Lloyds Bank plc

2024 Year-End

Pillar 3 Disclosures

27 February 2025

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Attestation Summary

The disclosures presented within this document are not required to be, and have not been, subjected to an external audit.

As set out in the Governance section of the Lloyds Bank plc Annual Report and Accounts 2024, the Board is responsible for, and monitors, the Group's risk management and internal control systems. These are designed to facilitate effective and efficient operations and to ensure the quality and integrity of internal and external reporting, including compliance with the disclosure section of the PRA Rulebook.

We confirm that quantitative and qualitative disclosures have been prepared in accordance with relevant policies, internal processes, systems and controls and have subsequently been verified and approved through internal governance procedures.

This report was approved by the directors of the Board on 27th February 2025.

William Chalmers
Group Chief Financial Officer

Stephen Shelley
Group Chief Risk Officer

Executive summary

COMMON EQUITY TIER 1 (CET1) RATIO

The Group's common equity tier 1 (CET1) capital ratio decreased to 13.7 per cent at 31 December 2024 compared to 14.4 per cent at 31 December 2023. Profit for the year, including the provision charge for motor finance commission arrangements, was more than offset by the ordinary dividends paid during the year, distributions on other equity instruments and an increase in risk-weighted assets.

TOTAL CAPITAL RATIO

The Group's total capital ratio reduced to 19.9 per cent at 31 December 2024 compared to 20.5 per cent at 31 December 2023. The issuance of AT1 and Tier 2 capital instruments was more than offset by the increase in risk-weighted assets, the reduction in CET1 capital, the redemption of an AT1 capital instrument and the impact of interest rate movements, regulatory amortisation and a reduction in eligible provisions on Tier 2 capital.

UK LEVERAGE RATIO

The UK leverage ratio reduced to 5.4 per cent at 31 December 2024 compared to 5.6 per cent at 31 December 2023, reflecting the increase in the leverage exposure measure following lending growth and increases across securities financing transactions and other assets (excluding central bank claims).

RISK-WEIGHTED ASSETS

Risk-weighted assets increased by £4,436 million, or 2 per cent, from £182,560 million at 31 December 2023 to £186,996 million at 31 December 2024. This includes the impact of lending growth, Retail secured CRD IV increases and other movements, partly offset by optimisation including capital efficient, net present value positive securitisation activity.

LIQUIDITY COVERAGE RATIO

The Group's liquidity coverage ratio (LCR) was 137 percent (based on a monthly simple average over the previous 12 months) as at 31 December 2024 (31 December 2023: 133 percent). The increase of 4 percentage points reflects a decrease in net cash outflows, primarily from a reduction in wholesale funding outflows. Liquid assets also decreased from a reduction in wholesale funding.

NET STABLE FUNDING RATIO

The Group's net stable funding ratio (NSFR) was 124 percent (based on a quarterly simple average over the previous 4 quarters) as at 31 December 2024 (31 December 2023: 125 per cent). The 1 percentage decrease reflects a reduction in wholesale funding.

Introduction

This document presents the consolidated Pillar 3 disclosures of Lloyds Bank plc ('the Group') as at 31 December 2024.

Pillar 3 disclosure requirements are designed to promote market discipline through the provision of key information around capital, risk exposures and risk management.

The disclosures presented in this document have been prepared in accordance with the Disclosure section of the PRA Rulebook. This incorporates Part Eight of the Capital Requirements Regulation (UK 'CRR').

Internal Control

The effectiveness of the risk management and internal control systems is reviewed regularly by the Board and the Audit Committee, which also receives reports of reviews undertaken by the Risk Division and Group Internal Audit. A statement from the Board is included within the Strategic report section of the Lloyds Bank plc Annual Report and Accounts 2024 (page 9) confirming that the Board concluded that the Group's risk management arrangements were adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

The Chief Finance Officer (CFO) and the Chief Risk Officer (CRO) have also attested that the 2024 Pillar 3 disclosures have been prepared in accordance with the internal control processes agreed upon at the management body level (page 4).

Large Subsidiary Disclosures

Additional disclosures surrounding the capital resources, leverage exposures and capital requirements of Bank of Scotland plc will be published separately in conjunction with the Annual Report and Accounts for this subsidiary.

Capital Instruments and Eligible Liabilities (CRR Article 437(b))

A description of the main features of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2) capital instruments issued by Lloyds Banking Group plc (the ultimate parent company) and its large subsidiaries (including Lloyds Bank plc and Bank of Scotland plc) are included in a separate document on the Lloyds Banking Group website located at www.lloydsbankinggroup.com/investors/financial-downloads. In addition, the report identifies and provides a description of the main features of debt instruments that are recognised as eligible liabilities in accordance with the Bank of England's MREL framework. Template TLAC 2 is included within the Pillar 3 disclosures for Lloyds Banking Group plc and details the creditor hierarchy and nominal values of instruments issued by Lloyds Bank plc and Bank of Scotland plc. The Lloyds Banking Group plc 2024 Year-End Pillar 3 Disclosures can be found on the Lloyds Banking Group plc website.

Disclosure policy

The Group maintains a Pillar 3 Disclosure Policy to support compliance with the Disclosure section of the PRA Rulebook. The following sets out the key elements of the policy including the basis of preparation, frequency, media and location and risk profile disclosure. In addition the presentation of credit risk exposures throughout the document is outlined below together with specific considerations in respect of IRB disclosures.

Basis of Preparation

These disclosures have been prepared in accordance with the Disclosure section of the PRA Rulebook.

A number of significant differences exist between accounting disclosures published in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with capital regulations, which prevent direct comparison in a number of areas. These include differences in relation to the scope of consolidation, the definition of credit risk exposure and the recognition, classification and valuation of capital instruments.

Details on the scope of consolidation applied to the disclosures presented within this document are provided within the Scope of Consolidation section.

Pursuant to the disclosure requirements under the PRA's Group Financial Support Instrument, and in accordance with the general principles set out in Articles 431-434 of the CRR, Lloyds Bank plc has not entered into any group financial support agreement.

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. Appendix 2 includes a list of excluded disclosures and the reason for exclusion.

The Group applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (revised). The transitional arrangements ended on 1 January 2025.

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

Frequency, Media and Location

In accordance with Pillar 3 disclosure requirements the Group will continue to make available its full consolidated Pillar 3 disclosures on an annual basis. A standalone copy of these disclosures is located on the Lloyds Banking Group plc website (www.lloydsbankinggroup.com/investors/financial-downloads).

Additionally, the Group publishes limited Pillar 3 disclosures at the interim quarter ends and at half-year in accordance with the requirements of the Disclosure section of the PRA Rulebook.

Risk Profile Disclosure

In accordance with Pillar 3 disclosure requirements, the Group is required to assess whether its external disclosures taken as a whole (including the Group's Annual Report and Accounts and Pillar 3 disclosures) comprehensively portray its risk profile.

The Group's Pillar 3 disclosures focus primarily on the following risk categories: capital, credit, liquidity, market and operational. Comprehensive qualitative and quantitative disclosures are provided in respect of each category.

The Lloyds Bank plc Annual Report and Accounts 2024 provides an in depth analysis of the wider range of principal risks and emerging risks to which the Group is exposed.

The relevant analysis is presented in the following sections of the Lloyds Bank plc Annual Report and Accounts 2024:

– Risk overview, pages 5;

– Risk categories, page 6 to 7;

– Emerging risks, page 8;

Presentation of Credit Risk Exposures

To ensure compliance with the disclosure requirements, credit risk exposures are presented on different bases throughout the document. Information on the exposure basis is given either in column headings or supporting narrative within the Pillar 3 Credit Risk section (pages 40 to 89).

Counterparty credit risk exposures are presented on a post CRM basis, unless otherwise stated.

Securitisation positions represent the aggregate of the Group's retained or purchased positions, excluding those positions rated below BB- or that are unrated and therefore deducted from capital.

IRB Disclosures

Changes to the regulations applicable to internal ratings based (IRB) models were implemented by the PRA on 1 January 2022. The Group's models to meet these requirements remain subject to further development and final approval by the PRA. As directed by PRA Supervisory Statement SS 11/13, the Group has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the new modelling requirements.

Under the new regulation, Residential Mortgage exposures are subject to a 90 day default backstop. The Group's incumbent (pre CRD IV) UK Mortgage models at the reporting date use a 180 day default backstop. As a result, within the published CR6 tables, Defaulted Exposure, Exposure at Default and weighted average risk metrics are disclosed on a pre CRD IV basis (including a 180 day backstop) whilst risk-weighted assets and expected loss amounts include the impact of significant temporary model adjustments which reflect a 90 day default backstop and other new modelling requirements. Less material definitional differences also exist for other IRB asset classes where similar temporary model adjustments have been applied.

While acknowledging the significant value of these temporary post model adjustments to allow for an appropriate level of capital (aligned to new modelling requirements under CRD IV), PD back testing shows that the incumbent PD models are generally working effectively and prudently against pre CRD IV default definitions

Standardised approach exposures already use a 90 day default backstop and this is reflected in the CR4 and CR5 tables. Tables CQ1, CQ4 and CQ5 are based on accounting definitions, and therefore also use the current 90 days past due definition.

Key metric and overview of risk weighted exposure amounts

KM1: Key metrics[1, 2]

KM1	LR2		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
Ref	**Ref**	**Available own funds (amounts)**					
1		Common Equity Tier 1 (CET1) capital (£m)	**25,610**	25,197	25,038	26,243	26,220
2		Tier 1 capital (£m)	**31,305**	30,625	30,056	31,261	31,238
3		Total capital (£m)	**37,214**	36,684	35,681	37,081	37,402
		Risk-weighted exposure amounts					
4		Total risk-weighted exposure amount (£m)	**186,996**	184,910	183,949	184,304	182,560
		Capital ratios (as a percentage of risk-weighted exposure amount)					
5		Common Equity Tier 1 ratio (%)	**13.7%**	13.6%	13.6%	14.2%	14.4%
6		Tier 1 ratio (%)	**16.7%**	16.6%	16.3%	17.0%	17.1%
7		Total capital ratio (%)	**19.9%**	19.8%	19.4%	20.1%	20.5%
		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%	1.7%	1.7%	1.7%
UK 7b		Additional AT1 SREP requirements (%)	**0.6%**	0.6%	0.6%	0.6%	0.6%
UK 7c		Additional T2 SREP requirements (%)	**0.7%**	0.7%	0.7%	0.7%	0.7%
UK 7d		Total SREP own funds requirements (%)	**11.0%**	11.0%	11.0%	11.0%	11.0%
		Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8		Capital conservation buffer (%)	**2.5%**	2.5%	2.5%	2.5%	2.5%
9		Institution specific countercyclical capital buffer (%)	**1.9%**	1.9%	1.9%	1.9%	1.9%
UK 10a		Other Systemically Important Institution buffer (%)[3]	**2.0%**	2.0%	2.0%	2.0%	2.0%
11		Combined buffer requirement (%)	**6.4%**	6.4%	6.4%	6.4%	6.4%
UK 11a		Overall capital requirements (%)	**17.4%**	17.4%	17.4%	17.4%	17.4%
12		CET1 available after meeting minimum SREP own funds requirements (%)[4]	**7.5%**	7.5%	7.4%	8.1%	8.2%
		Leverage ratio					
13	UK-24b	Total exposure measure excluding claims on central banks (£m)	**582,332**	582,214	574,932	569,835	562,153
14	25	Leverage ratio excluding claims on central banks (%)	**5.4%**	5.3%	5.2%	5.5%	5.6%
		Additional leverage ratio disclosure requirements					
UK 14a	UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks(%)	**5.4%**	5.3%	5.2%	5.5%	5.5%
UK 14b	UK-25c	Leverage ratio including claims on central banks (%)	**5.0%**	4.9%	4.8%	5.0%	5.0%
UK 14c	UK-34	Average leverage ratio excluding claims on central banks (%)[5]	**5.3%**	5.2%	5.4%	5.6%	5.5%
UK 14d	UK-33	Average leverage ratio including claims on central banks (%)[5]	**4.9%**	4.9%	5.0%	5.1%	5.0%
	UK-31	Average total exposure measure including claims on central banks[5]	**638,358**	626,024	624,803	620,687	627,191
	UK-32	Average total exposure measure excluding claims on central banks[5]	**597,279**	585,009	576,761	568,908	568,917
	27	Leverage ratio buffer (%)	**1.4%**	1.4%	1.4%	1.4%	1.4%
	UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	**0.7%**	0.7%	0.7%	0.7%	0.7%
UK 14e	UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.7%**	0.7%	0.7%	0.7%	0.7%

1 Includes extracts of LR2 (Leverage ratio common disclosure) that are required to be disclosed on a quarterly basis.

2 The Group applies dynamic relief in accordance with the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). In addition the Group applies a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the arrangements. At 31 December 2024 dynamic relief for CET1 capital amounted to £4 million (31 December 2023: £155 million).

3 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.

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). 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.

5 The average leverage ratio is based on the average of the month end tier 1 capital position and average exposure measure over the quarter.

Key metric and overview of risk weighted exposure amounts continued

KM1: Key metrics (continued)

KM1	LR2		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
Ref	Ref	**Average Liquidity Coverage Ratio (weighted) (LCR)[6]**					
15		Total high-quality liquid assets (HQLA)(Weighted value -average) (£m)	**107,531**	107,544	108,413	108,598	108,655
UK 16a		Cash outflows - Total weighted value - average (£m)	**84,399**	85,673	86,682	87,143	87,371
UK 16b		Cash inflows - Total weighted value - average (£m)	**5,738**	5,888	5,908	5,721	5,687
16		Total net cash outflows (adjusted value - average) (£m)	**78,661**	79,785	80,774	81,422	81,684
17		Average liquidity coverage ratio (%)	**137%**	135%	134%	133%	133%
		Average Net Stable Funding Ratio[7]					
18		Total available stable funding (Weighted value - average) (£m)	**481,973**	484,406	484,745	483,968	483,745
19		Total required stable funding (Weighted value - average) (£m)	**390,213**	391,029	389,339	387,522	387,305
20		Average NSFR ratio (%)	**124%**	124%	125%	125%	125%

6 The liquidity balances are calculated as the simple average of month end observations over the previous 12 months.
7 The net stable funding balances are calculated as the simple average of month end observations over the previous 4 quarter ends.

IFRS 9-FL: Capital

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

		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**25,610**	25,197	25,038	26,243	26,220
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**25,606**	25,189	25,031	26,165	26,065
3	Tier 1 capital (£m)	**31,305**	30,625	30,056	31,261	31,238
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**31,301**	30,617	30,049	31,183	31,083
5	Total capital (£m)	**37,214**	36,684	35,681	37,081	37,402
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**37,209**	36,676	35,674	37,080	37,398
	Risk-weighted exposure (amounts)					
7	Total risk-weighted exposure amount (£m)	**186,996**	184,910	183,949	184,304	182,560
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**186,991**	184,902	183,941	184,279	182,510
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	**13.7%**	13.6%	13.6%	14.2%	14.4%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**13.7%**	13.6%	13.6%	14.2%	14.3%
11	Tier 1 ratio (%)	**16.7%**	16.6%	16.3%	17.0%	17.1%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**16.7%**	16.6%	16.3%	16.9%	17.0%
13	Total capital ratio (%)	**19.9%**	19.8%	19.4%	20.1%	20.5%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**19.9%**	19.8%	19.4%	20.1%	20.5%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	**582,332**	582,214	574,932	569,835	562,153
16	Leverage ratio excluding claims on central banks (%)	**5.4%**	5.3%	5.2%	5.5%	5.6%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.4%**	5.3%	5.2%	5.5%	5.5%

Key metric and overview of risk weighted exposure amounts continued

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Dec 2024	31 Dec 2023	31 Dec 2024
		£m	£m	£m
1	**Credit risk (excluding CCR)**	**151,614**	147,061	**12,129**
2	Of which the standardised approach	**19,380**	19,021	**1,551**
3	Of which the foundation IRB (FIRB) approach	**26,518**	28,006	**2,121**
4	Of which slotting approach	**8,841**	8,472	**707**
5	Of which the advanced IRB (AIRB) approach	**90,548**	85,436	**7,244**
	Of which: non-credit obligation assets[1]	**6,327**	6,126	**506**
6	**Counterparty credit risk (CCR)**	**1,363**	1,329	**110**
7	Of which the standardised approach	**523**	510	**42**
UK 8a	Of which exposures to a CCP	**139**	113	**11**
UK 8b	Of which credit valuation adjustment (CVA)	**244**	454	**20**
9	Of which other CCR	**457**	252	**37**
16	**Securitisation exposures in the non-trading book (after the cap)**	**7,648**	8,246	**612**
17	Of which SEC-IRBA approach	**3,820**	4,102	**306**
18	Of which SEC-ERBA approach (including IAA)	**1,212**	1,437	**97**
19	Of which SEC-SA approach	**2,616**	2,707	**209**
20	**Position, foreign exchange and commodities risks (Market risk)**	**292**	319	**23**
21	Of which the standardised approach	**292**	319	**23**
23	**Operational risk**	**26,079**	25,605	**2,086**
UK 23b	Of which standardised approach	**26,079**	25,605	**2,086**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,211**	1,424	**97**
29	**Total**	**186,996**	182,560	**14,960**
	Pillar 2A capital requirement[2]			**5,519**
	Total capital requirement			**20,479**

1 Non-credit obligation assets (IRB approach) predominately relate to other balance sheet assets that have no associated credit risk, including the residual value of operating leases.

2 As at 31 December 2024, 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.

Risk-weighted assets increased by £4,436 million, or 2 per cent, from £182,560 million at 31 December 2023 to £186,996 million at 31 December 2024. This predominantly reflected:

Credit Risk:

- FIRB RWAs decreased by £1,488 million to £26,518 million principally due to a reduction in exposures from optimisation, including capital efficient securitisation activity, partially offset by net lending growth in Commercial Banking.
- Supervisory Slotting RWAs increased by £369 million reflecting growth in lending.
- AIRB RWAs increased by £5,112 million to £90,548 million predominantly reflecting Retail Secured CRD IV increases and Retail lending growth. This was partially offset by optimisation, including capital efficient securitisation of primarily legacy Retail mortgage portfolios.

Securitisation: RWAs decreased by £598 million to £7,648 million primarily due to maturities and amortisation from originated positions, partially offset by new originated issuances from established Corporate programmes as well as the securitisation of legacy Retail mortgages.

Operational Risk: RWAs increased by £474 million due to higher 3 year average income reflected through the annual recalculation.

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

		Total RWA quarter to 31 Dec 2024	Total RWA YTD 31 Dec 2024
		£m	£m
1	Risk weighted exposure amount as at the end of previous reporting period	124,584	121,914
2	Asset size (+/-)	928	5,548
3	Asset quality (+/-)	(256)	120
5	Methodology and policy (+/-)	1,661	1,913
6	Acquisitions and disposals (+/-)	(871)	(1,345)
7	Foreign exchange movements (+/-)	151	(147)
8	Other (+/-)	(648)	(2,454)
9	**Risk weighted exposure amount at the end of the reporting period**	**125,907**	**125,907**

Key movements 30 September 2024 to 31 December 2024

- Asset Size movement largely driven by Commercial Banking lending growth.
- Methodology and policy movement driven by Retail Secured CRD IV increases.
- Acquisitions and Disposals reflect the derecognition of Retail mortgage exposures via Securitisation.
- Other reductions in risk-weighted assets are due to optimisation activity of the Commercial Banking portfolio through capital efficient securitisation activity.

Scope of consolidation (LIB)

The following information sets out the scope of consolidation applied to the disclosures presented within this document.

Introduction

The Group is required to calculate consolidated capital requirements and consolidated capital resources in accordance with the relevant CRR provisions on prudential consolidation.

Regulatory Consolidation

The scope of regulatory consolidation for the purposes of quantifying consolidated capital requirements and consolidated capital resources extends across the banking operations of the Group. All banking related undertakings included within the scope of the accounting consolidation are included within the scope of the regulatory consolidation. There are, however, a number of differences in the methods by which certain undertakings are consolidated or otherwise treated for regulatory capital purposes.

Subsidiary undertakings included within the scope of the regulatory consolidation are fully consolidated.

For the instances where the Group's capital-efficient securitisations are fully consolidated for accounting purposes, the underlying assets of the securitisations are derecognised from the regulatory balance sheet and replaced with the retained securitisation positions, risk-weighted in accordance with the securitisation framework. Conduit vehicles are deconsolidated for regulatory purposes and the corresponding liquidity lines are risk-weighted.

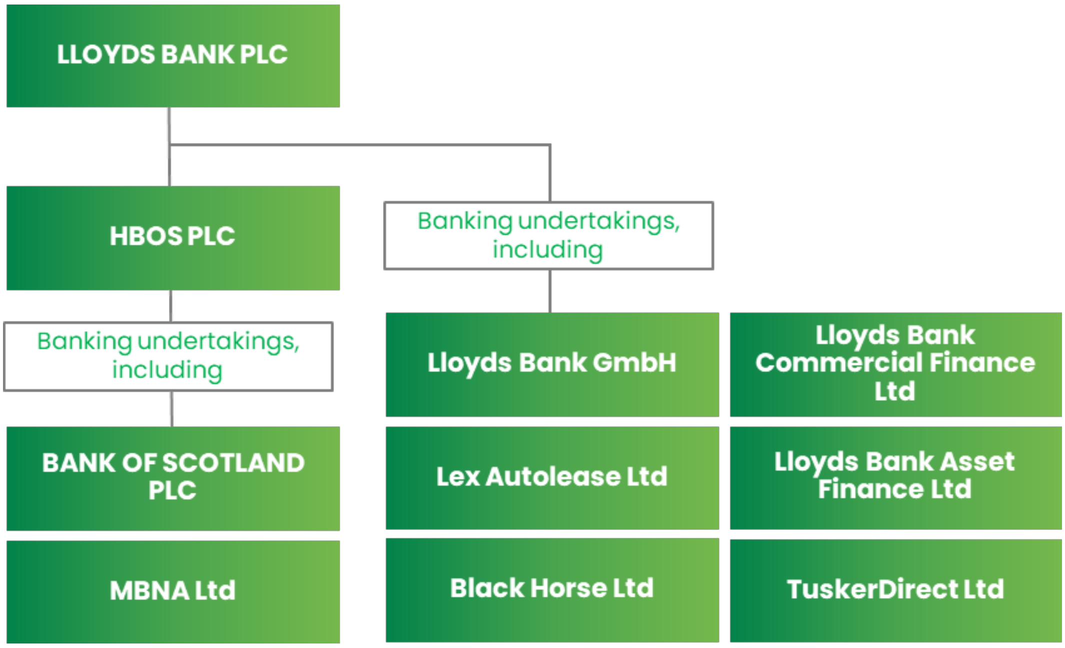
The full list of capital-efficient securitisation and conduit vehicles where the regulatory treatment differs from the accounting treatment is provided in LI3 on page 15.

Management practice and policy ensures that capital adequacy is maintained at all levels of banking within the Group in accordance with the appropriate regulatory requirements.

The current legal and regulatory structure of the Group provides a capability for the transfer of surplus capital resources over and above regulatory and internal risk appetite requirements or repayment of liabilities when due throughout the Group. Any such transfer would be subject to legal and regulatory requirements including those required by ring fencing legislation to ensure the Group remains adequately capitalised and any conflicts independently governed. There are no other material barriers to such transfers or repayments.

Regulatory Consolidation Group

A summarised diagrammatical representation as at 31 December 2024 of the regulatory consolidation group upon which the disclosures presented within this document are based is provided below.



Scope of consolidation (continued)

Consolidated Balance Sheet Under the Regulatory Scope of Consolidation

The following table provides a reconciliation of the Group's consolidated balance sheet as at 31 December 2024 on an accounting consolidation basis (as presented on page 77 of the Lloyds Bank plc Annual Report and Accounts 2024) to the Group's consolidated balance sheet under the regulatory scope of consolidation. It also breaks down how carrying values under the scope of regulatory consolidation are allocated to the different risk frameworks laid out in Part Three of the CRR.

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	31 Dec 2024					
			Carrying values of items:			
	Carrying values as reported in published financial statements	Carrying values under regulatory scope of consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to securitisation framework	not subject to capital requirements or subject to deduction from capital[1]
	£m	£m	£m	£m	£m	£m
Assets						
Cash and balances at central banks	42,396	42,396	42,396	–	–	–
Financial assets at fair value through profit or loss	2,321	1,763	1,763	–	–	–
Derivative financial instruments	4,235	4,235	–	4,235	–	–
Loans and advances to banks	6,433	6,432	4,943	1,489	–	–
Loans and advances to customers	441,907	440,753	411,409	568	28,776	–
Reverse repurchase agreements	44,143	44,143	214	43,929	–	–
Debt securities	11,854	11,444	7,717	–	3,727	–
Due from fellow Lloyds Bank Group undertakings	560	1,696	1,696	–	–	–
Financial assets at amortised cost	504,897	504,468	425,980	45,986	32,502	–
Financial assets at fair value through other comprehensive income	30,344	30,344	30,344	–	–	–
Goodwill and other intangible assets	5,804	5,804	–	–	–	5,804
Current tax recoverable	338	338	338	–	–	–
Deferred tax assets	4,785	4,785	484	–	–	4,301
Retirement benefit assets	3,028	3,028	–	–	–	3,028
Other assets	13,065	13,065	13,065	–	–	–
Total assets	611,213	610,226	514,370	50,221	32,502	13,133
Liabilities						
Deposits from banks	3,144	3,144	–	497	–	2,647
Customer deposits	451,794	451,808	–	372	–	451,436
Repurchase agreements at amortised cost	37,760	37,760	–	37,760	–	–
Due from fellow Lloyds Bank Group undertakings	4,049	4,049	–	–	–	4,049
Financial liabilities at fair value through profit or loss	4,631	4,631	–	–	–	4,631
Derivative financial instruments	5,787	5,802	–	4,823	–	979
Notes in circulation	2,121	2,121	–	–	–	2,121
Debt securities in issue	45,281	44,263	–	–	–	44,263
Other liabilities	7,210	7,209	–	–	–	7,209
Retirement benefit obligations	122	122	–	–	–	122
Current tax liabilities	33	33	–	–	–	33
Deferred tax liabilities	125	125	–	–	–	125
Other provisions	2,198	2,198	–	–	–	2,198
Subordinated liabilities	7,211	7,211	–	–	–	7,211
Total liabilities	571,466	570,476	–	43,451	–	527,025

1 Includes items which are not subject to capital requirements, as well as assets that are ultimately deducted from own funds and which are therefore not risk-weighted.

Scope of consolidation (continued)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		31 Dec 2024			
			Items subject to		
		Total	Credit risk framework	CCR framework	Securitisation framework
		£m	£m	£m	£m
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**597,093**	**514,370**	**50,221**	**32,502**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**43,451**	**—**	**43,451**	**—**
3	**Total net amount under the regulatory scope of consolidation**	**553,642**	**514,370**	**6,770**	**32,502**
4	Off-balance-sheet amounts	191,980	124,103	61,625	6,252
6	Differences due to different netting rules, other than those already included in row 2	(47,207)	—	(47,207)	—
7	Differences due to consideration of provisions	3,021	3,021	—	—
9	Differences due to credit conversion factors	(56,757)	(56,757)	—	—
11	Other differences	14,440	13,895	696	(151)
12	**Exposure amounts considered for regulatory purposes**	**659,118**	**598,632**	**21,884**	**38,603**

UK LIA: Explanations of differences between accounting and regulatory exposure amounts

Differences between accounting and regulatory scopes of consolidation in table UK LI1

The regulatory consolidation group diagram on page 12 highlights the key undertakings of the Group that are included in the scope of regulatory consolidation.

Main sources of differences between the accounting and regulatory scope of consolidation in table UK LI2

Off balance sheet items are stated before the application of credit conversion factors (CCF). Under the credit risk framework, these balances principally consist of undrawn credit facilities. The impact of credit conversion factors is subsequently displayed in row 9.

The off balance sheet amounts included under the CCR framework relate to securities financing transactions. The related collateral is reported in row 6. Row 6 also includes the impact of derivative netting not already included in row 2.

Differences due to consideration of provisions relate to the grossing up of provisions related to IRB exposures.

Other differences: Includes add ons for modelled exposure in the RIRB portfolio, exposures relating to threshold risk-weighted assets, adjustments for potential future exposure and the SA-CCR alpha factor within the derivative portfolio.

Scope of consolidation continued

LI3: Outline of the differences between the accounting and regulatory scopes of consolidation[1,3]

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of entity
		Full consolidation	Proportional consolidation	Equity Method	Neither consolidated nor deducted	Deducted	
Securitisation SPEs[2]							
CANCARA ASSET SECURITISATION LTD	Full Consolidation				x		Special Purpose Entity
FONTWELL II SECURITIES 2020 DAC	Full Consolidation				x		Special Purpose Entity
FONTWELL SECURITIES 2016 LIMITED	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 3) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 10) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 13) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 15) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 16) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 20) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 24) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 27) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 32) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 34) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 35) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 36) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 37) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 38) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 39) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 40) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 41) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 44) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 45) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 46) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 47) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 48) UK LTD	Full Consolidation				x		Special Purpose Entity
HOUSING ASSOCIATION RISK TRANSFER 2019 DAC	Full Consolidation				x		Special Purpose Entity
SALISBURY II SECURITIES 2016 LTD	Full Consolidation				x		Special Purpose Entity
SALISBURY II-A SECURITIES 2017 LTD	Full Consolidation				x		Special Purpose Entity
SALISBURY III SECURITIES 2019 DAC	Full Consolidation				x		Special Purpose Entity
SALISBURY SECURITIES 2015 LTD	Full Consolidation				x		Special Purpose Entity
WETHERBY III SECURITIES 2019 DAC	Full Consolidation				x		Special Purpose Entity

1 The regulatory treatment of all entities listed as subsidiaries in the Lloyds Bank plc Annual Report and Accounts 2024, pages 180 to 182, follows the accounting treatment unless otherwise stated in the table above.

2 For the instances where the Group's capital-efficient securitisations are fully consolidated for accounting purposes, the underlying assets of the securitisations are derecognised from the regulatory balance sheet and replaced with the retained securitisation positions, risk weighted in accordance with the securitisation framework. Conduit vehicles are deconsolidated for regulatory purposes and the corresponding liquidity lines are risk-weighted, as further described in the Securitisation section, pages 98 to 104.

3 Lloyds Bank plc Niederlassung Berlin is a licenced branch of Lloyds Bank plc and is included in the regulatory scope of consolidation.

Risk Management Approach (UK OVA)

Risk management is integral to our business model and strategy, taking advantage of appropriate opportunities and ensuring sustainable growth for the Group. A strong risk management culture is crucial to keep the Group, our colleagues and our customers safe and secure from existing and emerging risks.

Lloyds Banking Group's enterprise risk management framework (ERMF) is the foundation for the delivery of effective and consistent risk control across the whole Group, and is regularly updated to ensure it remains in line with regulatory expectations, corporate governance and industry good practice. The ERMF enables proactive identification, active management and monitoring of the Group's risks, and enables a consistent approach.

Enhancements to the ERMF have been introduced during 2024 to further define the Group's proportionate and materiality-based approach to risk management.

During 2024, the Group reviewed its three lines of defence model to provide greater clarity to roles and responsibilities and further strengthen the Group's risk management capabilities.

Activity to deliver further improvements to the ERMF and its supporting risk management methodologies will continue into 2025.

Further information on the changes can be found on **page 18**.

Enterprise risk management framework

Role of the Board and senior management

- The Board and senior management are responsible for the approval of the ERMF, together with Group-wide principles and policies
- The Board delegates executive authorities to ensure there is effective oversight of risk management

Risk culture and the customer

- Lloyds Banking Group's Code of Ethics and Responsibility helps foster the appropriate culture, which ensures performance, risk and reward are aligned and good customer outcomes are consistently delivered

Risk appetite

- Risk appetite is approved by the Board annually and is defined as the type and aggregate level of risk that the Group is willing to take or accept in pursuit of its strategic aims and business plans
- Board-level risk appetite metrics are augmented further by lower-level measures to facilitate the management of Board risk appetite

Risk and control self-assessment

- The Group adopts a continuous risk management approach from identifying the risks through risk and control self-assessment, and managing the risks through to producing appropriate, accurate and focused risk reporting
- Further details regarding the Group's risk and control cycle can be found on **page 21**, with a summary of the changes to principal risk categories on **page 18**

Risk governance

- The governance framework supports a consistent approach to enterprise-wide behaviour and decision making
- Senior executives are supported by a committee-based structure, which is designed to ensure open challenge and enable effective Board engagement and decision making

Three lines of defence

- The three lines of defence model defines the responsibilities and accountabilities for risk management, with effective independent oversight and assurance
- Enhancements have been made to the model during 2024. **Page 19** provides further information

Risk profile and performance in 2024

The Group is committed to maintaining support for its customers during continued economic uncertainties in both global and domestic markets.

The Group's credit performance improved in the year. The Group's loan portfolio continues to be well positioned and is closely monitored to identify signs of stress.

Potential impacts to customers, shareholders and the Group's risk and control profile following the Court of Appeal decision on motor finance commissions continue to be closely monitored and assessed.

As part of the Group's strategy, there will be continued investment in technology and infrastructure. The Group's operational risks continue to be a key area of focus, particularly relating to information, cyber and physical security risk and supply chain management.

The management of financial crime risks and consumer fraud remains a key priority for the Group. The economic crime prevention strategy has been reviewed, with funding allocated to deliver improved systems and controls.

Model risk and the use of artificial intelligence are also areas of significant internal and external focus.

Principal risks

The principal risks outlined in this section are used to monitor and report the risk exposures posing the greatest potential impact to the Group.

Please refer to the Lloyds Bank plc Annual Report and Accounts 2024 for full details of all principal risks. A selected summary of the principal risks most relevant to these Pillar 3 disclosures is included below

Risk trends: ▶ Stable risk ▲ Elevated risk ▼ Improving risk

Capital risk ▶ : Unchanged risk

Link to strategy: Focus

Risk performance and key developments in 2024:

The Group continued to maintain its strong capital position in 2024 with a CET1 capital ratio of 13.7 (2023: 14.4 per cent). This remains ahead of minimum capital requirements. Profit for the year, partially offset by risk-weighted asset (RWA) increases, has enabled capacity for the payment of dividends during the year.

Downside risks arising from economic and regulatory challenges, including in relation to Retail secured CRD IV RWA increases, along with the potential impact of the Court of Appeal decision on motor finance commission arrangements are being closely monitored.

Key mitigating actions:

– Capital management framework is in place, which includes the setting of capital risk appetite, capital planning and stress testing activities

– Regular refresh and monitoring of a suite of early warning indicators and maintenance of a Capital Contingency Framework, designed to identify and act on emerging capital concerns at an early stage

– Derisking the business through prudent underwriting standards and continual portfolio management, and enhancing capital efficiency through optimisation initiatives including net present value positive securitisation activity

Risk Management Approach (UK OVA) continued

Climate risk ▶ : Unchanged risk

Link to strategy: Grow, Focus, Change

Risk performance and key developments in 2024:

The Group is continuing to develop and embed its capabilities for measuring and managing key climate risks within its risk management approach, including cross-cutting impacts on other principal risks.

The Group has monitored its progress against net zero ambitions, however the external landscape presents increasing challenges, both in relation to the policy changes required to support the transition to net zero, as well as increasing regulatory expectations.

Key mitigating actions:

- Progress against our net zero ambitions and targets monitored through the Group Net Zero Committee
- Enhanced transition risk assessments across commercial lending, expanding into key net zero sectors, such as commercial and residential real estate and agriculture
- Incorporating quantification of climate impact into the calculation of expected credit losses
- Horizon scanning and tracking regulatory compliance requirements

Credit risk ▼ : Unchanged risk

Link to strategy: Grow, Focus

Risk performance and key developments in 2024:

Asset quality remains strong with improved credit performance in the year. In UK mortgages and unsecured portfolios, reductions in new to arrears and flows to default have been observed in 2024. Securitisations in primarily legacy Retail mortgages during 2024 will help mitigate credit risks. The Group's commercial portfolio remains broadly stable and resilient. Impairment charge of £456 million, increasing from a charge of £343 million in 2023, which benefitted from a significant write-back following the full repayment of debt from a single name client. The Group's expected credit loss allowances have decreased in the year to £3,453 million (2023: £4,021 million).

Key mitigating actions:

- Extensive and thorough credit processes, strategies and controls to ensure effective risk identification, management and oversight
- Significant monitoring in place, including early warning indicators
- Selective credit tightening reflective of forecast changes in the macroeconomic environment, including updates to affordability lending controls for forward-looking costs

Liquidity risk ▶ : Reclassified risk

Link to strategy: Focus

Risk performance and key developments in 2024:

The Group maintained its strong liquidity and funding position with a loan to deposit ratio of 98 per cent (2023: 98 per cent). The Group's liquid assets continue to exceed the regulatory minimum and internal risk appetite, with a monthly simple average over the previous 12-months' liquidity coverage ratio (LCR) of 137 per cent (2023: 133 per cent). The Group maintains access to diverse sources and tenors of funding.

This risk was previously named liquidity and funding risk.

Key mitigating actions:

- Management and monitoring of liquidity risks and ensuring that management systems and arrangements are adequate with regard to the internal risk appetite, Group strategy and regulatory requirements
- Significant customer deposit base, driven by inflows to trusted brands
- Participation in term issuance programmes

Market risk ▶ : Unchanged risk

Link to strategy: Focus

Risk performance and key developments in 2024:

Market conditions in 2024 have stabilised. The Group remains well hedged, ensuring near-term interest rate exposure is appropriately managed. The Group's structural hedge has reduced to £237 billion in 2024 (2023: £242 billion) mainly due to the changing mix of customer deposits.

The Group completed the triennial valuation of its main defined benefit pension schemes as at 31 December 2022. There will be no further deficit contributions for this triennial period (to 31 December 2025). The IAS 19 accounting surplus reduced to £2.9 billion (2023: £3.5 billion).

Key mitigating actions:

- Structural hedge programmes to stabilise earnings
- Close monitoring of market risks and where appropriate, undertaking of asset and liability matching and hedging
- Monitoring of the credit allocation in the defined benefit pension schemes, as well as the hedges in place against adverse movements in nominal rates, inflation and longevity

Model risk ▶ : Reclassified risk

Link to strategy: Change, Focus

Risk performance and key developments in 2024:

Model risk has been stable in 2024, despite changes to the regulatory environment, such as implementation of the PRA's model risk management principles for banks (SS1/23) and continued regulatory scrutiny of model risk across the industry.

Improvements to Lloyds Banking Group's model risk operating framework have been made during 2024, focusing on developing CRD IV models, strengthening capabilities of our people through effective training and resources, and continued proactive regulatory engagement.

The control environment for model risk continues to be enhanced to meet both internal and regulatory requirements, as well as industry-wide challenges. Investment in model risk management remains a priority for the Group to further improve risk management and act as an enabler to drive strategic developments of AI and machine learning in a safe way.

Key mitigating actions:

- Enhancement of the model risk management framework for managing and mitigating model risk within the Group
- Establishment of an AI assurance framework
- Implementation of new model risk management policy and supporting standards to further increase ownership and accountability
- Initiation of model risk training for key stakeholders, including Board and GEC members
- Development of the process for the identification of quantitative methods, including models, and cascade across the Group

Operational risk ▶ : Reclassified risk

Link to strategy: Focus, Change

Risk performance and key developments in 2024:

Operational risk has been stable in 2024, with key risks relating to data and privacy, supplier risk, information, cyber and physical security risk. Operational loss event volumes are historically low, with the majority relating to transaction processing, IT systems and change execution.

Whilst there has been continued safe delivery of change, some IT outages in the supply chain have occurred. No material security breaches took place in 2024, though some events at third-party suppliers reinforces the need for vigilance.

Risk Management Approach (UK OVA) continued

Balancing people-related transformation and other strategic initiatives remains key to the success of the Group's transformation activity, with ongoing focus on evolving the operational risk framework and ensuring the appropriate resource and capabilities are in place.

Key mitigating actions:

– Deployment of a range of risk management strategies, such as avoidance, mitigation, transfer (including insurance) and acceptance

– Three-year control enhancement plans reviewed annually by Board Risk Committee to monitor progress against commitments

– Lloyds Banking Group continues to invest strategically to mitigate operational risks, strengthen controls and to meet future operational resilience regulatory requirements

– Following IT outages, post-incident reviews undertaken to assess future mitigating actions for the Group and its suppliers

– Enhancement of skills, capabilities and reporting to strengthen supplier management practices

Lloyds Bank Group's approach to risk

The Group operates a prudent approach to risk, with rigorous management controls, supporting sustainable business growth within the Group's risk appetite and minimising losses. Through a strong and independent risk function, a robust control framework is maintained to identify and escalate current and emerging risks, and drive and inform good risk-reward decision making.

To comply with UK-specific ring-fencing requirements, core banking services are ring-fenced from other activities within the overall Lloyds Banking Group. The Group has adopted the enterprise risk management framework (ERMF) of Lloyds Banking Group and supplemented with additional tailored practices to address the ring-fencing requirements.

Lloyds Banking Group's ERMF is structured to align with the industry-accepted internal control framework standards and applies to every area of the business, covering all types of risk. In 2024, the framework was reviewed and updated to align more closely to the changing nature of risks within the industry and the Group, along with evolving regulatory expectations.

The ERMF provides the Group with an effective mechanism for developing and embedding risk policies and risk management strategies which are aligned with the risks faced by its businesses. It also seeks to facilitate effective communication on these matters across the Group.

Updates to the enterprise risk management framework

Lloyds Banking Group has transformed its approach to risk management to support its strategic ambition and purpose of Helping Britain Prosper, and has conducted a comprehensive review of its ERMF. This has resulted in a reduction in the number of principal risk types (or level one risk categories) from 14 to 10, and the simplification of level two risk categories.

– Compliance risk supersedes the previous regulatory and legal risk

– Economic crime is now a principal risk, recognising the increased focus on topics such as fraud

– Previous change and execution, data and people risks are now classified as level two risks within the principal operational risk

– Operational resilience and strategic risk are no longer individual risks, but are addressed throughout the updated framework

– New definitions for conduct, model and operational risks

This change better aligns to the Basel Committee on Banking Supervision's event categories which will benefit the Group for scenario activities and regulatory reporting. This review will continue in 2025, with further focus on level three risks.

Risk appetite

The Group's approach to setting, and the ongoing management of risk appetite is detailed in the risk appetite framework, which is an integral component of Lloyds Banking Group's ERMF.

The Group defines risk appetite as the type and aggregate level of risk the Group is willing to take or accept in pursuit of its strategic objectives and business plans.

Risk appetite aligns to organisational objectives, defined through consideration of how it enables the Group to achieve its strategic aims. It reinforces our purpose, strategy and objectives by driving behaviour and setting boundaries around risk taking, to monitor changes in risk exposure, enabling the delivery of business plans.

The Board is responsible for approving the Group's Board risk appetite at least annually. Group Board-level risk appetite metrics are augmented further by lower-level measures to facilitate the management of Board risk appetite.

Risk culture

Guided by the Board, the senior management articulates and role models the core risk values to which the Group aspires. Lloyds Banking Group's senior management establishes a strong focus on building and sustaining long-term relationships with customers, through the economic cycle. The Group's Code of Ethics and Responsibility reinforces colleagues' accountability for the risks they take and supports better decision making to meet their customers' needs.

Risk skills and capabilities

To support a strong risk culture across the Group, all colleagues complete risk training as part of their annual mandatory training. A library of risk management learning resources is available, which all colleagues who have specific risk management roles can access to build their skills and capabilities.

There is ongoing investment in risk systems and models alongside the Group's focus on customer and product systems and processes. This drives improvements in risk data quality, aggregation and reporting, enabling effective and efficient risk decisions.

Risk governance

Governance frameworks

The Group's approach to risk is based on a robust control framework and strong risk management culture, enabling the delivery of effective risk management, guiding the way all employees approach their work, behave and make decisions.

Authority is delegated from the Board to individuals through the management hierarchy. Senior management are supported by a committee-based structure, ensuring open challenge and effective decision making.

The Group's risk appetite, principles, policies, procedures, controls, and reporting are regularly reviewed and updated as required, to ensure they remain in line with evolving regulation, law, corporate governance and industry good practice.

The Board and senior management encourage a culture of transparency which supports the interaction of the executive and non-executive governance structure.

