

# Lloyds Bank Corporate Markets plc

2020 Half-Year Results

Member of the Lloyds Banking Group

## 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 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. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. Examples of such forward looking statements include, but are 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; statements of plans, objectives or goals of the Group or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements 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, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the credit ratings of the Group or Lloyds Banking Group plc; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit 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; political instability including as a result of any UK general election; 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 (including but not limited to the coronavirus disease (COVID-19) outbreak) and other disasters, adverse weather and similar contingencies outside the control of the Group or Lloyds Banking Group plc; 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; risks relating to climate change; changes in laws, regulations, practices and 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 control of the Group or Lloyds Banking Group plc; 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 together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the post-retirement defined benefit scheme obligations of Lloyds Banking Group plc or its subsidiaries; 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 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 Commissions for discussions of certain factors and risks together with examples of forward looking statements which are available for download from [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com). Lloyds Banking Group may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Lloyds Banking Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group 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 to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. 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.

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## FINANCIAL REVIEW

Lloyds Bank Corporate Markets plc (the Bank) together with its subsidiaries (the Group) carries out the non-ring fenced banking operations of Lloyds Banking Group (LBG) and provide a wide range of banking and financial services in the UK and overseas. The Group operates as an integrated business across the UK, the Crown Dependencies, USA, Singapore and Germany and contributes to the financial results of the Commercial Banking Division of LBG.

Our strategic purpose as part of LBG is to Help Britain Prosper through operating a responsible business that focuses on delighting our customers and delivering long-term sustainable success.

### Principal activities

Lloyds Bank Corporate Markets plc (LBCM) supports a diverse range of customers and provides a broad range of banking products to help them achieve their financial goals and delighting them through a focused proposition and dedicated service. The Group's revenues are earned through the provision of financing and risk management solutions to commercial customers; and current accounts, savings accounts, mortgages, car finance and personal loans in the retail market in our Crown Dependencies businesses.

The target market for these products and services in the UK and internationally is made up of large corporates, financial institutions and retail and commercial customers in the Crown Dependencies, and includes the following product propositions

- Commercial lending (including fixed rate loans, revolving credit facilities, variable loans and business mortgages)
- Trade and working capital management (including trade services, trade finance, supply chain finance and asset finance)
- Bonds and structured finance (including bonds, structured lending and asset securitisation)
- Risk management (including FX, rates, credit, commodities and liabilities management)
- Retail banking services (including mortgages, personal current accounts, personal loans and motor finance) in the Crown Dependencies

### Review of results

During the half-year to 30 June 2020, the Group recorded a profit before tax of £7 million compared to £157 million during the half-year to 30 June 2019, an overall reduction of £150 million.

2020 has seen significant disruption and impact to the market, our customers and our ways of working as a result of the COVID-19 pandemic. Despite this disruption, the Group has continued to support customers and provided financial assistance to the UK economy and the economies in which our customers operate. Income has remained resilient being £388 million for the first half of 2020 which is broadly consistent with that of the first six months of 2019 of £393 million, pre fair value write downs on derivatives that are recognised through net trading income (six months to 30 June 2020 £97 million charge versus six months to 30 June 2019 £nil).

The Group's expected credit loss (ECL) on loans and commitments, calculated under IFRS 9, requires the use of a range of possible future outcomes and more details are contained in Note 1. The projected economic impacts on the markets in which we operate has resulted in material increases in ECL charges recognised through the Impairment line of the Income Statement. This along with fair value write downs on derivatives recognised through net trading income, has significantly impacted profitability, despite diligent management of costs and capital.

Regulatory capital adequacy remains strong, with a CET1 ratio of 13.7%; reflecting the stability of the business, and the strength of the client franchise served by the Group.

Total income (after the fair value write down on derivatives referenced above) was £291 million compared to £393 million in the first half of 2019, comprising net interest income of £1 million (£78 million in the half-year to 30 June 2019), net fee and commission income of £96 million (£114 million in the half-year to 30 June 2019) and net trading income of £194 million, noting this is after the fair value write down on derivatives of £97million referred to above, (£201 million in the half-year to 30 June 2019) reflecting a strong performance in our Markets business. The COVID-19 pandemic has had an effect on the global economy and financial markets with net interest income being adversely impacted through increased costs of funding and a continued low interest rate environment.

**FINANCIAL REVIEW** (continued)

The other key impact of the economic implications of COVID-19 has been an increase in ECL with £77 million charged in the first half of the year (six months to 30 June 2019 £nil). Contained within this ECL charge is £90 million which is driven by the forward looking nature of IFRS9 (stage 1 and 2 impairment) and the expected deterioration of the economic outlook. This is partially offset by a net write-back of £13 million on credit impaired assets. Additionally, the Group has reflected a fair value write down of £97 million on derivative positions through net trading income (as noted above), driven by a single counterparty that has only derivative exposure with the Group and has entered administration in the wake of the COVID-19 pandemic.

Operating expenses were £207 million down from £236 million in the half-year to 30 June 2019, a reduction of £29 million as a result of management action and specific cost control initiatives. Costs consist predominantly of management charges relating to the Intra Group agreement paid to Lloyds Bank plc, staff costs and other operating expenses. The taxation credit in the period was £27 million (six months to 30 June 2019 £35 million charge) reflecting lower profitability in 2020 and specific rules in the computation (refer Note 4).

Total assets were £18,880 million higher at £98,541 million at 30 June 2020 compared to £79,661 million at 31 December 2019. The largest movement is in cash and balances at central banks which increased by £10,914 million from £16,250 million at 31 December 2019 to £27,164 million at 30 June 2020 reflecting prudent management action to increase liquidity should the impact of COVID-19 cause further market distress. Financial assets at fair value through profit or loss were £19,015 million at 30 June 2020 compared to £18,146 million at 31 December 2019 and predominantly consist of reverse repurchase agreements. Derivative financial instruments of £22,397 million at 30 June 2020 increased by £3,561 million compared to £18,836 million at 31 December 2019. Financial assets at amortised cost increased by £967 million from £25,899 million at 31 December 2019 to £26,866 million at 30 June 2020 and consists mainly of loans and advances to customers and banks.

Total liabilities of the Group were £94,892 million at 30 June 2020 compared to £75,385 million at 31 December 2019, an increase of £19,507 million. Deposits from banks were £6,627 million at 30 June 2020 which is £2,657 million higher than £3,970 million at 31 December 2019. Customer deposits increased by £1,374 million from £24,479 million at 31 December 2019 to £25,853 million at 30 June 2020. Financial liabilities at fair value through profit or loss at 30 June 2020 of £13,601 million consists predominantly of repurchase agreements and is consistent with the 31 December 2019 balance of £13,784 million. Derivative financial instruments of £22,377 million has increased by £4,615 million compared to the 31 December 2019 balance of £17,762 million. Debt securities in issue of £20,008 million has increased by £7,579 million compared to £12,429 million at 31 December 2019. The increase in deposits and debt securities reflects increased funding liquidity, as referenced above, in addition to improving the liability maturity profile, as evidenced by the £2,514 million raised through the LBCM European Medium-Term Note (EMTN) programme. Total equity at 30 June 2020 was £3,649 million which is a reduction of £627 million compared to £4,276 million at 31 December 2019 largely reflecting the dividend paid to LBG in the period of £700 million.

In June 2020, the Group agreed the sale of its Jersey based investment management business to Brooks MacDonald enabling the Group to focus on core service propositions. A subsidiary of the Group, Lloyds Investment Fund Managers Ltd is being sold along with the customers and assets under management from Lloyds Bank International Ltd. The deal is planned to conclude pre year end and going forward the Group will no longer operate in this particular market.

**Capital position at 30 June 2020**

Following a change in approach the capital position of Lloyds Bank Corporate Markets plc is now presented on the basis of the Bank where previously this was presented on the basis of the Group. Prior year comparatives reflect the position of the Bank at 31 December 2019. The Bank's capital position as at 30 June 2020, applying current IFRS 9 transitional arrangements, is set out in the following section.

