value of in-force business	–	–	4,590	249	4,839
Other intangible assets	–	1,415	345	1,075	2,835
Property, plant and equipment	–	3,252	9,526	(51)	12,727
Current tax recoverable	724	–	26	(734)	16
Deferred tax assets	22	1,995	2,285	(2,018)	2,284
Retirement benefit assets	–	673	69	(19)	723
Investment in subsidiary undertakings, including assets held for sale	44,863	40,500	–	(85,363)	–
Other assets	961	1,117	12,107	(648)	13,537
Total assets	61,533	576,953	595,234	(421,611)	812,109
Equity and liabilities					
Liabilities					
Deposits from banks	–	7,538	22,268	(2)	29,804
Customer deposits	–	234,397	183,830	(103)	418,124
Due to fellow Lloyds Banking Group undertakings	2,168	112,769	179,952	(294,889)	–
Items in course of transmission to banks	–	304	280	–	584
Trading and other financial liabilities at fair value through profit or loss	–	51,045	53	(221)	50,877
Derivative financial instruments	327	28,267	13,510	(15,980)	26,124
Notes in circulation	–	–	1,313	–	1,313
Debt securities in issue	10,886	66,249	15,847	(20,532)	72,450
	–	–	103,434	(21)	103,413

Liabilities arising from insurance contracts and participating investment contracts					
Liabilities arising from non-participating investment contracts	**–**	**–**	**15,447**	**–**	**15,447**
Other liabilities	**935**	**3,425**	**18,480**	**(2,110)**	**20,730**
Retirement benefit obligations	**–**	**143**	**134**	**81**	**358**
Current tax liabilities	**–**	**105**	**1,242**	**(1,073)**	**274**
Deferred tax liabilities	**–**	**–**	**779**	**(779)**	**–**
Other provisions	**–**	**2,593**	**2,865**	**88**	**5,546**
Subordinated liabilities	**3,993**	**9,341**	**8,288**	**(3,700)**	**17,922**
Total liabilities	**18,309**	**516,176**	**567,722**	**(339,241)**	**762,966**
Equity					
Shareholders' equity	**37,869**	**57,560**	**25,470**	**(77,348)**	**43,551**
Other equity instruments	**5,355**	**3,217**	**1,805**	**(5,022)**	**5,355**
Total equity excluding non-controlling interests	**43,224**	**60,777**	**27,275**	**(82,370)**	**48,906**
Non-controlling interests	**–**	**–**	**237**	**–**	**237**
Total equity	**43,224**	**60,777**	**27,512**	**(82,370)**	**49,143**
Total equity and liabilities	**61,533**	**576,953**	**595,234**	**(421,611)**	**812,109**

F-100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

At 31 December 2016	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Assets					
Cash and balances at central banks	–	44,595	2,857	–	47,452
Items in course of collection from banks	–	512	194	–	706
Trading and other financial assets at fair value through profit or loss	–	48,309	112,154	(9,289)	151,174
Derivative financial instruments	461	36,714	18,737	(19,774)	36,138
Loans and receivables:					
Loans and advances to banks	–	4,379	22,498	25	26,902
Loans and advances to customers	–	161,161	290,036	6,761	457,958
Debt securities	–	2,818	528	51	3,397
Due from fellow Lloyds Banking Group undertakings	7,021	152,260	104,314	(263,595)	–
Available-for-sale financial assets	–	55,122	3,274	(1,872)	56,524
Goodwill	–	–	2,343	(327)	2,016
Value of in-force business	–	–	4,761	281	5,042
Other intangible assets	–	893	314	474	1,681
Property, plant and equipment	–	3,644	9,263	65	12,972
Current tax recoverable	465	420	26	(883)	28
Deferred tax assets	38	2,286	1,503	(1,121)	2,706
Retirement benefit assets	–	254	86	2	342
Investment in subsidiary undertakings, including assets held for sale	44,188	38,757	–	(82,945)	–
Other assets	959	1,168	11,613	(985)	12,755
Total assets	53,132	553,292	584,501	(373,132)	817,793
Equity and liabilities					
Liabilities					
Deposits from banks	–	9,450	6,936	(2)	16,384
Customer deposits	–	213,135	202,433	(108)	415,460
Due to fellow Lloyds Banking Group undertakings	2,690	86,803	149,152	(238,645)	–
Items in course of transmission to banks	–	292	256	–	548
Trading and other financial liabilities at fair value through profit or loss	–	55,776	945	(2,217)	54,504
Derivative financial instruments	–	38,591	16,107	(19,774)	34,924
Notes in circulation	–	–	1,402	–	1,402
Debt securities in issue	2,455	74,366	22,336	(22,843)	76,314
Liabilities arising from insurance contracts and participating investment contracts	–	–	94,409	(19)	94,390
Liabilities arising from non-participating investment contracts	–	–	20,112	–	20,112
Other liabilities	413	3,295	27,668	(2,183)	29,193
Retirement benefit obligations	–	399	420	3	822

