Lloyds Bank Corporate Markets plc

2023 Half-Year Results

Member of Lloyds Banking Group

CONTENTS

LBCM's purpose is Helping Britain Prosper
By connecting the UK and Lloyds Banking Group with the world

RESULTS FOR THE HALF-YEAR

- Solid financial performance against a backdrop of continued market volatility and inflationary pressures - profit before tax of £213 million (half-year to 30 June 2022 £249 million) and strong CET1 ratio of 14.5 per cent (14.6 per cent at 31 December 2022)
- Continuing to support our customers' needs by providing product choice in an evolving environment and uncertain economic outlook. We are mindful of the impact of higher interest rates and inflation on our customers
- Solid business performance with Markets ending the half-year in the top three for sterling issuance[1] and deepening foreign exchange percentage share of wallet; and supporting Lloyds Banking Group (LBG) on signature transactions
- Strategic investment continues with delivery including the further roll out of our new cash management and payments platform in the Crown Dependencies; and continuing to invest in our foreign exchange proposition including capabilities on the FXall and Bloomberg platforms

Lloyds Bank Corporate Markets plc's (LBCM) strategy continues to be to connect the UK and LBG with the world through a first-class banking, financing and risk management proposition, underpinned by excellent customer service. Guided by our purpose of Helping Britain Prosper, we remain fully focused on supporting our customers and helping them navigate the current environment.

Part of LBG, LBCM's purpose driven business model supports its customers (large corporates, financial institutions, commercial customers plus retail customers in the Crown Dependencies) with a range of products including risk management, commercial lending, retail banking services, bonds and structured finance, trade and working capital management and ESG product solutions. All served via its hubs in the UK, Jersey, Guernsey, Isle of Man, New York USA and Frankfurt Germany.

[1] Refinitiv Eikon – All International Bonds in GBP, excluding Sovereign, Supranational and Agency.

REVIEW OF PERFORMANCE

Income statement

For the 6 months to 30 June 2023, **total income** was £433 million comprising net interest income of £96 million, net fee and commission income of £137 million and net trading income of £200 million. **Net interest income** is down versus the first half of 2022 despite diligent management of customer returns as a result of increased funding and structural hedging costs; and also includes £23 million of one off income. **Net fee and commission income** has improved period on period with strong performance on bond issuances and resilient customer lending. Within **net trading income** both the financial and capital markets businesses have delivered a strong performance versus the comparative period, including writing our first sustainability-linked FX trade supporting one of our customer's decarbonisation goals; and the issuance of an inaugural sustainability-linked bond further enhancing our position as a trusted ESG provider. This performance is partially offset by foreign currency revaluation charges as the US dollar has strengthened against the GB pound.

Income statement	**Half-year to 30 June 2023**	Half-year to 30 June 2022	Mvmt
	£m	£m	£m
Net interest income	**96**	131	(35)
Fee and commission income	**137**	107	30
Net trading income	**200**	234	(34)
Other operating income	**0**	4	(4)
Total income	**433**	476	(43)
Operating expenses	**(238)**	(216)	(22)
Impairment credit (charge)	**18**	(11)	29
Profit before tax	**213**	249	(36)
Tax expense	**(46)**	(42)	(4)
Profit for the period	**167**	207	(40)

REVIEW OF PERFORMANCE (continued)

Operating expenses for the period were £238 million and predominantly consist of management charges relating to the intra-group agreement with Lloyds Bank plc and staff costs. LBCM has maintained its cost discipline in the context of continued inflationary pressure and higher planned strategic investment in 2023.

An **impairment credit** of £18 million has been recognised in the period which is the release of previously charged stage 1 and 2 expected credit loss and is as a result of an improvement in the forward look economics at half-year versus the prior period. A **tax charge** of £46 million was recorded which is up versus the comparative period as a result of the increase in UK corporation tax rate in April 2023 plus other movements in the tax computation.

Balance sheet assets

Total assets were £94,272 million at 30 June 2023, an increase of £7,613 million since 31 December 2022.

This overall total asset growth is mainly as a result of the increase in **financial assets at fair value through profit or loss** which is driven by the growth in the reverse repurchase agreement and gilts books in the period.

Balance sheet assets	**At 30 June 2023 £m**	At 31 Dec 2022 £m	Mvmt £m
Cash and balances at central banks	**19,793**	19,382	411
Financial assets at fair value through profit or loss	**20,603**	14,780	5,823
Derivative financial instruments	**24,831**	24,621	210
Financial assets at amortised cost	**26,753**	27,424	(671)
Other assets	**2,292**	452	1,840
Total assets	**94,272**	86,659	7,613

Financial assets at amortised cost includes loans and advances to banks of £1,790 million, loans and advances to customers of £18,930 million and reverse repurchase agreements of £5,474 million. LBCM continues to support our customers through the provision of sustainable financing with the drawn value of loans at June 2023 of £1.4 billion (31 December 2022 £1 billion). The increase in **other assets** relates to forward settlement balances.

Balance sheet liabilities

Total liabilities were £90,796 million at 30 June 2023, compared to £83,264 million at 31 December 2022.

Balance sheet liabilities	**At 30 June 2023 £m**	At 31 Dec 2022 £m	Mvmt £m
Deposits from banks	**2,748**	2,456	292
Deposits from customers	**29,892**	29,152	740
Due to fellow LBG undertakings	**1,363**	1,481	(118)
Financial liabilities at fair value through profit or loss	**18,828**	12,578	6,250
Derivative financial instruments	**20,293**	20,070	223
Debt securities in issue	**15,268**	16,131	(863)
Subordinated liabilities	**733**	761	(28)
Other liabilities	**1,671**	635	1,036
Total liabilities	**90,796**	83,264	7,532

Deposits from customers increased since year end in line with LBCM's strategy to grow deposits in the Crown Dependencies and development of the short term interest rates business.

Financial liabilities at fair value through profit or loss increased due to repurchase agreements as that business grows while **derivative financial instruments** remain broadly in line with December 2022. **Debt securities in issue** include commercial paper, certificates of deposit and Euro Medium Term Notes, and decreased as a result of funding maturities in the period. The movement in **other liabilities** relates to forward settlement balances.

REVIEW OF PERFORMANCE (continued)

Balance sheet equity

Total equity at 30 June 2023 was £3,476 million (31 December 2022 £3,395 million) with the movement in **retained profits** representing profit in the period after tax, attributable to ordinary shareholders. Total equity includes the capital injection of £250 million received from our parent company in 2022.

The movement in **other reserves** of £51 million in the period mainly relates to the cash flow hedging reserve, representing the fair value movement on the structural hedge.

Equity	**At 30 June 2023 £m**	At 31 Dec 2022 £m	Mvmt £m
Share capital	**370**	370	0
Other reserves	**(576)**	(525)	(51)
Retained profits	**2,900**	2,768	132
Ordinary shareholders' equity	**2,694**	2,613	81
Other equity instruments	**782**	782	0
Total equity	**3,476**	3,395	81

Regulatory capital

The capital position of Lloyds Bank Corporate Markets plc (the Bank) is presented on an unconsolidated basis

Regulatory capital	**At 30 June 2023 £m**	At 31 Dec 2022 £m	Mvmt £m
Common equity tier 1 capital	**3,055**	2,948	107
Tier 1 capital	**3,812**	3,705	107
Total capital	**4,380**	4,285	95
Total risk-weighted assets	**21,079**	20,195	884
CET1%	**14.5 %**	14.6 %	(0.1)pp
UK leverage ratio	**5.0 %**	5.4 %	(0.4)pp

The Bank's **common equity tier 1** (CET1) capital ratio remained broadly flat at 14.5 per cent (31 December 2022 14.6 per cent). **Risk-weighted assets** increased to £21,079 million largely as a result of short term settlement balances at 30 June 2023 which have since cleared; an increase in market risk risk-weighted assets; plus planned asset growth. The Bank's UK **leverage ratio** decreased to 5.0 per cent reflecting an increase in the exposure measure as a result of balance sheet growth since year end and an increase in off-balance sheet items.

REVIEW OF PERFORMANCE (continued)

The Bank's capital position as at 30 June 2023, after applying IFRS 9 transitional arrangements, is set out in the following section.

