

# Lloyds Bank Corporate Markets Plc Pillar 3 Report

Supplement to Lloyds Banking Group  
Capital and Risk Management Pillar 3 Report

30 June 2020

This report supplements the Lloyds Banking Group Capital and Risk Management Pillar 3 Report 2020, available from [www.lloydsbankinggroup.com/investors/financial-performance/](http://www.lloydsbankinggroup.com/investors/financial-performance/). The report complies with the requirements of Article 13 of the revised Capital Requirements Regulation (CRR II) as applied to large subsidiaries.

## 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 Lloyds Bank Corporate Markets plc (the Bank) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Bank's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements.

Examples of such forward looking statements include, but are not limited to: projections or expectations of the Bank'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 Bank's future financial performance; the level and extent of future impairments and write-downs; statements of plans, objectives or goals of the Bank or its management including in respect of statements about the future business and economic environments in the UK and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Bank or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the credit ratings of the Bank or Lloyds Banking Group plc or its subsidiaries; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic (including but not limited to the coronavirus disease (COVID-19) outbreak) and other disasters, adverse weather and similar contingencies outside the control of the Bank or Lloyds Banking Group plc or its subsidiaries; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the control of the Bank or Lloyds Banking Group plc or its subsidiaries; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the Bank or Lloyds Banking Group plc or its subsidiaries; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Bank's directors, management or employees including industrial action; changes to the post-retirement defined benefit scheme obligations of Lloyds Banking Group plc or its subsidiaries; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Bank; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the Base Prospectus for the Bank's Euro Medium Term Note Programme and the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commissions for discussions of certain factors and risks together with examples of forward looking statements which are available for download from [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

Lloyds Banking Group plc may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the US Securities and Exchange Commission, annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by directors, officers or employees to third parties, including financial analysts.

Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

### BASIS OF PREPARATION

This report presents the Pillar 3 disclosures of Lloyds Bank Corporate Markets plc (the 'Bank') as at 30 June 2020, prepared in accordance with the requirements of the Capital Requirements Directive & Regulation (CRD IV) and the European Banking Authority's revised guidelines:

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

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

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

The Bank has adopted the transitional arrangements for IFRS 9 as set out under CRR Article 473a.

These disclosures are presented on an individual basis for Lloyds Bank Corporate Markets plc. Comparative information has been restated having been presented in previous large subsidiary disclosures on a consolidated basis for the Lloyds Bank Corporate Markets Group.

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

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## KEY METRICS

Table 1: Comparison of institutions own funds and capital and leverage ratios (IFRS9 - FL)

|   |   | Lloyds Bank Corporate Markets |                |                |
|---|---|-------------------------------|----------------|----------------|
|   |   | a                             | a              | a              |
|   |   | T                             | T-2            | T-4            |
|   |   | At 30 Jun 2020                | At 31 Dec 2019 | At 30 Jun 2019 |
| <b>Available capital (amounts)</b>                      |   |                               |                |                |
| 1   | Common Equity Tier 1 (CET1) (£m)  | 2,486                         | 2,381          | 2,176          |
| 2   | CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)               | 2,441                         | 2,378          | 2,176          |
| 3   | Tier 1 (£m)   | 3,243                         | 3,138          | 2,933          |
| 4   | Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)             | 3,198                         | 3,135          | 2,933          |
| 5   | Total capital (£m)  | 3,815                         | 3,685          | 3,301          |
| 6   | Total capital as if IFRS 9 transitional arrangements had not been applied (£m)              | 3,830                         | 3,682          | 3,301          |
| <b>Risk-weighted assets (amounts)</b>                   |   |                               |                |                |
| 7   | Total risk-weighted assets (£m)   | 18,144                        | 17,021         | 17,235         |
| 8   | Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m) | 18,143                        | 17,016         | 17,235         |
| <b>Risk-based capital ratios as a percentage of RWA</b> |   |                               |                |                |
| 9   | Common Equity Tier 1 ratio (%)  | 13.7 %                        | 14.0 %         | 12.6 %         |
| 10  | CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)                  | 13.4 %                        | 14.0 %         | 12.6 %         |
| 11  | Tier 1 ratio (%)  | 17.9 %                        | 18.4 %         | 17.0 %         |
| 12  | Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)                | 17.6 %                        | 18.4 %         | 17.0 %         |
| 13  | Total capital ratio (%)   | 21.0 %                        | 21.7 %         | 19.2 %         |
| 14  | Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)         | 21.1 %                        | 21.6 %         | 19.2 %         |
| <b>CRD IV leverage ratio</b>                            |   |                               |                |                |
| 15  | CRD IV leverage ratio exposure measure (£m)   | 94,869                        | 80,414         | 82,995         |
| 16  | CRD IV leverage ratio (%)   | 3.4 %                         | 3.9 %          | 3.5 %          |
| 17  | CRD IV leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)       | 3.4 %                         | 3.9 %          | 3.5 %          |