**FINANCIAL REVIEW** (continued)**Capital ratios (Bank)**

	At 30 June 2020 £m	At 31 Dec 2019 £m
<b>Capital resources (transitional)</b>		
<b>Common equity tier 1</b>		
Shareholders' equity per Bank balance sheet	2,934	3,593
Adjustment to retained earnings for foreseeable dividends	-	(700)
Cash flow hedging reserve	(114)	(56)
Debit valuation adjustment	(40)	(25)
Other adjustments	45	3
	<u>2,825</u>	<u>2,815</u>
<b>Less: deductions from common equity tier 1</b>		
Prudent valuation adjustment	(154)	(179)
Excess of expected losses over impairment provisions and value adjustments	-	(16)
Securitisation deductions	(182)	(185)
Deferred tax assets	(3)	(2)
Significant investments	-	(52)
	<u>2,486</u>	<u>2,381</u>
<b>Common equity tier 1 capital</b>		
<b>Additional tier 1</b>		
Additional tier 1 instruments	757	757
	<u>3,243</u>	<u>3,138</u>
<b>Total tier 1 capital</b>		
<b>Tier 2</b>		
Tier 2 instruments	693	645
Other adjustments	(121)	(98)
	<u>572</u>	<u>547</u>
<b>Total tier 2 capital</b>		
	<u>3,815</u>	<u>3,685</u>
<b>Total capital resources</b>		
	<u>3,815</u>	<u>3,685</u>
<b>Risk-weighted assets</b>	18,144	17,021
Common equity tier 1 capital ratio <sup>1</sup>	13.7%	14.0%
Tier 1 capital ratio <sup>1</sup>	17.9%	18.4%
Total capital ratio <sup>1</sup>	21.0%	21.6%

<sup>1</sup> Reflecting the full impact of IFRS 9 at 30 June 2020, without the application of transitional arrangements, the Bank's common equity tier 1 capital ratio would be 13.4 per cent, the tier 1 capital ratio would be 17.6 per cent and the total capital ratio would be 21.1 per cent.

**FINANCIAL REVIEW** (continued)

	<b>At 30 June 2020 £m</b>	At 31 Dec 2019 £m
<b>Risk-weighted assets (Bank)</b>		
Foundation Internal Ratings Based (IRB) Approach	7,937	7,270
Other IRB Approach	<u>348</u>	<u>433</u>
<b>IRB Approach</b>	<b>8,285</b>	7,703
Standardised (STA) Approach	<u>2,291</u>	<u>2,262</u>
<b>Credit risk</b>	<b>10,576</b>	9,965
Counterparty credit risk	3,875	3,477
Credit valuation adjustment risk	350	313
Operational risk	1,044	1,062
Market risk	<u>1,671</u>	<u>1,588</u>
<b>Underlying risk-weighted assets</b>	<b>17,516</b>	16,405
Threshold risk-weighted assets	<u>628</u>	<u>616</u>
<b>Total risk-weighted assets</b>	<b>18,144</b>	17,021

## PRINCIPAL RISKS AND UNCERTAINTIES

The most significant risks that could impact the Group's ability to deliver long-term strategic objectives are outlined below. These principal risks and uncertainties are reviewed and reported to the Board Risk Committee regularly.

There is a high-degree of uncertainty surrounding both UK and global political and macroeconomic developments. The potential impacts of these external factors have been considered in all principal risks to ensure they are monitored and appropriately mitigated where possible.

The Group continues to assess the risks associated with the global COVID-19 pandemic and the impacts on its customers, colleagues and the communities in which they operate. The pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. All jurisdictions in which the LBCM Group operates have implemented various degrees of restrictions on the movement of their respective populations causing a significant impact on economic activity. Whilst these restrictions are beginning to be lifted in some jurisdictions, the long term impact of the crisis remains unclear as does the shape of any economic recovery. COVID-19 could have a material adverse effect on the profitability, credit risk, capital, liquidity, operational resilience and employees of financial institutions such as the Group.

As part of our ongoing assessment of the potential implications of the UK leaving the European Union, the Group continues to assess the impact of trade negotiations on its customers, colleagues and products. Trade negotiations remain highly uncertain and the final outcome could have legal, regulatory, tax, financial and capital implications for the Group.

The transition from Interbank Offered Rates (IBOR) to Alternative 'Risk Free' Reference Rates continues as widely used historical benchmark rates, such as the London Interbank Offered Rate (LIBOR), remain under regulatory scrutiny. Regulators have signalled the need to expedite the switch to alternative benchmark rates including the transition to Sterling Overnight Index Average (SONIA) in the UK by the end of 2021. As a result, existing benchmark rates are being discontinued or the basis on which they are calculated is being changed. Uncertainty as to the nature of such potential changes across jurisdictions may adversely affect the value of a broad array of financial products, including any LIBOR-based securities, loans and derivatives. The availability and cost of hedging IBOR instruments and borrowings may also change unexpectedly. These changes could have important implications for our customers and necessitate amendments to existing documents and contracts that would have a detrimental impact on the Group's financial performance. The Group is working closely with Lloyds Banking Group on the transition away from IBORs.

**Credit risk** – The risk that parties with whom the Group has contracted fail to meet their financial obligations (both on and off balance sheet). Observed or anticipated changes in the economic environment could impact profitability due to an increase in delinquency, defaults, write-downs and/or expected credit losses.

**Regulatory and legal risk** – The risk arising from the failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements, leading to customer detriment, financial penalties, regulatory censure, criminal or civil enforcement action.

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

**Operational risk: overall** – The risk of inadequate or failed internal processes, people, systems or from external events leading to loss.

**PRINCIPAL RISKS AND UNCERTAINTIES** (continued)

**Operational risk: shared services model (SSM)** – Lloyds Banking Group's chosen Ring-fencing Operating Model introduces residual risk for the LBCM Group in the execution of that model as a Shared Service Recipient. This includes: Internal Service Provision Risk, Business Process Risk (i.e. non-adherence to key processes), Information Security & Cyber Risk, Fraud and Financial Crime Risk and Operational Risk around business resilience, change activity and sourcing.

Key Risks include

- Key reliance on the SSM increases the prominence of Internal Service Provision Risk
- Business Process Risk (i.e. non-adherence to key processes, including those relating to Market, Operational, Capital, Credit and Funding & Liquidity Risk)
- Information Security & Cyber Risk including access management, records, data protection and cyber
- IT Systems Risk due to reliance on Shared Service from Group IT
- Reliance on the SSM to operate key controls designed to detect and prevent fraud and financial crime
- Operational Risk around business resilience, change activity and sourcing

**People risk** – The risk that LBCM fails to provide an appropriate colleague and customer centric culture supported by robust reward and well-being policies and processes, effective leadership to manage colleague resources, effective talent and succession management and robust controls to ensure all colleague-related requirements are met.

**Capital risk** – The risk that we have a sub-optimal quantity or quality of capital or that capital is inefficiently deployed across the Group.

**Funding and liquidity risk** – The risk that we do not have sufficiently stable and diverse sources of funding or financial resources are insufficient to meet commitments as they fall due.

**Governance risk** – The risk that our organisational infrastructure fails to provide robust oversight of decision making and the control mechanisms to ensure strategies and management instructions are implemented effectively.

**Market risk** – The risk that our capital or earnings profile is affected by adverse market rates, in particular changes in interest and foreign exchange rates (and their volatilities), inflation rates, commodity prices and credit spreads through activity in the banking and markets businesses.

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

**Climate change risk** – The key risks associated with climate change are physical risks arising from climate and weather-related events, and transition risks, which are the financial risks resulting from the process of adjustment towards a lower carbon economy. Climate change therefore manifests itself across multiple risk types e.g. credit, market, conduct and operational. For example, physical and transition risk, the impairment of asset values, may impact the creditworthiness of our clients, and in currently profitable business deteriorating over the term of agreed facilities. The focus on these risks by key stakeholders including businesses, clients and investors, governments and regulators is aligned to the evolving societal, regulatory and political landscape.

