Rating Report

Report Date:
17 November 2010

Previous Report:
10 July 2009

Lloyds Banking Group plc

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The Company

Lloyds Banking Group plc is a leading U.K. based financial services group providing a wide range of banking and financial services, primarily in the U.K., to personal and corporate customers. The Group's main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision. Lloyds Banking Group plc has a large and diversified customer base and services are offered through a number of well recognised brands (Lloyds TSB, Scottish Widows, Halifax, Bank of Scotland), and via a unique distribution capability comprising one of the largest branch networks in the U.K. and intermediary channels.

Recent Actions

28 October 2010
Confirms at A (high), Trend Revised to Stable

4 May 2010
Assigns Additional Ratings, Senior Unaffected at A (high)

7 August 2009
Confirms Senior at A (high), Trend Negative

Ratings

Issuer	Debt Rated	Rating	Trend
Lloyds Banking Group plc	Issuer and Long-Term Debt	A (high)	Stable
Lloyds TSB Bank plc	Debt Guaranteed by HM Treasury	AAA	Stable
Lloyds TSB Bank plc	Senior Debt & Deposits	AA (low)	Stable
Lloyds TSB Bank plc	Short-Term Debt	R-1 (middle)	Stable
HBOS plc	Senior Debt & Deposits	AA (low)	Stable
HBOS plc	Commercial Paper	R-1 (middle)	Stable
Bank of Scotland plc	Senior Debt & Deposits	AA (low)	Stable
Bank of Scotland plc	Debt Guaranteed by HM Treasury	AAA	Stable
Bank of Scotland plc	Commercial Paper	R-1 (middle)	Stable

For a complete list of ratings see page 14.

Rating Rationale

DBRS ratings of Lloyds Banking Group plc (Lloyds or the Group) and its related entities are underpinned by the demonstrated strength of the Group's franchise, the solid market presence of its brands, and the resilient and diverse revenue generation ability. This strong revenue generation ability has allowed the Group to return to profitability in the most recent half-year, just over one year after the transformational acquisition of HBOS plc (HBOS). Further, the ratings consider the Group's sound risk management acumen and the historically conservative culture of Lloyds TSB Bank, which is being exported throughout the Group, with the results being realised in both the income statement and the balance sheet. The Stable trend reflects DBRS's recognition of the positive momentum which the Group has achieved during the later half of 2009 and into the first part of 2010. Importantly, the Stable trend reflects DBRS's expectation that this positive momentum will continue as the Group makes progress in achieving its stated risk reduction goals. Important to the stability of the rating, the trend indicates DBRS's view that Lloyds will continue to generate improving results as the Group increasingly realises the benefits of the very costly HBOS acquisition.

DBRS views Lloyds' powerful U.K. banking franchise and well-established brands as key strengths and noteworthy considerations supporting the ratings. With total assets of GBP 1,109 billion at 30 June 2010, and more than 30 million retail customers, Lloyds is the largest retail financial services provider in the U.K. The Group is well-diversified across products and sectors, with key market presence in U.K. mortgage lending, U.K. current accounts and U.K. SME lending. Further, the Group maintains noteworthy commercial lending, wealth management and insurance operations, all further adding to the franchise. In DBRS's view, the solid customer base provides the foundation for a very strong and quite resilient franchise. (Continued on page 2)

Rating Considerations

Strengths

(1) Powerful U.K. banking franchise with solid market presence in key products and services
(2) Diverse and resilient revenue stream
(3) Sound risk management and traditionally conservative culture

Challenges

(1) Delivering solid earnings momentum in the still uncertain environment
(2) Coping with still-elevated credit costs and managing the higher risk HBOS loan book
(3) Fully integrating and capturing benefits of HBOS acquisition
(4) Further rebalancing the funding profile away from wholesale and government/central bank funding

Financial Information

Lloyds Banking Group plc	30/06/2010 IFRS	30/06/2009 IFRS	31/12/2009 IFRS	Pro-forma 31/12/2008	31/12/2007 IFRS	31/12/2006 IFRS
Total assets (GBP millions)	1,028,125	1,063,129	1,027,255	1,109,503	353,346	343,598
Loans and advances to customers (GBP millions)	612,133	652,599	626,969	702,944	242,735	188,285
Customer accounts (GBP millions)	420,414	429,082	406,741	393,979	156,555	139,342
Debt securities in issue (GBP millions)	221,825	240,589	233,502	249,712	51,572	54,118
Equity (GBP millions)	47,656	35,026	44,107	34,590	12,425	11,507
Total risk-weighted assets (GBP millions)	463,196	482,500	493,307	498,500	142,600	156,043
Tier 1 captial ratio (%)	10.30%	8.60%	9.60%	9.80%	9.50%	8.20%
Net Income (GBP millions)	666	7,153	2,953	798	3,321	2,907
Pre-provision Operating Income (GBP millions)	6,921	3,070	6,782	3,872	5,139	5,803

Source: Lloyds Banking Group plc

Rating Rationale (Continued from page 1)

Accordingly, the Lloyds franchise is a significant positive consideration in the rating, yet DBRS views the franchise as one in transformation. On one hand, the HBOS transaction catapulted the Group in terms of size and scale. However, on the other hand, the acquisition negatively affected credit metrics and caused noteworthy operating losses. While the HBOS acquisition was quite painful, especially when considering the income statement impact, the Lloyds management team aptly and promptly addressed many of the larger issues, and as such, the Group, as a whole, is now better placed than it was a year ago. DBRS recognises the significant improvement in performance and the reduction in risk, but also notes that risks remain. Systems are not fully integrated and there are still large amounts of riskier HBOS loans remaining on the books, requiring higher levels of loss mitigation efforts, which may exceed those required of the Lloyds' legacy loan book. Nonetheless, DBRS sees the last 18 months as evidence that Lloyds' historic sound risk management and conservative culture is indeed re-emerging across the Group. Indeed, DBRS expects that the Group will increasingly enjoy the long-term benefits of the transaction.

The rating and Stable trend consider the Group's ability to lever its solid market presence, its broad menu of products and services, and its distribution capabilities to generate a solid and increasing revenue base. Further, DBRS sees a high level of stability to the underlying revenues. Indeed, net interest income totals some 56% of operating income, while only 10% of 1H10 total operating income was generated from the more volatile trading activities. Further, the Group is benefiting from the scale and synergies gained from the acquisition. Maintaining this momentum, in the still uncertain economic environment continues to be a challenge.

Lloyds' sound risk management acumen and historically conservative risk culture are noteworthy considerations in the rating. This culture continues to be illustrated by the solid and rather resilient performance of the legacy Lloyds TSB book. While credit costs exceeded income in 2009, credit issues were largely attributable to the legacy higher-risk HBOS book. While risk in this book remains, the Group has made progress in reducing this burden for the future periods. Indeed, impairment losses in 1H10 were 51% lower than the previous year and 38% on a half-year linked basis. While good progress in reducing credit costs is evident, credit costs still remain elevated to historical Lloyds TSB standards. As such, given the unevenness of the economic recovery and the Group's sizable exposures to commercial real estate and corporate lending, DBRS sees maintaining the positive momentum in credit through the remainder of the current cycle as a key challenge.