Capital resources of the Bank	At 30 June 2023 £m	At 31 Dec 2022 £m
Common equity tier 1		
Shareholders' equity per balance sheet	**2,711**	2,650
Cash flow hedging reserve	**565**	519
Debit valuation adjustment	**(34)**	(34)
Other adjustments[1]	**—**	7
	3,242	3,142
less: deductions from common equity tier 1		
Prudent valuation adjustment	**(142)**	(162)
Excess of expected losses over impairment provisions and value adjustments	**(45)**	(32)
Common equity tier 1 capital	**3,055**	2,948
Additional tier 1		
Additional tier 1 instruments	**757**	757
Total tier 1 capital	**3,812**	3,705
Tier 2		
Tier 2 instruments	**678**	706
Other adjustments	**(110)**	(126)
Total tier 2 capital	**568**	580
Total capital resources	**4,380**	4,285
Risk-weighted assets	**21,079**	20,195
Capital and leverage ratios		
Common equity tier 1 capital ratio	**14.5 %**	14.6%
Tier 1 capital ratio	**18.1 %**	18.3%
Total capital ratio	**20.8 %**	21.2%
UK leverage ratio	**5.0%**	5.4%

1 No relief under the IFRS 9 transitional arrangements for capital was applied at 30 June 2023. 31 December 2022 comparatives include an adjustment applied to reserves to reflect the application of the IFRS 9 transitional arrangements for capital.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that could impact LBCM's ability to deliver its long-term strategic objectives and the approach to managing each risk are reviewed and reported to the Board Risk Committee regularly in alignment with the risk management framework.

Our enterprise risk management framework

The LBG enterprise risk management framework (ERMF) applies to all legal entities and is the foundation for the delivery of effective and consistent risk control. It enables proactive identification, active management and monitoring of LBCM's risks, which is supported by our One Risk and Control Self-Assessment approach.

LBCM has adopted the ERMF, supplemented with additional tailored practices set out to address LBCM-specific requirements. The ERMF and the LBCM risk management framework applies to LBCM business across all legal entities and locations.

LBG continues to conduct a detailed review of its ERMF, which may result in a future reclassification of the principal risks.

LBCM's risk appetite, principles, policies, procedures, controls and reporting are regularly reviewed and updated to ensure they remain in line with regulation, law, corporate governance and industry good practice.

Risk appetite is defined within LBCM as the amount and type of risk that it is prepared to seek, accept or tolerate in delivering its strategy. As a separate legal group with its own parent Board, LBCM maintains its own risk appetite which is aligned to the LBG approach but is adjusted to reflect the specific characteristics of LBCM's balance sheet and portfolio, including its international presence. The LBCM Board (Board) is responsible for approving LBCM's risk appetite statement annually. Board-level risk appetite metrics are supported by sub-Board level metrics and cascaded into more detailed business metrics and limits.

Regular close monitoring and comprehensive reporting to management and the Board ensures risk appetite limits are maintained and subject to stress analysis at a risk type and portfolio level, as appropriate.

Governance is maintained through delegation of authority from the Board down to subsidiary boards and to individuals. Senior executives are supported by a committee-based structure which is designed to ensure open challenge and enable effective Board engagement and decision-making.

The Board and senior management play a vital role in shaping and embedding a supportive risk culture. Senior leaders set a clear tone from the top and lead by example reflecting LBG values, encouraging a culture of intellectual curiosity, innovation and proactive risk management amongst all colleagues.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Current thematic and emerging risks

The significant risks encountered by LBCM are detailed below. The external risks faced by LBCM may also impact the success of delivering against LBCM's long-term strategic objectives. They include, but are not limited to, the uncertainties linked to the macroeconomic environment and specifically the impacts of the war in Ukraine that continue to put a strain on commodity and energy prices, financial markets volatility, supply chain disruptions, high interest rates and high inflation which are contributing to the cost of living challenges and pressures on the UK economy, where LBCM mainly operates.

In addition, LBCM continues to monitor and address current thematic risks that could have an adverse impact on business model, financial conditions, operations and its ability to achieve revenue targets. They include, but are not limited to:

- The extent and rapid pace of regulatory changes and increased oversight, which could increase costs and prudential resource requirements for LBCM and result in changes to LBCM's legal and operating structure and create risks from non-compliance that include censure, fines and removal of business permissions to operate
- The effectiveness of proprietary models as models are at risk of being insufficiently predictive due to the limitations of historical data, the recent extreme market volatility, and the risk of ineffectiveness in parameterisation, implementation, oversight and monitoring
- Climate risk is the risk that LBCM experiences losses and/or reputational damage as a result of climate change, either directly or through its customers. LBCM is aligned with LBG, its parent company, with the goal of reducing emissions financing by more than 50 per cent by 2030 and achieving net zero financed emissions by 2050 (refer LBG Half-Year results 2023 and the LBG environmental sustainability report)
- The complexity of the transition from IBORs to Alternative Risk Free Reference Rates which could have material adverse impacts such as less liquid interest rates, increased litigation or disputes and higher operational risks
- The changes to employee expectations following the COVID-19 pandemic and significant structural and regulatory change across the industry may adversely impact LBCM by disrupting the recruitment and retention of key talent
- The discussions between the UK and the EU, continues to create uncertainty on the future UK legal and regulatory framework with the potential to affect the LBCM's business model in the EU

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Principal risks

There have been minor changes to the definition of these risks from those disclosed in the LBCM's 2022 Annual Report and Accounts.

Capital risk

The risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across LBCM.

Change & execution risk

The risk that, in delivering its change agenda, LBCM fails to ensure compliance with laws and regulation, maintain available and effective customer and colleague services, and/or operate within LBCM's risk appetite.

Conduct risk

The risk of detriment across the customer life cycle including: failures in product management, distribution and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss.

Customer harm or detriment is defined as consumer loss, distress or inconvenience to customers due to breaches of regulatory or internal requirements or our wider duty to act fairly and reasonably.

The introduction of Consumer Duty has increased regulatory expectations in relation to customer outcomes for consumers. The direct impact for LBCM, considering its business and customer base, is limited, however LBCM would reflect LBG standards where appropriate.

Credit risk

The risk that parties with whom LBCM has contracted fail to meet their financial obligations (both on and off-balance sheet).

Data risk

The risk of LBCM failing to effectively govern, manage, and control its data, including data processed by third party suppliers, or failure to drive value from data; leading to unethical decisions making, poor customer outcomes, loss of value to LBCM and mistrust.

Funding and liquidity risk

The risk that LBCM does not have sufficiently stable and diverse sources of funding or that the funding structure is inefficient; and the risk that financial resources are insufficient to meet commitments as they fall due or can only be obtained at excessive cost.

Market risk

The risk that LBCM's capital or earnings profile is affected by adverse moves in market rates, in particular changes and volatility in interest and foreign exchange rates, inflation rates, commodity prices and credit spreads in the banking and markets businesses.

Model risk

The risk of financial loss, regulatory censure, reputational damage or customer detriment from deficiencies in developing, applying and operating models and rating systems.

Operational resilience risk

The risk that LBCM fails to design resilience into business operations (including those that are outsourced), underlying infrastructure and controls (people, property, process and technology) to withstand external or internal events that could impact the continuity of operations and fails to respond in a way which meets customers and stakeholder expectations and needs when the continuity of operations is compromised.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Operational risk

The risk of inadequate or failed internal processes, people or systems, or external events, leading to loss such as cyber-attack, internal and/or external fraud or financial crime, IT systems failures as well as failure to ensure compliance with regulation. This includes the provision of services to LBCM (including people, systems and processes) outsourced to Lloyds Bank plc via a shared service provision model or by external providers via Lloyds Bank plc. The Shared Service Model creates internal service provision risk and this may be elevated in situations where LBCM's priorities are not wholly aligned with those of the wider Lloyds Banking Group.

People risk

The risk that LBCM fails to provide an appropriate colleague and customer centric culture, supported by robust reward and wellbeing policies and processes; effective leadership to manage colleague resources; effective talent and succession management; and control framework to ensure all colleague related requirements are met.

Regulatory and legal risk

The risk arising from the failure to identify, assess, correctly interpret or, comply with regulatory and/or legal requirements, leading to customer detriment, failure to prevent and/or detect economic crime, financial penalties, regulatory censure, criminal or civil enforcement action.

