LLOYDS

Non-ring-fenced bank

Lloyds Bank Corporate Markets plc

Annual Report and Accounts 2024

Connecting the UK and LBG with the world

Lloyds Bank Corporate Markets plc (LBCM) provides a wide range of banking and financial services through its branches and offices in the UK, the US, the Crown Dependencies and Germany.

Helping Britain Prosper

Strategic report 3-35

Governance 36-54

Financial statements 55-126

Other information 127-129

Our reporting

Our reporting is designed to facilitate clear communication to a range of stakeholders. LBCM's annual report and accounts provides disclosures relating to our strategic, financial and operational performance and provides details on our strategy.

Key indicators of performance: the Bank's Board of directors regularly monitors indicators of performance including strategic progress, business performance and appropriate levels of capital, funding and liquidity.

To access more content on a mobile device, point your camera at the QR codes seen throughout this report. Supplementary information and disclosures are provided in the Pillar 3 report.

This annual report and accounts document contains forward-looking statements relating to LBCM's future financial condition, performance, results, details of our strategy and objectives. For further details, please refer to our forward-looking statements on page 129.

Throughout this document we are proud to feature LBCM colleagues.

See the full LBCM reporting suite on the Investors page → of the website.

Definitions

Lloyds Bank Corporate Markets plc (the Bank) and its subsidiary undertakings (together the Group). References within this document to LBCM refer to the Group as defined here. Lloyds and Lloyds Bank are trading names of Lloyds Bank Corporate Markets plc.

Lloyds Banking Group plc is the ultimate parent company of LBCM and is also referred to as LBG in this document.

Approval

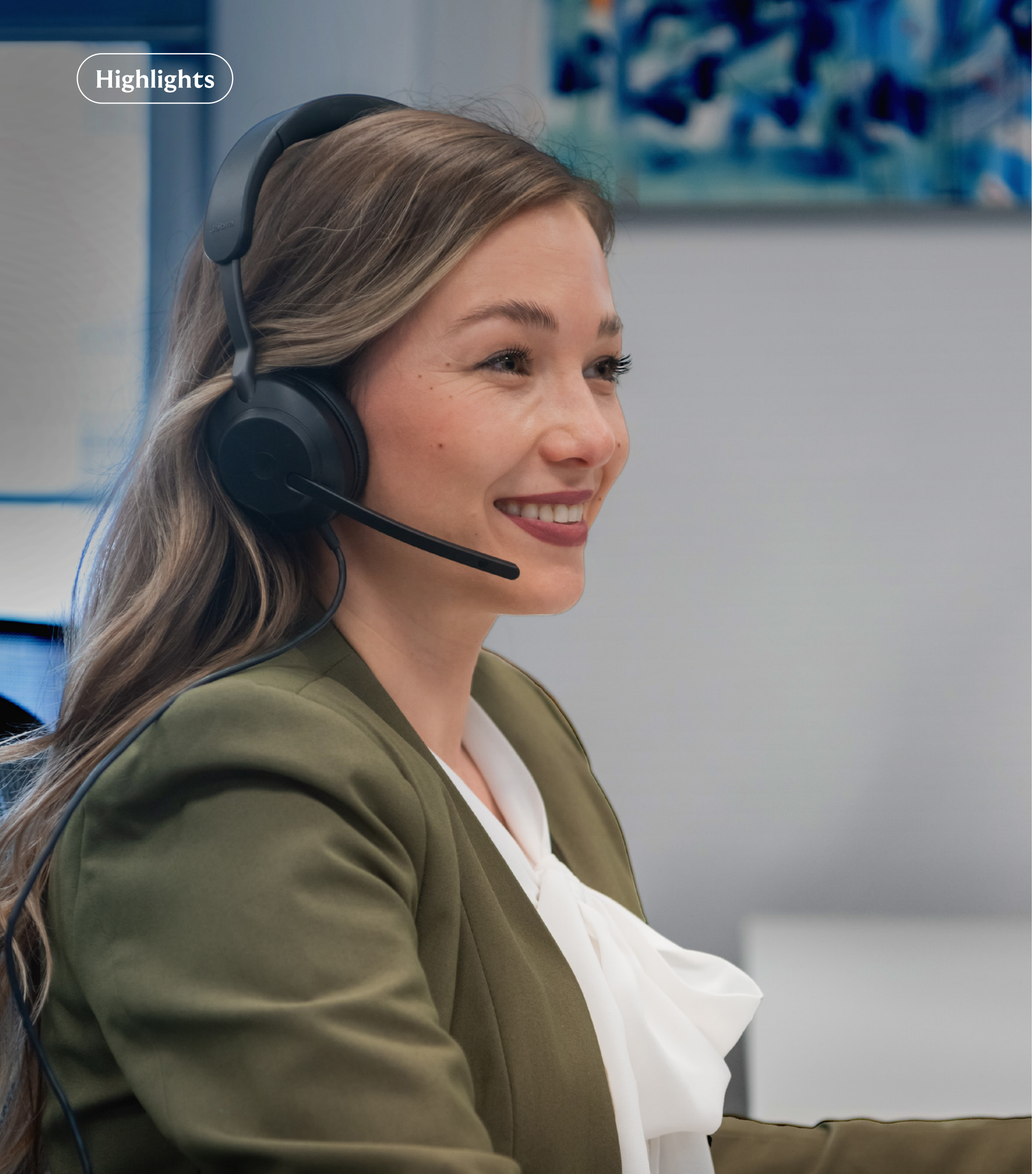
The 2024 annual report and accounts incorporates the strategic report and the consolidated financial statements, both of which have been approved by the Board of directors.

On behalf of the Board

Carla Antunes da Silva
Chief Executive Officer (CEO)
Lloyds Bank Corporate Markets plc
26 February 2025

Strategic report

In this section



Strong financial performance from a growth business that's delivering more for our customers

Total income

£984m

Record total income for LBCM demonstrating delivery of more support to customers, continued business momentum and growth driven from strategic investment.

Find out more about our financial performance

See page → 15

Profit before tax

£501m

Up 17% on 2023

Return on tangible equity

11.2%

Disciplined balance sheet usage

CET1 ratio

13.6%

Strongly capitalised bank

Connecting the UK and LBG with the world

Our strategy

To provide a first-class banking, financing and risk management proposition, underpinned by excellent customer service. Our strategic pillars are:

Global Markets

1. Expanding our global financial markets client proposition.
2. Scaling our global capital markets franchise.

International

3. Strengthening our presence in North America and Europe.
4. Digitising and growing our Crown Dependencies business.

Our structure

We are part of the **Corporate and Institutional Banking** (CIB) business unit of Lloyds Banking Group and core to LBG's growth strategy.

Our core business areas are: **global financial markets**, **global capital markets**, **lending** and in the Crown Dependencies **retail and commercial banking**.

Our geographic hubs

- UK
- Jersey
- Guernsey
- Isle of Man
- New York, USA
- Frankfurt, Germany

Lloyds Banking Group

- **Lloyds Bank Corporate Markets plc**
- **Ring-Fenced Banks**
- **Scottish Widows Group Ltd** Insurance
- **LBG Equity Investments Ltd** Investments

Our competitive advantages

- Leading UK customer franchise with **deep client insight** as part of Lloyds Banking Group.
- **Diversified business model**, with cost discipline, meeting a wide range of client needs.
- **Financial strength** with strong risk management and capital position, enabling significant investment.
- Dedicated and purpose-driven colleagues, with **strong values** and customer service.

Our customers

The target market for our products and services in the UK and internationally is made up of large corporates and financial institutions plus retail and commercial customers in the Crown Dependencies.

>275,000
customers and clients

Our values

Our values are the foundation of our culture and underpin the work of our colleagues and the decisions we make.

- **People-first**
- **Sustainable**
- **Bold**
- **Trust**
- **Inclusive**

Our colleagues

We have a highly engaged, client-focused and diverse workforce with significant expertise and experience to deliver these products and services.

>1,100
colleagues

> We have grown our client franchise and reach, delivering strong results and increased our contribution to LBG

Carla Antunes da Silva Chief Executive Officer

LBCM delivered a strong financial performance in 2024, from a growing business that is delivering more for our customers. Investment in our systems and people is enabling the scaling of our businesses and this positive momentum positions us well to deliver future growth with sustainable returns.

Strong results in 2024

LBCM has delivered a strong set of financial results in 2024 against a backdrop of uncertainty and a turbulent geopolitical climate. Total income was £984 million, a record high for LBCM, reflecting the growth in the business and doing more for our customers. Profit before tax of £501 million was up 17 per cent on 2023 with return on tangible equity increasing to 11.2 per cent demonstrating sustainable returns from disciplined balance sheet usage. A strong capital position was maintained with CET1 ratio of 13.6 per cent and a leverage ratio of 4.5 per cent. More analysis of the results can be found in the financial performance section on page 15.

Delivering sustainable growth and returns

These results reflect the ongoing successful delivery of the LBCM strategy as part of LBG's Corporate and Institutional Banking division which is an important engine of other operating income growth for LBG. LBCM has increased its direct contribution to the LBG results and has also driven increased income to other areas of LBG. Since the commencement of the current strategy LBCM's total income has increased by 54 per cent (from £641 million in 2021 to £984 million in 2024) and profit before tax has increased 73 per cent (from £289 million in 2021 to £501 million in 2024). These impressive increases in both total income and profit before tax reflects broad-based, sustainable growth across our businesses enabled by ongoing significant investment in our platforms. Our track record of success over the period is testament to the hard work of LBCM colleagues delivering more support to our customers and clients across a broad product range and diversified business.

Deepening relationships and expanding institutional coverage

During the year we have continued to expand institutional coverage and deepen relationships across our corporate, institutional and consumer customer base, all aligned to our purpose-driven strategy of Helping Britain Prosper.

2024 highlights

- **Record financial performance** with total income of £984 million and return on tangible equity of 11.2 per cent
- **Ongoing significant investment** in our systems and product capabilities across both global markets and international
- **Enhanced our market presence** with the launch of 'Lloyds Bank Market Insights' and our flagship annual Markets Summit
- **Global markets**
  - Best Bank – FX Trading for corporates in Europe
  - Number 1 in ESG-labelled bond issuance for UK corporates
  - 1st for overall service quality in the interest rate derivatives Greenwich survey
  - Supported clients with an offering of over 100 commodity indices
- **International**
  - International private banking app launched
  - New 'Eco Home' proposition
  - Best 'all rounder bank' for expats
  - Increased lending in North America

Significant investment in platforms across our businesses has been a key enabler to us in achieving this growth in client numbers and increased product penetration.

In financial markets, enhancements to rates and foreign exchange product capabilities plus additional commodity indices have allowed us to support clients on a larger scale in risk management and hedging activity. In capital markets, systems development and new product build have taken place, including on our suite of ESG-labelled bonds (where we remain number 1 with UK corporates). In the Crown Dependencies business significant progress has been made in building digital solutions across our platforms including in international private banking (new app), cash management and payments (increased functionality) and community banking (new Eco Home product). Overall we strive to ensure our products and offerings meet our client and customers' evolving needs.

Looking ahead to 2025 investment for the LBCM business increases on the back of our strong performance, with the priority to further improve the resilience and efficiency of our core markets systems and build modern flexible technology, together with the building out of our international presence supporting the CIB strategy. This expansion of our existing franchise in North America and Europe will enable CIB to strengthen its UK business, deliver additional growth above the cost of capital, diversify revenues and be more relevant to clients in their key geographies.

Continued collaboration across LBG remains crucial as we bring the whole LBG offering to our clients and customers, delivering more of their financial needs. Refer to our strategy section on page 9 onwards for more information on our strategic progress.

Colleagues
LBCM has a broad range of customers and clients from individuals to large corporates and financial institutions. Our success, delivery for our customers and clients, and business growth are only possible due to the hard work and collaboration of colleagues across the UK, North America and Europe. I would like to thank them all for their ongoing commitment and brilliant execution over the year. We have achieved so much together and I am confident there is much more to come!

Making LBCM a great place to work will always be a priority for me and my leadership team. We are committed to using colleague feedback to create a place where everyone can thrive and be the best version of themselves, particularly given the different geographies and business areas that make up our business. For example, we have worked with our senior colleagues to help them become better leaders for our teams and also delivered critical skills training. Amongst some great diversity, equity and inclusion initiatives in the year, I have been delighted to be the sponsor of a gender workstream, seeking to retain and attract top-tier female talent to our business.

Showcasing LBCM
Building the bank's profile and showcasing capabilities of our businesses remains important. I was thrilled to host over 200 clients at our flagship Lloyds Bank markets conference in London in October and we also launched 'Lloyds Bank Market Insights'. This innovative service provides our clients a one-stop shop of economic reports, market intelligence, expert analysis and forecasts to help them navigate macroeconomic changes with confidence. More details on both can be found on the next page.

Conclusion
Finally, I was pleased to welcome Nathan Bostock as our new Chair in summer 2024 and note how much we are benefiting from his knowledge and experience. I would also like to express my thanks to the Board and Executive Committee for their support and dedication over the year.

I am delighted with the strong results, business growth and strategic progress made by LBCM in 2024. It's been a great year of delivery for our clients and customers by our colleagues. I am encouraged by the tangible momentum of our business for the years ahead and am confident we will build on these strong results through continuing to invest in our platforms, products, colleagues and proposition.

Carla Antunes da Silva
Chief Executive Officer

Lloyds Bank Markets Summit 2024

Managing risk to finance growth

Our flagship annual Markets Summit took place in October in London, attended by over 200 clients and special guests. It was a great opportunity to showcase the thought leadership and insight that LBCM can provide and the event highlighted the important role markets play in an evolving landscape.

Throughout the conference the attendees explored how, as well as being engines of growth, markets are vital stabilisers in times of volatility. Markets products can give businesses the time and means they need to respond to unforeseen challenges and can help drive innovation too by providing the capital necessary for growth.

However, their role in buffering against shocks is just as vital with markets offering the tools to manage currency risk and interest-rate fluctuations while providing access to long-term funding. This in turn allows businesses to navigate uncertainty with confidence and this dual function – acting as a catalyst for growth and a stabiliser – provides companies with the mechanisms they need for long-term success.

In addition to valuable networking opportunities, there were high-profile speakers including **Paul Johnson** (Director, The Institute of Fiscal Studies), **Rory Stewart** (former Secretary of State for International Development), **Sir Robin Budenberg** (Chair, Lloyds Banking Group) and **Nathan Bostock** (Chair, LBCM).

Notable industry experts also joined us for panel discussions including **Dame Julia Hoggett** (CEO, London Stock Exchange), **Jessica Pulay** (CEO, UK Debt Management Office), **Stephan Jansma** (CFO, Trafigura), **Nael Khatoun** (Portfolio Manager, Oaktree Capital Management), **Rachel Lord** (Head of International, Blackrock) and **Ben Clissold** (Head of Fixed Income & Treasury, USS Investment Management).

> Today, markets are more than just engines of growth – they are vital stabilisers in times of volatility

EUROMONEY

The themes of the Markets Summit and managing risk to finance growth were covered by the Euromoney magazine following the event. In their '**Market Voices**' series with Carla Antunes da Silva, they covered how markets are adapting to the challenges of the new normal and are crucial in helping firms to navigate the turbulent geopolitical climate.

Lloyds Bank Market Insights

Clients can easily stay ahead with the latest updates in macroeconomics and financial markets from the team at LBCM. **Our one-stop shop of economic reports, market intelligence, expert analyses and forecasts** can help clients navigate macroeconomic changes with confidence.

Launched in 2024, our full range of insightful market-driven reports is now available to subscribe to free of charge, and includes:

- **Daily reports:** Get prepared for the day's economic outlook.
- **Monthly reports:** Exclusive UK sector analysis and monthly temperature gauge.
- **FX:** Analysis of emerging and topical themes.
- **Responsive reports**: Stay informed about timely economic events.
- **Rates:** Insight into emerging and topical themes in the fixed income markets.
- Invites to **live calls** around key market events.

Our markets team are specialists across a range of areas and provide a considered and intelligent view on the UK economy and global economic developments, analysis and forecasting of economic trends, macro and behavioural economics and both FX and interest rate strategies.

+ Insights can be received direct to your inbox – register here →

Connecting the UK and LBG with the world

LBCM connects the UK and LBG to global markets through a first-class banking, financing, and risk management proposition, underpinned by strong customer service.

Guided by our purpose of Helping Britain Prosper, LBCM has a well-defined strategy of investing in both our markets and international businesses which is driving sustainable income growth and returns. Core to this strategy is deepening client relationships, expanding our institutional coverage and driving collaboration opportunities across LBG.

Global Markets

1. Expanding our global financial markets client proposition
Investment in our platforms to enable expanded offerings and collaboration with more clients and on a larger share of their activities.

2. Scaling our global capital markets franchise
Driving growth through investment in platforms and provision of specialised expertise across financing structures.

International

3. Strengthening our presence in North America and Europe
Deepening our presence in these markets to partner with clients across a greater proportion of their financing activities.

4. Growing and digitising our Crown Dependencies business
Investing in technology and our platforms is key to our commitment to improving the customer experience.

Expanding our financial markets client proposition

Global Markets

Lloyds Bank financial markets

LBCM is enhancing client propositions through strategic investment in rates and foreign exchange products. In a rapidly evolving environment, **our platform investments support us in providing a superior client experience, expanded offerings, and improved operational efficiency** so we can boost our transaction volumes and leverage our natural market presence, particularly with our institutional clients.

We aim to collaborate with clients on a **larger share of their risk management and hedging activities**, while maintaining a disciplined approach to risk and capital allocation. An enabler for this involves diversifying our offering so that we can deliver bespoke and more complex solutions, that leverage our expertise, for UK and global clients facing into macro events and regulation changes.

Our products

- **Rates** (including inflation)
- **Repo**
- **Foreign exchange**
- **Commodities**

LBCM is supporting corporate clients from hard-to-abate sectors to participate in the UK and EU mandatory **'cap-and-trade' schemes**. In 2024, LBCM has increased its activity in these compliance markets by 20 per cent in both quantity of trades and number of active clients. At the same time, we continue to monitor the voluntary carbon market as it develops, and more standardised guidance is published.

The business is tracking well against its externally committed rankings and **continues to deliver on investment.** We have deepened our FX wallet share by investing in technology including our new electronic benchmark capabilities. In 2024 we were proud to be awarded '**Best Bank – FX Trading for Corporates in Europe**' by Coalition Greenwich and delivered a 42 per cent year on year increase in foreign exchange volumes. We achieved our strategic objective of Top 5 sterling interest rate swaps ranking.

In a year of heightened volatility and macroeconomic uncertainty, the global financial markets business has performed well.

2024 progress

- Best bank FX trading for Corporates in Europe
- 1st overall service quality in interest rate derivatives Greenwich survey[1]
- First supply-side carbon credit transaction across LBG
- Supported clients on hedging needs, offering over 100 commodity indices

in GBP interest rate swaps ranking

2nd

in line with CIB's target of top 5

1. Coalition Greenwich Voice of Client – 2024 UK Corporate Interest Rate Derivatives Study.

"In 2024 global financial markets had record FX volumes, continued to diversify the client offering and invested in improving technology capabilities

“Our global capital markets business supports our clients in raising long-term funds in sterling, US dollars and euros

2024 progress

- 1st for ESG-labelled bond issuances for sterling bonds across all issuers[1]
- Ranked 3rd for all GBP investment grade FI bonds[2]
- Strong growth in US dollar and euro bond volumes
- Inaugural social private placement to affordable housing provider

1. Bond Radar.
2. Excluding corporates, ABS. Including global issuers.

Global Markets

Scaling our global capital markets franchise

Lloyds Bank capital markets

Ongoing investment in our capital markets business is enabling continued **growth and scaling at pace** of an already strong presence in GBP specifically and global capital markets more broadly. Our capital markets business provides clients with **specialised expertise across an array of financing structures**, including innovative and structured finance solutions, effective liability management and sustainability initiatives.

Demonstrating this growth, LBCM's sustainable financing across **ESG labelled primary bond issuances, sustainability-linked loans and green lending** has nearly doubled in the year, materially contributing to LBG's Commercial Banking sustainable finance target of £30 billion between 2024 and the end of 2026.

Our products

- **Debt capital markets**
- **Credit trading**
- **Securitisation**
- **Corporate risk management solutions**

ESG-labelled bond issuances for UK corporates[1]

1st

In April, LBCM supported LBG with the launch of its Sustainable Bond Framework, followed by two green use of proceeds bond issuances.

The capital markets team is positioned well to assist clients in raising bond financing in sterling, euros, and US dollars, alongside **offering expert credit trading and rates risk management services that complement issuance.**

In a competitive landscape, the business benefited from an expanded portfolio of corporate clients and increased financial institutions debt capital markets coverage which led to robust levels of issuance activity. This resulted in a strong year overall for capital markets.

International

Strengthening our presence in North America and Europe

Lloyds Bank North America and Europe

LBCM, supporting Corporate & Institutional Banking division, is focused on disciplined expansion in the US and Europe to enable us to meet additional client needs in these key geographies, providing **access to the deepest capital markets in the world** and strengthening our core franchise.

To support our global clients, we provide comprehensive funding and risk management solutions across a core set of competencies in key markets. This includes offering expertise across **banking products, secured and unsecured debt capital markets across sterling, euro and US dollar currencies,** supplemented by strong credentials in risk management products such as Rates, FX and Commodities.

A significant proportion of capital markets issuance by CIB UK issuers is denominated in euros and US dollars with most CIB customers engaging in international trade, particularly with Europe and the US as key partners.

LBCM is therefore committed to **deepening its presence in euro and US dollar markets to better support customers in their financing activities.** This will be achieved by growth in our global capabilities through ongoing investment in our operations in North America based in New York City and Germany based in Frankfurt.

Leveraging our strong expertise in key global sectors and geographies also helps to deepen our footprint in these regions and enhances LBCM's competitive edge and ability to provide tailored solutions across all clients.

Our Segments

- **Capital markets**
- **Financial markets**
- **Lending**

> **"LBCM is focused on supporting UK-linked clients with a broad spectrum of products in their key geographies**

2024 progress

- Growth in our Frankfurt-based primary and secondary bonds business
- Deepened client relationships and increased lending in North America
- Acted as a joint bookrunner on a €2 billion triple-tranche green bond in Europe

> **With customers' digital requirements increasing, 2024 has been a pivotal year to enhance our digital offering**

2024 progress

- Launch of the international private banking app
- Enhanced functionality of cash management platform
- Development and launch of a three-stage 'Eco Home' proposition
- Awarded 'best all rounder' bank for expats 2024

International

Growing and digitising our Crown Dependencies business

Lloyds Bank Crown Dependencies

Our commitment to investing in technology to improve both the customer experience and offering is driven by the **ambition to be the most recommended bank for expats globally** and for customers with international needs. As part of this investment we successfully launched the International private banking app, enhancing the Crown Dependencies digital proposition and support for our non-sterling account holders. This has been successful in servicing our digitally active customers and business growth through new applications since launch.

To support and broaden our institutional customer base, whilst also investing for our future growth, we have **enhanced our cash management and payments platform** to provide greater functionality.

Our Segments

- **International private banking**
- **Community banking**
- **Commercial banking**
- **Motor finance**

International private banking app

>26,000

downloads in 2024 since launch

Recognising the importance of sector expertise and building upon our existing skill base, we have made **key hires to enhance our market presence**. This specialist knowledge and improved ease of doing business through technology investments has supported our drive for sustainable growth within our target markets.

Through the strength of our sustainability expertise and market-leading green use of proceeds structure, we stood out from our competitors to win significant transactions during the year. To further support our customers on their journey to a sustainable future, we **successfully developed and launched our three-stage 'Eco Home Hub'**. This provides our customers with a comprehensive resource and funding support for green initiatives that are available to them.

Connecting our clients to products across LBG

LBCM is an integral part of the CIB business unit of LBG and core to its growth strategy.

Under the leadership of CEO John Winter, CIB serves the financial needs of large clients (generally more than £100 million turnover) who have a strong link to the UK from bases in the UK, the USA and Europe.

CIB's purpose-led and disciplined growth strategy builds on expertise in debt financing, risk management and transaction banking. LBCM's strategy is a fully integrated and core part of CIB, and John regularly attends the LBCM Board to take part in discussions.

As part of CIB, LBCM's client engagement and relevance have increased; and **driven further collaboration** across LBG including Scottish Widows, Tusker, Blackhorse and Lex Autolease.

John Winter
Corporate and Institutional Banking Chief Executive

"We have a unique breadth of perspective, knowledge, and capabilities to support our clients' growth and long-term resilience. LBCM supports clients by managing risk and unlocking capital

Charlie Nunn
LBG Group Chief Executive

Utilising the significant scale and reach of the wider group, we are successfully unlocking opportunities and connecting clients to the broader offering from other parts of LBG.

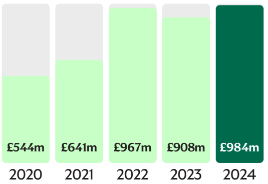
Focused on meeting a greater proportion of client needs, LBCM and CIB are an important source of LBG's diversification and growth in both revenue and other operating income. This includes delivering balance sheet efficiency, risk management solutions, supporting capital issuance and providing ESG expertise.

Strong financial performance from a growth business that's delivering more for our customers.

In 2024 LBCM achieved record total income and our highest ever profit before tax, demonstrating delivery of more support to our customers, continued business momentum and sustainable growth enabled by strategic investment. Return on tangible equity has improved through disciplined balance sheet usage and a strong capital position has been maintained.

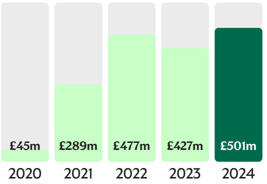
Total income

£984m



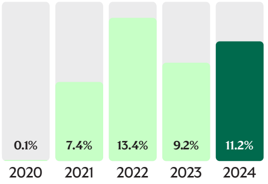
Profit before tax[1]

£501m



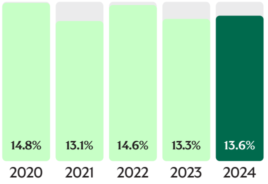
Statutory return on tangible equity[1,2]

11.2%



Common equity tier 1 ratio[3]

13.6%



1. LBCM Group.
2. Refer to other information section for basis of calculation.
3. Bank.

Delivering sustainable growth in 2024

Income statement

Total income was £984 million comprising net interest income of £166 million, net fee and commission income of £268 million, net trading income of £552 million and other operating expense of £2 million.

Within **net trading income** our capital and financial markets businesses have delivered strong performances in 2024 resulting in a 25 per cent increase to £552 million versus the prior year. This is driven by growth across the markets businesses including year-on-year increased volumes across rates, gilts, foreign exchange and commodities.

Net fee and commission income has increased by £4 million, or 2 per cent year-on-year, driven by the strong performance in our bond issuance from debt capital markets, along with fees from customer lending.

Net interest income of £166 million was down 16 per cent in 2024 compared to the prior year, noting that in 2023 a one-off gain was recognised. Additionally, interest paid on customer deposits has increased along with funding costs of the business.

Delivering for CIB and LBG: The strong 2024 results from our other operating income lines of net fee and commission income and net trading income has significantly contributed to the results of our parent company, with LBCM representing 14 per cent of LBG's other operating income, up from 13 per cent in 2023.

Operating expenses, including the new Bank of England Levy, have reduced by £10 million in the year to £499 million. They predominantly consist of management charges relating to the Intra-Group Agreement and staff costs payable to Lloyds Bank plc.

LBCM maintained a strong focus on cost management in 2024 despite the impact of a sector wide change of the charging approach for the Bank of England Levy in the first quarter of 2024. Excluding this new levy, operating expenses were actually down £19 million, or 4 per cent, in 2024 highlighting strong cost management.

An offsetting benefit has been recognised through income over the remainder of the year which has reduced the impact of the new levy charge on profit.

An **impairment** credit of £16 million has been recognised in 2024. This expected credit loss income reflects improvements in the macroeconomic outlook in the year. There have been no significant new stage 3 charges in the year. Please refer to note 9 for more details.

A **tax** charge of £97 million was recorded and more details are contained in note 10.

Total income
£984m

Net trading income
£552m

Net fee and commission income
£268m

Income statement

	2024 £m	2023 £m	Movement £m	Movement %
Net interest income	**166**	198	(32)	(16)
Net fee and commission income	**268**	264	4	2
Net trading income	**552**	442	110	25
Other income	**(2)**	4	(6)	
Total income	**984**	908	76	8
Operating expenses	**(499)**	(509)	(10)	(2)
Impairment credit	**16**	28	(12)	
Profit before tax	**501**	427	74	17
Tax charge	**(97)**	(89)	(8)	
Profit after tax	**404**	338	66	20

Balance sheet assets

	2024 £m	2023 £m	Movement £m	Movement %
Cash and balances at central banks	**20,308**	20,201	107	1
Financial assets at fair value through profit or loss	**25,765**	21,989	3,776	17
Derivative financial instruments	**22,416**	22,606	(190)	(1)
Financial assets at amortised cost	**25,056**	24,891	165	1
Other assets	**1,427**	640	787	123
Total assets	**94,972**	90,327	4,645	5

Total assets were £94,972 million at 31 December 2024, an increase of £4,645 million on the prior year, mainly driven by an increase in financial assets at fair value through profit or loss compared to the prior year end. This increase in **financial assets at fair value through profit or loss** is a result of planned business growth in the reverse repurchase agreement and gilts business areas.

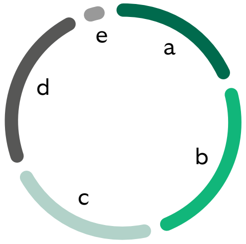
Financial assets at amortised cost includes loans and advances to banks of £1,255 million, reverse repurchase agreements of £5,332 million and **loans and advance to customers** of £17,800 million which have risen by £1,353 million year-on-year reflecting increased lending to clients in our financial sponsors business.

Cash and balances at central banks are broadly unchanged from the prior year end and relate to balances on deposit at the Bank of England and US Federal Reserve which forms part of our liquid asset portfolio.

The **derivative financial instruments** balance of £22,416 million is down slightly reflecting mainly movements in fair value. **Other assets** increased compared to the prior year as a result of trading settlement balances falling due over the year end.

Total assets breakdown – 2024

- a. Cash and balances at central banks
- b. Financial assets at fair value through profit or loss
- c. Derivative financial instruments
- d. Financial assets at amortised cost
- e. Other assets



Balance sheet liabilities

	2024 £m	2023 £m	Movement £m	Movement %
Deposits from banks	**2,645**	2,078	567	27
Customer deposits	**30,945**	29,439	1,506	5
Due to fellow LBG undertakings	**1,512**	1,213	299	25
Financial liabilities at fair value through profit or loss	**22,981**	19,686	3,295	17
Derivative financial instruments	**16,588**	17,576	(988)	(6)
Debt securities in issue	**15,090**	15,378	(288)	(2)
Subordinated liabilities	**746**	755	(9)	(1)
Other liabilities	**636**	326	310	95
Total liabilities	**91,143**	86,451	4,692	5

Total liabilities were £91,143 million at 31 December 2024, compared to £86,451 million at 31 December 2023.

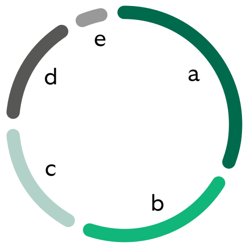
Customer deposits increased year-on-year by 5 per cent in line with LBCM's strategy to grow deposits. The increase in **financial liabilities at fair value through profit or loss** is in line with our planned business growth in repurchase agreements over the year.

Derivative financial instruments decreased by £988 million mainly due to movements in fair value. **Debt securities in issue** include commercial paper, certificates of deposit and Euro Medium Term Notes (EMTN). Increases in our commercial paper in 2024 are offset by maturities in our EMTN.

Subordinated liabilities is the Bank's Tier 2 capital. The increase in **other liabilities** compared to the prior year end relates to trading settlement balances falling due over the year end.

Total liabilities breakdown – 2024

- a. Deposits
- b. Financial liabilities at fair value through profit or loss
- c. Derivative financial instruments
- d. Debt securities in issue
- e. Other



Balance sheet equity

	2024 £m	2023 £m	Movement £m
Share capital	**370**	370	–
Other reserves	**(236)**	(313)	77
Retained profits	**2,887**	3,011	(124)
Ordinary shareholder equity	**3,021**	3,068	(47)
Other equity instruments	**808**	808	–
Total equity	**3,829**	3,876	(47)

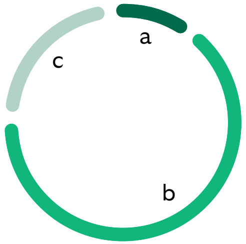
Total equity was broadly flat year-on-year at £3,829 million compared to £3,876 million at 31 December 2023. Profit after tax attributable to ordinary shareholders generated through strong business growth in the year was offset by the payment of a **£450 million dividend** to the Bank's parent company.

The movement in **other reserves** of £77 million relates to the cash flow hedging reserve, representing the fair value movements and transfers to income statement on the structural hedge.

More details are contained in notes 23 to 27.

Balance sheet equity – 2024

- a. Share capital
- b. Retained profit & other reserves
- c. Other equity instruments



Regulatory capital

	2024 £m	2023 £m	Movement £m
Common equity tier 1 capital	**2,797**	2,725	72
Tier 1 capital	**3,580**	3,508	72
Total capital	**4,171**	4,109	62
Total risk-weighted assets	**20,605**	20,492	113
CET1 %	**13.6%**	13.3%	0.3pp
Leverage %	**4.5%**	4.7%	(0.2)pp

Regulatory capital

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

The Bank's **common equity tier 1 (CET1)** capital ratio increased to 13.6 per cent (31 December 2023: 13.3 per cent). Profit for the year was partially offset by an increase in regulatory adjustments and a slight increase in risk-weighted assets (RWAs).

The Bank's **total capital** ratio increased slightly to 20.2 per cent (31 December 2023: 20.1 per cent). This reflects the increase in CET1 capital, partially offset by the increase in risk-weighted assets.

RWAs increased by £113 million, or 0.5 per cent, to £20,605 million at 31 December 2024 (31 December 2023 £20,492 million), largely reflecting an increase in credit risk, counterparty credit risk and operational risk, partially offset by a decrease in market risk. Full details are included within the LBCM 2024 year-end Pillar 3 report.

The Bank's UK **leverage** ratio decreased to 4.5 per cent at 31 December 2024 (31 December 2023: 4.7 per cent). This largely reflects the growth in securities financing transactions and gilts and an increase in the measure for derivative instruments.

Financial performance continued

The Bank's capital position as at 31 December 2024, after applying IFRS 9 transitional arrangements, is set out in the following table.

Capital resources of the Bank	**2024 £m**	2023 £m
Common equity tier 1		
Shareholders' equity per balance sheet	**3,019**	3,091
Adjustment to retained earnings for foreseeable dividends	**–**	(450)
Cash flow hedging reserve	**219**	289
Debit valuation adjustment	**(28)**	(22)
	3,210	2,908
Less: deductions from common equity tier 1		
Prudent valuation adjustment	**(130)**	(142)
Excess of expected losses over impairment provisions and value adjustments	**(279)**	(41)
Goodwill and other intangible assets	**(4)**	–
Common equity tier 1 capital	**2,797**	2,725
Additional tier 1		
Additional tier 1 instruments	**783**	783
Total tier 1 capital	**3,580**	3,508
Tier 2		
Tier 2 instruments	**691**	699
Other adjustments	**(100)**	(98)
Total tier 2 capital	**591**	601
Total capital resources	**4,171**	4,109
Risk-weighted assets of the Bank	**20,605**	20,492
Capital ratios of the Bank		
Common equity tier 1 capital ratio	**13.6%**	13.3%
Tier 1 capital ratio	**17.4%**	17.1%
Total capital ratio	**20.2%**	20.1%

The importance of people and culture

Our colleagues are essential to the success of LBCM and we are committed to building an inclusive and sustainable organisation that is truly representative of modern-day Britain.

We want differences to be embraced and everyone to reach their potential. We recognise that colleagues who can be their authentic selves at work are central to our success.

Our values are the foundation of our culture and give us clarity on what's important and how colleagues work together. This is fundamental to supporting us to deliver our purpose and growth strategy.

Our values

People-first
We put people first to go further for customers. We listen and care for people as individuals.

Trust
We trust each other to achieve more together. We give each other the space and support to take things on and see them through.

Sustainable
We champion sustainability to care for our planet. We take responsibility for the impact of our actions on nature and Britain's transition to net zero.

Bold
We're bold and take action. We innovate and do things differently to better serve our customers and grow with purpose.

Inclusive
We're inclusive to value everyone. We learn about and embrace our differences, and seek out diverse perspectives.

Colleague engagement
In 2024, we broadened and deepened how we listen to our colleagues to provide a more regular and complete picture of sentiment. This included evolving our pulse and annual surveys by providing greater alignment to our strategy and purpose, with further changes to the survey made to improve the colleague experience.

Flexible working is an important part of our proposition and all colleagues have access to a range of flexible working options depending on their role.

Inclusion and diversity
As part of LBG, the approach and plans in this area have been refreshed in 2024, but remain centred around the guiding principle of Inclusive Every Day, underpinned by four inclusion pillars – insight, behaviours, design, and society.

The following sections **reflect the ambition of LBG overall,** of which LBCM is a key part. LBG's targets and ambitions are subject to local laws and regulations. More details can be found in the LBG annual report and accounts.

Gender diversity
The focus is on enhancing the talent pipeline to achieve a gender balance, championing gender equality for all, and promoting allyship and inclusive leadership. The aim is to reach a consistent gender balance of 45 per cent to 55 per cent in executive roles by the end of 2030.

Sexual orientation and gender identity
We continue to focus on building an inclusive and open working environment for our LGBTQ+ colleagues and our LGBTQ+ colleague network Rainbow continues to play a pivotal role in our approach to supporting our colleagues.

Ethnic diversity
We are committed to addressing racial inequalities to help build an inclusive society and create an organisation that reflects the diverse community we serve. While steady progress has been made in increasing representation of Black, Asian, Minority Ethnic senior representation, we remain focused on further acceleration. To achieve this, we are looking closely at the colleague life-cycle, enhancing representation in key growth areas such as technology and data, and continuing to upskill our workforce and leadership.

We continue to be guided by the principles of our 2020 Race Action Plan, which focuses on driving cultural change, improving recruitment and progression within LBG, and actively supporting Black heritage communities across the UK.

LBG 2030 goals are between 3.5 per cent and 4 per cent for Black heritage and 19 per cent and 22 per cent for Black, Asian Minority Ethnic representation at executive levels in the UK.

Disability and neurodiversity
Since launching the goal to double the representation of senior colleagues with disabilities in 2023 there's been a significant uplift in the number of colleagues sharing their disability data. Our aspiration is for 80 per cent of UK colleagues to have shared their data with us by the end of 2025.

Engaging with our stakeholders

(including section 172(1) statement)

Governance in action

The Board continues to engage both directly and indirectly with its stakeholders, helping not just in providing a better understanding of their points of view, but also of the impact LBCM has in their day to day lives. Beyond the Board, stakeholder engagement takes place at all levels within the organisation, and in addition to the direct engagement of Board members with stakeholders discussed on the following pages, the Board requires stakeholder implications to be considered within all proposals submitted from across the organisation.

Senior management routinely provides the Board with details of stakeholder interaction and feedback through their regular business updates and during their interactions both inside and outside the boardroom.

Managing stakeholder interests also forms a key part of the Board's delegation of the day-to-day management of the business to senior management.

The directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Bank, as aligned to that of LBG, achieves long-term success and generates sustainable returns. Central to this is engagement with our stakeholders and considering in all instances the long-term implications of decisions made and acting at all times to maintain the highest possible standards of conduct.