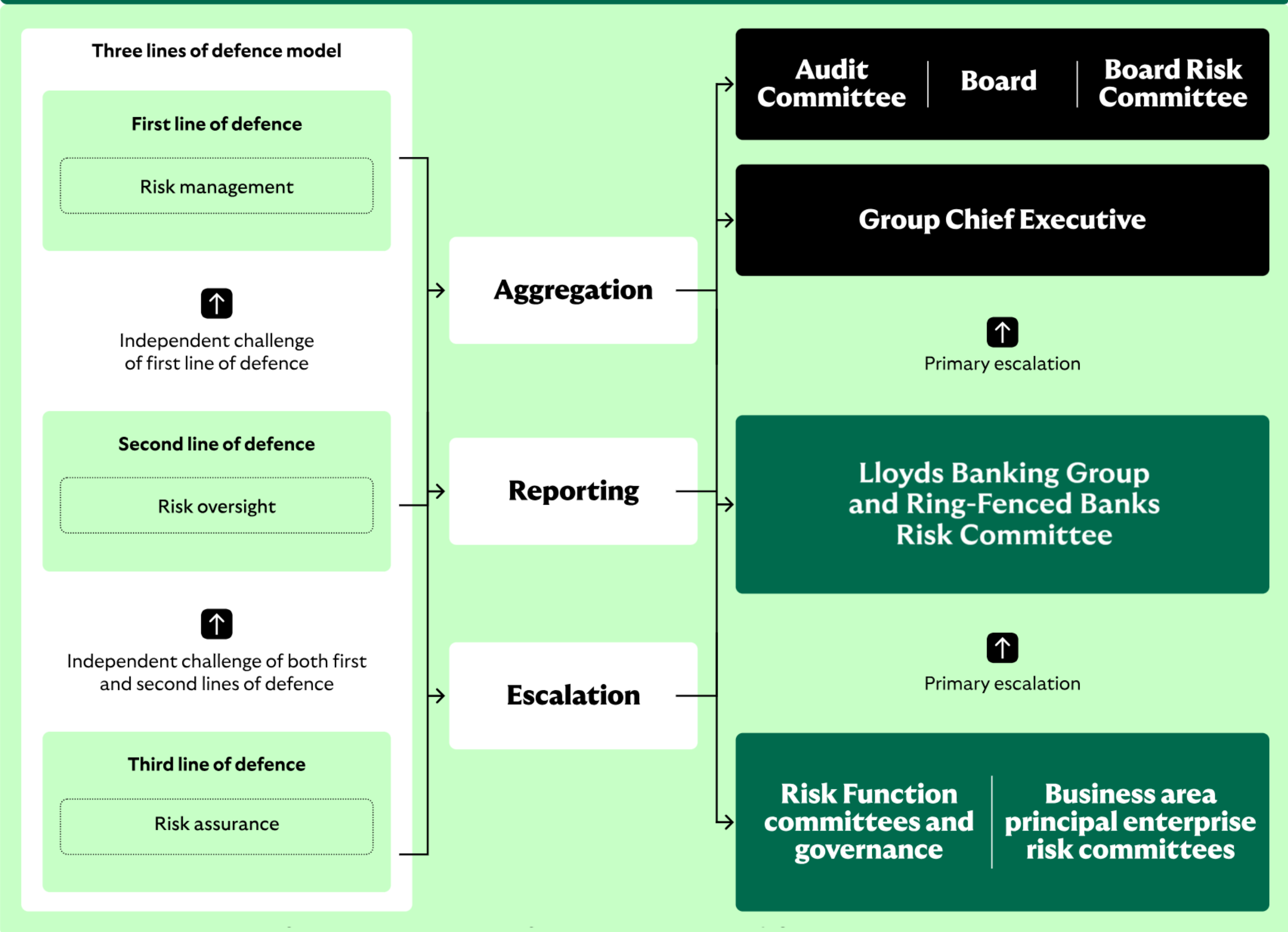
Board-level engagement, combined with senior management in Group-wide risk issues at Group Executive Committee level, ensure that any escalated issues are addressed promptly and that necessary remediation plans are initiated as required.

Line managers are accountable for identifying and managing risks in their individual businesses, ensuring that business decisions balance risk and reward, and are consistent with the Group's risk appetite.

The risk committee governance framework is explained on **page 20**.

Risk Management Approach (UK OVA) continued

Risk governance structure



Risk governance structure

The risk governance structure above is integral to effective risk management across Lloyds Banking Group, including Lloyds Bank Group. To meet ring-fencing requirements, the Boards and Board Committees of Lloyds Banking Group and the Ring-Fenced Banks (Lloyds Bank plc and Bank of Scotland plc), as well as relevant Committees of Lloyds Banking Group and the Ring-Fenced Banks will sit concurrently and referred to as the Aligned Board Model.

Three lines of defence model

The Lloyds Banking Group ERMF is implemented through a 'three lines of defence' model, which has been enhanced during 2024 to ensure more clearly defined responsibilities and accountabilities across the business, and drive further consistency across the Group's oversight and assurance activities.

The Lloyds Banking Group three lines of defence model distinguishes between risk management, risk oversight and risk assurance, with continued focus on ensuring appropriate risk resource and capabilities is in place within each area:

- Senior management within the business areas (first line of defence) have primary responsibility for risk decisions within Group risk appetite parameters set and approved by the Board. They have end-to-end accountability for all risks within their end-to-end business processes. They must ensure effective controls are in place both within the business and at third parties to manage risk appropriately within risk appetite. They are responsible for managing the direct and consequential risk by identifying, assessing, mitigating, monitoring and reporting risks. They are also responsible for complying with relevant laws and regulations
- The Risk function (second line of defence) is independent from the first line of defence. It advises on, monitors, challenges, approves, escalates where required, and reports on the risk-taking activities undertaken by the first line, ensuring these are within the constraints of the ERMF and risk appetite set by the Board. It provides oversight of governance, risk management and controls across the Group to ensure risks are identified and reported appropriately to the Board and the Group Chief Executive. The Risk function also provides regulatory advice, supports interpretation of regulatory requirements and provides oversight of first line compliance
- Group Audit (third line of defence) provide independent assurance to the Group Audit Committee, Board Risk Committee and the Board on the effectiveness of control and governance processes in place across the first and second lines. It exercises its role as a single independent internal audit function through the delivery of reviews and insights, identifying the most significant risks facing the Group. The function provides opinion and challenge on the Group's control environment to the Audit Committee, Board and Board Audit Committees
- The Company Secretariat supports senior and Board level committees and supports agenda planning. This gives a further line of escalation outside the three lines of defence

Risk Management Approach (UK OVA) continued

Risk governance structure

Board, Executive and Risk Committees

The Group's risk governance structure strengthens risk evaluation and management, while also positioning the Group to manage the changing regulatory environment in an efficient and effective manner.

Assisted by the Board Risk and Audit Committees, the Board approves the Group's overall governance, risk and control frameworks and risk appetite. Refer to the corporate governance section on **pages 10 to 13** of the Lloyds Bank plc Annual Report and Accounts 2024, for further information on Board Committees.

The sub-group, business unit (where appropriate) and functional risk committees review and recommend relevant risk appetite and monitor local risk profile and adherence to appetite.

Executive and Risk Committees

The Group Chief Executive is supported by the following:

Committees	Risk focus
Lloyds Banking Group and Ring-Fenced Banks Executive Committee (GEC)	Assists the Group Chief Executive in exercising their authority in relation to material matters which have strategic, cross-business unit, cross-function or Group-wide implications.
Lloyds Banking Group and Ring-Fenced Banks Risk Committees (GRC)	Responsible for the development, implementation and effectiveness of Lloyds Banking Group's enterprise risk management framework, the clear articulation of the Group's risk appetite and monitoring and reviewing of the Group's aggregate risk exposures, control environment and concentrations of risk.
Lloyds Banking Group and Ring-Fenced Banks Asset and Liability Committees (GALCO)	Responsible for the strategic direction of the Group's assets and liabilities and the profit and loss implications of balance sheet management actions. The Committee reviews and determines the appropriate allocation of capital, liquidity and funding, and market risk resources and makes appropriate trade-offs between risk and reward.
Lloyds Banking Group and Ring-Fenced Banks Cost Management Committees	Leads and shapes the Group's approach to cost management, ensuring appropriate governance and process over Group-wide cost management activities and effective control of the Group's cost base.
Lloyds Banking Group and Ring-Fenced Banks Contentious Regulatory Committees	Provides senior management oversight, challenge and accountability in connection with the Group's engagement with contentious regulatory matters as agreed by the Group Chief Executive.
Lloyds Banking Group and Ring-Fenced Banks Strategic Delivery Committees	Responsible for driving the execution of the Group's investment portfolio and strategic transformation agenda as agreed by the Group Chief Executive. Monitors execution performance and progress against strategic objectives. Assists in resolving issues on individual project areas and prioritisation across the Group. Seeks to resolve challenges that require cross-Group support, ensuring appropriate funding is available. Ensures that project performance provides value for money for the Group, and that autonomy is maintained alongside accountability for projects and platforms.
Lloyds Banking Group and Ring-Fenced Banks Disclosure Committee	Provides oversight of the accuracy, completeness and timeliness of disclosures made to the market and/or prospective investors.
Lloyds Banking Group and Ring-Fenced Banks Net Zero Committees	Provides direction and oversight of the Group's environmental sustainability strategy, with particular focus on the net zero transition and nature strategy. Oversight of the Group's approach to meeting external environmental commitments and targets, including the Net Zero Banking Alliance (NZBA). Recommend all external material commitments and targets in relation to environmental sustainability.
Lloyds Banking Group and Ring-Fenced Banks Conduct Investigations Committee	Protects and promotes the Group's conduct, values and behaviours by taking action to rectify the most serious cases of misconduct within the Group. The Committee makes decisions and recommendations (including sanctions) on investigations which have been referred from the triage process, and oversees regular reviews to identify thematic outcomes and lessons learned, which are shared with the business.
The Lloyds Banking Group and Ring-Fenced Banks Risk Committee is supported by business unit risk committees, cross-business unit committees addressing specific matters of Group-wide significance, and the following second line of defence Risk committees which ensure oversight of risk management:	
Lloyds Banking Group and Ring-Fenced Banks Market Risk Committee	Responsible for monitoring, oversight and challenge of market risk exposures across the Group. Reviews and proposes changes to the market risk management framework, and reviews the adequacy of data quality needed for managing market risks. Issues of Group-level significance are escalated to GALCO or GFRC as required.
Lloyds Banking Group and Ring-Fenced Banks Economic Crime Prevention Committee	Ensures that the Group's economic crime risk management complies with its strategic aims, corporate responsibility, risk appetite and economic crime prevention policy. The Committee provides direction and appropriate focus on priorities to enhance the Group's economic crime risk management capabilities in line with business and customer objectives, whilst aligning to the Group's target operating model.
Lloyds Banking Group and Ring-Fenced Banks Financial Risk Committee (GFRC)	Responsible for overseeing, reviewing, challenging and, where relevant, making recommendations to GALCO, GEC and/or BRC for the following matters: internal capital stress tests; all PRA and any other regulatory stress tests; reverse stress tests; ICAAP; Pillar 3; recovery plans and resolution; sign-off of level one models; annual refresh of through the cycle loss rates; Resolvability Assessment Framework; and relevant ad-hoc stress tests or other analysis as and when required by the Committee.
Lloyds Banking Group and Ring-Fenced Banks Capital Risk Committee	Provides oversight and challenge over holistic capital risk matters, focusing on Lloyds Banking Group and the Ring-Fenced Bank. Reviews latest capital positions and plans, capital risk appetite proposals, early warning indicators, Capital Contingency Framework assessment and regulatory developments specific to capital. Issues of Group-level significance are escalated to GALCO or GFRC as required.
Lloyds Banking Group and Ring-Fenced Banks Model Governance Committee	Provides debate, challenge and support of decisions relating to Lloyds Banking Group's model risk management policy. Facilitating the approval of models, model changes and model-related items as required by model policy, including items related to the governance framework as a whole and its application.
Lloyds Banking Group and Ring-Fenced Banks Liquidity Risk Committee	Provides oversight, monitoring, challenge, and approval for liquidity and funding risks across the Ring-Fenced Bank and Lloyds Banking Group. Reviews and proposes changes to the liquidity and funding risk management framework, including the ILAAP, liquidity risk appetite and internal liquidity stress testing. Issues of Group-level significance are escalated to GALCO or GFRC as required.

Risk Management Approach (UK OVA) continued

Risk decision making and reporting

Risk analysis and reporting enables better understanding of risks and returns, supporting the identification of opportunities as well as better management of risks.

An aggregate view of the Group's overall risk profile, key risks and management actions, and performance against risk appetite, including the Group Control and Risk Environment report, is reported to and discussed regularly at Group Risk Committee and Board Risk Committee.

Risk and control cycle from identification to reporting

To allow senior management to make informed risk decisions, the business follows a continuous risk management approach. This risk and control cycle, from identification to reporting, ensures that there is consistency in the approach to managing and mitigating risks impacting the Group.

The risk and control self-assessment (RCSA) process is used to identify, measure and manage operational risks across the Group. Risks are identified and measured on an inherent basis, using a consistent quantification methodology.

Financial reporting risk management systems and internal controls

Following the updated enterprise risk management framework, financial reporting (including tax) is now recognised as a level two risk within the principal operational risk. Please see **pages 61 and 62** of the Lloyds Bank plc Annual Report and Accounts 2024 for further detail.

The Audit Committee reviews the quality and acceptability of Lloyds Bank Group's financial disclosures. In addition, the Lloyds Banking Group Disclosure Committee assists the Lloyds Bank Group Chief Executive and Chief Financial Officer in fulfilling their disclosure responsibilities under relevant listing and other regulatory and legal requirements.

Risk and control cycle

01 Identify

Risk identification is conducted on a continuous basis through the use of scenario analysis which considers the most material and emerging risks the Group faces, and identifies and assesses extreme, but plausible instances which may occur.

02 Measure

Risks are measured against the impact and likelihood of the risk occurring, using prescribed matrices, and are determined as to whether they satisfy the Group risk appetite.

03 Manage

Risks are then managed with appropriate controls or mitigation plans put in place, which are reviewed to ensure their effectiveness. Any risks which cannot be mitigated will then require risk acceptance via the appropriate risk governance.

04 Monitor

Proactive monitoring or testing is established to ensure that controls continue to be effective, and that the Group remains within risk appetite.

05 Report

Risks are reported via appropriate Lloyds Bank Group and Divisional level risk reports and committees, allowing independent challenge by the Risk function. When thresholds for risk appetite are breached, committee minutes are clear on the actions and time frames required to address the risk and bring the exposure back within tolerance.

Risk Management Approach (UK OVA) continued

Stress testing

Overview

Stress testing is recognised as an important risk management tool by the Boards, senior management, the businesses and the Risk and Finance functions of all parts of the Group and its legal entities. It is fully embedded in the planning process of the Group and its key legal entities as a key activity in medium-term planning, and senior management is actively involved in stress testing activities.

Scenario stress testing is used to support:

Risk identification:

- Understanding key vulnerabilities of the Group and its key legal entities under adverse economic conditions

Risk appetite:

- Assessing the results of the stress test against the risk appetite of all parts of the Group to ensure the Group and its legal entities are managed within their risk parameters
- Setting of risk appetite by assessing the underlying risks under stress conditions

Strategic and capital planning:

- Senior management and the Boards of the Group and its key legal entities to adjust strategies if the plan does not meet risk appetite in a stressed scenario
- The ICAAP, by demonstrating capital adequacy and meeting the requirements of regulatory stress tests that are used to inform the setting of the PRA and management buffers (see capital risk on **pages 21 to 25** of the Lloyds Bank plc Annual Report and Accounts 2024) of the Group and its separately regulated legal entities
- The capital allocation process which feeds into business unit performance management

Risk mitigation:

- The development of potential actions and contingency plans to mitigate the impact of adverse scenarios. Stress testing also links directly to the recovery and resolution planning process of the Group and its legal entities

Internal stress tests

On at least an annual basis, the Group conducts macroeconomic stress tests to highlight and understand the key vulnerabilities of the Group's and its legal entities' business plans to adverse changes in the economic environment, to evaluate mitigating actions and ensure that there are adequate financial resources in the event of a downturn.

Reverse stress testing

Reverse stress testing is used to explore the vulnerabilities of the Group's and its key legal entities' strategies and plans for extreme adverse events that would cause the businesses to fail. Where this identifies plausible scenarios with an unacceptably high risk, the Group or its entities will adopt measures to prevent or mitigate that and reflect these in strategic plans.

Other stress testing activity

The Group's stress testing programme also involves undertaking assessments of liquidity scenarios, market risk sensitivities and scenarios, and business-specific scenarios. If required, ad hoc stress testing exercises are also undertaken to assess emerging risks, as well as in response to regulatory requests. This wide-ranging programme provides a comprehensive view of the potential impacts arising from the risks to which the Group is exposed and reflects the nature, scale and complexity of the Group. In 2024, Lloyds Banking Group also participated in the Bank of England's System-wide exploratory scenario (SWES), to improve understanding of the behaviours of banks and non-bank financial institutions during stressed financial market conditions. The results were published at a sectorial level; for the banking sector, this stress had minimal impact.

Methodology

The stress tests process must comply with all regulatory requirements, which is achieved through comprehensive scenarios and a rigorous divisional, functional, risk and executive review and challenge process, supported by analysis and insight into impacts on customers and business drivers.

All relevant business, Risk and Finance teams are involved in the delivery of analysis, and ensure the sensitivity of the business plan to each risk is well understood. The methodologies and modelling approach used for stress testing embed direct links between the macroeconomic scenarios and the drivers for each business area to give appropriate stress sensitivities. All material assumptions used in modelling are documented and justified, with a clearly communicated review and sign-off process. Modelling is supported by expert judgement and is subject to Lloyds Banking Group's model governance policy.

Governance

Clear accountabilities and responsibilities for stress testing are assigned to senior management and the Risk and Finance functions throughout the Group and its key legal entities. This is formalised through the Lloyds Banking Group business planning and stress testing policy and procedure, which are reviewed at least annually.

The Group Financial Risk Committee (GFRC), chaired by the Chief Risk Officer and attended by the Chief Financial Officer and other senior Risk and Finance colleagues, has primary responsibility for overseeing the development and execution of the Group's stress tests.

The review and challenge of the Group's detailed stress forecasts, the key assumptions behind these, and the methodology used to translate the economic assumptions into stressed outputs conclude with the appropriate Finance and Risk sign-off. The outputs are then presented to the GFRC and the Board Risk Committee for review and challenge. With regulatory exercises being approved at Board Risk Committee and Board where appropriate.

Information on the strategies and processes to manage, hedge and mitigate risks

The Group uses a range of approaches to mitigate and hedge risk that vary depending on the risk type. For credit risk, further details can be found on **pages 31 to 33** of the Lloyds Bank plc Annual Report and Accounts 2024.

The Regulatory Capital Framework

The Group assesses both its regulatory capital requirements and the quantity and quality of capital resources it holds to meet those requirements in accordance with the relevant provisions of the Capital Requirements Directive (CRD V) and Capital Requirements Regulation (UK CRR). This is supplemented through additional regulation set out under the PRA Rulebook and through associated statements of policy, supervisory statements and other regulatory guidance.

The regulatory capital framework consists of various classifications of capital resources – Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) – which are held to meet a stack of regulatory capital requirements and buffers.

Regulatory Capital Resources

The Group's capital resources are classified depending on the degree of permanency and loss absorbency exhibited.

Common equity tier 1 capital

This represents the strongest form of capital consisting of shareholders' equity (ordinary share capital and reserves) after a number of regulatory adjustments and deductions have been applied. These include the elimination of the cash flow hedging reserve and deductions for goodwill and other intangible assets, the majority of deferred tax assets, defined benefit pension scheme surpluses and excess regulatory expected losses. In addition reserves are adjusted to reflect the application of the IFRS 9 transitional relief arrangements for capital and accruals for foreseeable dividends. The IFRS 9 transitional arrangements ended on 1 January 2025.

Additional tier 1 capital

AT1 capital instruments are non-cumulative perpetual securities containing a specific provision to write down the security or convert it to equity should the CET1 ratio fall to a defined trigger limit. The Group's current AT1 securities contain a trigger limit of 7 per cent.

CET1 and AT1 together form Tier 1 Capital (T1).

Tier 2 capital

T2 capital comprises certain other subordinated debt securities that do not qualify as AT1. They must have an original term of at least 5 years, cannot normally be redeemed within their first 5 years and are phased out as T2 regulatory capital in the final 5 years before maturity through the application of regulatory amortisation.

Any excess of IFRS 9 expected credit losses over regulatory expected losses in respect of the Group's IRB portfolios is added to T2 capital ('eligible provisions'), subject to a percentage cap based on IRB risk-weighted assets. However, as a consequence of applying the IFRS 9 transitional arrangements for capital, eligible provisions may be partially or fully reduced, with any resultant surplus adjustment under the arrangements subsequently deducted from tier 2 capital.

T1 and T2 together form Total Capital.

Regulatory Capital Requirements and Buffers

Prudential requirements under the Basel framework are categorised under three pillars: Pillar 1 – Minimum Capital Requirements; Pillar 2 – Supervisory Review Process; and Pillar 3 – Market Discipline.

Pillar 1 - Minimum Capital Requirements

Pillar 1 of the regulatory framework focuses on the determination of risk weighted assets and expected losses in respect of the firm's exposure to credit, counterparty credit, market and operational risks.

The minimum amount of total capital, under Pillar 1 of the regulatory capital framework, is set at 8 per cent of total risk-weighted assets. At least 4.5 per cent of risk-weighted assets are required to be met with CET1 capital and at least 6 per cent of risk-weighted assets are required to be met with tier 1 capital.

A range of approaches, varying in sophistication, are available under the regulatory framework to use in measuring risk-weighted assets and thereby determine the minimum level of capital required under Pillar 1. The Group's risk-weighted assets are predominantly calculated using internal models that are prudently calibrated based on loss experience and are subject to a number of internal controls and external approval from the PRA. Group models designed to meet revised regulations implemented by the PRA on 1 January 2022 remain in development and as a result the Group has applied temporary model adjustments to risk-weighted assets and expected loss amounts. A brief summary of the different approaches for the different risk types and their application by the Group as at 31 December 2024 is disclosed on pages 24 and 25, with further detail provided in each of the sections as indicated.

THE REGULATORY CAPITAL FRAMEWORK continued

Pillar 1 Capital Requirements

Risk type	Approaches	Application within the Group
Credit risk	Credit risk risk-weighted assets represent a measure of on and off-balance sheet exposures weighted according to risk as specified under the rules. There are two approaches available: **Standardised Approach (STA)** A simple approach which relies on the application of a prescribed set of risk weights to credit risk exposures, dependent on a number of factors including the applicable asset class and underlying credit quality. The Standardised Approach takes account of credit risk mitigation and specific credit risk adjustments (SCRAs) that the Group has applied against an exposure, before the relevant risk weight is applied to the adjusted exposure amount. Unlike exposures modelled under the IRB approaches, there is no distinction made between expected and unexpected losses for exposures on the Standardised Approach. Under this approach banks can utilise risk assessments from External Credit Assessment Institutions (ECAIs) for a number of exposure classes that cover rated counterparties, including corporates, central governments or central banks and institutions. The Group primarily uses ratings published by Standard & Poor's, Moody's and Fitch to determine risk-weights for rated counterparties under this approach. The Standardised Approach is also applied to exposures in the form of units or shares in a Collective Investment Unit (CIU).	The Group applies the Standardised Approach to the majority of its central government and central bank exposures, its multilateral development bank exposures, the MBNA credit card portfolio, certain corporate and residential mortgage portfolios and a number of other smaller exposure classes.
	IRB Approach (IRB) There are two main variations for commercial exposures – Foundation IRB (FIRB) and Advanced IRB (AIRB). For retail exposures, Retail IRB (RIRB) is available (a variation of AIRB). In each case a prescribed regulatory formula is used to calculate risk-weighted assets which incorporates probability of default (PD), loss given default (LGD) and exposure at default (EAD) in addition to other variables such as maturity and correlation. Regulatory expected losses (EL) under the FIRB, AIRB and RIRB approaches are calculated by multiplying regulatory EAD by PD and LGD, with the exception of defaulted exposures on the AIRB and RIRB where the best estimate of expected loss (BEEL) is used. Scaling factors are applied to the calculation of risk-weighted assets with an uplift applied for Financial Institutions Interconnectedness (FII) and a reduction for exposures to SMEs. The FIRB Approach uses internal assessments of a counterparty's PD (subject to certain floors) together with regulatory defined assessments for LGD and EAD The AIRB Approach uses internal assessments of PD, EAD and LGD (subject to certain floors). The Retail IRB Approach is a version of the AIRB Approach tailored to retail exposures. For specialised lending exposures there is also a Supervisory Slotting Approach which assigns regulatory prescribed risk weights to assets based on the characteristics of each exposure. A number of alternative methodologies exist for other exposures such as equity exposures and securitisation positions.	The FIRB Approach is used for the majority of the Group's commercial exposures. The Group has permission to utilise the RIRB Approach for retail portfolios and applies this with a few exceptions (e.g. MBNA which is on the Group's roll-out plan). Certain portfolios are permanently exempt from the IRB approaches, being subject to the Standardised Approach instead, including certain non UK incorporated Corporate assets and the acquired closed book of Tesco Bank residential mortgages. Other portfolios (including MBNA) are currently awaiting roll out under the Group's IRB model roll-out plan. For more information on IRB models refer to the Model Performance section on pages 57 to 61. The Group applies the Supervisory Slotting Approach to corporate specialised lending exposures that comprise mainly of real estate portfolios and project finance. The Simple Risk Weight Method is applied to the Group's equity exposures. Securitisation positions are risk weighted under the Securitisation External Ratings Based Approach (SEC-ERBA), the Securitisation Internal Ratings Based Approach (SEC-IRBA) or the Securitisation Standardised Approach (SEC-SA).

Risk type	Approaches	Application within the Group
Counterparty credit risk	There are several approaches for measuring exposures to counterparty credit risk, as set out below. The resultant exposures are risk-weighted under either the Standardised Approach or the relevant IRB Approach, as appropriate, to determine the capital requirement. Standardised Approach (SA-CCR): The exposure value is calculated by applying a multiplier (alpha) to a combination of the market value and potential future exposure (PFE). The calculation includes collateral haircuts, mapping of trades to 'hedging sets' and application of any margin received and posted. Simplified Standardised Approach (Simplified SA-CCR): The exposure value is calculated by applying a multiplier (alpha) to a combination of the market value and PFE. However, replacement cost and PFE are calculated in a simplified way. Original Exposure Method: The exposure value is calculated by applying a multiplier (alpha) to a combination of the market value and PFE. However, PFE is calculated by multiplying the notional amount of the instrument by set percentages prescribed depending on maturity. SFT Comprehensive Approach: Volatility adjustments are applied to the market value of collateral to take account of price volatility. Internal Models Method (IMM): The fair value on the balance sheet is replaced by an exposure value calculated using internal models. Exposures to central counterparties (CCPs), comprising trades, default fund contributions and initial margin are subject to specific measurement and risk weight requirements. Credit valuation adjustment (CVA) risk can be calculated under either the Advanced Method (via the use of internal models) or the Standardised Method.	The Group's derivative and securities financing transaction (SFT) counterparty credit risk exposures are measured under the Standardised Approach (SA-CCR) and SFT Comprehensive Approach respectively, prior to being risk weighted under the Standardised Approach, FIRB Approach or Supervisory Slotting Approach as appropriate. The Group applies the Standardised Method for calculating CVA risk.
Market risk	The two key approaches for Market Risks are as follows. Standardised Approach (STA): This requires the calculation of position risk requirements (PRR) for each type of market risk in the trading book. Internal Models Approach (IMA): Involves the use of internal Value at Risk (VaR) and other models to determine appropriate capital requirements based on the market risks in the trading book.	The Group uses the Standardised approach for calculating Market risk.
Operational risk	There are three approaches for Operational Risk as set out below. Basic Indicator Approach (BIA): A low risk sensitivity approach which calculates the capital requirement as a percentage of average net interest and non-interest income. Standardised Approach (TSA): A medium risk sensitivity approach where the capital requirement is derived from regulatory prescribed factors applied to the three year average income from various business lines. Advanced Measurement Approach (AMA): A high risk sensitivity approach, the capital requirement is determined through the use of an internal operational risk measurement model.	The Group measures its operational risk requirement using The Standardised Approach.

The Regulatory Capital Framework continued

Pillar 2 - Supervisory Review Process

Minimum Pillar 1 requirements are supplemented by additional minimum requirements under Pillar 2A of the regulatory capital framework, the aggregate of which is referred to as the Group's Total Capital Requirement (TCR), and a number of regulatory capital buffers which are further described on page 26 and 27.

Individual Capital Requirement (UK OVC)

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

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

The Group's Pillar 2A capital requirement is around 3.0 per cent of risk-weighted assets, of which around 1.7 per cent of risk-weighted assets must be met by CET1 capital. The Group is not permitted by the PRA to disclose any details on the individual components of its Pillar 2A capital requirement.

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

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

- Concentration risk – greater loss volatility arising from a higher level of loan default correlation than is assumed by the Pillar 1 assessment. Such correlation can arise from, for example, geographic, industry sector and single name concentrations.
- Underestimation risk – where it is considered that the Pillar 1 capital assessments for credit, market, credit valuation adjustment (CVA) or operational risk underestimate the risk, including as a result of climate change related considerations. The operational risk assessment includes consideration of conduct risk.
- Residual value risk – the risk of potential loss on vehicle returns where market valuation is lower than anticipated.
- Pension obligation risk – the potential for losses that the Group would incur in the event of a significant deterioration in the funding position of the Group's defined benefit pension schemes.
- Interest rate risk in the banking book – the potential losses in the non-trading book resulting from interest rate changes or changes in spreads between different rates.

The detailed ICAAP document is subject to a robust review process, approved by the Board Risk Committee and submitted to the PRA annually for their consideration ahead of setting the Group's P2A requirement.

Regulatory Capital Buffers

The Group is also required to meet a number of regulatory capital buffers with CET1 capital.

Systemic buffers

Systemic buffers are designed to hold systemically important banks to higher capital standards, so that they can withstand a greater level of stress before requiring resolution. The Group is not currently classified as a global systemically important institution (G-SII) but has been classified as an 'other' systemically important institution (O-SII) by the PRA.

The Group in its capacity as the RFB sub-group is subject to an O-SII buffer of 2.0 per cent of risk-weighted assets. The latest review point under the Financial Policy committee's (FPC) framework occurred during November 2024 (based upon the average of the Group's quarter end UK leverage exposure measures over 2023) which resulted in no change to the buffer.

Capital conservation buffer

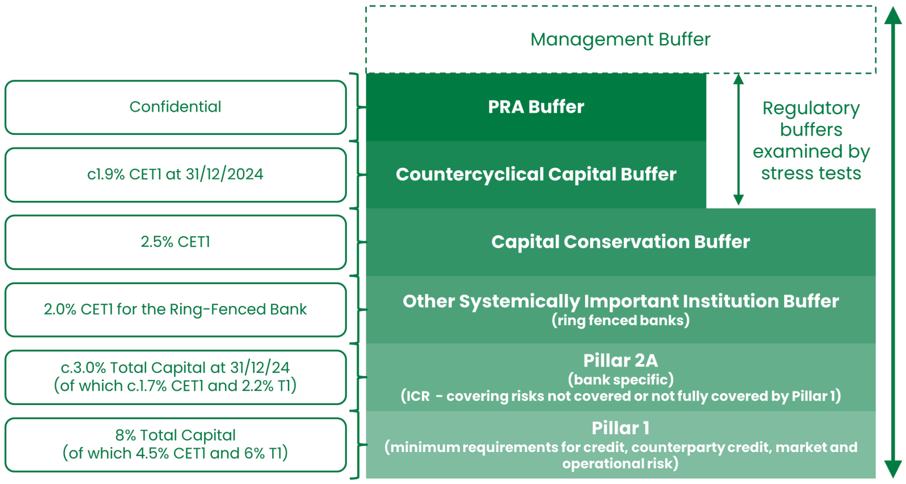
The capital conservation buffer (CCB) is a standard buffer of 2.5 per cent of risk-weighted assets designed to provide for losses in the event of stress.

Countercyclical capital buffer

The countercyclical capital buffer (CCyB) is time-varying and is designed to require banks to hold additional capital to remove or reduce the build-up of systemic risk in times of credit boom, providing additional loss-absorbing capacity and acting as an incentive for banks to constrain further credit growth. The amount of the buffer is determined by reference to published buffer rates for the individual countries where the Group has relevant credit exposures. The FPC sets the UK CCyB rate, which as at 31 December 2024 is set at 2 per cent. The FPC judges that the neutral rate for the UK CCyB is around 2 per cent. Given the Group's UK focused business model, the Group's CCyB at 31 December 2024 was around 1.9 per cent of risk-weighted assets.

PRA buffer

As part of the Group's capital planning process, forecast capital positions are subjected to stress testing to determine the adequacy of the Group's capital resources against minimum requirements, including the Pillar 2A requirement. The PRA considers outputs from both the Group's internal stress tests and Bank of England (BoE) stress tests, in conjunction with other information, as part of the process for informing the setting of a bank-specific capital buffer for the Group, known as the PRA Buffer. The PRA requires this buffer to remain confidential.



The PRA provided an update of the Group's Pillar 2A CET1 capital requirement during the third quarter of 2024, with the requirement remaining at around 1.7 per cent of risk-weighted assets.

The Group's countercyclical capital buffer is currently around 1.9 percent of RWAs.

The Regulatory Capital Framework continued

All buffers

All buffers are required to be met with CET1 capital. Usage of the PRA Buffer would trigger a dialogue between the Group and the PRA to agree what action is required whereas a breach of the combined buffer (all other regulatory buffers, as referenced above) would give rise to mandatory restrictions upon any discretionary capital distributions. The PRA has previously communicated its expectation that banks' capital and liquidity buffers can be drawn down as necessary to support the real economy through a shock and that sufficient time would be made available to restore buffers in a gradual manner.

Sectoral capital requirements

The FPC can also set sectoral capital requirements which are temporary increases to banks' capital requirements on exposures to specific sectors, if the FPC judges that exuberant lending to those sectors poses risks to financial stability. No sectoral capital requirements currently apply to the Group.

Pillar 3 – Market Discipline

The third pillar addresses the external publication of disclosures surrounding a firm's risk management practices, its approach to capital management, its capital resources and Pillar 1 capital requirements and a detailed analysis of its risk exposures.

The Group's Pillar 3 disclosures comply with the requirements of the Disclosure section of the PRA Rulebook.

Leverage Framework

In addition to the risk-based capital framework outlined above, the Group is also subject to minimum capital requirements under the UK Leverage Ratio Framework. The leverage ratio is calculated by dividing tier 1 capital resources by the leverage exposure which is a defined measure of on-balance sheet assets and off-balance sheet items.

The minimum tier 1 leverage ratio requirement under the UK Leverage Ratio Framework is 3.25 per cent. This is supplemented by a time-varying countercyclical leverage buffer (CCLB) requirement which is determined by multiplying the Group's CCyB rate by 35 per cent, with the result rounded to the nearest tenth of a percentage. As at 31 December 2024 the CCLB for the Group was 0.7 per cent. An additional leverage ratio buffer (ALRB) requirement of 0.7 per cent applies to the Group and is determined by multiplying the O-SII buffer by 35 per cent.

At least 75 per cent of the 3.25 per cent minimum leverage ratio requirement as well as 100 per cent of regulatory leverage buffers must be met by CET1 capital.

As at 31 December 2024 the leverage ratio framework did not give rise to higher regulatory capital requirements for the Group than the risk-based capital framework.

IFRS 9 Transitional Arrangements

IFRS 9 transitional arrangements for capital, as set out under CRR Article 473a, were designed to allow the initial net impact on CET1 capital on 1 January 2018 resulting from the increase in accounting impairment provisions under the IFRS 9 Expected Credit Loss (ECL) framework, and the capital impact of any subsequent increases in Stage 1 and Stage 2 ECLs (net of movements in regulatory expected losses), to be phased in over set transition periods.

These arrangements have provided some stability in capital requirements against the volatility and provisioning connected to the impact of IFRS 9. The arrangements ended on 1 January 2025.

During 2024, the Group applied the full extent of the arrangements which allowed for 25 per cent of the post 1 January 2020 increases in Stage 1 and Stage 2 ECLs (net of movements in regulatory expected losses) to be added back to CET1 capital - this is referred to as 'dynamic' relief. Increases in Stage 3 ECLs were not covered by the arrangements and therefore impacted CET1 capital in full.

The effect of adding back amounts to CET1 capital to reflect the relief resulted in further consequential adjustments being made to tier 2 capital (eligible provisions) and risk-weighted assets. For the latter the Group opted to apply a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revised CRR Article 473a.

Minimum requirement for own funds and eligible liabilities (MREL)

Global systemically important banks (G-SIBs) are subject to an international standard on total loss absorbing capacity (TLAC). The standard is designed to enhance the resilience of the global financial system by ensuring that failing G-SIBs have sufficient capital to absorb losses and recapitalise under resolution, whilst continuing to provide critical banking services.

In the UK, the Bank of England has implemented the requirements of the international TLAC standard through the establishment of a framework which sets out minimum requirements for own funds and eligible liabilities (MREL). The purpose of MREL is to require firms to maintain sufficient own funds and eligible liabilities that are capable of credibly bearing losses or recapitalising a bank whilst in resolution. MREL can be satisfied by a combination of regulatory capital and certain unsecured liabilities (which must be subordinate to a firm's operating liabilities).

The Bank of England's MREL statement of policy (MREL SoP) sets out its approach to setting external MREL and the distribution of MREL resources internally within groups. Internal MREL resources are intended to enable a material subsidiary to be recapitalised as part of a group resolution strategy without the need for the Bank of England to apply its resolution powers directly to the subsidiary itself.

The Group's parent, Lloyds Banking Group plc, is subject to the Bank of England's MREL SoP and must therefore maintain a minimum level of external MREL resources. Lloyds Banking Group plc operates a single point of entry (SPE) resolution strategy, with Lloyds Banking Group plc as the designated resolution entity. Under this strategy, the Group has been identified as a material subsidiary of Lloyds Banking Group plc and must therefore maintain a minimum level of internal MREL resources. As at 31 December 2024, the Group's internal MREL resources exceeded the minimum required.

The Regulatory Capital Framework continued

Regulatory Updates

Final Basel III reforms

The Basel Committee published its final reforms on Basel III in December 2017. The stated purpose of the reforms is to restore credibility in the calculation of risk-weighted assets through greater robustness and risk-sensitivity in the Standardised approaches, constraints on the use of internal models, and restricting the RWA benefits that internal models can provide. The aim is to improve comparability between banks' capital ratios through the following measures:

- improving the granularity and risk sensitivity of the standardised credit risk framework;
- addressing shortcomings related to the use of the IRB credit risk framework, including excessive complexity, lack of comparability and lack of robustness in modelling certain asset classes;
- removing the option to apply the Advanced IRB Approach for low default portfolios;
- adopting input floors for PDs, LGDs and EADs to ensure a degree of conservatism is maintained in modelled outputs and providing greater specification of parameter estimation practices to reduce variability in risk-weighted assets;
- replacing the existing approaches under the operational risk framework with a single risk sensitive standardised approach that combines a measure of a bank's income with a measure of its historic operational risk losses;
- revisions to the credit valuation adjustment (CVA) risk framework designed to enhance its risk sensitivity, strengthen its robustness and improve its consistency;
- replacing the current Basel II capital floors (output) requirement with a new version based on the revised Basel III standardised approaches to ensure that total RWAs for banks using internal models and subject to the floor cannot fall below 72.5% of RWAs derived under the standardised approaches, to be phased in over five years.

The PRA published policy statements PS 17/23 (December 2023) and PS 9/24 (September 2024) setting out near-final rules for implementing Basel 3.1 in the UK.

Overall, the near-final rules closely align with the Basel III framework with certain specific adjustments tailored to the UK market including:

- application of the Output Floor at UK group consolidated level and sub-consolidated level for ring-fenced banks (including the RFB sub-group);
- Standardised credit risk framework adjustments including: residential real estate valuations being based at origination or updated when an obligor refinances their mortgage at the end of a fixed period; a 100% risk weight floor for commercial real estate exposures that are materially dependent on cash flows of the property; and an alternative risk-sensitive approach for unrated corporates;
- A 20% conversion factor for transaction-related contingent items and a 50% conversion factor for UK residential mortgage commitments. In line with the Basel III framework a conversion factor of 40% applies to all other commitments;
- A 0.1% PD floor for UK retail residential mortgage exposures;
- Removal of the IRB approach for central government and central bank exposures;
- Permission to apply a reduced 'alpha factor' of one in the standardised approach to counterparty credit risk (SA-CCR) framework for calculating exposures to non-financial counterparties and pension funds but with transitional arrangements available to maintain additional Pillar 1 CCR RWA's for legacy trades (alongside a transitioning in of the CVA scope expansion) which would reduce linearly over four years;
- setting the internal loss multiplier (ILM) equal to one under the new Standardised approach for Pillar 1 Operational Risk capital requirements.
- a new firm-specific Pillar 2A adjustment to ensure removal of the SME support factor under Pillar 1 does not result in a capital requirement increase for lending to SMEs.

While the PRA proposal to increase the CVA framework scope to include exposures to Sovereigns, non-financial counterparties and pension funds is in line with the Basel III framework, the PRA proposals give firms an option to apply a transitional approach for legacy transactions.

The PRA initially set an implementation date of 1 January 2026 for the new requirements, with a transitional period (for reduction of CCR alpha factor, CVA scope expansion and Output Floor) of four years ensuring full implementation by 1 January 2030.

In January 2025, the PRA announced a one-year delay to the implementation of Basel 3.1 with the new date set at 1 January 2027. The date for full implementation remains as 1 January 2030, reducing the transitional period to three years.

Other developments

The Group continues to monitor and engage in developments in relation to climate-related financial risk. This includes participation in industry working groups. In Q1 2024 the Group contributed to UK Finance feedback to the Basel consultation on the disclosure of climate-related financial risks (November 2023) which proposes the introduction of new Pillar 3 reporting requirements.

Changes to the regulations applicable to internal ratings based (IRB) models were implemented by the PRA on 1 January 2022. The Group's models to meet these requirements remain subject to further development and final approval by the PRA. As a result, the Group has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the new modelling requirements.

Capital Management

The Group's Approach to Capital Risk

Definition

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Group.

Exposures

A capital risk event arises when the Group has insufficient capital resources to support its strategic objectives and plans, and to meet both regulatory and external stakeholder requirements and expectations. This could arise due to a depletion of the Group's capital resources as a result of the crystallisation of any of the risks to which it is exposed, or through a significant increase in risk-weighted assets as a result of rule changes or economic deterioration. Alternatively a shortage of capital could arise from an increase in the minimum requirements for capital or leverage or the minimum requirement for own funds and eligible liabilities (MREL) either at Group level or regulated entity level. The Group's capital management approach is focused on maintaining sufficient and appropriate capital resources across all regulated levels of its structure in order to prevent such exposures.

Measurement

In accordance with UK ring-fencing legislation, the Group was appointed as the Ring-Fenced Bank sub-group ('RFB sub-group') under Lloyds Banking Group plc. As a result the Group is subject to separate supervision by the UK Prudential Regulation Authority (PRA) on a sub-consolidated basis (as the RFB sub-group) in addition to the supervision applied to Lloyds Bank plc on an individual basis.

The Group maintains capital levels on a consolidated and individual basis commensurate with a prudent level of solvency to achieve financial resilience and market confidence. To support this, capital risk appetite on both a consolidated and individual basis is calibrated by taking into consideration both an internal view of the amount of capital to hold as well as external regulatory requirements.

Further information on the Group's approach to measuring both capital requirements and the amount of capital resources it holds to meet those requirements can be found on pages 23 to 27 (The Regulatory Capital Framework).

Mitigation

The Group's capital management framework is part of a comprehensive framework within Lloyds Banking Group that includes the setting of capital risk appetite and capital planning and stress testing activities. Close monitoring of capital, leverage and MREL ratios is undertaken to ensure the Group meets regulatory requirements and risk appetite levels and deploys its capital resources efficiently.

The Group regularly refreshes and monitors its suite of early warning indicators and maintains a Capital Contingency Framework as part of the Lloyds Banking Group Recovery Plan, which is designed to identify and escalate emerging capital concerns at an early stage, so that mitigating actions can be taken, if needed. The Recovery Plan sets out a range of potential mitigating actions that the Group could take in response to a stress, including as part of the wider Lloyds Banking Group response. For example the Group is able to accumulate additional capital through the retention of profits over time, which can be enhanced through reducing or cancelling dividend payments upstreamed to its parent (Lloyds Banking Group plc), by raising new equity via an injection of capital from its parent and by issuing additional tier 1 or tier 2 capital securities to its parent. The cost and availability of additional capital from its parent is dependent upon market conditions and perceptions at the time.

The Group is also able to manage the demand for capital through management actions including adjusting its lending strategy, business disposals and through the efficient use of securitisations and other optimisation activity.

Capital policies and procedures are well established and subject to independent oversight.

Monitoring

The Group's capital is actively managed and monitoring capital ratios is a key factor in the Group's planning processes and stress testing. Multi-year base case forecasts of the Group's capital position, based upon the Group's operating plan, are produced at least annually to inform the Group capital plan whilst shorter-term forecasts are undertaken to understand and respond to variations of the Group's actual performance against the plan. The Group's capital plan is tested for capital adequacy using relevant stress scenarios and sensitivities covering adverse economic conditions as well as other adverse factors that could impact the Group.