Strategic risk

The risk which results from:

– Incorrect assessments of internal or external operating environments
– Failure to understand the potential impact of strategic responses and business plans on existing risk types
– Failure to respond appropriately to material changes in the external or internal operating environments

STATUTORY INFORMATION

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**Half-year to 30 June 2023 £m**	Half-year to 30 June 2022 £m
Interest income		**1,219**	290
Interest expense		**(1,123)**	(159)
Net interest income		**96**	131
Fee and commission income		**154**	122
Fee and commission expense		**(17)**	(15)
Net fee and commission income		**137**	107
Net trading income		**200**	234
Other operating income		**—**	4
Other income		**337**	345
Total income		**433**	476
Operating expenses	3	**(238)**	(216)
Impairment credit (charge)	4	**18**	(11)
Profit before tax		**213**	249
Tax expense	5	**(46)**	(42)
Profit for the period		**167**	207
Profit attributable to ordinary shareholders		**132**	190
Profit attributable to other equity holders		**35**	17
Profit for the period		**167**	207

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	**Half-year to 30 June 2023 £m**	Half-year to 30 June 2022 £m
Profit for the period		**167**	207
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movements in revaluation reserve in respect of debt securities held at fair value through other comprehensive income, net of tax	11	**—**	1
Movements in cash flow hedging reserve, net of tax	11	**(46)**	(260)
Movements in foreign currency translation reserve, net of tax	11	**(5)**	10
Other comprehensive loss for the period, net of tax		**(51)**	(249)
Total comprehensive income (loss) for the period		**116**	(42)
Total comprehensive income (loss) attributable to ordinary shareholders		**81**	(59)
Total comprehensive income attributable to other equity holders		**35**	17
Total comprehensive income (loss) for the period		**116**	(42)

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2023 (unaudited) £m	At 31 Dec 2022 (audited) £m
Assets			
Cash and balances at central banks		**19,793**	19,382
Financial assets at fair value through profit or loss	6	**20,603**	14,780
Derivative financial instruments		**24,831**	24,621
Loans and advances to banks		**1,790**	2,117
Loans and advances to customers		**18,930**	19,127
Reverse repurchase agreements		**5,474**	5,606
Debt securities		**377**	305
Due from fellow Lloyds Banking Group undertakings		**182**	269
Financial assets at amortised cost	7	**26,753**	27,424
Financial assets at fair value through other comprehensive income		**4**	6
Property, plant and equipment		**51**	56
Current tax recoverable		**6**	5
Deferred tax assets		**220**	213
Other assets		**2,011**	172
Total assets		**94,272**	86,659
Liabilities			
Deposits from banks		**2,748**	2,456
Customer deposits		**29,892**	29,152
Repurchase agreements		**—**	7
Due to fellow Lloyds Banking Group undertakings		**1,363**	1,481
Financial liabilities at fair value through profit or loss		**18,828**	12,578
Derivative financial instruments		**20,293**	20,070
Debt securities in issue	9	**15,268**	16,131
Other liabilities		**1,642**	574
Current tax liabilities		**12**	28
Deferred tax liabilities		**—**	—
Other provisions	10	**17**	26
Subordinated liabilities		**733**	761
Total liabilities		**90,796**	83,264
Equity			
Share capital		**370**	370
Other reserves	11	**(576)**	(525)
Retained profits		**2,900**	2,768
Ordinary shareholders' equity		**2,694**	2,613
Other equity instruments		**782**	782
Total equity		**3,476**	3,395
Total equity and liabilities		**94,272**	86,659

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to ordinary shareholders					
	Share capital	Other reserves	Retained profits	Total	Other equity instruments	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2023	**370**	**(525)**	**2,768**	**2,613**	**782**	**3,395**
Comprehensive (loss) income						
Profit for the period	**—**	**—**	**132**	**132**	**35**	**167**
Other comprehensive (loss) income						
Movements in revaluation reserve in respect of debt securities held at fair value through other comprehensive income, net of tax	**—**	**—**	**—**	**—**	**—**	**—**
Movements in cash flow hedging reserve, net of tax	**—**	**(46)**	**—**	**(46)**	**—**	**(46)**
Movements in foreign currency translation reserve, net of tax	**—**	**(5)**	**—**	**(5)**	**—**	**(5)**
Total other comprehensive (loss) income	**—**	**(51)**	**—**	**(51)**	**—**	**(51)**
Total comprehensive (loss) income	**—**	**(51)**	**132**	**81**	**35**	**116**
Transactions with owners						
Dividends	**—**	**—**	**—**	**—**	**—**	**—**
Distributions on other equity instruments	**—**	**—**	**—**	**—**	**(35)**	**(35)**
Issue of ordinary shares	**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with owners	**—**	**—**	**—**	**—**	**(35)**	**(35)**
At 30 June 2023	**370**	**(576)**	**2,900**	**2,694**	**782**	**3,476**

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

	Attributable to ordinary shareholders					
	Share capital	Other reserves	Retained profits	Total	Other equity instruments	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2022	120	(64)	2,651	2,707	782	3,489
Comprehensive (loss) income						
Profit for the period	—	—	190	190	17	207
Other comprehensive (loss) income						
Movements in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax	—	1	—	1	—	1
Movements in cash flow hedging reserve, net of tax	—	(260)	—	(260)	—	(260)
Movements in foreign currency translation reserve, net of tax	—	10	—	10	—	10
Total other comprehensive (loss) income	—	(249)	—	(249)	—	(249)
Total comprehensive (loss) income	—	(249)	190	(59)	17	(42)
Transactions with owners						
Dividends	—	—	(220)	(220)	—	(220)
Distributions on other equity instruments	—	—	—	—	(17)	(17)
Total transactions with owners	—	—	(220)	(220)	(17)	(237)
At 30 June 2022	120	(313)	2,621	2,428	782	3,210

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

	Attributable to ordinary shareholders					
	Share capital £m	Other reserves £m	Retained profits £m	Total £m	Other equity instruments £m	Total £m
At 1 July 2022	120	(313)	2,621	2,428	782	3,210
Comprehensive (loss) income						
Profit for the period	—	—	147	147	26	173
Other comprehensive (loss) income						
Movements in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax	—	(1)	—	(1)	—	(1)
Movements in cash flow hedging reserve, net of tax	—	(211)	—	(211)	—	(211)
Movements in foreign currency translation reserve, net of tax	—	—	—	—	—	—
Total other comprehensive (loss) income	—	(212)	—	(212)	—	(212)
Total comprehensive (loss) income	—	(212)	147	(65)	26	(39)
Transactions with owners						
Dividends	—	—	—	—	—	—
Distributions on other equity instruments	—	—	—	—	(26)	(26)
Issue of ordinary shares	250	—	—	250	—	250
Total transactions with owners	250	—	—	250	(26)	224
At 31 December 2022	370	(525)	2,768	2,613	782	3,395

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Half-year to 30 June 2023 £m	Half-year to 30 June 2022 £m
Profit before tax	**213**	249
Adjustments for:		
Change in operating assets	**(7,913)**	(6,498)
Change in operating liabilities	**7,982**	915
Non-cash and other items	**508**	(606)
Tax paid	**(52)**	(26)
Net cash provided by operating activities	**738**	(5,966)
Cash flows from investing activities		
Purchase of financial assets	**—**	(27)
Proceeds from sale and maturity of financial assets	**3**	119
Purchase of fixed assets	**(1)**	(1)
Net cash used in investing activities	**2**	91
Cash flows from financing activities		
Dividends paid to ordinary shareholders	**—**	(220)
Distributions on other equity instruments	**(35)**	(17)
Interest paid on subordinated liabilities	**(31)**	(9)
Finance Leases	**(4)**	(1)
Proceeds from issue of subordinated liabilities	**299**	—
Repayment of subordinated liabilities	**(284)**	—
Net cash provided by financing activities	**(55)**	(247)
Effect of exchange rate changes on cash and cash equivalents	**(447)**	716
Change in cash and cash equivalents	**238**	(5,406)
Cash and cash equivalents at beginning of period	**19,449**	23,103
Cash and cash equivalents at end of period	**19,687**	17,697

Cash and cash equivalents comprise cash and non-mandatory balances with central banks and amounts due from banks with a maturity of less than three months.

The accompanying notes are an integral part of the condensed consolidated half-year financial statements.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Note 1: Basis of preparation and accounting policies

These condensed consolidated half-year financial statements as at and for the period to 30 June 2023 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (FCA) and with International Accounting Standard 34 (IAS 34), *Interim Financial Reporting* as adopted by the United Kingdom and comprise the results of Lloyds Bank Corporate Markets plc (the Bank) together with its subsidiaries (the Group). References within this document to LBCM refer to the Group as defined here. Lloyds Banking Group plc is the ultimate parent company of LBCM and is also referred to as LBG in this document. These statements do not include all of the information required for full annual financial statements and should be read in conjunction with LBCM's consolidated financial statements as at and for the year ended 31 December 2022 which complied with international accounting standards in conformity with the requirements of the Companies Act 2006 and were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Copies of the 2022 Annual Report and Accounts are available at www.lloydsbankinggroup.com and are also available upon request from Investor Relations, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The directors consider that it is appropriate to continue to adopt the going concern basis in preparing these condensed consolidated half-year financial statements. In reaching this assessment, the directors have taken into account the uncertainties affecting the UK economy and their potential effects upon LBCM's performance and projected funding and capital position; the impact of further stress scenarios has also been considered. On this basis, the directors are satisfied that LBCM will maintain adequate levels of funding and capital for the foreseeable future.

LBCM's accounting policies are consistent with those applied by LBCM in its financial statements for the year ended 31 December 2022 and there have been no changes in LBCM's methods of computation.

