

Lloyds Bank Group

2019 Half-Year Pillar 3 Disclosures

30 June 2019

BASIS OF PREPARATION

On 1 January 2019 the UK implemented its ring-fencing legislation requiring banks to legally separate core retail banking activity from more sophisticated banking activities. In order to comply with the legislation, Lloyds Banking Group undertook a group-wide restructuring programme to establish a ring-fenced banking group, headed by Lloyds Bank plc. This report presents the consolidated half-year Pillar 3 disclosures of Lloyds Bank plc ('the Group' or the Ring-Fenced Bank) as at 30 June 2019 and should be read in conjunction with the Group's 2019 half-year results.

The disclosures have been prepared in accordance with the Capital Requirements Directive and Regulation (CRD IV) and the European Banking Authority's revised guidelines:

- on materiality, proprietary and confidentiality and on disclosure frequency;
- on Pillar 3 disclosure formats and frequency that were published in December 2016 and;
- on uniform disclosures regarding the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds that were published in January 2018.

The disclosures provided in this report include those that were adopted from 31 December 2017, where they are required to be disclosed on a semi-annual basis, although certain disclosures have been excluded on the grounds that they are non-material (refer to page 40).

Comparatives are presented in this report only for tables which have previously been disclosed.

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

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

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy, plans and / or results of the Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's or Lloyds Banking Group plc's credit ratings; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's or Lloyds Banking Group plc's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's or Lloyds Banking Group plc's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

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Table 1: Key Metrics (KM1) and a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (IFRS9-FL)¹

	a T Q2 2019	b T-1 Q1 2019	c T-2 Q4 2018	e T-4 Q2 2018
Available capital (amounts)				
¹ Common Equity Tier 1 (CET1) (£m)	25,082	25,611	26,060	28,213
² CET1 capital as if IFRS 9 transitional arrangements were not applied (£m)	24,632	25,150	25,541	27,686
³ Tier 1 (£m)	30,339	30,868	31,997	33,512
⁴ Tier 1 capital as if IFRS 9 transitional arrangements were not applied (£m)	29,889	30,407	31,478	32,985
⁵ Total capital (£m)	36,457	37,044	39,084	41,205
⁶ Total capital as if IFRS 9 transitional arrangements were not applied (£m)	36,487	37,063	39,101	41,215
Risk-weighted assets (amounts)				
⁷ Total risk-weighted assets (£m)	173,782	176,261	174,391	187,047
⁸ Total risk-weighted assets as if IFRS 9 transitional arrangements were not applied (£m)	174,165	176,618	174,780	187,647
Risk-based capital ratios as a percentage of RWA				
⁹ Common Equity Tier 1 ratio (%)	14.4%	14.5%	14.9%	15.1%
¹⁰ CET1 ratio as if IFRS 9 transitional arrangements were not applied (%)	14.1%	14.2%	14.6%	14.8%
¹¹ Tier 1 ratio (%)	17.5%	17.5%	18.3%	17.9%
¹² Tier 1 ratio as if IFRS 9 transitional arrangements were not applied (%)	17.2%	17.2%	18.0%	17.6%
¹³ Total capital ratio (%)	21.0%	21.0%	22.4%	22.0%
¹⁴ Total capital ratio as if IFRS 9 transitional arrangements were not applied (%)	20.9%	21.0%	22.4%	22.0%
Additional CET1 buffer requirements as a percentage of RWA				
Capital conservation buffer requirement	2.500%	2.500%	1.875%	
Countercyclical buffer requirement	0.928%	0.929%	0.927%	
Bank G-SIB and/or D-SIB additional requirements ²	-	-	-	
Total of bank CET1 specific buffer requirements	3.428%	3.429%	2.802%	
CET1 available after meeting the bank's minimum capital requirements	9.9%	10.0%	10.4%	
UK leverage ratio³				
¹⁵ UK leverage ratio exposure measure (£m)	590,895	592,506	591,391	
¹⁶ UK leverage ratio	4.8%	4.9%	5.0%	
¹⁷ UK leverage ratio as if IFRS 9 transitional arrangements were not applied	4.7%	4.8%	4.9%	
Average Liquidity Coverage Ratio (weighted) (LCR)⁴				
Total High Quality Liquid Assets (HQLA) (£m)	112,131	111,884		
Total net cash outflow (£m)	89,826	88,781		
LCR ratio (%)	125%	126%		

¹ The Group has opted to apply paragraph 4 of CRR Article 473a (the 'transitional rules') which allows for additional capital relief in respect of any post 1 January 2018 increase in Stage 1 and Stage 2 IFRS 9 expected credit loss provisions (net of regulatory expected losses) during the transition period. As at 30 June 2019, no additional capital relief has been recognised.

² A systemic risk buffer of 2.0 per cent will apply from 1 August 2019.

³ The CRD IV leverage ratio at 30 June 2019 is 4.5 per cent (31 December 2018: 4.7 per cent).

⁴ The LCR is calculated as the simple average of the preceding 6 monthly periods (and, for Q1 2019, the preceding 3 monthly periods).

The average UK leverage ratio over the quarter (1 April 2019 to 30 June 2019) is 4.9 per cent, compared to 4.9 per cent at the start and 4.8 per cent at the end of the quarter. The average exposure measure over the quarter is £591,642m. The countercyclical leverage buffer is currently 0.3 per cent.

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

	June 2019 RWA £m	Dec 2018 RWA £m	June 2019 Minimum capital Requirements £m	Dec 2018 Minimum capital Requirements £m
	T	T-1	T	T-1
¹ Credit risk (excluding counterparty credit risk)	140,718	140,815	11,257	11,265
² of which: standardised approach	22,753	23,065	1,820	1,845
³ of which: the foundation rating-based (FIRB) approach	38,178	40,820	3,054	3,265
⁴ of which: the retail IRB (RIRB) approach	62,202	59,500	4,976	4,760
of which: corporates – specialised lending ¹	10,156	11,448	813	916
of which: non-credit obligation assets ²	7,429	5,983	594	479
⁵ of which: equity IRB under the simple risk-weight or the internal models approach	-	-	-	-
⁶ Counterparty credit risk	2,715	3,270	217	262
⁷ of which: marked to market	1,661	1,696	133	136
⁸ of which: original exposure	-	-	-	-
⁹ of which: the standardised approach	-	-	-	-
¹⁰ of which: internal ratings-based model method (IMM)	-	-	-	-
of which: comprehensive approach for credit risk mitigation (for SFTs)	378	438	30	35
¹¹ of which: exposures to central counterparties (including trades, default fund contributions and initial margin)	300	831	24	66
¹² of which: credit valuation adjustment (CVA)	376	305	30	24
¹³ Settlement risk	-	-	-	-
¹⁴ Securitisation exposures in banking book³	4,367	3,835	349	307
¹⁵ of which: IRB ratings-based approach (RBA)	2,503	2,733	200	219
¹⁶ of which: IRB supervisory formula approach (SFA)	65	72	5	6
¹⁷ of which: internal assessment approach (IAA)	670	820	54	66
¹⁸ of which: standardised approach	197	209	16	17
of which: revised framework internal ratings based approach	575		46	
of which: revised framework standardised approach	126		10	
of which: revised framework external ratings based approach	231		18	
¹⁹ Market risk	230	470	19	38
²⁰ of which: standardised approach	110	149	9	12
²¹ of which: internal model approaches	120	320	10	26
²² Large exposures	-	-	-	-
²³ Operational risk	24,096	24,558	1,928	1,965
²⁴ of which: basic indicator approach	-	-	-	-
²⁵ of which: standardised approach	24,096	24,558	1,928	1,965
²⁶ of which: advanced measurement approach	-	-	-	-
²⁷ Amounts below the thresholds for deduction (subject to 250% risk weight)	1,657	1,442	133	115
²⁸ Floor adjustment	-	-	-	-
²⁹ Total	173,782	174,391	13,903	13,951
Pillar 2A capital requirement ⁴			9,076	8,729
Total capital requirement			22,979	22,680

¹ Includes £10,152m subject to supervisory slotting (as presented in Table 14A) and £4m subject to the Foundation IRB approach.

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

³ Securitisations are shown separately within this table, however, are included within Credit Risk in Table 3: Risk-weighted assets movement by key driver (as per the reconciliation below).

⁴ The Pillar 2A capital requirement is currently c.5.2 per cent of aggregated risk-weighted assets, of which c.2.9 per cent must be met with CET1 capital.

