BANK OF SCOTLAND plc

2021 Half-Year Pillar 3 Disclosures

30 June 2021

BASIS OF PREPARATION

This report presents the half-year Pillar 3 disclosures of Bank of Scotland plc ('the Bank') as at 30 June 2021 and should be read in conjunction with the Bank of Scotland plc 2021 half-year results.

The disclosures have been prepared in accordance with the Capital Requirements Directive and Regulation (CRD IV) and associated European Banking Authority (EBA) guidelines and technical standards in force as at 31 December 2020.

Under UK law, EU capital rules that existed on 31 December 2020 (including applicable Pillar 3 requirements) continue to apply to the Group following the end of the transition period for the UK's withdrawal from the European Union, subject to the temporary transitional powers (TTP) granted to the Prudential Regulation Authority (PRA) which extend until 31 March 2022.

Where references are made to the relevant provisions of the revised Capital Requirements Regulation (CRR) that came into force in June 2019 and December 2020 these are referred to as 'CRR II' requirements.

From 1 January 2022, UK Pillar 3 disclosure requirements will be set out under the new Disclosure Part of the PRA Rulebook. This will include revisions to current Pillar 3 disclosure requirements that will apply from the same date and are broadly aligned to the equivalent revisions that have already come into force under the EU version of CRR II.

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 CRR II.

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

A description of the main features of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2) instruments issued by Lloyds Banking Group plc (the ultimate parent company) and its significant subsidiaries (including Bank of Scotland plc) are included in a separate document on the Lloyds Banking Group website located at www.lloydsbankinggroup.com/investors/financial-downloads. In addition, the report identifies and provides a description of the main features of those instruments that are recognised as eligible MREL in accordance with the Bank of England's MREL framework.

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 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 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'endeavour', 'prospects', 'optimistic' 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, statements or guidance relating 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 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; potential changes in dividend policy; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality impacting the recoverability and value of balance sheet assets; concentration of financial exposure; management and monitoring of conduct risk; exposure to counterparty risk (including but not limited to third parties conducting illegal activities without the Group's knowledge); 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 the EU-UK Trade and Cooperation Agreement, instability as a result of 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 and any further possible referendum on Scottish independence; 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, 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, or other such events; geopolitical unpredictability; risks relating to sustainability and climate change, including the Group's ability along with the government and other stakeholders to manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the UK's exit from the EU; changes to regulatory capital or liquidity requirements (including regulatory measures to restrict distributions to address potential capital and liquidity stress) 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 laws, 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 in the Group's ability to develop sustainable finance products and the Group's capacity to measure the ESG impact from its financing activity, which may affect the Group's ability to achieve its climate ambition; 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 Bank 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 reports filed with or furnished to the SEC, Lloyds Banking Group plc 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 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 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.

CONTENTS

KEY METRICS

Table 1: Key metrics (KM1) and a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (IFRS9-FL)[1]

		30 Jun 2021	31 Dec 2020	30 Jun 2020
	Available capital (amounts)[2]			
1	Common Equity Tier 1 (CET1) (£m)	**9,660**	9,510	8,767
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**9,079**	8,700	7,972
3	Tier 1 (£m)	**11,880**	11,731	11,607
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**11,299**	10,921	10,812
5	Total capital (£m)	**13,161**	13,577	13,609
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**13,032**	13,134	13,088
	Risk-weighted assets (amounts)[2]			
7	Total risk-weighted assets (£m)	**62,489**	61,304	62,643
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m)	**62,569**	61,376	62,627
	Risk-based capital ratios as a percentage of RWA[2]			
9	Common Equity Tier 1 ratio (%)	**15.5%**	15.5%	14.0%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.5%**	14.2%	12.7%
11	Tier 1 ratio (%)	**19.0%**	19.1%	18.5%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**18.1%**	17.8%	17.3%
13	Total capital ratio (%)	**21.1%**	22.1%	21.7%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.8%**	21.4%	20.9%
	CRD IV leverage ratio[3]			
15	CRD IV leverage ratio exposure measure (£m)	**307,600**	298,230	285,234
16	CRD IV leverage ratio (%)	**3.9%**	3.9%	4.0%
17	CRD IV leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**3.7%**	3.7%	3.8%