Further details on key actions in this regard are also contained within the Directors' report and the corporate governance statement on pages 46 to 49.

S172(1) statement

In accordance with the Companies Act 2006 (the Act) (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Bank under section 172.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the directors have engaged with and had regard to the interests of key stakeholders.

The Bank is a subsidiary of LBG, and as such adopts many of the processes and practices of LBG, which are further referred to in this statement where relevant.

Customers and clients

The Board's deep understanding of customers' and clients' needs is vital in setting and achieving the bank's goals.

Delighting our clients and customers and identifying their needs through a more themed and targeted **customer-centric approach** remains therefore a key consideration in Board decisions. The directors ensure the Bank works towards achieving its customers' ambitions, treating customers fairly, and making it easy for customers to find, understand and access products that are suitable for their needs.

The Board is committed to providing meaningful support to meet the needs of customers, aiming to provide positive outcomes and working to mitigate or reduce the risk of financial harm. The Board has increased its emphasis on customers through focused discussions at Board meetings, refinement of customer goals in the Bank's balanced scorecard and activity to strengthen relationships.

Members of the Board **spent time with customers** at events such as the LBCM Markets Summit in October and International Monetary Fund meeting. During a strategy offsite meeting and visits to the Crown Dependencies and New York, the Board took the opportunity to understand more about LBCM's customer base and how to deepen those relationships.

To ensure directors truly understand the needs of customers, **customer feedback** and related management information are regularly considered including as part of the directors' strategic decision-making process.

The Bank regularly benchmarks its performance and the performance of its business units amongst its customers. The directors use this insight along with a range of internal and external research to ensure ongoing improvement in customer experience. The directors ensure the Bank plays an active part in LBG's wider customer ambitions, as acknowledged in the Bank's strategy, and where appropriate during the course of the year this has included the ongoing development of market leading digital propositions, more personalised customer propositions and better experience for customers across all channels.

References to customers above also include corporate clients, where clients are not specifically mentioned.

The FCA's **Consumer Duty** (the Duty) took effect in July 2023 for current business in addition to a new FCA Principle for Business requiring firms 'to act to deliver good outcomes for retail customers'. LBCM continues its commitment to adhere to LBG policies that were revised in accordance with the Duty. The Duty took effect for closed products in July 2024 and LBCM reviewed its closed products ahead of this date concluding there were none to be considered in scope. The LBG Board consumer duty champion continues to represent the Bank for compliance with the Duty.

"A customer-centric approach remains a key consideration in Board decisions

Strategic report
Governance
Financial statements
Other information

Colleagues

The Board considers that maintaining open dialogue is crucial in informing its thinking, allowing directors to hear first-hand colleague views on the matters most important to them as well as the Bank.

Recognising the importance of this period of transition for LBCM, with ambitious financial targets and important developments in strategy and business model, the outgoing Chair (Lord Lupton), interim Chair (John Owen) and incoming Chair (Nathan Bostock) were mindful of **the importance of colleague communication** and being visible during this period of change and uncertainty. This included finding opportunities for closer collaboration with colleagues in CIB and colleagues from across LBG providing shared services to LBCM. There was also a focus on meeting colleagues on the succession plan or identified as talent.

Nathan Bostock also joined the end-of-year call with all LBCM colleagues to share his reflections in role to date and respond to questions.

Throughout 2024 the Board received regular updates on workforce engagement and on colleague matters through a combination of **direct colleague listening sessions** and updates from the CEO, people director and business heads. This included the review of the findings of surveys of colleague sentiment, including annual and ad hoc surveys, and review of the progress being made in addressing the matters colleagues have previously raised.

Examples of Board engagement with colleagues included:

- A review of the pulse engagement reports throughout the year, as well as the annual colleague **engagement survey**, including key themes and issues which colleagues raised during the year. The Board is committed to maintaining momentum in engagement with colleagues.
- The Board recognises the importance of meeting colleagues in their place of work and having time for deeper conversations on matters important to them and progress against strategic objectives. During 2024, members of the Board **visited the branches** in the Crown Dependencies and New York to both share their perspective on matters on the Board's agenda and discuss LBCM's progress against its strategic objectives.
- Nathan Bostock has spent time with colleagues across the Bank and LBG to understand the business and listen to their concerns. Ahead of joining, Nathan also attended the Bank's strategy offsite in May which gave him the opportunity to meet the senior leadership team and spend time with fellow board members.

- The Board has an annual programme of **colleague breakfasts** enabling the Chair and members of the Board to hear directly from colleagues (without the executive present) across the business, sharing their experiences on a range of initiatives and cultural topics. 1:1 sessions were held with a number of senior business leaders.
- Colleagues making a significant difference through delighting the customer or reducing bureaucracy are recognised for taking action.
- Board members have participated in other engagement activities such as attending leadership events and joining the LBCM team-wide calls.

UK colleagues are remunerated by LBG (and recharged to the Bank), while colleagues based in the US, Germany and the Crown Dependencies are remunerated by LBCM. UK, Isle of Man and US colleagues are eligible to participate in HMRC/IRAS approved share plans which promote share ownership by giving employees an opportunity to invest in LBG shares. The Bank follows the LBG **remuneration principles** that are designed to specifically promote appropriate culture and colleague behaviours that meet customer needs and regulatory expectations, supported by the structure of the remuneration package offered to colleagues.

In relation to base pay (salary) for UK and Crown Dependencies colleagues, the Bank aims to ensure that the pay is determined and applied fairly and consistently to all colleagues. For 2024 and 2025, a two-year pay deal was agreed, which is 4 per cent each year for junior colleagues and 3.5 per cent pay budget for senior colleagues below executive level.

For the 2024 annual pay review, the 4 per cent and 3.5 per cent pay budgets were applied consistently to colleagues in the US and Germany.

The remuneration principles also apply to the wider package including variable pay to ensure that reward is performance-driven, with risk performance appropriately considered, recognises success in delivering our purpose and strategy, is talent-focused to attract and retain high-calibre colleagues and embodies our values: people-first, inclusive, trust, sustainable and bold. Further information can be found in the LBG annual report and accounts for 2024, available on the LBG website.

The Bank, within the context of LBG, seeks to maintain a culture where our people feel supported, included and empowered. There are a variety of channels available to support this, such as Let's Talk (informal resolution service) as well as Speak Up (LBG's whistleblowing programme), which enables colleagues to report their concerns confidentially and anonymously.

Andrew McIntyre is the Bank's whistleblowing champion and is responsible for oversight of arrangements. This is achieved through ensuring that the confidential reporting system remains a reliable and independent channel for colleagues to report suspected wrongdoing.

In the 'people and culture' section of this report, updates are provided on our values, and goals relating to diversity and inclusion as part of LBG.

Communities and the environment

The directors acknowledge that the Bank, as part of one of the largest financial service providers in the UK, has responsibilities to invest in the communities in which it operates across the jurisdictions, to help them prosper economically and build a more sustainable future.

The directors receive regular updates on responsible and sustainable business activities.

The Bank has aligned with LBG's **sustainability objectives**, including the current net zero by 2050 climate pledge, which is a key part of the Bank's sustainability strategy and directly supports global external goals.

The Bank's colleagues continue to undertake a variety of fundraising and volunteering activities, both via LBG's charitable relationships and via their own personal connections with a wide variety of large and small charities.

In particular, the Bank continues to support **LBG's charity partner, Crisis,** a UK national charity for people experiencing homelessness. This included participation in a fundraising trek to climb Mount Toubkal in Morocco. UK colleagues also participated in volunteering with the **Woodland Trust** and the Group's Charity Response Forums.

In North America, the Bank celebrates one year with new charity partner **Breast Intentions**, whose mission is to directly aid those impacted financially by breast cancer diagnosis. Colleagues have run marathons and held bake sales and trivia events to raise money in support of this organisation.

In the Crown Dependencies the Bank continues to work with the Lloyds Bank Foundation for the Channel Islands to support local charities and initiatives. As Crisis has no presence in the Crown Dependencies, the Bank supports charities that share similar goals such as **The Shelter Trust** in Jersey, **Action for Children Guernsey Youth Housing,** and **Housing Matters** in the Isle of Man. Members of the Board experienced at first hand the work of The Shelter Trust on its visit to Jersey in July 2024.

In support of the environment, teams collaborated with the **Isle of Man Woodland Trust, Manx Wildlife Trust, Group Woodland Trust** and **National Trust** in Jersey to help plant trees, remove invasive species, field clearing for wildflower planting and cleaning beaches. Colleagues also helped with tree planting at **Bosdet Foundation's** premises near Green Island and held lunch-and-learn sessions from renowned environmental speakers.

> **"LBCM colleagues globally participated in many charity fundraising and volunteering activities throughout 2024**

Colleagues continue to support charities of all sizes through running the Dublin Marathon, raffles, cake bake sales, **Macmillan Cancer Support** Rowathon and coffee mornings in branch for colleagues and customers.

Shareholder

The Bank is a wholly owned subsidiary of LBG, forming part of its Corporate & Institutional Banking (CIB) business unit.

As LBCM is a wholly owned subsidiary, the Board ensures that the strategy, priorities, processes and practices of LBCM are aligned where appropriate to those of LBG, ensuring that its interests as the Bank's shareholder are duly acknowledged. The LBCM Chair Nathan Bostock is also a director of LBG, which ensures connectivity and alignment between the Boards. The Bank's **Corporate Governance Framework** which was refreshed in 2024 sets out the relationship with LBG and the reporting of material matters.

The LBCM Board and its committees provide regular updates to the LBG Board and its committees on the Bank's activities and performance. There is **regular engagement** with the LBG CEO, LBG Chair and CIB CEO on such matters as the Bank's strategy in the context of CIB and LBG. CIB's CEO attended the Bank's strategy day in May and has continued to work with LBCM's CEO throughout the year. This includes co-presenting to the Board on changes to the operating model and CIB's strategy for which LBCM plays a significant role. LBG's NEDs are also invited to attend Board and Committee meetings during the year at which the Board can share insights and hear the LBG perspective increasing shareholder engagement. These arrangements ensure the Bank's Board has a **clear understanding of the views of its shareholder.** In addition, the Bank's Board attends the joint annual meeting with the LBG and Insurance Boards, and the Audit and Risk Forum providing an opportunity to share further insights of mutual interest.

Further information in respect of the relationship of LBG with its shareholders is included in the Strategic Report within the LBG Annual Report and Accounts for 2024, available on the LBG website.

+ Scan the QR code to be taken to the LBG Annual Report and Accounts →

Suppliers

The Board recognises the importance of partners who provide aspects of the Bank's operations through the shared service model with LBG and their importance to our customers.

The Bank's approach to external supplier management utilises the LBG framework and aligns to the standards set out by our regulators. The **supply chain** is crucial to the way the Bank and LBG serves its customers, and through it the reach is considerable.

Importance is placed on having the right supplier framework to operate responsibly. LBG's **Sourcing and Supply Chain Management Policy** applies to all areas and subsidiaries of LBG, including the Bank, with the directors assuming ultimate responsibility for its application as relevant to the Bank. This policy has been designed to assist in managing the inherent risk in outsourcing services, and in dealing with third-party suppliers. Suppliers are required to adhere to relevant LBG policies and comply with LBG's Code of Supplier Responsibility, which can be found on the LBG website. This defines expectations for responsible business behaviour, underpinning the efforts of the Bank and LBG to share and extend good practice. All material contracts are subject to rigorous cost management governance with **regular review of key supplier risks** which includes increasing focus on resilience, financial stability and sustainability.

The Bank and LBG also regularly seek feedback from the Group's third-party suppliers on related **assurance processes** to ensure continued improvement in processes. Suppliers are asked to express their satisfaction or otherwise and have access to LBG and the Bank's whistleblowing service. The operation of the Bank's supply chain is through LBG. The Board supports LBG's zero-tolerance attitude towards **modern slavery** in LBG's supply chain and an assurance process of the measures which address the risk of human trafficking and modern slavery in the wider supply chain is undertaken by LBG.

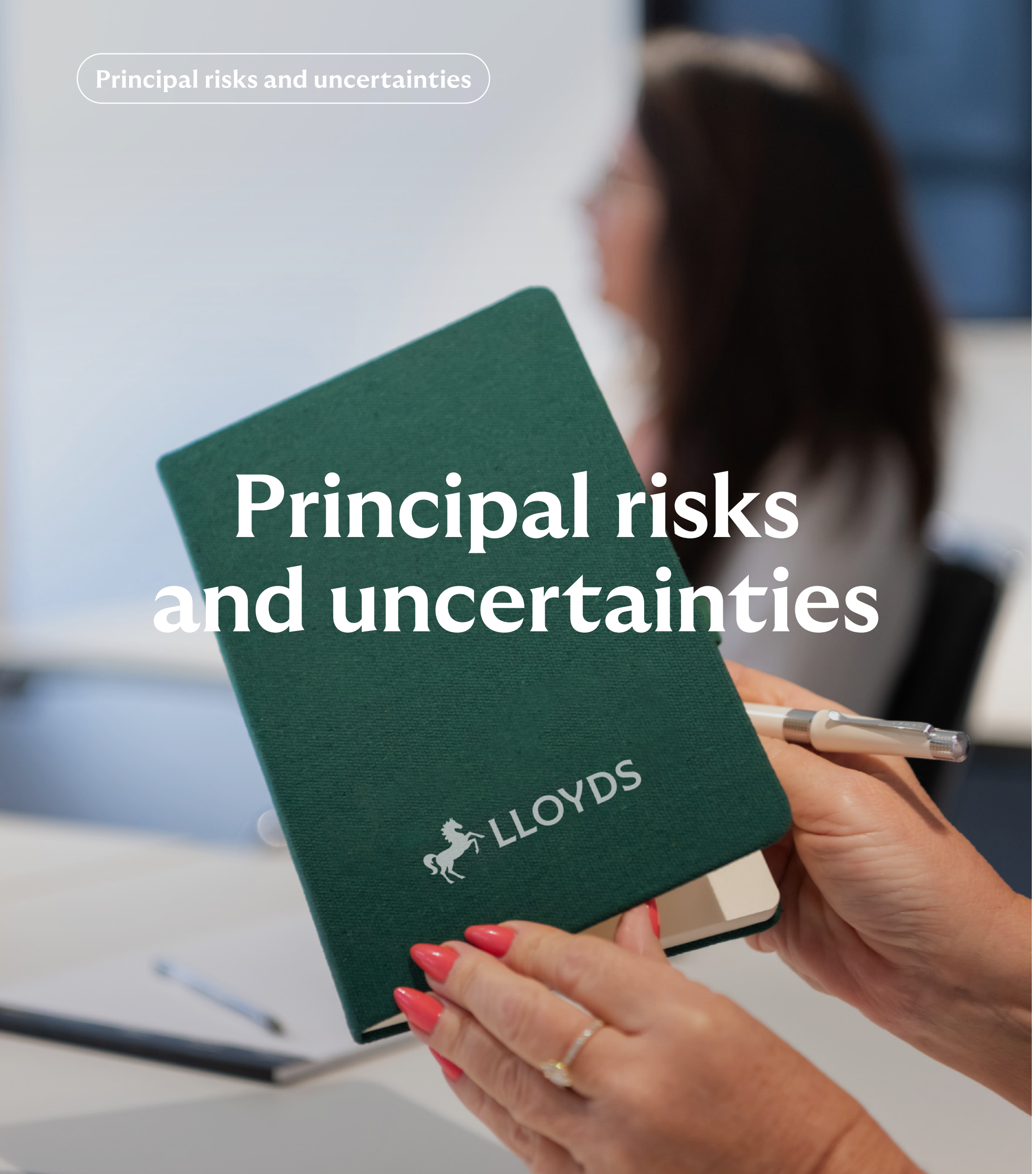
Regulators and regulatory agenda

The Bank and its directors maintain an open and transparent relationship with relevant regulators and other authorities and liaise regularly with them both directly and as part of LBG to ensure the business complies with its regulatory requirements.

The Chair and individual directors have had **discussions with the Prudential Regulation Authority** on a number of aspects of the regulatory agenda. The Board in turn reviews regular updates on this and progress is being made in addressing key regulatory priorities. Key areas of interest for the Board have included ensuring robust prudential standards, operational resilience, trading controls, the fair treatment of customers and the response to market changes.

Regular updates to the Board Risk Committee also cover all aspects of the regulatory agenda including **emerging regulatory and legal risks**. This provides a focused view of areas of priority alongside detail of regulators' actions.

The Board continues to closely monitor the status of the Bank's regulatory relationships across **all the jurisdictions in which it has a presence**, seeking to enhance engagement particularly in key areas of regulatory change.



Principal risks and uncertainties

This section provides analysis of LBCM's risks including the principal and emerging risks which could impact LBCM's ability to deliver its long-term strategic objectives. The approach to managing each risk is 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 (RMF) applies to LBCM business across all legal entities and locations.

LBG is in the process of evolving the ERMF to **improve the clarity and consistency of risk management** across LBG. This is part of broader risk management transformation. Some activity has already been completed, including reclassification of LBCM's principal risks and resetting of the non-financial risk management approach.

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 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 is responsible for annually approving LBCM's risk appetite statement. Board-level risk appetite metrics are supported by executive-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.

Enterprise risk management framework

01	**Role of the Board and senior management**	The Board delegates executive authorities to ensure there is effective oversight of risk management. LBCM operates its own Board separate from LBG.
02	**Risk culture and the customer**	The appropriate culture ensures performance, risk and reward are aligned. LBCM follows the same approach as set out in the ERMF.
03	**Risk appetite**	The framework ensures our risks are managed in line with our risk appetite. LBCM has its own risk appetite which is approved by the LBCM Board and noted by the LBG Board, but follows the same approach as set out in the ERMF.
04	**Risk and control self-assessment**	The identification, measurement and control or our risks form an integral part of our One Risk and Control Self Assessment. LBCM follows the same approach as set out in the ERMF.
05	**Risk governance**	The governance framework supports a consistent approach to enterprise-wide behaviour and decision-making. LBCM has its own risk management committee structure.
06	**Three lines of defence**	The robust approach to monitoring oversight and assurance ensures effective risk management across LBG. LBCM follows the same approach as set out in the ERMF.

Financial risk management objectives and policies

Information regarding the financial risk management objectives and policies of LBCM, in relation to the use of financial instruments, is given in notes 12 and 31 to the accounts. LBCM's approach to risk management including risk policies, risk appetite, measurement bases and sensitivities, in particular for credit risk, market risk and liquidity risk, is aligned to those of Lloyds Banking Group plc, the Bank's ultimate parent. Further information can be found in the Lloyds Banking Group plc annual report.

LBCM maintains risk management systems and internal controls relating to the financial reporting processes designed to:

- Ensure that accounting policies are appropriately and consistently applied.
- Enable the calculation, preparation and reporting of financial outcomes in line with applicable standards.
- Ensure that disclosures are made on a timely basis in accordance with statutory and regulatory requirements.

Emerging risks

Emerging risks are a key component of the LBCM risk framework. LBCM's horizon scanning activity enables identification of the most pertinent internal and external operating trends. This insight informs LBCM's strategy, which in turn impacts LBCM's risk profile.

As part of its risk framework, LBCM needs to identify risks and opportunities, and to respond through strategic planning and appropriate risk mitigation. Although emerging risks are not principal risks, if left undetected emerging risks have the potential to adversely impact LBCM or result in missed opportunities. Where an emerging risk is considered material enough in its own right, LBCM may choose to recognise the risk as a principal risk. Such elevations are considered and approved through the Board as part of the annual refresh of the enterprise risk management framework.

LBCM's focus on the emerging risk landscape and assessment approach has been evolved to reflect the scale of transformation LBG is delivering. A review of the key emerging risks has taken place during the year and on this page are LBCM's key emerging risk themes enabling greater management concentration on developing the appropriate responses:

Emerging risks

Emerging risk theme	Concerns for LBCM and key considerations
Agile & evolving workforce	Failure to create an agile, high-performing workforce with high quality talent and key skills in LBCM and in shared service locations that align to the evolving industry needs, to deliver our strategy.
Business resilience	Failure to adequately prepare for disruption of service, third- or fourth-party supplier failure, technology outages.
Climate & environmental commitments	Investor, shareholder and public perception of LBCM's; i) ability to assess, manage and improve our awareness of the ecological and environmental impacts ii) ability to offer sustainable financing options products and services and iii) role in enabling the transition to a low-carbon economy, and improve climate-related disclosures and collaborating with external stakeholders to address climate challenges.
Client and customer propositions & market competition	Failure to adapt our propositions to market demands, the continually evolving expectations and demographic of consumers, and digital trends whilst staying competitive against our peers.
Data management evolution	Failure to mitigate emerging technology-originated data risks, manage and protect data.
Global macroeconomic & political environment	Inability to navigate changing international markets, economic fragmentation, 'black swan' events, barriers to trade, supply-demand imbalances, deglobalisation, and geopolitical events that may impact operations, customers and suppliers.
Regulatory landscape	Failure to keep pace with the rapidly evolving regulatory reforms across various jurisdictions, including divergence between UK, EU and US and evolving expectations on the regulatory bodies and the knock-on impact on financial services.
Technological advances	Failure to i) adopt new technologies, streamline and transform group operations and customer propositions, and ii) create a competitive advantage through the use and continual investment into technological development directly or through the LBG shared services.
UK economic environment	Failure to anticipate the longer-term impacts of a weak UK economy, higher interest rate environment, stubborn inflation, increased fiscal borrowing, a higher taxation environment and uncertainty around the direction of tariffs, collectively has associated impacts on investor appeal.

LBCM continues to explore how existing and new emerging risks may impact its future strategy, and how it can continue to best protect its customers, colleagues and shareholders.

Other areas of focus in 2024

In addition to the emerging risks mentioned above, and in line with LBG, LBCM continues to focus on model risk as the risks associated with the use of proprietary models have increased in recent years due to the limitations of historical data, the recent extreme market volatility, and the risk of ineffectiveness in parameterisation, implementation, oversight and monitoring.

Principal risks

The definitions of risks have been updated since the disclosure in LBCM's 2023 annual report and accounts. There has been a detailed review of risk categories, and an event-based risk management framework implemented. This has resulted in a reduction in the number of principal risk types and the simplification of secondary risk categories. This change better aligns to the Basel Committee on Banking Supervision's event categories which will benefit LBCM for scenario activities and regulatory reporting.

Capital risk

Risk description

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.

Key mitigating actions

- A comprehensive capital management framework that includes setting of capital risk appetite, capital planning and stress testing activities with well-established capital policies and procedures are well established and subject to independent oversight.
- Monitoring of capital and leverage ratios to ensure that LBCM meets regulatory requirements, remain within Board risk appetite and which results in efficient deployment of capital resources.
- Maintaining a recovery plan setting out a range of potential mitigating actions that could be taken in response to a stress, including the capital contingency framework designed to identify emerging capital concerns at an early stage.
- Managing the demand for capital through management actions including adjusting its lending strategy, business disposals and through the efficient use of securitisations and other optimisation activity.

Climate risk

Risk description

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 2025 (refer LBG 2024 Annual Results and the LBG sustainability report).

Key mitigating actions

LBG manages climate-related risk in different ways across inbound and outbound themes identified:

- Commitment to transition to net zero is supported by appropriate plans and strategies, including how different business areas are supporting the transition.
- External disclosures are subject to robust governance processes.
- Controls and processes on greenwashing focused on ensuring communications are fair and not misleading.
- Inbound physical and transition risks and their impacts cut across other principal risks in different ways and as such considered in multiple processes and frameworks, e.g. credit risk processes, operational resilience.
- Regulatory expectations are monitored, including current relevant requirements, and activity and progress towards these, as well as horizon scanning for new developments.

Compliance

Risk description

The risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

Key mitigating actions

- The LBCM Board has an established risk appetite and metrics for compliance risk.
- Compliance risk management policies and procedures are designed to ensure appropriate controls and systems are in place to comply with applicable laws, rules and regulations.
- Framework and processes are in place to monitor ongoing compliance with new legislation.
- Ongoing investment in people, processes, training and IT is being made to impact assess and help meet its legal and regulatory commitments.
- Ongoing horizon scanning is undertaken to identify and address changes in regulatory and legal requirements.
- Engagement with regulatory authorities and industry bodies on forthcoming regulatory changes, market reviews and investigations is taking place.
- Mechanisms for the business are in place to identify, assess and monitor risks, providing appropriate management information, and with robust oversight and escalation routes.
- Oversight, proactive support and constructive challenge to the business in identifying and managing regulatory and legal issues is undertaken by the compliance and legal functions.
- Thematic reviews of regulatory compliance and oversight of regulatory compliance assessments across businesses and divisions are undertaken where appropriate.

Conduct risk

Risk description

The risk of LBCM activities, behaviours, strategy or business planning, having an adverse impact on outcomes for customers, undermining the integrity of the market or distort competition, which could lead to regulatory censure, reputational damage or financial loss.

Key mitigating actions

- Conduct risk appetite and associated metrics to provide a granular view of how LBCM's products and services are performing for customers through the customer lifecycle.
- Conduct policies and procedures are in place to ensure appropriate controls and systems that deliver fair customer outcomes and support market integrity and competition requirements.
- Customer needs are considered through customer plans, which have an integral conduct lens.
- Robust product governance framework to ensure products continue to offer customers fair value, and consistently meet their needs throughout their product lifecycle.
- Root cause analysis, complaint management and customer accountabilities for colleagues, with rewards driven by customer-centric metrics.
- Ongoing enhancements and embedding of LBCM's framework to support customers, in particular those in vulnerable circumstances.
- Continued focus on market conduct; membership to the Fixed Income, Currencies and Commodities Markets Standard Board; and commitment to conducting market activities consistent with the principles of the UK Money Markets Code, the Global Precious Metals Code and the FX Global Code.
- Adoption of robust change delivery methodology to enable prioritisation and delivery of initiatives to address conduct challenges.
- Continued focus on proactive identification and mitigation of conduct risk in LBCM's strategy.
- Active engagement with regulatory bodies and other stakeholders to develop understanding of concerns related to customer treatment, effective competition and market integrity, to ensure that LBCM's strategic conduct focus continues to meet evolving stakeholder expectations.
- Review and oversight of thematic conduct agenda items at senior committees, ensuring holistic consideration of key conduct risks.
- Robust recruitment and training, with a continued focus on how LBCM manages colleagues' performance with clear customer accountabilities.
- Ongoing engagement with third parties involved in serving LBCM's customers to ensure consistent delivery.

Credit risk

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

Key mitigating actions
- Prudent, through-the-cycle credit principles, risk policies and appetite statements, to manage risk effectively.
- Robust risk assessment and credit sanctioning to ensure appropriate and responsible lending.
- Extensive and thorough credit processes and controls to ensure effective and timely risk identification, management and oversight.
- Early identification of signs of stress leading to engagement with customers.
- Regular and robust independent credit risk assurance.

Economic crime

Risk description
Economic crime risk is defined as the risk that LBCM implements ineffective policies, systems, processes and controls to prevent, detect and respond to the risk of fraud and/or financial crime resulting in increased losses, regulatory censure/fines and/or adverse publicity in the UK or other jurisdictions in which LBCM operates.

Key mitigating actions
- Application of a risk-based approach to mitigate financial crime and both internal and external fraud risk.
- Working with financial institutions, industry bodies and law enforcement agencies to identify and combat fraud and money laundering.
- Policies and frameworks are maintained and designed to provide customer confidence and protect LBCM as well as designed to detect and prevent the use of our banking network for money laundering, bribery, fraud, and activities prohibited by legal and regulatory sanctions.
- Risk appetite metrics assess the effects of fraud, including the financial loss, the expenses associated with fraud prevention systems and operations, and the impact on customer experiences related to both actual and attempted fraud.

Liquidity risk

Risk description
Liquidity risk is defined as the risk that LBCM does not have sufficient financial resources to meet its commitments when they fall due or can only secure them at excessive cost.

Key mitigating actions
- Ensuring that LBCM's liquidity risk management framework is adequate regarding the internal risk appetite, strategy and regulatory requirements. Liquidity policies and procedures are subject to independent internal oversight by the Risk team.
- Holding a liquidity buffer to cover potential cash and collateral net outflows calibrated to support strategic and operational needs as well as regulatory requirements and internal risk appetite.
- Undertaking monitoring against a number of market and entity specific early warning indicators complemented with stress testing analysis.
- Maintaining a contingency funding plan detailing actions and strategies available in stressed conditions.
- Maintaining diversified funding sources including a Euro Medium Term Note programme.

Market risk

Risk description
The risk that LBCM's capital or earnings profile is adversely affected by changes in market rates or prices, including but not limited to interest rates, foreign exchange, equity prices and credit spreads.

Key mitigating actions
- Setting an appropriate market risk framework and underpinning policies, relying on a set of limits and triggers calibrated to our risk appetite.
- Undertaking regular monitoring of market risk positions versus limits and triggers to ensure they remain within limits. Reducing risk in a cost-effective manner including the externalisation to financial markets where market liquidity allows.
- Implementing structural hedge programmes to manage liability margins and the risk of margin compression.

Model risk

Risk description

The risk of potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. Adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to LBCM's reputation. Model risk can also lead to financial loss, as well as qualitative limitations such as the imposition of restrictions on business activities.

Key mitigating actions

- A comprehensive model risk management framework provides the foundation for managing and mitigating model risk within LBCM.
- Defined roles and responsibilities, including clear ownership and accountability, independent oversight and approval.
- Principles and controls regarding data integrity, development, validation, implementation, ongoing maintenance and revalidation, monitoring, and the process for non-compliance.
- Model monitoring, independent review and periodic validation and reapproval.

Operational risk

Risk description

Operational risk is defined as the risk of actual or potential impact to LBCM (financial and/or non-financial) resulting from inadequate or failed internal processes, people, and systems or from external events. Resilience is core to the management of operational risk within LBCM to ensure that business processes (including those that are outsourced) can withstand operational risks and can respond to and meet customer and stakeholder needs when continuity of operations is compromised. 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.

Key mitigating actions

- The risk management framework establishes robust arrangements for risk governance, through clear definition of individual and collective accountabilities for risk management, risk oversight and risk assurance through a three lines of defence model which supports the discharge of responsibilities to customers, shareholders and regulators.
- Service provision arrangements to assess, monitor and act on risks arising from the Shared Service Model, governed by an Intra-Group Agreement (IGA).
- Continued investment in the control environment by both LBCM and its shared service provider, included third-party providers, with a focus on moving towards automated preventative and real-time detective controls.
- Manual and detective controls deployed on an interim basis to prevent gaps as more strategic automated controls are developed and deployed.
- Deployment of enhanced cyber controls to detect, protect against and respond to threats to the confidentiality or integrity of information assets, or the availability of systems, and to ensure effective assurance of third-party provision.
- Enhancing technology infrastructure and the resilience of systems (including focus on simplification of IT architecture and the decommissioning of legacy systems) that support critical business processes.
- Rigorous oversight of relevant management at business area and entity-level committees.

Governance

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2024.

Information included in the strategic report incorporated in the directors' report by reference:

- Statement of employee engagement: page 24
- Statement of other stakeholder engagement: pages 22-28
- Principal risks and uncertainties: pages 29-35

In this section
Directors Report

> I am confident and ambitious for the future of LBCM's global business

Nathan Bostock Chair

Strategic report
Governance
Financial statements
Other information

2024 has been another year of strong financial performance and significant growth with continued investment for the future of the LBCM business.

Joining LBCM

I joined the LBCM Board in August as Chair and would like to thank the teams and colleagues across LBCM for a very warm welcome and the quality of my induction. I would also like to pay tribute to my predecessor James Lupton and interim Chair John Owen and thank them both.

Having spent a 40-year career working in financial services, it is a very proud moment for me personally to have joined LBG in a non-executive role. It's also a great honour to be appointed LBCM Chair and lead the Board of this amazing franchise at a pivotal moment in its growth plans.

Our purpose-driven strategy

LBCM's purpose is Helping Britain Prosper by connecting the UK and Lloyds Banking Group with the world. We achieve this through providing a first-class banking, financing and risk management proposition, underpinned by excellent customer service. This continues to position LBCM well for further sustainable growth in areas of core strategic focus and deepen relationships across our client and customer base.

Transforming the business

I am really pleased with the strategic progress being made and also the increased pace of delivery from platform investment. This includes, for example, the multi-year ongoing investment into our markets trading platform enabling us to support customers more consistently, grow the business and improve efficiency; and in our Crown Dependencies business the embedding of a new mobile app which was a major milestone in improving the customer experience and digitising the business.

Record financial performance and future opportunities

LBCM is a client-orientated business, and has seen the benefits of this drive strong financial performance in the period. Our colleagues have worked hard to deliver great outcomes and the record total income in 2024 reflects real momentum in the business.

Going forward we will continue to build on the great strengths of the LBCM franchise as part of LBG's Corporate & Institutional Banking division. We will focus on continued investment in the core systems infrastructure as we further scale the business on a proven product set.

We remain fully focused on supporting clients, whilst delivering strong strategic progress and sustainable returns, guided by our purpose of Helping Britain Prosper

Directors and governance in action

We regularly review the Board's composition and diversity and are committed to ensuring the right balance of skills and experience. As well as me succeeding Lord Lupton as Chair during the period, Rose St Louis stepped down during 2024 and Cecile Hillary will leave the Board on 28 February 2025. I am grateful to both for their contribution to LBCM. Succeeding them, I am pleased to welcome Richard Shrimpton and Ruth Anderson who will join the Board in 2025 as internal non-executive directors.

In this annual report and accounts you will be able to read about the variety of ways the Board has engaged with stakeholders across the jurisdictions in which LBCM operates in 2024, which is vital in ensuring effective decision-making.

Conclusion

During 2024 LBCM has continued to deliver in line with our purpose of Helping Britain Prosper. I am proud that we have delivered ambitious growth further strengthening our track record of consistent performance.

Looking ahead, I am hugely positive about the future of the LBCM business and that we will continue to transform at pace, grow the business, deliver sustainable returns and support our clients through the opportunities and challenges of the years to come.

Nathan Bostock
Chair

The role of the Board

Good corporate governance underpins LBCM's ability to support our clients and customers, and to meet the needs of our stakeholders.

The Board is collectively responsible for promoting and assessing the long-term, sustainable success of LBCM, generating value and contributing to wider society. The Board establishes the purpose, values and strategy and seeks to ensure that LBCM is Helping Britain Prosper by connecting the UK and LBG with the world.

The key decisions and matters reserved for the Board's approval, such as LBCM's long-term strategy and priorities, are set out in the Corporate Governance Framework, which is reviewed annually by the Board. The Board is supported by its committees which make decisions or recommendations on matters as delegated to them under the Corporate Governance Framework, including Board appointments, the effectiveness of internal controls and the risk management framework, financial reporting, governance and remuneration policies.

The Board ensures the structure of its meetings allow for fewer but deeper conversations. These 'cornerstone conversations' are allocated material time on the agenda and anchor the meeting focusing on what is important for the Bank and its Board. This enables the Board to spend a greater proportion of its time on strategic, forward-looking matters.

Our Board and governance structure

Board

Chair

Nathan Bostock

Executive directors

Chief Executive Officer
Carla Antunes da Silva

Chief Financial Officer
Julienne Daglish

Non-executive directors

Mark Basten
Eve Henrikson
Cecile Hillary
Andrew McIntyre
John Owen*

*Senior independent director

Company Secretary

Sharon Slattery

Board committees

Nomination and Governance Committee

Audit Committee

Board Risk Committee

Remuneration Committee

See page → 40

Board Committees

Nomination and Governance Committee

Succession planning of the executive and Board remains a key focus of the Committee.

Committee purpose and responsibilities
The purpose of the Committee is to keep the Board's governance, composition, skills, experience, knowledge, independence and succession arrangements under review and to make appropriate recommendations to the Board to ensure the Bank's arrangements are consistent with the highest corporate governance standards.

Committee composition, skills, experience and operation
The Committee comprises three independent non-executive directors (including LBCM Chair) and is chaired by Nathan Bostock, whose biography can be found on page 41.

Audit Committee

Ensuring oversight of financial and narrative reporting and the internal control environment.

Committee purpose and responsibilities
The purpose of the Committee is to monitor and review the formal arrangements established by the Board in respect to the integrity of the financial and narrative reporting of the Bank and Group, the independence and effectiveness of the internal and external audit functions, the effectiveness of the internal controls and the risk management framework, and the adequacy and security of the arrangements for whistleblowing. This includes the statutory audit of the consolidated financial statements.

Committee composition, skills, experience and operation
The Committee comprises four independent non-executive directors (including LBCM Chair) and is chaired by Andrew McIntyre. See his biography on page 41. The Committee held separate sessions with the audit teams, without members of the executive management present.

Board Risk Committee

Effective risk management is core to successful delivery of the Bank's strategy which is aligned with the strategy of the wider Lloyds Banking Group.

Committee purpose and responsibilities
The Board Risk Committee is responsible for assisting the Board in fulfilling its risk governance and oversight responsibilities. It is also responsible for providing advice, oversight and challenge to the Board to embed and maintain a supportive risk culture throughout the Bank and Group and supports the Bank's agreed risk appetite, policies and procedures including the appropriateness of LBG policies for the Bank. The Committee is responsible for reviewing and reporting its conclusions to the Board on the Bank's risk management framework, which captures all risk policies and principles. It also provides oversight and challenge on the quality of services provided by the Ring-Fenced Bank through the Intra-Group Agreement (IGA) and where needed, facilitate escalation to the Board.

Committee composition, skills, experience and operation
The Committee comprises five independent non-executive directors (including LBCM Chair). It is chaired by Mark Basten. See his biography on page 41.

Remuneration Committee

Ensuring oversight of the reward package to ensure it supports the delivery of LBG's purpose of Helping Britain Prosper and encourages effective risk disciplines.

Committee purpose and responsibilities
The Remuneration Committee is responsible for reviewing and making recommendations to the Board on the remuneration policy for LBCM; reviewing performance and approving remuneration arrangements for LBCM colleagues under the Committee's purview; and for performing other regulator-prescribed duties for remuneration committees, taking into account the principles, policies and governance requirements of LBG and the recommendations of LBG's Group Remuneration Committee. The Committee also reviews the remuneration opportunities for colleagues under the Committee's purview to ensure they remain reflective of contribution and aligned to market.

Committee composition, skills, experience and operation
The Committee comprises three independent non-executive directors (including LBCM Chair) and is chaired by John Owen. See his biography on page 41.

Board Committee members correct as at 31 December 2024.

A Audit Committee member	NG Nomination and Governance Committee member	C Committee Chair
BR Board Risk Committee member	Re Remuneration Committee member	

Nathan Bostock
Chair

Appointed: August 2024

Nathan was Chief Executive Officer of Santander UK plc from 2014 until 2022 and then Head of Investment Platforms at Banco Santander S.A. until his retirement from Santander in 2023. Prior to joining Santander in 2014, Nathan was an executive director and Group Chief Financial Officer of RBS and previously held the post of Chief Risk Officer at RBS. Before joining RBS, Nathan held various senior positions at Santander UK plc between 2004 and 2009, including Executive Director, Finance Director and commercial Chief Executive Officer roles in Financial Markets and Corporate Banking and in Cards and Insurance. He is a chartered accountant.

External appointments:
Non-Executive Director and Chair of the Audit and Risk Committee of Centrica plc.

John Owen
Senior independent non-executive director

Appointed: September 2017

John has extensive international banking experience. He worked for the Bank of America in London and UBS in both the UK and Switzerland before spending 13 years in various senior management positions at Credit Suisse. In 2011, he joined RBS where he was the Head of EMEA and then CEO International Banking, responsible for client coverage teams, the international network, lending and transaction services products as well as the provision of Markets products. Following the retirement of Lord Lupton, John held the position of LBCM Interim Chair from 16 May 2024 until the appointment of Nathan Bostock on 1 August 2024.