	June 2019 RWAs per OV1 £m	June 2019 Securitisation RWAs £m	June 2019 Total Credit risk RWAs £m
Total credit risk	140,718	4,367	145,085
Of which: credit risk exposures subject to IRB approach	117,965	4,044	122,009
Of which: credit risk exposures subject to standardised approach	22,753	323	23,076

Table 3: Risk-weighted assets movement by key driver

	Credit risk IRB £m	Credit risk SA £m	Credit risk total ² £m	Counterparty credit risk ³ £m	Market risk £m	Operational risk £m	Total £m
Fully loaded risk-weighted assets as at 31 December 2018							174,391
Less: total threshold risk-weighted assets ¹							(1,442)
Risk-weighted assets at 31 December 2018	121,377	23,274	144,651	3,270	470	24,558	172,949
Asset size	(889)	229	(660)	(247)	(110)	–	(1,017)
Asset quality	281	(178)	103	(668)	–	–	(565)
Model updates	1,747	–	1,747	–	(4)	–	1,743
Methodology and policy	(506)	(250)	(756)	417	–	–	(339)
Acquisitions and disposals	–	–	–	–	–	–	–
Movement in risk levels (Market risk only)	–	–	–	–	(126)	–	(126)
Foreign exchange movements	(1)	1	–	(57)	–	–	(57)
Other	–	–	–	–	–	(462)	(462)
Risk-weighted assets at 30 June 2019	122,009	23,076	145,085	2,715	230	24,096	172,125
Threshold risk-weighted assets ¹							1,657
Fully loaded risk-weighted assets as at 30 June 2019							173,782

¹ Threshold risk-weighted assets reflect the element of significant investments and deferred tax assets that are permitted to be risk-weighted instead of being deducted from CET1 capital.

² Credit risk includes securitisation risk-weighted assets.

³ Counterparty credit risk includes movements in contributions to the default fund of central counterparties and movements in credit valuation adjustment risk.

The risk-weighted assets movement table provides analysis of the movement in risk-weighted assets in the period by risk type and an insight into the key drivers of the movements. The key driver analysis is compiled on a monthly basis through the identification and categorisation of risk-weighted asset movements and is subject to management judgment.

Credit risk, risk weighted assets:

- **Asset size** decrease of £0.7bn includes changes in book size (both drawn and undrawn balances) and composition, excluding acquisitions and disposals
- **Asset quality** increase of £0.1bn captures movements due to changes in borrower risk, including changes in the economic environment
- **Model Updates** increase of £1.7bn principally relates to retail mortgage models
- **Methodology and policy** decreases of £0.8bn are principally a result of securitisation activity partly offset by the introduction of IFRS16.

Counterparty credit risk, risk-weighted assets decreased by £0.6bn, largely driven by reduced contributions to default fund, partially offset by increases from the introduction of ring-fencing legislation impacting intragroup exposures.

Market risk, risk weighted assets reduction of £0.2bn due to various small risk changes.

Operational risk, risk-weighted assets decreased by £0.5bn following the actualisation of calculation inputs.

PILLAR 1 CAPITAL REQUIREMENTS: CREDIT RISK

The following table shows the Group's credit exposures split by Basel exposure class, together with associated risk-weighted assets. Exposures are presented on a pre CRM and post CCF basis.

Table 4: Credit risk exposures

	June 2019			December 2018		
	Credit risk exposure	Risk-weighted assets	Average risk weight	Credit risk exposure	Risk-weighted assets	Average risk weight
	£m	£m	%	£m	£m	%
Central governments or central banks	4,111	451	11%	4,947	491	10%
Institutions	5,962	918	15%	3,831	692	18%
Corporates	75,519	46,965	62%	81,260	51,086	63%
of which: Specialised lending	14,355	10,156	71%	15,806	11,452	72%
of which: SMEs	10,916	7,669	70%	11,383	8,086	71%
Retail	389,841	62,202	16%	387,729	59,500	15%
Secured by real estate property	328,250	35,246	11%	327,800	33,284	10%
SMEs	8,750	2,140	24%	9,204	2,269	25%
Non-SMEs	319,500	33,106	10%	318,596	31,015	10%
Qualifying revolving	39,023	11,168	29%	38,342	11,294	29%
Other retail	22,569	15,788	70%	21,587	14,921	69%
SMEs	2,207	1,582	72%	2,234	1,581	71%
Non-SMEs	20,362	14,206	70%	19,353	13,341	69%
Equity	-	-	-	-	-	-
Non-credit obligation assets ¹	10,984	7,429	68%	9,914	5,983	60%
Total IRB approach	486,417	117,965	24%	487,681	117,751	24%
Central governments or central banks	56,711	30	0%	54,378	4	0%
Regional governments or local authorities	-	-	-	5	1	20%
Public sector entities	1	1	100%	21	21	100%
Multilateral development banks	6,046	-	-	2,974	-	-
International organisations	-	-	-	-	-	-
Institutions	325	140	43%	155	60	39%
Corporates	9,396	8,308	88%	9,653	8,248	85%
of which: SMEs	3,582	3,302	92%	3,424	3,156	92%
Retail	11,964	8,545	71%	12,137	8,729	72%
of which: SMEs	2,540	1,477	58%	2,244	1,309	58%
Secured by mortgages on immovable property	3,593	1,259	35%	3,817	1,337	35%
of which: SMEs	13	6	47%	11	5	44%
Exposures in default	1,399	1,886	135%	1,639	2,183	133%
Items associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other exposures ¹	3,392	2,585	76%	3,329	2,481	75%
Total standardised approach	92,826	22,753	25%	88,109	23,065	26%
Total	579,243	140,718	24%	575,790	140,815	24%

¹ Non-credit obligation assets (IRB approach) and Other exposures (Standardised approach) predominantly relate to other balance sheet assets that have no associated credit risk. These comprise non-financial assets, including fixed assets, cash, items in the course of collection, prepayments and sundry debtors.

Exposures subject to the IRB approach – key movements for the six months to 30 June 2019**Institutions**

- Exposures increased by £2.1bn and risk-weighted assets increased by £0.2bn mainly due to new business with lower risk-weights attached.

Corporates

- Specialised lending and SME exposures decreased by £1.9bn and risk weighted assets decreased by £1.7bn mainly due to securitisation activity. Other lending exposures and risk weighted assets decreased by £3.8bn and £2.4bn respectively mainly due to a net reduction in both on and off balance sheet exposures.

Retail – Secured by real estate property

- Exposures and risk-weighted assets increased by £0.4bn and £2.0bn respectively driven by changes to mortgage models.

Retail – Other (non-SME)

- Exposures and risk-weighted assets increased by £1.0bn and £0.9bn respectively mainly due to new lending in the UK Motor Finance business.

Non-credit obligation assets

- Exposures and risk-weighted assets increased by £1.1bn and £1.4bn respectively mainly due to the introduction of IFRS16.

Exposures subject to the Standardised approach – key movements for the six months to 30 June 2019**Central governments or central banks**

- Exposures increased by £2.3bn mainly due to increased deposits with Deutsche Bundesbank post implementation of ring-fencing.

Multilateral development banks

- Exposures increased by £3.1bn due to diversification of liquid assets portfolio.

ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO THE IRB APPROACH

Exposures in the tables below are stated on two different bases (gross carrying values and EAD post-CCF and CRM). On-balance sheet gross exposures and off-balance sheet exposures represent gross carrying values (before taking into account SCRAAs) before the application of CRM and CCF. Disclosures provided in the tables that follow take into account PD floors and LGD floors specified by regulators in respect of the calculation of regulatory capital requirements.

The Basel guidelines include a single prescribed scale for presenting the credit quality of all IRB portfolios by asset class. The tables that follow use this prescribed scale.

'RWA density' represents the 'average risk weight'. 'Number of obligors' corresponds to the number of individual PDs (in each band). This means that a customer may be counted more than once in the same asset class. For example, in the case of Corporate Main and Corporate SME, as customers may have exposures in both Commercial Banking and Motor Finance portfolios, an individual corporate obligor may be counted twice.