1 The Bank applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (as amended via the CRR 'Quick Fix' revisions published in June 2020). Specifically, the Bank has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief) and in addition to apply a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. As at 30 June 2021, static relief (including 'locked' dynamic relief recognised prior to 1 January 2020) under the transitional arrangements amounted to £146 million (31 December 2020: £204 million) and dynamic relief (from 1 January 2020) under the transitional arrangements amounted to £435 million, through CET1 capital (31 December 2020: £606 million).

2 CRD IV transitional capital basis.

3 CRD IV fully loaded capital basis.

RISK-WEIGHTED ASSETS AND PILLAR 1 CAPITAL REQUIREMENTS

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

		30 Jun 2021 RWA £m	31 Dec 2020 RWA £m	30 Jun 2021 Minimum capital requirements £m	31 Dec 2020 Minimum capital requirements £m
1	**Credit risk (excluding counterparty credit risk)**	52,150	50,492	4,172	4,039
2	Of which: standardised approach	5,265	5,815	421	465
3	Of which: the foundation rating-based (FIRB) approach	2,541	2,674	203	214
4	Of which: the retail IRB (RIRB) approach	41,691	39,137	3,335	3,131
	Of which: corporates – specialised lending[1]	1,419	1,571	113	126
	Of which: non-credit obligation assets[2]	1,234	1,295	99	104
6	**Counterparty credit risk**	465	573	37	46
7	Of which: marked to market	389	473	31	38
12	Of which: credit valuation adjustment (CVA)	76	100	6	8
14	**Securitisation exposures in banking book**	494	663	40	53
	Of which: external ratings based approach	494	663	40	53
19	**Market risk**	144	220	12	18
20	Of which: standardised approach	71	157	6	13
21	Of which: internal model approaches	73	63	6	5
23	**Operational risk**	8,599	8,801	688	704
25	Of which: standardised approach	8,599	8,801	688	704
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	638	555	51	44
29	**Total**	62,489	61,304	4,999	4,904
	Pillar 2A capital requirement			1,912	1,912
	Total capital requirement			6,911	6,816

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 2021					31 Dec 2020				
	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										
Institutions [3]	154	2,182	2,181	1	—	103	2,395	2,395	—	—
Corporates	1,598	4,677	4,496	181	—	1,627	4,854	4,695	159	—
of which: Specialised Lending	—	1,718	1,718	—	—	—	1,913	1,913	—	—
of which: SME	541	907	744	162	—	537	935	801	134	—
Retail	32,187	264,866	264,866	—	—	32,853	254,263	254,263	—	—
Secured by real estate property	—	264,866	264,866	—	—	—	254,263	254,263	—	—
Non-SME	—	264,866	264,866	—	—	—	254,263	254,263	—	—
Qualifying Revolving	28,442	—	—	—	—	29,116	—	—	—	—
Other Retail	3,745	—	—	—	—	3,738	—	—	—	—
Non-SME	3,745	—	—	—	—	3,738	—	—	—	—
Non-credit obligation assets	3,155	—	—	—	—	3,153	—	—	—	—
Total – IRB approach	37,095	271,726	271,543	182	—	37,737	261,512	261,353	159	—
Exposures subject to the standardised approach										
Central governments or central banks	947	—	—	—	—	782	—	—	—	—
Regional governments or local authorities	—	1	—	1	—	1	1	—	1	—
Public sector entities	1	1	—	1	—	1	—	—	—	—
Institutions	14,944	—	—	—	—	18,963	—	—	—	—
Corporates	13,201	424	246	178	—	14,402	524	325	199	—
Retail	1,762	991	38	954	—	1,797	960	37	923	—
Secured by mortgages on immovable property	—	4,403	4,403	—	—	—	4,762	4,762	—	—
Exposures in default	527	272	263	9	—	517	275	273	2	—
Other exposures	263	—	—	—	—	299	—	—	—	—
Total – standardised approach	31,645	6,092	4,950	1,142	—	36,761	6,522	5,397	1,125	—
Total exposures	68,740	277,818	276,493	1,325	—	74,498	268,034	266,750	1,284	—
of which: defaulted	792	2,634	2,625	9	—	784	2,508	2,506	2	—

