BANK OF SCOTLAND plc

2020 Half-Year
Pillar 3 Disclosures

30 June 2020

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 Bank of Scotland 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 any of the Group's immediate or ultimate parent entities (if applicable); 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 any of the Group's immediate or ultimate parent entities (if applicable); 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 any of the Group's immediate or ultimate parent entities (if applicable); 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 Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements.

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.

BASIS OF PREPARATION

This report presents the Pillar 3 disclosures of Bank of Scotland plc (the Bank) as at 30 June 2020 and should be read in conjunction with the Bank's 2020 half-year results. The disclosures have been prepared in accordance with the Capital Requirements Directive and Regulation (CRD IV) and the European Banking Authority's revised guidelines:

– on materiality, proprietary and confidentiality and on disclosure frequency;
– on Pillar 3 disclosure formats and frequency that were published in December 2016 and;
– on uniform disclosures regarding the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds that were published in January 2018.

These disclosures are provided in fulfilment of the applicable large subsidiary disclosure requirements under Article 13 'Application of disclosure requirements on a consolidated basis' of the revised Capital Requirements Regulation (CRR II).

The minimum Pillar 1 capital requirements referred to in this document are calculated as 8 per cent of aggregated risk-weighted assets.

These disclosures are presented on an individual basis for Bank of Scotland plc. Comparative information has been restated having been presented in previous disclosures on a consolidated basis.

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

CONTENTS

KEY METRICS

Table 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 (IFRS9 - FL).

		Bank of Scotland Plc		
		T	T-2	T-4
		At 30 Jun 2020 [3]	At 31 Dec 2019	At 30 Jun 2019
	Available capital (amounts)[1]			
1	Common Equity Tier 1 (CET1) (£m)	**8,767**	8,307	8,212
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**7,972**	8,059	7,996
3	Tier 1 (£m)	**11,607**	11,178	9,884
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**10,812**	10,931	9,668
5	Total capital (£m)	**13,609**	13,519	12,707
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**13,088**	13,528	12,749
	Risk-weighted assets (amounts)[1]			
7	Total risk-weighted assets (£m)	**62,643**	61,333	61,229
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m)	**62,627**	61,467	61,455
	Risk-based capital ratios as a percentage of RWA[1]			
9	Common Equity Tier 1 ratio (%)	**14.0%**	13.5%	13.4%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**12.7%**	13.1%	13.0%
11	Tier 1 ratio (%)	**18.5%**	18.2%	16.1%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.3%**	17.8%	15.7%
13	Total capital ratio (%)	**21.7%**	22.0%	20.8%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.9%**	22.0%	20.7%
	CRD IV leverage ratio[2]			
15	CRD IV leverage ratio exposure measure (£m)	**285,234**	284,634	281,438
16	CRD IV leverage ratio (%)	**4.0%**	3.9%	3.5%
17	CRD IV leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**3.8%**	3.8%	3.4%

1 CRD IV transitional capital basis.

2 CRD IV fully loaded capital basis.

3 Incorporating profits for the period that remain subject to formal verification in accordance with the Capital Requirements Regulation.

RISK-WEIGHTED ASSETS AND PILLAR 1 CAPITAL REQUIREMENTS

Table 2: Overview of risk-weighted assets (OV1)