Regular monitoring of the capital position for the Group and its key regulated entities is undertaken by a range of committees, as well as at the Ring-Fenced Bank's Board and Board Risk Committee. This includes reporting of actual ratios against risk appetite, base case and stress scenario projected ratios, and review of early warning indicators and assessment against the Capital Contingency Framework.

The Group continues to monitor prudential developments very closely, analysing the potential capital impacts to ensure that, through organic capital generation and management actions, the Group continues to maintain a strong capital position that exceeds both minimum regulatory requirements and the Group's risk appetite and is consistent with market expectations.

Analysis of CET1 Capital Position

The Group's common equity tier 1 (CET1) capital ratio decreased to 13.7 per cent at 31 December 2024 compared to 14.4 per cent at 31 December 2023. Profit for the year, including the provision charge for motor finance commission arrangements, was more than offset by the ordinary dividends paid during the year, distributions on other equity instruments and an increase in risk-weighted assets.

Total Capital Requirement

The Group's total capital requirement (TCR) as at 31 December 2024, being the aggregate of the Group's Pillar 1 and Pillar 2A capital requirements, was £20,479 million (31 December 2023: £20,004 million).

Capital Management continued

Capital resources

The table below summarises the consolidated capital position of the Group. This reflects the application of the transitional arrangements for IFRS 9. The Group's Pillar 3 disclosures provide a comprehensive analysis of the own funds of the Group.

	At 31 Dec 2024 £m	At 31 Dec 2023 £m
Common equity tier 1		
Shareholders' equity per balance sheet	**33,975**	35,355
Adjustment to retained earnings for foreseeable dividends	**–**	(490)
Cash flow hedging reserve	**3,568**	3,554
Other adjustments	**(15)**	73
	37,528	38,492
less: deductions from common equity tier 1		
Goodwill and other intangible assets	**(5,494)**	(5,531)
Prudent valuation adjustment	**(92)**	(117)
Excess of expected losses over impairment provisions and value adjustments	**(75)**	–
Removal of defined benefit pension surplus	**(2,215)**	(2,653)
Deferred tax assets	**(4,042)**	(3,971)
Common equity tier 1 capital	**25,610**	26,220
Additional tier 1		
Additional tier 1 instruments	**5,695**	5,018
Total tier 1 capital	**31,305**	31,238
Tier 2		
Tier 2 instruments	**5,826**	5,747
Eligible provisions	**83**	417
Total tier 2 capital	**5,909**	6,164
Total capital resources	**37,214**	37,402
Risk-weighted assets	**186,996**	182,560
Common equity tier 1 capital ratio	**13.7%**	14.4%
Tier 1 capital ratio	**16.7%**	17.1%
Total capital ratio	**19.9%**	20.5%

Capital Management continued

Movements in CET1 capital resources

The key movements are set out in the table below.

	Common equity tier 1 £m
At 31 December 2023	26,220
Profit for the year	**3,486**
Movement in foreseeable dividends[1]	**490**
Dividends paid out on ordinary shares during the year	**(3,990)**
IFRS 9 transitional adjustment to retained earnings	**(144)**
Distributions on other equity instruments	**(363)**
Other movements	**(89)**
At 31 December 2024	**25,610**

1 Reflects the reversal of the brought forward accrual from 31 December 2023.

CET1 capital resources have decreased by £610 million during the year, with profit for the year more than offset by the payment of ordinary dividends during the year and distributions on other equity instruments.

The IFRS 9 transitional arrangements for dynamic relief amounted to £4 million (31 December 2023: £155 million) through CET1 capital. The transitional arrangements ended on 1 January 2025.

Movements in total capital

The Group's total capital ratio reduced to 19.9 per cent at 31 December 2024 compared to 20.5 per cent at 31 December 2023. The issuance of AT1 and Tier 2 capital instruments was more than offset by the increase in risk-weighted assets, the reduction in CET1 capital, the redemption of an AT1 capital instrument and the impact of interest rate movements, regulatory amortisation and a reduction in eligible provisions on Tier 2 capital.

Capital Management continued

Leverage ratio

The table below summarises the component parts of the Group's leverage ratio.

	At 31 Dec 2024 £m	At 31 Dec 2023 £m
Total tier 1 capital	**31,305**	31,238
Exposure measure		
Statutory balance sheet assets		
Derivative financial instruments	**4,235**	3,165
Securities financing transactions	**44,143**	32,796
Loans and advances and other assets	**562,835**	569,444
Total assets	**611,213**	605,405
Qualifying central bank claims	**(42,098)**	(57,430)
Derivatives adjustments	**(3,648)**	(1,737)
Securities financing transactions adjustments	**1,892**	1,431
Off-balance sheet items	**30,849**	31,494
Amounts already deducted from Tier 1 capital	**(11,864)**	(12,060)
Other regulatory adjustments[1]	**(4,012)**	(4,950)
Total exposure measure	**582,332**	562,153
Average exposure measure[2]	**597,279**	
UK leverage ratio	**5.4%**	5.6%
Average UK leverage ratio[2]	**5.3%**	
Leverage exposure measure (including central bank claims)	**624,430**	619,583
Leverage ratio (including central bank claims)	**5.0%**	5.0%

1 Includes deconsolidation adjustments that relate to the deconsolidation of certain Group entities that fall outside the scope of the Group's regulatory capital consolidation and adjustments to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).

2 The average UK leverage ratio is based on the average of the month end tier 1 capital position and average exposure measure over the quarter (1 October 2024 to 31 December 2024). The average of 5.3 per cent compares to 5.3 per cent at the start and 5.4 per cent at the end of the quarter.

Analysis of leverage movements

The UK leverage ratio reduced to 5.4 per cent at 31 December 2024 compared to 5.6 per cent at 31 December 2023, reflecting the increase in the leverage exposure measure following lending growth and increases across securities financing transactions and other assets (excluding central bank claims). The average leverage exposure measure reflected higher levels of securities financing transactions during the quarter.

Own funds

CC1: Composition of regulatory own funds

The capital positions presented below reflect the application of the transitional arrangements for IFRS 9.

		31 Dec 2024 £m	31 Dec 2023 £m	CC2 Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	**2,174**	2,174	
	of which: called up share capital	**1,574**	1,574	a
	of which: share premium	**600**	600	b
2	Retained earnings	**35,490**	36,243	d
3	Accumulated other comprehensive income (and other reserves)	**(3,689)**	(3,062)	d
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend[1]	**—**	(490)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**33,975**	34,865	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	**(92)**	(117)	
8	Intangible assets (net of related tax liability)	**(5,494)**	(5,531)	e
10	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) CRR are met)	**(4,042)**	(3,971)	f
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**3,568**	3,554	
12	Negative amounts resulting from the calculation of expected loss amounts	**(75)**	—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(18)**	(74)	
15	Defined-benefit pension fund assets	**(2,215)**	(2,653)	g
27a	Other regulatory adjustments to CET1 capital	**3**	147	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(8,365)**	(8,645)	
29	**Common Equity Tier 1 (CET1) capital**	**25,610**	26,220	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	**5,695**	5,018	c
31	of which: classified as equity under applicable accounting standards	**5,695**	5,018	
44	**Additional Tier 1 (AT1) capital**	**5,695**	5,018	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**31,305**	31,238	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	**5,826**	5,747	h
50	Credit risk adjustments	**83**	417	
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,909**	6,164	
58	**Tier 2 (T2) capital**	**5,909**	6,164	
59	**Total capital**	**37,214**	37,402	
60	**Total risk exposure amount**	**186,996**	182,560	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**13.7%**	14.4%	
62	Tier 1 (as a percentage of total risk exposure amount)	**16.7%**	17.1%	
63	Total capital (as a percentage of total risk exposure amount)	**19.9%**	20.5%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**12.6%**	12.6%	
65	of which: capital conservation buffer requirement	**2.5%**	2.5%	
66	of which: countercyclical buffer requirement	**1.9%**	1.9%	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	**2.0%**	2.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**7.5%**	8.2%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**88**	256	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	**484**	570	
Applicable caps on the inclusion of provisions in Tier 2				
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	**83**	417	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**798**	772	

1 The reported amounts for 31 December 2024 and 31 December 2023 through row UK-5a reflect the year end foreseeable dividend accrual only as the externally audited profits for the year to 31 December 2024 and 31 December 2023 are included in row 2 (Retained earnings).

Own funds continued

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

The following table presents the Group's regulatory balance sheet as at 31 December 2024. The regulatory scope of consolidation is materially aligned to the accounting scope, with minor adjustments for the deconsolidation of certain Group entities. The regulatory scope of consolidation is the basis for the calculation of the Group's regulatory own funds as presented in table CC1.

		Balance sheet under regulatory scope of consolidation at 31 Dec 2024	
Assets		£m	Reference[1]
1	Cash and balances at central banks	**42,396**	
3	Financial assets at fair value through profit or loss	**1,763**	
4	Derivative financial instruments	**4,235**	
5	Loans and advances to banks	**6,432**	
6	Loans and advances to customers	**440,753**	
7	Reverse repurchase agreements	**44,143**	
8	Debt securities	**11,444**	
9	Due from fellow Lloyds Banking Group undertakings	**1,696**	
10	Financial assets at amortised cost	**504,468**	
11	Financial assets at fair value through other comprehensive income	**30,344**	
12	Goodwill and other intangible assets	**5,804**	e
14	Current tax recoverable	**338**	
15	Deferred tax assets[2]	**4,785**	f
16	Retirement benefit assets	**3,028**	g
17	Other assets	**13,065**	
18	**Total assets**	**610,226**	
Liabilities			
1	Deposits from banks	**3,144**	
2	Customer deposits	**451,808**	
3	Repurchase agreements at amortised cost	**37,760**	
4	Due to fellow Lloyds Banking Group undertakings	**4,049**	
6	Financial liabilities at fair value through profit or loss	**4,631**	
7	Derivative financial instruments	**5,802**	
8	Notes in circulation	**2,121**	
9	Debt securities in issue	**44,263**	
10	Other liabilities	**7,209**	
11	Retirement benefit obligations	**122**	
12	Current tax liabilities	**33**	
13	Deferred tax liabilities[2]	**125**	f
14	Other provisions	**2,198**	
15	Subordinated liabilities	**7,211**	h
16	**Total liabilities**	**570,476**	
Shareholders' equity			
1	Called up share capital	**2,174**	
2	of which: share capital	**1,574**	a
3	of which: share premium	**600**	b
4	Other equity instruments	**5,695**	c
5	Retained earnings, accumulated other comprehensive income and other reserves[3]	**31,801**	d
6	**Total equity excluding non-controlling interests**	**39,670**	
7	Non-controlling interests	**80**	
8	**Total equity**	**39,750**	
9	**Total equity and liabilities**	**610,226**	

1. The references (a) to (h) identify regulatory balance sheet components that link initially to items disclosed in table CC1, prior to the application of regulatory definitions and adjustments per the rules for calculating own funds.
2. Deferred tax assets that rely on future profitability may be reduced by associated deferred tax liabilities where the conditions specified in Article 38 of the CRR are met. The resultant net deferred tax asset positions are deducted from CET1 capital, except in the case of deferred tax assets that arise from temporary differences which may be risk weighted instead of deducted from capital for the portion of the balance that does not exceed a threshold limit. Deferred tax assets are also adjusted to reflect the application of the IFRS 9 transitional arrangements.
3. The regulatory definition of eligible items for inclusion in retained earnings differs from the accounting definition. The aggregate of retained earnings and accumulated other comprehensive income and other reserves is comparable on both bases but the allocation between categories differs.

Prudent Valuation Adjustments

The table below provides a breakdown of the constituent elements of the Group's Prudent Valuation Adjustments (PVA).

PV1: Prudent valuation adjustment

		31 Dec 2024									
		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Category level AVA	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	Market price uncertainty	1	6	—	22	—	2	—	16	—	16
3	Close-out cost	—	42	—	8	—	1	—	26	—	26
4	Concentrated positions	—	—	—	14	—			14	—	14
5	Early termination	—	—	—	—	—			—	—	—
6	Model risk	—	11	—	26	—	—	—	19	—	19
7	Operational risk	—	2	—	2	—			4	—	4
10	Future administrative costs	—	9	—	4	—			13	—	13
12	**Total Additional Valuation Adjustments (AVAs)**								92	—	92

		31 Dec 2023									
		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Category level AVA	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Market price uncertainty	1	9	—	33	—	4	2	25	—	25
3	Close-out cost	—	55	—	11	—	2	—	34	—	34
4	Concentrated positions	—	—	—	18	—			17	—	17
5	Early termination	—	—	—	—	—			—	—	—
6	Model risk	—	10	—	22	—	—	—	16	—	16
7	Operational risk	—	6	—	5	—			12	—	12
10	Future administrative costs	—	9	—	4	—			13	—	13
12	Total Additional Valuation Adjustments (AVAs)								117	—	117

Countercyclical capital buffers

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

	31 Dec 2024												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Credit risk[2,3]	Market risk[2]	Securitisation positions in the non-trading book[3]	Total	Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
Breakdown by Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
United Kingdom	20,961	462,997	—	—	30,273	514,231	11,183	—	500	11,683	146,042	93.34%	2.00%
Australia	12	130	—	—	—	142	6	—	—	6	70	0.04%	1.00%
Belgium	—	14	—	—	—	14	—	—	—	—	6	0.00%	1.00%
Cyprus	73	—	—	—	—	73	6	—	—	6	72	0.05%	1.00%
Denmark	10	6	—	—	—	16	1	—	—	1	14	0.01%	2.50%
France	168	121	—	—	251	540	15	—	7	22	271	0.17%	1.00%
Germany	957	277	—	—	443	1,677	66	—	3	69	868	0.55%	0.75%
Hong Kong	55	43	—	—	—	98	2	—	—	2	30	0.02%	0.50%
Ireland	205	263	—	—	79	547	30	—	1	31	390	0.25%	1.50%
South Korea	21	—	—	—	—	21	1	—	—	1	10	0.01%	1.00%
Luxembourg	9	222	—	—	79	310	8	—	1	9	117	0.07%	0.50%
Netherlands	716	17,108	—	—	213	18,037	229	—	2	231	2,888	1.85%	2.00%
Norway	2	64	—	—	—	66	5	—	—	5	59	0.04%	2.50%
Sweden	—	3	—	—	—	3	—	—	—	—	2	0.00%	2.00%
i) Total[1]	23,189	481,248	—	—	31,338	535,775	11,552	—	514	12,066	150,839	96.40%	
United States of America	976	3,468	—	—	7,101	11,545	182	—	96	278	3,477	2.22%	
ii) Total[1]	976	3,468	—	—	7,101	11,545	182	—	96	278	3,477	2.22%	
iii) Rest of the World[1]	512	3,371	—	—	164	4,047	171	—	2	173	2,141	1.38%	
Total	24,677	488,087	—	—	38,603	551,367	11,905	—	612	12,517	156,457	100.00%	

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

	31 Dec 2023												
	General credit exposures[2,3]		Relevant credit exposures -Market risk[2]		Securitisation exposures[3]	Total exposure value	Own fund requirements - relevant credit exposures				Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book		Credit risk[2,3]	Market risk[2]	Securitisation positions in the non-trading book[3]	Total			
Breakdown by Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
United Kingdom	20,783	453,426	—	—	30,043	504,252	10,861	—	556	11,417	142,706	93.92%	2.00%
Australia	12	75	—	—	—	87	2	—	—	2	25	0.02%	1.00%
Cyprus	60	—	—	—	—	60	5	—	—	5	59	0.04%	0.50%
Denmark	—	6	—	—	—	6	1	—	—	1	7	0.00%	2.50%
France	254	107	—	—	254	615	23	—	7	30	372	0.25%	0.50%
Germany	771	187	—	—	547	1,505	53	—	5	58	726	0.48%	0.75%
Hong Kong	62	40	—	—	—	102	2	—	—	2	29	0.02%	1.00%
Ireland	76	235	—	—	41	352	20	—	—	20	248	0.16%	1.00%
Luxembourg	16	238	—	—	484	738	13	—	4	17	216	0.14%	0.50%
Netherlands	816	15,420	—	—	196	16,432	218	—	2	220	2,740	1.80%	1.00%
Norway	2	73	—	—	—	75	5	—	—	5	66	0.05%	2.50%
Sweden	—	2	—	—	—	2	—	—	—	—	1	0.00%	2.00%
i) Total[1]	22,852	469,809	—	—	31,565	524,226	11,203	—	574	11,777	147,195	96.88%	
United States of America	900	2,347	—	—	6,512	9,759	129	—	85	214	2,678	1.76%	
ii) Total[1]	900	2,347	—	—	6,512	9,759	129	—	85	214	2,678	1.76%	
iii) Rest of the World[1]	479	3,350	—	—	130	3,959	164	—	1	165	2,070	1.36%	
Total	24,231	475,506	—	—	38,207	537,944	11,496	—	660	12,156	151,943	100.00%	

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

i. those countries for which a countercyclical capital buffer rate has been set and the Group holds applicable exposures.

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

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

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

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

CCyB2: Amount of institution-specific countercyclical capital buffer

		31 Dec 2024	31 Dec 2023
1	Total risk exposure amount	**£186,996m**	£182,560m
2	Institution specific countercyclical capital buffer rate	**1.92%**	1.91%
3	Institution specific countercyclical capital buffer requirement	**£3,582m**	£3,478m

Leverage

LR2: Leverage ratio common disclosure

		31 Dec 2024 £m	31 Dec 2023 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)[1]	**558,824**	564,483
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**2,879**	3,273
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(4,612)**	(4,477)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(11,864)**	(12,060)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**545,227**	551,219
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**522**	779
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**1,797**	1,840
11	Adjusted effective notional amount of written credit derivatives	**—**	24
13	Total derivatives exposures	**2,319**	2,643
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**55,165**	40,432
15	Netted amounts of cash payables and cash receivables of gross SFT assets	**(11,022)**	(7,636)
16	Counterparty credit risk exposure for SFT assets	**1,892**	1,431
18	Total securities financing transaction exposures	**46,035**	34,227
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**130,355**	128,069
20	Adjustments for conversion to credit equivalent amounts	**(99,319)**	(96,355)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	**(187)**	(220)
22	Off-balance sheet exposures	**30,849**	31,494
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**31,305**	31,238
24	Total exposure measure including claims on central banks	**624,430**	619,583
UK-24a	(-) Claims on central banks excluded	**(42,098)**	(57,430)
UK-24b	Total exposure measure excluding claims on central banks	**582,332**	562,153
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.4%**	5.6%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.4%**	5.5%
UK-25c	Leverage ratio including claims on central banks (%)	**5.0%**	5.0%
26	Regulatory minimum leverage ratio requirement (%)	**3.25%**	3.25%
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)[2]	**1.4%**	1.4%
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	**0.7%**	0.7%
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.7%**	0.7%
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets (over the quarter), after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**54,236**	42,232
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**44,143**	32,796
UK-31	Average total exposure measure including claims on central banks	**638,358**	627,191
UK-32	Average total exposure measure excluding claims on central banks	**597,279**	568,917
UK-33	Average leverage ratio including claims on central banks	**4.9%**	5.0%
UK-34	Average leverage ratio excluding claims on central banks	**5.3%**	5.5%

1 Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).
2 The Group's additional leverage ratio buffer (ALRB) is based upon the O-SII Buffer.

Leverage continued

LR1: Summary reconciliation of accounting assets and leverage ratio exposures

		31 Dec 2024 £m	31 Dec 2023 £m
1	Total assets as per published financial statements	**611,213**	605,405
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(988)**	(1,128)
4	Adjustment for exemption of exposures to central banks	**(42,098)**	(57,430)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(558)**	(31)
8	Adjustment for derivative financial instruments	**(3,648)**	(1,737)
9	Adjustment for securities financing transactions (SFTs)	**1,892**	1,431
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**31,036**	31,714
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(12,051)**	(12,280)
12	Other adjustments[2]	**(2,466)**	(3,791)
13	**Total exposure measure**	**582,332**	562,153

1 Gross of specific provisions. The amount net of specific provisions at 31 December 2024 is £30,849 million (31 December 2023: £31,494 million).
2 Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).

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

		31 Dec 2024 £m	31 Dec 2023 £m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**558,824**	564,483
UK-2	**Trading book exposures**	**1**	1
UK-3	**Banking book exposures, of which:**	**558,823**	564,482
UK-4	Covered bonds	**4,334**	4,123
UK-5	Exposures treated as sovereigns	**69,908**	83,848
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**3,769**	3,173
UK-7	Institutions	**5,526**	8,320
UK-8	Secured by mortgages of immovable properties	**343,278**	336,562
UK-9	Retail exposures	**42,481**	39,864
UK-10	Corporates	**42,887**	42,438
UK-11	Exposures in default	**5,590**	5,743
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**41,050**	40,411

LRA: Disclosure of LR qualitative information

Description of the processes used to manage the risk of excessive leverage

Capital is actively managed and regulatory ratios, including leverage, are a key factor in the Group's internal risk appetite assessment, planning processes and stress analyses.

Capital plans include an assessment of leverage requirements over the forecast period, with capital adequacy in respect of both risk based capital and leverage requirements subjected to stress scenarios. Where relevant the scenarios consider the risk of excessive leverage and potential mitigating actions that could be undertaken in response.

The Group monitors its leverage position through a combination of actual and projected ratios, including those under stressed scenarios, ensuring that the ratio exceeds regulatory minimums and internal risk appetite and reports these on a regular basis to a range of committees as well as at the Ring-Fenced Bank's Board and Board Risk Committee.

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

Further details on the process by which the Group manages its capital position in respect of both risk-based capital and leverage requirements is discussed on pages 23 to 28.

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

Further details on the factors that had an impact on the leverage ratio during the period are discussed on page 32.

PILLAR 1 CAPITAL REQUIREMENTS: CREDIT RISK

Divisional credit risk exposures and risk-weighted assets[1]

		31 Dec 2024			31 Dec 2023		
Division	**Risk Weight approach**	**EAD post CRM post CCF**	**Risk-weighted assets**	**Average risk weight**	EAD post CRM post CCF	Risk-weighted assets	Average risk weight
		£m	**£m**	**%**	£m	£m	%
Retail	IRB	**429,046**	**95,242**	**22%**	412,351	89,134	22%
	Standardised	**16,781**	**11,741**	**70%**	16,447	11,426	69%
Commercial Banking	IRB	**61,072**	**33,698**	**55%**	67,419	35,136	52%
	Standardised	**11,987**	**5,283**	**44%**	14,715	5,019	34%
Equity Investments & Central Items	IRB	**7,821**	**3,294**	**42%**	8,845	3,769	43%
	Standardised	**71,926**	**2,356**	**3%**	83,039	2,576	3%
	Total	**598,633**	**151,614**	**25%**	602,816	147,060	24%
	Total IRB	**497,939**	**132,234**	**27%**	488,615	128,039	26%
	Total Standardised	**100,694**	**19,380**	**19%**	114,201	19,021	17%

1 Excludes securitisation.

UK CRA: General qualitative information about credit risk

Definition

Credit Risk is defined as the risk that the parties with whom the Group has contracted fail to meet their financial obligations (both on and off-balance sheet).

Exposures

The principal sources of credit risk within the Group arise from loans and advances, contingent liabilities, commitments and debt securities to customers, financial institutions and sovereigns.

Credit risk arises from

- Loans and advances (for example mortgages, term loans and overdrafts) and commitments or guarantees (for example credit instruments): The Group can experience potential losses from both amounts advanced and commitments to extend credit to a customer or a bank
- Leasing arrangements where the Group is the lessor. Note 2(J) on page 87 of the Lloyds Bank plc Annual Report and Accounts 2024 provides details on the Group's approach to the treatment of leases

Measurement

The process for credit risk identification, measurement and control is integrated into the Board-approved framework for credit risk appetite and governance.

Credit risk is measured from different perspectives using a range of appropriate modelling and scoring techniques at a number of levels of granularity, including total balance sheet, individual portfolio, pertinent concentrations and individual customer – for both new business and existing exposure. Key metrics, which may include but are not limited to, total exposure, ECL, risk-weighted assets, new business quality, concentration risk and portfolio performance, are reported monthly to risk committees and forums.

Measures such as ECL, risk-weighted assets, observed credit performance, predicted credit quality (usually from predictive credit scoring models), collateral cover and quality, and other credit drivers (such as cash flow, affordability, leverage and indebtedness) have been incorporated into the Group's credit risk management practices to enable effective risk measurement across the Group.

The Group is strengthening its ability to manage climate-related risks and opportunities recognising the impact of climate change on credit risk.

Stress testing and scenario analysis are used to estimate impairment losses and capital demand forecasts for both regulatory and internal purposes and to assist in the formulation and calibration of credit risk appetite, where appropriate.

The Risk function also tests the effectiveness of credit risk management and internal credit risk controls. This includes ensuring that the control and monitoring of higher risk and vulnerable portfolios and sectors is appropriate and confirming that appropriate loss allowances for impairment are in place. Output from these reviews helps to inform credit risk appetite, credit policy and portfolio mandates.

As the third line of defence, Group Internal Audit undertakes regular risk-based reviews to assess the effectiveness of credit risk management and controls.

Mitigation

The Group uses a range of approaches to mitigate credit risk.

Prudent credit principles, risk policies and appetite statements: The independent Risk function sets out the credit principles, credit risk policies and credit risk appetite statements.

Robust models and controls: The model risk management framework, established by and with continued oversight from an independent team in the Risk function, provides the foundation for managing and mitigating model risk within the Group. Accountability is cascaded from the Board and senior management via the Group enterprise risk management framework.

Limitations on concentration risk: there are portfolio controls on certain industries, sectors and products to reflect risk appetite as well as individual, customer and bank limit risk tolerances. Credit policies, appetite statements and mandates are aligned to the Group's risk appetite and restrict exposure to higher risk countries and potentially vulnerable sectors and asset classes. Exposures are monitored to prevent both an excessive concentration of risk and single name concentrations. These concentration risk controls are not necessarily in the form of a maximum limit on exposure, but may instead require new business in concentrated sectors to fulfil additional minimum policy and/or guideline requirements. The Group's largest credit limits are regularly monitored by the Board Risk Committee and reported in accordance with regulatory requirements.

Defined country risk management framework: the Group sets a broad maximum country risk appetite. Risk-based appetite for all countries is set within the independent Risk function, taking into account economic, financial, political and social factors as well as the approved business and strategic plans of the Group.

Specialist expertise: credit quality is managed and controlled by a number of specialist units within the business and Risk function, which provide for example: intensive management and control; security perfection; maintenance of customer and facility records; expertise in documentation for lending and associated products; sector-specific expertise; and legal services applicable to the particular market segments and product ranges offered by the Group.

Stress testing: the Group's credit portfolios are subject to regular stress testing, including Group-led PRA and other regulatory stress tests focusing on individual divisions and portfolios.

Frequent and robust credit risk assurance: An independent function within the Risk function provides oversight that credit risk is effectively managed and to ensure appropriate controls are in place and being adhered to. Group Audit conducts assurance on the effectiveness of credit risk management.

Obtaining collateral and other credit transfers - see UK CRC on page 51 for further detail.

Credit risk management function

Centralised functions in the Risk Division:

- Undertake the majority of credit risk sanctioning across the Group;
- Provide robust 2nd Line credit risk oversight practices, identifying and escalating emerging credit risks
- Review and report the performance of the credit portfolio against credit risk appetite metrics.
- Undertake control and monitoring activity to ensure compliance with and effective implementation of credit risk policies;
- Review and reports on the credit risk profile of the credit risk portfolios;
- Develop the sustainability risk appetite response for credit risk;
- Ensure that appropriate mitigating actions are in place where unacceptable credit risk is identified;
- Support sustainable growth opportunities within agreed risk appetite;
- Provide reporting, model governance and capital stress testing and impairment methodology tools.

Relationships between credit risk management, risk control, compliance and internal audit functions

The Group operates a 'three lines of defence' model. Further detail can be found in UK OVA on page 19.

UK CRB: Additional disclosure related to the credit quality of assets

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and regulatory purposes

On 1 January 2022, as part of changes to new CRD IV regulations applicable to internal ratings based (IRB) models, the Group amended its definition of default for UK mortgages which aligned accounting and regulatory definitions of default. For UK mortgages, regulatory default was previously deemed to have occurred no later than when a payment was 180 days past due. In line with CRD IV, this definition was reduced to 90 days, as well as including end-of-term payments on past due interest-only accounts and any non performing loans. As such, all exposures greater than 90 days past due are now considered impaired and in default for both accounting and regulatory purposes.

The change in definition of default was one element of a wider range of CRD IV changes for modelled outputs. The Group's models to meet these new requirements remain subject to further development and final approval by the PRA. As a result the Group has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the new modelling requirements. Regulatory IRB figures for Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) in these disclosures are based on existing (pre-CRD IV) models. For EAD disclosures this includes the reporting of defaulted exposures on a 180 days past due basis.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

As noted above, all exposures greater than 90 days past due are considered impaired.

Methods used for determining general and specific credit risk adjustments.

All expected credit losses are calculated in line with IFRS 9 (Financial Instruments). All expected credit losses are allocated against individual exposures and so all are considered as specific credit risk adjustments. The Group does not recognise any general credit risk adjustments.

The institution's own definition of a restructured exposure (CRR Articles 178(3)(d) and 47b)

Following the change in definition of default recognised by the Group on 1 January 2022, the Group's definition of a restructured exposure aligns to Article 178(3)(d) and Article 47b.

Credit risk

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

CR1: Performing and non-performing exposures and related provisions

		31 Dec 2024														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**39,550**	**39,550**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**489,399**	**439,903**	**43,981**	**9,615**	**683**	**6,707**	**(1,845)**	**(729)**	**(1,106)**	**(1,339)**	**(54)**	**(1,108)**	**(358)**	**369,436**	**6,949**
020	Central banks	**1,751**	**1,751**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
030	General governments	**1,053**	**1,032**	**7**	**—**	**—**	**—**	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**868**	**—**
040	Credit institutions	**12,796**	**12,796**	**—**	**6**	**6**	**—**	**(1)**	**(1)**	**—**	**—**	**—**	**—**	**—**	**31**	**—**
050	Other financial corporations	**50,652**	**49,309**	**131**	**31**	**2**	**30**	**(12)**	**(6)**	**(6)**	**(19)**	**—**	**(19)**	**—**	**178**	**2**
060	Non-financial corporations	**60,140**	**55,271**	**4,746**	**1,994**	**178**	**1,816**	**(455)**	**(199)**	**(257)**	**(409)**	**—**	**(409)**	**(358)**	**33,211**	**690**
070	Of which SMEs	**26,996**	**24,376**	**2,620**	**1,202**	**178**	**1,025**	**(180)**	**(65)**	**(115)**	**(108)**	**—**	**(108)**	**—**	**16,936**	**491**
080	Households	**363,007**	**319,744**	**39,097**	**7,584**	**497**	**4,861**	**(1,376)**	**(523)**	**(843)**	**(911)**	**(54)**	**(680)**	**—**	**335,148**	**6,257**
090	**Debt securities**	**41,796**	**41,793**	**—**	**1**	**—**	**1**	**(6)**	**(6)**	**—**	**(1)**	**—**	**(1)**	**—**	**—**	**—**
100	Central banks	**65**	**65**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
110	General governments	**23,432**	**23,432**	**—**	**—**	**—**	**—**	**(1)**	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
120	Credit institutions	**8,738**	**8,738**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
130	Other financial corporations	**9,511**	**9,508**	**—**	**—**	**—**	**—**	**(5)**	**(5)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
140	Non-financial corporations	**50**	**50**	**—**	**1**	**—**	**1**	**—**	**—**	**—**	**(1)**	**—**	**(1)**	**—**	**—**	**—**
150	**Off-balance-sheet exposures**	**129,827**	**125,492**	**4,297**	**304**	**208**	**96**	**(258)**	**(139)**	**(119)**	**(8)**	**(6)**	**(2)**		**3,544**	**23**
170	General governments	**513**	**513**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**		**139**	**—**
180	Credit institutions	**25**	**25**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**		**—**	**—**
190	Other financial corporations	**10,650**	**10,593**	**57**	**11**	**11**	**—**	**(4)**	**(3)**	**(1)**	**—**	**—**	**—**		**212**	**—**
200	Non-financial corporations	**35,619**	**34,097**	**1,522**	**78**	**53**	**25**	**(97)**	**(47)**	**(50)**	**(2)**	**—**	**(2)**		**3,193**	**23**
210	Households	**83,020**	**80,264**	**2,718**	**215**	**144**	**71**	**(157)**	**(89)**	**(68)**	**(6)**	**(6)**	**—**		**—**	**—**
220	**Total**	**700,572**	**646,738**	**48,278**	**9,920**	**891**	**6,804**	**(2,109)**	**(874)**	**(1,225)**	**(1,348)**	**(60)**	**(1,111)**	**(358)**	**372,980**	**6,972**

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

		31 Dec 2023														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	55,424	55,424	–	–	–	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	470,670	412,397	52,189	10,753	788	7,128	(2,316)	(892)	(1,406)	(1,384)	(57)	(1,133)	(358)	361,754	7,882
020	Central banks	1,421	1,421	–	–	–	–	–	–	–	–	–	–	–	–	–
030	General governments	1,082	1,061	6	–	–	–	(1)	–	(1)	–	–	–	–	1,032	–
040	Credit institutions	15,178	15,178	–	5	5	–	(6)	(6)	–	–	–	–	–	–	–
050	Other financial corporations	38,610	37,670	139	44	2	43	(22)	(14)	(8)	(18)	–	(18)	–	288	3
060	Non-financial corporations	61,985	54,501	7,409	2,281	239	2,042	(569)	(210)	(359)	(414)	–	(414)	(358)	35,417	851
070	Of which SMEs	29,938	26,005	3,933	1,420	65	1,355	(212)	(74)	(138)	(122)	–	(122)	–	20,617	652
080	Households	352,394	302,566	44,635	8,423	542	5,043	(1,718)	(662)	(1,038)	(952)	(57)	(701)	–	325,017	7,028
090	Debt securities	39,436	39,436	–	1	–	1	(13)	(13)	–	(1)	–	(1)	–	–	–
110	General governments	18,287	18,287	–	–	–	–	(4)	(4)	–	–	–	–	–	–	–
120	Credit institutions	9,836	9,836	–	–	–	–	(1)	(1)	–	–	–	–	–	–	–
130	Other financial corporations	11,269	11,269	–	–	–	–	(8)	(8)	–	–	–	–	–	–	–
140	Non-financial corporations	44	44	–	1	–	1	–	–	–	(1)	–	(1)	–	–	–
150	Off-balance-sheet exposures	123,824	118,056	5,710	383	239	144	(306)	(153)	(153)	(8)	(6)	(2)		5,620	40
170	General governments	480	480	–	–	–	–	–	–	–	–	–	–		175	–
180	Credit institutions	348	348	–	–	–	–	–	–	–	–	–	–		–	–
190	Other financial corporations	9,346	9,101	245	11	11	–	(7)	(3)	(4)	–	–	–		98	–
200	Non-financial corporations	35,795	33,443	2,351	148	84	64	(127)	(56)	(72)	(2)	–	(2)		5,347	40
210	Households	77,855	74,684	3,114	224	144	80	(172)	(94)	(77)	(6)	(6)	–		–	–
220	Total	689,354	625,313	57,899	11,137	1,027	7,273	(2,635)	(1,058)	(1,559)	(1,393)	(63)	(1,136)	(358)	367,374	7,922

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

Credit risk continued

CR1-A: Maturity of exposures

		31 Dec 2024					
		Net exposure value					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
1	Loans and advances	21,227	60,895	82,368	331,155	184	495,829
2	Debt securities	—	2,844	20,218	18,728	—	41,790
3	**Total**	**21,227**	**63,739**	**102,586**	**349,883**	**184**	**537,619**
		31 Dec 2023					
		£m	£m	£m	£m	£m	£m
1	Loans and advances	22,346	54,863	76,909	323,430	176	477,724
2	Debt securities	—	2,822	18,751	17,849	—	39,422
3	Total	22,346	57,685	95,660	341,279	176	517,146

CR2: Changes in the stock of non-performing loans and advances

		Gross carrying amount
		£m
010	Initial stock of non-performing loans and advances at 31 December 2023	10,753
020	Inflows to non-performing portfolios	3,898
030	Outflows from non-performing portfolios	(5,036)
040	Outflows due to write-offs	(1,228)
050	Outflow due to other situations	(3,808)
060	**Final stock of non-performing loans and advances at 31 December 2024**	**9,615**

Credit risk continued

CQ1: Credit quality of forborne exposures

		31 Dec 2024							
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	£m	£m	£m	£m	£m	£m
010	**Loans and advances**	1,318	4,527	4,217	4,216	(30)	(719)	3,528	2,607
040	Credit institutions	—	6	—	—	—	—	—	—
050	Other financial corporations	11	30	29	29	—	(19)	2	1
060	Non-financial corporations	348	1,790	1,716	1,716	(4)	(388)	621	504
070	Households	959	2,701	2,472	2,471	(26)	(312)	2,905	2,102
80	**Debt Securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
90	**Loan commitments given**	**152**	**180**	**73**	**73**	**(3)**	**(5)**	**—**	**—**
100	**Total**	**1,470**	**4,707**	**4,290**	**4,289**	**(33)**	**(724)**	**3,528**	**2,607**

		31 Dec 2023							
		£m	£m	£m	£m	£m	£m	£m	£m
010	Loans and advances	1,515	4,843	4,544	4,544	(39)	(723)	3,913	2,752
040	Credit institutions	—	5	—	—	—	—	—	—
050	Other financial corporations	28	42	42	42	—	(18)	3	1
060	Non-financial corporations	316	1,961	1,863	1,863	(2)	(393)	680	527
070	Households	1,171	2,835	2,639	2,639	(37)	(312)	3,230	2,224
080	Debt Securities	—	—	—	—	—	—	—	—
090	Loan commitments given	147	208	82	82	(3)	(5)	—	—
100	Total	1,662	5,051	4,626	4,626	(42)	(728)	3,913	2,752

Credit risk continued

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

		31 Dec 2024											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**39,550**	**39,550**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**489,399**	**488,022**	**1,377**	**9,615**	**3,517**	**1,651**	**1,548**	**1,732**	**843**	**177**	**147**	**8,876**
020	Central banks	1,751	1,751	—	—	—	—	—	—	—	—	—	—
030	General governments	1,053	1,053	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	12,796	12,796	—	6	—	5	—	—	—	1	—	—
050	Other financial corporations	50,652	50,652	—	31	2	1	22	2	2	2	—	29
060	Non-financial corporations	60,140	60,070	70	1,994	396	377	408	552	151	86	24	1,817
070	Of which SMEs	26,996	26,932	64	1,202	321	229	224	302	79	36	11	1,025
080	Households	363,007	361,700	1,307	7,584	3,119	1,268	1,118	1,178	690	88	123	7,030
090	**Debt securities**	**41,796**	**41,796**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
100	Central banks	65	65	—	—	—	—	—	—	—	—	—	—
110	General governments	23,432	23,432	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	8,738	8,738	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	9,511	9,511	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	50	50	—	1	—	—	—	—	—	—	1	1
150	**Off-balance-sheet exposures**	**129,827**			**304**								**96**
170	General governments	513			—								—
180	Credit institutions	25			—								—
190	Other financial corporations	10,650			11								—
200	Non-financial corporations	35,619			78								25
210	Households	83,020			215								71
220	**Total**	**700,572**	**569,368**	**1,377**	**9,920**	**3,517**	**1,651**	**1,548**	**1,732**	**843**	**177**	**148**	**8,973**

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

		31 Dec 2023											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	55,424	55,424	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	470,670	468,915	1,755	10,753	4,281	2,302	1,925	1,069	844	158	174	9,901
020	Central banks	1,421	1,421	—	—	—	—	—	—	—	—	—	—
030	General governments	1,082	1,082	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	15,178	15,178	—	5	—	1	2	1	1	—	—	—
050	Other financial corporations	38,610	38,609	1	44	1	9	8	17	5	3	1	43
060	Non-financial corporations	61,985	61,777	208	2,281	606	532	475	281	267	69	51	2,042
070	Of which SMEs	29,938	29,822	116	1,420	505	331	229	146	139	41	29	1,355
080	Households	352,394	350,848	1,546	8,423	3,674	1,760	1,440	770	571	86	122	7,816
090	Debt securities	39,436	39,436	—	1	—	—	—	—	—	—	1	1
110	General governments	18,287	18,287	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	9,836	9,836	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	11,269	11,269	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	44	44	—	1	—	—	—	—	—	—	1	1
150	Off-balance-sheet exposures	123,824			383								136
170	General governments	480			—								—
180	Credit institutions	348			—								—
190	Other financial corporations	9,346			11								—
200	Non-financial corporations	35,795			148								56
210	Households	77,855			224								80
220	Total	689,354	563,775	1,755	11,137	4,281	2,302	1,925	1,069	844	158	175	10,038

Credit risk continued

CQ4: Quality of non-performing exposures by geography

		31 Dec 2024				
		Gross carrying/nominal amount				
		Total performing and non-performing	Of which defaulted	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m
010	**On-balance-sheet exposures**	**540,811**	**8,877**	**(3,191)**		**—**
030	Netherlands	**17,246**	**16**	**(22)**		**—**
040	United Kingdom	**476,266**	**8,749**	**(3,065)**		**—**
050	United States	**14,421**	**—**	**(17)**		**—**
070	Other countries	**32,878**	**112**	**(87)**		**—**
080	**Off-balance-sheet exposures**	**130,131**	**96**		**(266)**	
100	Netherlands	**1,937**	**16**		**(2)**	
110	United Kingdom	**119,594**	**79**		**(249)**	
120	United States	**4,946**	**—**		**(8)**	
140	Other countries	**3,654**	**1**		**(7)**	
150	**Total**	**670,942**	**8,973**	**(3,191)**	**(266)**	**—**

		31 Dec 2023				
		£m	£m	£m	£m	£m
010	On-balance-sheet exposures	520,860	9,902	(3,713)		—
030	Netherlands	15,386	16	(23)		—
040	United Kingdom	464,520	9,768	(3,566)		—
050	United States	9,776	—	(23)		—
070	Other countries	31,178	118	(101)		—
080	Off-balance-sheet exposures	124,207	136		(314)	
100	Netherlands	1,634	15		(4)	
110	United Kingdom	115,692	119		(292)	
120	United States	3,762	—		(11)	
140	Other countries	3,119	2		(7)	
150	Total	645,067	10,038	(3,713)	(314)	—

Credit risk continued

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

		31 Dec 2024			
		Gross carrying amount			
			Of which defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	**6,423**	**298**	**(56)**	**—**
020	Mining and quarrying	**205**	**1**	**(2)**	**—**
030	Manufacturing	**4,336**	**91**	**(47)**	**—**
040	Electricity, gas, steam and air conditioning supply	**4,183**	**78**	**(25)**	**—**
050	Water supply	**508**	**2**	**(13)**	**—**
060	Construction	**3,411**	**258**	**(170)**	**—**
070	Wholesale and retail trade	**6,493**	**233**	**(100)**	**—**
080	Transport and storage	**1,969**	**32**	**(22)**	**—**
090	Accommodation and food service activities	**2,002**	**114**	**(44)**	**—**
100	Information and communication	**3,081**	**75**	**(20)**	**—**
110	Financial and insurance activities				
120	Real estate activities	**18,921**	**327**	**(216)**	**—**
130	Professional, scientific and technical activities	**2,498**	**102**	**(42)**	**—**
140	Administrative and support service activities	**2,547**	**52**	**(23)**	**—**
150	Public administration and defence, compulsory social security	**18**	**—**	**—**	**—**
160	Education	**1,106**	**10**	**(14)**	**—**
170	Human health services and social work activities	**3,309**	**92**	**(49)**	**—**
180	Arts, entertainment and recreation	**351**	**22**	**(9)**	**—**
190	Other services	**773**	**30**	**(12)**	**—**
200	**Total**	**62,134**	**1,817**	**(864)**	**—**

		31 Dec 2023			
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	7,142	323	(78)	—
020	Mining and quarrying	356	3	(10)	—
030	Manufacturing	4,485	132	(76)	—
040	Electricity, gas, steam and air conditioning supply	2,939	—	(14)	—
050	Water supply	775	3	(4)	—
060	Construction	3,837	463	(206)	—
070	Wholesale and retail trade	6,973	196	(96)	—
080	Transport and storage	2,294	51	(32)	—
090	Accommodation and food service activities	2,033	191	(39)	—
100	Information and communication	2,433	69	(33)	—
110	Financial and insurance activities				
120	Real estate activities	20,328	280	(243)	—
130	Professional, scientific and technical activities	2,317	75	(37)	—
140	Administrative and support service activities	2,547	55	(27)	—
150	Public administration and defence, compulsory social security	19	—	—	—
160	Education	1,108	37	(13)	—
170	Human health services and social work activities	3,294	107	(50)	—
180	Arts, entertainment and recreation	513	32	(12)	—
190	Other services	873	25	(13)	—
200	Total	64,266	2,042	(983)	—

UK CRC: Qualitative disclosure requirements related to CRM techniques

Collateral

The principal types of acceptable collateral include: residential and commercial properties; charges over business assets such as inventory and accounts receivable; financial instruments such as debt securities; vehicles; cash; and guarantees received from third parties.