Future accounting developments

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2024, including IFRS 16 *Lease liability in a sale and leaseback*, IAS 1 *Non-current liabilities with covenants*, and IAS 1 *Classification of liabilities as current or non-current*. These amendments are not expected to have a significant impact on LBCM and, apart from the amendments relating to IFRS 16 *Lease liability in a sale and leaseback*, have not been endorsed for use in the UK.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 2: Critical accounting judgements and key sources of estimation uncertainty

The preparation of LBCM's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from these estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing the financial statements, LBCM has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, LBCM does not consider there to be a material impact on its judgements and estimates from the physical, transition and other climate-related risks in the short term.

LBCM's significant judgements, estimates and assumptions are unchanged compared to those applied at 31 December 2022. Further information on the critical accounting judgements and key sources of estimation uncertainty for the allowance for expected credit losses is set out in note 8.

Note 3: Operating expenses

	Half-year to 30 June 2023 £m	Half-year to 30 June 2022 £m
Staff costs:		
Salaries	**(82)**	(76)
Social security costs	**(8)**	(8)
Pensions and other post-retirement benefit schemes	**(8)**	(7)
Restructuring costs	**—**	(11)
Other staff costs	**(4)**	(4)
	(102)	(106)
Management charges payable	**(102)**	(79)
Depreciation and amortisation	**(5)**	(9)
Premises and equipment	**(3)**	(3)
Communications and data processing	**(8)**	(7)
Professional fees	**(4)**	(2)
Other operating expenses	**(14)**	(10)
Total operating expenses	**(238)**	(216)

Note 4: Impairment

	Half-year to 30 June 2023 £m	Half-year to 30 June 2022 £m
Loans and advances to banks	**2**	(1)
Loans and advances to customers	**12**	(5)
Debt securities	**(3)**	—
Impairment credit (charge) on drawn balances	**11**	(6)
Loan commitments and financial guarantees	**7**	(5)
Total impairment credit (charge)	**18**	(11)

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 5: Tax expense

In accordance with IAS 34, LBCM's income tax expense for the half-year to 30 June 2023 is based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. The tax effects of one-off items are not included in the weighted-average annual income tax rate, but are recognised in the relevant period.

An explanation of the relationship between tax expense and accounting profit is set out below:

	Half-year to 30 June 2023 £m	Half-year to 30 June 2022 £m
Profit before tax	**213**	249
UK corporation tax thereon at 23.5 per cent (2022: 19 per cent)	**(50)**	(47)
Impact of surcharge on banking profits	**(2)**	(7)
Non-deductible costs	**(10)**	—
Non-taxable income	**—**	14
Tax relief on coupons on other equity instruments	**8**	3
Tax losses where no deferred tax recognised	**—**	(2)
Differences in overseas tax rates	**7**	(3)
Other	**1**	—
Tax expense	**(46)**	(42)

Note 6: Financial assets at fair value through profit or loss

	At 30 June 2023 £m	At 31 December 2022 £m
Trading assets	**20,064**	14,235
Financial assets mandatorily at fair value through profit or loss:		
Loans and advances to customers	**257**	251
Debt securities	**282**	232
Treasury and other bills	**—**	62
	539	545
Total financial assets at fair value through profit or loss	**20,603**	14,780

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 7: Financial assets at amortised cost

The movement tables are compiled by comparing the position at the reporting date to that at the beginning of the year.

Transfers between stages are deemed to have taken place at the start of the reporting period, with all other movements shown in the stage in which the asset is held at the period end, with the exception of those held within purchased or originated credit-impaired, which are not transferable.

Additions and repayments comprise new loans originated and repayments of outstanding balances throughout the reporting period. Loans which are written off in the period are first transferred to Stage 3 before acquiring a full allowance and subsequent write-off.

Half-year to 30 June 2023

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to banks								
At 1 January 2023	2,099	22	—	2,121	2	2	—	4
Exchange and other adjustments[1]	(49)	—	—	(49)	—	—	—	—
Additions and repayments	(280)	—	—	(280)	—	—	—	—
Transfers to Stage 1	22	(22)	—	—	2	(2)	—	—
Impact of transfers between stages	22	(22)	—	—	(2)	—	—	(2)
Credit to the income statement					—	(2)	—	(2)
At 30 June 2023	1,792	—	—	1,792	2	—	—	2
Allowance for impairment losses	(2)	—	—	(2)				
Net carrying amount	1,790	—	—	1,790				
Loans and advances to customers								
At 1 January 2023	18,084	1,060	22	19,166	23	15	1	39
Exchange and other adjustments[1]	(697)	1	—	(696)	(1)	—	—	(1)
Additions and repayments	713	(227)	—	486	(1)	(3)	—	(4)
Other changes in credit quality					(2)	(1)	—	(3)
					(3)	(4)	—	(7)
Transfers to Stage 1	701	(701)	—	—	8	(8)	—	—
Transfers to Stage 2	(151)	151	—	—	(1)	1	—	—
Transfers to Stage 3	(1)	—	1	—	—	—	—	—
Impact of transfers between stages	549	(550)	1	—	(7)	2	—	(5)
Credit to the income statement					(3)	(9)	—	(12)
At 30 June 2023	18,649	284	23	18,956	19	6	1	26
Allowance for impairment losses	(19)	(6)	(1)	(26)				
Net carrying amount[2]	18,630	278	22	18,930				

1 Exchange and other adjustments includes the impact of movements in exchange rates.

2 Stage 3 includes £0.7 million of assets that were originated credit impaired in the period and recorded at fair value, with no additional ECL recorded since origination.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 7: Financial assets at amortised cost (continued)

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Debt securities								
At 1 January 2023	305	—	—	305	—	—	—	—
Exchange and other adjustments[1]	(11)	—	—	(11)	—	—	—	—
Additions and repayments	98	(12)	—	86	—	—	—	—
Transfers to Stage 2	(104)	104	—	—	—	—	—	—
Impact of transfers between stages	(104)	104	—	—	—	3	—	3
Charge to the income statement					—	3	—	3
At 30 June 2023	288	92	—	380	—	3	—	3
Allowance for impairment losses	—	(3)	—	(3)				
Net carrying amount	288	89	—	377				
Reverse repurchase agreements								
At 30 June 2023	5,474	—	—	5,474				
Allowance for impairment losses	—	—	—	—				
Net carrying amount	5,474	—	—	5,474				
Due from fellow Lloyds Banking Group undertakings								
At 30 June 2023	182	—	—	182				
Allowance for impairment losses	—	—	—	—				
Net carrying amount	182	—	—	182				
Total financial assets at amortised cost	26,364	367	22	26,753				

1 Exchange and other adjustments includes the impact of movements in exchange rates, discount unwind, and derecognising assets as a result of modifications.

Movements in allowance for expected credit losses in respect of undrawn balances were as follows:

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Undrawn balances				
At 1 January 2023	11	7	—	18
Exchange and other adjustments[1]	1	—	—	1
Transfers to Stage 1	4	(4)	—	—
Impact of transfers between stages	(3)	—	—	(3)
	1	(4)	—	(3)
Other changes in credit quality	(2)	(2)	—	(4)
Credit to the income statement	(1)	(6)	—	(7)
At 30 June 2023	11	1	—	12

1 Exchange and other adjustments includes the impact of movements in exchange rates, discount unwind, and derecognising assets as a result of modifications.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 7: Financial assets at amortised cost (continued)

LBCM's total impairment allowances were as follows:

	Allowance for expected credit losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£m	**£m**	**£m**	**£m**
In respect of:				
Loans and advances to banks	**2**	**—**	**—**	**2**
Loans and advances to customers	**19**	**6**	**1**	**26**
Debt securities	**—**	**3**	**—**	**3**
Financial assets at amortised cost	**21**	**9**	**1**	**31**
Provisions in relation to loan commitments and financial guarantees	**11**	**1**	**—**	**12**
Total	**32**	**10**	**1**	**43**

Year ended 31 December 2022

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to banks								
At 1 January 2022	2,355	—	—	2,355	1	—	—	1
Exchange and other adjustments[1]	132	—	—	132	—	—	—	—
Additions and repayments	(388)	22	—	(366)	1	2	—	3
Charge to the income statement					1	2	—	3
At 31 December 2022	2,099	22	—	2,121	2	2	—	4
Allowance for impairment losses	(2)	(2)	—	(4)				
Net carrying amount	2,097	20	—	2,117				

1. Exchange and other adjustments includes the impact of movements in exchange rates, discount unwind, and derecognising assets as a result of modifications.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 7: Financial assets at amortised cost (continued)