Analysis of credit risk exposures subject to the IRB Approach

Table 5: IRB – Credit risk exposures by portfolio and PD range - Central governments or central banks (CR6)

June 2019												
PD Scale	Original on-balance sheet gross exposure £m a	Off balance sheet exposures pre CCF £m b	Average CCF % c	EAD post CRM and post CCF £m d	Average PD % e	Number of Obligors f	Average LGD % g	Average Maturity (years) h	RWA £m i	RWA density % j	EL £m k	Value adjustments and provisions £m l
0.00 to <0.15	3,841	540	100%	3,695	0.01%	6	45.00%	3.7	451	12.21%	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	3,841	540	100%	3,695	0.01%	6	45.00%	3.7	451	12.21%	-	-

Table 6: IRB – Credit risk exposures by portfolio and PD range - Institutions (CR6)

June 2019												
PD Scale	Original on-balance sheet gross exposure £m a	Off balance sheet exposures pre CCF £m b	Average CCF % c	EAD post CRM and post CCF £m d	Average PD % e	Number of Obligors f	Average LGD % g	Average Maturity (years) h	RWA £m i	RWA density % j	EL £m k	Value adjustments and provisions £m l
0.00 to <0.15	4,910	719	38.21%	5,146	0.05%	1,420	33.68%	1.7	560	10.88%	1	-
0.15 to <0.25	449	71	57.76%	489	0.18%	52	31.15%	1.8	122	25.01%	-	-
0.25 to <0.50	78	135	73.45%	173	0.36%	67	39.85%	1.8	85	49.15%	-	-
0.50 to <0.75	20	15	20.69%	23	0.63%	32	45.00%	0.9	14	62.08%	-	-
0.75 to <2.50	89	26	15.06%	93	1.59%	48	44.15%	1.0	107	114.59%	1	-
2.50 to <10.00	21	7	64.97%	26	2.63%	26	44.98%	0.3	27	102.86%	-	-
10.00 to <100.00	1	-	75.00%	1	12.96%	14	44.81%	1.3	3	236.62%	-	-
100.00 (Default)	2	-	0.00%	2	100.00%	6	44.99%	4.7	-	-	1	-
Sub-total	5,570	972	43.80%	5,954	0.15%	1,664	33.91%	1.7	918	15.41%	3	-

Table 7: IRB – Credit risk exposures by portfolio and PD range - Corporate Main (CR6)

June 2019												
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	Average Maturity (years)	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m
PD Scale	£m a	£m b	% c	£m d	% e	f	% g	h	£m i	% j	£m k	l
0.00 to <0.15	9,892	12,116	76.01%	18,654	0.07%	825	41.71%	3.4	5,440	29.16%	6	
0.15 to <0.25	2,286	3,015	68.35%	4,014	0.18%	2,827	44.53%	2.5	1,781	44.37%	3	
0.25 to <0.50	7,235	6,506	67.49%	9,953	0.36%	5,553	44.26%	2.3	5,942	59.69%	16	
0.50 to <0.75	2,838	1,771	69.62%	3,895	0.63%	7,290	43.50%	2.1	2,868	73.63%	11	
0.75 to <2.50	6,034	3,297	67.51%	7,942	1.26%	11,109	43.12%	2.2	7,719	97.19%	43	
2.50 to <10.00	2,626	1,381	70.33%	3,528	3.89%	5,042	43.45%	2.1	4,801	136.08%	59	
10.00 to <100.00	214	60	73.59%	256	20.66%	513	44.00%	1.9	589	227.94%	23	
100.00 (Default)	1,294	162	71.70%	1,408	100.00%	1,103	41.51%	1.6	—	—	584	
Sub-total	32,421	28,307	71.54%	49,651	3.58%	34,263	42.95%	2.7	29,140	58.69%	745	

Table 8: IRB – Credit risk exposures by portfolio and PD range - Corporate SME (CR6)

June 2019												
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	Average Maturity (years)	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m
PD Scale	£m a	£m b	% c	£m d	% e	f	% g	h	£m i	% j	£m k	£m l
0.00 to <0.15	701	139	83.97%	842	0.07%	139	41.58%	3.4	191	22.64%	0	
0.15 to <0.25	104	44	73.26%	136	0.19%	209	42.04%	1.9	40	29.32%	0	
0.25 to <0.50	851	406	73.37%	1,136	0.37%	1,028	41.81%	2.4	569	50.08%	2	
0.50 to <0.75	1,448	432	70.54%	1,748	0.58%	4,494	39.20%	3.2	1,038	59.36%	4	
0.75 to <2.50	2,884	829	70.61%	3,469	1.24%	7,509	38.31%	2.8	2,476	71.38%	16	
2.50 to <10.00	2,299	563	76.29%	2,735	4.24%	5,036	38.60%	2.6	2,665	97.45%	45	
10.00 to <100.00	461	41	69.89%	489	18.22%	1,764	37.87%	2.4	690	141.15%	34	
100.00 (Default)	334	47	73.18%	361	100.00%	875	39.46%	2.1	–	–	142	
Sub-total	9,081	2,500	73.15%	10,916	5.72%	21,053	39.21%	2.8	7,669	70.25%	243	199

Table 9: IRB – Credit risk exposures by portfolio and PD range - Residential mortgages (SME) (CR6)

June 2019												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	3,089	298	97.23%	3,378	0.54%	25,067	17.39%	416	12.31%	3		289
0.75 to <2.50	3,158	303	97.69%	3,453	1.15%	22,405	16.27%	664	19.22%	6		296
2.50 to <10.00	1,293	75	97.33%	1,367	4.27%	9,080	17.28%	608	44.48%	10		73
10.00 to <100.00	360	16	96.86%	375	22.13%	3,260	17.95%	284	75.67%	15		15
100.00 (Default)	172	3	97.26%	176	100.00%	1,301	34.33%	168	95.59%	25		3
Sub-total	8,072	694	97.43%	8,750	4.29%	61,113	17.30%	2,140	24.45%	61	104	676

Table 10: IRB – Credit risk exposures by portfolio and PD range - Residential mortgages (non-SME) (CR6)

June 2019												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	225,840	14,316	100.06%	251,420	0.27%	2,107,770	10.39%	15,732	6.26%	92		14,324
0.15 to <0.25	23,637	233	66.50%	24,873	0.76%	201,329	10.35%	2,992	12.03%	24		155
0.25 to <0.50	19,152	197	76.11%	20,172	1.15%	161,047	10.59%	3,177	15.75%	28		150
0.50 to <0.75	4,384	423	64.79%	4,865	2.10%	41,658	11.66%	1,239	25.48%	13		274
0.75 to <2.50	6,889	47	91.67%	7,266	5.08%	59,327	11.00%	2,768	38.09%	44		43
2.50 to <10.00	4,425	7	95.10%	4,632	15.26%	38,094	10.48%	2,883	62.25%	86		7
10.00 to <100.00	2,991	–	50.16%	3,076	49.79%	25,321	10.48%	2,023	65.76%	194		–
100.00 (Default)	3,196	–	45.68%	3,196	100.00%	24,278	11.90%	2,292	71.71%	511		–
Sub-total	290,513	15,224	98.22%	319,500	2.20%	2,658,824	10.45%	33,106	10.36%	991	1,312	14,953

Table 11: IRB – Credit risk exposures by portfolio and PD range - Qualifying revolving retail exposures (CR6)

June 2019												
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
PD Scale	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	805	14,359	65.95%	10,274	0.09%	8,577,521	62.80%	368	3.58%	6		9,469
0.15 to <0.25	607	6,930	63.90%	5,036	0.20%	4,119,574	68.32%	389	7.72%	7		4,428
0.25 to <0.50	1,473	9,908	59.45%	7,363	0.37%	5,622,578	71.69%	973	13.21%	19		5,890
0.50 to <0.75	1,199	4,128	61.51%	3,738	0.62%	2,998,508	76.05%	799	21.39%	18		2,539
0.75 to <2.50	3,882	5,393	70.34%	7,675	1.36%	6,003,147	79.61%	3,089	40.25%	83		3,793
2.50 to <10.00	2,494	1,371	97.91%	3,837	4.48%	1,555,070	80.29%	3,198	83.34%	138		1,342
10.00 to <100.00	631	114	100.52%	760	32.32%	532,570	77.62%	1,555	204.64%	191		115
100.00 (Default)	340	—	—	340	100.00%	1,143,784	54.23%	798	234.89%	136		—
Sub-total	11,430	42,203	65.33%	39,023	2.39%	30,552,752	71.70%	11,168	28.62%	598	472	27,577

Table 12: IRB – Credit risk exposures by portfolio and PD range – Retail Other SME (CR6)

June 2019												
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
PD Scale	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—		—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—		—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—		—
0.50 to <0.75	290	373	100.00%	662	0.54%	58,457	78.02%	343	51.86%	3		372
0.75 to <2.50	438	345	100.00%	783	1.14%	62,910	78.13%	544	69.55%	7		345
2.50 to <10.00	302	116	100.00%	418	4.35%	35,126	79.80%	403	96.53%	15		116
10.00 to <100.00	121	26	100.00%	147	25.37%	35,897	85.99%	204	139.19%	32		26
100.00 (Default)	193	4	100.00%	197	100.00%	9,598	91.16%	87	43.93%	23		4
Sub-total	1,343	864	100.00%	2,207	12.01%	201,988	80.10%	1,582	71.69%	80	64	864

Table 13: IRB – Credit risk exposures by portfolio and PD range – Retail Other non-SME (CR6)

June 2019												
PD Scale	Original on-balance sheet gross exposure £m a	Off balance sheet exposures pre CCF £m b	Average CCF % c	EAD post CRM and post CCF £m d	Average PD % e	Number of Obligors f	Average LGD % g	RWA £m h	RWA density % i	EL £m j	Value adjustments and provisions £m k	Undrawn commitments (post CCF) £m l
0.00 to <0.15	483	–	30.00%	483	0.08%	27,248	33.49%	41	8.56%	–		–
0.15 to <0.25	74	2	30.00%	77	0.22%	16,329	76.39%	27	35.39%	–		1
0.25 to <0.50	4,801	8	30.00%	4,815	0.37%	438,140	38.27%	1,320	27.41%	10		3
0.50 to <0.75	3,024	8	30.00%	3,037	0.71%	283,187	46.61%	1,391	45.80%	12		2
0.75 to <2.50	7,513	34	30.00%	7,565	1.54%	789,446	60.99%	6,017	79.53%	78		10
2.50 to <10.00	3,421	20	30.00%	3,451	4.43%	417,852	68.95%	3,815	110.55%	113		6
10.00 to <100.00	649	5	30.00%	656	32.80%	85,865	58.11%	886	135.03%	140		1
100.00 (Default)	277	–	–	277	100.00%	141,932	48.62%	708	255.50%	91		–
Sub-total	20,243	78	30.00%	20,362	3.94%	2,199,999	53.97%	14,206	69.77%	445	548	23

ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO OTHER IRB APPROACHES

Exposures in the table below are stated on two different bases. On-balance sheet and off-balance sheet amounts represent net carrying values (after taking into account specific credit risk adjustments (SCRA)) before the application of CRM and CCF. Exposure amount represents EAD post CRM and CCF.

