Lloyds Bank Corporate Markets plc

2022 Year-End
Pillar 3 Disclosures

31 December 2022

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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. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the control of the Group or Lloyds Banking Group plc. Please refer to the 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 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 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 report presents the Pillar 3 disclosures of Lloyds Bank Corporate Markets plc ('the Bank') as at 31 December 2022 and should be read in conjunction with the Lloyds Bank Corporate Markets plc Annual Report and Accounts 2022.

The disclosures have been prepared in accordance with the Disclosure Part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II. In general, comparatives are not provided for new or substantially revised disclosure templates where these are included in the disclosures for the first time.

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

Abbreviation	Template name	Reason for exclusion
INS1	Insurance participations	Not applicable to the Bank
INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable to the Bank
CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
CQ2	Quality of forbearance	Threshold for disclosure not met
CQ6	Collateral valuation – loans and advances	Threshold for disclosure not met
CQ7	Collateral obtained by taking possession and execution processes	No collateral taken into possession is recognised on the balance sheet
CQ8	Collateral obtained by taking possession and execution processes – vintage	Threshold for disclosure not met
CR7	IRB – Effect on the RWAs of credit derivatives used as CRM techniques	Excluded on materiality basis
CR10.3	Specialised lending - Object finance (Slotting approach)	Not applicable to the Bank
CR10.4	Specialised lending: Commodities finance (Slotting approach)	Not applicable to the Bank
CR10.5	Equity exposures subject to the simple risk weight method	Not applicable to the Bank

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

A description of the main features of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2) capital instruments issued by Lloyds Banking Group plc (the ultimate parent company) and its large subsidiaries (including 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 debt instruments that are recognised as eligible liabilities in accordance with the Bank of England's MREL framework. Template TLAC 2 is included within the Pillar 3 disclosures for Lloyds Banking Group plc and details the creditor hierarchy and nominal values of instruments issued by Lloyds Bank Corporate Markets plc. The Lloyds Banking Group plc 2022 Year-End Pillar 3 Disclosures can be found on the Lloyds Banking Group plc website.

Executive Summary

KM1: Key Metrics[1]

KM1 Ref	LR2 Ref		31 Dec 2022	30 Jun 2022	31 Dec 2021
		Available own funds (amounts)			
1		Common Equity Tier 1 (CET1) capital (£m)	**2,948**	2,588	2,423
2		Tier 1 capital (£m)	**3,705**	3,345	3,180
3		Total capital (£m)	**4,285**	3,941	3,709
		Risk-weighted exposure amounts			
4		Total risk-weighted exposure amount (£m)	**20,195**	20,572	18,436
		Capital ratios (as a percentage of risk-weighted exposure amount)			
5		Common Equity Tier 1 ratio (%)	**14.6%**	12.6%	13.1%
6		Tier 1 ratio (%)	**18.3%**	16.3%	17.2%
7		Total capital ratio (%)	**21.2%**	19.2%	20.1%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a		Additional CET1 SREP requirements (%)	**2.6%**	2.3%	2.6%
UK 7b		Additional AT1 SREP requirements (%)	**0.9%**	0.8%	0.9%
UK 7c		Additional T2 SREP requirements (%)	**1.1%**	1.0%	1.1%
UK 7d		Total SREP own funds requirements (%)	**12.6%**	12.1%	12.6%
		Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8		Capital conservation buffer (%)	**2.500%**	2.500%	2.500%
9		Institution specific countercyclical capital buffer (%)	**0.506%**	0.046 %	0.029 %
10a		Other Systemically Important Institution buffer (%)	**—**	—	—
11		Combined buffer requirement (%)	**3.006%**	2.546%	2.529%
UK 11a		Overall capital requirements (%)	**15.6%**	14.6%	15.1%
12		CET1 available after meeting minimum SREP own funds requirements (%)[2]	**7.5%**	5.8%	6.0%
		Leverage ratio			
13	24b	Total exposure measure excluding claims on central banks (£m)[3]	**69,175**	74,898	92,034
14	25	Leverage ratio excluding claims on central banks (%)[3]	**5.4%**	4.5%	3.5%
		Average Liquidity Coverage Ratio (weighted) (LCR)			
15		Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**23,858**	24,181	
UK 16a		Cash outflows - Total weighted value - average (£m)	**24,799**	23,686	
UK 16b		Cash inflows - Total weighted value - average (£m)	**10,692**	9,170	
16		Total net cash outflows (adjusted value - average) (£m)	**14,107**	14,516	
17		Average liquidity coverage ratio (%)	**170%**	168%	

1 The Bank applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (revised). 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 2022, dynamic relief under the transitional arrangements amounted to £7 million (31 December 2021: £nil) through CET1 capital.

2 Represents, as a percentage, the level of CET1 capital left available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet total Pillar 1 plus Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5 per cent (Pillar 1) plus the additional CET1 SREP requirement (56.25 per cent of Pillar 2A).

3 The leverage exposure measure and ratios reported for 31 December 2021 have been calculated under the original CRR leverage rules, inclusive of claims on central banks.

Executive Summary (continued)

Capital - IFRS 9 / Article 468-FL[1]

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

		31 Dec 2022[2]
	Available own funds (amounts)	
1	Common Equity Tier 1 (CET1) capital (£m)	**2,948**
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**2,941**
3	Tier 1 capital (£m)	**3,705**
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**3,698**
5	Total capital (£m)	**4,285**
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**4,288**
	Risk-weighted exposure amounts	
7	Total risk-weighted exposure amount (£m)	**20,195**
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**20,195**
	Capital ratios (as a percentage of risk-weighted exposure amount)	
9	Common Equity Tier 1 ratio (%)	**14.6 %**
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.6 %**
11	Tier 1 ratio (%)	**18.3 %**
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**18.3 %**
13	Total capital ratio (%)	**21.2 %**
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**21.2 %**
	Leverage ratio	
15	Total exposure measure excluding claims on central banks (£m)	**69,175**
16	Leverage ratio excluding claims on central banks (%)	**5.4 %**
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.3 %**

1 The Bank has chosen not to apply the temporary treatment specified under CRR Article 468 (revised) and therefore the reported own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses on any holdings in government and public sector debt measured at fair value through other comprehensive income.

2 No relief under the IFRS 9 transitional arrangements for capital was applied at either 30 June 2022 or 31 December 2021.

Common Equity Tier 1

The Bank's common equity tier 1 (CET1) capital ratio increased to 14.6 per cent at 31 December 2022 compared to 13.1 per cent at 31 December 2021, largely reflecting profits for the year in addition to a £250 million increase in ordinary share capital following a capital injection from the Bank's parent company in December 2022. This was partially offset by the increase in risk-weighted assets.

Total Capital

The Bank's total capital ratio increased to 21.2 per cent at 31 December 2022 compared to 20.1 per cent at 31 December 2021, largely reflecting the increase in CET1 capital and an increase in tier 2 capital, partially offset by the increase in risk-weighted assets.

Risk-Weighted Assets

Risk-weighted assets increased by £1,759 million, or 9.5 per cent, to £20,195 million at 31 December 2022, compared to £18,436 million at 31 December 2021, largely reflecting the UK implementation of the remainder of CRR 2 which included a new standardised approach for measuring counterparty credit risk (SA-CCR), increased lending to customers and the impact of foreign exchange movements, principally driven by movements in the US Dollar and Euro rates.

Leverage

The Bank's UK leverage ratio increased to 5.4 per cent at 31 December 2022 compared to 3.5 per cent at 31 December 2021. This reflected the increase in CET1 capital and a reduction in the exposure measure, largely reflecting the impact of regulatory changes applied under the UK leverage ratio framework on 1 January 2022 which resulted in the exclusion of central bank claims, net of an increase in the derivatives exposure measure following the implementation of SA-CCR. Further reductions in the exposure measure during the year reflected a decrease in securities financing transactions and gilts, partially offset by the increase in derivative valuations and lending to customers.

Executive Summary (continued)

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Dec 2022	31 Dec 2021[1]	31 Dec 2022
		£m	£m	£m
1	**Credit risk (excluding CCR)[1]**	**10,119**	9,581	**810**
2	Of which the standardised approach[1]	1,095	1,337	88
3	Of which the foundation IRB (FIRB) approach	8,301	7,468	664
4	Of which slotting approach	213	197	17
UK 4a	Of which equities under the simple risk weighted approach[1]	450	508	36
	Of which: non-credit obligation assets[2]	60	71	5
6	**Counterparty credit risk - CCR[1]**	**5,515**	4,496	**441**
7	Of which the standardised approach[3]	4,989	—	399
	Of which: marked to market[1]	—	3,507	—
UK 8a	Of which exposures to a CCP	65	361	5
UK 8b	Of which credit valuation adjustment - CVA	302	472	24
9	Of which other CCR	159	156	13
16	**Securitisation exposures in the non-trading book (after the cap)[1]**	**498**	571	**40**
18	Of which SEC-ERBA (including IAA)[1]	156	254	13
19	Of which SEC-SA approach[1]	342	317	27
20	**Position, foreign exchange and commodities risks (Market risk)**	**3,133**	2,933	**251**
21	Of which the standardised approach	204	259	17
22	Of which IMA	2,929	2,674	234
23	**Operational risk**	**930**	855	**74**
UK 23b	Of which standardised approach	930	855	74
24	**Memo: Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)[1]**	509	555	41
29	**Total**	**20,195**	18,436	**1,616**
	Pillar 2A capital requirement[4]			935
	Total capital requirement			**2,551**

1 Restated in accordance with revised OV1 template requirements: (i) threshold balances now reported through relevant underlying category; (ii) counterparty credit risk exposures linked to securitisations now reported through securitisation exposures.