The Group maintains appetite parameters on the acceptability of specific classes of collateral.

For non-mortgage retail lending to small businesses, collateral may include second charges over residential property and the assignment of life cover.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury and other bills, are generally unsecured, with the exception of asset-backed securities and similar instruments such as covered bonds, which are secured by portfolios of financial assets. Collateral is generally not held against loans and advances to financial institutions and debt securities. Debt securities are classified as financial assets held at amortised cost.

Collateral requirements at origination depend on the transaction's nature and the borrower's credit quality, size and structure. For non-retail exposures, the Group may seek:

- A first charge over land and buildings owned and occupied by the business
- A debenture over the assets of a company or limited liability partnerships
- Limited personal guarantees from directors of a company or limited liability partnership
- Key man insurance

The Group has policies on acceptable collateral valuations, maximum loan-to-value (LTV) ratios, and other criteria for application reviews. The customer must demonstrate its ability to generate funds from normal operations to repay a customer or counterparty's financial commitments, rather than relying on the disposal of collateral.

The Group requires collateral to be valued by a qualified, independent source at the time of borrowing. For retail residential mortgages, automated valuation models may be used, subject to accuracy and LTV limits. Third party valuations are regularly monitored and reviewed. Collateral values are reviewed based on lending type, collateral and account performance to ensure they remain appropriate. If collateral value declines, the Group may seek additional collateral or amend facility terms. The Group adjusts estimated market values to take account of the costs of realisation and any discount associated with the realisation of the collateral when estimating credit losses. In some circumstances, where the discounted value of the estimated net proceeds from the liquidation of collateral (i.e. net of costs, expected haircuts and anticipated changes in the value of the collateral to the point of sale) is greater than the estimated exposure at default, no credit losses are expected and no ECL allowance is recognised.

The Group considers risk concentrations by collateral providers and collateral type with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed by changes to strategy, policy and/or business plans.

Application of Credit Risk Mitigation

Where collateral is held, the eligible collateral for loans and advances and contingent liabilities is classified as either financial collateral or other collateral, as outlined below:

Eligible financial collateral

- Eligible financial collateral includes cash on deposit with the bank, gold, rated debt securities (subject to certain restrictions), equities or convertible bonds included in a main index and units in certain collective investment undertakings or mutual funds.
- The Group predominantly applies financial collateral to its corporate (IRB and Standardised) and institutions (IRB) exposures.

Other eligible collateral

- Real estate collateral includes charges over residential and commercial properties, for example, for the Group's mainstream mortgages.
- Other eligible collateral includes short term financial receivables, credit insurance, life policies and other physical collateral for example, vehicles, providing the criteria for eligibility are met.
- The Group largely applies other eligible collateral to the IRB corporate main, corporate SME and retail asset classes.

The Group also undertakes asset sales, credit derivative based transactions, securitisations (including Significant Risk Transfer transactions), purchases of credit default swaps and purchase of credit insurance as a means of mitigating or reducing credit risk and/or risk concentration, taking into account the nature of assets and the prevailing market conditions.

- Credit derivatives are a method of transferring credit risk from one counterparty (the protection buyer) to another (the protection seller). Capital relief under regulatory requirements is restricted to the following types of credit derivative: credit default swaps (CDS); total return swaps; and credit linked notes (CLN) (to the extent of their cash funding).
- The Group makes limited use of credit derivatives as credit risk mitigation from a capital perspective.

Guarantees

- In addition, guarantees from eligible protection providers including governments, institutions and corporates, can also provide regulatory capital relief, although there are minimum operational and legal requirements which must be met before reflecting the risk mitigating effect. On the basis that these requirements are met, alternative forms of protection, for example indemnities, may be classified as a guarantee for regulatory capital purposes. Export Credit agencies can provide risk mitigation in the form of a guarantee (typically up to 85% – 95% of a contract value) providing cover and guarantee of payment in relation to commercial and political risk.
- Regulatory capital relief is taken for guarantees provided by appropriate governments, institutions or corporates, as well as for collateralised guarantees from corporates where available. This includes COVID-19 government lending schemes.

UK CRC: Qualitative disclosure requirements related to CRM techniques continued

The Group's application of different types of credit risk mitigation from a regulatory capital perspective is outlined below:

	Standardised		IRB		
	EAD	Other	EAD	LGD	PD
Eligible financial collateral					
trading book	✓		✓		
non-trading book	✓			✓	
Other eligible collateral					
real estate collateral[1]		✓		✓	✓
other physical collateral				✓	✓
credit insurance[2]		✓			✓
receivables	✓			✓	
life policies	✓			✓	
Credit derivatives[2]		✓			✓
Collateralised guarantees		✓		✓	
Non collateralised guarantees[2]		✓			✓

1 Real estate collateral determines the exposure class under the Standardised Approach as explained below.
2 As per application under the Substitution Approach, as explained below.

Application under the Standardised Approach

Where a credit risk exposure subject to the Standardised Approach is covered by a form of eligible financial collateral the EAD value is adjusted accordingly under the Financial Collateral Comprehensive Method (FCCM) applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

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

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

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

Application under the IRB Approach

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

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

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

Under the Retail IRB Approach, own estimates of LGD are used, taking into account eligible collateral, including real estate collateral or other physical collateral, among other factors. As well as impacting LGD, real estate collateral may also influence a counterparty's PD under the Retail IRB approach in certain cases, for example, for residential mortgages.

Application between the IRB and Standardised Approaches

Under the Substitution Effect a non-collateralised guarantee could also result in an exposure moving between regulatory approaches, i.e. SA to IRB or IRB to SA. This occurs where the original obligor and the protection provider would be reported under different approaches due to their specific characteristics. This is most notable for COVID-19 government lending schemes where the UK government (as protection provider) is reported as a Standardised obligor whilst the majority of the original obligors are reported under the FIRB or RIRB approaches, though it can also occur for other government, corporate or institutional guarantees (including centrally cleared credit default swap protection). When this situation arises the covered exposure, after taking account of the specific exposure covered by the protection and application of 'haircuts' for any currency and / or maturity mismatches, is substituted from its original approach/exposure class into the approach/exposure class of the protection provider. Where this results in the exposure moving to the Standardised approach the risk weight is then based on the exposure class of the protection provider. If it results in the exposure moving into the IRB approach the RWA is based on the PD of the protection provider. Such substitution is only undertaken if the resultant position benefits from a lower capital requirement than was originally required.

Within Pillar 3 reporting this is evident as the Gross Exposure (or On and Off Balance Sheet Exposure pre CCF and CRM) shown in a particular table will include the exposure against the original obligor's exposure class as this is usually presented pre-CRM. The EAD for that asset class will not include that same exposure as it is shown post-CRM and therefore reflects that the exposure has substituted into the exposure class of the protection provider. EAD can therefore be higher or lower than the pre-CRM Gross Exposure as a result of this substitution effect.

Credit risk continued

CR3: CRM techniques – Overview

	31 Dec 2024				
	Unsecured carrying amount	**Secured carrying amount**	**Of which secured by collateral**	**Of which secured by financial guarantees**	**Of which secured by credit derivatives**
	£m	**£m**	**£m**	**£m**	**£m**
Loans and advances	**119,445**	**376,385**	**370,713**	**5,672**	**—**
Debt securities	**41,790**	**—**	**—**	**—**	
Total	**161,235**	**376,385**	**370,713**	**5,672**	**—**
Of which non-performing exposures	**1,327**	**6,949**	**6,710**	**239**	**—**
Of which defaulted	**914**	**6,623**			

	31 Dec 2023				
	£m	£m	£m	£m	£m
Loans and advances	108,087	369,636	363,022	6,614	12
Debt securities	39,423	—	—	—	
Total	147,510	369,636	363,022	6,614	12
Of which non-performing exposures	1,488	7,882	7,485	396	—
Of which defaulted	1,011	7,506			

Credit risk exposures

The table below gives an overview of credit risk exposure at default and risk-weighted assets.The amounts include threshold risk-weighted assets and related exposures and exclude securitisation exposures and risk-weighted assets.

	31 Dec 2024			31 Dec 2023		
	EAD post CRM and post CCF	**Risk-weighted assets**	**Average risk weight**	EAD post CRM and post CCF	Risk-weighted assets	Average risk weight
Exposure classes	**£m**	**£m**	**%**	£m	£m	%
Central governments or central banks	**1,451**	**74**	**5.1%**	1,726	129	7.5%
Institutions	**9,432**	**1,582**	**16.8%**	12,396	2,107	17.0%
Corporates	**53,805**	**33,703**	**62.6%**	56,550	34,241	60.5%
of which: Specialised lending	**13,110**	**8,841**	**67.4%**	12,182	8,472	69.5%
of which: SMEs	**7,002**	**4,681**	**66.9%**	6,508	4,230	65.0%
Retail	**423,296**	**90,548**	**21.4%**	408,629	85,436	20.9%
Secured by real estate property	**361,800**	**62,455**	**17.3%**	350,093	58,723	16.8%
SMEs	**3,083**	**685**	**22.2%**	4,051	915	22.6%
Non-SMEs	**358,717**	**61,770**	**17.2%**	346,042	57,808	16.7%
Qualifying revolving	**41,117**	**13,434**	**32.7%**	39,427	13,087	33.2%
Other retail	**20,379**	**14,659**	**71.9%**	19,109	13,625	71.3%
SMEs	**1,398**	**1,019**	**72.9%**	1,477	1,171	79.2%
Non-SMEs	**18,981**	**13,640**	**71.9%**	17,631	12,455	70.6%
Non-credit obligation assets	**9,956**	**6,327**	**63.5%**	9,314	6,126	65.8%
Total IRB approach	**497,939**	**132,234**	**26.6%**	488,615	128,039	26.2%
Central governments or central banks	**62,656**	**1,211**	**1.9%**	79,342	1,424	1.8%
Regional governments or local authorities	**679**	**15**	**2.2%**	647	32	4.9%
Public sector entities	**3,090**	**—**	**—**	2,526	—	—
Multilateral development banks	**8,159**	**—**	**—**	6,502	—	—
International organisations	**652**	**—**	**—**	500	—	—
Institutions	**808**	**307**	**38.0%**	500	142	28.5%
Corporates	**6,422**	**5,357**	**83.4%**	5,955	4,955	83.2%
of which: SMEs	**2,730**	**2,180**	**79.9%**	2,451	1,967	80.3%
Retail	**11,648**	**8,425**	**72.3%**	11,151	8,200	73.5%
of which: SMEs	**1,681**	**947**	**56.3%**	918	525	57.2%
Secured by mortgages on immovable property	**3,352**	**1,283**	**38.3%**	3,702	1,397	37.7%
of which: SMEs	**266**	**203**	**76.3%**	258	192	74.3%
Exposures in default	**586**	**718**	**122.4%**	685	817	119.3%
Claims on institutions and corporates with a short- term credit assessment	**80**	**40**	**50.0%**	188	94	50.0%
Other exposures	**2,559**	**2,024**	**79.1%**	2,505	1,961	78.3%
Total standardised approach	**100,693**	**19,380**	**19.2%**	114,201	19,022	16.7%
Total	**598,632**	**151,614**	**25.3%**	602,816	147,061	24.4%

Overall IRB average risk weight has increased primarily due to continued CRD IV increases reflected in the higher Secured by real estate property risk weight. The increase in IRB Corporates average risk weight is largely driven by the removal of an exposure to an individually large customer with a zero LGD and risk weight. Excluding this, the underlying risk weight for Corporates has marginally reduced.

Overall Standardised average risk weight has increased driven primarily by the lower exposure in central governments or central banks.

Credit risk continued

UK CRD: Qualitative disclosure requirements related to standardised model

The Group uses ratings published by Standard & Poor's, Moody's and Fitch ('ECAIs') to determine risk-weights for rated counterparties under the standardised approach. The Group complies with the standard association of these ECAI ratings to the credit quality steps published by the regulator.

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

		31 Dec 2024					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density[1]	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density
	Exposure classes	£m	£m	£m	£m	£m	%
1	Central governments or central banks	**57,753**	**575**	**62,112**	**544**	**1,211**	**2%**
2	Regional government or local authorities	**679**	**—**	**679**	**—**	**15**	**2%**
3	Public sector entities	**3,090**	**—**	**3,090**	**—**	**—**	**—**
4	Multilateral development banks	**8,159**	**—**	**8,159**	**—**	**—**	**—**
5	International organisations	**652**	**—**	**652**	**—**	**—**	**—**
6	Institutions	**549**	**510**	**559**	**249**	**307**	**38%**
7	Corporates	**5,154**	**4,891**	**4,770**	**1,652**	**5,357**	**83%**
8	Retail	**11,831**	**20,437**	**11,566**	**82**	**8,425**	**72%**
9	Secured by mortgages on immovable property	**3,338**	**65**	**3,337**	**15**	**1,283**	**38%**
10	Exposures in default	**613**	**35**	**577**	**9**	**718**	**122%**
13	Institutions and corporates with a short-term credit assessment	**—**	**—**	**80**	**—**	**40**	**50%**
16	Other items	**2,559**	**—**	**2,559**	**—**	**2,024**	**79%**
17	**Total**	**94,378**	**26,513**	**98,141**	**2,551**	**19,380**	**19%**

		31 Dec 2023					
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	72,743	277	78,910	432	1,424	2%
2	Regional government or local authorities	647	—	647	—	32	5%
3	Public sector entities	2,526	—	2,526	—	—	—
4	Multilateral development banks	6,502	—	6,502	—	—	—
5	International organisations	500	—	500	—	—	—
6	Institutions	219	381	159	341	142	28%
7	Corporates	4,821	4,783	4,536	1,419	4,954	83%
8	Retail	11,498	22,059	11,075	76	8,200	74%
9	Secured by mortgages on immovable property	3,694	40	3,694	8	1,397	38%
10	Exposures in default	726	23	676	9	817	119%
13	Institutions and corporates with a short-term credit assessment	74	—	74	114	94	50%
16	Other items	2,505	—	2,505	—	1,961	78%
17	Total	106,455	27,563	111,803	2,398	19,021	17%

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

Credit risk continued

CR5: Standardised approach – exposures by asset classes and risk weights (post CCF and post CRM)

		31 Dec 2024																
		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
	Exposure classes	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	**62,172**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**484**	**—**	**—**	**—**	**62,656**	**—**
2	Regional government or local authorities	**606**	**—**	**—**	**—**	**74**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**679**	**—**
3	Public sector entities	**3,090**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,090**	**—**
4	Multilateral development banks	**8,159**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8,159**	**—**
5	International organisations	**652**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**652**	**—**
6	Institutions	**—**	**—**	**76**	**—**	**254**	**—**	**449**	**—**	**—**	**29**	**—**	**—**	**—**	**—**	**—**	**808**	**29**
7	Corporates	**—**	**—**	**—**	**—**	**20**	**—**	**1,043**	**—**	**—**	**5,339**	**19**	**—**	**—**	**1**	**—**	**6,422**	**5,191**
8	Retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**11,648**	**—**	**—**	**—**	**—**	**—**	**—**	**11,648**	**11,648**
9	Exposures secured by mortgages on immovable property	**—**	**—**	**—**	**—**	**—**	**3,097**	**—**	**—**	**33**	**222**	**—**	**—**	**—**	**—**	**—**	**3,352**	**3,352**
10	Exposures in default	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**323**	**263**	**—**	**—**	**—**	**—**	**586**	**586**
13	Exposures to institutions and corporates with a short-term credit assessment	**—**	**—**	**—**	**—**	**—**	**—**	**80**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**80**	**—**
16	Other items	**201**	**—**	**—**	**—**	**418**	**—**	**—**	**—**	**—**	**1,940**	**—**	**—**	**—**	**—**	**—**	**2,559**	**2,559**
17	**Total**	**74,879**	**—**	**76**	**—**	**766**	**3,097**	**1,572**	**—**	**11,682**	**7,853**	**282**	**484**	**—**	**1**	**—**	**100,693**	**23,365**
		31 Dec 2023																
1	Central governments or central banks	78,772	—	—	—	—	—	—	—	—	—	—	570	—	—	—	79,342	—
2	Regional government or local authorities	487	—	—	—	160	—	—	—	—	—	—	—	—	—	—	646	—
3	Public sector entities	2,526	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,526	—
4	Multilateral development banks	6,502	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,502	—
5	International organisations	500	—	—	—	—	—	—	—	—	—	—	—	—	—	—	500	—
6	Institutions	—	—	196	—	79	—	208	—	—	16	—	—	—	—	—	499	21
7	Corporates	—	—	—	—	14	—	1,024	—	—	4,903	14	—	—	—	—	5,955	4,812
8	Retail exposures	—	—	—	—	—	—	—	—	11,151	—	—	—	—	—	—	11,151	11,151
9	Exposures secured by mortgages on immovable property	—	—	—	—	—	3,461	—	—	38	203	—	—	—	—	—	3,702	3,702
10	Exposures in default	—	—	—	—	—	—	—	—	—	421	264	—	—	—	—	685	685
13	Exposures to institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	188	—	—	—	—	—	—	—	—	188	—
16	Other items	29	—	—	—	644	—	—	—	—	1,832	—	—	—	—	—	2,505	2,505
17	Total	88,816	—	196	—	897	3,461	1,420	—	11,189	7,375	278	570	—	—	—	114,201	22,876

1. 'Of which unrated' for Dec-23 has been restated

CRE: Qualitative Disclosure Requirements related to IRB Approach

Scope of IRB permission and disclosure of the internal rating systems by exposure class

Distribution of exposures by approach

To illustrate the degree to which Capital models are used within the group, the following table shows the EAD split between RIRB, FIRB, Other IRB (including supervisory slotting) and Standardised (not modelled) approaches across the different exposure classes. Securitisation exposure values are excluded. Exposures presented in the table below are in line with tables CR4 and CR6, and are on a post CRM and post CCF basis and include off-balance sheet exposures.

	RIRB	FIRB	Other IRB	Standardised
Exposure Class[1]	**£m**	**£m**	**£m**	**£m**
Central governments or central banks	—	1,451	—	62,656
Regional governments or local authorities	—	—	—	679
Public sector entities	—	—	—	3,090
Multilateral development banks	—	—	—	8,159
International organisations	—	—	—	652
Institutions	—	9,432	—	808
Corporates[2]	—	40,695	13,110	6,422
Retail – Secured by property	361,800	—	—	3,352
Retail – Qualifying revolving	41,117	—	—	11,648
Retail – Other	20,379	—	—	
Other[3]	—	—	9,956	3,226
Total Exposure	**423,296**	**51,578**	**23,066**	**100,692**
% coverage	**71%**	**9%**	**4%**	**17%**

1. Includes threshold exposures.
2. Corporate 'Other IRB' exposures represent exposures risk-weighted under the Supervisory Slotting Approach.
3. Other exposures include (i) Other IRB: non-credit obligation assets; (ii) Standardised: exposures in default, international organisations, claims on institutions and corporates with a short-term credit assessment and other exposures.

Scope of the IRB permission

The Group has regulatory approval to use its internal models in the calculation of the majority of its credit risk capital requirements. The Group currently has permission to use both the FIRB Approach (used for corporate exposures, institutions and central governments or central banks) and the RIRB Approach (for retail exposures).

The Group has permanent exemption to use the Standardised Approach for a number of portfolios, including;

– Entities outside UK jurisdiction - Corporate Assets

– Tesco Mortgages (closed portfolio)

– Sub Prime Mortgages

– UK Private Banking

– Certain asset types under UK Motor Finance

A number of other portfolios, currently under the Standardised Approach, are on the IRB Roll-Out plan. Most prominent among these are the following:

– MBNA Unsecured

– BoS Commercial (BDCS)

The Group applies the Supervisory Slotting Approach to certain corporate specialised lending exposures (including the Group's income-producing real estate exposures), hence no models are used. Capital Requirements in relation to securitisation positions are determined under the SEC-IRBA, the SEC-SA and the SEC-ERBA approaches.

Exposures advanced through government loan schemes (BBLS, CBILS, CLBILS and RLS) are reported predominantly under the Standardised Approach. The impact of a guarantee on government lending schemes leads to substitution of exposure primarily from IRB to the Standardised Approach. These exposures are mainly in the Retail SME asset class and substituted to Standardised Central Governments and Central Banks.

Further details on other areas such as the Supervisory Slotting Approach for Corporate Specialised Lending exposures and various approaches for Securitisations can be found in the relevant sections of this document (see CR10 and SEC tables).

Under the Group's IRB permission, the list comprises the rating systems that are significant at a Group level, each having risk-weighted assets in excess of £2.5 billion (as at end September 2024). The IRB models listed are existing (pre CRD IV) models and are the same as those used in the PD back-testing analysis (later in this section). Additionally, since the BoS Netherlands mortgages, Lloyds Buy-to-Let mortgages, and Lloyds Near Prime mortgages rating systems are collectively material, they are also included in the PD back-testing tables despite being individually below the £2.5 billion RWA threshold. The rating systems included in the PD back-testing analysis represent the overwhelming majority of obligors across the bank that are assessed under either the RIRB or FIRB approaches. Other rating systems with risk-weighted assets less than £2.5 billion generally have low volumes of obligors, and their absence from the PD back-testing tables has a low impact.

With one exception, the rating systems listed all use 10 or more years of data in their development / calibration process. The exception is UK Motor Finance (Non-Retail) which uses less than five years of data.

Those rating systems with EAD and LGD components are reported under the Retail IRB approach, the remainder are reported under the Foundation IRB approach.

All RWAs are inclusive of Post Model Adjustments and as at end September 2024.

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

Significant IRB credit risk rating systems: selected features

30 Sep 2024

Rating System	RWAs (£m)	Component Model Type	Exposure Class	IRB Model Segmentation	Model Characteristics
Halifax and Lloyds Bank Mainstream Mortgages [1]	39,626	PD	Retail – Secured by real estate (non-SME)	Separate PD and LGD model calibration for Halifax and Lloyds branded mortgages.	Calibration of the internal mortgage application and behavioural scores. Variable Scalar approach (segmented by origination Loan to Value and Loan to Income) used to determine Regulatory PD.
		EAD			Based predominantly on current balance
		LGD			Estimated by modelling probability of possession given default (key driver: LTV) and loss given repossession (key drivers: LTV and property type).
HBOS Buy-to-Let Mortgages	12,638	PD	Retail – Secured by real estate (non-SME)	Single model	Calibration of the internal mortgage application and behavioural scores. Point in Time plus buffer approach used to determine Regulatory PD.
		EAD			Based predominantly on current balance.
		LGD			Estimated by modelling probability of possession given default (key driver: LTV) and loss given repossession (key drivers: LTV and property type).
HBOS and Lloyds Bank Unsecured Personal Loans [1]	8,418	PD	Retail - Other (non-SME)	Separate PD and LGD model calibration for Halifax and Lloyds branded Loans.	Calibration of the application and customer scores. Point in Time plus buffer approach used to determine Regulatory PD.
		EAD			Based predominantly on current balance.
		LGD			Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status and exposure at default).
Unquoted	9,583	PD	Corporate Other, Corporate SME	Single model used to rate corporate customers not listed on a stock exchange, with segments based on turnover, heritage and leverage.	Default predictor approach using a blend of financial and qualitative factors to produce model score. Final model score converted to PD using logistic transform which is mapped to an internal risk grade.
HBOS and Lloyds Bank Credit Cards [1,2]	9,552	PD	Retail - Qualifying Revolving	Separate PD, EAD and LGD model calibration for Halifax and Lloyds branded Cards.	Calibration of the application and customer scores. Point in Time plus buffer approach used to determine Regulatory PD.
		EAD			Statistical models used to estimate EAD as a function of current balance and remaining limit.
		LGD			Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status and exposure at default).
Publicly Quoted	4,836	PD	Corporate Other, Corporate SME	Single model used to rate publicly quoted companies (apart from listed Banks and Insurance companies, which are rated through separate models).	Rating replicator approach using a blend of financial and qualitative factors to produce an internally derived rating closely approximating ECAI ratings from the major rating agencies (Moody's, Fitch and S&P).

HBOS Other Mortgages	4,271	PD	Retail – Secured by real estate – non-SME	Single model	Calibration of the internal mortgage behavioural scores. Point in Time approach used to determine Regulatory PD.
		EAD			Based predominantly on current balance
		LGD			Estimated by modelling probability of possession given default (key driver: LTV) and loss given repossession (key drivers: LTV and property type).
UK Motor Finance (Retail)	5,194	PD	Retail - Other (non-SME)	Single model.	Calibration of the internal application and customer scores.
		EAD			Based predominantly on current balance.
		LGD			Differentiated loss estimates based on underlying asset type.
HBOS and Lloyds Bank Overdrafts[1]	4,226	PD	Retail - Qualifying revolving		Calibration of the application and customer scores. Point in Time plus buffer approach used to calculate regulatory PD
		EAD			Statistical models used to estimate EAD as a function of current balance and remaining limit.
		LGD			Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status and exposure at default).
BDCS	3,382	PD	Corporate SME, Retail SME and Retail Mortgages (SME)	Separate PD models for Business Banking and SME clients, with industry sector segmentations within SME.	Account behavioural models calibrated with a Point in Time bias.
		EAD			Statistical models used to estimate EAD as a function of current balance and remaining limit.
		LGD		Common EAD and LGD models for Retail exposures.	Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status, probability of transfer to recoveries, exposure at default and collateral coverage).
UK Motor Finance (Non-Retail)	3,060	PD	Corporate Other	Separate PD models rating corporate motor finance customers submitting Full or Abridged Accounts to Companies House.	Logistic regression models targeting 12-month default rates. Key drivers in both the Full and Abridged models are liquidity and payment performance. Model score converted to PD using logistic transform which is mapped to an internal risk grade.

1. For these products, separate rating systems exist for Lloyds Bank and HBOS (Halifax). However, as the risk profiles are sufficiently similar, they are grouped together in this table.
2. The Group applies the Standardised Approach to the MBNA credit card portfolio.

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

Further details of Group rating systems

PD rating philosophy

PD ratings from the Group's existing (pre-CRD IV) models generally adhere to either 'Point-in-time' (PIT) or 'Through-the-cycle' (TTC) rating approaches.

– For Qualifying Revolving Retail Exposures (QRRE) and Retail – Other (non-SME), PD ratings are constructed on a PIT basis with a PD 'buffer' added to the PIT PD to cover potential underestimation of default risk between regular calibrations.

– Retail - Secured by real estate uses a TTC approach where this is available (the majority of Lloyds Bank and Halifax Mainstream mortgages) and a PIT approach with a PD buffer otherwise.

– Corporate PD models are largely calibrated to the long-run default experience, meaning the PD predictions are more TTC in nature. The material exception to this being BDCS, which is more PIT in nature.

Models currently use a definition of default based on a 90 days-past-due backstop with the exception of the Lloyds/Halifax/HBOS UK retail mortgage portfolios, which use a 180 days-past-due backstop. (This will change to 90 days-past-due when the CRD IV capital model is approved for use, but until that definition is implemented a temporary model adjustment is being held per Article 146 of CRR). Additionally, Unlikeliness To Pay triggers are included in the definition of default and vary by portfolio, using criteria such as bankruptcy/IVAs, repossessions and forbearance treatments.

The PD models are based on a number of counterparty-specific or account-specific factors. In retail portfolios, the assigned PDs are calibrations of the obligor's associated application or behavioural scores. These are statistical models which are in turn based on a mix of internal behavioural and external (credit bureau) data. For corporate portfolios the PD models include counterparty quantitative (e.g. financial) and qualitative (e.g. assessment of management) factors.

EAD and LGD modelling approach

EAD models are used to determine the Group's exposure to a counterparty in the event of them defaulting. LGD models determine the loss experienced in the event of that default.

Corporate exposures are rated using the FIRB approach, so have no LGD or EAD models for capital purposes.

Retail exposures use EAD models, where the general approach is to estimate the proportion of the unused credit facility that will be further drawn down prior to default and add this to the current balance. This is material for revolving credit facilities, but generally not material for term products. The EAD calculated to determine regulatory capital is based on an economic downturn.

Retail LGD models are built using statistical models based on key drivers of loss. The LGD calculated to determine regulatory capital is based on an economic downturn. For portfolios with security (residential property, non-residential property and vehicles), components include probability of repossession and loss severity; for portfolios of an unsecured nature, components include probability of paying back a proportion of the debt and loss severity.

Model development, validation and review

IRB models, and subsequent changes to those models, are generally developed by a centralised modelling team within the Risk Division on behalf of the business. The models are challenged, both technically and from a business usage perspective, by an independent unit (Model Risk Office) which reports through an independent reporting line within the Risk division.

Within independent model reviews for both the initial model development and subsequent annual validation, Desktop Reviews (focusing on documentation relating to the model) and Code Assessment will be supplemented by Independent Quantitative Testing (IQT) to the extent required by the model's materiality. IQT may include statistical analysis of the model, data quality assessment, independent recoding, and use of challenger approaches. Reviews are more in-depth for the more material IRB rating systems. All IRB models are reviewed annually in line with regulatory requirements.

GRC (whose membership includes the Chief Financial Officer and the Chief Risk Officer, as well as representation from each division of the Group) approves the Group's most material IRB models, and their performance is reported monthly to BRC.

Lower materiality IRB models are approved and monitored by the Model Governance Committee (MGC). The chair of MGC has delegated approval responsibility from GRC. MGC attendees include senior risk and business model owners responsible for the model under consideration. All new IRB models and all material model changes are subject to governance in line with regulatory guidance.

Once a model has been approved, it is subject to ongoing monitoring and periodic validation requirements. The periodic validation of models is undertaken by the centralised modelling team and is subject to the same governance framework as a new model build.

Where material changes to rating systems are necessary, pre-notification to the PRA is required and their approval obtained before the change can be implemented. During 2024, there have been no material model changes impacting the CR9 back-testing tables. A pre-notification was approved by the PRA in 2022 with reference to the reversion to Standardised from IRB of the Retirement Home Plan and the Scottish Widows Bank BTL portfolios. This amendment will come into effect alongside changes to be made to the Retail Mortgage rating systems in relation to CRD IV regulations.

A hierarchy of model monitoring exists for all IRB models – regular and detailed model monitoring (including rank ordering and predictive accuracy) is used to prioritise both model changes and corrective action for model underperformance. This includes providing BRC with an annual update on model performance and wider modelling issues. IRB model monitoring is also provided to the PRA at their request. As with model development and annual validation, the independent validation function uses the same overarching methods of testing to verify the suitability and effectiveness of the model monitoring framework.

Where required, typically where there is a data or model weakness, an appropriate degree of conservatism is included in the estimated risk parameters to ensure capital adequacy. If a model or data weakness is identified that indicates understatement of capital, the capital requirements are adjusted on an immediate and temporary basis via Post Model Adjustments (PMAs) until the issue is remediated.

Model Risk Office maintains an inventory of all models within the scope of the Group Model Risk Management Policy, including IRB models. This serves to assist the wider model governance process. More specifically, the inventory enables the following: a schedule of models under development or awaiting periodic validation to be maintained, a means of tracking the resolution of corrective actions set by Model Risk Office, individual accountability for models to be defined and the collation of documentation relating to all models. Accountability for model development and maintenance is assigned at an individual level. Similarly, accountability for the wider control environment for the model is also assigned at an individual level.

The Chief Model Risk Officer is the owner of the Group Model Risk Management Policy, which defines the principles and framework by which models must be developed and maintained. Responsibilities of the Chief Model Risk Officer include: Independent validation of models, maintaining a relationship with regulators, chairing of MGC, reviewing risk appetite performance, and where appropriate, escalating material model issues to the GRC and Board.

The governance framework, supported by comprehensive model risk management information, provides the Bank with confidence that, in respect of IRB models, its Pillar 1 credit risk capital requirements adequately reflect the Group's credit risk exposure.

Further information on model risk, including details on measurement, mitigation and monitoring can be found in the Risk Management section of the 2024 Lloyds Bank plc Annual Report and Accounts (page 15).

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

Relationships between risk management function and internal audit function

Group Internal Audit undertake a program of internal audits to check that appropriate controls and processes are in place and operating effectively across all aspects of IRB models. Group Internal Audit is independent from the model development and validation teams, reporting to the Chief Internal Auditor, a Group Executive Committee member.

Other applications of IRB model outputs

In addition to the regulatory capital calculation process, IRB models are used for other purposes within the Group, for example:

Credit approval: IRB models are strongly linked to the credit approval process, though the precise nature of this differs between business areas. For retail exposures, operational, application and behavioural scorecards (primarily used to make retail credit approval and account management decisions) are typically used as inputs to PD models. For corporate exposures, the PD model ascribes a credit risk grade to each customer, and is a key consideration in credit underwriting.

Credit portfolio reporting and risk appetite: IRB parameters are embedded into management information at both Group and Divisional levels and are used to inform the setting of risk appetite.

Pricing: IRB outputs are used within various business' pricing tools to enable risk-based pricing.

Calculating impairment: IRB component models are typically used as an input into the impairment process, within the wider IFRS 9 reporting framework; this may be through direct use of the PDs, or through shared use of inputs (typically the use of scorecards as an input to both capital and impairment models). The calculation of provision levels within each portfolio is subject to rigorous challenge and oversight from both Finance and Risk.

Stress Testing: IRB model outputs are used in the various internal and regulatory stress testing exercises. Additionally, the IRB models themselves will be replicated (using approximations where necessary) over the forecasting period.

Model Performance

PD Back-testing tables

The following PD back-testing tables (CR9) compare assigned PDs with observed default rates over both a 1-year and a 5-year period. When making this comparison, care needs to be taken with the interpretation as the result is partially dependent on the choice of PD approach (PIT or TTC).

The PD back-testing is based on existing (pre-CRD IV) models. The introduction of CRD IV regulations has led to a significant increase in the level of PMAs for both RWA and EL, primarily in Retail Mortgages due to modelling changes. While acknowledging the significant value of these PMAs (which have been made to ensure capital levels reflect the new modelling requirements), PD back-testing needs to be assessed using the currently implemented definition of default. The back-testing shows that the incumbent PD models are generally working effectively and prudently against the pre CRD IV default definitions. The introduction of approved rating systems for CRD IV will see the removal of most PMAs.

For Corporate exposure classes, a September to September window is used. For Retail the window is November to November except for BDCS which is September to September.

The proportion of total IRB RWA covered within each exposure class is as follows:

- Corporate Other: 80%
- Corporate SME: 78%
- Retail - Secured by real estate (SME): 100%
- Retail SME: 100%
- Retail Other (non-SME): 100%
- QRRE: 100%
- Retail - Secured by real estate (non-SME) 98%

The lower coverage figures for Corporate SME and Corporate Other reflect the absence of rating systems with high value and low volume. Such rating systems would have little impact on the PD back-testing tables whose patterns and results are driven by volume only.

Two additional back-testing tables are presented, showing aggregate figures for Corporates (Corporate SME and Corporate Other) and Retail (all other tables). Given the absence of any in-scope rating systems, no tables are presented for the Institutions and Central Government and Central Banks exposure classes.

In line with reporting requirements, a separate table is shown (CR9.1) for obligors rated under the Publicly Quoted rating system as it meets the criteria specified in point f Article 180(1) of CRR in relation to the use of External Credit Assessment Institution (ECAI) ratings. Only Corporate Other is shown due to the extremely low volume of Publicly Quoted obligors within the Corporate SME exposure class.

All tables follow the same format and adopt the following definitions:

- The PD ranges are as prescribed in Annex XXI of the CRR.
- The Observed Average Default Rate is calculated as the number of defaults in the 12-month period divided by the number of obligors at the start of the period.
- The weighted average PD is calculated using the regulatory PD weighted by the EAD at the start of the period.
- The arithmetic average PD is calculated using the regulatory PD at the start of the period. This PD is volume weighted.
- The allocation to a risk grade is based on the PIT PD at the start of the year for Retail (non-SME) exposure classes and regulatory PD for other exposure classes.
- Various definitions of obligor operate within the bank, reflecting how the exposures are managed within each area. This translates as follows:
  - Cards, Loans and Overdrafts aggregate at customer level within brand and product.
  - Retail Mortgages (excluding BDCS) and UK Motor Finance (Retail) treat each account as an obligor. Hence, a customer with two accounts would be represented as two obligors with distinct PD estimates.
  - The definition for models in the Corporate and Retail SME exposure classes is legal entity by source system (obligors reside on different source systems according to the nature of the lending). This means that one legal entity might be represented by one or more obligors in the data if that entity has borrowing across one or more businesses (source systems).
  - Obligors that are 'connected' may share the same PD subject to certain conditions (these are known as Obligor Risk Groups, or ORGs). These cases are aggregated and reported as single obligors within a single exposure class.
- For Table 9.1, the external rating equivalent is based on the S&P rating scale.

For all IRB asset classes except Corporate Other and Corporate SME, the Group exposures shown in the following tables are the same as the Lloyds Banking Group disclosures. The other two tables are based solely on Lloyds Bank plc.

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

The table below summarises the rating systems in scope for each exposure class within the PD back-testing analysis. All rating systems reported here cover UK exposures only, with the exception of Publicly Quoted which is a global rating system and the BoS Netherlands Mortgages rating system.

Exposure Class	**Rating Systems Included**
Corporate Other	Publicly Quoted, Unquoted, UK Motor Finance (Non-Retail)
Corporate SME	Unquoted, Publicly Quoted, BDCS
Retail - Secured by real estate (non-SME)	Halifax Mainstream Mortgages, Lloyds Bank Mainstream Mortgages, HBOS Buy-to-Let Mortgages, HBOS Other Mortgages, Lloyds Near Prime Mortgages, Lloyds Buy to Let Mortgages, BoS Netherlands Mortgages.
Retail - Secured by real estate (SME)	BDCS
Retail SME	BDCS
Retail – Qualifying revolving	HBOS and Lloyds Bank Credit Cards, HBOS and Lloyds Bank Overdrafts
Retail – Other (non-SME)	HBOS and Lloyds Bank Personal Loans and UK Motor Finance (Retail)

Model Performance

CR9: Back-testing of PD per portfolio – Corporate Other

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**211**	**—**	**—**	**0.08%**	**0.08%**	**0.05%**
0.00 to <0.10	**87**	**—**	**—**	**0.05%**	**0.05%**	**0.00%**
0.10 to <0.15	**124**	**—**	**—**	**0.11%**	**0.11%**	**0.09%**
0.15 to <0.25	**789**	**—**	**—**	**0.18%**	**0.19%**	**0.10%**
0.25 to <0.50	**1,944**	**8**	**0.41%**	**0.34%**	**0.37%**	**0.23%**
0.50 to <0.75	**1,917**	**10**	**0.52%**	**0.61%**	**0.57%**	**0.37%**
0.75 to <2.50	**4,480**	**46**	**1.03%**	**1.13%**	**1.11%**	**0.88%**
0.75 to <1.75	**4,002**	**30**	**0.75%**	**1.12%**	**1.01%**	**0.71%**
1.75 to <2.50	**478**	**16**	**3.35%**	**1.90%**	**1.90%**	**2.33%**
2.50 to <10.00	**1,424**	**35**	**2.46%**	**3.78%**	**3.84%**	**2.57%**
2.50 to <5.00	**1,309**	**25**	**1.91%**	**3.18%**	**3.56%**	**2.12%**
5.00 to <10.00	**115**	**10**	**8.70%**	**7.41%**	**6.98%**	**6.01%**
10.00 to <100.00	**80**	**13**	**16.25%**	**16.19%**	**21.54%**	**13.99%**
10.00 to <20.00	**30**	**6**	**20.00%**	**12.00%**	**12.37%**	**12.98%**
20.00 to <30.00	**17**	**—**	**—**	**20.00%**	**20.00%**	**3.33%**
30.00 to <100.00	**33**	**7**	**21.21%**	**30.90%**	**30.67%**	**17.08%**
100.00 (Default)	**221**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	195	—	—	0.08%	0.08%	0.09%
0.00 to <0.10	87	—	—	0.05%	0.05%	0.10%
0.10 to <0.15	108	—	—	0.11%	0.11%	0.09%
0.15 to <0.25	747	1	0.13%	0.18%	0.19%	0.10%
0.25 to <0.50	1,975	4	0.20%	0.34%	0.37%	0.26%
0.50 to <0.75	1,779	4	0.22%	0.62%	0.58%	0.39%
0.75 to <2.50	4,023	37	0.92%	1.27%	1.11%	0.92%
0.75 to <1.75	3,628	28	0.77%	1.26%	1.02%	0.78%
1.75 to <2.50	395	9	2.28%	1.90%	1.91%	2.09%
2.50 to <10.00	1,502	40	2.66%	4.07%	3.87%	3.00%
2.50 to <5.00	1,363	34	2.49%	3.34%	3.56%	2.56%
5.00 to <10.00	139	6	4.32%	6.57%	6.99%	5.73%
10.00 to <100.00	97	16	16.49%	18.65%	23.92%	13.57%
10.00 to <20.00	25	3	12.00%	12.00%	11.96%	11.25%
20.00 to <30.00	18	3	16.67%	20.00%	20.00%	3.96%
30.00 to <100.00	54	10	18.52%	30.99%	30.76%	15.79%
100.00 (Default)	224	N/A	N/A	100.00%	100.00%	N/A

Key observations

– Around 85 per cent of obligors reported in this exposure class are on the UK Motor Finance (Commercial) portfolio, with the remainder being on the Publicly Quoted and Unquoted rating systems.

– Relatively low default volumes lead to year-on-year volatility in 1-year default rates within a given PD range. At an overall level, 1-year default rates remain low and continue to track below or broadly in line with average PD.

– The average historical (5-year) default rate remains either within or below the respective PD band.

– A regulatory default reporting error exists within the UK Motor Finance (Commercial) rating system, whereby certain 90 days-past-due defaults have been under-reported. This is mitigated through a Post Model Adjustment.