Table 14A: IRB - Specialised lending (CR10)

Regulatory Categories	Remaining maturity	June 2019 Specialised lending		RW	Exposure amount	RWA	Expected losses
		On-balance sheet amount	Off-balance sheet amount				
		£m	£m	%	£m	£m	£m
1) Strong	Less than 2.5 years	2,926	733	50%	3,257	1,628	–
	Equal to or more than 2.5 years	3,362	848	70%	3,993	2,795	16
2) Good	Less than 2.5 years	2,121	465	70%	2,493	1,744	10
	Equal to or more than 2.5 years	2,864	498	90%	3,306	2,973	26
3) Satisfactory	Less than 2.5 years	155	12	115%	167	190	5
	Equal to or more than 2.5 years	470	19	115%	501	574	14
4) Weak	Less than 2.5 years	34	–	250%	36	89	3
	Equal to or more than 2.5 years	57	–	250%	64	159	5
5) Default	Less than 2.5 years	83	3	0%	165	–	82
	Equal to or more than 2.5 years	62	–	0%	74	–	37
Total	Less than 2.5 years	5,318	1,213		6,117	3,651	100
	Equal to or more than 2.5 years	6,815	1,364		7,939	6,501	99

ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH

Standardised exposures in the table below are stated on two different bases (pre-CCF and CRM and post-CCF and CRM). Note, the exposures are also net of SCRAAs.

Table 15: Standardised approach – credit risk exposure and credit risk mitigation effects (CR4)

	Exposures before CCF and CRM		June 2019 Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density ¹
	£m	£m	£m	£m	£m	%
Central governments or central banks	^a 56,711	^b 1	^c 56,924	^d 442	^e 30	^f 0%
Regional governments or local authorities	–	–	–	–	–	–
Public sector entities	1	–	1	–	1	100%
Multilateral development banks	6,046	–	6,046	–	–	–
International organisations	–	–	–	–	–	–
Institutions	325	–	420	324	140	19%
Corporates	7,560	4,416	7,447	1,796	8,308	90%
Retail	11,754	21,026	11,754	210	8,545	71%
Secured by mortgages on immovable property	3,589	8	3,589	4	1,259	35%
of which: residential property	3,586	8	3,586	4	1,257	35%
of which: commercial property	2	–	2	–	2	100%
Exposures in default	1,380	64	1,380	19	1,886	135%
Items associated with particularly high risk	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–
Short term claims on institutions and corporates	–	–	–	–	–	–
Collective investment undertakings (CIUs)	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–
Other items	3,392	–	3,392	–	2,585	76%
Total	90,757	25,516	90,952	2,796	22,753	24%

¹ RWA density is RWA expressed as a percentage of exposures post CCF and CRM.

Table 16: Standardised approach – exposures by asset class (CR5)

Exposures are stated on a post-CRM post-CCF basis.

Exposures are classed as “rated” only where an ECAI rating has been used to derive the risk weight. Where a rating is unavailable, or where the risk weight has been determined by application of specific CRR provisions, exposures have been classed as “unrated”. This also applies to central governments or central banks exposures within the UK and EEA that receive a zero per cent risk weight in line with regulatory permission.

Exposure Classes	June 2019 Risk Weight															Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% £m	250% £m	370% £m	1250% £m	Others £m	Total £m	Unrated £m
Central governments or central banks	57,215	–	–	–	151	–	–	–	–	–	–	–	–	–	–	57,366	52,210
Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–	–	–	1	–	–	–	–	–	1	1
Multilateral development banks	6,046	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,046	6,046
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	–	–	419	–	131	–	193	–	–	–	–	–	–	–	–	744	420
Corporates	–	–	–	–	7	–	1,402	–	–	7,820	15	–	–	–	–	9,243	6,828
Retail	–	–	–	–	–	–	–	–	11,964	–	–	–	–	–	–	11,964	11,964
Secured by mortgages on immovable property	–	–	–	–	–	3,590	–	–	–	2	–	–	–	–	–	3,593	3,593
of which: residential property	–	–	–	–	–	3,590	–	–	–	–	–	–	–	–	–	3,590	3,590
of which: commercial property	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
Exposures in default	–	–	–	–	–	–	–	–	–	426	973	–	–	–	–	1,399	1,399
Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other items	89	–	–	–	898	–	–	–	–	2,405	–	–	–	–	–	3,392	3,392
Total	63,350	–	419	–	1,187	3,590	1,595	–	11,964	10,654	988	–	–	–	–	93,748	85,853

IMPAIRMENT AND CREDIT QUALITY OF EXPOSURES

The tables that follow present an analysis of credit risk exposures and credit risk adjustments (including charges in the period) analysed by regulatory exposure class and industry. Gross carrying value comprises both on and off-balance sheet exposures. Net values represent gross carrying values less specific credit risk adjustments.

The Group does not recognise any general credit risk adjustment as defined by the EBA therefore this column has been excluded from templates CR1-A and CR1-B. The gross carrying values included in templates CR1-A and CR1-B take account of accumulated write-offs, therefore accumulated write-offs are not shown separately.

Table 17: Credit quality of exposures by exposure class and instrument (CR1-A)

	June 2019				
	Gross carrying values of Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk charges in the period	Net values
	£m	£m	£m	£m	£m
	^a	^b	^c	^f	^g
Central governments or central banks	-	4,381	-	-	4,381
Institutions	2	6,540	-	-	6,542
Corporates	2,076	85,095	952	37	86,220
of which: Specialised lending	240	14,624	150	-	14,713
of which: SMEs	380	11,201	199	7	11,382
Retail	4,195	386,478	2,500	393	388,173
Secured by real estate property	3,371	311,131	1,416	(30)	313,087
SMEs	176	8,591	104	5	8,662
Non-SMEs	3,196	302,541	1,312	(35)	304,424
Qualifying revolving	349	53,294	472	223	53,171
Other retail	474	22,053	612	199	21,915
SMEs	197	2,010	64	6	2,143
Non-SMEs	277	20,043	548	193	19,772
Equity	-	-	-	-	-
Non-credit obligation assets	-	10,984	-	-	10,984
Total IRB approach	6,273	493,479	3,452	430	496,300
Central governments or central banks		56,712	-	-	56,712
Regional governments or local authorities		-	-	-	-
Public sector entities		1	-	-	1
Multilateral development banks		6,046	-	-	6,046
International organisations		-	-	-	-
Institutions		325	-	-	325
Corporates		11,987	10	(10)	11,977
of which: SMEs		3,861	3	-	3,858
Retail		33,029	249	114	32,780
of which: SMEs		2,754	11	4	2,742
Secured by mortgages on immovable property		3,628	31	-	3,597
of which: SMEs		13	-	-	13
Exposures in default ¹	1,794	-	350	89	1,444
Items associated with particularly high risk		-	-	-	-
Covered bonds		-	-	-	-
Claims on institutions and corporates with a short-term credit assessment		-	-	-	-
Collective investments undertakings		-	-	-	-
Equity exposures		-	-	-	-
Other exposures		3,392	-	-	3,392
Total standardised approach	1,794	115,119	640	193	116,273
Total	8,067	608,598	4,092	623	612,573
of which: Loans	7,767	402,293	3,889	643	406,171
of which: Debt securities	-	5,208	-	-	5,208
of which: Off-balance sheet exposures	300	119,219	203	(20)	119,315

Table 17: Credit quality of exposures by exposure class and instrument (CR1-A) (continued)

