Bank of Scotland plc

2023 Year-End

Pillar 3 Disclosures

31 December 2023

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Basis of preparation

This report presents the Pillar 3 disclosures of Bank of Scotland plc ('the Bank') as at 31 December 2023 and should be read in conjunction with the Bank of Scotland plc Annual Report and Accounts 2023.

The disclosures have been prepared in accordance with the Disclosure section of the PRA Rulebook. Pillar 3 templates required to be disclosed on an annual basis that have not been included in this report are listed in the table below along with the reason for exclusion.

PRA reference	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
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
MR2-B	RWA flow statements of market risk exposures under the IMA	Not applicable to the Bank
LIQA	Qualitative information on Liquidity risk management	
LIQ1	Quantitative information of LCR	
LIQ2	Quantitative information of NSFR	
LIQB	Qualitative information on LCR, which complements template LIQ1	Liquidity is managed at a DoLSub level, refer to the Lloyds Bank plc FY 2023 Pillar 3 disclosures for further information.
REMA	Remuneration policy	
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)	Excluded as Bank staff are contractually employed by the Bank parent company HBOS plc.

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 2023 Year-End 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	LR2 Ref		31 Dec 2023	30 Jun 2023	31 Dec 2022
		Available own funds (amounts)			
1		Common Equity Tier 1 (CET1) capital (£m)	**11,966**	11,276	11,284
2		Tier 1 capital (£m)	**14,516**	13,826	13,484
3		Total capital (£m)	**16,410**	15,696	15,330
		Risk-weighted exposure amounts			
4		Total risk-weighted exposure amount (£m)	**80,254**	77,592	73,084
		Capital ratios (as a percentage of risk-weighted exposure amount)			
5		Common Equity Tier 1 ratio (%)	**14.9%**	14.5%	15.4%
6		Tier 1 ratio (%)	**18.1%**	17.8%	18.5%
7		Total capital ratio (%)	**20.4%**	20.2%	21.0%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a		Additional CET1 SREP requirements (%)	**1.5%**	1.1%	1.1%
UK 7b		Additional AT1 SREP requirements (%)	**0.5%**	0.3%	0.3%
UK 7c		Additional T2 SREP requirements (%)	**0.6%**	0.5%	0.5%
UK 7d		Total SREP own funds requirements (%)	**10.6%**	9.9%	9.9%
		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 (%)	**1.988%**	0.989%	0.987%
11		Combined buffer requirement (%)	**4.488%**	3.489%	3.487%
UK 11a		Overall capital requirements (%)	**15.1%**	13.4%	13.4%
12		CET1 available after meeting minimum SREP own funds requirements (%)[2]	**8.9%**	8.9%	9.8%
		Leverage ratio			
13	UK-24b	Total exposure measure excluding claims on central banks (£m)	**303,647**	302,175	300,175
14	25	Leverage ratio excluding claims on central banks (%)	**4.8%**	4.6%	4.5%
		Additional leverage ratio disclosure requirements			
UK 14a	UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.8%**	4.6%	4.4%
UK 14b	UK-25c	Leverage ratio including claims on central banks (%)	**4.7%**	4.5%	4.4%
UK 14c	UK-34	Average leverage ratio excluding claims on central banks (%)[3]	**4.6%**	4.6%	
UK 14d	UK-33	Average leverage ratio including claims on central banks (%)[3]	**4.5%**	4.6%	
UK 14e	UK-27b	Countercyclical leverage ratio buffer (%)[4]	**0.7%**	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 31 December 2023 (31 December 2022: £80 million). As at 31 December 2023, no dynamic relief (from 1 January 2020) has been recognised through CET1 capital under the transitional arrangements (31 December 2022: £74 million).

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 October 2023 to 31 December 2023 amounted to £302,695 million. The average leverage exposure measure (including claims on central banks) for the period from 1 October 2023 to 31 December 2023 amounted to £305,666 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.