External appointments:
None.

Cecile Hillary
Internal non-executive director

Appointed: November 2022

Cecile became LBG's Group Treasurer in 2021. Prior to that, she had a 24-year career in investment banking at J.P. Morgan, Morgan Stanley and Barclays, based in London. During that time, she worked and ran businesses across client advisory, securitisation, capital markets and derivatives.

External appointments:
None.

Andrew McIntyre
Independent non-executive director

Appointed: September 2017

Andrew is a chartered accountant and has broad boardroom experience with major public companies. He chaired the board of Southern Housing Group for nine years and has served as a non-executive director at both the Centre for Economic Policy Research and National Bank of Greece. He spent most of his executive career at EY.

External appointments:
Audit Committee Chair Cavamont Holdings Limited; Non-Executive Director and Audit Committee Chair at Target Group Limited; member of the Federated Hermes Property Unit Trust Appointments Committee and Chair of the Federated Hermes Property Unit Trust Audit Committee; Non-Executive Director and member of both the Nomination Committee and the Audit Committee of Lion Finance Group plc; Non-Executive Director and Chair of Audit Committee of EFG Private Bank Limited and Trustee Treasurer of the Foundling Museum.

Mark Basten
Independent non-executive director

Appointed: February 2023

Mark is an experienced risk management professional, with a broad range of experience across a variety of sectors, geographies and risk disciplines including governance forums. He's led risk management functions at international banks for more than 25 years. He was Group Head of Credit for Nomura Securities and Head of Risk for Nomura International until 2011, when he went on to serve as Chief Risk Officer for ICBC Standard Bank plc until 2020.

External appointments:
None.

A Audit Committee member
BR Board Risk Committee member
NG Nomination and Governance Committee member
Re Remuneration Committee member
C Committee Chair

Carla Antunes da Silva
Executive director and
Chief Executive Officer

Appointed: February 2023

Carla was appointed as the CEO for LBCM in February 2023, having previously served as internal non-executive director for five years. From 2015 to January 2023, Carla led LBG's strategic work as Group Strategy, Corporate Development and IR Director in the Group Executive Committee. She was responsible for making recommendations on all areas of major strategic significance for LBG including M&A and fintech investments, and managing relationships with the wider investment community. Prior to that, Carla spent 18 years as an Equity Analyst covering European banks, working for Deutsche Bank, J.P. Morgan and Credit Suisse.

External appointments:
Non-Executive Director and member of Nomination & Governance Committee of Novo Banco and Member of the Investment Committee, St. Edmund Hall, University of Oxford.

Julienne Daglish
Executive director and
Chief Financial Officer

Appointed: April 2021

Julienne was appointed Chief Financial Officer LBCM in April 2021. She previously held the role of Chief Risk Officer for LBCM. She has more than 25 years of Financial Markets experience, where she ran Structured Products within Trading before taking on the role of Chief Operating Officer for Financial Markets in LBG. In addition, she has held customer facing roles in Commercial Banking and International Private Banking and spent time in Strategic Development.

External appointments:
Member and Deputy Chair of the Audit Risk and Compliance Committee for King's College London; Co-Optee on Audit, Investment and Risk Committee for Lloyds Bank Foundation for England and Wales and Member of the Global Financial Markets Association (GFMA).

Sharon Slattery
Company Secretary

Appointed: August 2017

Sharon joined Lloyds Banking Group over 25 years ago. She has over 30 years' experience in corporate governance and company secretarial practice. Sharon has held a variety of roles within LBG as secretary to boards, board committees and senior management committees at all levels of the organisation and currently in addition to her LBCM role is secretary of LBG's Responsible Business Committee. She has broad UK listed company experience from managing continuing obligation requirements, annual reporting and AGM project management through to share capital and employee share plan administration. During her career she has worked on a number of corporate actions.

External appointments:
None.

Eve Henrikson
Independent non-executive director

BR

Appointed: September 2020

Eve has extensive experience in Digital in a variety of industries and international markets, spanning Europe, the US and Asia. She has been leading Digital businesses and transformation for over 20 years, including large online operations and P&Ls at Tesco and Uber, where she managed Europe, Middle East and Africa for Uber Eats. With effect from 27 August 2024, she has been appointed Senior Vice President (SVP) Trips of Booking.com. In her non-executive career, she has held roles with Scout Shop Limited and World Scout Shops Limited and is currently Non-Executive Director of Sonae SGPS.

External appointments:
SVP Trips at Booking.com; Non-Executive Director and Member of the Board and Audit & Financial and Remuneration Committees of Sonae SGPS, S.A.

M Committee member | A Committee attendee | C Committee Chair

Delivering our strategy and day-to-day management

The executive directors make decisions within the parameters and principles set out in the Corporate Governance Framework, which aims to ensure that decisions are made by management under the correct authority. There are executive committees established to support and advise the Chief Executive Officer, in particular the Executive Committee. The other committees which bring subject matter expertise and analysis are the Asset and Liability, Operating, and Risk Committees.

Carla Antunes da Silva
Executive director and
Chief Executive Officer

Read her biography on page 42.

Julienne Daglish
Executive director and
Chief Financial Officer

Read her biography on page 42.

Jon Alexander
General Counsel

Jon has over 25 years' experience working in private practice law firms and in-house and he is qualified to practise law in England and Wales, New South Wales, Australia and Scotland. As General Counsel for LBCM, Jon provides advice to the Executive Committee, Board and wider business on corporate-level and business-specific issues. He commenced his role with LBCM in 2020 having joined LBG in 2004, and he previously held various leadership roles in the Group's Consumer, Business & Commercial and Corporate & Institutional Banking Legal teams. Jon is also a Trustee of the Bank of Scotland Foundation, one of four independent charitable foundations supported by LBG. Before joining the Group, he worked in private practice law firms in Edinburgh and Sydney.

Adele Bohlen
Chief Executive Officer
Crown Dependencies

Adele joined Lloyds Bank International in 2023 as Crown Dependencies Director and CEO. She is also a Trustee of the Lloyds Foundation in the Channel Islands.

With over 30 years experience in the finance industry gained across a number of client segments and disciplines both on and offshore, Adele is passionate about ensuring the client is the focus of everything that we do and that we build long-term mutually beneficial relationships.

Prior to joining Lloyds Bank International Adele worked for Barclays International for over 7 years, where she was Country Head for the Isle of Man Business and Global Head of Fiduciary Business.

M Committee member | A Committee attendee | C Committee Chair

Anthony Bryson
Managing Director, LBCMW

Anthony joined as CEO of LBCM's EU subsidiary in May 2004. Anthony has 30 years of European capital markets expertise and was Deputy President, Head of EMEA Capital Markets & Advisory at SMBC Group in London where he led all private-side debt, high yield, ECM and M&A teams. Anthony's prior positions include Country Head Germany Austria and Switzerland at NatwestMarkets and member of BNP Paribas Executive Board and Head of Debt, Loan and Acquisition financing for the German, Austrian and Swiss region based in Frankfurt. As a British/German national, Anthony started his career at Deutsche Bank AG and has extensive client reach and expertise in continental Europe. He graduated at the College of Europe, Bruges and has also published on universal banking and German corporate governance.

Stephen Ellis
Chief Operating Officer

Stephen is the SMF 24, Chief Operations Function role holder for LBCM. He is responsible for supporting and delivering the LBCM operating model. Stephen has over 20 years' experience with Lloyds Banking Group and spent time in leadership roles in London, Tokyo, Hong Kong and New York, where he gained a US Broker Dealer Principal license while serving as Head of Treasury and Trading North America. Stephen has sat on the board of two Lloyds Bank subsidiary companies and is a member of the Technology & Operations Committee of the Association for Financial Markets in Europe.

Rob Hale
Managing Director -
Head of Financial Markets

Rob started his career in derivatives trading in the late 1990s and has worked at a number of Investment banks before joining Lloyds in 2007 to build out the Rates Trading business and establish Lloyds as a GEMM (Gilt-Edged Market Maker). He went on to lead the FX & Commodities business from 2015, before becoming Head of Traded Products for LBCM in 2018. Rob was also the Accountable Executive for Ring Fencing Delivery, responsible for the design and delivery of LBCM Markets in the Commercial Bank. Since 2021, Rob has been Head of Financial Markets, responsible for all Financial Markets activity across London and New York. Additionally, he is also jointly accountable for the Markets Platform and delivery of transformation and technology programmes for LBCM, which are key to our strategic ambitions and future growth. Externally, Rob sits on the Global Foreign Exchange Division Board and Financial Markets Standard Board helping to establish global standards for fair and effective markets.

Nick Hughes
Head of Capital Markets

Nick leads LBCM's Capital Markets business globally. The Capital Markets business provides Corporate and Institutional clients with comprehensive debt capital markets, financing and risk management expertise from locations in the UK, US and Germany. Products and activities include primary market bond issuances and US private placements, liability management and balance sheet advisory, securitised products, secondary market credit sales and trading, and interest rate and inflation risk management. Nick started his career at Lloyds in 1999 and has worked in the Markets business since 2006 in various client facing and structuring roles serving Corporate and Institutional clients. In August 2021 Nick was appointed as head of the Capital Markets business within LBCM, prior to which he was responsible for the Derivative Sales and Structuring business within LBCM.

Bill Mansfield
Chief Executive and Country Head,
North America

William (Bill) Mansfield joined as CEO & Country Head of Lloyds Bank North America in May 2024.

Bill has extensive financial markets experience having most recently been CEO of MUFG Securities Americas and Regional Head of Global Markets for MUFG.

Prior to that Bill has worked with a number of other financial institutions in New York with a responsibility of servicing Corporate and Institutional clients.

Bill graduated from the University of Missouri, Columbia.

Our Executive Committee continued

M Committee member | A Committee attendee | C Committee Chair

Mark Michalski
Chief Internal Auditor

Mark is the Chief Internal Auditor for LBCM, a position he was appointed to in 2024.

In this role he is responsible for challenging LBCM executive management to improve the effectiveness of LBCM governance, risk management and internal controls, consistent with the LBCM risk management framework.

Prior to joining LBG, Mark held several senior positions where he gained considerable global experience including the Regional Head of Investment Banking Audit with UBS, and several country head Audit roles across Asia for Bank of America & Merrill Lynch where he helped improve risk management and control disciplines across the region. Mark also worked for Lehman Brothers as the Asia Head of Equity Derivatives Operations where he built his extensive knowledge of financial market products.

Rupert Mingay
Chief Risk Officer

Rupert joined LBCM as a non-executive director and Chair of the Board Risk Committee in 2022 before becoming CRO. He was previously Treasurer of NatWest Markets and Group Treasurer of Standard Chartered. Rupert has more than 30 years' experience in banking, starting his career with Goldman Sachs and J.P. Morgan.

Fiona Murtagh
People Director

Fiona has spent her career in human resources, having held a number of generalist HR roles as well as leading large scale people change projects, including the successful integration of Lloyds TSB and Halifax Bank of Scotland. She spent a number of years specialising in the areas of talent & development, supporting the Commercial Banking business. Following this, she was appointed as Head of Human Resources for North America and Global Large Corporates, covering North America, Asia and Europe. Fiona's role subsequently expanded and she is currently the People Director for LBCM. Fiona played netball for England for over 13 years, obtained over 100 caps, and was awarded an MBE for services to netball.

Sharon Slattery
Company Secretary

Read her biography on page 42.

LBCM's corporate governance statement

Approach to corporate governance

Fundamental to LBCM's strategy are high standards of corporate governance.

A Corporate Governance Framework is in place for the Bank, which sets the approach and applicable standards in respect of the Bank's corporate governance arrangements. This includes the matters reserved to the Board, and the matters the Board has chosen to delegate to management, including decision-making on operational matters such as those relating to credit, liquidity and the day-to-day management of risk, and the governance requirements of the operation of the Bank as an entity outside of LBG's Ring-Fenced Bank. Governance arrangements, including the Corporate Governance Framework, are reviewed to ensure they remain fit for purpose.

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the Regulations), for the year ended 31 December 2024, LBCM plc and its subsidiaries have in their corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the Principles) which are available at www.frc.org.uk. The following section explains the Bank's approach to corporate governance and its application of the Principles. The Corporate Governance Framework of the Bank further addresses the requirements of the Principles as follows.

Principle one – purpose and leadership

The Board is collectively responsible for the long-term success of the Bank. It achieves this by agreeing the Bank's strategy, within the wider strategy of LBG, and overseeing delivery against it. The Bank's strategy is discussed further in the strategic report. The Board also assumes responsibilities for setting the culture, values and wider standards of the Bank, within the equivalent standards set by LBG.

Consideration of the needs of all stakeholders is fundamental to the way the Bank operates, as is maintaining the highest standards of business conduct, which along with ensuring delivery for customers and clients is a vital part of the corporate culture. The Bank's approach is further influenced by the need to build a culture in which everyone feels included, empowered and inspired to do the right thing for customers and clients. To this end, the Board plays a lead role in establishing, promoting and monitoring the Bank's corporate culture and values, with the Corporate Governance Framework ensuring such matters receive the level of prominence in Board and executive decision-making which they require. The Board receives regular updates from the CEO and through People and Business updates on LBCM's culture including progress on the transition to a 'Grow with Purpose' leadership culture, which is closely aligned to the wider strategy of LBG and discussed in more detail in the LBG annual report and accounts for 2024.

Principle two – Board composition

The composition of the Board supports its legal and regulatory requirements for independent decision-making within the overall framework of LBG policies and controls. Consideration is given to the need to ensure the Board has a good balance of skills, mix of knowledge, experience, and diversity. As at the date of signing these accounts, the Board structure is eight directors: a Chair independent upon appointment, four independent non-executive directors ('iNEDs'), one internal NED and two executive directors. Internal NEDs do not act as representatives of LBCM's sole shareholder, LBG, in their capacity as NEDs of the Bank's Board. Led by the Chair, changes to the Board are overseen by the Nomination and Governance Committee which continues to keep under review, on an ongoing basis, the structure, size and composition of the Board and its committees, making recommendations to the LBCM Board as appropriate. Further changes to the Board composition in 2025 are set out in this report.

The Bank is going through a period of transition with the first change in Chair since authorisation following the retirement of Lord Lupton on 16 May 2024, and its ambitious financial targets and important developments in strategy and business model. Lord Lupton served as inaugural Chair of the LBCM Board and steered it through the early years as it developed, grew and matured. John Owen, Senior Independent Director, and one of the original iNEDs was well placed to take on the additional role as Interim Chair until the appointment of Nathan Bostock, LBCM's new Chair and member of the LBG Board, with effect from 1 August 2024. Nathan brings extensive capital markets and wider financial services experience, from his chief executive and chief risk officer roles, and most recently as CEO of Santander UK from 2014 to 2022.

A key focus for Nathan as incoming Chair is building a Board with the right skills, diversity and experience for the LBCM's next strategic stage.

Following the resignation of Rose St Louis as internal NED in May 2024, the Board's composition reduced from nine to eight directors and with the announcement that Cecile Hillary would be leaving LBG, as Group Treasurer, and resigning from the Bank's Board in early 2025, the Chair led the search for successor internal candidates to serve as internal NEDs. Richard Shrimpton, Deputy Treasurer and Treasury Markets Director, LBG joins the Board from 1 March 2025 to replace Cecile's core capital, funding, and treasury experience and Ruth Anderson, Chief Operating Officer, LBG COO will join the Board later in Q1 or early Q2 2025 bringing a wealth of technology, resilience and transformational experience. The new appointments will return the Board composition to nine and will continue the positive connectivity of having two Group internal NEDs on the LBCM Board.

As at the date of signing these accounts, the Board continues to be diverse, with representation of 50 per cent women and 12 per cent LGBTQ+. The Board has adopted the LBG Board Diversity Policy, including LBG Board Diversity Objectives as applicable to LBCM, and reflecting the relative size of the Board and that it is a subsidiary, and not a listed entity. To the extent that the size and structure of the LBCM Board differ from those of the Group Board, the LBCM Board aspires to comply on a pro rata basis. The Board continues to exceed the FTSE Women Leaders Review recommendation of 40 per cent board held by women and at least one woman appointed as chair, senior independent director, CEO or CFO by the end of 2025. Following the resignation of Rose St Louis in May 2024 and the two new appointments in 2025, there is currently no ethnic diversity on the Board.

Reflecting the size and complexity of the business, the Board has established a committee structure comprising a Board Risk Committee, Audit Committee, Remuneration Committee and Nomination and Governance Committee ('the Committees'). The Committees make recommendations to the Board on matters delegated to them, in particular in relation to internal control, risk, financial reporting and remuneration matters. Each committee has written terms of reference setting out its delegated responsibilities and comprises iNEDs with appropriate skills and experience and chaired by an experienced Chair. Arrangements are in place to ensure directors not present at Committee meetings are briefed on the main items of discussion.

Board evaluation

The Board undertakes an annual review of its effectiveness, which provides an opportunity to consider ways to identify greater efficiencies, maximise strengths and highlight areas for further development.

This year, with the appointment of a new Chair midway through the year and ongoing strategy development, the Board decided on an internal review process, with consideration for an external review at a future date to cover the Board's effectiveness in overseeing these developments. The internal review process, conducted by the Company Secretary, with oversight from the Chair and Nomination and Governance Committee, included a confidential short questionnaire to the Board and its committees, to draw out the key effectiveness themes. Time was allocated on the Board and Committee agendas for discussion with actions identified and tracked.

Alongside this, the Chair undertook individual assessments of the NEDs, with the performance evaluation of the Chair carried out by the NEDs from his appointment on 1 August 2024, led by the senior independent director, considering the views of the executive directors. The individual performance assessment of the CEO was conducted by the Chair and discussed with the Board. The individual performance assessments of the outgoing Chair, Lord Lupton, to the date of his retirement and of the Interim Chair, John Owen, for the period to the appointment of the incoming Chair were conducted during the year and discussed with the Board. The evaluation concluded that the performance of the Board, its Committees, the Chair and each of the directors continues to be effective. All directors demonstrated commitment to their roles and contributed effectively. The Board is regarded as very able, with good diversity of expertise and skills and trusted relationships amongst the directors, led by the Chair, leading to open and honest conversations and strong governance, challenge and debate.

The key findings and areas for consideration include: (1) ensuring the right amount of agenda time is spent on strategy/growth discussions and on the foundational matters for growing the business safely; (2) ensuring papers and presentations give more visibility to LBCM specific data points; (3) closer collaboration with LBG including hearing directly from the shared service; (4) papers and presentations to provide more focus on clients and customers; (5) papers to be more expansive and objective on external influences, with a forward view of risks and issues; and (6) ensuring the flow of information between Board and its committees is efficient. The Board is building enhancements into its forward agenda planning to include more time for strategic forward-looking discussions, customer/client learnings, and updates from the shared service. The Chair has set aside time on the Board agenda to assess progress against these six key areas of focus.

In response to the findings from the 2023 evaluation, the main focus of improvements to Board effectiveness in 2024 has been on (1) further enhancements to sharpen the focus of Board papers for even greater openness and transparency: (2) being more creative and allowing more time for strategic thinking and growth opportunities; (3) more visibility of the wider senior management population at Board; (4) looking for opportunities to further streamline meetings; and (5) building a sense of 'team' within the Board.

Improvements during the year included: (1) holistic end-to-end reporting on key business areas and topics; (2) more time allocated on Board agendas for focused 'cornerstone' conversations on substantive strategic and supervisory topics; (3) hearing directly from a wider set of colleagues, including from colleagues providing services through the shared service model, both at Board and through NEDs attending colleague breakfasts, leadership offsites, floor walks and other LBCM events. Collaboration with LBG has continued with LBG directors and senior management attending LBCM Board meetings and events; (4) governance simplification and revised approach to agenda planning to allow more time for the Board to focus on strategy and gaining a better understanding of colleagues, clients and local regulators when visiting offices across the jurisdictions; and (5) strengthening Board relationships through spending time outside the Boardroom, with a particular focus on welcoming the new Chair and offering support through in-depth and tailored discussions. The Board was pleased with the progress against the actions from the 2023 review.

Principle three – director responsibilities

The Board has established and maintains corporate governance practices that provide clear lines of accountability and responsibility to support effective decision-making through the Corporate Governance Framework. This also helps clarify the relationship between the Bank and its parent company in order to deliver long-term sustainable success. Policies are also in place in relation to potential conflicts of interest which may arise. All directors have access to the services of the Company Secretary, and independent professional advice is available to the directors at the expense of LBG, where they judge it necessary to discharge their duties as directors.

The Board is supported by its Committees which make recommendations on matters delegated to them under the Corporate Governance Framework which was refreshed in 2024. The management of all committees is in keeping with the basis on which meetings of the Board are managed, with open debate and adequate time for members to consider proposals which are put forward. The Chair of the Board and each of its Committees assumes responsibility with support from the Company Secretary for the provision to each meeting of accurate and timely information.

Principle four – opportunity and risk

The Board oversees the development and implementation of the Bank's strategy, within the context of the wider strategy of LBG. Consideration is given to strategic opportunities, and the Board's annual cycle of meetings includes 'steering' agenda items dedicated to debating the Bank's strategic priorities and business updates and key risk areas, as well as one meeting focused on strategy.

The Board is also responsible for the long-term sustainable success of the Bank, ensuring it generates value for its shareholder and delivers a positive contribution to society.

The Board agrees the Bank's culture, purpose, values and strategy within those set by LBG, and sets expectations for risk management, financial performance and reporting. The specific aims and objectives of the Board are formalised within the Bank's Corporate Governance Framework, which also sets out the key decisions and matters reserved for the Board's approval.

Strong risk management is central to the Bank's strategy along with a robust risk control framework which acts as the foundation for sustainable business growth. The Board agrees the Bank's risk appetite, within the overarching risk appetite of LBG, and monitors the effectiveness of risk management with the support of the Board Risk Committee. Board-level engagement, coupled with the direct involvement of senior management ensures that escalated risk issues are promptly addressed and remediation plans are initiated where required.

The Bank's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of LBG and are regularly reviewed to ensure they remain in line with regulations, law, corporate governance, and industry best practice. The Bank's principal risks are discussed further in the strategic report.

Principle five – remuneration

The Remuneration Committee of the Board is responsible for reviewing and making recommendations to the Board on the remuneration policy for the Bank. This includes reviewing performance and approving remuneration arrangements ranging from the remuneration of directors and members of the executive to that of all other colleagues where the regulators require the Bank to implement a specific approach to their remuneration, such as senior managers and other material risk takers. When determining awards, the Committee ensures risk performance has been appropriately considered as part of overall performance. The activities of the Remuneration Committee extend to matters of remuneration relevant to subsidiaries of LBCM, taking into account the principles, policies and governance requirements of LBG and the recommendations of LBG's Group Remuneration Committee.

Principle six – stakeholders

The Bank, as part of LBG, operates under LBG's wider responsible business approach, which acknowledges that the Bank has a responsibility to help address the economic, social and environmental challenges which the UK faces, and as part of this understand the needs of the Bank's external stakeholders, including in the development and implementation of strategy. Central to this is LBG's purpose Helping Britain Prosper by connecting the UK and LBG with the world by building a more inclusive, sustainable future for all: driving long-term, profitable growth by shaping finance as a force for good.

The workforce, as a key stakeholder, includes the Bank's permanent employees, contingent workers and third-party suppliers delivering services to customers and clients, and supporting key business operations. This also includes LBG colleagues providing services to the Bank under the shared service model. The Board's approach to workforce engagement includes an annual programme of engagement activity and oversight of policies on remuneration structures and practices that take account of the broader operating context, including the pay and conditions of the wider workforce and the Bank's response to matters such as any gender pay gap.

Other disclosures relating to directors

Appointment and retirement of directors
The appointment of directors is governed by the Bank's articles of association and the Companies Act 2006. The Bank's articles of association may only be amended by a special resolution of the shareholder in a general meeting.

Directors
The names of the current directors are shown in this report on pages 41 to 42. Changes to the composition of the Board since 1 January 2024 up to the date of this report are shown in the table below.

	Joined the Board	Left the Board
Lord (James Roger Crompton) Lupton		16 May 2024
Rose M St Louis		17 May 2024
Nathan M Bostock	1 August 2024	

Directors' indemnities and directors' and officers' liability insurance
The directors of the Bank, including the former directors who resigned during the year, have entered into individual deeds of indemnity with LBG which constitute 'qualifying third-party indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year or from the date of appointment in respect of the directors who joined the Board during 2024. Directors no longer in office but who served on the Board at any time in the financial year had the benefit of this deed of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deeds indemnify the directors to the maximum extent permitted by law. In addition, LBG has appropriate directors and officers liability insurance cover which was in place throughout the financial year. Deeds for existing directors are available for inspection at the Bank's registered office.

LBG has also granted deeds of indemnity by deed poll and by way of entering into individual deeds, which constitute 'qualifying third-party indemnity provisions' to the directors of LBG's subsidiary companies, including former directors who retired during the year, and to colleagues subject to the provisions of the Senior Managers and Certification Regime. Such deeds were in force during the financial year ended 31 December 2024 and remain in force as at the date of this report. Qualifying pension scheme indemnities were granted to the Trustees of the Lloyds Banking Group's Pension Scheme relevant to the Bank, which were in force during the financial year ended 31 December 2024 and remain in force as at the date of this report.

Change of control
The Bank is not party to any significant agreements which take effect, alter or terminate upon a change of control of the Bank following a takeover bid. There are no agreements between the Bank and its directors or employees providing compensation for loss of office or employment that occurs because of a takeover bid.

Directors' interests
The directors do not have any direct interest in the shares of the Bank. Lord Lupton, who retired during the year, was also a director of LBG and his interest in shares of LBG is shown in the report and accounts of that company. Nathan Bostock is also a director of LBG and his interest in shares of LBG are shown in the report and accounts of that company.

Monitoring time commitments

Non-executive directors are advised of time commitments for the Board and relevant committees prior to their appointment and are required to devote such time as is necessary to discharge their duties effectively. The time commitments of the directors are considered by the Board on appointment and annually thereafter by the Nomination and Governance Committee and, following the most recent review, the Nomination and Governance Committee is satisfied there are no directors whose time commitments are considered to be a matter for concern.

External appointments, which may affect existing time commitments to the Board and its committees, must be agreed with the Chair and prior Board approval must be obtained. The executive directors do not have any significant external appointments.

Conflicts of interest

The Board has a comprehensive procedure for reviewing, and as permitted by the Companies Act 2006 and the Bank's articles of association, approving actual and potential conflicts of interest. Directors have a continuing duty to notify the Chair and Company Secretary as soon as they become aware of actual or potential conflict situations. Changes to the commitments of all directors are reported to the Board via Nomination and Governance Committee and a register of potential conflicts and time commitments (the Register) is regularly reviewed and authorised by that committee on behalf of the Board to ensure the authorisation status remains appropriate.

Other statutory and regulatory reporting

Results
The consolidated income statement on page 64 in this annual report and accounts shows a statutory profit before tax for the year ended 31 December 2024 of £501 million (year ended 31 December 2023: £427 million).

Dividends
The Bank paid a dividend of £450 million in March 2024 (2023: nil). The directors have not recommended a final dividend for the year ended 31 December 2024.

Share capital
Information about share capital is shown in note 23 on page 109. This information is incorporated into this report by reference.

The Bank did not repurchase any of its own shares during the year and there are no restrictions on the transfer of shares in the Bank other than set out in the articles of association and certain restrictions which may from time to time be imposed by law and regulations.

Post balance sheet events
Details of events after the balance sheet date are set out in note 34 on page 126.

Going concern
The going concern of the Bank and LBCM Group is dependent on successfully funding their respective balance sheets and maintaining adequate levels of capital.

In order to satisfy themselves that the Bank and LBCM Group have adequate resources to continue to operate for the foreseeable future, the directors have reviewed the Bank and LBCM Group's operating plan and its funding and capital positions, including a consideration of the implications of climate change. The directors have also taken into account the impact of further stress scenarios. Accordingly, the directors conclude that the Bank and LBCM Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements and therefore it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Branches, future developments and financial risk management objectives and policies
LBCM provides a wide range of banking and financial services through branches and offices in the UK, US, Germany, and the Crown Dependencies where the Bank has four branches.

Information regarding future developments and financial risk management objectives and policies of LBCM in relation to the use of financial instruments that would otherwise be required to be disclosed in the directors' report, and which is incorporated into this report by reference, can be found in the strategic report.

Information required under DTR 7.2
Certain information is incorporated into this report by reference. Information about internal control and risk management systems relating to the financial reporting process can be found on page 30.

Information about share capital is shown in the notes to these accounts. The Bank is a wholly owned subsidiary of LBG, which holds all of the Bank's issued ordinary share capital.

The directors manage the business of the Bank under the powers set out in the Companies Act 2006 and the Bank's articles of association. These powers include those in relation to the issue or buy back of the Bank's shares.

Research and development activities
During the ordinary course of business, LBCM develops new products and services within its businesses.

Employees
LBCM employed an average of 826 colleagues (note 7) during 2024 (2023: 837) reflecting colleagues based in the US, Germany and Crown Dependencies. Information concerning the employees of LBG is available in the LBG's 2024 annual report and accounts.

Supporting disability
As part of LBG, the Bank aims to be a leader in disability inclusion and to create an inclusive and accessible working environment in which all colleagues feel psychologically and physically safe, have access to equal opportunities and where everyone is supported to reach their full potential. LBG continues to hold the Business Disability Forum Gold Standard accreditation and Leading Disability Confident status from the Department for Work and Pensions. LBG offers bespoke training, career development and adjustments for colleagues and applicants with disabilities, including those who became disabled while employed. LBCM leverages the activities within LBG whenever possible. For more details on this refer to the LBG annual report and accounts. During 2024 there has been continued focus on increasing the awareness and understanding of visible and non-visible disabilities, with bespoke content delivered to all colleagues, including a spotlight on the support available.

Sustainability
Refer to the strategy section within the strategic report (pages 9-14) for details of LBCM's sustainability progress. Additionally, refer to LBG's sustainability report which covers LBG's progress against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures, along with the approach to addressing the broader purpose pillars across environmental, social and governance areas. Alongside TCFD disclosures, the report includes LBG's transition plans by system, which is informed by emerging guidance.

LBCM has taken advantage of the exemption from the Companies (Strategic Report) (Climate related Financial Disclosure) Regulations 2022 reporting requirements in respect of its own Strategic Report, as the required disclosures are included in the 2024 annual report and accounts of its ultimate parent company, Lloyds Banking Group plc, available at www.lloydsbankinggroup. com/investors/financial-downloads.html.

Streamlined energy and carbon reporting
The Bank has taken advantage of the exemption from Streamlined Energy and Carbon Reporting (SECR) reporting requirements in its own directors' report as it is covered by the LBG SECR report in the Lloyds Banking Group plc 2024 annual report and accounts available at www.lloydsbankinggroup.com/investors/financial-downloads.html.

Significant contracts
LBCM has a shared service contract with Lloyds Bank plc for the provision of services (note 7). Details of related party transactions are set out in note 29.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Bank's and the Group's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and the Group and of the profit or loss of the Bank and the Group for that period. In preparing these financial statements, the directors are required to properly select and apply accounting policies; present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information; provide additional disclosures when compliance with the specific requirements in international accounting standards in conformity with the requirements of the Companies Act 2006 are insufficient to enable users to understand

the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and make an assessment of the Bank's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements is placed on the website www.lloydsbankinggroup.com/investors/financial-downloads.html. The directors are responsible for the maintenance and integrity of all information relating to the Bank on that website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the current directors who are in office as at the date of this report, and whose names and functions are listed in the directors' report on pages 41 to 42, confirms that, to the best of his or her knowledge:

- The Bank's and the Group's financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the Group.
- The strategic report, and the directors' report, includes a fair review of the development and performance of the business and the position of the Bank and the Group together with a description of the principal risks and uncertainties they face.
- The annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Bank's and the Group's position, performance, business model and strategy. The directors have also separately reviewed and approved the strategic report.

Independent auditors and audit information

Each person who is a director at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the Bank's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006. Deloitte LLP were re-appointed as external auditors at the annual general meeting on 7 May 2024 and will hold office until conclusion of the next general meeting at which accounts are laid before the Bank.

Financial statements

The financial statements were approved by the Board and signed on its behalf by

Julienne Daglish
Director
26 February 2025

Lloyds Bank Corporate Markets plc
Registered in England and Wales
Company number 10399850

Financial statements

In this section

Independent auditor's report to the members of Lloyds Bank Corporate Markets plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Lloyds Bank Corporate Markets plc (the "Bank") and its subsidiaries (the "Group" or "LBCM") give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRSs Accounting Standards as issued by the International Accounting Standards Board ("IASB");
- the Bank financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise the:

- consolidated income statement;
- consolidated and Bank statements of comprehensive income;
- consolidated and Bank balance sheets;
- consolidated and Bank statements of changes in equity;
- consolidated and Bank cash flow statements; and
- notes 1 to 35 to the financial statements, which include the accounting principles and policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards, and as regards the Bank's financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Bank for the year are disclosed in note 8 to the financial statements.

We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: i. expected credit losses (Group and Bank); ii. valuation of complex and illiquid financial instruments held at fair value (Group and Bank); iii. IT systems that impact financial reporting (Group and Bank); and iv. credit valuation adjustment (CVA) (Group and Bank) Our risk assessment for these areas remains consistent with the prior year, with the exception of credit valuation adjustment, which has been newly identified as a key audit matter for the current period.
Materiality	Overall materiality used for the Group consolidated financial statements was £38.2 million, which was determined on the basis of net assets. Overall materiality used for the Bank financial statements was £38.2 million, which was determined on the basis of net assets and capped at Group materiality.
Scoping	Our audit scope covers 99 per cent of the Group's revenue, 94 per cent of the Group's profit before tax, 99 per cent of the Group's total assets and 99 per cent of the Group's total liabilities.

Our audit approach

Our audit approach is risk focused and structured to reflect the Group's organisation. It can be summarised into the following key activities that we used to obtain sufficient audit evidence required to form our opinion on the Group and Bank financial statements:

- Audit planning and risk assessment

Our audit planning procedures considered the impact of internal and external factors affecting the Group's profitability and operations, key audit matters most relevant to the users of the financial statements, the appropriate scope of audit work performed as well as the expectations and requirements of the Group's investors and regulators.

In performing our audit risk assessments, we considered the impact of macroeconomic factors on the Group's key accounting judgements and sources of estimation uncertainty. The key factors considered in our risk assessments were:

i. the impact of uncertainty in the current economic climate and ongoing geopolitical tensions on the Group's expected credit loss provision, credit valuation adjustments, and valuation of certain illiquid and complex financial instruments; and

ii. changes to the regulatory and litigation environment affecting the Group's financial reporting.

We obtained the knowledge and information required to inform our audit planning and risk assessment decision making through regular meetings with Group Finance and the extensive use of data and technology.

- **Audit work executed at component level**

We have identified components based on the Group's operating segments. We identified three components: the UK Banking component, the US, and the Crown Dependencies. The Group audit team was in active dialogue throughout the audit with the component audit teams responsible for the audit work under the direction and supervision of the Group audit team. This included determining whether the work was planned and performed in accordance with the overall Group audit strategy and our instructions to the component auditors. We were able to satisfy ourselves that our oversight and supervision was appropriate through in-person meetings, video-conferencing, direct onsite reviews of work completed, and we have continued to attend the quarterly meetings that our components have held with local management.

The component performance materiality allocated across the three components ranged between £13.4 million and £24.1 million (2023: £11.6 million and £12.8 million).

- **Audit procedures undertaken at both Group level and Bank level**

We also performed audit procedures over the Group and Bank financial statements, including the consolidation of the Group's results, and the preparation of the financial statements, as well as the Group's entity level and oversight controls relevant to financial reporting. Entities not covered by our audit scope are subject to analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information.

- **Internal controls testing approach**

Our internal controls testing approach was informed by our scoping and risk assessment activities. We have assessed the Group's end-to-end financial reporting processes supporting all in-scope financial statement balances and identified relevant controls to test for these balances. This included the testing of general IT controls, process level controls and entity level controls at the Group level.

- **The impact of climate change on our audit**

In planning our audit, we have considered the impact of climate change on the Group's operations and any subsequent impact on its financial statements. The Group sets out its assessment of the potential impact in note 3 of the Annual Report.

In conjunction with our climate risk specialists, we have held discussions with the Group to understand their:

- process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group; and
- long-term strategy to respond to climate change risks and how this is factored into the Group's forecasts.

Our audit work has involved:

- evaluating climate risk as a factor in risk assessment for potentially affected balances;
- challenging the completeness of the physical and transition risks identified and considered in the Group's climate risk assessment and the conclusion that there continues to be no material impact of climate change risk on financial reporting;
- reviewing the Group's qualitative portfolio analysis, and challenging the key assumptions used by the Group with reference to our own understanding of the portfolios and publicly available documentation; and
- assessing disclosures in the annual report, and challenging the consistency between the financial statements and the remainder of the annual report.

We have not been engaged to provide assurance over the accuracy of climate change disclosures. As part of our audit procedures, we are required to read and consider these disclosures to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit and we did not identify any material inconsistencies as a result of these procedures.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and the Bank's ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Group and Bank, the financial services industry, the financial services regulatory environment and the general economic environment including, macroeconomic pressures affecting the Group's operations, to identify inherent risks in the business model and how such risks might affect the financial resources or ability to continue operations over the going concern period;
- making enquiries of Group management about the assumptions, including climate risk considerations, used in their going concern models, and assessing the reasonableness of those assumptions and historical forecasting accuracy;
- with the help of Prudential Regulation specialists, evaluating the Group's strategic plans in light of the changing macroeconomic environment, short and longer term financial budgets, funding, liquidity and capital adequacy plans including internal stress tests;
- considering the Group's and the Bank's operational resilience;
- reading industry data, Bank of England reports and other external information to determine if it provided corroborative or contradictory evidence in relation to the Group's and the Bank's assumptions;
- reviewing correspondence and meeting with prudential and conduct regulators to assess whether there are any matters that may impact the going concern assessment;
- testing the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecasts; and
- evaluating the Group's disclosures on going concern against the requirements of IAS 1 – Presentation of Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Bank's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses (Group and Bank)

Key audit matter description	How the scope of our audit responded to the key audit matter
Refer to notes 2, 3, 9, 16 and 31 in the financial statements The Group has recognised £12 million of expected credit losses ("ECL") as at 31 December 2024. The valuation and allocation of ECL consists of a number of assumptions that are inherently uncertain and require a high degree of complex and subjective auditor judgement, specialised skills and knowledge, and complex impairment modelling. This is heightened further by the increasing economic uncertainty resulting from geopolitical risks and recent changes in government policy in the United Kingdom ("UK") and the United States of America ("US"), especially in the development of the base case economic scenario and alternate scenarios. As a consequence, we have determined ECL as a key audit matter. The key areas we identified as having the most significant level of management judgement were in respect of: • Multiple economic scenarios ("MES"); • Collectively assessed loans; and • In-model adjustments ("IMAs"), and post-model adjustments ("PMA")	

Key audit matter description	How the scope of our audit responded to the key audit matter
Multiple economic scenarios The Group's economics team develops the future economic scenarios by developing a base case forecast based on a set of conditioning assumptions, with the three outer economic scenarios (upside, downside and severe downside) derived using a Monte Carlo simulation around the base case. The modelled severe downside scenario is then adjusted to capture supply-side risks not contemplated by the Monte Carlo model. The upside, the base case and the downside scenarios are weighted at a 30% probability and the severe downside at a 10% probability. The development of the base case scenario, including the conditioning assumptions, is inherently highly complex and requires significant judgement.	We performed the following procedures: • Tested the controls over the generation of the multiple economic scenarios including those over the Group's governance processes to determine the base case, alternate scenarios and the weightings applied to each scenario; • Working with our internal economic specialists: – challenged and evaluated economic forecasts in the base scenario such as the UK and US unemployment rate, UK commercial real estate price growth, inflation and forecasted interest rates in the UK and US regions, and Gross Domestic Product in the UK and in the US through comparison to independent economic outlooks, external analysts and market data; – challenged and evaluated the appropriateness of changes in assumptions and/or the model including changes to the non-modelled severe downside approach – challenged and evaluated the appropriateness of the methodology applied to generate alternative macroeconomic scenarios, including associated weightings and assumptions within the model; and – independently replicated the multiple economic scenario model for certain variables and compared the outputs of our independent model to the Group's output to re-test scenario generation. • tested the completeness and accuracy of a sample of the significant data elements used by the model; • performed a stand-back assessment of the appropriateness of the weightings applied to each of the scenarios based on publicly available data; and • evaluated the appropriateness of disclosures in respect of significant judgements and sources of estimation uncertainty, including macroeconomic scenarios.

