

Lloyds Bank Corporate Markets Plc

2021 Half-Year Pillar 3 Disclosures

30 June 2021

BASIS OF PREPARATION

This report presents the half-year Pillar 3 disclosures of Lloyds Bank Corporate Markets plc ('the Bank') as at 30 June 2021 and should be read in conjunction with the Lloyds Bank Corporate Markets plc 2021 half-year results.

The disclosures have been prepared in accordance with the Capital Requirements Directive and Regulation (CRD IV) and associated European Banking Authority (EBA) guidelines and technical standards in force as at 31 December 2020.

Under UK law, EU capital rules that existed on 31 December 2020 (including applicable Pillar 3 requirements) continue to apply to the Group 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.

Where references are made to the relevant provisions of the revised Capital Requirements Regulation (CRR) that came into force in June 2019 and December 2020 these are referred to as 'CRR II' requirements.

From 1 January 2022, UK Pillar 3 disclosure requirements will be set out under the new Disclosure Part of the PRA Rulebook. This will include revisions to current Pillar 3 disclosure requirements that will apply from the same date and are broadly aligned to the equivalent revisions that have already come into force under the EU version of CRR II.

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.

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

A description of the main features of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2) instruments issued by Lloyds Banking Group plc (the 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.

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 together with its subsidiaries (the Group) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'endeavour', 'prospects', 'optimistic' 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, statements or guidance relating to: projections or expectations of the Group's future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; ESG targets and/or commitments; statements of plans, objectives or goals of the Group 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 Group 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 relevant member(s) of the Group or Lloyds Banking Group plc; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; potential changes in dividend policy; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality impacting the recoverability and value of balance sheet assets; concentration of financial exposure; management and monitoring of conduct risk; exposure to counterparty risk (including but not limited to third parties conducting illegal activities without the Group's knowledge); 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 the EU-UK Trade and Cooperation Agreement, instability as a result of 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 and any further possible referendum on Scottish independence; 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, adverse weather and similar contingencies outside the control of the Group or Lloyds Banking Group plc; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, or other such events; geopolitical unpredictability; risks relating to sustainability and climate change, including the Group and/or Lloyds Bank Group plc's ability along with the government and other stakeholders to manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the UK's exit from the EU; changes to regulatory capital or liquidity requirements (including regulatory measures to restrict distributions to address potential capital and liquidity stress) and similar contingencies outside the control of the Group or Lloyds Banking Group plc; 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 laws, legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes in the Group and/or Lloyds Bank Group plc's ability to develop sustainable finance products and the Group and/or Lloyds Bank Group plc's capacity to measure the ESG impact from its financing activity, which may affect the Group and/or Lloyds Bank Group plc's ability to achieve its climate ambition; changes to the Lloyds Banking Group plc's post-retirement defined benefit scheme obligations; 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 Group; 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 Base Prospectus for the Group'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 reports filed with or furnished to the SEC, Lloyds Banking Group plc annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group'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.

CONTENTS

Key Metrics

| | | |
|---------|--|---|
| Table 1 | Comparison of institution's own funds and capital and leverage ratios (IFRS9 - FL) | 5 |
|---------|--|---|

CAPITAL REQUIREMENTS

| | | |
|---------|--|---|
| Table 2 | Overview of risk-weighted assets (OV1) | 6 |
|---------|--|---|

ANALYSIS OF CREDIT RISK MITIGATION

| | | |
|---------|---------------------------------|---|
| Table 3 | CRM techniques – Overview (CR3) | 7 |
|---------|---------------------------------|---|

ANALYSIS OF CREDIT QUALITY OF EXPOSURES

| | | |
|---------|--|----|
| Table 4 | Credit quality of exposures by exposure class and instrument (CR1-A) | 8 |
| Table 5 | Credit quality of exposures by industry types (CR1-B) | 9 |
| Table 6 | Credit quality of exposures by geographical region (CR1-C) | 10 |

OWN FUNDS DISCLOSURE

| | | |
|---------|-------------------------------------|----|
| Table 7 | Own funds disclosure template (CC1) | 11 |
|---------|-------------------------------------|----|

LEVERAGE RATIO

| | | |
|---------|--|----|
| Table 8 | Leverage ratio common disclosure | 13 |
| Table 9 | Summary reconciliation of accounting assets and leverage ratio exposures | 14 |