	December 2018		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Gross carrying values of Defaulted exposures	Non- defaulted exposures			
	£m	£m	£m	£m	£m
Central governments or central banks	-	5,236	-	-	5,236
Institutions	2	4,057	-	(12)	4,059
Corporates	1,566	92,348	1,048	103	92,866
of which: Specialised lending	307	16,043	196	(2)	16,153
of which: SMEs	277	11,768	193	9	11,853
Retail	4,429	384,184	2,485	638	386,128
Secured by real estate property	3,575	310,530	1,471	41	312,634
SMEs	170	9,051	99	10	9,122
Non-SMEs	3,405	301,479	1,372	31	303,511
Qualifying revolving	378	52,598	467	303	52,509
Other retail	477	21,057	547	293	20,986
SMEs	198	2,036	58	11	2,176
Non-SMEs	279	19,020	489	282	18,810
Equity	-	-	-	-	-
Non-credit obligation assets	-	9,914	-	-	9,914
Total IRB approach	5,997	495,738	3,533	728	498,202
Central governments or central banks	-	54,379	-	-	54,379
Regional governments or local authorities	-	5	-	-	5
Public sector entities	-	41	-	-	41
Multilateral development banks	-	2,974	-	-	2,974
International organisations	-	-	-	-	-
Institutions	-	155	-	-	155
Corporates	-	14,504	23	3	14,481
of which: SMEs	-	3,754	5	-	3,749
Retail	-	32,478	248	162	32,230
of which: SMEs	-	2,396	5	-	2,390
Secured by mortgages on immovable property	-	3,855	33	1	3,822
of which: SMEs	-	11	-	-	11
Exposures in default ¹	1,972	-	307	31	1,665
Items associated with particularly high risk	-	-	-	-	-
Covered bonds	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-
Equity exposures	-	-	-	-	-
Other exposures	-	3,329	-	-	3,329
Total standardised approach	1,972	111,721	612	198	113,081
Total	7,969	607,459	4,145	926	611,284

¹ The breakdown of "exposures in default" by the exposure class that corresponds to the exposure before default, comprises Corporate £1,156m (2018: £1,219m) and Retail £637m (2018: £753m).

Table 18: Credit quality of exposures by industry type (CR1-B)

	June 2019				
	Gross carrying values of		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	£m	£m	£m	£m	£m
	^a	^b	^c	^f	^g
Agriculture, forestry and fishing	185	6,713	52	1	6,846
Energy and water supply	59	4,384	10	3	4,433
Manufacturing	361	12,519	102	(6)	12,778
Construction	489	5,377	349	17	5,517
Transport, distribution and hotels	1,541	20,684	312	51	21,913
Postal and communications	3	1,407	4	-	1,406
Property companies	495	27,684	273	(3)	27,906
Financial, business and other services	363	110,210	199	35	110,374
Personal: mortgages	3,671	306,319	1,424	(34)	308,566
Personal: other	729	91,147	1,025	461	90,851
Lease financing	11	5,754	1	-	5,764
Hire purchase	159	16,401	340	99	16,220
Total	8,067	608,598	4,092	623	612,573

	December 2018				
	Gross carrying values of		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	£m	£m	£m	£m	£m
Agriculture, forestry and fishing	160	6,788	53	(11)	6,896
Energy and water supply	-	5,005	7	(16)	4,998
Manufacturing	225	13,922	103	3	14,043
Construction	494	5,708	360	10	5,843
Transport, distribution and hotels	1,267	22,829	217	46	23,878
Postal and communications	3	2,004	2	(12)	2,005
Property companies	597	29,386	338	15	29,645
Financial, business and other services	350	105,052	259	82	105,143
Personal: mortgages	3,904	305,371	1,487	32	307,789
Personal: other	823	89,816	1,025	683	89,614
Lease financing	8	5,998	14	5	5,992
Hire purchase	138	15,580	281	90	15,437
Total	7,969	607,459	4,145	926	611,284

ANALYSIS OF CREDIT RISK MITIGATION

The following table provides an analysis of net carrying values of credit risk exposures secured by different CRM techniques split by regulatory approach and asset class.

Table 19: CRM techniques - Overview (CR3)

	June 2019				
	Exposures unsecured – carrying amount £m	Exposures to be secured ¹ £m	Exposures secured by collateral ² £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives ³ £m
Exposures subject to the IRB approach					
Central governments or central banks	3,634	747	-	747	-
Institutions	6,429	114	60	9	44
Corporates	46,818	39,401	38,741	281	379
of which: Specialised lending	-	14,713	14,713	-	-
of which: SMEs	4,264	7,118	7,118	-	-
Retail	63,578	324,595	324,595	-	-
Secured by real estate property	-	313,087	313,087	-	-
SMEs	-	8,662	8,662	-	-
Non-SMEs	-	304,424	304,424	-	-
Qualifying revolving	53,171	-	-	-	-
Other retail	10,406	11,508	11,508	-	-
SMEs	2,114	29	29	-	-
Non-SMEs	8,293	11,479	11,479	-	-
Equity	-	-	-	-	-
Non-credit obligation assets	10,984	-	-	-	-
Total – IRB approach	131,443	364,857	363,396	1,038	423
Exposures subject to the standardised approach					
Central governments and central banks	56,712	-	-	-	-
Regional governments or local authorities	-	-	-	-	-
Public sector entities	1	-	-	-	-
Multilateral development banks	6,046	-	-	-	-
International organisations	-	-	-	-	-
Institutions	325	-	-	-	-
Corporates	11,082	894	444	397	54
Retail	32,703	76	76	-	-
Secured by mortgages on immovable property	-	3,597	3,597	-	-
Exposures in default	1,039	405	405	-	-
Items associated with particularly high risk	-	-	-	-	-
Covered bonds	-	-	-	-	-
Claims on institutions and corp. with a ST credit assessment	-	-	-	-	-
Collective investment undertakings (CIUs)	-	-	-	-	-
Equity exposures	-	-	-	-	-
Other exposures	3,392	-	-	-	-
Total – standardised approach	111,300	4,973	4,523	397	54
Total exposures	242,743	369,830	367,919	1,435	477
of which: defaulted	2,434	3,809	3,809	-	-

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

² At 30th June 2019 the value of exposures secured by eligible financial collateral is £3.5bn (2018: £3.9bn) and the value of exposures secured by other eligible collateral is £364.4bn (2018: £366.5bn)

³ Exposures secured by credit derivatives mainly represent Corporate exposures where the risk has been transferred to institutions.

Table 19: CRM techniques - Overview (CR3) (continued)

	December 2018			Exposures secured by financial guarantees	Exposures secured by credit derivatives ³
	Exposures unsecured – carrying amount £m	Exposures to be secured ¹ £m	Exposures secured by collateral ² £m	£m	£m
Exposures subject to the IRB approach					
Central governments or central banks	4,479	757	-	757	-
Institutions	3,990	68	53	-	15
Corporates	50,163	42,703	41,993	259	452
of which: Specialised Lending	-	16,153	16,153	-	-
of which: SME	4,043	7,810	7,810	-	-
Retail	62,601	323,528	323,528	-	-
Secured by real estate property	-	312,634	312,634	-	-
SME	-	9,122	9,122	-	-
Non-SME	-	303,511	303,511	-	-
Qualifying Revolving	52,509	-	-	-	-
Other Retail	10,092	10,894	10,894	-	-
SME	2,147	29	29	-	-
Non-SME	7,945	10,865	10,865	-	-
Equity	-	-	-	-	-
Non-credit obligation assets	9,914	-	-	-	-
Total – IRB approach	131,146	367,056	365,574	1,016	467
Exposures subject to the standardised approach					
Central governments and central banks	54,379	-	-	-	-
Regional governments or local authorities	5	-	-	-	-
Public sector entities	41	-	-	-	-
Multilateral development banks	2,974	-	-	-	-
International organisations	-	-	-	-	-
Institutions	154	-	-	-	-
Corporates	13,829	652	472	180	-
Retail	32,146	85	85	-	-
Secured by mortgages on immovable property	-	3,822	3,822	-	-
Exposures in default	1,230	435	435	-	-
Items associated with particularly high risk	-	-	-	-	-
Covered bonds	-	-	-	-	-
Claims on institutions and corp. with a ST credit assessment	-	-	-	-	-
Collective investment undertakings (CIUs)	-	-	-	-	-
Equity exposures	-	-	-	-	-
Other exposures	3,329	-	-	-	-
Total – standardised approach	108,088	4,994	4,814	180	-
Total exposures	239,233	372,050	370,387	1,195	467
of which: defaulted	2,442	3,653	3,653	-	-

ANALYSIS OF PERFORMING, NON-PERFORMING AND FORBORNE EXPOSURES

The exposures in the tables that follow have been prepared in accordance with FINREP definitions and as such the loans and debt securities include balances subject to the credit risk, counterparty credit risk and securitisation frameworks. The loans are inclusive of cash and balances held with central banks.