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

3 Implemention of new SA-CCR methodology from 1 January 2022.

4 As at 31 December 2022, the Pillar 2A capital requirement was around 4.6 per cent of risk-weighted assets, of which around 2.6 per cent was to be met with CET1 capital.

INDIVIDUAL CAPITAL REQUIREMENT (OVC)

Pillar 1 of the regulatory framework focuses on the determination of risk weighted assets and expected losses in respect of the firm's exposure to credit, counterparty credit, market and operational risks.

The minimum amount of total capital, under Pillar 1 of the regulatory capital framework, is set at 8 per cent of total risk-weighted assets. At least 4.5 per cent of risk-weighted assets are required to be met with CET1 capital and at least 6 per cent of risk-weighted assets are required to be met with tier 1 capital.

A range of approaches, varying in sophistication, are available under the regulatory framework to use in measuring risk-weighted assets and thereby determine the minimum level of capital required under Pillar 1. The Bank's risk-weighted assets are largely calculated using internal models that are prudently calibrated based on loss experience and are subject to a number of internal controls and external approval from the PRA.

Additional minimum capital requirements under Pillar 2A are set by the PRA as a firm-specific Individual Capital Requirement (ICR) reflecting a point in time estimate, which may change over time, of the minimum amount of capital to cover risks that are not fully covered by Pillar 1, such as credit concentration, and those risks not covered at all by Pillar 1, such as interest rate risk in the banking book (IRRBB).

Pillar 2A capital requirements consist of a variable amount (being a set percentage of risk-weighted assets), with fixed add-ons for certain risk types.

A key input into the PRA's Pillar 2A setting process is a bank's own assessment of the minimum amount of capital it needs to cover risks that are not covered or not fully covered by Pillar 1.

Some of the key risks assessed within the Pillar 2A assessment part of the Bank's Pillar 2A assessment include:

- Concentration risk – greater loss volatility arising from a higher level of loan default correlation than is assumed by the Pillar 1 assessment. Such correlation can arise from, for example, geographic, industry sector and single name concentrations.
- Underestimation risk – where it is considered that the Pillar 1 capital assessments for credit, market, credit valuation adjustment (CVA) or operational risk underestimate the risk. The operational risk assessment includes consideration of conduct risk.
- Interest rate risk in the banking book – the potential losses in the non-trading book resulting from interest rate changes or changes in spreads between different rates.

The detailed Pillar 2A assessment is subject to a robust review process, approved by the Board and submitted to the PRA for their consideration ahead of setting the ICR.

The Bank is not permitted by the PRA to disclose any details on the individual components of its Pillar 2A capital requirement.

Own funds

CC1: Composition of regulatory own funds

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

		31 Dec 2022 £m	31 Dec 2021[1] £m	CC2 Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	370	120	
	of which: called up share capital	370	120	a
2	Retained earnings	2,810	2,725	c
3	Accumulated other comprehensive income (and other reserves)	(530)	(62)	c
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend[2]	—	(220)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	2,650	2,563	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	(162)	(163)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	519	48	
12	Negative amounts resulting from the calculation of expected loss amounts	(32)	(9)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(34)	(16)	
27a	Other regulatory adjustments to CET1 capital	7	—	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	298	(140)	
29	**Common Equity Tier 1 (CET1) capital**	2,948	2,423	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	757	757	
31	of which: classified as equity under applicable accounting standards	757	757	b
44	**Additional Tier 1 (AT1) capital**	757	757	
45	**Tier 1 capital (T1 = CET1 + AT1)**	3,705	3,180	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	706	633	d
50	Credit risk adjustments	—	—	
51	**Tier 2 (T2) capital before regulatory adjustments**	706	633	
Tier 2 (T2) capital: regulatory adjustments				
55	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)	(116)	(104)	
UK-56b	Other regulatory adjustments to T2 capital	(10)	—	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	(126)	(104)	
58	**Tier 2 (T2) capital**	580	529	
59	**Total capital**	4,285	3,709	
60	**Total risk exposure amount**	20,195	18,436	

		31 Dec 2022 £m	31 Dec 2021[1] £m	CC2 Reference
Capital ratios and buffers				
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**14.6%**	13.1%	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**18.3%**	17.2%	
63	**Total capital (as a percentage of total risk exposure amount)**	**21.2%**	20.1%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**10.1%**	9.6%	
65	of which: capital conservation buffer requirement	**2.500%**	2.500%	
66	of which: countercyclical buffer requirement	**0.506%**	0.029%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**7.5%**	6.0%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities 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)	**11**	8	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	**180**	203	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	**23**	19	
Applicable caps on the inclusion of provisions in Tier 2				
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	**—**	—	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**79**	67	

1 Comparatives have been restated to align with the revised disclosure template

2 The reported amount for 31 December 2021 through row UK-5a reflects the year end foreseeable dividend accrual only as the externally audited profits for the year to 31 December 2021 are included in row 2 (Retained earnings).

Own funds (continued)

CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The following table presents the Bank's accounting balance sheet as at 31 December 2022 which forms the basis for the calculation of the Bank's regulatory own funds as presented in table CC1. There is no difference between the Bank's accounting and regulatory balance sheets.

		Bank balance sheet at 31 December 2022 £m	Reference[1]
Assets			
1	Cash and balances at central banks	19,382	
3	Financial assets at fair value through profit or loss	14,642	
4	Derivative financial instruments	24,647	
5	Loans and advances to banks	2,063	
6	Loans and advances to customers	18,864	
7	Reverse repurchase agreements	5,606	
8	Debt Securities	305	
9	Due from fellow Lloyds Banking Group undertakings	593	
10	Financial assets at amortised cost	27,431	
11	Financial assets at fair value through other comprehensive income	6	
12	Property, plant and equipment	45	
15	Current tax recoverable	2	
16	Deferred tax assets	226	
17	Investment in subsidiary undertakings	180	
19	Other assets	164	
20	**Total assets**	**86,725**	
Liabilities			
1	Deposits from banks	2,456	
2	Customer deposits	29,152	
3	Repurchase agreements at amortised cost	7	
4	Due to fellow Lloyds Banking Group undertakings	1,526	
6	Financial liabilities at fair value through profit or loss	12,578	
7	Derivative financial instruments	20,070	
9	Debt securities in issue	16,131	
10	Other liabilities	558	
11	Current tax liabilities	29	
13	Other provisions	25	
14	Subordinated liabilities	761	d
15	**Total liabilities**	**83,293**	
Shareholders' equity			
1	Called up share capital	370	
2	of which: share capital	370	a
4	Other equity instruments	782	b
5	Retained earnings, accumulated other comprehensive income and other reserves[2]	2,280	c
6	**Total equity excluding non-controlling interests**	**3,432**	
7	Non-controlling interests	—	
8	**Total equity**	**3,432**	
9	**Total equity and liabilities**	**86,725**	

1 The references (a) to (d) identify regulatory balance sheet components that link initially to items disclosed in table CC1, prior to the application of regulatory definitions and adjustments per the rules for calculating own funds.

2 The regulatory definition of eligible items for inclusion in retained earnings differs from the accounting definition. The aggregate of retained earnings and accumulated other comprehensive income and other reserves is comparable on both bases but the allocation between categories differ.

Countercyclical capital buffers

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

	31 Dec 2022												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Credit risk[2,3]	Market risk[2]	Securitisation positions in the non-trading book[3]	Total	Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
Breakdown by Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
United Kingdom	353	13,508	7	16	1,980	15,864	514	3	30	547	6,833	47.08%	1.00%
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—	1.50%
Denmark	—	—	—	—	—	—	—	—	—	—	—	—	2.00%
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Hong Kong	1	13	—	—	—	14	1	—	—	1	7	0.05%	1.00%
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.00%
Luxembourg	4	3,515	—	—	—	3,519	72	—	—	72	899	6.20%	0.50%
Norway	—	41	—	—	—	41	2	—	—	2	25	0.17%	2.00%
Romania	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Sweden	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
i) Total[1]	**358**	**17,077**	**7**	**16**	**1,980**	**19,438**	**589**	**3**	**30**	**622**	**7,764**	**53.50%**	
United States	204	9,129	6	14	648	10,001	270	3	8	281	3,512	24.20%	—
Jersey	711	847	—	—	—	1,558	55	—	—	55	684	4.71%	—
Guernsey	627	2,748	—	—	—	3,375	83	—	—	83	1,041	7.17%	—
Bermuda	19	1,516	—	—	—	1,535	28	—	—	28	346	2.39%	—
Isle of Man	359	81	—	—	—	440	16	—	—	16	199	1.37%	—
Netherlands	124	118	—	—	—	242	12	—	—	12	154	1.06%	—
ii) Total[1]	**2,044**	**14,439**	**6**	**14**	**648**	**17,151**	**464**	**3**	**8**	**475**	**5,936**	**40.90%**	
iii) Rest of the World[1]	**291**	**1,232**	**16**	**38**	**222**	**1,799**	**54**	**8**	**2**	**64**	**812**	**5.60%**	
Total	**2,693**	**32,748**	**29**	**68**	**2,850**	**38,388**	**1,107**	**14**	**40**	**1,161**	**14,512**	**100.00%**	

