Lloyds Banking Group plc

Q3 2022
Pillar 3 Disclosures
30 September 2022

BASIS OF PREPARATION

This report presents the interim Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 30 September 2022 and should be read in conjunction with the Group's Q3 2022 Interim Management Statement.

The disclosures have been prepared in accordance with the Disclosure Part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II.

Specific Pillar 3 templates are required to be disclosed on a quarterly basis and these are included within this report with the following exceptions:

– Template CCR7 (RWA flow statements of CCR exposures under the IMM) is not applicable to the Group.

The information presented in this Pillar 3 report is not required to be, and has not been, subject to external audit.

Interim Pillar 3 disclosures for the Group's ring-fenced banking group (Lloyds Bank plc) will be published separately on the Group's website, located at www.lloydsbankinggroup.com/investors/financial-downloads.

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 Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/ or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; changes in consumer behaviour; 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 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; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of the Group's financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

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Key metric and overview of risk weighted exposure amounts

KM1: Key Metrics[1,3]

KM1 Ref		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**31,571**	30,743	29,816	33,815	34,419
2	Tier 1 capital (£m)	**35,607**	35,101	34,174	39,145	39,749
3	Total capital (£m)	**40,885**	40,502	39,735	46,334	47,365
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount (£m)	**210,822**	209,619	210,220	195,967	200,678
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	**15.0 %**	14.7 %	14.2 %	17.3 %	17.2 %
6	Tier 1 ratio (%)	**16.9%**	16.7%	16.3%	20.0%	19.8%
7	Total capital ratio (%)	**19.4%**	19.3%	18.9%	23.6%	23.6%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	**1.9 %**	2.0 %	2.0 %	2.1 %	2.2 %
UK 7b	Additional AT1 SREP requirements (%)	**0.7%**	0.7%	0.7%	0.7%	0.7%
UK 7c	Additional T2 SREP requirements (%)	**0.9%**	0.9%	0.9%	0.9%	1.0%
UK 7d	Total SREP own funds requirements (%)	**11.5%**	11.5%	11.5%	11.7%	11.8%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	**2.500%**	2.500%	2.500%	2.500%	2.500%
9	Institution specific countercyclical capital buffer (%)	**0.007%**	0.008%	0.005%	0.005%	0.007%
10a	Other Systemically Important Institution buffer (%)[2]	**—**	—	—	—	—
11	Combined buffer requirement (%)	**2.507%**	2.508%	2.505%	2.505%	2.507%
UK 11a	Overall capital requirements (%)	**14.0%**	14.0%	14.0%	14.2%	14.3%
12	CET1 available after meeting minimum SREP own funds requirements (%)[4]	**8.6%**	8.2%	7.7%	10.7%	10.5%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (£m)	**665,993**	656,459	663,025	664,362	671,527
14	Leverage ratio excluding claims on central banks (%)	**5.3 %**	5.3 %	5.2 %	5.8 %	5.8 %
	Additional leverage ratio disclosure requirements					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.3 %**	5.3 %	5.1 %	5.7 %	5.7 %
UK 14b	Leverage ratio including claims on central banks (%)	**4.8 %**	4.7 %	4.5 %	5.2 %	5.3 %
UK 14c	Average leverage ratio excluding claims on central banks (%)[5]	**5.4 %**	5.3 %	5.3 %	5.8 %	5.8 %
UK 14d	Average leverage ratio including claims on central banks (%)	**4.8 %**	4.6 %	4.7 %	5.2 %	5.3 %
UK 14e	Countercyclical leverage ratio buffer (%)[6]	**0.0%**	0.0%	0.0%	0.0%	0.0%
	Average Liquidity Coverage Ratio (weighted) (LCR)[7]					
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**148,545**	145,894	144,247	140,222	137,134
UK 16a	Cash outflows - Total weighted value - average (£m)	**114,539**	115,298	115,635	114,229	115,144
UK 16b	Cash inflows - Total weighted value - average (£m)	**12,796**	12,387	11,288	10,028	10,049
16	Total net cash outflows (adjusted value - average) (£m)	**101,743**	102,911	104,347	104,201	105,095
17	Average liquidity coverage ratio (%)	**146%**	142%	138%	135%	130%

1 The Group applies the full extent of the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). Specifically, the Group has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief) and in addition to apply a 100% risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. As at 30 September 2022, static relief under the transitional arrangements amounted to £237 million (31 December 2021: £353 million) and dynamic relief under the transitional arrangements amounted to £233 million (31 December 2021: £428 million) through CET1 capital.