## RISK-WEIGHTED ASSETS AND PILLAR 1 CAPITAL REQUIREMENTS

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

|  | Jun 2020<br>RWA<br>£m | Dec 2019<br>RWA<br>£m | Jun 2020<br>Minimum<br>capital<br>requirements<br>£m | Dec 2019<br>Minimum capital<br>requirements<br>£m |
|--|-----------------------|-----------------------|--|---|
|  | T                     | T                     | T  | T   |
| 1 <b>Credit risk (excluding counterparty credit risk)</b>  | 10,006                | 9,460                 | 800  | 757   |
| 2 Of which: standardised approach  | 1,966                 | 2,113                 | 157  | 169   |
| 3 Of which: the foundation rating-based (FIRB) approach  | 7,809                 | 7,214                 | 625  | 577   |
| 4 Of which: the retail IRB (RIRB) approach   | —                     | —                     | —  | —   |
| Of which: corporates – specialised lending <sup>1</sup>  | 128                   | 55                    | 10   | 4   |
| Of which: non-credit obligation assets <sup>2</sup>  | 102                   | 77                    | 8  | 6   |
| 5 Of which: equity IRB under the simple risk-weight or the internal models approach                                | —                     | —                     | —  | —   |
| 6 <b>Counterparty credit risk</b>  | 4,224                 | 3,790                 | 338  | 303   |
| 7 Of which: marked to market   | 3,582                 | 3,169                 | 287  | 254   |
| 8 Of which: original exposure  | —                     | —                     | —  | —   |
| 9 Of which: the standardised approach  | —                     | —                     | —  | —   |
| 10 Of which: internal ratings-based model method (IMM)   | —                     | —                     | —  | —   |
| Of which: comprehensive approach for credit risk mitigation (for SFTs)   | 80                    | 69                    | 6  | 6   |
| 11 Of which: exposures to central counterparties (including trades, default fund contributions and initial margin) | 213                   | 239                   | 17   | 19  |
| 12 Of which: credit valuation adjustment (CVA)   | 350                   | 313                   | 28   | 25  |
| 13 <b>Settlement risk</b>  | —                     | —                     | —  | —   |
| 14 <b>Securitisation exposures in banking book</b>   | 571                   | 504                   | 46   | 40  |
| 15 Of which: IRB ratings-based approach (RBA)  | —                     | 355                   | —  | 28  |
| 16 Of which: IRB supervisory formula approach (SFA)  | —                     | —                     | —  | —   |
| 17 Of which: internal assessment approach (IAA)  | —                     | —                     | —  | —   |
| 18 Of which: standardised approach   | —                     | —                     | —  | —   |
| Of which: revised framework internal ratings based approach  | —                     | —                     | —  | —   |
| Of which: revised framework standardised approach  | 325                   | 149                   | 26   | 12  |
| Of which: revised framework external ratings based approach  | 246                   | —                     | 20   | —   |
| 19 <b>Market risk</b>  | 1,671                 | 1,588                 | 134  | 127   |
| 20 Of which: standardised approach   | 214                   | 202                   | 17   | 16  |
| 21 Of which: internal model approaches   | 1,457                 | 1,386                 | 117  | 111   |
| 22 <b>Large exposures</b>  | —                     | —                     | —  | —   |
| 23 <b>Operational risk</b>   | 1,044                 | 1,062                 | 84   | 85  |
| 24 Of which: basic indicator approach  | —                     | —                     | —  | —   |
| 25 Of which: standardised approach   | 1,044                 | 1,062                 | 84   | 85  |
| 26 Of which: advanced measurement approach   | —                     | —                     | —  | —   |
| 27 <b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>                                 | 628                   | 616                   | 50   | 49  |
| 28 <b>Floor adjustment</b>   | —                     | —                     | —  | —   |
| 29 <b>Total</b>  | 18,144                | 17,021                | 1,452  | 1,362   |

<sup>1</sup> Includes £128m subject to supervisory slotting and £nil subject to the Foundation IRB approach.

<sup>2</sup> Non-credit obligation assets (IRB approach) predominantly relate to other balance sheet assets such as property, plant & equipment.

## ANALYSIS OF CREDIT RISK MITIGATION

Table 3: CRM techniques - Overview (CR3)