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

	31 Dec 2021												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
Breakdown by Country	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Exposure value for non-trading book £m	Total exposure value £m	Credit risk[2,3] £m	Market risk[2] £m	Securitisation positions in the non-trading book[3] £m	Total £m	Risk-weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—	0.50%
Hong Kong	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
Luxembourg	5	2,715	—	—	—	2,720	58	—	—	58	730	5.75%	0.50%
Norway	4	—	—	—	—	4	—	—	—	—	4	0.03%	1.00%
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—	1.00%
i) Total[1]	**9**	**2,715**	**—**	**—**	**—**	**2,724**	**58**	**—**	**—**	**58**	**734**	**5.78%**	
United Kingdom	347	11,346	2	30	2,057	13,782	440	8	5	453	5,661	44.53%	—
United States	128	7,608	3	46	398	8,183	221	12	—	233	2,915	22.93%	—
Jersey	715	1,166	—	—	—	1,881	71	—	—	71	888	6.99%	—
Guernsey	502	2,064	—	—	—	2,566	61	—	—	61	757	5.95%	—
Cayman Islands	—	540	—	—	80	620	13	—	1	14	178	1.40%	—
Bermuda	6	1,011	—	—	—	1,017	19	—	—	19	237	1.87%	—
Isle of Man	332	64	—	—	—	396	14	—	—	14	181	1.42%	—
Switzerland	19	98	1	14	—	132	2	4	38	44	547	4.30%	—
ii) Total[1]	**2,049**	**23,897**	**6**	**90**	**2,535**	**28,577**	**841**	**24**	**44**	**909**	**11,364**	**89.39%**	
iii) Rest of the World[1]	**306**	**582**	**1**	**18**	**211**	**1,118**	**44**	**5**	**1**	**50**	**615**	**4.83%**	
Total	**2,364**	**27,194**	**7**	**108**	**2,746**	**32,419**	**943**	**29**	**45**	**1,017**	**12,713**	**100.00%**	

1 The breakdown by country is disclosed on the following basis:
   i) those countries for which a countercyclical capital buffer rate has been set.
   ii) those countries for which a countercyclical capital buffer rate has not been set and have an own funds requirement weighting of greater than or equal to one per cent, the threshold having been determined by the Group in accordance with guidelines on materiality for Pillar 3.
   iii) the aggregate of all remaining countries for which a countercyclical buffer rate has not been set and individually have an own funds requirement weighting of less than one per cent.

2 For the purposes of the calculation of the countercyclical capital buffer, general credit risk and trading book exposures exclude exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions. In addition, trading book exposures are limited to those that are subject to the own funds requirement for specific risk or incremental default and migration risk.

3 General credit and securitisation exposures include counterparty credit risk and are stated on a post CRM basis.

CCyB2: Amount of institution-specific countercyclical capital buffer

	31 Dec 2022	31 Dec 2021
1 Total risk exposure amount	**£20,195m**	£18,436m
2 Institution specific countercyclical capital buffer rate	**0.506%**	0.029%
3 Institution specific countercyclical capital buffer requirement	**£102m**	£5m

Leverage

LR2: Leverage ratio common disclosure

		31 Dec 2022 £m	31 Dec 2021[1] £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**44,566**	50,537
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**—**	1,757
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(2,242)**	(2,215)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(36)**	(28)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**42,288**	50,051
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**12,898**	5,869
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**7,523**	7,280
11	Adjusted effective notional amount of written credit derivatives	**529**	408
12	Adjusted effective notional offsets and add-on deductions for written credit derivatives	**(330)**	(141)
13	Total derivatives exposures	**20,620**	13,416
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**38,908**	39,093
15	Netted amounts of cash payables and cash receivables of gross SFT assets	**(21,520)**	(19,128)
16	Counterparty credit risk exposure for SFT assets	**706**	650
18	Total securities financing transaction exposures	**18,094**	20,615
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**17,159**	16,690
20	Adjustments for conversion to credit equivalent amounts	**(8,472)**	(8,446)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures	**(12)**	—
22	Off-balance sheet exposures	**8,675**	8,244
Excluded exposures			
UK-22a	Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(1,124)**	(292)
UK-22k	Total exempted exposures	**(1,124)**	(292)
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**3,705**	3,180
24	Total exposure measure including claims on central banks	**88,553**	92,034
UK-24a	(-) Claims on central banks excluded	**(19,378)**	
UK-24b	Total exposure measure excluding claims on central banks	**69,175**	
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.4%**	
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.3%**	
UK-25c	Leverage ratio including claims on central banks (%)	**4.2%**	3.5%

1 Comparatives have been restated to align with the revised disclosure template. Reported amounts remain on the basis of the rules that applied at 31 December 2021.

LR1: Summary reconciliation of accounting assets and leverage ratio exposures

		31 Dec 2022 £m	31 Dec 2021[2] £m
1	Total assets as per published financial statements	**86,725**	88,821
4	Adjustment for exemption of exposures to central banks	**(19,378)**	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(124)**	(276)
8	Adjustment for derivative financial instruments	**(5,017)**	(4,645)
9	Adjustment for securities financing transactions (SFTs)	**706**	650
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**8,687**	8,244
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(48)**	(28)
UK-11a	Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(2,376)**	(732)
13	**Total exposure measure**	**69,175**	**92,034**

1 Gross of specific provisions. The amount net of specific provisions at 31 December 2022 is £8,675m.

2 Comparatives have been restated to align with the revised disclosure template. Reported amounts remain on the basis of the rules that applied at 31 December 2021.

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

		31 Dec 2022 £m	31 Dec 2021 £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**44,435**	**50,245**
UK-2	Trading book exposures	**2,432**	6,846
UK-3	Banking book exposures, of which:	**42,003**	43,399
UK-5	Exposures treated as sovereigns	**19,628**	22,303
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**17**	—
UK-7	Institutions	**575**	1,548
UK-8	Secured by mortgages of immovable properties	**1,418**	1,210
UK-9	Retail exposures	**62**	72
UK-10	Corporates	**14,987**	14,163
UK-11	Exposures in default	**178**	56
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**5,138**	4,047

LRA: Disclosure of LR qualitative information

Description of the processes used to manage the risk of excessive leverage

Capital is actively managed and regulatory ratios, including leverage, are a key factor in the Bank's internal risk appetite assessment, planning processes and stress analyses.

Capital plans include an assessment of leverage requirements over the forecast period, with capital adequacy in respect of both risk based capital and leverage requirements subjected to stress scenarios. Where relevant the scenarios consider the risk of excessive leverage and potential mitigating actions that could be undertaken in response.

The Bank monitors its leverage position through a combination of actual and projected ratios, including those under stressed scenarios, ensuring that the ratio exceeds regulatory minimums and internal risk appetite and reports these on a regular basis to the LBCM Asset and Liability Committee ('ALCO') and the Board.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Further details on the factors that had an impact on the leverage ratio during the period are discussed on page 6.

Credit risk quality

CRB: Additional disclosure related to the credit quality of assets

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and regulatory purposes

The bank considers all exposures greater than 90 days past due to be impaired and in default for both accounting and regulatory purposes.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

Per above, all exposures greater than 90 days past due are considered impaired.

Methods used for determining general and specific credit risk adjustments.

All expected credit losses are calculated in line with International Financial Reporting Standard 9 Financial Instruments (IFRS 9). All expected credit losses are allocated against individual exposures and so all are considered as specific credit risk adjustments. The Bank does not recognise any general credit risk adjustments.

The institution's own definition of a restructured exposure (CRR Articles 178(3)(d) and 47b)

The Bank's definition of a restructured exposure aligns for the purposes of Article 178(3)(d) and Article 47(b).

Credit risk quality (continued)

The tables in this section reflect FINREP categories and definitions.

CR1: Performing and non-performing exposures and related provisions

		31 Dec 2022														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]						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				On performing exposures	On non-performing exposures
			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			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**19,519**	**19,519**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**27,254**	**25,950**	**1,052**	**23**	**—**	**23**	**(41)**	**(24)**	**(17)**	**(1)**	**—**	**(1)**	**—**	**1,959**	**—**
030	General governments	31	31	—	—	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	2,515	2,493	22	—	—	—	(4)	(2)	(2)	—	—	—	—	—	—
050	Other financial corporations	21,882	20,849	783	—	—	—	(28)	(18)	(10)	—	—	—	—	6	—
060	Non-financial corporations	1,372	1,126	244	21	—	21	(8)	(3)	(5)	—	—	—	—	511	—
080	Households	1,454	1,451	3	2	—	2	(1)	(1)	—	(1)	—	(1)	—	1,442	—
090	**Debt securities**	**311**	**310**	**—**	**155**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
110	General governments	21	21	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	92	92	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	198	197	—	155	—	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**17,174**	**16,720**	**454**	**—**	**—**	**—**	**(18)**	**(11)**	**(7)**	**—**	**—**	**—**	**—**	**1,693**	**—**
170	General governments	145	145	—	—	—	—	—	—	—	—	—	—	—	—	—
180	Credit institutions	997	997	—	—	—	—	—	—	—	—	—	—	—	408	—
190	Other financial corporations	12,725	12,308	417	—	—	—	(14)	(8)	(6)	—	—	—	—	1,274	—
200	Non-financial corporations	3,217	3,180	37	—	—	—	(4)	(3)	(1)	—	—	—	—	11	—
210	Households	90	90	—	—	—	—	—	—	—	—	—	—	—	—	—
220	**Total**	**64,258**	**62,499**	**1,506**	**178**	**—**	**23**	**(59)**	**(35)**	**(24)**	**(1)**	**—**	**(1)**	**—**	**3,652**	**—**