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 2021 the value of exposures secured by eligible financial collateral is £76m (2020: £135m) and the value of exposures secured by other eligible collateral is £276.4bn (2020: £266.6bn).

3 Exposures to Institutions secured by collateral includes £2,181m (2020: £2,395m) of exposures in the form of covered bonds.

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 2021					31 Dec 2020				
	Gross carrying values of					Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment[1]	Credit risk adjustment charges in the period[1]	Net values	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges in the period	Net values
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Institutions	—	2,336	—	—	2,336	—	2,498	—	—	2,498
Corporates	566	5,874	165	(159)	6,276	609	6,179	307	103	6,481
of which: Specialised lending	91	1,683	55	(51)	1,718	97	1,923	106	51	1,913
of which: SMEs	87	1,385	25	(4)	1,447	40	1,461	28	4	1,472
Retail	2,680	295,999	1,625	(61)	297,054	2,683	286,300	1,867	1,021	287,116
Secured by real estate property	2,445	263,502	1,081	(129)	264,866	2,449	253,042	1,228	410	254,263
Non-SMEs	2,445	263,502	1,081	(129)	264,866	2,449	253,042	1,228	410	254,263
Qualifying revolving	146	28,675	379	53	28,442	149	29,411	445	443	29,116
Other retail	89	3,821	165	15	3,745	85	3,848	195	167	3,738
Non-SMEs	89	3,821	165	15	3,745	85	3,848	195	167	3,738
Non-credit obligation assets	—	3,355	—	—	3,355	—	3,353	—	—	3,353
Total IRB approach	3,246	307,564	1,789	(220)	309,020	3,293	298,330	2,174	1,124	299,449
Central governments or central banks	—	947	—	—	947	—	782	—	—	782
Regional governments or local authorities	—	1	—	—	1	—	1	—	—	1
Public sector entities	—	2	—	—	2	—	1	—	—	1
Institutions	—	14,945	1	—	14,944	—	18,967	4	(3)	18,963
Corporates	—	13,666	41	(19)	13,625	—	15,051	125	30	14,926
of which: SMEs	—	970	9	(9)	960	—	1,124	16	11	1,108
Retail	—	2,795	41	2	2,753	—	2,801	44	15	2,756
of which: SMEs	—	1,990	19	—	1,971	—	2,011	19	10	1,992
Secured by mortgages on immovable property	—	4,429	26	(3)	4,403	—	4,792	30	9	4,762
Exposures in default[2]	1,449	—	650	18	798	1,427	—	635	247	792
Other exposures	—	263	—	—	263	—	299	—	—	299
Total standardised approach	1,449	37,048	760	(2)	37,737	1,427	42,696	839	298	43,283
Total	4,694	344,612	2,549	(223)	346,757	4,719	341,026	3,014	1,422	342,732

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 £200m central overlay to the expected credit loss allowances.

2 The breakdown of 'Exposure in default' by the exposure class that corresponds to the exposure before default, comprises Corporate £1,126m (2020: £1,084m), and Retail £322m (2020: £342m).