Current tax liabilities	–	3	1,390	(1,167	)	226
Deferred tax liabilities	–	–	–	–		–
Other provisions	–	2,833	2,355	30		5,218
Subordinated liabilities	4,329	10,575	10,648	(5,721	)	19,831
Total liabilities	9,887	495,518	556,569	(292,646	)	769,328
Equity						
Shareholders’ equity	37,890	54,557	25,687	(75,464	)	42,670
Other equity instruments	5,355	3,217	305	(3,522	)	5,355
Total equity excluding non-controlling interests	43,245	57,774	25,992	(78,986	)	48,025
Non-controlling interests	–	–	1,940	(1,500	)	440
Total equity	43,245	57,774	27,932	(80,486	)	48,465
Total equity and liabilities	53,132	553,292	584,501	(373,132	)	817,793

F-101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

CASH FLOW STATEMENTS

For the year ended 31 December 2017	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Net cash (used in) provided by operating activities	**8,221**	**(3,430)**	**(5,959)**	**(2,027)**	**(3,195)**
Cash flows from investing activities					
Dividends received from subsidiary undertakings	**2,650**	**4,378**	**–**	**(7,028)**	**–**
Distributions on other equity instruments received	**292**	**101**	**–**	**(393)**	**–**
Return of capital contributions	**77**	**–**	**–**	**(77)**	**–**
Available-for-sale financial assets:					
Purchases	**–**	**(7,550)**	**(482)**	**170**	**(7,862)**
Proceeds from sale and maturity	**–**	**16,480**	**2,195**	**–**	**18,675**
Purchase of fixed assets	**–**	**(1,155)**	**(2,500)**	**–**	**(3,655)**
Proceeds from sale of fixed assets	**–**	**85**	**1,359**	**–**	**1,444**
Additional capital lending to subsidiaries	**(8,476)**	**(34)**	**–**	**8,510**	**–**
Capital repayments by subsidiaries	**475**	**–**	**–**	**(475)**	**–**
Interest received on lending to Lloyds Bank	**244**	**–**	**–**	**(244)**	**–**
Acquisition of businesses, net of cash acquired	**(320)**	**(2,026)**	**(622)**	**1,045**	**(1,923)**
Disposal of businesses, net of cash disposed	**–**	**592**	**129**	**(592)**	**129**
Net cash flows from investing activities	**(5,058)**	**10,871**	**79**	**916**	**6,808**
Cash flows from financing activities					
Dividends paid to equity shareholders	**(2,284)**	**(2,650)**	**(4,378)**	**7,028**	**(2,284)**
Distributions on other equity instruments	**(415)**	**(273)**	**(120)**	**393**	**(415)**
Dividends paid to non-controlling interests	**–**	**–**	**(51)**	**–**	**(51)**
Interest paid on subordinated liabilities	**(248)**	**(668)**	**(700)**	**341**	**(1,275)**
Proceeds from issue of subsordinated liabilities	**–**	**–**	**–**	**–**	**–**
Proceeds from issue of ordinary shares	**14**	**–**	**–**	**–**	**14**
Repayment of subordinated liabilities	**–**	**(675)**	**(1,132)**	**799**	**(1,008)**
Capital contributions received	**–**	**–**	**–**	**–**	**–**
Changes in non-controlling interests	**–**	**–**	**–**	**–**	**–**
Return of capital contribution	**–**	**(77)**	**–**	**77**	**–**
Capital borrowing from the Company	**–**	**8,476**	**–**	**(8,476)**	**–**
Capital repayments to parent company	**–**	**(475)**	**–**	**475**	**–**
Interest paid on borrowing from the Company	**–**	**(244)**	**–**	**244**	**–**
Net cash used in financing activities	**(2,933)**	**3,414**	**(6,381)**	**881**	**(5,019)**
Effects of exchange rate changes on cash and cash equivalents	**–**	**(1)**	**1**	**–**	**–**
Change in cash and cash equivalents	**230**	**10,854**	**(12,260)**	**(230)**	**(1,406)**