		Jun 2020 RWA £m	Dec 2019 RWA £m	Jun 2020 Minimum capital requirements £m	Dec 2019 Minimum capital requirements £m
		T	T-1	T	T-1
1	**Credit risk (excluding counterparty credit risk)**	50,740	49,848	4,059	3,988
2	Of which: standardised approach	6,947	7,278	556	582
3	Of which: the foundation rating-based (FIRB) approach	2,749	2,889	220	231
4	Of which: the retail IRB (RIRB) approach	38,243	36,696	3,059	2,936
	Of which: corporates – specialised lending[1]	1,507	1,611	121	129
	Of which: non-credit obligation assets[2]	1,294	1,374	104	110
5	Of which: equity IRB under the simple risk-weight or the internal models approach	—	—	—	—
6	**Counterparty credit risk**	627	560	50	45
7	Of which: marked to market	535	482	43	39
8	Of which: original exposure	—	—	—	—
9	Of which: the standardised approach	—	—	—	—
10	Of which: internal ratings-based model method (IMM)	—	—	—	—
	Of which: comprehensive approach for credit risk mitigation (for SFTs)	—	—	—	—
11	Of which: exposures to central counterparties (including trades, default fund contributions and initial margin)	—	—	—	—
12	Of which: credit valuation adjustment (CVA)	92	78	7	6
13	**Settlement risk**	—	—	—	—
14	**Securitisation exposures in banking book**	774	404	62	32
15	Of which: IRB ratings-based approach (RBA)	—	—	—	—
16	Of which: IRB supervisory formula approach (SFA)	—	—	—	—
17	Of which: internal assessment approach (IAA)	—	80	—	6
18	Of which: standardised approach	—	—	—	—
	Of which: revised framework internal ratings based approach	—	—	—	—
	Of which: revised framework standardised approach	—	—	—	—
	Of which: revised framework external ratings based approach	774	324	62	26
19	**Market risk**	338	492	27	39
20	Of which: standardised approach	249	424	20	34
21	Of which: internal model approaches	89	68	7	5
22	**Large exposures**	—	—	—	—
23	**Operational risk**	9,486	9,357	759	749
24	Of which: basic indicator approach	—	—	—	—
25	Of which: standardised approach	9,486	9,357	759	749
26	Of which: advanced measurement approach	—	—	—	—
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	677	673	54	54
28	**Floor adjustment**	—	—	—	—
29	**Total**	62,642	61,334	5,011	4,907

1 Exposures subject to supervisory slotting.

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

ANALYSIS OF CREDIT RISK MITIGATION

Table 3: CRM techniques – Overview (CR3)

The following table provides an analysis of net carrying values of credit risk exposures secured by different CRM techniques split by regulatory approach and asset class.

	30 Jun 2020					31 Dec 2019				
	Exposures unsecured – carrying amount £m	Exposures to be secured[1] £m	Exposures secured by collateral[2] £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives £m	Exposures unsecured – carrying amount £m	Exposures to be secured[1] £m	Exposures secured by collateral[2] £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives £m
Exposures subject to the IRB approach										
Central governments or central banks	—	—	—	—	—	—	—	—	—	—
Institutions [3]	56	3,013	3,013	—	—	46	2,253	2,253	—	—
Corporates	1,944	4,116	4,110	7	—	1,777	4,906	4,906	—	—
of which: Specialised Lending	—	1,798	1,798	—	—	—	1,985	1,985	—	—
of which: SME	511	779	772	7	—	525	842	842	—	—
Retail	33,217	238,062	238,062	—	—	33,246	238,542	238,542	—	—
Secured by real estate property	—	238,062	238,062	—	—	—	238,542	238,542	—	—
SME	—	—	—	—	—	—	—	—	—	—
Non-SME	—	238,062	238,062	—	—	—	238,542	238,542	—	—
Qualifying Revolving	29,412	—	—	—	—	29,379	—	—	—	—
Other Retail	3,805	—	—	—	—	3,867	—	—	—	—
SME	—	—	—	—	—	—	—	—	—	—
Non-SME	3,805	—	—	—	—	3,867	—	—	—	—
Equity	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	3,171	—	—	—	—	3,866	—	—	—	—
Total – IRB approach	38,387	245,191	245,184	7	—	38,935	245,701	245,701	—	—
Exposures subject to the standardised approach										
Central governments or central banks	733	—	—	—	—	—	—	—	—	—
Regional governments or local authorities	1	1	—	1	—	1	—	—	—	—
Public sector entities	1	—	—	—	—	1	—	—	—	—
Multilateral development banks	—	—	—	—	—	—	—	—	—	—
International organisations	—	—	—	—	—	—	—	—	—	—
Institutions	91,630	—	—	—	—	90,154	—	—	—	—
Corporates	14,728	527	323	203	—	12,862	290	290	—	—
Retail	1,800	681	92	589	—	1,774	127	127	—	—
Secured by mortgages on immovable property	—	5,134	5,134	—	—	—	5,519	5,519	—	—
Exposures in default	746	294	294	—	—	804	287	287	—	—
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—
Collective investment undertakings	—	—	—	—	—	—	—	—	—	—
Equity exposures	—	—	—	—	—	—	—	—	—	—
Other exposures	415	—	—	—	—	443	—	—	—	—
Total – standardised approach	110,054	6,637	5,844	793	—	106,038	6,223	6,223	—	—
Total exposures	148,441	251,828	251,028	800	—	144,974	251,924	251,924	—	—
of which: defaulted	988	2,538	2,537	—	—	1,134	2,352	2,352	—	—

1 Allocation of the carrying amount of multi-secured exposures is made by order of priority to their different CRM techniques.