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

	30 Jun 2021				
	Gross carrying values of				
	Defaulted exposures £m	Non-defaulted exposures £m	Specific credit risk adjustment[1] £m	Credit risk adjustment charges in the period[1] £m	Net values £m
Agriculture, forestry and fishing	18	688	10	(9)	697
Energy and water supply	—	28	—	—	28
Manufacturing	17	756	8	(2)	766
Construction	208	872	65	(50)	1,015
Transport, distribution and hotels	1,226	1,515	605	2	2,136
Postal and communications	—	7	—	—	7
Property companies	124	3,384	66	(53)	3,442
Financial, business and other services	53	35,831	73	(43)	35,812
Personal: mortgages	2,747	267,977	1,154	(137)	269,570
Personal: other	299	33,336	567	68	33,068
Lease financing	—	—	—	—	—
Hire purchase	2	218	3	—	217
Total	4,694	344,612	2,549	(223)	346,757

	31 Dec 2020				
	Gross carrying values of				
	Defaulted exposures £m	Non-defaulted exposures £m	Specific credit risk adjustment £m	Credit risk adjustment charges in the period £m	Net values £m
Agriculture, forestry and fishing	13	709	17	6	705
Energy and water supply	—	29	—	—	29
Manufacturing	27	694	10	4	711
Construction	252	950	114	13	1,089
Transport, distribution and hotels	1,176	1,743	608	278	2,312
Postal and communications	—	6	—	—	6
Property companies	119	3,546	106	23	3,560
Financial, business and other services	46	41,210	178	44	41,077
Personal: mortgages	2,769	257,880	1,314	437	259,335
Personal: other	315	34,081	664	615	33,733
Lease financing	—	1	—	—	—
Hire purchase	2	176	3	1	175
Total	4,719	341,026	3,014	1,422	342,732

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 £200m central overlay to the expected credit loss allowances.

OWN FUNDS DISCLOSURE

An analysis of the Bank's capital position as at 30 June 2021 is presented in the following table on both a transitional arrangements basis and a fully loaded basis in respect of legacy capital securities subject to current grandfathering provisions. In addition, the Bank's capital position under both bases reflects the application of the separate transitional arrangements for IFRS 9.

Table 6: Own Funds Disclosure Template

	Transitional rules		Fully loaded rules	
	At 30 Jun 2021 £m	At 30 Dec 2020 £m	At 30 Jun 2021 £m	At 30 Dec 2020 £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	4,868	3,618	4,868	3,618
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	2,070	2,078	2,070	2,078
Foreseeable dividends	(700)	—	(700)	—
Common equity tier 1 (CET1) capital before regulatory adjustments	12,085	11,543	12,085	11,543
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	(82)	(79)	(82)	(79)
Intangible assets (net of related tax liability)	(514)	(470)	(514)	(470)
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)	(1,827)	(1,477)	(1,827)	(1,477)
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	48	45	48	45
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)	(2)	(2)	(2)
Defined benefit pension fund assets	(48)	(50)	(48)	(50)
Total regulatory adjustments applied to common equity tier 1 (CET1)	(2,425)	(2,033)	(2,425)	(2,033)
Common equity tier 1 (CET1) capital	9,660	9,510	9,660	9,510
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	2,200	2,200	2,200	2,200
of which: classified as equity under applicable accounting standards	2,200	2,200	2,200	2,200
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	20	21	–	—
Additional tier 1 (AT1) capital	2,220	2,221	2,200	2,200
Tier 1 capital	11,880	11,731	11,860	11,710
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	1,192	1,353	1,192	1,353
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	257	590	–	—
Tier 2 (T2) capital before regulatory adjustments	1,449	1,943	1,192	1,353

