Lloyds Bank Plc

Q3 2022
Pillar 3 Disclosures
30 September 2022

BASIS OF PREPARATION

This report presents the consolidated interim Pillar 3 disclosures of Lloyds Bank plc ('the Group') as at 30 September 2022 and should be read in conjunction with the Group's Q3 2022 Interim Management Statement.

The disclosures have been prepared in accordance with the Disclosure Part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II.

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

– Template CCR7 (RWA flow statements of CCR exposures under the IMM) is not applicable to the Group.
– Template MR2-B (RWA flow statements of Market risk exposures under an IMA) is not material inline with CRR article 432.

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

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 plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; changes in consumer behaviour; 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; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group's and/or Lloyds Banking Group plc's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; 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; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of the Group's financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Bank 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.

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Key metric and overview of risk weighted exposure amounts

KM1: Key metrics[1,3]

KM1		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Ref	**Available own funds (amounts)**					
1	Common Equity Tier 1 (CET1) capital (£m)	**25,944**	26,456	25,399	26,904	26,749
2	Tier 1 capital (£m)	**30,212**	30,724	29,667	31,853	31,698
3	Total capital (£m)	**35,297**	35,920	35,015	37,909	37,149
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount (£m)	**173,192**	173,784	175,416	161,576	166,677
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	**15.0 %**	15.2 %	14.5 %	16.7 %	16.0 %
6	Tier 1 ratio (%)	**17.4 %**	17.7%	16.9%	19.7%	19.0%
7	Total capital ratio (%)	**20.4 %**	20.7%	20.0%	23.5%	22.3%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	**2.1 %**	2.1 %	2.1 %	2.2 %	2.3 %
UK 7b	Additional AT1 SREP requirements (%)	**0.7 %**	0.7%	0.7%	0.8%	0.8%
UK 7c	Additional T2 SREP requirements (%)	**0.9 %**	0.9%	0.9%	1.0%	1.0%
UK 7d	Total SREP own funds requirements (%)	**11.7 %**	11.7%	11.7%	12.0%	12.1%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	**2.500 %**	2.500%	2.500%	2.500%	2.500%
9	Institution specific countercyclical capital buffer (%)	**0.004 %**	0.004%	0.003%	0.003%	0.003%
UK 10a	Other Systemically Important Institution buffer (%)[2]	**2.000 %**	2.000%	2.000%	2.000%	2.000%
11	Combined buffer requirement (%)	**4.504 %**	4.504%	4.503%	4.503%	4.503%
UK 11a	Overall capital requirements (%)	**16.2 %**	16.2%	16.2%	16.5%	16.6%
12	CET1 available after meeting minimum SREP own funds requirements (%)[4]	**8.4 %**	8.6%	7.9%	10.0%	9.2%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (£m)	**575,772**	572,127	576,845	584,650	591,233
14	Leverage ratio excluding claims on central banks (%)	**5.2 %**	5.4 %	5.1 %	5.3 %	5.2 %
	Additional leverage ratio disclosure requirements					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2 %**	5.3 %	5.1 %	5.2 %	5.1 %
UK 14b	Leverage ratio including claims on central banks (%)	**4.7 %**	4.8%	4.5%	4.9%	4.9%
UK 14c	Average leverage ratio excluding claims on central banks (%)[5]	**5.3 %**	5.3%	5.1%	5.2%	5.3%
UK 14d	Average leverage ratio including claims on central banks (%)	**4.8 %**	4.7%	4.6%	4.8%	4.9%
UK 14e	Countercyclical leverage ratio buffer (%)[6]	**0.0 %**	0.0 %	0.0 %	0.0 %	0.0 %
	Average Liquidity Coverage Ratio (weighted) (LCR)[7]					
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**123,913**	121,376	119,276	114,712	111,625
UK 16a	Cash outflows - Total weighted value - average (£m)	**93,837**	94,515	95,227	94,665	95,429
UK 16b	Cash inflows - Total weighted value - average (£m)	**3,832**	3,877	3,762	3,369	3,449
16	Total net cash outflows (adjusted value - average) (£m)	**90,005**	90,638	91,465	91,296	91,979
17	Average liquidity coverage ratio (%)	**138 %**	134%	131%	126%	121%

1 The Group applies the full extent of the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). Specifically, the Group has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief) and in addition to apply a 100% risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. As at 30 September 2022, static relief under the transitional arrangements amounted to £133 million (31 December 2021: £264 million) and dynamic relief under the transitional arrangements amounted to £163 million (31 December 2021: £387 million) through CET1 capital.

