Bank of Scotland plc

2023 Half-Year

Pillar 3 Disclosures

30 June 2023

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Basis of preparation

This report presents the half-year Pillar 3 disclosures of Bank of Scotland plc ('the Bank') as at 30 June 2023 and should be read in conjunction with the Bank's 2023 Half-Year Results.

The disclosures have been prepared in accordance with the Disclosure section of the PRA Rulebook.

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

PRA reference	Template name	Reason for exclusion
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
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
LIQ1	Quantitative information of LCR	Liquidity is managed at a DoLSub level, refer to the Lloyds Bank plc Q2 2023 Pillar 3 disclosures for further information.
LIQ2	Quantitative information of NSFR	
LIQB	Qualitative information on LCR, which complements template LIQ1	

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 half-year 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 2023 Half-Year Pillar 3 Disclosures can be found on the Lloyds Banking Group plc website.

Key metric and overview of risk weighted exposure amounts

KM1: Key metrics[1]

KM1 Ref		30 Jun 2023	31 Dec 2022	30 Jun 2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	**11,276**	11,284	10,059
2	Tier 1 capital (£m)	**13,826**	13,484	12,259
3	Total capital (£m)	**15,696**	15,330	13,939
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount (£m)	**77,592**	73,084	71,730
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	**14.5%**	15.4%	14.0%
6	Tier 1 ratio (%)	**17.8%**	18.5%	17.1%
7	Total capital ratio (%)	**20.2%**	21.0%	19.4%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	**1.1%**	1.1%	1.2%
UK 7b	Additional AT1 SREP requirements (%)	**0.3%**	0.3%	0.4%
UK 7c	Additional T2 SREP requirements (%)	**0.5%**	0.5%	0.5%
UK 7d	Total SREP own funds requirements (%)	**9.9%**	9.9%	10.1%
	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 (%)	**0.989%**	0.987%	0.001%
11	Combined buffer requirement (%)	**3.489%**	3.487%	2.501%
UK 11a	Overall capital requirements (%)	**13.4%**	13.4%	12.6%
12	CET1 available after meeting minimum SREP own funds requirements (%)[2]	**8.9%**	9.8%	8.3%
	Leverage ratio			
13	Total exposure measure excluding claims on central banks (£m)	**302,175**	300,175	299,860
14	Leverage ratio excluding claims on central banks (%)	**4.6%**	4.5%	4.1%
	Additional leverage ratio disclosure requirements			
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.6%**	4.4%	4.1%
UK 14b	Leverage ratio including claims on central banks (%)	**4.5%**	4.4%	4.1%
UK 14c	Average leverage ratio excluding claims on central banks (%)[3]	**4.6%**		
UK 14d	Average leverage ratio including claims on central banks (%)	**4.6%**		
UK 14e	Countercyclical leverage ratio buffer (%)[4]	**0.3%**		

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. The transitional arrangements for static relief (including 'locked' dynamic relief recognised prior to 1 January 2020) ended on 1 January 2023 and therefore no static relief exists at 30 June 2023 (31 December 2022: £80 million). Dynamic relief (from 1 January 2020) under the transitional arrangements amounted to £71 million (31 December 2022: £74 million) through CET1 capital.

2 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).

3 The average leverage exposure measure (excluding claims on central banks) for the period from 1 April 2023 to 30 June 2023 amounted to £301,598 million.

4 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage.

Key metric and overview of risk weighted exposure amounts continued

IFRS 9-FL: Capital

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

		30 Jun 2023	31 Dec 2022	30 Jun 2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	**11,276**	11,284	10,059
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**11,205**	11,130	9,986
3	Tier 1 capital (£m)	**13,826**	13,484	12,259
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**13,755**	13,330	12,186
5	Total capital (£m)	**15,696**	15,330	13,939
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**15,625**	15,175	13,942
	Risk-weighted exposure amounts			
7	Total risk-weighted exposure amount (£m)	**77,592**	73,084	71,730
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**77,576**	73,088	71,770
	Capital ratios (as a percentage of risk-weighted exposure amount)			
9	Common Equity Tier 1 ratio (%)	**14.5%**	15.4%	14.0%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.4%**	15.2%	13.9%
11	Tier 1 ratio (%)	**17.8%**	18.5%	17.1%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.7%**	18.2%	17.0%
13	Total capital ratio (%)	**20.2%**	21.0%	19.4%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.1%**	20.8%	19.4%
	Leverage ratio			
15	Total exposure measure excluding claims on central banks (£m)	**302,175**	300,175	299,860
16	Leverage ratio excluding claims on central banks (%)	**4.6%**	4.5%	4.1%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**4.6%**	4.4%	4.1%