Capitalisation continues to strengthen. At 30 June 2010, the Group's core Tier 1 ratio was 9.0%, a sizable increase from 6.4%, pro-forma, at year-end 2008. The increase has been driven by the GBP 22.5 billion capital raising effort in late 2009, a number of liability management exercises, a 7% decline in risk-weighted assets to GBP 463.2 billion and the more recent, solid financial results. Importantly, the quality of the capital base has improved. The aforementioned liability management exercises have reduced the presence of lower quality, less loss absorbing instruments in the capital stack. Indeed, preference shares and innovative Tier 1 capital instruments currently comprise 9.4% of total Tier 1 capital compared to 34.2%, pro-forma, at 31

December 2008. Given the pending anticipated changes to capital requirement and the Group's commitment to reducing RWAs, DBRS expects further strengthening of capital ratios.

The ratings consider Lloyds' improving funding and liquidity profile; however, the Group's tendency towards short-term wholesale funding is viewed as a negative. During the first half of the year, the absolute level of wholesale funding fell to GPB 311 billion from GBP 326 billion, benefiting from customer deposit growth and balance sheet reductions. Indeed, customer deposits at GBP 375 billion now account for c. 55% of funding. Lloyds also made progress in reducing government and central bank supported funding, falling by 16%, or GBP 25 billion to GBP 132 billion in 1H10. Moreover, the wholesale funding schedule has improved with 49% of wholesale funding having maturities of more than one year compared to 44% at year-end 2008, pro-forma. While DBRS recognises the progress the Group is making in reducing its reliance on short-term wholesale funding, DBRS realises that this transformation will be a longer-term process. Accordingly, DBRS sees Lloyds' ability to lengthen the maturity profile of wholesale funding and reduce the utilisation of government funding schemes as a key challenge.

Support Assessment (SA)

DBRS continues to ascribe implicit systemic support to banks in the U.K. as reflected in the SA-2, support assessment. The current support afforded to Lloyds by the U.K. Government is consistent with an SA-2 support assessment. Given the SA-2 designation, Lloyds' final rating is placed one notch above its intrinsic rating of 'A'.

Given Lloyds' significant domestic franchise and its role in the flow of financial transactions, on 6 March 2009, DBRS designated Lloyds as a Critically Important Banking Organisation (CIB) in the United Kingdom. This designation currently has no rating implications, as the ratings for the Group are positioned above DBRS's floor ratings for CIBs in the U.K. As a CIB, the Group's ratings are subject to the floor rating, which for CIBs operating in the U.K., is A (high) for long-term debt and deposits and R-1 (middle) for short-term debt and deposits at the bank level. The level of the floor reflects DBRS's expectations that the U.K. Government will provide support, if necessary, to prevent any CIB from weakening below this rating level. DBRS views A (high)/R-1 (middle) as the level of creditworthiness that market participants demand for CIBs to be viewed as essential counterparties, as CIBs need to be perceived as reliable partners in undertaking a wide range of financial transactions. DBRS views the floor as the level of support at which the U.K. Government will sustain their CIBs to ensure that their financial system is fully functioning.

Rating Considerations Details

Strengths

(1) Powerful U.K. banking franchise with solid market presence in key products and services

Lloyds is a well-diversified financial services group. The Group is the largest retail financial services provider in the U.K. In retail banking, the Group maintains a top-tier market position in current accounts, UK residential mortgages, in savings accounts and is amongst the largest issuers of credit cards. With its strong brands, including Lloyds TSB, Halifax and Bank of Scotland, the Retail division serves over 30 million customers through one of the largest branch networks in the U.K.

In Wholesale, the Group serves in excess of one million customers, ranging from SME's to global corporate institutions and maintains a prominent market position in lending to new business start-ups and mid to large corporates. Further, Lloyds maintains a sizable market share for U.K. SME banking services, demonstrated by the GBP 35 billion of gross lending to the sector in the nine months to 30 September 2010. Lloyds also has a measurable market share of bancassurance in the U.K.

(2) Diverse and resilient revenue stream

Lloyds generates sizable revenues from a broad range of sources. As discussed above, the Group's market position and its wide-ranging distribution capabilities are key factors that contribute to the strong underlying revenue generation ability. Moreover, the increasing large presence of net interest income and increasing margin provide a foundation for the recurring and quite predictable revenue base. Indeed, net interest income comprises 56% of total operating income, while only 10% of 1H10 total operating income was generated from the more volatile trading activities. Meanwhile, diversity of revenues is apparent as Lloyds' U.K. Retail division generated 43% of revenues, Wholesale 34%, Insurance 9% and Wealth and International 9%. This diversity of revenue provides Lloyds a foundation to absorb losses associated with the cycle.

(3) Sound risk management and traditionally conservative culture
Lloyds' customer-relationship based, balance sheet lending business model combined with its solid risk management has been the foundation for the traditionally conservative risk culture. The Group continues to apply its risk management and control processes to the heritage HBOS portfolio, and the results are being realised. While DBRS recognises the reduced level of credit risk, the HBOS legacy book remains a large part of the overall risk profile. DBRS sees Lloyds' continued ability to apply solid risk management framework to the fuller HBOS portfolio as key to the improving credit performance of the loan book and key to the successful integration of HBOS.

Challenges
(1) Delivering solid earnings momentum in the still uncertain environment
As discussed above, Lloyds returned to profitability in 1H10. The Group's results benefited from good momentum across the franchise and significantly lower credit costs. While DBRS recognises the improved result, which is reflected in the Stable trend, DBRS nonetheless expects continued positive earnings momentum. Maintaining this positive momentum could be challenging, especially in the uncertain economic environment. DBRS sees continued subdued customer loan demand and the elevated levels of unemployment and weak wage growth could result in additional losses as U.K. household finances remain strained. Further, losses in corporate and commercial lending will likely remain elevated, as insolvencies tend to lag recessions as part of the normal business cycle.

(2) Coping with still-elevated credit costs and managing the higher risk HBOS loan book
Lloyds faces the challenge of absorbing still-elevated credit costs and managing its legacy HBOS book, as it strives to restore its earnings to pre-crisis, pre-acquisition levels and fully capitalise on the HBOS acquisition. Given the Group's exposure to the commercial real estate loans, this task remains difficult. While credit costs are meaningfully lower, Lloyds faces the challenge of absorbing elevated credit costs and managing the legacy HBOS loan portfolio. Importantly, DBRS recognises that the legacy HBOS book is becoming less of a burden to the Group's earnings, but it nonetheless remains a sizable risk. The book has large-sized exposures and contains loans with credit profiles that exceed Lloyds' historic risk appetite and traditional servicing capabilities. To this end, at 30 June 2010, approximately 72% of the GBP 27 billion HBOS's legacy CRE loan portfolio was impaired. Given the challenging commercial property market with reduced liquidity, stressed tenant cash flows and lower property values, this book adds to the credit risk profile of the Group.

(3) Fully integrating and capturing benefits of HBOS acquisition
The acquisition of HBOS introduced significant challenges that transformed the Group, given the size of the acquired company and the differences in company risk cultures. However, since the acquisition in January 2009, the Group has made solid progress in the integration of the two businesses. The Group has made solid progress in eliminating areas of duplication, developing a common systems platform and re-aligning property needs. However, challenges remain. IT systems are not fully integrated and, as discussed above, there are still large amounts of higher-risk HBOS loans remaining on the books.