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

		31 Dec 2021														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
			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			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**22,376**	**22,376**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**25,493**	**25,151**	**35**	**33**	**3**	**29**	**(8)**	**(7)**	**(1)**	**(2)**	**—**	**(2)**	**—**	**1,887**	**—**
030	General governments	36	36	—	—	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	3,127	3,127	—	—	—	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	19,142	18,820	15	—	—	—	(4)	(3)	(1)	—	—	—	—	—	—
060	Non-financial corporations	1,942	1,923	19	32	3	28	(4)	(4)	—	(1)	—	(1)	—	657	—
080	Households	1,246	1,246	1	1	—	1	—	—	—	(1)	—	(1)	—	1,231	—
090	**Debt securities**	**516**	**329**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
110	General governments	85	85	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	431	243	—	—	—	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**15,192**	**15,192**	**—**	**—**	**—**	**—**	**(6)**	**(6)**	**—**	**—**	**—**	**—**		**1,347**	**—**
170	General governments	141	141	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	939	939	—	—	—	—	—	—	—	—	—	—		406	—
190	Other financial corporations	10,743	10,743	—	—	—	—	(2)	(2)	—	—	—	—		696	—
200	Non-financial corporations	3,296	3,296	—	—	—	—	(4)	(4)	—	—	—	—		246	—
210	Households	74	74	—	—	—	—	—	—	—	—	—	—		—	—
220	**Total**	**63,577**	**63,048**	**35**	**33**	**3**	**29**	**(14)**	**(13)**	**(1)**	**(2)**	**—**	**(2)**	**—**	**3,235**	**—**

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

Credit risk quality (continued)

CR1-A: Maturity of exposures

		31 Dec 2022					
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	72	13,724	11,577	1,862	—	27,235
2	Debt securities	—	108	230	128	—	466
3	**Total**	**72**	**13,832**	**11,807**	**1,990**	**—**	**27,701**

CR2: Changes in the stock of non-performing loans and advances

		Gross carrying amount
		£m
010	**Initial stock of non-performing loans and advances at 31 December 2021**	**33**
020	Inflows to non-performing portfolios	25
030	**Outflows from non-performing portfolios**	**(35)**
040	Outflows due to write-offs	(1)
050	Outflow due to other situations	(34)
060	**Final stock of non-performing loans and advances at 31 December 2022**	**23**

Credit risk quality (continued)

CQ1: Credit quality of forborne exposures

	31 Dec 2022							
	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 forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
	£m	£m	£m	£m	£m	£m	£m	£m
010 Loans and advances	**—**	**23**	**23**	**23**	**—**	**(1)**	**—**	**—**
060 Non-financial corporations	—	21	21	21	—	—	—	—
070 Households	—	2	2	2	—	(1)	—	—
080 Debt Securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090 Loan commitments given	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
100 Total	**—**	**23**	**23**	**23**	**—**	**(1)**	**—**	**—**
	31 Dec 2021							
010 Loans and advances	**—**	**33**	**33**	**29**	**—**	**(2)**	**—**	**—**
060 Non-financial corporations	—	32	31	28	—	(1)	—	—
070 Households	—	1	1	1	—	(1)	—	—
080 Debt Securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090 Loan commitments given	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
100 Total	**—**	**33**	**32**	**29**	**—**	**(2)**	**—**	**—**

Credit risk quality (continued)

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

	31 Dec 2022											
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005 Cash balances at central banks and other demand deposits	**19,519**	**19,519**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010 Loans and advances	**27,254**	**27,252**	**2**	**23**	**—**	**21**	**1**	**1**	**—**	**—**	**—**	**23**
030 General governments	31	31	—	—	—	—	—	—	—	—	—	—
040 Credit institutions	2,515	2,515	—	—	—	—	—	—	—	—	—	—
050 Other financial corporations	21,882	21,882	—	—	—	—	—	—	—	—	—	—
060 Non-financial corporations	1,372	1,370	2	21	—	21	—	—	—	—	—	21
080 Households	1,454	1,454	—	2	—	—	1	1	—	—	—	2
090 Debt securities	**311**	**311**	**—**	**155**	**155**	**—**	**—**	**—**	**—**	**—**	**—**	**155**
110 General governments	21	21	—	—	—	—	—	—	—	—	—	—
120 Credit institutions	92	92	—	—	—	—	—	—	—	—	—	—
130 Other financial corporations	198	198	—	155	155	—	—	—	—	—	—	155
150 Off-balance-sheet exposures	**17,174**			**—**								—
170 General governments	145			—								—
180 Credit institutions	997			—								—
190 Other financial corporations	12,725			—								—
200 Non-financial corporations	3,217			—								—
210 Households	90			—								—
220 Total	**64,258**	**47,082**	**2**	**178**	**155**	**21**	**1**	**1**	**—**	**—**	**—**	**178**

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

		31 Dec 2021											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**22,376**	**22,376**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**25,493**	**25,470**	**22**	**33**	**3**	**28**	**1**	**—**	**1**	**—**	**—**	**32**
030	General governments	36	36	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	3,127	3,127	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	19,142	19,142	—	—	—	—	—	—	—	—	—	—
060	Non-financial corporations	1,942	1,920	22	32	3	27	—	—	1	—	—	31
080	Households	1,246	1,246	—	1	—	—	—	—	—	—	—	1
090	**Debt securities**	**516**	**516**	**—**	**—**		**—**	**—**	**—**	**—**	**—**	**—**	**—**
110	General governments	85	85	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	431	431	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**15,192**			**—**								**—**
170	General governments	141			—								—
180	Credit institutions	939			—								—
190	Other financial corporations	10,743			—								—
200	Non-financial corporations	3,296			—								—
210	Households	74			—								—
220	**Total**	**63,577**	**48,362**	**22**	**33**	**3**	**28**	**1**	**—**	**1**	**—**	**—**	**32**

Credit risk quality (continued)

CQ4: Quality of non-performing exposures by geography

		31 Dec 2022				
		Gross carrying/nominal amount		Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total performing and non-performing	Of which defaulted			
		£m	£m	£m	£m	£m
010	**On-balance-sheet exposures**	**27,743**	**178**	**(43)**		**—**
020	Bermuda	71	—	—		—
030	France	5,592	—	—		—
040	Guernsey	2,398	3	(3)		—
050	Jersey	1,097	15	(2)		—
060	Luxembourg	2,493	—	(4)		—
070	United Kingdom	7,514	157	(18)		—
080	United States	6,551	—	(14)		—
090	Other countries	2,027	3	(2)		—
100	**Off-balance-sheet exposures**	**17,174**	**—**		**(18)**	
110	Bermuda	1,551	—		—	
120	France	—	—		—	
130	Guernsey	1,041	—		(1)	
140	Jersey	322	—		—	
150	Luxembourg	1,614	—		(2)	
160	United Kingdom	5,128	—		(5)	
170	United States	7,055	—		(10)	
180	Other countries	463	—		—	
190	**Total**	**44,917**	**178**	**(43)**	**(18)**	**—**

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

		31 Dec 2022			
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which defaulted		
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	1	—	—	—
020	Mining and quarrying	7	—	—	—
030	Manufacturing	308	—	—	—
040	Electricity, gas, steam and air conditioning supply	37	—	—	—
060	Construction	2	—	—	—
070	Wholesale and retail trade	106	—	(1)	—
090	Accommodation and food service activities	1	—	—	—
100	Information and communication	117	—	—	—
110	Financial and insurance activities				
120	Real estate activities	629	21	(6)	—
130	Professional, scientific and technical activities	135	—	(1)	—
170	Human health services and social work activities	35	—	—	—
190	Other services	16	—	—	—
200	**Total**	**1,394**	**21**	**(8)**	**—**

CRC: Qualitative disclosure requirements related to CRM techniques

Collateral

The principal types of acceptable collateral include:

– Residential and commercial properties
– Charges over business assets such as premises, inventory and accounts receivable
– Financial instruments such as debt securities
– Vehicles
– Cash
– Guarantees received from third parties

The Bank maintains appetite parameters on the acceptability of specific classes of collateral.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury and other bills, are generally unsecured, with the exception of asset-backed securities and similar instruments such as covered bonds, which are secured by portfolios of financial assets. Collateral is generally not held against loans and advances to financial institutions. However, securities are held as part of reverse repurchase or securities borrowing transactions or where a collateral agreement has been entered into under a master netting agreement. Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA) in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA.

The requirement for collateral and the type to be taken at origination will be based upon the nature of the transaction and the credit quality, size and structure of the borrower. For non-retail exposures, if required, the Bank will often seek that any collateral includes a first charge over land and buildings owned and occupied by the business, a debenture over the assets of a company or limited liability partnership, personal guarantees, limited in amount, from the directors of a company or limited liability partnership and key man insurance. The Bank maintains policies setting out which types of collateral valuation are acceptable, maximum loan to value (LTV) ratios and other criteria that are to be considered when reviewing an application. The fundamental business proposition must evidence the ability of the business to generate funds from normal business sources to repay a customer or counterparty's financial commitment, rather than reliance on the disposal of any security provided.

The Bank requires collateral to be realistically valued by an appropriately qualified source, independent of both the credit decision process and the customer, at the time of borrowing. Where third parties are used for collateral valuations, they are subject to regular monitoring and review. Collateral values are subject to review, which will vary according to the type of lending, collateral involved and account performance. Such reviews are undertaken to confirm that the value recorded remains appropriate and whether revaluation is required, considering, for example, account performance, market conditions and any information available that may indicate that the value of the collateral has materially declined. In such instances, the Bank may seek additional collateral and/or other amendments to the terms of the facility. The Bank adjusts estimated market values to take account of the costs of realisation and any discount associated with the realisation of the collateral when estimating credit losses.

The Bank considers risk concentrations by collateral providers and collateral type with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed by changes to strategy, policy and/or business plans.

The Bank makes limited use of balance sheet netting in the credit risk portfolio. Master netting agreements are used in the counterparty credit risk portfolio.

Master netting agreements

It is credit policy that a Bank-approved master netting agreement must be used for all derivative and traded product transactions and must be in place prior to trading, with separate documentation required for each Bank entity providing facilities. This requirement extends to trades with clients and the counterparties used for the Bank own hedging activities, which may also include clearing trades with Central Counterparties (CCPs).