2 The Group is subject to an Other Systemically Important Institution (OSII) Buffer of 2.0 per cent of risk-weighted exposure amounts which is designed to hold systemically important banks to higher capital standards so that they can withstand a greater level of stress before requiring resolution.

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

4 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). In October 2022 the PRA reduced the Group's Pillar 2A capital requirement to around 3.0 per cent of risk-weighted assets, of which around 1.7 per cent is to be met with CET1 capital.

5 The average leverage exposure measure (excluding claims on central banks) for the period from 1 July 2022 to 30 September 2022 amounted to £580,303 million.

6 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage. The Group's total leverage ratio buffer at 30 September 2022 was 0.7 per cent (31 December 2021: 0.7 per cent), which reflects the additional leverage ratio buffer (ALRB) applied to the Group and is based upon the O-SII Buffer.

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

Key metric and overview of risk weighted exposure amounts (continued)

Common Equity Tier 1

The Group's common equity tier 1 (CET1) capital ratio reduced from 16.7 per cent at 31 December 2021 to 14.1 per cent on 1 January 2022, before increasing during the period to 15.0 per cent at 30 September 2022. The reduction on 1 January 2022 reflected the impact of regulatory changes (as previously reported), with the subsequent increase during the first nine months of the year reflecting profits for the period and a reduction in risk-weighted assets (post 1 January 2022 regulatory changes), partly offset by pension contributions made to the Group's defined benefit pension schemes and an accrual for foreseeable ordinary dividends.

Total Capital

The total capital ratio reduced from 23.5 per cent at 31 December 2021 to 20.4 per cent at 30 September 2022, reflecting the reduction in CET1 capital, increase in risk-weighted assets, the completion of the transition to end-point eligibility rules for regulatory capital on 1 January 2022 and movements in rates, partially offset by sterling depreciation and eligible provisions.

Risk-Weighted Assets

Risk-weighted assets increased from £161.6 billion at 31 December 2021 to around £178 billion on 1 January 2022, reflecting regulatory changes which include the anticipated impact of the implementation of new CRD IV models to meet revised regulatory standards for modelled outputs. Risk-weighted assets subsequently reduced by £5 billion during the first nine months of the year to £173.2 billion at 30 September 2022, largely reflecting optimisation activity and Retail model reductions linked to the resilient underlying credit performance, partly offset by the growth in balance sheet lending. The new CRD IV models remain subject to finalisation and approval by the PRA and therefore the final risk-weighted asset impact remains subject to this.

Leverage

The Group's UK leverage ratio of 5.2 per cent at 30 September 2022 has reduced from 5.3 per cent at 31 December 2021, reflecting the reduction in total tier 1 capital, offset in part by a reduction in the exposure measure principally related to off-balance sheet items.

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

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

		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**25,944**	26,456	25,399	26,904	26,749
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**25,648**	26,310	25,256	26,253	25,696
3	Tier 1 capital (£m)	**30,212**	30,724	29,667	31,853	31,698
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**29,916**	30,578	29,524	31,202	30,645
5	Total capital (£m)	**35,297**	35,920	35,015	37,909	37,149
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**35,364**	35,935	35,024	38,039	37,202
	Risk-weighted exposure amounts					
7	Total risk-weighted exposure amount (£m)	**173,192**	173,784	175,416	161,576	166,677
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**173,302**	173,897	175,522	161,805	166,878
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	**15.0%**	15.2%	14.5%	16.7%	16.0%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.8%**	15.1%	14.4%	16.2%	15.4%
11	Tier 1 ratio (%)	**17.4%**	17.7%	16.9%	19.7%	19.0%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.3%**	17.6%	16.8%	19.3%	18.4%
13	Total capital ratio (%)	**20.4%**	20.7%	20.0%	23.5%	22.3%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**20.4%**	20.7%	20.0%	23.5%	22.3%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	**575,772**	572,127	576,845	584,650	591,233
16	Leverage ratio excluding claims on central banks (%)	**5.2%**	5.4%	5.1%	5.3%	5.2%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.2%**	5.3%	5.1%	5.2%	5.1%