Model Performance continued

CR9: Back-testing of PD per portfolio – Corporate SME

	31 Dec 2024					
	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**28**	**—**	**0.00%**	**0.09%**	**0.07%**	**0.48%**
0.00 to <0.10	**19**	**—**	**0.00%**	**0.06%**	**0.04%**	**0.63%**
0.10 to <0.15	**9**	**—**	**0.00%**	**0.11%**	**0.11%**	**0.00%**
0.15 to <0.25	**36**	**—**	**0.00%**	**0.18%**	**0.18%**	**0.00%**
0.25 to <0.50	**1,050**	**1**	**0.10%**	**0.39%**	**0.39%**	**0.17%**
0.50 to <0.75	**17,385**	**36**	**0.21%**	**0.57%**	**0.54%**	**0.27%**
0.75 to <2.50	**11,228**	**89**	**0.79%**	**1.24%**	**1.12%**	**0.91%**
0.75 to <1.75	**11,228**	**89**	**0.79%**	**1.24%**	**1.12%**	**0.91%**
2.50 to <10.00	**4,199**	**150**	**3.57%**	**4.17%**	**4.26%**	**3.31%**
2.5 to <5.00	**2,359**	**36**	**1.53%**	**2.94%**	**2.83%**	**1.62%**
5.00 to <10.00	**1,840**	**114**	**6.20%**	**6.36%**	**6.10%**	**5.59%**
10.00 to <100.00	**1,141**	**78**	**6.84%**	**23.44%**	**20.22%**	**9.18%**
10.00 to <20.00	**499**	**26**	**5.21%**	**12.34%**	**12.43%**	**7.84%**
20.00 to <30.00	**431**	**2**	**0.46%**	**20.52%**	**20.04%**	**0.94%**
30.00 to <100.00	**211**	**50**	**23.70%**	**38.42%**	**39.00%**	**18.97%**
100.00 (Default)	**497**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	35	—	0.00%	0.06%	0.05%	0.48%
0.00 to <0.10	30	—	0.00%	0.06%	0.04%	0.63%
0.10 to <0.15	5	—	0.00%	0.11%	0.11%	0.00%
0.15 to <0.25	46	—	0.00%	0.18%	0.18%	0.00%
0.25 to <0.50	1,154	1	0.09%	0.39%	0.39%	0.15%
0.50 to <0.75	18,220	32	0.18%	0.57%	0.54%	0.29%
0.75 to <2.50	11,806	104	0.88%	1.21%	1.12%	0.92%
0.75 to <1.75	11,806	104	0.88%	1.21%	1.12%	0.92%
2.50 to <10.00	3,930	128	3.26%	4.29%	4.20%	3.30%
2.50 to <5.00	2,252	46	2.04%	3.18%	2.84%	1.69%
5.00 to <10.00	1,678	82	4.89%	6.31%	6.03%	5.44%
10.00 to <100.00	1,043	84	8.05%	22.78%	21.51%	8.72%
10.00 to <20.00	454	44	9.69%	12.39%	12.75%	7.63%
20.00 to <30.00	368	2	0.54%	20.00%	20.02%	1.01%
30.00 to <100.00	221	38	17.19%	38.24%	41.95%	16.27%
100.00 (Default)	448	N/A	N/A	100.00%	100.00%	N/A

Key observations

- This exposure class reports obligors on the BDCS, Unquoted and Publicly Quoted rating systems, with the majority (66% by volume) being BDCS.
- Obligor volumes and the distribution by risk grade remain consistent within this exposure class.
- The default rates in this exposure class have remained relatively consistent with last year's numbers. Both the 2024 single year default rate and the historical 5-year average continue, in the main, to sit below the average PD. The exception of the average historical default rate for 0.00 to < 0.10 where a single default across five years of data is driving the observation.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.50 to <0.75	**30,192**	**173**	**0.57%**	**0.54%**	**0.54%**	**0.43%**
0.75 to <2.50	**27,600**	**624**	**2.26%**	**1.14%**	**1.15%**	**1.68%**
0.75 to <1.75	**27,600**	**624**	**2.26%**	**1.14%**	**1.15%**	**1.68%**
2.50 to <10.00	**13,279**	**1,063**	**8.01%**	**4.17%**	**4.17%**	**5.96%**
2.50 to <5.00	**6,545**	**395**	**6.04%**	**2.62%**	**2.62%**	**4.22%**
5.00 to <10.00	**6,734**	**668**	**9.92%**	**5.80%**	**5.68%**	**7.62%**
10.00 to <100.00	**15,867**	**7,085**	**44.65%**	**29.14%**	**24.30%**	**28.91%**
10.00 to <20.00	**4,471**	**913**	**20.42%**	**13.27%**	**13.14%**	**15.76%**
20.00 to <30.00	**8,809**	**4,591**	**52.12%**	**20.00%**	**20.00%**	**30.61%**
30.00 to <100.00	**2,587**	**1,581**	**61.11%**	**57.23%**	**58.23%**	**44.88%**
100.00 (Default)	**42,663**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**
	31 Dec 2023					
	No.	No.	%	%	%	%
0.50 to <0.75	33,022	239	0.72%	0.54%	0.54%	0.35%
0.75 to <2.50	30,179	802	2.66%	1.13%	1.15%	1.40%
0.75 to <1.75	30,179	802	2.66%	1.13%	1.15%	1.40%
2.50 to <10.00	14,785	1,374	9.29%	4.18%	4.19%	5.02%
2.50 to <5.00	7,205	449	6.23%	2.62%	2.62%	3.45%
5.00 to <10.00	7,580	925	12.20%	5.74%	5.68%	6.47%
10.00 to <100.00	17,192	8,611	50.09%	29.41%	24.96%	21.33%
10.00 to <20.00	4,957	1,141	23.02%	12.99%	13.13%	13.48%
20.00 to <30.00	9,201	5,549	60.31%	20.00%	20.00%	20.55%
30.00 to <100.00	3,034	1,921	63.32%	57.36%	59.32%	38.33%
100.00 (Default)	35,295	N/A	N/A	100.00%	100.00%	N/A

Key observations

- This table relates solely to obligors rated on the Group's BDCS rating system, where obligor volumes have reduced for the second year in a row.
- One-year default rates exceed the average prediction in all PD ranges, noting that defaults are lower than in the 2023 return across all ranges. To address this, and in line with an approach agreed with the regulator, a post model adjustment is applied at the BDCS rating system level.
- The vast majority of obligors in the 20 to <30 PD range have an exposure of less than £100, with defaults occurring on the obligor's Bounce Back Loan which cross-defaults the relatively small Bank debt.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail - Other (non-SME)

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	**No.**	**No.**	**%**	**%**	**%**	**%**
0.00 to <0.15	**27,602**	**49**	**0.18%**	**0.08%**	**0.08%**	**0.17%**
0.00 to <0.10	**25,499**	**42**	**0.16%**	**0.08%**	**0.08%**	**0.16%**
0.10 to <0.15	**2,103**	**7**	**0.33%**	**0.14%**	**0.14%**	**0.39%**
0.15 to <0.25	**13,597**	**51**	**0.38%**	**0.21%**	**0.21%**	**0.45%**
0.25 to <0.50	**366,703**	**3,312**	**0.90%**	**0.37%**	**0.37%**	**0.71%**
0.50 to <0.75	**226,022**	**2,336**	**1.03%**	**0.72%**	**0.70%**	**0.85%**
0.75 to <2.50	**479,227**	**5,244**	**1.09%**	**1.57%**	**1.54%**	**1.20%**
0.75 to <1.75	**379,069**	**4,036**	**1.06%**	**1.45%**	**1.39%**	**1.09%**
1.75 to <2.50	**100,158**	**1,208**	**1.21%**	**2.11%**	**2.11%**	**1.54%**
2.50 to <10.00	**332,382**	**12,707**	**3.82%**	**4.51%**	**4.65%**	**4.85%**
2.50 to <5.00	**216,234**	**5,788**	**2.68%**	**3.40%**	**3.45%**	**3.43%**
5.00 to <10.00	**116,148**	**6,919**	**5.96%**	**6.67%**	**6.86%**	**7.71%**
10.00 to <100.00	**80,191**	**16,566**	**20.66%**	**26.79%**	**26.85%**	**25.15%**
10.00 to <20.00	**37,554**	**4,366**	**11.63%**	**12.35%**	**12.85%**	**14.24%**
20.00 to <30.00	**16,597**	**2,157**	**13.00%**	**21.49%**	**22.02%**	**16.27%**
30.00 to <100.00	**26,040**	**10,043**	**38.57%**	**46.30%**	**49.87%**	**44.24%**
100.00 (Default)	**51,748**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**
	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	29,167	31	0.11%	0.08%	0.08%	0.16%
0.00 to <0.10	27,270	20	0.07%	0.08%	0.08%	0.15%
0.10 to <0.15	1,897	11	0.58%	0.14%	0.14%	0.36%
0.15 to <0.25	16,470	68	0.41%	0.22%	0.21%	0.43%
0.25 to <0.50	420,652	1,247	0.30%	0.37%	0.37%	0.71%
0.50 to <0.75	244,675	1,140	0.47%	0.72%	0.70%	0.85%
0.75 to <2.50	631,486	6,005	0.95%	1.56%	1.54%	1.28%
0.75 to <1.75	474,984	3,766	0.79%	1.41%	1.35%	1.15%
1.75 to <2.50	156,502	2,239	1.43%	2.11%	2.11%	1.69%
2.50 to <10.00	423,959	18,839	4.44%	4.50%	4.65%	5.29%
2.50 to <5.00	276,455	8,149	2.95%	3.41%	3.46%	3.80%
5.00 to <10.00	147,504	10,690	7.25%	6.71%	6.88%	8.42%
10.00 to <100.00	91,588	20,543	22.43%	26.86%	26.89%	27.22%
10.00 to <20.00	45,554	6,457	14.17%	12.63%	13.08%	14.81%
20.00 to <30.00	17,493	2,651	15.15%	21.75%	22.36%	17.40%
30.00 to <100.00	28,541	11,435	40.07%	48.14%	51.54%	46.07%
100.00 (Default)	60,704	N/A	N/A	100.00%	100.00%	N/A

Key observations

– Overall, the average historical annual default rate has shown a small decrease in 2024.

– Where 1-year and 5-year default rates are under-predicted, these are primarily driven by the Motor Finance definition of default which includes a number of non-credit related termination events; PD models are not designed to predict these events.

– As a result of the Loans calibration methodology there is a degree of under-prediction in some mid-range PD bands; these account for less than 10% of the obligors. For Loans, at an overall level, average PD remains above the default rates due to the presence of a PD buffer.

Model Performance continued
CR9: Back-testing of PD per portfolio – Retail QRRE

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**8,125,148**	**2,259**	**0.03%**	**0.09%**	**0.09%**	**0.03%**
0.00 to <0.10	**5,114,005**	**1,083**	**0.02%**	**0.07%**	**0.07%**	**0.02%**
0.10 to <0.15	**3,011,143**	**1,176**	**0.04%**	**0.13%**	**0.13%**	**0.04%**
0.15 to <0.25	**4,089,527**	**2,817**	**0.07%**	**0.20%**	**0.20%**	**0.07%**
0.25 to <0.50	**5,854,113**	**9,218**	**0.16%**	**0.36%**	**0.36%**	**0.18%**
0.50 to <0.75	**3,369,383**	**11,945**	**0.35%**	**0.62%**	**0.62%**	**0.39%**
0.75 to <2.50	**7,455,075**	**77,747**	**1.04%**	**1.37%**	**1.30%**	**1.22%**
0.75 to <1.75	**6,003,400**	**48,990**	**0.82%**	**1.15%**	**1.11%**	**0.96%**
1.75 to <2.50	**1,451,675**	**28,757**	**1.98%**	**2.09%**	**2.09%**	**2.32%**
2.50 to <10.00	**2,375,364**	**114,806**	**4.83%**	**4.65%**	**4.52%**	**5.37%**
2.50 to <5.00	**1,681,838**	**60,729**	**3.61%**	**3.54%**	**3.53%**	**4.14%**
5.00 to <10.00	**693,526**	**54,077**	**7.80%**	**6.90%**	**6.91%**	**8.41%**
10.00 to <100.00	**712,671**	**155,409**	**21.81%**	**27.68%**	**27.37%**	**22.81%**
10.00 to <20.00	**331,725**	**42,416**	**12.79%**	**13.60%**	**13.95%**	**13.23%**
20.00 to <30.00	**135,935**	**26,862**	**19.76%**	**24.48%**	**24.63%**	**19.39%**
30.00 to <100.00	**245,011**	**86,131**	**35.15%**	**51.30%**	**47.08%**	**35.08%**
100.00 (Default)	**285,636**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	8,882,797	2,936	0.03%	0.09%	0.09%	0.03%
0.00 to <0.10	5,789,694	1,433	0.02%	0.07%	0.07%	0.02%
0.10 to <0.15	3,093,103	1,503	0.05%	0.13%	0.13%	0.04%
0.15 to <0.25	4,228,421	3,392	0.08%	0.20%	0.20%	0.07%
0.25 to <0.50	5,610,037	10,614	0.19%	0.37%	0.37%	0.17%
0.50 to <0.75	3,316,723	12,698	0.38%	0.62%	0.63%	0.38%
0.75 to <2.50	6,296,181	72,146	1.15%	1.37%	1.30%	1.22%
0.75 to <1.75	5,084,094	46,118	0.91%	1.15%	1.11%	0.96%
1.75 to <2.50	1,212,087	26,028	2.15%	2.11%	2.10%	2.36%
2.50 to <10.00	2,033,817	105,265	5.18%	4.69%	4.56%	5.44%
2.50 to <5.00	1,420,149	55,610	3.92%	3.55%	3.54%	4.23%
5.00 to <10.00	613,668	49,655	8.09%	6.90%	6.93%	8.45%
10.00 to <100.00	647,554	140,527	21.70%	29.11%	28.60%	23.02%
10.00 to <20.00	285,468	36,871	12.92%	13.70%	14.00%	13.11%
20.00 to <30.00	121,728	22,815	18.74%	24.48%	24.63%	19.05%
30.00 to <100.00	240,358	80,841	33.63%	52.02%	47.96%	35.00%
100.00 (Default)	297,565	N/A	N/A	100.00%	100.00%	N/A

Key observations

– Overall, the average historical annual default remains broadly comparable with 2023.

– As a result of the calibration methodology there is a degree of under-prediction in some mid-range PD bands; these account for around 12% of obligors. At an overall level, the PDs remain above the default rates due to the presence of a PD buffer.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail - Secured by real estate - non-SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**1,986,857**	**1,389**	**0.07%**	**0.36%**	**0.32%**	**0.06%**
0.00 to <0.10	**1,804,459**	**969**	**0.05%**	**0.32%**	**0.28%**	**0.04%**
0.10 to <0.15	**182,398**	**420**	**0.23%**	**0.69%**	**0.65%**	**0.16%**
0.15 to <0.25	**131,177**	**407**	**0.31%**	**1.04%**	**0.99%**	**0.24%**
0.25 to <0.50	**84,663**	**612**	**0.72%**	**2.08%**	**1.96%**	**0.49%**
0.50 to <0.75	**19,061**	**231**	**1.21%**	**3.45%**	**3.37%**	**0.97%**
0.75 to <2.50	**28,664**	**707**	**2.47%**	**8.00%**	**7.50%**	**1.87%**
0.75 to <1.75	**17,030**	**402**	**2.36%**	**5.77%**	**5.68%**	**1.73%**
1.75 to <2.50	**11,634**	**305**	**2.62%**	**10.81%**	**10.17%**	**2.21%**
2.50 to <10.00	**20,352**	**1,758**	**8.64%**	**21.76%**	**21.00%**	**6.47%**
2.50 to <5.00	**12,263**	**787**	**6.42%**	**17.70%**	**17.05%**	**4.61%**
5.00 to <10.00	**8,089**	**971**	**12.00%**	**27.46%**	**26.98%**	**9.44%**
10.00 to <100.00	**20,199**	**8,242**	**40.80%**	**57.45%**	**57.44%**	**32.82%**
10.00 to <20.00	**7,680**	**1,551**	**20.20%**	**39.86%**	**39.97%**	**16.64%**
20.00 to <30.00	**3,424**	**1,122**	**32.77%**	**52.99%**	**52.69%**	**28.02%**
30.00 to <100.00	**9,095**	**5,569**	**61.23%**	**73.13%**	**73.98%**	**52.65%**
100.00 (Default)	**18,839**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	2,076,241	1,606	0.08%	0.38%	0.35%	0.05%
0.00 to <0.10	1,888,249	1,129	0.06%	0.35%	0.31%	0.04%
0.10 to <0.15	187,992	477	0.25%	0.77%	0.72%	0.15%
0.15 to <0.25	135,996	512	0.38%	1.19%	1.13%	0.22%
0.25 to <0.50	99,182	812	0.82%	2.01%	2.03%	0.44%
0.50 to <0.75	21,322	370	1.74%	3.57%	3.64%	0.88%
0.75 to <2.50	32,350	1,039	3.21%	8.52%	8.23%	1.66%
0.75 to <1.75	19,716	583	2.96%	6.00%	6.09%	1.50%
1.75 to <2.50	12,634	456	3.61%	12.08%	11.57%	2.03%
2.50 to <10.00	20,691	2,253	10.89%	22.74%	22.45%	5.88%
2.50 to <5.00	12,399	1,015	8.19%	18.63%	18.33%	4.19%
5.00 to <10.00	8,292	1,238	14.93%	28.53%	28.60%	8.58%
10.00 to <100.00	14,929	5,733	38.40%	57.00%	57.90%	30.92%
10.00 to <20.00	6,443	1,504	23.34%	41.70%	41.71%	15.44%
20.00 to <30.00	2,485	824	33.16%	56.12%	56.76%	26.57%
30.00 to <100.00	6,001	3,405	56.74%	74.30%	75.76%	50.50%
100.00 (Default)	16,384	N/A	N/A	100.00%	100.00%	N/A

Key observations

- For UK mortgages, values represent the live system 180 days past due definition of default. Material Post Model Adjustments are in place to reflect the impact of new CRD IV models including a 90-day definition of default.
- Obligors are allocated to grades using PIT PDs, so the weighted and arithmetic average PDs are above the range due to the use of more conservative TTC PDs.
- Most obligors are rated on a TTC basis, which is conservative relative to average historic default rates.
- Year-on-year, 1-year default rates have fallen slightly.
- The Lloyds Netherlands mortgage book has been included from 2023 onwards. Default rates for prior years have not been revised.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail - Mortgages SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.50 to <0.75	**16,253**	**62**	**0.38%**	**0.54%**	**0.54%**	**0.30%**
0.75 to <2.50	**11,201**	**118**	**1.05%**	**1.14%**	**1.13%**	**0.86%**
0.75 to <1.75	**11,201**	**118**	**1.05%**	**1.14%**	**1.13%**	**0.86%**
2.50 to <10.00	**3,702**	**187**	**5.05%**	**4.11%**	**4.14%**	**3.79%**
2.50 to <5.00	**1,871**	**56**	**2.99%**	**2.62%**	**2.62%**	**2.06%**
5.00 to <10.00	**1,831**	**131**	**7.15%**	**5.71%**	**5.70%**	**5.60%**
10.00 to <100.00	**1,564**	**279**	**17.84%**	**21.40%**	**21.90%**	**13.71%**
10.00 to <20.00	**1,004**	**128**	**12.75%**	**12.91%**	**12.96%**	**9.88%**
20.00 to <30.00	**204**	**12**	**5.88%**	**20.00%**	**20.00%**	**4.93%**
30.00 to <100.00	**356**	**139**	**39.04%**	**47.86%**	**48.22%**	**29.16%**
100.00 (Default)	**724**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**
	31 Dec 2023					
	No.	No.	%	%	%	%
0.50 to <0.75	18,716	90	0.48%	0.54%	0.54%	0.25%
0.75 to <2.50	12,577	157	1.25%	1.12%	1.12%	0.81%
0.75 to <1.75	12,577	157	1.25%	1.12%	1.12%	0.81%
2.50 to <10.00	4,076	192	4.71%	4.16%	4.15%	3.44%
2.50 to <5.00	2,052	62	3.02%	2.62%	2.62%	1.78%
5.00 to <10.00	2,024	130	6.42%	5.72%	5.69%	5.13%
10.00 to <100.00	1,570	294	18.73%	23.63%	22.45%	12.43%
10.00 to <20.00	1,008	142	14.09%	12.68%	12.92%	8.90%
20.00 to <30.00	202	25	12.38%	20.00%	20.00%	4.01%
30.00 to <100.00	360	127	35.28%	51.84%	50.51%	26.38%
100.00 (Default)	661	N/A	N/A	100.00%	100.00%	N/A

Key observations

- This table relates solely to the BDCS rating system.
- Obligor volumes have reduced again compared to last year's return though default rates have decreased in a number of PD ranges.
- One-year default rates have dropped below average PD in a number of PD ranges with only the 2.5 to <5 and 5 to <10 PD ranges seeing a higher one-year default rate than average PD. However, the average historical default rates remain within (or below) the PD range in all ranges.

Model Performance continued
CR9: Back-testing of PD per portfolio – Retail Total

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	**No.**	**No.**	**%**	**%**	**%**	**%**
0.00 to <0.15	**10,139,607**	**3,697**	**0.04%**	**0.35%**	**0.14%**	**0.03%**
0.00 to <0.10	**6,943,963**	**2,094**	**0.03%**	**0.32%**	**0.13%**	**0.03%**
0.10 to <0.15	**3,195,644**	**1,603**	**0.05%**	**0.62%**	**0.16%**	**0.05%**
0.15 to <0.25	**4,234,301**	**3,275**	**0.08%**	**0.86%**	**0.22%**	**0.08%**
0.25 to <0.50	**6,305,479**	**13,142**	**0.21%**	**1.16%**	**0.39%**	**0.22%**
0.50 to <0.75	**3,660,911**	**14,747**	**0.40%**	**1.15%**	**0.64%**	**0.42%**
0.75 to <2.50	**8,001,767**	**84,440**	**1.06%**	**2.57%**	**1.34%**	**1.22%**
0.75 to <1.75	**6,438,300**	**54,170**	**0.84%**	**1.83%**	**1.14%**	**0.98%**
1.75 to <2.50	**1,563,467**	**30,270**	**1.94%**	**5.11%**	**2.15%**	**2.23%**
2.50 to <10.00	**2,745,079**	**130,521**	**4.75%**	**8.63%**	**4.66%**	**5.28%**
2.50 to <5.00	**1,918,751**	**67,755**	**3.53%**	**6.53%**	**3.61%**	**4.01%**
5.00 to <10.00	**826,328**	**62,766**	**7.60%**	**12.30%**	**7.09%**	**8.23%**
10.00 to <100.00	**830,492**	**187,581**	**22.59%**	**44.25%**	**27.99%**	**23.34%**
10.00 to <20.00	**382,434**	**49,374**	**12.91%**	**26.39%**	**14.35%**	**13.40%**
20.00 to <30.00	**164,969**	**34,744**	**21.06%**	**39.86%**	**24.69%**	**19.74%**
30.00 to <100.00	**283,089**	**103,463**	**36.55%**	**64.74%**	**48.30%**	**36.70%**
100.00 (Default)	**399,610**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	10,988,205	4,573	0.04%	0.37%	0.14%	0.03%
0.00 to <0.10	7,705,213	2,582	0.03%	0.34%	0.13%	0.03%
0.10 to <0.15	3,282,992	1,991	0.06%	0.69%	0.16%	0.05%
0.15 to <0.25	4,380,887	3,972	0.09%	0.98%	0.23%	0.08%
0.25 to <0.50	6,129,871	12,673	0.21%	1.20%	0.39%	0.22%
0.50 to <0.75	3,634,458	14,537	0.40%	1.20%	0.65%	0.42%
0.75 to <2.50	7,002,773	80,149	1.14%	2.75%	1.36%	1.23%
0.75 to <1.75	5,621,550	51,426	0.91%	1.93%	1.15%	0.99%
1.75 to <2.50	1,381,223	28,723	2.08%	5.46%	2.19%	2.27%
2.50 to <10.00	2,497,328	127,923	5.12%	8.81%	4.72%	5.39%
2.50 to <5.00	1,718,260	65,285	3.80%	6.71%	3.63%	4.14%
5.00 to <10.00	779,068	62,638	8.04%	12.43%	7.13%	8.34%
10.00 to <100.00	772,833	175,708	22.74%	41.96%	28.87%	23.46%
10.00 to <20.00	343,430	46,115	13.43%	26.14%	14.38%	13.28%
20.00 to <30.00	151,109	31,864	21.09%	39.56%	24.61%	18.71%
30.00 to <100.00	278,294	97,729	35.12%	62.95%	49.05%	36.74%
100.00 (Default)	410,609	N/A	N/A	100.00%	100.00%	N/A

Model Performance continued
CR9: Back-testing of PD per portfolio – Corporate Total

	31 Dec 2024					
	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**239**	**—**	**0.00%**	**0.08%**	**0.08%**	**0.13%**
0.00 to <0.10	**106**	**—**	**0.00%**	**0.05%**	**0.05%**	**0.17%**
0.10 to <0.15	**133**	**—**	**0.00%**	**0.11%**	**0.11%**	**0.08%**
0.15 to <0.25	**825**	**—**	**0.00%**	**0.18%**	**0.19%**	**0.10%**
0.25 to <0.50	**2,994**	**9**	**0.30%**	**0.34%**	**0.38%**	**0.21%**
0.50 to <0.75	**19,302**	**46**	**0.24%**	**0.60%**	**0.55%**	**0.29%**
0.75 to <2.50	**15,708**	**135**	**0.86%**	**1.16%**	**1.12%**	**0.89%**
0.75 to <1.75	**15,230**	**119**	**0.78%**	**1.16%**	**1.09%**	**0.83%**
1.75 to <2.50	**478**	**16**	**3.35%**	**1.90%**	**1.90%**	**2.33%**
2.50 to <10.00	**5,623**	**185**	**3.29%**	**3.90%**	**4.15%**	**3.11%**
2.50 to <5.00	**3,668**	**61**	**1.66%**	**3.12%**	**3.09%**	**1.92%**
5.00 to <10.00	**1,955**	**124**	**6.34%**	**6.85%**	**6.15%**	**5.71%**
10.00 to <100.00	**1,221**	**91**	**7.45%**	**19.97%**	**20.30%**	**9.79%**
10.00 to <20.00	**529**	**32**	**6.05%**	**12.15%**	**12.42%**	**8.36%**
20.00 to <30.00	**448**	**2**	**0.45%**	**20.29%**	**20.04%**	**0.83%**
30.00 to <100.00	**244**	**57**	**23.36%**	**36.00%**	**37.88%**	**18.48%**
100.00 (Default)	**718**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**
	31 Dec 2023					
	No.	No.	%	%	%	%
0.00 to <0.15	230	—	0.00%	0.08%	0.08%	0.16%
0.00 to <0.10	117	—	0.00%	0.05%	0.05%	0.26%
0.10 to <0.15	113	—	0.00%	0.11%	0.11%	0.08%
0.15 to <0.25	793	1	0.13%	0.18%	0.19%	0.10%
0.25 to <0.50	3,129	5	0.16%	0.35%	0.38%	0.24%
0.50 to <0.75	19,999	36	0.18%	0.60%	0.55%	0.33%
0.75 to <2.50	15,829	141	0.89%	1.25%	1.12%	0.93%
0.75 to <1.75	15,434	132	0.86%	1.25%	1.10%	0.87%
1.75 to <2.50	395	9	2.28%	1.90%	1.91%	2.09%
2.50 to <10.00	5,432	168	3.09%	4.14%	4.11%	3.25%
2.50 to <5.00	3,615	80	2.21%	3.29%	3.11%	2.21%
5.00 to <10.00	1,817	88	4.84%	6.46%	6.11%	5.62%
10.00 to <100.00	1,140	100	8.77%	20.88%	21.71%	9.78%
10.00 to <20.00	479	47	9.81%	12.20%	12.71%	8.23%
20.00 to <30.00	386	5	1.30%	20.00%	20.02%	0.98%
30.00 to <100.00	275	48	17.45%	35.16%	39.76%	16.62%
100.00 (Default)	672	N/A	N/A	100.00%	100.00%	N/A

Model Performance continued

CR9.1: Back-testing of PD per exposure class – Corporates Other

		31 Dec 2024				
		Number of obligors at the end of previous year				
			Of which number of obligors which defaulted in the year	Observed average default rate	Average PD	Average historical annual default rate
PD range	External rating equivalent	No.	No.	%	%	%
0.015 - 0.025%	AAA to AA	**—**	**—**	**—**	**0.00%**	**—**
0.025 - 0.035%	AA-	**2**	**—**	**—**	**0.03%**	**—**
0.035 - 0.050%	A+	**1**	**—**	**—**	**0.04%**	**—**
0.050 - 0.080%	A	**9**	**—**	**—**	**0.06%**	**—**
0.080 - 0.140%	A-	**22**	**—**	**—**	**0.11%**	**—**
0.140 - 0.220%	BBB+	**21**	**—**	**—**	**0.18%**	**0.61%**
0.220 - 0.340%	BBB	**45**	**—**	**—**	**0.28%**	**—**
0.340 - 0.500%	BBB-	**30**	**—**	**—**	**0.42%**	**0.50%**
0.500 - 0.760%	BB+	**20**	**—**	**—**	**0.63%**	**0.64%**
0.760 - 1.240%	BB	**23**	**—**	**—**	**1.00%**	**0.54%**
1.240 - 2.000%	BB-	**12**	**—**	**—**	**1.62%**	**—**
2.000 - 3.200%	B+	**11**	**—**	**—**	**2.60%**	**6.80%**
3.200 - 5.200%	B+	**5**	**—**	**—**	**4.20%**	**—**
5.200 - 7.200%	B	**3**	**—**	**—**	**6.20%**	**12.50%**
7.200 - 10.200%	B-	**3**	**—**	**—**	**8.70%**	**5.00%**
10.200 - 13.800%	B-	**1**	**1**	**100.00%**	**12.00%**	**15.00%**
13.800 - 99.999%	CCC to C	**—**	**—**	**—**	**0.00%**	**14.58%**
100.000 (Default)		**5**	**N/A**	**100.00%**	**100.00%**	**N/A**

		31 Dec 2023				
PD range	External rating equivalent	No.	No.	%	%	%
0.015 - 0.025%	AAA to AA	—	—	—	0.00%	—
0.025 - 0.035%	AA-	3	—	—	0.03%	—
0.035 - 0.050%	A+	1	—	—	0.04%	—
0.050 - 0.080%	A	6	—	—	0.06%	—
0.080 - 0.140%	A-	22	—	—	0.11%	—
0.140 - 0.220%	BBB+	25	—	—	0.18%	0.49%
0.220 - 0.340%	BBB	44	—	—	0.28%	—
0.340 - 0.500%	BBB-	41	—	—	0.42%	0.40%
0.500 - 0.760%	BB+	17	—	—	0.63%	0.51%
0.760 - 1.240%	BB	26	—	—	1.00%	0.43%
1.240 - 2.000%	BB-	20	—	—	1.62%	—
2.000 - 3.200%	B+	6	1	16.67%	2.60%	6.49%
3.200 - 5.200%	B+	9	—	—	4.20%	1.54%
5.200 - 7.200%	B	4	1	25.00%	6.20%	12.50%
7.200 - 10.200%	B-	1	—	—	8.70%	4.00%
10.200 - 13.800%	B-	1	—	—	12.00%	12.00%
13.800 - 99.999%	CCC to C	2	—	—	31.00%	11.67%
100.000 (Default)		6	N/A	100.00%	100.00%	N/A

Key observations

- This table reports on the Publicly Quoted rating system only. It is the Group's most material rating system which meets the criteria specified in point f Article 180(1) of CRR in relation to the use of External Credit Assessment Institution (ECAI) ratings.
- Default volumes are low; with only one default observed in the most recent 12-month outcome period. This was rated as sub-investment at the point of default.
- Low volumes of customers and defaults can lead to a significant degree of volatility in the annual historical annual default rate.

Credit risk continued

CR6: Credit risk exposures by portfolio and PD range

Most of the Group's CRD IV models remain subject to further development and final approval by the PRA. In disclosing the CR6 tables the Group has followed PRA guidance from Supervisory Statement 11/13, with the below factors being particularly relevant:

– The Group has prudently applied temporary model adjustments to risk-weighted asset and expected loss amounts at a portfolio (i.e rating system) level (SS 11/13 19.17(a));

– Incumbent models have not been recalibrated or changed to reflect the desired capital outcome (SS 11/13 191.7(b)); and

– Total risk-weighted asset and expected loss amounts for each PD grade has been increased proportionately (SS 11/13 19.18). Exposure at Default is not adjusted.

This means that whilst risk-weighted assets and expected losses disclosed in these tables reflect new CRD IV modelling requirements, the exposure distribution across PD grades and the reported average weighted PDs and LGDs reflect our incumbent models which are not CRD IV compliant.

Where relevant, further information on how this impacts particular asset classes has been included as footnotes to the tables.

CR6: Credit risk exposures by portfolio and PD range - Central Governments and Central Banks

	31 Dec 2024											
PD range	**On-balance sheet exposures**	**Off-balance-sheet exposures pre-CCF**	**Exposure weighted average CCF**	**Exposure post CCF and post CRM**	**Exposure weighted average PD**	**Number of obligors**	**Exposure weighted average LGD**	**Exposure weighted average maturity (years)**	**Risk weighted exposure amount after supporting factors**	**Density of risk weighted exposure amount**	**Expected loss amount**	**Value adjustments and provisions**
Central Governments or Central Banks	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**1,812**	**3**	**—**	**1,451**	**0.01%**	**10**	**45.00%**	**1.6**	**74**	**5.08%**	**—**	**—**
0.00 to <0.10	1,812	3	—	1,451	0.01%	10	45.00%	1.6	74	5.08%	—	—
0.15 to <0.25	**—**	**—**	**—**	**—**	**—**	**—**	**45.00%**	**—**	**—**	**—**	**—**	**—**
0.25 to <0.50	**—**	**—**	**—**	**—**	**0.42%**	**1**	**45.00%**	**5.0**	**—**	**97.82%**	**—**	**—**
0.75 to <2.50	**—**	**75**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**
0.75 to <1.75	—	75	—	—	—	1	—	—	—	—	—	—
2.50 to <10.00	**36**	**63**	**75.00%**	**—**	**8.70%**	**4**	**45.00%**	**1.0**	**—**	**175.73%**	**—**	**—**
2.50 to <5.00	12	63	—	—	—	2	—	—	—	—	—	—
5.00 to <10.00	24	—	75.00%	—	8.70%	2	45.00%	1.0	—	175.73%	—	—
10.00 to <100.00	**39**	**—**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**
10.00 to <20.00	39	—	—	—	—	1	—	—	—	—	—	—
Subtotal	**1,887**	**141**	**27.21%**	**1,451**	**0.01%**	**17**	**45.00%**	**1.6**	**74**	**5.10%**	**—**	**—**

	31 Dec 2023											
Central Governments or Central Banks	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	2,148	3	—	1,721	0.01%	8	45.00%	2.3	125	7.24%	—	—
0.00 to <0.10	2,148	3	—	1,721	0.01%	8	45.00%	2.3	125	7.24%	—	—
0.15 to <0.25	—	—	75.00%	4	0.18%	2	45.00%	5.0	3	84.60%	—	—
0.25 to <0.50	—	—	—	—	0.42%	1	45.00%	5.0	—	97.82%	—	—
0.75 to <2.50	74	1	—	—	—	1	—	—	—	—	—	—
0.75 to <1.75	74	1	—	—	—	1	—	—	—	—	—	—
2.50 to <10.00	40	66	75.00%	—	6.20%	4	45.00%	1.9	1	163.99%	—	—
2.50 to <5.00	4	66	—	—	—	2	—	—	—	—	—	—
5.00 to <10.00	36	—	75.00%	—	6.20%	2	45.00%	1.9	1	163.99%	—	—
10.00 to <100.00	44	1	—	—	—	1	—	—	—	—	—	—
10.00 to <20.00	44	1	—	—	—	1	—	—	—	—	—	—
Subtotal	2,306	71	43.90%	1,725	0.01%	17	45.00%	2.3	129	7.46%	—	—

CR6: Credit risk exposures by portfolio and PD range - Institutions

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
						31 Dec 2024						
Institutions	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**8,595**	**285**	**28.34%**	**9,201**	**0.05%**	**743**	**35.85%**	**1.5**	**1,440**	**15.65%**	**3**	**—**
0.00 to <0.10	7,462	198	30.52%	8,051	0.05%	621	36.50%	1.5	1,223	15.19%	2	—
0.10 to <0.15	1,133	87	19.69%	1,150	0.11%	123	31.31%	1.4	217	18.91%	1	—
0.15 to <0.25	**91**	**1**	**5.34%**	**104**	**0.18%**	**35**	**24.31%**	**1.9**	**26**	**25.04%**	**—**	**—**
0.25 to <0.50	**5**	**10**	**31.53%**	**9**	**0.35%**	**56**	**44.82%**	**1.0**	**5**	**62.13%**	**—**	**—**
0.50 to <0.75	**60**	**38**	**2.12%**	**61**	**0.63%**	**41**	**43.68%**	**1.1**	**60**	**99.07%**	**—**	**—**
0.75 to <2.50	**147**	**1**	**66.76%**	**56**	**1.25%**	**68**	**27.01%**	**3.1**	**50**	**88.99%**	**—**	**1**
0.75 to <1.75	147	1	66.76%	56	1.25%	61	26.94%	3.1	50	88.85%	—	1
1.75 to <2.50	—	—	—	—	1.90%	7	43.78%	1.3	—	125.21%	—	—
2.50 to <10.00	**1**	**—**	**—**	**1**	**3.39%**	**24**	**44.79%**	**1.1**	**1**	**151.25%**	**—**	**—**
2.50 to <5.00	1	—	—	1	2.79%	16	44.75%	1.1	1	144.55%	—	—
5.00 to <10.00	—	—	—	—	6.20%	9	45.00%	1.1	—	183.02%	—	—
10.00 to <100.00	**—**	**—**	**—**	**—**	**31.00%**	**4**	**45.00%**	**1.0**	**—**	**314.88%**	**—**	**—**
10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	—
30.00 to <100.00	—	—	—	—	31.00%	4	45.00%	1.0	—	314.88%	—	—
100.00 (Default)	—	—	—	—	100.00%	—	45.00%	—	—	—	—	—
Subtotal	**8,899**	**335**	**26.65%**	**9,432**	**0.07%**	**971**	**35.73%**	**1.5**	**1,582**	**16.77%**	**3**	**1**
						31 Dec 2023						
Institutions	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	11,988	381	18.08%	12,069	0.06%	794	36.53%	1.2	1,922	15.93%	3	1
0.00 to <0.10	10,043	251	17.11%	10,098	0.05%	658	36.57%	1.3	1,456	14.42%	2	1
0.10 to <0.15	1,945	130	20.03%	1,971	0.11%	136	36.34%	0.9	466	23.66%	1	—
0.15 to <0.25	3	5	20.00%	4	0.18%	36	42.94%	1.2	2	50.66%	—	—
0.25 to <0.50	207	19	28.20%	212	0.32%	60	20.55%	2.9	71	33.64%	—	—
0.50 to <0.75	52	30	2.63%	53	0.63%	41	42.42%	1.1	49	92.72%	—	—
0.75 to <2.50	21	166	20.05%	55	1.06%	58	40.70%	0.6	58	106.99%	—	—
0.75 to <1.75	21	166	20.05%	55	1.06%	54	40.69%	0.6	58	106.98%	—	—
1.75 to <2.50	—	—	—	—	1.90%	4	43.02%	1.3	—	123.06%	—	—
2.50 to <10.00	1	—	86.65%	2	3.85%	23	44.87%	0.7	3	156.38%	—	—
2.50 to <5.00	1	—	90.43%	2	3.40%	14	44.84%	0.7	2	145.41%	—	—
5.00 to <10.00	—	—	75.00%	—	6.20%	9	45.00%	1.1	1	213.36%	—	—
10.00 to <100.00	—	—	—	—	29.09%	8	45.00%	1.0	—	339.39%	—	—
10.00 to <20.00	—	—	—	—	20.00%	2	45.00%	1.0	—	268.31%	—	—
30.00 to <100.00	—	—	—	—	31.00%	6	45.00%	1.0	—	354.31%	—	—
100.00 (Default)	—	—	—	—	100.00%	—	45.00%	—	—	—	—	—
Subtotal	12,272	601	18.26%	12,395	0.07%	1,020	36.31%	1.3	2,107	17.00%	3	1

CR6: Credit risk exposures by portfolio and PD range - Corporate SME

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
							31 Dec 2024					
Corporate SME	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**569**	**354**	**26.00%**	**661**	**0.06%**	**218**	**39.76%**	**3.5**	**178**	**26.94%**	**—**	**—**
0.00 to <0.10	488	254	31.09%	567	0.05%	158	39.62%	3.4	135	23.75%	—	—
0.10 to <0.15	81	100	13.06%	94	0.11%	60	40.60%	4.4	43	46.12%	—	—
0.25 to <0.50	**448**	**248**	**24.87%**	**489**	**0.39%**	**1,214**	**43.42%**	**3.1**	**267**	**54.65%**	**1**	**1**
0.50 to <0.75	**914**	**378**	**22.73%**	**960**	**0.57%**	**17,432**	**39.38%**	**3.1**	**489**	**50.89%**	**2**	**3**
0.75 to <2.50	**2,468**	**894**	**32.58%**	**2,648**	**1.22%**	**14,082**	**40.27%**	**3.0**	**1,950**	**73.64%**	**16**	**12**
0.75 to <1.75	2,460	894	32.58%	2,640	1.22%	14,040	40.26%	3.0	1,944	73.63%	16	12
1.75 to <2.50	8	—	—	8	2.00%	42	44.69%	1.4	6	77.66%	—	—
2.50 to <10.00	**1,474**	**508**	**32.15%**	**1,570**	**3.96%**	**7,047**	**40.31%**	**2.7**	**1,482**	**94.41%**	**29**	**33**
2.50 to <5.00	1,023	427	32.01%	1,109	3.01%	3,885	40.76%	2.8	1,009	90.95%	15	19
5.00 to <10.00	451	81	32.87%	461	6.23%	3,163	39.15%	2.5	473	102.52%	14	14
10.00 to <100.00	**186**	**33**	**20.28%**	**178**	**21.07%**	**2,452**	**39.43%**	**2.1**	**266**	**149.42%**	**17**	**10**
10.00 to <20.00	107	14	30.44%	107	12.81%	2,101	37.69%	2.0	135	125.86%	6	3
30.00 to <100.00	79	19	12.61%	71	33.60%	351	42.06%	2.4	131	185.21%	11	7
100.00 (Default)	388	28	38.80%	370	99.95%	984	39.66%	2.1	—	—	147	71
Subtotal	**6,568**	**2,467**	**29.12%**	**7,002**	**7.28%**	**43,640**	**40.35%**	**2.9**	**4,681**	**66.86%**	**212**	**130**
							31 Dec 2023					
Corporate SME	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	591	615	24.75%	743	0.07%	228	40.88%	4.0	200	26.96%	—	—
0.00 to <0.10	414	395	21.48%	499	0.05%	162	40.18%	4.0	110	22.09%	—	—
0.10 to <0.15	177	220	30.60%	244	0.11%	66	42.31%	4.0	90	36.92%	—	—
0.15 to <0.25	127	27	33.82%	134	0.19%	218	44.02%	2.6	58	43.01%	—	—
0.25 to <0.50	605	296	13.54%	603	0.39%	1,236	41.35%	3.6	330	54.84%	1	1
0.50 to <0.75	940	446	8.82%	911	0.58%	18,280	40.11%	3.7	535	58.73%	2	3
0.75 to <2.50	2,184	850	15.21%	2,151	1.28%	13,552	40.43%	3.1	1,562	72.63%	12	17
0.75 to <1.75	2,180	850	15.21%	2,147	1.28%	13,520	40.42%	3.1	1,559	72.62%	12	17
1.75 to <2.50	4	—	—	4	2.00%	32	45.00%	1.3	3	74.71%	—	—
2.50 to <10.00	1,428	356	25.92%	1,397	3.98%	6,313	39.91%	2.9	1,283	91.80%	24	30
2.50 to <5.00	974	289	28.66%	968	2.98%	3,475	40.34%	2.9	851	87.91%	13	19
5.00 to <10.00	454	67	14.19%	429	6.24%	2,838	38.93%	3.0	432	100.57%	11	11
10.00 to <100.00	190	32	29.72%	174	20.43%	1,861	38.95%	2.2	261	149.89%	15	12
10.00 to <20.00	117	10	9.52%	108	13.01%	1,528	37.38%	2.1	142	131.47%	6	4
30.00 to <100.00	73	22	38.60%	66	32.69%	333	41.65%	2.4	119	180.36%	9	8
100.00 (Default)	417	37	24.38%	395	100.00%	911	40.43%	2.4	—	—	160	87
Subtotal	6,482	2,659	18.08%	6,508	8.02%	42,599	40.44%	3.2	4,230	64.99%	215	150

CR6: Credit risk exposures by portfolio and PD range - Corporate Main

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2024											
Corporate Main	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**6,672**	**11,515**	**47.37%**	**12,523**	**0.08%**	**417**	**41.48%**	**3.0**	**4,042**	**32.28%**	**5**	**22**
0.00 to <0.10	3,525	6,853	43.18%	6,773	0.05%	237	42.29%	2.8	1,696	25.04%	2	9
0.10 to <0.15	3,147	4,662	53.72%	5,750	0.11%	181	40.54%	3.3	2,346	40.80%	3	13
0.15 to <0.25	**2,587**	**4,110**	**57.82%**	**5,137**	**0.18%**	**2,569**	**41.53%**	**2.5**	**2,288**	**44.53%**	**4**	**14**
0.25 to <0.50	**4,132**	**5,129**	**36.01%**	**5,619**	**0.37%**	**4,261**	**38.64%**	**2.2**	**3,154**	**56.12%**	**9**	**24**
0.50 to <0.75	**2,181**	**1,563**	**22.10%**	**2,427**	**0.62%**	**5,203**	**42.36%**	**1.9**	**1,849**	**76.20%**	**8**	**17**
0.75 to <2.50	**4,002**	**3,137**	**33.34%**	**4,802**	**1.22%**	**7,877**	**39.21%**	**1.9**	**4,498**	**93.68%**	**27**	**57**
0.75 to <1.75	3,892	3,119	33.57%	4,692	1.21%	6,443	39.10%	2.0	4,377	93.30%	26	57
1.75 to <2.50	110	18	—	110	1.95%	1,435	44.09%	1.4	121	110.01%	1	—
2.50 to <10.00	**2,217**	**1,850**	**48.10%**	**2,529**	**3.77%**	**3,072**	**43.23%**	**2.5**	**3,786**	**149.72%**	**46**	**56**
2.50 to <5.00	1,862	1,650	46.62%	2,061	3.05%	2,474	43.29%	2.7	2,973	144.26%	31	34
5.00 to <10.00	355	200	59.42%	468	6.94%	598	42.97%	1.8	813	173.74%	15	22
10.00 to <100.00	**183**	**128**	**31.73%**	**223**	**22.97%**	**226**	**41.37%**	**2.4**	**564**	**252.56%**	**22**	**25**
10.00 to <20.00	91	72	6.80%	96	12.17%	137	40.55%	2.9	232	241.52%	5	9
20.00 to <30.00	—	2	—	—	30.00%	26	42.91%	1.2	1	288.25%	—	—
30.00 to <100.00	92	54	65.58%	127	31.12%	63	41.99%	2.1	331	260.18%	17	16
100.00 (Default)	**372**	**92**	**65.83%**	**434**	**100.00%**	**566**	**43.94%**	**1.3**	**—**	**—**	**192**	**154**
Subtotal	**22,346**	**27,524**	**44.19%**	**33,694**	**2.06%**	**24,191**	**40.92%**	**2.5**	**20,181**	**59.90%**	**313**	**369**
	31 Dec 2023											
Corporate Main	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	6,377	10,961	50.18%	12,139	0.08%	411	41.34%	3.2	3,712	30.58%	6	21
0.00 to <0.10	3,409	6,371	46.41%	6,552	0.05%	224	41.72%	3.3	1,695	25.87%	2	9
0.10 to <0.15	2,968	4,590	55.51%	5,587	0.11%	187	40.89%	3.0	2,017	36.09%	4	12
0.15 to <0.25	2,248	4,463	56.41%	5,014	0.18%	2,686	43.40%	2.3	2,140	42.68%	5	13
0.25 to <0.50	5,813	5,887	47.14%	8,348	0.35%	4,124	39.88%	2.3	4,867	58.31%	15	41
0.50 to <0.75	2,003	1,956	39.94%	2,609	0.62%	6,005	41.16%	2.1	2,035	78.02%	9	21
0.75 to <2.50	3,358	4,495	64.32%	6,120	1.17%	7,295	27.26%	2.2	4,076	66.60%	25	64
0.75 to <1.75	3,274	4,483	64.49%	6,037	1.16%	6,008	27.02%	2.2	3,982	65.96%	24	64
1.75 to <2.50	84	12	—	83	1.97%	1,288	44.50%	1.5	94	112.65%	1	—
2.50 to <10.00	2,359	1,808	45.60%	2,904	3.79%	3,238	43.46%	2.2	4,212	145.06%	53	128
2.50 to <5.00	2,019	1,674	45.93%	2,515	3.23%	2,559	43.37%	2.3	3,491	138.82%	39	92
5.00 to <10.00	340	134	41.54%	389	7.44%	679	44.07%	1.5	721	185.41%	14	36
10.00 to <100.00	172	48	51.32%	196	24.64%	226	42.40%	1.5	497	253.35%	21	27
10.00 to <20.00	62	19	32.13%	68	12.35%	136	39.66%	1.5	134	197.75%	3	12
20.00 to <30.00	5	2	—	5	30.00%	17	44.96%	1.0	15	289.41%	1	—
30.00 to <100.00	105	27	68.70%	123	31.11%	73	43.72%	1.5	348	282.16%	17	15
100.00 (Default)	475	108	52.10%	530	100.00%	576	41.01%	1.5	—	—	218	187
Subtotal	22,804	29,726	51.76%	37,859	2.18%	24,561	39.17%	2.5	21,539	56.89%	352	502