There also remains a risk that campaign groups or other bodies could seek to take legal action (including indirect action) against LBCM, Lloyds Banking Group and/or the financial services industry for investing in or lending to organisations that they deem to be responsible for, or contributing to, climate change.

**Data risk** - The risk of LBCM failing to effectively govern, manage, and control its data (including data processed by Third Party Suppliers) leading to unethical decisions, poor customer outcomes, loss of value to LBCM and mistrust.



**PRINCIPAL RISKS AND UNCERTAINTIES** (continued)

**Operational resilience risk** – The risk that LBCM fails to design resilience into business operations, underlying infrastructure and controls (people, process, technical) to withstand external or internal events that could impact the continuity of operations or alternatively the failure to respond to events in a way which meets stakeholder expectations and needs when the continuity of operations is compromised.

**Change/execution risk** – The risk that, in delivering its change agenda, LBCM fails to ensure compliance with laws and regulation, maintain effective customer service and availability, and/or operate within LBCM's risk appetite.

**Strategic risk** – The risk which results from incorrect assumptions about internal or external factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments.

**CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED INCOME STATEMENT**

	Note	Half-year to 30 June 2020 £m	Half-year to 30 June 2019 <sup>1</sup> £m
Interest and similar income		278	407
Interest and similar expense		(277)	(329)
<b>Net interest income</b>		<b>1</b>	<b>78</b>
Fee and commission income		112	129
Fee and commission expense		(16)	(15)
Net fee and commission income		96	114
Net trading income		194	201
<b>Other income</b>		<b>290</b>	<b>315</b>
<b>Total income</b>		<b>291</b>	<b>393</b>
Total operating expenses	2	(207)	(236)
<b>Trading surplus</b>		<b>84</b>	<b>157</b>
Impairment	3	(77)	-
<b>Profit before tax</b>		<b>7</b>	<b>157</b>
Tax credit/(expense)	4	27	(35)
<b>Profit for the period</b>		<b>34</b>	<b>122</b>
Profit attributable to ordinary shareholders		11	97
Profit attributable to other equity shareholders		23	25
<b>Profit for the period</b>		<b>34</b>	<b>122</b>

<sup>1</sup> Restated – Comparative other operating income has been reallocated to net trading income in line with the treatment of the underlying transactions for the year end 31 December 2019.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	<b>Half-year to 30 June 2020 £m</b>	Half-year to 30 June 2019 £m
<b>Profit for the period</b>	<b>34</b>	122
<b>Other comprehensive income:</b>		
<b>Items that may subsequently be reclassified to profit or loss:</b>		
Movements in revaluation reserve in respect of debt securities held at fair value through other comprehensive income:		
Change in fair value	(6)	5
Tax	2	(1)
	(4)	4
Movement in cash flow hedging reserve:		
Effective portion of changes in fair value	84	76
Net income statement transfers	(3)	(4)
Tax	(23)	(18)
	58	54
Currency translation differences (tax: nil)	7	(2)
<b>Other comprehensive income for the period, net of tax</b>	<b>61</b>	56
<b>Total comprehensive income for the period</b>	<b>95</b>	178
Total comprehensive income attributable to ordinary shareholders	72	153
Total comprehensive income attributable to other equity holders	23	25
<b>Total comprehensive income for the period</b>	<b>95</b>	178

## CONSOLIDATED BALANCE SHEETS

	Note	At 30 June 2020 (unaudited) £m	At 31 Dec 2019 (audited) £m
<b>Assets</b>			
Cash and balances at central banks		27,164	16,250
Items in course of collection from banks		10	21
Financial assets at fair value through profit or loss	5	19,015	18,146
Derivative financial instruments		22,397	18,836
Loans and advances to banks		4,624	4,813
Loans and advances to customers		20,137	20,264
Debt securities		380	112
Due from fellow Lloyds Banking Group undertakings		1,725	710
Financial assets at amortised cost	6	26,866	25,899
Financial assets at fair value through other comprehensive income		196	314
Property, plant and equipment		84	72
Current tax recoverable		36	2
Deferred tax assets		27	6
Other assets		2,746	115
<b>Total assets</b>		<b>98,541</b>	<b>79,661</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Deposits from banks		6,627	3,970
Customer deposits		25,853	24,479
Due to fellow Lloyds Banking Group undertakings		3,199	1,638
Financial liabilities at fair value through profit or loss		13,601	13,784
Derivative financial instruments		22,377	17,762
Debt securities in issue	8	20,008	12,429
Other liabilities		2,433	577
Current tax liabilities		9	30
Deferred tax liabilities		40	18
Subordinated liabilities		745	698
<b>Total liabilities</b>		<b>94,892</b>	<b>75,385</b>
<b>Equity</b>			
Share capital		120	120
Other reserves		93	32
Retained profits		2,654	3,342
<b>Shareholders' equity</b>		<b>2,867</b>	<b>3,494</b>
Other equity instruments		782	782
<b>Total equity</b>		<b>3,649</b>	<b>4,276</b>
<b>Total equity and liabilities</b>		<b>98,541</b>	<b>79,661</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to ordinary shareholders				Other equity instruments £m	Total £m
	Share capital £m	Other reserves £m	Retained profits £m	Total £m		
<b>Balance at 1 January 2020</b>	<b>120</b>	<b>32</b>	<b>3,342</b>	<b>3,494</b>	<b>782</b>	<b>4,276</b>
<b>Comprehensive income</b>						
Profit for the period	-	-	11	11	23	34
<i>Other comprehensive income</i>						
Movements in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax:						
Debt securities	-	(4)	-	(4)	-	(4)
Movements in cash flow hedging reserve, net of tax	-	58	-	58	-	58
Currency translation differences (tax: nil)	-	7	-	7	-	7
Total other comprehensive income	-	61	-	61	-	61
<b>Total comprehensive income</b>	-	61	11	72	23	95
<b>Transactions with owners</b>						
Dividends	-	-	(700)	(700)	-	(700)
Distributions on other equity instruments	-	-	-	-	(23)	(23)
Other adjustments	-	-	1	1	-	1
<b>Total transactions with owners</b>	-	-	(699)	(699)	(23)	(722)
<b>Balance at 30 June 2020</b>	<b>120</b>	<b>93</b>	<b>2,654</b>	<b>2,867</b>	<b>782</b>	<b>3,649</b>

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

	Attributable to ordinary shareholders			Total £m	Other equity instruments £m	Total £m
	Share capital £m	Other reserves £m	Retained profits £m			
Balance at 1 January 2019	120	(15)	3,105	3,210	782	3,992
Comprehensive income						
Profit for the period	-	-	97	97	25	122
<i>Other comprehensive income</i>						
Movements in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax:						
Debt securities	-	4	-	4	-	4
Movements in cash flow hedging reserve, net of tax	-	54	-	54	-	54
Currency translation differences (tax: nil)	-	(2)	-	(2)	-	(2)
Total other comprehensive income	-	56	-	56	-	56
Total comprehensive income	-	56	97	153	25	178
Transactions with owners						
Distributions on other equity instruments	-	-	-	-	(25)	(25)
Other adjustments	-	-	5	5	-	5
Total transactions with owners	-	-	5	5	(25)	(20)
Balance at 30 June 2019	120	41	3,207	3,368	782	4,150

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

	Attributable to ordinary shareholders				Other equity instruments £m	Total £m
	Share capital £m	Other reserves £m	Retained profits £m	Total £m		
Balance at 1 July 2019	120	41	3,207	3,368	782	4,150
Comprehensive income						
Profit for the period	-	-	137	137	24	161
<i>Other comprehensive income</i>						
Movements in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax:						
Debt securities	-	(6)	-	(6)	-	(6)
Movements in cash flow hedging reserve, net of tax	-	(3)	-	(3)	-	(3)
Currency translation differences (tax: nil)	-	-	-	-	-	-
Total other comprehensive income	-	(9)	-	(9)	-	(9)
Total comprehensive income	-	(9)	137	128	24	152
Transactions with owners						
Distributions on other equity instruments	-	-	-	-	(24)	(24)
Other adjustments	-	-	(2)	(2)	-	(2)
Total transactions with owners	-	-	(2)	(2)	(24)	(26)
Balance at 31 December 2019	120	32	3,342	3,494	782	4,276

