Lloyds Bank Corporate Markets plc

2023 Year-End

Pillar 3 Disclosures

31 December 2023

Table of contents

Basis of preparation

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

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

PRA reference	Template name	Reason for exclusion
INS1	Insurance participations	Not applicable to the Bank
INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable to the Bank
CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
CQ2	Quality of forbearance	Threshold for disclosure not met
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 breakdown	No collateral taken into possession is recognised on the balance sheet
CR7	IRB – Effect on the RWAs of credit derivatives used as CRM techniques	Excluded on materiality basis
CR10.3	Specialised lending - Object finance (Slotting approach)	Not applicable to the Bank
CR10.4	Specialised lending: Commodities finance (Slotting approach)	Not applicable to the Bank
CR10.5	Equity exposures subject to the simple risk weight method	Not applicable to the Bank
CCR7	RWA flow statements of CCR exposures under the IMM	Not applicable to the Bank

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/financialdownloads. 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 2023 Year-End Pillar 3 Disclosures can be found on the Lloyds Banking Group plc website.

Key metric and overview of risk weighted exposure amounts

KM1: Key Metrics[1]

KM1 Ref	LR2 Ref		31 Dec 2023	30 Jun 2023	31 Dec 2022
		Available own funds (amounts)			
1		Common Equity Tier 1 (CET1) capital (£m)	**2,725**	3,055	2,948
2		Tier 1 capital (£m)	**3,508**	3,812	3,705
3		Total capital (£m)	**4,109**	4,380	4,285
		Risk-weighted exposure amounts			
4		Total risk-weighted exposure amount (£m)	**20,492**	21,079	20,195
		Capital ratios (as a percentage of risk-weighted exposure amount)			
5		Common Equity Tier 1 ratio (%)	**13.3%**	14.5%	14.6%
6		Tier 1 ratio (%)	**17.1%**	18.1%	18.3%
7		Total capital ratio (%)	**20.1%**	20.8%	21.2%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a		Additional CET1 SREP requirements (%)	**2.7%**	2.6%	2.6%
UK 7b		Additional AT1 SREP requirements (%)	**0.9%**	0.9%	0.9%
UK 7c		Additional T2 SREP requirements (%)	**1.2%**	1.1%	1.1%
UK 7d		Total SREP own funds requirements (%)	**12.9%**	12.6%	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 (%)	**0.960%**	0.535%	0.506%
11		Combined buffer requirement (%)	**3.460%**	3.035%	3.006%
UK 11a		Overall capital requirements (%)	**16.3%**	15.7%	15.6%
12		CET1 available after meeting minimum SREP own funds requirements (%)[2]	**6.1%**	7.4%	7.5%
		Leverage ratio			
13	UK-24b	Total exposure measure excluding claims on central banks (£m)	**74,378**	76,243	69,175
14	25	Leverage ratio excluding claims on central banks (%)	**4.7%**	5.0%	5.4%
		Additional leverage ratio disclosure requirements			
UK 14a	UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.7%**	5.0%	5.3%
UK 14b	UK-25c	Leverage ratio including claims on central banks (%)	**3.7%**	4.0%	4.2%
UK 14c	UK-34	Average leverage ratio excluding claims on central banks (%)[3]	**4.9%**	5.0%	
UK 14d	UK-33	Average leverage ratio including claims on central banks (%)[3]	**3.9%**	4.0%	
UK 14e	UK-27b	Countercyclical leverage ratio buffer (%)[4]	**0.3%**	0.2%	
		Average Liquidity Coverage Ratio (weighted) (LCR)[5]			
15		Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**27,207**	25,298	23,858
UK 16a		Cash outflows - Total weighted value - average (£m)	**26,741**	27,264	24,799
UK 16b		Cash inflows - Total weighted value - average (£m)	**10,289**	12,026	10,692
16		Total net cash outflows (adjusted value - average) (£m)	**16,452**	15,238	14,107
17		Average liquidity coverage ratio (%)	**166%**	167%	170%
		Average Net Stable Funding Ratio[6]			
18		Total available stable funding (Weighted value - average) (£m)	**28,855**	27,652	26,688
19		Total required stable funding (Weighted value - average) (£m)	**19,891**	19,899	19,525
20		Average NSFR ratio (%)	**145%**	139%	137%

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 2023, no dynamic relief has been recognised through CET1 capital under the transitional arrangements (31 December 2022: £7 million).

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

3 The average UK leverage ratio is based on the average of the month end tier 1 capital position and average exposure measure over the quarter. The average leverage exposure measure (excluding claims on central banks) for the period from 1 October 2023 to 31 December 2023 amounted to £77,635 million. The average leverage exposure measure (including claims on central banks) for the period from 1 October 2023 to 31 December 2023 amounted to £99,229 million.

4 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage.

5 The liquidity balances are calculated as the simple averages of month end observations over the 12 months preceding the end of each quarter.

6 The net stable funding balances are calculated as the simple averages of quarter-end observations over the previous 4 quarters.

Key metric and overview of risk weighted exposure amounts continued

IFRS 9-FL: Capital

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

		31 Dec 2023	30 Jun 2023	31 Dec 2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	**2,725**	3,055	2,948
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**2,725**	3,055	2,941
3	Tier 1 capital (£m)	**3,508**	3,812	3,705
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**3,508**	3,812	3,698
5	Total capital (£m)	**4,109**	4,380	4,285
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**4,109**	4,380	4,288
	Risk-weighted exposure amounts			
7	Total risk-weighted exposure amount (£m)	**20,492**	21,079	20,195
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**20,492**	21,079	20,195
	Capital ratios (as a percentage of risk-weighted exposure amount)			
9	Common Equity Tier 1 ratio (%)	**13.3%**	14.5%	14.6%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**13.3%**	14.5%	14.6%
11	Tier 1 ratio (%)	**17.1%**	18.1%	18.3%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.1%**	18.1%	18.3%
13	Total capital ratio (%)	**20.1%**	20.8%	21.2%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.1%**	20.8%	21.2%
	Leverage ratio			
15	Total exposure measure excluding claims on central banks (£m)	**74,378**	76,243	69,175
16	Leverage ratio excluding claims on central banks (%)	**4.7%**	5.0%	5.4%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**4.7%**	5.0%	5.3%

Common Equity Tier 1

The Bank's common equity tier 1 (CET1) capital ratio reduced to 13.3 per cent at 31 December 2023 compared to 14.6 per cent at 31 December 2022. Profit for the year was offset by the accrual for the foreseeable ordinary dividend and a slight increase in risk-weighted assets.

Total Capital

The Bank's total capital ratio reduced to 20.1 per cent at 31 December 2023 compared to 21.2 per cent at 31 December 2022, largely reflecting the accrual for the foreseeable ordinary dividend and the increase in risk-weighted assets.

Risk-Weighted Assets

Risk-weighted assets increased by £297 million, or 1.5 per cent, to £20,492 million at 31 December 2023, compared to £20,195 million at 31 December 2022, largely as a result of an increase in operational and market risk, partially offset by a decrease in credit risk.

Leverage

The Bank's UK leverage ratio has reduced to 4.7 per cent at 31 December 2023 from 5.4 per cent at 31 December 2022. This largely reflected the accrual for the foreseeable ordinary dividend and an increase in the exposure measure following planned business growth in securities financing transactions and gilts and an increase in off-balance sheet items, partially offset by a decrease in lending to customers and a reduction in the derivatives measure.