KEY METRICS

Table 1: 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

| | 30 Jun 2021 ² | 31 Dec 2020 | 30 Jun 2020 |
|---|--------------------------|-------------|-------------|
| Available capital (amounts)³ | | | |
| 1 Common Equity Tier 1 (CET1) (£m) | 2,547 | 2,462 | 2,486 |
| 2 CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m) | 2,544 | 2,428 | 2,441 |
| 3 Tier 1 (£m) | 3,304 | 3,219 | 3,243 |
| 4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m) | 3,301 | 3,185 | 3,198 |
| 5 Total capital (£m) | 3,834 | 3,745 | 3,815 |
| 6 Total capital as if IFRS 9 transitional arrangements had not been applied (£m) | 3,831 | 3,738 | 3,830 |
| Risk-weighted assets (amounts)³ | | | |
| 7 Total risk-weighted assets (£m) | 18,512 | 16,610 | 18,144 |
| 8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m) | 18,507 | 16,591 | 18,143 |
| Risk-based capital ratios as a percentage of RWA³ | | | |
| 9 Common Equity Tier 1 ratio (%) | 13.8% | 14.8% | 13.7% |
| 10 CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%) | 13.7% | 14.6% | 13.4% |
| 11 Tier 1 ratio (%) | 17.8% | 19.4% | 17.9% |
| 12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%) | 17.8% | 19.2% | 17.6% |
| 13 Total capital ratio (%) | 20.7% | 22.5% | 21.0% |
| 14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%) | 20.7% | 22.5% | 21.1% |
| CRD IV leverage ratio⁴ | | | |
| 15 CRD IV leverage ratio exposure measure (£m) | 81,980 | 87,849 | 94,869 |
| 16 CRD IV leverage ratio (%) | 4.0% | 3.7% | 3.4% |
| 17 CRD IV leverage ratio as if IFRS 9 transitional arrangements had not been applied (%) | 4.0% | 3.6% | 3.4% |

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 30 June 2021, dynamic relief (from 1 January 2020) under the transitional arrangements amounted to £3 million, through CET1 capital (31 December 2020: £34 million).

2 Incorporating profits for the period that remain subject to formal verification in accordance with the Capital Requirements Regulation.

3 CRD IV transitional capital basis.

4 CRD IV fully loaded capital basis.

RISK-WEIGHTED ASSETS AND PILLAR 1 CAPITAL REQUIREMENTS

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

| | 30 Jun 2021 RWA £m | 31 Dec 2020 RWA £m | 30 Jun 2021 Minimum capital requirements £m | 31 Dec 2020 Minimum capital requirements £m |
|--|--------------------------|--------------------------|---|--|
| | T | T | T | T |
| 1 Credit risk (excluding counterparty credit risk) | 8,244 | 8,236 | 660 | 659 |
| 2 Of which: standardised approach | 1,403 | 1,600 | 112 | 128 |
| 3 Of which: the foundation rating-based (FIRB) approach | 6,573 | 6,436 | 526 | 515 |
| Of which: corporates – specialised lending ¹ | 120 | 130 | 10 | 10 |
| Of which: non-credit obligation assets ² | 148 | 70 | 12 | 6 |
| 6 Counterparty credit risk | 4,047 | 4,272 | 324 | 342 |
| 7 Of which: marked to market | 3,338 | 3,630 | 267 | 290 |
| Of which: comprehensive approach for credit risk mitigation (for SFTs) | 110 | 81 | 9 | 7 |
| 11 Of which: exposures to central counterparties (including trades, default fund contributions and initial margin) | 279 | 237 | 22 | 19 |
| 12 Of which: credit valuation adjustment (CVA) | 320 | 324 | 26 | 26 |
| 14 Securitisation exposures in banking book | 454 | 558 | 36 | 45 |
| Of which: standardised approach | 301 | 360 | 24 | 29 |
| Of which: external ratings based approach | 153 | 198 | 12 | 16 |
| 19 Market risk | 4,321 | 1,982 | 346 | 159 |
| 20 Of which: standardised approach | 197 | 181 | 16 | 14 |
| 21 Of which: internal model approaches ³ | 4,124 | 1,801 | 330 | 144 |
| 23 Operational risk | 901 | 952 | 72 | 76 |
| 25 Of which: standardised approach | 901 | 952 | 72 | 76 |
| 27 Amounts below the thresholds for deduction (subject to 250% risk weight) | 545 | 610 | 44 | 49 |
| 29 Total | 18,512 | 16,610 | 1,481 | 1,329 |

¹ Represents £120m subject to supervisory slotting and £nil subject to the Foundation IRB approach.

