Lloyds Bank Corporate Markets plc

2021 Year-End Pillar 3 Disclosures

31 December 2021

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 and its current goals and expectations. Statements that are not historical or current facts, including statements about Lloyds Bank Corporate Markets plc'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 Lloyds Bank Corporate Markets plc'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; Lloyds Bank Corporate Markets plc's future financial performance; the level and extent of future impairments and write-downs; Lloyds Bank Corporate Markets plc's ESG targets and/or commitments; statements of plans, objectives or goals of Lloyds Bank Corporate Markets plc or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of our securities; 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 Lloyds Bank Corporate Markets plc's or Lloyds Banking Group plc's credit ratings; 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; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which Lloyds Bank Corporate Markets plc operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; risks relating to sustainability and climate change (and achieving climate change ambitions), including Lloyds Bank Corporate Markets plc and/or Lloyds Banking Group plc's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of Lloyds Bank Corporate Markets plc; 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; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of our financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the control of Lloyds Bank Corporate Markets plc or Lloyds Banking Group plc. Please refer to the Base Prospectus for Lloyds Bank Corporate Markets plc'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 Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and Lloyds Bank Corporate Markets plc expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

BASIS OF PREPARATION

This document presents the Pillar 3 disclosures of Lloyds Bank Corporate Markets plc (the 'Bank') as at 31 December 2021.

Under UK law, EU capital rules that existed on 31 December 2020 (including applicable Pillar 3 disclosure requirements) continue to apply to the Bank following the end of the transition period for the UK's withdrawal from the European Union, subject to the temporary transitional powers (TTP) granted to the Prudential Regulation Authority (PRA) which extend until 31 March 2022. The Bank continues to therefore apply the regulatory framework defined by the Capital Requirements Directive and Regulation (CRD IV), as amended by revisions to the Capital Requirements Directive implemented in December 2020 (CRD V) and by those provisions of the revised Capital Requirements Regulation (CRR II) that came into force in June 2019 and December 2020. The requirements are implemented in the UK by the PRA and supplemented through additional regulation under the PRA Rulebook and associated statements of policy, supervisory statements and other guidance.

The Bank's Pillar 3 disclosures have therefore been prepared in accordance with the requirements of CRD IV, as amended, and associated European Banking Authority (EBA) guidelines and technical standards that were in force on 31 December 2020. Specifically, these disclosures are provided in fulfilment of the applicable large subsidiary disclosure requirements under Article 13 'Application of disclosure requirements on a consolidated basis' of CRR II.

As of 1 January 2022, UK Pillar 3 disclosure requirements are now set out under the new Disclosure Part of the PRA Rulebook. This includes revised disclosure requirements that apply from the same date and which reflect the UK implementation of the remaining provisions of CRR II which are broadly aligned to the equivalent revisions that have already come into force under the EU version of CRR II.

The disclosures should be read in conjunction with both the Lloyds Bank Corporate Markets plc Report and Accounts 2021 and the Lloyds Banking Group plc 2021 Year-End Pillar 3 Disclosures, standalone copies of which are located on the Lloyds Banking Group plc website (www.lloydsbankinggroup.com/investors/financial-downloads/).

A number of significant differences exist between accounting disclosures published in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with capital regulations, which prevent direct comparison in a number of areas. These include the definition of credit risk exposure and the recognition, classification and valuation of capital instruments. Further details are included within the Lloyds Banking Group plc 2021 Year-End Pillar 3 Disclosures.

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

The Bank applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (as amended via the CRR 'Quick Fix' revisions published in June 2020). Specifically, the Bank has opted to apply paragraph 4 of CRR Article 473a (dynamic relief) and in addition to apply a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions (as noted on page 5 footnote 1, this was nil at 31 December 2021).

To ensure compliance with both CRR requirements and subsequent European Banking Authority guidelines, credit risk exposures are presented on different bases throughout this report. Each of the credit risk tables clearly state the basis that has been applied.

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

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

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KEY METRICS

KM1: Comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs (IFRS9 - FL)[1]

		31 Dec 2021	30 Jun 2021	31 Dec 2020
	Available capital (amounts)			
1	Common equity tier 1 (CET1) (£m)	**2,423**	2,547	2,462
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**2,423**	2,544	2,428
3	Tier 1 (£m)	**3,180**	3,304	3,219
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**3,180**	3,301	3,185
5	Total capital (£m)	**3,709**	3,834	3,745
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**3,709**	3,831	3,738
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets (£m)	**18,436**	18,512	16,610
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m)	**18,436**	18,507	16,591
	Risk-based capital ratios as a percentage of RWA			
9	Common equity tier 1 ratio (%)	**13.1%**	13.8%	14.8%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**13.1%**	13.7%	14.6%
11	Tier 1 ratio (%)	**17.2%**	17.8%	19.4%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.2%**	17.8%	19.2%
13	Total capital ratio (%)	**20.1%**	20.7%	22.5%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.1%**	20.7%	22.5%
	CRD IV leverage ratio			
15	CRD IV leverage ratio exposure measure (£m)	**92,034**	81,980	87,849
16	CRD IV leverage ratio (%)	**3.5%**	4.0%	3.7%
17	CRD IV leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**3.5%**	4.0%	3.6%

1 The Bank applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (as amended via the CRR 'Quick Fix' revisions published in June 2020). Specifically, the Bank has opted to apply paragraph 4 of CRR Article 473a (dynamic relief) and in addition to apply a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. As at 31 December 2021, no capital relief has been recognised through CET1 capital (31 December 2020: £34 million).

RISK-WEIGHTED ASSETS AND PILLAR 1 CAPITAL REQUIREMENTS

OV1: Overview of risk-weighted assets

		31 Dec 2021 RWA £m	31 Dec 2020 RWA £m	31 Dec 2021 Minimum capital requirements £m	31 Dec 2020 Minimum capital requirements £m
1	**Credit risk (excluding counterparty credit risk)**	**9,026**	8,236	**722**	659
2	Of which: standardised approach	1,290	1,600	103	128
3	Of which: the foundation rating-based (FIRB) approach	7,468	6,436	597	515
	Of which: corporates – specialised lending[1]	197	130	16	10
	Of which: non-credit obligation assets[2]	71	70	6	6
6	**Counterparty credit risk**	**4,621**	4,272	**370**	342
7	Of which: marked to market	3,632	3,630	291	290
	Of which: comprehensive approach for credit risk mitigation (for SFTs)	156	81	13	7
11	Of which: exposures to central counterparties (including trades, default fund contributions and initial margin)	361	237	29	19
12	Of which: credit valuation adjustment (CVA)	472	324	38	26
14	**Securitisation exposures in banking book**	**446**	558	**36**	45
	Of which: standardised approach	311	360	25	29
	Of which: external ratings based approach	135	198	11	16
19	**Market risk**	**2,933**	1,982	**235**	159
20	Of which: standardised approach	259	181	21	14
21	Of which: internal model approaches[3]	2,674	1,801	214	144
23	**Operational risk**	**855**	952	**68**	76
25	Of which: standardised approach	855	952	68	76
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**555**	610	**44**	49
29	**Total**	**18,436**	16,610	**1,475**	1,329
	Pillar 2A capital requirement			**847**	862
	Total capital requirement			**2,322**	2,191

1 Exposures subject to the supervisory slotting approach.

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

3 The increase in market risk is driven by the introduction of new RNIVs relating to IBOR transition and capital multiplier increases due to IBOR related activities and increased market volatility in the fourth quarter driving backtesting overshoots.