Cash and cash equivalents at beginning of year	**42**	**45,266**	**17,122**	**(42)**	**62,388**
Cash and cash equivalents at end of year	**272**	**56,120**	**4,862**	**(272)**	**60,982**

F-102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

For the year ended 31 December 2016	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Net cash provided by (used in) operating activities	(7,550)	1,073	11,131	(2,580)	2,074
Cash flows from investing activities					
Dividends received from subsidiary undertakings	3,759	3,984	–	(7,743)	–
Distributions on other equity instruments received	119	–	–	(119)	–
Return of capital contributions	441	–	–	(441)	–
Available-for-sale financial assets and held-to-maturity investments:					
Purchases	–	(4,664)	(322)	56	(4,930)
Proceeds from sale and maturity	–	6,429	2,350	(2,444)	6,335
Purchase of fixed assets	–	(1,122)	(2,638)	–	(3,760)
Proceeds from sale of fixed assets	–	19	1,665	–	1,684
Purchase of other equity instruments issued by subsidiaries	–	–	–	–	–
Capital lending to Lloyds Bank	–	–	–	–	–
Capital repayments by Lloyds Bank	–	–	–	–	–
Additional capital lending to subsidiaries	(4,978)	–	–	4,978	–
Capital repayments by subsidiaries	13,166	–	–	(13,166)	–
Interest received on lending to Lloyds Bank	496	–	–	(496)	–
Additional capital injections to subsidiaries	(3,522)	(309)	–	3,831	–
Acquisition of businesses, net of cash acquired	–	–	(20)	–	(20)
Disposal of businesses, net of cash disposed	–	231	5	(231)	5
Net cash flows from investing activities	9,481	4,568	1,040	(15,775)	(686)
Cash flows from financing activities					
Dividends paid to ordinary shareholders	(2,014)	(3,040)	(4,602)	7,642	(2,014)
Distributions on other equity instruments	(412)	(119)	(101)	220	(412)
Dividends paid to non-controlling interests	–	–	(29)	–	(29)
Interest paid on subordinated liabilities	(229)	(1,516)	(893)	951	(1,687)
Proceeds from issue of subordinated liabilities	1,061	2,753	–	(2,753)	1,061
Repayment of subordinated liabilities	(319)	(13,200)	(4,952)	10,586	(7,885)
Proceeds from issue of other equity instruments	–	3,217	305	(3,522)	–
Capital contribution received	–	–	309	(309)	–
Return of capital contributions	–	(441)	–	441	–
Capital borrowing from the Company	–	–	–	–	–
Capital repayments to the Company	–	(3,387)	(1,198)	4,585	–
Interest paid on borrowing from the Company	–	(496)	–	496	–
Change in stake of non-controlling interests	–	–	(8)	–	(8)
Net cash used in financing activities	(1,913)	(16,229)	(11,169)	18,337	(10,974)
	–	2	19	–	21

Explanation of Responses:

Effects of exchange rate changes on cash and cash equivalents					
Change in cash and cash equivalents	18	(10,586)	1,021	(18)	(9,565)
Cash and cash equivalents at beginning of year	24	55,852	16,101	(24)	71,953
Cash and cash equivalents at end of year	42	45,266	17,122	(42)	62,388

F-103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 56: CONDENSED CONSOLIDATING FINANCIAL INFORMATION continued