² Non-credit obligation assets (IRB approach) includes other balance sheet assets such as property, plant & equipment.

³ Market risk, risk weighted assets increase is largely temporary and due to IBOR cessation activities.

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.

| | 30 Jun 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 | 6,079 | — | — | — | — |
| Institutions | 2,211 | 443 | 407 | — | 36 |
| Corporates | 20,000 | 1,464 | 1,437 | — | 27 |
| of which: Specialised Lending | — | 221 | 221 | — | — |
| of which: SME | — | — | — | — | — |
| Non-credit obligation assets | 148 | — | — | — | — |
| Total – IRB approach | 28,438 | 1,907 | 1,844 | — | 63 |
| Exposures subject to the standardised approach | | | | | |
| Central governments or central banks | 14,306 | — | — | — | — |
| Institutions | 316 | 405 | 405 | — | — |
| Corporates | 1,298 | 101 | 1 | 100 | — |
| Retail | 43 | 87 | 87 | — | — |
| Secured by mortgages on immovable property | — | 1,162 | 1,162 | — | — |
| Exposures in default | 25 | 1 | 1 | — | — |
| Other exposures | 67 | — | — | — | — |
| Total – standardised approach | 16,055 | 1,756 | 1,656 | 100 | — |
| Total exposures | 44,493 | 3,663 | 3,500 | 100 | 63 |
| of which: defaulted | 55 | 11 | 11 | — | — |
| | 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 | 1,188 | 1,160 | — | 28 |
| of which: Specialised Lending | — | 226 | 226 | — | — |
| of which: SME | 245 | — | — | — | — |
| Non-credit obligation assets | 70 | — | — | — | — |
| Total – IRB approach | 27,667 | 1,688 | 1,623 | — | 65 |
| Exposures subject to the standardised approach | | | | | |
| Central governments or central banks | 17,941 | — | — | — | — |
| Institutions | 301 | 411 | 411 | — | — |
| Corporates | 1,441 | 94 | 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 | 1,593 | 1,500 | 93 | — |
| 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 30 June 2021 the value of exposures secured by eligible financial collateral is £1,445m (Dec-20: £1,277m) and the value of exposures secured by other eligible collateral is £1,649m (Dec-20: £1,846m).

³ Restated.

ANALYSIS OF CREDIT QUALITY OF EXPOSURES

Hi 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.

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

| | 30 Jun 2021 | | | | |
|--|--------------------------|-------------------------|---------------------------------|---|---------------|
| | Gross carrying values of | | Specific credit risk adjustment | Credit risk adjustment charges / (credit) in the period | Net values |
| | Defaulted exposures | Non-defaulted exposures | | | |
| £m | £m | £m | £m | £m | |
| Central governments or central banks | — | 6,079 | — | — | 6,079 |
| Institutions | — | 2,654 | — | (2) | 2,654 |
| Corporates | 39 | 21,447 | 22 | (33) | 21,464 |
| of which: Specialised lending | 1 | 221 | 1 | — | 221 |
| of which: SMEs | — | — | — | — | — |
| Non-credit obligation assets | — | 148 | — | — | 148 |
| Total IRB approach | 39 | 30,328 | 22 | (35) | 30,345 |
| Central governments or central banks | — | 14,306 | — | — | 14,306 |
| Institutions | — | 721 | — | — | 721 |
| Corporates | — | 1,408 | 8 | (12) | 1,400 |
| Retail | — | 130 | — | — | 130 |
| Secured by mortgages on immovable property | — | 1,162 | 1 | — | 1,161 |
| Exposures in default ¹ | 27 | — | 1 | — | 26 |
| Other exposures | — | 67 | — | — | 67 |
| Total standardised approach | 27 | 17,794 | 10 | (12) | 17,811 |
| Total | 66 | 48,122 | 32 | (47) | 48,156 |

| | 31 Dec 2020 | | | | |
|--|--------------------------|-------------------------|---------------------------------|---|---------------|
| | Gross carrying values of | | Specific credit risk adjustment | Credit risk adjustment charges / (credit) in the period | Net values |
| | Defaulted exposures | Non-defaulted exposures | | | |
| £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 £26m (2020: £5m), and Retail £1m (2020: £4m).