On 1 January 2022 the Bank implemented a new standardised approach for measuring counterparty credit risk (SA-CCR) as part of the implementation of the remainder of CRR 2; the impact of which was an increase in counterparty credit risk and credit valuation adjustment risk, risk-weighted assets of £1.8bn.

ANALYSIS OF CREDIT RISK EXPOSURES

CRB-B: Total and average net amount of exposures

The following table shows the Bank's credit exposures split by Basel exposure class, together with associated risk-weighted assets and average risk weight.

31 Dec 2021	EAD pre CRM and post CCF £m	EAD post CRM and post CCF £m	Average credit risk exposure £m	Risk-weighted assets £m	Minimum capital requirements £m	Average risk weight %
Central governments or central banks	5,713	5,713	6,056	204	16	4%
Institutions	1,954	1,955	2,156	262	21	13%
Corporates	21,269	21,307	19,538	7,199	576	34%
of which: Specialised lending	379	379	290	197	16	52%
of which: SMEs	86	86	113	26	2	31%
Non-credit obligation assets[1]	71	71	49	71	6	100%
Total IRB approach	**29,007**	**29,046**	**27,798**	**7,736**	**619**	**27%**
Central governments or central banks	16,736	16,736	15,349	—	—	—
Institutions	245	274	270	111	9	45%
Corporates	837	685	1,029	553	44	66%
of which: SMEs	83	83	40	69	6	83%
Retail	110	109	104	77	6	70%
of which: SMEs	28	27	12	16	1	56%
Secured by mortgages on immovable property	1,210	1,210	1,160	427	34	35%
of which: SMEs	7	7	11	6	—	80%
Exposures in default	2	2	13	3	—	140%
Other exposures[1]	137	137	91	119	10	87%
Total standardised approach	**19,277**	**19,153**	**18,016**	**1,290**	**103**	**7%**
Total	**48,284**	**48,199**	**45,814**	**9,026**	**722**	**19%**

31 Dec 2020	EAD pre CRM and post CCF £m	EAD post CRM and post CCF £m	Average credit risk exposure £m	Risk-weighted assets £m	Minimum capital requirements £m	Average risk weight %
Central governments or central banks	5,532	5,532	7,923	187	15	3%
Institutions	2,503	2,503	2,528	332	27	13%
Corporates	18,124	18,215	21,147	6,047	484	33%
of which: Specialised lending	225	225	192	130	10	58%
of which: SMEs	184	184	210	53	4	29%
Non-credit obligation assets[1]	70	70	73	70	6	100%
Total IRB approach	26,229	26,320	31,671	6,636	532	25%
Central governments or central banks	17,941	17,942	14,714	—	—	—
Institutions	203	225	286	111	9	55%
Corporates	1,218	1,096	1,590	915	73	75%
of which: SMEs	—	—	—	—	—	—
Retail	119	119	117	89	7	75%
of which: SMEs	—	—	—	—	—	—
Secured by mortgages on immovable property	1,085	1,085	934	380	30	35%
of which: SMEs	—	—	—	—	—	—
Exposures in default	8	8	7	9	1	125%
Other exposures[1]	96	96	109	96	8	100%
Total standardised approach	20,670	20,571	17,756	1,600	128	8%
Total	46,899	46,891	49,427	8,236	661	18%

1 Non-credit obligation assets (IRB approach) and other exposures (Standardised approach) predominantly relate to other balance sheet assets that have no associated credit risk

CRB-C: Geographical breakdown of exposures

	31 Dec 2021					
	United Kingdom £m	Rest of Europe £m	United States of America £m	Asia-Pacific £m	Other £m	Total £m
Central governments or central banks	—	158	5,510	45	—	**5,713**
Institutions	94	489	151	1,038	182	**1,954**
Corporates	6,760	5,390	7,352	306	1,461	**21,269**
of which: Specialised lending	211	138	2	—	28	**379**
of which: SMEs	85	1	—	—	—	**86**
Non-credit obligation assets	45	26	—	—	—	**71**
Total IRB approach	**6,899**	**6,063**	**13,013**	**1,389**	**1,643**	**29,007**
Central governments or central banks	16,736	—	—	—	—	**16,736**
Institutions	206	2	20	17	—	**245**
Corporates	216	343	50	160	68	**837**
Retail	—	109	—	—	1	**110**
Secured by mortgages on immovable property	—	1,210	—	—	—	**1,210**
Exposures in default	—	2	—	—	—	**2**
Other exposures	52	11	74	—	—	**137**
Total standardised approach	**17,210**	**1,677**	**144**	**177**	**69**	**19,277**
Total	**24,109**	**7,740**	**13,157**	**1,566**	**1,712**	**48,284**

	31 Dec 2020					
	United Kingdom £m	Rest of Europe £m	United States of America £m	Asia-Pacific £m	Other £m	Total £m
Central governments or central banks	—	60	5,450	22	—	5,532
Institutions	260	692	248	1,094	209	2,503
Corporates	6,077	4,444	5,793	—	1,810	18,124
of which: Specialised lending	182	40	3	—	—	225
of which: SMEs	184	—	—	—	—	184
Non-credit obligation assets	46	24	—	—	—	70
Total IRB approach	6,383	5,220	11,491	1,116	2,019	26,229
Central governments or central banks	17,941	—	—	—	—	17,941
Institutions	196	1	6	—	—	203
Corporates	453	248	305	174	38	1,218
Retail	—	119	—	—	—	119
Secured by mortgages on immovable property	—	1,085	—	—	—	1,085
Exposures in default	8	—	—	—	—	8
Other exposures	89	7	—	—	—	96
Total standardised approach	18,687	1,460	311	174	38	20,670
Total	25,070	6,680	11,802	1,290	2,057	46,899

CRB-D: Concentration of exposures by industry

Credit risk exposures as at 31 December 2021, analysed by major industrial sector, are provided in the table below. Exposures are presented on a pre CRM and post CCF basis.