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

|   | June 2020                                   |  |  |   |   |
|---|---|--|--|---|---|
|   | Exposures unsecured – carrying amount<br>£m | Exposures to be secured <sup>1</sup><br>£m | Exposures secured by collateral <sup>2</sup><br>£m | Exposures secured by financial guarantees<br>£m | Exposures secured by credit derivatives<br>£m |
| <b>Exposures subject to the IRB approach</b>                              |   |  |  |   |   |
| Central governments or central banks                                      | 9,422                                       | —  | —  | —   | —   |
| Institutions  | 2,801                                       | 463  | 463  | —   | —   |
| Corporates  | 24,046                                      | 1,545                                      | 1,495  | —   | 50  |
| of which: Specialised Lending   | —   | 238  | 238  | —   | —   |
| of which: SME   | 258   | 54   | 54   | —   | —   |
| Retail  | —   | —  | —  | —   | —   |
| Secured by real estate property   | —   | —  | —  | —   | —   |
| SME   | —   | —  | —  | —   | —   |
| Non-SME   | —   | —  | —  | —   | —   |
| Qualifying Revolving  | —   | —  | —  | —   | —   |
| Other Retail  | —   | —  | —  | —   | —   |
| SME   | —   | —  | —  | —   | —   |
| Non-SME   | —   | —  | —  | —   | —   |
| Equity  | —   | —  | —  | —   | —   |
| Non-credit obligation assets  | 10  | —  | —  | —   | —   |
| <b>Total – IRB approach</b>   | <b>36,279</b>                               | <b>2,008</b>                               | <b>1,959</b>                                       | <b>—</b>  | <b>50</b>                                     |
| <b>Exposures subject to the standardised approach</b>                     |   |  |  |   |   |
| Central governments or central banks                                      | 17,949                                      | —  | —  | —   | —   |
| Regional governments or local authorities                                 | —   | —  | —  | —   | —   |
| Public sector entities  | —   | —  | —  | —   | —   |
| Multilateral development banks  | —   | —  | —  | —   | —   |
| International organisations   | —   | —  | —  | —   | —   |
| Institutions  | 750   | —  | —  | —   | —   |
| Corporates  | 2,073                                       | 22   | 1  | 21  | —   |
| Retail  | 76  | 116  | 116  | —   | —   |
| Secured by mortgages on immovable property                                | —   | 896  | 896  | —   | —   |
| Exposures in default  | 8   | 1  | 1  | —   | —   |
| Items associated with particularly high risk                              | —   | —  | —  | —   | —   |
| Covered bonds   | —   | —  | —  | —   | —   |
| Claims on institutions and corporates with a short-term credit assessment | —   | —  | —  | —   | —   |
| Collective investment undertakings  | —   | —  | —  | —   | —   |
| Equity exposures  | —   | —  | —  | —   | —   |
| Other exposures   | 119   | —  | —  | —   | —   |
| <b>Total – standardised approach</b>                                      | <b>20,976</b>                               | <b>1,035</b>                               | <b>1,014</b>                                       | <b>21</b>                                       | <b>—</b>                                      |
| <b>Total exposures</b>  | <b>57,255</b>                               | <b>3,044</b>                               | <b>2,973</b>                                       | <b>21</b>                                       | <b>50</b>                                     |
| of which: defaulted   | 22  | 1  | 1  | —   | —   |

|   | December 2019                         |                                      |  |   |   |
|---|---------------------------------------|--------------------------------------|--|---|---|
|   | Exposures unsecured – carrying amount | Exposures to be secured <sup>1</sup> | Exposures secured by collateral <sup>2</sup> | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
|   | £m                                    | £m                                   | £m   | £m  | £m                                      |
| <b>Exposures subject to the IRB approach</b>                              |                                       |                                      |  |   |   |
| Central governments or central banks                                      | 6,187                                 | —                                    | —  | —   | —                                       |
| Institutions  | 2,421                                 | 591                                  | 591  | —   | —                                       |
| Corporates  | 23,366                                | 1,394                                | 1,313  | 13  | 68                                      |
| of which: Specialised Lending   | —                                     | 93                                   | 93   | —   | —                                       |
| of which: SME   | 313                                   | —                                    | —  | —   | —                                       |
| Retail  | —                                     | —                                    | —  | —   | —                                       |
| Secured by real estate property   | —                                     | —                                    | —  | —   | —                                       |
| SME   | —                                     | —                                    | —  | —   | —                                       |
| Non-SME   | —                                     | —                                    | —  | —   | —                                       |
| Qualifying Revolving  | —                                     | —                                    | —  | —   | —                                       |
| Other Retail  | —                                     | —                                    | —  | —   | —                                       |
| SME   | —                                     | —                                    | —  | —   | —                                       |
| Non-SME   | —                                     | —                                    | —  | —   | —                                       |
| Equity  | —                                     | —                                    | —  | —   | —                                       |
| Non-credit obligation assets  | 69                                    | —                                    | —  | —   | —                                       |
| <b>Total – IRB approach</b>   | <b>32,043</b>                         | <b>1,986</b>                         | <b>1,905</b>                                 | <b>13</b>                                 | <b>68</b>                               |
| <b>Exposures subject to the standardised approach</b>                     |                                       |                                      |  |   |   |
| Central governments or central banks                                      | 10,166                                | —                                    | —  | —   | —                                       |
| Regional governments or local authorities                                 | —                                     | —                                    | —  | —   | —                                       |
| Public sector entities  | —                                     | —                                    | —  | —   | —                                       |
| Multilateral development banks  | —                                     | —                                    | —  | —   | —                                       |
| International organisations   | —                                     | —                                    | —  | —   | —                                       |
| Institutions  | 676                                   | —                                    | —  | —   | —                                       |
| Corporates  | 2,580                                 | 36                                   | 1  | 19  | 16                                      |
| Retail  | 64                                    | 101                                  | 101  | —   | —                                       |
| Secured by mortgages on immovable property                                | —                                     | 820                                  | 820  | —   | —                                       |
| Exposures in default  | —                                     | 1                                    | 1  | —   | —                                       |
| Items associated with particularly high risk                              | —                                     | —                                    | —  | —   | —                                       |
| Covered bonds   | —                                     | —                                    | —  | —   | —                                       |
| Claims on institutions and corporates with a short-term credit assessment | —                                     | —                                    | —  | —   | —                                       |
| Collective investment undertakings  | —                                     | —                                    | —  | —   | —                                       |
| Equity exposures  | —                                     | —                                    | —  | —   | —                                       |
| Other exposures   | 70                                    | —                                    | —  | —   | —                                       |
| <b>Total – standardised approach</b>                                      | <b>13,556</b>                         | <b>958</b>                           | <b>924</b>                                   | <b>19</b>                                 | <b>16</b>                               |
| <b>Total exposures</b>  | <b>45,599</b>                         | <b>2,944</b>                         | <b>2,828</b>                                 | <b>32</b>                                 | <b>84</b>                               |
| of which: defaulted   | —                                     | 1                                    | 1  | —   | —                                       |