Any exceptions must be approved by the appropriate credit approver. Master netting agreements do not generally result in an offset of balance sheet assets and liabilities for accounting purposes, as transactions are usually settled on a gross basis. However, within relevant jurisdictions and for appropriate counterparty types, master netting agreements do reduce the credit risk to the extent that, if an event of default occurs, all trades with the counterparty may be terminated and settled on a net basis. The Bank overall exposure to credit risk on derivative instruments subject to master netting agreements can change substantially within a short period, since this is the net position of all trades under the master netting agreement.

Application of Credit Risk Mitigation

Where collateral is held, the eligible collateral for loans and advances and contingent liabilities is classified as either financial collateral or other collateral, as outlined below:

Eligible financial collateral

– Eligible financial collateral includes cash on deposit with the bank, gold, rated debt securities (subject to certain restrictions), equities or convertible bonds included in a main index and units in certain collective investment undertakings or mutual funds.
– The Bank predominantly applies financial collateral to its corporate (IRB and Standardised) and institutions (IRB) exposures.

Other eligible collateral

– Real estate collateral includes charges over residential and commercial properties, for example, for the Bank's standardised mortgages.
– Other eligible collateral includes short term financial receivables, credit insurance, life policies and other physical collateral for example, vehicles, providing the criteria for eligibility are met.
– The Bank also undertakes asset sales, credit derivative based transactions, purchases of credit default swaps and purchase of credit insurance as a means of mitigating or reducing credit risk and/or risk concentration, taking into account the nature of assets and the prevailing market conditions.
– Credit derivatives are a method of transferring credit risk from one counterparty (the protection buyer) to another (the protection seller). Capital relief under regulatory requirements is restricted to the following types of credit derivative: credit default swaps (CDS); total return swaps; and credit linked notes (CLN) (to the extent of their cash funding).
– The Bank makes limited use of credit derivatives as credit risk mitigation from a capital perspective.

Guarantees

– In addition, guarantees from eligible protection providers including governments, institutions and corporates, can also provide regulatory capital relief, although there are minimum operational and legal requirements which must be met before reflecting the risk mitigating effect. On the basis that these requirements are met, alternative forms of protection, for example indemnities, may be classified as a guarantee for regulatory capital purposes. Export Credit agencies can provide risk mitigation in the form of a guarantee (typically up to 85% – 95% of a contract value) providing cover and guarantee of payment in relation to commercial and political risk.
– Regulatory capital relief can be taken for guarantees provided by appropriate sovereigns, institutions or corporates, as well as for collateralised guarantees from corporates where available.

CRC: Qualitative disclosure requirements related to CRM techniques (continued)

The Bank's application of different types of credit risk mitigation from a regulatory capital perspective is outlined below:

	Standardised		IRB		
	EAD	Other	EAD	LGD	PD
Eligible financial collateral					
trading book	✓		✓		
non-trading book	✓			✓	
Other eligible collateral					
real estate collateral[1]		✓		✓	
other physical collateral				✓	
credit insurance[2]		✓			✓
receivables	✓			✓	
life policies	✓			✓	
Credit derivatives[2]		✓			✓
Collateralised guarantees		✓		✓	
Non collateralised guarantees[2]		✓			✓

1 Real estate collateral determines the exposure class under the Standardised Approach as explained below.

2 As per application under the Substitution Approach, as explained below.

Application under the Standardised Approach

Where a credit risk exposure subject to the Standardised Approach is covered by a form of eligible financial collateral the Exposure at Default (EAD) value is adjusted accordingly under the Financial Collateral Comprehensive Method (FCCM) applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

For unfunded credit protection, where both the protection provider and the original obligor are reported under the Standardised approach, for example where certain guarantees or credit derivatives apply, the exposure class and therefore risk weight applied to the portion of the exposure covered by the protection provider is based on the exposure class of the provider, referred to as the Substitution Approach. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The risk weight applied to the uncovered portion of the exposure is not impacted.

Real estate collateral does not impact EAD directly under the Standardised Approach, however, it instead determines the exposure class and directly impacts the risk-weight applied to the exposure.

Collateral may also be used as an input for modelling Specific Credit Risk Adjustments (SCRAs) against exposures, which will also indirectly reduce the EAD for exposures subject to the Standardised Approach.

Application under the IRB Approach

In recognising eligible financial collateral under the Foundation Internal Ratings-Based (FIRB) Approach, the Bank adjusts the relevant Loss Given Default (LGD) value in accordance with the application of the FCCM, applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

Other eligible collateral, collateralised guarantees and real estate collateral applied under the FIRB Approach will typically result in an adjustment to the regulatory LGD value, subject to floors as prescribed in the Capital Requirement Regulation (CRR). The adjustment applied is dependent on the value and type of collateral used.

Where appropriate guarantees or credit derivatives apply and both the protection provider and the original obligor are reported under the FIRB approach, the Probability of Default (PD) applied to the portion of the exposure covered by the protection provider is based on the PD of the provider, referred to as the PD substitution approach. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The PD applied to the uncovered portion of the exposure is not impacted.

Application between the IRB and Standardised Approaches

Under the Substitution Effect a non-collateralised guarantee could also result in an exposure moving between regulatory approaches, i.e. Standardised Approach (SA) to Internal Ratings-Based Approach (IRB) or IRB to SA. This occurs where the original obligor and the protection provider would be reported under different approaches due to their specific characteristics. This can occur for government, corporate or institutional guarantees (including centrally cleared credit default swap protection). When this situation arises the covered exposure, after taking account of the specific exposure covered by the protection and application of 'haircuts' for any currency and / or maturity mismatches, is substituted from its original approach/exposure class into the approach/exposure class of the protection provider. Where this results in the exposure moving to the Standardised approach the risk weight is then based on the exposure class of the protection provider. If it results in the exposure moving into the IRB approach the RWA is based on the PD of the protection provider. Such substitution is only undertaken if the resultant position benefits from a lower capital requirement than was originally required.

Credit risk mitigation techniques

CR3: CRM techniques – Overview

	31 Dec 2022				
	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
	£m	£m	£m	£m	£m
Loans and advances	25,277	1,958	1,957	1	1
Debt securities	466	—	—	—	
Total	**25,743**	**1,958**	**1,957**	**1**	**1**
Of which non-performing exposures	178	—	—	—	—
Of which defaulted	178	—			

Credit risk standardised approach

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

		31 Dec 2022					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density
	Exposure classes	£m	£m	£m	£m	£m	%
1	Central governments or central banks	11,512	—	11,512	—	59	1%
3	Public sector entities	17	—	17	—	—	—%
4	Multilateral development banks	75	—	75	—	—	—%
6	Institutions	167	472	98	13	52	46%
7	Corporates	297	1,121	291	249	373	69%
8	Retail	62	92	62	45	76	71%
9	Secured by mortgages on immovable	1,418	2	1,418	2	500	35%
10	Exposures in default	7	—	7	—	9	128%
13	Institutions and corporates with a short-term credit assessment	—	83	—	6	1	20%
16	Other items	25	—	25	—	24	98%
17	**TOTAL**	**13,580**	**1,770**	**13,506**	**315**	**1,095**	**8%**

IRB Approach to Credit Risk

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

		31 Dec 2022													
			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
F-IRB		Total exposure at default	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and sustitution effects)
		£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m
1	Central governments and central banks	**8,246**	—%	—%	—%	—%	—%	—%				—%	—%		304
2	Institutions	**1,042**	39.16%	—%	—%	—%	—%	—%				—%	4.42%		180
3	Corporates	**23,834**	4.16%	1.92%	1.92%	—%	—%	—%				—%	0.05%		8,029
3.1	Of which Corporates – SMEs	**299**	57.89%	24.35%	24.35%	—%	—%	—%				—%	—%		38
3.2	Of which Corporates – Specialised lending	**388**	—%	—%	—%	—%	—%	—%				—%	—%		213
3.3	Of which Corporates – Other	**23,147**	3.53%	1.66%	1.66%	—%	—%	—%				—%	0.06%		7,777
4	**Total**	**33,122**	**4.22%**	**1.38%**	**1.38%**	**—%**	**—%**	**—%**				**—%**	**0.18%**		**8,514**

IRB Approach to Credit Risk (continued)

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

CR8: Risk-weighted assets flow statements of credit risk exposures - year to 31 Dec 2022

		Total RWA quarter to 31 Dec 2022 £m	Total RWA YTD 31 Dec 2022 £m
1	**Risk weighted exposure amount as at the end of previous reporting period**	**9,636**	**7,665**
2	Asset size (+/-)	(571)	242
3	Asset quality (+/-)	(237)	(184)
5	Methodology and policy (+/-)	(90)	(69)
7	Foreign exchange movements (+/-)	(224)	860
9	**Risk weighted exposure amount as at the end of the reporting period**	**8,514**	**8,514**

Key movements quarter to 31 December 2022

– Asset size decrease driven by net lending reduction in the quarter.

– Asset quality decrease driven by moves to default in the quarter.

– Foreign exchange movements, principally driven by movement in US Dollar.

Key movements year to date 31 December 2022

– Asset size increase driven by net new lending offset by optimisation activity.

– Foreign exchange movements, principally driven by movements in the US Dollar and Euro.