Funding and Liquidity

The Bank's liquidity coverage ratio (LCR) was 166 per cent (based on a monthly rolling average over the previous 12 months) as at 31 December 2023 (31 December 2022: 170 per cent). The 4 per cent decrease is due to an increase in total net outflows, related to higher committed Credit and Liquidity Facilities outflows and higher derivative exposure outflows from market volatility post the mini-budget in late 2022. Liquid assets also increased primarily from an increase in customer deposits and decrease in lending. The Bank's net stable funding ratio (NSFR) was 145 per cent (based on a quarterly rolling average over the previous 4 quarters) as at 31 December 2023 (31 December 2022: 137 per cent).

Key metric and overview of risk weighted exposure amounts continued

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Dec 2023	31 Dec 2022	**31 Dec 2023**
		£m	£m	**£m**
1	**Credit risk (excluding CCR)**	**9,483**	10,119	**759**
2	Of which the standardised approach	**1,047**	1,095	**84**
3	Of which the foundation IRB (FIRB) approach	**7,620**	8,301	**610**
4	Of which slotting approach	**306**	213	**24**
UK 4a	Of which equities under the simple risk weighted approach	**450**	450	**36**
	Of which: non-credit obligation assets[1]	**60**	60	**5**
6	**Counterparty credit risk (CCR)**	**5,380**	5,515	**430**
7	Of which the standardised approach	**4,904**	4,989	**392**
UK 8a	Of which exposures to a CCP	**62**	65	**5**
UK 8b	Of which credit valuation adjustment (CVA)	**282**	302	**23**
9	Of which other CCR	**132**	159	**10**
16	**Securitisation exposures in the non-trading book (after the cap)**	**544**	498	**44**
18	Of which SEC-ERBA approach (including IAA)	**205**	156	**17**
19	Of which SEC-SA approach	**339**	342	**27**
20	**Position, foreign exchange and commodities risks (Market risk)**	**3,923**	3,133	**314**
21	Of which the standardised approach	**379**	204	**30**
22	Of which IMA	**3,544**	2,929	**284**
23	**Operational risk**	**1,162**	930	**93**
UK 23b	Of which standardised approach	**1,162**	930	**93**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**490**	509	**39**
29	**Total**	**20,492**	20,195	**1,640**
	Pillar 2A capital requirement[2]			**998**
	Total capital requirement			**2,638**

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

2 As at 31 December 2023, the Pillar 2A capital requirement was around 4.9 per cent of risk-weighted assets, of which around 2.7 per cent was to be met with CET1 capital.

Risk-weighted assets increased by £297 million to £20,492 million at 31 December 2023, compared to £20,195 million at 31 December 2022. This reflects:

- **Credit Risk (including amounts below the thresholds for deduction):** Credit Risk RWAs decreased by £636 million principally due to a reduction in lending.
- **Market Risk:** Market Risk RWAs increased by £790 million to £3,923 million primarily due to an RWA add-on introduced to anticipate the capital impact of a planned enhancement to the internal model approach.
- **Operational Risk:** Operational Risk RWAs increased by £232 million due to higher average income in the annual recalculation of operational risk.

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 predominantly calculated using internal models that are prudently calibrated based on loss experience and are subject to a number of internal controls and external approval from the PRA.

The PRA sets an additional minimum capital requirement under Pillar 2A. This reflects a point in time estimate of the amount of capital required to cover risks that are not fully covered by Pillar 1, such as credit concentration, and those risks not covered at all by Pillar 1, such as interest rate risk in the banking book (IRRBB).

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

A key input into the PRA's Pillar 2A setting process is a bank's own assessment of the minimum amount of capital it needs to cover risks that are not covered or not fully covered by Pillar 1 as part of its Internal Capital Adequacy Assessment Process (ICAAP).

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

- Concentration risk – greater loss volatility arising from a higher level of loan default correlation than is assumed by the Pillar 1 assessment. Such correlation can arise from, for example, geographic, industry sector and single name concentrations.
- Underestimation risk – where it is considered that the Pillar 1 capital assessments for credit, market, credit valuation adjustment (CVA) or operational risk underestimate the risk. 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 ICAAP document is subject to a robust review process, approved by the Board and submitted to the PRA for their consideration ahead of setting the Bank's P2A requirement.

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

Own funds

CC1: Composition of regulatory own funds

The capital position below reflects the application of the transitional arrangements for IFRS 9.

		31 Dec 2023 £m	31 Dec 2022 £m	CC2 Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	**370**	370	
	of which: called up share capital	**370**	370	a
2	Retained earnings	**3,035**	2,810	c
3	Accumulated other comprehensive income (and other reserves)	**(314)**	(530)	c
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend[1]	**(450)**	–	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,641**	2,650	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	**(142)**	(162)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**289**	519	
12	Negative amounts resulting from the calculation of expected loss amounts	**(41)**	(32)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(22)**	(34)	
27a	Other regulatory adjustments to CET1 capital	**–**	7	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**84**	298	
29	**Common Equity Tier 1 (CET1) capital**	**2,725**	2,948	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	**783**	757	
31	of which: classified as equity under applicable accounting standards	**783**	757	b
44	**Additional Tier 1 (AT1) capital**	**783**	757	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,508**	3,705	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	**699**	706	d
51	**Tier 2 (T2) capital before regulatory adjustments**	**699**	706	
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)	**(98)**	(116)	
UK-56b	Other regulatory adjustments to T2 capital	**–**	(10)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(98)**	(126)	
58	**Tier 2 (T2) capital**	**601**	580	
59	**Total capital**	**4,109**	4,285	
60	**Total risk exposure amount**	**20,492**	20,195	
Capital ratios and buffers				
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**13.3%**	14.6%	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**17.1%**	18.3%	
63	**Total capital (as a percentage of total risk exposure amount)**	**20.1%**	21.2%	
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)	**10.7%**	10.1%	
65	of which: capital conservation buffer requirement	**2.500%**	2.500%	
66	of which: countercyclical buffer requirement	**0.960%**	0.506%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**6.1%**	7.5%	
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)	**38**	11	
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**	180	
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)	**16**	23	
Applicable caps on the inclusion of provisions in Tier 2				
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**74**	79	

1 The reported amount for 31 December 2023 reflects the year end foreseeable dividend accrual only as the externally audited profits for each year are included in row 2 (Retained earnings).

Own funds continued

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

The following table presents the Bank's accounting balance sheet as at 31 December 2023 which forms the basis for the calculation of the Bank's regulatory own funds as presented in table CC1. There is no difference between the Bank's accounting and regulatory balance sheets.

		Bank balance sheet at 31 Dec 2023	
		£m	Reference[1]
Assets			
1	Cash and balances at central banks	**20,201**	
3	Financial assets at fair value through profit or loss	**21,847**	
4	Derivative financial instruments	**22,606**	
5	Loans and advances to banks	**1,726**	
6	Loans and advances to customers	**16,167**	
7	Reverse repurchase agreements	**6,020**	
8	Debt Securities	**374**	
9	Due from fellow Lloyds Banking Group undertakings	**629**	
10	Financial assets at amortised cost	**24,916**	
11	Financial assets at fair value through other comprehensive income	**—**	
12	Property, plant and equipment	**38**	
13	Current tax recoverable	**10**	
14	Deferred tax assets	**128**	
15	Investment in subsidiary undertakings	**180**	
16	Other assets	**449**	
17	**Total assets**	**90,375**	
Liabilities			
1	Deposits from banks	**2,078**	
2	Customer deposits	**29,439**	
3	Repurchase agreements at amortised cost	**1**	
4	Due to fellow Lloyds Banking Group undertakings	**1,256**	
5	Financial liabilities at fair value through profit or loss	**19,686**	
6	Derivative financial instruments	**17,576**	
7	Debt securities in issue	**15,378**	
8	Current tax liabilities	**12**	
9	Other provisions	**15**	
10	Other liabilities	**280**	
11	Subordinated liabilities	**755**	d
12	**Total liabilities**	**86,476**	
Shareholders' equity			
1	Called up share capital	**370**	
2	of which: share capital	**370**	a
3	Other equity instruments	**808**	b
4	Retained earnings, accumulated other comprehensive income and other reserves[2]	**2,721**	c
5	**Total equity excluding non-controlling interests**	**3,899**	
6	Non-controlling interests	**—**	
7	**Total equity**	**3,899**	
8	**Total equity and liabilities**	**90,375**	

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.