Common Equity Tier 1

The Bank's common equity tier 1 (CET1) capital ratio reduced from 15.4 per cent at 31 December 2022 to 14.5 per cent at 30 June 2023. This largely reflected dividends received from subsidiaries, which were more than offset by the loss for the period, a reduction in IFRS 9 transitional relief following the end of static relief and phased reduction of dynamic relief and an increase in risk-weighted assets.

Total Capital

The total capital ratio reduced to 20.2 per cent (31 December 2022: 21.0 per cent), primarily reflecting the increase in risk-weighted assets, partially offset by the issuance of a new AT1 capital instrument during the period.

Risk-Weighted Assets

Risk-weighted assets increased by £4.5 billion to £77.6 billion at 30 June 2023 (31 December 2022: £73.1 billion), largely reflecting an adjustment for the anticipated impact of CRD IV models taken in the second quarter, a small uplift from model calibration and an increase in securitisation exposures. The CRD IV model updates reflect an updated impact assessment following a further iteration of model development. The models remain subject to further development and final approval by the PRA. On that basis final impacts remain uncertain and further increases could be required.

Leverage

The Bank's UK leverage ratio of 4.6 per cent at 30 June 2023 has increased from 4.5 per cent at 31 December 2022, largely reflecting the increase in total tier 1 capital.

Key metric and overview of risk weighted exposure amounts continued

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		30 Jun 2023	31 Dec 2022	**30 Jun 2023**
		£m	£m	**£m**
1	**Credit risk (excluding CCR)**	**68,393**	64,546	**5,471**
2	Of which the standardised approach	**3,972**	4,307	**318**
3	Of which the foundation IRB (FIRB) approach	**1,454**	1,522	**116**
4	Of which slotting approach	**934**	1,082	**75**
UK 4a	Of which equities under the simple risk weighted approach	**2,829**	2,835	**226**
5	Of which the advanced IRB (AIRB) approach	**58,216**	53,771	**4,657**
	Of which: non-credit obligation assets[1]	**988**	1,029	**79**
6	**Counterparty credit risk - CCR**	**142**	268	**12**
7	Of which the standardised approach	**95**	191	**8**
UK 8b	Of which credit valuation adjustment - CVA	**47**	77	**4**
16	**Securitisation exposures in the non-trading book (after the cap)**	**1,031**	463	**82**
17	Of which SEC-IRBA approach	**580**	–	**46**
18	Of which SEC-ERBA approach (including IAA)	**451**	463	**36**
20	**Position, foreign exchange and commodities risks (Market risk)**	**46**	56	**4**
21	Of which the standardised approach	**46**		**4**
22	Of which IMA	**–**	56	**–**
23	**Operational risk**	**7,980**	7,751	**638**
UK 23b	Of which standardised approach	**7,980**	7,751	**638**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**3,202**	3,190	**256**
29	**Total**	**77,592**	73,084	**6,207**
	Pillar 2A capital requirement[2]			**1,453**
	Total capital requirement			**7,660**