31 Dec 2021	Agriculture forestry and fishing £m	Energy and water supply £m	Manufacturing £m	Construction £m	Transport, distribution and hotels £m	Postal and comms £m	Property companies £m	Financial, business and other services £m	Personal: mortgages £m	Personal: other £m	Total £m
Central governments or central banks	—	—	—	—	—	—	—	5,713	—	—	**5,713**
Institutions	—	—	—	—	—	—	—	1,954	—	—	**1,954**
Corporates	—	184	1,478	6	189	310	1,145	17,957	—	—	**21,269**
of which: Specialised lending	—	2	—	—	—	34	313	30	—	—	**379**
of which: SMEs	—	—	—	—	—	—	78	8	—	—	**86**
Non-credit obligation assets											**71**
Total IRB approach	**—**	**184**	**1,478**	**6**	**189**	**310**	**1,145**	**25,624**	**—**	**—**	**29,007**
Central governments or central banks	—	—	—	—	—	—	—	16,735	—	—	**16,735**
Institutions	—	—	—	—	—	—	—	245	—	—	**245**
Corporates	—	—	43	3	267	—	95	429	—	—	**837**
Retail	1	—	1	2	1	—	18	7	78	3	**111**
Secured by mortgages on immovable property	—	—	—	—	3	—	4	—	1,203	—	**1,210**
Exposures in default	—	—	—	—	—	—	2	—	—	—	**2**
Other exposures											**137**
Total standardised approach	**1**	**—**	**44**	**5**	**271**	**—**	**119**	**17,416**	**1,281**	**3**	**19,277**
Total	**1**	**184**	**1,522**	**11**	**460**	**310**	**1,264**	**43,040**	**1,281**	**3**	**48,284**

31 Dec 2020	Agriculture forestry and fishing £m	Energy and water supply £m	Manufacturing £m	Construction £m	Transport, distribution and hotels £m	Postal and comms £m	Property companies £m	Financial, business and other services £m	Personal: mortgages £m	Personal: other £m	Total £m
Central governments or central banks	—	—	—	—	—	—	—	5,532	—	—	5,532
Institutions	—	—	—	—	—	—	—	2,503	—	—	2,503
Corporates	—	174	1,216	43	173	28	1,186	15,304	—	—	18,124
of which: Specialised lending	—	3	—	37	—	—	150	35	—	—	225
of which: SMEs	—	—	—	—	2	—	—	182	—	—	184
Non-credit obligation assets	—	—	—	—	—	—	—	—	—	—	70
Total IRB approach	—	174	1,216	43	173	28	1,186	23,339	—	—	26,229
Central governments or central banks	—	—	—	—	—	—	—	17,941	—	—	17,941
Institutions	—	—	—	—	—	—	—	203	—	—	203
Corporates	—	1	99	—	238	—	135	745	—	—	1,218
Retail	—	—	—	—	—	—	—	—	62	57	119
Secured by mortgages on immovable property	—	—	—	—	—	—	—	—	1,085	—	1,085
Exposures in default	—	—	—	—	—	—	1	4	3	—	8
Other exposures	—	—	—	—	—	—	—	—	—	—	96
Total standardised approach	—	1	99	—	238	—	136	18,893	1,150	57	20,670
Total	—	175	1,315	43	411	28	1,322	42,232	1,150	57	46,899

CRB-E: Maturity of exposures

Credit risk exposures at 31 December 2021, analysed by residual maturity, are provided in the table below. Exposures are presented on a pre CRM and post CCF basis.

	31 Dec 2021					
	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	£m	£m	£m	£m	£m	£m
Central governments or central banks	45	5,547	121	—	—	**5,713**
Institutions	—	1,781	173	—	—	**1,954**
Corporates	2	10,929	10,057	281	—	**21,269**
of which: Specialised lending	—	106	273	—	—	**379**
of which: SMEs	—	6	16	64	—	**86**
Non-credit obligation assets	—	—	—	71	—	**71**
Total IRB approach	**47**	**18,257**	**10,351**	**352**	**—**	**29,007**
Central governments or central banks	16,511	170	13	42	—	**16,736**
Institutions	163	62	20	—	—	**245**
Corporates	210	377	221	29	—	**837**
Retail	5	2	10	93	—	**110**
Secured by mortgages on immovable property	67	4	32	1,107	—	**1,210**
Exposures in default	—	2	—	—	—	**2**
Other exposures	—	—	126	11	—	**137**
Total standardised approach	**16,956**	**617**	**422**	**1,282**	**—**	**19,277**
Total	**17,003**	**18,874**	**10,773**	**1,634**	**—**	**48,284**

	31 Dec 2020					
	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	£m	£m	£m	£m	£m	£m
Central governments or central banks	22	5,450	60	—	—	5,532
Institutions	266	2,117	103	17	—	2,503
Corporates	121	8,856	8,519	628	—	18,124
of which: Specialised lending	37	70	114	4	—	225
of which: SMEs	1	34	149	—	—	184
Non-credit obligation assets	—	—	—	70	—	70
Total IRB approach	409	16,423	8,682	715	—	26,229
Central governments or central banks	17,803	138	—	—	—	17,941
Institutions	135	61	4	3	—	203
Corporates	321	356	190	351	—	1,218
Retail	13	—	3	103	—	119
Secured by mortgages on immovable property	119	3	26	937	—	1,085
Exposures in default	—	1	—	7	—	8
Other exposures	—	—	71	25	—	96
Total standardised approach	18,391	559	294	1,426	—	20,670
Total	18,800	16,982	8,976	2,141	—	46,899

ANALYSIS OF CREDIT RISK MITIGATION

CR3: CRM techniques - Overview

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.