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

<sup>2</sup> At 30 June 2020 the value of exposures secured by eligible financial collateral is £1,102m and the value of exposures secured by other eligible collateral is £1,871m.



## ANALYSIS OF CREDIT QUALITY OF EXPOSURES

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

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

|   | June 2020                |                         |  |                                |   |               |
|---|--------------------------|-------------------------|--|--------------------------------|---|---------------|
|   | Gross carrying values of |                         | Specific credit risk adjustment <sup>1</sup> | General credit risk adjustment | Credit risk adjustment charges in the period <sup>1</sup> | Net values    |
|   | Defaulted exposures      | Non-defaulted exposures |  |                                |   |               |
|   | £m                       | £m                      | £m   | £m                             | £m  | £m            |
|   | a                        | b                       | c  | e                              | f   | g             |
| Central governments or central banks                                      | —                        | 9,422                   | —  | —                              | —   | 9,422         |
| Institutions  | —                        | 3,268                   | 4  | —                              | 3   | 3,264         |
| Corporates <sup>2</sup>   | 14                       | 25,663                  | 85   | —                              | 82  | 25,592        |
| of which: Specialised lending   | —                        | 239                     | 1  | —                              | 1   | 238           |
| of which: SMEs  | —                        | 313                     | 1  | —                              | 1   | 312           |
| Retail  | —                        | —                       | —  | —                              | —   | —             |
| Secured by real estate property   | —                        | —                       | —  | —                              | —   | —             |
| SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Non-SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Qualifying revolving  | —                        | —                       | —  | —                              | —   | —             |
| Other retail  | —                        | —                       | —  | —                              | —   | —             |
| SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Non-SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Equity  | —                        | —                       | —  | —                              | —   | —             |
| Non-credit obligation assets  | —                        | 10                      | —  | —                              | —   | 10            |
| <b>Total IRB approach</b>   | <b>14</b>                | <b>38,364</b>           | <b>89</b>                                    | <b>—</b>                       | <b>86</b>   | <b>38,288</b> |
| Central governments or central banks                                      | —                        | 17,949                  | —  | —                              | —   | 17,949        |
| Regional governments or local authorities                                 | —                        | —                       | —  | —                              | —   | —             |
| Public sector entities  | —                        | —                       | —  | —                              | —   | —             |
| Multilateral development banks  | —                        | —                       | —  | —                              | —   | —             |
| International organisations   | —                        | —                       | —  | —                              | —   | —             |
| Institutions  | —                        | 750                     | —  | —                              | —   | 750           |
| Corporates  | —                        | 2,101                   | 5  | —                              | 2   | 2,095         |
| of which: SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Retail  | —                        | 192                     | —  | —                              | —   | 192           |
| of which: SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Secured by mortgages on immovable property                                | —                        | 897                     | 1  | —                              | 1   | 896           |
| of which: SMEs  | —                        | —                       | —  | —                              | —   | —             |
| Exposures in default  | 11                       | —                       | 2  | —                              | 3   | 9             |
| Items associated with particularly high risk                              | —                        | —                       | —  | —                              | —   | —             |
| Covered bonds   | —                        | —                       | —  | —                              | —   | —             |
| Claims on institutions and corporates with a short-term credit assessment | —                        | —                       | —  | —                              | —   | —             |
| Collective investments undertakings                                       | —                        | —                       | —  | —                              | —   | —             |
| Equity exposures  | —                        | —                       | —  | —                              | —   | —             |
| Other exposures   | —                        | 119                     | —  | —                              | —   | 119           |
| <b>Total standardised approach</b>  | <b>11</b>                | <b>22,008</b>           | <b>8</b>                                     | <b>—</b>                       | <b>6</b>  | <b>22,011</b> |
| <b>Total</b>  | <b>25</b>                | <b>60,372</b>           | <b>98</b>                                    | <b>—</b>                       | <b>92</b>   | <b>60,299</b> |