		31 Dec 2023	30 Jun 2023	31 Dec 2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	**11,966**	11,276	11,284
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**11,966**	11,205	11,130
3	Tier 1 capital (£m)	**14,516**	13,826	13,484
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**14,516**	13,755	13,330
5	Total capital (£m)	**16,410**	15,696	15,330
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**16,410**	15,625	15,175
	Risk-weighted exposure amounts			
7	Total risk-weighted exposure amount (£m)	**80,254**	77,592	73,084
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**80,254**	77,576	73,088
	Capital ratios (as a percentage of risk-weighted exposure amount)			
9	Common Equity Tier 1 ratio (%)	**14.9%**	14.5%	15.4%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.9%**	14.4%	15.2%
11	Tier 1 ratio (%)	**18.1%**	17.8%	18.5%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**18.1%**	17.7%	18.2%
13	Total capital ratio (%)	**20.4%**	20.2%	21.0%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.4%**	20.1%	20.8%
	Leverage ratio			
15	Total exposure measure excluding claims on central banks (£m)	**303,647**	302,175	300,175
16	Leverage ratio excluding claims on central banks (%)	**4.8%**	4.6%	4.5%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**4.8%**	4.6%	4.4%

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 14.9 per cent at 31 December 2023. Profit for the year, including dividends received from subsidiaries, was more than offset by an increase in risk-weighted assets and a reduction in IFRS 9 transitional relief following the end of static relief and phased unwind of dynamic relief.

Total Capital

The total capital ratio reduced from 21.0 per cent at 31 December 2022 to 20.4 per cent at 31 December 2023, reflecting the increase in risk-weighted assets, partially offset by the increase in CET1 capital and the issuance of a new AT1 capital instrument.

Risk-Weighted Assets

Risk-weighted assets increased by £7,170 million to £80,254 million at 31 December 2023 compared to £73,084 million at 31 December 2022. This includes the impact of Retail secured CRD IV model updates of £5 billion. Excluding this, lending, a modest uplift from credit and model calibrations, and increases in market risk and securitisation risk-weighted assets, the latter reflecting the increase in debt securities held, were partly offset by a reduction in operational risk and other movements.

Leverage

The Bank's UK leverage ratio increased from 4.5 per cent at 31 December 2022 to 4.8 per cent at 31 December 2023, reflecting the increase in the total tier 1 capital position. This was partially offset by the increase in the leverage exposure measure following the increase in lending and debt securities held, net of a reduction in off-balance sheet items.

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Dec 2023	31 Dec 2022	31 Dec 2023
		£m	£m	£m
1	**Credit risk (excluding CCR)**	**71,822**	64,546	**5,746**
2	Of which the standardised approach	**3,457**	4,307	**277**
3	Of which the foundation IRB (FIRB) approach	**1,563**	1,522	**125**
4	Of which slotting approach	**929**	1,082	**74**
UK 4a	Of which equities under the simple risk weighted approach	**2,920**	2,835	**234**
5	Of which the advanced IRB (AIRB) approach	**61,956**	53,771	**4,956**
	Of which: non-credit obligation assets[1]	**997**	1,029	**80**
6	**Counterparty credit risk (CCR)**	**234**	268	**19**
7	Of which the standardised approach	**162**	191	**13**
UK 8b	Of which credit valuation adjustment (CVA)	**72**	77	**6**
16	**Securitisation exposures in the non-trading book (after the cap)**	**931**	463	**74**
17	Of which SEC-IRBA approach	**494**	–	**39**
18	Of which SEC-ERBA approach (including IAA)	**437**	463	**35**
20	**Position, foreign exchange and commodities risks (Market risk)**	**468**	56	**37**
21	Of which the standardised approach	**468**		**37**
22	Of which IMA	**–**	56	**–**
23	**Operational risk**	**6,799**	7,751	**544**
UK 23b	Of which standardised approach	**6,799**	7,751	**544**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**3,205**	3,190	**256**
29	**Total**	**80,254**	73,084	**6,420**
	Pillar 2A capital requirement[2]			**2,100**
	Total capital requirement			**8,520**

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

2 As at 31 December 2023, the Pillar 2A capital requirement was around 2.6 per cent of risk-weighted assets, of which around 1.5 per cent was to be met with CET1 capital.