Key audit matter description	How the scope of our audit responded to the key audit matter
Collectively assessed ECL ECL is determined on a collective basis using impairment models, except for large impaired cases that are individually assessed. These models use a number of significant judgements to calculate a probability weighted estimate by applying a probability of default, exposure at default and a loss given default, taking account of collateral held or other loss mitigants, discounted using the effective interest rate. The key judgements and estimates in determining the ECL include: • modelling approach, modelling simplifications and judgements, and selection of modelling data; • credit risk ratings which are performed on a counterparty basis for larger exposures by a credit officer; and • the appropriate allocation of assets into the correct staging taking into account any significant deterioration in credit risk since inception of the loan.	We tested the controls across the process to determine the ECL provisions including: • model governance including model validation and monitoring; • model assumptions; • the allocation of assets into stages, including those to determine the credit risk rating; and • completeness and accuracy of the significant data inputs. Working with our credit modelling specialists, our audit procedures over the key areas of estimation covered the following: • model estimations, where we: – evaluated the appropriateness of the modelling approach and assumptions used; – independently replicated a sample of the models and compared the outputs of our independent models to the Group's outputs; – assessed model performance by evaluating variations between observed data and model predictions; – developed an understanding and assessed model limitations and remedial actions' and – tested the completeness and accuracy of the data used in model execution and calibration. • allocation of assets into stages, where we: – evaluated the appropriateness of quantitative and qualitative criteria used for IFRS 9 staging, including assessing the credit rating for a sample of counterparties; – tested the appropriateness of the stage allocation for a sample of exposures; and – tested a sample of significant data elements used by models in assigning IFRS 9 stages.

Key audit matter description	How the scope of our audit responded to the key audit matter
In-model adjustments ('IMAs') and post-model adjustments ('PMA') Adjustments are made to models to address known model and data limitations, and emerging or non-modelled risks. The current economic environment, characterised by elevated interest rate environment, has increased the uncertainty of credit losses. As a result, the amount and timing of adjustments recognised in the model to account for the impacts of the current economic environment are highly judgemental and inherently uncertain. These adjustments require specialist auditor judgement when evaluating the: • completeness of adjustments; and • methodology, models and inputs used in determining the relevant adjustments. Where impairment models do not incorporate all factors relevant to estimating the ECL, adjustments are made to address known model limitations and data limitations, emerging or non-modelled risks and the impact of economic uncertainty on different industry sectors. The measurement of judgements around model adjustments to evaluate the completeness of adjustments, methodology and model inputs for these adjustments is highly judgmental and inherently uncertain.	We tested the controls over the valuatuon of in-model and post-model adjustments. We performed the following audit procedures over a sample of model adjustments: • evaluated the methodology, approach and assumptions in developing the adjustments; • tested the completeness and accuracy of significant data elements in formulating the judgements; • performed a recalculation of adjustments; and • evaluated the completeness of adjustments based on our understanding of both model and data limitations.

Key observations communicated to the Audit Committee

We are satisfied that the ECL provisions are reasonable and recognised in accordance with the requirements of IFRS 9 – Financial Instruments. The calculations are based on appropriate methodologies using reasonable modelled assumptions, including IMAs and PMAs addressing model shortcomings. Overall, we are comfortable with the Group's conclusions in respect of ECL.

Valuation of certain complex and illiquid financial instruments held at fair value (Group and the Bank)	
Key audit matter description	**How the scope of our audit responded to the key audit matter**
Refer to notes 2, 3, 12 and 31 in the financial statements Financial instruments are classified as Level 1, 2 or 3 in accordance with IFRS 13 Fair Value Measurement. The fair value of complex and illiquid financial instruments involves significant judgement. The extent of judgment applied by the Group in valuing the Group's financial investments varies with the nature of assets held, the markets in which they are traded, and the valuation methodology applied. As at 31 December 2024, the Group has £1,188 million of complex and illiquid financial instruments, consisting of long-dated derivative contracts, illiquid debt securities and loans to customers. The valuation of these Level 3 financial instruments uses complex valuation models as these are without readily determinable market values and were valued using significant unobservable inputs that involved considerable judgment by management. We consider these judgements to be at risk of management bias, giving rise to a potential risk of fraud.	We tested the controls over the valuation of financial instruments, including controls over independent price verification process and model validation controls. With the help of our valuation specialists, we performed the following procedures on Level 3 financial instruments: • evaluated the appropriateness of fair valuation methodologies used for Level 3 financial instruments; • calculated an independent valuation for a sample of modelled Level 3 financial instruments and compared results of our independent estimates with the valuation recognised by the Group; • evaluated the consistency and appropriateness of inputs and assumptions over time, challenging both significant movements and non-movements where we expected change; • performed a stand back assessment of the appropriateness of the assumptions, and input data used in the valuation of Level 3 financial instruments; and • assessed the appropriateness of financial instruments disclosures.
Key observation communicated to the Audit Committee	
We are satisfied that the valuation of complex and illiquid financial instruments is reasonable, and in accordance with IFRS 13 Fair Value Measurement.	

IT systems that impact financial reporting (Group and Bank)	
Key audit matter description	**How the scope of our audit responded to the key audit matter**
The Group's IT environment is inherently complex due to the number of systems it operates and its reliance on automated and IT dependent manual controls. Together, these support a broad range of commercial, treasury, and trading products as well as the processing of the Group's significant volume of transactions, which impact all account balances. As such, IT systems within the Group form a critical component of the Group's financial reporting activities. Due to the significant reliance on IT systems, effective General IT Controls ("GITCs") are critical to allow reliance to be placed on the completeness and accuracy of financial data and the integrity of automated system functionality, such as system calculations. We identified the IT systems that impact financial reporting as a key audit matter because of the: • pervasive reliance on complex technology that is integral to the operation of key business processes and financial reporting; • reliance on technology which continues to develop in line with the business strategy, such as the increase in the use of automation across the Group and increasing reliance on third parties; and • importance of the IT controls in maintaining an effective control environment. A key interdependency exists between the ability to rely on IT controls and the ability to rely on financial data, system configured automated controls and system reports. IT controls, in the context of our audit scope, primarily relate to privileged access at the infrastructure level, user access security at the application level and change control.	Our IT audit scope included testing the Group's IT controls over information systems deemed relevant to the audit based on the financial data, system configured automated controls and/or key financial reports that reside within it. We used IT specialists to support our evaluation of the risks associated with IT in the following areas: • general IT Controls, including user access and change management controls; • key financial reports and system configured automated controls; and • cyber security risk assessment. Where deficiencies in the IT control environment were identified, our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan. Where relevant, the audit plan was adjusted to mitigate the unaddressed IT risk. Where we were able to identify and test appropriate mitigating controls over affected financial statement line items, our testing approach remained unchanged. In a limited number of areas, we adopted a non-controls reliance approach and we therefore performed additional substantive procedures.
Key observations communicated to the Audit Committee	
We are satisfied that the Group's overall IT control environment appropriately supports the financial reporting process and control deficiencies identified in respect of privileged user access to IT infrastructure and in application user access management were mitigated by compensating business controls.	

Credit valuation adjustments (Group and the Bank)	
Key audit matter description	**How the scope of our audit responded to the key audit matter**
Refer to notes 2, 3, 12 and 31 in the financial statements The Group holds derivative instruments which are subject to credit valuation adjustments ("CVA") as part of their measurement at fair value, and in accordance with IFRS 13 – Fair Value Measurement. The CVA captures the default risk of the counterparty by adjusting the fair value of a financial instrument. The Group calculates the CVA for their derivatives portfolio using market information such as single-name liquid Credit Default Swap ("CDS") curves, sector CDS curves, alongside other market data. As at 31 December 2024, the Group has a £120 million CVA reserve on its derivative financial instruments portfolio, which includes the utilities sector. The estimation of CVA reserve uses complex valuation models, unobservable inputs and involves considerable judgment by management. Due to the inherent complexity of CVA models and the potential for material changes in key assumptions driven by the evolving macroeconomic environment, we have identified the Group's CVA reserve as a key audit matter.	We tested the controls over the calculation of credit valuation adjustments reserve, including validation controls on CVA models. With the help of our valuation specialists, we performed the following procedures on credit valuation adjustments: • evaluated the appropriateness of management's methodology to estimate CVA reserve; • for a sample of counterparties, we calculated an independent valuation of CVA reserve and compared results of our independent estimates with the CVA reserve recognised by the Group; • assessed the appropriateness of quantitative and qualitative factors used in counterparty credit rating; • independently challenged the recovery rates used in the CVA reserve, specifically for the utilities sector, using latest financial information and external market data; • tested the completeness and accuracy of the input data used in CVA calculation; • performed a stand back assessment of the appropriateness of the assumptions, taking into account macroeconomic conditions and sector specific consideration; and • assessed the appropriateness of the financial instruments disclosures.

Key observation communicated to the Audit Committee

We are satisfied that the credit valuation adjustment reserve is reasonable and in accordance with IFRS 13 – Fair Value Measurement.

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Bank financial statements
Materiality	£38.2 million (2023: £38.8 million).	£38.2 million (2023: £38.8 million).
Basis for determining materiality	In determining our benchmark for materiality, we have considered the metrics used by investors and other users of the financial statements. We have determined net assets to be the most relevant to users of the financial statements. The Group's materiality represents 1% of net assets (total equity).	The Bank's materiality represents 1% of net assets (total equity) and is capped at Group materiality.
Rationale for the benchmark applied	Given the importance of these measures to investors and users of the Group and Bank financial statements, we have used net assets as the primary benchmark for our determination of materiality. Net assets (Total equity) is a key metric within the financial statements on which the users, being the owner of the Group, lenders, and regulatory body tends to focus.	

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Bank financial statements
Performance materiality	70% of Group materiality at £26.7 million (2023: 60% at £23.3 million)	70% of Bank materiality at £26.7 million (2023: 60% at £23.2 million)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment and whether we were able to rely on controls; b. degree of centralisation and commonality of controls and processes; c. the uncertain economic environment; d. the nature, volume and size of uncorrected misstatements arising in the previous audit; and e. the nature, volume and size of uncorrected misstatements that remain uncorrected in the current period.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.9 million (2023: £1.9 million), as well as any differences below this threshold, which in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	**We have nothing to report in this regard.**

8. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Bank'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 Group or the Bank or to cease operations, or have no realistic alternative but to do so.

9. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

10. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's and the Bank's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, in-house legal counsel, internal audit and the Audit Committee about their own identification and assessment of the risk of irregularities, including those that are specific to the financial services sector, including review of supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- the discussion among the audit engagement team including component audit teams and relevant internal specialists, including tax, valuations, real estate, economic, credit risk, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements, such as provisions of the UK Companies Act, pensions legislation and tax legislation or that had a fundamental effect on the operations of the Group and of the Bank, including regulation and supervisory requirements of the Prudential Regulation Authority, Financial Reporting Council and Financial Conduct Authority.

Audit response to risks identified

As a result of performing the above, we identified valuation of complex and illiquid financial instruments held at fair value as key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures in response to that key audit matter. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with regulators, including the FCA and PRA;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Bank and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or • the Bank's financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	**We have nothing to report in respect of this matter.**

13. Other matters which we are required to address

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders at its annual general meeting on 7 May 2024 to audit the financial statements of Lloyds Bank Corporate Markets plc for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement of the firm is four years.

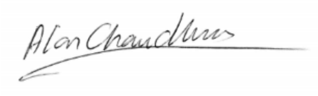
Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

14. Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's 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 and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.



Alan Chaudhuri (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 February 2025

Consolidated income statement for the year ended 31 December

	Note	2024 £m	2023 £m
Interest income		**2,759**	2,696
Interest expense		**(2,593)**	(2,498)
Net interest income	4	**166**	198
Fee and commission income		**321**	303
Fee and commission expense		**(53)**	(39)
Net fee and commission income	5	**268**	264
Net trading income	6	**552**	442
Other operating (losses) / income		**(2)**	4
Other income		**818**	710
Total income		**984**	908
Operating expenses	7	**(499)**	(509)
Impairment credit	9	**16**	28
Profit before tax		**501**	427
Tax expense	10	**(97)**	(89)
Profit for the year		**404**	338
Profit attributable to ordinary shareholders		**326**	258
Profit attributable to other equity holders		**78**	80
Profit for the year		**404**	338

The accompanying notes are an integral part of the financial statements.

Statements of comprehensive income for the year ended 31 December

		The Group		The Bank	
	Note	2024 £m	2023[1] £m	2024 £m	2023[1] £m
Profit for the year		**404**	338	**378**	320
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:					
Change in fair value		–	3	–	3
Deferred tax		–	(1)	–	(1)
	24	–	2	–	2
Movements in cash flow hedging reserve:					
Effective portion of changes in fair value taken to other comprehensive income		**(236)**	(68)	**(236)**	(68)
Net income statement transfers		**333**	388	**333**	388
Deferred tax		**(27)**	(90)	**(27)**	(90)
	24	**70**	230	**70**	230
Movements in foreign currency translation reserve:					
Currency translation differences (tax: £nil)		**7**	(20)	**8**	(16)
	24	**7**	(20)	**8**	(16)
Total other comprehensive income for the year, net of tax		**77**	212	**78**	216
Total comprehensive income for the year		**481**	550	**456**	536
Total comprehensive income attributable to ordinary shareholders		**403**	470	**378**	456
Total comprehensive income attributable to other equity holders		**78**	80	**78**	80
Total comprehensive income for the year		**481**	550	**456**	536

1 See note 1 regarding changes to presentation.

The accompanying notes are an integral part of the financial statements.

Balance sheets at 31 December

	Note	The Group 2024 £m	The Group 2023 £m	The Bank 2024 £m	The Bank 2023 £m
Assets					
Cash and balances at central banks		**20,308**	20,201	**20,308**	20,201
Financial assets at fair value through profit or loss	12	**25,765**	21,989	**25,620**	21,847
Derivative financial instruments	13	**22,416**	22,606	**22,416**	22,606
Loans and advances to banks		**1,255**	1,753	**1,224**	1,726
Loans and advances to customers	14	**17,800**	16,447	**17,524**	16,167
Reverse repurchase agreements		**5,332**	6,020	**5,332**	6,020
Debt securities		**336**	374	**336**	374
Due from fellow Lloyds Banking Group undertakings		**333**	297	**642**	629
Financial assets at amortised cost		**25,056**	24,891	**25,058**	24,916
Current tax recoverable		**5**	14	**4**	10
Deferred tax assets	10	**80**	108	**101**	128
Investment in subsidiary undertakings	17	**–**	–	**168**	180
Other assets[1]	18	**1,342**	518	**1,328**	487
Total assets		**94,972**	90,327	**95,003**	90,375
Liabilities					
Deposits from banks		**2,645**	2,078	**2,645**	2,078
Customer deposits		**30,945**	29,439	**30,945**	29,439
Repurchase agreements at amortised cost		**–**	1	**–**	1
Due to fellow Lloyds Banking Group undertakings		**1,512**	1,213	**1,560**	1,256
Financial liabilities at fair value through profit or loss	12	**22,981**	19,686	**22,981**	19,686
Derivative financial instruments	13	**16,588**	17,576	**16,588**	17,576
Debt securities in issue at amortised cost	19	**15,090**	15,378	**15,090**	15,378
Other liabilities	20	**613**	297	**600**	280
Current tax liabilities		**12**	12	**11**	12
Provisions	21	**11**	16	**10**	15
Subordinated liabilities	22	**746**	755	**746**	755
Total liabilities		**91,143**	86,451	**91,176**	86,476

	Note	The Group 2024 £m	The Group 2023 £m	The Bank 2024 £m	The Bank 2023 £m
Equity					
Share capital	23	**370**	370	**370**	370
Other reserves	24	**(236)**	(313)	**(236)**	(314)
Retained profits[2]	25	**2,887**	3,011	**2,885**	3,035
Ordinary shareholders' equity		**3,021**	3,068	**3,019**	3,091
Other equity instruments	26	**808**	808	**808**	808
Total equity		**3,829**	3,876	**3,827**	3,899
Total equity and liabilities		**94,972**	90,327	**95,003**	90,375

1 See note 1 regarding changes to presentation.

2 The Bank recorded a profit after tax for the year of £378 million (2023: £320 million).

The accompanying notes are an integral part of the financial statements.

The Directors approved the financial statements on 26 February 2025.

Carla Antunes da Silva
Director

Julienne C Daglish
Director

Statements of changes in equity for the year ended 31 December

The Group	Attributable to ordinary shareholders Share capital £m	Other reserves £m	Retained profits £m	Total £m	Other equity instruments £m	Total £m
At 1 January 2023	370	(525)	2,768	2,613	782	3,395
Comprehensive income						
Profit for the year	–	–	258	258	80	338
Other comprehensive income						
Movements in revaluation reserve in respect of debt securities held at fair value through other comprehensive income, net of tax	–	2	–	2	–	2
Movements in cash flow hedging reserve, net of tax	–	230	–	230	–	230
Movements in foreign currency translation reserve, net of tax	–	(20)	–	(20)	–	(20)
Total other comprehensive income	–	212	–	212	–	212
Total comprehensive income	–	212	258	470	80	550
Transactions with owners						
Distributions on other equity instruments	–	–	–	–	(80)	(80)
Net issuance of other equity instruments (note 26)	–	–	–	–	26	26
Loss on repayment of other equity instruments	–	–	(15)	(15)	–	(15)
Total transactions with owners	–	–	(15)	(15)	(54)	(69)
At 31 December 2023	370	(313)	3,011	3,068	808	3,876
Comprehensive income						
Profit for the year	**–**	**–**	**326**	**326**	**78**	**404**
Other comprehensive income						
Movements in cash flow hedging reserve, net of tax	**–**	**70**	**–**	**70**	**–**	**70**
Movements in foreign currency translation reserve, net of tax	**–**	**7**	**–**	**7**	**–**	**7**
Total other comprehensive income	**–**	**77**	**–**	**77**	**–**	**77**
Total comprehensive income[1]	**–**	**77**	**326**	**403**	**78**	**481**
Transactions with owners						
Dividends	**–**	**–**	**(450)**	**(450)**	**–**	**(450)**
Distributions on other equity instruments	**–**	**–**	**–**	**–**	**(78)**	**(78)**
Total transactions with owners	**–**	**–**	**(450)**	**(450)**	**(78)**	**(528)**
At 31 December 2024	**370**	**(236)**	**2,887**	**3,021**	**808**	**3,829**

1 Total comprehensive income attributable to owners of the parent was £481 million (2023: £550 million).

Statements of changes in equity continued

The Bank	Attributable to ordinary shareholders Share capital £m	Other reserves £m	Retained profits £m	Total £m	Other equity instruments £m	Total £m
At 1 January 2023	370	(530)	2,810	2,650	782	3,432
Comprehensive income						
Profit for the year	–	–	240	240	80	320
Other comprehensive income						
Movements in revaluation reserve in respect of debt securities held at fair value through other comprehensive income, net of tax	–	2	–	2	–	2
Movements in cash flow hedging reserve, net of tax	–	230	–	230	–	230
Movements in foreign currency translation reserve, net of tax	–	(16)	–	(16)	–	(16)
Total other comprehensive income	–	216	–	216	–	216
Total comprehensive income	–	216	240	456	80	536
Transactions with owners						
Distributions on other equity instruments	–	–	–	–	(80)	(80)
Net issuance of other equity instruments (note 26)	–	–	–	–	26	26
Loss on repayment of other equity instruments	–	–	(15)	(15)	–	(15)
Total transactions with owners	–	–	(15)	(15)	(54)	(69)
At 31 December 2023	370	(314)	3,035	3,091	808	3,899
Comprehensive income						
Profit for the year	–	–	**300**	**300**	**78**	**378**
Other comprehensive income						
Movements in cash flow hedging reserve, net of tax	–	**70**	–	**70**	–	**70**
Movements in foreign currency translation reserve, net of tax	–	**8**	–	**8**	–	**8**
Total other comprehensive income	–	**78**	–	**78**	–	**78**
Total comprehensive income[1]	–	**78**	**300**	**378**	**78**	**456**
Transactions with owners						
Dividends	–	–	**(450)**	**(450)**	–	**(450)**
Distributions on other equity instruments	–	–	–		**(78)**	**(78)**
Total transactions with owners	–	–	**(450)**	**(450)**	**(78)**	**(528)**
At 31 December 2024	**370**	**(236)**	**2,885**	**3,019**	**808**	**3,827**

1 Total comprehensive income attributable to owners of the parent was £456 million (2023: £536 million).

The accompanying notes are an integral part of the financial statements. Further details of movements in LBCM's share capital and reserves are provided in notes 23, 24, 25 and 26.

Cash flow statements for the year ended 31 December

	Note	The Group 2024 £m	The Group 2023 £m	The Bank 2024 £m	The Bank 2023 £m
Cash flows from operating activities					
Profit before tax		**501**	427	**468**	399
Adjustments for:					
Change in operating assets[1]	33(A)	**(5,928)**	(1,891)	**(5,920)**	(1,832)
Change in operating liabilities	33(B)	**4,614**	3,618	**4,619**	3,614
Non-cash and other items	33(C)	**273**	707	**282**	702
Net tax paid		**(88)**	(98)	**(84)**	(96)
Net cash (used in) provided by operating activities[1]		**(628)**	2,763	**(635)**	2,787
Cash flows from investing activities					
Purchase of financial assets		**–**	(2)	**–**	(3)
Proceeds from sale and maturity of financial assets		**–**	10	**–**	10
Purchase of fixed assets		**(3)**	(2)	**(2)**	(2)
Purchase of intangible assets		**(4)**	–	**(4)**	–
Proceeds from sale of fixed assets		**1**	–	**1**	–
Net cash (used in) provided by investing activities		**(6)**	6	**(5)**	5
Cash flows from financing activities					
Dividends paid to ordinary shareholders	27	**(450)**	–	**(450)**	–
Distributions on other equity instruments	26	**(78)**	(80)	**(78)**	(80)
Interest paid on subordinated liabilities		**(54)**	(58)	**(54)**	(58)
Finance leases		**(6)**	(6)	**(4)**	(5)
Proceeds from issue of subordinated liabilities	22	**–**	299	**–**	299
Repayment of subordinated liabilities	22	**–**	(284)	**–**	(284)
Loss on repayment of other equity instruments	25	**–**	(15)	**–**	(15)
Issue of other equity instruments	26	**–**	289	**–**	289
Repurchases and redemptions of other equity instruments	26	**–**	(263)	**–**	(263)
Net cash used in financing activities		**(588)**	(118)	**(586)**	(117)
Effect of exchange rate changes on cash and cash equivalents		**116**	(405)	**116**	(403)
Change in cash and cash equivalents[1]		**(1,106)**	2,246	**(1,110)**	2,272
Cash and cash equivalents at beginning of year[1]		**21,770**	19,524	**21,743**	19,471
Cash and cash equivalents at end of year[1]	33(D)	**20,664**	21,770	**20,633**	21,743

1 See note 1.

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

In this section

Note 1: Basis of preparation

The consolidated financial statements of Lloyds Bank Corporate Markets plc and its subsidiary undertakings have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB).

The financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, trading securities and certain other financial assets and liabilities at fair value through profit or loss and all derivative contracts. The Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reaching this assessment, the Directors have considered the implications of climate change upon LBCM's performance and projected funding and capital position. The Directors have also taken into account the impact of further stress scenarios.

LBCM's accounting policies are consistent with those applied by Lloyds Banking Group in its financial statements for the year ended 31 December 2023 and there have been no changes in Lloyd Banking Group's methods of computation.

The IASB has issued a number of minor amendments to the IFRS Accounting Standards 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 do not have a significant impact on LBCM.

LBCM has reassessed which items are included in cash and cash equivalents against IAS 7 Statement of Cash Flows in the current period and as a result has included reverse repurchase agreements due from banks with an original maturity of less than three months within cash and cash equivalents in the cash flow statement. The 2023 comparative cash flow statement has been restated. The adjustment has no impact on the balance sheet or the income statement but the following impact on the underlying lines within the cash flow statement for LBCM and the Bank: change in operating assets, net cash provided by operating activities and change in cash and cash equivalents have increased by £1,499 million, cash and cash equivalents at 1 January 2023 has increased by £75 million and cash and cash equivalents at 31 December 2023 has increased by £1,574 million.

Except for the change to which items are included in cash and cash equivalents there has been no change in the basis of accounting for any of the underlying transactions. Comparatives have been presented on a consistent basis.

Presentational changes

The following change has been made to the presentation of LBCM's financial statements, to allow for more relevant analysis of its financial performance and position:

- property, plant and equipment of £39 million for the Group and £32 million for the Bank (31 December 2023: £48 million for the Group and £38 million for the Bank) is reported within other assets rather than separately on the face of the balance sheet; and
- other comprehensive income is now presented gross of tax, with the tax impact separately identified, rather than being presented net of tax.

Future accounting developments

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability Disclosures. The impact of these standards is being assessed and they have not been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2025, including IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure and IFRS 21 The Effects of Changes in Foreign Exchange Rates. These improvements and amendments are not expected to have a significant impact on LBCM.

Note 2: Accounting policies

The accounting policies are set out below. These accounting policies have been applied consistently.

(A) Consolidation

The assets, liabilities and results of Group undertakings are included in the financial statements on the basis of accounts made up to the reporting date. Group undertakings include subsidiaries. Details of LBCM's subsidiaries and related undertakings are given in the Other information section of the report.

(1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through the exercise of its power. This generally accompanies a shareholding of more than one half of the voting rights although in certain circumstances a holding of less than one half of the voting rights may still result in the ability of the Group to exercise control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there have been changes to any of the above elements. Subsidiaries are fully consolidated from the date on which control is transferred to the Group; they are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

(B) Revenue recognition

(1) Net interest income

Interest income and expense are recognised in the income statement using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability, including early redemption fees, other fees, and premiums and discounts that are an integral part of the overall return. In the case of financial assets that are purchased or originated credit-impaired, the effective interest rate is the rate that discounts the estimated future cash flows to the amortised cost of the instrument. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account. Interest income from non-credit impaired financial assets is recognised by applying the effective interest rate to the gross carrying amount of the asset; for credit impaired financial assets, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses. Impairment policies are set out in (F) below.

(2) Fee and commission income and expense

Fees and commissions receivable which are not an integral part of the effective interest rate are recognised as income as LBCM fulfils its performance obligations. LBCM receives certain fees in respect of its asset finance business where the performance obligations are typically fulfilled towards the end of the customer contract; these fees are recognised in income on this basis. Where it is unlikely that the loan commitments will be drawn, loan commitment fees are recognised in fee and commission income over the life of the facility, rather than as an adjustment to the effective interest rate for loans expected to be drawn. Incremental costs incurred to generate fee and commission income are charged to fee and commission expense as they are incurred.

Note 2: Accounting policies continued

(3) Other

Dividend income is recognised when the right to receive payment is established. Revenue recognition policies specific to trading income are set out in (C)(3) below; those relating to leases are set out in (H)(1) below.

(C) Financial assets and liabilities

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on LBCM's business model for managing those financial assets and whether the resultant cash flows represent solely payments of principal and interest on principal outstanding. LBCM assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. Financial assets with embedded derivatives are considered in their entirety when considering their cash flow characteristics. LBCM reclassifies financial assets only when its business model for managing those assets changes. A reclassification will only take place when the change is significant to LBCM's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare. Equity investments are measured at fair value through profit or loss unless LBCM elects at initial recognition to account for the instruments at fair value through other comprehensive income. For these instruments, principally strategic investments, dividends are recognised in profit or loss but fair value gains and losses are not subsequently reclassified to profit or loss following derecognition of the investment.

LBCM initially recognises loans and advances, deposits, debt securities in issue and subordinated liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that LBCM is committed to purchase or sell an asset.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when LBCM has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or LBCM has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

(1) Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest. Financial assets measured at amortised cost are predominantly loans and advances to customers and banks, reverse repurchase agreements and certain debt securities used by LBCM to manage its liquidity. Loans and advances and reverse repurchase agreements are initially recognised when cash is advanced to the borrower at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method (see (B) above).

Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit or loss on initial recognition which are held at fair value.

(2) Financial assets measured at fair value through other comprehensive income

Financial assets that are held to collect contractual cash flows and for subsequent sale where those cash flows represent solely payments of principal and interest are recognised in the balance sheet at their fair value, inclusive of transaction which time, other than in respect of equity shares, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. The cumulative revaluation amount in respect of equity shares is transferred directly to retained profits. The Group recognises a charge for expected credit losses in the income statement (see (F) below). As the asset is measured at fair value, the charge does not adjust the carrying value of the asset, and this is reflected in other comprehensive income.

(3) Financial instruments measured at fair value through profit or loss

Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are designated at fair value through profit or loss to reduce an accounting mismatch. All derivatives are carried at fair value through profit or loss, other than those in effective cash flow hedging relationships. Derivatives are carried on the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Refer to note 12 (2) (Fair values of financial assets and liabilities: Financial assets and liabilities carried at fair value) for details of valuation techniques and significant inputs to valuation models.

Derivatives embedded in a financial asset are not considered separately; the financial asset is considered in its entirety when determining whether its cash flows are solely payments of principal and interest. Derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Trading securities, which are debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short-term gains, do not meet these criteria and are also measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the income statement within net trading income.

Financial liabilities are measured at fair value through profit or loss where they are trading liabilities or where they are designated at fair value through profit or loss in order to reduce an accounting mismatch; where the liabilities are part of a group of liabilities (or assets and liabilities) which is managed, and its performance evaluated, on a fair value basis; or where the liabilities contain one or more embedded derivatives that significantly modify the cash flows arising under the contract and would otherwise need to be separately accounted for. Financial liabilities measured at fair value through profit or loss are recognised in the balance sheet at their fair value. Fair value gains and losses are recognised in the income statement within net trading income in the period in which they occur, except in the case of financial liabilities designated at fair value through profit or loss where gains and losses attributable to changes in own credit risk are recognised in other comprehensive income.

The fair values of assets and liabilities traded in active markets are based on current bid and offer prices, respectively, which include the expected effects of potential changes to laws and regulations, risks associated with climate change and other factors. If the market is not active LBCM establishes a fair value by using valuation techniques. The fair values of derivative financial instruments are adjusted where appropriate to reflect credit risk (via credit valuation adjustments (CVAs), debit valuation adjustments (DVAs) and funding valuation adjustments (FVAs)), market liquidity and other risks.

(4) Borrowings

Borrowings (which include deposits from banks, customer deposits, repurchase agreements, debt securities in issue and subordinated liabilities) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest method.

Note 2: Accounting policies continued

Preference shares and other instruments which carry a mandatory coupon or are redeemable on a specific date are classified as financial liabilities. The coupon on these instruments is recognised in the income statement as interest expense. Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised as distributions from equity in the period in which they are paid.

An exchange of financial liabilities on substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the new financial liability is recognised in profit or loss together with any related costs or fees incurred. When a financial liability is exchanged for an equity instrument, the new equity instrument is recognised at fair value and any difference between the carrying value of the liability and the fair value of the new equity instrument is recognised in profit or loss.

(5) Sale and repurchase agreements (including securities lending and borrowing)

Securities sold subject to repurchase agreements (repos) continue to be recognised on the balance sheet where substantially all of the risks and rewards are retained. Funds received for repos carried at fair value are included within trading liabilities.

Securities purchased under agreements to resell (reverse repos), where LBCM does not acquire substantially all of the risks and rewards of ownership, are measured at amortised cost or at fair value. Those measured at fair value are recognised within trading securities. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities borrowing and lending transactions are typically secured; collateral takes the form of securities or cash advanced or received. Securities lent to counterparties are retained on the balance sheet. Securities borrowed are not recognised on the balance sheet, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a loan and advance measured at amortised cost or customer deposit.

(D) Hedge accounting

As permitted by IFRS 9, LBCM continues to apply the requirements of IAS 39 to its hedging relationships.

Changes in the fair value of all derivative instruments, other than those in effective cash flow hedging relationships, are recognised immediately in the income statement. As noted (2) below, the change in fair value of a derivative in an effective cash flow hedging relationship is allocated between the income statement and other comprehensive income.

Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of such instruments. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued. Note 13 provides details of the types of derivatives held by LBCM and presents separately those designated in hedge relationships.

(1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk; this also applies if the hedged asset is classified as a financial asset at fair value through other comprehensive income. If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the income statement. The cumulative adjustment that has been made to the carrying amount of the hedged item is amortised to the income statement using the effective interest method over the period to maturity.

(2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(E) Offset

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right of offset and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Cash collateral on exchange traded derivative transactions is presented gross unless the collateral cash flows are always settled net with the derivative cash flows. In certain situations, even though master netting agreements exist, the lack of management intention to settle on a net basis results in the financial assets and liabilities being reported gross on the balance sheet.

(F) Impairment of financial assets

The impairment charge in the income statement reflects the change in expected credit losses, including those arising from fraud. Expected credit losses are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets (other than equity investments) measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios and applying this to the estimated exposure of LBCM at the point of default after taking into account the value of any collateral held, repayments or other mitigants of loss and including the impact of discounting using the effective interest rate.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit-impaired are allocated to Stage 3. Some Stage 3 assets are subject to individual rather than collective assessment. Such cases are subject to a risk-based impairment sanctioning process, and these are reviewed and updated at least quarterly, or more frequently if there is a significant change in the credit profile. The collective assessment of impairment aggregates financial instruments with similar risk characteristics, such as whether the facility is revolving in nature or secured and the type of security held against financial assets.

Note 2: Accounting policies continued

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. In determining whether there has been a significant increase in credit risk, LBCM uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings together with qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty. The use of internal credit ratings and qualitative indicators ensures alignment between the assessment of staging and LBCM's management of credit risk which utilises these internal metrics within distinct retail and commercial portfolio risk management practices. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. The use of a payment holiday in and of itself has not been judged to indicate a significant increase in credit risk, with the underlying long-term credit risk deemed to be driven by economic conditions and captured through the use of forward-looking models. These portfolio-level models are capturing the anticipated volume of increased defaults and therefore an appropriate assessment of staging and expected credit loss. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit-impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. LBCM uses this 90-day backstop for all its products. Key differences between Stage 3 balances and non-performing loans relate to the cure periods applied to forbearance exposures. The use of payment holidays is not considered to be an automatic trigger of regulatory default and therefore does not automatically trigger Stage 3. Days past due will also not accumulate on any accounts that have taken a payment holiday including those already past due.

In certain circumstances, LBCM will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit-impaired (for a return to Stage 2). On renegotiation the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate. Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. For both secured and unsecured retail balances, the write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing attempts to recover are no longer appropriate. For commercial lending, a write-off occurs if the loan facility with the customer is restructured, the asset is under administration and the only monies that can be received are the amounts estimated by the administrator, the underlying assets are disposed and a decision is made that no further settlement monies will be received, or external evidence (for example, third-party valuations) is available that there has been an irreversible decline in expected cash flows.

(G) Property, plant and equipment

Property, plant and equipment (other than investment property) is included at cost less accumulated depreciation. The value of land (included in premises) is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between the cost and the residual value over their estimated useful lives, as follows: the shorter of 50 years and the remaining period of the lease for freehold/long and short leasehold premises; the shorter of 10 years and, if lease renewal is not likely, the remaining period of the lease for leasehold improvements; 10 to 20 years for fixtures and furnishings; and 2 to 8 years for other equipment.

The assets' residual values and useful lives are reviewed and, if appropriate, revised at each balance sheet date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing the recoverable amount of assets LBCM considers the effects of potential or actual changes in legislation, customer behaviour, climate-related risks and other factors on the asset's cash-generating unit (CGU). In the event that an asset's CGU carrying amount is determined to be greater than its recoverable amount the asset is written down immediately.

(H) Leases

Under IFRS 16, a lessor is required to determine if a lease is a finance or operating lease. A lessee is not required to make this determination.

(1) As lessor

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee but not necessarily legal title. All other leases are classified as operating leases. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable, net of allowances for expected credit losses and residual value impairment, within loans and advances to banks and customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Finance lease income is recognised in interest income over the term of the lease using the net investment method (before tax) so as to give a constant rate of return on the net investment in the lease. Unguaranteed residual values are reviewed regularly to identify any impairment.

LBCM evaluates non-lease arrangements such as outsourcing and similar contracts to determine if they contain a lease which is then accounted for separately.

(2) As lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by LBCM. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or LBCM's incremental borrowing rate appropriate for the right-of-use asset arising from the lease, and the liability recognised within other liabilities.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(I) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it. The tax consequences of LBCM's dividend payments (including distributions on other equity instruments), if any, are charged or credited to the statement in which the profit distributed originally arose.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Note 2: Accounting policies continued

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date and the provisions are remeasured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination, or where at the time of the transaction they give rise to equal taxable and deductible temporary differences. Deferred tax is not discounted.

LBCM has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes.

(J) Foreign currency translation

Items included in the financial statements of each of LBCM's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when recognised in other comprehensive income as qualifying cash flow or net investment hedges. Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on equities and similar non-monetary items held at fair value through profit and loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value through other comprehensive income, such as equity shares, are included in the fair value reserve in equity unless the asset is a hedged item in a fair value hedge.

The results and financial position of all LBCM entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of a foreign entity, are translated into Sterling at foreign exchange rates ruling at the balance sheet date; and the income and expenses of foreign operations are translated into Sterling at average exchange rates unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions, in which case income and expenses are translated at the dates of the transactions.

Foreign exchange differences arising on the translation of a foreign operation are recognised in other comprehensive income and accumulated in a separate component of equity together with exchange differences arising from the translation of borrowings and other currency instruments designated as hedges of such investments. On disposal or liquidation of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation is reclassified from equity and included in determining the profit or loss arising on disposal or liquidation.

(K) Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Provision is made for expected credit losses in respect of irrevocable undrawn loan commitments and financial guarantee contracts (see (F) above).

(L) Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. Dividends paid on LBCM's ordinary shares are recognised as a reduction in equity in the period in which they are paid.

(M) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory deposits held with central banks, mandatory deposits held with central banks in demand accounts and amounts due from banks with an original maturity of less than three months that are available to finance LBCM's day-to-day operations.

(N) Investment in subsidiaries

Investments in subsidiaries are carried at historical cost, less any provisions for impairment.

Note 3: Critical accounting judgements and key sources of estimation uncertainty

The preparation of LBCM's financial statements in accordance with IFRS Accounting Standards 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 those 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.