(4) Further rebalancing funding profile away from wholesale and government/central bank funding
Historically, Lloyds had a relatively high level of customer funding. However, the acquisition of the largely-wholesale funded HBOS shifted that balance towards a profile with an over abundance of short-term wholesale funding and government and central bank sponsored funding. Lloyds made good progress in extending the maturity of its declining wholesale funding book; however, rebalancing the funding profile is a longer-term process. At 30 June 2010, 49% of wholesale funding had maturities over one year, improving from 44%, on a pro-forma basis at year-end 2008. Further, the Group is moving towards its goal of removing all government and central bank provided finding by 2012. To this end, during the six months ending 30 June 2010, Lloyds reduced overall government provided funding by GBP 25 billion to GBP 132 billion. The planned reduction in non-relationship assets will reduce funding needs, which will assist the Group in achieving its funding targets.

Rating Drivers

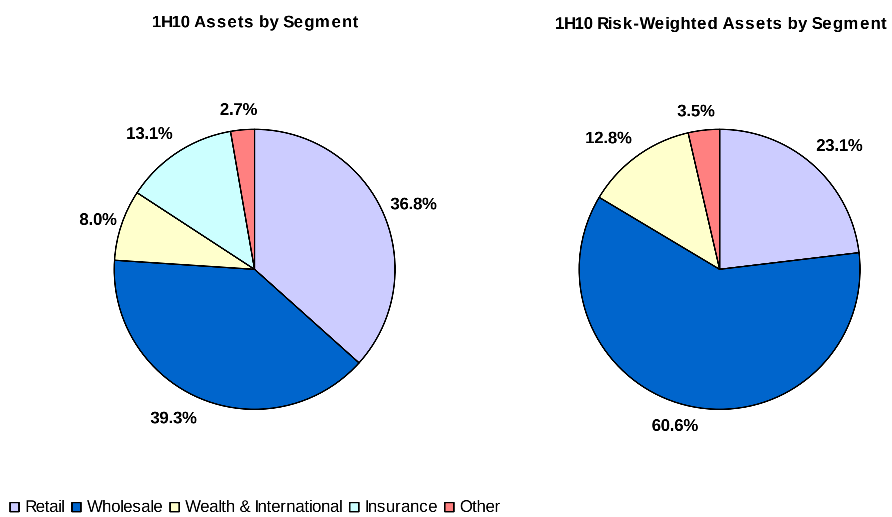
Factors with Positive Rating Implications
In the longer-term, positive rating migration may be achieved once the Group realises full benefits of the HBOS acquisition. Moreover, the continuation of positive momentum in results, a reduction in wholesale funding and further de-risking of the balance sheet would be viewed positively.

Factors with Negative Rating Implications
Difficulty in sustaining the earnings momentum may put downward pressure on the ratings. Moreover, an indication of a material and sustained weakness in risk management or the inability to properly manage the legacy HBOS book would also negatively impact ratings. Given Lloyds' CIB status and the current level of the floor for U.K. CIBs, any downgrade of senior instruments would be limited to one notch.

Franchise Strength – Description of Operations

DBRS considers Lloyds' overall strong franchise as a key component supporting the rating. The Group's solid market presence in current accounts, savings, mortgages, credit cards, personal lending and SME lending all contribute to the overall strength of the underlying franchise. With total assets of GBP 1,109 billion, Lloyds is one of the world's largest financial institutions. While traditionally conservative by nature, the 2009 acquisition of HBOS plc transformed the Group. Although this transaction increased the Group's size, scale and overall market presence, it came with risks, which ultimately caused significant losses, leading to HM Treasury having to take part ownership in the Group. At 30 June 2010, HM Treasury held approximately 41.3% of ordinary share capital. While the acquisition has been quite costly, DBRS continues to view this acquisition as a positive strategic move.

Business Profile
Lloyds is organised around four business segments: U.K. Retail, Wholesale, Insurance, and Wealth and International.



Source: Company reports

U.K. Retail
Retail is the largest retail bank in the UK. The division serves over 30 million customers and approximately 22 million current account customers. The Group continues to employ a multi-brand banking strategy, capitalising on the strong brands of both HBOS and Lloyds. HBOS's Halifax brand and retail branch network will continue to operate alongside Lloyds TSB in England and Wales and, in Scotland, the Bank of Scotland will continue to be the brand used for retail and corporate banking. Including all brands, the Group has the largest branch network in each of England, Wales and Scotland, including approximately 3,000 branches in

England alone. For the six months ended 30 June 2010, U.K. Retail generated GBP 5.5 billion, or 43% of total Group revenue (total income), on a combined business basis.

As part of the consequences of taking state aid, Lloyds agreed to certain divestures. Lloyds has been required to divest the Cheltenham & Gloucester branches (but not the brand), Lloyds TSB Scotland branches (but not the brand), the TSB brand, the approximately 200 Lloyds branches in England and Wales, and the online retail bank, Intelligent Finance. In sum, the required divestitures impact approximately 600 branches, a 4.6% market share of the personnel current account market in the U.K. and approximately 19% of the Group's mortgage assets. Although these divestitures will reduce market share in certain businesses and geographic regions, DBRS sees the Lloyds franchise as remaining very solid following the sale of these entities.

Wholesale
The Wholesale division is comprised of three segments: Corporate Markets, Treasury and Trading, and Asset Finance.

Corporate Markets provides relationship-based banking, risk management and advisory services to SME, commercial and mid-corporate segments. With the increasing sophistication of smaller and mid-sized companies' financial services needs, Lloyds' anticipates this segment to be a high-growth area for the Group. Further, Lloyds sees the segment benefiting from the greater scale, closer segmentation and broader range of products gained from the HBOS acquisition to foster growth in the business.

The Group's access to financial markets and trading infrastructure to support execution of customer-related risk management transactions are managed in the Treasury and Trading segment. Asset Finance consists of a number of leasing and specialty lending businesses including Lex, Autolease and Black Horse Motor. The Wholesale division produced GBP 4.4 billion of total income in 1H10, or 34% of Group total income.

Insurance
The Insurance division offers life assurance, pensions, investment products and general insurance through Lloyds' Scottish Widows and HBOS's Clerical Medical and Halifax brands, and is the leading bancassurance provider in the U.K. Integration of the legacy distribution functions in both the intermediary and bancassurance channels is progressing well. To this end, the intermediary sales forces of Scottish Widows and Clerical Medical were combined in 2009, and a new product set was introduced. Sales through the integrated sales force increased 26% in 1H10 compared to 2H09, partially illustrating that benefits from the increased scale are being captured.

For 1H10, Insurance generated GBP 1.2 billion of total income, or 9% of Group total income, on a combined business basis.