2 Although the Group does not have an Other Systemically Important Institution (O-SII) buffer, it is required to hold additional CET1 capital to meet its Ring-Fenced Bank's O-SII buffer of 2.0 per cent, which equates to 1.7 per cent of the Group's total risk-weighted exposure amount.

3 The Group has chosen not to apply the temporary treatment specified under CRR Article 468 (revised) and therefore the reported own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses on holdings in government and public sector debt measured at fair value through other comprehensive income.

4 Represents, as a percentage, the level of CET1 capital left available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet total Pillar 1 plus Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5 per cent (Pillar 1) plus the additional CET1 SREP requirement (56.25 per cent of Pillar 2A). In October 2022 the PRA reduced the Group's Pillar 2A capital requirement to around 2.7 per cent of risk-weighted assets, of which around 1.5 per cent is to be met with CET1 capital.

5 The average leverage exposure measure (excluding claims on central banks) for the period from 1 July 2022 to 30 September 2022 amounted to £666,051 million.

6 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage. The Group's total leverage ratio buffer at 30 September 2022 was 0.6 per cent (31 December 2021: 0.6 per cent), which equates to the additional leverage ratio buffer (ALRB) of 0.7 per cent applied to the Ring-Fenced Bank.

7 The liquidity balances are calculated as the simple averages of month end observations over the 12 months preceding the end of each quarter.

Key metric and overview of risk weighted exposure amounts (continued)

Common Equity Tier 1

The Group's common equity tier 1 (CET1) capital ratio has reduced from 17.3 per cent at 31 December 2021 (16.3 per cent on a pro forma basis[1]) to 15.0 per cent at 30 September 2022. This reflected the impact of regulatory changes on 1 January 2022 (as previously reported), subsequently offset by banking business profits for the first nine months of the year, dividends received from the Group's Insurance business, a reduction in risk-weighted assets (post 1 January 2022 regulatory changes) and other movements. This was offset in part by pension contributions made to the Group's defined benefit pension schemes, the recognition of the full capital impact of the ordinary share buyback programme, the interim ordinary dividend paid in September 2022 and the accrual for foreseeable ordinary dividends.

Total Capital and MREL

The total capital ratio reduced to 19.4 per cent (31 December 2021: 23.6 per cent) and the minimum requirement for own funds and eligible liabilities (MREL) ratio reduced to 32.8% per cent (31 December 2021: 37.2 per cent) primarily reflecting the reductions in CET1 capital and AT1 capital instruments, increase in risk-weighted assets, the completion of the transition to end-point eligibility rules for regulatory capital and MREL on 1 January 2022 and movements in rates, partially offset by sterling depreciation and eligible provisions.

Risk-Weighted Assets

Risk-weighted assets increased by £16 billion to £212 billion (pro forma) on 1 January 2022, reflecting regulatory changes which include the anticipated impact of the implementation of new CRD IV models to meet revised regulatory standards for modelled outputs. Risk-weighted assets subsequently reduced by £1 billion during the first nine months of the year to £211 billion at 30 September 2022, largely reflecting optimisation activity and Retail model reductions linked to the resilient underlying credit performance, partly offset by the growth in balance sheet lending and impact of foreign exchange.

The new CRD IV models remain subject to finalisation and approval by the PRA and therefore the final risk-weighted asset impact remains subject to this.

Leverage

The Group's UK leverage ratio of 5.3 per cent at 30 September 2022 has reduced from 5.8 per cent at 31 December 2021, predominantly reflecting the reduction in total tier 1 capital.

[1] Pro forma basis reflects the dividend received from Insurance in February 2022 and the full impact of the share buyback.

Key metric and overview of risk weighted exposure amounts (continued)

Capital - IFRS 9 / Article 468-FL[1]

Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.