Risk-weighted assets increased by £7,170 million to £80,254 million at 31 December 2023 compared to £73,084 million at 31 December 2022. This reflects:

- **Credit Risk (including amounts below the thresholds for deduction):** Credit Risk RWAs increased by £7.3 billion primarily reflecting Retail Secured CRD IV model updates, growth in unsecured exposures and a modest uplift from credit and model calibrations. This was partly offset by a reduction under the standardised approach mainly driven by a decrease in lending.
- **Counterparty Credit Risk:** Counterparty Credit Risk RWAs remained broadly consistent with the prior period.
- **Securitisation:** Securitisation RWAs increased by £0.5 billion to £0.9 billion in the period, reflecting the increase in debt securities held following the securitisation of a subsidiary's legacy Retail mortgage portfolio.
- **Market Risk:** During 2023 the Bank moved from the internal model approach to the standardised approach for Market Risk. Standardised Market Risk RWAs increased by £0.4 billion primarily due to increased foreign exchange exposure in excess of the de-minimis threshold.
- **Operational Risk:** RWAs decreased by £1.0 billion due to lower average income in the annual recalculation of operational risk.

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.

The PRA sets an additional minimum capital requirement under Pillar 2A. This reflects a point in time estimate of the amount of capital required 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, credit valuation adjustment (CVA) or operational risk underestimate the risk, including as a result of climate change related considerations. The operational risk assessment includes consideration of conduct risk.
- 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 Risk Committee and submitted to the PRA for their consideration ahead of setting the Bank's P2A requirement.

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 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	**5,389**	4,606	c
3	Accumulated other comprehensive income (and other reserves)	**3,249**	3,251	c
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**14,485**	13,704	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	**(45)**	(53)	
8	Intangible assets (net of related tax liability)	**(703)**	(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)	**(1,810)**	(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	**76**	65	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(1)**	(2)	
15	Defined-benefit pension fund assets	**(36)**	(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)	**–**	(54)	g
27a	Other regulatory adjustments to CET1 capital	**–**	135	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(2,519)**	(2,420)	
29	**Common Equity Tier 1 (CET1) capital**	**11,966**	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)**	**14,516**	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	**394**	346	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,894**	1,846	
Tier 2 (T2) capital: regulatory adjustments				
58	**Tier 2 (T2) capital**	**1,894**	1,846	
59	**Total capital (TC = T1 + T2)**	**16,410**	15,330	
60	**Total risk exposure amount**	**80,254**	73,084	
Capital ratios and buffer				
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**14.9%**	15.4%	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**18.1%**	18.5%	
63	**Total capital (as a percentage of total risk exposure amount)**	**20.4%**	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)	**10.5%**	9.0%	
65	of which: capital conservation buffer requirement	**2.500%**	2.500%	
66	of which: countercyclical buffer requirement	**1.988%**	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)	**1,168**	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)	**114**	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)	**414**	359	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**394**	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 31 December 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 31 Dec 2023 £m	Reference[1]
Assets			
1	Cash and balances at central banks	**3,009**	
2	Financial assets at fair value through profit or loss	**111**	
3	Derivative financial instruments	**2,850**	
4	Loans and advances to banks	**180**	
5	Loans and advances to customers	**286,187**	
6	Debt securities	**1,696**	
7	Due from fellow Lloyds Bank Group undertakings	**20,921**	
8	Financial assets at amortised cost	**308,984**	
9	Investment in subsidiary undertakings	**1,294**	d, g
10	Goodwill and other intangible assets	**583**	d
11	Current tax recoverable	**1,096**	
12	Deferred tax assets[2]	**1,932**	e
13	Retirement benefit assets	**49**	f
14	Other assets	**1,201**	
15	**Total assets**	**321,109**	
Liabilities			
1	Deposits from banks	**179**	
2	Customer deposits	**161,946**	
3	Repurchase agreements at amortised cost	**30,397**	
4	Due to fellow Lloyds Bank Group undertakings	**94,394**	
5	Derivative financial instruments	**4,297**	
6	Notes in circulation	**1,392**	
7	Debt securities in issue	**7,992**	
8	Other liabilities	**1,290**	
9	Current tax liabilities	**—**	
10	Deferred tax liabilities	**—**	
11	Other provisions	**655**	
12	Subordinated liabilities	**1,532**	h
13	**Total liabilities**	**304,074**	
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]	**8,638**	c
5	**Total equity excluding non-controlling interests**	**17,035**	
6	Non-controlling interests	**—**	
7	**Total equity**	**17,035**	
8	**Total equity and liabilities**	**321,109**	

