Bank of Scotland plc

2022 Year-End
Pillar 3 Disclosures

31 December 2022

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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. 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; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; 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; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; longevity risks affecting defined benefit pension schemes; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; 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; 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; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as 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, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; 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; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the control of the Group or any of the Group's immediate or ultimate parent entities (if applicable). 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 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.

BASIS OF PREPARATION

This report presents the Pillar 3 disclosures of Bank of Scotland plc ('the Bank') as at 31 December 2022 and should be read in conjunction with the Bank of Scotland plc Report and Accounts 2022.

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. In general, comparatives are not provided for new or substantially revised disclosure templates where these are included in the disclosures for the first time.

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

Abbreviation	Template name	Reason for exclusion
INS1	Insurance participations	Not applicable to the Bank
INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable to the Bank
CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
CQ2	Quality of forbearance	Threshold for disclosure not met
CQ4	Quality of non-performing exposures by geography	No countries are equal to or higher than 10% of the total
CQ7	Collateral obtained by taking possession and execution processes	No collateral taken into possession is recognised on the balance sheet
CR7	IRB – Effect on the RWAs of credit derivatives used as CRM techniques	Excluded on materiality basis
CR10.3	Specialised lending - Object finance (Slotting approach)	Not applicable to the Bank
CR10.4	Specialised lending: Commodities finance (Slotting approach)	Not applicable to the Bank
CR10.5	Equity exposures subject to the simple risk weight method	Not applicable to the Bank
CCR7	RWA flow statements of CCR exposures under the IMM	Not applicable to the Bank
LIQA	Qualitative information on Liquidity risk management	Liquidity is managed at a DoLSub level, refer to the Lloyds Bank plc FY 2022 Pillar 3 disclosures for further information.
LIQ1	Quantitative information of LCR	
LIQB	Qualitative information on LCR, which complements template UK LIQ1	
REMA	Remuneration policy	Excluded as Bank staff are contractually employed by the Bank parent company HBOS plc.
REM1	Remuneration awarded for the financial year	
REM2	Special payments to staff whose professional activities have a material impact on institutions risk profile (identified staff)	
REM3	Deferred remuneration	
REM4	Remuneration of 1 million EUR or more per year	
REM5	Information on remuneration of staff whose professional activities have a material impact on institutions risk profile (identified staff)	

The information presented in this Pillar 3 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) capital instruments issued by Lloyds Banking Group plc (the ultimate parent company) and its large 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 debt instruments that are recognised as eligible liabilities in accordance with the Bank of England's MREL framework. Template TLAC 2 is included within the Pillar 3 disclosures for Lloyds Banking Group plc and details the creditor hierarchy and nominal values of instruments issued by Bank of Scotland plc. The Lloyds Banking Group plc 2022 Year-End Pillar 3 Disclosures can be found on the Lloyds Banking Group plc website.

Executive Summary

KM1: Key Metrics[1,2]

KM1 Ref	LR2 Ref		31 Dec 2022	30 Jun 2022	31 Dec 2021
		Available own funds (amounts)			
1		Common Equity Tier 1 (CET1) capital (£m)	**11,284**	10,059	9,540
2		Tier 1 capital (£m)	**13,484**	12,259	11,762
3		Total capital (£m)	**15,330**	13,939	13,259
		Risk-weighted exposure amounts			
4		Total risk-weighted exposure amount (£m)	**73,084**	71,730	60,807
		Capital ratios (as a percentage of risk-weighted exposure amount)			
5		Common Equity Tier 1 ratio (%)	**15.4%**	14.0%	15.7%
6		Tier 1 ratio (%)	**18.5%**	17.1%	19.3%
7		Total capital ratio (%)	**21.0%**	19.4%	21.8%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a		Additional CET1 SREP requirements (%)	**1.1%**	1.2%	1.4%
UK 7b		Additional AT1 SREP requirements (%)	**0.3%**	0.4%	0.5%
UK 7c		Additional T2 SREP requirements (%)	**0.5%**	0.5%	0.6%
UK 7d		Total SREP own funds requirements (%)	**9.9%**	10.1%	10.5%
		Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8		Capital conservation buffer (%)	**2.500%**	2.500%	2.500%
9		Institution specific countercyclical capital buffer (%)	**0.987%**	0.001%	0.001%
11		Combined buffer requirement (%)	**3.487%**	2.501%	2.501%
UK 11a		Overall capital requirements (%)	**13.4%**	12.6%	13.0%
12		CET1 available after meeting minimum SREP own funds requirements (%)[3]	**9.8%**	8.3%	9.8%
		Leverage ratio			
13	24b	Total exposure measure (Dec 21: including claims on central banks) (£m)[4]	**300,175**	299,860	310,184
14	25	Leverage ratio (Dec 21: including claims on central banks) (%)[4]	**4.5%**	4.1%	3.8%

1. The Bank applies the full extent of the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). 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 31 December 2022, static relief (including 'locked' dynamic relief recognised prior to 1 January 2020) under the transitional arrangements amounted to £80 million (31 December 2021: £146 million) and dynamic relief (from 1 January 2020) under the transitional arrangements amounted to £74m (31 December 2021: £253 million) through CET1 capital.
2. The Bank 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 any holdings in government and public sector debt measured at fair value through other comprehensive income.
3. 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).
4. The leverage exposure measure and ratios reported for 31 December 2021 have been calculated under the original CRR leverage rules, inclusive of claims on central banks.

Executive Summary (continued)

Common Equity Tier 1

The Bank's common equity tier 1 (CET1) capital ratio reduced from 15.7 per cent at 31 December 2021 to 15.4 per cent at 31 December 2022. The reduction largely reflected the impact of regulatory changes on 1 January 2022 which included an increase in risk-weighted assets and phased and other reductions in IFRS 9 transitional relief. This was partially offset by profits for the year and capital contributions received to fund the acquisition of MBNA Limited, net of related increases in risk-weighted assets and the deductions for goodwill and significant investments.

Total Capital

The Bank's total capital ratio reduced from 21.8 per cent at 31 December 2021 to 21.0 per cent at 31 December 2022, largely reflecting the overall increase in risk-weighted assets, partially offset by the increase in CET1 capital. The total capital ratio further benefited from an increase in eligible provisions recognised through Tier 2 capital.

Risk-Weighted Assets

Risk-weighted assets increased by £12.3 billion to £73.1 billion at 31 December 2022 compared to £60.8 billion at 31 December 2021, primarily reflecting the 1 January 2022 regulatory changes which included the anticipated impact of the implementation of new CRD IV models to meet revised regulatory standards for modelled outputs. The new CRD IV models remain subject to finalisation and approval by the PRA and therefore the resultant risk-weighted asset impact also remains subject to this. Subsequent reductions in risk-weighted assets during the year, largely as a result of Retail model reductions from the strong underlying credit performance, were offset by the growth in balance sheet lending and an increase in threshold risk-weighted assets linked to the post-acquisition investment in MBNA Limited.