CR6: Credit risk exposures by portfolio and PD range - Residential Mortgages (SME)

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2024										
Residential Mortgages (SME)	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.50 to <0.75	**1,293**	**171**	**96.65%**	**1,441**	**0.54%**	**12,530**	**17.63%**	**169**	**11.71%**	**2**	**35**
0.75 to <2.50	**976**	**127**	**97.76%**	**1,089**	**1.12%**	**7,909**	**16.43%**	**230**	**21.14%**	**3**	**13**
0.75 to <1.75	976	127	97.76%	1,089	1.12%	7,909	16.43%	230	21.14%	3	13
2.50 to <10.00	**310**	**23**	**99.07%**	**330**	**4.20%**	**2,492**	**17.94%**	**168**	**50.85%**	**4**	**8**
2.50 to <5.00	150	12	97.71%	161	2.62%	1,269	17.51%	63	39.10%	1	4
5.00 to <10.00	160	11	100.63%	169	5.70%	1,223	18.35%	105	62.04%	3	4
10.00 to <100.00	**90**	**5**	**97.47%**	**95**	**21.89%**	**931**	**20.66%**	**92**	**96.48%**	**6**	**6**
10.00 to <20.00	66	5	97.85%	70	12.65%	740	20.57%	69	97.72%	3	4
30.00 to <100.00	24	—	93.64%	25	48.38%	191	20.90%	23	91.75%	3	2
100.00 (Default)	**123**	**6**	**98.32%**	**128**	**100.00%**	**431**	**17.75%**	**26**	**20.70%**	**23**	**31**
Subtotal	**2,792**	**332**	**97.29%**	**3,083**	**5.92%**	**24,293**	**17.34%**	**685**	**22.22%**	**38**	**93**
	31 Dec 2023										
Residential mortgages (SME)	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.50 to <0.75	1,678	164	97.16%	1,806	0.54%	13,246	18.16%	222	12.30%	2	36
0.75 to <2.50	1,386	154	98.25%	1,515	1.13%	9,094	16.03%	316	20.85%	4	16
0.75 to <1.75	1,386	154	98.25%	1,515	1.13%	9,094	16.03%	316	20.85%	4	16
2.50 to <10.00	438	25	98.86%	457	4.17%	2,968	17.59%	232	50.88%	5	13
2.50 to <5.00	218	13	100.31%	228	2.62%	1,493	17.67%	93	40.91%	2	6
5.00 to <10.00	220	12	97.28%	229	5.72%	1,475	17.50%	139	60.83%	3	7
10.00 to <100.00	127	8	97.91%	133	22.12%	1,115	18.20%	125	93.76%	8	11
10.00 to <20.00	93	7	98.24%	99	13.32%	882	18.23%	95	95.72%	4	8
30.00 to <100.00	34	1	94.53%	34	47.68%	233	18.12%	30	88.06%	4	3
100.00 (Default)	134	7	98.43%	140	100.00%	454	18.58%	20	14.20%	25	32
Subtotal	3,763	358	97.79%	4,051	5.30%	26,878	17.32%	915	22.60%	44	108

CR6: Credit risk exposures by portfolio and PD range - Residential Mortgages (non-SME)

	31 Dec 2024										
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD[1]	Number of obligors[1]	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Residential Mortgages (non-SME)[1,2]	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	**241,028**	**16,455**	**103.91%**	**268,802**	**0.28%**	**1,641,893**	**10.55%**	**27,179**	**10.11%**	**127**	**141**
0.00 to <0.10	195,238	16,057	104.35%	220,658	0.23%	1,283,291	10.66%	19,408	8.80%	85	91
0.10 to <0.15	45,790	398	85.93%	48,144	0.50%	358,602	10.03%	7,771	16.14%	42	50
0.15 to <0.25	**39,717**	**1,252**	**88.18%**	**42,307**	**0.68%**	**300,868**	**12.11%**	**8,185**	**19.35%**	**49**	**45**
0.25 to <0.50	**23,995**	**229**	**65.38%**	**25,178**	**1.16%**	**191,221**	**9.97%**	**7,224**	**28.69%**	**54**	**52**
0.50 to <0.75	**6,538**	**76**	**54.74%**	**6,870**	**2.05%**	**58,159**	**7.81%**	**2,132**	**31.03%**	**19**	**23**
0.75 to <2.50	**5,830**	**63**	**56.47%**	**6,126**	**3.68%**	**49,730**	**8.21%**	**2,940**	**47.99%**	**34**	**30**
0.75 to <1.75	5,081	62	56.57%	5,343	3.24%	42,860	8.25%	2,477	46.36%	27	25
1.75 to <2.50	749	1	51.39%	783	6.72%	6,870	7.98%	463	59.20%	7	5
2.50 to <10.00	**3,074**	**6**	**64.79%**	**3,211**	**17.05%**	**25,176**	**7.84%**	**2,633**	**82.00%**	**71**	**45**
2.50 to <5.00	1,594	2	90.71%	1,666	13.58%	12,862	8.15%	1,361	81.67%	31	22
5.00 to <10.00	1,480	4	54.30%	1,545	20.79%	12,314	7.50%	1,272	82.37%	40	23
10.00 to <100.00	**3,151**	**2**	**59.11%**	**3,241**	**51.92%**	**24,132**	**7.84%**	**2,518**	**77.69%**	**250**	**37**
10.00 to <20.00	1,255	2	63.82%	1,302	33.89%	9,863	8.09%	1,196	91.84%	60	18
20.00 to <30.00	501	—	—	517	45.30%	3,840	7.54%	479	92.64%	33	7
30.00 to <100.00	1,395	—	45.97%	1,422	70.87%	10,429	7.73%	843	59.28%	157	12
100.00 (Default)	**2,982**	**—**	**55.46%**	**2,981**	**100.00%**	**19,013**	**9.95%**	**8,960**	**300.54%**	**308**	**618**
Subtotal	**326,315**	**18,083**	**101.94%**	**358,717**	**1.93%**	**2,310,192**	**10.54%**	**61,770**	**17.22%**	**912**	**991**

CR6: Credit risk exposures by portfolio and PD range - Residential Mortgages (non-SME) continued

	31 Dec 2023										
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD[1]	Number of obligors[1]	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Residential mortgages (non-SME)[1 2]	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	277,583	12,944	101.28%	302,774	0.34%	2,015,050	10.62%	32,510	10.74%	158	287
0.00 to <0.10	251,827	12,685	101.94%	275,871	0.31%	1,822,125	10.50%	27,770	10.07%	131	233
0.10 to <0.15	25,756	259	69.01%	26,903	0.65%	192,925	11.86%	4,740	17.62%	27	54
0.15 to <0.25	16,566	655	88.68%	17,855	1.05%	128,109	10.36%	4,212	23.59%	29	58
0.25 to <0.50	10,878	76	62.90%	11,402	1.82%	89,944	9.06%	3,329	29.20%	29	55
0.50 to <0.75	2,027	7	60.37%	2,118	3.41%	19,262	8.75%	846	39.93%	9	20
0.75 to <2.50	3,359	19	85.20%	3,523	7.37%	29,164	8.43%	2,168	61.52%	34	66
0.75 to <1.75	1,986	16	91.19%	2,087	5.15%	17,867	8.47%	1,029	49.29%	14	25
1.75 to <2.5	1,373	3	53.76%	1,436	10.60%	11,297	8.37%	1,139	79.31%	20	41
2.50 to <10.00	2,525	4	95.64%	2,629	21.15%	20,806	8.41%	2,243	85.33%	69	67
2.5 to <5	1,468	4	96.05%	1,532	16.98%	12,261	8.42%	1,239	80.84%	32	45
5 to <10	1,057	—	83.57%	1,097	26.97%	8,545	8.39%	1,004	91.58%	37	22
10.00 to <100.00	2,699	1	53.38%	2,760	57.02%	21,042	8.31%	2,494	90.36%	262	51
10 to <20	966	—	95.67%	995	39.06%	7,777	8.35%	1,003	100.77%	51	23
20 to <30	462	—	—	474	52.29%	3,710	8.27%	538	113.52%	39	11
30.00 to <100.00	1,271	1	49.75%	1,291	72.61%	9,555	8.30%	953	73.82%	172	17
100.00 (Default)	2,981	—	41.26%	2,981	100.00%	20,235	10.00%	10,006	335.68%	346	715
Subtotal	318,618	13,705	100.42%	346,042	1.99%	2,343,612	10.48%	57,808	16.71%	936	1,319

1. The Group's Secured CRD IV models remain subject to further development and final approval by the PRA. A significant level of temporary model adjustments have been applied separately to the not-in-default and default populations, reflecting new CRD IV modelling requirements. These adjustments include a 90-days past due default backstop and other new modelling requirements for this asset class. Risk-weighted asset and expected loss for each range within the not in default population has been increased proportionately, in line with PRA guidance (Supervisory Statement 11/13).
2. Balance sheet exposures and Exposure post CCF/CRM are not adjusted for CRD IV and are allocated to ranges based on the underlying PiT PD from incumbent (pre CRD IV) models. Weighted and arithmetic average PDs quoted are above the ranges due to the use of more conservative TTC PDs, also from incumbent models. This includes the use of a 180 days past due default backstop within the definition of default. Under CRD IV rules we would expect the distribution of exposures to PD ranges, including the level of defaulted exposures, to be significantly different given the stricter definitions.

CR6: Credit risk exposures by portfolio and PD range - Qualifying revolving retail exposures

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
						31 Dec 2024					
Qualifying revolving retail exposures	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	**1,026**	**15,730**	**64.64%**	**11,194**	**0.09%**	**8,761,967**	**56.51%**	**395**	**3.53%**	**6**	**52**
0.00 to <0.10	631	10,721	64.82%	7,581	0.07%	5,858,020	55.75%	212	2.80%	3	36
0.10 to <0.15	395	5,009	64.24%	3,613	0.13%	2,903,947	58.11%	183	5.07%	3	16
0.15 to <0.25	**606**	**6,648**	**66.16%**	**5,004**	**0.20%**	**4,150,232**	**59.53%**	**377**	**7.53%**	**7**	**21**
0.25 to <0.50	**1,304**	**9,291**	**65.28%**	**7,369**	**0.36%**	**5,941,124**	**62.45%**	**941**	**12.77%**	**19**	**32**
0.50 to <0.75	**931**	**3,902**	**67.91%**	**3,580**	**0.62%**	**3,417,468**	**69.01%**	**773**	**21.58%**	**17**	**20**
0.75 to <2.50	**3,720**	**6,665**	**70.63%**	**8,429**	**1.37%**	**7,590,419**	**75.17%**	**3,600**	**42.71%**	**99**	**104**
0.75 to <1.75	2,588	5,442	71.01%	6,453	1.15%	6,164,026	74.81%	2,418	37.48%	63	65
1.75 to <2.50	1,132	1,223	68.90%	1,976	2.09%	1,426,393	76.36%	1,182	59.83%	36	39
2.50 to <10.00	**3,077**	**1,623**	**71.92%**	**4,246**	**4.62%**	**2,509,902**	**77.92%**	**4,406**	**103.78%**	**174**	**183**
2.50 to <5.00	1,969	1,291	70.64%	2,883	3.54%	1,764,676	77.51%	2,526	87.63%	90	96
5.00 to <10.00	1,108	332	76.90%	1,363	6.88%	745,226	78.80%	1,880	137.94%	84	87
10.00 to <100.00	**911**	**145**	**89.14%**	**1,059**	**29.14%**	**752,307**	**77.56%**	**2,398**	**226.31%**	**274**	**140**
10.00 to <20.00	449	85	88.57%	525	13.60%	325,796	78.67%	1,066	203.24%	64	56
20.00 to <30.00	122	23	91.72%	146	24.36%	128,953	76.87%	374	256.52%	31	21
30.00 to <100.00	340	37	88.84%	388	52.05%	297,558	76.53%	958	246.99%	179	63
100.00 (Default)	**237**	**39**	**0.08**	**236**	**100.00%**	**248,607**	**73.16%**	**544**	**229.89%**	**146**	**136**
Subtotal	**11,812**	**44,043**	**66.49%**	**41,117**	**2.25%**	**33,372,026**	**65.71%**	**13,434**	**32.67%**	**742**	**688**
						31 Dec 2023					
0.00 to <0.15	861	14,553	64.35%	10,225	0.09%	8,265,226	57.61%	368	3.60%	6	49
0.00 to <0.10	493	9,439	64.90%	6,620	0.07%	5,211,559	56.74%	187	2.83%	3	32
0.10 to <0.15	368	5,114	63.31%	3,605	0.13%	3,053,667	59.22%	181	5.01%	3	17
0.15 to <0.25	531	6,470	64.40%	4,698	0.20%	4,112,262	60.85%	349	7.43%	6	21
0.25 to <0.50	1,161	9,468	62.39%	7,069	0.37%	5,868,075	63.51%	895	12.66%	18	34
0.50 to <0.75	840	4,065	67.08%	3,568	0.62%	3,384,508	69.84%	752	21.07%	17	22
0.75 to <2.50	3,359	6,785	72.52%	8,285	1.37%	7,551,369	76.63%	3,475	41.95%	95	114
0.75 to <1.75	2,314	5,539	72.42%	6,330	1.15%	6,089,385	76.38%	2,327	36.76%	60	71
1.75 to <2.50	1,045	1,246	72.93%	1,955	2.09%	1,461,984	77.46%	1,148	58.72%	35	43
2.50 to <10.00	3,001	1,671	73.94%	4,238	4.66%	2,403,373	78.42%	4,337	102.33%	170	214
2.50 to <5.00	1,869	1,310	72.38%	2,818	3.53%	1,686,388	78.16%	2,421	85.91%	85	109
5.00 to <10.00	1,132	361	79.62%	1,420	6.90%	716,985	78.92%	1,916	134.91%	85	105
10.00 to <100.00	930	184	87.08%	1,106	28.33%	706,180	78.02%	2,385	215.59%	264	155
10.00 to <20.00	477	101	90.09%	569	13.57%	317,797	78.81%	1,117	196.49%	66	68
20.00 to <30.00	126	34	84.21%	157	24.29%	127,825	76.94%	384	244.00%	32	24
30.00 to <100.00	327	49	82.91%	380	52.06%	260,558	77.25%	884	232.42%	166	63
100.00 (Default)	238	—	—	238	100.00%	270,657	72.47%	526	221.11%	134	130
Subtotal	10,921	43,196	65.93%	39,427	2.36%	32,561,650	67.06%	13,087	33.19%	710	739

CR6: Credit risk exposures by portfolio and PD range - Retail Other SME

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2024										
Retail Other SME	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.50 to <0.75	**966**	**303**	**88.77%**	**433**	**0.54%**	**55,327**	**80.14%**	**210**	**48.58%**	**2**	**12**
0.75 to <2.50	**1,006**	**221**	**93.32%**	**423**	**1.15%**	**61,144**	**80.12%**	**358**	**84.56%**	**7**	**8**
0.75 to <1.75	1,006	221	93.32%	423	1.15%	61,144	80.12%	358	84.56%	7	8
1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—
2.50 to <10.00	**492**	**66**	**94.65%**	**196**	**4.22%**	**35,700**	**81.32%**	**229**	**116.73%**	**13**	**4**
2.50 to <5.00	242	37	94.53%	98	2.62%	16,619	81.16%	109	111.33%	4	4
5.00 to <10.00	250	29	94.82%	98	5.81%	19,081	81.47%	120	122.13%	9	—
10.00 to <100.00	**192**	**13**	**92.03%**	**76**	**27.21%**	**43,787**	**85.56%**	**122**	**160.89%**	**26**	**3**
10.00 to <20.00	130	10	92.09%	52	12.71%	38,751	84.06%	82	156.03%	11	2
20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—
30.00 to <100.00	62	3	91.80%	24	57.34%	5,036	85.26%	40	164.73%	15	1
100.00 (Default)	**509**	**3**	**89.91%**	**271**	**100.00%**	**83,889**	**5.97%**	**100**	**36.96%**	**16**	**21**
Subtotal	**3,165**	**606**	**91.15%**	**1,399**	**21.91%**	**279,846**	**66.19%**	**1,019**	**72.86%**	**64**	**48**
	31 Dec 2023										
Retail Other SME	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.50 to <0.75	1,537	287	90.65%	474	0.54%	57,928	77.45%	222	46.93%	2	13
0.75 to <2.50	1,561	213	94.43%	479	1.15%	65,104	76.50%	442	92.36%	8	9
0.75 to <1.75	1,561	213	94.43%	479	1.15%	65,104	76.50%	442	92.36%	8	9
1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—
2.50 to <10.00	610	59	94.89%	188	4.19%	34,291	79.42%	255	135.09%	13	4
2.50 to <5.00	295	34	95.01%	93	2.62%	16,488	79.83%	121	129.63%	4	3
5.00 to <10.00	315	25	94.74%	95	5.73%	17,803	79.02%	134	140.46%	9	1
10.00 to <100.00	251	12	92.33%	77	28.67%	51,127	84.94%	150	193.29%	30	4
10.00 to <20.00	162	9	92.51%	50	13.12%	45,208	84.17%	97	192.09%	12	3
20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—
30.00 to <100.00	89	3	91.70%	27	57.25%	5,919	85.75%	53	194.08%	18	1
100.00 (Default)	677	4	93.12%	259	100.00%	72,453	8.33%	102	39.30%	21	21
Subtotal	4,636	575	92.54%	1,477	20.09%	280,901	65.68%	1,171	79.24%	74	51

CR6: Credit risk exposures by portfolio and PD range - Retail Other non-SME

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2024										
Retail other non-SME	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**346**	**—**	**30.00%**	**346**	**0.08%**	**19,284**	**37.09%**	**35**	**10.17%**	**—**	**1**
0.00 to <0.10	337	—	30.00%	337	0.08%	16,742	36.12%	33	9.77%	—	1
0.10 to <0.15	9	—	30.00%	9	0.14%	2,542	73.18%	2	25.12%	—	—
0.15 to <0.25	**71**	**2**	**30.00%**	**74**	**0.21%**	**16,003**	**75.70%**	**26**	**35.15%**	**—**	**—**
0.25 to <0.50	**4,453**	**7**	**30.00%**	**4,461**	**0.37%**	**360,316**	**38.85%**	**1,314**	**29.45%**	**6**	**60**
0.50 to <0.75	**3,364**	**7**	**30.00%**	**3,372**	**0.72%**	**235,194**	**43.33%**	**1,556**	**46.14%**	**10**	**49**
0.75 to <2.50	**6,072**	**30**	**30.00%**	**6,107**	**1.56%**	**552,961**	**63.78%**	**5,264**	**86.20%**	**62**	**112**
0.75 to <1.75	4,840	20	30.00%	4,863	1.42%	423,642	59.11%	3,793	77.99%	39	86
1.75 to <2.50	1,232	10	30.00%	1,244	2.11%	129,319	82.03%	1,471	118.32%	23	26
2.50 to <10.00	**3,683**	**22**	**30.00%**	**3,708**	**4.51%**	**370,642**	**67.64%**	**4,156**	**112.11%**	**118**	**99**
2.50 to <5.00	2,455	14	30.00%	2,471	3.42%	243,785	69.28%	2,753	111.39%	62	59
5.00 to <10.00	1,228	8	30.00%	1,237	6.70%	126,857	64.31%	1,403	113.36%	56	40
10.00 to <100.00	**689**	**5**	**30.00%**	**696**	**26.96%**	**75,829**	**55.61%**	**972**	**139.67%**	**106**	**56**
10.00 to <20.00	260	3	30.00%	264	12.39%	35,124	68.60%	378	143.25%	25	11
20.00 to <30.00	168	1	30.00%	169	21.47%	15,521	45.32%	217	128.49%	17	15
30.00 to <100.00	261	1	30.00%	263	45.22%	25,184	49.37%	377	143.77%	64	30
100.00 (Default)	**218**	**—**	**—**	**217**	**100.46%**	**36,211**	**55.64%**	**317**	**146.16%**	**119**	**119**
Subtotal	**18,896**	**73**	**30.00%**	**18,981**	**3.74%**	**1,666,440**	**54.21%**	**13,640**	**71.86%**	**421**	**496**
	31 Dec 2023										
0.00 to <0.15	378	—	30.00%	379	0.08%	20,381	36.68%	39	10.25%	—	2
0.00 to <0.10	371	—	30.00%	372	0.08%	18,225	35.97%	37	9.95%	—	2
0.10 to <0.15	7	—	30.00%	7	0.14%	2,156	72.48%	2	25.60%	—	—
0.15 to <0.25	53	1	30.00%	55	0.21%	13,513	74.70%	20	35.34%	—	—
0.25 to <0.50	4,352	6	30.00%	4,361	0.37%	361,187	37.78%	1,282	29.39%	5	62
0.50 to <0.75	3,218	5	30.00%	3,226	0.73%	225,616	41.62%	1,482	45.94%	9	58
0.75 to <2.50	5,154	20	30.00%	5,184	1.57%	477,976	59.82%	4,334	83.62%	50	113
0.75 to <1.75	4,253	13	30.00%	4,273	1.46%	377,389	55.15%	3,245	75.94%	33	88
1.75 to <2.50	901	7	30.00%	911	2.11%	100,587	81.70%	1,089	119.64%	17	25
2.50 to <10.00	3,456	15	30.00%	3,479	4.56%	344,889	66.29%	3,903	112.19%	111	104
2.50 to <5.00	2,285	9	30.00%	2,299	3.42%	225,209	67.79%	2,558	111.28%	57	65
5.00 to <10.00	1,171	6	30.00%	1,180	6.78%	119,680	63.35%	1,345	113.97%	54	39
10.00 to <100.00	716	5	30.00%	723	27.13%	82,530	56.96%	1,038	143.65%	115	53
10.00 to <20.00	282	3	30.00%	286	12.35%	38,729	69.27%	418	146.42%	27	13
20.00 to <30.00	167	1	30.00%	168	21.55%	16,116	46.28%	224	133.33%	17	12
30.00 to <100.00	267	1	30.00%	269	46.31%	27,685	50.55%	396	147.14%	71	28
100.00 (Default)	226	—	—	226	100.00%	51,000	55.57%	357	158.07%	128	115
Subtotal	17,554	52	30.00%	17,631	3.98%	1,577,092	51.69%	12,455	70.64%	418	507

Credit risk continued

CR6-A: Scope of the use of IRB and SA approaches

The exposure values in the table below are presented on a different basis. Column (a) IRB exposures are presented on a pre CRM post CCF basis in accordance with rules for calculating exposures under the IRB approach. Retail IRB exposures reported in column (a) use EAD models. For column (b), both standardised and IRB exposure values reported are calculated in accordance with CRR Article 429(4) relating to leverage exposure methodology. This is gross exposure, net of credit risk adjustments, and after application of CCFs as set out in CRR Article 429. For the majority of the Retail asset classes, due to the use of the lower Article 429 CCFs in column (b) versus the use higher modelled EAD in column (a), the reported value for Retail exposures in column (b) is less than that reported in column (a).

		31 Dec 2024				
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach[1]	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
		£m	£m	%	%	%
1	**Central governments or central banks**	**1,958**	**68,647**	**97.10%**	**2.90%**	**—**
2	**Institutions**	**8,940**	**13,461**	**33.50%**	**66.50%**	**—**
3	**Corporates**	**55,718**	**59,005**	**7.60%**	**88.00%**	**4.4%**
3.2	Of which Corporates - Specialised lending under slotting approach		13,095	—	100.00%	—
4	**Retail**	**425,648**	**386,773**	**2.10%**	**95.40%**	**2.4%**
4.1	of which Retail – Secured by real estate SMEs		3,159	0.90%	91.50%	7.6%
4.2	of which Retail – Secured by real estate non-SMEs		332,032	0.90%	99.10%	—
4.3	of which Retail – Qualifying revolving		25,333	7.80%	61.70%	30.5%
4.4	of which Retail – Other SMEs		5,207	23.20%	61.80%	15.0%
4.5	of which Retail – Other non-SMEs		20,673	7.50%	89.10%	3.5%
6	**Other non-credit obligation assets**	**9,956**	**12,415**	**20.60%**	**79.40%**	**—**
7	**Total**	**502,220**	**540,300**	**16.00%**	**81.80%**	**2.2%**

		31 Dec 2023				
		£m	£m	%	%	%
1	Central governments or central banks	2,342	81,582	97.10%	2.90%	—
2	Institutions	12,378	15,928	22.20%	77.80%	—
3	Corporates	58,041	60,349	7.60%	88.60%	3.8%
3.2	Of which Corporates - Specialised lending under slotting approach		12,152	—	100.00%	—
4	Retail	412,381	377,969	2.10%	95.30%	2.6%
4.1	of which Retail – Secured by real estate SMEs		3,964	0.70%	93.40%	5.9%
4.2	of which Retail – Secured by real estate non-SMEs		323,492	1.10%	98.90%	—
4.3	of which Retail – Qualifying revolving		24,195	6.00%	60.40%	33.6%
4.4	of which Retail – Other SMEs		6,027	9.90%	77.10%	13.0%
4.5	of which Retail – Other non-SMEs		19,859	10.40%	85.90%	3.7%
6	Other non-credit obligation assets	9,314	11,703	21.40%	78.60%	—
7	Total	494,456	547,531	17.90%	79.90%	2.2%

1 Standardised exposures have been allocated to IRB exposure classes as defined under the IRB approach. Standardised regional governments, local authorities and public sector entities exposures have been allocated to exposure class Institutions per CRR Articles 147, 115 and 116.

Credit risk continued

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

		31 Dec 2024												
			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)[2]		
					Of which				Of which					
		Total exposures at default	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals[1]	Part of exposures covered by Immovable property Collaterals[1]	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWEA with substitution effects (both reduction and substitution effects)
A-IRB		£m	%	%	%	%	%	%	%	%	%	%	%	£m
4	**Retail**	**423,296**	**—**	**85.27%**	**85.26%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**90,548**
4.1	Of which Retail – Immovable property SMEs	3,083	0.02%	94.27%	94.25%	—	0.02%	—	—	—	—	—	—	685
4.2	Of which Retail – Immovable property non-SMEs	358,717	—	99.80%	99.80%	—	—	—	—	—	—	—	—	61,770
4.3	Of which Retail – Qualifying revolving	41,117	—	—	—	—	—	—	—	—	—	—	—	13,434
4.4	Of which Retail – Other SMEs	1,398	0.12%	0.28%	—	—	0.28%	—	—	—	—	—	—	1,019
4.5	Of which Retail – Other non-SMEs	18,981	—	—	—	—	—	—	—	—	—	—	—	13,640
5	**Total**	**423,296**	**—**	**85.27%**	**85.26%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**90,548**
F-IRB														
1	**Central governments and central banks**	**1,451**	**—**	**—**	**—**	**—**	**—**	**—**				**39.75%**	**—**	**74**
2	**Institutions**	**9,432**	**41.98%**	**1.46%**	**—**	**—**	**1.46%**	**—**				**1.27%**	**—**	**1,582**
3	**Corporates**	**53,805**	**3.69%**	**23.15%**	**18.04%**	**2.56%**	**2.55%**	**—**				**4.57%**	**0.18%**	**33,703**
3.1	Of which Corporates – SMEs	7,001	0.63%	60.56%	47.05%	13.51%	0.01%	—				4.09%	—	4,681
3.2	Of which Corporates – Specialised lending[3]	13,110	—	—	—	—	—	—				—	—	8,841
3.3	Of which Corporates – Other	33,694	5.76%	24.38%	19.04%	1.28%	4.06%	—				6.45%	0.29%	20,181
4	**Total**	**64,688**	**9.19%**	**19.47%**	**15.01%**	**2.13%**	**2.33%**	**—**				**4.88%**	**0.15%**	**35,359**

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

		31 Dec 2023												
			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)[2]		
					Of which				Of which					
		Total exposures at default	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals[1]	Part of exposures covered by Immovable property Collaterals[1]	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWEA with substitution effects (both reduction and substitution effects)
A-IRB		£m	%	%	%	%	%	%	%	%	%	%	%	£m
4	Retail	408,629	—	79.67%	79.67%	—	—	—	—	—	—	—	—	85,436
4.1	Of which Retail – Immovable property SMEs	4,051	0.04%	93.57%	93.54%	—	0.02%	—	—	—	—	—	—	915
4.2	Of which Retail – Immovable property non-SMEs	346,042	—	92.98%	92.98%	—	—	—	—	—	—	—	—	57,808
4.3	Of which Retail – Qualifying revolving	39,427	—	—	—	—	—	—	—	—	—	—	—	13,087
4.4	Of which Retail – Other SMEs	1,477	0.23%	0.28%	—	—	0.28%	—	—	—	—	—	—	1,171
4.5	Of which Retail – Other non-SMEs	17,631	—	—	—	—	—	—	—	—	—	—	—	12,455
5	Total	408,629	—	79.67%	79.67%	—	—	—	—	—	—	—	—	85,436
F-IRB														
1	Central governments and central banks	1,726	—	—	—	—	—	—				37.97%	—	129
2	Institutions	12,396	37.26%	1.26%	—	—	1.26%	—				—	—	2,107
3	Corporates	56,550	7.00%	21.15%	16.19%	2.50%	2.45%	—				2.48%	0.45%	34,241
3.1	Of which Corporates – SMEs	6,508	1.09%	56.80%	42.14%	14.61%	0.04%	—				6.99%	—	4,230
3.2	Of which Corporates – Specialised lending[3]	12,182	—	—	—	—	—	—				—	—	8,471
3.3	Of which Corporates – Other	37,859	10.26%	21.83%	16.94%	1.23%	3.65%	—				2.50%	0.67%	21,540
4	Total	70,671	12.13%	17.15%	12.96%	2.00%	2.18%	—				2.91%	0.36%	36,477

1 For AIRB the value of eligible collateral has been capped at individual exposure amount. The percentage immovable property collateral for Retail immovable property non-SMEs without capping collateral is 231 per cent. For FIRB, the amount is capped at the value used in determining the LGD.

2 For AIRB, the unfunded credit protection includes only cases where unfunded credit protection is taken into account in own estimates of LGD. For FIRB, it relates to unfunded credit protection which has substitution effect.

3. 100% of the exposures disclosed in the 'Of which Corporates - Specialised lending' row use the Slotting approach which does not use collateral in the calculation of RWA.

Credit risk continued

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

		31 Dec 2024					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Regulatory categories	**Remaining maturity**	£m	£m		£m	£m	£m
	Less than 2.5 years	**874**	**771**	**50%**	**1,407**	**701**	**—**
1) Strong	Equal to or more than 2.5 years	**2,125**	**1,378**	**70%**	**3,170**	**2,126**	**13**
	Less than 2.5 years	**48**	**145**	**70%**	**176**	**124**	**1**
2) Good	Equal to or more than 2.5 years	**265**	**133**	**90%**	**367**	**330**	**3**
	Less than 2.5 years	**48**	**4**	**115%**	**50**	**57**	**1**
3) Satisfactory	Equal to or more than 2.5 years	**310**	**12**	**115%**	**319**	**367**	**9**
	Less than 2.5 years	**—**	**—**	**250%**	**—**	**—**	**—**
4) Weak	Equal to or more than 2.5 years	**35**	**35**	**250%**	**62**	**154**	**5**
	Less than 2.5 years	**83**	**6**		**88**	**—**	**44**
5) Default	Equal to or more than 2.5 years	**69**	**6**		**74**	**—**	**36**
	Less than 2.5 years	**1,053**	**926**		**1,721**	**882**	**46**
Total	**Equal to or more than 2.5 years**	**2,804**	**1,564**		**3,992**	**2,977**	**66**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m		£m	£m	£m
	Less than 2.5 years	595	432	50%	875	437	—
1) Strong	Equal to or more than 2.5 years	1,668	1,047	70%	2,455	1,633	10
	Less than 2.5 years	127	38	70%	157	110	1
2) Good	Equal to or more than 2.5 years	462	249	90%	705	635	6
	Less than 2.5 years	15	2	115%	16	19	—
3) Satisfactory	Equal to or more than 2.5 years	39	6	115%	44	50	1
	Less than 2.5 years	—	—	250%	—	—	—
4) Weak	Equal to or more than 2.5 years	23	17	250%	36	90	3
	Less than 2.5 years	58	—		58	—	29
5) Default	Equal to or more than 2.5 years	1	1		2	—	1
	Less than 2.5 years	796	472		1,107	566	30
Total	Equal to or more than 2.5 years	2,194	1,319		3,242	2,408	21

Credit risk continued

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

		31 Dec 2024					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Regulatory categories	**Remaining maturity**	£m	£m		£m	£m	£m
1) Strong	Less than 2.5 years	**2,174**	**181**	**50%**	**2,234**	**1,089**	**—**
	Equal to or more than 2.5 years	**982**	**141**	**70%**	**1,000**	**674**	**4**
2) Good	Less than 2.5 years	**1,312**	**82**	**70%**	**1,369**	**940**	**5**
	Equal to or more than 2.5 years	**2,089**	**139**	**90%**	**2,186**	**1,904**	**18**
3) Satisfactory	Less than 2.5 years	**65**	**1**	**115%**	**66**	**73**	**2**
	Equal to or more than 2.5 years	**154**	**1**	**115%**	**154**	**174**	**4**
4) Weak	Less than 2.5 years	**17**	**—**	**250%**	**17**	**41**	**1**
	Equal to or more than 2.5 years	**13**	**—**	**250%**	**13**	**30**	**1**
5) Default	Less than 2.5 years	**283**	**3**		**284**	**—**	**143**
	Equal to or more than 2.5 years	**9**	**—**		**10**	**—**	**5**
Total	**Less than 2.5 years**	**3,851**	**267**		**3,970**	**2,143**	**151**
	Equal to or more than 2.5 years	**3,247**	**281**		**3,363**	**2,782**	**32**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m		£m	£m	£m
1) Strong	Less than 2.5 years	1,907	474	50%	2,107	1,051	—
	Equal to or more than 2.5 years	950	99	70%	1,004	700	4
2) Good	Less than 2.5 years	1,916	150	70%	2,006	1,404	8
	Equal to or more than 2.5 years	1,700	179	90%	1,830	1,647	14
3) Satisfactory	Less than 2.5 years	252	12	115%	260	299	7
	Equal to or more than 2.5 years	197	2	115%	198	227	6
4) Weak	Less than 2.5 years	31	1	250%	32	79	2
	Equal to or more than 2.5 years	10	—	250%	9	24	1
5) Default	Less than 2.5 years	295	7		299	—	150
	Equal to or more than 2.5 years	16	1		16	—	8
Total	Less than 2.5 years	4,401	644		4,704	2,833	167
	Equal to or more than 2.5 years	2,873	281		3,057	2,598	33

Credit risk continued

CR10.3: IRB – Specialised lending - Object finance (Slotting approach)

		31 Dec 2024					
		On-balance sheet exposure	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Regulatory categories	**Remaining maturity**	**£m**	**£m**		**£m**	**£m**	**£m**
	Less than 2.5 years	**—**	**—**	**70%**	**—**	**—**	**—**
2) Good	Equal to or more than 2.5 years	**64**	**—**	**90%**	**64**	**58**	**1**
	Less than 2.5 years	**—**	**—**		**—**	**—**	**—**
Total	Equal to or more than 2.5 years	**64**	**—**		**64**	**58**	**1**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m		£m	£m	£m
	Less than 2.5 years	—	—	70%	—	—	—
2) Good	Equal to or more than 2.5 years	73	—	90%	73	66	1
	Less than 2.5 years	—	—		—	—	—
Total	Equal to or more than 2.5 years	73	—		73	66	1

Pillar 1 Capital Requirements: Counterparty Credit Risk

CCRA: Qualitative disclosure related to CCR

Definition

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial instruments derivatives and SFT contracts.

Internal Capital and Credit Limits

The credit risk appetite for counterparties is determined through a combination of credit quality (expressed as an internal credit rating) and size (measured by its capital and reserves). In general, activity of the Group is conducted with counterparties that have internal obligor ratings equivalent to investment grade as measured by external credit rating agencies.

Internal obligor ratings are mapped to modelled PDs, which when combined with LGDs and EADs determine EL. To calculate EAD, values for derivative products are determined by using the SA-CCR methodology for regulatory purposes and internally developed exposure models for limit management.

Additionally a number of product specific, obligor quality limit guidelines and counterparty specific policies also serve to determine risk management and credit limit setting. Once commercial approval has been obtained for a counterparty, credit limits are established through the Group's credit approval framework on the basis of the projected maximum PFE of anticipated derivative transaction volumes, based on 95th percentile assumptions.

Credit limits are set by risk type and reflect documentation held for netting or collateral management purposes. Outstanding exposures are calculated on a PFE basis, based upon the transaction characteristics and documentation.

Securing Collateral and Establishing Credit Reserves

Use is made of collateral and risk mitigation techniques to reduce credit risks in various portfolios. These include the use of collateral (principally cash and UK Government Gilts, which is largely applied to central governments or central banks and institution exposures; government securities and guarantees), break clauses and netting. A significant amount of derivative exposure is cleared at Qualified Central Counterparties (QCCPs), which replaces exposure to individual counterparties with an exposure against the Central Counterparty (CCP).

Policy is set governing types of acceptable collateral and haircuts, in line with industry practice.

Collateral arrangements are governed by standard agreements (such as Global Master Repurchase Agreements and Credit Support Annexes (CSA) and Credit Support Deeds (CSD). It is policy that appropriate documentation is put in place for all clients prior to trading, any exceptions being subject to specific approval from the appropriate Credit Sanctioner. Policy also defines minimum acceptable requirements for the negotiation of ISDA and CSA documentation.

Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA) in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA.

To recognise the effects of credit risk mitigation, any agreements must be valid, enforceable, unconditional and irrevocable. In addition, collateral must be transferred to the bank through the passing of title and should be offset on a portfolio by portfolio basis. Once these conditions are met, the effect of collateral received is reflected in reductions to all applicable credit exposures and in capital adequacy calculations.

Collateral received is reviewed daily to ensure quality is maintained and concentrations are avoided as necessary.

Correlation (Wrong Way) Risk

The Group seeks to avoid correlation or wrong-way risk where possible. Under the Group's repurchase (repo) policy, the issuer of the collateral and the repo counterparty should be neither the same nor connected. The same rule applies for derivatives. The Risk function has the necessary discretion to extend this rule to other cases where there is significant correlation. Countries with a rating equivalent to AA- or better may be considered to have no adverse correlation between the counterparty domiciled in that country and the country of risk (issuer of securities).

Collateral Requirements in the Event of a Downgrade in Credit Rating

The Group has a number of rating dependent contracts that would trigger cash and collateral outflows in the event of a credit rating downgrade.

As at 31st December 2024 a simultaneous one-notch downgrade in the long-term and associated short-term credit ratings of all rated entities in the Group would result in liquidity outflows of £0.4 billion before any mitigating management actions.

The Group manages the impact of such an eventuality by holding sufficient levels of liquidity for these outflows through both its liquidity coverage ratio and internal liquidity stress tests, which continue to exceed the regulatory minimum and internal risk appetite.

Master Netting Agreements

It is credit policy that a Group-approved master netting agreement must be used for all derivative and traded product transactions and must be in place prior to trading, with separate documentation required for each Group entity providing facilities. This requirement extends to trades with clients and the counterparties used for the Group's own hedging activities, which may also include clearing trades with Central Counterparties (CCPs).

Any exceptions must be approved by the appropriate credit approver. Master netting agreements do not generally result in an offset of balance sheet assets and liabilities for accounting purposes, as transactions are usually settled on a gross basis. However, within relevant jurisdictions and for appropriate counterparty types, master netting agreements do reduce the credit risk to the extent that, if an event of default occurs, all trades with the counterparty may be terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting agreements can change substantially within a short period, since this is the net position of all trades under the master netting agreement.

Counterparty credit risk

CCR1: Analysis of CCR exposure by approach

		31 Dec 2024							
		Replacement cost (RC)	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWA**
		£m	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
1	SA-CCR (for derivatives)	**159**	**688**	**—**	**1.4**	**2,811**	**1,187**	**1,175**	**523**
4	Financial collateral comprehensive method (for SFTs)					**114,054**	**19,733**	**19,733**	**457**
6	**Total**					**116,865**	**20,920**	**20,908**	**980**

		31 Dec 2023							
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	289	767	—	1.4	4,669	1,478	1,448	510
4	Financial collateral comprehensive method (for SFTs)					101,681	21,467	21,467	252
6	Total					106,349	22,945	22,914	762

Counterparty credit risk continued

CCR2: Credit valuation adjustment (CVA) capital charge

		31 Dec 2024		31 Dec 2023	
		Exposure value	**RWA**	Exposure value	RWA
		£m	**£m**	£m	£m
4	Transactions subject to the Standardised method	**1,108**	**244**	993	454
5	**Total transactions subject to own funds requirements for CVA risk**	**1,108**	**244**	993	454

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk

		31 Dec 2024											
		Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
	Exposure classes	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	**16,256**	**—**	**—**	**—**	**44**	**—**	**—**	**—**	**—**	**—**	**—**	**16,301**
4	Multilateral development banks	**120**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**120**
5	International organisations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
6	Institutions	**—**	**743**	**19**	**—**	**—**	**214**	**—**	**—**	**—**	**—**	**—**	**976**
7	Corporates	**—**	**—**	**—**	**—**	**—**	**15**	**—**	**—**	**14**	**—**	**—**	**29**
11	**Total exposure value**	**16,376**	**743**	**19**	**—**	**44**	**230**	**—**	**—**	**14**	**—**	**—**	**17,426**
		31 Dec 2023											
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	19,355	—	—	—	42	—	—	—	—	—	—	19,397
4	Multilateral development banks	141	—	—	—	—	—	—	—	—	—	—	141
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	761	64	—	—	148	—	—	—	—	—	973
7	Corporates	—	—	—	—	—	23	—	—	22	—	—	45
11	Total exposure value	19,496	761	64	—	42	171	—	—	22	—	—	20,556

Counterparty credit risk continued

CCR4: IRB – CCR exposure by portfolio and PD scale

	31 Dec 2024							
	PD scale	Exposure value	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
	Corporate	£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	**448**	**0.06%**	**85**	**45.0%**	**0.4**	**47**	**11.0%**
2	0.15 to <0.25	**71**	**0.18%**	**38**	**45.0%**	**0.4**	**17**	**24.0%**
3	0.25 to <0.50	**116**	**0.29%**	**179**	**45.0%**	**0.1**	**35**	**30.0%**
4	0.50 to <0.75	**7**	**0.62%**	**89**	**45.0%**	**1.0**	**4**	**52.0%**
5	0.75 to <2.50	**15**	**1.44%**	**123**	**45.0%**	**1.9**	**13**	**92.0%**
6	2.50 to <10.00	**2**	**3.47%**	**56**	**45.0%**	**1.7**	**2**	**99.0%**
7	10.00 to <100.00	**—**	**11.65%**	**6**	**45.0%**	**1.2**	**—**	**118.0%**
8	100.00 (Default)	**2**	**100.00%**	**6**	**45.0%**	**1.0**	**—**	**—**
	Sub-total	**660**	**0.40%**	**581**	**45.0%**	**0.4**	**119**	**18.0%**

	31 Dec 2023							
	PD scale	£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	390	0.09%	150	45.0%	1.0	74	18.7%
2	0.15 to <0.25	64	0.18%	56	45.0%	0.0	13	20.5%
3	0.25 to <0.50	91	0.29%	223	45.0%	0.1	35	38.4%
4	0.50 to <0.75	11	0.63%	97	45.0%	2.1	7	64.5%
5	0.75 to <2.50	12	1.40%	148	45.0%	1.3	9	79.6%
6	2.50 to <10.00	6	5.92%	55	45.0%	1.0	9	137.0%
7	10.00 to <100.00	1	30.20%	6	45.0%	1.0	1	244.3%
8	100.00 (Default)	—	100.00%	4	45.0%	4.9	—	—
	Sub-total	575	0.27%	739	45.0%	0.8	148	25.7%

1. From June 2024, number of obligors reported represents the number of obligors allocated to each range, regardless of the number of different exposures granted.