Table 20: Ageing of performing and non-performing exposures (CR1-D hybrid)

	June 2019 Gross carrying values					
	Performing		Non-performing			
	Not past-due or Past-due <= 30 days £m	Past-due > 30 days <= 90 days £m	Unlikely to pay that are not past-due or or past-due <= 90 days £m	Past-due > 90 days <= 180 days £m	Past-due > 180 days <= 1 year £m	Past due > 1 year £m
¹ Loans	507,266	2,327	6,360	1,779	1,326	2,349
² Debt securities	6,945	-	-	-	-	-
³ Total exposures	514,211	2,327	6,360	1,779	1,326	2,349

Table 21: Non-performing and forborne exposures (CR1-E)

June 2019														
Gross carrying amount of performing and non-performing exposures								Accumulated impairment and provisions and negative fair value adjustments due to credit risk and provisions				Collateral and financial guarantees received		
		Of which performing but past due >30 days and <=90 days		Of which performing forborne	Of which non-performing			On performing exposures	On non-performing exposures			On non-performing exposures	of which: forborne exposures	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
		a	b	c	d	e	f	g	h	i	j	k	l	m
010	Debt securities	6,945	-	-	-	-	-	-	(1)	-	-	-	-	-
020	Loans and advances	521,407	2,327	2,652	11,815	7,673	8,746	7,927	(1,503)	(59)	(1,696)	(1,265)	7,991	6,922
030	Off balance sheet exposures	117,856	-	341	586	375	-	425	(167)	(1)	(4)	(1)	-	-

PILLAR 1 CAPITAL REQUIREMENTS: COUNTERPARTY CREDIT RISK

Counterparty credit risk (including CVA) represents 2 per cent (2018: 2 per cent) of the Group's total risk-weighted assets.

Table 22: Analysis of CCR exposure by approach (CCR1)³

	June 2019					
	Notional	Replacement cost/current market value ¹	Potential future credit exposure ¹	Effective expected positive exposure (EEPE)	Multiplier	EAD Post CRM ²
	£m	£m	£m	£m	x	£m
	a	b	c	d	e	f
¹ Mark to Market		2,344	1,353			3,098
² Original exposure	-					-
³ Standardised approach		-		-	-	-
⁴ IMM (for derivatives and SFTs)				-	-	-
⁵ of which: securities financing transactions				-	-	-
⁶ of which: derivatives and long settlement transactions				-	-	-
⁷ of which: from contractual cross-product netting				-	-	-
⁸ Financial collateral simple method (for SFTs)						-
⁹ Financial collateral comprehensive method (for SFTs)						16,638
¹⁰ VaR for SFTs						-
¹¹ Total	-	2,344	1,353	-	-	19,736
						2,039

¹ Replacement cost and PFE have been reported on a net basis where a netting agreement is in place (collateral is deducted from the replacement cost).

² Exposures values of £0.9bn subject to CVA are embedded in this section, the CVA risk-weighted assets are excluded from this table. For CVA risk-weighted assets please refer to Table 24.

³ CCP exposures and charges are excluded from this table. For CCP balances please refer to Table 23

Table 23: Exposures to CCPs (CCR8)

	June 2019	
	EAD post	RWA
	CRM	
	£m	£m
	a	b
¹ Exposures to QCCPs (total)	7,232	300
² Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	7,056	144
³ (i) OTC derivatives	6,903	138
⁴ (ii) Exchange-traded derivatives	125	5
⁵ (iii) SFTs	29	1
⁶ (iv) Netting sets where cross-product netting has been approved	–	–
⁷ Segregated initial margin	–	–
⁸ Non-segregated initial margin	78	2
⁹ Prefunded default fund contributions	97	155
¹⁰ Alternative calculation of own funds requirements for exposures	–	–
¹¹ Exposures to non-QCCPs (total)	–	–
¹² Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–
¹³ (i) OTC derivatives	–	–
¹⁴ (ii) Exchange-traded derivatives	–	–
¹⁵ (iii) SFTs	–	–
¹⁶ (iv) Netting sets where cross-product netting has been approved	–	–
¹⁷ Segregated initial margin	–	–
¹⁸ Non-segregated initial margin	–	–
¹⁹ Prefunded default fund contributions	–	–
²⁰ Unfunded default fund contributions	–	–

Table 24: Credit valuation adjustment (CVA) capital charge (CCR2)¹

	June 2019	
	EAD post	RWA
	CRM	
	£m	£m
	a	b
¹ Total portfolios subject to the Advanced CVA capital charge	–	–
² (i) VaR component (including the 3xmultiplier)	–	–
³ (ii) Stressed VaR component (including the 3xmultiplier)	–	–
⁴ All portfolios subject to the Standardised Method	899	376
^{EU4} Based on Original Exposure Method	–	–
⁵ Total subject to the CVA capital charge	899	376

¹ The CVA exposures disclosed in this table are embedded in the exposures reported in Table 22: Analysis of CCR exposure by approach (CCR1).

Table 25: Counterparty credit risk exposures: analysis by exposure class

	June 2019 EAD post CRM £m	RWA £m
<i>Foundation IRB approach</i>		
Corporate – main	1,435	614
Corporate – SME	2	2
Central governments or central banks	65	3
Institutions	1,216	421
<i>Other IRB approach</i>		
Corporate – specialised lending ¹	920	676
Securitisation positions ²	–	–
Total IRB approach	3,638	1,717
<i>Exposures subject to the standardised approach</i>		
Central governments or central banks	15,459	–
Multilateral development banks	–	–
International organisations	–	–
Institutions	7,134	145
Corporates	639	322
Total standardised approach	23,232	467
Contributions to the default fund of a Central Counterparty	97	155
Credit valuation adjustment ³		376
Total	26,967	2,715

¹ Exposures subject to the IRB Supervisory Slotting Approach.

² No positions relating to counterparty credit risk securitisation positions were deducted from capital in either 2019 or 2018.

³ CVA exposure value of £0.9bn is embedded in the asset class analysis above.

Table 26: IRB – CCR exposure by portfolio and PD scale – Corporate Main (CCR4)

PD Scale	June 2019						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	1,025	0.06%	245	45.0%	3.8	327	31.9%
0.15 to <0.25	58	0.18%	77	45.0%	1.4	20	34.2%
0.25 to <0.50	187	0.34%	434	45.1%	1.1	86	46.2%
0.50 to <0.75	15	0.63%	111	45.0%	1.5	10	69.6%
0.75 to <2.50	115	1.38%	181	45.0%	2.6	126	109.7%
2.50 to <10.00	32	3.31%	107	45.0%	2.3	44	136.5%
10.00 to <100.00	1	13.24%	5	45.0%	2.5	2	221.3%
100.00 (Default)	3	100.00%	14	45.0%	2.5	–	–
Sub-total	1,435	0.52%	1,174	45.0%	3.2	614	42.8%

Table 27: IRB – CCR exposure by portfolio and PD scale – Central governments or central banks (CCR4)

PD Scale	June 2019						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	65	0.04%	7	45.0%	0.0	3	4.4%
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	65	0.04%	7	45.0%	0.0	3	4.4%

Table 28: IRB – CCR exposure by portfolio and PD scale – Institutions (CCR4)

PD Scale	June 2019						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	1,116	0.05%	121	45.0%	2.9	343	30.7%
0.15 to <0.25	99	0.18%	17	45.0%	4.1	78	78.8%
0.25 to <0.50	1	0.28%	4	45.0%	2.4	1	71.9%
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	1,216	0.06%	142	45.0%	3.0	421	34.7%

Table 29: CCR corporate exposures subject to supervisory slotting

Regulatory categories	Remaining maturity	June 2019 Specialised lending				
		On-balance sheet amount £m	Off-balance sheet amount £m	RW %	EAD post CRM £m	RWA £m
1) Strong	Less than 2.5 years	41	–	50%	40	20
	Equal to or more than 2.5 years	1,101	–	70%	695	486
2) Good	Less than 2.5 years	9	–	70%	9	6
	Equal to or more than 2.5 years	127	–	90%	127	114
3) Satisfactory	Less than 2.5 years	0	–	115%	0	1
	Equal to or more than 2.5 years	43	–	115%	43	49
4) Weak	Less than 2.5 years	–	–	250%	–	–
	Equal to or more than 2.5 years	–	–	250%	–	–
5) Default	Less than 2.5 years	–	–	0%	–	–
	Equal to or more than 2.5 years	7	–	0%	7	–
Total	Less than 2.5 years	50	–		49	27
	Equal to or more than 2.5 years	1,277	–		871	650

Table 30: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

Exposures are classed as “rated” only where an ECAI rating has been used to derive the risk-weight. Where a rating is unavailable, or where the risk weight has been determined by application of specific CRR provisions, exposures have been classed as “unrated”. Only those exposure classes where standardised CCR exposures are held have been included.