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

2 As at 30 June 2023, 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.

Own funds

CC1: Composistion of regulatory own funds

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

		30 Jun 2023 £m	31 Dec 2022 £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	**4,669**	4,606	c
3	Accumulated other comprehensive income (and other reserves)	**3,238**	3,251	c
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**13,754**	13,704	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	**(41)**	(53)	
8	Intangible assets (net of related tax liability)	**(691)**	(672)	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)	**(1,809)**	(1,806)	e
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**73**	65	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(2)**	(2)	
15	Defined-benefit pension fund assets	**(29)**	(33)	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)	**(40)**	(54)	g
27a	Other regulatory adjustments to CET1 capital	**61**	135	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(2,478)**	(2,420)	
29	**Common Equity Tier 1 (CET1) capital**	**11,276**	11,284	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	**2,550**	2,200	b
31	of which: classified as equity under applicable accounting standards	**2,550**	2,200	
44	**Additional Tier 1 (AT1) capital**	**2,550**	2,200	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**13,826**	13,484	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	**1,500**	1,500	h
50	Credit risk adjustments	**370**	346	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,870**	1,846	
Tier 2 (T2) capital: regulatory adjustments				
58	**Tier 2 (T2) capital**	**1,870**	1,846	
59	**Total capital (TC = T1 + T2)**	**15,696**	15,330	
60	**Total risk exposure amount**	**77,592**	73,084	
Capital ratios and buffer				
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**14.5%**	15.4%	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**17.8%**	18.5%	
63	**Total capital (as a percentage of total risk exposure amount)**	**20.2%**	21.0%	
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%**	9.0%	
65	of which: capital conservation buffer requirement	**2.500%**	2.500%	
66	of which: countercyclical buffer requirement	**0.989%**	0.987%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**8.9%**	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)	**1,132**	1,134	
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)	**149**	142	
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)	**644**	359	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**370**	346	

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 30 June 2023 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 30 Jun 2023 £m	Reference[1]
Assets			
1	Cash and balances at central banks	**2,941**	
2	Financial assets at fair value through profit or loss	**113**	
3	Derivative financial instruments	**3,345**	
4	Loans and advances to banks	**183**	
5	Loans and advances to customers	**283,839**	
6	Debt securities	**1,957**	
7	Due from fellow Lloyds Bank Group undertakings	**19,977**	
8	Financial assets at amortised cost	**305,956**	
9	Investment in subsidiary undertakings	**1,298**	d, g
10	Goodwill and other intangible assets	**574**	d
11	Current tax recoverable	**1,097**	
12	Deferred tax assets[2]	**1,966**	e
13	Retirement benefit assets	**41**	f
14	Other assets	**1,326**	
15	**Total assets**	**318,657**	
Liabilities			
1	Deposits from banks	**176**	
2	Customer deposits	**162,412**	
3	Repurchase agreements at amortised cost	**30,332**	
4	Due to fellow Lloyds Bank Group undertakings	**93,091**	
5	Derivative financial instruments	**4,276**	
6	Notes in circulation	**1,342**	
7	Debt securities in issue	**6,981**	
8	Other liabilities	**1,470**	
9	Current tax liabilities	**—**	
10	Deferred tax liabilities	**—**	
11	Other provisions	**735**	
12	Subordinated liabilities	**1,537**	h
13	**Total liabilities**	**302,352**	
Shareholders' equity			
1	Called up share capital	**5,847**	
2	of which: share capital	**5,847**	a
3	Other equity instruments	**2,550**	b
4	Retained earnings, accumulated other comprehensive income and other reserves[3]	**7,908**	c
5	**Total equity excluding non-controlling interests**	**16,305**	
6	Non-controlling interests	**—**	
7	**Total equity**	**16,305**	
8	**Total equity and liabilities**	**318,657**	