Leverage

The Bank's UK leverage ratio of 4.5 per cent at 31 December 2022 has increased from 3.8 per cent at 31 December 2021, largely reflecting the increase in the total tier 1 capital position and a reduction in the leverage exposure measure. The latter principally related to the measure for off-balance sheet items which reduced following optimisation activity that resulted in a reduction in the credit conversion factor applied to residential mortgage offers. This was partially offset by the growth in balance sheet lending.

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.

		31 Dec 2022	30 Jun 2022	31 Dec 2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	**11,284**	10,059	9,540
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**11,130**	9,986	9,141
3	Tier 1 capital (£m)	**13,484**	12,259	11,762
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**13,330**	12,186	11,363
5	Total capital (£m)	**15,330**	13,939	13,259
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**15,175**	13,942	13,143
	Risk-weighted exposure amounts			
7	Total risk-weighted exposure amount (£m)	**73,084**	71,730	60,807
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**73,088**	71,770	60,887
	Capital ratios (as a percentage of risk-weighted exposure amount)			
9	Common Equity Tier 1 ratio (%)	**15.4%**	14.0%	15.7%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**15.2%**	13.9%	15.0%
11	Tier 1 ratio (%)	**18.5%**	17.1%	19.3%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**18.2%**	17.0%	18.7%
13	Total capital ratio (%)	**21.0%**	19.4%	21.8%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.8%**	19.4%	21.6%
	Leverage ratio			
15	Total exposure measure excluding claims on central banks (£m)[2]	**300,175**	299,860	310,184
16	Leverage ratio excluding claims on central banks (%)[2]	**4.5%**	4.1%	3.8%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)[2]	**4.4%**	4.1%	3.7%

1 The Bank 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 any holdings in government and public sector debt measured at fair value through other comprehensive income.

2 The leverage exposure measure and ratios reported for 31 December 2021 has been calculated under the original CRR leverage rules, inclusive of claims on central banks.

Executive Summary (continued)

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Dec 2022	31 Dec 2021[1]	31 Dec 2022
		£m	£m	£m
1	**Credit risk (excluding CCR)[1]**	**64,546**	51,329	**5,164**
2	Of which the standardised approach[1]	4,307	4,803	344
3	Of which the foundation IRB (FIRB) approach	1,522	2,193	122
4	Of which slotting approach	1,082	1,283	87
UK 4a	Of which equities under the simple risk weighted approach[1]	2,834	214	227
5	Of which the advanced IRB (AIRB) approach	53,771	41,636	4,302
	Of which: non-credit obligation assets[2]	1,029	1,199	82
6	**Counterparty credit risk - CCR**	**268**	379	**21**
7	Of which the standardised approach	191	—	15
	Of which: marked to market	—	333	—
UK 8b	Of which credit valuation adjustment - CVA	77	46	6
16	**Securitisation exposures in the non-trading book (after the cap)**	**463**	357	**37**
18	Of which SEC-ERBA (including IAA)	463	357	37
20	**Position, foreign exchange and commodities risks (Market risk)**	**56**	254	**4**
21	Of which the standardised approach[4]	—	182	—
22	Of which IMA	56	72	4
23	**Operational risk**	**7,751**	8,488	**620**
UK 23b	Of which standardised approach	7,751	8,488	620
24	**Memo: Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)[1]**	3,190	628	255
29	**Total**	**73,084**	60,807	**5,848**
	Pillar 2A capital requirement[3]			1,369
	Total capital requirement			**7,217**

1 Restated in accordance with revised OV1 template requirements - threshold balances are now reported through the relevant underlying category.

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

3 As at 31 December 2022, the Pillar 2A capital requirement was around 1.9 per cent of risk-weighted assets, of which around 1.1 per cent was to be met with CET1 capital.

4 From 1 January 2022, as permitted by the CRR, the Bank has elected to set this to zero, with overall net foreign-exchange positions below the 2 per cent of total own funds de minimis threshold.

INDIVIDUAL CAPITAL REQUIREMENT (UK OVC)

Pillar 1 of the regulatory framework focuses on the determination of risk weighted assets and expected losses in respect of the firm's exposure to credit, counterparty credit, market and operational risks.

The minimum amount of total capital, under Pillar 1 of the regulatory capital framework, is set at 8 per cent of total risk-weighted assets. At least 4.5 per cent of risk-weighted assets are required to be met with CET1 capital and at least 6 per cent of risk-weighted assets are required to be met with tier 1 capital.

A range of approaches, varying in sophistication, are available under the regulatory framework to use in measuring risk-weighted assets and thereby determine the minimum level of capital required under Pillar 1. The Bank's risk-weighted assets are predominantly calculated using internal models that are prudently calibrated based on loss experience and are subject to a number of internal controls and external approval from the PRA.

Additional minimum capital requirements under Pillar 2A are set by the PRA as a firm-specific Individual Capital Requirement (ICR) reflecting a point in time estimate, which may change over time, of the minimum amount of capital to cover risks that are not fully covered by Pillar 1, such as credit concentration and operational risk, and those risks not covered at all by Pillar 1, such as pension obligation risk and interest rate risk in the banking book (IRRBB).

Pillar 2A capital requirements consist of a variable amount (being a set percentage of risk-weighted assets), with fixed add-ons for certain risk types.

A key input into the PRA's Pillar 2A setting process is a bank's own assessment of the minimum amount of capital it needs to cover risks that are not covered or not fully covered by Pillar 1 as part of its Internal Capital Adequacy Assessment Process (ICAAP).

Some of the key risks assessed within the Pillar 2A assessment part of the Bank's ICAAP include:

- Concentration risk – greater loss volatility arising from a higher level of loan default correlation than is assumed by the Pillar 1 assessment. Such correlation can arise from, for example, geographic, industry sector and single name concentrations.
- Underestimation risk – where it is considered that the Pillar 1 capital assessments for credit, market or operational risk underestimate the risk. The operational risk assessment includes consideration of conduct risk.
- Residual value risk – the risk that the value of assets being returned are less than the customer balance, with resultant loss to the Bank.
- Pension obligation risk – the potential for losses that the Bank would incur in the event of a significant deterioration in the funding position of the Bank's defined benefit pension schemes.
- Interest rate risk in the banking book – the potential losses in the non-trading book resulting from interest rate changes or changes in spreads between different rates.

The detailed ICAAP document is subject to a robust review process, approved by the Board and submitted to the PRA for their consideration ahead of setting the ICR.

The Bank is not permitted by the PRA to disclose any details on the individual components of its Pillar 2A capital requirement.

Own funds

CC1: Composistion of regulatory own funds

The capital positions presented below reflect the application of the transitional arrangements for IFRS 9.