31 Dec 2021	Exposures unsecured – carrying amount £m	Exposures to be secured [1] £m	Exposures secured by collateral [2] £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives £m
Exposures subject to the IRB approach					
Central governments or central banks	5,756	—	—	—	—
Institutions	2,450	628	590	—	38
Corporates	23,028	1,852	1,823	—	29
of which: Specialised Lending	—	380	380	—	—
of which: SME	8	79	79	—	—
Non-credit obligation assets	71	—	—	—	—
Total – IRB approach	**31,305**	**2,480**	**2,413**	**—**	**67**
Exposures subject to the standardised approach					
Central governments or central banks	16,776	—	—	—	—
Institutions	326	416	416	—	—
Corporates	1,544	366	298	68	—
Retail	69	81	80	1	—
Secured by mortgages on immovable property	—	1,210	1,210	—	—
Exposures in default	2	—	—	—	—
Other exposures	211	—	—	—	—
Total – standardised approach	**18,928**	**2,073**	**2,004**	**69**	**—**
Total exposures	**50,233**	**4,553**	**4,417**	**69**	**67**
of which: defaulted	**47**	**—**	**—**	**—**	**—**

31 Dec 2020	Exposures unsecured – carrying amount £m	Exposures to be secured [1] £m	Exposures secured by collateral [2] £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives[3] £m
Exposures subject to the IRB approach					
Central governments or central banks	5,548	—	—	—	—
Institutions	2,385	500	463	—	37
Corporates	19,664	1,160	1,160	—	28
of which: Specialised Lending	—	226	226	—	—
of which: SME	245	—	—	—	—
Non-credit obligation assets	70	—	—	—	—
Total – IRB approach	27,667	1,660	1,623	—	37
Exposures subject to the standardised approach					
Central governments or central banks	17,941	—	—	—	—
Institutions	301	411	411	—	—
Corporates	1,441	122	1	93	—
Retail	188	—	—	—	—
Secured by mortgages on immovable property	—	1,085	1,085	—	—
Exposures in default	5	3	3	—	—
Other exposures	96	—	—	—	—
Total – standardised approach	19,972	1,621	1,500	93	28
Total exposures	47,639	3,281	3,123	93	65
of which: defaulted	58	16	16	—	—

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

2 At 31 December 2021 the value of exposures secured by eligible financial collateral is £1,837m (2020: £1,277m) and the value of exposures secured by other eligible collateral is £2,580m (2020: £1,846m).

3 Restated.

ANALYSIS OF CREDIT QUALITY OF EXPOSURES

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.

CR1-A: Credit quality of exposures by exposure class and instrument

	31 Dec 2021				
	Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges / (credit) in the period	Net values
	£m	£m	£m	£m	£m
Central governments or central banks	—	5,756	—	—	5,756
Institutions	—	3,079	—	(2)	3,079
Corporates	44	24,848	13	(40)	24,879
of which: Specialised lending	18	362	—	—	380
of which: SMEs	—	87	—	—	87
Non-credit obligation assets	—	71	—	—	71
Total IRB approach	**44**	**33,754**	**13**	**(42)**	**33,785**
Central governments or central banks	—	16,776	—	—	16,776
Institutions	—	742	—	—	742
Corporates	—	1,913	3	(19)	1,910
of which: SMEs	—	84	—	—	84
Retail	—	150	—	—	150
of which: SMEs	—	32	—	—	32
Secured by mortgages on immovable property	—	1,211	—	—	1,211
of which: SMEs	—	7	—	—	7
Exposures in default[1]	3	—	1	(1)	2
Other exposures	—	211	—	—	211
Total standardised approach	**3**	**21,003**	**4**	**(20)**	**21,002**
Total	**47**	**54,757**	**17**	**(62)**	**54,787**

	31 Dec 2020				
	Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges / (credit) in the period	Net values
	£m	£m	£m	£m	£m
Central governments or central banks	—	5,548	—	—	5,548
Institutions	—	2,886	2	1	2,884
Corporates	67	20,812	56	52	20,823
of which: Specialised lending	—	227	1	1	226
of which: SMEs	—	245	—	—	245
Non-credit obligation assets	—	70	—	—	70
Total IRB approach	67	29,316	58	53	29,325
Central governments or central banks	—	17,941	—	—	17,941
Institutions	—	712	—	—	712
Corporates	—	1,586	22	15	1,564
Retail	—	188	—	—	188
Secured by mortgages on immovable property	—	1,086	1	—	1,085
Exposures in default[1]	9	—	1	2	8
Other exposures	—	96	—	—	96
Total standardised approach	9	21,609	24	17	21,594
Total	76	50,925	82	70	50,919

1 The breakdown of 'Exposure in default' by the exposure class that corresponds to the exposure before default, comprises Corporate £2m (2020: £5m) and Retail £1m (2020: £4m).

CR1-B: Credit quality of exposures by industry types

	31 Dec 2021				
	Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges/(credit) in the period	Net values
	£m	£m	£m	£m	£m
Agriculture, forestry and fishing	—	1	—	—	1
Energy and water supply	—	193	—	—	**193**
Manufacturing	—	2,728	5	1	**2,723**
Construction	1	14	1	1	**14**
Transport, distribution and hotels	—	1,029	1	—	**1,028**
Postal and communications	—	398	1	1	**397**
Property companies	20	1,468	1	—	**1,487**
Financial, business and other services	25	47,604	7	(64)	**47,622**
Personal: mortgages	1	1,272	1	(1)	**1,272**
Personal: other	—	50	—	—	**50**
Total	**47**	**54,757**	**17**	**(62)**	**54,787**

	31 Dec 2020				
	Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges/(credit) in the period	Net values
	£m	£m	£m	£m	£m
Agriculture, forestry and fishing	—	—	—	—	—
Energy and water supply	—	281	—	—	281
Manufacturing	—	1,729	4	4	1,725
Construction	—	46	—	—	46
Transport, distribution and hotels	1	584	1	1	584
Postal and communications	—	37	—	—	37
Property companies	1	1,430	1	3	1,430
Financial, business and other services	70	45,545	74	62	45,541
Personal: mortgages	4	1,205	2	—	1,207
Personal: other	—	68	—	—	68
Total	76	50,925	82	70	50,919

CR1-C: Credit quality of exposures by geographical region

	31 Dec 2021				
	Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges/(credit) in the period	Net values
	£m	£m	£m	£m	£m
United Kingdom	25	25,739	5	(21)	**25,759**
Rest of Europe	22	9,250	3	(5)	**9,269**
United States of America	—	15,568	9	(36)	**15,559**
Asia-Pacific	—	2,133	—	—	**2,133**
Other	—	2,067	—	—	**2,067**
Total	**47**	**54,757**	**17**	**(62)**	**54,787**

	31 Dec 2020				
	Gross carrying values of				
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk adjustment charges/(credit) in the period	Net values
	£m	£m	£m	£m	£m
United Kingdom	64	27,606	27	16	27,643
Rest of Europe	—	6,194	8	6	6,186
United States of America	12	13,366	46	48	13,332
Asia-Pacific	—	1,421	—	—	1,421
Other	—	2,338	1	—	2,337
Total	76	50,925	82	70	50,919

ANALYSIS OF CREDIT QUALITY OF NON-PERFORMING AND FORBORNE EXPOSURES

In December 2018 the EBA published guidelines on the disclosure of non-performing and forborne exposures, to be applied from December 2019. The guidelines introduce ten new reporting templates providing a uniform disclosure format for non-performing exposures, forborne exposures and foreclosed assets. Proportionality is embedded in the guidelines through thresholds based on the size of the Institution and the level of non-performing exposures. The Bank has assessed the threshold criteria within the guidelines and has determined that six of the ten templates are not applicable on the basis that its non-performing loan ratio is significantly lower than the reporting threshold.

