Lloyds Bank Corporate Markets plc

Q1 2024

Pillar 3 Disclosures

9 May 2024

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Basis of preparation

This report presents the interim Pillar 3 disclosures of Lloyds Bank Corporate Markets plc ('the Bank') as at 31 March 2024.

The disclosures have been prepared in accordance with the Disclosure section of the PRA Rulebook. Pillar 3 templates required to be disclosed on a quarterly 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
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.

Leverage and overview of risk weighted exposure amounts

Leverage Summary

		31 Mar 2024[1]	31 Dec 2023	30 Jun 2023
	Leverage ratio			
1	Total exposure measure excluding claims on central banks (£m)	**76,908**	74,378	76,243
2	Leverage ratio excluding claims on central banks (%)	**4.6%**	4.7%	5.0%
	Additional leverage ratio disclosure requirements			
3	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**4.6%**	4.7%	5.0%
4	Leverage ratio including claims on central banks (%)	**3.7%**	3.7%	4.0%
5	Average leverage ratio excluding claims on central banks (%)[2]	**4.6%**	4.9%	5.0%
6	Average leverage ratio including claims on central banks (%)[2]	**3.6%**	3.9%	4.0%
7	Countercyclical leverage ratio buffer (%)	**0.3%**	0.3%	0.2%

1 Excludes profits for the preceding quarter from the total tier 1 capital position at 31 March 2024 (numerator of the leverage ratio) that remained subject to formal verification in accordance with capital regulations.

2 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 January 2024 to 31 March 2024 amounted to £75,105 million. The average leverage exposure measure (including claims on central banks) for the period from 1 January 2024 to 31 March 2024 amounted to £96,726 million.

The Bank's UK leverage ratio reduced to 4.6 per cent (31 December 2023: 4.7 per cent), reflecting an increase in the leverage exposure measure due to planned business growth.

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Mar 2024	31 Dec 2023	**31 Mar 2024**
		£m	£m	**£m**
1	**Credit risk (excluding CCR)**	**9,574**	9,483	**766**
2	Of which the standardised approach	**1,031**	1,047	**83**
3	Of which the foundation IRB (FIRB) approach	**7,806**	7,620	**624**
4	Of which slotting approach	**230**	306	**18**
UK 4a	Of which equities under the simple risk weighted approach	**450**	450	**36**
	Of which: non-credit obligation assets[1]	**57**	60	**5**
6	**Counterparty credit risk (CCR)**	**5,421**	5,380	**434**
7	Of which the standardised approach	**4,984**	4,904	**399**
UK 8a	Of which exposures to a CCP	**66**	62	**6**
UK 8b	Of which credit valuation adjustment (CVA)	**253**	282	**20**
9	Of which other CCR	**118**	132	**9**
16	**Securitisation exposures in the non-trading book (after the cap)**	**516**	544	**41**
18	Of which SEC-ERBA approach (including IAA)	**180**	205	**14**
19	Of which SEC-SA approach	**336**	339	**27**
20	**Position, foreign exchange and commodities risks (Market risk)**	**4,132**	3,923	**331**
21	Of which the standardised approach	**413**	379	**33**
22	Of which IMA	**3,719**	3,544	**298**
23	**Operational risk**	**1,162**	1,162	**93**
UK 23b	Of which standardised approach	**1,162**	1,162	**93**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**490**	490	**39**
29	**Total**	**20,805**	20,492	**1,665**
	Pillar 2A capital requirement[2]			**1,013**
	Total capital requirement			**2,678**

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

2 As at 31 March 2024, 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.

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 Mar 2024
		£m
1	Risk weighted exposure amount as at the end of previous reporting period	7,927
2	Asset size (+/-)	**450**
3	Asset quality (+/-)	**(54)**
5	Methodology and policy (+/-)	**(302)**
7	Foreign exchange movements (+/-)	**15**
9	**Risk weighted exposure amount as at the end of the reporting period**	**8,036**

Key movements 31 December 2023 to 31 March 2024

– Asset size movement driven by new lending.

– Methodology and policy movements driven by ongoing optimisation activity.

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 Mar 2024					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	RWAs at 31 Dec 2023	853	1,009	383	1,299	3,544	284
1a	Regulatory adjustment	(713)	(646)	(42)	—	(1,401)	(112)
1b	RWAs at the previous quarter-end (end of the day)[1]	140	363	341	1,299	2,143	172
2	Movement in risk levels	**(34)**	**178**	**52**	**21**	**216**	**17**
8a	**RWAs at end of the disclosure period (end of the day)[1]**	**106**	**541**	**393**	**1,320**	**2,359**	**189**
8b	**Regulatory adjustment**	**359**	**1,001**	**—**	**—**	**1,360**	**109**
8	**RWAs at 31 Mar 2024**	**465**	**1,542**	**393**	**1,320**	**3,719**	**298**

1. End of day represents spot position

Key movements 31 December 2023 to 31 March 2024

– Movement in VaR and sVaR RWA driven by portfolio changes.

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 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 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)					**27,733**	27,207	26,530	25,298
Cash - outflows (£m)									
2	Retail deposits and deposits from small business customers, of which:	**7,570**	7,642	7,775	7,933	**977**	986	1,004	1,029
4	Less stable deposits	**7,570**	7,642	7,775	7,933	**977**	986	1,004	1,029
5	Unsecured wholesale funding	**8,106**	8,277	8,249	8,052	**5,230**	5,346	5,312	5,317
7	Non-operational deposits (all counterparties)	**7,072**	7,159	7,172	6,951	**4,196**	4,228	4,235	4,216
8	Unsecured debt	**1,034**	1,118	1,077	1,101	**1,034**	1,118	1,077	1,101
9	Secured wholesale funding					**193**	180	135	92
10	Additional requirements	**27,362**	26,851	27,404	27,215	**19,875**	19,408	20,135	20,053
11	Outflows related to derivative exposures and other collateral requirements	**14,054**	13,837	14,934	15,070	**14,054**	13,837	14,934	15,070
13	Credit and liquidity facilities	**13,308**	13,014	12,470	12,145	**5,821**	5,571	5,201	4,983
14	Other contractual funding obligations	**689**	672	578	688	**652**	636	543	652
15	Other contingent funding obligations	**6,722**	6,715	6,741	6,875	**226**	185	150	121
16	Total cash outflows					**27,153**	26,741	27,279	27,264
Cash - inflows (£m)									
17	Secured lending (e.g. reverse repos)	**21,145**	21,330	20,755	21,455	**171**	160	171	193
18	Inflows from fully performing exposures	**852**	833	849	1,038	**785**	757	755	934
19	Other cash inflows	**9,588**	9,372	10,284	10,899	**9,588**	9,372	10,284	10,899
20	Total cash inflows	**31,585**	31,535	31,888	33,392	**10,544**	10,289	11,210	12,026
UK-20c	Inflows subject to 75% cap	**29,814**	29,594	29,538	30,571	**10,544**	10,289	11,210	12,026
Total adjusted value									
UK-21	Liquidity buffer (£m)					**27,733**	27,207	26,530	25,298
22	Total net cash outflows (£m)					**16,609**	16,452	16,069	15,238
23	Liquidity coverage ratio (%)					**167%**	166%	165%	167%

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 167 per cent as of 31 March 2024. The increase of 1 per cent from 166 per cent for the prior quarter has been primarily driven by an increase in Liquid assets from a reduction in customer lending.

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.

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. 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