2 At 30 June 2020 the value of exposures secured by eligible financial collateral is £97m (2019: £170m) and the value of exposures secured by other eligible collateral is £250.9bn (2019: £251.8bn).

3 Exposures to Institutions secured by collateral includes £3,013m (2019: £2,253m) of exposures in the form of covered bonds.

ANALYSIS OF CREDIT QUALITY OF EXPOSURES

Table 4: Credit quality of exposures by exposure class and instrument (CR1-A)

Tables below present analysis of credit risk exposures and credit risk adjustments (including charges in the period) analysed by regulatory exposure class, industry types and geography. Gross carrying value comprises both on and off-balance sheet exposures. Net values represent gross carrying values less specific credit risk adjustments. The Group does not recognise any general credit risk adjustments as defined by the EBA.

	30 Jun 2020						31 Dec 2019					
	Gross carrying values of						Gross carrying values of					
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment1	General credit risk adjustment	Credit risk adjustment charges in the period[1]	Net values	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment1	General credit risk adjustment	Credit risk adjustment charges in the period[1]	Net values
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	a	b	c	e	f	g	a	b	c	e	f	g
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	3,069	—	—	—	3,069	—	2,299	—	—	—	2,299
Corporates	601	5,760	301	—	102	6,060	612	6,294	223	—	(42)	6,684
of which: Specialised lending	100	1,769	71	—	13	1,798	108	1,938	61	—	(4)	1,985
of which: SMEs	27	1,299	36	—	10	1,291	31	1,362	26	—	(1)	1,367
Retail	2,661	270,517	1,899	—	865	271,278	2,419	270,644	1,275	—	246	271,788
Secured by real estate property	2,438	236,963	1,339	—	493	238,062	2,194	237,246	897	—	(106)	238,542
SMEs	—	—	—	—	—	—	—	—	—	—	—	—
Non-SMEs	2,438	236,963	1,339	—	493	238,062	2,194	237,246	897	—	(106)	238,542
Qualifying revolving	160	29,649	397	—	270	29,412	168	29,470	259	—	239	29,379
Other retail	63	3,905	164	—	102	3,805	57	3,929	118	—	114	3,867
SMEs	—	—	—	—	—	—	—	—	—	—	—	—
Non-SMEs	63	3,905	164	—	102	3,805	57	3,929	118	—	114	3,867
Equity	—	—	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	—	3,171	—	—	—	3,171	—	3,866	—	—	—	3,866
Total IRB approach	3,262	282,517	2,201	—	967	283,578	3,031	283,103	1,497	—	204	284,637
Central governments or central banks	—	733	—	—	7	733	—	—	—	—	—	—
Regional governments or local authorities	—	1	—	—	—	1	—	1	—	—	—	1
Public sector entities	—	2	—	—	—	2	—	1	—	—	—	1
Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—
International organisations	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	91,716	86	—	110	91,630	—	90,161	7	—	(2)	90,154
Corporates	—	15,392	137	—	43	15,255	—	13,255	103	—	97	13,152
of which: SMEs	—	1,239	14	—	9	1,225	—	1,076	6	—	—	1,070
Retail	—	2,522	41	—	19	2,481	—	1,930	29	—	42	1,901
of which: SMEs	—	1,740	16	—	7	1,725	—	1,123	9	—	—	1,114
Secured by mortgages on immovable property	—	5,161	27	—	9	5,134	—	5,544	25	—	(3)	5,519
of which: SMEs	—	—	—	—	—	—	—	—	—	—	—	—
Exposures in default1	1,672	—	632	—	220	1,040	1,520	—	429	—	304	1,091
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—
Collective investments undertakings	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	—	—	—	—	—	—	—	—	—	—	—	—
Other exposures	—	415	—	—	—	415	—	443	—	—	—	443
Total standardised approach	1,672	115,942	924	—	408	116,691	1,520	111,334	593	—	437	112,261
Total	4,934	398,460	3,125	—	1,375	400,269	4,551	394,437	2,091	—	641	396,898

1 The total of specific credit risk adjustments and credit risk adjustment charges in the period are lower than financial reporting amounts predominantly due to the differing regulatory treatment of a number of exposures and and the exclusion of the £100m central overlay to the expected credit loss allowances reported in the Bank's June 2020 half year news release.