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

	30 Jun 2023												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
	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
Breakdown by Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
United Kingdom	8,378	323,353	–	–	2,642	334,373	5,178	–	58	5,236	65,447	98.71%	1.00%
Australia	–	–	–	–	–	–	–	–	–	–	–	–	1.00%
Bulgaria	–	–	–	–	–	–	–	–	–	–	–	–	1.50%
Croatia	–	–	–	–	–	–	–	–	–	–	–	–	0.50%
Czech Republic	–	–	–	–	–	–	–	–	–	–	–	–	2.50%
Denmark	–	7	–	–	–	7	1	–	–	1	8	0.01%	2.50%
Estonia	–	–	–	–	–	–	–	–	–	–	–	–	1.00%
France	–	–	–	–	52	52	–	–	2	2	28	0.05%	0.50%
Germany	–	33	–	–	229	262	2	–	2	4	53	0.08%	0.75%
Hong Kong	–	–	–	–	–	–	–	–	–	–	–	–	1.00%
Iceland	–	–	–	–	–	–	–	–	–	–	–	–	2.00%
Ireland	–	52	–	–	–	52	4	–	–	4	55	0.08%	0.50%
Luxembourg	–	48	–	–	–	48	3	–	–	3	33	0.05%	0.50%
Netherlands	–	–	–	–	48	48	–	–	–	–	5	0.01%	1.00%
Norway	–	–	–	–	–	–	–	–	–	–	–	–	2.50%
Romania	–	–	–	–	–	–	–	–	–	–	–	–	0.50%
Slovakia	–	–	–	–	–	–	–	–	–	–	–	–	1.00%
Sweden	–	–	–	–	–	–	–	–	–	–	–	–	2.00%
i) Total[1]	8,378	323,493	–	–	2,971	334,842	5,188	–	62	5,250	65,629	98.99%	
ii) Total[1]	–	–	–	–	–	–	–	–	–	–	–	–	
iii) Rest of the World[1]	341	152	–	–	1,328	1,821	34	–	20	54	671	1.01%	
Total	8,719	323,645	–	–	4,299	336,663	5,222	–	82	5,304	66,300	100.00%	

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

31 Dec 2022

	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
	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
Breakdown by Country	£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[1]	11,341	322,233	–	–	2,450	336,024	4,919	–	37	4,956	61,952	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

	30 Jun 2023	31 Dec 2022
1 Total risk exposure amount	**£77,592m**	£73,084m
2 Institution specific countercyclical capital buffer rate	**0.989%**	0.987%
3 Institution specific countercyclical capital buffer requirement	**£767m**	£721m

Leverage

LR2: Leverage ratio common disclosure

		30 Jun 2023 £m	31 Dec 2022 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)[1]	**314,803**	315,061
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(174)**	(141)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(2,509)**	(2,433)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**312,120**	312,487
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**98**	237
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**239**	282
13	Total derivatives exposures	**337**	519
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**5**	5
18	Total securities financing transaction exposures	**5**	5
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**43,530**	43,288
20	Adjustments for conversion to credit equivalent amounts	**(35,580)**	(35,126)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures	**(80)**	(80)
22	Off-balance sheet exposures	**7,870**	8,082
Excluded exposures			
UK-22a	Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(15,216)**	(17,914)
UK-22k	Total exempted exposures	**(15,216)**	(17,914)
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**13,826**	13,484
24	Total exposure measure including claims on central banks	**305,116**	303,179
UK-24a	(-) Claims on central banks excluded	**(2,941)**	(3,004)
UK-24b	Total exposure measure excluding claims on central banks	**302,175**	300,175
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**4.6%**	4.5%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.6%**	4.4%
UK-25c	Leverage ratio including claims on central banks (%)	**4.5%**	4.4%
26	Regulatory minimum leverage ratio requirement (%)	**3.25%**	
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**0.3%**	
UK-27b	Of which: countercyclical leverage ratio buffer (%)[2]	**0.3%**	
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets (over the quarter), after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable[3]	**–**	
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables[3]	**–**	
UK-31	Average total exposure measure including claims on central banks	**304,523**	
UK-32	Average total exposure measure excluding claims on central banks	**301,598**	
UK-33	Average leverage ratio including claims on central banks	**4.6%**	
UK-34	Average leverage ratio excluding claims on central banks	**4.6%**	

1 Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).
2 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage.
3 Excludes intragroup SFT assets amounting to £5 million, exempted in accordance with point (c) of Article 429a(1) of the CRR.

Leverage continued

LR1: Summary reconciliation of accounting assets and leverage ratio exposures

		30 Jun 2023 £m	31 Dec 2022 £m
1	Total assets as per published financial statements	**318,657**	319,152
4	Adjustment for exemption of exposures to central banks	**(2,941)**	(3,004)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(5)**	(4)
8	Adjustment for derivative financial instruments	**(254)**	(204)
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**7,950**	8,162
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(2,589)**	(2,513)
UK-11a	Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(18,144)**	(20,808)
12	Other adjustments[2]	**(499)**	(606)
13	**Total exposure measure**	**302,175**	300,175

1. Gross of specific provisions. The amount net of specific provisions at 30 June 2023 is £7,870 million (31 December 2022: £8,082 million).
2. Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).