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

| | 30 Jun 2021 | | | | |
|--|--------------------------|-------------------------|---------------------------------|---|---------------|
| | Gross carrying values of | | Specific credit risk adjustment | Credit risk adjustment charges/(credit) in the period | Net values |
| | Defaulted exposures | Non-defaulted exposures | | | |
| £m | £m | £m | £m | £m | |
| Energy and water supply | — | 92 | — | — | 92 |
| Manufacturing | — | 1,557 | 1 | (3) | 1,556 |
| Construction | — | 9 | — | — | 9 |
| Transport, distribution and hotels | — | 591 | — | (1) | 591 |
| Postal and communications | — | — | — | — | — |
| Property companies | 51 | 1,535 | 1 | — | 1,585 |
| Financial, business and other services | 14 | 43,046 | 29 | (43) | 43,031 |
| Personal: mortgages | 1 | 1,241 | 1 | — | 1,241 |
| Personal: other | — | 51 | — | — | 51 |
| Total | 66 | 48,122 | 32 | (47) | 48,156 |

| | 31 Dec 2020 | | | | |
|--|--------------------------|-------------------------|---------------------------------|---|---------------|
| | Gross carrying values of | | Specific credit risk adjustment | Credit risk adjustment charges/(credit) in the period | Net values |
| | Defaulted exposures | Non-defaulted exposures | | | |
| £m | £m | £m | £m | £m | |
| 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 |

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

| | 30 Jun 2021 | | | | |
|--------------------------|--------------------------|-------------------------|---------------------------------|---|---------------|
| | Gross carrying values of | | Specific credit risk adjustment | Credit risk adjustment charges/(credit) in the period | Net values |
| | Defaulted exposures | Non-defaulted exposures | | | |
| £m | £m | £m | £m | £m | |
| United Kingdom | 55 | 22,798 | 10 | (17) | 22,843 |
| Rest of Europe | 1 | 7,579 | 3 | (5) | 7,577 |
| United States of America | 10 | 14,153 | 19 | (25) | 14,144 |
| Asia-Pacific | — | 1,390 | — | — | 1,390 |
| Other | — | 2,202 | — | — | 2,202 |
| Total | 66 | 48,122 | 32 | (47) | 48,156 |

| | 31 Dec 2020 | | | | |
|--------------------------|--------------------------|-------------------------|---------------------------------|---|---------------|
| | Gross carrying values of | | Specific credit risk adjustment | Credit risk adjustment charges/(credit) in the period | Net values |
| | Defaulted exposures | Non-defaulted exposures | | | |
| £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 |

OWN FUNDS DISCLOSURE

Table 7: Own Funds Disclosure Template

| | Transitional rules | | Fully loaded rules | |
|--|--------------------|----------------|--------------------|----------------|
| | At 30 Jun 2021 | At 31 Dec 2020 | At 30 Jun 2021 | At 31 Dec 2020 |
| | £m | £m | £m | £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 | 2,648 | 2,745 | 2,648 | 2,745 |
| Accumulated other comprehensive income and other reserves (including unrealised gains and losses) | 24 | 83 | 24 | 83 |
| Foreseeable dividend | — | (200) | — | (200) |
| Common equity tier 1 (CET1) capital before regulatory adjustments | 2,792 | 2,748 | 2,792 | 2,748 |
| Common equity tier 1 (CET1) capital: regulatory adjustments | | | | |
| Additional value adjustments | (185) | (156) | (185) | (156) |
| Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | (42) | (105) | (42) | (105) |
| Negative amounts resulting from the calculation of expected loss amounts | — | — | — | — |
| Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | (18) | (25) | (18) | (25) |
| Total regulatory adjustments applied to common equity tier 1 (CET1) | (245) | (286) | (245) | (286) |
| Common equity tier 1 (CET1) capital | 2,547 | 2,462 | 2,547 | 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 | 3,304 | 3,219 | 3,304 | 3,219 |
| Tier 2 (T2) capital: Instruments and provisions | | | | |
| Capital instruments and related share premium accounts | 622 | 635 | 622 | 635 |
| Credit risk adjustments | 9 | — | 9 | — |
| Tier 2 (T2) capital before regulatory adjustments | 631 | 635 | 631 | 635 |
| Tier 2 (T2) capital: regulatory adjustments | | | | |
| Direct and indirect 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) | (101) | (95) | (101) | (95) |
| IFRS 9 transitional adjustments | — | (14) | — | (14) |
| Total regulatory adjustments applied to tier 2 (T2) capital | (101) | (109) | (101) | (109) |
| Tier 2 (T2) capital | 530 | 526 | 530 | 526 |
| Total capital | 3,834 | 3,745 | 3,834 | 3,745 |
| Total risk exposure amount (risk-weighted assets) | 18,512 | 16,610 | 18,512 | 16,610 |
| Capital ratios and buffers | | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 13.8% | 14.8% | 13.8% | 14.8% |
| Tier 1 (as a percentage of risk exposure amount) | 17.8% | 19.4% | 17.8% | 19.4% |
| Total capital (as a percentage of risk exposure amount) | 20.7% | 22.5% | 20.7% | 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) | 2.526% | 2.512% | 2.526% | 2.512% |
| of which: capital conservation buffer requirement | 2.500% | 2.500% | 2.500% | 2.500% |
| of which: countercyclical buffer requirement | 0.026% | 0.012% | 0.026% | 0.012% |
| Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure) ¹ | 9.3% | 10.3% | 9.3% | 10.3% |