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

Key metric and overview of risk weighted exposure amounts (continued)

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		30 Sep 2022	31 Dec 2021[1]	30 Sep 2022
		£m	£m	£m
1	**Credit risk (excluding CCR)[1]**	**143,578**	131,961	**11,486**
2	Of which the standardised approach[1]	20,043	19,861	1,603
3	Of which the foundation IRB (FIRB) approach	28,348	30,697	2,268
4	Of which slotting approach	8,856	8,852	709
5	Of which the advanced IRB (AIRB) approach	80,253	65,435	6,420
	Of which: non-credit obligation assets[2]	6,078	7,117	486
6	**Counterparty credit risk - CCR**	**1,173**	1,464	**94**
7	Of which the standardised approach	515	—	41
	Of which: marked to market	—	895	—
UK 8a	Of which exposures to a CCP	46	162	4
UK 8b	Of which credit valuation adjustment - CVA	385	207	31
9	Of which other CCR	227	200	18
16	**Securitisation exposures in the non-trading book (after the cap)**	**5,901**	5,373	**472**
17	Of which SEC-IRBA approach	2,117	2,188	169
18	Of which SEC-ERBA (including IAA)	1,498	1,723	120
19	Of which SEC-SA approach	2,286	1,462	183
20	**Position, foreign exchange and commodities risks (Market risk)**	**91**	203	**7**
21	Of which the standardised approach	—	78	—
22	Of which IMA	91	126	7
23	**Operational risk**	**22,449**	22,575	**1,796**
UK 23b	Of which standardised approach	22,449	22,575	1,796
24	**Memo: Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)[1]**	2,019	2,318	162
29	**Total**	**173,192**	161,576	**13,855**
	Pillar 2A capital requirement[3]			6,438
	Total capital requirement			**20,293**

1 Restated in accordance with revised OV1 template requirements - threshold balances are now reported through the relevant underlying category.

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

3 As at 30 September 2022, the Pillar 2A capital requirement was around 3.7 per cent of risk-weighted assets, of which around 2.1 per cent was to be met with CET1 capital. In October 2022 the PRA reduced the Group's Pillar 2A capital requirement to around 3.0 per cent of risk-weighted assets, of which around 1.7 per cent is to be met with CET1 capital.

IRB Approach to 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, other non-credit obligation assets and equity exposures.

CR8: Risk-weighted assets flow statements of credit risk exposures - year to 30 Sep 2022

		Total RWA quarter to 30 Sep 2022 £m	Total RWA YTD 30 Sep 2022 £m
1	**Risk weighted exposure amount as at beginning of the quarter**	**117,899**	**104,984**
2	Asset size (+/-)	610	501
3	Asset quality (+/-)	(1,004)	(3,386)
4	Model updates (+/-)	—	—
5	Methodology and policy (+/-)	(462)	14,456
6	Acquisitions and disposals (+/-)	—	—
7	Foreign exchange movements (+/-)	414	902
8	Other (+/-)	—	—
9	**Risk weighted exposure amount at the end of the quarter**	**117,457**	**117,457**

Key movements quarter to 30 September 2022

– Asset size increase driven by net new lending offset by optimisation activity.
– Asset quality movement driven by reductions from Retail models linked to the resilient underlying credit performance.
– Methodology & Policy reduction primarily reflects refinement of regulatory interpretation in Commercial Banking.
– Foreign exchange movements, principally driven by movement in US Dollar.