For the year ended 31 December 2015	Company £m	Lloyds Bank £m	Subsidiaries £m	Consolidation adjustments £m	Group £m
Net cash provided by (used in) operating activities	(1,718)	8,302	7,472	2,316	16,372
Cash flows from investing activities					
Dividends received from subsidiary undertakings	1,080	12,820	–	(13,900)	–
Return of capital contributions	600	–	–	(600)	–
Available-for-sale financial assets and held-to-maturity investments:					
Purchases	–	(7,903)	(13,593)	2,142	(19,354)
Proceeds from sale and maturity	–	7,055	14,945	–	22,000
Purchase of fixed assets	–	(1,279)	(2,138)	–	(3,417)
Proceeds from sale of fixed assets	–	61	1,476	–	1,537
Additional capital injections to subsidiaries	–	(64)	–	64	–
Purchase of other equity instruments issued by subsidiaries	–	(1,500)	–	1,500	–
Capital lending to Lloyds Bank	(1,157)	–	–	1,157	–
Capital repayments by Lloyds Bank	570	–	–	(570)	–
Interest received on lending to Lloyds Bank	763	–	–	(763)	–
Acquisition of businesses, net of cash acquired	–	–	(5)	–	(5)
Disposal of businesses, net of cash disposed	–	850	122	(5,043)	(4,071)
Net cash flows from investing activities	1,856	10,040	807	(16,013)	(3,310)
Cash flows from financing activities					
Dividends paid to ordinary shareholders	(1,070)	(1,080)	(12,820)	13,900	(1,070)
Distributions on other equity instruments	(394)	–	–	–	(394)
Dividends paid to non-controlling interests	–	–	(52)	–	(52)
Interest paid on subordinated liabilities	(129)	(1,755)	(956)	1,000	(1,840)
Proceeds from issue of subordinated liabilities	1,436	–	–	(1,098)	338
Repayment of subordinated liabilities	(152)	(1,266)	(2,151)	370	(3,199)
Capital contributions received	–	–	165	(165)	–
Return of capital contributions	–	(600)	–	600	–
Capital borrowing from the Company	–	1,157	–	(1,157)	–
Capital repayments to the Company	–	(1,155)	–	1,155	–
Interest paid on borrowing from the Company	–	(763)	–	763	–
Changes in non-controlling interests	–	–	1,459	(1,500)	(41)
Net cash used in financing activities	(309)	(5,462)	(14,355)	13,868	(6,258)
Effects of exchange rate changes on cash and cash equivalents	–	–	2	–	2
Change in cash and cash equivalents	(171)	12,880	(6,074)	171	6,806

Cash and cash equivalents at beginning of year	195	42,972	22,175	(195)	65,147
Cash and cash equivalents at end of year	24	55,852	16,101	(24)	71,953

F-104

Glossary

Term used	**US equivalent or brief description.**
Accounts	Financial statements.
Allotted	Issued.
Associates	Long-term equity investments accounted for by the equity method.
Attributable profit	Net income.
ATM	Automatic Teller Machine.
ATM interchange	System allowing customers of different ATM operators to use any ATM that is part of the system.
Balance sheet	Statement of financial position.
Broking	Brokerage.
Building society	A building society is a mutual institution set up to lend money to its members for house purchases. See also 'Demutualisation'.
Buy-to-let mortgages	Buy-to-let mortgages are those mortgages offered to customers purchasing residential property as a rental investment.
Called-up share capital	Ordinary shares, issued and fully paid.
Contract hire	Leasing.
Creditors	Payables.
Debtors	Receivables.
Deferred tax	Deferred income tax.
Demutualisation	Process by which a mutual institution is converted into a public limited company.
Depreciation	Amortisation.
Endowment mortgage	An interest-only mortgage to be repaid by the proceeds of an endowment insurance policy which is assigned to the lender providing the mortgage. The sum insured, which is payable on maturity or upon the death of the policyholder, is used to repay the mortgage.
Finance lease	Capital lease.
Freehold	Ownership with absolute rights in perpetuity.
ISA	Individual Savings Account.
Leasehold	Land or property which is rented from the owner for a specified term under a lease. At the expiry of the term the land or property reverts back to the owner.
Lien	Under UK law, a right to retain possession pending payment.
Life assurance	Life insurance.
Loan capital	Long-term debt.
Members	Shareholders.
Memorandum and articles of association	Articles and bylaws.
National Insurance	A form of taxation payable in the UK by employees, employers and the self-employed, used to fund benefits at the national level including state pensions, medical benefits through the National Health Service (NHS), unemployment and maternity. It is part of the UK's national social security system and ultimately controlled by HM Revenue & Customs.
Nominal value	Par value.
Open Ended Investment Company (OEIC)	Mutual fund.
Ordinary shares	Common stock.
Overdraft	A line of credit, contractually repayable on demand unless a fixed-term has been agreed, established through a customer's current account.