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances to customers								
At 1 January 2022	17,366	47	29	17,442	7	2	1	10
Exchange and other adjustments[1]	1,183	(10)	—	1,173	—	(1)	(1)	(2)
Additions and repayments	(293)	867	(22)	552	13	11	—	24
Other changes in credit quality					3	—	2	5
					16	11	2	29
Transfers to Stage 1	1	(1)	—		—	—	—	—
Transfers to Stage 2	(157)	157	—		—	—	—	—
Transfers to Stage 3	(16)	—	16		—	—	—	—
Impact of transfers between stages	(172)	156	16		—	3	—	3
Charge to the income statement					16	14	2	32
Advances written off			(1)	(1)			(1)	(1)
At 31 December 2022	18,084	1,060	22	19,166	23	15	1	39
Allowance for impairment losses	(23)	(15)	(1)	(39)				
Net carrying amount	18,061	1,045	21	19,127				
Debt securities								
At 1 January 2022	229	—	—	229				
Exchange and other adjustments[1]	12	—	—	12				
Additions and repayments	64	—	—	64				
At 31 December 2022	305	—	—	305				
Allowance for impairment losses	—	—	—	—				
Net carrying amount	305	—	—	305				
Reverse repurchase agreements								
At 31 December 2022	5,606	—	—	5,606				
Allowance for impairment losses	—	—	—	—				
Net carrying amount	5,606	—	—	5,606				
Due from fellow Lloyds Banking Group undertakings								
At 31 December 2022	269	—	—	269				
Allowance for impairment losses	—	—	—	—				
Net carrying amount	269	—	—	269				
Total financial assets at amortised cost	26,338	1,065	21	27,424				

[1] Exchange and other adjustments includes the impact of movements in exchange rates, discount unwind, and derecognising assets as a result of modifications.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 7: Financial assets at amortised cost (continued)

Movements in allowance for expected credit losses in respect of undrawn balances were as follows:

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Undrawn balances				
At 1 January 2022	6	—	—	6
Exchange and other adjustments[1]	1	—	—	1
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	—	—	—	—
Transfers to Stage 3	—	—	—	—
Impact of transfers between stages	—	4	—	4
	—	4	—	4
Other changes in credit quality	4	3	—	7
Credit to the income statement	4	7	—	11
At 31 December 2022	11	7	—	18

1 Exchange and other adjustments includes the impact of movements in exchange rates, discount unwind, and derecognising assets as a result of modifications.

LBCM's total impairment allowances were as follows:

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
In respect of:				
Loans and advances to banks	2	2	—	4
Loans and advances to customers	23	15	1	39
Financial assets at amortised cost	25	17	1	43
Provisions in relation to loan commitments and financial guarantees	11	7	—	18
At 31 December 2022	36	24	1	61

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 8: Allowance for expected credit losses

Allowance for expected credit losses

LBCM recognises an allowance for expected credit losses (ECLs) for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income and certain loan commitment and financial guarantee contracts. At 30 June 2023, LBCM's expected credit loss allowance was £43 million (31 December 2022: £61 million), of which £31 million (31 December 2022: £43 million) was in respect of drawn balances.

The calculation of LBCM's ECLs and provisions against loan commitments and guarantees under IFRS 9 requires LBCM to make a number of judgements, assumptions and estimates. These are set out in detail in the LBCM's 2022 Annual Report and Accounts. The principal changes made in the period ended 30 June 2023 are as follows:

Base case and MES economic assumptions

LBCM's updated base case scenario has three conditioning assumptions: first, the war in Ukraine remains contained within its borders; second, the financial stress emerging from some weak bank/insurer business models in the context of rising bond yields does not become systemic; and third, the Bank of England will continue to tighten policy until it is clear that inflation is returning to target.

Based on these assumptions and incorporating the economic data published in the second quarter of 2023, LBCM's base case scenario is for a slow expansion of economic activity alongside a gradual rise in the unemployment rate. Increases in UK Bank Rate in response to persistent inflationary pressures trigger further declines in residential and commercial property prices. Risks around this base case economic view lie in both directions and are largely captured by the generation of alternative economic scenarios.

LBCM has taken into account the latest available information at the reporting date in defining its base case scenario and generating alternative economic scenarios. The scenarios include forecasts for key variables in the second quarter of 2023, for which actuals may have since emerged prior to publication.

LBCM's approach to generating alternative economic scenarios is set out in detail in note 14 to the financial statements for the year ended 31 December 2022. For June 2023, LBCM continues to judge it appropriate to include a non-modelled severe downside scenario for LBCM ECL calculations. This adjusted scenario is considered to better reflect the risks around LBCM's base case view in an economic environment where past supply shocks continue to unwind slowly.

Scenarios by year

The key UK economic assumptions made by LBCM are shown in the following tables across a number of measures explained below.

Annual assumptions

Gross domestic product (GDP) and Consumer Price Index (CPI) inflation are presented as an annual change, house price growth and commercial real estate price growth are presented as the growth in the respective indices over each year. Unemployment rate and UK Bank Rate are averages over the year.

Five-year average

The five-year average reflects the average annual growth rate, or level, over the five-year period. It includes movements within the current reporting year, such that the position as of 30 June 2023 covers the five years 2023 to 2027. The inclusion of the reporting year within the five-year period reflects the need to predict variables which remain unpublished at the reporting date and recognises that credit models utilise both level and annual changes. The use of calendar years maintains a comparability between the annual assumptions presented.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 8: Allowance for expected credit losses (continued)

At 30 June 2023	2023 %	2024 %	2025 %	2026 %	2027 %	2023-2027 average %	Start to peak %	Start to trough %
Upside								
UK Gross domestic product	**0.8**	**1.6**	**0.9**	**1.5**	**2.0**	**1.3**	**7.7**	**0.1**
UK Unemployment rate	**3.3**	**2.7**	**3.0**	**3.4**	**3.3**	**3.1**	**3.9**	**2.6**
UK Commercial real estate price growth	**2.3**	**6.5**	**1.8**	**2.4**	**3.8**	**3.4**	**17.9**	**(1.2)**
UK Bank Rate	**5.39**	**7.00**	**6.57**	**5.76**	**5.63**	**6.07**	**7.19**	**4.25**
US Gross domestic product	**1.6**	**2.9**	**2.8**	**1.2**	**0.6**	**1.7**	**8.7**	**0.3**
US Unemployment rate	**3.6**	**3.7**	**3.1**	**3.1**	**3.6**	**3.4**	**3.8**	**3.0**
Base case								
UK Gross domestic product	**0.2**	**0.3**	**0.7**	**1.5**	**2.1**	**0.9**	**5.6**	**0.0**
UK Unemployment rate	**4.1**	**4.7**	**5.2**	**5.3**	**5.0**	**4.9**	**5.3**	**3.9**
UK Commercial real estate price growth	**(3.9)**	**(0.2)**	**(0.3)**	**1.2**	**3.8**	**0.1**	**0.4**	**(5.3)**
UK Bank Rate	**5.06**	**5.44**	**4.63**	**3.69**	**3.50**	**4.46**	**5.50**	**3.50**
US Gross domestic product	**1.0**	**0.7**	**1.8**	**1.7**	**1.6**	**1.3**	**6.7**	**(0.1)**
US Unemployment rate	**3.7**	**4.6**	**4.5**	**4.4**	**4.4**	**4.3**	**4.7**	**3.5**
Downside								
UK Gross domestic product	**(0.6)**	**(1.5)**	**0.4**	**1.4**	**2.1**	**0.4**	**2.5**	**(2.3)**
UK Unemployment rate	**4.9**	**7.1**	**7.7**	**7.6**	**7.1**	**6.9**	**7.8**	**3.9**
UK Commercial real estate price growth	**(9.2)**	**(7.0)**	**(3.7)**	**(1.4)**	**2.2**	**(3.9)**	**(1.2)**	**(19.9)**
UK Bank Rate	**4.73**	**3.67**	**2.37**	**1.30**	**1.04**	**2.62**	**5.10**	**1.03**
US Gross domestic product	**0.5**	**(1.3)**	**0.4**	**1.6**	**2.2**	**0.7**	**3.4**	**(1.7)**
US Unemployment rate	**3.8**	**5.6**	**6.5**	**6.6**	**6.3**	**5.8**	**6.6**	**3.5**
Severe downside								
UK Gross domestic product	**(1.5)**	**(2.8)**	**0.3**	**1.2**	**1.8**	**(0.2)**	**0.1**	**(4.5)**
UK Bank Rate - modelled	**4.26**	**1.73**	**0.48**	**0.08**	**0.04**	**1.32**	**5.00**	**0.03**
UK Bank Rate - adjusted	**5.69**	**7.00**	**4.94**	**3.88**	**3.50**	**5.00**	**7.25**	**3.50**
UK Unemployment rate	**6.1**	**9.8**	**10.4**	**10.1**	**9.5**	**9.2**	**10.4**	**3.9**
UK Commercial real estate price growth	**(17.5)**	**(16.5)**	**(9.0)**	**(6.1)**	**(0.4)**	**(10.1)**	**(1.2)**	**(41.5)**
US Gross domestic product	**(0.1)**	**(3.7)**	**(1.3)**	**1.5**	**2.9**	**(0.1)**	**0.3**	**(6.0)**
US Unemployment rate	**4.0**	**6.9**	**8.9**	**9.3**	**8.7**	**7.6**	**9.3**	**3.5**
Probability-weighted								
UK Gross domestic product	**0.0**	**(0.2)**	**0.6**	**1.4**	**2.0**	**0.8**	**4.7**	**(0.4)**
UK Bank Rate - modelled	**4.98**	**5.00**	**4.12**	**3.23**	**3.05**	**4.08**	**5.41**	**3.05**
UK Bank Rate - adjusted	**5.12**	**5.53**	**4.56**	**3.61**	**3.40**	**4.45**	**5.66**	**3.40**
UK Unemployment rate	**4.3**	**5.3**	**5.8**	**5.9**	**5.5**	**5.4**	**5.9**	**3.9**
UK Commercial real estate price growth	**(5.0)**	**(1.9)**	**(1.5)**	**0.1**	**2.9**	**(1.1)**	**(1.2)**	**(9.1)**
US Gross domestic product	**0.9**	**0.3**	**1.4**	**1.5**	**1.6**	**1.1**	**5.6**	**(0.3)**
US Unemployment rate	**3.7**	**4.8**	**5.1**	**5.2**	**5.2**	**4.8**	**5.2**	**3.5**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 8: Allowance for expected credit losses (continued)