		31 Dec 2022 £m	31 Dec 2021[1] £m	CC2 Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	**5,847**	5,847	
	of which: called up share capital	**5,847**	5,847	a
2	Retained earnings	**4,606**	3,534	c
3	Accumulated other comprehensive income (and other reserves)	**3,251**	2,044	c
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**13,704**	11,425	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	**(53)**	(78)	
8	Intangible assets (net of related tax liability)	**(672)**	(444)	d
10	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) CRR are met)	**(1,806)**	(1,767)	e
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**65**	63	
12	Negative amounts resulting from the calculation of expected loss amounts	**—**	—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(2)**	(1)	
15	Defined-benefit pension fund assets	**(33)**	(39)	f
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	**(54)**	—	g
27a	Other regulatory adjustments to CET1 capital	**135**	381	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(2,420)**	(1,885)	
29	**Common Equity Tier 1 (CET1) capital**	**11,284**	9,540	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	**2,200**	2,200	b
31	of which: classified as equity under applicable accounting standards	**2,200**	2,200	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	**—**	22	
44	**Additional Tier 1 (AT1) capital**	**2,200**	2,222	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**13,484**	11,762	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	**1,500**	1,500	h
50	Credit risk adjustments	**346**	39	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,846**	1,539	
Tier 2 (T2) capital: regulatory adjustments				
UK-56b	Other regulatory adjustments to T2 capital	**—**	(42)	
57	Total regulatory adjustments to Tier 2 (T2) capital	**—**	(42)	
58	**Tier 2 (T2) capital**	**1,846**	1,497	
59	**Total capital (TC = T1 + T2)**	**15,330**	13,259	

		31 Dec 2022 £m	31 Dec 2021[1] £m	CC2 Reference
60	**Total risk exposure amount**	**73,084**	60,807	
Capital ratios and buffer				
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**15.4%**	15.7%	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**18.5%**	19.3%	
63	**Total capital (as a percentage of total risk exposure amount)**	**21.0%**	21.8%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**9.0%**	8.4%	
65	of which: capital conservation buffer requirement	**2.500%**	2.500%	
66	of which: countercyclical buffer requirement	**0.987%**	0.001%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**9.8%**	9.8%	
Amounts below the thresholds for deduction (before risk weighting)				
73	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 17.65% thresholds and net of eligible short positions)	**1,134**	86	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	**142**	166	
Applicable caps on the inclusion of provisions in Tier 2				
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	**359**	39	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**346**	280	

1 Comparatives have been restated to align with the revised disclosure template.

Own funds (continued)

CC2: Reconciliation of regulatory own funds to balance sheet in the financial statements

The following table presents the Bank's accounting balance sheet as at 31 December 2022 which forms the basis for the calculation of the Bank's regulatory own funds as presented in table CC1. There is no difference between the Bank's accounting and regulatory balance sheets.

		Balance sheet at 31 Dec 2022 £m	Reference[1]
Assets			
1	Cash and balances at central banks	3,004	
2	Items in course of collection from banks	47	
3	Financial assets at fair value through profit or loss	113	
4	Derivative financial instruments	3,476	
5	Loans and advances to banks	171	
6	Loans and advances to customers	283,621	
7	Due from fellow Lloyds Bank Group undertakings	22,999	
8	Financial assets at amortised cost	306,791	
9	Financial assets at fair value through other comprehensive income	—	
10	Goodwill	325	d
11	Current tax recoverable	464	
12	Deferred tax assets[2]	1,979	e
13	Investment in subsidiary undertakings	1,313	d, g
14	Retirement benefit assets	47	f
15	Other assets	1,593	d
16	**Total assets**	**319,152**	
Liabilities			
1	Deposits from banks	195	
2	Customer deposits	166,363	
3	Repurchase agreements at amortised cost	30,210	
4	Due to fellow Lloyds Bank Group undertakings	91,563	
5	Items in course of transmission to banks	118	
6	Derivative financial instruments	4,421	
7	Notes in circulation	1,280	
8	Debt securities in issue	5,376	
9	Other liabilities	1,227	
10	Other provisions	897	
11	Subordinated liabilities	1,598	h
12	**Total liabilities**	**303,248**	
Shareholders' equity			
1	Called up share capital	5,847	
2	of which: share capital	5,847	a
3	Other equity instruments	2,200	b
4	Retained earnings, accumulated other comprehensive income and other reserves[3]	7,857	c
5	**Total equity excluding non-controlling interests**	**15,904**	
6	**Total equity and liabilities**	**319,152**	

1 The references (a) to (h) identify regulatory balance sheet components that link initially to items disclosed in table CC1, prior to the application of regulatory definitions and adjustments per the rules for calculating own funds.

2 Deferred tax assets that rely on future profitability may be reduced by associated deferred tax liabilities where the conditions specified in Article 38 of the CRR are met. The resultant net deferred tax asset positions are deducted from CET1 capital, except in the case of deferred tax assets that arise from temporary differences which may be risk weighted instead of deducted from capital for the portion of the balance that does not exceed a threshold limit. Deferred tax assets are also adjusted to reflect the application of the IFRS 9 transitional arrangements.

3 The regulatory definition of eligible items for inclusion in retained earnings differs from the accounting definition. The aggregate of retained earnings and accumulated other comprehensive income and other reserves is comparable on both bases but the allocation between categories differ.

Own funds (continued)

CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	31 Dec 2022												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
Breakdown by Country	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Credit risk[2,3]	Market risk[2]	Securitisation positions in the non-trading book[3]	Total	Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
United Kingdom	11,010	321,930	—	—	710	333,650	4,876	—	11	4,887	61,090	98.61%	1.00%
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—	1.50%
Denmark	—	7	—	—	—	7	1	—	—	1	8	0.01%	2.00%
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Hong Kong	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.00%
Luxembourg	—	48	—	—	—	48	3	—	—	3	33	0.05%	0.50%
Norway	—	—	—	—	—	—	—	—	—	—	—	—	2.00%
Romania	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Sweden	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
i) Total[1]	11,010	321,985	—	—	710	333,705	4,880	—	11	4,891	61,131	98.67%	
ii) Total[1]	—	—	—	—	—	—	—	—	—	—	—	—	
iii) Rest of the World[1]	331	248	—	—	1,740	2,319	39	—	26	65	821	1.33%	
Total	11,341	322,233	—	—	2,450	336,024	4,919	—	37	4,956	61,952	100.00%	

Own funds (continued)

CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (continued)

	31 Dec 2021												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
Breakdown by Country	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Exposure value for non-trading book £m	Total exposure value £m	Credit risk[2,3] £m	Market risk[2] £m	Securitisation positions in the non-trading book[3] £m	Total £m	Risk-weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Hong Kong	—	3	—	—	—	3	—	—	—	—	3	—	1.00%
Luxembourg	—	67	—	—	—	67	5	—	—	5	60	0.12%	0.50%
Norway	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
i) Total[1]	—	70	—	—	—	70	5	—	—	5	63	0.12%	
United Kingdom	12,254	317,764	—	—	423	330,441	4,011	—	6	4,017	50,207	98.07%	—
ii) Total[1]	12,254	317,764	—	—	423	330,441	4,011	—	6	4,017	50,207	98.07%	
iii) Rest of the World[1]	423	317	—	—	1,440	2,180	51	—	23	74	930	1.81%	
Total	12,677	318,151	—	—	1,863	332,691	4,067	—	29	4,096	51,200	100.00%	

1. The breakdown by country is disclosed on the following basis:
   i) those countries for which a countercyclical capital buffer rate has been set.
   ii) those countries for which a countercyclical capital buffer rate has not been set and have an own funds requirement weighting of greater than or equal to one per cent, the threshold having been determined by the Bank in accordance with guidelines on materiality for Pillar 3.
   iii) the aggregate of all remaining countries for which a countercyclical buffer rate has not been set and individually have an own funds requirement weighting of less than one per cent.
2. For the purposes of the calculation of the countercyclical capital buffer, general credit risk and trading book exposures exclude exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions. In addition, trading book exposures are limited to those that are subject to the own funds requirement for specific risk or incremental default and migration risk.
3. General credit and securitisation exposures include counterparty credit risk and are stated on a post CRM basis.