The significant judgements, apart from those involving estimation, made by management in applying LBCM's accounting policies in these financial statements (critical judgements) and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year (key sources of estimation uncertainty), which together are considered critical to LBCM's results and financial position, are as follows:

- Allowance for expected credit loss (note 16).
- Fair value of financial instruments (note 12 (D)).

Strategic report
Governance
Financial statements
Other information

Note 4: Net interest income

	2024 £m	2023 £m
Interest income:		
Loans and advances to banks	**1,045**	1,066
Loans and advances to customers	**1,451**	1,430
Reverse repurchase agreements	**244**	179
Debt securities	**19**	21
Total interest income[1]	**2,759**	2,696
Interest expense:		
Deposits from banks	**(81)**	(78)
Customer deposits	**(1,322)**	(1,224)
Repurchase agreements at amortised cost	**(2)**	–
Debt securities in issue at amortised cost[2]	**(1,133)**	(1,136)
Lease liabilities	**(1)**	(2)
Subordinated liabilities	**(54)**	(58)
Total interest expense	**(2,593)**	(2,498)
Net interest income	**166**	198

1 Includes £nil (2023: £nil) of interest income on liabilities with negative interest rates, £8 million (2023: £32 million) in respect of interest income on finance leases and £7 million (2023: £6 million) in respect of interest income on hire purchase agreements.

2 The impact of LBCM's hedging arrangements is included on this line, of which a charge of £333 million (2023: charge of £388 million) is transferred from the cash flow hedging reserve (see note 24).

Included within interest income is £nil (2023: £nil) in respect of credit-impaired financial assets.

Note 5: Net fee and commission income

	2024 £m	2023 £m
Fee and commission income:		
Current accounts	**3**	3
Debit card fees	**5**	5
Commercial banking and treasury fees	**312**	292
Other fees and commissions	**1**	3
Total fee and commission income	**321**	303
Fee and commission expense	**(53)**	(39)
Net fee and commission income	**268**	264

Fees and commissions are an integral part of the effective interest rate and form part of net interest income shown in note 4. Fees and commissions relating to instruments that are held at fair value through profit or loss are included within net trading income shown in note 6.

In determining the disaggregation of fees and commissions LBCM has considered how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors, including those that are impacted by climate-related factors. It has determined that the above disaggregation by product type provides useful information that does not aggregate items that have substantially different characteristics and is not too detailed.

At 31 December 2024, LBCM held on its balance sheet £3 million (31 December 2023: £4 million) in respect of services provided to customers and £nil (31 December 2023: £nil) in respect of amounts received from customers for services to be provided after the balance sheet date.

Note 6: Net trading income

	2024 £m	2023 £m
Net gains (losses) arising on assets and liabilities held at fair value through profit or loss:		
Financial instruments held for trading	**321**	270
Other financial instruments mandatorily held at fair value through profit or loss	**10**	28
Net losses arising on liabilities designated at fair value through profit or loss	**(1)**	(1)
	330	297
Foreign exchange	**222**	145
Net trading income	**552**	442

Strategic report
Governance
Financial statements
Other information

Note 7: Operating expenses

	2024 £m	2023 £m
Staff costs:		
Salaries	**(163)**	(167)
Social security costs	**(17)**	(17)
Pensions and other post-retirement benefit schemes	**(15)**	(15)
Restructuring costs	**(8)**	(3)
Other staff costs	**(8)**	(9)
	(211)	(211)
Management charges payable	**(219)**	(228)
Depreciation and amortisation[1]	**(9)**	(10)
Premises and equipment	**(7)**	(6)
Communications and data processing	**(14)**	(18)
Professional fees	**(7)**	(9)
Regulatory costs	**(14)**	(4)
Other operating expenses	**(18)**	(23)
Total operating expenses	**(499)**	(509)

1 Including depreciation in respect of premises £2 million (2023: £1 million), equipment £2 million (2023: £2 million), fixtures and fittings £nil million (2023: £1 million) and right-of-use assets £5 million (2023: £6 million).

Services are received by LBCM from other parts of the Lloyds Banking Group via a shared service provision model. This is governed via Intra-Group Agreement (IGA) contracts and includes the provision of services supporting the business, operations and support functions. Management charges payable were paid to Lloyds Bank plc in respect of these services.

LBCM had an average of 826 (2023: 837) employees during the year based in the USA, Germany and the Crown Dependencies (excluding UK colleagues). UK-based colleagues are employed through other Lloyds Banking Group companies and associated costs are recharged via the IGA. The terms of the contract are negotiated and renewable to ensure market rate expense for services provided.

Note 8: Auditors' remuneration

Fees payable to the auditors are as follows:

	2024 £m	2023 £m
Fees payable for the:		
audit of the Bank's current year Annual Report	**2.5**	2.4
audit of the Bank's subsidiaries	**0.5**	0.5
Total audit fees in respect of the statutory audit of Group entities	**3.0**	2.9
Other audit-related fees	**0.4**	0.3
All other fees	**0.3**	0.3
Total non-audit services	**0.7**	0.6
Total fees payable	**3.7**	3.5

The following types of services are included in the categories listed above:

Audit fees: This category includes fees in respect of the audit of LBCM's annual financial statements and other services in connection with regulatory filings.

Other audit-related fees: This category includes fees in respect of services for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements, for example, acting as reporting accountants in respect of debt prospectuses required by the Listing Rules.

All other fees: This category includes other assurance services not related to the performance of the audit or review of the financial statements, for example, the review of controls operated by LBCM on behalf of a third party. The auditors are not engaged to provide tax services.

It is LBCM's policy to use the auditors only on assignments in cases where their knowledge of LBCM means that it is neither efficient nor cost effective to employ another firm of accountants. LBCM has procedures that are designed to ensure auditor independence, including prohibiting certain non-audit services. All audit and non-audit assignments must be pre-approved by the Audit Committee on an individual engagement basis.

Note 9: Impairment

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Year ended 31 December 2024				
Loans and advances to banks	**1**	**–**	**–**	**1**
Loans and advances to customers	**7**	**4**	**(2)**	**9**
Debt securities	**–**	**2**	**–**	**2**
Financial assets at amortised cost	**8**	**6**	**(2)**	**12**
Loan commitments and financial guarantees	**4**	**–**	**–**	**4**
Total impairment credit (charge)	**12**	**6**	**(2)**	**16**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Year ended 31 December 2023				
Loans and advances to banks	–	2	–	2
Loans and advances to customers	9	10	(1)	18
Debt securities	–	(2)	–	(2)
Financial assets at amortised cost	9	10	(1)	18
Loan commitments and financial guarantees	4	6	–	10
Total impairment credit (charge)	13	16	(1)	28

Note 10: Tax

(A) Analysis of tax expense for the year

	2024 £m	2023 £m
UK corporation tax:		
Current tax on profit for the year	**(32)**	(19)
Adjustments in respect of prior years	**5**	–
	(27)	(19)
Foreign tax:		
Current tax on profit for the year	**(69)**	(57)
Adjustments in respect of prior years	**–**	1
	(69)	(56)
Current tax expense	**(96)**	(75)
UK deferred tax:		
Origination and reversal of temporary differences	**(1)**	(7)
Adjustments in respect of prior years	**–**	(3)
	(1)	(10)
Foreign deferred tax:		
Origination and reversal of temporary differences	**–**	(4)
Deferred tax expense	**(1)**	(14)
Tax expense	**(97)**	(89)

Note 10: Tax continued

(B) Factors affecting the tax expense for the year

The UK corporation tax rate for the year was 25.0 per cent (2023: 23.5 per cent). The increase in applicable tax rate from 2023 relates to the change in statutory tax rate effective from 1 April 2023. An explanation of the relationship between tax expense and accounting profit is set out below.

	2024 £m	2023 £m
Profit before tax	**501**	427
UK corporation tax thereon	**(125)**	(100)
Impact of surcharge on banking profits	**(3)**	(3)
Non-deductible costs: bank levy	**(5)**	(5)
Other non-deductible costs	**(2)**	(10)
Non-taxable income	**4**	–
Tax relief on coupons on other equity instruments	**20**	19
Remeasurement of deferred tax due to rate changes	**–**	(1)
Differences in overseas tax rates	**9**	14
Other adjustments in respect of prior years	**5**	(2)
Other	**–**	(1)
Tax expense	**(97)**	(89)
Effective tax rate	**19.4%**	20.8%

On 11 July 2023, the Government enacted its legislation implementing the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation seeks to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15 per cent on UK and overseas profits arising after 31 December 2023. No provision for Pillar 2 current tax is included in tax expense for the period because Lloyds Banking Group plc, the Group's ultimate parent entity, will bear the cost of any Pillar 2 income taxes payable in respect of 2024 on behalf of its subsidiaries.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes.

In response to the G20-OECD Inclusive Framework Pillar 2 rules, Jersey and Guernsey enacted legislation in 2024 that increases the tax rate that will apply to the profits that LBCM earns in those jurisdictions with effect from 1 January 2025. LBCM estimates these changes will result in an additional tax expense of £3 million for year ending 31 December 2025, £4 million for the year ending 31 December 2026 and £5 million for the year ending 31 December 2027 and onwards.

(C) Deferred tax

LBCM's deferred tax assets and liabilities are as follows:

	The Group		The Bank	
	2024 £m	2023 £m	2024 £m	2023 £m
Statutory position				
Deferred tax assets	**80**	108	**101**	128
Net deferred tax asset at 31 December	**80**	108	**101**	128
Tax disclosure				
Deferred tax assets	**101**	129	**101**	128
Deferred tax liabilities	**(21)**	(21)	**–**	–
Net deferred tax asset at 31 December	**80**	108	**101**	128

The statutory position reflects the deferred tax assets and liabilities as disclosed in the consolidated balance sheet and takes into account the ability of LBCM to net assets and liabilities where there is a legally enforceable right of offset. The tax disclosure of deferred tax assets and liabilities ties to the amounts outlined in the tables below which splits the deferred tax assets and liabilities by type, before such netting.

Note 10: Tax continued

Movements in deferred tax assets and liabilities (before taking into consideration the offsetting of balances within the same taxing jurisdiction) can be summarised as follows:

The Group Deferred tax assets	Tax losses £m	IFRS 9 impairments deductible in the future £m	Cash flow hedges £m	Other internal derivatives £m	Fair value through other comprehensive income £m	Other temporary differences £m	Total £m
At 1 January 2023	2	5	202	6	1	17	233
Charge to the income statement	(2)	(3)	–	(6)	–	(2)	(13)
Charge to other comprehensive income	–	–	(90)	–	(1)	–	(91)
Exchange and other adjustments	–	–	–	–	–	–	–
At 31 December 2023	–	2	112	–	–	15	129
Charge to the income statement	–	**(1)**	–	–	–	–	**(1)**
Charge to other comprehensive income	–	–	**(27)**	–	–	–	**(27)**
Exchange and other adjustments	–	–	–	–	–	–	–
At 31 December 2024	–	**1**	**85**	–	–	**15**	**101**

The Group Deferred tax liabilities	Accelerated capital allowances £m	Total £m
At 1 January 2023	(20)	(20)
Charge to the income statement	(1)	(1)
Charge to other comprehensive income	–	–
At 31 December 2023	(21)	(21)
(Charge) credit to the income statement	–	–
(Charge) credit to other comprehensive income	–	–
Exchange and other adjustments	–	–
At 31 December 2024	**(21)**	**(21)**

Note 10: Tax continued

The Bank Deferred tax assets	Tax losses £m	IFRS 9 Impairments deductible in the future £m	Cash flow hedges £m	Fair value through other comprehensive income £m	Other temporary differences £m	Total £m
At 1 January 2023	1	5	202	1	17	226
Charge to the income statement	(1)	(3)	–	–	(2)	(6)
Charge to other comprehensive income	–	–	(90)	(1)	–	(91)
Exchange and other adjustments	–	–	–	–	(1)	(1)
At 31 December 2023	–	2	112	–	14	128
Charge to the income statement	–	**(1)**	–	–	**1**	–
Charge to other comprehensive income	–	–	**(27)**	–	–	**(27)**
Exchange and other adjustments	–	–	–	–	–	–
At 31 December 2024	–	**1**	**85**	–	**15**	**101**

Deferred tax not recognised

Deferred tax assets of approximately £1 million (2023: £1 million) for the Group and £nil (2023: £nil) for the Bank have not been recognised in respect of overseas tax losses and other temporary differences where it is currently not probable that there will be future taxable profits against which they can be used.

As a result of parent company exemptions on dividends from subsidiaries and on capital gains on disposal there are no significant taxable temporary differences associated with investments in subsidiaries and branches.

Note 11: Measurement basis of financial assets and liabilities

The accounting policies in note 2 describe how different classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading.

The Group	Derivatives designated as hedging instruments £m	Mandatorily held at fair value through profit or loss		Designated at fair value through profit or loss £m	Held at amortised cost £m	Total £m
		Held for trading £m	Other £m			
At 31 December 2024						
Financial assets						
Cash and balances at central banks	–	–	–	–	20,308	20,308
Financial assets at fair value through profit or loss	–	25,486	279	–	–	25,765
Derivative financial instruments	11	22,405	–	–	–	22,416
Loans and advances to banks	–	–	–	–	1,255	1,255
Loans and advances to customers	–	–	–	–	17,800	17,800
Reverse repurchase agreements	–	–	–	–	5,332	5,332
Debt securities	–	–	–	–	336	336
Due from fellow Lloyds Banking Group undertakings	–	–	–	–	333	333
Financial assets at amortised cost	–	–	–	–	25,056	25,056
Total financial assets	11	47,891	279	–	45,364	93,545
Financial liabilities						
Deposits from banks	–	–	–	–	2,645	2,645
Customer deposits	–	–	–	–	30,945	30,945
Repurchase agreements at amortised cost	–	–	–	–	–	–
Due to fellow Lloyds Banking Group undertakings	–	–	–	–	1,512	1,512
Financial liabilities at fair value through profit or loss	–	22,981	–	–	–	22,981
Derivative financial instruments	8	16,580	–	–	–	16,588
Debt securities in issue at amortised cost	–	–	–	–	15,090	15,090
Other	–	–	–	–	32	32
Subordinated liabilities	–	–	–	–	746	746
Total financial liabilities	8	39,561	–	–	50,970	90,539

Note 11: Measurement basis of financial assets and liabilities continued

The following information relates to financial assets and liabilities which have been offset in the balance sheet and those which have not been offset but for which LBCM has enforceable master netting agreements or collateral arrangements in place with counterparties.

The Group	Gross amounts of assets and liabilities £m	Amount offset in the balance sheet[1] £m	Net amounts presented in the balance sheet £m	Related amounts where set off in the balance sheet not permitted[2] Cash collateral (received)/ pledged £m	Non-cash collateral (received)/ pledged £m	Master netting and similar arrangements £m	Potential net amounts if offset of related amounts permitted £m
At 31 December 2024							
Derivative assets	22,416	–	22,416	(3,902)	(4,381)	(10,539)	3,594
Derivative liabilities	(16,588)	–	(16,588)	1,541	1,184	10,539	(3,324)
Net position	5,828	–	5,828	(2,361)	(3,197)	–	270
Trading reverse repurchase agreements	35,679	(15,214)	20,465	362	(20,389)	–	438
Trading repurchase agreements	(35,778)	15,214	(20,564)	31	19,991	–	(542)
Net position	(99)	–	(99)	393	(398)	–	(104)
Non-trading reverse repurchase agreements	5,332	–	5,332	1	(5,309)	–	24
Non-trading repurchase agreements	–	–	–	–	–	–	–
Net position	5,332	–	5,332	1	(5,309)	–	24
Fair value through profit or loss assets excluding reverse repurchase agreements	5,300	–	5,300	–	(1,378)	–	3,922
Fair value through profit or loss liabilities excluding repurchase agreements	(2,417)	–	(2,417)	–	–	–	(2,417)
Net position	2,883	–	2,883	–	(1,378)	–	1,505

1 The amounts offset in the balance sheet as shown above mainly represent derivatives and repurchase agreements with central clearing houses which meet the criteria for offsetting under IAS 32.

2 The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respective of derivative transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

The effects of over-collateralisation have not been taken into account in the above table.

Note 11: Measurement basis of financial assets and liabilities continued

The Group	Derivatives designated as hedging instruments £m	Mandatorily held at fair value through profit or loss: Held for trading £m	Mandatorily held at fair value through profit or loss: Other £m	Designated at fair value through profit or loss £m	Held at amortised cost £m	Total £m
At 31 December 2023						
Financial assets						
Cash and balances at central banks	–	–	–	–	20,201	20,201
Financial assets at fair value through profit or loss	–	21,692	297	–	–	21,989
Derivative financial instruments	9	22,597	–	–	–	22,606
Loans and advances to banks	–	–	–	–	1,753	1,753
Loans and advances to customers	–	–	–	–	16,447	16,447
Reverse repurchase agreements	–	–	–	–	6,020	6,020
Debt securities	–	–	–	–	374	374
Due from fellow Lloyds Banking Group undertakings	–	–	–	–	297	297
Financial assets at amortised cost	–	–	–	–	24,891	24,891
Total financial assets	9	44,289	297	–	45,092	89,687
Financial liabilities						
Deposits from banks	–	–	–	–	2,078	2,078
Customer deposits	–	–	–	–	29,439	29,439
Repurchase agreements at amortised cost	–	–	–	–	1	1
Due to fellow Lloyds Banking Group undertakings	–	–	–	–	1,213	1,213
Financial liabilities at fair value through profit or loss	–	19,675	–	11	–	19,686
Derivative financial instruments	36	17,540	–	–	–	17,576
Debt securities in issue at amortised cost	–	–	–	–	15,378	15,378
Other	–	–	–	–	38	38
Subordinated liabilities	–	–	–	–	755	755
Total financial liabilities	36	37,215	–	11	48,902	86,164

Note 11: Measurement basis of financial assets and liabilities continued

The following information relates to financial assets and liabilities which have been offset in the balance sheet and those which have not been offset but for which LBCM has enforceable master netting agreements or collateral arrangements in place with counterparties.

The Group	Gross amounts of assets and liabilities £m	Amount offset in the balance sheet[1] £m	Net amounts presented in the balance sheet £m	Related amounts where set off in the balance sheet not permitted[2] Cash collateral (received)/ pledged £m	Non-cash collateral (received)/ pledged £m	Master netting and similar arrangements £m	Potential net amounts if offset of related amounts permitted £m
At 31 December 2023							
Derivative assets	22,606	–	22,606	(2,970)	(3,568)	(9,948)	6,120
Derivative liabilities	(17,576)	–	(17,576)	2,125	1,393	9,948	(4,110)
Net position	5,030	–	5,030	(845)	(2,175)	–	2,010
Trading reverse repurchase agreements	30,029	(12,616)	17,413	(75)	(17,226)	–	112
Trading repurchase agreements	(30,717)	12,616	(18,101)	(102)	18,087	–	(116)
Net position	(688)	–	(688)	(177)	861	–	(4)
Non-trading reverse repurchase agreements	6,020	–	6,020	12	(6,021)	–	11
Non-trading repurchase agreements	(1)	–	(1)	–	1	–	–
Net position	6,019	–	6,019	12	(6,020)	–	11
Fair value through profit or loss assets excluding reverse repurchase agreements	4,576	–	4,576	–	(2,448)	–	2,128
Fair value through profit or loss liabilities excluding repurchase agreements	(1,585)	–	(1,585)	–	–	–	(1,585)
Net position	2,991	–	2,991	–	(2,448)	–	543

1 The amounts offset in the balance sheet as shown above mainly represent derivatives and repurchase agreements with central clearing houses which meet the criteria for offsetting under IAS 32.

2 The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respective of derivative transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

The effects of over-collateralisation have not been taken into account in the above table.

Strategic report
Governance
Financial statements
Other information

Note 11: Measurement basis of financial assets and liabilities continued

The Bank	Derivatives designated as hedging instruments £m	Mandatorily held at fair value through profit or loss: Held for trading £m	Mandatorily held at fair value through profit or loss: Other £m	Designated at fair value through profit or loss £m	Held at amortised cost £m	Total £m
At 31 December 2024						
Financial assets						
Cash and balances at central banks	–	–	–	–	20,308	20,308
Financial assets at fair value through profit or loss	–	25,486	134	–	–	25,620
Derivative financial instruments	11	22,405	–	–	–	22,416
Loans and advances to banks	–	–	–	–	1,224	1,224
Loans and advances to customers	–	–	–	–	17,524	17,524
Reverse repurchase agreements	–	–	–	–	5,332	5,332
Debt securities	–	–	–	–	336	336
Due from fellow Lloyds Banking Group undertakings	–	–	–	–	642	642
Financial assets at amortised cost	–	–	–	–	25,058	25,058
Total financial assets	11	47,891	134	–	45,366	93,402
Financial liabilities						
Deposits from banks	–	–	–	–	2,645	2,645
Customer deposits	–	–	–	–	30,945	30,945
Repurchase agreements at amortised cost	–	–	–	–	–	–
Due to fellow Lloyds Banking Group undertakings	–	–	–	–	1,560	1,560
Financial liabilities at fair value through profit or loss	–	22,981	–	–	–	22,981
Derivative financial instruments	8	16,580	–	–	–	16,588
Debt securities in issue at amortised cost	–	–	–	–	15,090	15,090
Other	–	–	–	–	26	26
Subordinated liabilities	–	–	–	–	746	746
Total financial liabilities	8	39,561	–	–	51,012	90,581

Note 11: Measurement basis of financial assets and liabilities continued

The following information relates to financial assets and liabilities which have been offset in the balance sheet and those which have not been offset but for which LBCM has enforceable master netting agreements or collateral arrangements in place with counterparties.

				Related amounts where set off in the balance sheet not permitted[2]			
The Bank	Gross amounts of assets and liabilities £m	Amount offset in the balance sheet[1] £m	Net amounts presented in the balance sheet £m	Cash collateral (received)/ pledged £m	Non-cash collateral (received)/ pledged £m	Master netting and similar arrangements £m	Potential net amounts if offset of related amounts permitted £m
31 December 2024							
Derivative assets	22,416	–	22,416	(3,902)	(4,381)	(10,539)	3,594
Derivative liabilities	(16,588)	–	(16,588)	1,541	1,184	10,539	(3,324)
Net position	5,828	–	5,828	(2,361)	(3,197)	–	270
Trading reverse repurchase agreements	35,679	(15,214)	20,465	362	(20,389)	–	438
Trading repurchase agreements	(35,778)	15,214	(20,564)	31	19,991	–	(542)
Net position	(99)	–	(99)	393	(398)	–	(104)
Non-trading reverse repurchase agreements	5,332	–	5,332	1	(5,309)	–	24
Non-trading repurchase agreements	–	–	–	–	–	–	–
Net position	5,332	–	5,332	1	(5,309)	–	24
Fair value through profit or loss assets excluding reverse repurchase agreements	5,155	–	5,155	–	(1,378)	–	3,777
Fair value through profit or loss liabilities excluding repurchase agreements	(2,417)	–	(2,417)	–	–	–	(2,417)
Net position	2,738	–	2,738	–	(1,378)	–	1,360

1 The amounts offset in the balance sheet as shown above mainly represent derivatives and repurchase agreements with central clearing houses which meet the criteria for offsetting under IAS 32.

2 The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respective of derivative transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

The effects of over-collateralisation have not been taken into account in the above table.

Note 11: Measurement basis of financial assets and liabilities continued

The Bank	Derivatives designated as hedging instruments £m	Mandatorily held at fair value through profit or loss: Held for trading £m	Mandatorily held at fair value through profit or loss: Other £m	Designated at fair value through profit or loss £m	Held at amortised cost £m	Total £m
At 31 December 2023						
Financial assets						
Cash and balances at central banks	–	–	–	–	20,201	20,201
Financial assets at fair value through profit or loss	–	21,692	155	–	–	21,847
Derivative financial instruments	9	22,597	–	–	–	22,606
Loans and advances to banks	–	–	–	–	1,726	1,726
Loans and advances to customers	–	–	–	–	16,167	16,167
Reverse repurchase agreements	–	–	–	–	6,020	6,020
Debt securities	–	–	–	–	374	374
Due from fellow Lloyds Banking Group undertakings	–	–	–	–	629	629
Financial assets at amortised cost	–	–	–	–	24,916	24,916
Total financial assets	9	44,289	155	–	45,117	89,570
Financial liabilities						
Deposits from banks	–	–	–	–	2,078	2,078
Customer deposits	–	–	–	–	29,439	29,439
Repurchase agreements	–	–	–	–	1	1
Due to fellow Lloyds Banking Group undertakings	–	–	–	–	1,256	1,256
Financial liabilities at fair value through profit or loss	–	19,675	–	11	–	19,686
Derivative financial instruments	36	17,540	–	–	–	17,576
Debt securities in issue at amortised cost	–	–	–	–	15,378	15,378
Other	–	–	–	–	30	30
Subordinated liabilities	–	–	–	–	755	755
Total financial liabilities	36	37,215	–	11	48,937	86,199

Note 11: Measurement basis of financial assets and liabilities continued

The following information relates to financial assets and liabilities which have been offset in the balance sheet and those which have not been offset but for which LBCM has enforceable master netting agreements or collateral arrangements in place with counterparties.

The Bank	Gross amounts of assets and liabilities £m	Amount offset in the balance sheet[1] £m	Net amounts presented in the balance sheet £m	Related amounts where set off in the balance sheet not permitted[2] Cash collateral (received)/ pledged £m	Non-cash collateral (received)/ pledged £m	Master netting and similar arrangements £m	Potential net amounts if offset of related amounts permitted £m
31 December 2023							
Derivative assets	22,606	–	22,606	(2,970)	(3,568)	(9,948)	6,120
Derivative liabilities	(17,576)	–	(17,576)	2,125	1,393	9,948	(4,110)
Net position	5,030	–	5,030	(845)	(2,175)	–	2,010
Trading reverse repurchase agreements	30,029	(12,616)	17,413	(75)	(17,226)	–	112
Trading repurchase agreements	(30,717)	12,616	(18,101)	(102)	18,087	–	(116)
Net position	(688)	–	(688)	(177)	861	–	(4)
Non-trading reverse repurchase agreements	6,020	–	6,020	12	(6,021)	–	11
Non-trading repurchase agreements	(1)	–	(1)	–	1	–	–
Net position	6,019	–	6,019	12	(6,020)	–	11
Fair value through profit or loss assets excluding reverse repurchase agreements	4,434	–	4,434	–	(2,448)	–	1,986
Fair value through profit or loss liabilities excluding repurchase agreements	(1,585)	–	(1,585)	–	–	–	(1,585)
Net position	2,849	–	2,849	–	(2,448)	–	401

1 The amounts offset in the balance sheet as shown above mainly represent derivatives and repurchase agreements with central clearing houses which meet the criteria for offsetting under IAS 32.

2 The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respective of derivative transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

The effects of over-collateralisation have not been taken into account in the above table.

Note 12: Fair values of financial assets and liabilities

(1) Fair value measurement

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is a measure as at a specific date and may be significantly different from the amount which will actually be paid or received on maturity or settlement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments to those held by LBCM. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by LBCM. LBCM measures valuation adjustments for its derivative exposures on the same basis as the derivatives are managed.

The carrying amount of the following financial instruments is a reasonable approximation of fair value: cash and balances at central banks, items in the course of collection from banks and items in course of transmission to banks.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful. Readers of these financial statements are thus advised to use caution when using this data to evaluate LBCM's financial position.

Fair value information is not provided for items that are not financial instruments or for other assets and liabilities which are not carried at fair value in LBCM's consolidated balance sheet. These items include premises and equipment; and shareholders' equity. These items are material and accordingly LBCM believes that any fair value information presented would not represent the underlying value of LBCM.

Valuation control framework

The key elements of the control framework for the valuation of financial instruments include model validation, product implementation review and independent price verification. These functions are carried out by appropriately skilled risk and finance teams, independent of the business area responsible for the products.

Model validation covers both qualitative and quantitative elements relating to new models. In respect of new products, a product implementation review is conducted pre and post-trading. Pre-trade testing ensures that the new model is integrated into the Group's systems and that the profit and loss and risk reporting are consistent throughout the trade lifecycle. Post-trade testing examines the explanatory power of the implemented model, actively monitoring model parameters and comparing in-house pricing to external sources. Independent price verification procedures cover financial instruments carried at fair value and are performed at a minimum on a monthly basis. Valuation differences in breach of established thresholds are escalated to senior management. The results from independent pricing and valuation reserves are reviewed monthly by senior management.

Formal committees, consisting of senior risk, finance and business management, meet at least quarterly to discuss and approve valuations in more judgemental areas, in particular for structured credit, derivatives and the credit valuation adjustment (CVA), funding valuation adjustment (FVA) and other valuation adjustments.

Valuation of financial assets and liabilities

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 predominantly comprise listed equity shares, treasury bills and other government securities.

Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Examples of such financial instruments include most over-the-counter derivatives, financial institution issued securities, certificates of deposit and certain asset-backed securities.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unlisted equity investments which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples and estimated future cash flows. Certain of LBCM's asset-backed securities, loans and advances recognised at fair value and derivatives are also classified as level 3. For information on key estimates surrounding financial instruments, see note 3.

Transfers in or out of the level 3 portfolio arise when inputs that could have a significant impact on the instrument's valuation become unobservable or observable, or where an unobservable input becomes significant or insignificant to an instrument's value.

Note 12: Fair values of financial assets and liabilities continued

(2) Financial assets and liabilities carried at fair value

(A) Financial assets (excluding derivatives)

Valuation hierarchy

At 31 December 2024 financial assets carried at fair value, excluding derivatives for the Group, totalled £25,765 million (2023: £21,989 million); and for the Bank totalled £25,620 million (2023: £21,847 million). The table below analyses these financial assets by balance sheet classification, asset type and valuation methodology (level 1, 2 or 3, as described above). The fair value measurement approach is recurring in nature. There were no significant transfers between levels 1 and 2 during the year.

The Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2024				
Loans and advances to customers	–	**621**	**2**	**623**
Reverse repurchase agreements	–	**20,465**	–	**20,465**
Debt securities:				
Government securities	**3,473**	–	–	**3,473**
Bank and building society certificates of deposit	–	**113**	–	**113**
Asset-backed securities	–	**149**	**8**	**157**
Corporate and other debt securities	–	**778**	**124**	**902**
	3,473	**1,040**	**132**	**4,645**
Treasury and other bills	**32**	–	–	**32**
Total financial assets carried at fair value, excluding derivatives	**3,505**	**22,126**	**134**	**25,765**
At 31 December 2023				
Loans and advances to customers	–	24	2	26
Reverse repurchase agreements	–	17,413	–	17,413
Debt securities:				
Government securities	3,596	–	–	3,596
Bank and building society certificates of deposit	–	91	–	91
Asset-backed securities	–	76	7	83
Corporate and other debt securities	–	583	146	729
	3,596	750	153	4,499
Treasury and other bills	51	–	–	51
Total financial assets carried at fair value, excluding derivatives	3,647	18,187	155	21,989

The Bank	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2024				
Loans and advances to customers	–	**621**	**2**	**623**
Reverse repurchase agreements	–	**20,465**	–	**20,465**
Debt securities:				
Government securities	**3,473**	–	–	**3,473**
Asset-backed securities	–	**149**	**8**	**157**
Corporate and other debt securities	–	**778**	**124**	**902**
	3,473	**927**	**132**	**4,532**
Total financial assets carried at fair value, excluding derivatives	**3,473**	**22,013**	**134**	**25,620**
At 31 December 2023				
Loans and advances to customers	–	24	2	26
Reverse repurchase agreements	–	17,413	–	17,413
Debt securities:				
Government securities	3,596	–	–	3,596
Asset-backed securities	–	76	7	83
Corporate and other debt securities	–	583	146	729
	3,596	659	153	4,408
Total financial assets carried at fair value, excluding derivatives	3,596	18,096	155	21,847

Strategic report
Governance
Financial statements
Other information

Note 12: Fair values of financial assets and liabilities continued

Movements in level 3 portfolio

The table below analyses movements in level 3 financial assets (excluding derivatives) at fair value, recurring basis.

The Group and the Bank	2024 Financial assets at fair value through profit or loss £m	2024 Financial assets at fair value through other comprehensive income £m	2024 Total level 3 assets carried at fair value, excluding derivatives (recurring basis) £m	2023 Financial assets at fair value through profit or loss £m	2023 Financial assets at fair value through other comprehensive income £m	2023 Total level 3 assets carried at fair value, excluding derivatives (recurring basis) £m
At 1 January	**155**	–	**155**	158	6	164
Exchange and other adjustments	–	–	–	(5)	–	(5)
Losses recognised in the income statement within other income	**(14)**	–	**(14)**	(10)	–	(10)
Purchases/increases	–	–	–	12	1	13
Sales/repayments	**(7)**	–	**(7)**	–	(7)	(7)
At 31 December	**134**	–	**134**	155	–	155
Losses recognised in the income statement, within other income, relating to the change in fair value of those assets held at 31 December	**(14)**	–	**(14)**	(8)	–	(8)

Valuation methodology for financial assets (excluding derivatives)

Loans and advances to customers

The fair value of these assets is determined using discounted cash flow techniques. The discount rates are derived from market observable interest rates, a risk margin that reflects loan credit ratings and an incremental illiquidity premium based on historical spreads at origination on similar loans.

Reverse repurchase agreements

The fair value of these assets is determined using discounted cash flow techniques. The discount rates are derived from observable repurchase agreement rate curves specific to the type of security sold under the reverse repurchase agreement.

Debt securities

Debt securities measured at fair value and classified as level 2 are valued by discounting expected cash flows using an observable credit spread applicable to the particular instrument.

Where there is limited trading activity in debt securities, LBCM uses valuation models, consensus pricing information from third-party pricing services and broker or lead manager quotes to determine an appropriate valuation. Debt securities are classified as level 3 if there is a significant valuation input that cannot be corroborated through market sources or where there are materially inconsistent values for an input. Asset classes classified as level 3 mainly comprise certain collateralised loan obligations and collateralised debt obligations.

(B) Financial liabilities (excluding derivatives)

Valuation hierarchy

At 31 December 2024, the Group and the Bank's financial liabilities carried at fair value, excluding derivatives, comprised its financial liabilities at fair value through profit or loss and totalled £22,981 million for the Group and the Bank (2023: £19,686 million for the Group and the Bank). The table below analyses these financial liabilities by balance sheet classification and valuation methodology (level 1, 2 or 3, as described in note 12). The fair value measurement approach is recurring in nature. There were no significant transfers between levels 1 and 2 during the year.

The Group and the Bank	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2024				
Liabilities designated at fair value through profit or loss	–	–	–	–
Trading liabilities:				
Liabilities in respect of securities sold under repurchase agreements	–	**20,564**	–	**20,564**
Short positions in securities	**2,400**	**17**	–	**2,417**
Total financial liabilities carried at fair value, excluding derivatives	**2,400**	**20,581**	–	**22,981**
At 31 December 2023				
Liabilities designated at fair value through profit or loss	–	11	–	11
Trading liabilities:				
Liabilities in respect of securities sold under repurchase agreements	–	18,101	–	18,101
Short positions in securities	1,569	5	–	1,574
Total financial liabilities carried at fair value, excluding derivatives	1,569	18,117	–	19,686

Valuation methodology for financial liabilities (excluding derivatives)

Trading liabilities in respect of securities sold under repurchase agreements

The fair value of these liabilities is determined using discounted cash flow techniques. The discount rates are derived from observable repurchase agreement rate curves specific to the type of security sold under the repurchase agreement.

Note 12: Fair values of financial assets and liabilities continued

(C) Derivatives

Valuation hierarchy

All of the Group and the Bank's derivative assets and liabilities are carried at fair value. At 31 December 2024, such assets totalled £22,416 million for the Group and for the Bank (2023:£22,606 million for the Group and the Bank). Liabilities totalled £16,588 million for the Group and for the Bank (2023: £17,576 million for the Group and the Bank). The fair value measurement approach is recurring in nature. There were no significant transfers between level 1 and level 2 during the year. The table below analyses these derivative balances by valuation methodology (level 1, 2 or 3, as described in note 12 (1)).

	2024				2023			
The Group and the Bank	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative assets	**16**	**21,651**	**749**	**22,416**	13	22,160	433	22,606
Derivative liabilities	**(20)**	**(16,263)**	**(305)**	**(16,588)**	(10)	(17,213)	(353)	(17,576)

Movements in level 3 portfolio

The table below analyses movements in level 3 derivative assets and liabilities carried at fair value.

	2024		2023	
The Group and the Bank	Derivative assets £m	Derivative liabilities £m	Derivative assets £m	Derivative liabilities £m
At 1 January	**433**	**(353)**	565	(494)
Exchange and other adjustments	**(14)**	**7**	(8)	5
Gains (losses) recognised in the income statement within other income	**7**	**43**	(103)	103
Purchases/increases	**5**	**(4)**	19	(14)
Sales/repayments	**(29)**	**29**	(40)	47
Transfers into the level 3 portfolio	**347**	**(27)**	–	–
At 31 December	**749**	**(305)**	433	(353)
Gains (losses) recognised in the income statement, within other income, relating to the change in fair value of those assets or liabilities held at 31 December	**8**	**17**	(72)	73

Valuation methodology for derivatives

LBCM's derivatives are valued using techniques, including discounted cash flow and options pricing models, as appropriate. The types of derivatives classified as level 2 and the valuation techniques used include:

- Interest rate swaps which are valued using discounted cash flow models; the most significant inputs into those models are interest rate yield curves which are developed from publicly quoted rates
- Foreign exchange derivatives that do not contain options which are priced using rates available from publicly quoted sources
- Credit derivatives are valued using standard models with observable inputs, including publicly available yield and credit default swap (CDS) curves
- Less complex interest rate and foreign exchange option products which are valued using volatility surfaces developed from publicly available interest rate cap, interest rate swaption and other option volatilities; option volatility skew information is derived from a market standard consensus pricing service.

Complex interest rate products where inputs to the valuation are significant and unobservable are classified as level 3.

Derivatives where the counterparty becomes distressed from a credit perspective are generally reclassified to level 3 given limited observability in all traded levels.

Derivative valuation adjustments

Derivative financial instruments which are carried in the balance sheet at fair value are adjusted where appropriate to reflect credit risk, market liquidity and other risks.

(i) Uncollateralised derivative valuation adjustments

The following table summarises the movement on this valuation adjustment account during 2023 and 2024:

	2024 £m	2023 £m
At 1 January	**241**	336
Income statement charge (credit)	**(114)**	(92)
Transfers	**–**	(3)
At 31 December	**127**	241

Represented by:

	2024 £m	2023 £m
Credit Valuation Adjustment	**120**	162
Debit Valuation Adjustment	**(39)**	(31)
Funding Valuation Adjustment	**46**	110
	127	241

Credit and Debit Valuation Adjustments (CVA and DVA) are applied to over-the-counter derivative exposures with counterparties that are not subject to standard interbank collateral arrangements. These exposures largely relate to the provision of risk management solutions.

Note 12: Fair values of financial assets and liabilities continued

A CVA is taken where there is a positive future uncollateralised exposure (asset). A DVA is taken where there is a negative future uncollateralised exposure (liability). These adjustments reflect interest rates and expectations of counterparty creditworthiness and LBCM's own credit spread respectively.

The CVA is sensitive to:

- the current size of the mark-to-market position on the uncollateralised asset
- expectations of future market volatility of the underlying asset; and
- expectations of counterparty creditworthiness

In circumstances where exposures to a counterparty become impaired, any associated derivative valuation adjustment is transferred and assessed for specific loss alongside other non-derivative assets and liabilities that the counterparty may have with LBCM.

