



LLOYDS BANK

Unaudited Pro Forma Financial Information for Lloyds Bank Corporate Markets plc

GENERAL DISCLAIMER

The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of Lloyds Bank Corporate Markets plc¹ set out in the table below has been prepared on the basis described below.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, forecast or represent the actual financial position of Lloyds Bank Corporate Markets plc, or its results, as at the relevant date. The Unaudited Pro Forma Financial Information may not therefore give a true picture of Lloyds Bank Corporate Markets plc’s financial position or results, nor are they indicative of the results that may, or may not, be expected to be achieved in the future.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy and plans of Lloyds Banking Group (the “**Group**”) and members of the Group, including Lloyds Bank Corporate Markets plc, and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group’s or its directors’ and/or management’s beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to:

- general economic and business conditions in the UK and internationally;
- market related trends and developments;
- fluctuations in interest rates (including low or negative rates), exchange rates, stock markets and currencies;
- the ability to access sufficient sources of capital, liquidity and funding when required;
- changes to the Group’s credit ratings;
- the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions;
- changing customer behaviour including consumer spending, saving and borrowing habits;
- changes to borrower or counterparty credit quality;
- instability in the global financial markets, including Eurozone instability, instability as a result of the exit by the UK from the European Union (EU) and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues;

- 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;
- natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group’s control;
- inadequate or failed internal or external processes or systems;
- acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events;
- changes in laws, regulations, accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence;
- changes to regulatory capital or liquidity requirements and similar contingencies outside the Group’s control;
- the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation (including ring-fencing legislation and related rules and guidance) together with any resulting impact on the future structure of the Group;
- the ability to attract and retain senior management and other employees;
- actions or omissions by the Group’s directors, management or employees including industrial action;
- changes to the Group’s post-retirement defined benefit scheme obligations;
- the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets;
- the value and effectiveness of any credit protection purchased by the Group;
- the inability to hedge certain risks economically;
- the adequacy of loss reserves;
- the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies;
- and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints.

Please refer to the latest Annual Report on Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors together with examples of forward looking statements.

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.

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.

NON-RING-FENCED BANK BALANCE SHEET

		FY-17	RFTS Day 1	FY-18
£bn				
Balance Sheet	Lending assets (includes Central Banks)	22	12	23
	Trading assets	30	20	30
	Investment in subsidiary	1		1
	Total External Assets	53	32	54
	Funding and Capital	17	15	18
	Customer deposits	8		8
	Other customer liabilities	28	17	28
	Total Capital and Liabilities	53	32	54
Memo	RWA	16	11	15
	Off Balance Sheet Commitments	15	6	15

		FY-17	RFTS Day 1	FY-18
Min Key Metrics	CET1	12%	12%	12%
	Total Capital	18%	18%	18%
	LCR	124%	110%	124%

General assumptions

The Unaudited Pro Forma Financial Information has been prepared on a standalone basis for Lloyds Bank Corporate Markets plc and is presented in sterling, the proposed functional currency of Lloyds Bank Corporate Markets plc.

The Unaudited Pro Forma Financial Information has been prepared in a manner consistent with the accounting policies adopted by Lloyds Banking Group plc in preparing its audited financial statements, and which will also be adopted by Lloyds Bank Corporate Markets plc in preparing its next audited financial statements.

The Unaudited Pro Forma Financial Information does not constitute statutory accounts or other financial information within the meaning of Section 434 of the Companies Act. The Unaudited Pro Forma Financial Information does not purport to represent the results of operations for Lloyds Bank Corporate Markets plc for any future period or the financial condition of Lloyds Bank Corporate Markets plc at any future date.

In the preparation of the Unaudited Pro Forma Financial Information for each of FY-17, RFTS Day 1 and FY-18, it is assumed that the final credit rating of Lloyds Bank Corporate Markets plc will be equivalent to the preliminary ratings received from S&P and Fitch prior to 31 October 2017 and an equivalent rating for the Transferee from Moody's has been assumed.