Own funds continued

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

	31 Dec 2023												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
Breakdown by Country	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Exposure value for non-trading book £m	Total exposure value £m	Credit risk[2,3] £m	Market risk[2] £m	Securitisation positions in the non-trading book[3] £m	Total £m	Risk-weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
United Kingdom	1,103	12,298	23	62	1,945	15,431	455	18	38	511	6,389	44.74%	2.00%
Australia	—	—	1	1	—	2	—	—	—	—	4	0.03%	1.00%
Bulgaria	—	—	—	—	—	—	—	—	—	—	—	—%	2.00%
Croatia	—	—	—	—	—	—	—	—	—	—	—	—%	1.00%
Cyprus	56	—	—	—	—	56	4	—	—	4	56	0.39%	0.50%
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	—%	2.00%
Denmark	—	—	—	—	—	—	—	—	—	—	—	—%	2.50%
Estonia	—	—	—	—	—	—	—	—	—	—	—	—%	1.50%
France	2	83	9	25	—	119	2	7	—	9	117	0.82%	0.50%
Germany	—	124	17	45	136	322	2	13	1	16	199	1.39%	0.75%
Hong Kong	—	13	—	—	—	13	1	—	—	1	6	0.05%	1.00%
Iceland	—	—	—	—	—	—	—	—	—	—	—	—%	2.00%
Ireland	5	112	—	—	—	117	3	—	—	3	38	0.27%	1.00%
Lithuania	—	—	—	—	—	—	—	—	—	—	—	—%	1.00%
Luxembourg	5	3,683	—	—	—	3,688	80	—	—	80	995	6.97%	0.50%
Netherlands	101	78	—	—	—	179	10	—	—	10	120	0.84%	1.00%
Norway	—	—	1	3	—	4	—	1	—	1	12	0.09%	2.50%
Romania	—	—	—	—	—	—	—	—	—	—	—	—%	1.00%
Slovakia	—	—	—	—	—	—	—	—	—	—	—	—%	1.50%
Slovenia	—	—	—	—	—	—	—	—	—	—	—	—%	0.50%
Sweden	—	—	—	—	—	—	—	—	—	—	—	—%	2.00%
i) Total[1]	1,272	16,391	51	136	2,081	19,931	557	39	39	635	7,936	55.59%	
United States of America	341	9,120	9	23	400	9,893	266	7	5	278	3,467	24.27%	—%
Jersey	701	828	—	—	—	1,529	55	—	—	55	683	4.78%	—%
Guernsey	670	2,283	—	—	—	2,953	71	—	—	71	890	6.23%	—%
Bermuda	—	1,655	—	—	—	1,655	26	—	—	26	320	2.24%	—%
Cayman Islands	52	680	—	—	—	732	28	—	—	28	344	2.41%	—%
Isle of Man	352	116	—	—	—	468	18	—	—	18	231	1.62%	—%
ii) Total[1]	2,116	14,682	9	23	400	17,230	464	7	5	476	5,935	41.55%	
iii) Rest of the World[1]	184	491	5	14	—	694	27	5	—	32	411	2.86%	
Total	3,572	31,564	65	173	2,481	37,855	1,048	51	44	1,143	14,282	100.00%	

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

31 Dec 2022

	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements						
	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 of America	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%	

1 The breakdown by country is disclosed on the following basis:

i) those countries for which a countercyclical capital buffer rate has been set.

ii) those countries for which a countercyclical capital buffer rate has not been set and have an own funds requirement weighting of greater than or equal to one per cent, the threshold having been determined by the Bank in accordance with guidelines on materiality for Pillar 3.

iii) the aggregate of all remaining countries for which a countercyclical buffer rate has not been set and individually have an own funds requirement weighting of less than one per cent.

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

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

CCyB2: Amount of institution-specific countercyclical capital buffer

	31 Dec 2023	31 Dec 2022
1 Total risk exposure amount	**£20,492m**	£20,195m
2 Institution specific countercyclical capital buffer rate	**0.960%**	0.506%
3 Institution specific countercyclical capital buffer requirement	**£197m**	£102m

Leverage

LR2: Leverage ratio common disclosure

		31 Dec 2023 £m	31 Dec 2022 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**44,167**	44,566
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(2,017)**	(2,242)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(62)**	(36)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**42,088**	42,288
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**11,903**	12,898
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**7,993**	7,523
11	Adjusted effective notional amount of written credit derivatives	**192**	529
12	Adjusted effective notional offsets and add-on deductions for written credit derivatives	**(17)**	(330)
13	Total derivatives exposures	**20,071**	20,620
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**36,049**	38,908
15	Netted amounts of cash payables and cash receivables of gross SFT assets	**(12,616)**	(21,520)
16	Counterparty credit risk exposure for SFT assets	**862**	706
18	Total securities financing transaction exposures	**24,295**	18,094
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**21,525**	17,159
20	Adjustments for conversion to credit equivalent amounts	**(12,116)**	(8,472)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	**(4)**	(12)
22	Off-balance sheet exposures	**9,405**	8,675
Excluded exposures			
UK-22a	Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(1,287)**	(1,124)
UK-22k	Total exempted exposures	**(1,287)**	(1,124)
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**3,508**	3,705
24	Total exposure measure including claims on central banks	**94,572**	88,553
UK-24a	(-) Claims on central banks excluded	**(20,194)**	(19,378)
UK-24b	Total exposure measure excluding claims on central banks	**74,378**	69,175
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**4.7%**	5.4%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.7%**	5.3%
UK-25c	Leverage ratio including claims on central banks (%)	**3.7%**	4.2%
26	Regulatory minimum leverage ratio requirement (%)	**3.25%**	
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**0.3%**	
UK-27b	Of which: countercyclical leverage ratio buffer (%)[1]	**0.3%**	
Additional leverage ratio disclosure requirements - disclosure of mean values[2]			
28	Mean of daily values of gross SFT assets (over the quarter), after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**23,866**	
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**23,433**	
UK-31	Average total exposure measure including claims on central banks	**99,229**	
UK-32	Average total exposure measure excluding claims on central banks	**77,635**	
UK-33	Average leverage ratio including claims on central banks	**3.9%**	
UK-34	Average leverage ratio excluding claims on central banks	**4.9%**	

1 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage.

2 In reference to the preceding quarter.

Leverage continued

LR1: Summary reconciliation of accounting assets and leverage ratio exposures

		31 Dec 2023 £m	31 Dec 2022 £m
1	Total assets as per published financial statements	**90,375**	86,725
4	Adjustment for exemption of exposures to central banks	**(20,194)**	(19,378)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(170)**	(124)
8	Adjustment for derivative financial instruments	**(3,542)**	(5,017)
9	Adjustment for securities financing transactions (SFTs)	**862**	706
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**9,409**	8,687
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(66)**	(48)
UK-11a	Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR	**(2,296)**	(2,376)
13	Total exposure measure	**74,378**	69,175

1 Gross of specific provisions. The amount net of specific provisions at 31 December 2023 is £9,405 million (31 December 2022: £8,675 million).

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

		31 Dec 2023 £m	31 Dec 2022 £m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**44,003**	44,435
UK-2	**Trading book exposures**	**4,248**	2,432
UK-3	**Banking book exposures, of which:**	**39,755**	42,003
UK-5	Exposures treated as sovereigns	**20,460**	19,628
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**16**	17
UK-7	Institutions	**509**	575
UK-8	Secured by mortgages of immovable properties	**1,497**	1,418
UK-9	Retail exposures	**39**	62
UK-10	Corporates	**12,849**	14,987
UK-11	Exposures in default	**156**	178
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**4,229**	5,138

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.