		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**31,571**	30,743	29,816	33,815	34,419
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**31,101**	30,478	29,565	33,033	33,187
3	Tier 1 capital (£m)	**35,607**	35,101	34,174	39,145	39,749
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**35,136**	34,835	33,922	38,363	38,517
5	Total capital (£m)	**40,885**	40,502	39,735	46,334	47,365
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**40,791**	40,402	39,629	46,336	47,355
	Risk-weighted exposure amounts					
7	Total risk-weighted exposure amount (£m)	**210,822**	209,619	210,220	195,967	200,678
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**210,554**	209,451	210,065	195,874	200,483
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	**15.0%**	14.7 %	14.2 %	17.3 %	17.2 %
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.8%**	14.6%	14.1%	16.9%	16.6%
11	Tier 1 ratio (%)	**16.9%**	16.7%	16.3%	20.0%	19.8%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**16.7%**	16.6%	16.1%	19.6%	19.2%
13	Total capital ratio (%)	**19.4%**	19.3%	18.9%	23.6%	23.6%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**19.4%**	19.3%	18.9%	23.7%	23.6%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	**665,993**	656,459	663,025	664,362	671,527
16	Leverage ratio excluding claims on central banks (%)	**5.3%**	5.3%	5.2%	5.8%	5.8%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.3%**	5.3%	5.1%	5.7%	5.7%

1 The Group has chosen not to apply the temporary treatment specified under CRR Article 468 (revised) and therefore the reported own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses on holdings in government and public sector debt measured at fair value through other comprehensive income.

KM2: Key Metrics – TLAC requirements

		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
				Resolution Group [1]		
		£m		£m	£m	£m
1	Total loss absorbing capacity (TLAC) available	**69,068**	67,892	66,448	72,954	74,130
1a	Fully loaded ECL accounting model TLAC available	**68,974**	67,792	66,342	72,956	74,120
2	Total RWA at the level of the resolution group	**210,822**	209,619	210,220	195,967	200,678
3	TLAC as a percentage of RWA	**32.8%**	32.4%	31.6%	37.2%	36.9%
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA	**32.8%**	32.4%	31.6%	37.2%	37.0%
4	UK leverage ratio exposure measure at the level of the resolution group	**665,993**	656,459	663,025	664,362	671,527
5	TLAC as a percentage of UK leverage ratio exposure measure	**10.4%**	10.3%	10.0%	11.0%	11.0%
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure	**10.4 %**	10.3%	10.0%	11.0%	11.1%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/a**	N/a	N/a	N/a	N/a

1 The consolidated position of Lloyds Banking Group plc (the resolution entity).

Key metric and overview of risk weighted exposure amounts (continued)

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		30 Sep 2022	31 Dec 2021[1]	30 Sep 2022
		£m	£m	£m
1	**Credit risk (excluding CCR)[1]**	**170,153**	156,904	**13,612**
2	Of which the standardised approach[1]	23,494	21,628	1,880
3	Of which the foundation IRB (FIRB) approach	37,850	38,207	3,028
4	Of which slotting approach	9,069	9,048	725
UK 4a	Of which equities under the simple risk weighted approach[1]	13,201	15,314	1,056
5	Of which the advanced IRB (AIRB) approach	80,279	65,450	6,422
	Of which: non-credit obligation assets[2]	6,260	7,258	501
6	**Counterparty credit risk - CCR[1]**	**7,563**	5,939	**605**
7	Of which the standardised approach	5,945	—	475
	Of which: marked to market[1]	—	4,401	—
UK 8a	Of which exposures to a CCP	151	522	12
UK 8b	Of which credit valuation adjustment - CVA	845	678	68
9	Of which other CCR	622	338	50
16	**Securitisation exposures in the non-trading book (after the cap)[1]**	**6,326**	5,945	**506**
17	Of which SEC-IRBA approach	2,117	2,188	169
18	Of which SEC-ERBA (including IAA)[1]	1,620	1,978	130
19	Of which SEC-SA approach[1]	2,589	1,779	207
20	**Position, foreign exchange and commodities risks (Market risk)**	**2,807**	3,153	**225**
21	Of which the standardised approach	244	353	20
22	Of which IMA	2,563	2,800	205
23	**Operational risk**	**23,973**	24,025	**1,918**
UK 23b	Of which standardised approach	23,973	24,025	1,918
24	**Memo: Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)[1]**	11,839	12,359	947
29	**Total**	**210,822**	195,967	**16,866**
	Pillar 2A capital requirement[3]			7,308
	Total capital requirement			**24,174**

1 Restated in accordance with revised OV1 template requirements: (i) threshold balances now reported through relevant underlying category; (ii) counterparty credit risk exposures linked to securitisations now reported through securitisation exposures.

2 Non-credit obligation assets (IRB approach) predominately relate to other balance sheet assets that have no associated credit risk.