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

		30 Jun 2023 £m	31 Dec 2022 £m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**299,657**	297,239
UK-2	**Trading book exposures**	**—**	—
UK-3	**Banking book exposures, of which:**	**299,657**	297,239
UK-5	Exposures treated as sovereigns	**3,632**	3,136
UK-7	Institutions	**52**	132
UK-8	Secured by mortgages of immovable properties	**266,454**	266,036
UK-9	Retail exposures	**10,913**	10,583
UK-10	Corporates	**3,741**	4,180
UK-11	Exposures in default	**3,213**	3,054
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**11,652**	10,118

Credit risk

The tables in this section reflect FINREP categories and definitions. The reported values for defaulted exposure reflect a definition of default backstop of 90 days..

CR1: Performing and non-performing exposures and related provisions

		30 Jun 2023														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							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					
			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	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£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**	**8,303**	**8,303**	**–**	**–**	**–**	**–**	**(9)**	**(9)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
010	**Loans and advances**	**292,680**	**248,134**	**44,433**	**7,706**	**409**	**7,297**	**(1,183)**	**(257)**	**(926)**	**(1,847)**	**(32)**	**(1,814)**	**(45)**	**264,755**	**5,160**
020	Central banks	**1,273**	**1,273**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
030	General governments	**30**	**14**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**–**
040	Credit institutions	**5,553**	**5,553**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
050	Other financial corporations	**6,693**	**6,689**	**4**	**38**	**–**	**38**	**(5)**	**(5)**	**–**	**(38)**	**–**	**(38)**	**–**	**13**	**–**
060	Non-financial corporations	**6,123**	**5,050**	**999**	**1,551**	**45**	**1,506**	**(71)**	**(19)**	**(52)**	**(938)**	**–**	**(938)**	**(45)**	**2,350**	**107**
070	Of which SMEs	**2,638**	**2,224**	**414**	**165**	**–**	**165**	**(19)**	**(6)**	**(13)**	**(14)**	**–**	**(14)**	**–**	**1,027**	**74**
080	Households	**273,008**	**229,555**	**43,430**	**6,117**	**364**	**5,753**	**(1,107)**	**(233)**	**(874)**	**(871)**	**(32)**	**(838)**	**–**	**262,378**	**5,053**
090	**Debt securities**	**2,664**	**2,664**	**–**	**1**	**–**	**1**	**(11)**	**(11)**	**–**	**(1)**	**–**	**(1)**	**–**	**–**	**–**
100	Central banks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
110	General governments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
120	Credit institutions	**56**	**56**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
130	Other financial corporations	**2,608**	**2,608**	**–**	**–**	**–**	**–**	**(11)**	**(11)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
140	Non-financial corporations	**–**	**–**	**–**	**1**	**–**	**1**	**–**	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**–**	**–**
150	**Off-balance-sheet exposures**	**42,969**	**41,152**	**1,817**	**128**	**73**	**55**	**(78)**	**(31)**	**(47)**	**(4)**	**(3)**	**(1)**		**359**	**1**
160	Central banks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**	**–**
170	General governments	**2**	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**	**–**
180	Credit institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**	**–**
190	Other financial corporations	**1,841**	**1,841**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**	**–**
200	Non-financial corporations	**1,983**	**1,872**	**111**	**2**	**1**	**1**	**(9)**	**(4)**	**(5)**	**(1)**	**–**	**(1)**		**359**	**1**
210	Households	**39,143**	**37,437**	**1,706**	**126**	**72**	**54**	**(69)**	**(27)**	**(42)**	**(3)**	**(3)**	**–**		**–**	**–**
220	**Total**	**346,616**	**300,253**	**46,250**	**7,835**	**482**	**7,353**	**(1,281)**	**(308)**	**(973)**	**(1,852)**	**(35)**	**(1,816)**	**(45)**	**265,114**	**5,161**

Credit risk continued

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

		31 Dec 2022														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							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					
			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	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£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

1 Staging analysis will exclude those assets and provisions that can not be allocated to a stage such as those classified as 'purchased or originated credit impaired' (POCI) and those measured at fair value.

