



ASSUMPTIONS USED IN YOUR 2017 PENSION STATEMENT

The assumptions below apply to the following schemes:

- Lloyds Bank Pension Scheme No.1, Defined Benefit section
- Lloyds Bank Pension Scheme No.1 (C&G Division), Defined Benefit section
- Lloyds Bank Pension Scheme No.1 (Factors Sub Section), Defined Benefit section
- Lloyds Bank Pension Scheme No.2, Defined Benefit section
- Lloyds Bank Pension Scheme No.2 (Hill Samuel Division)
- Lloyds Bank Offshore Pension Scheme, Defined Benefit section

Your 2017 pension statement includes estimates of your projected Pension Extra fund and the income you could buy with this at your normal/target retirement age.

The estimates are shown in today's terms and are based on the following assumptions:

- You remain an active member of the Scheme until your normal/target retirement age. This age is shown in your pension statement.
- If you make Pension Extra contributions, these will continue at your 5 April 2017 rate until your normal/target retirement age.
- Future price inflation, as measured by the Retail Prices Index (RPI), is 2.5% a year.
- You continue to invest in your current investment funds until your normal/target retirement age.
- The funds that you're invested in grow at the following rates:

Investment fund	Assumed growth rate a year
Asia Pacific Equity Fund <small>Excluding Japan</small>	6.0%
Continental Europe Equity Fund	6.0%
Corporate Bond Fund	3.5%
Destination Cash	2.5%
Emerging Markets Equity Fund	6.0%
Global Journey	6.0%
Japan Equity Fund	6.0%
North America Equity Fund	6.0%
Property Fund	4.5%
UK Equity Fund	5.0%
Your Journey	4.0%
Your Journey Extra	4.5%
Your Destination <small>Increasing Income</small>	2.5%
Your Destination <small>Level Income</small>	3.0%

The assumed growth rates of the investment funds are reviewed every year. For your 2017 pension statement, we've used lower annuity rates and investment return assumptions for some funds. This is to reflect the anticipated future economic climate. As a result, your projected Pension Extra fund and estimated income may be lower than the estimates we gave you last year. Remember, these are only estimates, which may change again in the future.

These rates are assumptions only and may be different from the actual performance of the funds.

Additionally, to estimate your future income at normal/target retirement age, we've used the following assumptions:

- You do not take any of your Pension Extra fund as a tax-free cash lump sum.
- You buy an income for life (an annuity) that increases each year with RPI. Please note, if you are a member of the Lloyds Bank Offshore Pension Scheme, the RPI increase will be relevant to your island's jurisdiction.
- You buy an income that provides a pension for your spouse or civil partner after you die. This would be equal to one half of your income.

You can choose different options to this at retirement. You can use the pension modeller in Your Pension at epa.towerswatson.com/accounts/lbg to see the impact different choices can have on your estimated future income. The pension modeller uses a number of assumptions to estimate your income, which will vary depending on the details you enter. For this reason, the estimated figure shown in your pension statement may be different to that produced by the modeller.

Important note

The projected fund value and income shown in your pension statement are estimates only. They are based on one set of assumptions, which means your actual benefits on retirement are likely to be very different.

The value of your Pension Extra fund at retirement will be based on the actual performance of your investments. The value of your income on retirement depends on actual investment growth, but also the type of income you choose to buy and how much this costs when you retire.

The information provided in your pension statement does not represent any promise or guarantee as to the benefits that you (or your beneficiaries) may receive under the Scheme.