The remaining four templates are not subject to threshold criteria, however template CQ7 – Collateral obtained by taking possession and execution process, is not applicable to the Bank as no collateral taken into possession is recognised on the Bank balance sheet. The remaining three templates are disclosed in CQ1, CQ3 & CR1.

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.

CQ1: Credit quality of forborne exposures

	31 Dec 2021							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing Forborne	Non-performing	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
1 **Loans and advances**	**—**	**33**	**32**	**29**	**—**	**(2)**	**—**	**—**
6 Non-financial corporations	—	32	31	28	—	(1)	—	—
7 Households	—	1	1	1	—	(1)	—	—
1 **Total**	**—**	**33**	**32**	**29**	**—**	**(2)**	**—**	**—**

	31 Dec 2020							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing Forborne	Non-performing	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
1 Loans and advances	1	37	37	36	—	(2)	—	—
6 Non-financial corporations	1	37	37	36	—	(2)	—	—
7 Households	—	—	—	—	—	—	—	—
1 **Total**	1	37	37	36	—	(2)	—	—

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

		31 Dec 2021										
	Gross carrying amount/nominal amount											
	Performing			Non-performing								
		Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or 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
1 **Loans and advances**	**25,493**	**25,471**	**22**	**33**	**3**	**28**	**1**	**—**	**1**	**—**	**—**	**32**
3 General governments	36	36	—	—	—	—	—	—	—	—	—	—
4 Credit institutions	3,127	3,127	—	—	—	—	—	—	—	—	—	—
5 Other financial corporations	19,142	19,142	—	—	—	—	—	—	—	—	—	—
6 Non-financial corporations	1,942	1,920	22	32	3	28	1	—	1	—	—	31
8 Households	1,246	1,246	—	1	—	—	—	—	—	—	—	1
9 **Debt securities**	**516**	**516**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11 General governments	85	85	—	—	—	—	—	—	—	—	—	—
13 Other financial corporations	431	431	—	—	—	—	—	—	—	—	—	—
14 Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
15 **Off-balance-sheet exposures**	**15,192**			**—**								**—**
17 General governments	141			—								—
19 Other financial corporations	10,742			—								—
20 Non-financial corporations	3,296			—								—
21 Households	74			—								—
22 **Total**	**41,201**	**25,987**	**22**	**33**	**3**	**28**	**1**	**—**	**1**	**—**	**—**	**32**

		31 Dec 2020											
		Gross carrying amount/nominal amount											
		Performing			Non-performing								
			Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or 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
1	**Loans and advances**	24,861	24,854	7	40	5	35	—	—	—	—	—	37
3	General governments	5	5	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	5,314	5,314	—	—	—	—	—	—	—	—	—	—
5	Other financial corporations	16,212	16,212	—	—	—	—	—	—	—	—	—	37
6	Non-financial corporations	2,196	2,189	7	37	2	35	—	—	—	—	—	—
8	Households	1,134	1,134	—	3	3	—	—	—	—	—	—	—
9	**Debt securities**	630	630	—	—	—	—	—	—	—	—	—	—
11	General governments	36	36	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	446	446	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	148	148	—	—	—	—	—	—	—	—	—	—
15	**Off-balance-sheet exposures**	14,534	—	—	1	—	—	—	—	—	—	—	1
17	General governments	62			—								—
18	Credit institutions	358			—								—
19	Other financial corporations	10,227			—								—
20	Non-financial corporations	3,749			1								1
21	Households	138			—								—
22	**Total**	40,025	25,484	7	41	5	35	—	—	—	—	—	38

The table above excludes loans and advances classified as held for sale, cash balances at central banks and other demand deposits to allow calculation of the NPL ratio in line with EBA definitions.

CR1: Performing and non-performing exposures and related provisions

	31 Dec 2021														
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		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		On performing exposures	On non-performing exposures
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 **Loans and advances**	**25,493**	**25,151**	**35**	**33**	**3**	**29**	**(8)**	**(7)**	**(1)**	**(2)**	**—**	**(2)**	**—**	**1,887**	**—**
3 General governments	36	36	—	—	—	—	—	—	—	—	—	—	—	—	—
4 Credit institutions	3,127	3,127	—	—	—	—	—	—	—	—	—	—	—	—	—
5 Other financial corporations	19,142	18,819	15	—	—	—	(4)	(3)	(1)	—	—	—	—	—	—
6 Non-financial corporations	1,942	1,923	19	32	3	28	(4)	(4)	—	(1)	—	(1)	—	657	—
8 Households	1,246	1,246	1	1	—	1	—	—	—	(1)	—	(1)	—	1,230	—
9 **Debt securities**	**516**	**329**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11 General governments	85	85	—	—	—	—	—	—	—	—	—	—	—	—	—
13 Other financial corporations	431	244	—	—	—	—	—	—	—	—	—	—	—	—	—
14 Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15 **Off-balance-sheet exposures**	**15,192**	**15,192**	**—**	**—**	**—**	**—**	**(7)**	**(7)**	**—**	**—**	**—**	**—**		**1,348**	**—**
17 General governments	141	141	—	—	—	—	—	—	—	—	—	—		—	—
19 Other financial corporations	10,742	10,742	—	—	—	—	(2)	(2)	—	—	—	—		696	—
20 Non-financial corporations	3,296	3,296	—	—	—	—	(5)	(5)	—	—	—	—		246	—
21 Households	74	74	—	—	—	—	—	—	—	—	—	—		—	—
22 **Total**	**41,201**	**40,672**	**35**	**33**	**3**	**29**	**(15)**	**(14)**	**(1)**	**(2)**	**—**	**(2)**	**—**	**3,235**	**—**

