Lloyds Bank plc

Q1 2023
Pillar 3 Disclosures

31 March 2023

TABLE OF CONTENTS

BASIS OF PREPARATION

This report presents the consolidated interim Pillar 3 disclosures of Lloyds Bank plc ('the Group') as at 31 March 2023 and should be read in conjunction with the Group's Q1 2023 Interim Management Statement.

The disclosures have been prepared in accordance with the Disclosure Part of the PRA Rulebook.

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

Abbreviation	Template name	Reason for exclusion
CCR7	RWA flow statements of CCR exposures under the IMM	Not applicable to the Group
MR2-B	RWA flow statements of Market risk exposures under an IMA	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 Lloyds Bank Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Lloyds Bank 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 Lloyds Bank 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 Lloyds Bank Group's future financial performance; the level and extent of future impairments and write-downs; the Lloyds Bank Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Lloyds Bank Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Lloyds Bank Group's or Lloyds Banking Group plc's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Lloyds Bank Group's securities; tightening of monetary policy in jurisdictions in which the Lloyds Bank Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; longevity risks affecting defined benefit pension schemes; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Lloyds Bank Group; risks associated with the Lloyds Bank Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Lloyds Bank Group or Lloyds Banking Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions), including the Lloyds Bank Group's or the Lloyds Banking Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; and assumptions and estimates that form the basis of the Lloyds Bank Group's financial statements. A number of these influences and factors are beyond the Lloyds Bank 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 Bank 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 Bank 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 Lloyds Bank 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.

Executive Summary

Common Equity Tier 1

The Group's common equity tier 1 (CET1) capital ratio increased from 14.8 per cent at 31 December 2022 to 15.0 per cent at 31 March 2023. The increase largely reflected profits for the first three months of the year, partly offset by accelerated pension deficit contributions made to the Group's three main defined benefit pension schemes, phased reductions in IFRS 9 transitional relief and the acquisition of Hamsard 3352 Limited ("Tusker").

Total Capital

The Group's total capital ratio increased from 20.5 per cent at 31 December 2022 to 21.2 per cent at 31 March 2023 reflecting the increase in CET1 capital, the issuance of a new AT1 capital instrument and an increase in eligible provisions recognised through Tier 2 capital.

Risk-Weighted Assets

Risk-weighted assets have remained flat at £174.9 billion at 31 March 2023, largely reflecting capital efficient securitisation activity and other optimisation, offset by the growth in Retail unsecured lending and other movements. CRD IV model changes reflecting the revised regulatory standards introduced in 2022 remain subject to approval by the PRA with the resultant risk-weighted asset outcome dependent upon this.

Leverage

The Group's UK leverage ratio increased from 5.4 per cent at 31 December 2022 to 5.7 per cent at 31 March 2023 reflecting the increase in total tier 1 capital and a reduction in the leverage exposure measure principally related to a decrease in securities financing transactions.

Liquidity

The Group's liquidity coverage ratio (LCR) was 134 per cent (based on a monthly rolling average over the previous 12 months) as at 31 March 2023 (31 December 2022: 136 per cent). The 2% decrease from 136% in the prior quarter is due to a decrease in liquid assets, primarily from an increase in lending and a decrease in customer deposits. Net cash outflows also decreased, primarily from outflows related to derivative exposures from market volatility at the onset of COVID no longer being included in the LCR's Historical Look-Back approach (HLBA) as well as the decrease in customer deposits outflow.

Executive Summary (continued)

KM1: Key metrics[1]