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

	<b>Half-year to 30 June 2020 £m</b>	Half-year to 30 June 2019 £m
<b>Profit before tax</b>	<b>7</b>	157
Adjustments for:		
Change in operating assets	<b>(7,883)</b>	(7,082)
Change in operating liabilities	<b>19,459</b>	8,394
Non-cash and other items	<b>69</b>	107
Tax paid	<b>(49)</b>	(28)
<b>Net cash provided by operating activities</b>	<b>11,603</b>	1,548
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	<b>(16)</b>	(3)
Proceeds from sale of fixed assets	-	-
<b>Net cash used in investing activities</b>	<b>(16)</b>	(3)
<b>Cash flows from financing activities</b>		
Dividends paid to ordinary shareholders	<b>(700)</b>	-
Distributions on other equity instruments	<b>(23)</b>	(25)
Interest paid on subordinated liabilities	<b>(14)</b>	(16)
<b>Net cash used in financing activities</b>	<b>(737)</b>	(41)
Effects of exchange rate changes on cash and cash equivalents	<b>2</b>	1
Change in cash and cash equivalents	<b>10,852</b>	1,505
Cash and cash equivalents at beginning of period	<b>19,094</b>	15,478
<b>Cash and cash equivalents at end of period</b>	<b>29,946</b>	16,983

Cash and cash equivalents comprise cash and balances at central banks (excluding mandatory deposits) and amounts due from banks with a maturity of less than three months.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting policies, presentation and estimates

These condensed consolidated half-year financial statements as at and for the 6 month period to 30 June 2020 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (FCA) and with International Accounting Standard 34 (IAS 34), *Interim Financial Reporting* as adopted by the European Union and comprise the results of Lloyds Bank Corporate Markets plc (the Bank) together with its subsidiaries (the Group). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2019 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Copies of the 2019 Annual Report and Accounts are available on the Lloyds Banking Group's website and are available upon request from Investor Relations, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The directors consider that it is appropriate to continue to adopt the going concern basis in preparing the condensed consolidated half-year financial statements. In reaching this assessment, the directors have considered the implications of the COVID-19 pandemic upon the Group's operational and financial performance and projected funding and capital position and also taken into account the impact of further stress scenarios. On this basis, the directors are satisfied that the Group will maintain adequate levels of funding and capital for the foreseeable future. Further details of the Group's capital position are set out on pages 3 to 4.

The accounting policies are consistent with those applied by the Group in its 2019 Annual Report and Accounts.

#### ***Future accounting developments***

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 and 1 January 2022 (including IFRS 9 *Financial Instruments* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). These amendments are not expected to have a significant impact on the Group.

#### ***Critical accounting estimates and judgements***

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that impact the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may include 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. The Group's significant judgements, estimates and assumptions are unchanged, compared to those applied at 31 December 2019, except as detailed below.

#### ***Allowance for impairment losses***

At 30 June 2020 the Group's expected credit loss allowance (ECL) was £163 million (31 December 2019: £91 million), of which £125 million (31 December 2019: £87 million) was in respect of drawn balances.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**1. Accounting policies, presentation and estimates** (continued)

The calculation of the Group's ECL allowances and its provisions against loan commitments and guarantees under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. In particular, the measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. In order to do this, the Group has developed an economic model to project a wide range of key impairment drivers using information derived mainly from external sources. These drivers include factors such as the unemployment rate, commercial property prices and corporate credit spreads. The model-generated economic scenarios for the six years beyond 2020 are mapped to industry-wide historical loss data by portfolio. Combined losses across portfolios are used to rank the scenarios by severity of loss.

Alongside a defined central scenario three further scenarios are generated by averaging a group of individual scenarios around specified points along the loss distribution to reflect the range of outcomes. The central scenario reflects the Group's base case assumptions used for medium-term planning purposes, an upside and a downside scenario are also produced together with a severe downside scenario. Rare occurrences of adverse economic events can lead to relatively large credit losses which means that typically the most likely outcome is less than the probability-weighted outcome of the range of possible future events. To allow for this a relatively unlikely severe downside scenario is therefore included. At 31 December 2019 and 30 June 2020, the base case, upside and downside scenarios each carry a 30 per cent weighting; the severe downside scenario is weighted at 10 per cent. A committee under the chairmanship of the LBG Chief Economist meets quarterly, to review and, if appropriate, recommend changes to the economic scenarios to the LBCM Chief Financial Officer and LBCM Chief Risk Officer. Findings dealing with all aspects of the expected credit loss calculation are presented to the LBCM Audit Committee.

The key economic assumptions made by the Group as at 30 June 2020 averaged over a five-year period are shown below, note compounded growth rates have been calculated on a geometric average basis, they were previously calculated on an arithmetic average basis. The geometric average basis is a more appropriate measure for rates of change that compound over time:

*Economic assumptions – 5 year Average*

	<b>Base case</b> %	<b>Upside</b> %	<b>Downside</b> %	<b>Severe downside</b> %
<b>At 30 June 2020</b>				
UK GDP	<b>0.4</b>	<b>0.8</b>	<b>0.3</b>	<b>(0.4)</b>
UK Interest rate	<b>0.15</b>	<b>1.06</b>	<b>0.16</b>	<b>0.03</b>
UK Unemployment rate	<b>6.0</b>	<b>5.5</b>	<b>7.1</b>	<b>8.1</b>
UK Commercial real estate price growth	<b>(0.6)</b>	<b>2.7</b>	<b>(3.5)</b>	<b>(8.0)</b>
US GDP	<b>1.3</b>	<b>1.7</b>	<b>0.8</b>	<b>0.3</b>
US Unemployment rate	<b>8.0</b>	<b>6.8</b>	<b>9.0</b>	<b>10.6</b>
At 31 December 2019				
UK GDP	1.4	1.7	1.2	0.5
UK Interest rate	1.25	2.04	0.49	0.11
UK Unemployment rate	4.3	3.9	5.8	7.2
UK Commercial real estate price growth	(0.2)	1.8	(3.8)	(7.1)
US GDP	1.8	1.9	1.3	0.8
US Unemployment rate	4.0	3.4	5.3	6.8

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**1. Accounting policies, presentation and estimates** (continued)

The five year averages shown do not fully reveal the extent of peak and trough changes in the stated assumptions over the period. The tables below illustrate the variability of the assumptions from the start of the period to the peak and trough.

*Economic assumptions – start to peak*

	<b>Base case</b> %	<b>Upside</b> %	<b>Downside</b> %	<b>Severe downside</b> %
<b>At 30 June 2020</b>				
UK GDP	1.9	4.0	1.7	(1.8)
UK Interest rate	0.25	1.50	0.21	0.10
UK Unemployment rate	9.0	8.6	9.2	9.7
UK Commercial real estate price growth	(2.7)	14.8	(2.7)	(2.7)
US GDP	6.4	8.8	4.3	1.4
US Unemployment rate	13.0	12.9	13.0	13.0
At 31 December 2019				
UK GDP	7.0	8.6	6.2	2.7
UK Interest rate	1.75	2.56	0.75	0.75
UK Unemployment rate	4.6	4.6	6.9	8.3
UK Commercial real estate price growth	0.1	10.4	(0.6)	(1.1)
US GDP	9.1	9.9	6.8	4.0
US Unemployment rate	4.1	3.8	6.1	8.3

*Economic assumptions – start to trough*

	<b>Base case</b> %	<b>Upside</b> %	<b>Downside</b> %	<b>Severe downside</b> %
<b>At 30 June 2020</b>				
UK GDP	(19.7)	(19.5)	(19.8)	(20.2)
UK Interest rate	0.10	0.10	0.08	0.01
UK Unemployment rate	3.9	3.9	3.9	3.9
UK Commercial real estate price growth	(20.0)	(11.5)	(27.2)	(42.3)
US GDP	(11.7)	(11.6)	(11.7)	(11.8)
US Unemployment rate	3.8	3.8	3.8	3.8
At 31 December 2019				
UK GDP	0.4	0.7	0.2	(2.7)
UK Interest rate	0.75	0.75	0.35	0.01
UK Unemployment rate	3.8	3.4	3.9	3.9
UK Commercial real estate price growth	(0.9)	0.3	(17.5)	(30.9)
US GDP	0.4	0.5	0.3	(2.6)
US Unemployment rate	3.6	3.2	3.7	3.7

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**1. Accounting policies, presentation and estimates** (continued)

The Group's base case economic scenario has been materially revised in light of the impact of the COVID-19 pandemic in the UK and globally. The estimated impacts reflect judgments on the net effect of restrictions on economic activity unprecedented in peacetime, large-scale and previously untried government interventions, and lasting behavioural changes by households and businesses.