At 31 December 2022	2022 %	2023 %	2024 %	2025 %	2026 %	2022-2026 average %	Start to peak %	Start to trough %
Upside								
UK Gross domestic product	4.1	0.1	1.1	1.7	2.1	1.8	6.5	0.4
UK Unemployment rate	3.5	2.8	3.0	3.3	3.4	3.2	3.8	2.8
UK Commercial real estate price growth	(9.4)	8.5	3.5	2.6	2.3	1.3	7.2	(9.4)
UK Bank Rate	1.94	4.95	4.98	4.63	4.58	4.22	5.39	0.75
US Gross domestic product	1.9	1.9	3.2	1.5	0.1	1.7	6.8	(0.6)
US Unemployment rate	3.7	3.9	3.1	2.9	3.4	3.4	4.0	2.8
Base case								
UK Gross domestic product	4.0	(1.2)	0.5	1.6	2.1	1.4	4.3	(1.1)
UK Unemployment rate	3.7	4.5	5.1	5.3	5.1	4.8	5.3	3.6
UK Commercial real estate price growth	(11.8)	(3.3)	0.9	2.8	3.1	(1.2)	7.2	(14.8)
UK Bank Rate	1.94	4.0	3.38	3.0	3.0	3.06	4	0.75
US Gross domestic product	1.8	0.4	1.4	1.4	1.2	1.2	4.7	(0.6)
US Unemployment rate	3.7	4.4	4.5	4.5	4.4	4.3	4.6	3.5
Downside								
UK Gross domestic product	3.9	(3)	(0.5)	1.4	2.1	0.8	1.2	(3.6)
UK Unemployment rate	3.8	6.3	7.5	7.6	7.2	6.5	7.7	3.6
UK Commercial real estate price growth	(13.9)	(15)	(3.7)	0.4	1.4	(6.4)	7.2	(29.6)
UK Bank Rate	1.94	2.93	1.39	0.98	1.04	1.65	3.62	0.75
US Gross domestic product	1.7	(0.9)	(0.6)	0.9	2.0	0.6	1.9	(1.8)
US Unemployment rate	3.7	4.9	6.2	6.5	6.0	5.5	6.6	3.5
Severe downside								
UK Gross domestic product	3.7	(5.2)	(1)	1.3	2.1	0.1	0.7	(6.4)
UK Bank Rate - modelled	1.94	1.41	0.2	0.13	0.14	0.76	3.5	0.12
UK Bank Rate - adjusted	2.44	7.0	4.88	3.31	3.25	4.18	7.0	0.75
UK Unemployment rate	4.1	9.0	10.7	10.4	9.7	8.8	10.7	3.6
UK Commercial real estate price growth	(17.3)	(28.8)	(9.9)	(1.3)	3.2	(11.6)	7.2	(47.8)
US Gross domestic product	1.7	(2.5)	(3.1)	0.2	2.8	(0.2)	0.1	(6.4)
US Unemployment rate	3.7	5.7	8.4	9.3	8.3	7.1	9.4	3.5
Probability-weighted								
UK Gross domestic product	4.0	(1.8)	0.2	1.5	2.1	1.2	3.4	(1.8)
UK Bank Rate - modelled	1.94	3.7	2.94	2.59	2.6	2.76	3.89	0.75
UK Bank Rate - adjusted	1.99	4.26	3.41	2.91	2.91	3.1	4.31	0.75
UK Unemployment rate	3.7	5.0	5.8	5.9	5.7	5.2	5.9	3.6
UK Commercial real estate price growth	(12.3)	(5.8)	(0.8)	1.6	2.3	(3.1)	7.2	(18.6)
US Gross domestic product	1.8	0.2	0.9	1.2	1.3	1.1	3.8	(0.6)
US Unemployment rate	3.7	4.5	5.0	5.1	5.0	4.7	5.1	3.5

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 8: Allowance for expected credit losses (continued)

ECL sensitivity to economic assumptions

The table below shows LBCM's ECL for the probability-weighted, upside, base case, downside and severe downside scenarios, with the severe downside scenario incorporating adjustments made to CPI inflation and UK Bank Rate paths. The stage allocation for an asset is based on the overall scenario probability-weighted PD and hence the staging of assets is typically constant across all the scenarios. In each economic scenario the ECL for individual assessments is held constant reflecting the basis on which they are evaluated.

	Probability-weighted	Upside	Base case	Downside	Severe downside
	£m	£m	£m	£m	£m
At 30 June 2023	**43**	**22**	**33**	**54**	**102**
At 31 December 2022	61	25	39	74	199

Note 9: Debt securities in issue

	At 30 June 2023	At 31 December 2022
	£m	£m
Medium-term notes issued	**3,436**	3,403
Certificates of deposit issued	**5,272**	5,618
Commercial paper	**4,115**	3,700
Amounts due to fellow Group undertakings	**2,445**	3,410
Total debt securities in issue	**15,268**	16,131

Note 10: Other provisions

	Provisions for financial commitments and guarantees	Other	Total
	£m	£m	£m
At 1 January 2023	**18**	**8**	**26**
Exchange and other adjustments	**1**	**(1)**	**—**
Provisions applied	**—**	**(2)**	**(2)**
Release for the period	**(7)**	**—**	**(7)**
At 30 June 2023	**12**	**5**	**17**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 11: Other reserves

	At 30 June 2023 £m	At 31 December 2022 £m
Other reserves comprise:		
Revaluation reserve in respect of debt securities held at fair value through other comprehensive income	**(2)**	(2)
Cash flow hedging reserve	**(565)**	(519)
Foreign currency translation reserve	**(9)**	(4)
Total other reserves	**(576)**	(525)

	At 30 June 2023 £m	At 31 December 2022 £m
Revaluation reserve in respect of debt securities held at fair value through other comprehensive income		
Opening balance as at 1 January	**(2)**	(2)
Change in fair value	**—**	—
Income statement transfers in respect of disposals	**—**	—
At period end	**(2)**	(2)

	At 30 June 2023 £m	At 31 December 2022 £m
Cash flow hedging reserve		
Opening balance as at 1 January	**(519)**	(48)
Change in fair value of hedging derivatives	**(241)**	(711)
Deferred tax	**67**	197
	(174)	(514)
Net income statement transfers	**177**	59
Deferred tax	**(49)**	(16)
	128	43
At period end	**(565)**	(519)

	At 30 June 2023 £m	At 31 December 2022 £m
Foreign currency translation reserve		
Opening balance as at 1 January	**(4)**	(14)
Currency translation differences arising in the year	**(5)**	10
At period end	**(9)**	(4)

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 12: Related party transactions

Balances and transactions with fellow Lloyds Banking Group undertakings

The Bank and its subsidiaries have balances due to and from the Bank's parent company, Lloyds Banking Group plc, and fellow Group undertakings. These are included on the balance sheet as follows:

	At 30 June 2023 £m	At 31 Dec 2022 £m
Assets, included within:		
Financial assets at amortised cost: due from fellow Lloyds Banking Group undertakings	**182**	269
Financial assets at fair value through profit or loss	**19**	22
Derivative financial instruments	**3,898**	3,397
	4,099	3,688
Liabilities, included within:		
Due to fellow Lloyds Banking Group undertakings	**1,363**	1,481
Financial liabilities at fair value through profit or loss	**—**	2
Derivative financial instruments	**2,924**	2,662
Debt securities in issue	**2,445**	3,410
Subordinated liabilities	**747**	761
	7,479	8,316
Other equity instruments:	**782**	782
Additional tier 1 instruments	**782**	782

During the half-year to 30 June 2023 LBCM earned £4 million (half-year to 30 June 2022: £1 million) of interest income and incurred £110 million (half-year to 30 June 2022: £46 million) of interest expense on balances and transactions with Lloyds Banking Group plc and fellow Group undertakings.