2 The breakdown of 'Exposure in default' by the exposure class that corresponds to the exposure before default, comprises Corporate £1,296m (2019: £1,165m), and Retail £376m (2019: £355m).

Table 5: Credit quality of exposures by industry types (CR1-B)

	30 Jun 2020					
	Gross carrying values of					
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment[1]	General credit risk adjustment	Credit risk adjustment charges in the period[1]	Net values
	£m	£m	£m	£m	£m	£m
	a	b	c	e	f	g
Agriculture, forestry and fishing	11	719	15	—	5	714
Energy and water supply	—	31	1	—	—	31
Manufacturing	11	538	10	—	5	538
Construction	215	1,087	115	—	(62)	1,187
Transport, distribution and hotels	1,331	1,687	591	—	234	2,426
Postal and communications	—	7	—	—	—	7
Property companies	160	3,457	84	—	5	3,533
Financial, business and other services	93	114,219	288	—	282	114,023
Personal: mortgages	2,788	242,254	1,432	—	529	243,610
Personal: other	325	34,319	585	—	375	34,059
Lease financing	—	—	—	—	—	—
Hire purchase	2	142	3	—	2	141
Total	4,934	398,460	3,125	—	1,375	400,269

	31 Dec 2019					
	Gross carrying values of					
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment1	General credit risk adjustment	Credit risk adjustment charges in the period[1]	Net values
	£m	£m	£m	£m	£m	£m
	a	b	c	e	f	g
Agriculture, forestry and fishing	7	743	11	—	9	740
Energy and water supply	—	52	—	—	1	52
Manufacturing	7	556	6	—	(1)	557
Construction	219	1,125	107	—	(13)	1,237
Transport, distribution and hotels	1,259	1,694	362	—	292	2,590
Postal and communications	—	7	—	—	—	7
Property companies	174	3,603	88	—	(15)	3,689
Financial, business and other services	47	109,398	144	—	128	109,301
Personal: mortgages	2,524	242,949	974	—	(115)	244,499
Personal: other	313	34,162	397	—	354	34,078
Lease financing	—	—	—	—	—	—
Hire purchase	1	148	2	—	1	147
Total	4,551	394,437	2,091	—	641	396,898

1. The total of specific credit risk adjustments and credit risk adjustment charges in the period are lower than financial reporting amounts predominantly due to the differing regulatory treatment of a number of exposures and and the exclusion of the £100m central overlay to the expected credit loss allowances reported in the Bank's June 2020 half year news release.

OWN FUNDS DISCLOSURE TEMPLATE

Table 6: Own funds template

	Transitional rules		Fully loaded rules	
	At 30 Jun 2020 £m	At 31 Dec 2019 £m	At 30 Jun 2020 £m	At 31 Dec 2019 £m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	**5,847**	5,847	**5,847**	5,847
of which: called up share capital	**5,847**	5,847	**5,847**	5,847
Retained earnings	**2,916**	2,308	**2,916**	2,308
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	**2,096**	2,064	**2,096**	2,064
Common equity tier 1 (CET1) capital before regulatory adjustments	**10,859**	10,219	**10,859**	10,219
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	**(88)**	(92)	**(88)**	(92)
Intangible assets (net of related tax liability)	**(469)**	(461)	**(469)**	(461)
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	**(1,504)**	(1,362)	**(1,504)**	(1,362)
Fair value reserves related to gains or losses on cash flow hedges	**27**	41	**27**	41
Negative amounts resulting from the calculation of expected loss amounts	**–**	—	**–**	—
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(2)**	(1)	**(2)**	(1)
Defined benefit pension fund assets	**(56)**	(37)	**(56)**	(37)
Total regulatory adjustments applied to common equity tier 1 (CET1)	**(2,092)**	(1,912)	**(2,092)**	(1,912)
Common equity tier 1 (CET1) capital	**8,767**	8,307	**8,767**	8,307
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	**2,700**	2,700	**2,700**	2,700
of which: classified as equity under applicable accounting standards	**2,700**	2,700	**2,700**	2,700
Amount of qualifying items referred to in Article 484 (4) of the CRR and the related share premium accounts subject to phase out from AT1	**140**	171	**–**	—
Additional tier 1 (AT1) capital before regulatory adjustments	**2,840**	2,871	**2,700**	2,700
Tier 1 capital	**11,607**	11,178	**11,467**	11,007
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	**825**	1,113	**825**	1,113
Amount of qualifying items referred to in Article 484 (5) of the CRR and the related share premium accounts subject to phase out from T2	**1,185**	1,460	**–**	—
Tier 2 (T2) capital before regulatory adjustments	**2,010**	2,573	**825**	1,113