Although economies globally have begun to recover as restrictions are eased, there is considerable uncertainty about the pace and eventual extent of the recovery. The Group's base case assumptions reflect an expectation of some enduring scarring as economies work through the sharp contraction in economic activity in 2020. Consistent with this, and despite the support provided by the government's Coronavirus Job Retention Scheme and other income assistance, the UK base case outlook entails a rise in the unemployment rate and weakness in residential and commercial property prices. US base case assumptions also reflect a higher unemployment rate. The Group considers that risks to its base case economic view lie in both directions, reflecting both epidemiological and other developments. For the UK, this includes risks around the transition to new trading arrangements with the European Union.

*Scenarios by year*

	2020 %	2021 %	2022 %	2020-22 %
<b>Base Case</b>				
GDP	(10.0)	6.0	3.0	(1.8)
Interest rate	0.10	0.10	0.10	0.10
Unemployment rate	7.2	7.0	5.7	6.7
Commercial real estate price growth	(20.0)	10.0	4.0	(8.5)
US GDP	(5.9)	4.3	4.3	2.3
US Unemployment rate	9.8	9.3	7.7	8.9
<b>Upside</b>				
GDP	(9.5)	7.5	3.1	0.3
Interest rate	0.21	1.15	1.42	0.92
Unemployment rate	7.1	6.2	4.9	6.1
Commercial real estate price growth	(8.4)	18.6	3.4	12.4
US GDP	(5.7)	5.7	5.7	5.4
US Unemployment rate	9.7	8.4	6.0	8.0
<b>Downside</b>				
GDP	(10.2)	5.8	3.1	(2.0)
Interest rate	0.09	0.12	0.19	0.13
Unemployment rate	7.3	7.7	6.8	7.3
Commercial real estate price growth	(27.2)	4.0	2.9	(22.1)
US GDP	(6.1)	3.1	3.0	(0.2)
US Unemployment rate	9.9	10.0	9.2	9.7
<b>Severe downside</b>				
GDP	(10.9)	3.0	2.2	(6.2)
Interest rate	0.06	0.01	0.02	0.03
Unemployment rate	7.5	8.9	8.4	8.3
Commercial real estate price growth	(36.2)	(7.8)	(1.4)	(41.9)
US GDP	(6.3)	1.4	1.3	(3.8)
US Unemployment rate	10.0	11.2	11.4	10.8

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**1. Accounting policies, presentation and estimates** (continued)*Impact of multiple economic scenarios*

The table below shows the extent to which a higher ECL allowance has been recognised to take account of forward looking information from the weighted multiple economic scenarios and the Group's ECL for the upside, downside and severe downside scenarios using a 100 per cent weighting compared to the base case scenario. The table is presented on the basis that, for each scenario presented, the staging is that of the probability weighted outcome. The majority of post-model adjustments and all individually assessed provisions, although assessed on a range of multiple case specific outcomes, are reported flat under each economic scenario. At 30 June 2020 the impact of MES was an increase of £4 million to the base case (31 December 2019: £1 million).

	<b>Probability-weighted £m</b>	<b>Upside £m</b>	<b>Base case £m</b>	<b>Downside £m</b>	<b>Severe Downside £m</b>
<b>At 30 June 2020</b>	<b>163</b>	<b>137</b>	<b>159</b>	<b>171</b>	<b>223</b>
At 31 December 2019	91	87	90	94	101

*Post-model adjustments*

Limitations in the Group's impairment models or input data may be identified through the on-going assessment and validation of the output of the models. In these circumstances, management make appropriate adjustments to the Group's allowance for impairment losses to ensure the overall provision adequately reflects all material risks. All post-model adjustments are reviewed half-yearly and are subject to strict internal governance and controls. The reported ECL includes two material adjustments at 30 June 2020 relating to reductions to modelled ECL. These are to reflect the recovery in the US economic outlook not being adequately captured by PD models, £20 million, and the impact of using more granular facility level LGDs of £12 million which has been assessed outside the model. There were no material adjustments made at 31 December 2019.

*Significant increase in credit risk*

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, the Group uses quantitative tests based on relative and absolute probability of default movements linked to internal credit ratings together with qualitative indicators such as watch lists and other indicators of historical delinquency, credit weakness or financial difficulty. These quantitative tests are carried out on both observed and forward-looking probabilities of default (PDs) to determine whether a customer has triggered the required deterioration appropriate for their PD at origination. For each major product grouping, models have been developed which utilise historical credit loss data to produce probabilities of default for each scenario; and it is the overall weighted-average forward-looking PD that is used to assist in determining the staging of financial assets.

There have been no changes to the quantitative or qualitative triggers used at 30 June 2020. The Group considers these to continue to perform adequately under the current economic conditions.

*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. A 90 days past due backstop is applied.

*Loss given default*

The loss given default (LGD) is based on underlying collateral values, market recovery rates and internal credit assessments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**1. Accounting policies, presentation and estimates** (continued)**Other matters**

The Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore minimal estimates are made in determining fair value. The fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques which involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. The pandemic has had a significant impact on the fair values of the financial assets and financial liabilities, particularly those that are valued with reference to unobservable interest rate spreads and interest rate volatility, including the funding valuation adjustment on its uncollateralised derivatives. Further details on the valuation of level 3 assets and liabilities, including significant unobservable inputs used in the valuation models, together with the effects of reasonably possible alternative assumptions, are given in note 10.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**2. Operating expenses**

	<b>Half-year to 30 June 2020 £m</b>	Half-year to 30 June 2019 £m
Staff costs:		
Salaries	76	68
Social security costs	7	5
Pensions and other post-retirement benefit schemes	6	5
Restructuring costs	5	–
Other staff costs	2	7
	<b>96</b>	85
Management charges	<b>86</b>	105
Depreciation and amortisation	<b>8</b>	10
Premises and equipment	<b>1</b>	4
Communications and data processing	<b>5</b>	5
Professional fees	<b>3</b>	2
Start up costs for Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH	–	14
Other operating expenses	<b>8</b>	11
<b>Total operating expenses</b>	<b>207</b>	236

**3. Impairment**

	<b>Half-year to 30 June 2020 £m</b>	Half-year to 30 June 2019 £m
Loans and advances to banks	7	1
Loans and advances to customers	36	(1)
Impairment charge on drawn balances	43	–
Loan commitments and financial guarantees	34	–
<b>Total impairment charge</b>	<b>77</b>	–



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**4. Taxation**

In accordance with IAS 34, the Group's income tax expense for the half-year to 30 June 2020 is based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. The tax effects of one-off items are not included in the weighted-average annual income tax rate, but are recognised in the relevant period.