Preference shares	Preferred stock.

201

GLOSSARY

Term used	**US equivalent or brief description.**
Premises	Real estate.
Profit attributable to equity shareholders	Net income.
Provisions	Reserves.
Regular premium	Premiums which are payable throughout the duration of a policy or for some shorter fixed period.
Reinsurance	The insuring again by an insurer of the whole or part of a risk that it has already insured with another insurer called a reinsurer.
Retained profits	Retained earnings.
Share capital	Capital stock.
Shareholders’ equity	Stockholders’ equity.
Share premium account	Additional paid-in capital.
Shares in issue	Shares outstanding.
Single premium	A premium in relation to an insurance policy payable once at the commencement of the policy.
Specialist mortgages	Specialist mortgages include those mortgage loans provided to customers who have self-certified their income (normally as a consequence of being self-employed) or who are otherwise regarded as a sub-prime credit risk. New mortgage lending of this type has not been offered by the Group since early 2009.
Tangible fixed assets	Property and equipment.
Undistributable reserves	Restricted surplus.
Write-offs	Charge-offs.

202

FORM 20-F CROSS REFERENCE SHEET

	Form 20–F Item Number and Caption	Location	Page
Part I			
Item 1.	Identity of Directors, Senior Management and Advisers		
	A. Directors and senior management	Not applicable.	
	B. Advisers	Not applicable.	
	C. Auditors	Not applicable.	
Item 2.	Offer Statistics and Expected Timetable		
	A. Offer statistics	Not applicable.	
	B. Method and expected timetable	Not applicable.	
Item 3.	Key Information		
	A. Selected financial data	“Selected consolidated financial data”	3
		“Exchange rates”	4
	B. Capitalisation and indebtedness	Not applicable.	
	C. Reason for the offer and use of proceeds	Not applicable.	
	D. Risk factors	“Risk factors”	182–198
Item 4.	Information on the Company		
	A. History and development of the company	“Business overview”	2
		“Business – History and development of Lloyds Banking Group”	4
		“Business – Legal actions and regulatory matters”	7–9
		“Operating and financial review and prospects – Line of business information”	24–26
	B. Business overview	“Business overview”	23
		“Business – Legal actions and regulatory matters”	7–9
		“Operating and financial review and prospects – Line of business information”	24–26
		“Regulation”	166–168
	C. Organisational structure	“Lloyds Banking Group structure”	200
	D. Property, plant and equipment	“Business – Properties”	7
Item 4A.	Unresolved Staff Comments	Not applicable.	
Item 5.	Operating and Financial Review and Prospects		
	A. Operating results	“Operating and financial review and prospects”	11–112
		“Operating and financial review and prospects – Credit risk”	54–73
		“Regulation”	166–168
		“Operating and financial review and prospects – Market Risk”	102–107
	B. Liquidity and capital resources	“Operating and financial review and prospects – Risk elements in the loan portfolio – Cross border outstandings”	82
			94–100