Credit risk continued

CR1-A: Maturity of exposures

		30 Jun 2023					
		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	**7,792**	**9,322**	**21,933**	**258,286**	**23**	**297,357**
2	Debt securities	**45**	**39**	**2,219**	**350**	**—**	**2,653**
3	**Total**	**7,837**	**9,361**	**24,152**	**258,636**	**23**	**300,010**

		31 Dec 2022					
		£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 2022	7,322
020	Inflows to non-performing portfolios	**1,863**
030	Outflows from non-performing portfolios	**(1,479)**
040	Outflows due to write-offs	**(204)**
050	Outflow due to other situations	**(1,275)**
060	**Final stock of non-performing loans and advances at 30 June 2023**	**7,706**

Credit risk continued

CQ1: Credit quality of forborne exposures

		30 Jun 2023							
		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	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	£m	£m	£m	£m	£m	£m
010	**Loans and advances**	**1,061**	**3,667**	**3,591**	**3,591**	**(37)**	**(1,277)**	**2,674**	**1,762**
050	Other financial corporations	**1**	**38**	**38**	**38**	**—**	**(37)**	**—**	**—**
060	Non-financial corporations	**87**	**1,491**	**1,491**	**1,491**	**—**	**(937)**	**88**	**51**
070	Households	**973**	**2,138**	**2,062**	**2,062**	**(37)**	**(303)**	**2,586**	**1,711**
080	**Debt Securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090	**Loan commitments given**	**99**	**63**	**30**	**30**	**(2)**	**(3)**	**1**	**1**
100	**Total**	**1,160**	**3,730**	**3,621**	**3,621**	**(39)**	**(1,280)**	**2,675**	**1,763**
		31 Dec 2022							
		£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

Credit risk continued

CQ4: Quality of non-performing exposures by geography

		30 Jun 2023				
		Gross carrying/nominal amount				
		Total performing and non-performing	Of which defaulted	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
		£m	£m	£m	£m	£m
010	**On-balance-sheet exposures**	**303,051**	**7,298**	**(3,042)**		**—**
040	United Kingdom	**301,508**	**6,185**	**(2,259)**		**—**
070	Other countries	**1,543**	**1,113**	**(783)**		**—**
080	**Off-balance-sheet exposures**	**43,097**	**55**		**(82)**	
110	United Kingdom	**43,036**	**55**		**(82)**	
140	Other countries	**61**	**—**		**—**	
150	**Total**	**346,148**	**7,353**	**(3,042)**	**(82)**	**—**

		31 Dec 2022				
		£m	£m	£m	£m	£m
010	On-balance-sheet exposures	305,082	6,980	(2,872)		—
040	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)	
110	United Kingdom	42,449	51		(81)	
140	Other countries	548	—		—	
150	Total	348,079	7,031	(2,872)	(81)	—

Credit risk continued

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

		30 Jun 2023			
		Gross carrying amount			
			Of which defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	**593**	**22**	**(8)**	**–**
020	Mining and quarrying	**20**	**–**	**(6)**	**–**
030	Manufacturing	**166**	**10**	**(6)**	**–**
040	Electricity, gas, steam and air conditioning supply	**22**	**–**	**–**	**–**
050	Water supply	**13**	**–**	**–**	**–**
060	Construction	**852**	**152**	**(97)**	**–**
070	Wholesale and retail trade	**513**	**13**	**(6)**	**–**
080	Transport and storage	**160**	**5**	**(8)**	**–**
090	Accommodation and food service activities	**508**	**27**	**(10)**	**–**
100	Information and communication	**1,187**	**1,115**	**(782)**	**–**
110	Financial and insurance activities				
120	Real estate activities	**2,990**	**96**	**(73)**	**–**
130	Professional, scientific and technical activities	**137**	**6**	**(1)**	**–**
140	Administrative and support service activities	**112**	**6**	**(1)**	**–**
150	Public administration and defence, compulsory social security	**1**	**–**	**–**	**–**
160	Education	**62**	**1**	**(1)**	**–**
170	Human health services and social work activities	**221**	**47**	**(3)**	**–**
180	Arts, entertainment and recreation	**57**	**7**	**(5)**	**–**
190	Other services	**60**	**44**	**(2)**	**–**
200	**Total**	**7,674**	**1,551**	**(1,009)**	**–**