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

	<b>Half-year to 30 June 2020 £m</b>	Half-year to 30 June 2019 £m
Profit before tax	<u>7</u>	<u>157</u>
Tax thereon at UK corporation tax rate of 19 per cent (2019: 19 per cent)	(1)	(30)
Impact of surcharge on banking profits	4	(8)
Non-deductible costs	–	(2)
Non-taxable income	10	–
Tax relief on coupons on other equity instruments	4	5
(De)recognition of losses or other tax assets that arose in prior years	8	(2)
Differences in overseas tax rates	2	3
Adjustments in respect of prior years	<u>–</u>	<u>(1)</u>
<b>Tax credit (charge)</b>	<u><b>27</b></u>	<u><b>(35)</b></u>

**5. Financial assets at fair value through profit or loss**

	<b>At 30 June 2020 £m</b>	At 31 Dec 2019 £m
Trading assets	<b>18,698</b>	17,732
Other financial assets at fair value through profit or loss:		
Loans and advances to customers	<b>224</b>	326
Debt securities	<b>73</b>	69
Treasury bills and other bills	<b>20</b>	19
	<u><b>317</b></u>	<u>414</u>
<b>Total financial assets at fair value through profit or loss</b>	<u><b>19,015</b></u>	<u>18,146</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. Financial assets at amortised cost

## Half-year to 30 June 2020

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<i>Loans and advances to banks</i>				
At 1 January 2020	4,814	-	-	4,814
Exchange and other adjustments	131	-	-	131
Transfers to Stage 2	(43)	43	-	-
Advances (repayments)	(314)	1	-	(313)
<b>At 30 June 2020</b>	<b>4,588</b>	<b>44</b>	<b>-</b>	<b>4,632</b>
<b>Allowance for impairment losses</b>	<b>(7)</b>	<b>(1)</b>	<b>-</b>	<b>(8)</b>
<b>Total loans and advances to banks</b>	<b>4,581</b>	<b>43</b>	<b>-</b>	<b>4,624</b>
<i>Loans and advances to customers</i>				
At 1 January 2020	20,028	29	293	20,350
Exchange and other adjustments	874	8	-	882
Advances (repayments)	(1,273)	296	-	(977)
Transfers to Stage 1	2	(2)	-	-
Transfers to Stage 2	(1,450)	1,450	-	-
Transfers to Stage 3	(2)	(1)	3	-
	(1,450)	1,447	3	-
Financial assets that have been written off			(1)	(1)
<b>At 30 June 2020</b>	<b>18,179</b>	<b>1,780</b>	<b>295</b>	<b>20,254</b>
<b>Allowance for impairment losses</b>	<b>(32)</b>	<b>(26)</b>	<b>(59)</b>	<b>(117)</b>
<b>Total loans and advances to customers</b>	<b>18,147</b>	<b>1,754</b>	<b>236</b>	<b>20,137</b>
<i>Debt securities</i>				
At 1 January 2020	112	-	-	112
Exchange and other adjustments	9	-	-	9
Advances	259	-	-	259
<b>At 30 June 2020</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>380</b>
<b>Allowance for impairment losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total debt securities</b>	<b>380</b>	<b>-</b>	<b>-</b>	<b>380</b>
<b>Due from fellow Lloyds Banking Group Undertakings</b>	<b>1,725</b>	<b>-</b>	<b>-</b>	<b>1,725</b>
<b>Total financial assets at amortised cost</b>	<b>24,833</b>	<b>1,797</b>	<b>236</b>	<b>26,866</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**6. Financial assets at amortised cost** (continued)**Year ended 31 December 2019**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<i>Loans and advances to banks</i>				
At 1 January 2019	2,584	–	–	2,584
Exchange and other adjustments	(95)	–	–	(95)
Advances (repayments)	2,325	–	–	2,325
At 31 December 2019	4,814	–	–	4,814
Allowance for impairment losses	(1)	–	–	(1)
Total loans and advances to banks	4,813	–	–	4,813
<i>Loans and advances to customers</i>				
At 1 January 2019	20,459	23	303	20,785
Exchange and other adjustments	(154)	–	(1)	(155)
Advances (repayments)	(245)	(22)	(12)	(279)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(32)	32	–	–
Transfers to Stage 3	–	(4)	4	–
	(32)	28	4	–
Financial assets that have been written off			(1)	(1)
At 31 December 2019	20,028	29	293	20,350
Allowance for impairment losses	(7)	(2)	(77)	(86)
Total loans and advances to customers	20,021	27	216	20,264
<i>Debt securities</i>				
At 1 January 2019	132	–	–	132
Exchange and other adjustments	(4)	–	–	(4)
Advances (repayments)	(16)	–	–	(16)
At 31 December 2019	112	–	–	112
Allowance for impairment losses	–	–	–	–
Total debt securities	112	–	–	112
Due from fellow Lloyds Banking Group undertakings	710	–	–	710
Total financial assets at amortised cost	25,656	27	216	25,899

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

Transfers between stages are deemed to have taken place at the start of the reporting period, with all other movements shown in the stage in which the asset is held at the period end.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**7. Allowance for impairment losses****Half-year to 30 June 2020**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<i>In respect of drawn balances:</i>				
Balance at 1 January 2020	8	2	77	87
Exchange and other adjustments	-	-	(3)	(3)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfers between stages	-	4	-	4
	(1)	5	-	4
Other items charged to the income statement	32	20	(13)	39
Charge/(write-back) to the income statement (note 3)	31	25	(13)	43
Advances written off	-	-	(1)	(1)
Discount unwind	-	-	(1)	(1)
<b>At 30 June 2020</b>	<b>39</b>	<b>27</b>	<b>59</b>	<b>125</b>

<i>In respect of undrawn balances:</i>				
Balance at 1 January 2020	4	-	-	4
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(2)	2	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfers between stages	-	21	-	21
	(2)	23	-	21
Other items charged to the income statement	13	-	-	13
Charge to the income statement (note 3)	11	23	-	34
<b>At 30 June 2020</b>	<b>15</b>	<b>23</b>	<b>-</b>	<b>38</b>
<b>Total allowance for impairment losses</b>	<b>54</b>	<b>50</b>	<b>59</b>	<b>163</b>

<i>In respect of:</i>				
Loans and advances to banks	7	1	-	8
Loans and advances to customers	32	26	59	117
Debt securities	-	-	-	-
Financial assets at amortised cost	39	27	59	125
Provisions in relation to loan commitments and financial guarantees	15	23	-	38
<b>Total allowance for impairment losses</b>	<b>54</b>	<b>50</b>	<b>59</b>	<b>163</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**7. Allowance for impairment losses** (continued)**Year ended 31 December 2019**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<i>In respect of drawn balances:</i>				
Balance at 1 January 2019	8	2	92	102
Exchange and other adjustments	1	–	(3)	(2)
Impact of transfers between stages	–	–	–	–
Other items charged to the income statement	(1)	–	(11)	(12)
Charge to the income statement	(1)	–	(11)	(12)
Advances written of	–	–	(1)	(1)
Recoveries of advances written off in previous years	–	–	1	1
Discount unwind	–	–	(1)	(1)
At 31 December 2019	<u>8</u>	<u>2</u>	<u>77</u>	<u>87</u>
<i>In respect of undrawn balances:</i>				
Balance at 1 January 2019	3	–	–	3
Exchange and other adjustments	–	–	–	–
Impact of transfers between stages	–	–	–	–
Other items charged to the income statement	1	–	–	1
Charge to the income statement	1	–	–	1
At 31 December 2019	<u>4</u>	<u>–</u>	<u>–</u>	<u>4</u>
Total allowance for impairment losses	<u>12</u>	<u>2</u>	<u>77</u>	<u>91</u>
<i>In respect of:</i>				
Loans and advances to banks	1	–	–	1
Loans and advances to customers	7	2	77	86
Debt securities	–	–	–	–
Financial assets at amortised cost	8	2	77	87
Provisions in relation to loan commitments and financial guarantees	4	–	–	4
Total allowance for impairment losses	<u>12</u>	<u>2</u>	<u>77</u>	<u>91</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**7. Allowance for impairment losses** (continued)

Transfers between stages are deemed to have taken place at the start of the reporting period, with all other movements shown in the stage in which the asset is held at the period end. As assets are transferred between stages, the resulting change in expected credit loss of £4 million for drawn balances, and £21 million for undrawn balances, is presented separately as Impacts of transfers between stages, in the stage in which the expected credit loss is recognised at the end of the reporting period.