Specialised lending

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

		31 Dec 2022					
Regulatory categories	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk weight %	Exposure value £m	Risk weighted exposure amount £m	Expected loss amount £m
1) Strong	Less than 2.5 years	75	1	50%	75	38	—
	Equal to or more than 2.5 years	34	2	70%	36	25	—
2) Good	Less than 2.5 years	—	—	70%	—	—	—
	Equal to or more than 2.5 years	28	8	90%	33	30	—
Total	**Less than 2.5 years**	**75**	**1**		**75**	**38**	**—**
	Equal to or more than 2.5 years	**62**	**10**		**69**	**55**	**—**

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

		31 Dec 2022					
Regulatory categories	Remaining maturity	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk weight %	Exposure value £m	Risk weighted exposure amount £m	Expected loss amount £m
1) Strong	Less than 2.5 years	199	2	50%	201	100	—
	Equal to or more than 2.5 years	3	—	70%	3	2	—
2) Good	Less than 2.5 years	25	—	70%	25	18	—
	Equal to or more than 2.5 years	—	—	90%	—	—	—
5) Default	Less than 2.5 years	15	—		15	—	8
	Equal to or more than 2.5 years	—	—		—	—	—
Total	**Less than 2.5 years**	**239**	**2**		**241**	**118**	**8**
	Equal to or more than 2.5 years	**3**	**—**		**3**	**2**	**—**

Market Risk

MR2-B: Risk-weighted assets flow statements of market risk exposures under an IMA

The table below summarises the movements of risk-weighted assets for market risk exposures under the Internal Models Approach (IMA).

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m	£m
1	**RWAs at 31 Dec 2021**	**312**	**1,171**	**181**	**—**	**1,010**	**2,674**	**214**
1a	Regulatory adjustment	(210)	(951)	—	—	—	**(1,161)**	(93)
1b	**RWAs at end of day 31 Dec 2021[1]**	**102**	**220**	**181**	**—**	**1,010**	**1,513**	**121**
2	Movement in risk levels	61	(17)	65	—	(339)	**(230)**	(18)
3	Model updates/changes	—	—	—	—	62	**62**	5
8a	**RWAs at end of day 30 Sep 2022[1]**	**163**	**202**	**246**	**—**	**733**	**1,344**	**108**
8b	Regulatory adjustment	518	610	—	—	—	**1,128**	90
8	**RWAs at 30 Sep 2022**	**681**	**812**	**246**	**—**	**733**	**2,472**	**198**
1a	Regulatory adjustment	(518)	(610)	—	—	—	**(1,128)**	(90)
1b	**RWAs at end of day 30 Sep 2022[1]**	**163**	**202**	**246**	**—**	**733**	**1,344**	**108**
2	Movement in risk levels	(52)	(44)	(154)	—	429	**179**	14
3	Model updates/changes	—	—	—	—	(80)	**(80)**	(6)
8a	**RWAs at end of day 31 Dec 2022[1]**	**111**	**158**	**92**	**—**	**1,082**	**1,442**	**116**
8b	Regulatory adjustment	907	547	32	—	—	**1,487**	118
8	**RWAs at 31 Dec 2022**	**1,018**	**705**	**124**	**—**	**1,082**	**2,929**	**234**

1 End of day represents spot position

Key movements to 31 December 2022

- The decrease in SVaR RWAs YoY is driven by reduced SVaR levels during 2022 compared to 2021, where high values were linked to IBOR cessation activities.
- The increase in average VaR RWAs YoY was mainly driven by the increased market volatility in Q4 2022 which lead to heightened VaR levels.

Liquidity

LIQA: Liquidity risk management

Strategies and processes in the management of the liquidity risk

The Bank manages and monitors liquidity risks and ensures that liquidity risk management systems and arrangements are adequate with regard to the internal risk appetite, strategy and regulatory requirements.

Liquidity policies and procedures are subject to independent internal oversight by Risk. Overseas branches and subsidiaries of the Bank may also be required to meet the liquidity requirements of the entity's domestic country. Management of liquidity requirements is performed by the overseas branch or subsidiary in line with the Bank policy. The Bank plans funding requirements over its planning period, combining business as usual and stressed conditions.

The Bank's funding and liquidity position is underpinned by its significant customer deposit base, and is supported by strong relationships across customer segments. Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis and where concentrations do exist, these are managed as part of the planning process and limited by the internal funding and liquidity risk monitoring framework, with analysis regularly provided to senior management.

Structure and organisation of the liquidity risk management function

The Bank's Board sets the Bank strategy within the context of the Lloyds Banking Group strategy and Risk Appetite, and is responsible for approving the Bank Risk Appetite statements. The Bank's Board Risk Committee is responsible for reviewing LBCM's Risk Appetite, Enterprise Risk Management Framework ("ERMF") and risk culture. The ERMF is implemented through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

The Bank's Asset and Liability Committee (ALCO) is responsible for reviewing and determining the appropriate allocation of capital, funding and liquidity and market risk resources. The Bank's ALCO is supported by the Bank's Treasury and Group Corporate Treasury through the Shared Service Model in managing liquidity risk.

A description of the degree of centralisation of liquidity management and interaction between the group's units

The Bank's day-to-day liquidity risk management is managed centrally by the Bank's Treasury team supported by the Lloyds Banking Group Corporate Treasury through a Shared Service Model.

Scope and nature of liquidity risk reporting and measurement systems.

The Bank monitors a range of market and internal early warning indicators on a daily basis for early signs of liquidity risk in the market or specific to the Bank. This captures regulatory metrics as well as metrics the Bank considers relevant for its liquidity profile.

The Bank's liquidity risk reporting utilises the Group's strategic Liquidity Reporting System, which is also used for producing a range of other internal liquidity metrics including the internal liquidity stress test, thereby ensuring consistency across reports.

A number of Liquidity metrics including Liquidity Coverage Ratio (LCR) that are reported to the Bank's Board Risk Committee (BRC) and ALCO are in the scope, and subject to the governance, of BCBS-239. The Bank continues to ensure BCBS-239 is fully adhered to.

Policies for hedging and mitigating the liquidity risk and strategies and processes

The Bank manages its liquidity position both with regard to its internal risk appetite, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as required by the PRA, the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) liquidity requirements.

To mitigate liquidity risk, the Bank holds a liquidity buffer consisting of central bank reserves and other high quality diversified liquid assets to mitigate potential liquidity outflow risks as indicated under the LCR and internal liquidity stress scenarios.

An outline of the bank`s contingency funding plans.

The Bank's Recovery Plan details the Liquidity Contingency Level framework which:

- Sets out the Bank's strategy for addressing liquidity risks under stressed situations;
- Ensures trigger mechanisms such as Early Warning Indicators (EWIs) are embedded in the risk management framework to highlight stresses at an early stage;
- Provides a toolkit of management actions available in the event of a liquidity crisis;
- Ensures clear governance and escalation procedures are in place with detailed roles and responsibilities documented for dealing with a liquidity stress;
- Ensures communication is managed with internal and external stakeholders.

An explanation of how stress testing is used.

The Bank carries out internal stress testing of its liquidity and potential cash flow mismatch position over both short (up to one month) and longer (three months) term horizons against a range of scenarios forming an important part of the internal risk appetite. The scenarios and assumptions are reviewed at least annually to ensure that they continue to be relevant to the nature of the business, including reflecting emerging horizon risks to the Bank. This scenario includes a two notch downgrade of the Bank's current long-term debt rating and accompanying one notch short-term downgrade implemented instantaneously by all major rating agencies.

A declaration approved by the management body on the adequacy of liquidity risk management

The Bank's liquidity risk management framework as defined by the ERMF ensures that the Lloyds Banking Group Funding and Liquidity Principle is met and is adequate for managing a prudent funding and liquidity profile in line with the Bank's business strategy.

A concise liquidity risk statement approved by the management body

The Bank's liquidity risk management framework aims to ensure that at all times the Bank maintains liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

Internal liquidity stress testing results at 31 December 2022 (calculated as an average of month end observations over the previous 12 months) showed that the Banking business had liquidity resources representing 130 per cent of modelled outflows over a three month period from all wholesale funding sources, retail and corporate deposits, intraday requirements and rating-dependent contracts under the bank most severe liquidity stress scenario.

Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis and where concentrations do exist, these are managed as part of the planning process and limited by the internal funding and liquidity risk monitoring framework, with analysis regularly provided to senior management.

Liquidity (continued)

LIQ1: Quantitative information of LCR

The table below presents the breakdown of the Bank's cash outflows and cash inflows, as well as its available high quality liquid assets, calculated as the simple averages of month end observations over the 12 months preceding the end of each quarter.

		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
	Number of data points used in calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS (£m)									
1	Total high-quality liquid assets (HQLA)					23,858	24,294	24,181	24,647
CASH - OUTFLOWS (£m)									
2	Retail deposits and deposits from small business customers, of which:	7,839	7,694	7,532	7,422	1,020	999	975	957
4	Less stable deposits	7,839	7,694	7,532	7,422	1,020	999	975	957
5	Unsecured wholesale funding	7,602	7,928	7,655	7,594	5,271	5,716	5,338	5,077
7	Non-operational deposits (all counterparties)	6,521	6,911	6,780	6,801	4,190	4,699	4,463	4,284
8	Unsecured debt	1,081	1,017	875	793	1,081	1,017	875	793
9	Secured wholesale funding					35	30	30	16
10	Additional requirements	24,453	22,790	22,632	21,985	17,848	16,574	16,798	16,511
11	Outflows related to derivative exposures and other collateral	13,362	12,208	12,647	12,427	13,362	12,206	12,642	12,422
13	Credit and liquidity facilities	11,091	10,582	9,985	9,558	4,486	4,368	4,156	4,089
14	Other contractual funding obligations	499	475	376	347	464	441	341	312
15	Other contingent funding obligations	7,137	6,867	6,433	5,927	161	188	204	191
16	TOTAL CASH OUTFLOWS					24,799	23,948	23,686	23,064
CASH - INFLOWS (£m)									
17	Secured lending (e.g. reverse repos)	20,113	19,960	19,912	20,200	183	186	149	121
18	Inflows from fully performing exposures	1,013	998	906	862	903	895	806	763
19	Other cash inflows	9,606	8,346	8,216	7,231	9,606	8,346	8,215	7,230
20	TOTAL CASH INFLOWS	30,732	29,304	29,034	28,293	10,692	9,427	9,170	8,114
UK-20c	Inflows subject to 75% cap	27,057	25,336	25,033	24,526	10,692	9,427	9,170	8,114
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER (£m)					23,858	24,294	24,181	24,647
22	TOTAL NET CASH OUTFLOWS (£m)					14,107	14,521	14,516	14,950
23	LIQUIDITY COVERAGE RATIO (%)					170%	169%	168%	166%

LIQB: Qualitative information on LCR

The Bank LCR (calculated as the simple average of month end observations over the 12 months preceding the end of the reporting quarter) was 170% as of 31 December 2022. The increase of 1% from 169% for the prior quarter is explained by a small decrease in both liquid assets and net cash outflows. The reduction in net cash outflows is primarily from lower commercial customer outflows. The overall increase in cash outflows is driven by outflows on derivative contracts that have offsetting inflows recorded in 'other cash inflows'.