CCyB2: Amount of institution-specific countercyclical capital buffer

		31 Dec 2022	31 Dec 2021
1	Total risk exposure amount	**£73,084m**	£60,807m
2	Institution specific countercyclical capital buffer rate	**0.987 %**	0.001 %
3	Institution specific countercyclical capital buffer requirement	**£721m**	<£0m

Leverage

LR2: Leverage ratio common disclosure

		31 Dec 2022 £m	31 Dec 2021[2] £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)[1]	**315,061**	309,644
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(141)**	(56)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(2,433)**	(1,877)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**312,487**	307,711
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**237**	793
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**282**	96
13	Total derivatives exposures	**519**	889
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**5**	—
16	Counterparty credit risk exposure for SFT assets	**—**	2
18	Total securities financing transaction exposures	**5**	2
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**43,288**	44,211
20	Adjustments for conversion to credit equivalent amounts	**(35,126)**	(23,137)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures	**(80)**	—
22	Off-balance sheet exposures	**8,082**	21,074
Excluded exposures			
UK-22a	Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(17,914)**	(19,492)
UK-22k	Total exempted exposures	**(17,914)**	(19,492)
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**13,484**	11,740
24	Total exposure measure including claims on central banks	**303,179**	310,184
UK-24a	(-) Claims on central banks excluded	**(3,004)**	
UK-24b	Total exposure measure excluding claims on central banks	**300,175**	
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**4.5%**	
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.4%**	
UK-25c	Leverage ratio including claims on central banks (%)	**4.4%**	3.8%

1 Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).

2 Comparatives have been restated to align with the revised disclosure template. Reported amounts remain on the basis of the rules that applied at 31 December 2021.

Leverage (continued)

LR1: Summary reconciliation of accounting assets and leverage ratio exposures

		31 Dec 2022 £m	31 Dec 2021[3] £m
1	Total assets as per published financial statements	**319,152**	313,912
4	Adjustment for exemption of exposures to central banks	**(3,004)**	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(4)**	—
8	Adjustment for derivative financial instruments	**(204)**	(1,044)
9	Adjustment for securities financing transactions (SFTs)	**—**	2
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**8,162**	21,074
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(2,513)**	(1,877)
UK-11a	Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(20,808)**	(21,883)
12	Other adjustments[2]	**(606)**	—
13	**Total exposure measure**	**300,175**	**310,184**

1. Gross of specific provisions. The amount net of specific provisions at 31 December 2022 is £8,082m.
2. Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).
3. Comparatives have been restated to align with the revised disclosure template. Reported amounts remain on the basis of the rules that applied at 31 December 2021.

LR3: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31 Dec 2022 £m	31 Dec 2021 £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**297,239**	290,152
UK-2	Trading book exposures	**—**	—
UK-3	Banking book exposures, of which:	**297,239**	290,152
UK-4	Covered bonds	**—**	2,047
UK-5	Exposures treated as sovereigns	**3,136**	2,318
UK-7	Institutions	**132**	68
UK-8	Secured by mortgages of immovable properties	**266,036**	257,769
UK-9	Retail exposures	**10,583**	10,057
UK-10	Corporates	**4,180**	4,741
UK-11	Exposures in default	**3,054**	3,694
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**10,118**	9,458

LRA: Disclosure of LR qualitative information

Description of the processes used to manage the risk of excessive leverage

Capital is actively managed and regulatory ratios, including leverage, are a key factor in the Bank’s internal risk appetite assessment and planning processes.

Capital plans include an assessment of leverage requirements over the forecast period which considers the risk of excessive leverage and potential mitigating actions that could be undertaken in response.

The Bank monitors its leverage position through a combination of actual and projected ratios, ensuring that the ratio exceeds regulatory minimums and internal risk appetite and reports these on a regular basis to the Lloyds Banking Group and Ring-Fenced Banks Asset and Liability Committees.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Further details on the factors that had an impact on the leverage ratio during the period is discussed on page 6.

Credit risk quality

UK CRB: Additional disclosure related to the credit quality of assets

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and regulatory purposes

On 1 January 2022 the Bank amended its definition of default for UK mortgages, maintaining alignment between accounting and regulatory definitions of default. For UK mortgages, default was previously deemed to have occurred no later than when a payment was 180 days past due. In line with CRD IV this definition has now been reduced to 90 days, as well as including end-of-term payments on past due interest-only accounts and any non-performing loans. As such, all exposures greater than 90 days past due are now considered impaired and in default for both accounting and regulatory purposes.

The change in definition of default was one element of a wider range of CRD IV changes for modelled output. The new models developed by the Bank to meet these new requirements are still to be approved by the PRA. The Bank has included temporary model adjustments to reported risk-weighted assets and expected losses to reflect the anticipated impact of these changes. Regulatory IRB figures for Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) in these disclosures are based on existing (pre-CRD IV) models. For EAD figures this includes the reporting of default on a 180 days past due basis.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

Per above, all exposures greater than 90 days past due are considered impaired.

Methods used for determining general and specific credit risk adjustments.

All expected credit losses are calculated in line with International Financial Reporting Standard 9 Financial Instruments (IFRS 9). All expected credit losses are allocated against individual exposures and so all are considered as specific credit risk adjustments. The Bank does not recognise any general credit risk adjustments.

The institution's own definition of a restructured exposure (CRR Articles 178(3)(d) and 47b)

Following the change in definition of default recognised by the Bank on 1 January 2022, the Bank definition of a restructured exposure aligns for the purposes of Article 178(3)(d) and Article 47(b).

Credit risk quality (continued)

The tables in this section reflect FINREP categories and definitions. The reported values for defaulted exposure are determined by the regulatory capital models (for those portfolios that are modelled). While the new CRD IV models are still to be approved by the PRA, the default classification is based on the current incumbent models which for secured mortgages continues to report the definition of default as 180 days and not 90 days.