KM1 Ref		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**26,246**	25,926	25,944	26,456	25,399
2	Tier 1 capital (£m)	**31,264**	30,194	30,212	30,724	29,667
3	Total capital (£m)	**37,074**	35,815	35,297	35,920	35,015
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount (£m)	**174,916**	174,902	173,192	173,784	175,416
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	**15.0%**	14.8%	15.0%	15.2%	14.5%
6	Tier 1 ratio (%)	**17.9%**	17.3%	17.4%	17.7%	16.9%
7	Total capital ratio (%)	**21.2%**	20.5%	20.4%	20.7%	20.0%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	**1.7%**	1.7%	2.1%	2.1%	2.1%
UK 7b	Additional AT1 SREP requirements (%)	**0.6%**	0.6%	0.7%	0.7%	0.7%
UK 7c	Additional T2 SREP requirements (%)	**0.7%**	0.7%	0.9%	0.9%	0.9%
UK 7d	Total SREP own funds requirements (%)	**11.0%**	11.0%	11.7%	11.7%	11.7%
	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 (%)	**0.938%**	0.934%	0.004%	0.004%	0.003%
UK 10a	Other Systemically Important Institution buffer (%)[2]	**2.000%**	2.000%	2.000%	2.000%	2.000%
11	Combined buffer requirement (%)	**5.438%**	5.434%	4.504%	4.504%	4.503%
UK 11a	Overall capital requirements (%)	**16.4%**	16.5%	16.2%	16.2%	16.2%
12	CET1 available after meeting minimum SREP own funds requirements (%)[3]	**8.8%**	8.6%	8.4%	8.6%	7.9%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (£m)	**551,508**	559,585	575,772	572,127	576,845
14	Leverage ratio excluding claims on central banks (%)	**5.7%**	5.4%	5.2%	5.4%	5.1%
	Additional leverage ratio disclosure requirements					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.6%**	5.3%	5.2%	5.3%	5.1%
UK 14b	Leverage ratio including claims on central banks (%)	**5.0%**	4.8%	4.7%	4.8%	4.5%
UK 14c	Average leverage ratio excluding claims on central banks (%)[4]	**5.5%**	5.4%	5.3%	5.3%	5.1%
UK 14d	Average leverage ratio including claims on central banks (%)	**4.9%**	4.8%	4.8%	4.7%	4.6%
UK 14e	Countercyclical leverage ratio buffer (%)[5]	**0.3%**	0.3%	0.0%	0.0%	0.0%
	Average Liquidity Coverage Ratio (weighted) (LCR)[6]					
15	Total high-quality liquid assets (HQLA)(Weighted value -average) (£m)	**116,046**	120,822	123,913	121,376	119,276
UK 16a	Cash outflows - Total weighted value - average (£m)	**90,736**	92,932	93,837	94,515	95,227
UK 16b	Cash inflows - Total weighted value - average (£m)	**4,288**	4,067	3,832	3,877	3,762
16	Total net cash outflows (adjusted value - average) (£m)	**86,449**	88,865	90,005	90,638	91,465
17	Average liquidity coverage ratio (%)	**134%**	136%	138%	134%	131%
	Net Stable Funding Ratio					
18	Total available stable funding (£m)	**486,250**	489,174			
19	Total required stable funding (£m)	**391,454**	391,452			
20	NSFR ratio (%)	**124%**	125%			

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. The transitional arrangements for static relief ended on 1 January 2023 and therefore no static relief exists at 31 March 2023 (31 December 2022: £133 million). Dynamic relief under the transitional arrangements amounted to £178 million (31 December 2022: £278 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 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). The Group's Pillar 2A capital requirement is around 3.0 per cent of risk-weighted assets, of which around 1.7 per cent is to be met with CET1 capital.

4 The average leverage exposure measure (excluding claims on central banks) for the period from 1 January 2023 to 31 March 2023 amounted to £564,666 million.

5 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 31 March 2023 was 1.0 per cent (31 December 2022: 1.0 per cent), of which 0.7 per cent reflects the additional leverage ratio buffer (ALRB) applied to the Group and is based upon the O-SII Buffer.

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

Executive Summary (continued)

Capital - IFRS 9 - FL

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

		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**26,246**	25,926	25,944	26,456	25,399
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**26,068**	25,515	25,648	26,310	25,256
3	Tier 1 capital (£m)	**31,264**	30,194	30,212	30,724	29,667
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**31,086**	29,783	29,916	30,578	29,524
5	Total capital (£m)	**37,074**	35,815	35,297	35,920	35,015
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**37,094**	35,855	35,364	35,935	35,024
	Risk-weighted exposure amounts					
7	Total risk-weighted exposure amount (£m)	**174,916**	174,902	173,192	173,784	175,416
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**174,884**	174,977	173,302	173,897	175,522
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	**15.0%**	14.8%	15.0%	15.2%	14.5%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.9%**	14.6%	14.8%	15.1%	14.4%
11	Tier 1 ratio (%)	**17.9%**	17.3%	17.4%	17.7%	16.9%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.8%**	17.0%	17.3%	17.6%	16.8%
13	Total capital ratio (%)	**21.2%**	20.5%	20.4%	20.7%	20.0%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**21.2%**	20.5%	20.4%	20.7%	20.0%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	**551,508**	559,585	575,772	572,127	576,845
16	Leverage ratio excluding claims on central banks (%)	**5.7%**	5.4%	5.2%	5.4%	5.1%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.6%**	5.3%	5.2%	5.3%	5.1%

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Mar 2023	31 Dec 2022	31 Mar 2023
		£m	£m	£m
1	**Credit risk (excluding CCR)**	**143,462**	144,602	**11,477**
2	Of which the standardised approach	20,565	19,795	1,645
3	Of which the foundation IRB (FIRB) approach	28,181	29,099	2,254
4	Of which slotting approach	9,005	8,808	721
5	Of which the advanced IRB (AIRB) approach	80,032	81,066	6,403
	Of which: non-credit obligation assets[1]	5,679	5,834	454
6	**Counterparty credit risk - CCR**	**1,183**	1,115	**95**
7	Of which the standardised approach	563	546	45
UK 8a	Of which exposures to a CCP	56	30	5
UK 8b	Of which credit valuation adjustment - CVA	376	342	30
9	Of which other CCR	188	197	15
16	**Securitisation exposures in the non-trading book (after the cap)**	**6,668**	5,899	**533**
17	Of which SEC-IRBA approach	3,051	2,176	244
18	Of which SEC-ERBA approach (including IAA)	1,480	1,501	118
19	Of which SEC-SA approach	2,137	2,222	171
20	**Position, foreign exchange and commodities risks (Market risk)**	**399**	82	**32**
22	Of which IMA	399	82	32
23	**Operational risk**	**23,204**	23,204	**1,856**
UK 23b	Of which standardised approach	23,204	23,204	1,856
24	**Memo: Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	1,879	1,864	150
29	**Total**	**174,916**	174,902	**13,993**
	Pillar 2A capital requirement[2]			5,305
	Total capital requirement			**19,298**