The Bank derivative exposures and other collateral requirements outflows include outflows due to a deterioration in credit rating and outflows from the impact of an adverse market scenario on derivatives transactions. Also included are outflows on derivative contracts that have offsetting inflows recorded in 'other cash inflows'.

Remuneration (REMA)

This section discloses the remuneration awards made by the Group to Material Risk Takers ("MRTs") in respect of the 2022 performance year and provides additional information with respect to the Group's remuneration, policies, structure and governance. These disclosures comply with the Disclosure Part of the Prudential Regulation Authority ("PRA") Rulebook and reflect the requirements of Article 450 of the onshored and amended version Capital Requirements Regulation (EU) No. 575/2013 (CRR).

The remuneration principles and practices detailed in the Directors' Remuneration Report ("DRR") on pages 105 to 133 apply to MRTs and non-MRTs in the same way as to Executive Directors (other than where stated in this disclosure).

The Group has applied the Remuneration Part of the PRA's Rulebook, and SYSC 19 of the Financial Conduct Authority's Handbook as well as associated guidance, to determine which colleagues should be identified as MRTs. MRTs are colleagues who are considered to have a material impact on the Group's risk profile, and include, but are not limited to:

- Board Executive Directors, Board Non-Executive Directors and members and attendees of the Group Executive Committee (GEC) and their respective executive level direct reports
- Business and Function Heads and their respective direct reports. Senior Management Function (SMF) holders and certain Certified roles
- Other highly remunerated individuals whose activities could have a material impact on the Group's risk profile

DECISION MAKING PROCESS FOR REMUNERATION POLICY

The Group has a strong belief in aligning the remuneration delivered to the Group's executives with the successful performance of the business and, through this, the delivery of long-term, superior and sustainable returns to shareholders. Over the course of 2022, the Remuneration Committee performed a thorough review of the Directors' Remuneration Policy ("DRP") to inform changes for 2023, in order to incentivise and retain talent while being mindful of the economic outlook. Input was sought from a range of key stakeholders, including institutional shareholders.

The overarching purpose of the Remuneration Committee is to oversee the design of, and recommend to the Board an overall remuneration policy and philosophy for the Group that is defined by, supports and is closely aligned to its long-term business strategy, business objectives, risk appetite and values and recognises the interests of relevant stakeholders. The remuneration policy governs all aspects of remuneration and applies in its entirety firm-wide to all entities and subsidiaries in the Group, including wholly owned overseas businesses and all colleagues, contractors, seconded and temporary staff The Committee reviews the policy annually and approves all compensation for Executive Directors, GEC members and attendees, senior risk and compliance officers, high earners and any other MRTs. The policy was updated during the year to reflect, the addition of the role based allowances for certain MRTs and a review to ensure alignment with the new Consumer Duty rules. During 2022 the Committee had 6 scheduled meetings.

Over the course of 2022, independent advice was provided to the Remuneration Committee by Mercer and PwC. Mercer was appointed by the Committee following a competitive tender process in 2016 and was retained for part of 2022. The Committee conduced a competitive tender process during the year and appointed PriceWaterhouseCoopers (PwC) as independent adviser to the Committee in May 2022. PwC also provided professional services to the Group in the ordinary course of business including tax, assurance and advisory services. Mercer and PwC have no other connections with the Group's Directors that may impair their independence as advisers to the Committee. PwC are members of the Remuneration Consultants Group and signatories of its Code of Conduct and the Committee is therefore satisfied that the advice they provided was objective and independent.

The Group has a robust governance framework in place, which is cascaded through the Group. The Group People Committee ("GPC") was responsible for supporting the Remuneration Policy Owner (the then Group People and Property Director) in overseeing the development and monitoring of adherence to the Group's Remuneration Policy for all employees until its decommissioning in September 2022. Following the GPC's decommission remuneration policy matters are discussed at the People and Places Executive Committee, with escalation to the GEC as appropriate.

GOVERNANCE AND RISK MANAGEMENT

An essential component of the approach to remuneration is the governance process that underpins it. This ensures that the policy is robustly applied and risk is managed appropriately. In addition to setting the overall remuneration policy and philosophy for the Group, the Remuneration Committee ensures that colleagues who could have a material impact on the Group's risk profile are not rewarded for excessive risk taking but provided with appropriate incentives that recognise their individual contribution to the success of the organisation. The Remuneration Committee works closely with the Risk Committee in ensuring the Group Performance Share (GPS) plan outcome is moderated. The two Committees determine whether the proposed GPS outcome and performance assessments adequately reflect the risk appetite and framework of the Group; whether it took account of current and future risks; and whether any further adjustment is required or merited. The Group and the Remuneration Committee are determined to ensure that the aggregate of the variable remuneration for all colleagues is appropriate and balanced with the interests of shareholders and all other stakeholders.

The Remuneration Committee's terms of reference are available from the Company Secretary and are displayed on the Group's website, www.lloydsbankinggroup.com/who-we-are/group-overview/corporate-governance.html. These terms are reviewed each year to ensure compliance with the remuneration regulations and were last updated in May 2022.

LINK BETWEEN PAY AND PERFORMANCE

The Group's approach to reward is intended to provide a clear link between remuneration and delivery of its key strategic objectives, supporting the delivery of the Group's purpose of Helping Britain Prosper and the aim of becoming the best bank for customers, whilst delivering long-term superior and sustainable returns to shareholders. To this end, the performance management process has been developed, with the close participation from Group Risk, to ensure there is a clear alignment between award outcomes and individual contribution, performance, behaviours and growth.

The use of a balanced scorecard approach to measure performance enables the Remuneration Committee to assess the performance of the Group and its senior executives in a consistent and performance driven way. The Group's remuneration policy supports the business values and strategy, based on building long-term relationships with customers and colleagues and managing the financial consequences of business decisions across the entire economic cycle.

DESIGN AND STRUCTURE OF REMUNERATION

When establishing the remuneration policy and associated frameworks, the Group is required to take into account its size, organisation and the nature, scope and complexity of its activities. For the purpose of remuneration regulation, Lloyds Bank plc is treated as a proportionality level I firm and therefore subject to the more onerous remuneration rules.

Remuneration is delivered via a combination of fixed and variable remuneration. Fixed remuneration reflects the role, responsibility and experience of a colleague. Variable remuneration is based on an assessment of individual, business area and Group performance. The mix of variable and fixed remuneration is driven by seniority and role. Taking into account the expected value of awards, the performance-related elements of pay make up a considerable proportion of the total remuneration package for MRTs, whilst maintaining an appropriate balance between the fixed and variable elements. The maximum ratio of variable to fixed remuneration for MRTs is 200 per cent, which has been approved by shareholders (98.77 per cent of votes cast) at the AGM on 15 May 2014

Remuneration (REMA) (continued)

Remuneration for control functions is set in relation to benchmark market data to ensure that it is possible to attract and retain staff with the appropriate knowledge, experience and skills. An appropriate balance between fixed and variable compensation supports this approach. Generally, control function staff receive a higher proportion of fixed remuneration than other colleagues. Particular attention is paid to ensure remuneration for control function staff is linked to the performance of their function and independent from the business areas they control.

The information below summarises the different remuneration elements for MRTs (this includes control function staff) and non-MRTs in respect of the 2022 performance year.

Base salary

Base salaries are reviewed annually, taking into account individual performance and market information. Further information on base salaries can be found on pages 108 and 120 of the DRR.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Fees

Chair and Non-Executive Director fees provide an appropriate reward to attract and retain a high-calibre individual with the relevant skills, knowledge and experience. Non-Executive Director fees are reviewed periodically by the Board.
Further information on fees can be found on page 131of the DRR.

Applies to:

- Non-Executive Directors

Fixed share award / Role based allowance

The fixed share award, made annually, delivers Lloyds Banking Group shares over a period of three years. Role based allowances are delivered monthly in cash. The purpose of the fixed share award/role based allowance is to ensure that total fixed remuneration is commensurate with the role, responsibilities and experience of the individual; provides a competitive reward package; and is appropriately balanced with variable remuneration, in line with regulatory requirements.