Counterparty credit risk – CCR4 continued

	PD scale	Exposure value	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
		31 Dec 2024						
	Central governments or central banks	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**
1	0.00 to <0.15	**455**	**0.04%**	**1**	**45.0%**	**0.0**	**21**	**4.6%**
	Sub-total	**455**	**—**	**1**	**45.0%**	**0.0**	**21**	**4.6%**
		31 Dec 2023						
	PD scale	£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	349	0.04%	1	45.0%	0.0	17	4.9%
	Sub-total	349	0.04%	1	45.0%	0.0	17	4.9%

1. From June 2024, number of obligors reported represents the number of obligors allocated to each range, regardless of the number of different exposures granted.

	PD scale	Exposure value	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
		31 Dec 2024						
	Institutions	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**
1	0.00 to <0.15	**2,930**	**0.05%**	**52**	**45.0%**	**1.5**	**569**	**19.4%**
2	0.15 to <0.25	**42**	**0.18%**	**4**	**45.0%**	**0.5**	**13**	**31.5%**
3	0.25 to <0.50	**1**	**0.30%**	**3**	**45.0%**	**2.1**	**1**	**69.8%**
4	0.50 to <0.75	**—**	**—**	**—**	**—**	**0.0**	**—**	**—**
5	0.75 to <2.50	**—**	**1.00**	**1**	**45.00**	**0.0**	**—**	**64.30**
	Sub-total	**2,973**	**0.05%**	**60**	**45.0%**	**1.5**	**583**	**19.6%**
		31 Dec 2023						
	PD scale	£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	1,963	0.05%	75	45.0%	0.8	275	14.0%
2	0.15 to <0.25	32	0.18%	3	45.0%	0.1	9	27.8%
3	0.25 to <0.50	9	0.28%	5	45.0%	0.0	3	38.9%
4	0.50 to <0.75	—	—	—	—	0.0	—	—
5	0.75 to <2.50	—	—	—	—	0.0	—	—
	Sub-total	2,004	0.05%	83	45.0%	0.8	287	14.3%

1. From June 2024, number of obligors reported represents the number of obligors allocated to each range, regardless of the number of different exposures granted.

Counterparty credit risk continued

CCR Corporate exposures subject to supervisory slotting

		31 Dec 2024					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
	Less than 2.5 years	**3**	**—**	**50 %**	**3**	**2**	**—**
1) Strong	Equal to or more than 2.5 years	**137**	**—**	**70 %**	**129**	**91**	**1**
	Less than 2.5 years	**—**	**—**	**70 %**	**—**	**—**	**—**
2) Good	Equal to or more than 2.5 years	**2**	**—**	**90 %**	**2**	**2**	**—**
	Less than 2.5 years	**—**	**—**	**115 %**	**—**	**—**	**—**
3) Satisfactory	Equal to or more than 2.5 years	**20**	**—**	**115 %**	**19**	**22**	**1**
	Less than 2.5 years	**—**	**—**	**250 %**	**—**	**—**	**—**
4) Weak	Equal to or more than 2.5 years	**2**	**—**	**250 %**	**1**	**3**	**—**
	Less than 2.5 years	**—**	**—**		**—**	**—**	**—**
5) Default	Equal to or more than 2.5 years	**1**	**—**		**—**	**—**	**—**
	Less than 2.5 years	**4**	**—**		**4**	**2**	**—**
Total	**Equal to or more than 2.5 years**	**162**	**—**		**152**	**118**	**1**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
	Less than 2.5 years	—	—	50%	1	—	—
1) Strong	Equal to or more than 2.5 years	241	—	70%	221	155	1
	Less than 2.5 years	—	—	70%	—	—	—
2) Good	Equal to or more than 2.5 years	23	—	90%	22	19	—
	Less than 2.5 years	—	—	115%	—	—	—
3) Satisfactory	Equal to or more than 2.5 years	13	—	115%	11	13	1
	Less than 2.5 years	—	—	250%	—	—	—
4) Weak	Equal to or more than 2.5 years	2	—	250%	1	3	—
	Less than 2.5 years	—	—		—	—	—
5) Default	Equal to or more than 2.5 years	1	—		—	—	—
	Less than 2.5 years	—	—		1	—	—
Total	Equal to or more than 2.5 years	280	—		255	190	2

Counterparty credit risk continued

CCR5: Composition of collateral for exposures to CCR

		31 Dec 2024					
		Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
		Segregated	Unsegregated	Segregated	Unsegregated		
	Collateral type	£m	£m	£m	£m	£m	£m
1	Cash	**60**	**842**	**60**	**4,727**	**48,642**	**54,327**
2	Debt	**264**	**505**	**2,362**	**254**	**60,719**	**29,722**
3	Equity	**—**	**—**	**—**	**—**	**—**	**—**
4	Other	**140**	**—**	**469**	**—**	**482**	**44,619**
5	**Total**	**464**	**1,347**	**2,891**	**4,981**	**109,843**	**128,668**

		31 Dec 2023					
		Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
		Segregated	Unsegregated	Segregated	Unsegregated		
	Collateral type	£m	£m	£m	£m	£m	£m
1	Cash	60	1,235	60	4,569	44,882	37,821
2	Debt	267	974	1,963	1,001	48,112	20,181
3	Equity	—	—	—	—	—	—
4	Other	106	—	588	—	455	54,527
5	Total	433	2,209	2,611	5,570	93,449	112,529

Counterparty credit risk continued

CCR6: Credit derivatives exposures

		31 Dec 2024		31 Dec 2023	
		Protection bought	**Protection sold**	Protection bought	Protection sold
Notionals		**£m**	**£m**	£m	£m
1	Single-name credit default swaps	**599**	**—**	716	24
2	Index credit default swaps	**302**	**—**	162	—
3	Total return swaps	**567**	**—**	2,102	—
4	Credit options	**—**	**—**	—	—
5	Other credit derivatives	**—**	**—**	—	—
6	**Total notionals**	**1,468**	**—**	2,980	24
Fair values					
7	Positive fair value (asset)	**353**	**—**	876	—
8	Negative fair value (liability)	**(19)**	**—**	(30)	—

CCR8: Exposures to CCPs

		31 Dec 2024		31 Dec 2023	
		Exposure value	**RWA**	Exposure value	RWA
		£m	**£m**	£m	£m
1	**Exposures to QCCPs (total)**		**139**		113
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	**759**	**16**	719	15
3	(i) OTC derivatives	**639**	**13**	651	13
4	(ii) Exchange-traded derivatives	**16**	**1**	57	2
5	(iii) SFTs	**104**	**2**	11	—
8	Non-segregated initial margin	**3**	**—**	106	2
9	Prefunded default fund contributions	**214**	**123**	182	96
11	**Exposures to non-QCCPs (total)**		**—**		—

Pillar 1 Capital Requirements: Securitisation

SECA: Qualitative disclosure requirements related to securitisation exposures

The Group is an active participant in the securitisation market, operating as an originator, a sponsor of an asset-backed commercial paper conduit and as an arranger of, and an investor in, third party securitisations. The Group provides liquidity and funding facilities to sponsored securitisations as well as to third parties.

Banking book securitisation strategy and roles

The Group's objectives in relation to banking book securitisations are to manage risk concentrations in its balance sheet, to support relationships with customers and to manage its funding and liquidity requirements and capital position. It undertakes the following roles to meet these objectives:

As an originator the Group uses securitisation as a means of balance sheet management to generate funding, liquidity, capital efficiencies and to reduce risk concentrations.

Traditional originated securitisation transactions typically involve the sale of a group or portfolio of ring-fenced loans to a securitisation special purpose entity (SSPE). A SSPE is a purposely created company within a group of companies where the ultimate holding company of the group is unrelated to the originator and is usually held by a trust. This means the Group does not legally own the SSPE. The originating Group company receives fees from the SSPE for continuing to service the loans and undertaking certain cash management activities on behalf of the SSPE. Traditional securitisations may be funding-driven transactions where the most junior tranches are retained by the Group meaning there is no transfer of credit risk away from the Group. Alternatively they may be structured to sell the junior tranches thereby achieving transfer of risk. This may also result in accounting derecognition of the assets providing additional capital efficiencies. The Group executed two such transactions in 2024 through the securitisation of £1.9 billion of primarily legacy Retail mortgages. In 2024, the Group also executed a securitisation of £1.25 billion of finance lease receivables, resulting in partial derecognition of the receivables for accounting purposes but no capital relief.

Synthetic originated securitisations typically work in a similar way to the traditional version except that no sale of assets takes place, and the junior tranche(s) relating to the portfolio of assets are transferred outside the Group, with the Group retaining only the senior tranche(s).

In 2021 the Group established the Lloyds Bank Synthetic Securitisation Note Programme. Whilst the rationale remains the same i.e. capital efficiency and reduction of risk concentration, no SSPE structure is used and Credit Linked Notes are issued directly by Lloyds Bank plc.

Where capital efficiency is sought, a test of significant risk transfer (SRT) may be required. Passing the test allows the capital required on the underlying exposures to be replaced by the lower capital requirements of the retained positions in the securitisation.

Origination activities have mainly extended to the Group's retail and commercial lending portfolios.

As a sponsor the Group manages and supports, through the provision of liquidity facilities, Cancara Asset Securitisation Limited (Cancara). Liquidity facilities provided to Cancara are risk-weighted using the internal assessment approach (IAA). The Group also holds some commercial paper (CP) issued by Cancara.

Structure and liquidity facilities

Cancara is an Asset Backed Commercial Paper (ABCP) conduit that buys assets from clients of the Group. The conduit funds the purchase of the assets primarily by issuing ABCP. Assets purchased relate to pools of third party receivables. Cancara Asset Securitisation LLC is a separate bankruptcy remote, special purpose limited liability company established to co-issue US Dollar domestic CP with Cancara.

A number of intermediary special purpose entities within the conduit structure are used to purchase the assets. Each purchasing company enters into a commissioning agreement with the issuer, which then advances funds to the purchasing company to buy the assets. The purchasing company issues a purchaser demand note to the issuer which benefits from security over the assets.

For each new asset purchase, Cancara enters into a liquidity facility with the Group, to cover the repayment of the ABCP notes. In the absence of market disruption the conduit will usually look to fund through issuing ABCP. Certain liquidity facilities supporting the program are drawn to provide funding alongside the proceeds of ABCP issuance.

As an investor the Group invests directly in third party ABS and notes and provides liquidity facilities to other third party securitisations.

Risk retained in own-originated transactions

Where the Group acts as originator its securitisation programmes primarily include residential mortgage portfolios, credit card portfolios, auto-loan portfolios, commercial loan portfolios and personal loan portfolios. In each case credit risk is the primary risk driver attached to the underlying asset pool.

The performance of the securitised assets is largely dependent on prevailing economic conditions, and in the case of residential mortgage assets, the health of the UK housing market. The likelihood of defaults in the underlying asset pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics, product type, security, collateral and customer support initiatives. Significant changes in the national or international economic climate, regional economic or housing conditions, tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies or in the health of a particular geographic zone that represents a concentration in the securitised assets, could also affect the cashflows from the underlying asset pool.

Liquidity risk arises where insufficient funds are received by the SSPE to service payments to the noteholders as they fall due. The receipt of funds is in part dependent on the level of repayment on the underlying asset pool and applicable liquidity risk mechanisms in the programme documentation. In general, where such a situation arises noteholders may not be paid in full and amounts may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds become available in accordance with the relevant priority of payments as set out in the programme documentation. Variations in the rate of prepayment of principal on the underlying loans may affect each series and class of notes differently.

In addition, both the notes in issue and the underlying asset pool are exposed to interest rate risk and, in certain cases, may be subject to foreign exchange risk.

Monitoring changes in the credit risk of securitised exposures

The Group employs a range of measures to monitor changes in the credit risk of securitised assets. These include monitoring on a monthly basis of current exposures in the underlying pool (including credit events, default history and disposals), together with data tracking collateral cover and loan repayments which are tracked from the original amount advanced.

Risk incurred in relation to transactions originated by third parties

Where the Group holds notes in a securitisation it is exposed to the credit performance of the underlying asset pool, the impact of interest rates and, in some cases, foreign exchange volatility on the value of the notes, and to the seniority of the notes held, the latter of which determines the extent to which the Group would suffer any loss as a result of a shortfall in funds received by the SSPE.

SECA: Qualitative disclosure requirements related to securitisation exposures continued

Monitoring changes in the credit risk of ABS portfolios

Credit reviews are produced at least annually for a particular name, sector or for a specific bond (or all) as well as for third party ABS liquidity facilities.

A credit review process will also be triggered where an ECAI applies a significant downgrade to a bond or where the investor report suggests a trigger or other breach.

The relevant Credit teams provide an independent risk oversight for ABS credit reviews. Credit limits are sanctioned locally.

Furthermore, additional monitoring measures are applied including stress testing of portfolios. .

ORIGINATED SECURITISATIONS

Regulatory treatment

In deriving credit risk exposures associated with originated securitisations, the Group takes into account that certain securitised assets, whilst held on the balance sheet for accounting purposes, are deemed to have met the prudential SRT tests when securitised. Meeting these tests allows the retained positions in the securitisations to be included within regulatory calculations, and the risk-weighted assets on the exposures underlying the securitisation to be removed. Where the minimum requirements for recognition of SRT are not met, the underlying exposures remain part of the relevant exposure class and are risk-weighted accordingly.

Capital requirements in relation to originated securitisation positions are determined under the SEC-IRBA, the SEC-SA and the SEC-ERBA approaches. For synthetic securitisations any maturity mismatch between the credit protection and securitised exposures is treated in line with CRR Article 252. In addition, for any synthetic securitisations with a currency mismatch, this is treated in line with CRR articles 218, 223 and 224

Originated securitisations subject to the Securitisation Internal Ratings Based Approach (SEC-IRBA)

Under the SEC-IRBA the risk weight is determined by the capital requirement for the underlying assets, as calculated under the IRB approach, tranche thickness and maturity, the number of loans securitised and their loss given default.

Originated Securitisations subject to the Securitisation Standardised Approach (SEC-SA)

The risk weight for SEC-SA is based on a supervisory formula and the capital requirement for the underlying assets as calculated under the standardised approach for credit risk, tranche thickness and the ratio of delinquent to total exposures.

Originated Securitisations subject to the Securitisation External Ratings Based Approach (SEC-ERBA)

The SEC-ERBA approach calculates a risk weight with reference to the external rating of the securitisation, seniority of the tranche, tranche thickness and tranche maturity.

Invested securitisations

Capital requirements in relation to invested securitisations are calculated using the SEC-SA or SEC-ERBA. The risk weight for SEC-SA is based on a supervisory formula and the capital requirement for the underlying assets as calculated under the standardised approach for credit risk, tranche thickness and the ratio of delinquent to total exposures. The SEC-ERBA approach calculates a risk weight with reference to the external rating of the securitisation, seniority of the tranche, tranche thickness and tranche maturity.

Simple, transparent and standardised (STS) securitisations

The securitisation framework permits differentiated capital treatment for positions which qualify as STS (CRR Article 242 (10)). As at 31 December 2024 the Group had a small number of STS positions in its role as an Investor and Sponsor.

SSPEs which reference exposures originated by The Group:

SSPE	Asset Type
Salisbury Securities 2015 Ltd	SME Commercial Real Estate
Salisbury II Securities 2016 Ltd	SME
Salisbury II-A Securities 2017 Ltd	SME
Fontwell Securities 2016 Ltd	Agricultural Mortgages
Salisbury III Securities 2019 DAC	SME
HART 2019 DAC	Social Housing
Wetherby III Securities 2019 DAC	Large Corporate Commercial Real Estate
Fontwell II Securities 2020 DAC	Agricultural Mortgages
Bridgegate Funding plc *	Mortgages
Performer Funding plc *	Personal Loans
Barrow Funding plc *	Mortgages
Valley Funding plc *	Mortgages

The above can also be seen on table LI3 (* these SSPEs are not consolidated for accounting purposes and are therefore not referenced in table LI3).

The following are not SSPEs but have been issued under the Lloyds Bank Synthetic Securitisation Notes Programme:

Non-SSPEs	Asset Type
Lloyds Bank plc: SALIS 2021-1 (Salisbury IV)	SME
Lloyds Bank plc: SALIS 2022-1 (Salisbury V)	SME
Lloyds Bank plc: Musselburgh 2023-1 (Musselburgh 1)	Large Corporates
Lloyds Bank plc: Musselburgh 2023-2 (Musselburgh 2)	Large Corporates
Lloyds Bank plc: Epsom 2023-1 (Epsom)	Infrastructure & Project Finance
Lloyds Bank plc: SALIS 2023-1 (Salisbury VI)	SME
Lloyds Bank plc: Musselburgh 2024-1 (Musselburgh 3)	Large Corporates
Lloyds Bank plc: Musselburgh 2024-2 (Musselburgh 4)	Large Corporates
Lloyds Bank plc: SALIS 2024-1 (Salisbury VII)	SME

As noted above, the Group acts as Sponsor for Cancara. Please refer to table LI3 for a list of SSPEs fully consolidated for accounting purposes, where the regulatory treatment differs (as further explained in footnote 2 to table LI3).

There are no SSPEs or legal entities in which we have an equity interest where the Group has provided securitisation-related services.

The Group does not provide implicit support to any entities under Chapter 5 of Title II of Part Three CRR (Article 449(e) CRR).

There are no entities affiliated with the Group that invest in securitisations originated by the Group (Article 449(f) CRR).

Accounting policies

From an accounting perspective, the treatment of SSPEs is assessed in accordance with IFRS 10 which establishes the principles for when the Group is deemed to control another entity and therefore required to consolidate it through the Group's financial statements.

Under IFRS 10, the Group controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the exercise of power.

SECA: Qualitative disclosure requirements related to securitisation exposures continued

Securitised assets (which may include a fully proportionate share of all or specifically identified cash flows of assets) are only derecognised where the following conditions are met:

– the Group has transferred the contractual rights to receive the cash flows or assumed a contractual obligation to pay the cash flows to a third party; and

– substantially all of the risks and rewards associated with the assets have been transferred in which case they are derecognised in full; or

– a significant proportion but not all of the risks and rewards have been transferred, in which case the assets are either derecognised in full where the transferee has the ability to sell the assets, or continue to be recognised by the Group but only to the extent of its continuing involvement.

Where a securitisation has resulted in derecognition, the Group recognises it as a sale or partial sale. The difference between the carrying amount and the consideration received is recorded in the income statement.

Where the transfer of the Group assets to an SSPE fails the derecognition accounting tests under IFRS 9, the transferred assets remain on the Group's balance sheet for accounting purposes. These assets are classified as financial assets measured at amortised cost on the balance sheet. Where the Group controls and therefore consolidates the SSPE, it will recognise notes issued (excluding those held by the Group) as debt securities in issue, measured at amortised cost.

The majority of the Group's securitised residential mortgages and commercial banking loans are not derecognised. In some cases this is because the Group retains substantially all the risks and rewards associated with the underlying portfolios of assets. In the case of synthetic securitisations it is because the Group has not transferred the contractual rights to receive the cash flows or assumed a contractual obligation to pay the cash flows to a third party. The Credit Linked Notes, issued as part of synthetic securitisations, and through which the Group acquires credit protection, are accounted for under the requirements of IFRS 9.

Where internal transactions between the regulatory consolidation group and regulated insurance undertakings achieve accounting derecognition from the underlying banking subsidiary balance sheet, the assets continue to be fully consolidated from a Group perspective but may achieve derecognition under the regulatory scope of consolidation.

All the external assets in Cancara are consolidated for accounting purposes in the Group's financial statements. The total consolidated assets in the conduits are set out in Note 35 (Structured entities) of the Lloyds Bank plc Annual Report and Accounts 2024.

Liquidity lines provided to conduits are accounted for in accordance with the accounting policies set out in the Lloyds Bank plc Annual Report and Accounts 2024.

The Group's retained and purchased securitisation positions are accounted for in accordance with the Group's accounting policies as outlined in Note 2(E) (Accounting Policies: Financial Assets and Liabilities) of the Lloyds Bank plc Annual Report and Accounts 2024.

The majority of the direct third party ABS and notes investments are accounted for as debt securities at amortised cost on the balance sheet, with the remainder held at fair value through other comprehensive income or at fair value through profit or loss.

For those positions measured at fair value, further details on the valuation methodologies applied are outlined in Note 16 (Fair values of financial assets and liabilities) of the Lloyds Bank plc Annual Report and Accounts 2024.

The Group uses the following ECAIs to obtain external credit ratings for the exposures listed:

ECAI	Type of exposure rated
Fitch Ratings	Agricultural Mortgages, Auto Leases, Auto Loans, Commercial Property, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables, Infrastructure, Leisure, Mortgages and Student Loans
Kroll Bond Rating Agency	Agricultural Mortgages
Moody's	Auto Leases, Auto Loans, Commercial Property, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables, Infrastructure, Leisure, Mortgages and Student Loans
Standard & Poor's	Auto Leases, Auto Loans, Commercial Property, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables, Infrastructure, Leisure, Mortgages and Student Loans
DBRS	ABS Note Holdings, Auto Leases, Auto Loans, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables and Mortgages

Internal Assessment Approach

With regard to sponsored activities, the Group has approval to utilise the IAA for calculating capital requirements for the liquidity facilities provided to the conduit purchasing companies.

The Group's IAA model is a proprietary credit rating system. This model generates a rating equivalent to an external rating. This rating then feeds the SEC-ERBA in order to calculate the capital requirement.

The model consists of a number of scorecards, one for each asset class. Unlike the Group's Foundation and Retail IRB models, the ABCP IAA model does not estimate the PD for the exposure, but instead is used to determine a model rating grade equivalent to an ECAI grade. The internal rating methodology must reflect the ECAI's methodology. Periodically, ECAIs publish updates to their methodologies relating to different asset classes. The Securitised Products Group monitors rating agency updates and undertakes assessment to confirm that all relevant changes to rating methodologies have been reflected in the cashflow modelling and the IAA model.

Stress factor inputs play an important part in determining the rating of a transaction. Depending on the level of credit enhancement, the stress factor contributes towards the final rating a transaction would receive from an ECAI taking into account 'stressed scenarios' on the level of cash-flows generated by the underlying pool of assets.

The sponsored receivables facilities are modelled using a stress factor input which reflects the ability of the transaction to withstand a significant deterioration in the asset quality and is a through-the-cycle measure that is applied to a base case default rate. To determine the base case default rate historic loss data is used. For example, in its approach Standard & Poor's incorporates additional analysis into historic loss data to mitigate any effects of recent changes with the result that in many cases the base case loss rate assumed is above the historical average.

The model is subject to a robust governance framework. In line with the Group Model Governance Policy, the Group undertakes an Annual Review to ensure that the model remains compliant with the requirements of CRR (Article 265) which establishes the criteria that must be met in order to apply the IAA to exposures relating to programmes such as liquidity facilities.

Securitisation

SEC1: Securitisation exposures in the non-trading book

		31 Dec 2024														
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
			of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**—**	**—**	**2,255**	**—**	**14,207**	**14,207**	**16,462**	**765**	**3,680**	**—**	**4,445**	**6,896**	**10,799**	**—**	**17,696**
2	**Retail (total)**	**—**	**—**	**2,255**	**—**	**—**	**—**	**2,255**	**570**	**3,095**	**—**	**3,665**	**6,511**	**7,753**	**—**	**14,264**
3	Residential mortgage	—	—	1,353	—	—	—	1,353	—	217	—	217	1,389	3,420	—	4,809
4	Credit card	—	—	—	—	—	—	—	—	—	—	—	200	219	—	419
5	Other retail exposures	—	—	902	—	—	—	902	570	2,878	—	3,449	4,922	4,113	—	9,036
7	**Wholesale (total)**	**—**	**—**	**—**	**—**	**14,207**	**14,207**	**14,207**	**195**	**585**	**—**	**780**	**386**	**3,046**	**—**	**3,432**
8	Loans to corporates	—	—	—	—	9,741	9,741	9,741	—	—	—	—	23	92	—	115
9	Commercial mortgage	—	—	—	—	1,168	1,168	1,168	—	—	—	—	—	407	—	407
10	Lease and receivables	—	—	—	—	—	—	—	195	467	—	661	188	2,143	—	2,331
11	Other wholesale	—	—	—	—	3,298	3,298	3,298	—	118	—	118	175	404	—	579
		31 Dec 2023														
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	—	—	4,024	—	12,626	12,626	16,650	928	3,789	—	4,717	5,590	11,250	—	16,840
2	Retail (total)	—	—	4,024	—	—	—	4,024	724	3,154	—	3,878	5,322	8,214	—	13,536
3	Residential mortgage	—	—	1,696	—	—	—	1,696	—	339	—	339	1,068	4,066	—	5,133
4	Credit card	—	—	—	—	—	—	—	—	—	—	—	—	216	—	216
5	Other retail exposures	—	—	2,327	—	—	—	2,327	724	2,815	—	3,539	4,254	3,933	—	8,187
7	Wholesale (total)	—	—	—	—	12,626	12,626	12,626	204	635	—	839	268	3,036	—	3,304
8	Loans to corporates	—	—	—	—	7,559	7,559	7,559	—	—	—	—	12	279	—	292
9	Commercial mortgage	—	—	—	—	1,716	1,716	1,716	—	—	—	—	—	407	—	407
10	Lease and receivables	—	—	—	—	—	—	—	204	521	—	725	80	1,962	—	2,042
11	Other wholesale	—	—	—	—	3,351	3,351	3,351	—	114	—	114	175	388	—	563

As a sponsor, the Group manages and supports, through the provision of liquidity facilities, Cancara Asset Securitisation Limited, a fully supported ABCP conduit that invests in client assets. The volume of funded ABCP transactions at 31 December 2024 was US$1,474m (£1,175m).

Securitisation continued

SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions[1]	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
	31 Dec 2024	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**11,463**	**7,981**	**1,370**	**90**	**3**	**15,294**	**4,509**	**1,104**	**—**	**3,820**	**906**	**380**	**—**	**306**	**72**	**30**	**—**
2	**Traditional transactions**	**4,420**	**2,094**	**163**	**19**	**3**	**2,255**	**4,445**	**—**	**—**	**550**	**819**	**—**	**—**	**44**	**65**	**—**	**—**
3	Securitisation	4,420	2,094	163	19	3	2,255	4,445	—	—	550	819	—	—	44	65	—	—
4	Retail underlying	3,972	1,882	45	19	3	2,255	3,665	—	—	550	641	—	—	44	51	—	—
5	Of which STS	570	—	—	—	—	—	570	—	—	—	57	—	—	—	5	—	—
6	Wholesale	449	213	118	—	—	—	780	—	—	—	178	—	—	—	14	—	—
7	Of which STS	195	—	—	—	—	—	195	—	—	—	19	—	—	—	2	—	—
9	**Synthetic transactions**	**7,043**	**5,887**	**1,206**	**71**	**—**	**13,039**	**64**	**1,104**	**—**	**3,269**	**87**	**380**	**—**	**262**	**7**	**30**	**—**
10	Securitisation	7,043	5,887	1,206	71	—	13,039	64	1,104	—	3,269	87	380	—	262	7	30	—
12	Wholesale	7,043	5,887	1,206	71	—	13,039	64	1,104	—	3,269	87	380	—	262	7	30	—
	31 Dec 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	11,797	8,196	1,263	91	20	14,933	4,813	1,620	—	4,102	1,026	625	—	328	82	50	—
2	Traditional transactions	5,934	2,648	114	25	20	4,023	4,717	—	—	1,247	887	—	—	100	71	—	—
3	Securitisation	5,934	2,648	114	25	20	4,023	4,717	—	—	1,247	887	—	—	100	71	—	—
4	Retail underlying	5,464	2,393	—	25	20	4,023	3,878	—	—	1,247	688	—	—	100	55	—	—
5	Of which STS	724	—	—	—	—	—	724	—	—	—	72	—	—	—	6	—	—
6	Wholesale	470	255	114	—	—	—	839	—	—	—	199	—	—	—	16	—	—
7	Of which STS	204	—	—	—	—	—	204	—	—	—	20	—	—	—	2	—	—
9	Synthetic transactions	5,863	5,548	1,149	66	—	10,910	96	1,620	—	2,855	139	625	—	228	11	50	—
10	Securitisation	5,863	5,548	1,149	66	—	10,910	96	1,620	—	2,855	139	625	—	228	11	50	—
12	Wholesale	5,863	5,548	1,149	66	—	10,910	96	1,620	—	2,855	139	625	—	228	11	50	—

1. Exposure values (by RW bands/deductions) in 1250% RW/ deductions column includes exposures weighted at 1250% under the SEC-IRBA approach. These exposures are disclosed as SEC-IRBA in subsequent columns.

Securitisation continued

SEC4: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

		31 Dec 2024																
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**16,411**	**1,285**	**—**	**—**	**—**	**—**	**2,300**	**15,396**	**—**	**—**	**306**	**2,237**	**—**	**—**	**24**	**179**	**—**
2	**Traditional transactions**	**16,411**	**1,285**	**—**	**—**	**—**	**—**	**2,300**	**15,396**	**—**	**—**	**306**	**2,237**	**—**	**—**	**24**	**179**	**—**
3	Securitisation	16,411	1,285	—	—	—	—	2,300	15,396	—	—	306	2,237	—	—	24	179	—
4	Retail underlying	13,792	471	—	—	—	—	2,208	12,056	—	—	288	1,613	—	—	23	129	—
5	Of which STS	6,511	—	—	—	—	—	1,266	5,245	—	—	127	537	—	—	10	43	—
6	Wholesale	2,618	814	—	—	—	—	92	3,340	—	—	18	624	—	—	1	50	—
7	Of which STS	386	—	—	—	—	—	—	386	—	—	—	39	—	—	—	3	—
9	**Synthetic transactions**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
		31 Dec 2023																
1	Total exposures	16,033	688	24	95	—	—	2,348	14,492	—	—	411	2,082	—	—	33	167	—
2	Traditional transactions	16,033	688	24	95	—	—	2,348	14,492	—	—	411	2,082	—	—	33	167	—
3	Securitisation	16,033	688	24	95	—	—	2,348	14,492	—	—	411	2,082	—	—	33	167	—
4	Retail underlying	13,516	20	—	—	—	—	2,229	11,307	—	—	292	1,519	—	—	23	122	—
5	Of which STS	5,322	—	—	—	—	—	1,202	4,120	—	—	120	424	—	—	10	34	—
6	Wholesale	2,517	668	24	95	—	—	119	3,185	—	—	119	563	—	—	10	45	—
7	Of which STS	268	—	—	—	—	—	—	268	—	—	—	27	—	—	—	2	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Securitisation continued

SEC5: Exposures securitised by the institution – Exposures in default and specific credit risk adjustments

		31 Dec 2024			31 Dec 2023		
		Exposures securitised by the institution – Institution acts as originator or as sponsor			Exposures securitised by the institution – Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default			Of which exposures in default	
		£m	£m	£m	£m	£m	£m
1	**Total exposures**	**21,229**	**616**	**—**	19,282	75	—
2	**Retail (total)**	**5,324**	**512**	**—**	5,026	24	—
3	Residential mortgage	**3,796**	**488**	**—**	2,219	23	—
4	Credit card	**—**	**—**	**—**	—	—	—
5	Other retail exposures	**1,528**	**24**	**—**	2,807	1	—
6	Re-securitisation	**—**	**—**	**—**	—	—	—
7	**Wholesale (total)**	**15,905**	**104**	**—**	14,256	51	—
8	Loans to corporates	**11,127**	**72**	**1**	8,771	29	1
9	Commercial mortgage	**1,334**	**32**	**—**	1,988	22	—
10	Lease and receivables	**—**	**—**	**—**	—	—	—
11	Other wholesale	**3,444**	**—**	**(1)**	3,497	—	(1)
12	Re-securitisation	**—**	**—**	**—**	—	—	—

Market Risk

Market risk is defined as the risk that the Group’s capital or earnings profile is adversely affected by changes in market rates or prices, including, but not limited to, interest rates, foreign exchange, equity prices and credit spreads.

MRA: Qualitative disclosure requirements related to market risk

Trading portfolios

The Group’s trading activity is small relative to its peers. The Group’s trading activity is undertaken primarily to meet the financial requirements of commercial and retail customers for foreign exchange and interest rate products. These activities support customer flow and market making activities.

All trading activities are performed within the Commercial Banking division. While the trading positions taken are generally small, any extreme moves in the main risk factors and other related risk factors could cause significant losses in the trading book depending on the positions at the time.

Trading market risk measures are applied to all of the Group’s regulatory trading books and they include daily VaR, sensitivity-based measures, and stress testing calculations.

A number of processes are in place to identify all the risk factors that the trading portfolio has exposure to and ensure that these are captured and treated as per the regulation.

The identification processes are also covering the existing risk factors and can result in the requirement to update their categorisation or treatment.

Banking activities

The Group’s banking activities expose it to the risk of adverse movements in market rates or prices, predominantly interest rates, credit spreads, exchange rates and equity prices. The volatility of market rates or prices can be affected by both the transparency of prices and the amount of liquidity in the market for the relevant asset, liability or instrument.

Interest rate risk exposure is monitored monthly using, primarily:

Market value sensitivity: this methodology considers all repricing mismatches (behaviourally adjusted where appropriate) in the current balance sheet and calculates the change in market value that would result from an instantaneous 25, 100 and 200 basis points parallel rise or fall in the yield curve. The market value sensitivities are calculated on a static balance sheet using principal cash flows excluding interest, commercial margins and other spread components and are discounted at the risk-free rate.

Interest income sensitivity: this measures the impact on future net interest income arising from various economic scenarios. These include instantaneous 25, 100 and 200 basis point parallel shifts in all yield curves and the Group economic scenarios. These scenarios are reviewed every year and are designed to replicate severe but plausible economic events, capturing risks that would not be evident through the use of parallel shocks alone such as basis risk and steepening or flattening of the yield curve.

For further information on the key market risks in relation to defined benefit pension schemes refer to page 59 of the Lloyds Bank plc Annual Report and Accounts 2024.

Structure and organisation

Market risk follows the Group’s Risk Management Framework. For further information refer to pages 16 to 22.

The Group Board's responsibilities include approving the Group's Board Risk Appetite; approving the Group's ERMF; monitoring the Group's aggregate risk exposure. The Group Board Risk Committee's (BRC) responsibilities include overseeing and challenging the development and implementation of the Group's overall risk management framework and its risk appetite.

GALCO is responsible for approving and monitoring market risk management techniques, market risk measures, behavioural assumptions, and the market risk policy. Various mitigation activities are assessed and undertaken across the Group to manage portfolios and seek to ensure they remain within approved limits. The mitigation actions will vary dependent on exposure but will, in general, look to reduce risk in a cost effective manner by offsetting balance sheet exposures and externalising to the financial markets dependent on market liquidity. The market risk policy is owned by Group Corporate Treasury (GCT) and refreshed annually. The policy is underpinned by supplementary market risk procedures, which define specific market risk management and oversight requirements.

GALCO and GMRC regularly review high level market risk exposures as part of the wider risk management framework. They also make recommendations to the Board concerning overall market risk appetite and market risk policy. Exposures at lower levels of delegation are monitored at various intervals according to their volatility, from daily in the case of trading portfolios to monthly or quarterly in the case of less volatile portfolios. Levels of exposures compared to approved limits and triggers are monitored by Risk and appropriate escalation procedures are in place.

The Group has an integrated Asset and Liability Management (ALM) system which supports non-traded asset and liability management of the Group. The risk of loss measured by the VaR model is the minimum expected loss in earnings given the 95 per cent confidence.

The Group’s policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board. The Group market risk policy and procedures outlines the hedging process, and the centralisation of risk from divisions into Group Corporate Treasury (GCT), for example via the transfer pricing framework. GCT is responsible for managing the centralised risk and does this through natural offsets of matching assets and liabilities, and appropriate hedging activity of the residual exposures, subject to the authorisation and mandate of GALCO within the Board risk appetite. The hedges are externalised to the market by derivative desks within GCT and the Commercial Bank.

The Group mitigates income statement volatility through hedge accounting. This reduces the accounting volatility arising from the Group’s economic hedging activities and any hedge accounting ineffectiveness is continuously monitored.

Market Risk continued
MR1: Market risk under Standardised Approach

		31 Dec 2024 RWAs £m	31 Dec 2023 RWAs £m
	Outright products		
1	Interest rate risk (general and specific)	**291**	318
2	Equity risk (general and specific)	**—**	—
3	Foreign exchange risk[1]	**—**	—
4	Commodity risk	**—**	—
	Options		
5	Simplified approach	**—**	—
6	Delta-plus approach	**1**	1
7	Scenario approach	**—**	—
8	Securitisation (specific risk)	**—**	—
9	**Total**	**292**	319

1 As permitted by the CRR, the Group has elected to set this to zero, with exposure below the 2 per cent de minimis threshold of own funds.

Operational risk

ORA: Qualitative information on operational risk

Definition

Operational risk is defined as the risk of actual or potential impact to the Group (financial and/or non-financial) resulting from inadequate or failed internal processes, people, and systems or from external events.

Resilience is core to the management of operational risk within the Group to ensure that business processes (including those that are outsourced) can withstand operational risks and can respond to and meet customer and stakeholder needs when continuity of operations is compromised.

Exposures

The principal operational risks to the Group could result in customer harm, unfair outcomes, colleague detriment, financial loss, regulatory censure and/or reputational damage.

A number of these risks could increase where there is a reliance on third party suppliers to provide services to the Group or its customers.

The Group faces significant conduct risks, which affect all aspects of the Group's operations and all types of customers. The introduction of the FCA's Consumer Duty regulation has increased expectations in relation to customer outcomes, including how the Group demonstrates, monitors and measures them. The Group continues to monitor and assess potential impacts to customers following the Court of Appeal decision on motor finance commission arrangements, liaising closely with regulatory bodies. See note 26: to the consolidated financial statements on **page 133** of the Lloyds Bank plc Annual Report and Accounts 2024.

The Group remains exposed to the evolving legal and regulatory landscape, such as changes to the regulatory framework and other standards.

Measurement

Operational risk is managed across the Group through an operational risk framework and policies. This framework includes a risk and control self-assessment process, risk impact likelihood matrix, risk and control indicators, risk appetite setting, a robust operational loss event management and escalation process, and a scenario analysis and operational loss forecasting process that feed into capital planning. This is supplemented by Group level and local management information and reporting across a suite of governed metrics.

The table on **page 61** of the Lloyds Bank plc Annual Report and Accounts 2024 shows high level loss and event trends for the Group using Basel II categories. Based on data captured on the Group's RCSA, in 2024 the highest frequency of events occurred in external fraud with 86 per cent of the total volume. External fraud also accounted for the highest losses by value at 41 per cent.

Operational risk losses and scenario analysis is used to inform the Internal Capital Adequacy Assessment Process (ICAAP). The Group calculates its minimum (Pillar I) operational risk capital requirements using The Standardised Approach (TSA). Pillar II is calculated using internal and external loss data and severe but plausible scenarios that may occur in the next 12 months.

Mitigating actions

The Group continues to focus on risk management requirements and developing the processes, systems and people skills and capabilities needed to mitigate risks. Risks are reported and discussed at local governance forums and escalated to executive management and the Board as appropriate to ensure the correct level of visibility and engagement. The Group employs a range of risk management strategies, including: avoidance, mitigation, transfer (including insurance) and acceptance within appetite or tolerance. Where there is a reliance on third party suppliers to provide services, including the areas of IT systems and information security, the Lloyds Banking Group sourcing policy ensures that outsourcing initiatives follow a defined process including due diligence, risk evaluation and ongoing assurance. Business management uses issues and action-tracking management to address identified risk exposure weaknesses in the control environment in a consistent manner.

Mitigating actions to the principal operational risks include the following:

- The Group adopts a risk-based approach to mitigate cyber threats it faces. Specifically, the Group continues to undertake remediation activity to address deficiencies in its access controls across certain business applications and associated IT infrastructure. The effective operation of the Group's estate is supported by an IT and Cyber Security Governance framework, guided by a threat-based strategy which underpins investment decisions. The ongoing protection of the estate and confidentiality of material information is ensured through adherence to the Group Security Policy which has been aligned to industry good practice including the NIST Cyber Security Framework; and material laws and regulations. The Group engages a specialist third party consultancy on a periodic basis, to assess the maturity of its cyber security programme, in assessing, identifying and managing material risks from cyber security threats. Thresholds have been set that, once triggered, will bring the information security risk owning business representatives, legal and compliance teams together as a subcommittee. The sub-committee will own the invocation of crisis management, Board and/or regulatory notification and the drafting of any wider stakeholder communications
- The Group is focused on leadership and colleague engagement, through delivery of strategies to attract, retain and develop high calibre people together with a focus on creating a strong and resilient talent pipeline
- The Group continues to utilise Lloyds Banking Group's culture and inclusivity strategy by developing and delivering initiatives that reinforce the appropriate behaviours which generate the best possible long-term outcomes for customers and colleagues
- The Group is managing organisational capability and capacity through divisional people strategies to ensure there are the right skills and resources to meet customers' needs and deliver the Group's strategic plan
- The Group ensures colleague wellbeing strategies and support are in place to meet colleague needs, alongside skills and capability growth required to maximise the potential of our people
- The Group ensures compliance with legal and regulatory requirements, embedding compliant and appropriate colleague behaviours in line with Lloyds Banking Group policies, values and its people risk priorities
- The Group has simplified and enhanced conduct policies and procedures to ensure appropriate controls and processes to deliver good customer outcomes, and support market integrity and competition requirements
- The Group ensures customer needs are considered through divisional customer plans, with an integral conduct lens
- The Group continues to develop and oversight the Implementation of the vulnerability strategy, with focus on the monitoring of vulnerable customer outcomes, providing strategic direction and ensuring consistency of outcomes across the Group

ORA: Qualitative information on operational risk continued

- The Group has a robust product governance framework to ensure products continue to offer customers fair value, and consistently meet their needs throughout their product lifecycle
- The Group effectively manages complaints through responding to, and learning from, root causes of complaint volumes and Financial Ombudsman Service (FOS) change rates

Monitoring

Monitoring and reporting of operational risk is undertaken at Board, Group and business unit and functional committees. Each committee monitors key risks, control effectiveness, indicators, events, operational losses, risk appetite metrics and the results of independent review conducted by the Risk function and/or Group Audit. Additionally, the Group's IT and information security processes are validated and audited by internal experts within the Risk function and Group Audit.

The Group maintains a formal approach to operational risk event escalation, whereby events are identified, captured and escalated, where appropriate based on materiality. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe and improve efficiency.

The insurance policies are monitored and reviewed regularly, with recommendations being made to the Group's senior management annually prior to each renewal. Insurers are monitored on an ongoing basis, to ensure counterparty risk is minimised. A process is in place to manage any insurer rating changes or insolvencies.

Further information on operational, compliance and conduct risk management can be found in the Lloyds Bank plc Annual Report and Accounts 2024.

Approaches for assessment of own funds requirements

The Group measures its operational risk requirement using the Standardised Approach.

OR1: Operational risk own funds requirements and risk-weighted exposure amounts

		31 Dec 2024				
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2022	2023	**2024**[1]		
	Banking activities	£m	£m	**£m**	**£m**	**£m**
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	16,362	16,876	**15,320**	**2,086**	**26,079**
3	Subject to TSA:	16,362	16,876	**15,320**		

1. Management estimates are used for the 2024 relevant indicator as audited income is not available at the time of calculation.

Liquidity

LIQA: Liquidity risk management

Strategies and processes in the management of the liquidity risk

The Group manages and monitors liquidity risks and ensures that liquidity risk management systems and arrangements are adequate with regard to the internal risk appetite, Group strategy and regulatory requirements.

Liquidity policies and procedures are subject to independent internal oversight by Risk. Overseas branches and subsidiaries of the Group may also be required to meet the liquidity requirements of the entity's domestic country.

The Group's funding and liquidity position is underpinned by its significant customer deposit base, and is supported by strong relationships across customer segments.

The Group plans funding requirements over its planning period, combining business as usual and stressed conditions. Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis and where concentrations do exist, these are managed as part of the planning process and limited by the internal funding and liquidity risk monitoring framework, with analysis regularly provided to senior management.