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 2023												
	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 %
United Kingdom	**7,765**	**322,352**	**–**	**–**	**2,346**	**332,463**	**5,485**	**–**	**51**	**5,536**	**69,208**	**99.31%**	**2.00%**
Australia	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.00%**
Bulgaria	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.00%**
Croatia	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.00%**
Cyprus	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.50%**
Czech Republic	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.00%**
Denmark	**–**	**6**	**–**	**–**	**–**	**6**	**1**	**–**	**–**	**1**	**7**	**0.01%**	**2.50%**
Estonia	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.50%**
France	**–**	**–**	**–**	**–**	**57**	**57**	**–**	**–**	**3**	**3**	**32**	**0.05%**	**0.50%**
Germany	**–**	**36**	**–**	**–**	**232**	**268**	**3**	**–**	**2**	**5**	**55**	**0.08%**	**0.75%**
Hong Kong	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.00%**
Iceland	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.00%**
Ireland	**–**	**47**	**–**	**–**	**–**	**47**	**4**	**–**	**–**	**4**	**49**	**0.07%**	**1.00%**
Lithuania	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.00%**
Luxembourg	**–**	**48**	**–**	**–**	**–**	**48**	**3**	**–**	**–**	**3**	**34**	**0.05%**	**0.50%**
Netherlands	**–**	**–**	**–**	**–**	**58**	**58**	**–**	**–**	**–**	**–**	**6**	**0.01%**	**1.00%**
Norway	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.50%**
Romania	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.00%**
Slovakia	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.50%**
Slovenia	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.50%**
Sweden	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2.00%**
i) Total[1]	**7,765**	**322,489**	**–**	**–**	**2,693**	**332,947**	**5,496**	**–**	**56**	**5,552**	**69,391**	**99.58%**	
ii) Total[1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
iii) Rest of the World[1]	**2**	**125**	**–**	**–**	**1,318**	**1,445**	**5**	**–**	**18**	**23**	**297**	**0.42%**	
Total	**7,767**	**322,614**	**–**	**–**	**4,011**	**334,392**	**5,501**	**–**	**74**	**5,575**	**69,688**	**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						
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 %
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

	31 Dec 2023	31 Dec 2022
1 Total risk exposure amount	**£80,254m**	£73,084m
2 Institution specific countercyclical capital buffer rate	**1.988%**	0.987%
3 Institution specific countercyclical capital buffer requirement	**£1,595m**	£721m