|   | December 2019            |                         |  |                                |   |            |
|---|--------------------------|-------------------------|--|--------------------------------|---|------------|
|   | Gross carrying values of |                         | Specific credit risk adjustment <sup>1</sup> | General credit risk adjustment | Credit risk adjustment charges in the period <sup>1</sup> | Net values |
|   | Defaulted exposures      | Non-defaulted exposures |  |                                |   |            |
|   | £m                       | £m                      | £m   | £m                             | £m  | £m         |
|   | a                        | b                       | c  | e                              | f   | g          |
| Central governments or central banks                                      | —                        | 6,187                   | —  | —                              | —   | 6,187      |
| Institutions  | —                        | 3,013                   | 1  | —                              | —   | 3,012      |
| Corporates <sup>2</sup>   | —                        | 24,764                  | 3  | —                              | 1   | 24,761     |
| of which: Specialised lending   | —                        | 93                      | —  | —                              | (2)   | 93         |
| of which: SMEs  | —                        | 313                     | —  | —                              | —   | 313        |
| Retail  | —                        | —                       | —  | —                              | —   | —          |
| Secured by real estate property   | —                        | —                       | —  | —                              | —   | —          |
| SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Non-SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Qualifying revolving  | —                        | —                       | —  | —                              | —   | —          |
| Other retail  | —                        | —                       | —  | —                              | —   | —          |
| SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Non-SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Equity  | —                        | —                       | —  | —                              | —   | —          |
| Non-credit obligation assets  | —                        | 69                      | —  | —                              | —   | 69         |
| <b>Total IRB approach</b>   | —                        | 34,032                  | 4  | —                              | 1   | 34,028     |
| Central governments or central banks                                      | —                        | 10,166                  | —  | —                              | —   | 10,166     |
| Regional governments or local authorities                                 | —                        | —                       | —  | —                              | —   | —          |
| Public sector entities  | —                        | —                       | —  | —                              | —   | —          |
| Multilateral development banks  | —                        | —                       | —  | —                              | —   | —          |
| International organisations   | —                        | —                       | —  | —                              | —   | —          |
| Institutions  | —                        | 676                     | —  | —                              | —   | 676        |
| Corporates  | —                        | 2,620                   | 4  | —                              | —   | 2,616      |
| of which: SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Retail  | —                        | 166                     | —  | —                              | —   | 166        |
| of which: SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Secured by mortgages on immovable property                                | —                        | 820                     | 1  | —                              | —   | 820        |
| of which: SMEs  | —                        | —                       | —  | —                              | —   | —          |
| Exposures in default <sup>3</sup>   | 2                        | —                       | 1  | —                              | (4)   | 1          |
| Items associated with particularly high risk                              | —                        | —                       | —  | —                              | —   | —          |
| Covered bonds   | —                        | —                       | —  | —                              | —   | —          |
| Claims on institutions and corporates with a short-term credit assessment | —                        | —                       | —  | —                              | —   | —          |
| Collective investments undertakings                                       | —                        | —                       | —  | —                              | —   | —          |
| Equity exposures  | —                        | —                       | —  | —                              | —   | —          |
| Other exposures   | —                        | 70                      | —  | —                              | —   | 70         |
| <b>Total standardised approach</b>  | 2                        | 14,518                  | 6  | —                              | (4)   | 14,515     |
| <b>Total</b>  | 2                        | 48,550                  | 9  | —                              | (3)   | 48,543     |

<sup>1</sup> The total of specific credit risk adjustments and credit risk adjustment charges in the period are lower than financial reporting amounts due to the differing regulatory treatment of a number of exposures and other differences.

<sup>2</sup> Refer to Table 5 for further analysis of exposures by sector.

<sup>3</sup> The breakdown of 'Exposure in default' by the exposure class that corresponds to the exposure before default, comprises Corporate £9m, and Retail £2m.