		31 Dec 2020														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			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		On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Loans and advances**	24,861	24,143	363	40	1	39	(47)	(27)	(20)	(2)	—	(2)	—	1,757	—
3	General governments	5	5	—	—	—	—	—	—	—	—	—	—	—	—	—
4	Credit institutions	5,314	5,314	—	—	—	—	(2)	(2)	—	—	—	—	—	3	—
5	Other financial corporations	16,212	15,859	15	—	—	—	(32)	(17)	(15)	—	—	—	—	75	—
6	Non-financial corporations	2,196	1,832	347	37	1	36	(12)	(7)	(5)	(2)	—	(2)	—	560	—
8	Households	1,134	1,133	1	3	—	3	(1)	(1)	—	(1)	—	(1)	—	1,119	—
9	**Debt securities**	630	407	—	—	—	—	—	—	—	—	—	—	—	—	—
11	General governments	36	36	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other financial corporations	446	223	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Non-financial corporations	148	148	—	—	—	—	—	—	—	—	—	—	—	—	—
15	**Off-balance-sheet exposures**	14,534	13,712	823	1	1	—	(33)	(20)	(12)	—	—	—	—	1,280	—
17	General governments	62	62	—	—	—	—	—	—	—	—	—	—	—	—	—
18	Credit institutions	358	358	—	—	—	—	—	—	—	—	—	—	—	—	—
19	Other financial corporations	10,227	10,227	—	—	—	—	(15)	(13)	(2)	—	—	—	—	1,103	—
20	Non-financial corporations	3,749	2,926	823	1	1	—	(18)	(7)	(10)	—	—	—	—	177	—
21	Households	138	138	—	—	—	—	—	—	—	—	—	—	—	—	—
22	**Total**	40,025	38,262	1,186	41	2	39	(80)	(47)	(32)	(2)	—	(2)	—	3,037	—

The table above excludes loans and advances classified as held for sale, cash balances at central banks and other demand deposits to allow calculation of the NPL ratio in line with EBA definitions.

Debt securities classified as fair value through profit and loss have also been excluded from reported Stage 1 and 2 balances.

OWN FUNDS DISCLOSURE

CC1: Composition of regulatory own funds

	Transitional rules		Fully loaded rules	
	At 31 Dec 2021 £m	At 31 Dec 2020 £m	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	**120**	120	**120**	120
of which: called up share capital	**120**	120	**120**	120
Retained earnings	**2,725**	2,745	**2,725**	2,745
Accumulated other comprehensive income (and other reserves)	**(62)**	83	**(62)**	83
Foreseeable dividend	**(220)**	(200)	**(220)**	(200)
Common equity tier 1 (CET1) capital before regulatory adjustments	**2,563**	2,748	**2,563**	2,748
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	**(163)**	(156)	**(163)**	(156)
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)	**—**	—	**—**	—
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**48**	(105)	**48**	(105)
Negative amounts resulting from the calculation of expected loss amounts	**(9)**	—	**(9)**	—
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(16)**	(25)	**(16)**	(25)
Total regulatory adjustments applied to common equity tier 1 (CET1)	**(140)**	(286)	**(140)**	(286)
Common equity tier 1 (CET1) capital	**2,423**	2,462	**2,423**	2,462
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	**757**	757	**757**	757
of which: classified as equity under applicable accounting standards	**757**	757	**757**	757
Additional tier 1 (AT1) capital	**757**	757	**757**	757
Tier 1 capital	**3,180**	3,219	**3,180**	3,219
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	**633**	635	**633**	635
Credit risk adjustments	**—**	—	**—**	—
Tier 2 (T2) capital before regulatory adjustments	**633**	635	**633**	635
Tier 2 (T2) capital: regulatory adjustments				
Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	**(104)**	(95)	**(104)**	(95)
IFRS 9 transitional adjustments	**—**	(14)	**—**	(14)
Total regulatory adjustments applied to tier 2 (T2) capital	**(104)**	(109)	**(104)**	(109)
Tier 2 (T2) capital	**529**	526	**529**	526
Total capital	**3,709**	3,745	**3,709**	3,745
Total risk exposure amount (risk-weighted assets)	**18,436**	16,610	**18,436**	16,610
Capital ratios and buffers				
Common equity tier 1 (as a percentage of risk exposure amount)	**13.1%**	14.8%	**13.1%**	14.8%
Tier 1 (as a percentage of risk exposure amount)	**17.2%**	19.4%	**17.2%**	19.4%
Total capital (as a percentage of risk exposure amount)	**20.1%**	22.5%	**20.1%**	22.5%
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)	**2.529%**	2.512%	**2.529%**	2.512%
of which: capital conservation buffer requirement	**2.500%**	2.500 %	**2.500%**	2.500 %
of which: countercyclical buffer requirement	**0.029%**	0.012 %	**0.029%**	0.012 %
Common equity tier 1 available to meet buffers (as a percentage of risk exposure)[1]	**8.6%**	10.3%	**8.6%**	10.3%

CC1: Composition of regulatory own funds (continued)

	Transitional rules		Fully loaded rules	
	At 31 Dec 2021 £m	At 31 Dec 2020 £m	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Amounts below the threshold for deduction (before risk-weighting)				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**8**	38	**8**	38
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**203**	223	**203**	223
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)	**19**	21	**19**	21
Applicable caps on the inclusion of provisions in Tier 2				
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	**—**	—	**—**	—
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	**67**	60	**67**	60

1 Of which 2.6 per cent is required to meet Pillar 2A requirements.

OWN FUNDS RECONCILIATION

The following table presents certain items from the Bank's statutory balance sheet for the year ended 31 December 2021, that are used to calculate own funds. Where necessary, the balance sheet components under the statutory scope of consolidation have been expanded such that the components of the transitional own funds disclosure template appear separately.

Items extracted from the Bank's statutory balance sheet and reconciliation of own funds items to audited financial statements

			Adjustments				
Balance sheet category	Own funds description	Items extracted from the Bank's statutory balance sheet(1) £m	Deferred tax £m	Threshold adjustments £m	Regulatory and other adjustments £m	Transitional own funds £m	Notes
	Common equity tier 1 (CET1) capital: instruments and reserves						
	Capital instruments and related share premium accounts	120				120	
Share capital	of which: called up share capital	120				120	
Retained profits	Retained earnings	2,725			—	2,725	
Other reserves	Accumulated other comprehensive income (and other reserves)	(62)			—	(62)	
	Common equity tier 1 (CET1) capital: regulatory adjustments						
	Additional value adjustments				(163)	(163)	2
Deferred tax assets	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where conditions in Article 38(3) of the CRR are met)	(40)	—	19	21	—	3
	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value				48	48	4
	Negative amounts resulting from the calculation of expected loss amounts				(9)	(9)	5
	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing				(16)	(16)	6
	Foreseeable dividend				(220)	(220)	7
	Common equity tier 1 (CET1) capital	2,743	—	19	(339)	2,423	
	Additional tier 1 (AT1) capital: instruments						
Other equity instruments	Capital instruments and the related share premium accounts	782			(25)	757	
	Additional tier 1 (AT1) capital	782	—	—	(25)	757	
	Tier 1 capital	3,525	—	19	(364)	3,180	
	Tier 2 (T2) capital: instruments and provisions						
Subordinated liabilities	Capital instruments and related share premium accounts	684			(51)	633	8
	Tier 2 (T2) capital: regulatory adjustments						
	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)				(104)	(104)	
	Tier 2 (T2) capital	684	—	—	(155)	529	
	Total capital	4,209	—	19	(519)	3,709	

1 Assets extracted from the Bank's statutory balance sheet are presented as negative amounts, liabilities and equity are presented as positive amounts.