			"Operating and financial review and prospects – Funding and Liquidity Risk"	
			"Operating and financial review and prospects – Capital risk"	87–94
			"Operating and financial review and prospects – Investment portfolio, maturities, deposits, short-term borrowings"	109–112
			"Dividends"	172
			"Notes to the consolidated financial statements – note 47"	F-62
	C.	Research and development, patents and licenses, etc.	Not applicable.	
	D.	Trend information	"Operating and financial review and prospects – Overview and trend information"	12
	E.	Off-balance sheet arrangements	"Operating and financial review and prospects – Funding and liquidity risk – Off balance sheet arrangements" – also refer to financial notes	100
	F.	Tabular disclosure of contractual obligations	"Operating and financial review and prospects – Funding and liquidity risk – Contractual cash obligations"	100
	G.	Safe harbor	"Forward looking statements"	199
Item 6.	Directors, Senior Management and Employees			
	A.	Directors and senior management	"Management and employees – Directors and senior management"	113–115
	B.	Compensation	"Compensation" – also refer to financial notes	117–137
	C.	Board practices	"Management and employees"	113–115
			"Articles of association of Lloyds Banking Group plc"	173–178
			"Management and employees – Employees"	116
			"Compensation – Service agreements"	135
			"Corporate governance – Leadership"	151–152
			"Corporate governance – Audit Committee Report"	156–159
			"Compensation – Annual report on remuneration – Remuneration Committee"	132
	D.	Employees	"Management and employees – Employees"	116
	E.	Share ownership	"Compensation – Directors' share interests and share awards"	127–128
			"Notes to the consolidated financial statements – note 2"	F-15
Item 7.	Major Shareholders and Related Party Transactions			
	A.	Major shareholders	"Major shareholders and related party transactions – Major shareholders"	165

203

FORM 20-F CROSS REFERENCE SHEET

	Form 20–F Item Number and Caption		Location	Page
	B.	Related party transactions	"Major shareholders and related party transactions – Related party transactions"	165
			"Notes to the consolidated financial statements – note 46"	F-61–F-62
	C.	Interests of experts and counsel	Not applicable.	
Item 8.	Financial Information			
	A.	Consolidated statements and other financial information	"Consolidated financial statements"	F-1
			"Business – Legal actions and regulatory matters"	7–9
			"Operating and financial review and prospects"	11–112
			"Dividends"	172
	B.	Significant changes	Not Applicable	
Item 9.	The Offer and Listing			
	A.	Offer and listing details	"Listing information"	169
	B.	Plan of distribution	Not applicable.	
	C.	Markets	"Listing information"	169
	D.	Selling shareholders	Not applicable.	
	E.	Dilution	Not applicable.	
	F.	Expenses of the issue	Not applicable.	
Item 10.	Additional Information			
	A.	Share capital	Not applicable.	
	B.	Memorandum and articles of association	"Articles of association of Lloyds Banking Group plc"	173–178
	C.	Material contracts	"Business – Material contracts"	5
	D.	Exchange controls	"Exchange controls"	178
	E.	Taxation	"Taxation"	179-180
	F.	Dividends and paying agents	Not applicable.	
	G.	Statements by experts	Not applicable.	
	H.	Documents on display	"Where you can find more information"	181
	I.	Subsidiary information	"Lloyds Banking Group structure"	200
Item 11.		Quantitative and Qualitative Disclosures about Market Risk	"Operating and financial review and prospects – Credit risk"	54–82
			"Operating and financial review and prospects – Market risk"	102–107
Item 12.	Description of Securities Other than Equity Securities			
	A.	Debt securities	Not applicable.	
	B.	Warrants and rights	Not applicable.	
	C.	Other securities	Not applicable.	
	D.	American Depositary Shares	"Listing information – ADR fees"	171
Part II				
Item 13.	Defaults, Dividends Arrearages and Delinquencies		Not applicable.	
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds		Not applicable.	
	Controls and Procedures		"Corporate governance"	138–164

204

EXHIBIT INDEX

1. Articles of association of Lloyds Banking Group plc

2. Neither Lloyds Banking Group plc nor any subsidiary is party to any single long-term debt instrument pursuant to which a total amount of securities exceeding 10 per cent of the Group's total assets (on a consolidated basis) is authorised to be issued. Lloyds Banking Group plc hereby agrees to furnish to the Securities and Exchange Commission (the Commission), upon its request, a copy of any instrument defining the rights of holders of its long-term debt or the rights of holders of the long-term debt issued by it or any subsidiary for which consolidated or unconsolidated financial statements are required to be filed with the Commission.