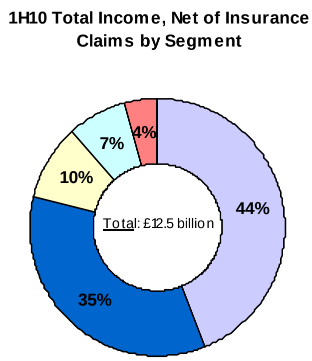
Wealth and International
The Wealth and International (W&I) division comprises the Group's private banking and asset management businesses, as well as its international businesses. The division currently operates in 30 countries around the world. The Wealth segment includes Scottish Widows Investment Partnership, which is one of the largest asset managers in the U.K., with GBP 142 billion of assets under management. In addition, the Group holds a 60% stake in St. James Place plc and a 55% stake in Invista Real Estate, respectively, the U.K.'s largest independent listed wealth manager and real estate fund management Group.

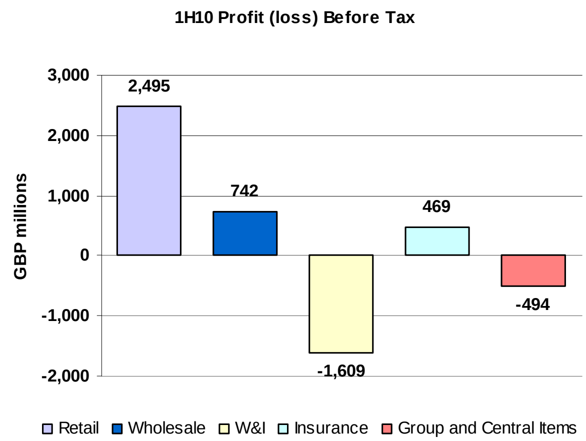
The International segment comprises the Group's banking businesses outside the U.K. except the corporate business in North America, which is managed through the Wholesale division. The International segment includes corporate, commercial and asset finance businesses in Australia and Continental Europe, as well as retail businesses in Germany and the Netherlands. Until 2010, the segment included the Group's commercial and retail businesses in Ireland. However, subsequent to a strategic review, the Group announced plans to close its operations in Ireland after concluding that there was little opportunity for scaleable growth in the future.

W&I generated GBP 1.2 billion of total income in the six months ended 30 June 2010, or 9% of Group total income.

Earnings Power

As discussed above, Lloyds' overall strong franchise has significant earnings generation ability. This ability has been recently illustrated by the impressive return to profitability during the first half of 2010, in which the Group reported a (statutory) profit before tax (PBT) of GBP 1.3 billion. On a combined business basis, removing certain items associated with the HBOS acquisition, most notably the goodwill credit, Lloyds reported GBP 1.6 billion in PBT, a noteworthy recovery from the GBP 4.0 billion loss reported in 1H09. The results were attributable to good revenue growth and lower operating costs as benefits of the merger are realised. However, the significantly lower impairment charges were the main driver in the positive result.





Source: Company reports

The Group continues to generate solid revenue growth. At GBP 12.5 billion, total income (revenue) net of insurance claims and excluding the impact of liability management transactions, increased 5% year-on-year. Revenue grew as net interest income increased owed to improved margins, while other operating income improved slightly, driven by gains on asset sales and favourable movement in mark-to-market values on derivatives. Crucially, revenue growth was across all segments, excluding Insurance. Longer-term, the Group expects to see income from core businesses grow by 6% to 7% per year.

Net interest income contributed 56% of 1H10 total operating income. Despite the reduced balance sheet, net interest income increased to GBP 6.9 billion, evidencing a 7% year-on-year increase. This impressive growth reflects the recovery in net interest margin (NIM) in the banking business. NIM enjoyed a steady positive trajectory, increasing to 2.08% at 30 June 2010. As point of comparison, NIM was 1.72% in June 2009 and 1.83% at year-end 2009. NIM is realising the benefits of solid asset pricing, the normalisation in wholesale funding spreads, and the compression in the spread between LIBOR and the base rate. Given the solid positive advancement of NIM, DBRS expects that Lloyds will continue to make progress in achieving its target NIM of 2.50%; however, the expected sluggishness in lending volumes and the continued low interest rate environment will slow progress.

Credit costs are becoming less of a drag on the bottom-line earnings. For the half-year, impairment charges at GBP 6.5 billion declined a noteworthy 51% from the prior year. This is a vast improvement over 2009 when impairment charges at almost GBP 24 billion not only exceeded the trading surplus, but exceeded total income net of insurance claims. Now, it appears that 2009 was the peak for credit costs. Nonetheless, credit cost will likely remain elevated for the near-term, as the economic environment is less then settled.

Operating expenses continue to be a chief focus. The Group is also realising some of the benefits of the synergy programmes related to the HBOS acquisition. Operating costs decreased 5% to GBP 5.4 billion since year-end 2009. At 30 June 2010, the cost-to-income ratio, excluding gains from the liability management transactions, improved to 45.1% from 51.7% in 2009. To date, Lloyds has realised a cost synergy run-rate of approximately GBP 1.3 billion, and is on track to deliver the 2011 target of GBP 2.0 billion. As the benefits realised to date have been non-IT dependent, DBRS anticipates Lloyds will ultimately realise its target synergy run-rate over the near-term.

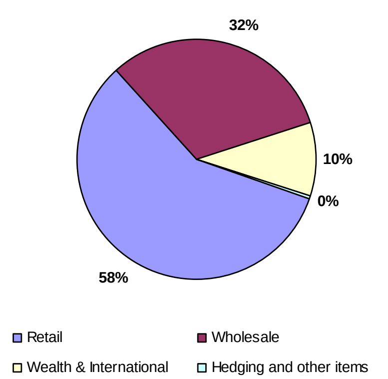
Risk Profile

DBRS has long-viewed Lloyds as having a conservative risk appetite and well-developed risk management processes. This postulation was illustrated by the sound pre-acquisition credit metrics. While Group-wide credit costs and credit exposures have materially changed by the merger, DBRS still views Lloyds' risk management capabilities as a significant factor underpinning the ratings. Indeed, since the acquisition, the legacy Lloyds' book continues to perform within expectations. The legacy HBOS book, however, evidenced much weaker performance and has been responsible for the majority of the post-acquisition credit losses.

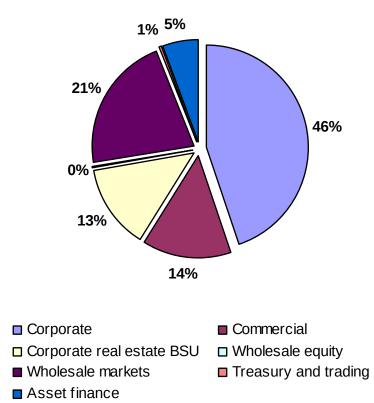
Group-wide credit performance improved dramatically during 1H10. The credit picture is benefiting from the stabilisation in the UK economy, improved property values, as well as the realization of the risk reduction actions taken by management. Indeed, impairment charges declined significantly to GBP 6.6 billion, and were an impressive 51% lower than a year ago. Additionally, suggesting a longer-term improvement, the pace of loans moving into non-performing status moderated substantially. At 30 June 2010, the ratio of impaired loans to average loans stood at 201 bps compared to 347 bps a year ago. While significant improvement is evident, impaired loans remain elevated.