Other items charged to the income statement include the movements in the expected credit loss as a result of new loans originated and repayments of outstanding balances throughout the reporting period. Loans which are written off in the period are first transferred to Stage 3 before acquiring a full allowance and subsequent write-off. Consequently, recoveries on assets previously written-off also occur in Stage 3 only.

**8. Debt securities in issue**

	<b>At 30 June 2020 £m</b>	<b>At 31 Dec 2019 £m</b>
Medium-term notes issued	<b>4,857</b>	2,208
Certificates of deposit	<b>8,820</b>	5,674
Commercial paper	<b>1,646</b>	957
Amounts due to fellow Lloyds Banking Group undertakings	<b>4,685</b>	3,590
<b>Total debt securities in issue</b>	<b>20,008</b>	12,429

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**9. Contingent liabilities, commitments and guarantees*****Legal actions and regulatory matters***

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

**Contingent liabilities, commitments and guarantees arising from the banking business**

	At 30 June 2020 £m	At 31 Dec 2019 £m
<b>Contingent liabilities</b>		
Acceptances and endorsements	23	57
Other:		
Other items serving as direct credit substitutes	124	86
Performance bonds and other transaction-related contingencies	41	180
	165	266
<b>Total contingent liabilities</b>	188	323
	At 30 June 2020 £m	At 31 Dec 2019 £m
<b>Commitments and guarantees</b>		
Forward asset purchases and forward deposits placed	–	19
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year original maturity:		
Mortgage offers made	68	37
Other commitments and guarantees	7,995	7,319
	8,063	7,356
1 year or over original maturity	8,812	9,347
<b>Total commitments and guarantees</b>	16,875	16,722

Of the amounts shown above in respect of undrawn formal standby facilities, credit lines and other commitments to lend, £16,728 million (31 December 2019: £16,589 million) was irrevocable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**10. Fair values of financial assets and liabilities**

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine those fair values. Note 32 to the Group's 2019 financial statements describes the definitions of the three levels in the fair value hierarchy.

**Valuation control framework**

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

**Transfers into and out of level 3 portfolios**

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

**Valuation methodology**

For level 2 and level 3 portfolios, there is no significant change to the valuation methodology (techniques and inputs) disclosed in the Group's 2019 Annual Report and Accounts applied to these portfolios.

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

	30 June 2020		31 December 2019	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	19,015	19,015	18,146	18,146
Derivative financial instruments	22,397	22,397	18,836	18,836
Loans and advances to banks	4,624	4,628	4,813	4,815
Loans and advances to customers	20,137	20,175	20,264	20,418
Debt securities	380	380	112	112
Due from fellow Lloyds Banking Group undertakings	1,725	1,725	710	710
Financial assets at amortised cost	26,866	26,908	25,899	26,055
Financial assets at fair value through other comprehensive income	196	196	314	314
<b>Financial liabilities</b>				
Deposits from banks	6,627	6,642	3,970	3,965
Customer deposits	25,853	25,966	24,479	24,504
Due to fellow Lloyds Banking Group undertakings	3,199	3,199	1,638	1,638
Financial liabilities at fair value through profit or loss	13,601	13,601	13,784	13,784
Derivative financial instruments	22,377	22,377	17,762	17,762
Debt securities in issue	20,008	20,026	12,429	12,329
Subordinated liabilities	745	745	698	698



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**10. Fair values of financial assets and liabilities** (continued)

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.

Fair values of financial assets and liabilities measured at fair value are determined on the basis of their gross exposures. The Group manages and determines fair value for its derivative exposures on a net basis.

The following tables provide an analysis of the financial assets and liabilities of the Group that are carried at fair value in the Group's consolidated balance sheet, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

**Financial assets**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>At 30 June 2020</b>				
Financial assets at fair value through profit or loss:				
Loans and advances to customers	–	11,506	213	11,719
Loans and advances to banks	–	141	–	141
Debt securities	6,801	334	–	7,135
Treasury and other bills	20	–	–	20
Total financial assets at fair value through profit or loss	<u>6,821</u>	<u>11,981</u>	<u>213</u>	<u>19,015</u>
Financial assets at fair value through other comprehensive income:				
Debt securities	–	–	116	116
Treasury and other bills	80	–	–	80
Total financial assets at fair value through other comprehensive income	<u>80</u>	<u>–</u>	<u>116</u>	<u>196</u>
Derivative financial instruments	1	21,540	856	22,397
Total financial assets carried at fair value	<u>6,902</u>	<u>33,521</u>	<u>1,185</u>	<u>41,608</u>
<b>At 31 December 2019</b>				
Financial assets at fair value through profit or loss:				
Loans and advances to customers	–	10,422	326	10,748
Loans and advances to banks	–	513	–	513
Debt securities	6,501	365	–	6,866
Treasury and other bills	19	–	–	19
Total financial assets at fair value through profit or loss	<u>6,520</u>	<u>11,300</u>	<u>326</u>	<u>18,146</u>
Financial assets at fair value through other comprehensive income:				
Debt securities	–	97	121	218
Treasury and other bills	96	–	–	96
Total financial assets at fair value through other comprehensive income	<u>96</u>	<u>97</u>	<u>121</u>	<u>314</u>
Derivative financial instruments	5	18,046	785	18,836
Total financial assets carried at fair value	<u>6,621</u>	<u>29,443</u>	<u>1,232</u>	<u>37,296</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**10. Fair values of financial assets and liabilities** (continued)**Financial liabilities**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>At 30 June 2020</b>				
Financial liabilities at fair value through profit or loss:				
Trading liabilities	1,873	11,728	–	13,601
Total financial liabilities at fair value through profit or loss	1,873	11,728	–	13,601
Derivative financial instruments	4	21,187	1,186	22,377
<b>Total financial liabilities carried at fair value</b>	<b>1,877</b>	<b>32,915</b>	<b>1,186</b>	<b>35,978</b>
<b>At 31 December 2019</b>				
Financial liabilities at fair value through profit or loss:				
Trading liabilities	2,708	11,076	–	13,784
Total financial liabilities at fair value through profit or loss	2,708	11,076	–	13,784
Derivative financial instruments	18	16,674	1,070	17,762
Total financial liabilities carried at fair value	2,726	27,750	1,070	31,546

**Movements in level 3 portfolio**

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

	Financial assets at fair value through profit or loss £m	Financial assets at fair value through other comprehensive income £m	Derivative assets £m	Total financial assets carried at fair value £m
At 1 January 2020	326	121	785	1,232
Exchange and other adjustments	–	6	19	25
Gains recognised in the income statement within other income	(1)	–	127	126
Gains recognised in other comprehensive income within the revaluation reserve in respect of financial assets at fair value through other comprehensive income	–	(5)	–	(5)
Purchases	–	–	2	2
Sales	(112)	(6)	(81)	(199)
Transfers into the level 3 portfolio	–	–	88	88
Transfers out of the level 3 portfolio	–	–	(84)	(84)
<b>At 30 June 2020</b>	<b>213</b>	<b>116</b>	<b>856</b>	<b>1,185</b>
<b>Gains recognised in the income statement within other income relating to those assets held at 30 June 2020</b>	<b>–</b>	<b>3</b>	<b>132</b>	<b>135</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**10. Fair values of financial assets and liabilities** (continued)

	Financial assets at fair value through profit or loss £m	Financial assets at fair value through other comprehensive income £m	Derivative assets £m	Total financial assets carried at fair value £m
At 1 January 2019	3	194	922	1,119
Exchange and other adjustments	1	–	(2)	(1)
Gains recognised in other comprehensive income within the revaluation reserve in respect of financial assets at fair value through other comprehensive income	–	–	251	251
Purchases	486	–	2	488
Sales	(287)	(79)	(16)	(382)
Transfers into the level 3 portfolio	–	–	28	28
Transfers out of the level 3 portfolio	–	–	(2)	(2)
At 30 June 2019	<u>203</u>	<u>115</u>	<u>1,183</u>	<u>1,501</u>
Gains recognised in the income statement within other income relating to those assets held at 30 June 2019	–	–	285	285