Other related party transactions

Other related party transactions for the half-year to 30 June 2023 are similar in nature to those for the year ended 31 December 2022.

Management charges payable to Lloyds Bank plc of £102 million (half-year to 30 June 2022: £79 million) have been incurred in the period, see note 3.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 13: Contingent liabilities, commitments and guarantees

Legal actions and regulatory matters

During the ordinary course of business LBCM is subject to complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers, investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, which could relate to a number of issues, including financial, environmental or other regulatory matters, both in the UK and overseas. Where material, such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of LBCM incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established based on management's best estimate of the amount required at the relevant balance sheet date. In some cases it will not be possible to form a view; for example because the facts are unclear or because further time is needed to assess properly the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material. However, LBCM does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

Contingent liabilities, commitments and guarantees arising from the banking business

At 30 June 2023 total contingent liabilities were £95 million (31 December 2022: £86 million). Total commitments and guarantees were £18,992 million (31 December 2022: £17,174 million) of which £18,522 million (31 December 2022: £16,619 million) was irrevocable.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine those fair values. Note 34 to LBCM's financial statements for the year ended 31 December 2022 details the definitions of the three levels in the fair value hierarchy.

Valuation control framework

Key elements of the valuation control framework include model validation (incorporating pre-trade and post-trade testing), product implementation review and independent price verification. The framework covers processes for all 3 levels in the fair value hierarchy. Formal committees meet quarterly to discuss and approve valuations in more judgemental areas.

Transfers into and out of level 3 portfolios

Transfers out of level 3 portfolios arise when inputs that could have a significant impact on the instrument's valuation become market observable; conversely, transfers into the portfolios arise when sources of data cease to be observable.

Valuation methodology

For level 2 and level 3 portfolios, there is no significant change to the valuation methodology (techniques and inputs) disclosed in LBCM's financial statements for the year ended 31 December 2022 applied to these portfolios.

The table below summarises the carrying values of financial assets and liabilities measured at amortised cost in LBCM's consolidated balance sheet. The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

	At 30 June 2023		At 31 December 2022	
	Carrying value	**Fair value**	Carrying value	Fair value
	£m	**£m**	£m	£m
Financial assets				
Loans and advances to banks	**1,790**	**1,790**	2,117	2,117
Loans and advances to customers	**18,930**	**18,880**	19,127	19,237
Reverse repurchase agreements	**5,474**	**5,474**	5,606	5,606
Debt securities	**377**	**371**	305	305
Due from fellow Lloyds Banking Group undertakings	**182**	**182**	269	269
Financial assets at amortised cost	**26,753**	**26,697**	27,424	27,534
Financial liabilities				
Deposits from banks	**2,748**	**2,748**	2,456	2,456
Customer deposits	**29,892**	**29,935**	29,152	29,224
Repurchase agreements	**—**	**—**	7	7
Due to fellow Lloyds Banking Group undertakings	**1,363**	**1,363**	1,481	1,481
Debt securities in issue	**15,268**	**15,123**	16,131	15,970
Subordinated liabilities	**733**	**733**	761	761

Financial instruments classified as financial assets at fair value through profit or loss, derivative financial instruments, financial assets at fair value through other comprehensive income and financial liabilities at fair value through profit or loss are recognised at fair value.

The carrying amount of cash and balances at central banks is a reasonable approximation of fair value.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities (continued)

LBCM manages valuation adjustments for its derivative exposures on a net basis; LBCM determines their fair values on the basis of their net exposures. In all other cases, fair values of financial assets and liabilities measured at fair value are determined on the basis of their gross exposures.

The following tables provide an analysis of the financial assets and liabilities of LBCM that are carried at fair value in LBCM's consolidated balance sheet, grouped into levels 1 to 3 based on the degree to which the fair value is observable. There were no significant transfers between level 1 and level 2 during the period.

Financial assets	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
At 30 June 2023				
Financial assets at fair value through profit or loss:				
Loans and advances to banks	**—**	**90**	**—**	**90**
Loans and advances to customers	**—**	**16,277**	**2**	**16,279**
Debt securities	**3,474**	**612**	**148**	**4,234**
Treasury and other bills	**—**	**—**	**—**	**—**
Total financial assets at fair value through profit or loss	**3,474**	**16,979**	**150**	**20,603**
Financial assets at fair value through other comprehensive income:				
Debt securities	**—**	**—**	**4**	**4**
Total financial assets at fair value through other comprehensive income	**—**	**—**	**4**	**4**
Derivative financial instruments	**25**	**24,291**	**515**	**24,831**
Total financial assets carried at fair value	**3,499**	**41,270**	**669**	**45,438**
At 31 December 2022				
Financial assets at fair value through profit or loss				
Loans and advances to banks	—	16	—	16
Loans and advances to customers	—	12,015	2	12,017
Debt securities	2,182	347	156	2,685
Treasury and other bills	62	—	—	62
Total financial assets at fair value through profit or loss	2,244	12,378	158	14,780
Financial assets at fair value through other comprehensive income:				
Debt securities	—	—	6	6
Total financial assets at fair value through other comprehensive income	—	—	6	6
Derivative financial instruments	6	24,050	565	24,621
Total financial assets carried at fair value	2,250	36,428	729	39,407

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities (continued)

Financial liabilities	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 30 June 2023				
Financial liabilities at fair value through profit or loss:				
Liabilities designated at fair value through profit or loss	**—**	**25**	**—**	**25**
Trading liabilities	**1,648**	**17,155**	**—**	**18,803**
Total financial liabilities at fair value through profit or loss	**1,648**	**17,180**	**—**	**18,828**
Derivative financial instruments	**13**	**19,863**	**417**	**20,293**
Total financial liabilities carried at fair value	**1,661**	**37,043**	**417**	**39,121**
At 31 December 2022				
Financial liabilities at fair value through profit or loss:				
Trading liabilities	1,504	11,074	—	12,578
Total financial liabilities at fair value through profit or loss	1,504	11,074	—	12,578
Derivative financial instruments	8	19,568	494	20,070
Total financial liabilities carried at fair value	1,512	30,642	494	32,648

Movements in level 3 portfolio

The tables below analyse movements in the level 3 financial assets portfolio.

	Financial assets at fair value through profit or loss £m	Financial assets at fair value through other comprehensive income £m	Derivative assets £m	Total financial assets carried at fair value £m
At 1 January 2023	**158**	**6**	**565**	**729**
Exchange and other adjustments	**(8)**	**—**	**(12)**	**(20)**
(Losses) gains recognised in the income statement within other income	**(8)**	**—**	**(55)**	**(63)**
Gains recognised in other comprehensive income within the revaluation reserve in respect of financial assets at fair value through other comprehensive income	**—**	**—**	**—**	**—**
Purchases/increases	**8**	**—**	**40**	**48**
Sales/repayments	**—**	**(2)**	**(20)**	**(22)**
Transfers into the level 3 portfolio	**—**	**—**	**—**	**—**
Transfers out of the level 3 portfolio	**—**	**—**	**(3)**	**(3)**
At 30 June 2023	**150**	**4**	**515**	**669**
Losses recognised in the income statement, within other income, relating to the change in fair value of those assets held at 30 June 2023	**(8)**	**—**	**(58)**	**(66)**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities (continued)

	Financial assets at fair value through profit or loss £m	Financial assets at fair value through other comprehensive income £m	Derivative assets £m	Total financial assets carried at fair value £m
At 1 January 2022	190	15	729	934
Exchange and other adjustments	—	—	21	21
(Losses) gains recognised in the income statement within other income	(21)	—	133	112
Gains recognised in other comprehensive income within the revaluation reserve in respect of financial assets at fair value through other comprehensive income	—	1	—	1
Purchases/increases	—	—	41	41
Sales/repayments	—	(4)	(9)	(13)
Transfers into the level 3 portfolio	—	—	—	—
Transfers out of the level 3 portfolio	—	—	(291)	(291)
At 30 June 2022	169	12	624	805
(Losses) gains recognised in the income statement, within other income, relating to the change in fair value of those assets held at 30 June 2022	(21)	—	254	233

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities (continued)

The tables below analyse movements in the level 3 financial liabilities portfolio.