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 Lloyds Bank Corporate Markets Asset and Liability Committee ('ALCO') and the Board.

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

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

Further details on the factors that had an impact on the leverage ratio during the period are discussed on page 5.

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 to Article 178(3)(d) and Article 47(b).

Credit risk

The tables in this section reflect FINREP regulatory reporting categories and definitions. The reported values for defaulted exposure reflect a definition of default backstop of 90 days.

CR1: Performing and non-performing exposures and related provisions

		31 Dec 2023														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							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					
		Total	Of which stage 1[1]	Of which stage 2[1]	Total	Of which stage 2[1]	Of which stage 3[1]	Total	Of which stage 1[1]	Of which stage 2[1]	Total	Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	20,327	20,327	—	—	—	—	—	—	—	—	—	—	—	—	—
010	**Loans and advances**	24,421	24,239	180	10	—	10	(20)	(15)	(5)	—	—	—	—	1,796	—
030	General governments	67	67	—	—	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	3,919	3,919	—	—	—	—	(2)	(2)	—	—	—	—	—	31	—
050	Other financial corporations	17,627	17,591	35	—	—	—	(10)	(9)	(1)	—	—	—	—	—	—
060	Non-financial corporations	1,286	1,143	142	7	—	7	(7)	(3)	(4)	—	—	—	—	252	—
080	Households	1,522	1,519	3	3	—	3	(1)	(1)	—	—	—	—	—	1,513	—
090	**Debt securities**	383	295	81	146	—	—	(2)	—	(2)	—	—	—	—	—	—
110	General governments	15	15	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	93	93	—	—	—	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	275	187	81	146	—	—	(2)	—	(2)	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	21,626	21,572	54	—	—	—	(8)	(7)	(1)	—	—	—		3,474	—
170	General governments	144	144	—	—	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	2,508	2,508	—	—	—	—	—	—	—	—	—	—		1,850	—
190	Other financial corporations	15,108	15,088	20	—	—	—	(5)	(5)	—	—	—	—		1,583	—
200	Non-financial corporations	3,839	3,805	34	—	—	—	(3)	(2)	(1)	—	—	—		41	—
210	Households	27	27	—	—	—	—	—	—	—	—	—	—		—	—
220	**Total**	66,757	66,433	315	156	—	10	(30)	(22)	(8)	—	—	—	—	5,270	—

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

		31 Dec 2022														
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							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					
		Total	Of which stage 1[1]	Of which stage 2[1]	Total	Of which stage 2[1]	Of which stage 3[1]	Total	Of which stage 1[1]	Of which stage 2[1]	Total	Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	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	–

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

Credit risk continued

CR1-A: Maturity of exposures

		31 Dec 2023					
		Net exposure value					
		On demand	<=1 year	>1 year <=5 years	>5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	**1,522**	**12,567**	**8,591**	**1,731**	**—**	**24,411**
2	Debt securities	**—**	**105**	**343**	**79**	**—**	**527**
3	**Total**	**1,522**	**12,672**	**8,934**	**1,810**	**—**	**24,938**
		31 Dec 2022					
		£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 2022	23
020	Inflows to non-performing portfolios	**10**
030	**Outflows from non-performing portfolios**	**(23)**
040	Outflows due to write-offs	**(2)**
050	Outflow due to other situations	**(21)**
060	**Final stock of non-performing loans and advances at 31 December 2023**	**10**

Credit risk continued

CQ1: Credit quality of forborne exposures

		31 Dec 2023							
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
			Non-performing forborne						
		Performing forborne		**Of which defaulted**	**Of which impaired**	**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which collateral and financial guarantees received on non-performing exposures with forbearance measures**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
010	**Loans and advances**	**—**	**10**	**10**	**10**	**—**	**—**	**—**	**—**
060	Non-financial corporations	**—**	**7**	**7**	**7**	**—**	**—**	**—**	**—**
070	Households	**—**	**3**	**3**	**3**	**—**	**—**	**—**	**—**
080	**Debt Securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090	**Loan commitments given**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
100	**Total**	**—**	**10**	**10**	**10**	**—**	**—**	**—**	**—**
		31 Dec 2022							
		£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)	—	—

Credit risk continued

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

		31 Dec 2023											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	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**	20,327	20,327	—	—	—	—	—	—	—	—	—	—
010	**Loans and advances**	24,421	24,412	9	10	—	2	3	3	1	—	1	10
030	General governments	67	67	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	3,919	3,919	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	17,627	17,627	—	—	—	—	—	—	—	—	—	—
060	Non-financial corporations	1,286	1,278	9	7	—	1	3	2	—	—	1	7
080	Households	1,522	1,522	—	3	—	1	—	1	1	—	—	3
090	**Debt securities**	383	383	—	146	146	—	—	—	—	—	—	146
110	General governments	15	15	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	93	93	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	275	275	—	146	146	—	—	—	—	—	—	146
150	**Off-balance-sheet exposures**	21,626			—								—
170	General governments	144			—								—
180	Credit institutions	2,508			—								—
190	Other financial corporations	15,108			—								—
200	Non-financial corporations	3,839			—								—
210	Households	27			—								—
220	**Total**	66,757	45,123	9	156	146	2	3	3	1	—	1	156

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

		31 Dec 2022											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	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

Credit risk continued

CQ4: Quality of non-performing exposures by geography

		31 Dec 2023				
		Gross carrying/nominal amount				
		Total performing and non-performing	Of which defaulted	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m
010	**On-balance-sheet exposures**	**24,960**	**156**	**(22)**		**–**
020	Bermuda	**107**	**–**	**–**		**–**
030	Cayman Islands	**508**	**–**	**(1)**		**–**
040	France	**3,528**	**–**	**–**		**–**
050	Guernsey	**1,850**	**3**	**(2)**		**–**
060	Jersey	**1,148**	**1**	**(2)**		**–**
070	Luxembourg	**1,737**	**–**	**(1)**		**–**
080	South Africa	**62**	**–**	**–**		**–**
090	Switzerland	**173**	**–**	**–**		**–**
100	United Kingdom	**7,665**	**148**	**(10)**		**–**
110	United States	**6,822**	**–**	**(4)**		**–**
120	Other countries	**1,360**	**4**	**(2)**		**–**
130	**Off-balance-sheet exposures**	**21,626**	**–**		**(8)**	
140	Bermuda	**1,601**	**–**		**–**	
150	Cayman Islands	**125**	**–**		**–**	
160	France	**–**	**–**		**–**	
170	Guernsey	**1,471**	**–**		**(1)**	
180	Jersey	**469**	**–**		**–**	
190	Luxembourg	**1,969**	**–**		**(1)**	
200	South Africa	**1,395**	**–**		**–**	
210	Switzerland	**346**	**–**		**–**	
220	United Kingdom	**5,307**	**–**		**(3)**	
230	United States	**8,762**	**–**		**(3)**	
240	Other countries	**181**	**–**		**–**	
250	**Total**	**46,586**	**156**	**(22)**	**(8)**	**–**

		31 Dec 2022				
		£m	£m	£m	£m	£m
010	On-balance-sheet exposures	27,743	178	(43)		–
020	Bermuda	71	–	–		–
040	France	5,592	–	–		–
050	Guernsey	2,398	3	(3)		–
060	Jersey	1,097	15	(2)		–
070	Luxembourg	2,493	–	(4)		–
100	United Kingdom	7,514	157	(18)		–
110	United States	6,551	–	(14)		–
120	Other countries	2,027	3	(2)		–
130	Off-balance-sheet exposures	17,174	–		(18)	
140	Bermuda	1,551	–		–	
160	France	–	–		–	
170	Guernsey	1,041	–		(1)	
180	Jersey	322	–		–	
190	Luxembourg	1,614	–		(2)	
220	United Kingdom	5,128	–		(5)	
230	United States	7,055	–		(10)	
240	Other countries	463	–		–	
250	Total	44,917	178	(43)	(18)	–