Market Credit Default Swap (CDS) spreads are used to develop the probability of default for quoted counterparties. For unquoted counterparties, internal credit ratings and market sector CDS curves and recovery rates are used. The loss given default (LGD) is based on market recovery rates and internal credit assessments.

The combination of a one notch deterioration in the credit rating of derivative counterparties and a ten per cent increase in LGD increases the CVA by £11 million. Current market value is used to estimate the projected exposure for products not supported by the model, which are principally complex interest rate options that are traded in very low volumes. For these, the CVA is calculated on an add-on basis (although no such adjustment was required at 31 December 2024).

The DVA is sensitive to:

- the current size of the mark-to-market position on the uncollateralised liability
- expectations of future market volatility of the underlying liability; and
- LBG's own CDS spread

A one per cent rise in the CDS spread would lead to an increase in the DVA of £83 million to £122 million.

The risk exposures that are used for the CVA and DVA calculations are strongly influenced by interest rates. Due to the nature of LBCM's business the CVA/DVA exposures tend to be on average the same way around such that the valuation adjustments fall when interest rates rise. A one per cent rise in interest rates would lead to a £25 million fall in the overall valuation adjustment to £56 million. The CVA model used by LBCM does not assume any correlation between the level of interest rates and default rates.

LBCM has also recognised a Funding Valuation Adjustment to adjust for the net cost of funding uncollateralised derivative positions. This adjustment is calculated on the expected future exposure discounted at a suitable cost of funds. A ten basis points increase in the cost of funds will increase the funding valuation adjustment by £6 million.

(ii) Market liquidity

LBCM includes mid to bid-offer valuation adjustments against the expected cost of closing out the net market risk in LBCM's trading positions within a time frame that is consistent with historical trading activity and spreads that the trading desks have accessed historically during the ordinary course of business in normal market conditions.

At 31 December 2024, LBCM's derivative trading business held mid to bid-offer valuation adjustments of £53 million (2023: £48 million).

(iii) Day 1 P&L reserves

LBCM defers Day 1 gain/losses when the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs. At 31 December 2024, LBCM's derivative trading business held deferred day 1 P&L valuation adjustment of £3 million (2023: £11 million).

(D) Sensitivity of level 3 valuations

Critical accounting judgements and key sources of estimation uncertainty

Key source of estimation uncertainty:	Interest rate spreads and interest rate volatility

LBCM's valuation control framework and a description of level 1, 2 and 3 financial assets and liabilities are set out above. The valuation techniques for level 3 financial instruments involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information. In addition, in line with market practice, LBCM applies credit, debit and funding valuation adjustments in determining the fair value of its uncollateralised derivative positions. A description of these adjustments is set out in section (C) (i) above.

The Group and the Bank		2024			2023		
			Effect of reasonably possible alternative assumptions[1]			Effect of reasonably possible alternative assumptions[1]	
	Valuation techniques	Carrying value £m	Favourable changes £m	Unfavourable changes £m	Carrying value £m	Favourable changes £m	Unfavourable changes £m
Financial assets at fair value through profit or loss							
Loans and advances to customers	Discounted cash flows	**2**	–	–	2	–	–
Debt securities	Discounted cash flows	**132**	**21**	**(21)**	153	30	(30)
		134			155		
Derivative financial assets							
Interest rate options	Option pricing model	**402**	**5**	**(6)**	433	6	(3)
Interest rate derivatives	Discounted cash flows	**347**	**21**	**(21)**	–	–	–
		749			433		
Level 3 financial assets carried at fair value		**883**			588		
Derivative financial liabilities							
Interest rate derivatives	Option pricing model	**(305)**	**12**	**(10)**	(353)	14	(15)
Level 3 financial liabilities carried at fair value		**(305)**			(353)		

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

Note 12: Fair values of financial assets and liabilities continued

Unobservable inputs

Significant unobservable inputs affecting the valuation of debt securities and derivatives are as follows:.

- Credit spreads represent the premium above the benchmark reference instrument required to compensate for lower credit quality; higher spreads lead to a lower fair value.
- Volatility parameters represent key attributes of option behaviour; higher volatilities typically denote a wider range of possible outcomes.

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

Loans and advances to customers:- Spread (-/+ 16bps)

Debt Securities:- Credit spreads (discount factor) and inflation volatility (-/+ 17bps)

Interest rate derivatives:- Interest Rate Volatility (11.1-183bps)

Reasonably possible alternative assumptions

Valuation techniques applied to many 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.

Debt securities

Reasonably possible alternative assumptions have been determined in respect of LBCM's structured credit investments by flexing credit spreads.

Derivatives

Reasonably possible alternative assumptions have been determined in respect of swaptions in LBCM's derivative portfolios which are priced using industry standard option pricing models. Such models require interest rate volatilities which may be unobservable at longer maturities. To derive reasonably possible alternative valuations these volatilities have been flexed within a range.

Further reasonably possible alternative assumptions have been determined in respect of the recovery rate on distressed derivatives, with recovery rates flexed by 8 per cent in order to determine possible alternative valuations.

(3) Financial assets and liabilities carried at amortised cost

(A) Financial assets

Valuation hierarchy

The table below analyses the fair values of the financial assets of LBCM which are carried at amortised cost by valuation methodology (level 1, 2 or 3, as described in note 12 (1)). Financial assets carried at amortised cost are mainly classified as level 3 due to significant unobservable inputs used in the valuation models. Where inputs are observable, debt securities are classified as level 1 or 2.

The Group	Carrying value £m	Fair value £m	Valuation hierarchy Level 1 £m	Level 2 £m	Level 3 £m
At 31 December 2024					
Loans and advances to banks	**1,255**	**1,251**	**–**	**–**	**1,251**
Loans and advances to customers	**17,800**	**17,809**	**–**	**–**	**17,809**
Reverse repurchase agreements	**5,332**	**5,332**	**–**	**5,332**	**–**
Debt securities	**336**	**330**	**–**	**185**	**145**
Due from fellow Lloyds Banking Group undertakings	**333**	**333**	**–**	**–**	**333**
At 31 December 2023					
Loans and advances to banks	1,753	1,753	–	–	1,753
Loans and advances to customers	16,447	16,376	–	–	16,376
Reverse repurchase agreements	6,020	6,020	–	6,020	–
Debt securities	374	368	–	184	184
Due from fellow Lloyds Banking Group undertakings	297	297	–	–	297

The Bank	Carrying value £m	Fair value £m	Valuation hierarchy Level 1 £m	Level 2 £m	Level 3 £m
At 31 December 2024					
Loans and advances to banks	**1,224**	**1,220**	**–**	**–**	**1,220**
Loans and advances to customers	**17,524**	**17,534**	**–**	**–**	**17,534**
Reverse repurchase agreements	**5,332**	**5,332**	**–**	**5,332**	**–**
Debt securities	**336**	**330**	**–**	**185**	**145**
Due from fellow Lloyds Banking Group undertakings	**642**	**642**	**–**	**–**	**642**
At 31 December 2023					
Loans and advances to banks	1,726	1,726	–	–	1,726
Loans and advances to customers	16,167	16,095	–	–	16,095
Reverse repurchase agreements	6,020	6,020	–	6,020	–
Debt securities	374	368	–	184	184
Due from fellow Lloyds Banking Group undertakings	629	629	–	–	629

Note 12: Fair values of financial assets and liabilities continued

Valuation methodology

Loans and advances to banks

The carrying value of short-dated loans and advances to banks is assumed to be their fair value. The fair value of other loans and advances to banks is estimated by discounting the anticipated cash flows at a market discount rate adjusted for the credit spread of the obligor or, where not observable, the credit spread of borrowers of similar credit quality.

Loans and advances to customers

LBCM provides loans and advances to commercial, corporate and personal customers at both fixed and variable rates. Due to their short-term nature, the carrying value of variable rate loans and balances relating to lease financing is assumed to be their fair value.

To determine the fair value of loans and advances to customers, loans are segregated into portfolios of similar characteristics. A number of techniques are used to estimate the fair value of fixed rate lending; these take account of expected credit losses based on historic trends, prevailing market interest rates and expected future cash flows. For retail exposures, fair value is usually estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans offered by LBCM and other financial institutions. Certain loans secured on residential properties are made at a fixed rate for a limited period, typically 2 to 5 years, after which the loans revert to the relevant variable rate. The fair value of such loans is estimated by reference to market rates for similar loans of maturity equal to the remaining fixed interest rate period. The fair value of commercial loans is estimated by discounting anticipated cash flows at a rate which reflects the effects of interest rate changes, adjusted for changes in credit risk.

Reverse repurchase agreements

The carrying amount is deemed a reasonable approximation of fair value given the short-term nature of these instruments.

Debt securities

The fair values of debt securities are determined predominantly from lead manager quotes and, where these are not available, by alternative techniques including reference to credit spreads on similar assets with the same obligor, market standard consensus pricing services, broker quotes and other research data.

(B) Financial liabilities

Valuation hierarchy

The table below analyses the fair values of the financial liabilities of LBCM which are carried at amortised cost by valuation methodology (level 1, 2 or 3, as described in note 12).

			Valuation hierarchy		
The Group	**Carrying value £m**	**Fair value £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
At 31 December 2024					
Deposits from banks	**2,645**	**2,645**	**–**	**2,645**	**–**
Customer deposits	**30,945**	**30,956**	**–**	**30,956**	**–**
Repurchase agreements at amortised cost	**–**	**–**	**–**	**–**	**–**
Due to fellow Lloyds Banking Group undertakings	**1,512**	**1,512**	**–**	**1,512**	**–**
Debt securities in issue at amortised cost	**15,090**	**15,097**	**–**	**15,097**	**–**
Subordinated liabilities	**746**	**747**	**–**	**747**	**–**
At 31 December 2023					
Deposits from banks	2,078	2,078	–	2,078	–
Customer deposits	29,439	29,462	–	29,462	–
Repurchase agreements at amortised cost	1	1	–	1	–
Due to fellow Lloyds Banking Group undertakings	1,213	1,213	–	1,213	–
Debt securities in issue at amortised cost	15,378	15,273	–	15,273	–
Subordinated liabilities	755	755	–	755	–

			Valuation hierarchy		
The Bank	**Carrying value £m**	**Fair value £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
At 31 December 2024					
Deposits from banks	**2,645**	**2,645**	**–**	**2,645**	**–**
Customer deposits	**30,945**	**30,956**	**–**	**30,956**	**–**
Repurchase agreements at amortised cost	**–**	**–**	**–**	**–**	**–**
Due to fellow Lloyds Banking Group undertakings	**1,560**	**1,560**	**–**	**1,560**	**–**
Debt securities in issue at amortised cost	**15,090**	**15,097**	**–**	**15,097**	**–**
Subordinated liabilities	**746**	**747**	**–**	**747**	**–**
At 31 December 2023					
Deposits from banks	2,078	2,078	–	2,078	–
Customer deposits	29,439	29,462	–	29,462	–
Repurchase agreements at amortised cost	1	1	–	1	–
Due to fellow Lloyds Banking Group undertakings	1,256	1,256	–	1,256	–
Debt securities in issue at amortised cost	15,378	15,273	–	15,273	–
Subordinated liabilities	755	755	–	755	–

Note 12: Fair values of financial assets and liabilities continued

Valuation methodology

Deposits from banks and customer deposits

The fair value of bank and customer deposits repayable on demand is assumed to be equal to their carrying value.

The fair value for all other deposits is estimated using discounted cash flows applying either market rates, where applicable, or current rates for deposits of similar remaining maturities.

Repurchase agreements at amortised cost

The carrying amount is deemed a reasonable approximation of fair value given the short-term nature of these instruments.

Debt securities in issue at amortised cost

The fair value of short-term debt securities in issue is approximately equal to their carrying value. Fair value for other debt securities in issue is calculated based on quoted market prices where available. Where quoted market prices are not available, fair value is estimated using discounted cash flow techniques at a rate which reflects market rates of interest and LBCM's own credit spread.

Subordinated liabilities

The fair value of subordinated liabilities is determined by reference to quoted market prices where available or by reference to quoted market prices of similar instruments. Subordinated liabilities are classified as level 2, since the inputs used to determine their fair value are largely observable.

(4) Reclassifications of financial assets

There have been no reclassifications of financial assets in 2023 or 2024.

Note 13: Derivative financial instruments

The fair values and notional amounts of derivative instruments are set out in the following table:

	2024		
The Group and the Bank	**Contract/notional amount £m**	**Fair value assets £m**	**Fair value liabilities £m**
Trading and other			
Exchange rate contracts	**690,099**	**8,124**	**7,619**
Interest rate contracts	**12,237,736**	**14,103**	**8,738**
Credit derivatives	**2,404**	**8**	**70**
Commodity and other contracts	**3,692**	**170**	**153**
Total derivative assets/liabilities - trading and other	**12,933,931**	**22,405**	**16,580**
Hedging			
Derivatives designated as fair value hedges	**3,453**	**1**	**4**
Derivatives designated as cash flow hedges	**16,897**	**10**	**4**
Total derivative assets/liabilities - hedging	**20,350**	**11**	**8**
Total recognised derivative assets/liabilities	**12,954,281**	**22,416**	**16,588**

	2023		
The Group and the Bank	Contract/notional amount £m	Fair value assets £m	Fair value liabilities £m
Trading and other			
Exchange rate contracts	553,753	5,954	5,662
Interest rate contracts	6,905,990	16,232	11,450
Credit derivatives	1,684	2	50
Commodity and other contracts	5,520	409	378
Total derivative assets/liabilities - trading and other	7,466,947	22,597	17,540
Hedging			
Derivatives designated as fair value hedges	4,200	–	28
Derivatives designated as cash flow hedges	13,963	9	8
Total derivative assets/liabilities - hedging	18,163	9	36
Total recognised derivative assets/liabilities	7,485,110	22,606	17,576

The notional amount of the contract does not represent LBCM's exposure to credit risk, which is limited to the current cost of replacing contracts with a positive value to LBCM should the counterparty default. To reduce credit risk LBCM uses a variety of credit enhancement techniques such as netting and collateralisation, where security is provided against the exposure; a large proportion of LBCM's derivatives are held through exchanges such as London Clearing House and are collateralised through those exchanges. Further details are provided in note 31 Credit Risk section.

LBCM holds derivatives as part of the following strategies:

- Customer-driven, where derivatives are held as part of the provision of risk management products to LBCM customers.
- To manage and hedge LBCM's interest rate and foreign exchange risk arising from normal banking business. The hedge accounting strategy adopted by LBCM is to utilise a combination of fair value and cash flow hedge approaches as described in note 31.

The principal derivatives used by LBCM are as follows:

- Interest rate related contracts include interest rate swaps, forward rate agreements and options. An interest rate swap is an agreement between two parties to exchange fixed and floating interest payments, based upon interest rates defined in the contract, without the exchange of the underlying principal amounts. Forward rate agreements are contracts for the payment of the difference between a specified rate of interest and a reference rate, applied to a notional principal amount at a specific date in the future. An interest rate option gives the buyer, on payment of a premium, the right, but not the obligation, to fix the rate of interest on a future loan or deposit, for a specified period and commencing on a specified future date.
- Exchange rate related contracts include forward foreign exchange contracts, currency swaps and options. A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. Currency swaps generally involve the exchange of interest payment obligations denominated in different currencies; the exchange of principal can be notional or actual. A currency option gives the buyer, on payment of a premium, the right, but not the obligation, to sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Details of LBCM's hedging instruments are set out below:

	Maturity					
The Group and the Bank At 31 December 2024	**Up to 1 month £m**	**1-3 months £m**	**3-12 months £m**	**1-5 years £m**	**Over 5 years £m**	**Total £m**
Fair value hedges						
Interest rate						
Interest rate swap						
Notional	**589**	**572**	**112**	**2,180**	**–**	**3,453**
Average fixed interest rate	**(0.17)%**	**0.79%**	**0.03%**	**1.49%**	**–%**	
Cash flow hedges						
Interest rate						
Interest rate swap						
Notional	**885**	**373**	**3,304**	**7,617**	**4,718**	**16,897**
Average fixed interest rate	**2.17%**	**2.41%**	**2.35%**	**2.16%**	**2.71%**	

Note 13: Derivative financial instruments continued

The Group and the Bank At 31 December 2023	Maturity Up to 1 month £m	1-3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
Fair value hedges						
Interest rate						
Interest rate swap						
Notional	–	–	755	3,445	–	4,200
Average fixed interest rate	–%	–%	0.26%	1.04%	–%	
Cash flow hedges						
Interest rate						
Interest rate swap						
Notional	353	838	2,486	8,280	2,006	13,963
Average fixed interest rate	3.77%	0.71%	1.58%	1.52%	1.66%	

The carrying amounts of LBCM's hedging instruments are as follows:

The Group and the Bank At 31 December 2024	Carrying amount of the hedging instrument: Contract/ notional amount £m	Assets £m	Liabilities £m	Changes in fair value used for calculating hedge ineffectiveness £m
Fair value hedges				
Interest rate				
Interest rate swaps	**3,453**	**1**	**4**	**82**
Cash flow hedges				
Interest rate				
Interest rate swaps	**16,897**	**10**	**4**	**101**

The Group and the Bank At 31 December 2023	Carrying amount of the hedging instrument: Contract/ notional amount £m	Assets £m	Liabilities £m	Changes in fair value used for calculating hedge ineffectiveness £m
Fair value hedges				
Interest rate				
Interest rate swaps	4,200	–	28	158
Cash flow hedges				
Interest rate				
Interest rate swaps	13,963	9	8	360

All amounts are held within derivative financial instruments on the balance sheet.

LBCM's hedged items are as follows:

The Group and the Bank At 31 December 2024	Carrying amount of the hedged item: Assets £m	Carrying amount of the hedged item: Liabilities £m	Accumulated amount of fair value adjustment on the hedged item: Assets £m	Accumulated amount of fair value adjustment on the hedged item: Liabilities £m	Change in fair value of hedged item for ineffectiveness assessment £m	Cash flow hedging reserve: Continuing hedges £m	Cash flow hedging reserve: Discontinued hedges £m
Fair value hedges							
Interest rate							
Fixed rate issuance[1]	–	**3,437**	–	**25**	**(82)**		
Cash flow hedges							
Interest rate							
Customer loans[2]					**(45)**	**33**	**1**
Central bank balances[3]					**(30)**	**(320)**	**(27)**
Customer deposits[4]					**2**	**4**	**5**

The Group and the Bank At 31 December 2023	Carrying amount of the hedged item: Assets £m	Carrying amount of the hedged item: Liabilities £m	Accumulated amount of fair value adjustment on the hedged item: Assets £m	Accumulated amount of fair value adjustment on the hedged item: Liabilities £m	Change in fair value of hedged item for ineffectiveness assessment £m	Cash flow hedging reserve: Continuing hedges £m	Cash flow hedging reserve: Discontinued hedges £m
Fair value hedges							
Interest rate							
Fixed rate issuance[1]	–	4,065	–	111	(157)		
Cash flow hedges							
Interest rate							
Customer loans[2]					(123)	(20)	(2)
Central bank balances[3]					(180)	(352)	(37)
Customer deposits[4]					18	5	5

1 Included within debt securities in issue.
2 Included within loans and advances to customers.
3 Included within cash and balances at central banks.
4 Included within customer deposits.

The accumulated amount of fair value hedge adjustments remaining on the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses is £nil (2023: £nil).

Note 13: Derivative financial instruments continued

Gains and losses arising from hedge accounting are summarised as follows:

The Group and the Bank At 31 December 2024	Gain (loss) recognised in other comprehensive income £m	Hedge ineffectiveness recognised in the income statement[1] £m	Amounts reclassified from reserves to income statement as: Hedged cash flows will no longer occur £m	Hedged item affected income statement £m	Income statement line item that includes reclassified amount
Fair value hedges					
Interest rate					
Fixed rate issuance		–			
Cash flow hedges					
Interest rate					
Customer loans	**93**	**–**	**–**	**(37)**	**Interest income**
Central bank balances	**(338)**	**(4)**	**–**	**380**	**Interest income**
Customer deposits	**9**	**–**	**–**	**(10)**	**Interest expense**

The Group and the Bank At 31 December 2023	Gain (loss) recognised in other comprehensive income £m	Hedge ineffectiveness recognised in the income statement[1] £m	Amounts reclassified from reserves to income statement as: Hedged cash flows will no longer occur £m	Hedged item affected income statement £m	Income statement line item that includes reclassified amount
Fair value hedges					
Interest rate					
Fixed rate issuance		1			
Cash flow hedges					
Interest rate					
Customer loans	126	2	–	22	Interest income
Central bank balances	(182)	(1)	–	376	Interest income
Customer deposits	(12)	–	–	(10)	Interest expense

1 Hedge ineffectiveness is included in the income statement within net trading income.

Note 14: Loans and advances to customers

The Group	Gross carrying amount Stage 1 £m	Gross carrying amount Stage 2 £m	Gross carrying amount Stage 3 £m	Gross carrying amount Total £m	Allowance for expected credit losses Stage 1 £m	Allowance for expected credit losses Stage 2 £m	Allowance for expected credit losses Stage 3 £m	Allowance for expected credit losses Total £m
At 1 January 2024	**16,264**	**193**	**9**	**16,466**	**14**	**5**	**–**	**19**
Exchange and other adjustments[1]	**(44)**	**–**	**–**	**(44)**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**41**	**(41)**	**–**	**–**	**1**	**(1)**	**–**	**–**
Transfers to Stage 2	**(14)**	**17**	**(3)**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(2)**	**(17)**	**19**	**–**	**–**	**(1)**	**1**	**–**
Net change in ECL due to transfers					**(1)**	**–**	**–**	**(1)**
Impact of transfers between stages	**25**	**(41)**	**16**	**–**	**–**	**(2)**	**1**	**(1)**
Other changes in credit quality					**(3)**	**–**	**1**	**(2)**
Additions and repayments	**1,450**	**(46)**	**(16)**	**1,388**	**(4)**	**(2)**	**–**	**(6)**
(Credit) charge to the income statement					**(7)**	**(4)**	**2**	**(9)**
Advances written off			**(2)**	**(2)**			**(2)**	**(2)**
At 31 December 2024	**17,695**	**106**	**7**	**17,808**	**7**	**1**	**–**	**8**
Allowance for ECL	**(7)**	**(1)**	**–**	**(8)**				
Net carrying amount	**17,688**	**105**	**7**	**17,800**				
Drawn ECL coverage[2] (%)	**–%**	**0.9%**	**–%**	**–%**				

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

2 Allowance for expected credit losses on loans and advances to customers as a percentage of gross loans and advances to customers.

The Group	Gross carrying amount Stage 1 £m	Gross carrying amount Stage 2 £m	Gross carrying amount Stage 3 £m	Gross carrying amount Total £m	Allowance for expected credit losses Stage 1 £m	Allowance for expected credit losses Stage 2 £m	Allowance for expected credit losses Stage 3 £m	Allowance for expected credit losses Total £m
At 1 January 2023	18,084	1,060	22	19,166	23	15	1	39
Exchange and other adjustments[1]	(603)	(15)	–	(618)	–	–	(1)	(1)
Transfers to Stage 1	636	(636)	–	–	8	(8)	–	–
Transfers to Stage 2	(47)	47	–	–	–	–	–	–
Transfers to Stage 3	(2)	–	2	–	–	–	–	–
Net change in ECL due to transfers					(6)	1	–	(5)
Impact of transfers between stages	587	(589)	2	–	2	(7)	–	(5)
Other changes in credit quality					(1)	–	2	1
Additions and repayments	(1,804)	(263)	(14)	(2,081)	(10)	(3)	(1)	(14)
(Credit) charge to the income statement					(9)	(10)	1	(18)
Advances written off			(2)	(2)			(2)	(2)
Recoveries of advances written off in previous years			1	1			1	1
At 31 December 2023	16,264	193	9	16,466	14	5	–	19
Allowance for ECL	(14)	(5)	–	(19)				
Net carrying amount	16,250	188	9	16,447				
Drawn ECL coverage[2] (%)	0.1%	2.6%	–%	0.1%				

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

2 Allowance for expected credit losses on loans and advances to customers as a percentage of gross loans and advances to customers.

Note 14: Loans and advances to customers continued

The Bank	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Allowance for expected credit losses Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 January 2024	**15,996**	**180**	**9**	**16,185**	**13**	**5**	**–**	**18**
Exchange and other adjustments[1]	**(45)**	**–**	**1**	**(44)**	**–**	**–**	**(1)**	**(1)**
Transfers to Stage 1	**36**	**(36)**	**–**	**–**	**1**	**(1)**	**–**	**–**
Transfers to Stage 2	**(9)**	**12**	**(3)**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(1)**	**(16)**	**17**	**–**	**–**	**(1)**	**1**	**–**
Net change in ECL due to transfers					**(1)**	**–**	**–**	**(1)**
Impact of transfers between stages	**26**	**(40)**	**14**	**–**	**–**	**(2)**	**1**	**(1)**
Other changes in credit quality					**(3)**	**–**	**1**	**(2)**
Additions and repayments	**1,451**	**(44)**	**(16)**	**1,391**	**(4)**	**(2)**	**–**	**(6)**
(Credit) Charge to the income statement					**(7)**	**(4)**	**2**	**(9)**
Advances written off			**(1)**	**(1)**			**(1)**	**(1)**
At 31 December 2024	**17,428**	**96**	**7**	**17,531**	**6**	**1**	**–**	**7**
Allowance for ECL	**(6)**	**(1)**	**–**	**(7)**				
Net carrying amount	**17,422**	**95**	**7**	**17,524**				
Drawn ECL coverage[2] (%)	**—%**	**1.0%**	**—%**	**—%**				

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

2 Allowance for expected credit losses on loans and advances to customers as a percentage of gross loans and advances to customers.

The Bank	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Allowance for expected credit losses Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 January 2023	17,851	1,029	22	18,902	22	15	1	38
Exchange and other adjustments[1]	(604)	(13)	1	(616)	–	–	(1)	(1)
Transfers to Stage 1	622	(622)	–	–	8	(8)	–	–
Transfers to Stage 2	(42)	42	–	–	–	–	–	–
Transfers to Stage 3	(2)	–	2	–	–	–	–	–
Net change in ECL due to transfers					(6)	1	–	(5)
Impact of transfers between stages	578	(580)	2	–	2	(7)	–	(5)
Other changes in credit quality					(2)	1	2	1
Additions and repayments	(1,829)	(256)	(14)	(2,099)	(9)	(4)	–	(13)
(Credit) charge to the income statement					(9)	(10)	2	(17)
Advances written off			(2)	(2)			(2)	(2)
At 31 December 2023	15,996	180	9	16,185	13	5	–	18
Allowance for ECL	(13)	(5)	–	(18)				
Net carrying amount	15,983	175	9	16,167				
Drawn ECL coverage[2] (%)	0.1%	2.8%	—%	0.1%				

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

2 Allowance for expected credit losses on loans and advances to customers as a percentage of gross loans and advances to customers.

The movement tables are compiled by comparing the position at the end of the period 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 end of the period.

Additions and repayments comprise new loans originated and repayments of outstanding balances throughout the reporting period.

LBCM's impairment charge comprises impact of transfers between stages, other changes in credit quality and additions and repayments.

Advances written off have first been transferred to Stage 3 and then acquired a full allowance through other changes in credit quality.

Note 15: Finance lease receivables

Finance lease receivables are classified as loans and advances to customers and accounted for at amortised cost.

The balance is analysed as follows:

	The Group	
	2024 £m	2023 £m
Not later than 1 year	**9**	15
Later than 1 year and not later than 2 years	**10**	10
Later than 2 years and not later than 3 years	**11**	10
Later than 3 years and not later than 4 years	**11**	11
Later than 4 years and not later than 5 years	**12**	11
Later than 5 years	**180**	190
Gross investment in finance leases	**233**	247
Unearned future finance income on finance leases	**(74)**	(85)
Rentals received in advance	**–**	(2)
Net investment in finance leases	**159**	160

Equipment leased to customers under finance leases primarily relates to structured financing transactions in connection with infrastructure assets.

Note 16: Allowance for expected credit losses

LBCM recognises an allowance for expected credit losses (ECLs) for loans and advances to banks and customers, debt securities held at amortised cost and certain loan commitment and financial guarantee contracts. At 31 December 2024, the Group's expected credit loss allowance was £12 million (2023: £31 million), of which £8 million (2023: £23 million) was in respect of drawn balances. At 31 December 2024, the Bank's expected credit loss allowance was £11 million (2023: £30 million), of which £7 million (2023: £22 million) was in respect of drawn balances.

The Group's total expected credit loss allowances were as follows:

	Allowance for expected credit losses			
At 31 December 2024	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
In respect of:				
Loans and advances to banks	**–**	**–**	**–**	**–**
Loans and advances to customers	**7**	**1**	**–**	**8**
Debt securities	**–**	**–**	**–**	**–**
Financial assets at amortised cost	**7**	**1**	**–**	**8**
Provisions in relation to loan commitments and financial guarantees	**3**	**1**	**–**	**4**
Total	**10**	**2**	**–**	**12**

	Allowance for expected credit losses			
At 31 December 2023	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
In respect of:				
Loans and advances to banks	2	–	–	2
Loans and advances to customers	14	5	–	19
Debt securities	–	2	–	2
Financial assets at amortised cost	16	7	–	23
Provisions in relation to loan commitments and financial guarantees	7	1	–	8
Total	23	8	–	31

Note 16: Allowance for expected credit losses continued

The Bank's total impairment allowances were as follows:

	Allowance for expected credit losses			
At 31 December 2024	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
In respect of:				
Loans and advances to banks	–	–	–	–
Loans and advances to customers	**6**	**1**	–	**7**
Debt securities	–	–	–	–
Financial assets at amortised cost	**6**	**1**	–	**7**
Provisions in relation to loan commitments and financial guarantees	**3**	**1**	–	**4**
Total	**9**	**2**	–	**11**

	Allowance for expected credit losses			
At 31 December 2023	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
In respect of:				
Loans and advances to banks	2	–	–	2
Loans and advances to customers	13	5	–	18
Debt securities	–	2	–	2
Financial assets at amortised cost	15	7	–	22
Provisions in relation to loan commitments and financial guarantees	7	1	–	8
Total	22	8	–	30

The calculation of the Group's expected credit loss allowances and provisions against loan commitments and guarantees, which are set out above, requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below:

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements:	Determining an appropriate definition of default against which a probability of default, exposure at default and loss given default parameter can be evaluated. Establishing the criteria for a significant increase in credit risk (SICR). The use of judgemental adjustments made to impairment modelling processes that adjust inputs, parameters and outputs to reflect risks not captured by models.
Key source of estimation uncertainty	Base case and multiple economic scenarios (MES) assumptions, including the rate of unemployment, required for creation of MES scenarios and forward-looking credit parameters.

Definition of default

The probability of default (PD) of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by LBCM is described in note 2.

Significant increase in credit risk

An ECL allowance equivalent to 12 months' expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition. Credit-impaired assets are transferred to Stage 3 with a lifetime expected losses allowance. If an exposure that is classified as Stage 2 no longer meets the SICR criteria, which in some cases capture customer behaviour in previous periods, it is moved back to Stage 1.

LBCM uses both quantitative and qualitative indicators to determine whether there has been a SICR for an asset. The setting of precise trigger points combined with risk indicators requires judgement and the use of different trigger points may have a material impact upon the ECL allowance. LBCM monitors the effectiveness of SICR criteria on an ongoing basis.

A doubling of PD with a minimum increase in PD of 1 per cent since origination is treated as a SICR. This is complemented with the use of internal credit risk classifications and ratings as qualitative indicators to identify a SICR.

LBCM does not use the low credit risk exemption in its staging assessments. All financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

Individual assessments and application of judgement in adjustments to modelled ECL

The table below analyses total ECL allowances by portfolio, separately identifying the amounts that have been modelled, those that have been individually assessed and those arising through the application of judgemental adjustments.

	Modelled ECL £m	**Individually assessed £m**	**Other judgements £m**	**Total ECL £m**
At 31 December 2024	**16**	–	**(4)**	**12**
At 31 December 2023	34	–	(3)	31

Individually assessed ECL

Stage 3 ECL is largely assessed on an individual basis using bespoke assessment of loss for each specific customer. These assessments are carried out by the Business Support Unit based on detailed reviews and expected recovery strategies. While these assessments are based on LBCM's latest economic view, the use of LBCM-wide multiple economic scenarios and weightings is not considered appropriate for these cases due to their individual characteristics. In place of this, a range of case-specific outcomes are considered with any alternative better or worse outcomes that carry a 25 per cent likelihood taken into account in establishing a probability-weighted ECL. At 31 December 2024 individually assessed provisions for LBCM were £nil (2023: £nil) with no additional range for alternative outcomes.

Note 16: Allowance for expected credit losses continued

Application of judgement in adjustments to modelled ECL

Impairment models fall within LBCM's model risk framework with model monitoring, periodic validation and back testing performed on model components (i.e. probability of default, exposure at default and loss given default). Limitations in LBCM's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management make appropriate adjustments to LBCM's allowance for impairment losses to ensure that the overall provision adequately reflects all material risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post-model adjustments.

Post-model adjustments are not typically calculated under each distinct economic scenario used to generate ECL, but on final modelled ECL. All adjustments are reviewed quarterly and are subject to internal review and challenge, including by the Audit Committee, to ensure that amounts are appropriately calculated and that there are specific release criteria identified.

Other judgements

Other judgements include corporate insolvency rates of £(6) million (2023: £(5) million). The volume of UK corporate insolvencies continues to exhibit an elevated trend beyond December 2019 levels, revealing a marked misalignment between observed UK corporate insolvencies and the Group's equivalent credit performance. This dislocation gives rise to uncertainty over the drivers of the observed trends in the metric and the appropriateness of the Group's Commercial Banking model response which uses observed UK corporate insolvencies data to anchor future loss estimates to. Given the Group's asset quality remains strong with low defaults, a negative adjustment is applied by reverting judgementally to the long-term average of the insolvency rate.

Generation of multiple economic scenarios

The estimate of expected credit losses is required to be based on an unbiased expectation of future economic scenarios. The approach used to generate the range of future economic scenarios depends on the methodology and judgements adopted. LBCM's approach is to start from a defined base case scenario, used for planning purposes, and to generate alternative economic scenarios around this base case. The base case scenario is a conditional forecast underpinned by a number of conditioning assumptions that reflect LBCM's best view of key future developments. If circumstances appear likely to materially deviate from the conditioning assumptions, then the base case scenario is updated.

The base case scenario is central to a range of future economic scenarios generated by simulation of an economic model, for which the same conditioning assumptions apply as in the base case scenario. These scenarios are ranked by using estimated relationships with industry-wide historical loss data. With the base case already pre-defined, three other scenarios are identified as averages of constituent scenarios located around the 15th, 75th and 95th percentiles of the distribution. The full distribution is therefore summarised by a practical number of scenarios to run through ECL models representing an upside, the base case, and a downside scenario weighted at 30 per cent each, together with a severe downside scenario weighted at 10 per cent. The scenario weights represent the distribution of economic scenarios and not subjective views on likelihood. The inclusion of a severe downside scenario with a smaller weighting ensures that the non-linearity of losses in the tail of the distribution is adequately captured. Macroeconomic projections may employ reversionary techniques to adjust the paths of economic drivers towards long-run equilibria after a reasonable forecast horizon. The Group does not use such techniques to force the MES scenarios to revert to the base case planning view. Utilising such techniques would be expected to be immaterial for expected credit losses since loss sensitivity is minimal after the initial five years of the projections.

A forum under the chairmanship of the LBG Chief Economist meets at least quarterly to review and, if appropriate, recommend changes to the method by which economic scenarios for LBG and LBCM are generated, for approval by the LBG Chief Financial Officer and LBG Chief Risk Officer. In June 2022, LBCM judged it appropriate to include an adjusted severe downside scenario to incorporate a high CPI inflation and UK Bank Rate profiles and to adopt this adjusted severe downside scenario to calculate LBCM's ECL. This is because the historic UK macroeconomic and loan loss data upon which the scenario model is calibrated imply an association of downside economic outcomes with easier monetary policy, and therefore low interest rates. The adjustment is considered to better reflect the risks around LBCM's base case view in an economic environment where the potential for supply shocks remains an elevated concern. LBCM has continued to include a non-modelled severe downside scenario for ECL calculations for 31 December 2024 reporting.

Base case and MES economic assumptions

LBCM's base case economic scenario has been updated to reflect ongoing geopolitical developments and changes in domestic economic policy. LBCM's updated base case scenario has three conditioning assumptions. First, cross-border conflicts do not lead to major disruptions in commodity prices or global trade. Second, the US pursues a more isolationist economic agenda, with policies including trade tariffs; immigration cuts; and unfunded tax cuts. China, EU, and UK are assumed to retaliate to any US tariffs imposed on them. Third, UK Budget public investment plans are assumed to have a small but positive impact on trend productivity growth, subject to further review as more specific policy detail emerges.

Based on these assumptions and incorporating the economic data published in the fourth quarter, LBCM's base case scenario is for a slow expansion in GDP and a rise in the unemployment rate alongside modest changes in residential and commercial property prices. Against a backdrop of some persistence in inflationary pressures, UK Bank Rate is expected to be lowered gradually during 2025. Risks around this base case economic view lie in both directions and are largely captured by the generation of alternative economic scenarios.

LBCM has accommodated 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 fourth quarter of 2024, for which actuals may have since emerged prior to publication.

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) growth is presented as an annual change, with commercial real estate price growth presented as the growth in the index 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 at 31 December 2024 covers the five years 2024 to 2028. 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.

Five-year start to peak and trough

The peak or trough for any metric may occur intra-year and therefore not be identifiable from the annual assumptions, so they are also disclosed. For GDP and commercial real estate price growth, the peak, or trough, reflects the highest, or lowest cumulative quarterly position reached relative to the start of the five-year period, which as at 31 December 2024 is 1 January 2024. Given these metrics may exhibit increases followed by greater falls, the start to trough movements quoted may be smaller than the equivalent 'peak to trough' movement (and vice versa for start to peak). Unemployment and UK Bank Rate reflect the highest or lowest quarterly level reached in the five-year period.