Specific assumptions for Unaudited Pro Forma Financial Information as at 31 December 2017 (i.e. FY-17)

- (a) The Unaudited Pro Forma Financial Information for FY-17 has been prepared to illustrate the anticipated position of the assets and liabilities of Lloyds Bank Corporate Markets plc as at 31 December 2017.
- (b) The Unaudited Pro Forma Financial Information for FY-17 is based on Lloyds Bank Corporate Markets plc's Unaudited Pro Forma Financial Information forecast for FY-18 and rolled back using the anticipated values of the relevant assets and liabilities expected as at 31 December 2017.
- (c) The Unaudited Pro Forma Financial Information for FY-17 is in line with the funding plan submitted to the Prudential Regulation Authority and the Group's expectation as to capital and funding for Lloyds Bank Corporate Markets plc.

Specific assumptions for Unaudited Pro Forma Financial Information as at 28 May 2018 (i.e. RFTS Day 1)

- (a) The Unaudited Pro Forma Financial Information for RFTS Day 1 has been prepared to illustrate the anticipated position of the assets and liabilities of Lloyds Bank Corporate Markets plc as at 28 May 2018 (the "Effective Date"). This is the date that the Ring-Fencing Transfer Scheme proposed to be undertaken by Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc is expected to take effect (the "RFTS").
- (b) The Unaudited Pro Forma Financial Information for RFTS Day 1 is prepared on the assumption that (i) the business proposed to be transferred pursuant to the RFTS has been transferred to Lloyds Bank Corporate Markets plc; and (ii) no deposits will be moved to Lloyds Bank Corporate Markets plc as at the Effective Date.
- (c) The Unaudited Pro Forma Financial Information for RFTS Day 1 is in line with the Group's expectation as to capital and funding for Lloyds Bank Corporate Markets plc.

- (d) The Unaudited Pro Forma Financial Information for RFTS Day 1 has been prepared on certain assumptions as set out below:
 - For customers who fall within the "Financial Institutions" segment of the Group, all derivative transactions maturing following 28 May 2018 will transfer to Lloyds Bank Corporate Markets plc. For all other customers, all relevant derivative transactions in accordance with the RFTS maturing following 31 December 2020 will transfer to Lloyds Bank Corporate Markets plc. The final outcome as at Day 1 will depend on the exercise of customer choices in accordance with the RFTS.
 - For customers who fall within the "Small and Medium sized Enterprises" and "Mid-Markets" segment of the Group, all derivative transactions which are permitted derivatives as per the RFTS will remain with Lloyds Bank plc and Bank of Scotland plc. The final outcome as at Day 1 will depend on the exercise of customer choices in accordance with the RFTS.
- (e) The Unaudited Pro Forma Financial Information for RFTS Day 1 has been prepared on the basis of the latest customer loan data (including assumed liquid asset buffer) and latest data for bilateral customer and interbank hedging derivatives and associated collateral (with the relevant assumptions in (d) applied) available immediately prior to preparation of this Unaudited Pro Forma Financial Information on 31 October 2017.
- (f) The assets within the Unaudited Pro Forma Financial Information for RFTS Day 1 also include trading inventory.
- (g) The Unaudited Pro Forma Financial Information for RFTS Day 1 only relates to transfers taking place as part of the "RFTS". There will be other transfers taking place through different mechanisms from May 2018 onwards which are not reflected as part of the Unaudited Pro Forma Financial Information for RFTS Day 1.

Specific assumptions for Unaudited Pro Forma Financial Information as at 31 December 2018 (i.e. FY-18)

- (a) The Unaudited Pro Forma Financial Information for FY-18 has been prepared to illustrate the anticipated position of the assets and liabilities of Lloyds Bank Corporate Markets plc as at 31 December 2018.
- (b) The Unaudited Pro Forma Financial Information for FY-18 is based on the assumption that (i) the transfer of the business to Lloyds Bank Corporate Markets plc outside the RFTS will be completed during the course of 2018 (but following the Effective Date); and (ii) deposits will also be transferred to Lloyds Bank Corporate Markets plc following the Effective Date.
- (c) The Unaudited Pro Forma Financial Information for FY-18 is in line with the Group's expectation as to capital and funding for Lloyds Bank Corporate Markets plc.

¹Lloyds Bank Corporate Markets plc is the legal name for Lloyds Banking Group's new non-ring-fenced bank. Lloyds Bank Corporate Markets plc was authorised with restrictions on 25 July 2017, and is now included on the Financial Services Register (Reference number: 763256). Until the restrictions are removed by the Prudential Regulation Authority (PRA), Lloyds Bank Corporate Markets plc is limited in its ability to undertake or have migrated to it any regulated financial services activities.