Credit risk continued

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

		31 Dec 2023			
		Gross carrying amount			
			Of which defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	**1**	**—**	**—**	**—**
020	Mining and quarrying	**7**	**—**	**—**	**—**
030	Manufacturing	**259**	**—**	**—**	**—**
040	Electricity, gas, steam and air conditioning supply	**32**	**—**	**(1)**	**—**
060	Construction	**15**	**—**	**—**	**—**
070	Wholesale and retail trade	**68**	**—**	**(1)**	**—**
090	Accommodation and food service activities	**3**	**—**	**—**	**—**
100	Information and communication	**172**	**—**	**—**	**—**
120	Real estate activities	**606**	**7**	**(4)**	**—**
130	Professional, scientific and technical activities	**79**	**—**	**(1)**	**—**
140	Administrative and support service activities	**34**	**—**	**—**	**—**
170	Human health services and social work activities	**3**	**—**	**—**	**—**
190	Other services	**14**	**—**	**—**	**—**
200	**Total**	**1,293**	**7**	**(7)**	**—**

		31 Dec 2022			
		£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	—	—	—
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 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.

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 EAD value is adjusted accordingly under the Financial Collateral Comprehensive Method (FCCM) applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

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

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

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

Application under the IRB Approach

In recognising eligible financial collateral under the FIRB Approach, the Bank adjusts the relevant LGD value in accordance with the application of the FCCM, applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

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

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

Application between the IRB and Standardised Approaches

Under the Substitution Effect a non-collateralised guarantee could also result in an exposure moving between regulatory approaches, i.e. SA to IRB or IRB to SA. This occurs where the original obligor and the protection provider would be reported under different approaches due to their specific characteristics. This 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 continued

CR3: CRM techniques – Overview

	31 Dec 2023				
	Unsecured carrying amount	**Secured carrying amount**	**Of which secured by collateral**	**Of which secured by financial guarantees**	**Of which secured by credit derivatives**
	£m	**£m**	**£m**	**£m**	**£m**
Loans and advances	**22,615**	**1,796**	**1,795**	**1**	**1**
Debt securities	**527**	**–**	**–**	**–**	
Total	**23,142**	**1,796**	**1,795**	**1**	**1**
Of which non-performing exposures	**156**	**–**	**–**	**–**	**–**
Of which defaulted	**156**	**–**			

	31 Dec 2022				
	£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 continued

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

		31 Dec 2023					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density[1]	
		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	**14,010**	**—**	**14,010**	**—**	**40**	**0%**
3	Public sector entities	**16**	**—**	**16**	**—**	**—**	**—%**
4	Multilateral development banks	**72**	**—**	**72**	**—**	**—**	**—%**
6	Institutions	**201**	**443**	**144**	**19**	**87**	**53%**
7	Corporates	**312**	**932**	**312**	**206**	**319**	**62%**
8	Retail	**39**	**29**	**39**	**13**	**36**	**69%**
9	Secured by mortgages on immovable property	**1,497**	**—**	**1,497**	**—**	**524**	**35%**
10	Exposures in default	**9**	**—**	**9**	**—**	**11**	**121%**
13	Institutions and corporates with a short-term credit assessment	**—**	**235**	**—**	**21**	**4**	**20%**
16	Other items	**26**	**—**	**26**	**—**	**26**	**98%**
17	**TOTAL**	**16,182**	**1,639**	**16,125**	**259**	**1,047**	**6%**
		31 Dec 2022					
	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 property	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%

1. Risk-weighted assets and density reported in this table are disclosed after application of supporting factors.

Credit risk

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

CR8: Risk-weighted assets flow statements of credit risk exposures

		Total RWA quarter to 31 Dec 2023	Total RWA YTD 31 Dec 2023
		£m	£m
1	Risk weighted exposure amount as at the end of previous reporting period	8,647	8,514
2	Asset size (+/-)	**(547)**	**(203)**
3	Asset quality (+/-)	**45**	**(15)**
4	Model updates (+/-)	**76**	**76**
5	Methodology and policy (+/-)	**(69)**	**(117)**
7	Foreign exchange movements (+/-)	**(225)**	**(329)**
9	**Risk weighted exposure amount as at the end of the reporting period**	**7,927**	**7,927**

Key movements 30 September to 31 December 2023

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

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

Credit risk continued

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

		31 Dec 2023									
			Credit risk Mitigation techniques								Credit risk Mitigation methods in the calculation of RWAs
			Funded credit Protection (FCP)						Unfunded credit Protection (UFCP)		
		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 Guarantees	Part of exposures covered by Credit Derivatives	RWA with substitution effects (both reduction and substitution effects)
F-IRB		**£m**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**£m**
1	**Central governments and central banks**	**6,543**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**259**
2	**Institutions**	**1,723**	**87.04%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**220**
3	**Corporates**	**22,445**	**5.63%**	**1.50%**	**1.50%**	**—%**	**—%**	**—%**	**—%**	**0.15%**	**7,448**
3.1	Of which Corporates – SMEs	**88**	**—%**	**82.75%**	**82.75%**	**—%**	**—%**	**—%**	**—%**	**—%**	**32**
3.2	Of which Corporates – Specialised lending[1]	**436**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**	**306**
3.3	Of which Corporates – Other	**21,921**	**5.76%**	**1.21%**	**1.21%**	**—%**	**—%**	**—%**	**—%**	**0.15%**	**7,110**
4	**Total**	**30,711**	**9.00%**	**1.10%**	**1.10%**	**—%**	**—%**	**—%**	**—%**	**0.11%**	**7,927**

		31 Dec 2022									
F-IRB		£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[1]	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

1. 100% of the exposures disclosed in the 'Of which Corporates - Specialised lending' row, use the Slotting approach.

Credit risk continued

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

		31 Dec 2023					
		On-balance sheet exposure	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
	Less than 2.5 years	**123**	**30**	**50%**	**141**	**70**	**—**
1) Strong	Equal to or more than 2.5 years	**88**	**4**	**70%**	**91**	**64**	**1**
	Less than 2.5 years	**—**	**—**	**70%**	**—**	**—**	**—**
2) Good	Equal to or more than 2.5 years	**29**	**6**	**90%**	**33**	**30**	**—**
	Less than 2.5 years	**123**	**30**		**141**	**70**	**—**
Total	**Equal to or more than 2.5 years**	**117**	**10**		**124**	**94**	**1**

		31 Dec 2022					
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
	Less than 2.5 years	75	1	50%	75	38	—
1) Strong	Equal to or more than 2.5 years	34	2	70%	36	25	—
	Less than 2.5 years	—	—	70%	—	—	—
2) Good	Equal to or more than 2.5 years	28	8	90%	33	30	—
	Less than 2.5 years	75	1		75	38	—
Total	Equal to or more than 2.5 years	62	10		69	55	—

Credit risk continued

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

		31 Dec 2023					
		On-balance sheet exposure	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
1) Strong	Less than 2.5 years	**109**	**2**	**50%**	**111**	**56**	**—**
	Equal to or more than 2.5 years	**3**	**—**	**70%**	**3**	**2**	**—**
2) Good	Less than 2.5 years	**32**	**—**	**70%**	**32**	**22**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**90%**	**—**	**—**	**—**
4) Weak	Less than 2.5 years	**25**	**—**	**250%**	**25**	**62**	**2**
	Equal to or more than 2.5 years	**—**	**—**	**250%**	**—**	**—**	**—**
5) Default	Less than 2.5 years	**—**	**—**		**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**		**—**	**—**	**—**
Total	**Less than 2.5 years**	**166**	**2**		**168**	**140**	**2**
	Equal to or more than 2.5 years	**3**	**—**		**3**	**2**	**—**