The fixed share award and role based allowance can be amended or withdrawn in the following circumstances:

- to reflect a change in role;
- to reflect a Group leave policy (e.g. parental leave or sickness absence);
- termination of employment with the Group;
- if the award would be inconsistent with any applicable legal, regulatory or tax requirements or market practice.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other employees (with eligibility based on seniority and role)

Benefits

Core benefits for UK-based colleagues include pension, private medical insurance, life insurance and other benefits that may be selected through the Group's flexible benefits plan. Benefits can be amended or withdrawn in the following circumstances:

- to reflect a change to colleague contractual terms;
- to reflect a change of grade;
- termination of employment with the Group;
- to reflect a change of Reward Strategy/benefit provision;
- if the award would be inconsistent with any statutory or tax requirements.

The Chair fees includes benefits of life insurance, medical insurance and transportation. NEDs are reimbursed for expenses incurred in the course of their duties, such as travel and accommodation expenses on a grossed-up basis (where applicable). Details of Non-Executive Directors' benefits are set out on page 131 of the DRR.

Applies to:

- Non-Executive Directors
- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Group Performance Share

The Group Performance Share (GPS) plan is an annual discretionary bonus plan. The plan is designed to reflect specific goals linked to the performance of the Group. The majority of colleagues and all MRTs participate in the GPS plan. Individual GPS awards are based upon individual contribution, overall Group financial results and performance conversations over the past financial year. The Group's total risk-adjusted GPS outcome is determined by the Remuneration Committee annually with the percentage of the Group's underlying profit as starting point, modified for:

- Group balanced scorecard performance
- Collective and discretionary adjustments to reflect risk matters and/or other factors.

The Group applies deferral arrangements to GPS and variable pay awards made to colleagues. GPS awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice. Further information on the GPS plan, including information on the performance measures, can be found on page 122 and 127 of the DRR.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Long Term Share Plan

The Long Term Share Plan ("LTSP") is the Group's long-term incentive opportunity to align executive management and behaviour to the Group's objectives of delivering long-term superior and sustainable returns. Senior colleagues, including MRTs, are eligible to participate in the plan. Individual awards are based upon individual contribution.
Awards are made in the form of conditional shares and award levels are set at the time of grant, in compliance with regulatory requirements, and may be subject to a discount in determining total variable remuneration under the rules set by the PRA. The number of shares to be awarded may be calculated using a fair value or based on a discount to market value, as appropriate. Vesting of awards will be subject to an assessment of underpin thresholds being maintained measured over a period of three years, or such longer period, as determined by the Committee. Awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice. Further detail on the LTSP, including the applicable performance measures and underpins, can be found on page 121 of the DRR.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Remuneration (REMA) (continued)

Deferral, vesting and performance adjustment

At least 40 per cent of MRTs' variable remuneration is deferred into Lloyds Banking Group Shares. For all MRTs, variable remuneration is deferred in line with the regulatory requirements for four, five or seven years, (depending on MRT category). At least 50 per cent of each release is subject to a 12 month holding period.

For all colleagues, any deferred variable remuneration amount may be subject to performance adjustment (malus) in accordance with the Group's Deferral and Performance Adjustment Policy.

MRTs' vested variable remuneration (including variable remuneration subject to a holding period) can be recovered from colleagues up to seven years after the date of award in the case of a material or severe risk event (clawback). For Senior Management Function holders, this period may be extended to ten years where there is an ongoing internal or regulatory investigation. Clawback may be used alongside other performance adjustment processes.

Further information on deferral, vesting and performance adjustment can be found on page 128 of the DRP.

De Minimis

Lloyds Bank Corporate Markets

In 2022, the Group, Lloyds Bank Corporate Markets ("LBCM") relied on the 'de minimis' derogation under Sections 12.2(2) and 15.A1 (3) of the PRA Rulebook (Remuneration Part), and the equivalent provisions of SYSC 19D, in respect of the number of individuals (including non-executive directors but excluding SMF7 that are not remunerated in respect of LBCM) as detailed in the table below, and to each of whom Sections 12.2 and 15.15 to 15.19 of the PRA Rulebook (Remuneration Part) (and the equivalent provisions of SYSC 19D) therefore did not apply.

	De-Minimis	Total Fixed Remuneration (£)	Total Variable Remuneration (£)	Total Remuneration (£)
LBCM	16	3,358,090	38,286	3,396,376

Guaranteed variable remuneration

Guarantees, such as sign-on awards, may only be offered in exceptional circumstances to new hires for the first year of service and in accordance with regulatory requirements. Any awards made to new hires to compensate them for unvested variable remuneration they forfeit on leaving their previous employment will be subject to appropriate retention, deferral, performance and clawback arrangements in accordance with applicable regulatory requirements.

Retention awards may be made to existing colleagues in limited circumstances and are subject to prior regulatory approval in line with applicable regulatory requirements.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Shareholding requirement

For Executive Directors the minimum shareholding requirement are expected to meet are as follows: 350 per cent of base salary for the Group Chief Executive and 250 per cent of base salary for other Executive Directors. From 2023 Executive Directors will have five years from appointment to achieve the shareholding requirement.

For members/attendees of the GEC, at least 100 per cent of their salary and fixed share awards/role based allowance must be held in shares.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee

Termination payments

It is the Group's policy that where compensation on termination is due to Executive Directors and GEC members, it should be paid on a phased basis, mitigated in the event that alternative employment is secured. See pages 132 to 133 of the DRP. Generally, on termination of employment, unvested Group Performance Share awards, Group Ownership Share awards, Long Term Share Plan awards, Long Term Incentive awards and other rights to payments will lapse except where termination falls within redundancy, retirement/ill health, injury, permanent disability, death, change of control or merger or another reason where the Remuneration Committee determines that the executive should be treated as a good leaver. Termination payments comply with the Group's contractual, legal and regulatory requirements and are made in such a way as to ensure they do not reward failure or misconduct and reflect performance over time.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Approved Persons performing SIFs and/or all colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Remuneration (continued)

REM1: Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management[2]	Other identified staff
Fixed remuneration[4]	Number of identified staff	10	2	12	53
	Total fixed remuneration	£730,366	£1,025,069	£5,314,593	£24,067,638
	Of which: cash-based	£730,366	£731,150	£3,912,669	£18,289,232
	Of which: shares or equivalent ownership interests[1]	—	£155,000	£658,517	£3,091,000
	Of which: share-linked instruments or equivalent non-cash instruments		—		
	Of which: other instruments		—		
	Of which: other forms		£138,919	£743,407	£2,687,406
Variable remuneration	Number of identified staff	—	2	10	46
	Total variable remuneration	—	£736,328	£4,007,757	£19,673,035
	Of which: cash-based	—	£275,000	£1,415,525	£6,181,380
	Of which: deferred	—	£90,000	£553,938	£2,477,458
	Of which: shares or equivalent ownership interests[3]	—	£461,328	£2,272,698	£12,938,483
	Of which: deferred	—	£276,328	£1,515,223	£9,889,159
	Of which: share-linked instruments or equivalent non-cash instruments	—	—	£319,534	£553,172
	Of which: deferred	—	—	£215,422	£271,412
	Of which: other instruments	—	—	—	—
	Of which: deferred	—	—	—	—
	Of which: other forms	—	—	—	—
	Of which: deferred	—	—	—	—
Total remuneration		**£730,366**	**£1,761,397**	**£9,322,350**	**£43,740,673**

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 2023 in respect of performance year 2022..

4 Fixed Remuneration is calculated using annualised salary.

Remuneration (continued)

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	—	—	—	£500,000
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	—	—	1	—
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	£136,438	—
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	—	—	£7,709	—
Of which paid during the financial year	—	—	—	—
Of which deferred	—	—	£7,709	—
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	—	—	£7,709	—

Remuneration (continued)

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	£75,563	—	£75,563	—	—	—	—	—
Shares or equivalent ownership interests	£1,701,362	£131,995	£1,569,368	—	—	—	£11,092	£131,995
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other senior management								
Cash-based	£386,822	—	£386,822	—	—	—	—	—
Shares or equivalent ownership interests	£4,195,831	£900,952	£3,294,879	—	—	—	£175,732	£900,952
Share-linked instruments or equivalent non-cash instruments	£816,941	—	£816,941	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Other identified staff								
Cash-based	£1,406,536	—	£1,406,536	—	—	—	—	—
Shares or equivalent ownership interests	£26,942,505	£1,646,300	£25,376,143	—	—	—	£418,270	£1,646,300
Share-linked instruments or equivalent non-cash instruments	£771,441	—	£771,441	—	—	—	—	—
Other instruments	—	—	—	—	—	—	—	—
Other forms	—	—	—	—	—	—	—	—
Total amount	**£36,297,002**	**£2,679,247**	**£33,697,693**	**—**	**—**	**—**	**£605,094**	**£2,679,247**

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

Remuneration (continued)

REM4: Remuneration of 1 million EUR or more per year[1,2,3]

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

1 Converted to Euros using £1: €1.15985 (the exchange used by the European Commission for financial programming for December 2022). The exchange rate used for 2021 was £1 = €1.18227.

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 2023 in respect of performance year 2022.

3 Total number of Material Risk Takers (excluding SMFs of the Group) earning more than €1m has increased from 2 in 2021 to 7 in 2022.

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										**77**
Of which: members of the MB	10	2	12							
Of which: other senior management				6	—	—	2	3	1	
Of which: other identified staff				28	—	—	3	11	11	
Total remuneration of identified staff	**£730,366**	**£1,761,397**	**£2,491,762**	**£23,479,948**	**—**	**—**	**£1,886,615**	**£6,028,047**	**£21,668,413**	
Of which: variable remuneration	—	£736,328	£736,328	£10,730,203	—	—	£813,438	£1,928,315	£10,208,836	
Of which: fixed remuneration	£730,366	£1,025,069	£1,755,434	£12,749,745	—	—	£1,073,177	£4,099,732	£11,459,577	