2 The additional value adjustments of £163m reflect the prudent valuation adjustment for all assets measured at fair value in accordance with Articles 34 and 105 of the CRR.

3 Only the deferred tax amounts that rely on future profitability are required to be deducted from CET1, and may be reduced by associated deferred tax liabilities where conditions specified in Article 38 of the CRR are met. £19m of the deferred tax asset relating to temporary differences may be risk weighted instead of deducted from capital as presented in the threshold adjustments column.

4 Cash flow hedge reserve forms part of other reserves in the accounting balance sheet.

5 In accordance with Articles 36, 62, 158 and 159 of the CRR the excess of expected losses over specific credit risk adjustments (SCRAs) and additional value adjustments are deducted from CET1.

6 CRD IV requires the removal of the impact of any gains or losses recorded as liabilities held at fair value through profit and loss or derivative liabilities due to changes in the credit spreads of Lloyds Bank Corporate Markets plc.

7 The £220m foreseeable dividend reflects the interim dividend declared by the Board of Directors in March 2022.

8 Adjustments required by regulatory rules to the value of subordinated liabilities presented within the regulatory and other adjustments column on the reconciliation include adjustments for accrued interest and internal holding limits.

LEVERAGE DISCLOSURE (CRD IV)

LRCom: Leverage ratio common disclosure

	At 31 Dec 2021 Fully loaded £m	At 31 Dec 2020 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**50,537**	50,947
Asset amounts deducted in determining Tier 1 capital[1]	**(28)**	20
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**50,509**	50,967
Derivative exposures[2]		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**5,869**	4,187
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	**7,280**	7,531
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	**1,757**	1,213
Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(2,215)**	(3,064)
Adjusted effective notional amount of written credit derivatives	**408**	537
Adjusted effective notional offsets and add-on deductions for written credit derivatives	**(141)**	(229)
Total derivative exposures	**12,958**	10,175
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**39,093**	33,789
Netted amounts of cash payables and cash receivables of gross SFT assets	**(19,128)**	(14,939)
Counterparty credit risk exposure for SFT assets	**650**	678
Total securities financing transaction exposures	**20,615**	19,528
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	**16,690**	14,684
Adjustments for conversion to credit equivalent amounts	**(8,446)**	(6,680)
Other off-balance sheet exposures	**8,244**	8,004
Exempted exposures in accordance with CRR Article 429 (7) (on and off balance sheet)		
Intragroup exposures exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)[3]	**(292)**	(825)
Capital and total exposure measure		
Tier 1 capital	**3,180**	3,219
Leverage ratio total exposure measure	**92,034**	87,849
Leverage ratio		
Leverage ratio	**3.5%**	3.7 %

1 The prior year comparative includes an adjustment applied to provisions to reflect the application of the IFRS 9 transitional arrangements for capital.

2 Excludes intragroup derivative assets amounting to £440m (31 December 2020: £866m) exempted in accordance with CRR Article 429(7).

3 Relates to exempted intragroup loans and receivables. Total intragroup exposures exempted in accordance with CRR Article 429(7), including derivatives, amounted to £732m (31 December 2020: £1,691m).

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	31 Dec 2021 Fully loaded £m	31 Dec 2020 Fully loaded £m
Total assets as per published financial statements	**88,821**	92,408
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting[1]	**(276)**	(792)
Adjustments for derivative financial instruments	**(4,645)**	(10,778)
Adjustments for securities financing transactions (SFTs)	**650**	678
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**8,244**	8,004
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	**(732)**	(1,691)
Other adjustments	**(28)**	20
Leverage ratio total exposure measure	**92,034**	87,849

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

COUNTERCYCLICAL CAPITAL BUFFER (CCyB)

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

	2021		2021		2021	2021				2021	2021
	General credit exposures[2,3]		Trading book exposures[2]		Securitisation exposures[3]	Own funds requirements					
Breakdown by Country (£m)	Exposure Value for SA	Exposure Value for IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	of which: General credit exposures[2,3]	of which: Trading book exposures[2]	of which: Securitisation exposures[3]	Total	Own funds requirement weights	Countercyclical capital buffer rate
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Hong Kong	—	—	—	—	—	—	—	—	—	0.00%	1.00%
Norway	4	—	—	—	—	—	—	—	—	0.03%	1.00%
Czech Republic	—	—	—	—	—	—	—	—	—	0.00%	0.50%
Slovakia	—	—	—	—	—	—	—	—	—	0.00%	1.00%
Bulgaria	—	—	—	—	—	—	—	—	—	0.00%	0.50%
Luxembourg	5	2,715	—	—	—	58	—	—	58	5.75%	0.50%
i) Total[1]	**9**	**2,715**	**—**	**—**	**—**	**58**	**—**	**—**	**58**	**5.78%**	
United Kingdom	347	11,346	2	30	2,057	440	8	5	453	44.53%	—
United States	128	7,608	3	46	398	221	12	—	233	22.93%	—
Jersey	715	1,166	—	—	—	71	—	—	71	6.99%	—
Guernsey	502	2,064	—	—	—	61	—	—	61	5.95%	—
Cayman Islands	—	540	—	—	80	13	—	1	14	1.40%	—
Bermuda	6	1,011	—	—	—	19	—	—	19	1.87%	—
Isle of Man	332	64	—	—	—	14	—	—	14	1.42%	—
Switzerland	19	98	1	14	—	2	4	38	44	4.30%	—
ii) Total[1]	**2,049**	**23,897**	**6**	**90**	**2,535**	**841**	**24**	**44**	**909**	**89.39%**	
iii) Rest of the World[1]	**306**	**582**	**1**	**18**	**211**	**44**	**5**	**1**	**50**	**4.83%**	
Total	**2,364**	**27,194**	**7**	**108**	**2,746**	**943**	**29**	**45**	**1,017**	**100.00%**	