		31 Dec 2022					
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£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

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

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

		Total RWA Quarter to 31 Dec 2023					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	RWAs at 30 Sept 2023	1,359	768	372	1,735	4,234	339
1a	Regulatory adjustment	(620)	(584)	–	–	(1,204)	(96)
1b	RWAs at end of day[1]	739	184	372	1,735	3,030	243
2	Movement in risk levels	**(599)**	**179**	**(31)**	**(436)**	**(887)**	**(71)**
3	Model updates/changes	**–**	**–**	**–**	**–**	**–**	**–**
7	Other	**–**	**–**	**–**	**–**	**–**	**–**
8a	**RWAs at end of day[1]**	**140**	**363**	**341**	**1,299**	**2,143**	**172**
8b	**Regulatory adjustment**	**713**	**646**	**42**	**–**	**1,401**	**112**
8	**RWAs at 31 Dec 2023**	**853**	**1,009**	**383**	**1,299**	**3,544**	**284**

		Total RWA YTD to 31 Dec 2023					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	RWAs at 31 Dec 2022	1,018	705	124	1,082	2,929	234
1a	Regulatory adjustment	(907)	(547)	(32)	–	(1,487)	(118)
1b	RWAs at end of day[1]	111	158	92	1,082	1,442	116
2	Movement in risk levels	**(141)**	**205**	**249**	**(591)**	**(277)**	**(22)**
3	Model updates/changes	**170**	**–**	**–**	**(45)**	**125**	**10**
7	Other	**–**	**–**	**–**	**853**	**853**	**68**
8a	**RWAs at end of day[1]**	**140**	**363**	**341**	**1,299**	**2,143**	**172**
8b	**Regulatory adjustment**	**713**	**646**	**42**	**–**	**1,401**	**112**
8	**RWAs at 31 Dec 2023**	**853**	**1,009**	**383**	**1,299**	**3,544**	**284**

1. End of day represents spot position

Key movements 30 September to 31 December 2023:

– Reduction in VaR RWA due to portfolio evolution in Q4 and Q4 2022 volatility moving out of the VaR window.

– Movements in SVaR and RNIV RWA driven by portfolio evolution.

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 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 local liquidity requirements.

The Bank's funding and liquidity position is underpinned by a diverse funding base and is supported through a prudent liquidity management framework and funding profile.

The Bank plans funding requirements over its planning period, combining business as usual and stressed conditions. 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 develops the strategy within the boundaries set by the Risk Appetite which is reviewed and approved at least annually. The Bank's Board Risk Committee is responsible for reviewing Lloyds Bank Corporate Markets Risk Appetite, Enterprise Risk Management Framework (ERMF) and risk culture. The Bank adopts the Lloyds Banking Group ERMF supplemented with additional tailored practices to address the Bank specific requirements.

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 (GCT) 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.

The Bank operates a Liquidity Transfer Pricing process which allocates relevant interest expenses from the centre to the Bank's banking businesses within the internal management accounts, and helps drive the correct inputs to customer pricing.

Scope and nature of liquidity risk reporting and measurement systems.

Liquidity risk is managed through a series of measures, tests and reports that are primarily based on contractual maturities with behavioural overlays as appropriate. The Bank undertakes both quantitative and qualitative analysis of the behavioural aspects of its assets and liabilities to reflect their expected behaviour.

The Bank's liquidity risk reporting utilises Lloyds Banking Group's strategic Liquidity Reporting System, which is used for both external regulatory reporting and a range of other internal liquidity metrics including the internal liquidity stress test.

Daily monitoring and control processes are in place to address both internal and regulatory liquidity reporting and measurement. The Bank monitors a range of market and internal early warning indicators daily for early signs of liquidity risk in the market or specific to the Bank.

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, the 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 diversified high quality liquid assets to mitigate potential liquidity outflow risks as indicated under the LCR and internal liquidity stress scenarios. The Bank considers diversification across geography, currency, markets and tenor when assessing appropriate holding of liquid assets.

An outline of the bank's contingency funding plans

The Bank maintains a Liquidity Contingency Framework as part of the wider Recovery Plan which is designed to identify emerging liquidity concerns at an early stage, so that mitigating actions can be taken to restore liquidity resources. The Liquidity Contingency Framework has a foundation of robust and regular monitoring and reporting of KPIs, EWIs and Risk Appetite by GCT with second-line Risk oversight up to and including Board level. Where movements in any of these metrics and indicator suites point to a potential issue, SME teams and their Directors will escalate this information as appropriate.

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-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 Group'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 Board confirm the adequacy of our liquidity risk management arrangements, including compliance with the PRA's Overall Liquidity Adequacy Rule, annually via the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP documents and demonstrates that the Bank maintains adequate funding and liquidity resources to ensure its financial stability.

A concise liquidity risk statement approved by the management body

The Board approves the Bank's Funding and Liquidity management framework, as defined by the ERMF, and approves the Bank's Funding and Liquidity Risk Appetite Statement that the Bank 'maintains a prudent liquidity profile and a balance sheet structure that limits reliance on potentially volatile sources of funding'.

Liquidity

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.

LIQ1: Quantitative information of Liquidity Coverage Ratio (LCR)

		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
	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)					**27,207**	26,530	25,298	24,395
Cash - outflows (£m)									
2	Retail deposits and deposits from small business customers, of which:	**7,642**	7,775	7,933	7,937	**986**	1,004	1,029	1,032
4	Less stable deposits	**7,642**	7,775	7,933	7,937	**986**	1,004	1,029	1,032
5	Unsecured wholesale funding	**8,277**	8,249	8,052	7,819	**5,346**	5,312	5,317	5,352
7	Non-operational deposits (all counterparties)	**7,159**	7,172	6,951	6,692	**4,228**	4,235	4,216	4,225
8	Unsecured debt	**1,118**	1,077	1,101	1,127	**1,118**	1,077	1,101	1,127
9	Secured wholesale funding					**180**	135	92	58
10	Additional requirements	**26,851**	27,404	27,215	26,152	**19,408**	20,135	20,053	19,134
11	Outflows related to derivative exposures and other collateral requirements	**13,837**	14,934	15,070	14,420	**13,837**	14,934	15,070	14,420
13	Credit and liquidity facilities	**13,014**	12,470	12,145	11,732	**5,571**	5,201	4,983	4,714
14	Other contractual funding obligations	**672**	578	688	667	**636**	543	652	632
15	Other contingent funding obligations	**6,715**	6,741	6,875	7,148	**185**	150	121	126
16	Total cash outflows					**26,741**	27,279	27,264	26,334
Cash - inflows (£m)									
17	Secured lending (e.g. reverse repos)	**21,330**	20,755	21,455	20,520	**160**	171	193	176
18	Inflows from fully performing exposures	**833**	849	1,038	1,030	**757**	755	934	923
19	Other cash inflows	**9,372**	10,284	10,899	10,878	**9,372**	10,284	10,899	10,877
20	Total cash inflows	**31,535**	31,888	33,392	32,428	**10,289**	11,210	12,026	11,976
UK-20c	Inflows subject to 75% cap	**29,594**	29,538	30,571	29,065	**10,289**	11,210	12,026	11,976
Total adjusted value									
UK-21	Liquidity buffer (£m)					**27,207**	26,530	25,298	24,395
22	Total net cash outflows (£m)					**16,452**	16,069	15,238	14,358
23	Liquidity coverage ratio (%)					**166%**	165%	167%	171%

Liquidity continued

LIQB: Qualitative information on Liquidity Coverage Ratio (LCR)

The Bank's LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of the reporting quarter) was 166 per cent as of 31 December 2023. The growth of 1 per cent from 165 per cent for the prior quarter has been driven by an increase in Liquid assets primarily from a decrease in lending. Net cash outflows also have risen, primarily from increase in committed Credit and Liquidity Facilities outflows.