Note 16: Allowance for expected credit losses continued

At 31 December 2024	2024 %	2025 %	2026 %	2027 %	2028 %	2024 to 2028 average %	Start to peak %	Start to trough %
Upside								
UK Gross domestic product growth	0.8	1.9	2.2	1.5	1.4	1.6	8.9	0.7
UK Bank Rate	5.06	4.71	5.02	5.19	5.42	5.08	5.50	4.50
UK Unemployment rate	4.3	3.5	2.8	2.7	2.8	3.2	4.4	2.7
UK Commercial real estate price growth	0.7	7.8	6.7	3.2	0.5	3.7	20.0	(0.8)
US Gross domestic product	2.8	3.5	3.5	1.4	0.6	2.1	11.1	0.4
US Unemployment rate	4.0	3.6	2.6	2.7	3.5	3.3	4.2	2.4
Base case								
UK Gross domestic product growth	0.8	1.0	1.4	1.5	1.5	1.2	7.0	0.7
UK Bank Rate	5.06	4.19	3.63	3.50	3.50	3.98	5.25	3.50
UK Unemployment rate	4.3	4.7	4.7	4.5	4.5	4.5	4.8	4.2
UK Commercial real estate price growth	0.7	0.3	2.5	1.9	0.0	1.1	5.4	(0.8)
US Gross domestic product	2.8	2.0	1.8	1.9	1.9	2.0	10.2	0.4
US Unemployment rate	4.0	4.3	4.4	4.4	4.3	4.3	4.4	3.8
Downside								
UK Gross domestic product growth	0.8	(0.5)	(0.4)	1.0	1.5	0.5	3.2	0.0
UK Bank Rate	5.06	3.53	1.56	0.96	0.68	2.36	5.25	0.59
UK Unemployment rate	4.3	6.0	7.4	7.4	7.1	6.4	7.5	4.2
UK Commercial real estate price growth	0.7	(7.8)	(3.1)	(0.9)	(2.3)	(2.7)	0.7	(12.9)
US Gross domestic product	2.8	0.8	0.2	2.2	3.1	1.8	9.3	0.4
US Unemployment rate	4.0	5.0	6.2	6.1	5.2	5.3	6.3	3.8

At 31 December 2024	2024 %	2025 %	2026 %	2027 %	2028 %	2024 to 2028 average %	Start to peak %	Start to trough %
Severe downside								
UK Gross domestic product growth	0.8	(1.9)	(1.5)	0.7	1.3	(0.1)	1.2	(2.4)
UK Bank Rate - modelled	5.06	2.68	0.28	0.08	0.02	1.62	5.25	0.02
UK Bank Rate - adjusted[1]	5.06	4.03	2.70	2.23	1.95	3.19	5.25	1.88
UK Unemployment rate	4.3	7.7	10.0	10.0	9.7	8.4	10.2	4.2
UK Commercial real estate price growth	0.7	(17.4)	(8.5)	(5.5)	(5.7)	(7.5)	0.7	(32.3)
US Gross domestic product	2.8	(1.2)	(2.1)	2.9	5.1	1.6	8.0	(2.2)
US Unemployment rate	4.0	6.2	9.1	8.6	6.5	6.9	9.4	3.8
Probability-weighted								
UK Gross domestic product growth	0.8	0.5	0.8	1.2	1.4	1.0	5.7	0.7
UK Bank Rate - modelled	5.06	4.00	3.09	2.90	2.88	3.59	5.25	2.88
UK Bank Rate - adjusted[1]	5.06	4.13	3.33	3.12	3.08	3.74	5.25	3.06
UK Unemployment rate	4.3	5.0	5.5	5.4	5.3	5.1	5.5	4.2
UK Commercial real estate price growth	0.7	(1.7)	1.0	0.7	(1.1)	(0.1)	0.7	(1.3)
US Gross domestic product	2.8	1.8	1.5	1.9	2.2	1.9	10.0	0.4
US Unemployment rate	4.0	4.5	4.9	4.8	4.5	4.5	4.9	3.8

1 The adjustment to UK Bank Rate in the severe downside is considered to better reflect the risks around LBCM's base case view in an economic environment where the risks of supply and demand shocks are more balanced.

Note 16: Allowance for expected credit losses continued

At 31 December 2023	2023 %	2024 %	2025 %	2026 %	2027 %	2023 to 2027 average %	Start to peak %	Start to trough %
Upside								
UK Gross domestic product growth	0.3	1.5	1.7	1.7	1.9	1.4	8.1	0.2
UK Bank Rate	4.94	5.72	5.61	5.38	5.18	5.37	5.79	4.25
UK Unemployment rate	4.0	3.3	3.1	3.1	3.1	3.3	4.2	3.0
UK Commercial real estate price growth	(3.9)	9.0	3.8	1.3	1.3	2.2	11.5	(3.9)
US Gross domestic product	2.5	2.7	3.1	1.7	0.5	2.0	10.2	0.6
US Unemployment rate	3.6	3.9	3.3	3.0	3.4	3.4	4.0	3.0
Base case								
UK Gross domestic product growth	0.3	0.5	1.2	1.7	1.9	1.1	6.4	0.2
UK Bank Rate	4.94	4.88	4.00	3.50	3.06	4.08	5.25	3.00
UK Unemployment rate	4.2	4.9	5.2	5.2	5.0	4.9	5.2	3.9
UK Commercial real estate price growth	(5.1)	(0.2)	0.1	0.0	0.8	(0.9)	(1.2)	(5.3)
US Gross domestic product	2.4	1.0	1.4	1.7	1.6	1.6	8.0	0.6
US Unemployment rate	3.6	4.3	4.5	4.4	4.3	4.2	4.5	3.5
Downside								
UK Gross domestic product growth	0.2	(1.0)	(0.1)	1.5	2.0	0.5	3.4	(1.2)
UK Bank Rate	4.94	3.95	1.96	1.13	0.55	2.51	5.25	0.43
UK Unemployment rate	4.3	6.5	7.8	7.9	7.6	6.8	8.0	3.9
UK Commercial real estate price growth	(6.0)	(8.7)	(4.0)	(2.1)	(1.2)	(4.4)	(1.2)	(20.4)
US Gross domestic product	2.3	(0.4)	(0.6)	1.0	2.1	0.9	4.4	0.4
US Unemployment rate	3.7	4.8	6.1	6.6	6.4	5.5	6.6	3.5

At 31 December 2023	2023 %	2024 %	2025 %	2026 %	2027 %	2023 to 2027 average %	Start to peak %	Start to trough %
Severe downside								
UK Gross domestic product growth	0.1	(2.3)	(0.5)	1.3	1.8	0.1	1.0	(2.9)
UK Bank Rate - modelled	4.94	2.75	0.49	0.13	0.03	1.67	5.25	0.02
UK Bank Rate - adjusted[1]	4.94	6.56	4.56	3.63	3.13	4.56	6.75	3.00
UK Unemployment rate	4.5	8.7	10.4	10.5	10.1	8.8	10.5	3.9
UK Commercial real estate price growth	(7.7)	(19.5)	(10.6)	(7.7)	(5.2)	(10.3)	(1.2)	(41.8)
US Gross domestic product	2.2	(2.2)	(3.0)	0.1	2.5	0.0	2.3	(4.2)
US Unemployment rate	3.7	5.5	8.2	9.3	9.0	7.1	9.4	3.5
Probability-weighted								
UK Gross domestic product growth	0.3	0.1	0.8	1.6	1.9	0.9	5.4	0.1
UK Bank Rate - modelled	4.94	4.64	3.52	3.02	2.64	3.75	5.25	2.59
UK Bank Rate - adjusted[1]	4.94	5.02	3.93	3.37	2.95	4.04	5.42	2.89
UK Unemployment rate	4.2	5.3	5.9	5.9	5.7	5.4	6.0	3.9
UK Commercial real estate price growth	(5.3)	(1.9)	(1.1)	(1.0)	(0.2)	(1.9)	(1.2)	(9.9)
US Gross domestic product	2.4	0.8	0.8	1.3	1.5	1.3	6.8	0.6
US Unemployment rate	3.7	4.5	5.0	5.1	5.2	4.7	5.2	3.5

1 The adjustment to UK Bank Rate in the severe downside is considered to better reflect the risks around LBCM's base case view in an economic environment where supply shocks are the principal concern.

Note 16: Allowance for expected credit losses continued

Base case scenario by quarter[1] At 31 December 2024	First quarter 2024 %	Second quarter 2024 %	Third quarter 2024 %	Fourth quarter 2024 %	First quarter 2025 %	Second quarter 2025 %	Third quarter 2025 %	Fourth quarter 2025 %
UK Gross domestic product growth	**0.7**	**0.4**	**0.0**	**0.1**	**0.2**	**0.3**	**0.3**	**0.3**
UK Bank Rate	**5.25**	**5.25**	**5.00**	**4.75**	**4.50**	**4.25**	**4.00**	**4.00**
UK Unemployment rate	**4.3**	**4.2**	**4.3**	**4.4**	**4.5**	**4.6**	**4.7**	**4.8**
UK Commercial real estate price growth	**(5.3)**	**(4.7)**	**(2.8)**	**0.7**	**1.8**	**1.4**	**0.9**	**0.3**
US Gross domestic product	**0.4**	**0.7**	**0.8**	**0.5**	**0.4**	**0.4**	**0.4**	**0.5**
US Unemployment rate	**3.8**	**4.0**	**4.2**	**4.2**	**4.2**	**4.3**	**4.3**	**4.4**

1 Gross domestic product presented quarter-on-quarter and commercial real estate growth presented year-on-year - i.e. from the equivalent quarter the previous year. Bank Rate is presented at the end of each quarter.

Base case scenario by quarter[1] At 31 December 2023	First quarter 2023 %	Second quarter 2023 %	Third quarter 2023 %	Fourth quarter 2023 %	First quarter 2024 %	Second quarter 2024 %	Third quarter 2024 %	Fourth quarter 2024 %
UK Gross domestic product growth	0.3	0.0	(0.1)	0.0	0.1	0.2	0.3	0.3
UK Bank Rate	4.25	5.00	5.25	5.25	5.25	5.00	4.75	4.50
UK Unemployment rate	3.9	4.2	4.2	4.3	4.5	4.8	5.0	5.2
UK Commercial real estate price growth	(18.8)	(21.2)	(18.2)	(5.1)	(4.1)	(3.8)	(2.2)	(0.2)
US Gross domestic product	0.6	0.5	1.3	0.0	0.0	0.1	0.2	0.3
US Unemployment rate	3.5	3.5	3.7	3.9	4.1	4.3	4.4	4.5

1 Gross domestic product presented quarter-on-quarter and commercial real estate growth presented year-on-year - i.e. from the equivalent quarter the previous year. Bank Rate is presented at the end of each quarter.

ECL sensitivity to economic assumptions

The table below shows LBCM's ECL for the probability weighted, upside, base case, downside and severe downside scenarios. 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. ECL for post-model adjustments have been apportioned relative to their sensitivity in each scenario.

Judgements applied through changes to inputs are reflected in the scenario sensitivities.

	Probability-weighted £m	Upside £m	Base case £m	Downside £m	Severe downside £m
At 31 December 2024	**12**	**6**	**10**	**15**	**27**
At 31 December 2023	31	17	24	38	68

The table below shows LBCM's ECL for the upside, base case, downside and severe downside scenarios, with staging of assets based on each specific scenario probability of default. ECL for post-model adjustments have been apportioned relative to their sensitivity in each scenario.

	Upside £m	Base case £m	Downside £m	Severe downside £m
At 31 December 2024	**6**	**10**	**17**	**49**
At 31 December 2023	15	22	38	129

The table below shows the percentage of assets that would be recorded in Stage 2 for the upside, base case, downside and severe downside scenarios, if stage allocation was based on each specific scenario.

	Upside %	Base case %	Downside %	Severe downside %
At 31 December 2024	**0.3**	**0.3**	**0.7**	**1.2**
At 31 December 2023	0.5	0.6	1.8	6.3

Note 17: Investment in subsidiary undertakings of the Bank

	The Bank	
	2024 £m	2023 £m
At 1 January	**180**	180
Impairment	**(12)**	–
At 31 December	**168**	180

Details of the subsidiaries and related undertakings are given in the Other information section of the report and are incorporated by reference.

Certain subsidiary companies currently have insufficient distributable reserves to make dividend payments, however, there were no further significant restrictions on any of the Bank's subsidiaries in paying dividends or repaying loans and advances. All regulated banking subsidiaries are required to maintain capital at levels agreed with the regulators; this may impact those subsidiaries' ability to make distributions.

On the 2nd January 2024 Lloyds International Services Limited, Lloyds Corporate Services (Jersey) Limited, Lloyds Holdings (Jersey) Limited and Nominees (Jersey) Limited merged with Lloyds International Management Services (Jersey) Limited. There is no impact to the value of the investment in subsidiary undertakings of the Bank.

During 2023, Blackhorse Offshore Limited became a directly owned subsidiary of LBCM.

Note 18: Other assets

	The Group		The Bank	
	2024 £m	2023[1] £m	**2024 £m**	2023[1] £m
Property, plant and equipment:				
Premises	**11**	11	**6**	6
Equipment	**4**	6	**3**	5
Right-of-use assets[2]	**24**	31	**23**	27
	39	48	**32**	38
Other intangibles[3]	**4**	–	**4**	–
Settlement balances	**1,210**	426	**1,209**	411
Prepayments and accrued income	**29**	25	**23**	21
Other assets	**60**	19	**60**	17
Total other assets	**1,342**	518	**1,328**	487

1 See note 1 regarding changes to presentation.

2 Relates to premises.

3 Other intangibles relate to software capitalisation. The assets are amortised on a straightline basis over the estimated useful life of the asset.

Note 19: Debt securities in issue at amortised cost

	The Group and the Bank	
	2024 £m	2023 £m
Senior unsecured notes issued	**6,619**	6,557
Certificates of deposit issued	**5,179**	4,963
Commercial paper	**3,292**	3,858
Total debt securities in issue at amortised cost	**15,090**	15,378

At 31 December 2024 £5,009 million (2023: £5,806 million) of debt securities in issue at amortised cost of the Group and the Bank had a contractual residual maturity of greater than one year.

Note 20: Other liabilities

	The Group		The Bank	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Settlement balances	**502**	173	**501**	170
Lease liabilities	**32**	38	**26**	30
Other creditors and accruals	**79**	86	**73**	80
Total other liabilities	**613**	297	**600**	280

The maturity analysis of LBCM's lease liabilities on an undiscounted basis is set out in the liquidity risk section of note 31.

Note 21: Provisions

	The Group		
	Provisions for financial commitments and guarantees £m	Other £m	Total £m
At 1 January 2024	**8**	**8**	**16**
Exchange and other adjustments	–	–	–
Provisions applied	–	**(5)**	**(5)**
Charge (credit) for the year	**(4)**	**4**	–
At 31 December 2024	**4**	**7**	**11**

	The Bank		
	Provisions for financial commitments and guarantees £m	Other £m	Total £m
At 1 January 2024	**8**	**7**	**15**
Exchange and other adjustments	–	–	–
Provisions applied	–	**(4)**	**(4)**
Charge (credit) for the year	**(4)**	**3**	**(1)**
At 31 December 2024	**4**	**6**	**10**

Provisions for financial commitments and guarantees are recognised for expected credit losses on undrawn loan commitments and financial guarantees. See also note 16.

Other provisions are primarily in respect of restructuring.

Note 22: Subordinated liabilities

The movement in subordinated liabilities during the year was as follows:

	The Group and the Bank	
Dated subordinated liabilities	**2024 £m**	2023 £m
At 1 January	**755**	761
Issued during the year	–	299
Repurchases and redemptions during the year	–	(284)
Foreign exchange movements	**(1)**	(28)
Other movements (all non-cash)	**(8)**	7
At 31 December	**746**	755

Note 23: Share capital

(1) Issued and fully paid ordinary shares

	The Group and the Bank			
Ordinary shares of £1 each	**2024 Number of shares**	2023 Number of shares	**2024 £m**	2023 £m
At 1 January and 31 December	**370,050,000**	370,050,000	**370**	370

(2) Share capital and control

There are no limitations on voting rights or restrictions on the transfer of shares in the Bank other than as set out in the articles of association, and certain restrictions which may from time to time be imposed by law and regulations (for example, insider trading laws).

Ordinary shares

The holders of ordinary shares, who held 100 per cent of the total ordinary share capital at 31 December 2024, are entitled to receive the Bank's report and accounts, attend, speak and vote at general meetings and appoint proxies to exercise voting rights. Holders of ordinary shares may also receive a dividend (subject to the provisions of the Bank's articles of association) and in the event of a winding-up, may share in the assets of the Bank.

Note 24: Other reserves

	The Group		The Bank	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Cash flow hedging reserve	**(219)**	(289)	**(219)**	(289)
Foreign currency translation reserve	**(17)**	(24)	**(17)**	(25)
At 31 December	**(236)**	(313)	**(236)**	(314)

The revaluation reserves in respect of debt securities and equity shares held at fair value through other comprehensive income represent the cumulative after-tax unrealised change in the fair value of financial assets so classified since initial recognition; or in the case of financial assets obtained on acquisitions of businesses, since the date of acquisition.

The cash flow hedging reserve represents the cumulative after-tax gains and losses on effective cash flow hedging instruments that will be reclassified to the income statement in the periods in which the hedged item affects profit or loss.

The foreign currency translation reserve represents the cumulative after-tax gains and losses on the translation of foreign operations and exchange differences arising on financial instruments designated as hedges of LBCM's net investment in foreign operations.

Movements in other reserves were as follows:

	The Group		The Bank	
Revaluation reserve in respect of debt securities held at fair value through other comprehensive income	**2024 £m**	2023 £m	**2024 £m**	2023 £m
At 1 January	–	(2)	–	(2)
Change in fair value	–	3	–	3
Deferred tax	–	(1)	–	(1)
	–	2	–	2
At 31 December	–	–	–	–

	The Group		The Bank	
Cash flow hedging reserve	**2024 £m**	2023 £m	**2024 £m**	2023 £m
At 1 January	**(289)**	(519)	**(289)**	(519)
Change in fair value of hedging derivatives	**(236)**	(68)	**(236)**	(68)
Deferred tax	**66**	18	**66**	18
	(170)	(50)	**(170)**	(50)
Net income statement transfers	**333**	388	**333**	388
Deferred tax	**(93)**	(108)	**(93)**	(108)
	240	280	**240**	280
At 31 December	**(219)**	(289)	**(219)**	(289)

	The Group		The Bank	
Foreign currency translation reserve	**2024 £m**	2023 £m	**2024 £m**	2023 £m
At 1 January	**(24)**	(4)	**(25)**	(9)
Currency translation differences arising in the year	**7**	(20)	**8**	(16)
At 31 December	**(17)**	(24)	**(17)**	(25)

Note 25: Retained profits

	The Group		The Bank	
	2024 £m	2023 £m	**2024 £m**	2023 £m
At 1 January	**3,011**	2,768	**3,035**	2,810
Profit attributable to ordinary shareholders[1]	**326**	258	**300**	240
Dividends paid (note 27)	**(450)**	–	**(450)**	–
Loss on repayment of other equity instruments	–	(15)	–	(15)
At 31 December	**2,887**	3,011	**2,885**	3,035

1 No income statement has been shown for the Bank, as permitted by Section 408 of the Companies Act 2006.

Note 26: Other equity instruments

	The Group and the Bank	
	2024 £m	2023 £m
At 1 January	**808**	782
Issued during the year	–	289
Repurchases and redemptions during the year	–	(263)
Profit for the year attributable to other equity holders	**78**	80
Distributions on other equity instruments	**(78)**	(80)
At 31 December	**808**	808

The Bank has in issue £808 million of US Dollar and Euro Additional Tier 1 (AT1) securities to Lloyds Banking Group plc.

The AT1 securities are floating rate perpetual subordinated permanent write-down securities with no fixed maturity or redemption date.

The principal terms of the AT1 securities are described below:

- The securities rank behind the claims against the Bank of unsubordinated creditors on a winding-up.
- The floating rate AT1 securities will be reset quarterly both prior to and following the first call date.
- Interest on the securities will be due and payable only at the sole discretion of the Bank and the Bank may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be payable on any Interest Payment Date. There are also certain restrictions on the payment of interest as specified in the terms.
- The securities are undated and are repayable, at the option of the Bank, in whole at the first call date, or at any Interest Payment date thereafter. In addition, the AT1 securities are repayable, at the option of the Bank, in whole for certain regulatory or tax reasons. Any repayments require the prior consent of the PRA.
- The securities will be subject to a permanent write down should the fully loaded common equity Tier 1 ratio of the Bank fall below 7.0 per cent.

Note 27: Dividends on ordinary shares

The Bank paid a dividend of £450 million on 25 March 2024. The Bank did not pay a dividend in the period to 31 December 2023.

Note 28: Share-based payments

During the year ended 31 December 2024 Lloyds Banking Group plc operated a number of share-based payment schemes for which employees of LBCM were eligible and all of which are equity settled. Details of all schemes operated by Lloyds Banking Group are set out below; these are managed and operated on a Lloyds Banking Group-wide basis. The amount charged to LBCM's income statement in respect of Lloyds Banking Group share-based payment schemes, and which is included within staff costs (note 7) was £22 million (2023: £26 million).

During the year ended 31 December 2024 Lloyds Banking Group operated the following share-based payment schemes, all of which are mainly equity-settled.

Lloyds Banking Group Performance Share plan

Lloyds Banking Group operates a Group Performance Share plan that is part equity-settled. Bonuses in respect of employee service in 2024 have been recognised in the charge in line with the proportion of the deferral period completed.

Save-As-You-Earn schemes

Eligible employees may enter into contracts through the Save-As-You-Earn (SAYE) schemes to save up to £500 per month and, at the expiry of a fixed term of three years, have the option to use these savings within six months of the expiry of the fixed term to acquire shares in LBG at a discounted price of no less than 90 per cent of the market price at the start of the invitation period.

Movements in the number of share options outstanding under the SAYE schemes are set out below:

	2024		2023	
LBG	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at 1 January	**1,311,205,148**	**31.70**	1,256,918,075	31.30
Granted	**200,820,157**	**52.35**	287,984,574	38.55
Exercised	**(663,187,372)**	**24.60**	(164,709,399)	38.55
Forfeited	**(17,375,716)**	**39.01**	(12,862,726)	31.78
Cancelled	**(27,852,684)**	**40.70**	(45,807,000)	37.65
Expired	**(5,984,747)**	**35.40**	(10,318,376)	38.25
Outstanding at 31 December	**797,624,786**	**42.30**	1,311,205,148	31.70
Exercisable at 31 December	**955,281**	**24.25**	410,368	39.87

The weighted average share price at the time that the options were exercised during 2024 was £0.47 (2023: £0.48). The weighted average remaining contractual life of options outstanding at the end of the year was 1.85 years years (2023: 1.58 years).

The weighted average fair value of SAYE options granted during 2024 was £0.09 (2023: £0.09). The fair values of the SAYE options have been determined using a standard Black-Scholes model.

Strategic report
Governance
Financial statements
Other information

Note 28: Share-based payments continued

Other share option plans

Executive Share Plans – buyout and retention awards

Share options may be granted to senior employees under the Lloyds Banking Group Executive Share Plan 2003, Lloyds Banking Group Executive Group Ownership Share Plan and Deferred Bonus Scheme 2021 specifically to facilitate recruitment (to compensate new recruits for any lost share awards), and also to make grants to key individuals for retention purposes. In some instances, grants may be made subject to individual performance conditions.

Participants are not entitled to any dividends paid during the vesting period.

	2024		2023	
LBG	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)
Outstanding at 1 January	**26,131,255**	**Nil**	20,466,471	Nil
Granted	**768,170**	**Nil**	15,198,717	Nil
Exercised	**(10,815,436)**	**Nil**	(8,739,497)	Nil
Vested	–	**Nil**	(765,247)	Nil
Forfeited	**(488,091)**	**Nil**	(8,216)	Nil
Lapsed	**(16,901)**	**Nil**	(20,973)	Nil
Outstanding at 31 December	**15,578,997**	**Nil**	26,131,255	Nil
Exercisable at 31 December	**988,243**	**Nil**	1,148,770	Nil

The weighted average fair value of options granted in the year was £0.46 (2023: £0.41). The fair values of options granted have been determined using a standard Black-Scholes model. The weighted average share price at the time that the options were exercised during 2024 was £0.53 (2023: £0.46). The weighted average remaining contractual life of options outstanding at the end of the year was 6.2 years years (2023: 6.3 years).

Other share plans

Lloyds Banking Group Executive Group Ownership Share Plan

The plan, introduced in 2006, is aimed at delivering shareholder value by linking the receipt of shares to an improvement in the performance of the Lloyds Banking Group over a three-year period. Awards are made within limits set by the rules of the plan, with the limits determining the maximum number of shares that can be awarded equating to three times annual salary. In exceptional circumstances this may increase to four times annual salary.

The Executive Group Ownership awards were replaced by Long Term Share Plan awards in 2021.

LBG	2024 Number of shares	2023 Number of shares
Outstanding at 1 January	**39,804,293**	202,394,509
Vested	**(18,490,246)**	(66,555,435)
Forfeited	**(33,055)**	(96,034,781)
Dividend award	**842,202**	–
Outstanding at 31 December	**22,123,194**	39,804,293

Lloyds Banking Group Long Term Share Plan

The plan, approved at the LBG 2020 AGM and introduced in 2021, replaced the Executive Group Ownership Share Plan and is intended to provide alignment to LBG's aim of delivering sustainable returns to shareholders, supported by its values and behaviours.

The awards in respect of the 2022 grant are due to vest in 2025 at a rate of 100 per cent. Details in relation to the plan are provided in the LBG directors' remuneration report.

LBG	2024 Number of shares	2023 Number of shares
Outstanding at 1 January	**262,409,389**	171,947,743
Granted	–	108,551,439
Vested	**(53,608,504)**	–
Forfeited	**(12,921,590)**	(18,089,793)
Outstanding at 31 December	**195,879,295**	262,409,389

The weighted average fair value of awards granted in the year was £nil (2023: £0.42).

Lloyds Banking Group Long Term Incentive Plan

The plan, approved at the LBG 2023 AGM and introduced in 2024, replaced the Long Term Share Plan and is intended to deliver stronger alignment between variable reward outcomes and the creation of shareholder value through the delivery of our strategy and the deepening of our relationships with our customers.

The awards in respect of the 2024 grant are due to vest in 2027. Details in relation to the plan are provided in the LBG directors' remuneration report.

LBG	2024 Number of shares	2023 Number of shares
Outstanding at 1 January	–	–
Granted	**75,063,395**	–
Outstanding at 31 December	**75,063,395**	–

The weighted average fair value of awards granted in the year was £0.30 (2023: £nil).

Executive Share Plans – buyout and retention awards

Share awards in the form of conditional shares may be granted to senior employees under the Lloyds Banking Group Executive Group Ownership Share Plan and Deferred Bonus Scheme 2021 specifically to facilitate recruitment (to compensate new recruits for any lost share awards), and also to make grants to key individuals for retention purposes. In some instances, grants may be made subject to individual performance conditions.

Note 28: Share-based payments continued

Participants are not entitled to any dividends paid during the vesting period.

LBG	2024 Number of Shares	2023 Number of Shares
Outstanding at 1 January	–	–
Granted	**3,593,397**	–
Vested	**(728,370)**	–
Forfeited	–	–
Outstanding at 31 December	**2,865,027**	–

The weighted average fair value of awards granted in the year was £0.51 (2023: £nil).

Assumptions at 31 December 2024

The fair value calculations at 31 December 2024 for grants made in the year, using Black-Scholes models and Monte Carlo simulation, are based on the following assumptions:

	SAYE	Executive Option Plans	Executive Share Plans	Long Term Share Plan
Weighted average risk-free interest rate	**3.58%**	**4.43%**	**4.35%**	**4.07%**
Weighted average expected life	**3.3 years**	**1.6 years**	**1.3 years**	**4.4 years**
Weighted average expected volatility	**25%**	**24%**	**23%**	**29%**
Weighted average expected dividend yield	**6.0%**	**7.0%**	**7.0%**	**7.0%**
Weighted average share price	**£0.58**	**£0.52**	**£0.56**	**£0.48**
Weighted average exercise price	**£0.52**	**Nil**	**Nil**	**Nil**

Expected volatility is a measure of the amount by which the Group's shares are expected to fluctuate during the life of an option. The expected volatility is estimated based on the historical volatility of the closing daily share price over the most recent period that is commensurate with the expected life of the option. The historical volatility is compared to the implied volatility generated from market traded options in the Group's shares to assess the reasonableness of the historical volatility and adjustments made where appropriate.

Share Incentive Plans

Matching shares

The Group undertakes to match shares purchased by employees up to the value of £45 per month; these matching shares are held in trust for a mandatory period of three years on the employee's behalf, during which period the employee is entitled to any dividends paid on such shares. The award is subject to a non-market-based condition: if an employee leaves within this three-year period for other than a 'good' reason, all of the matching shares are forfeited. Similarly, if the employees sell their purchased shares within three years, their matching shares are forfeited.

The number of shares awarded relating to matching shares in 2024 was 38,464,042 (2023: 43,945,238), with an average fair value of £0.53 (2023: £0.46), based on market prices at the date of award.

Fixed share awards

Fixed share awards were introduced in 2014 in order to ensure that total fixed remuneration is commensurate with role and to provide a competitive reward package for certain Lloyds Banking Group employees, with an appropriate balance of fixed and variable remuneration, in line with regulatory requirements. The fixed share awards are delivered in Lloyds Banking Group plc shares, and are released over three years with one-third being released each year following the year of award. The number of shares purchased in relation to fixed share awards in 2024 was 1,541,751 (2023: 1,790,243) with an average fair value of £0.55 (2023: £0.46) based on market prices at the date of the award.

The fixed share award is not subject to any performance conditions, performance adjustment or clawback. On an employee leaving the Group, there is no change to the timeline for which shares will become unrestricted.

Since the beginning of 2023 the number of recipients of these awards has been reduced to the executive directors only.

Free shares

An award of shares may be made annually to employees up to a maximum of £3,600. The shares awarded are held in trust for a mandatory period of three years on the employee's behalf, during which period the employee is entitled to any dividends paid on such shares. The award is subject to a non-market based condition. If an employee leaves the Group within this three-year period for other than a 'good' reason, all of the shares awarded will be forfeited.

There have not been any awards made since 2021.

Note 29: Related party transactions

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity, LBCM's key management personnel are the members of the Lloyds Bank Corporate Markets plc board.

The table below represents key management emoluments:

	2024 £000	2023 £000
Compensation		
Salaries and other short-term benefits	**3,332**	2,823
Post-employment benefits	**48**	76
Total compensation	**3,380**	2,899

The aggregate of the emoluments of the directors was £3,380,000 (2023: £2,899,000). The total for the highest paid director was £1,612,000 (2023: £1,199,000)

There were no aggregate contributions in respect of key management personnel to defined contribution pension scheme (2023: £nil).

The amounts disclosed above relate wholly to directors of LBCM.

	2024 £m	2023 £m
Deposits		
At 1 January	**3**	3
Placed (includes deposits of appointed key management personnel)	**–**	1
Withdrawn (includes deposits of former key management personnel)	**(3)**	(1)
At 31 December	**–**	3

Deposits placed by key management personnel attracted interest rates of up to 4.73 per cent.

Note 29: Related party transactions continued

Balances and transactions with fellow Lloyds Banking Group undertakings

Balances and transactions between members of the Lloyds Bank Corporate Markets Group

In accordance with IFRS 10 Consolidated Financial Statements, transactions and balances between the Bank and its subsidiary undertakings, and between those subsidiary undertakings, have all been eliminated on consolidation and thus are not reported as related party transactions of the Group.

The Bank, as a result of its position as parent of a banking group, has a large number of transactions with various of its subsidiary undertakings; these are included on the balance sheet of the Bank as follows:

	2024 £m	2023 £m
Assets, included within:		
Financial assets at amortised cost: due from fellow Lloyds Bank Corporate Markets Group undertakings	**342**	359
	342	359
Liabilities, included within:		
Due to fellow Lloyds Bank Corporate Markets Group undertakings	**49**	45
	49	45

Due to the size and volume of transactions passing through these accounts, it is neither practical nor meaningful to disclose information on gross inflows and outflows. During 2024 the Bank earned interest income on the above asset balances of £22 million (2023: £20 million) and incurred interest expense on the above liability balances of £nil (2023: £nil).

Balances and transactions with Lloyds Banking Group plc and fellow subsidiaries of the Bank

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

	The Group		The Bank	
	2024 £m	2023 £m	2024 £m	2023 £m
Assets, included within:				
Financial assets at fair value through profit or loss	**37**	54	**37**	54
Derivative financial instruments	**2,490**	3,173	**2,490**	3,173
Financial assets at amortised cost: due from fellow Lloyds Banking Group undertakings	**333**	297	**300**	270
	2,860	3,524	**2,827**	3,497
Liabilities, included within:				
Due to fellow Lloyds Banking Group undertakings	**1,512**	1,213	**1,511**	1,211
Financial liabilities at fair value through profit or loss	**–**	45	**–**	45
Derivative financial instruments	**1,352**	2,291	**1,352**	2,291
Debt securities in issue at amortised cost	**3,307**	2,720	**3,307**	2,720
Subordinated liabilities	**748**	748	**748**	748
	6,919	7,017	**6,918**	7,015
Other equity instruments:				
Additional tier 1 instruments	**808**	808	**808**	808
	808	808	**808**	808

These balances include Lloyds Banking Group plc's banking arrangements and, due to the size and volume of transactions passing through these accounts, it is neither practical nor meaningful to disclose information on gross inflows and outflows. During 2024 the Group and the Bank earned £9 million of interest income on the above asset balances (2023: Group and the Bank £12 million); the Group and the Bank incurred £264 million of interest expense on the above liability balances (2023: Group and the Bank £225 million).

The Group earned £133 million and the Bank earned £124 million of fee and commission income (2023: Group £132 million, Bank £126 million); the Group and the Bank incurred £1 million of fee and commission expense (2023: Group and the Bank £nil) both in respect of transactions with Lloyds Bank plc.

Management charges payable to Lloyds Bank plc of £219 million (2023: £228 million) have been incurred in the year. See note 7 for further detail.

Note 30: Contingent liabilities, commitments and guarantees

Contingent liabilities, commitments and guarantees arising from the banking business

At 31 December 2024, for the Group and the Bank total contingent liabilities were £82 million (2023: £94 million). Total commitments and guarantees were £20,713 million (2023: £21,627 million) of which £20,216 million (2023: £21,157 million) was irrevocable.

Capital commitments

There were no contracted capital commitments at the balance sheet date.

Legal actions and regulatory matters

In the course of its 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 (including their appointed representatives), investors or other third parties, as well as legal and regulatory reviews, enquiries and examinations, requests for information, audits, challenges, investigations and enforcement actions, which could relate to a number of issues. This includes matters in relation to compliance with applicable laws and regulations, such as those relating to prudential regulation, consumer protection, investment advice, business conduct, systems and controls, environmental, competition/anti-trust, tax, anti-bribery, anti-money laundering and sanctions, some of which may be beyond LBCM's control, 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. 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. Where there is a contingent liability related to an existing provision the relevant disclosures are included within note 21.

LIBOR and other trading rate

Certain Group companies, together with other panel banks, have been named as defendants in ongoing private lawsuits, including purported class action suits, in the US in connection with their roles as panel banks contributing to the setting of US dollar, Japanese yen and Sterling London Interbank Offered Rate.

It is currently not possible to predict the scope and ultimate outcome on the Group of any private lawsuits or ongoing related challenges to the interpretation or validity of any of the Group's contractual arrangements, including their timing and scale. As such, it is not practicable to provide an estimate of any potential financial effect.

Note 31: Financial risk management

Financial instruments are fundamental to LBCM's activities and, as a consequence, the risks associated with financial instruments represent a significant component of the risks faced by LBCM.

The primary risks affecting LBCM through its use of financial instruments are:

- Credit risk which includes:
  (A) Maximum credit exposure
  (B) Concentrations of exposure
  (C) Credit quality of assets
  (D) Collateral held as security for financial assets
  (E) Collateral pledged as security
- Market risk which includes:
  (A) Interest rate risk
  (B) Foreign exchange risk

and the market risks relating to LBCM activity across trading portfolios and banking activities.

- Liquidity risk

The following disclosures provide quantitative and qualitative information about LBCM's exposure to these risks.

Credit risk

LBCM'S credit risk exposure arises in respect of the instruments below and predominantly in the UK. Credit risk appetite is set at Board-level and is described and reported through a suite of metrics devised from a combination of accounting and credit portfolio performance measures, which include the use of various credit risk rating systems as inputs and assess credit risk at a counterparty level using three components: (i) the probability of default by the counterparty on its contractual obligations; (ii) the current exposures to the counterparty and their likely future development, from which LBCM derives the exposure at default; and (iii) the likely loss ratio on the defaulted obligations, the loss given default. LBCM uses a range of approaches to mitigate credit risk, including internal control policies, obtaining collateral, using master netting agreements and other credit risk transfers, such as asset sales and credit derivatives based transactions.

(A) Maximum credit exposure

The maximum credit risk exposure of LBCM in the event of other parties failing to perform their obligations is considered to be the balance sheet carrying amount or, for non-derivative off-balance sheet transactions and financial guarantees, their contractual nominal amounts (not taking into account any collateral held).

Further details can be seen in notes 11 and 30.

Note 31: Financial risk management continued

(B) Concentrations of exposure

LBCM's management of concentration risk includes single name, industry sector and country limits as well as controls over LBCM's overall exposure to certain products. As part of its credit risk policy, LBCM considers sustainability (which incorporates Environmental (including climate), Social and Governance) in the assessment of Commercial Banking facilities.

At 31 December 2024 the most significant concentration of exposure was in financial, business and other services (comprising 83 per cent for the Group and 84 per cent for the Bank of total loans and advances to customers).

Loans and advances to customers

	The Group		The Bank	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Agriculture, forestry and fishing	**–**	1	**–**	1
Construction[1]	**23**	15	**23**	15
Energy and water supply	**60**	32	**60**	32
Financial, business and other services	**14,698**	13,500	**14,698**	13,500
Hire purchase	**78**	79	**–**	–
Lease financing	**159**	160	**–**	–
Manufacturing	**321**	259	**321**	259
Mining and quarrying[1]	**1**	7	**1**	7
Personal:				
Mortgages	**1,569**	1,514	**1,569**	1,514
Other	**49**	52	**9**	10
Postal and telecommunications	**101**	172	**101**	172
Property companies	**467**	604	**467**	604
Transport, distribution and hotels	**282**	71	**282**	71
Total loans and advances to customers before allowance for impairment losses	**17,808**	16,466	**17,531**	16,185
Allowance for impairment losses (note 16)	**(8)**	(19)	**(7)**	(18)
Total loans and advances to customers	**17,800**	16,447	**17,524**	16,167

1 Mining and quarrying, previously included within construction, is now presented separately.

(C) Credit quality of assets

Loans and advances to banks

All of LBCM's loans and advances to banks are assessed as Stage 1 in 2024 and 2023.

Loans and advances to customers

The analysis of lending has been prepared with the business segment in which the exposure is recorded reflected in the ratings system applied. The internal credit ratings systems used by LBCM for commercial business reflects the characteristics of these exposures and the way that they are managed internally; these credit ratings are set out below. All probabilities of default (PDs) include forward-looking information and are based on 12-month values, with the exception of credit impaired.

Commercial	
Quality classification	**IFRS 9 PD Range**
CMS 1-10	0.00-0.50%
CMS 11-14	0.51-3.00%
CMS 15-18	3.01-20.00%
CMS 19	20.01-99.99%
CMS 20-23	100.00%

	Gross Drawn exposures				Expected credit loss allowance			
The Group	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
At 31 December 2024								
CMS 1-10	**16,926**	**19**	**–**	**16,945**	**3**	**–**	**–**	**3**
CMS 11-14	**702**	**77**	**–**	**779**	**2**	**1**	**–**	**3**
CMS 15-18	**66**	**8**	**–**	**74**	**2**	**–**	**–**	**2**
CMS 19	**1**	**2**	**–**	**3**	**–**	**–**	**–**	**–**
CMS 20-23	**–**	**–**	**7**	**7**	**–**	**–**	**–**	**–**
	17,695	**106**	**7**	**17,808**	**7**	**1**	**–**	**8**

	Gross Drawn exposures				Expected credit loss allowance			
The Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 31 December 2023								
CMS 1-10	15,315	9	–	15,324	9	–	–	9
CMS 11-14	846	134	–	980	3	2	–	5
CMS 15-18	101	45	–	146	2	2	–	4
CMS 19	2	5	–	7	–	1	–	1
CMS 20-23	–	–	9	9	–	–	–	–
	16,264	193	9	16,466	14	5	–	19

Note 31: Financial risk management continued

The Bank	Gross Drawn exposures Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Expected credit loss allowance Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 31 December 2024								
CMS 1-10	**16,839**	**14**	**–**	**16,853**	**2**	**–**	**–**	**2**
CMS 11-14	**523**	**74**	**–**	**597**	**2**	**1**	**–**	**3**
CMS 15-18	**66**	**7**	**–**	**73**	**2**	**–**	**–**	**2**
CMS 19	**–**	**1**	**–**	**1**	**–**	**–**	**–**	**–**
CMS 20-23	**–**	**–**	**7**	**7**	**–**	**–**	**–**	**–**
	17,428	**96**	**7**	**17,531**	**6**	**1**	**–**	**7**

The Bank	Gross Drawn exposures Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Expected credit loss allowance Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 31 December 2023								
CMS 1-10	15,052	3	–	15,055	8	–	–	8
CMS 11-14	843	130	–	973	3	2	–	5
CMS 15-18	101	43	–	144	2	2	–	4
CMS 19	–	4	–	4	–	1	–	1
CMS 20-23	–	–	9	9	–	–	–	–
	15,996	180	9	16,185	13	5	–	18

Reverse repurchase agreement held at amortised cost

All of LBCM's reverse repurchase agreements are assessed as Stage 1.