Table 6: **Own Funds Disclosure Template (Continued)**

	Transitional rules		Fully loaded rules	
	At 30 Jun 2021 £m	At At 30 Dec 2020 £m	At 30 Jun 2021 £m	At At 30 Dec 2020 £m
Tier 2 (T2) capital: regulatory adjustments				
IFRS 9 transitional adjustments	(168)	(97)	(168)	(97)
Total regulatory adjustments applied to Tier 2 (T2) capital	(168)	(97)	(168)	(97)
Tier 2 (T2) capital	1,281	1,846	1,024	1,256
Total capital	13,161	13,577	12,884	12,966
Total risk exposure amount (risk-weighted assets)	62,489	61,304	62,489	61,304
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.5%	15.5%	15.5%	15.5%
Tier 1 (as a percentage of risk exposure amount)	19.0%	19.1%	19.0%	19.1%
Total capital (as a percentage of risk exposure amount)	21.1%	22.1%	20.6%	21.2%
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)	2.500%	2.500%	2.500%	2.500%
of which: capital conservation buffer requirement	2.500%	2.500%	2.500%	2.500%
of which: countercyclical buffer requirement	0.000%	0.000%	0.000%	0.000%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure)[1]	11.0%	11.0%	11.0%	11.0%
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)	76	76	76	76
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)	180	146	180	146
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	284	270	284	270
Capital instruments subject to phase-out arrangements				
Current cap on AT1 instruments subject to phase out arrangements	70	140	—	—
Current cap on T2 instruments subject to phase out arrangements	928	1,856	—	—

1 Of which 1.7 per cent is required to meet Pillar 2A requirements.

LEVERAGE DISCLOSURE (CRD IV)

Table 7: Leverage ratio common disclosurex

	At 30 Jun 2021 Fully loaded £m	At 31 Dec 2020 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**314,580**	306,123
Asset amounts deducted in determining Tier 1 capital	**(1,848)**	(1,241)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**312,732**	304,882
Derivative exposures[1]		
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	**949**	1,138
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	**108**	141
Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(273)**	(287)
Total derivative exposures	**784**	992
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	**—**	—
Total securities financing transaction exposures	**—**	—
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	**44,111**	47,541
Adjustments for conversion to credit equivalent amounts	**(23,794)**	(24,193)
Other off-balance sheet exposures	**20,317**	23,348
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]	**(26,232)**	(30,992)
Capital and total exposure measure		
Tier 1 capital	**11,860**	11,710
Leverage ratio total exposure measure	**307,600**	298,230
Leverage ratio		
Leverage ratio	**3.9%**	3.9%

1 Excludes intragroup derivative assets amounting to £2,754m (2020: £4,784m) exempted in accordance with CRR Article 429(7).

2 Excludes intragroup SFT assets amounting to £5m (2020: £2,195m) 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 £28,991m (2020: £37,971m).

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

	30 Jun 2021 Fully loaded £m	31 Dec 2020 Fully loaded £m
Total assets as per the financial statements	**319,394**	315,764
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting[1]	**(9)**	(24)
Adjustments for derivative financial instruments	**(1,264)**	(1,646)
Adjustments for securities financing transactions (SFTs)	**—**	—
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	**20,317**	23,348
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	**(28,991)**	(37,971)
Other adjustments	**(1,848)**	(1,241)
Leverage ratio total exposure measure	**307,600**	298,230

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

CONTACTS

For further information please contact:

INVESTORS AND ANALYSTS

Douglas Radcliffe
Group Investor Relations Director
020 7356 1571
douglas.radcliffe@lloydsbanking.com

Edward Sands
Director of Investor Relations
020 7356 1585
edward.sands@lloydsbanking.com

Eileen Khoo
Director of Investor Relations
07385 376435
eileen.khoo@lloydsbanking.com

Nora Thoden
Director of Investor Relations - ESG
020 7356 2334
nora.thoden@lloydsbanking.com

CORPORATE AFFAIRS

Grant Ringshaw
External Relations Director
020 7356 2362
grant.ringshaw@lloydsbanking.com

Matt Smith
Head of Media Relations
020 7356 3522
matt.smith@lloydsbanking.com

Registered office: Bank of Scotland plc, The Mound, Edinburgh EH1 1YZ
Registered in Scotland No. SC327000