		31 Dec 2022			
		£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)	–

Credit risk continued

CR3: CRM techniques – Overview

	30 Jun 2023				
	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	**27,441**	**269,915**	**269,198**	**717**	**–**
Debt securities	**2,653**	**–**	**–**	**–**	
Total	**30,094**	**269,915**	**269,198**	**717**	**–**
Of which non-performing exposures	**699**	**5,161**	**5,095**	**66**	**–**
Of which defaulted	**534**	**4,917**			

	31 Dec 2022				
	£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			

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

		30 Jun 2023					
		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 exposures	RWAs	RWAs density
	Exposure classes	£m	£m	£m	£m	£m	%
1	Central governments or central banks	**3,482**	**–**	**4,131**	**–**	**373**	**9%**
6	Institutions	**12,816**	**30**	**12,816**	**6**	**1**	**–%**
7	Corporates	**3,334**	**139**	**3,308**	**8**	**696**	**21%**
8	Retail	**1,765**	**355**	**1,252**	**10**	**830**	**66%**
9	Secured by mortgages on immovable property	**3,201**	**14**	**3,200**	**3**	**1,150**	**36%**
10	Exposures in default	**723**	**4**	**668**	**–**	**722**	**108%**
16	Other items	**247**	**–**	**247**	**–**	**200**	**81%**
17	**Total**	**25,568**	**542**	**25,622**	**27**	**3,972**	**15%**

		31 Dec 2022					
	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%

Risk-weighted assets and density reported in this table are disclosed after application of supporting factors.

Credit risk continued

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

CR8: Risk-weighted assets flow statements of credit risk exposures – year to 30 Jun 2023

		Total RWA quarter to 30 Jun 2023	Total RWA YTD 30 Jun 2023
		£m	£m
1	Risk weighted exposure amount as at the end of previous reporting period	57,238	56,375
2	Asset size (+/-)	**203**	**236**
3	Asset quality (+/-)	**224**	**485**
5	Methodology and policy (+/-)	**3,010**	**3,581**
7	Foreign exchange movements (+/-)	**(6)**	**(8)**
8	Other (+/-)	**(65)**	**(65)**
9	**Risk weighted exposure amount at the end of the reporting period**	**60,604**	**60,604**

Key movements year to date 30 June 2023

- Asset size movement largely driven by growth in the unsecured Retail portfolio.
- Asset quality movement primarily driven by Retail model calibrations.
- Methodology and Policy movements largely reflects the CRD IV model updates for an updated impact assessment following a further iteration of model development. The models remain subject to further development and final approval by the PRA. On that basis final impacts remain uncertain and further increases could be required.

Credit risk continued

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

		30 Jun 2023												
			Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWAs
			Funded Credit Protection (FCP)									Unfunded Credit Protection (UFCP)[2]		
A-IRB		Total exposure at default £m	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 with substitution effects (both reduction and substitution effects) £m
4	**Retail**	**318,103**	**–**	**91.99%**	**91.99%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58,216**
4.1	Of which Retail – Immovable property SMEs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
4.2	Of which Retail – Immovable property non-SMEs	**292,866**	**–**	**99.91%**	**99.91%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**46,994**
4.3	Of which Retail – Qualifying revolving	**21,095**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,537**
4.4	Of which Retail – Other SMEs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
4.5	Of which Retail – Other non-SMEs	**4,142**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,685**
5	**Total**	**318,103**	**–**	**91.99%**	**91.99%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58,216**
F-IRB														
1	**Central governments and central banks**	**–**	**–**	**–**	**–**	**–**	**–**	**–**				**–**	**–**	**–**
2	**Institutions**	**50**	**28.61%**	**–**	**–**	**–**	**–**	**–**				**–**	**–**	**11**
3	**Corporates**	**3,727**	**7.56%**	**32.21%**	**31.90%**	**0.31%**	**–**	**–**				**1.40%**	**–**	**2,376**
3.1	Of which Corporates – SMEs	**598**	**4.49%**	**33.37%**	**33.37%**	**–**	**–**	**–**				**8.04%**	**–**	**373**
3.2	Of which Corporates – Specialised lending	**1,334**	**–**	**–**	**–**	**–**	**–**	**–**				**–**	**–**	**934**
3.3	Of which Corporates – Other	**1,795**	**14.20%**	**55.76%**	**55.13%**	**0.63%**	**–**	**–**				**0.22%**	**–**	**1,070**
4	**Total**	**3,777**	**7.84%**	**31.78%**	**31.48%**	**0.30%**	**–**	**–**				**1.38%**	**–**	**2,388**