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

|  | June 2020                |                         |  |                                |   |               |
|--|--------------------------|-------------------------|--|--------------------------------|---|---------------|
|  | Gross carrying values of |                         | Specific credit risk adjustment <sup>1</sup> | General credit risk adjustment | Credit risk adjustment charges in the period <sup>1</sup> | Net values    |
|  | Defaulted exposures      | Non-defaulted exposures |  |                                |   |               |
|  | £m                       | £m                      | £m   | £m                             | £m  | £m            |
| a                                      | b                        | c                       | e  | f                              | g   |               |
| Agriculture, forestry and fishing      | —                        | —                       | —  | —                              | —   | —             |
| Energy and water supply                | —                        | 284                     | 1  | —                              | 1   | 283           |
| Manufacturing                          | —                        | 3,421                   | 19   | —                              | 19  | 3,402         |
| Construction                           | —                        | 52                      | —  | —                              | —   | 52            |
| Transport, distribution and hotels     | —                        | 729                     | 5  | —                              | 5   | 725           |
| Postal and communications              | —                        | 41                      | 1  | —                              | 1   | 40            |
| Property companies                     | 1                        | 1,453                   | 4  | —                              | 2   | 1,450         |
| Financial, business and other services | 21                       | 53,304                  | 67   | —                              | 62  | 53,258        |
| Personal: mortgages                    | 2                        | 1,030                   | 2  | —                              | 1   | 1,031         |
| Personal: other                        | —                        | 58                      | —  | —                              | —   | 58            |
| Lease financing                        | —                        | —                       | —  | —                              | —   | —             |
| Hire purchase                          | —                        | —                       | —  | —                              | —   | —             |
| <b>Total</b>                           | <b>25</b>                | <b>60,372</b>           | <b>98</b>                                    | <b>—</b>                       | <b>92</b>   | <b>60,299</b> |

  

|  | December 2019            |                         |  |                                |   |               |
|--|--------------------------|-------------------------|--|--------------------------------|---|---------------|
|  | Gross carrying values of |                         | Specific credit risk adjustment <sup>1</sup> | General credit risk adjustment | Credit risk adjustment charges in the period <sup>1</sup> | Net values    |
|  | Defaulted exposures      | Non-defaulted exposures |  |                                |   |               |
|  | £m                       | £m                      | £m   | £m                             | £m  | £m            |
| a                                      | b                        | c                       | e  | f                              | g   |               |
| Agriculture, forestry and fishing      | —                        | —                       | —  | —                              | —   | —             |
| Energy and water supply                | —                        | 327                     | —  | —                              | (2)   | 327           |
| Manufacturing                          | —                        | 4,004                   | —  | —                              | —   | 4,004         |
| Construction                           | —                        | 67                      | —  | —                              | —   | 67            |
| Transport, distribution and hotels     | —                        | 955                     | —  | —                              | —   | 954           |
| Postal and communications              | —                        | 38                      | —  | —                              | —   | 38            |
| Property companies                     | —                        | 1,252                   | 2  | —                              | (5)   | 1,250         |
| Financial, business and other services | —                        | 40,921                  | 6  | —                              | 3   | 40,916        |
| Personal: mortgages                    | 2                        | 927                     | 1  | —                              | —   | 928           |
| Personal: other                        | —                        | 59                      | —  | —                              | —   | 59            |
| Lease financing                        | —                        | —                       | —  | —                              | —   | —             |
| Hire purchase                          | —                        | —                       | —  | —                              | —   | —             |
| <b>Total</b>                           | <b>2</b>                 | <b>48,550</b>           | <b>9</b>                                     | <b>—</b>                       | <b>(3)</b>  | <b>48,543</b> |

<sup>1</sup> The total of specific credit risk adjustments and credit risk adjustment charges in the period are lower than financial reporting amounts due to the differing regulatory treatment of a number of exposures and other differences.

**Table 6: Credit quality of exposures by geographical region (CR1-C)**

|                          | June 2020                |                         |  |                                |   |               |
|--------------------------|--------------------------|-------------------------|--|--------------------------------|---|---------------|
|                          | Gross carrying values of |                         | Specific credit risk adjustment <sup>1</sup> | General credit risk adjustment | Credit risk adjustment charges in the period <sup>1</sup> | Net values    |
|                          | Defaulted exposures      | Non-defaulted exposures |  |                                |   |               |
|                          | £m                       | £m                      | £m   | £m                             | £m  | £m            |
| United Kingdom           | 9                        | 28,529                  | 33   | —                              | 30  | 28,505        |
| Rest of Europe           | 2                        | 6,829                   | 6  | —                              | 6   | 6,825         |
| United States of America | 14                       | 20,992                  | 56   | —                              | 53  | 20,950        |
| Asia-Pacific             | —                        | 1,246                   | 2  | —                              | 2   | 1,244         |
| Other                    | —                        | 2,776                   | 2  | —                              | 1   | 2,774         |
| <b>Total</b>             | <b>25</b>                | <b>60,372</b>           | <b>98</b>                                    | <b>—</b>                       | <b>92</b>   | <b>60,299</b> |

  

|                          | December 2019            |                         |  |                                |   |               |
|--------------------------|--------------------------|-------------------------|--|--------------------------------|---|---------------|
|                          | Gross carrying values of |                         | Specific credit risk adjustment <sup>1</sup> | General credit risk adjustment | Credit risk adjustment charges in the period <sup>1</sup> | Net values    |
|                          | Defaulted exposures      | Non-defaulted exposures |  |                                |   |               |
|                          | £m                       | £m                      | £m   | £m                             | £m  | £m            |
| United Kingdom           | 2                        | 20,247                  | 4  | —                              | (4)   | 20,245        |
| Rest of Europe           | —                        | 6,526                   | 1  | —                              | —   | 6,526         |
| United States of America | —                        | 17,835                  | 4  | —                              | 1   | 17,831        |
| Asia-Pacific             | —                        | 1,117                   | —  | —                              | —   | 1,117         |
| Other                    | —                        | 2,825                   | 1  | —                              | —   | 2,824         |
| <b>Total</b>             | <b>2</b>                 | <b>48,550</b>           | <b>9</b>                                     | <b>—</b>                       | <b>(3)</b>  | <b>48,543</b> |

<sup>1</sup> The total of specific credit risk adjustments and credit risk adjustment charges in the period are lower than financial reporting amounts due to the differing regulatory treatment of a number of exposures and other differences.