Exposure Classes	June 2019											Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total £m	Unrated £m
¹ Central governments or central banks	15,459	–	–	–	–	–	–	–	–	–	–	15,459	15,459
⁴ Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–
⁵ International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–
⁶ Institutions	–	7,010	125	–	–	–	–	–	–	–	–	7,134	7,134
⁷ Corporates	–	–	–	–	–	634	–	–	5	–	–	639	5
¹¹ Total – Standardised Approach	15,459	7,010	125	–	–	634	–	–	5	–	–	23,232	22,598

Table 31: Impact of netting and collateral held on exposure values (CCR5-A)

	Gross positive fair value exposure amount £m	Netting benefits credit £m	June 2019 Netted current credit exposure £m	Collateral held ¹ £m	Net Credit exposure ² £m
	^a	^b	^c	^d	^e
¹ Derivatives	64,121	56,608	7,513	5,519	1,994
² SFTs	112,934	—	112,934	101,710	11,224
⁴ Total	177,055	56,608	120,447	107,228	13,219

¹ The collateral held values for SFTs are reported after taking into account the volatility adjustments for these balances.

² The net credit exposure value may differ from EAD value disclosed in Table 22: Analysis of CCR exposure by approach (CCR1), due to the other parameters for the calculation of regulatory exposure values which are not disclosed in this table.

Table 32: Credit derivative exposures (CCR6)

	June 2019 Credit derivative hedges			Other credit derivatives £m
	Protection bought £m	Protection sold £m		
	^a	^b		^c
Notionals				
Single-name credit default swaps	896	200		—
Index credit default swaps	349	13		—
Total return swaps	107	433		—
Credit options	—	—		—
Other credit derivatives	—	—		—
Total notionals	1,351	646		—
Fair values				
Positive fair value (asset)	4	6		—
Negative fair value (liability)	(50)	(34)		—

PILLAR 1 CAPITAL REQUIREMENTS: MARKET RISK

Market risk represents 0.1 per cent (2018: 0.2 per cent) of the Group's total risk-weighted assets.

Table 33: Market risk capital requirements

	June 2019	
	RWA	Capital Requirements
	£m	£m
Internal models approach	120	10
VaR	14	1
SVaR	99	8
Incremental risk charge	–	–
Comprehensive risk measure	–	–
Risks not in VaR	7	1
Standardised approach	110	9
Interest rate risk (general and specific)	20	2
Equity risk (general and specific)	–	–
Foreign exchange risk	90	7
Commodity risk	–	–
Specific interest rate risk of securitisation position	–	–
Total	230	18

Table 34: Risk-weighted assets flow statements of market risk exposures under an IMA (MR2-B)

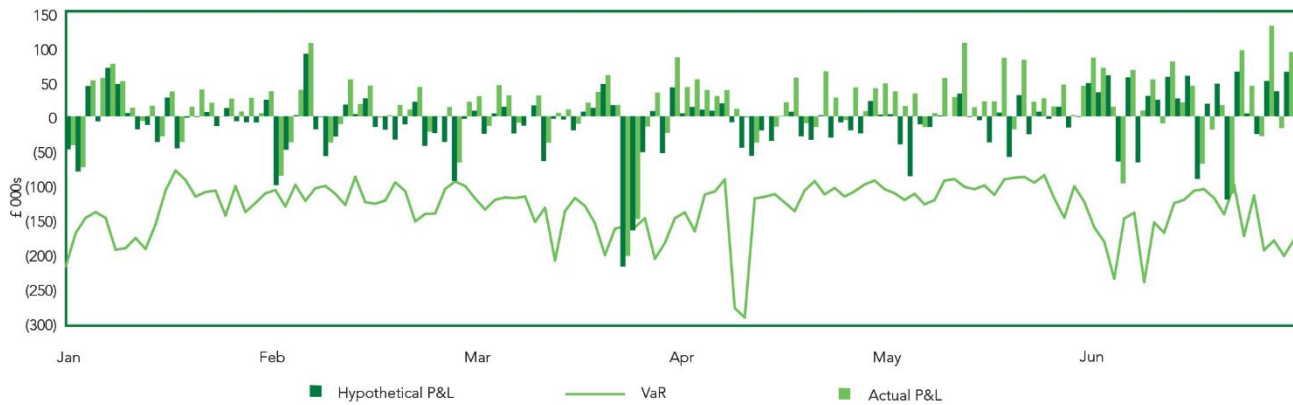
	VaR	SVaR	IRC	CRM	Other	Total RWA	Total Capital Requirements
	£m	£m	£m	£m	£m	£m	£m
¹ Risk-weighted assets as at 31 December 2018	51	248	–	–	22	320	26
² Movement in risk levels	(21)	(55)	–	–	(10)	(86)	(7)
³ Model updates/changes	–	–	–	–	(4)	(4)	–
⁴ Methodology and policy	–	–	–	–	–	–	–
⁵ Acquisitions and disposals	–	–	–	–	–	–	–
⁶ Foreign exchange movements	–	–	–	–	–	–	–
⁷ Other	–	–	–	–	–	–	–
Asset size	(16)	(95)	–	–	–	(110)	(9)
⁸ Risk-weighted assets as at 30 June 2019	14	99	–	–	7	120	10

Table 35: Comparison of VaR estimates with gains/losses (MR4)

The chart below provides a comparison of VaR (1-day 99 per cent confidence level) to the hypothetical and actual profit and loss on a daily basis over the six months to June 2019 for Lloyds Bank Group.

Note that the profit and loss used in back-testing is not reflective of the total profit and loss from the trading book as it excludes items such as fees and commissions.

For Lloyds Bank Group there were two hypothetical and actual loss back-testing overshoots and one hypothetical loss overshoot in the six months to June 2019 which were driven by movements in interest rates.

Lloyds Bank Group

CAPITAL AND LEVERAGE**Table 36: Own funds template**

	Transitional rules		Fully loaded rules	
	At 30	At 31	At 30	At 31
	June 2019	Dec 2018	June 2019	Dec 2018
	£m	£m	£m	£m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	2,174	2,174	2,174	2,174
of which: called up share capital	1,574	1,574	1,574	1,574
of which: share premium	600	600	600	600
Retained earnings	30,275	30,713	30,275	30,713
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	4,977	4,655	4,977	4,655
Foreseeable dividends	(2,000)	(2,100)	(2,000)	(2,100)
Common equity tier 1 (CET1) capital before regulatory adjustments	35,426	35,442	35,426	35,442
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	(255)	(253)	(255)	(253)
Intangible assets (net of related tax liability)	(3,841)	(3,628)	(3,841)	(3,628)
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	(3,271)	(3,106)	(3,271)	(3,106)
Fair value reserves related to gains or losses on cash flow hedges	(1,729)	(1,110)	(1,729)	(1,110)
Negative amounts resulting from the calculation of expected loss amounts	–	–	–	–
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(64)	(291)	(64)	(291)
Defined benefit pension fund assets	(1,184)	(994)	(1,184)	(994)
Total regulatory adjustments applied to common equity tier 1 (CET1)	(10,344)	(9,382)	(10,344)	(9,382)
Common equity tier 1 (CET1) capital	25,082	26,060	25,082	26,060

Table 36: Own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 June 2019 £m	At 31 Dec 2018 £m	At 30 June 2019 £m	At 31 Dec 2018 £m
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	3,217	3,217	3,217	3,217
of which: classified as equity under applicable accounting standards	3,217	3,217	3,217	3,217
Amount of qualifying items referred to in Article 484 (4) of the CRR and the related share premium accounts subject to phase out from AT1	1,400	1,913	–	–
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	640	807	–	–
of which: instruments issued by subsidiaries subject to phase out	640	807	–	–
Additional tier 1 (AT1) capital before regulatory adjustments	5,257	5,937	3,217	3,217
Additional tier 1 (AT1) capital: regulatory adjustments				
Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of the CRR	–	–	–	–
of which: significant investments in Tier 2 instruments of other financial sector entities	–	–	–	–
Total regulatory adjustments applied to additional tier 1 (AT1) capital	–	–	–	–
Additional tier 1 (AT1) capital	5,257	5,937	3,217	3,217
Tier 1 capital	30,339	31,997	28,299	29,277
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	4,476	4,606	4,476	4,606
Amount of qualifying items referred to in Article 484 (5) of the CRR and the related share premium accounts subject to phase out from T2	951	899	–	–
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	1,080	1,591	44	247
of which: instruments issued by subsidiaries subject to phase out	1,036	1,344	–	–
Credit risk adjustments	–	–	–	–
Tier 2 (T2) capital before regulatory adjustments	6,507	7,096	4,520	4,853
Tier (T2) capital: regulatory adjustments				
Direct and indirect holdings by the Group of the T2 instruments and subordinated loans of financial sector entities where the Group has a significant investment in those entities (net of eligible short positions)	–	–	–	–
IFRS 9 transitional adjustments	(389)	(9)	(389)	(9)
Total regulatory adjustments applied to tier 2 (T2) capital	(389)	(9)	(389)	(9)
Tier 2 (T2) capital	6,118	7,087	4,131	4,844
Total capital	36,457	39,084	32,430	34,121
Total risk weighted assets	173,782	174,391	173,782	174,391