The Retail segment benefited from prudent risk management and stabilising economic conditions. At GBP 1.3 billion, or 0.72% of average advances, impairment losses in the Retail segment were 39% lower than 1H09. Further, impaired retail loans decreased 4.5% to GBP 10.5 billion. Within Retail, residential mortgages are the dominating asset class totalling GBP 344.1 billion, or 92% of the Retail book. Mortgage arrears (greater than three months) stood at 2.2% of accounts, remaining in line with industry averages and below the 2009 peak of 2.44%. Given the weighted average LTV of the book is a low 53.7% and provisions total 22.8% of impaired loans, Lloyds has a level of cushion should U.K. home prices weaken. Lloyds' buy-to-let book, which represents 13.0% of the mortgage book, continues to enjoy solid performance, with 2.4% of this book in arrears. Within specialist, which is 9% of the mortgage book, arrears are higher at 7.4% of balances.

1H10 Loans & Advances to Customers by Segment



1H10 Wholesale Book



Source: Company reports

Performance in the GBP 186 billion Wholesale book is showing improvement as well. During the first half, the Group recorded impairment losses of just GBP 3 billion, or 2.85% of loans and advances to customers. This compared favourably to the GBP 9.7 billion, or 6.87% recorded in the same period in 2009. Losses in this book are driven by the legacy HBOS loans. Despite the lower impairment charges, the pace of new Wholesale assets becoming impaired loans grew modestly. At 30 June 2010, GBP 36.8 billion, or 17.9% of the loan book are considered impaired. While the level of impaired loans is considered elevated, the increasing trend is consistent with the typical lag effects as economies move through and out of recession. Given the large single item exposures, the pressured rental values and the level of loss mitigation needed, DBRS remains cautious regarding the near-term performance of this book.

The GBP 27.3 billion legacy HBOS commercial real estate portfolio (CRE) sits in Wholesale. This book totals 13.3% of the wholesale lending book and 4.5% of the Group's total loans. With 71.9% of the book being impaired, this book is driving much of the credit losses. Lloyds continues to manage this distressed loan book by taking various actions to limit losses. The Group has undertaken a number of restructurings as well as asset disposals making progress in this objective. While there are early indications of stabilisation in the CRE sector, DBRS anticipates losses will remain elevated over the near-term as investor appetite remains weak and property cash flows and capital values remain under pressure.

The Group's wholesale markets loan portfolio declined slightly from year-end to GBP 44.0 billion. The loan book is largely comprised of the Group's structured corporate finance portfolio, including leveraged loans. The economic environment continues to affect the portfolio with a large portion of deals restructured. Impaired loans amounted to a sizable 10.3% of the book. The leverage loan book remains exposed to noteworthy refinancing risk over the medium-term, while the macroeconomic environment poses challenges for the Specialist Finance portfolios, most specifically, global shipping. As such, over the near-term DBRS expects that credit costs will remain a challenge.

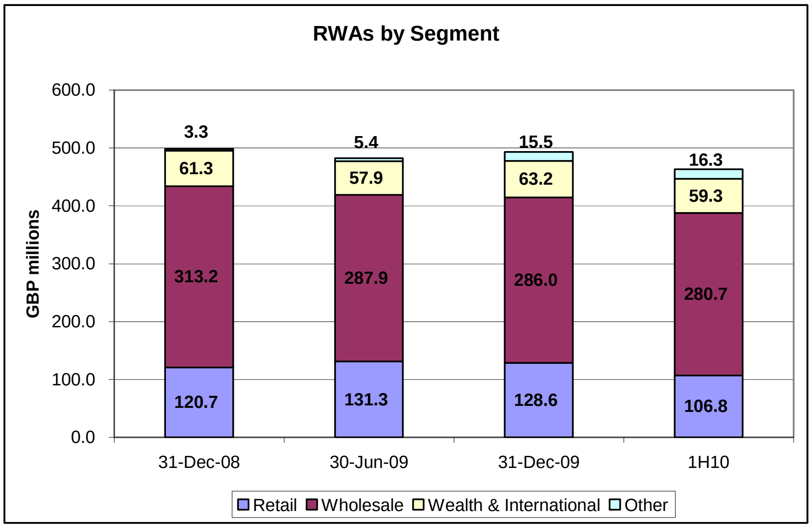
Wholesale's GBP 91.7 billion corporate lending book continues to perform reasonably well. The portfolio is well-spread across product and industry sectors. Impaired loans improved to 8.6% of the book from 9.7% at year-end 2009, as the loan book benefited from a more benign environment in the U.K. and U.S., as well as an improvement in asset prices. Coverage remains solid with provisions at 47.4% of impaired loans.

DBRS sees additional risk in the W&I loan portfolio, which includes the now discontinued Irish operations as the challenging economic conditions in Ireland continue to weigh on the performance. Of the segment's GBP 65.1 billion loan book, 41% is comprised of Irish-related lending. Impairment costs at GBP 2.2 billion for the first half increased 52% year-on-year; however, they were 15% lower as compared to 2H09. Impaired loans increased to an elevated 24.0% of the loan book. Given the absence of liquidity in the real estate market and a protracted economic recovery, DBRS expects credit costs to remain elevated in the Irish loan book over the near-term.

Capitalisation: Structure and Adequacy

Lloyds has taken prudent and measured steps to bolster its capital position. During 2009, the Bank executed several capital raising efforts including a GBP 9.0 billion debt exchange and a GBP 13.5 billion rights issue. The Group's capital ratios were further enhanced by the 2010 issuance of GBP 1.5 billion of equity. Capital ratios have also benefited from the reduction in RWAs. During 2009, RWAs declined by GBP 60 billion. This was followed by an additional decline of GBP 23 billion in the first half of 2010. The aforementioned and, more recently, earnings retention, helped raise Lloyds' Tier 1 capital to GBP 41.9 billion at 30 June 2010. At the same time, the core Tier 1 ratio increased to 9.0%, while the Tier 1 ratio improved to 10.3% and the Total capital ratio ended the period at 13.4%. Accordingly, the Group's capital ratios increased significantly and substantially exceed current regulatory minimums. DBRS views the added capital as particularly important, given that the evolving regulatory landscape will result in increases to regulatory capital requirements.

Leverage is still considered elevated; however, DBRS recognises the downward trajectory of leverage owed to the runoff and disposals of certain assets. At 30 June 2010, the Tier 1 capital-to-tangible assets ratio was 4.66%, an improvement from 3.94% a year ago. Furthermore, tangible common equity-to-RWAs has improved to 9.05% at 30 June 2010, from 5.90% a year ago.



Source: Company reports

The quality of capital continues to improve. Liability management exercises executed over the past 18 months have reduced the presence of lower quality, less loss absorbing instruments in the capital stack. To this end, preference shares and innovative tier 1 capital instruments have declined substantially and at 30 June 2010 were 9.4% of total tier 1 capital. Goodwill and intangible assets are 12.1% of total equity.

Given the improved performance, the ongoing effort in reducing RWAs and the enhanced capital position, DBRS sees Lloyds as being well-placed to manage the evolving regulatory environment. However, indications of additional regulatory measures by U.K. authorities for the larger U.K. banks and a hastened timeline may introduce the need for additional new capital raising initiatives.