CR1: Performing and non-performing exposures and related provisions

		31 Dec 2022														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**6,965**	**6,965**	**—**	**—**	**—**	**—**	**(10)**	**(10)**	**—**	**—**	**—**	**—**	**—**	—	—
010	**Loans and advances**	**296,808**	**254,992**	**41,703**	**7,322**	**343**	**6,979**	**(1,133)**	**(225)**	**(908)**	**(1,724)**	**(27)**	**(1,697)**	**(45)**	**265,298**	**4,835**
020	Central banks	1,285	1,285	—	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	61	44	—	—	—	—	—	—	—	—	—	—	—	44	—
040	Credit institutions	7,367	7,367	—	—	—	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	9,004	9,002	2	37	—	37	(9)	(9)	—	(35)	—	(35)	—	21	1
060	Non-financial corporations	6,438	5,223	1,142	1,600	24	1,576	(71)	(20)	(51)	(911)	—	(911)	(45)	2,703	116
070	Of which SMEs	2,777	2,268	510	218	24	195	(22)	(7)	(16)	(13)	—	(13)	—	1,189	115
080	Households	272,653	232,071	40,559	5,685	319	5,366	(1,053)	(196)	(857)	(778)	(27)	(751)	—	262,530	4,718
090	**Debt securities**	**951**	**951**	**—**	**1**	**—**	**1**	**(14)**	**(14)**	**—**	**(1)**	**—**	**(1)**	**—**	—	—
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	79	79	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	872	872	—	—	—	—	(14)	(14)	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	1	—	1	—	—	—	(1)	—	(1)	—	—	—
150	**Off-balance-sheet exposures**	**42,878**	**40,715**	**2,163**	**119**	**68**	**51**	**(78)**	**(29)**	**(49)**	**(3)**	**(2)**	**(1)**		**453**	**—**
170	General governments	2	1	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—		—	—
190	Other financial corporations	2,146	2,126	20	—	—	—	—	—	—	—	—	—		—	—
200	Non-financial corporations	2,053	1,950	103	2	1	1	(9)	(4)	(5)	(1)	—	(1)		453	—
210	Households	38,677	36,638	2,040	117	67	50	(69)	(25)	(44)	(2)	(2)	—		—	—
220	**Total**	**347,602**	**303,623**	**43,866**	**7,442**	**411**	**7,031**	**(1,235)**	**(278)**	**(957)**	**(1,728)**	**(29)**	**(1,699)**	**(45)**	**265,751**	**4,835**

CR1: Performing and non-performing exposures and related provisions (continued)

		31 Dec 2021														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**8,798**	**8,798**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**288,974**	**265,067**	**23,755**	**6,906**	**1,606**	**5,300**	**(1,039)**	**(393)**	**(646)**	**(1,476)**	**(102)**	**(1,375)**	**(47)**	**258,848**	**4,387**
020	Central banks	1,311	1,311	—	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	73	44	—	—	—	—	—	—	—	—	—	—	—	10	—
040	Credit institutions	6,900	6,900	—	—	—	—	(2)	(2)	—	—	—	—	—	—	—
050	Other financial	9,144	9,142	2	51	1	50	(2)	(2)	—	(50)	—	(50)	—	20	—
060	Non-financial corporations	6,854	5,791	966	1,637	14	1,624	(72)	(24)	(48)	(742)	—	(742)	(46)	3,684	49
070	Of which SMEs	3,250	2,836	414	212	14	198	(22)	(8)	(14)	(12)	—	(12)	—	1,544	41
080	Households	264,692	241,879	22,788	5,218	1,592	3,626	(963)	(365)	(598)	(684)	(102)	(582)	—	255,133	4,338
090	**Debt securities**	**2,370**	**2,370**	**—**	**1**	**—**	**1**	**(3)**	**(3)**	**—**	**(1)**	**—**	**(1)**	**—**	**—**	**—**
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	2,106	2,106	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial	263	263	—	—	—	—	(3)	(3)	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	1	—	1	—	—	—	(1)	—	(1)	—	—	—
150	**Off-balance-sheet**	**43,642**	**41,992**	**1,649**	**219**	**175**	**44**	**(54)**	**(26)**	**(28)**	**(1)**	**(1)**	**(1)**		**563**	**—**
170	General governments	1	1	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—		—	—
190	Other financial	1,541	1,539	2	—	—	—	—	—	—	—	—	—		—	—
200	Non-financial corporations	2,471	2,383	88	123	122	1	(8)	(4)	(5)	(1)	—	(1)		563	—
210	Households	39,629	38,070	1,559	96	53	42	(46)	(22)	(24)	(1)	(1)	—		—	—
220	**Total**	**343,784**	**318,227**	**25,405**	**7,125**	**1,781**	**5,344**	**(1,097)**	**(422)**	**(675)**	**(1,479)**	**(102)**	**(1,376)**	**(47)**	**259,411**	**4,387**

Credit risk quality (continued)

CR1-A: Maturity of exposures

		31 Dec 2022					
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	9,555	11,147	21,283	259,266	23	301,274
2	Debt securities	64	5	482	385	—	936
3	**Total**	**9,619**	**11,152**	**21,765**	**259,651**	**23**	**302,210**

CR2: Changes in the stock of non-performing loans and advances

		Gross carrying amount
		£m
010	**Initial stock of non-performing loans and advances at 31 December 2021**	**6,906**
020	Inflows to non-performing portfolios	2,490
030	**Outflows from non-performing portfolios**	**(2,074)**
040	Outflows due to write-offs	(313)
050	Outflow due to other situations	(1,761)
060	**Final stock of non-performing loans and advances at 31 December 2022**	**7,322**

Credit risk quality (continued)

CQ1: Credit quality of forborne exposures

	31 Dec 2022							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with
			Of which defaulted	Of which impaired				
	£m	£m	£m	£m	£m	£m	£m	£m
010 Loans and advances	**1,138**	**3,821**	**3,749**	**3,749**	**(40)**	**(1,242)**	**2,861**	**1,883**
050 Other financial corporations	—	36	36	36	—	(35)	—	—
060 Non-financial corporations	62	1,533	1,528	1,528	—	(909)	56	52
070 Households	1,076	2,252	2,185	2,185	(40)	(298)	2,805	1,831
080 Debt Securities	**—**	**1**	**1**	**1**	**—**	**(1)**	**—**	**—**
090 Loan commitments given	**99**	**63**	**33**	**33**	**(2)**	**(2)**	**—**	**—**
100 Total	**1,237**	**3,885**	**3,783**	**3,783**	**(42)**	**(1,245)**	**2,861**	**1,883**
	31 Dec 2021							
010 Loans and advances	**1,345**	**4,404**	**2,709**	**3,425**	**(49)**	**(1,069)**	**3,595**	**2,383**
050 Other financial corporations	1	3	3	3	—	(2)	—	—
060 Non-financial corporations	60	1,598	1,593	1,593	—	(741)	87	45
070 Households	1,284	2,803	1,113	1,830	(49)	(326)	3,508	2,339
080 Debt Securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090 Loan commitments given	**97**	**191**	**122**	**43**	**(1)**	**(1)**	**—**	**—**
100 Total	**1,442**	**4,595**	**2,831**	**3,469**	**(50)**	**(1,070)**	**3,595**	**2,383**

Key movements

– Increase in non-performing forborne defaulted exposures is mainly due to the change in the definition of default for residential mortgages on 1 January 2022.