	Financial liabilities at fair value through profit or loss	**Derivative liabilities**	**Total financial liabilities carried at fair value**
	£m	**£m**	**£m**
At 1 January 2023	—	**494**	**494**
Exchange and other adjustments	—	**(8)**	**(8)**
Gains recognised in the income statement within other income	—	**(71)**	**(71)**
Purchases/increases	—	**31**	**31**
Sales/repayments	—	**(29)**	**(29)**
Transfers into the level 3 portfolio	—	**—**	**—**
Transfers out of the level 3 portfolio	—	**—**	**—**
At 30 June 2023	—	**417**	**417**
Gains recognised in the income statement, within other income, relating to the change in fair value of those liabilities held at 30 June 2023	—	**(74)**	**(74)**
At 1 January 2022	—	926	926
Exchange and other adjustments	—	17	17
Gains recognised in the income statement within other income	—	(12)	(12)
Purchases/increases	—	37	37
Sales/repayments	—	(2)	(2)
Transfers into the level 3 portfolio	—	—	—
Transfers out of the level 3 portfolio	—	(284)	(284)
At 30 June 2022	—	682	682
Gains recognised in the income statement, within other income, relating to the change in fair value of those liabilities held at 30 June 2022	—	(28)	(28)

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities (continued)

The tables below set out the effects of reasonably possible alternative assumptions for categories of level 3 financial assets and financial liabilities.

			At 30 June 2023		
				Effect of reasonably possible alternative assumptions[2]	
	Valuation techniques	**Significant unobservable inputs[1]**	**Carrying value**	**Favourable changes**	**Unfavourable changes**
			£m	**£m**	**£m**
Financial assets at fair value through profit or loss					
Loans and advances to customers	Comparable pricing	Spread (-/+19bps)	**2**	**—**	**—**
Debt securities	Discounted cash flows	Credit spreads (discount factor) and inflation volatility (-/+6bps)	**148**	**11**	**(11)**
			150	**11**	**(11)**
Financial assets at fair value through other comprehensive income					
Debt securities	Comparable pricing	Spread (-/+0bps)	**4**	**—**	**—**
			4	**—**	**—**
Derivative financial assets					
Interest rate derivatives	Option pricing model	Interest rate volatility (15.0-189.6bps)	**515**	**3**	**(7)**
			515	**3**	**(7)**
Level 3 financial assets carried at fair value			**669**	**14**	**(18)**
Derivative financial liabilities					
Interest rate derivatives	Option pricing model	Interest rate volatility (15.0-189.6bps)	**417**	**17**	**(13)**
			417	**17**	**(13)**
Level 3 financial liabilities carried at fair value			**417**	**17**	**(13)**

1 Ranges are shown where appropriate and represent the highest and lowest inputs used in the level 3 valuations.

2 Where the exposure to an unobservable input is managed on a net basis, only the net impact is shown in the table.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 14: Fair values of financial assets and liabilities (continued)

			At 31 December 2022		
				Effect of reasonably possible alternative assumptions[2]	
	Valuation techniques	Significant unobservable inputs[1]	Carrying value	Favourable changes	Unfavourable changes
			£m	£m	£m
Financial assets at fair value through profit or loss					
Loans and advances to customers	Comparable pricing	Spread (-/+20bps)	2	—	—
Debt securities	Discounted cash flows	Credit spreads (discount factor) and inflation volatility (-/+6bps)	156	10	(10)
			158	10	(10)
Financial assets at fair value through other comprehensive income					
Debt securities	Comparable pricing	Spread (-/+0bps)	6	—	—
			6	—	—
Derivative financial assets					
Interest rate derivatives	Option pricing model	Interest rate volatility (17.1-104.9bps)	565	9	(7)
			565	9	(7)
Level 3 financial assets carried at fair value			729	19	(17)
Derivative financial liabilities					
Interest rate derivatives	Option pricing model	Interest rate volatility (17.1-104.9bps)	494	17	(19)
			494	17	(19)
Level 3 financial liabilities carried at fair value			494	17	(19)

1 Ranges are shown where appropriate and represent the highest and lowest inputs used in the level 3 valuations.

2 Where the exposure to an unobservable input is managed on a net basis, only the net impact is shown in the table.

Unobservable inputs

Significant unobservable inputs affecting the valuation of debt securities, unlisted equity investments and derivatives are unchanged from those described in LBCM's financial statements for the year ended 31 December 2022.

Reasonably possible alternative assumptions

Valuation techniques applied to many of the LBCM's level 3 instruments often involve the use of two or more inputs whose relationship is interdependent. The calculation of the effect of reasonably possible alternative assumptions included in the table above reflects such relationships and are unchanged from those described in LBCM's financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (continued)

Note 15: Interest rate benchmark reform

LBCM continues to manage the transition to alternative benchmark rates under the LBG-wide IBOR transition programme. Following the successful completion of industry events, including the two London Clearing House USD derivatives transition events in the second quarter, LBCM has transitioned the substantial majority of its LIBOR products, with most of the remainder being USD uncleared derivatives that are due to transition under the ISDA protocol. We continue to work with customers to transition a small number of remaining contracts that are not subject to the above events and either have yet to transition or have defaulted to the relevant synthetic LIBOR benchmark in the interim.

While the volume of outstanding transactions impacted by IBOR benchmark reforms continues to reduce, LBCM does not expect material changes to its risk management approach.

Note 16: Dividends on ordinary shares

The Bank did not pay a dividend in the period to 30 June 2023 (2022: £220 million).

Note 17: Ultimate parent undertaking

The Bank's ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc has published consolidated accounts for the year to 31 December 2022 and half-year results for the six month period to 30 June 2023, and copies may be obtained from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN and available for download from www.lloydsbankinggroup.com.

Note 18: Events since the balance sheet date

There are no events since the balance sheet date to disclose.

Note 19: Other information

The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 (the Act). The statutory accounts for the year ended 31 December 2022 were approved by the directors on 21 March 2023 and were delivered to the Registrar of Companies on 16 May 2023. The auditors' report on those accounts was unqualified and did not include a statement under sections 498(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 498(3) (failure to obtain necessary information and explanations) of the Act.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors listed below (being all the directors of Lloyds Bank Corporate Markets plc) confirm that to the best of their knowledge these condensed consolidated half-year financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, *Interim Financial Reporting*, and that the half-year management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the six months ended 30 June 2023 and their impact on the condensed consolidated half-year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the six months ended 30 June 2023 and any material changes in the related party transactions described in the last annual report.

Signed on behalf of the Board by

Carla Antunes da Silva
Chief Executive Officer
12 September 2023

Lloyds Bank Corporate Markets plc Board of directors:

Carla Antunes da Silva (Executive director and Chief Executive Officer)

Mark Basten (Non-executive director)

Julienne Daglish (Executive director and Chief Financial Officer)

Eve Henrikson (Non-executive director)

Cecile Hilary (Non-executive director)

Lord Lupton CBE (Non-executive director and Chair)

Andrew McIntyre (Non-executive director)

John Owen (Non-executive director)

Rose St Louis (Non-executive director)

Changes to the composition of the Board since 1 January 2023 up to the date of this report are shown below:

Carla Antunes da Silva (appointed 1 February 2023)

Mark Basten (appointed 9 February 2023)

Eduardo Stock da Cunha (resigned 31 January 2023)

INDEPENDENT REVIEW REPORT TO LLOYDS BANK CORPORATE MARKETS PLC

Conclusion

We have been engaged by the Bank to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 19.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Group in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Bank those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
London, England
12 September 2023

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Bank Corporate Markets plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements.

Words such as, without limitation, ‘believes’, ‘achieves’, ‘anticipates’, ‘estimates’, ‘expects’, ‘targets’, ‘should’, ‘intends’, ‘aims’, ‘projects’, ‘plans’, ‘potential’, ‘will’, ‘would’, ‘could’, ‘considered’, ‘likely’, ‘may’, ‘seek’, ‘estimate’, ‘probability’, ‘goal’, ‘objective’, ‘deliver’, ‘endeavour’, ‘prospects’, ‘optimistic’ and similar expressions or variations on these expressions are intended to identify forward looking statements.

These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group’s future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group’s future financial performance; the level and extent of future impairments and write-downs; the Group’s ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group’s credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group’s compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions), including the Group’s ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the control of the Group or Lloyds Banking Group plc. Please refer to the Base Prospectus for the Group’s Euro Medium Term Note Programme and the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC’s website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts.

Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.