Leverage

LR2: Leverage ratio common disclosure

		31 Dec 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]	**317,839**	315,061
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(161)**	(141)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(2,556)**	(2,433)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**315,122**	312,487
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**223**	237
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**240**	282
13	Total derivatives exposures	**463**	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	**40,770**	43,288
20	Adjustments for conversion to credit equivalent amounts	**(33,625)**	(35,126)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	**(74)**	(80)
22	Off-balance sheet exposures	**7,071**	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	**(16,005)**	(17,914)
UK-22k	Total exempted exposures	**(16,005)**	(17,914)
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**14,516**	13,484
24	Total exposure measure including claims on central banks	**306,656**	303,179
UK-24a	(-) Claims on central banks excluded	**(3,009)**	(3,004)
UK-24b	Total exposure measure excluding claims on central banks	**303,647**	300,175
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**4.8%**	4.5%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.8%**	4.4%
UK-25c	Leverage ratio including claims on central banks (%)	**4.7%**	4.4%
26	Regulatory minimum leverage ratio requirement (%)	**3.25%**	
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**0.7%**	
UK-27b	Of which: countercyclical leverage ratio buffer (%)[2]	**0.7%**	
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	**305,666**	
UK-32	Average total exposure measure excluding claims on central banks	**302,695**	
UK-33	Average leverage ratio including claims on central banks	**4.5%**	
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

		31 Dec 2023 £m	31 Dec 2022 £m
1	Total assets as per published financial statements	**321,109**	319,152
4	Adjustment for exemption of exposures to central banks	**(3,009)**	(3,004)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(2)**	(4)
8	Adjustment for derivative financial instruments	**(223)**	(204)
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**7,145**	8,162
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(2,630)**	(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	**(18,330)**	(20,808)
12	Other adjustments[2]	**(413)**	(606)
13	**Total exposure measure**	**303,647**	300,175

1. Gross of specific provisions. The amount net of specific provisions at 31 December 2023 is £7,071 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)

		31 Dec 2023 £m	31 Dec 2022 £m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**301,913**	297,239
UK-2	**Trading book exposures**	**—**	—
UK-3	**Banking book exposures, of which:**	**301,913**	297,239
UK-5	Exposures treated as sovereigns	**3,671**	3,136
UK-7	Institutions	**64**	132
UK-8	Secured by mortgages of immovable properties	**267,551**	266,036
UK-9	Retail exposures	**11,086**	10,583
UK-10	Corporates	**3,920**	4,180
UK-11	Exposures in default	**3,400**	3,054
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**12,221**	10,118

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, including those under stressed scenarios, ensuring that the ratio exceeds regulatory minimums and internal risk appetite and reports these on a regular basis to a range of committees as well as at the Board and the Ring-Fenced Bank's Board Risk Committee.

The risks of contingent leverage are appropriately assessed as part of the Internal Capital Adequacy Assessment Process (ICAAP).

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 are discussed on page 12.

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, as part of changes to new CRD IV regulations applicable to internal ratings based (IRB) models, the Bank amended its definition of default for UK mortgages which aligned accounting and regulatory definitions of default. For UK mortgages, regulatory 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 was 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 outputs. The Bank's models to meet these new requirements remain subject to further development and final approval by the PRA. As a result the Bank has has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the anticipated impact of the new modelling requirements. 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 disclosures this includes the reporting of defaulted exposures 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 to Article 178(3)(d) and Article 47(b).