Key movements year to date 30 September 2022

– Asset size increase driven by net new lending offset by optimisation activity.
– Asset quality movement driven by reductions from Retail models reflecting the resilient underlying underlying credit performance in the year to date.
– Methodology and policy increases reflect the anticipated implementation (via the application of temporary model adjustments) of new CRD IV models to meet revised regulatory standards for modelled outputs, partly offset by other optimisation activity.
– Foreign exchange movements, principally driven by movements in the US Dollar and Euro.

Liquidity Requirements

LIQ1: Liquidity Coverage Ratio

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

		Total unweighted value (average)				Total weighted value (average)			
		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS (£m)									
1	Total high-quality liquid assets (HQLA)					123,913	121,376	119,276	114,712
CASH - OUTFLOWS (£m)									
2	Retail deposits and deposits from small business customers, of which:	341,120	338,875	335,488	329,834	22,893	22,711	22,427	21,956
3	Stable deposits	262,305	261,291	259,849	257,170	13,115	13,065	12,992	12,859
4	Less stable deposits	78,815	77,584	75,639	72,663	9,778	9,646	9,435	9,098
5	Unsecured wholesale funding	101,601	101,170	100,090	98,243	49,322	49,099	48,714	47,822
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	37,013	36,307	35,012	33,618	9,253	9,077	8,753	8,405
7	Non-operational deposits (all counterparties)	60,183	60,839	61,723	61,958	35,664	35,998	36,606	36,751
8	Unsecured debt	4,405	4,024	3,355	2,666	4,405	4,024	3,355	2,666
9	Secured wholesale funding					10	33	84	116
10	Additional requirements	48,232	49,744	51,611	53,296	16,599	17,691	19,039	19,797
11	Outflows related to derivative exposures and other collateral	9,613	10,761	11,925	12,359	9,613	10,761	11,926	12,359
12	Outflows related to loss of funding on debt products	1,049	954	936	944	1,049	954	936	944
13	Credit and liquidity facilities	37,570	38,029	38,750	39,993	5,937	5,976	6,177	6,494
14	Other contractual funding obligations	407	394	381	397	76	64	52	66
15	Other contingent funding obligations	89,202	88,460	88,489	88,690	4,937	4,917	4,911	4,907
16	TOTAL CASH OUTFLOWS					93,837	94,515	95,227	94,665

		Total unweighted value (average)				Total weighted value (average)			
		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
CASH - INFLOWS (£m)									
17	Secured lending (e.g. reverse repos)	13,650	11,984	11,414	10,800	225	203	220	210
18	Inflows from fully performing exposures	4,432	4,190	4,058	3,929	2,822	2,666	2,594	2,498
19	Other cash inflows	1,207	1,417	1,345	1,050	785	1,008	948	661
20	TOTAL CASH INFLOWS	19,289	17,591	16,817	15,779	3,832	3,877	3,762	3,369
UK-20c	Inflows subject to 75% cap	18,982	17,170	16,154	15,104	3,832	3,877	3,762	3,369
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER (£m)					123,913	121,376	119,276	114,712
22	TOTAL NET CASH OUTFLOWS (£m)					90,005	90,638	91,465	91,296
23	LIQUIDITY COVERAGE RATIO (%)					138 %	134 %	131 %	126 %

Liquidity Requirements (continued)

LIQB: Qualitative information on LCR

The Group LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of each quarter) was 138% as of 30 September 2022. The 4% increase from 134% for the prior quarter is explained by both an increase in liquid assets, primarily from drawdowns from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) during 2021, and a reduction in cash outflows, primarily from outflows related to derivative exposures as a result of market volatility from the COVID onset no longer being included in the LCR's Historical Look-Back approach (HLBA).

Over time, the increase in the LCR is explained primarily by an increase in liquid assets primarily from drawdowns from the Bank of England's TFSME during 2021.

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

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

The Group derivative exposures and other collateral requirements outflows cover both modelled outflows due to a deterioration in credit rating and outflows from the impact of an adverse market scenario on derivatives transactions.

The Group 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 the Group committee level i.e the Group Asset and Liability Committee.