Funding and Liquidity

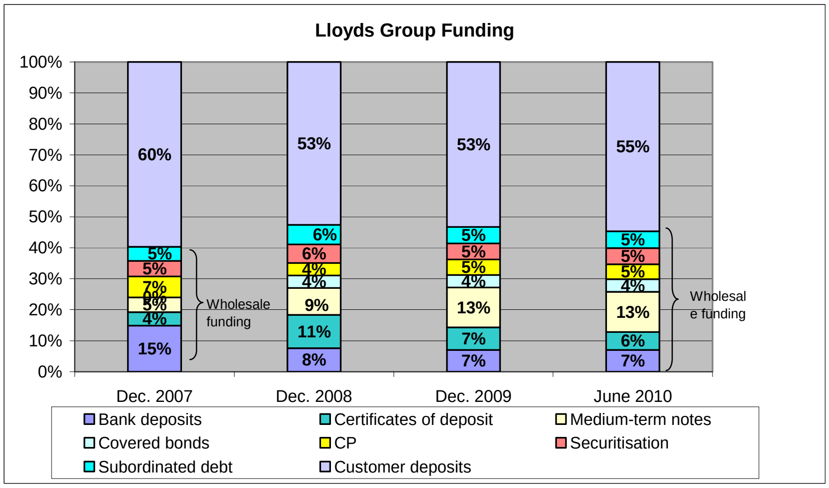
The acquisition of HBOS added significant amounts of short-term wholesale funding to the balance sheet, thereby upsetting the funding balance. Lloyds has, however, made appreciable progress in rebalancing its funding profile. Yet, more work is to be done on this front.

The Group has continued to reduce its reliance on short-term wholesale funding. During the first half of the year the absolute level of wholesale funding fell to GBP 311 billion from GBP 326 billion at the year-end. This has been achieved through a combination of solid retail deposit growth and a reduction in non-relationship assets. Despite the improvement, at 45% of funding, wholesale funding is still viewed as elevated, yet it compares very favourably to the 61% at 31 December 2008. DBRS expects that given the Group's stated reduction in non-relationship assets and likely customer deposit growth, the Group will achieve its stated goal of reducing the wholesale funding requirement.

The increasing deposit base provides a strong foundation to the funding profile. At 30 June 2010, customer deposits totaled GBP 375 billion, or 54.7% of the funding stack. Of note, deposits increased by GBP 4.1 billion during the first half of the year. This helped the Group's loan-to-deposit ratio to improve to 163%. While still considered high, this ratio has fallen from the peak of 178% at December 2008. Historically, Lloyds TSB maintained a LTD ratio in the 120% to 130% range. DBRS anticipates that, given the Group's focus on rebalancing its funding profile and the planned asset reduction, over time the Group will bring this ratio closer to the historic levels. DBRS recognises that this transformation will be a longer-term process given the competitive forces and regulation that may limit deposit growth.

Additionally, Lloyds still has a noteworthy amount of liquidity support from public and central bank sources. Lloyds aims to eliminate the use of public and central bank facilities by the end of 2012. Indeed, in 1H10 the Group reduced the quantum of government supported funding by GBP 25 billion, or 16% to GBP 132 billion.

While a significant portion of the legacy public and central bank support matures over the next couple of years, DBRS sees refinancing pressure as manageable given the reduced funding needs owed to the planned portfolio run-off. Furthermore, Lloyds has maintained good access to the capital markets, across a range of products and sources. At 30 September 2010, the Group exceeded its initial full year public term issuance plans of GBP 25 billion, and subsequently issued an additional GBP 2.5 billion public term issuance.



Source: Company reports

Moreover, the Group further broadened its funding program in 1H10 with the addition of a U.S. medium-term note programme, a second regulated covered bond programme and a new French CD programme.

Liquidity is enhanced by the GBP 128.3 billion liquidity pool, of which GBP 83.6 billion, or approximately 65% is considered primary liquidity by the FSA consisting of UK gilts, US treasuries, Euro AAA government debt and cash held at central banks. The remaining GBP 44.7 billion is considered secondary liquidity, comprised of highly-rated unencumbered assets. With the introduction of the FSA's Individual Liquidity Guidance (ILG), the Group now manages liquidity as a coverage ratio of stressed outflows covered by primary liquid assets and not on a quantum basis. As such, the entire GBP 128.3 billion liquidity pool reflects a buffer over the regulatory minimum required by the FSA.

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Lloyds Banking Group plc – Financial Data [Last 3 fiscal years and 1H10]