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

		31 Dec 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**	**11,089**	**11,089**	**—**	**—**	**—**	**—**	**(5)**	**(5)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**292,759**	**254,194**	**38,454**	**7,237**	**492**	**6,745**	**(984)**	**(301)**	**(683)**	**(1,029)**	**(27)**	**(1,001)**	**(62)**	**265,826**	**5,850**
020	Central banks	1,421	1,421	—	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	28	12	—	—	—	—	—	—	—	—	—	—	—	12	—
040	Credit institutions	3,825	3,825	—	—	—	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	6,532	6,527	4	36	—	36	(3)	(3)	—	(36)	—	(36)	—	13	—
060	Non-financial corporations	5,975	4,978	923	460	88	372	(82)	(19)	(63)	(172)	—	(172)	(62)	2,235	104
070	Of which SMEs	2,393	2,003	390	166	36	130	(21)	(7)	(14)	(14)	—	(14)	—	859	64
080	Households	274,978	237,431	37,527	6,741	404	6,337	(899)	(279)	(620)	(821)	(27)	(793)	—	263,566	5,746
090	**Debt securities**	**2,374**	**2,374**	**—**	**1**	**—**	**1**	**(5)**	**(5)**	**—**	**(1)**	**—**	**(1)**	**—**	**—**	**—**
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	97	97	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	2,277	2,277	—	—	—	—	(5)	(5)	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	1	—	1	—	—	—	(1)	—	(1)	—	—	—
150	**Off-balance-sheet exposures**	**39,379**	**37,521**	**1,858**	**108**	**50**	**57**	**(84)**	**(40)**	**(44)**	**(3)**	**(2)**	**(1)**		**311**	**—**
160	Central banks	—	—	—	—	—	—	—	—	—	—	—	—		—	—
170	General governments	2	2	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—		—	—
190	Other financial corporations	1,663	1,663	—	—	—	—	—	—	—	—	—	—		—	—
200	Non-financial corporations	1,796	1,498	298	2	1	1	(12)	(4)	(8)	(1)	—	(1)		311	—
210	Households	35,918	34,358	1,560	106	49	56	(72)	(36)	(36)	(2)	(2)	—		—	—
220	**Total**	**345,601**	**305,178**	**40,312**	**7,346**	**542**	**6,803**	**(1,078)**	**(351)**	**(727)**	**(1,033)**	**(29)**	**(1,003)**	**(62)**	**266,137**	**5,850**

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

		31 Dec 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	7,649	6,456	23,879	259,979	21	297,984
2	Debt securities	93	19	1,986	272	—	2,370
3	**Total**	**7,742**	**6,475**	**25,865**	**260,251**	**21**	**300,354**

		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	3,280
030	Outflows from non-performing portfolios	(3,365)
040	Outflows due to write-offs	(477)
050	Outflow due to other situations	(2,888)
060	**Final stock of non-performing loans and advances at 31 December 2023**	**7,237**

Credit risk continued

CQ1: Credit quality of forborne exposures

		31 Dec 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**	**945**	**2,704**	**2,542**	**2,542**	**(26)**	**(481)**	**2,758**	**1,919**
050	Other financial corporations	1	36	36	36	—	(36)	—	—
060	Non-financial corporations	35	428	356	356	—	(171)	81	73
070	Households	909	2,240	2,150	2,150	(26)	(274)	2,677	1,846
080	**Debt Securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090	**Loan commitments given**	**58**	**53**	**26**	**26**	**(1)**	**(2)**	**—**	**—**
100	**Total**	**1,003**	**2,757**	**2,568**	**2,568**	**(27)**	**(483)**	**2,758**	**1,919**

		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

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

		31 Dec 2023											
		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**	**11,089**	**11,089**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**292,759**	**291,484**	**1,275**	**7,237**	**2,790**	**1,528**	**1,296**	**756**	**619**	**106**	**143**	**6,745**
020	Central banks	1,421	1,421	—	—	—	—	—	—	—	—	—	—
030	General governments	28	28	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	3,825	3,825	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	6,532	6,532	—	36	1	7	7	14	4	3	1	36
060	Non-financial corporations	5,975	5,958	17	460	67	116	86	76	78	19	18	372
070	Of which SMEs	2,393	2,382	11	166	67	29	16	22	20	6	6	131
080	Households	274,978	273,720	1,258	6,741	2,722	1,405	1,203	666	537	84	124	6,337
090	**Debt securities**	**2,374**	**2,374**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	97	97	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	2,277	2,277	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	1	—	—	—	—	—	—	1	1
150	**Off-balance-sheet exposures**	**39,379**			**108**								**57**
170	General governments	2			—								—
180	Credit institutions	—			—								—
190	Other financial corporations	1,663			—								—
200	Non-financial corporations	1,796			2								1
210	Households	35,918			106								56
220	**Total**	**345,601**	**304,947**	**1,275**	**7,346**	**2,790**	**1,528**	**1,296**	**756**	**619**	**106**	**144**	**6,803**