	2020		2020		2020	2020				2020	2020
	General credit exposures[2,3]		Trading book exposures[2]		Securitisation exposures[3]	Own funds requirements					
Breakdown by Country (£m)	Exposure Value for SA	Exposure Value for IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	of which: General credit exposures[2,3]	of which: Trading book exposures[2]	of which: Securitisation exposures[3]	Total	Own funds requirement weights	Countercyclical capital buffer rate
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Hong Kong	—	—	—	—	—	—	—	—	—	0.00 %	1.00%
Norway	4	—	—	—	—	—	—	—	—	0.03 %	1.00%
Czech Republic	—	—	—	—	—	—	—	—	—	0.00 %	0.50%
Slovakia	—	—	—	—	—	—	—	—	—	0.00 %	1.00%
Luxembourg	—	2,348	—	—	—	45	—	—	45	4.83 %	0.25%
Bulgaria	—	—	—	—	—	—	—	—	—	0.00 %	0.50%
i) Total[1]	4	2,348	—	—	—	45	—	—	45	4.86 %	
United Kingdom	1,842	10,226	2	32	2,159	443	7	43	494	52.68 %	—
United States	326	6,254	1	23	696	207	5	12	224	23.91 %	—
Jersey	216	792	—	—	—	42	—	—	42	4.51 %	—
Guernsey	1	1,675	—	—	—	33	—	—	33	3.57 %	—
Cayman Islands	—	986	—	—	80	20	—	1	21	2.23 %	—
Bermuda	—	850	—	—	—	19	—	—	19	1.99 %	—
ii) Total[1]	2,385	20,783	3	55	2,935	764	12	56	833	88.89 %	
iii) Rest of the World[1]	293	533	5	80	246	42	17	2	61	6.25 %	
Total	2,682	23,664	8	135	3,181	851	29	58	938	100.00 %	

Amount of institution specific countercyclical capital buffer	2021	2020
Total risk exposure amount	**£18,436m**	£16,610m
Institution specific countercyclical buffer rate	**0.029%**	0.012%
Institution specific countercyclical buffer requirement	**£5m**	£2m

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 the EBA 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.

REMUNERATION OF MATERIAL RISK TAKERS

Quantitative remuneration information for the Bank is presented in the tables below. Qualitative disclosure requirement is satisfied through Other Remuneration Disclosures within the 2021 Lloyds Banking Group plc Annual Report and Accounts (pages 122-129).

REM1: Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management[2]	Other identified staff
Fixed remuneration	Number of identified staff	8	3	12	48
	Total fixed remuneration	£760,654	£1,405,869	£4,649,262	£22,843,559
	Of which: cash-based	£760,654	£1,051,150	£3,363,475	£16,632,690
	Of which: shares or equivalent ownership interests[1]	—	£155,000	£646,727	£3,766,782
	Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
	Of which: other instruments	—	—	—	—
	Of which: other forms	—	£199,719	£639,060	£2,444,086
Variable remuneration	Number of identified staff	—	3	12	40
	Total variable remuneration	—	£1,388,615	£4,141,975	£15,953,698
	Of which: cash-based	—	£382,000	£1,589,794	£4,893,958
	Of which: deferred	—	£95,343	£608,816	£2,227,099
	Of which: shares or equivalent ownership interests	—	£1,006,615	£2,128,905	£9,979,962
	Of which: deferred	—	£719,958	£1,333,988	£7,604,115
	Of which: share-linked instruments or equivalent non-cash instruments	—	—	£423,277	£1,079,775
	Of which: deferred	—	—	£237,214	£560,770
	Of which: other instruments	—	—	—	—
	Of which: deferred	—	—	—	—
	Of which: other forms	—	—	—	—
	Of which: deferred	—	—	—	—
Total remuneration		**£760,654**	**£2,794,484**	**£8,791,237**	**£38,797,257**

1 Released over a three-year period.

2 Senior Management is defined as Group Executive Committee (GEC) members/attendees (excluding Group Executive Directors and Non-Executive Directors). In 2020 and prior years Senior Management include GEC direct reports (excluding those direct reports who do not materially influence the risk profile of any in-scope group firm).

3 Values for Long Term Share Plan awards are based on face value at grant. An EBA discount factor has not been applied to awards made in 2022 in respect of performance year 2021.

4 Fixed Remuneration is calculated using annualised salary.

REM2: Special payments to staff whose professional activities have a material impact on institutions risk profile (identified staff)

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	—	—	—	1
Guaranteed variable remuneration awards -Total amount	—	—	—	£72,000
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	—	—
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	—	1	—	—
Severance payments awarded during the financial year - Total amount	—	£15,333	—	—
Of which paid during the financial year	—	£15,333	—	—
Of which deferred	—	—	—	—
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
Of which highest payment that has been awarded to a single person	—	£15,333	—	—

REM3: Deferred remuneration

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent ownership interests	—	—	—	—	—	—	—	—
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
MB Management function								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent ownership interests	£2,448,208	£219,999	£2,228,210	—	—	—	£177,927	£42,072
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent ownership interests	£5,984,042	£1,035,564	£4,948,478	—	—	—	£721,834	£313,731
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other identified staff								
Cash-based	—	—	—	—	—	—	—	—
Shares or equivalent ownership interests	£32,464,641	£3,101,840	£29,362,801	—	—	—	£2,366,463	£735,377
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Total amount	**£40,896,891**	**£4,357,403**	**£36,539,488**	**—**	**—**	**—**	**£3,266,223**	**£1,091,179**

1 Non-Executive Directors are not eligible to receive variable remuneration.

2 All deferred and unvested variable remuneration is in shares.

REM4: Remuneration of 1 million EUR or more per year

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	2
1 500 000 to below 2 000 000	0
2 000 000 to below 2 500 000	0
2 500 000 to below 3 000 000	0
3 000 000 to below 3 500 000	0
3 500 000 to below 4 000 000	0
4 000 000 to below 4 500 000	0
4 500 000 to below 5 000 000	0
5 000 000 to below 6 000 000	0
6 000 000 to below 7 000 000	0
7 000 000 to below 8 000 000	0

1 Converted to Euros using £1: €1.18227 (the exchange used by the European Commission for financial programming for December 2021). The exchange rate used for 2020 was £1 = €1.11804.
2 Values for Long Term Share Plan awards are based on face value at grant. An EBA discount factor has not been applied to awards made in 2022 in respect of performance year 2021.
3 Total number of Material Risk Takers earning more than €1m has decreased from 4 in 2020 to 2 in 2021.

REM5: Information on remuneration of staff whose professional activities have a material impact on institutions risk profile (identified staff)

	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**71**
Of which: members of the MB	8	3	11							
Of which: other senior management				7	—	—	2	3	—	
Of which: other identified staff				28	—	—	2	10	8	
Total remuneration of identified staff	**£760,654**	**£2,794,484**	**£3,555,137**	**£21,208,577**	**—**	**—**	**£1,507,472**	**£4,946,191**	**£19,926,254**	
Of which: variable remuneration	—	£1,388,615	£1,388,615	£8,980,878	—	—	£636,671	£1,546,030	£8,932,094	
Of which: fixed remuneration	£760,654	£1,405,869	£2,166,522	£12,227,699	—	—	£870,801	£3,400,161	£10,994,160	