The Bank's outflows related to derivative exposures and other collateral requirements include outflows for potential deterioration in credit rating and for 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'.

The Bank manages and monitors funding and liquidity risks in accordance with internal risk appetite, strategy and regulatory requirements, including maintaining diversified funding sources. 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.

The liquidity buffer consists almost entirely of Level 1 items. The majority of Level 1 assets are held as central bank reserves, with the remaining balance of Level 1 assets primarily held as government bonds.

The Bank's liquidity risk management framework covers currency liquidity risk and ensures the currency denomination of LCR liquid assets is consistent with the distribution of net currency liquidity outflows. Granular LCR risk appetites by significant currency are set and monitored across tenors at Bank committee level.

Liquidity continued

LIQ2: Net Stable Funding Ratio

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items		£m	£m	£m	£m	£m
1	**Capital items and instruments**	**2,687**	**268**	**—**	**1,344**	**4,031**
2	Own funds	**2,687**	**268**	**—**	**1,344**	**4,031**
3	Other capital instruments		**—**	**—**	**—**	**—**
4	**Retail deposits**		**7,590**	**3**	**—**	**6,833**
5	Stable deposits		**—**	**—**	**—**	**—**
6	Less stable deposits		**7,590**	**3**	**—**	**6,833**
7	**Wholesale funding:**		**43,046**	**9,792**	**5,936**	**17,825**
8	Operational deposits		**—**	**—**	**—**	**—**
9	Other wholesale funding		**43,046**	**9,792**	**5,936**	**17,825**
10	**Interdependent liabilities**		**—**	**—**	**—**	**—**
11	**Other liabilities:**	**37**	**2,809**	**—**	**166**	**166**
12	NSFR derivative liabilities	**37**				
13	All other liabilities and capital instruments not included in the above categories		**2,809**	**—**	**166**	**166**
14	**Total available stable funding (ASF)**					**28,855**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**1,364**
UK-15a	**Assets encumbered for more than 12m in cover pool**		**—**	**—**	**—**	**—**
16	**Deposits held at other financial institutions for operational purposes**		**—**	**—**	**—**	**—**
17	**Performing loans and securities:**		**26,313**	**5,527**	**10,404**	**13,478**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		**20,631**	**1,685**	**811**	**1,654**
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		**5,035**	**3,702**	**6,957**	**9,252**
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		**339**	**102**	**753**	**860**
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**—**	**—**	**—**	**—**
22	Performing residential mortgages, of which:		**1**	**—**	**1,406**	**1,195**
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**—**	**—**	**—**	**—**
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		**307**	**38**	**477**	**517**
25	**Interdependent assets**		**—**	**—**	**—**	**—**
26	**Other assets:**	**14,337**	**1,358**	**—**	**392**	**4,188**
27	Physical traded commodities				**—**	**—**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		**—**			**2,748**
29	NSFR derivative assets		**—**			**519**
30	NSFR derivative liabilities before deduction of variation margin posted		**—**			**529**
31	All other assets not included in the above categories		**1,358**	**—**	**392**	**392**
32	**Off-balance sheet items**		**19,922**	**—**	**—**	**861**
33	**Total RSF**					**19,891**
34	**Net Stable Funding Ratio (%)**					**145%**

Remuneration (REMA)

This section discloses the remuneration awards made to Material Risk Takers (MRTs) in respect of the 2023 performance year and provides additional information with respect to remuneration policies, structure and governance.

Lloyds Bank Corporate Markets plc is a subsidiary company of Lloyds Banking Group plc, and as such fully adopts the remuneration principles of its parent company.

The remuneration principles and practices detailed in the Directors' Remuneration Report (DRR) in the 2023 Lloyds Banking Group plc Annual Reports and Accounts on pages 105 to 133 apply to MRTs and non-MRTs in the same way as to Executive Directors (other than were noted in the DRR).

Lloyds Banking 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 risk profile, and include, but are not limited to:

- Board Executive Directors, Board Non-Executive Directors and members the executive committee (ExCo).
- 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 risk profile

Remuneration Policy

Lloyds Bank Corporate Markets has a strong belief in aligning remuneration with the successful performance of the business and, through this, the delivery of long-term, superior and sustainable returns to shareholders.

During 2023 the Lloyds Bank Corporate Markets Remuneration Committee (the Committee) comprised of three independent non-executive directors, including one new member, Mark Basten, who joined the Committee on 9 February on his appointment to the Board, and held 5 scheduled meetings.

The Committee has not appointed any remuneration advisers.

The Committee's terms of reference are reviewed each year to ensure compliance with applicable regulations and best practice guidelines and were last updated in February 2023.

The overarching purpose of the Committee is to oversee the design of, and recommend to the Lloyds Bank Corporate Markets Board an overall remuneration policy that is aligned with its long-term business strategy, objectives, risk appetite, purpose, values, the long-term interests and recognises the interests of relevant stakeholders, including the wider workforce.

The remuneration policy governs all aspects of remuneration and applies in its entirety firm-wide to all colleagues, contractors, seconded and temporary staff, including MRTs, in all entities and subsidiaries in Lloyds Bank Corporate Markets, including wholly owned overseas businesses.

The Committee reviews the policy annually and monitors the level and structure of remuneration for Executive Directors, members of ExCo, senior risk and compliance officers, high earners and any other MRTs.

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, the Committee ensures that colleagues who could have a material impact on the 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.

A strong risk governance model is in place which manages the appetite for risk. The risk types considered are set out in the Risk Management Framework and include market risk, credit risk, funding and liquidity risk, capital risk, people risk, operational risk, conduct risk and regulatory and legal risk,.

The Committee ensures that the aggregate variable remuneration is appropriate and balanced with the interests of shareholders and all other stakeholders.

Link between Pay and Performance

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

In addition, the Lloyds Banking Group plc Remuneration Committee and/or Board Risk Committee may also use Performance adjustment which may result in a reduction of up to 100 per cent of the discretionary annual bonus (GPS) opportunity for the relevant period. It can be applied on a collective or individual basis. When considering collective adjustment, a report is submitted to the Lloyds Banking Group plc Remuneration Committee and regarding any adjustments required to balanced scorecards or the overall GPS and outcome to reflect in-year or prior year risk matters.

The application of malus will generally be considered when:

- there is reasonable evidence of employee misbehaviour or material error or that they participated in conduct which resulted in losses or failed to meet appropriate standards of fitness and propriety;
- there is material failure of risk management;
- the Lloyds Banking Group Remuneration Committee determines that the financial results for a given year do not support the level of variable remuneration awarded; and/or
- any other circumstances where the Lloyds Banking Group Remuneration Committee consider adjustments should be made.

Judgement on individual performance adjustment is informed by considering the severity of the issue including its impact on customers, clients or other stakeholders, the individual's proximity to the issue and the individual's behaviour in respect of any necessary investigation or remediation. Individual adjustment may be applied through adjustments to balanced scorecard assessments and/or through reducing the variable remuneration outcome.

100% of variable awards are subject to clawback for a period of up to seven years after the date of award which, for certain MRTs, may be extended to 10 years where there is an ongoing internal or regulatory investigation.

The application of clawback will generally be considered when:

- there is reasonable evidence of employee misbehaviour or material error; or
- there is material failure of risk management.