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

		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

Credit risk continued

CQ4: Quality of non-performing exposures by geography

		31 Dec 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**	**302,372**	**6,745**	**(2,018)**		**—**
040	United Kingdom	302,051	6,745	(2,013)		—
070	Other countries	321	—	(5)		—
080	**Off-balance-sheet exposures**	**39,487**	**57**		**(87)**	
110	United Kingdom	39,404	57		(88)	
140	Other countries	83	—		1	
150	**Total**	**341,859**	**6,802**	**(2,018)**	**(87)**	**—**

		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

		31 Dec 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	567	30	(11)	–
020	Mining and quarrying	16	–	(5)	–
030	Manufacturing	147	5	(2)	–
040	Electricity, gas, steam and air conditioning supply	20	–	–	–
050	Water supply	12	–	–	–
060	Construction	729	166	(140)	–
070	Wholesale and retail trade	399	8	(10)	–
080	Transport and storage	329	3	(6)	–
090	Accommodation and food service activities	411	22	(8)	–
100	Information and communication	72	2	(1)	–
110	Financial and insurance activities				
120	Real estate activities	3,102	91	(56)	–
130	Professional, scientific and technical activities	169	4	(1)	–
140	Administrative and support service activities	99	5	(1)	–
150	Public administration and defence, compulsory social security	1	–	–	–
160	Education	46	1	(1)	–
170	Human health services and social work activities	210	20	(4)	–
180	Arts, entertainment and recreation	54	13	(6)	–
190	Other services	52	2	(2)	–
200	**Total**	**6,435**	**372**	**(254)**	**–**

		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)	–

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 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.

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.

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 continued

CR3: CRM techniques – Overview

	31 Dec 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	**26,308**	**271,675**	**271,077**	**598**	**–**
Debt securities	**2,369**	**–**	**–**	**–**	
Total	**28,677**	**271,675**	**271,077**	**598**	**–**
Of which non-performing exposures	**359**	**5,850**	**5,811**	**39**	**–**
Of which defaulted	**153**	**5,563**			

	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

		31 Dec 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	3,512	–	4,041	–	285	7%
6	Institutions	13,322	30	13,323	6	5	–%
7	Corporates	2,951	884	2,929	160	751	24%
8	Retail	1,641	331	1,221	11	815	66%
9	Secured by mortgages on immovable property	2,847	13	2,846	1	1,025	36%
10	Exposures in default	393	5	345	–	386	112%
16	Other items	238	–	238	–	190	80%
17	**Total**	**24,904**	**1,263**	**24,943**	**178**	**3,457**	**14%**

		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

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

		Total RWA quarter to 31 Dec 2023	Total RWA YTD 31 Dec 2023
		£m	£m
1	Risk weighted exposure amount as at the end of previous reporting period	61,709	56,375
2	Asset size (+/-)	**(467)**	**(116)**
3	Asset quality (+/-)	**756**	**2,227**
4	Model updates (+/-)	**279**	**279**
5	Methodology and policy (+/-)	**2,172**	**5,754**
7	Foreign exchange movements (+/-)	**(1)**	**(6)**
8	Other (+/-)	**–**	**(65)**
9	**Risk weighted exposure amount at the end of the reporting period**	**64,448**	**64,448**

Key movements 30 September to 31 December 2023

– Asset size largely driven by movements in the Retail portfolio.

– Asset quality movement mainly driven by a modest uplift from credit across certain portfolios.

– Model updates largely reflect model refinements in Commercial Banking and Unsecured portfolios.

– Methodology and policy movements largely reflect Secured CRDIV model updates.