Credit risk quality (continued)

CQ3: Credit quality of performing and non-performing exposures by past due days

		31 Dec 2022											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**6,965**	**6,965**	—	—	—	—	—	—	—	—	—	—
010	**Loans and advances**	**296,808**	**295,734**	**1,074**	**7,322**	**3,116**	**947**	**654**	**654**	**1,715**	**120**	**117**	**6,979**
020	Central banks	1,285	1,285	—	—	—	—	—	—	—	—	—	—
030	General governments	61	61	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	7,367	7,367	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	9,004	9,004	—	37	36	1	—	—	—	—	—	37
060	Non-financial corporations	6,438	6,425	13	1,600	418	81	1	1	1,098	1	1	1,576
070	Of which SMEs	2,777	2,767	10	218	141	76	—	—	—	—	—	195
080	Households	272,653	271,592	1,061	5,685	2,662	865	653	653	617	119	116	5,366
090	**Debt securities**	**951**	**951**	—	**1**	—	—	—	—	—	—	**1**	**1**
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	79	**79**	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	872	**872**	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	**1**	—	—	—	—	—	—	**1**	**1**
150	**Off-balance-sheet exposures**	**42,878**			**119**								**51**
170	General governments	2			—								—
180	Credit institutions	—			—								—
190	Other financial corporations	2,146			—								—
200	Non-financial corporations	2,053			**2**								**1**
210	Households	38,677			**117**								**50**
220	**Total**	**347,602**	**303,650**	**1,074**	**7,442**	**3,116**	**947**	**654**	**654**	**1,715**	**120**	**118**	**7,031**

CQ3: Credit quality of performing and non-performing exposures by past due days (continued)

		31 Dec 2021											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**8,798**	**8,798**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**288,974**	**287,864**	**1,110**	**6,906**	**2,379**	**911**	**742**	**748**	**1,782**	**183**	**162**	**4,470**
020	Central banks	1,311	1,311	—	—	—	—	—	—	—	—	—	—
030	General governments	73	73	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	6,900	6,900	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	9,144	9,144	—	51	51	—	—	—	—	—	—	3
060	Non-financial corporations	6,854	6,833	21	1,637	525	104	1	2	1,004	2	—	1,632
070	Of which SMEs	3,250	3,229	21	212	132	79	1	—	—	—	—	207
080	Households	264,692	263,603	1,089	5,218	1,803	806	741	746	779	181	162	2,835
090	**Debt securities**	**2,370**	**2,370**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	2,106	2,106	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	263	263	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	1	—	—	—	—	—	—	1	1
150	**Off-balance-sheet exposures**	**43,642**			**219**								**123**
170	General governments	1			—								—
180	Credit institutions	—			—								—
190	Other financial corporations	1,541			—								—
200	Non-financial corporations	2,471			123								123
210	Households	39,629			96								—
220	**Total**	**343,784**	**299,032**	**1,110**	**7,125**	**2,379**	**911**	**742**	**748**	**1,782**	**183**	**162**	**4,594**

Key movements

– Increase in non-performing forborne defaulted exposures is mainly due to the change in the definition of default for residential mortgages on 1 January 2022.

Credit risk quality (continued)

CQ4: Quality of non-performing exposures by geography

		31 Dec 2022				
		Gross carrying/nominal amount		Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total performing and non-performing	Of which defaulted			
		£m	£m	£m	£m	£m
010	**On-balance-sheet exposures**	**305,082**	**6,980**	**(2,872)**		**—**
050	United Kingdom	303,672	5,920	(2,119)		—
070	Other countries	1,410	1,060	(753)		—
080	**Off-balance-sheet exposures**	**42,997**	**51**		**(81)**	
120	United Kingdom	42,449	51		(81)	
140	Other countries	548	—		—	
150	**Total**	**348,079**	**7,031**	**(2,872)**	**(81)**	**—**

CQ5: Quality of loans and advances to non-financial corporations by industry

		31 Dec 2022			
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which defaulted		
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	585	25	(8)	—
020	Mining and quarrying	17	—	(3)	—
030	Manufacturing	161	11	(6)	—
040	Electricity, gas, steam and air conditioning supply	48	—	—	—
050	Water supply	14	—	—	—
060	Construction	797	169	(86)	—
070	Wholesale and retail trade	520	71	(7)	—
080	Transport and storage	473	7	(9)	—
090	Accommodation and food service activities	1,631	1,116	(763)	—
100	Information and communication	81	2	(1)	—
110	Financial and insurance activities				
120	Real estate activities	2,974	102	(85)	—
130	Professional, scientific and technical activities	157	8	(1)	—
140	Administrative and support service activities	148	9	(1)	—
150	Public administration and defence, compulsory social security	1	—	—	—
160	Education	47	1	(1)	—
170	Human health services and social work activities	228	18	(3)	—
180	Arts, entertainment and recreation	61	8	(5)	—
190	Other services	95	46	(2)	—
200	**Total**	**8,038**	**1,593**	**(981)**	**—**

UK CRC: Qualitative disclosure requirements related to CRM techniques

Collateral

The principal types of acceptable collateral include:

- Residential and commercial properties
- Charges over business assets such as premises, inventory and accounts receivable
- Financial instruments such as debt securities
- Vehicles
- Cash
- Guarantees received from third parties

The Bank maintains appetite parameters on the acceptability of specific classes of collateral.

For non-mortgage retail lending to small businesses, collateral may include second charges over residential property and the assignment of life cover.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury and other bills, are generally unsecured, with the exception of asset-backed securities and similar instruments such as covered bonds, which are secured by portfolios of financial assets. Collateral is generally not held against loans and advances to financial institutions. However, securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement. Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA) in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA.

The requirement for collateral and the type to be taken at origination will be based upon the nature of the transaction and the credit quality, size and structure of the borrower. For non-retail exposures, if required, the Bank will often seek that any collateral includes a first charge over land and buildings owned and occupied by the business, a debenture over the assets of a company or limited liability partnership, personal guarantees, limited in amount, from the directors of a company or limited liability partnership and key man insurance. The Bank maintains policies setting out which types of collateral valuation are acceptable, maximum loan to value (LTV) ratios and other criteria that are to be considered when reviewing an application. The fundamental business proposition must evidence the ability of the business to generate funds from normal business sources to repay a customer or counterparty's financial commitment, rather than reliance on the disposal of any security provided.

The Bank requires collateral to be realistically valued by an appropriately qualified source, independent of both the credit decision process and the customer, at the time of borrowing. In certain circumstances, for Retail residential mortgages this may include the use of automated valuation models based on market data, subject to accuracy criteria and LTV limits. Where third parties are used for collateral valuations, they are subject to regular monitoring and review. Collateral values are subject to review, which will vary according to the type of lending, collateral involved and account performance. Such reviews are undertaken to confirm that the value recorded remains appropriate and whether revaluation is required, considering, for example, account performance, market conditions and any information available that may indicate that the value of the collateral has materially declined. In such instances, the Bank may seek additional collateral and/or other amendments to the terms of the facility. The Bank adjusts estimated market values to take account of the costs of realisation and any discount associated with the realisation of the collateral when estimating credit losses.