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

		31 Dec 2022												
			Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWAs
			Funded Credit Protection (FCP)									Unfunded Credit Protection (UFCP)		
A-IRB		Total exposure at default £m	Part of exposures covered by financial collaterals %	Part of exposures covered by other eligible collaterals %	Part of exposures covered by immovable property collaterals %	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 with substitution effects (both reduction and substitution effects) £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 242 per cent. 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.

Credit risk continued

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

		30 Jun 2023					
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	**3**	**4**	**50%**	**4**	**2**	**–**
	Equal to or more than 2.5 years	**153**	**28**	**70%**	**174**	**122**	**1**
2) Good	Less than 2.5 years	**–**	**–**	**70%**	**–**	**–**	**–**
	Equal to or more than 2.5 years	**38**	**11**	**90%**	**47**	**42**	**–**
3) Satisfactory	Less than 2.5 years	**–**	**–**	**115%**	**–**	**–**	**–**
	Equal to or more than 2.5 years	**28**	**12**	**115%**	**37**	**42**	**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	**58**	**–**		**58**	**–**	**29**
	Equal to or more than 2.5 years	**1**	**1**		**2**	**–**	**1**
Total	**Less than 2.5 years**	**61**	**4**		**62**	**2**	**29**
	Equal to or more than 2.5 years	**220**	**53**		**261**	**209**	**3**

		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

Credit risk continued

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

		30 Jun 2023					
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**
	Less than 2.5 years	**192**	**6**	**50%**	**195**	**97**	**–**
1) Strong	Equal to or more than 2.5 years	**139**	**15**	**70%**	**143**	**98**	**1**
	Less than 2.5 years	**287**	**29**	**70%**	**308**	**215**	**1**
2) Good	Equal to or more than 2.5 years	**180**	**12**	**90%**	**189**	**169**	**2**
	Less than 2.5 years	**46**	**–**	**115%**	**47**	**54**	**1**
3) Satisfactory	Equal to or more than 2.5 years	**72**	**1**	**115%**	**73**	**84**	**2**
	Less than 2.5 years	**–**	**–**	**250%**	**–**	**–**	**–**
4) Weak	Equal to or more than 2.5 years	**2**	**–**	**250%**	**2**	**5**	**–**
	Less than 2.5 years	**51**	**1**		**52**	**–**	**26**
5) Default	Equal to or more than 2.5 years	**3**	**–**		**3**	**–**	**1**
	Less than 2.5 years	**576**	**36**		**602**	**366**	**28**
Total	**Equal to or more than 2.5 years**	**396**	**28**		**410**	**356**	**6**

		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
	Less than 2.5 years	255	8	50%	258	127	–
1) Strong	Equal to or more than 2.5 years	116	18	70%	122	83	–
	Less than 2.5 years	247	17	70%	260	182	1
2) Good	Equal to or more than 2.5 years	200	25	90%	219	197	2
	Less than 2.5 years	46	–	115%	46	53	1
3) Satisfactory	Equal to or more than 2.5 years	77	1	115%	78	89	2
	Less than 2.5 years	6	–	250%	6	16	1
4) Weak	Equal to or more than 2.5 years	2	–	250%	2	5	–
	Less than 2.5 years	53	1		54	–	27
5) Default	Equal to or more than 2.5 years	4	–		4	–	2
	Less than 2.5 years	607	27		624	378	30
Total	Equal to or more than 2.5 years	400	44		424	374	6

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. 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