Credit risk continued

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

		31 Dec 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**	**316,886**	**–**	**91.84**	**91.84**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**61,956**
4.1	Of which Retail – Immovable property SMEs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
4.2	Of which Retail – Immovable property non-SMEs	**291,326**	**–**	**99.90**	**99.90**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,103**
4.3	Of which Retail – Qualifying revolving	**21,369**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,952**
4.4	Of which Retail – Other SMEs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
4.5	Of which Retail – Other non-SMEs	**4,192**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,901**
5	**Total**	**316,886**	**–**	**91.84**	**91.84**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**61,956**
F-IRB														
1	**Central governments and central banks**	**–**	**–**	**–**	**–**	**–**	**–**	**–**				**–**	**–**	**–**
2	**Institutions**	**58**	**36.86**	**–**	**–**	**–**	**–**	**–**				**–**	**–**	**11**
3	**Corporates**	**3,852**	**10.20**	**29.73**	**29.04**	**0.69**	**–**	**–**				**1.35**	**–**	**2,481**
3.1	Of which Corporates – SMEs	**606**	**5.00**	**34.59**	**34.59**	**–**	**–**	**–**				**5.97**	**–**	**365**
3.2	Of which Corporates – Specialised lending[3]	**1,260**	**–**	**–**	**–**	**–**	**–**	**–**				**–**	**–**	**929**
3.3	Of which Corporates – Other	**1,986**	**18.26**	**47.10**	**45.77**	**1.33**	**–**	**–**				**0.80**	**–**	**1,186**
4	**Total**	**3,910**	**10.60**	**29.29**	**28.61**	**0.68**	**–**	**–**				**1.33**	**–**	**2,492**

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[3]	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.
3. 100% of the exposures disclosed in the 'Of which Corporates - Specialised lending' row, use the Slotting approach.

Credit risk continued

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

		31 Dec 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	**6**	**7**	**50%**	**9**	**5**	**–**
	Equal to or more than 2.5 years	**144**	**24**	**70%**	**162**	**113**	**1**
2) Good	Less than 2.5 years	**4**	**–**	**70%**	**4**	**2**	**–**
	Equal to or more than 2.5 years	**31**	**11**	**90%**	**40**	**36**	**–**
3) Satisfactory	Less than 2.5 years	**–**	**–**	**115%**	**–**	**–**	**–**
	Equal to or more than 2.5 years	**27**	**5**	**115%**	**31**	**36**	**1**
4) Weak	Less than 2.5 years	**–**	**–**	**250%**	**–**	**–**	**–**
	Equal to or more than 2.5 years	**–**	**10**	**250%**	**8**	**20**	**1**
5) Default	Less than 2.5 years	**58**	**–**		**58**	**–**	**29**
	Equal to or more than 2.5 years	**2**	**1**		**2**	**–**	**1**
Total	**Less than 2.5 years**	**68**	**7**		**71**	**7**	**29**
	Equal to or more than 2.5 years	**204**	**51**		**243**	**205**	**4**

		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)

		31 Dec 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	**169**	**8**	**50%**	**173**	**86**	**–**
1) Strong	Equal to or more than 2.5 years	**127**	**9**	**70%**	**131**	**89**	**–**
	Less than 2.5 years	**223**	**21**	**70%**	**238**	**167**	**1**
2) Good	Equal to or more than 2.5 years	**190**	**4**	**90%**	**192**	**172**	**2**
	Less than 2.5 years	**93**	**7**	**115%**	**99**	**114**	**3**
3) Satisfactory	Equal to or more than 2.5 years	**66**	**1**	**115%**	**66**	**76**	**2**
	Less than 2.5 years	**2**	**–**	**250%**	**2**	**4**	**–**
4) Weak	Equal to or more than 2.5 years	**3**	**–**	**250%**	**3**	**9**	**–**
	Less than 2.5 years	**39**	**–**		**39**	**–**	**19**
5) Default	Equal to or more than 2.5 years	**2**	**–**		**2**	**–**	**1**
	Less than 2.5 years	**526**	**36**		**551**	**371**	**23**
Total	**Equal to or more than 2.5 years**	**388**	**14**		**394**	**346**	**5**

		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 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, targets, 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; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; 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 and other disasters; risks concerning borrower and counterparty credit quality; longevity risks defined benefit pension schemes; 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 including risks as a result of the failure of third party suppliers; 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) and decarbonisation, 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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