Table 7: Own funds template

|  | Transitional rules |                | Fully loaded rules |                |
|--|--------------------|----------------|--------------------|----------------|
|  | At 30 Jun 2020     | At 31 Dec 2019 | At 30 Jun 2020     | At 31 Dec 2019 |
|  | £m                 | £m             | £m                 | £m             |
| <b>Common equity tier 1 (CET1) capital: instruments and reserves</b>   |                    |                |                    |                |
| Capital instruments and related share premium accounts   | 120                | 120            | 120                | 120            |
| of which: called up share capital  | 120                | 120            | 120                | 120            |
| Retained earnings  | 2,772              | 3,445          | 2,772              | 3,445          |
| Accumulated other comprehensive income and other reserves (including unrealised gains and losses)  | 87                 | 31             | 87                 | 31             |
| Foreseeable dividend   | –                  | (700)          | –                  | (700)          |
| <b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>   | <b>2,979</b>       | <b>2,896</b>   | <b>2,979</b>       | <b>2,896</b>   |
| <b>Common equity tier 1 (CET1) capital: regulatory adjustments</b>   |                    |                |                    |                |
| Additional value adjustments   | (154)              | (179)          | (154)              | (179)          |
| Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met)   | (3)                | (2)            | (3)                | (2)            |
| Fair value reserves related to gains or losses on cash flow hedges   | (114)              | (56)           | (114)              | (56)           |
| Negative amounts resulting from the calculation of expected loss amounts   | –                  | (16)           | –                  | (16)           |
| Gains or losses on liabilities valued at fair value resulting from changes in own credit standing  | (40)               | (25)           | (40)               | (25)           |
| Direct, indirect and synthetic holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)  | –                  | (52)           | –                  | (52)           |
| Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative  | (182)              | (185)          | (182)              | (185)          |
| of which: securitisation positions   | (182)              | (185)          | (182)              | (185)          |
| <b>Total regulatory adjustments applied to common equity tier 1 (CET1)</b>   | <b>(493)</b>       | <b>(515)</b>   | <b>(493)</b>       | <b>(515)</b>   |
| <b>Common equity tier 1 (CET1) capital</b>   | <b>2,486</b>       | <b>2,381</b>   | <b>2,486</b>       | <b>2,381</b>   |
| <b>Additional tier 1 (AT1) capital: instruments</b>  |                    |                |                    |                |
| Capital instruments and related share premium accounts   | 757                | 757            | 757                | 757            |
| of which: classified as equity under applicable accounting standards   | 757                | 757            | 757                | 757            |
| <b>Additional tier 1 (AT1) capital before regulatory adjustments</b>   | <b>757</b>         | <b>757</b>     | <b>757</b>         | <b>757</b>     |
| <b>Tier 1 capital</b>  | <b>3,243</b>       | <b>3,138</b>   | <b>3,243</b>       | <b>3,138</b>   |
| <b>Tier 2 (T2) capital: Instruments and provisions</b>   |                    |                |                    |                |
| Capital instruments and related share premium accounts   | 693                | 645            | 693                | 645            |
| <b>Tier 2 (T2) capital before regulatory adjustments</b>   | <b>693</b>         | <b>645</b>     | <b>693</b>         | <b>645</b>     |
| <b>Tier 2 (T2) capital: regulatory adjustments</b>   |                    |                |                    |                |
| Direct and indirect holdings by an institution of own T2 instruments and subordinated loans  | (105)              | (98)           | (105)              | (98)           |
| IFRS 9 transitional adjustments  | (16)               | –              | (16)               | –              |
| Total regulatory adjustments applied to tier 2 (T2) capital  | (121)              | (98)           | (121)              | (98)           |
| <b>Tier 2 (T2) capital</b>   | <b>572</b>         | <b>547</b>     | <b>572</b>         | <b>547</b>     |
| <b>Total capital</b>   | <b>3,815</b>       | <b>3,685</b>   | <b>3,815</b>       | <b>3,685</b>   |
| <b>Total risk-weighted assets</b>  | <b>18,144</b>      | <b>17,021</b>  | <b>18,144</b>      | <b>17,021</b>  |
| <b>Capital ratios and buffers</b>  |                    |                |                    |                |
| <b>Common Equity Tier 1 (as a percentage of risk exposure amount)</b>  | <b>13.7%</b>       | <b>14.0%</b>   | <b>13.7%</b>       | <b>14.0%</b>   |
| <b>Tier 1 (as a percentage of risk exposure amount)</b>  | <b>17.9%</b>       | <b>18.4%</b>   | <b>17.9%</b>       | <b>18.4%</b>   |
| <b>Total capital (as a percentage of risk exposure amount)</b>   | <b>21.0%</b>       | <b>21.6%</b>   | <b>21.0%</b>       | <b>21.6%</b>   |
| Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) | 2.524%             | 2.990%         | 2.524%             | 2.990%         |
| of which: capital conservation buffer requirement  | 2.500%             | 2.500%         | 2.500%             | 2.500%         |
| of which: countercyclical buffer requirement   | 0.024%             | 0.490%         | 0.024%             | 0.490%         |
| Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure) <sup>1</sup>   | 9.2%               | 9.5%           | 9.2%               | 9.5%           |
| <b>Amounts below the threshold for deduction (before risk-weighting)</b>   |                    |                |                    |                |
| Direct and indirect holdings of the capital of financial sector entities where the Group does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)   | 43                 | 17             | 43                 | 17             |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) of the CRR are met)  | 25                 | 3              | 25                 | 3              |