The Bank considers risk concentrations by collateral providers and collateral type with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed by changes to strategy, policy and/or business plans.

The Bank makes limited use of balance sheet netting in the credit risk portfolio. Master netting agreements are used in the counterparty credit risk portfolio.

Master netting agreements

It is credit policy that a Bank-approved master netting agreement must be used for all derivative and traded product transactions and must be in place prior to trading, with separate documentation required for each Bank entity providing facilities. This requirement extends to trades with clients and the counterparties used for the Bank own hedging activities, which may also include clearing trades with Central Counterparties (CCPs).

Any exceptions must be approved by the appropriate credit approver. Master netting agreements do not generally result in an offset of balance sheet assets and liabilities for accounting purposes, as transactions are usually settled on a gross basis. However, within relevant jurisdictions and for appropriate counterparty types, master netting agreements do reduce the credit risk to the extent that, if an event of default occurs, all trades with the counterparty may be terminated and settled on a net basis. The Bank overall exposure to credit risk on derivative instruments subject to master netting agreements can change substantially within a short period, since this is the net position of all trades under the master netting agreement.

Application of Credit Risk Mitigation

Where collateral is held, the eligible collateral for loans and advances and contingent liabilities is classified as either financial collateral or other collateral, as outlined below:

Eligible financial collateral

- Eligible financial collateral includes cash on deposit with the bank, gold, rated debt securities (subject to certain restrictions), equities or convertible bonds included in a main index and units in certain collective investment undertakings or mutual funds.
- The Bank predominantly applies financial collateral to its corporate (IRB and Standardised) and institutions (IRB) exposures.

Other eligible collateral

- Real estate collateral includes charges over residential and commercial properties, for example, for the Bank mainstream mortgages.
- Other eligible collateral includes short term financial receivables, credit insurance, life policies and other physical collateral for example, vehicles, providing the criteria for eligibility are met.
- The Bank largely applies other eligible collateral to the IRB corporate main, corporate SME and retail asset classes.

The Bank also undertakes asset sales, credit derivative based transactions, securitisations (including Significant Risk Transfer transactions), purchases of credit default swaps and purchase of credit insurance as a means of mitigating or reducing credit risk and/or risk concentration, taking into account the nature of assets and the prevailing market conditions.

- Credit derivatives are a method of transferring credit risk from one counterparty (the protection buyer) to another (the protection seller). Capital relief under regulatory requirements is restricted to the following types of credit derivative: credit default swaps (CDS); total return swaps; and credit linked notes (CLN) (to the extent of their cash funding).
- The Bank makes limited use of credit derivatives as credit risk mitigation from a capital perspective.

Guarantees

- In addition, guarantees from eligible protection providers including governments, institutions and corporates, can also provide regulatory capital relief, although there are minimum operational and legal requirements which must be met before reflecting the risk mitigating effect. On the basis that these requirements are met, alternative forms of protection, for example indemnities, may be classified as a guarantee for regulatory capital purposes. Export Credit agencies can provide risk mitigation in the form of a guarantee (typically up to 85% – 95% of a contract value) providing cover and guarantee of payment in relation to commercial and political risk.
- Regulatory capital relief is taken for guarantees provided by appropriate sovereigns, institutions or corporates, as well as for collateralised guarantees from corporates where available. This includes COVID-19 government lending schemes.

UK CRC: Qualitative disclosure requirements related to CRM techniques (continued)

The Bank application of different types of credit risk mitigation from a regulatory capital perspective is outlined below:

	Standardised		IRB		
	EAD	Other	EAD	LGD	PD
Eligible financial collateral					
trading book	✓		✓		
non-trading book	✓			✓	
Other eligible collateral					
real estate collateral[1]		✓		✓	✓
other physical collateral				✓	✓
credit insurance[2]		✓			✓
receivables	✓			✓	
life policies	✓			✓	
Credit derivatives[2]		✓			✓
Collateralised guarantees		✓		✓	
Non collateralised guarantees[2]		✓			✓

1 Real estate collateral determines the exposure class under the Standardised Approach as explained below.

2 As per application under the Substitution Approach, as explained below.

Application under the Standardised Approach

Where a credit risk exposure subject to the Standardised Approach is covered by a form of eligible financial collateral the EAD value is adjusted accordingly under the Financial Collateral Comprehensive Method (FCCM) applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

For unfunded credit protection, where both the protection provider and the original obligor are reported under the Standardised approach, for example where certain guarantees or credit derivatives apply, the exposure class and therefore risk weight applied to the portion of the exposure covered by the protection provider is based on the exposure class of the provider, referred to as the Substitution Approach. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The risk weight applied to the uncovered portion of the exposure is not impacted.

Real estate collateral does not impact EAD directly under the Standardised Approach, however, it instead determines the exposure class and directly impacts the risk-weight applied to the exposure.

Collateral may also be used as an input for modelling SCRAs against exposures, which will also indirectly reduce the EAD for exposures subject to the Standardised Approach.

Application under the IRB Approach

In recognising eligible financial collateral under the FIRB Approach, the Bank adjusts the relevant LGD value in accordance with the application of the FCCM, applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

Other eligible collateral, collateralised guarantees and real estate collateral applied under the FIRB Approach will typically result in an adjustment to the regulatory LGD value, subject to floors as prescribed in the CRR. The adjustment applied is dependent on the value and type of collateral used.

Where appropriate guarantees or credit derivatives apply and both the protection provider and the original obligor are reported under the FIRB approach, the PD applied to the portion of the exposure covered by the protection provider is based on the PD of the provider, referred to as the PD substitution approach. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The PD applied to the uncovered portion of the exposure is not impacted.

Under the Retail IRB Approach, own estimates of LGD are used, taking into account eligible collateral, including real estate collateral or other physical collateral, among other factors. As well as impacting LGD, real estate collateral may also influence a counterparty's PD under the Retail IRB approach in certain cases, for example, for residential mortgages.

Application between the IRB and Standardised Approaches

Under the Substitution Effect a non-collateralised guarantee could also result in an exposure moving between regulatory approaches, i.e. SA to IRB or IRB to SA. This occurs where the original obligor and the protection provider would be reported under different approaches due to their specific characteristics. This is most notable for COVID-19 government lending schemes where the UK government (as protection provider) is reported as a Standardised obligor whilst the majority of the original obligors are reported under the FIRB or RIRB approaches, though it can also occur for other government, corporate or institutional guarantees (including centrally cleared credit default swap protection). When this situation arises the covered exposure, after taking account of the specific exposure covered by the protection and application of 'haircuts' for any currency and / or maturity mismatches, is substituted from its original approach/exposure class into the approach/exposure class of the protection provider. Where this results in the exposure moving to the Standardised approach the risk weight is then based on the exposure class of the protection provider. If it results in the exposure moving into the IRB approach the RWA is based on the PD of the protection provider. Such substitution is only undertaken if the resultant position benefits from a lower capital requirement than was originally required.