3 As at 30 September 2022, the Pillar 2A capital requirement was around 3.5 per cent of risk-weighted assets, of which around 1.9 per cent was to be met with CET1 capital. In October 2022 the PRA reduced the Group's Pillar 2A capital requirement to around 2.7 per cent of risk-weighted assets, of which around 1.5 per cent is to be met with CET1 capital.

IRB Approach to Credit Risk

The table below summarises the movements of risk-weighted assets for credit risk exposures under the Internal Ratings Based (IRB) Approach. The table excludes counterparty credit risk exposures, securitisation exposures, other non-credit obligation assets and equity exposures.

CR8: Risk-weighted assets flow statements of credit risk exposures - year to 30 Sep 2022

		Total RWA quarter to 30 Sep 2022	Total RWA YTD 30 Sep 2022
		£m	£m
1	**Risk weighted exposure amount as at the beginning of the quarter**	**127,427**	**112,706**
2	Asset size (+/-)	168	1,314
3	Asset quality (+/-)	(879)	(3,283)
4	Model updates (+/-)	—	—
5	Methodology and policy (+/-)	(452)	14,474
6	Acquisitions and disposals (+/-)	—	—
7	Foreign exchange movements (+/-)	934	1,987
8	Other (+/-)	—	—
9	**Risk weighted exposure amount at the end of the quarter**	**127,198**	**127,198**

Key movements quarter to 30 September 2022

– Asset quality movement driven by reductions from Retail models linked to the resilient underlying credit performance.

– Methodology & Policy reduction primarily reflects refinement of regulatory interpretation in Commercial Banking.

– Foreign exchange movements, principally driven by movement in US Dollar.

Key movements year to date 30 September 2022

– Asset size increase driven by net new lending offset by optimisation activity.

– Asset quality movement driven by reductions from Retail models reflecting the resilient underlying underlying credit performance in the year to date.

– Methodology and policy increases reflect the anticipated implementation (via the application of temporary model adjustments) of new CRD IV models to meet revised regulatory standards for modelled outputs, partly offset by other optimisation activity.

– Foreign exchange movements, principally driven by movements in the US Dollar and Euro.

Standardised approach and internal model for Market Risk

The table below summarises the movements of risk-weighted assets for market risk exposures under the Internal Models Approach (IMA).

MR2-B: Risk-weighted assets flow statements of market risk exposures under an IMA

		VaR £m	SVaR £m	IRC £m	Comprehensive risk measure £m	Other £m	Total RWA £m	Total own funds requirements £m
1	**RWAs at 31 Dec 2021**	**322**	**1,268**	**181**	**—**	**1,029**	**2,800**	**224**
1a	Regulatory adjustment	(218)	(1,022)	—	—	—	**(1,240)**	(99)
1b	**RWAs at end of day 31 Dec 2021[1]**	**104**	**246**	**181**	**—**	**1,029**	**1,560**	**125**
2	Movement in risk levels	36	(61)	(84)	—	(305)	**(415)**	(33)
3	Model updates/changes	—	—	—	—	19	**19**	1
8a	**RWAs at end of day 30 Jun 2022[1]**	**140**	**185**	**97**	**—**	**743**	**1,164**	**93**
8b	Regulatory adjustment	338	631	—	—	—	**969**	**78**
8	**RWAs at 30 Jun 2022**	**478**	**816**	**97**	**—**	**743**	**2,133**	**171**
1a	Regulatory adjustment	(338)	(631)	—	—	—	**(969)**	(78)
1b	**RWAs at end of day 30 Jun 2022[1]**	**140**	**185**	**97**	**—**	**743**	**1,164**	**93**
2	Movement in risk levels	26	23	149	—	9	**207**	17
3	Model updates/changes	—	—	—	—	23	**23**	2
8a	**RWAs at end of day 30 Sep 2022[1]**	**166**	**208**	**246**	**—**	**775**	**1,394**	**112**
8b	Regulatory adjustment	536	633	—	—	—	**1,169**	**93**
8	**RWAs at 30 Sep 2022**	**702**	**841**	**246**	**—**	**775**	**2,563**	**205**

[1] End of day represents spot position

Key movements to 30th June 2022

– Market Risk IMA RWAs decreased year to date largely driven by a reduction in interest rate risk exposure.

Key movements to 30th September 2022

– Market Risk IMA RWAs increased over the quarter driven by increased market volatility.