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

2 As at 31 March 2023, the Pillar 2A capital requirement was around 3.0 per cent of risk-weighted assets, of which around 1.7 per cent was 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 - 3 months to 31 Mar 2023

		Total RWA 31 Mar 2023
		£m
1	**Risk weighted exposure amount as at the end of previous reporting period**	**118,973**
2	Asset size (+/-)	253
3	Asset quality (+/-)	132
5	Methodology and policy (+/-)	(103)
6	Acquisitions and disposals (+/-)	(1,391)
7	Foreign exchange movements (+/-)	(145)
8	Other (+/-)	(501)
9	**Risk weighted exposure amount at the end of the reporting period**	**117,218**

Key movements

– Acquisition and disposals reflects the exit of a legacy Retail mortgage portfolio.

– Other reductions in risk-weighted assets are due to securitisation activity.

Liquidity

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)			
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	**31 Mar 2023**	31 Dec 2022	30 Sep 2022	30 Jun 2022
	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)					**116,046**	120,822	123,913	121,376
CASH - OUTFLOWS (£m)									
2	Retail deposits and deposits from small business customers, of which:	**341,537**	342,109	341,120	338,875	**22,907**	22,954	22,893	22,711
3	Stable deposits	**262,426**	262,815	262,305	261,291	**13,121**	13,141	13,115	13,065
4	Less stable deposits	**79,111**	79,294	78,815	77,584	**9,786**	9,813	9,778	9,646
5	Unsecured wholesale funding	**98,178**	100,947	101,601	101,170	**47,830**	49,137	49,322	49,099
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**34,626**	36,854	37,013	36,307	**8,656**	9,213	9,253	9,077
7	Non-operational deposits (all counterparties)	**59,266**	59,331	60,183	60,839	**34,888**	35,162	35,664	35,998
8	Unsecured debt	**4,286**	4,762	4,405	4,024	**4,286**	4,762	4,405	4,024
9	Secured wholesale funding					**41**	19	10	33
10	Additional requirements	**47,428**	47,686	48,232	49,744	**15,252**	15,833	16,599	17,691
11	Outflows related to derivative exposures and other collateral	**7,803**	8,725	9,613	10,761	**7,804**	8,725	9,613	10,761
12	Outflows related to loss of funding on debt products	**1,295**	1,076	1,049	954	**1,295**	1,076	1,049	954
13	Credit and liquidity facilities	**38,330**	37,885	37,570	38,029	**6,153**	6,032	5,937	5,976
14	Other contractual funding obligations	**407**	409	407	394	**71**	75	76	64
15	Other contingent funding obligations	**89,314**	89,854	89,202	88,460	**4,636**	4,914	4,937	4,917
16	TOTAL CASH OUTFLOWS					**90,737**	92,932	93,837	94,515
CASH - INFLOWS (£m)									
17	Secured lending (e.g. reverse repos)	**15,373**	15,101	13,650	11,984	**259**	239	225	203
18	Inflows from fully performing exposures	**4,906**	4,690	4,432	4,190	**3,160**	2,986	2,822	2,666
19	Other cash inflows	**1,273**	1,270	1,207	1,417	**869**	842	785	1,008
20	TOTAL CASH INFLOWS	**21,552**	21,061	19,289	17,591	**4,288**	4,067	3,832	3,877
UK-20c	Inflows subject to 75% cap	**21,431**	20,996	18,982	17,170	**4,288**	4,067	3,832	3,877
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER (£m)					**116,046**	120,822	123,913	121,376
22	TOTAL NET CASH OUTFLOWS (£m)					**86,449**	88,865	90,005	90,638
23	LIQUIDITY COVERAGE RATIO (%)					**134%**	136%	138%	134%

Liquidity (continued)

LIQB: Qualitative information on LCR

The Group's LCR (calculated as the simple average of month end observations over the 12 months preceding the end of each quarter) was 134% as of 31st March 2023. The 2% decrease from 136% in the prior quarter is due to a decrease in liquid assets, primarily from an increase in lending and a decrease in customer deposits. Net cash outflows also decreased, primarily from outflows related to derivative exposures from market volatility at the onset of COVID no longer being included in the LCR’s Historical Look-Back approach (HLBA) as well as the decrease in customer deposits outflow.

The Group's derivative exposures and other collateral requirements outflows include those as a result of a deterioration in credit rating and from the impact of an adverse market scenario on derivatives transactions.

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

The Group’s liquidity buffer consists almost entirely of LCR Level 1 assets. Level 1 assets, which are assets of extremely high liquidity and credit quality, are primarily held as central bank reserves and UK government bonds.

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