Lloyds Banking Group	30/06/2010 GBP		31/12/2009 GBP		31/12/2008 GBP		31/12/2007 GBP	
In GBP Millions	**IFRS**		**IFRS**		**IFRS**		**IFRS**	
Balance Sheet								
Cash and deposits with central banks	53,035	5.16%	40,573	3.95%	5,954	1.37%	5,572	1.58%
Lending to/deposits with credit institutions	31,251	3.04%	35,361	3.44%	38,733	8.88%	34,845	9.86%
Financial securities	223,875	21.78%	229,265	22.32%	105,187	24.12%	78,107	22.10%
- Trading portfolio	26,479	2.58%	27,245	2.65%	857	0.20%	4,663	1.32%
- At fair value	120,987	11.77%	122,766	11.95%	44,207	10.14%	53,248	15.07%
- Available for sale	47,696	4.64%	46,602	4.54%	55,707	12.78%	20,196	5.72%
- Held-to-maturity	0	0.00%	0	0.00%	0	0.00%	0	0.00%
- Other	28,713	2.79%	32,652	3.18%	4,416	1.01%	0	0.00%
Financial derivatives instruments	61,910	6.02%	49,928	4.86%	28,884	6.62%	8,659	2.45%
- For hedging purposes	9,054	0.88%	9,430	0.92%	435	0.10%	264	0.07%
- Other	52,856	5.14%	40,498	3.94%	28,449	6.52%	8,395	2.38%
Gross lending to customers	628,821	61.16%	652,957	63.56%	243,803	55.91%	212,222	60.06%
- Loan loss provisions	-16,688	-1.62%	-25,988	-2.53%	-3,459	-0.79%	-2,408	-0.68%
Insurance assets	0	0.00%	6,685	0.65%	2,278	0.52%	2,568	0.73%
Investments in associates/subsidiaries	5,631	0.55%	5,236	0.51%	2,686	0.62%	3,722	1.05%
Fixed assets	8,760	0.85%	9,224	0.90%	2,965	0.68%	2,839	0.80%
Goodwill and other intangible assets	12,222	1.19%	6,103	0.59%	2,453	0.56%	2,507	0.71%
Other assets	19,308	1.88%	17,911	1.74%	6,549	1.50%	4,713	1.33%
Total assets	**1,028,125**	**100.00%**	**1,027,255**	**100.00%**	**436,033**	**100.00%**	**353,346**	**100.00%**
Total assets (USD)	1,549,055		1,553,127		631,332		705,741	
Loans and deposits from credit institutions	69,640	6.77%	83,489	8.13%	67,022	15.37%	39,759	11.25%
Deposits from customers	420,414	40.89%	406,741	39.59%	170,938	39.20%	156,555	44.31%
- Demand	0	0.00%	103,151	10.04%	51,285	11.76%	49,533	14.02%
- Time and savings	420,414	40.89%	303,590	29.55%	119,653	27.44%	107,022	30.29%
Issued debt securities	221,825	21.58%	233,502	22.73%	75,710	17.36%	51,572	14.60%
Financial derivatives instruments	51,592	5.02%	40,485	3.94%	26,892	6.17%	7,582	2.15%
- For hedging purposes	0	0.00%	8,687	0.85%	4,169	0.96%	800	0.23%
- Other	51,592	5.02%	31,798	3.10%	22,723	5.21%	6,782	1.92%
Insurance liabilities	121,191	11.79%	123,609	12.03%	48,305	11.08%	56,814	16.08%
Other liabilities	60,564	5.89%	60,595	5.90%	20,211	4.64%	16,681	4.72%
-Financial liabilities at fair value through P/L	0	0.00%	28,271	2.75%	6,754	1.55%	3,206	0.91%
Subordinated debt	35,243	3.43%	20,780	2.02%	11,760	2.70%	8,927	2.53%
Hybrid Capital	0	0.00%	13,947	1.36%	5,496	1.26%	3,031	0.86%
Equity	47,656	4.64%	44,107	4.29%	9,699	2.22%	12,425	3.52%
Total liabilities and equity funds	**1,028,125**	**100.00%**	**1,027,255**	**100.00%**	**436,033**	**100.00%**	**353,346**	**100.00%**
Income Statement								
Interest income	14,661		28,238		17,569		16,874	
Interest expenses	-7,623		-19,212		-9,851		-10,775	
Net interest income and credit commissions	7,038	56.17%	9,026	40.07%	7,718	78.18%	6,099	56.97%
Net fees and commissions	1,407	11.23%	2,737	12.15%	2,537	25.70%	2,624	24.51%
Trading / FX Income	1,245	9.94%	19,098	84.78%	-9,186	-93.05%	3,123	29.17%
Net realised results on investment securities (available for sale)	0	0.00%	97	0.43%	19	0.19%	0	0.00%
Net results from other financial instruments at fair value	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Net income from insurance operations	1,111	8.87%	-13,073	-58.04%	8,271	83.78%	-2,092	-19.54%
Results from associates/subsidiaries accounted by the equity method	-61	-0.49%	-752	-3.34%	4	0.04%	0	0.00%
Other operating income (incl. dividends)	1,790	14.29%	5,393	23.94%	509	5.16%	952	8.89%
Total operating income	12,530	100.00%	22,526	100.00%	9,872	100.00%	10,706	100.00%
Staff costs	-2,202	39.26%	-6,675	42.40%	-2,978	49.63%	-2,904	52.16%
Other operating costs	-2,187	38.99%	-6,509	41.34%	-2,336	38.93%	-2,033	36.52%
Depreciation/amortisation	-1,220	21.75%	-2,560	16.26%	-686	11.43%	-630	11.32%
Total operating expenses	-5,609	100.00%	-15,744	100.00%	-6,000	100.00%	-5,567	100.00%
Pre-provision operating income	6,921		6,782		3,872		5,139	
Loan loss provisions	-5,423		-16,673		-3,012		-1,796	
Post-provision operating income	1,498		-9,891		860		3,343	
Impairment on (in)tangible assets	-202		-240		-100		0	
Net gains/losses on (in)tangible assets	0		0		0		0	
Other non-operating items	0		11,173		0		657	
Pre-tax income	1,296		1,042		760		4,000	
Taxes	-630		1,911		38		-679	
Minority interest	0		0		0		0	
Net income	**666**		**2,953**		**798**		**3,321**	
Net income (USD)	1,003		4,465		1,155		6,633	

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Off-balance sheet and other items				
Asset under management	n/a	n/a	109,000	122,800
Derivatives (notional amount)	n/a	2,770,514	881,731	840,207
BIS Risk-weighted assets (RWA)	463,196	493,307	170,490	172,000
No. of employees (end-period)	106,463	107,144	58,756	58,078

Earnings and Expenses				
Earnings				
Net interest margin [1]	1.57%	1.38%	2.17%	1.90%
Pre-provision earning capacity (total assets basis) [2]	1.32%	0.93%	0.98%	1.47%
Pre-provision earning capacity (risk-weighted basis) [3]	2.93%	2.04%	2.26%	3.13%
Pre-provision earning capacity by employee	130,017	63,298	65,900	88,484
Post-provision earning capacity (total assets basis)	0.29%	-1.35%	0.22%	0.96%
Post-provision earning capacity (risk-weighted basis)	0.63%	-2.98%	0.50%	2.04%
Expenses				
Efficiency ratio (operating expenses / operating income)	44.76%	69.89%	60.78%	52.00%
All inclusive costs to revenues [4]	46.38%	47.43%	61.79%	48.99%
Operating expenses by employee	105,370	146,942	102,117	95,854
Loan loss provision / pre-provision operating income	78.36%	245.84%	77.79%	34.95%
Provision coverage by net interest income	129.78%	54.14%	256.24%	339.59%
Profitability Returns				
Pre-tax return on Tier 1 (excl. hybrids)	6.19%	2.62%	29.61%	66.09%
Return on equity	2.85%	6.82%	8.50%	27.35%
Return on average total assets	0.13%	0.40%	0.20%	0.95%
Return on average risk-weighted assets	0.28%	0.89%	0.47%	2.03%
Dividend payout ratio [5]	n/a	n/a	255.89%	61.01%
Internal capital generation [6]	n/a	n/a	-10.01%	11.25%

Growth				
Loans	-5.03%	167.82%	14.88%	11.42%
Deposits	-2.02%	137.95%	9.19%	12.35%
Net interest income	56.43%	16.95%	26.55%	10.15%
Fees and commissions	7.00%	7.88%	-3.32%	15.59%
Expenses	-9.88%	162.40%	7.78%	5.02%
Pre-provision earning capacity	125.44%	75.15%	-24.65%	-11.44%
Loan-loss provisions	n/a	453.55%	67.71%	15.50%
Net income	-90.69%	270.05%	-75.97%	14.24%

Risks				
RWA% total assets	45.05%	48.02%	39.10%	48.68%
Credit Risks				
Impaired loans % gross loans	10.00%	9.01%	3.50%	2.50%
Loss loan provisions % impaired loans	26.54%	44.17%	40.49%	45.34%
Impaired loans (net of LLPs) % pre-povision operating income [7]	333.67%	484.30%	131.28%	56.49%
Impaired loans (net of LLPs) % equity	96.92%	74.47%	52.41%	23.36%
Market Risks				
VaR % Tier 1	0.00%	0.09%	0.07%	0.05%
VaR % daily pre provision income	0.00%	150.03%	63.27%	30.75%
Liquidity and Funding				
Customer deposits % total funding	56.27%	54.63%	52.53%	60.96%
Total wholesale funding % total funding [8]	43.73%	45.37%	47.47%	39.04%
- Interbank % total funding	9.32%	11.21%	20.59%	15.48%
- Debt securities % total funding	29.69%	31.36%	23.26%	20.08%
- Subordinated debt % total funding	4.72%	2.79%	3.61%	3.48%
Short-term wholesale funding % total wholesale funding	21.32%	56.63%	81.95%	72.54%
Liquid assets % total assets	29.97%	29.71%	34.37%	33.54%
Net short-term wholesale funding reliance [9]	-33.13%	-15.78%	-8.13%	-19.50%
Adjusted net short-term wholesale funding reliance [10]	-33.13%	-40.57%	-38.37%	-244.23%
Customer deposits % gross loans	66.86%	62.29%	70.11%	73.77%