Liquidity Requirements

LIQ1: Liquidity Coverage Ratio

The table below presents the breakdown of the Group's cash outflows and cash inflows, as well as its available high quality liquid assets, calculated as the simple averages of month end observations over the 12 months preceding the end of each quarter.

		Total unweighted value (average)				Total weighted value (average)			
		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS (£m)									
1	Total high-quality liquid assets (HQLA)					148,545	145,894	144,247	140,222
CASH - OUTFLOWS (£m)									
2	Retail deposits and deposits from small business customers, of which:	349,156	346,821	343,328	337,567	23,934	23,735	23,433	22,944
3	Stable deposits	262,305	261,291	259,849	257,170	13,115	13,065	12,992	12,859
4	Less stable deposits	86,851	85,530	83,479	80,396	10,819	10,670	10,441	10,086
5	Unsecured wholesale funding	106,022	105,554	104,700	103,203	51,540	51,176	50,821	50,090
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	37,012	36,307	35,013	33,618	9,253	9,077	8,753	8,405
7	Non-operational deposits (all counterparties)	63,577	64,514	65,657	66,203	36,854	37,366	38,037	38,304
8	Unsecured debt	5,433	4,733	4,031	3,382	5,433	4,733	4,031	3,382
9	Secured wholesale funding					40	63	99	120
10	Additional requirements	70,867	72,383	73,703	74,542	33,096	34,572	35,734	35,675
11	Outflows related to derivative exposures and other collateral	21,795	23,544	24,589	24,191	21,793	23,538	24,584	24,186
12	Outflows related to loss of funding on debt products	1,049	954	936	944	1,049	954	936	944
13	Credit and liquidity facilities	48,023	47,885	48,178	49,407	10,254	10,080	10,214	10,546
14	Other contractual funding obligations	1,171	995	811	686	806	632	448	320
15	Other contingent funding obligations	96,016	94,843	94,369	93,633	5,123	5,120	5,100	5,079
16	TOTAL CASH OUTFLOWS					114,539	115,298	115,635	114,229
CASH - INFLOWS (£m)									
17	Secured lending (e.g. reverse repos)	33,610	31,896	31,614	30,752	412	353	342	307
18	Inflows from fully performing exposures	5,244	4,917	4,752	4,568	3,538	3,301	3,198	3,049
19	Other cash inflows	9,268	9,142	8,147	7,062	8,846	8,733	7,748	6,672
20	TOTAL CASH INFLOWS	48,122	45,955	44,513	42,382	12,796	12,387	11,288	10,028
UK-20c	Inflows subject to 75% cap	43,847	41,534	40,083	38,068	12,796	12,387	11,288	10,028
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER (£m)					148,545	145,894	144,247	140,222
22	TOTAL NET CASH OUTFLOWS (£m)					101,743	102,911	104,347	104,201
23	LIQUIDITY COVERAGE RATIO (%)					146 %	142 %	138 %	135 %

Liquidity Requirements (continued)

LIQB: Qualitative information on LCR

The Group LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of each quarter) was 146% as of 30 September 2022. The 4% increase from 142% for the prior quarter is explained by both an increase in liquid assets, primarily from drawdowns from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) during 2021, and a reduction in cash outflows, primarily from outflows related to derivative exposures as a result of market volatility from the COVID onset no longer being included in the LCR's Historical Look-Back approach (HLBA).

Over time, the general increase in the LCR is explained primarily by an increase in liquid assets primarily from drawdowns from the Bank of England's TFSME during 2021.

The Group funding and liquidity position is underpinned by its significant customer deposit base and is supported by strong relationships across customer segments. Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis and where concentrations do exist, these are managed as part of the planning process and limited by the internal funding and liquidity risk monitoring framework, with analysis regularly provided to senior management.

The Group liquidity buffer consists almost entirely of Level 1 assets. Level 1 assets are primarily held as central bank reserves, with the majority of the balance being held in UK government bonds.

The Group derivative exposures and other collateral requirements outflows primarily include modelled outflows due to a deterioration in credit rating and outflows from the impact of an adverse market scenario on derivatives transactions. Also included are outflows on derivative contracts that have offsetting inflows recorded in 'other cash inflows' in the template.

The Group liquidity risk management framework covers currency liquidity risk and ensures the currency denomination of LCR liquid assets is consistent with the distribution of net currency liquidity outflows. Granular LCR risk appetites by significant currency are set and monitored across tenors at the Group committee level i.e the Group Asset and Liability Committee.