<sup>1</sup> Of which 2.7 per cent is required to meet Pillar 2A requirements.

## LEVERAGE DISCLOSURE TEMPLATE

Table 8: Leverage ratio common disclosure

|   | At 30 Jun 2020<br>Fully loaded<br>£m | At 31 Dec 2019<br>Fully loaded<br>£m |
|---|--------------------------------------|--------------------------------------|
| <b>On-balance sheet exposures (excluding derivatives and SFTs)</b>  |                                      |                                      |
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)                                       | 58,158                               | 45,752                               |
| Asset amounts deducted in determining Tier 1 capital  | (153)                                | (267)                                |
| Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)   | 58,005                               | 45,485                               |
| <b>Derivative exposures<sup>1</sup></b>   |                                      |                                      |
| Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)                                | 4,055                                | 2,315                                |
| Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)   | 9,389                                | 9,039                                |
| Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 1,171                                | 1,984                                |
| Deductions of receivables assets for cash variation margin provided in derivatives transactions   | (2,570)                              | (3,130)                              |
| Adjusted effective notional amount of written credit derivatives  | 521                                  | 567                                  |
| Adjusted effective notional offsets and add-on deductions for written credit derivatives  | (195)                                | (236)                                |
| Total derivative exposures  | 12,371                               | 10,539                               |
| <b>Securities financing transaction exposures</b>   |                                      |                                      |
| Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions                                      | 29,176                               | 28,061                               |
| Netted amounts of cash payables and cash receivables of gross SFT assets  | (13,405)                             | (13,003)                             |
| Counterparty credit risk exposure for SFT assets  | 668                                  | 501                                  |
| Total securities financing transaction exposures  | 16,439                               | 15,559                               |
| <b>Other off-balance sheet exposures</b>  |                                      |                                      |
| Off-balance sheet exposures at gross notional amount  | 17,150                               | 16,829                               |
| Adjustments for conversion to credit equivalent amounts   | (7,891)                              | (7,788)                              |
| Other off-balance sheet exposures   | 9,259                                | 9,041                                |
| <b>Exempted exposures in accordance with CRR Article 429 (7) (on and off balance sheet)</b>   |                                      |                                      |
| Intragroup exposures exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet) <sup>2</sup>    | (1,205)                              | (210)                                |
| <b>Capital and total exposure measure</b>   |                                      |                                      |
| Tier 1 capital  | 3,243                                | 3,138                                |
| Leverage ratio total exposure measure   | 94,869                               | 80,414                               |
| <b>Leverage ratio</b>   |                                      |                                      |
| Leverage ratio  | 3.4 %                                | 3.9 %                                |

<sup>1</sup> Excludes intragroup derivative assets amounting to £353m exempted in accordance with CRR Article 429(7).

<sup>2</sup> Relates to exempted intragroup loans and receivables. Total intragroup exposures exempted in accordance with CRR Article 429(7), including derivatives, amounted to £1,558m.

**Table 9: Summary reconciliation of accounting assets and leverage ratio exposures**

|   | 30 Jun 2020<br>Fully loaded<br>£m | 31 Dec 2019<br>Fully loaded<br>£m |
|---|-----------------------------------|-----------------------------------|
| Total assets as per the financial statements  | 98,625                            | 79,702                            |
| Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting <sup>1</sup>  | (2,237)                           | 0                                 |
| Adjustments for derivative financial instruments  | (9,735)                           | (7,863)                           |
| Adjustments for securities financing transactions (SFTs)  | 668                               | 501                               |
| Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)  | 9,259                             | 9,041                             |
| Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013 | (1,558)                           | (700)                             |
| Other adjustments   | (153)                             | (267)                             |
| <b>Leverage ratio total exposure measure</b>  | <b>94,869</b>                     | <b>80,414</b>                     |

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