Within Pillar 3 reporting this is evident as the Gross Exposure (or On and Off Balance Sheet Exposure pre CCF and CRM) shown in a particular table will include the exposure against the original obligor's exposure class as this is usually presented pre-CRM. The EAD for that asset class will not include that same exposure as it is shown post-CRM and therefore reflects that the exposure has substituted into the exposure class of the protection provider. EAD can therefore be higher or lower than the pre-CRM Gross Exposure as a result of this substitution effect.

Credit risk mitigation techniques

CR3: CRM techniques – Overview

	31 Dec 2022				
	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	£m	£m	£m	£m	£m
Loans and advances	31,141	270,133	269,258	875	—
Debt securities	937	—	—	—	
Total	**32,078**	**270,133**	**269,258**	**875**	**—**
Of which non-performing exposures	763	4,835	4,730	105	—
Of which defaulted	254	5,002			

Credit risk standardised approach

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

		31 Dec 2022					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
	Exposure classes	£m	£m	£m	£m	£m	%
1	Central governments or central banks	2,872	—	3,742	—	355	9%
6	Institutions	14,309	15	14,309	3	9	—%
7	Corporates	5,589	275	5,557	89	842	15%
8	Retail	2,010	427	1,400	41	952	66%
9	Secured by mortgages on immovable property	3,305	11	3,305	2	1,193	36%
10	Exposures in default	824	3	664	—	732	110%
16	Other items	267	—	267	—	224	84%
17	**Total**	**29,176**	**732**	**29,244**	**135**	**4,307**	**15%**

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 31 Dec 2022

		Total RWA quarter to 31 Dec 2022	Total RWA YTD 31 Dec 2022
		£m	£m
1	**Risk weighted exposure amount as at the end of previous reporting period**	**56,483**	**45,113**
2	Asset size (+/-)	(29)	696
3	Asset quality (+/-)	(61)	(1,280)
5	Methodology and policy (+/-)	(24)	11,824
7	Foreign exchange movements (+/-)	6	22
9	**Risk weighted exposure amount at the end of the reporting period**	**56,375**	**56,375**

Key movements year to date 31 December 2022

– Asset size increase driven by new lending.

– Asset quality movement mainly driven by reductions from Retail models reflecting resilient underlying credit performance.

– Methodology and policy increases reflect the anticipated impact of the implementation (via the application of temporary model adjustments on 1.1.22) of new CRD IV models to meet revised regulatory standards for modelled outputs.

Credit risk IRB Approach (continued)

CR7-A IRB - Disclosure of the extent of the use of CRM techniques

	31 Dec 2022													
		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)[2]			
	Total exposure at default	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals[1]	Part of exposures covered by Immovable property Collaterals[1]	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and substitution effects)
A-IRB	**£m**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**£m**	**£m**
4 Retail	**315,816**	—%	92.29%	92.29%	—%	—%	—%	—%	—%	—%	—%	—%		53,771
4.1 Of which Retail – Immovable property SMEs	**—**	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%		—
4.2 Of which Retail – Immovable property non-SMEs	**291,685**	—%	99.92%	99.92%	—%	—%	—%	—%	—%	—%	—%	—%		43,140
4.3 Of which Retail – Qualifying revolving	**20,086**	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%		6,061
4.4 Of which Retail – Other SMEs	**—**	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%		—
4.5 Of which Retail – Other non-SMEs	**4,045**	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%		4,570
5 Total	**315,816**	**—%**	**92.29%**	**92.29%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**		**53,771**
F-IRB														
1 Central governments and central banks	**—**	—%	—%	—%	—%	—%	—%				—%	—%		—
2 Institutions	**121**	68.63%	—%	—%	—%	—%	—%				—%	—%		12
3 Corporates	**4,434**	11.45%	30.14%	29.30%	0.84%	—%	—%				1.47%	—%		2,593
3.1 Of which Corporates – SMEs	**697**	4.95%	29.08%	29.08%	—%	—%	—%				8.44%	—%		385
3.2 Of which Corporates – Specialised lending	**1,497**	—%	—%	—%	—%	—%	—%				—%	—%		1,082
3.3 Of which Corporates – Other	**2,240**	21.13%	50.61%	48.95%	1.66%	—%	—%				0.29%	—%		1,126
4 Total	**4,554**	**12.97%**	**29.34%**	**28.52%**	**0.82%**	**—%**	**—%**				**1.43%**	**—%**		**2,605**

1 For AIRB the value of eligible collateral has been capped at individual exposure amount. The percentage immovable property collateral for Retail immovable property non-SMEs without capping collateral is 229%. For FIRB, the amount is capped at the value used in determining the LGD.

2 For AIRB, the unfunded credit protection includes only cases where unfunded credit protection is taken into account in own estimates of LGD. For FIRB, it relates to unfunded credit protection which has substitution effect.

Specialised lending

CR10.1: IRB – Specialised lending - Project Finance (Slotting approach)

		31 Dec 2022					
Regulatory categories	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk weight	Exposure value £m	Risk weighted exposure amount £m	Expected loss amount £m
1) Strong	Less than 2.5 years	2	7	50%	5	2	—
	Equal to or more than 2.5 years	236	43	70%	268	188	1
2) Good	Less than 2.5 years	—	—	70%	—	—	—
	Equal to or more than 2.5 years	85	18	90%	101	91	1
3) Satisfactory	Less than 2.5 years	—	—	115%	—	—	—
	Equal to or more than 2.5 years	36	5	115%	40	46	1
4) Weak	Less than 2.5 years	—	—	250%	—	—	—
	Equal to or more than 2.5 years	—	1	250%	1	3	—
5) Default	Less than 2.5 years	31	—		31	—	16
	Equal to or more than 2.5 years	1	1		2	—	1
Total	**Less than 2.5 years**	**33**	**7**		**36**	**2**	**16**
	Equal to or more than 2.5 years	**359**	**69**		**413**	**328**	**4**

CR10.2: IRB – Specialised lending - Income-producing real estate and high volatility commercial real estate (Slotting approach)

		31 Dec 2022					
Regulatory categories	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk weight	Exposure value £m	Risk weighted exposure amount £m	Expected loss amount £m
1) Strong	Less than 2.5 years	255	8	50%	258	127	—
	Equal to or more than 2.5 years	116	18	70%	122	83	—
2) Good	Less than 2.5 years	247	17	70%	260	182	1
	Equal to or more than 2.5 years	200	25	90%	219	197	2
3) Satisfactory	Less than 2.5 years	46	—	115%	46	53	1
	Equal to or more than 2.5 years	77	1	115%	78	89	2
4) Weak	Less than 2.5 years	6	—	250%	6	16	1
	Equal to or more than 2.5 years	2	—	250%	2	5	—
5) Default	Less than 2.5 years	53	1		54	—	27
	Equal to or more than 2.5 years	4	—		4	—	2
Total	**Less than 2.5 years**	**607**	**27**		**624**	**378**	**30**
	Equal to or more than 2.5 years	**400**	**44**		**424**	**374**	**6**