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

	Financial liabilities at fair value through profit or loss £m	Derivative liabilities £m	Total financial liabilities carried at fair value £m
At 1 January 2020	–	1,070	1,070
Exchange and other adjustments	–	20	20
Losses recognised in the income statement within other income	–	187	187
Additions	–	2	2
Transfers into the level 3 portfolio	–	65	65
Transfers out of the level 3 portfolio	–	(158)	(158)
<b>At 30 June 2020</b>	<u>–</u>	<u>1,186</u>	<u>1,186</u>
<b>Losses recognised in the income statement within other income relating to those liabilities held at 30 June 2020</b>	–	(195)	(195)

Or

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**10. Fair values of financial assets and liabilities** (continued)

	Financial liabilities at fair value through profit or loss £m	Derivative liabilities £m	Total financial liabilities carried at fair value £m
At 1 January 2019	–	707	707
Losses recognised in the income statement within other income	–	197	197
Additions	–	1	1
Transfers into the level 3 portfolio	–	20	20
At 30 June 2019	–	925	925
Losses recognised in the income statement within other income relating to those liabilities held at 30 June 2019	–	(241)	(241)

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

	Valuation technique(s)	Significant unobservable inputs	At 30 June 2020		
			Carrying value £m	Favourable changes £m	Unfavourable changes £m
<i>Financial assets at fair value through profit or loss:</i>					
Loans and advances to customers	Comparable pricing	Spread	213	2	(2)
			<b>213</b>	<b>2</b>	<b>(2)</b>
<i>Financial assets at fair value through other comprehensive income:</i>					
Asset-backed securities	Comparable pricing	Price	116	2	(2)
			<b>116</b>	<b>2</b>	<b>(2)</b>
<i>Derivative financial assets:</i>					
Interest rate derivatives	Option pricing model	Inflation volatility	312	4	(3)
	Option pricing model	Interest rate volatility	544	–	(2)
			<b>856</b>	<b>4</b>	<b>(5)</b>
Financial assets carried at fair value			<b>1,185</b>	<b>8</b>	<b>(9)</b>
<i>Financial liabilities at fair value through profit or loss</i>					
<i>Derivative financial liabilities:</i>					
Interest rate derivatives	Option pricing model	Inflation volatility	(939)	2	(1)
	Option pricing model	Interest rate volatility	(247)	2	(2)
			<b>(1,186)</b>	<b>4</b>	<b>(3)</b>
Financial liabilities carried at fair value			<b>(1,186)</b>		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**10. Fair values of financial assets and liabilities** (continued)

			At 31 December 2019		
			Carrying value £m	Effect of reasonably possible alternative assumptions <sup>1</sup>	
Valuation technique(s)	Significant unobservable inputs			Favourable changes £m	Unfavourable changes £m
<i>Financial assets at fair value through profit or loss:</i>					
Loans and advances to customers	Comparable pricing	Spread	326	3	(3)
			<u>326</u>	3	(3)
<i>Financial assets at fair value through other comprehensive income:</i>					
Asset-backed securities	Comparable pricing	Price	103	2	(2)
Asset-backed securities	Comparable pricing	Discount margin	18	–	–
			<u>121</u>	2	(2)
<i>Derivative financial assets:</i>					
Interest rate derivatives	Option pricing model	Inflation volatility	330	3	(3)
	Option pricing model	Interest rate volatility	455	–	(1)
			<u>785</u>	3	(4)
Financial assets carried at fair value			<u>1,232</u>	8	(9)
<i>Financial liabilities at fair value through profit or loss</i>					
<i>Derivative financial liabilities:</i>					
Interest rate derivatives	Option pricing model	Inflation volatility	(260)	–	–
Interest rate derivatives	Option pricing model	Interest rate volatility	(810)	–	–
			<u>(1,070)</u>	–	–
Financial liabilities carried at fair value			<u>(1,070)</u>	–	–

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

**Unobservable inputs**

Significant unobservable inputs affecting the valuation of debt securities, unlisted equity investments and derivatives are unchanged from those described in the Group's 2019 financial statements.

**Reasonably possible alternative assumptions**

Valuation techniques applied to many of the Group's level 3 instruments often involve the use of two or more inputs whose relationship is interdependent. The calculation of the effect of reasonably possible alternative assumptions included in the table above reflects such relationships and are unchanged from those described in the Group's 2019 financial statements.

**Fair value write downs on derivatives**

The Group has reflected a fair value write down of £97 million on derivative positions through net trading income, driven by a single counterparty that has only derivative exposure with the Group and has entered administration in the wake of the COVID-19 pandemic.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)**11. Related party transactions****Balances and transactions with fellow Lloyds Banking Group undertakings**

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

	<b>At 30 June 2020 £m</b>	<b>At 31 Dec 2019 £m</b>
<b>Assets</b>		
Due from fellow Lloyds Banking Group undertakings	<b>1,725</b>	710
Derivative financial instruments	<b>2,597</b>	2,734
Financial assets at fair value through profit or loss	<b>10</b>	40
<b>Liabilities</b>		
Due to fellow Lloyds Banking Group undertakings	<b>3,199</b>	1,638
Derivative financial instruments	<b>4,855</b>	2,254
Debt securities in issue	<b>4,685</b>	3,590
Subordinated liabilities	<b>745</b>	698
<b>Other equity instruments</b>		
Additional tier 1 instruments	<b>782</b>	782

During the half-year to 30 June 2020 the Group earned £7 million (half-year to 30 June 2019: £23 million) of interest income and incurred £80 million (half-year to 30 June 2019: £111 million) of interest expense on balances and transactions with Lloyds Banking Group plc and fellow Group undertakings.

**Other related party transactions**

Other related party transactions for the half-year to 30 June 2020 are primarily shared service costs and management fees similar in nature to those for the year ended 31 December 2019.

**12. Ultimate parent undertaking**

The Bank's ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc has published consolidated accounts for the year to 31 December 2019 and copies may be obtained from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN and available for download from [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

**13. Other information**

The financial information in these condensed consolidated half-year financial statements does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include an emphasis of matter paragraph and did not include a statement under section 498 of the Companies Act 2006.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- an indication of important events that have occurred during the six months ended 30 June 2020 and their impact on the condensed consolidated half-year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the six months ended 30 June 2020 and any material changes in the related party transactions described in the last annual report.

Signed on behalf of the board by



Eduardo J Stock da Cunha  
Chief Executive Officer  
30 July 2020

**Lloyds Bank Corporate Markets plc board of directors:**

John J Cummins (Non-executive director)  
Eduardo J Stock da Cunha (Chief Executive Officer)  
Christopher J K Edis (Chief Financial Officer)  
Lord Lupton CBE (Non-executive director and Chairman)  
Andrew J McIntyre (Non-executive director)  
John S W Owen (Non-executive director)  
Carla A S Antunes da Silva (Non-executive director)

Changes to the composition of the Board since 1 January 2020 up to the date of this report are shown below:

- Jennifer L Tippin (resigned 24 April 2020)
- The Board has approved the appointment of Letitia Smith as a Non-executive Director subject to and with effect from Regulatory approval and the appointment of Eve Henrikson as a Non-executive Director from 1 September 2020

**INDEPENDENT REVIEW REPORT TO LLOYDS BANK CORPORATE MARKETS PLC****Report on the condensed consolidated half-year financial statements*****Our conclusion***

We have reviewed Lloyds Bank Corporate Markets plc's condensed consolidated half-year financial statements (the "interim financial statements") in the 2020 Half-Year Results of Lloyds Bank Corporate Markets plc for the six month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

***What we have reviewed***

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2020;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2020 Half-Year Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

**Responsibilities for the interim financial statements and the review*****Our responsibilities and those of the directors***

The 2020 Half-Year Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the 2020 Half-Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the 2020 Half-Year Results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**INDEPENDENT REVIEW REPORT TO LLOYDS BANK CORPORATE MARKETS PLC** (continued)***What a review of interim financial statements involves***

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2020 Half-Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
30 July 2020