Table 6: Own funds template (Continued)

	Transitional rules		Fully loaded rules	
	At 30 Jun 2020 £m	At 31 Dec 2019 £m	At 30 Jun 2020 £m	At 31 Dec 2019 £m
Tier 2 (T2) capital: regulatory adjustments				
IFRS 9 transitional adjustments	(8)	(232)	(8)	(232)
Total regulatory adjustments applied to Tier 2 (T2) capital	(8)	(232)	(8)	(232)
Tier 2 (T2) capital	2,002	2,341	817	881
Total capital	13,609	13,519	12,284	11,888
Total risk-weighted assets	62,643	61,333	62,643	61,333
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.0%	13.5%	14.0%	13.5%
Tier 1 (as a percentage of risk exposure amount)	18.5%	18.2%	18.3%	13.5%
Total capital (as a percentage of risk exposure amount)	21.7%	22.0%	19.6%	15.0%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2.501%	3.479%	2.501%	3.479%
of which: capital conservation buffer requirement	2.500%	2.500%	2.500%	2.500%
of which: countercyclical buffer requirement	0.001%	0.979%	0.001%	0.979%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure)[1]	9.5%	9.0%	9.5%	9.0%
Amounts below the threshold for deduction (before risk-weighting)				
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	78	75	78	75
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) of the CRR are met)	193	194	193	194
Applicable caps on the inclusion of provisions in Tier 2				
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–	—	–	—
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	266	261	266	261
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
Current cap on AT1 instruments subject to phase out arrangements	140	210	—	—
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	37	—	—	—
Current cap on T2 instruments subject to phase out arrangements	1,856	2,784	—	—

1 Of which 2.0 per cent is required to meet Pillar 2A requirements.

LEVERAGE DISCLOSURE TEMPLATE

Table 7: Leverage ratio common disclosure

	At 30 Jun 2020 Fully loaded £m	At 31 Dec 2019 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	370,103	368,709
Asset amounts deducted in determining Tier 1 capital	(1,286)	(1,628)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	368,817	367,081
Derivative exposures[1]		
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,380	1,176
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	181	176
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(514)	(470)
Total derivative exposures	1,047	882
Securities financing transaction exposures[2]		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–	—
Netted amounts of cash payables and cash receivables of gross SFT assets	–	—
Counterparty credit risk exposure for SFT assets	750	—
Total securities financing transaction exposures	750	—
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	41,734	39,480
Adjustments for conversion to credit equivalent amounts	(23,896)	(22,889)
Other off-balance sheet exposures	17,838	16,591
Exempted exposures in accordance with CRR Article 429 (7) (on and off balance sheet)		
Intragroup exposures exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)[3]	(103,218)	(99,920)
Capital and total exposure measure		
Tier 1 capital	11,467	11,007
Leverage ratio total exposure measure	285,234	284,634
Leverage ratio		
Leverage ratio	4.0%	3.9%

1 Excludes intragroup derivative assets amounting to £4,727m (2019: £6,995m) exempted in accordance with CRR Article 429(7).

2 Excludes intragroup SFT assets amounting to £2,336m (2019: £2,497m) exempted in accordance with CRR Article 429(7).

3 Relates to exempted intragroup loans and receivables. Total intragroup exposures exempted in accordance with CRR Article 429(7), including derivatives and SFTs, amounted to £110,281m (2019: £109,411m).

Table 8: Summary reconciliation of accounting assets and leverage ratio exposures

	30 Jun 2020 Fully loaded £m	31 Dec 2019 Fully loaded £m
Total assets as per the financial statements	380,885	381,502
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting[1]	(96)	—
Adjustments for derivative financial instruments	(2,575)	(2,420)
Adjustments for securities financing transactions (SFTs)	750	—
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	17,837	16,591
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	(110,281)	(109,411)
Other adjustments	(1,286)	(1,628)
Leverage ratio total exposure measure	285,234	284,634

[1] Reflects the accelerated implementation for the netting of regular-way purchases and sales awaiting settlement in accordance with CRR Article 500d.