4. (a) (i) Registration Rights Agreement dated 12 January 2009 between Lloyds Banking Group plc and The Commissioners of Her Majesty's Treasury (as amended with effect from 11 June 2009)

(ii) Resale Rights Agreement effective 11 June 2009 between Lloyds Banking Group plc and The Commissioners of Her Majesty's Treasury

(iii) Deed of Withdrawal dated 3 November 2009 between Lloyds Banking Group plc and The Lords Commissioners of Her Majesty's Treasury[2]

(b) (i) Service agreement dated 3 November 2010 between Lloyds Bank plc and António Horta-Osórioº

(ii) Letter of appointment dated 23 February 2009 between Lloyds Banking Group plc and Anthony Watson†

(iii) Letter of appointment dated 17 November 2010 between Lloyds Banking Group plc and Anita Frewº

(iv) Letter of appointment dated 31 January 2012 between Lloyds Banking Group plc and Sara Weller

(v) Service agreement dated 1 March 2012 between Lloyds Bank plc and George CulmerΔ

(vi) Letter of appointment dated 25 February 2013 between Lloyds Banking Group plc and Nick LuffΔ

(vii) Service agreement dated 30 November 2010 between Lloyds Bank plc and Juan Colombás•

(viii) Letter of appointment dated 31 March 2014 between Lloyds Banking Group plc and Lord Blackwellº

(ix) Letter of appointment dated 1 April 2014 between Lloyds Banking Group plc and Nick Prettejohnº

(x) Letter of appointment dated 1 May 2014 between Lloyds Banking Group plc and Simon Henryº

(xi) Letter of appointment dated 26 June 2014 between Lloyds Banking Group plc and Alan Dickinsonº

(xii) Letter of appointment dated 26 November 2015 between Lloyds Banking Group plc and Deborah McWhinney+

(xiii) Letter of appointment dated 26 November 2015 between Lloyds Banking Group plc and Stuart Sinclair+

(xiv) Letter of appointment dated 2 March 2017 between Lloyds Banking Group plc and Lord Lupton

(xv) Supplementary letter dated 5 December 2017 to the letter of appointment dated 2 March 2017 between Lloyds Banking Group plc and Lord Lupton

8.1 List of subsidiaries, their jurisdiction of incorporation and the names under which they conduct business

12.1 Certification of António Horta-Osório filed pursuant to 17 CFR 240.13a-14(a) and 15 U.S.C. 7241

12.2 Certification of George Culmer filed pursuant to 17 CFR 240.13a-14(a) and 15 U.S.C. 7241

13.1 Certification of António Horta-Osório and George Culmer furnished pursuant to 17 CFR 240.13a-14(b) and 18 U.S.C. 1350

15.1 Consent of PricewaterhouseCoopers LLP

† Previously filed with the SEC on Lloyds Banking Group's Form 20–F filed 7 May 2009
Previously filed with the SEC on Lloyds Banking Group's Form 20-F filed 13 May 2010
º Previously filed with the SEC on Lloyds Banking Group's Form 20–F filed 13 May 2011
Previously filed with the SEC on Lloyds Banking Group's Form 20–F filed 16 March 2012
Δ Previously filed with the SEC on Lloyds Banking Group's Form 20–F filed 25 March 2013
• Previously filed with the SEC on Lloyds Banking Group's Form 20-F filed 5 March 2014

o Previously filed with the SEC on Lloyds Banking Group’s Form 20-F filed 12 March 2015
+ Previously filed with the SEC on Lloyds Banking Group’s Form 20-F filed 8 March 2016
² Pursuant to a request for confidential treatment filed with the SEC, the confidential portions of this exhibit have been omitted and filed separately with the SEC.

The exhibits shown above are listed according to the number assigned to them by the Form 20–F.

205

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report on its behalf.

LLOYDS BANKING GROUP plc

By: /s/ G Culmer

Name: George Culmer
Title: Chief Financial Officer

Dated: 9 March 2018

206