Table 7: Own Funds Disclosure Template (continued)

| | Transitional rules | | Fully loaded rules | |
|--|--------------------|----------------|--------------------|----------------|
| | At 30 Jun 2021 | At 31 Dec 2020 | At 30 Jun 2021 | At 31 Dec 2020 |
| | £m | £m | £m | £m |
| Amounts below the threshold for deduction (before risk-weighting) | | | | |
| 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) | 67 | 38 | 67 | 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) | 205 | 223 | 205 | 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) | 13 | 21 | 13 | 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) | 9 | — | 9 | — |
| Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach | 60 | 60 | 60 | 60 |

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

LEVERAGE DISCLOSURE (CRD IV)**Table 8: Leverage ratio common disclosure**

| | At 30 Jun 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) | 45,436 | 50,947 |
| Asset amounts deducted in determining Tier 1 capital ¹ | (11) | 20 |
| Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) | 45,425 | 50,967 |
| Derivative exposures² | | |
| Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 3,870 | 4,187 |
| Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 8,618 | 7,531 |
| Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 1,363 | 1,213 |
| Deductions of receivables assets for cash variation margin provided in derivatives transactions | (2,170) | (3,064) |
| Adjusted effective notional amount of written credit derivatives | 335 | 537 |
| Adjusted effective notional offsets and add-on deductions for written credit derivatives | (53) | (229) |
| Total derivative exposures | 11,963 | 10,175 |
| Securities financing transaction exposures | | |
| Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 33,382 | 33,789 |
| Netted amounts of cash payables and cash receivables of gross SFT assets | (16,445) | (14,939) |
| Counterparty credit risk exposure for SFT assets | 535 | 678 |
| Total securities financing transaction exposures | 17,472 | 19,528 |
| Other off-balance sheet exposures | | |
| Off-balance sheet exposures at gross notional amount | 13,772 | 14,684 |
| Adjustments for conversion to credit equivalent amounts | (6,096) | (6,680) |
| Other off-balance sheet exposures | 7,676 | 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 | (556) | (825) |
| Capital and total exposure measure | | |
| Tier 1 capital | 3,304 | 3,219 |
| Leverage ratio total exposure measure | 81,980 | 87,849 |
| Leverage ratio | | |
| Leverage ratio | 4.0% | 3.7 % |

¹ 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 £958m (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 £1,514m (31 December 2020: £1,691m).

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

| | 30 Jun 2021 Fully loaded £m | 31 Dec 2020 Fully loaded £m |
|---|-----------------------------------|-----------------------------------|
| Total assets as per the financial statements | 81,812 | 92,408 |
| Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting ¹ | (2,099) | (792) |
| Adjustments for derivative financial instruments | (4,419) | (10,778) |
| Adjustments for securities financing transactions (SFTs) | 535 | 678 |
| Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 7,676 | 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 | (1,514) | (1,691) |
| Other adjustments | (11) | 20 |
| Leverage ratio total exposure measure | 81,980 | 87,849 |

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