Table 36: Own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 June 2019 £m	At 31 Dec 2018 £m	At 30 June 2019 £m	At 31 Dec 2018 £m
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.4%	14.9%	14.4%	14.9%
Tier 1 (as a percentage of risk exposure amount)	17.5%	18.3%	16.3%	16.8%
Total capital (as a percentage of risk exposure amount)	21.0%	22.4%	18.7%	19.6%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	3.428%	2.802%	3.428%	2.802%
of which: capital conservation buffer requirement ¹	2.500%	1.875%	2.500%	1.875%
of which: countercyclical buffer requirement	0.928%	0.927%	0.928%	0.927%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²	9.9%	10.4%	9.9%	10.4%
Amounts below the threshold for deduction (before risk weighting)				
Direct and indirect holdings of the capital of financial sector entities where the Group does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	160	203	160	203
Direct and indirect holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	–	–
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	663	577	663	577
Applicable caps on the inclusion of provisions in Tier 2				
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–	–	–	–
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	733	728	733	728
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
Current cap on AT1 instruments subject to phase out arrangements	2,041	2,721	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	1,208	336	–	–
Current cap on T2 instruments subject to phase out arrangements	1,987	2,649	–	–
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	1,190	–	–	–

¹ The capital conservation buffer requirement is the percentage applicable at the reporting date.

² Before adjusting for CET1 capital required to meet Pillar 2A requirements.

Table 37: Summary reconciliation of accounting assets and leverage ratio exposures

	At 30 June 2019 Fully loaded £m	At 31 Dec 2018 Fully loaded £m
Total assets as per the financial statements	592,919	593,486
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(1,528)	(1,555)
Adjustments for derivative financial instruments	(1,398)	(56)
Adjustments for securities financing transactions (SFTs)	(597)	(606)
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	48,060	47,863
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	–	(4,357)
Other adjustments	(7,956)	(7,872)
Leverage ratio total exposure measure	629,500	626,903

Table 38: Leverage ratio common disclosure

	At 30 June 2019 Fully loaded £m	At 31 Dec 2018 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	526,846	527,172
Asset amounts deducted in determining Tier 1 capital	(7,956)	(7,872)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	518,890	519,300
Derivative exposures¹		
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	2,621	3,797
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	9,071	8,956
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(2,483)	(4,074)
Adjusted effective notional amount of written credit derivatives	213	157
Adjusted effective notional offsets and add-on deductions for written credit derivatives	(61)	(157)
Total derivative exposures	9,361	8,679
Securities financing transaction exposures²		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	53,787	54,912
Netted amounts of cash payables and cash receivables of gross SFT assets	(1,709)	(5,187)
Counterparty credit risk exposure for SFT assets	1,111	1,702
Total securities financing transaction exposures	53,189	51,427
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	128,551	129,446
Adjustments for conversion to credit equivalent amounts	(80,491)	(81,583)
Other off-balance sheet exposures	48,060	47,863
Intragroup exposures exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet) ³	–	(366)
Capital and total exposure measure		
Tier 1 capital	28,299	29,277
Leverage ratio total exposure measure	629,500	626,903
Leverage ratio	4.5%	4.7%

¹ Excludes intragroup derivative assets amounting to £nil (2018: £2,557m) exempted in accordance with CRR Article 429(7);

² Excludes intragroup SFT assets amounting to £nil (2018: £1,434m) exempted in accordance with CRR Article 429(7);

³ Relates to exempted intragroup loans and receivables. Total intragroup exposures exempted in accordance with CRR Article 429(7), including derivatives and SFTs, amounted to £nil (2018: £4,357m).

Table 39: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	At 30 June 2019 Fully loaded £m
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	526,846
Trading book exposures	432
Banking book exposures, of which:	526,414
Covered bonds	2,047
Exposures treated as sovereigns	67,266
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1
Institutions	3,896
Secured by mortgages of immovable properties	312,837
Retail exposures	44,067
Corporates	56,295
Exposures in default	7,585
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	32,420

Appendix I Asset Encumbrance

Table 40: Encumbered and unencumbered assets

The values reported in the tables below represent the median of the values reported to the regulator via quarterly supervisory returns over the period 1 January 2019 to 30 June 2019

	Carrying amount of encumbered assets of which notionally eligible EHQLA and HQLA		Fair value of encumbered assets of which notionally eligible EHQLA and HQLA		June 2019 Carrying amount of unencumbered assets of which notionally eligible EHQLA and HQLA		Fair value of unencumbered assets of which notionally eligible EHQLA and HQLA	
					£m	£m		
Encumbered and unencumbered assets	£m	£m	£m	£m	£m	£m	£m	£m
Total assets	107,356	11,595			488,308	61,810		
Equity instruments	-	-			168	-		
Debt securities ¹	9,535	6,942	9,535	6,942	25,116	20,003	25,116	20,003
of which: covered bonds	1	1	1	1	1,752	1,752	1,752	1,752
of which: asset-backed securities	2,556	-	2,556	-	578	-	578	-
of which: issued by general governments	6,672	6,672	6,672	6,672	10,738	10,738	10,738	10,738
of which: issued by financial corporations	2,859	268	2,859	268	13,362	8,272	13,362	8,272
of which: issued by non-financial corporations	4	3	4	3	993	993	993	993
Other assets ²	97,821	4,653			463,024	41,807		

¹ Includes debt securities accounted for as a financial assets at fair value through profit and loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income.

² All remaining regulatory balance sheet assets, including loans on demand and other loans and advances. The carrying amount of other encumbered assets predominantly reflects other loans and advances.

Table 41: Collateral received

Collateral received	June 2019			
	Fair value of encumbered collateral received or own debt securities issued of which notionally eligible EHQLA and HQLA		Fair value of collateral received or own debt securities issued available for encumbrance of which notionally eligible EHQLA and HQLA	
	£m	£m	£m	£m
Collateral received	16,679	16,578	54,496	54,465
Loans on demand	–	–	–	–
Equity Instruments	–	–	–	–
Debt securities ¹	16,679	16,578	54,496	54,465
of which: covered bonds	1	1	4	4
of which: asset-backed securities	100	–	151	120
of which: issued by general governments	16,521	16,521	54,372	54,372
of which: issued by financial corporations	158	57	124	93
of which: issued by non-financial corporations	–	–	–	–
Loans and advances other than loans on demand	–	–	–	–
Other collateral received	–	–	–	–
Own debt securities issued other than own covered bonds or asset-backed securities	–	–	–	–
Own covered bonds and asset-backed securities issued and not yet pledged			9,310	–
Total assets, collateral received and own debt securities issued	124,035	28,173		

¹ Includes debt securities accounted for as a financial assets at fair value through profit and loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income.

Table 42: Sources of Encumbrance

Sources of Encumbrance ¹	June 2019	
	Matching liabilities, contingent liabilities or securities lent £m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £m
Carrying amount of selected financial liabilities	84,993	75,900

¹ Consists of derivatives, deposits and debt securities issued

TEMPLATES NOT DISCLOSED

Certain quantitative EBA templates prescribed on a semi-annual basis are not applicable to the Group. These include INS1 (Non-deducted participations in insurance undertakings), CCR7 (RWA flow statements of CCR exposures under the IMM) and CCR5-B (Composition of collateral for exposures to CCR). Regarding CCR5-B, the PRA introduced a waiver for firms where the fair value of collateral received or the fair value of collateral posted in the form of debt securities does not exceed £100bn (using quarterly data) - the Group is below this threshold.

CR2-A (Changes in the stock of general and specific credit risk adjustments) is met through the disclosure of Note 9 (Allowance for impairment losses) of the Group's 2019 half-year results. CR8 (RWA flow statements of credit risk exposures under the IRB approach) is met through the disclosure of Table 3: Risk-weighted assets movement by key driver.

CR2-B (Changes in the stock of defaulted and impaired loans and debt securities) has been excluded as the requirement is beyond what is required by the CRR.

CR10 (Equity exposure subject to the simple risk weight method) has not been disclosed as Lloyds Bank Group has no equity exposures.

Article 432 of the CRR on non-material, proprietary or confidential information permits institutions to omit one or more disclosures if the information provided by such a disclosure is not regarded as material. The following templates have been omitted on the grounds that they are non-material: CR1-C (Credit quality of exposures by geography) as we are a predominantly UK focused bank; CR7 (IRB approach – effect on the RWAs of credit derivatives used as CRM); MR1 (Market risk under the standardised approach); MR2-A (Market risk under the IMA approach) and MR3 (IMA values for trading portfolios).

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