Debt securities held at amortised cost

At 31 December 2024 £333 million (2023: £376 million) of gross debt securities held at amortised cost were of investment grade where credit ratings are equal to or better than 'BBB'.

Debt securities, treasury and other bills held at fair value through profit or loss

Substantially all of LBCM's trading assets and other loans and advances to customers held at fair value through profit or loss have an investment grade rating. The credit quality of LBCM's other debt securities and treasury and other bills held at fair value through profit or loss is set out below:

The Group	2024 Investment grade[1] £m	2024 Other £m	2024 Total £m	2023 Investment grade[1] £m	2023 Other £m	2023 Total £m
Other financial assets mandatorily at fair value through profit or loss:						
Debt securities:						
Bank and building society certificates of deposit	**113**	**–**	**113**	91	–	91
Asset-backed securities	**–**	**8**	**8**		7	7
Corporate and other debt securities	**–**	**124**	**124**	–	146	146
	113	**132**	**245**	91	153	244
Treasury and other bills	**32**	**–**	**32**	51	–	51
Total other financial assets mandatorily at fair value through profit or loss (excluding Loans and advances to customers)	**145**	**132**	**277**	142	153	295

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

The Bank	2024 Investment grade[1] £m	2024 Other £m	2024 Total £m	2023 Investment grade[1] £m	2023 Other £m	2023 Total £m
Other financial assets mandatorily at fair value through profit or loss:						
Debt securities:						
Asset-backed securities	**–**	**8**	**8**	–	7	7
Corporate and other debt securities	**–**	**124**	**124**	–	146	146
Total other financial assets mandatorily at fair value through profit or loss (excluding Loans and advances to customers)	**–**	**132**	**132**	–	153	153

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

Note 31: Financial risk management continued

Derivative assets

An analysis of derivative assets is given in note 13. The credit quality of derivatives are set out below.

The Group and the Bank	2024 Investment grade[1] £m	2024 Other £m	2024 Total £m	2023 Investment grade[1] £m	2023 Other £m	2023 Total £m
Trading and other	**18,855**	**1,060**	**19,915**	18,667	757	19,424
Hedging	**11**	**–**	**11**	9	–	9
	18,866	**1,060**	**19,926**	18,676	757	19,433
Due from fellow Lloyds Banking Group undertakings			**2,490**			3,173
Total derivative financial instruments			**22,416**			22,606

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

Financial guarantees and loan commitments

LBCM's exposure to credit risk in respect of financial guarantees and loan commitments is not significant.

At 31 December 2024 £20,653 million were Stage 1 (2023: £21,573 million), £60 million were Stage 2 (2023: £54 million) and £nil were Stage 3 (2023: £nil) for both the Group and the Bank. Against these exposures the Group and the Bank held an allowance for expected credit losses of £4 million (2023: £8 million).

(D) Collateral held as security for other financial assets

The types of collateral accepted by LBCM include: residential and commercial properties; charges over business assets such as premises, inventory and accounts receivable; financial instruments, cash and guarantees from third parties. The terms and conditions associated with the use of the collateral are varied and are dependent on the type of agreement and the counterparty. LBCM holds collateral against loans and advances and irrevocable loan commitments; qualitative and, where appropriate, quantitative information is provided in respect of this collateral below. Collateral held as security for financial assets at fair value through profit or loss and for derivative assets is also shown below.

LBCM holds collateral in respect of loans and advances to customers and reverse repurchase agreements as set out below. LBCM does not hold collateral against debt securities which are classified as financial assets held at amortised cost.

Loans and advances to customers

Stage 3 secured lending

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

At 31 December 2024, Stage 3 secured commercial lending amounted to £4 million, net of an impairment allowance of £nil for the Group and the Bank (2023: £9 million, net of an impairment allowance of £nil for the Group and the Bank). The fair value of the collateral held in respect of secured commercial lending was £3 million (2023: £nil). In determining the fair value of collateral, no specific amounts have been attributed to the costs of realisation. For the purposes of determining the total collateral held by the Group and the Bank in respect of impaired secured commercial lending, the value of collateral for each loan has been limited to the principal amount of the outstanding advance in order to eliminate the effects of any over-collateralisation and to provide a clearer representation of LBCM's exposure.

Reverse repurchase agreements

LBCM enters into reverse repurchase agreements which are accounted for as collateralised loans (see note 11).

Financial assets at fair value through profit or loss (excluding equity shares)

Included in financial assets at fair value through profit or loss are reverse repurchase agreements, against which LBCM holds collateral, all of which LBCM is able to repledge (see note 11). At 31 December 2024, £15,186 million had been repledged (2023: £14,505 million).

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

Derivative assets, after offsetting of amounts under master netting arrangements

LBCM reduces exposure to credit risk by using master netting agreements and by obtaining collateral in the form of cash or highly-rated securities (see note 11).

Irrevocable loan commitments and other credit-related contingencies

At 31 December 2024, there were irrevocable loan commitments and other credit-related contingencies of £20,298 million for the Group and the Bank (2023: £21,251 million for the Group and the Bank).

Note 31: Financial risk management continued

(E) Collateral pledged as security

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

Repurchase agreements at amortised cost

LBCM enters into repurchase agreements, against which LBCM pledges collateral (see note 11).

Financial liabilities at fair value through profit or loss

Included in financial liabilities at fair value through profit or loss are repurchase agreements, against which LBCM pledges collateral (see note 11). The secured party is permitted by contract or custom to repledge this collateral.

Securities lending transactions

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

	The Group and the Bank	
	2024 £m	2023 £m
Financial assets at fair value through profit or loss	**521**	512

In addition, securities held as collateral in the form of stock borrowed amounted to £11,456 million for the Group and the Bank (2023: £9,739 million for the Group and the Bank). Of this amount, £9,200 million for the Group and the Bank (2023: £7,711 million for the Group and the Bank) had been resold or repledged as collateral for LBCM's own transactions.

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

Market risk

(A) Interest rate

Interest rate risk arises from the different repricing characteristics of LBCM's assets and liabilities. Liabilities are generally either insensitive to interest rate movements, for example interest free or very low interest customer deposits, or are sensitive to interest rate changes but bear rates which may be varied at LBCM's discretion and that for competitive reasons generally reflect changes in the UK Bank Rate, set by the Bank of England. The rates on the remaining liabilities are contractually fixed for their term to maturity.

LBCM's risk management policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board. The largest residual risk exposure arises from balances that are deemed to be insensitive to changes in market rates (including current accounts, a portion of variable rate deposits and investable equity), and is managed through LBCM's structural hedge. The structural hedge consists of longer-term fixed rate assets or interest rate swaps and the amount and duration of the hedging activity is reviewed regularly by the LBCM Asset and Liability Committee (ALCO).

LBCM establishes hedge accounting relationships for interest rate risk components using cash flow hedges and fair value hedges. The derivatives used to manage the structural hedge may be designated into cash flow hedges to manage income statement volatility. The economic items related to the structural hedge, for example current accounts, are not eligible hedged items under IAS 39 for inclusion into accounting hedge relationships. LBCM is exposed to fair value interest rate risk on its fixed rate customer loans, its fixed rate customer deposits and the majority of its subordinated debt, and to cash flow interest rate risk on its variable rate loans and deposits together with its floating rate subordinated debt. LBCM applies netting between similar risks before applying hedge accounting.

Hedge ineffectiveness arises during the management of interest rate risk due to residual unhedged risk. Sources of ineffectiveness, which LBCM may decide to not fully mitigate, can include basis differences, timing differences and notional amount differences. The effectiveness of accounting hedge relationships is assessed between the hedging derivatives and the documented hedged item, which can differ to the underlying economically hedged item.

At 31 December 2024 the aggregate notional principal of interest rate and other swaps (predominantly interest rate) designated as fair value hedges was £3,453 million (2023: £4,200 million) with a net fair value liability of £3 million (2023: liability of £28 million) (note 13). The gains on the hedging instruments were £82 million (2023: gains of £158 million). The losses on the hedged items attributable to the hedged risk were £82 million (2023: losses of £157 million). The gains and losses relating to the fair value hedges are recorded in net trading income.

The notional principal of the interest rate swaps designated as cash flow hedges at 31 December 2024 was £16,897 million (2023: £13,963 million) with a net fair value asset of £6 million (2023: asset of £1 million). In 2024, ineffectiveness recognised in the income statement that arises from cash flow hedges was a loss of £4 million (2023: gain of £1 million).

(B) Foreign exchange

The corporate and consumer businesses incur foreign exchange risk in the course of providing services to their customers. All non-structural foreign exchange exposures in the non-trading book are transferred to the trading area where they are monitored and controlled. These risks reside in the authorised trading centres who are allocated exposure limits. The limits are monitored daily by the local centres and reported to the central market and liquidity risk function in London. LBCM also manages foreign currency risk via cash flow hedge accounting, utilising currency swaps.

Risk arises from LBCM's investments in its overseas operations. LBCM's structural foreign currency exposure is represented by the net asset value of the foreign currency equity and subordinated debt investments in its subsidiaries and branches. Gains or losses on structural foreign currency exposures are taken to reserves.

Details of LBCM's structural foreign currency exposures are as follows:

	2024		2023	
The Group and the Bank	**US Dollar £m**	**EUR £m**	US Dollar £m	EUR £m
Exposure	**207**	**36**	155	29

Note 31: Financial risk management continued

How market risks arise and are managed across LBCM's activities is considered in more detail below.

Trading Portfolios

Exposures

LBCM's trading activity is modest relative to its peers and is primarily undertaken to meet the financial requirements of customers for foreign exchange, credit, interest rate and inflation products. These activities support customer flow and market making activities.

While the trading positions taken are generally small, any extreme moves in the main risk factors and other related risk factors could cause significant losses in the trading book depending on the positions at the time. The average 95 per cent 1-day trading VaR (Value at Risk; diversified across risk factors) was £2.3 million for 31 December 2024 compared to £2.2 million for 31 December 2023.

Trading market risk measures are applied to all of LBCM's regulatory trading books and they include daily VaR, sensitivity-based measures and stress testing calculations.

Measurement

LBCM internally uses VaR as the primary risk measure for all trading book positions.

The risk of loss measured by the VaR model is the loss in earnings which is not expected to be exceeded with 95 per cent confidence.

Trading portfolios: VaR (1-day 95 per cent confidence level)

	At 31 December 2024				At 31 December 2023			
	Close £m	Average £m	Maximum £m	Minimum £m	Close £m	Average £m	Maximum £m	Minimum £m
Interest rate risk	**4.0**	**2.4**	**5.4**	**1.2**	1.6	2.0	3.8	0.9
Foreign exchange risk	**0.1**	**0.2**	**0.7**	**0.1**	0.1	0.3	0.9	0.1
Equity risk	–	–	–	–	—	—	—	—
Credit spread risk	**0.2**	**0.3**	**0.4**	**0.2**	0.2	0.3	0.5	0.1
Inflation risk	**0.1**	**0.3**	**0.7**	**0.1**	0.5	0.5	1.0	0.2
All risk factors before diversification	**4.4**	**3.1**	**6.2**	**2.0**	2.5	3.1	5.0	1.9
Portfolio diversification	**(0.6)**	**(0.8)**	–	–	(0.9)	(0.8)	—	—
Total VaR	**3.6**	**2.3**	**5.0**	**1.3**	1.6	2.2	4.0	1.2

The market risk for the trading book continues to be low relative to the size of LBCM and in comparison to peers. This reflects the fact that trading operations are customer-centric and focused on hedging and recycling customer risks.

Although it is an important market standard measure of risk, VaR has limitations. One of them is the use of a limited historical data sample which influences the output by the implicit assumption that future market behaviour will not differ greatly from the historically observed period. Another known limitation is the use of defined holding periods which assumes that the risk can be liquidated or hedged within that holding period. Also calculating the VaR at the chosen confidence interval does not give enough information about potential losses which may occur if this level is exceeded. LBCM fully recognises these limitations and supplements the use of VaR with a variety of other measurements which reflect the nature of the business activity. These include detailed sensitivity analysis, position reporting and a stress-testing programme.

Trading book VaR (1-day 99 per cent) is compared daily against both hypothetical and actual profit and loss. The 1-day 99 per cent VaR charts for LBG can be found in Lloyds Banking Group's Pillar 3 Report.

Mitigation

The level of exposure is controlled by establishing and communicating the approved risk limits and controls through policies and procedures that define the responsibility and authority for risk taking. Market risk limits are clearly and consistently communicated to the business. Any new or emerging risks are brought within risk reporting and defined limits.

Monitoring

Trading risk appetite is monitored daily with 1-day 95 per cent VaR and stress testing limits. These limits are complemented with position level action triggers and profit and loss referrals. Risk and position limits are set and managed at both desk and overall trading book levels. They are reviewed at least annually and can be changed as required within the overall Group risk appetite framework.

Banking Activities

Exposures

LBCM's banking activities expose it to the risk of adverse movements in market rates or prices, predominantly interest rates, credit spread and exchange rates. The volatility of market rates or prices can be affected by both the transparency of prices and the amount of liquidity in the market for the relevant asset, liability or instrument.

Interest rate risk

Yield curve risk in LBCM's international portfolios, and in LBCM's capital and funding activities, arises from the different repricing characteristics of LBCM's non-trading assets, liabilities and off-balance sheet positions.

Basis risk arises from the potential changes in spreads between indices, for example, where the bank lends with reference to a central bank rate but funds with reference to a market rate, e.g. SONIA, and the spread between these two rates widens or tightens.

Optionality risk arises predominantly from embedded optionality within assets, liabilities or off-balance sheet items where either LBCM or the customer can affect the size or timing of cash flows.

Foreign exchange risk

Economic foreign exchange exposure arises from LBCM's investment in its overseas operations. In addition, LBCM incurs foreign exchange risk through non-functional currency flows from services provided by customer-facing divisions, LBCM's debt and capital management programmes and is exposed to volatility in its CET1 ratio, due to the impact of changes in foreign exchange rates on the retranslation of non-Sterling-denominated risk-weighted assets.

Credit spread risk

Credit spread risk arises largely from: (i) the Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) sensitivity to credit spreads; (ii) banking book assets held at fair value under IFRS 9; and (iii) the liquid asset portfolio held in the management of LBCM's liquidity, comprising government, supranational and other eligible assets.

Strategic report
Governance
Financial statements
Other information

Note 31: Financial risk management continued

Measurement

Interest rate risk exposure is monitored monthly using, primarily:

Market value sensitivity: this methodology considers all repricing mismatches (behaviourally adjusted where appropriate) in the current balance sheet and calculates the change in market value that would result from an instantaneous 25, 100 and 200 basis points parallel rise or fall in the yield curve. Sterling interest rates are modelled with a floor below zero per cent, with negative rate floors also modelled for non-Sterling currencies where appropriate (product-specific floors apply). The market value sensitivities are calculated on a static balance sheet using principal cash flows excluding interest, commercial margins and other spread components and are therefore discounted at the risk-free rate.

Interest income sensitivity: this measures the impact on future net interest income arising from various economic scenarios. These include instantaneous 25, 100 and 200 basis point parallel shifts in all yield curves and the Group economic scenarios. Sterling interest rates are modelled with a floor below zero per cent, with negative rate floors also modelled for non-Sterling currencies where appropriate (product-specific floors apply). These scenarios are reviewed every year and are designed to replicate severe but plausible economic events, capturing risks that would not be evident through the use of parallel shocks alone such as basis risk and steepening or flattening of the yield curve. Additional negative rate scenarios are also used, where floors are removed, to ensure that this risk is monitored; however, these are not measured against the limit framework for the purposes of risk appetite.

Unlike the market value sensitivities, the interest income sensitivities incorporate additional behavioural assumptions as to how and when individual products would reprice in response to changing rates.

Reported sensitivities are not necessarily predictive of future performance as they do not capture additional management actions that would likely be taken in response to an immediate, large movement in interest rates. These actions could reduce the net interest income sensitivity, help mitigate any adverse impacts or they may result in changes to total income that are not captured in the net interest income.

Structural hedge: the structural hedging programme managing interest rate risk in the banking book relies on assumptions made around customer behaviour. A number of metrics are in place to monitor the risks within the portfolio.

LBCM has an integrated Asset and Liability Management (ALM) system which supports non-traded asset and liability management of LBCM. This provides a single consolidated tool to measure and manage interest rate repricing profiles (including behavioural assumptions), perform stress testing and produce forecast outputs. LBCM is aware that any assumptions-based model is open to challenge. A full behavioural review is performed annually, or in response to changing market conditions, to ensure the assumptions remain appropriate and the model itself is subject to annual re-validation, as required under Lloyds Banking Group's model governance policy. The key behavioural assumptions are:

- Embedded optionality within products
- The duration of balances that are contractually repayable on demand, such as current accounts and overdrafts, together with net free reserves of LBCM
- The re-pricing behaviour of managed rate liabilities, such as variable rate savings

The table below shows, split by material currency, LBCM's market value sensitivities to an instantaneous parallel up and down 25 and 100 basis points change to all interest rates.

Banking activities: market value sensitivity

	2024				2023			
	Up 25bps £m	**Down 25bps £m**	**Up 100bps £m**	**Down 100bps £m**	Up 25bps £m	Down 25bps £m	Up 100bps £m	Down 100bps £m
Sterling	**(0.4)**	**0.4**	**(1.6)**	**1.7**	0.1	(0.1)	0.4	(0.6)
US Dollar	**(0.2)**	**0.2**	**(0.7)**	**0.7**	(0.1)	0.1	(0.3)	0.3
Euro	**0.5**	**(0.5)**	**1.8**	**(1.8)**	(0.4)	0.4	(1.7)	1.7
Other	**–**	**–**	**–**	**–**	–	–	–	–
Total	**(0.1)**	**0.1**	**(0.5)**	**0.6**	(0.4)	0.4	(1.6)	1.4

This is a risk-based disclosure and the amounts shown would be amortised in the income statement over the duration of the portfolio.

The market value sensitivities to an up and down 100 basis points shock have remained relatively flat.

The table below shows supplementary value sensitivity to a steepening and flattening (c.100 basis points around the three-year point) in the yield curve. This ensures there are no unintended consequences to managing risk to parallel shifts in rates.

Banking activities: market value sensitivity to a steepening and flattening of the yield curve

	2024		2023	
	Steepener £m	**Flattener £m**	Steepener £m	Flattener £m
Sterling	**0.7**	**(0.4)**	1.9	(2.0)
US Dollar	**0.4**	**(0.4)**	0.3	(0.3)
Euro	**(1.1)**	**1.1**	0.8	(0.8)
Other	**–**	**–**	–	–
Total	**–**	**0.3**	3.0	(3.1)

The table below shows the banking book net interest income sensitivity on a one- to three-year forward-looking basis to an instantaneous parallel up 25, down 25, up 50 and down 50 basis points change to all interest rates.

Banking activities: three-year net interest income sensitivity

	2024			2023		
Customer-facing activity and associated hedges	**Year 1 £m**	**Year 2 £m**	**Year 3 £m**	Year 1 £m	Year 2 £m	Year 3 £m
Up 50bps	**6.4**	**9.6**	**12.9**	0.9	7.4	10.9
Up 25bps	**3.2**	**5.0**	**6.5**	0.5	3.7	5.5
Down 25bps	**(4.1)**	**(6.1)**	**(7.4)**	(2.4)	(5.2)	(6.9)
Down 50bps	**(8.3)**	**(12.3)**	**(14.8)**	(4.8)	(10.5)	(13.9)

The increase in risk sensitivity year-on-year is driven predominantly as a result of changing customer deposit behaviour.

The three-year net interest income sensitivity to a down 25 and 50 basis points shock is mainly driven by margin compression. The sensitivity to an up 25 basis points and 50 basis points shock is largely due to reinvestment of structural hedge maturities.

Note 31: Financial risk management continued

The sensitivities are illustrative and do not reflect new business margin implications and/or pricing actions, other than as outlined.

The following assumptions have been applied:

- Instantaneous parallel shift in interest rate curve, including bank base rate
- Balance sheet remains constant
- Illustrative 50 per cent deposit pass-through

Basis risk, foreign exchange and credit spread risks are measured primarily through scenario analysis by assessing the impact on profit before tax over a 12-month horizon arising from a change in market rates, and reported within the Board risk appetite on a monthly basis. Supplementary measures such as sensitivity and exposure limits are applied where they provide greater insight into risk positions. Frequency of reporting supplementary measures varies from daily to quarterly appropriate to each risk type.

Mitigation

LBCM's policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board. Lloyds Banking Group's market risk policy and procedures outlines the hedging process and the centralisation of risk from divisions into Group Corporate Treasury (GCT), e.g. via the transfer pricing framework. GCT is responsible for managing the centralised risk and does this through natural offsets of matching assets and liabilities, and appropriate hedging activity of the residual exposures, subject to the authorisation and mandate of LBCM ALCO within the Board risk appetite. The hedges are externalised to the market through LBCM Treasury and trading desks. LBCM mitigates income statement volatility through hedge accounting. This reduces the accounting volatility arising from the Group's economic hedging activities and any hedge accounting ineffectiveness is continuously monitored.

The largest residual risk exposure arises from balances that are deemed to be insensitive to changes in market rates (including current accounts, a portion of variable rate deposits and investable equity), and is managed through LBCM's structural hedge. Consistent with LBCM's strategy to deliver stable returns, LBCM ALCO seeks to minimise large reinvestment risk and to smooth earnings over a range of investment tenors. The structural hedge consists of longer-term fixed rate assets or interest rate swaps and the amount and duration of the hedging activity is reviewed regularly by LBCM ALCO.

While the bank faces margin compression in low rate environments, its exposure to pipeline and prepayment risk are not considered material and are hedged in line with expected customer behaviour. These are appropriately monitored and controlled through international ALCOs.

Net investment foreign exchange exposures are managed centrally by GCT, by hedging non-Sterling asset values with currency borrowing. Economic foreign exchange exposures arising from non-functional currency flows are identified by international locations and transferred and managed centrally. LBCM also has a policy of forward hedging its forecast currency profit and loss to year-end. LBCM makes use of both accounting and economic foreign exchange exposures, as an offset against the impact of changes in foreign exchange rates on the value of non-Sterling-denominated risk-weighted assets. This involves the holding of a structurally open currency position; this includes the management of CET1 position.

Monitoring

The appropriate limits and triggers are monitored by LBCM ALCO and approved by the Board. Banking assets, liabilities and associated hedging are actively monitored and if necessary rebalanced to be within agreed tolerances.

Liquidity risk

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

The tables below analyses financial instrument liabilities of the Group and the Bank on an undiscounted future cash flow basis according to contractual maturity, into relevant maturity categories based on the remaining period at the balance sheet date; balances with no fixed maturity are included in the over 5 years category. Interest Rate Swaps are included in the up to one month category. Certain balances, included in the table below on the basis of their residual maturity, are repayable on demand upon payment of a penalty.

LBCM's assets and liabilities may be repaid or otherwise mature earlier or later than implied by their contractual terms.

Note 31: Financial risk management continued

The Group	Up to 1 month £m	1-3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
At 31 December 2024						
Deposits from banks	**20**	**331**	**400**	**1,905**	**–**	**2,656**
Customer deposits	**16,255**	**6,063**	**5,956**	**2,732**	**39**	**31,045**
Repurchase agreements at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities at fair value through profit or loss	**15,199**	**3,886**	**1,389**	**1,462**	**1,228**	**23,164**
Debt securities in issue at amortised cost	**1,666**	**1,927**	**7,167**	**5,258**	**–**	**16,018**
Lease liabilities	**–**	**1**	**3**	**19**	**19**	**42**
Subordinated liabilities	**–**	**7**	**350**	**492**	**–**	**849**
Total non-derivative financial liabilities	**33,140**	**12,215**	**15,265**	**11,868**	**1,286**	**73,774**
Derivative financial liabilities:						
Gross-settled derivatives – outflows	**99,972**	**59,229**	**40,220**	**32,299**	**17,881**	**249,601**
Gross-settled derivatives – inflows	**(97,301)**	**(57,288)**	**(38,744)**	**(30,328)**	**(15,615)**	**(239,276)**
Gross-settled derivatives – net flows	**2,671**	**1,941**	**1,476**	**1,971**	**2,266**	**10,325**
Net-settled derivative liabilities	**8,969**	**–**	**–**	**–**	**–**	**8,969**
Total derivative financial liabilities	**11,640**	**1,941**	**1,476**	**1,971**	**2,266**	**19,294**
At 31 December 2023						
Deposits from banks	148	126	381	1,434	–	2,089
Customer deposits	14,889	5,343	7,025	2,197	70	29,524
Repurchase agreements at amortised cost	1	–	–	–	–	1
Financial liabilities at fair value through profit or loss	8,728	4,109	5,273	706	1,421	20,237
Debt securities in issue at amortised cost	958	1,389	8,080	5,777	–	16,204
Lease liabilities	–	2	5	24	11	42
Subordinated liabilities	6	8	44	849	–	907
Total non-derivative financial liabilities	24,730	10,977	20,808	10,987	1,502	69,004
Derivative financial liabilities:						
Gross-settled derivatives – outflows	81,583	50,528	42,176	30,881	13,769	218,937
Gross-settled derivatives – inflows	(79,683)	(48,953)	(41,035)	(30,685)	(14,102)	(214,458)
Gross-settled derivatives – net flows	1,900	1,575	1,141	196	(333)	4,479
Net-settled derivative liabilities	11,913	–	–	–	–	11,913
Total derivative financial liabilities	13,813	1,575	1,141	196	(333)	16,392

The Bank	Up to 1 month £m	1-3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
At 31 December 2024						
Deposits from banks	**20**	**331**	**400**	**1,905**	**–**	**2,656**
Customer deposits	**16,255**	**6,063**	**5,956**	**2,732**	**39**	**31,045**
Repurchase agreements at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities at fair value through profit or loss	**15,199**	**3,886**	**1,389**	**1,462**	**1,228**	**23,164**
Debt securities in issue at amortised cost	**1,666**	**1,927**	**7,167**	**5,258**	**–**	**16,018**
Lease liabilities	**–**	**1**	**3**	**17**	**15**	**36**
Subordinated liabilities	**–**	**7**	**350**	**492**	**–**	**849**
Total non-derivative financial liabilities	**33,140**	**12,215**	**15,265**	**11,866**	**1,282**	**73,768**
Derivative financial liabilities:						
Gross-settled derivatives – outflows	**99,972**	**59,229**	**40,220**	**32,299**	**17,881**	**249,601**
Gross-settled derivatives – inflows	**(97,301)**	**(57,288)**	**(38,744)**	**(30,328)**	**(15,615)**	**(239,276)**
Gross-settled derivatives – net flows	**2,671**	**1,941**	**1,476**	**1,971**	**2,266**	**10,325**
Net-settled derivative liabilities	**8,969**	**–**	**–**	**–**	**–**	**8,969**
Total derivative financial liabilities	**11,640**	**1,941**	**1,476**	**1,971**	**2,266**	**19,294**
At 31 December 2023						
Deposits from banks	148	126	381	1,434	–	2,089
Customer deposits	14,889	5,343	7,025	2,197	70	29,524
Repurchase agreements at amortised cost	1	–	–	–	–	1
Financial liabilities at fair value through profit or loss	8,728	4,109	5,273	706	1,421	20,237
Debt securities in issue at amortised cost	958	1,389	8,080	5,777	–	16,204
Lease liabilities	–	1	3	20	6	30
Subordinated liabilities	6	8	44	849	–	907
Total non-derivative financial liabilities	24,730	10,976	20,806	10,983	1,497	68,992
Derivative financial liabilities:						
Gross-settled derivatives – outflows	81,583	50,528	42,176	30,881	13,769	218,937
Gross-settled derivatives – inflows	(79,683)	(48,953)	(41,035)	(30,685)	(14,102)	(214,458)
Gross-settled derivatives – net flows	1,900	1,575	1,141	196	(333)	4,479
Net-settled derivative liabilities	11,913	–	–	–	–	11,913
Total derivative financial liabilities	13,813	1,575	1,141	196	(333)	16,392

Note 31: Financial risk management continued

The table below shows the contractual maturity of LBCM's contingents, commitments and guarantees. Commitments are shown in the time band containing the earliest date the commitment can be drawn down. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The Group and the Bank	Within 1 year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
At 31 December 2024					
Other contingent liabilities	**75**	**–**	**7**	**–**	**82**
Lending commitments and guarantees	**15,678**	**2,127**	**2,736**	**172**	**20,713**
Total contingents, commitments and guarantees	**15,753**	**2,127**	**2,743**	**172**	**20,795**

The Group and the Bank	Within 1 year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
At 31 December 2023					
Other contingent liabilities	84	3	7	–	94
Lending commitments and guarantees	12,350	6,531	2,552	194	21,627
Total contingents, commitments and guarantees	12,434	6,534	2,559	194	21,721

Note 32: Capital

Capital management

Capital is actively managed on an ongoing basis for both the Bank and its regulated subsidiaries, with associated capital policies and procedures subjected to regular review. Regulatory capital ratios are considered a key part of the budgeting and planning processes and forecast ratios are reviewed by LBCM's Asset and Liability Committee and the Board. Target capital levels take account of current and future regulatory requirements, capacity for growth and to cover uncertainties.

The Bank assesses both its regulatory capital requirements and the quantity and quality of capital resources it holds to meet those requirements in accordance with the relevant provisions of the Capital Requirements Directive (CRD V) and Capital Requirements Regulation (UK CRR). This is supplemented through additional regulation set out under the PRA Rulebook and through associated statements of policy, supervisory statements and other regulatory guidance.

The minimum amount of total capital required, under Pillar 1 of the regulatory capital framework, is set at 8 per cent of total risk-weighted assets. At least 4.5 per cent of risk-weighted assets are required to be met with common equity tier 1 (CET1) capital and at least 6 per cent of risk-weighted assets are required to be met with tier 1 capital. Minimum Pillar 1 capital requirements are supplemented by additional minimum capital requirements under Pillar 2A of the regulatory capital framework, the aggregate of which is referred to as the Bank's Total Capital Requirement (TCR).

Additional minimum capital requirements under Pillar 2A are set by the PRA as a firm-specific Individual Capital Requirement (ICR) reflecting a point in time estimate, which may change over time, of the minimum amount of capital to cover risks that are not fully covered by Pillar 1, such as concentration risk and operational risk, and those risks not covered at all by Pillar 1, such as interest rate risk in the banking book (IRRBB). This is set as a variable amount for Pillar 2A (being a set percentage of risk-weighted assets), with fixed add-ons for certain risk types. The Bank's Pillar 2A capital requirement is currently the equivalent of around 4.2 per cent of risk-weighted assets, of which the minimum amount to be met with CET1 capital is the equivalent of around 2.4 per cent of risk-weighted assets.

A range of additional bank specific regulatory capital buffers apply under the capital rules, which are required to be met with CET1 capital. These include a capital conservation buffer (2.5 per cent of risk-weighted assets) and a time-varying countercyclical capital buffer (CCyB) which was around 1.0 per cent of risk-weighted assets as at 31 December 2024.

The Bank has been able to apply dynamic relief in accordance with the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (revised). At 31 December 2024, no dynamic relief under the transitional arrangements has been recognised through CET1 capital (31 December 2023: £nil). The transitional arrangements subsequently ended on 1 January 2025.

Regulatory capital developments

The regulatory framework within which the Bank operates continues to be developed at a global level through the Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS) and within the UK by the PRA and through directions from the Financial Policy Committee (FPC). The Bank continues to monitor these developments very closely, analysing the potential capital impacts to ensure that, through organic capital generation and management actions, the Bank and its regulated subsidiaries continue to maintain a strong capital position that exceeds both minimum regulatory requirements and the Bank's risk appetite and is consistent with market expectations.

Capital resources

Regulatory capital is divided into tiers depending on the degree of permanency and loss absorbency exhibited.

- Common equity tier 1 (CET1) capital represents the strongest form of capital consisting of shareholders' equity (ordinary share capital and reserves) after a number of regulatory adjustments and deductions are applied. These include the accrual for foreseeable dividends (where applicable), the elimination of the cash flow hedging reserve and the debit valuation adjustment and deductions for prudent valuation, intangible assets and excess regulatory expected losses.
- Fully qualifying additional tier 1 (AT1) capital comprises non-cumulative perpetual securities containing specific provisions to write down the security should the CET1 ratio fall to a defined trigger limit. CET1 and AT1 together form Tier 1 Capital (T1).
- Tier 2 (T2) capital largely comprises certain other subordinated debt securities that do not qualify as AT1. They must have an original term of at least 5 years, cannot normally be redeemed within their first 5 years and are phased out as T2 regulatory capital in the final 5 years before maturity through the application of regulatory amortisation. Tier 1 and Tier 2 together form Total Capital.

The Bank's capital resources are summarised as follows:

	2024 £m	2023 £m
Common equity tier 1 capital	**2,797**	2,725
Additional tier 1 capital	**783**	783
Tier 2 capital	**591**	601
Total capital	**4,171**	4,109

Note 33: Cash flow statements

(A) Change in operating assets

	The Group		The Bank	
	2024 £m	2023[1] £m	**2024 £m**	2023[1] £m
Change in amounts due from fellow Lloyds Banking Group undertakings	**(37)**	(28)	**(13)**	(36)
Change in other financial assets held at amortised cost	**(1,432)**	3,720	**(1,435)**	3,735
Change in financial assets at fair value through profit or loss	**(3,774)**	(7,217)	**(3,773)**	(7,205)
Change in derivative financial instruments	**(46)**	1,947	**(46)**	1,973
Change in other operating assets	**(639)**	(313)	**(653)**	(299)
Change in operating assets	**(5,928)**	(1,891)	**(5,920)**	(1,832)

1 See note 1.

(B) Change in operating liabilities

	The Group		The Bank	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Change in deposits from banks	**567**	(375)	**567**	(375)
Change in customer deposits and repurchase agreements	**1,480**	366	**1,480**	366
Change in amounts due to fellow Lloyds Banking Group undertakings	**299**	(268)	**304**	(270)
Change in financial liabilities at fair value through profit or loss	**3,295**	7,108	**3,295**	7,108
Change in derivative financial instruments	**(988)**	(2,494)	**(988)**	(2,494)
Change in debt securities in issue	**(362)**	(453)	**(362)**	(453)
Change in other operating liabilities[1]	**323**	(266)	**323**	(268)
Change in operating liabilities	**4,614**	3,618	**4,619**	3,614

1 Includes a decrease of £6 million (2023: a decrease of £7 million) for the Group and a decrease of £4 million (2023: a decrease of £6 million) for the Bank in respect of lease liabilities.

(C) Non-cash and other items

	The Group		The Bank	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Depreciation and amortisation	**9**	10	**7**	10
Impairment of investment in subsidiaries	**–**	–	**12**	–
Allowance for loan losses (net of recoveries)	**(13)**	(18)	**(13)**	(18)
Impairment charge/(credit) relating to undrawn balances	**(4)**	(10)	**(4)**	(10)
Unwind of discount on impairment allowances	**–**	–	**–**	–
Other provision movements	**(1)**	–	**(1)**	–
Foreign exchange impact on balance sheet[1]	**(98)**	273	**(97)**	268
Other non-cash items	**380**	452	**378**	452
Non-cash and other items	**273**	707	**282**	702

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

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

	The Group		The Bank	
	2024 £m	2023[2] £m	**2024 £m**	2023[2] £m
Cash and balances at central banks	**20,308**	20,201	**20,308**	20,201
Less mandatory reserve deposits[1]	**–**	(190)	**–**	(190)
	20,308	20,011	**20,308**	20,011
Loans and advances to banks and reverse repurchase agreements	**1,685**	3,662	**1,654**	3,635
Less amounts with a maturity of three months or more	**(1,329)**	(1,903)	**(1,329)**	(1,903)
	356	1,759	**325**	1,732
Total cash and cash equivalents	**20,664**	21,770	**20,633**	21,743

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

2 See note 1.

Note 34: Events since the balance sheet date

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

Note 35: Other information

Lloyds Bank Corporate Markets plc is incorporated as a public limited company and registered in England with the registered number 10399850. Lloyds Bank Corporate Markets plc's registered office is 25 Gresham Street, London, EC2V 7HN, and its principal executive offices are located at 10 Gresham Street, London, EC2V 7AE.

Lloyds Bank Corporate Markets plc and its subsidiaries form a leading UK-based financial services group, whose businesses provide a wide range of banking and financial services in the UK and overseas.

Lloyds Bank Corporate Markets plc's immediate parent undertaking and ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

Other information

In this section

Subsidiaries and related undertakings

In compliance with Section 409 of the Companies Act 2006, the following comprises a list of all related undertakings of LBCM, as at 31 December 2024. The list includes each undertaking's registered office and the percentage of the class(es) of shares held by LBCM. All shares held are ordinary shares unless indicated otherwise in the notes.

The Bank directly or indirectly holds 100 per cent of the share class and a majority of voting rights in the following undertakings.

Subsidiary undertaking	Registered office address	Bank interest
Black Horse Offshore Limited	9 Broad Street St Helier Jersey JE2 3RR	100%
Lloyds America Securities Corporation	The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801	100%[1]
Lloyds Bank Corporate Asset Finance (No.1) Limited	25 Gresham Street London EC2V 7HN	100%
Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH	Thurn-Und Frankfurt Am Main 60313 Germany	100%
Lloyds International Management Services (Jersey) Limited (formerly Lloyds Bank International Limited)	9 Broad Street St Helier Jersey JE2 3RR	100%
Lloyds Securities Inc.	The Corporation Trust Company Corporation Trust Center 1209 Orange Street Wilmington Delaware 19801	100%[2]

1 10,000 US Dollars No par value.
2 10 US Dollars 0.1% common.

Alternative performance measure

The statutory results are supplemented with an alternative performance measure that is used internally in LBCM's monthly management reporting. The below metric is used through the banking industry. The metric is not necessarily comparable to similarly titled measures presented by other companies and is not any more authoritative than measures presented in the financial statements, however management believes that it is useful in assessing the performance of LBCM and in drawing comparisons between years. A description is given below.

Return on tangible equity	Profit attributable to ordinary shareholders, divided by average tangible net assets. This measure is useful in providing a consistent basis with which to measure LBCM's performance.

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 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, targets, 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 (including in relation to tariffs); acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the impact of any regulatory and/or legislative divergence between the UK and EU 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; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting defined benefit pension schemes; 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 including risks as a result of the failure of third party suppliers; 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) and decarbonisation, 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; and assumptions and estimates that form the basis of the Group's financial statements. A number of these influences and factors are beyond the Group's control. Please refer to 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.

Designed and produced by **emperor**
Visit us at **emperor.works**

LLOYDS

Non-ring-fenced bank

Head office

10 Gresham Street
London EC2V 7AE
www.lloydsbankinggroup.com

Registered office

25 Gresham Street
London EC2V 7HN
Registered in England no. 10399850