Remuneration (REMA) continued

Design and Structure of Remuneration

When establishing the remuneration policy and associated frameworks, Lloyds Banking Group is required to consider its size, organisation and the nature, scope and complexity of its activities. For the purpose of remuneration regulation, Lloyds Bank Corporate Markets plc is treated as a proportionality level I firm and therefore subject to the more stringent 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 the performance of Lloyds Banking Group. 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 approved by shareholders at the Lloyds Banking Group plc 2014 AGM is 200 per cent.

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 2023 performance year.

Base salary

Base salaries are reviewed annually, taking into account an individual's role, responsibilities as well as market information.

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.

Role based allowance

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

Applies to:

- Executive Directors
- 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 Lloyds Banking 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;
- to reflect a change of Reward Strategy/benefit provision;
- if the award would be inconsistent with any statutory or tax requirements.

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).

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 Lloyds Banking Group. The majority of colleagues and all MRTs (excluding NEDs) participate in the GPS plan. Individual GPS awards are based upon individual financial and non-financial performance, including risk management performance, as well as the Lloyds Banking Group's overall results. The Lloyds Banking Group's total risk-adjusted GPS outcome is determined by the Lloyds Banking Group plc Remuneration Committee annually with the it's underlying profit as starting point, taking account of:

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

Lloyds Banking 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 can be found on pages 113 and 123 of the 2023 Remuneration Report in 2023 Lloyds Banking Group plc Annual Reports and Accounts.

Applies to:

- Executive Directors,
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Long Term Share Plan (no longer open to new awards)

The LTSP was implemented as the Lloyds Banking Group's long-term incentive opportunity in 2020 to reflect the Lloyds Banking Group's strategy at the time and our stable long-term business model and to align executive management and behaviour to the Lloyds Banking Group's objectives of delivering long-term superior and sustainable returns.

The plan has subsequently been closed with the last award made in 2023 in respect to performance year 2022.

Senior colleagues, including MRTs, were eligible to participate in the plan. Individual awards were based upon individual contribution.

Awards were made in the form of conditional shares and award levels were set at the time of grant, in compliance with regulatory requirements, and could be subject to a discount in determining total variable remuneration under the rules set by the PRA. Vesting of awards is subject to an assessment of three financial underpins and four key questions assessed over the three-year life of the award. 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 financial underpins and four key questions, can be found on page 115 of the 2023 Remuneration Report in 2023 Lloyds Banking Group plc Annual Reports and Accounts.

Applies to:

- Executive Directors
- 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). Share awards are subject to a 12-month post-vesting holding period.

For all colleagues, any deferred variable remuneration amount may be subject to performance adjustment (malus) in accordance with the Lloyds Banking 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 2023 Remuneration Report in 2023 Lloyds Banking Group plc Annual Reports and Accounts.

De Minimis

In 2023, Lloyds Bank Corporate Markets 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) 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 (£)
10	797,031	90,442	887,473

Guaranteed variable remuneration

Guarantees, such as lost opportunity awards made to compensate for bonus awards that have been forfeited upon resignation, 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,

– Colleagues performing a Senior Management Function

– Other MRTs

– Non-MRTs

Termination payments

It is Lloyds Banking Group's policy that where notice pay continues to be payable after termination, it should be paid on a phased basis, mitigated if alternative employment is secured.

Generally, on termination of employment, unvested Lloyds Banking Group Performance Share awards, Lloyds Banking 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 Lloyds Banking Group Remuneration Committee determines that the executive should be treated as a good leaver.

Termination payments comply with Lloyds Banking 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

– 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	7	3	11	51
	Total fixed remuneration	£792,504	£1,620,377	£3,826,947	£22,181,924
	Of which: cash-based	£792,504	£1,429,241	£3,546,031	£18,059,379
	Of which: shares or equivalent ownership interests[1]	—	—	—	£1,554,000
	Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
	Of which: other instruments	—	—	—	—
	Of which: other forms	—	£191,136	£280,916	£2,568,545
Variable remuneration	Number of identified staff	—	2	11	49
	Total variable remuneration	—	£1,205,000	£3,958,010	£24,518,729
	Of which: cash-based	—	£602,500	£1,979,005	£7,493,115
	Of which: deferred	—	£326,000	£982,902	£2,395,785
	Of which: shares or equivalent ownership interests[3]	—	£602,500	£1,739,000	£16,346,220
	Of which: deferred	—	£326,000	£886,900	£11,519,117
	Of which: share-linked instruments or equivalent non-cash instruments	—	—	£240,005	£679,393
	Of which: deferred	—	—	£96,002	£271,757
	Of which: other instruments	—	—	—	—
	Of which: deferred	—	—	—	—
	Of which: other forms	—	—	—	—
	Of which: deferred	—	—	—	—
Total remuneration		£792,504	£2,825,377	£7,784,957	£46,700,652

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 discounted value at grant. An EBA discount factor has been applied to awards made in 2024 in respect of performance year 2023.
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	–	–	–	–
Guaranteed variable remuneration awards -Total amount	–	–	–	–
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	–	–	–	–
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	–	**1**	**1**	–
Severance payments awarded during the financial year - Total amount	–	**£23,217**	**£265,297**	–
Of which paid during the financial year	–	–	–	–
Of which deferred	–	**£23,217**	**£265,297**	–
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	–	**£23,217**	**£265,297**	–

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	£377,588	£71,413	£306,175	–	£669	–	£71,413	–
Shares or equivalent ownership interests	£3,534,833	£821,811	£2,713,022	–	–	–	£554,649	£267,161
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other senior management								
Cash-based	£1,108,486	£107,281	£1,001,205	–	–	–	£107,281	–
Shares or equivalent ownership interests	£4,569,232	£1,344,371	£3,224,861	–	–	–	£551,620	£792,751
Share-linked instruments or equivalent non-cash instruments	£846,569	£307,290	£539,279	–	–	–	£145,576	£161,714
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other identified staff								
Cash-based	£4,177,716	£619,369	£3,558,347				£619,369	–
Shares or equivalent ownership interests	£30,958,754	£6,902,106	£24,056,648	–	–	–	£3,815,138	£3,086,968
Share-linked instruments or equivalent non-cash instruments	£1,900,197	£1,033,242	£866,955	–	–	–	£437,803	£595,439
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Total amount	£47,473,376	£11,206,883	£36,266,493	–	£669	–	£6,302,850	£4,904,033

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	4
1 500 000 to below 2 000 000	2
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: €1.15574 (the exchange used by the European Commission for financial programming for December 2023). The exchange rate used for 2022 was £1 = £1: €1.15985.
2. Values for Long Term Share Plan awards are based on discounted value at grant. An EBA discount factor has been applied to awards made in 2024 in respect of performance year 2023.
3. Total number of Material Risk Takers (excluding SMFs of the Group) earning more than €1m has remained at 7 in 2023, the same as 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										72
Of which: members of the MB	7	3	10							
Of which: other senior management				6	—	—	3	2	—	
Of which: other identified staff				31	—	—	4	9	7	
Total remuneration of identified staff	£792,504	£2,825,377	£3,617,881	£25,687,280	—	—	£2,465,661	£4,276,153	£22,056,515	
Of which: variable remuneration	—	£1,205,000	£1,205,000	£12,437,553	—	—	£853,000	£1,452,572	£13,733,613	
Of which: fixed remuneration	£792,504	£1,620,377	£2,412,881	£13,249,726	—	—	£1,612,661	£2,823,581	£8,322,901	

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 and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market-related risks, trends and developments; exposure to counterparty risk; the impact of any regulatory and/or legislative divergence between the UK and EU 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 and other disasters; risks concerning borrower and counterparty credit quality; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution-planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter-terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third-party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high-calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the control of the Group or 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.