Capital [11]				
Tier 1	10.29%	9.6%	8.0%	9.5%
Tier 1 excl. All Hybrids	9.04%	8.1%	1.5%	3.5%
Core Tier 1 (As-reported)	9.00%	8.1%	5.6%	7.4%
Total Capital	13.40%	12.4%	11.2%	11.0%
Retained earnings % Tier 1	24.80%	23.67%	60.29%	67.88%
Equity investments in associated companies/subsidiaries % total equity	12.04%	12.10%	28.60%	30.66%

[1] (Net interest income + dividends)% average interest earning assets.
[2] Pre-provision operating income % average total assets.
[3] Pre-provision operating income % average total risk-weighted assets.
[4] (Operating & non-op. costs) % (op. & non-op. revenues)
[5] Paid dividend % net income.
[6] (Net income - dividends) % shareholders' equity at t-1.
[7] We take into account the stock of LLPs in this ratio.
[8] Whole funding excludes corporate deposits.
[9] (Short-term wholesale funding - liquid assets) % illiquid assets
[10] (Short-term wholesale funding - liquid assets- loans maturing within 1 year) % illiquid assets
[11] Capital ratios of Interim results exclude profits for the year

*Interim information is annualised where needed. Caution must be exercised on annualised ratios due to possible seasonality in the institution's results

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Ratings

Issuer	Debt Rated	Rating	Trend
Lloyds Banking Group	Issuer and Long-Term Debt	A (high)	Stable
Lloyds Banking Group	Mandatory Pay Subordinated Debt	A	Stable
Lloyds Banking Group	Cumulative Discretionary Pay Subordinated Debt	A (low)	Stable
Lloyds Banking Group	Non-Cumulative Discretionary Pay Subordinated Debt	BBB (high)	Stable
Lloyds Banking Group	Preference Shares	BB (high)	Stable
Lloyds TSB Bank plc	Debt Guaranteed by HM Treasury	AAA	Stable
Lloyds TSB Bank plc	GBP 50 billion Senior Debt Issuance Programme	AAA	Stable
Lloyds TSB Bank plc	USD Denominated Debt Guaranteed by HM Treasury	AAA	Stable
Lloyds TSB Bank plc	Senior Debt & Deposits	AA (low)	Stable
Lloyds TSB Bank plc	Mandatory Pay Subordinated Debt	A (high)	Stable
Lloyds TSB Bank plc	Cumulative Discretionary Pay Subordinated Debt	A	Stable
Lloyds TSB Bank plc	Non-Cumulative Discretionary Pay Subordinated Debt	A (low)	Stable
Lloyds TSB Bank plc	Short-Term Debt	R-1 (middle)	Stable
LBG Capital No. 1	Enhanced Capital Notes	BB (high)	Stable
LBG Capital No. 2	Enhanced Capital Notes	BB (high)	Stable
HBOS plc	Senior Debt & Deposits	AA (low)	Stable
HBOS plc	Mandatory Pay Subordinated Debt	A (high)	Stable
HBOS plc	Commercial Paper	R-1 (middle)	Stable
HBOS plc	Cumulative Discretionary Pay Subordinated Debt	A	Stable
HBOS plc	Non-Cumulative Discretionary Pay Subordinated Debt	A (low)	Stable
Bank of Scotland plc	Debt Guaranteed by HM Treasury	AAA	Stable
Bank of Scotland plc	Senior Debt & Deposits	AA (low)	Stable
Bank of Scotland plc	Commercial Paper	R-1 (middle)	Stable
Bank of Scotland plc	Mandatory Pay Subordinated Debt	A (high)	Stable
Bank of Scotland plc	Cumulative Discretionary Pay Subordinated Debt	A	Stable
Bank of Scotland plc	Non-Cumulative Discretionary Pay Subordinated Debt	A (low)	Stable

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Ratings History

Issuer	Debt Rated	Current	2009	2008	2007	2006
Lloyds Banking Group plc	Issuer and Long-Term Debt	A (high)	A (high)	NR	NR	NR
Lloyds Banking Group plc	Mandatory Pay Subordinated Debt	A	NR	NR	NR	NR
Lloyds Banking Group plc	Cumulative Discretionary Pay Subordinated Debt	A (low)	NR	NR	NR	NR
Lloyds Banking Group plc	Non-Cumulative Discretionary Pay Subordinated Debt	BBB (high)	NR	NR	NR	NR
Lloyds Banking Group plc	Preference Shares	BB (high)	NR	NR	Nr	NR
Lloyds TSB Bank plc	Senior Debt & Deposits	AA (low)	AA (low)	AA (high)	AA (high)	AA (high)
Lloyds TSB Bank plc	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)	R-1 (high)
Lloyds TSB Bank plc	Mandatory Pay Subordinated Debt	A (high)	A (high)	AA	NR	NR
Lloyds TSB Bank plc	Cumulative Discretionary Pay Subordinated Debt	A	NR	NR	NR	NR
Lloyds TSB Bank plc	Non-Cumulative Discretionary Pay Subordinated Debt	A (low)	NR	NR	NR	NR
Lloyds TSB Bank plc	Debt Guaranteed by HM Treasury	AAA	AAA	AAA	NR	NR
Lloyds TSB Bank plc	GBP 50 billion Senior Debt Issuance Programme	AAA	AAA	AAA	NR	NR
Lloyds TSB Bank plc	USD Denominated Debt Guaranteed by HM Treasury	AAA	AAA	NR	NR	NR
LBG Capital No. 1	Enhanced Capital Notes	BB (high)	NR	NR	NR	NR
LBG Capital No. 2	Enhanced Capital Notes	BB (high)	NR	NR	NR	NR
HBOS plc	Senior Debt & Deposits	AA (low)	AA (low)	AA (high)	AA (high)	AA (high)
HBOS plc	Commercial Paper	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)	R-1 (high)
HBOS plc	Mandatory Pay Subordinated Debt	A (high)	A (high)	AA	AA	NR
HBOS plc	Cumulative Discretionary Pay Subordinated Debt	A	NR	NR	NR	NR
HBOS plc	Non-Cumulative Discretionary Pay Subordinated Debt	A (low)	NR	NR	NR	NR
Bank of Scotland plc	Senior Debt & Deposits	AA (low)	AA (low)	AA (high)	AA (high)	NR
Bank of Scotland plc	Commercial Paper	R-1 (middle)	R-1 (middle)	R-1 (high)	R-1 (high)	NR
Bank of Scotland plc	Debt Guaranteed by HM Treasury	AAA	AAA	AAA	NR	NR
Bank of Scotland plc	Mandatory Pay Subordinated Debt	A (high)	NR	NR	NR	NR
Bank of Scotland plc	Cumulative Discretionary Pay Subordinated Debt	A	NR	NR	NR	NR
Bank of Scotland plc	Non-Cumulative Discretionary Pay Subordinated Debt	A (low)	NR	NR	NR	NR

Note:
All figures are in GBP unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.