Structure and organisation of the liquidity risk management function

The Group's Board develops the Group strategy within the boundaries set by the Group Risk Appetite which is reviewed and approved at least annually. The Group Board Risk Committee is responsible for reviewing the Group Risk Appetite, Enterprise Risk Management Framework (ERMF) and risk culture. The Group adopts the Lloyds Banking Group ERMF supplemented with additional tailored practices to address the Group specific requirements.

The Group and Ring-Fenced Banks Asset and Liability Committee (GALCO) is responsible for reviewing and determining the appropriate allocation of capital, funding and liquidity and market risk resources. GALCO is supported by Divisional ALCOs, second line risk committees and Group Corporate Treasury (GCT) in managing liquidity risk. The ERMF is implemented through a Three Lines of Defence model which defines clear responsibilities and accountabilities ensuring effective independent oversight and assurance of key decisions.

A description of the degree of centralisation of liquidity management and interaction between the group's units

GCT is responsible for the Group's overall day-to-day liquidity risk management. Liquidity is managed on a legal entity basis, with liquidity only being transferable between legal entities upon agreement on an arm's length basis. Each liquidity group has a distinct liquidity risk appetite and will manage liquidity separately, in line with Group policy.

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

Scope and nature of liquidity risk reporting and measurement systems.

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

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

Daily monitoring and control processes are in place to address both internal and regulatory liquidity reporting and measurement which include key ratios such as LCR, Internal Liquidity Stress Testing and NSFR.

The Group monitors a range of market and internal early warning indicators daily for early signs of liquidity risk in the market or specific to the Group. These are a mixture of quantitative and qualitative measures, including but not limited to, wholesale funding concentration and maturity profiles, change in customer deposits, and widening Credit Default Swap spreads.

Policies for hedging and mitigating the liquidity risk and strategies and processes

The Group manages its liquidity position both with regard to its internal risk appetite, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as required by the PRA, the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR) liquidity requirements.

To mitigate liquidity risk, the Group holds a liquidity buffer consisting of central bank reserves and other diversified high quality liquid assets to mitigate potential liquidity outflow risks as indicated under the LCR and internal liquidity stress scenarios. The Group has access to a range of central bank facilities and has pre-positioned a substantial amount of assets at the Bank of England's Discount Window Facility, which can be used to access additional liquidity in a time of stress. The Group considers diversification across geography, currency, markets and tenor when assessing appropriate holding of liquid assets.

An outline of the bank's contingency funding plans

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

An explanation of how stress testing is used

The Group carries out internal stress testing of its liquidity and potential cash flow mismatch position over both short (up to one month) and longer-term horizons against a range of scenarios forming an important part of the internal risk appetite. The scenarios and assumptions are reviewed at least annually to ensure that they continue to be relevant to the nature of the business, including reflecting emerging horizon risks to the Group.

This scenario includes a two notch downgrade of the Group's current long-term debt rating and accompanying one notch short-term downgrade implemented instantaneously by all major rating agencies.

A declaration approved by the management body on the adequacy of liquidity risk management

The Group Board confirm the adequacy of our liquidity risk management arrangements, including compliance with the PRA's Overall Liquidity Adequacy Rule, annually via the Group's Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP documents and demonstrates that the Group maintains liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

A concise liquidity risk statement approved by the management body

The Board approves the Group's Funding and Liquidity management framework, as defined by the ERMF, and approves the Group's Liquidity Risk Appetite Statement; that liquidity risk appetite is maintained above regulatory minima in a severe but plausible stress for a reasonable time-period, relying on non-franchise damaging management actions.

Liquidity

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.

LIQ1: Liquidity Coverage Ratio

		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	**31 Dec 2024**	30 Sep 2024	30 Jun 2024	31 Mar 2024
	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)					**107,531**	107,544	108,413	108,598
Cash - outflows (£m)									
2	Retail deposits and deposits from small business customers, of which:	**343,460**	340,350	338,047	337,049	**22,522**	22,319	22,209	22,206
3	Stable deposits	**266,225**	263,973	262,145	261,145	**13,311**	13,199	13,107	13,057
4	Less stable deposits	**77,235**	76,377	75,902	75,904	**9,211**	9,120	9,102	9,149
5	Unsecured wholesale funding	**85,699**	87,122	88,438	89,653	**43,081**	44,167	45,032	45,721
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**22,253**	20,824	20,060	19,279	**5,563**	5,206	5,015	4,820
7	Non-operational deposits (all counterparties)	**61,493**	64,101	65,445	67,213	**35,565**	36,764	37,084	37,740
8	Unsecured debt	**1,953**	2,197	2,933	3,161	**1,953**	2,197	2,933	3,161
9	Secured wholesale funding					**32**	61	87	98
10	Additional requirements	**47,469**	47,930	48,145	47,859	**14,655**	15,202	15,483	15,237
11	Outflows related to derivative exposures and other collateral requirements	**7,654**	8,308	8,570	8,486	**7,654**	8,308	8,570	8,486
12	Outflows related to loss of funding on debt products	**587**	595	614	558	**587**	595	614	558
13	Credit and liquidity facilities	**39,228**	39,027	38,961	38,815	**6,414**	6,299	6,299	6,193
14	Other contractual funding obligations	**548**	535	521	543	**159**	151	141	166
15	Other contingent funding obligations	**87,392**	86,178	85,254	84,704	**3,950**	3,773	3,730	3,715
16	Total cash outflows					**84,399**	85,673	86,682	87,143
Cash - inflows (£m)									
17	Secured lending (e.g. reverse repos)	**13,553**	13,226	12,966	12,880	**208**	223	252	290
18	Inflows from fully performing exposures	**6,419**	6,457	6,464	6,429	**4,703**	4,712	4,678	4,566
19	Other cash inflows	**887**	1,010	1,031	914	**827**	953	978	865
20	Total cash inflows	**20,859**	20,693	20,461	20,223	**5,738**	5,888	5,908	5,721
UK-20c	Inflows subject to 75% cap	**20,646**	20,368	20,155	19,745	**5,738**	5,888	5,908	5,721
Total adjusted value									
UK-21	Liquidity buffer (£m)					**107,531**	107,544	108,413	108,598
22	Total net cash outflows (£m)					**78,661**	79,785	80,774	81,422
23	Liquidity coverage ratio (%)					**137%**	135%	134%	133%

Liquidity continued

LIQB: Qualitative information on LCR

The Group's LCR disclosure (based on a monthly simple average over the previous 12 months) was 137 per cent as of 31 December 2024. The increase of 2 percentage points from the prior quarter was due to decrease in net cash outflows, primarily from a reduction in wholesale funding outflows and decreased outflows related to derivative exposures from market volatility at the onset of 2022 UK mini-budget no longer being included in the LCR's Historical Look-Back approach (HLBA). For the 2024 calendar year, the increase in LCR is explained primarily by a decrease in net cash outflows, primarily from a reduction in wholesale funding outflows. Liquid assets also decreased from a reduction in wholesale funding.

The Group's funding and liquidity position is underpinned by its significant customer deposit base and is supported by strong relationships across customer segments. Other sources of funding include a range of wholesale unsecured and secured funding, across a diverse range of products and counterparties. 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 Level 1 assets. Level 1 assets are primarily held as central bank reserves and UK government bonds.

The Group's outflows related to derivative exposures and other collateral requirements include outflows for potential deterioration in credit rating and for the impact of an adverse market scenario on derivatives transactions.

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.

Liquidity continued

LIQ2: Net Stable Funding Ratio

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		£m	£m	£m	£m	£m
Available stable funding (ASF) Items						
1	**Capital items and instruments:**	**33,805**	**805**	**1,495**	**9,991**	**43,796**
2	Own funds	**33,805**	**619**	**1,313**	**9,743**	**43,548**
3	Other capital instruments		**186**	**182**	**248**	**248**
4	**Retail deposits:**		**345,431**	**—**	**—**	**324,273**
5	Stable deposits		**267,703**	**—**	**—**	**254,318**
6	Less stable deposits		**77,728**	**—**	**—**	**69,955**
7	**Wholesale funding:**		**127,961**	**12,714**	**60,822**	**105,329**
8	Operational deposits		**21,989**	**—**	**—**	**10,994**
9	Other wholesale funding		**105,972**	**12,714**	**60,822**	**94,335**
10	**Interdependent liabilities**		**—**	**—**	**—**	**—**
11	**Other liabilities:**	**—**	**2,842**	**—**	**8,575**	**8,575**
12	NSFR derivative liabilities	**—**				
13	All other liabilities and capital instruments not included in the above categories		**2,842**	**—**	**8,575**	**8,575**
14	**Total available stable funding (ASF)**					**481,973**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**3,621**
UK-15a	**Assets encumbered for more than 12m in cover pool**		**460**	**394**	**14,711**	**13,230**
16	**Deposits held at other financial institutions for operational purposes**		**—**	**—**	**—**	**—**
17	**Performing loans and securities:**		**52,664**	**24,993**	**407,236**	**331,473**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		**27,033**	**7,014**	**7,452**	**10,959**
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		**4,775**	**3,661**	**6,358**	**8,549**
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		**10,330**	**7,376**	**91,608**	**87,414**
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**—**	**—**	**—**	**—**
22	Performing residential mortgages, of which:		**5,961**	**4,749**	**292,700**	**214,130**
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**5,527**	**4,382**	**269,731**	**194,021**
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		**4,565**	**2,193**	**9,118**	**10,421**
25	**Interdependent assets**		**—**	**—**	**—**	**—**
26	**Other assets:**	**9,912**	**967**	**196**	**29,656**	**38,478**
27	Physical traded commodities				**—**	**—**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			**3,505**		**2,979**
29	NSFR derivative assets			**5,377**		**5,377**
30	NSFR derivative liabilities before deduction of variation margin posted			**1,030**		**51**
31	All other assets not included in the above categories		**967**	**196**	**29,656**	**30,071**
32	**Off-balance sheet items**		**128,688**	**—**	**—**	**3,411**
33	**Total RSF**					**390,213**
34	**Net Stable Funding Ratio (%)**					**124%**

Asset Encumbrance

AE1: Encumbered and unencumbered assets

The table below provides a median view of encumbered and unencumbered assets over the period 31 December 2023 to 31 December 2024.

		31 Dec 2024							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
010	Total Assets	85,958	12,715			520,785	62,491		
030	Equity instruments	—	—	—	—	212	—	212	—
040	Debt securities[1]	10,694	7,568	10,694	7,568	30,140	25,952	30,140	25,952
050	of which: covered bonds	189	189	189	189	4,226	4,188	4,226	4,188
060	of which: securitisations	1,559	—	1,559	—	1,748	1,390	1,748	1,390
070	of which: issued by general governments	7,510	6,526	7,510	6,526	14,211	12,192	14,211	12,192
080	of which: issued by financial corporations	2,949	1,193	2,949	1,193	17,041	12,777	17,041	12,777
090	of which: issued by non-financial corporations	—	—	—	—	49	13	13	13
120	**Other assets**	**76,428**	**5,147**			**489,866**	**36,485**		

		31 Dec 2023							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
010	Total Assets	94,027	17,531			519,035	78,224		
030	Equity instruments	—	—	—	—	98	—	98	—
040	Debt securities[1]	11,857	10,269	11,857	10,269	21,159	15,527	21,159	15,527
050	of which: covered bonds	25	25	25	25	3,959	3,949	3,959	3,949
060	of which: securitisations	1,353	24	1,353	24	4,278	1,024	4,278	1,024
070	of which: issued by general governments	8,853	8,642	8,853	8,642	5,428	4,083	5,428	4,083
080	of which: issued by financial corporations	3,261	1,791	3,261	1,791	15,642	10,832	15,642	10,832
090	of which: issued by non-financial corporations	46	46	46	46	90	76	90	76
120	Other assets	82,207	7,261			497,825	63,062		

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

Asset Encumbrance continued

AE2: Collateral received and own debt securities issued

		31 Dec 2024				31 Dec 2023			
				Unencumbered				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
130	Collateral received by the reporting institution	**17,048**	**15,988**	**37,041**	**35,659**	17,557	16,603	26,676	25,607
160	Debt securities[1]	**17,048**	**15,988**	**37,041**	**35,659**	17,557	16,603	26,676	25,607
170	of which: covered bonds	**308**	**308**	**2,199**	**2,199**	32	24	1,616	1,586
180	of which: securitisations	**32**	**28**	**478**	**486**	56	56	450	450
190	of which: issued by general governments	**15,495**	**15,165**	**32,189**	**30,830**	15,729	15,561	21,774	20,134
200	of which: issued by financial corporations	**1,264**	**821**	**3,266**	**2,868**	1,703	955	2,862	2,862
210	of which: issued by non-financial corporations	**80**	**80**	**1,604**	**1,604**	190	190	2,319	2,263
241	Own covered bonds and asset-backed securities issued and not yet pledged			**8,049**	**—**			8,585	—
250	**Total assets, collateral received and own debt securities issued**	**103,959**	**28,419**			113,064	34,134		

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

AE3: Source of encumbrance

		31 Dec 2024		31 Dec 2023	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		£m	£m	£m	£m
010	Carrying amount of selected financial liabilities[1]	**76,116**	**94,455**	70,046	95,983

1 Consists of derivatives, deposits and debt securities issued.

Asset Encumbrance continued

UK AE4: Accompanying narrative information

(a) Information on asset encumbrance

The reported values represent the median of encumbered and unencumbered assets over the period 31 December 2023 to 31 December 2024.

Encumbered assets and encumbered collateral received have decreased on a median basis in 2024 compared to the prior year. This is largely driven by reductions in redemptions and internal collateral requirements.

(b) Information on the impact of the business model on levels of encumbrance and the importance of encumbrance on the finding model

The Group Asset and Liability Committee monitor and manage total balance sheet encumbrance, including via a defined risk appetite. The Group primarily encumbers mortgages and credit card receivables through the issuance of covered bonds and securitisation and by way of it's participation in the Bank of England's Sterling Monetary Framework together with tradable securities through securities financing activity via repo and stock lending. The majority of assets encumbered are in the UK banking entities with no significant intragroup encumbrance. In covered bonds and securitisations the Group will encumber assets in excess of the matching liabilities in line with the requirements of the relevant programmes.

The Group provides collateralised security financing services to its clients, providing them with cash financing or specific securities. Collateralised security financing is also used to manage the Group's own short-term cash and collateral needs. In terms of securities accepted as collateral, mandates are asset class and credit rating driven with appropriate notional limits per rating, asset and individual bond concentration. The majority of collateral the Group uses in repo/reverse repo and stock lending/stock borrowing transactions is investment grade government issued, primarily UK Government debt.

The Group separately identifies unencumbered assets which are available to meet any future possible funding requirements.

Interest rate risk in the banking book (IRRBB)

IRRBBA: IRRBB risk management objectives and policies

Risk control and measurement of IRRBB

The Group generates interest rate risk by virtue of the origination of customer assets and liabilities and any mismatch between these.

Interest rate risk can change the value of the Group's cash flows/ income in a number of ways. The main sources of interest rate risk in the banking book are yield curve changes, basis risk, margin risk, rate reset risk, prepayment risk, withdrawal risk, other embedded optionality and pre-hedging risk.

The Board is responsible for approving the Group's Board risk appetite statement annually. Group Board-level metrics are augmented by further sub-Board-level metrics and cascaded into more detailed business appetite metrics and limits. The Group risk appetite is cascaded first to the Group Asset and Liability Committee (GALCO), chaired by the Chief Financial Officer, where risk appetite is approved and monitored by risk type, and then to the Group Market Risk Committee (GMRC) where risk appetite is sub-allocated by division. These metrics are reviewed regularly by senior management to inform effective decision-making.

The 'three lines of defence' model defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

IRRBB management and mitigation strategies

GALCO is responsible for approving and monitoring Group market risks, management techniques, market risk measures, behavioural assumptions, and the market risk policy. Various mitigation activities are assessed and undertaken across the Group to manage portfolios and seek to ensure they remain within approved limits. The mitigation actions will vary dependent on exposure but will, in general, look to reduce risk in a cost effective manner by offsetting balance sheet exposures and externalising to the financial markets dependent on market liquidity.

The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific risk measures that the institution's uses to gauge its sensitivity to IRRBB, including changes to its economic value and earnings

Interest rate risk exposure is monitored monthly using, primarily:

– Market value sensitivity: this methodology considers all repricing mismatches (behaviourally adjusted where appropriate) in the current balance sheet and calculates the change in market value.

– Interest income sensitivity: this measures the impact on future net interest income arising from various economic scenarios.

Supplementary measures such as sensitivity and exposure limits are applied where they provide greater insight into risk positions. Frequency of reporting supplementary measures varies from daily to quarterly appropriate to each risk type.

A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in its economic value and in earnings

The change in market value is measured as a result from an instantaneous 25, 100 and 200 basis points parallel rise or fall in the yield curve.

For interest income sensitivities, scenarios include instantaneous 25, 100 and 200 basis point parallel shifts in all yield curves along with the Group economic scenarios.

These scenarios are reviewed every year and are designed to replicate severe but plausible economic events, capturing risks that would not be evident through the use of parallel shocks alone such as basis risk and steepening or flattening of the yield curve. Additional negative rate scenarios are also used, where floors are removed, to ensure that this risk is monitored; however, these are not measured against the limit framework for the purposes of risk appetite.

Additionally, the Group monitors the changes in economic value of equity (EVE) and net interest income (NII) against the six scenarios prescribed by the PRA. These included parallel shocks along with steepener, flattener, short rates up and short rates down scenarios. From the six scenarios prescribed by the PRA, net interest income sensitivity is measured against the parallel up and parallel down shocks. Results of which are found in table IRRBB1.

Key modelling and parametric assumptions used in calculating change in economic value of equity (ΔEVE) and change in net interest income (ΔNII) in UK IRRBB1

The Group has applied the rules set out by the regulator in Annex XXXVII of the disclosure requirements of the PRA Rulebook in the calculation of both EVE and NII sensitivity. A high-level description of key modelling and parametric assumptions for each metric is given below:

EVE Sensitivity

– The spot balance sheet as at the reporting date is assumed to run off - cashflows are grouped into the appropriate duration.

– Equity is excluded from the calculation given the purpose of the calculation is to assess the sensitivity of the Group's economic value of equity.

– Dynamic prepayment profiles are applied to the Group's mortgage book for each of the 6 prescribed interest rate shocks. Prepayment and early withdrawal assumptions are also applied to other lending products and fixed term deposits respectively. Material assumptions used in the measurement of market risk are reviewed by Business Units and Risk before approval at the appropriate ALCO at least every 12 months.

– Interest cashflows are included until the next reset date or maturity date (whichever is first).

– Commercial margins have been included and the discount rate used is the risk free rate.

– Non maturing deposits (NMDs) are assumed to reprice overnight unless deemed interest rate insensitive, in which case the Group's own assessment of duration is applied.

– The yield curve at the report date is instantaneously shocked in line with the six prescribed interest rate scenarios.

– There is no correlation assumed between currencies. As prescribed by the regulations, positive economic value changes in any individual currency are weighted at 50% and adverse changes are weighted at 100%.

NII Sensitivity

– Balance sheet volumes and margins are held static for the 12 month calculation period - new business replaces maturing business on a like for like basis.

– Behavioural and pass on assumptions are applied for managed rate products.

– The calculation includes product specific flooring where appropriate.

– The calculation doesn't include the impact of any management actions which may be taken in the prescribed interest rate scenarios.

Significant modelling assumptions used in the institution's internal measurement systems (IMS) for purposes other than disclosure that differ from the modelling assumptions prescribed for the disclosure in UK IRRBB1, including their directional implications and the rationale for those differences

The Group's approach to the internal calculation of value sensitivity includes equity, which is assumed to reprice to an agreed profile, this significantly reduces the value sensitivity in an upward rate shock.

The interest rate pass on assumption used for NII disclosures is an illustrative percentage which differs from the more granular assumptions used internally. In addition, internal models use a forecast of balance sheet and margins rather than the static approach required by the regulation. As a result, internal models show a lower level of risk under the two prescribed scenarios.

A high-level description of how the institution hedges its IRRBB, as well as the associated accounting treatment

The Group's policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board. The Group market risk policy and procedures outlines the hedging process, and the centralisation of risk from divisions into Group Corporate Treasury (GCT), e.g. via the transfer pricing framework. GCT is responsible for managing the centralised risk and does this through natural offsets of matching assets and liabilities, and

IRRBBA: IRRBB risk management objectives and policies continued

appropriate hedging activity of the residual exposures, subject to the authorisation and mandate of GALCO within the Board risk appetite. The hedges are externalised to the market by derivative desks within GCT and the Commercial Bank. The Group mitigates income statement volatility through hedge accounting. This reduces the accounting volatility arising from the Group's economic hedging activities and any hedge accounting ineffectiveness is continuously monitored.

The largest residual risk exposure arises from balances that are deemed to be insensitive to changes in market rates (including current accounts, a portion of variable rate deposits and investable equity), and is managed through the Group's structural hedge. Consistent with the Group's strategy to deliver stable returns, GALCO seeks to minimise large reinvestment risk, and to smooth earnings over a range of investment tenors. The structural hedge consists of longer term fixed rate assets or interest rate swaps and the amount and duration of the hedging activity is reviewed regularly by GALCO.

While the Group faces uncertainty in customer behaviour due to a higher rate environment, its exposure to increased pipeline and prepayment risks are managed through hedging in line with expected customer behaviour. These are appropriately monitored and controlled through divisional Asset and Liability Committees (ALCOs).

Any other information which the institution wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.

EVE Sensitivity

The Group monitors EVE sensitivity monthly through the Supervisory Outlier Test ensuring compliance with the ΔEVE as a percentage of Tier 1 capital regulatory limit of 15% . As described above, the main driver of risk is the exclusion of the Group's own equity, as a result of this the most severe outcome for the Group is the parallel up scenario.

NII Sensitivity

The Group also monitors NII sensitivity against the two prescribed parallel shocks on a quarterly basis. The most severe outcome for the Group is the parallel down scenario, and the main drivers are reduced sensitivity from structural interest rate hedging and timing delays associated with the repricing of administered deposits. Note product specific floors are based on internal assumptions.

IRRBB1: Quantitative information on IRRBB

The table below shows the Group's exposure to movements in interest rates based on the 6 prescribed scenarios defined by rule 9.7 of the ICAAP part of the PRA Rulebook.

Average repricing maturity assigned to non-maturing deposits (NMDs).

The average repricing maturity of the Group's NMDs is 1.9 years. The calculation includes both profiled balances and those that are assumed to reprice overnight.

Longest repricing maturity assigned to NMDs.

The longest repricing maturity assigned to NMDs is 10 years.

		ΔEVE		ΔNII		Tier 1 capital	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
		£m	£m	**£m**	£m	**£m**	£m
010	Parallel shock up	**(3,582)**	(1,658)	**1,070**	1,218		
020	Parallel shock down	**1,306**	(13)	**(1,440)**	(1,527)		
030	Steepener shock	**(309)**	252				
040	Flattener shock	**(222)**	(617)				
050	Short rates shock up	**(1,447)**	(1,095)				
060	Short rates shock down	**482**	324				
070	Maximum	**(3,582)**	(1,658)	**(1,440)**	(1,527)		
080	Tier 1 capital					**31,305**	31,238

Remuneration (REMA)

This section discloses the remuneration awards made by the Group to Material Risk Takers (MRTs) in respect of the 2024 performance year and provides additional information with respect to the Group's remuneration policies, structure and governance.

The remuneration principles and practices detailed in the Directors' Remuneration Report (DRR) in the Lloyds Banking Group Annual Report and Accounts 2024 on pages 110 to 133 apply to MRTs and non-MRTs in the same way as to Executive Directors (other than were noted in the DRR).

The Group has applied the Remuneration Part of the PRA's Rulebook, and SYSC 19 of the Financial Conduct Authority's Handbook as well as associated guidance, to determine which colleagues should be identified as MRTs. MRTs are colleagues who are considered to have a material impact on the Group's risk profile, and include, but are not limited to:

- Board Executive Directors, Board Non-Executive Directors and members and attendees of the Group Executive Committee (GEC) and their respective executive level direct reports
- Business and Function Heads and their respective direct reports. Senior Management Function (SMF) holders and certain Certified roles
- Other highly remunerated individuals whose activities could have a material impact on the Group's risk profile

Remuneration Policy

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

During 2024 the RFB Remuneration Committee comprised of six non-executive directors, led by Catherine Turner as Committee Chair, and held five scheduled meetings.

Price Waterhouse Coopers (PwC) provides independent remuneration advice to the Committee. More broadly, PwC also provided professional services to the Group in the ordinary course of business including tax, advisory internal audit & non-audit assurance services. PwC has no other connections with the Group's Directors that may impair their independence as advisers to the Committee.

The Remuneration Committee's Terms of Reference are available from the Company Secretary and are displayed on the Group's website, www.lloydsbankinggroup.com/who-we-are/group-overview/corporate-governance.html. These Terms are reviewed each year to ensure compliance with applicable regulations and best practice guidelines and were last updated in January 2025.

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

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

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

In 2022, the Remuneration Committee performed a thorough review of the Directors' Remuneration Policy (DRP) to inform changes for 2023, to more closely align variable reward outcomes with the delivery of the Group's growth-oriented strategy and the creation of shareholder value. Input was sought from a range of key stakeholders, including institutional shareholders. The updated DRP was overwhelmingly approved at the 2023 AGM on 18 May 2023 and took effect from that date.

During the upcoming year, the DRP will be again reviewed in advance of it being proposed to shareholders for approval at the AGM in 2026.

Governance and Risk Management

An essential component of the approach to remuneration is the governance process that underpins it. This ensures that the policy is robustly applied and risk is managed appropriately.

In addition to setting the overall remuneration policy and philosophy for the Group, the Remuneration Committee ensures that colleagues who could have a material impact on the Group's risk profile are not rewarded for excessive risk taking but provided with appropriate incentives that recognise their individual contribution to the success of the Group.

The Remuneration Committee receives input from the Chief Risk Officer, approved by the Board Risk Committee, to ensure that the Group Performance Share (GPS) outcome properly reflects risk considerations including whether the proposed GPS outcome and performance assessments adequately reflect the risk appetite and framework of the Group; whether it takes account of current and future risks; and whether any further risk adjustment is recommended.

A strong risk governance model is in place which manages against the Group's appetite for risk. The risk types considered are set out in the Risk Management Framework and include for example, conduct risk, operational risk, and regulatory and legal risk.

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

Link between Pay and Performance

The Group's approach to reward is intended to provide a clear link between remuneration and delivery of the Group's purpose of Helping Britain Prosper and the strategic aim of becoming the UK's customer-focused, digital leader and integrated financial services provider, whilst delivering higher, more sustainable returns to shareholders. To this end, the performance management process has been developed, with input from Group Risk, to ensure there is a clear alignment between award outcomes and individual contribution, performance, behaviours and growth.

Our balanced scorecard provides transparency on how our performance directly aligns with remuneration outcomes for 2024 GPS, including for our executive directors.

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

Performance adjustment will generally be considered when:

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

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

Remuneration (REMA) continued

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

The application of clawback will generally be considered when:

- there is reasonable evidence of employee misbehaviour or material error; or
- there is material failure of risk management at a Group, business area, division and/or business unit level.

Design and Structure of Remuneration

When establishing the remuneration policy and associated frameworks, the Group is required to consider its size, organisation and the nature, scope and complexity of its activities. For the purpose of remuneration regulation, Lloyds Bank plc is treated as a proportionality level I firm and therefore subject to the more stringent remuneration rules.

Remuneration is delivered via a combination of fixed and variable remuneration. Fixed remuneration reflects the role, responsibility and experience of a colleague. Variable remuneration is based on an assessment of individual, business area and Group performance. The mix of variable and fixed remuneration is driven by seniority and role. Taking into account the expected value of awards, the performance-related elements of pay make up a considerable proportion of the total remuneration package for MRTs, whilst maintaining an appropriate balance between the fixed and variable elements.

As a result of the removal of the mandated regulatory fixed to variable cap, as part of its consultation process with shareholders, the Remuneration Committee Chair discussed increasing the Group's bonus cap as an administrative step such that it does not constrain variable award design in the future. Following overwhelming approval by the Group's shareholders of a resolution to allow the Committee to set an appropriate variable to fixed pay ratio for its MRTs, it has approved a ratio of 8:1 for 2024 and later years. The Committee considers that this will provide it with sufficient flexibility in terms of variable reward design without creating an incentive for excessive risk taking.

The higher ratio will not apply to our executive directors until a new Policy is approved by shareholders at the 2026 AGM.

Remuneration for control functions is set in relation to benchmark market data to ensure that it is possible to attract and retain staff with the appropriate knowledge, experience and skills. An appropriate balance between fixed and variable compensation supports this approach. Generally, control function staff receive a higher proportion of fixed remuneration than other colleagues. Particular attention is paid to ensure remuneration for control function staff is linked to the performance of their function and independent from the business areas they control.

The information below summarises the different remuneration elements for MRTs (this includes control function staff) and non-MRTs in respect of the 2024 performance year.

Base salary

Base salaries are reviewed annually, taking into account an individual's role, responsibilities as well as market information. Further information on base salaries can be found on page 115 of the DRR.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Fees

Chair and Non-Executive Director fees provide an appropriate reward to attract and retain a high-calibre individual with the relevant skills, knowledge and experience. Non-Executive Director fees are reviewed annually by the Board.

Further information on fees can be found on page 133 of the 2024 Directors' Remuneration Report.

Fixed share award / Role based allowance

The fixed share award, made annually, delivers Lloyds Banking Group shares over a period of three years. Role based allowances are delivered monthly in cash. The purpose of the fixed share award/role based allowance is to ensure that total fixed remuneration is commensurate with the role, responsibilities and experience of the individual; provides a competitive reward package; and is appropriately balanced with variable remuneration, in line with regulatory requirements.

The fixed share award and role based allowance can be amended or withdrawn in the following circumstances:

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

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other employees (with eligibility based on seniority and role)

Benefits

Core benefits for UK-based colleagues include pension, private medical insurance, life insurance and other benefits that may be selected through the Group's flexible benefits plan.

Flexible benefits allowance of 4 per cent of base salary was consolidated into base salary in July 2023 for the majority of colleagues, simplifying their reward package and incurring pension contribution entitlement.

Benefits can be amended or withdrawn in the following circumstances:

- to reflect a change to colleague contractual terms;
- to reflect a change of grade;
- termination of employment with the Group;
- to reflect a change of Reward Strategy/benefit provision;
- if the award would be inconsistent with any statutory or tax requirements.

Details of benefits are set out on page 115 of the 2024 Directors Remuneration Report.

The Chair receives an all-inclusive fee, which is reviewed annually plus benefits including life insurance, medical insurance and transportation. Non-Executive Directors are reimbursed for expenses incurred in the course of their duties, such as travel and accommodation expenses on a grossed-up basis (where applicable).

Details of Non-Executive Directors' benefits are set out on page 133 of the 2024 Directors Remuneration Report of the Lloyds Banking Group plc Annual Report and Accounts 2024.

Applies to:

- Non-Executive Directors
- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Remuneration (REMA) continued

Group Performance Share

The Group Performance Share (GPS) plan is an annual discretionary bonus plan. The plan is designed to reflect specific goals linked to the performance of the Group. The majority of colleagues and all MRTs (excluding non-executive directors) participate in the GPS plan. Individual GPS awards are based upon individual financial and non-financial performance, including risk management performance, as well as the Group's overall results. The Group's total risk-adjusted GPS pool outcome is determined by the Remuneration Committee annually having considered a range of factors including:

- Group's underlying financial performance.
- Performance for our customers and communities.
- Variable reward market positioning.
- Collective and discretionary adjustments to reflect risk matters and/or other factors.

The Group applies deferral arrangements to GPS and variable pay awards made to colleagues. GPS awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice.

Further information on the GPS plan, including information on the 2024 Group Balanced Scorecard outcome, can be found on pages 116 and 118 of the 2024 Directors Remuneration Report.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the 2023 AGM and is designed to deliver stronger alignment with our strategic objectives by supporting a more demanding performance culture and providing the opportunity to directly link vesting outcomes to delivery of the strategy and the realisation of its benefits for shareholders.

Only members of the Group Executive Committee, including the executive directors, are eligible to participate in the plan.

Individual awards were based upon individual contribution. The level of award is determined with reference to a pre-grant test based on an assessment of performance by the Committee. The grant price of shares to be awarded may be adjusted to reflect that the directors are not eligible for dividends on unvested awards.

Awards are subject to forward looking performance measures over a period of not less than 3 years (as determined by the Committee) based on financial metrics (50 per cent weighting), strategic targets (35 per cent weighting) and environmental measures (15 per cent weighting) all of which are set out in the annual report on remuneration each year.

No more than 25 per cent of the award vests for threshold performance. 100 per cent of the award vests for achieving the maximum performance. Where performance falls between threshold, target and maximum levels, an intermediate number of awards will vest.

For PRA SMFs, awards vest in five equal annual instalments which do not start before the third anniversary of grant; each vesting is subject to a further 12 month holding period as required by regulation. For FCA SMFs, awards vest in five equal annual instalments starting on the first anniversary of grant; each vesting is subject to a further 12 month holding period as required by regulation.

The Committee retains full discretion to amend the vesting levels should the outcome not reflect business and/or individual performance including risk and conduct outcomes. The Committee may reduce (including to zero) the level of the award, apply additional conditions to the vesting, or delay the vesting of awards to a specified date or until conditions set by the Committee are satisfied, where it considers it appropriate.

Further detail on the LTIP, including the applicable performance measures, can be found on page 132 of the 2024 Directors' Remuneration Report.

Applies to:

- Board Executive Directors and members/attendees of the Group Executive Committee only.

Deferral, vesting and performance adjustment

At least 40 per cent of MRTs' variable remuneration is deferred into Lloyds Banking Group Shares. For all MRTs, variable remuneration is deferred in line with the regulatory requirements for four, five or seven years, (depending on MRT category). Share awards are subject to a 12-month post-vesting holding period.

For all colleagues, any deferred variable remuneration amount may be subject to performance adjustment (malus) in accordance with the Group's Deferral and Performance Adjustment Policy.

100% of MRTs' variable remuneration can be recovered from colleagues up to seven years after the date of award in the case of a material or severe risk event (clawback). For Senior Management Function holders, this period may be extended to ten years where there is an ongoing internal or regulatory investigation. Clawback may be used alongside other performance adjustment processes.

De Minimis

In 2024, the Ring Fenced Bank relied on the 'de minimis' derogation under Sections 12.2(2) and 15.A1 (3) of the PRA Rulebook (Remuneration Part), and the equivalent provisions of SYSC 19D, in respect of the number of individuals (including non-executive directors) as detailed in the table below, and to each of whom Sections 12.2 and 15.15 to 15.19 of the PRA Rulebook (Remuneration Part) (and the equivalent provisions of SYSC 19D) therefore did not apply.

De-Minimis	Total Fixed Remuneration (£)	Total Variable Remuneration (£)	Total Remuneration (£)
27	8,381,700	1,104,130	9,485,830

Guaranteed variable remuneration

Guarantees, such as lost opportunity awards made to compensate for bonus awards that have been forfeited upon resignation, may only be offered in exceptional circumstances to new hires for the first year of service and in accordance with regulatory requirements.

Any awards made to new hires in the form of a buyout award to compensate them for unvested variable remuneration they forfeit on leaving their previous employment will be subject to appropriate retention, deferral, performance and clawback arrangements in accordance with applicable regulatory requirements.

Retention awards may be made to existing colleagues in limited circumstances and are subject to prior regulatory approval in line with applicable regulatory requirements.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Remuneration (REMA) continued

Shareholding requirement

For Executive Directors the minimum shareholding requirement are expected to meet are as follows: 400 per cent of base salary for the Group Chief Executive and 300 per cent of base salary for other Executive Directors. Executive Directors will have five years from appointment to achieve the shareholding requirement. Group Executive Committee members are required to hold an amount equivalent to 100% of their base salary and any Role Based Allowance.

Applies to:

– Executive Directors, members/attendees of the Group Executive Committee

Termination payments

It is the Group's policy that for Executive Directors and or members/attendees of the Group Executive Committee where notice pay continues to be payable after termination, it should be paid on a phased basis, mitigated if alternative employment is secured. For other MRTs, termination payments are either paid on a phased basis, mitigated if alternative employment is secured, or paid as a lump sum on termination, dependent on individual contractual terms.

Generally, on termination of employment, unvested Group Performance Share awards, Group Ownership Share awards, Long Term Share Plan awards, Long Term Incentive Plan awards and other rights to payments will lapse except where termination falls within redundancy, retirement/ill health, injury, permanent disability, death, change of control or merger or another reason where the Remuneration Committee determines that the executive should be treated as a good leaver.

Termination payments comply with the Group’s contractual, legal and regulatory requirements and are made in such a way as to ensure they do not reward failure or misconduct and reflect performance over time.

Applies to:

– Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports

– Other MRTs

Remuneration continued

REM1: Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management[2]	Other identified staff
Fixed remuneration[3]	Number of identified staff	13	2	12	182
	Total fixed remuneration	£3,210,061	£3,954,573	£13,442,154	£63,940,794
	Of which: cash-based	£3,210,061	£2,033,403	£12,104,525	£55,708,999
	Of which: shares or equivalent ownership interests[1]	–	£1,616,160	–	–
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
	Of which: other instruments	–	–	–	–
	Of which: other forms	–	£305,010	£1,337,629	£8,231,795
Variable remuneration	Number of identified staff	–	2	12	170
	Total variable remuneration	–	£8,038,856	£25,321,726	£39,494,099
	Of which: cash-based	–	£969,324	£2,773,363	£19,185,078
	Of which: deferred	–	–	–	£8,457,231
	Of which: shares or equivalent ownership interests	–	£7,069,533	£22,548,363	£20,309,021
	Of which: deferred	–	£6,100,209	£19,775,000	£8,653,363
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other forms	–	–	–	–
	Of which: deferred	–	–	–	–
Total remuneration		£3,210,061	£11,993,429	£38,763,879	£103,434,892

1. Released over a three-year period.
2. Other Senior Management is defined as Group Executive Committee (GEC) members/attendees (excluding Group Executive Directors and Non-Executive Directors).
3. Fixed Remuneration is calculated using annualised salary.

Remuneration continued

REM2: Special payments to staff whose professional activities have a material impact on institutions risk profile (identified staff)

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	–	–	–	–
Guaranteed variable remuneration awards -Total amount	–	–	–	–
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	–	–	–	–
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	–	–	–	**14**
Severance payments awarded during the financial year - Total amount	–	–	–	**£849,330**
Of which paid during the financial year	–	–	–	**£656,979**
Of which deferred	–	–	–	–
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Of which highest payment that has been awarded to a single person	–	–	–	**£212,175**

Remuneration continued
REM3: Deferred remuneration

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function[1]								
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
MB Management function								
Cash-based	£713,294	£470,324	£242,970	–	–	–	£470,324	–
Shares or equivalent ownership interests	£2,146,696	£1,903,728	£242,967	–	–	£51,236	–	£1,903,728
Share-linked instruments or equivalent non-cash instruments	£13,387,477	£331,093	£13,056,384	–	–	£2,753,269	£131,571	£199,521
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other senior management								
Cash-based	£1,560,727	£1,106,656	£454,071	–	–	–	£1,106,656	–
Shares or equivalent ownership interests	£27,116,368	£5,212,334	£21,904,034	–	–	£4,619,020	–	£5,212,334
Share-linked instruments or equivalent non-cash instruments	£223,068	£223,068	–	–	–	–	£38,535	£184,533
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other identified staff								
Cash-based	£20,731,862	£1,699,323	£19,032,539	–	–	–	£1,699,323	–
Shares or equivalent ownership interests	£41,076,146	£21,886,255	£19,189,891	–	–	£4,046,675	£5,459,928	£16,426,327
Share-linked instruments or equivalent non-cash instruments	£726,046	£405,606	£320,440	–	–	£67,573	£219,878	£185,727
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Total amount	£107,681,683	£33,238,386	£74,443,296	–	–	£11,537,773	£9,126,216	£24,112,171

1. Non-Executive Directors are not eligible to receive variable remuneration.

Remuneration continued

REM4: Remuneration of 1 million EUR or more per year[1,2]

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	21
1 500 000 to below 2 000 000	3
2 000 000 to below 2 500 000	1
2 500 000 to below 3 000 000	1
3 000 000 to below 3 500 000	4
3 500 000 to below 4 000 000	1
4 000 000 to below 4 500 000	1
4 500 000 to below 5 000 000	5
5 000 000 to below 6 000 000	1
6 000 000 to below 7 000 000	—
7 000 000 to below 8 000 000	—
8 000 000 to below 9 000 000	1

1. Converted to Euros using £1: €1.20149 (the exchange rate used by the European Commission for financial programming for December 2024). The exchange rate used for 2023 was £1: €1.15574.
2. Total number of Material Risk Takers earning more than €1m has decreased from 54 in 2023 to 39 in 2024.

REM5: Information on remuneration of staff whose professional activities have a material impact on institutions risk profile (identified staff)

	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking[1]	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										207.55
Of which: members of the MB	13	2	15							
Of which: other senior management				—	5	—	3	2	2	
Of which: other identified staff				—	73	—	52.55	34	21	
Total remuneration of identified staff	£3,210,061	£11,993,429	£15,203,490	—	£58,408,321	—	£37,410,960	£25,705,271	£20,674,219	
Of which: variable remuneration	—	£8,038,856	£8,038,856	—	£27,279,350	—	£16,657,195	£11,223,276	£9,656,004	
Of which: fixed remuneration	£3,210,061	£3,954,573	£7,164,634	—	£31,128,971	—	£20,753,765	£14,481,996	£11,018,215	

1. Retail Banking includes Consumer Lending, Consumer Relationship, Business & Commercial Banking and Corporate & Institutional Banking.

Appendix 1: Board of Directors (UK OVB)

Board Diversity Policy

The Board Diversity Policy (the "Policy") sets out the Board of Lloyds Banking Group's (the "Board") approach to diversity and provides a high-level indication of the Board's approach to diversity and inclusion in senior management roles which is governed in greater detail, through the Group's policies.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. Consideration is given to the combination of diversity demographics, skills, experience, educational and professional background, and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed to support good decision making.

New appointments and succession plans are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition. They should promote diversity, inclusion and equal opportunity.

Objectives for achieving Board diversity are reviewed on a regular basis. On gender balance, the Board is committed to maintaining at least four women Board members and aspires to maintain 45-55% female representation on the Board, higher than the FTSE Women Leaders recommendation of 40%, while recognising the limited numbers involved. On ethnicity, the Board is committed to meeting the Parker Review recommendation of having at least one Black, Asian or Minority Ethnic Board member, which the Board currently exceed. Currently, the Policy is not applied to the Board committees individually, although we strive to apply similar representation across the committees.

The Board places high emphasis on not only its own diversity composition but on the oversight of the Group's Diversity, Equity and Inclusion approach and ambitions and expects to be kept updated on progress. Any material changes to the Group's Diversity, Equity and Inclusion approach are approved by the Executive Committee, noted by the Responsible Business Committee and approved at the Board level. This includes material changes in our DE&I ambitions and supporting plans. The Group's policies are subject to local laws and regulations, and aspirations identified above reflect targets set out in the UK Listing Rules LR6.6.6(9).

Further information on the current approach to the Group's Diversity, Equity and Inclusion ambitions, can be located on the Group's website www.lloydsbankinggroup.com/investors/financial-downloads.

Board of Directors

Sir Robin Budenberg CBE

Chair

Appointed: October 2020 (Board), January 2021 (Chair)

Skills, experience and contribution:

– Extensive financial services and investment banking experience

– Strong governance and strategic advisory skills in relation to companies and government

– Regulatory, public policy and stakeholder management experience

Robin spent 25 years advising UK companies and the UK Government while working for S.G. Warburg/UBS Investment Bank and was formerly Chief Executive and Chairman of UK Financial Investments (UKFI), managing the Government's investments in UK banks following the 2008 financial crisis. He is a qualified Chartered Accountant.

Key External appointments:

Chair of The Crown Estate.

Charlie Nunn

Executive director and Group Chief Executive

Appointed: August 2021

Skills, experience and contribution:

– Extensive financial services experience including in Chief Executive and other leadership roles

– Strategic planning and implementation

– Extensive experience of digital transformation

Charlie has over 25 years' experience in the financial services sector. Prior to joining the Group, Charlie held a range of leadership positions at HSBC, including Global Chief Executive, Wealth and Personal Banking, and Group Head of Wealth Management and Digital, as well as Global Chief Operating Officer of Retail Banking and Wealth Management.

Charlie began his career at Accenture, where he worked for 13 years in the US, France, Switzerland and the UK before being made a Partner. He then moved to McKinsey & Co. as a Senior Partner, leading on projects for five years.

Key External appointments:

None

William Chalmers

Executive director and Chief Financial Officer

Appointed: August 2019

Skills, experience and contribution:

– Significant board level strategic and financial leadership experience

– Strategic planning and development, mergers and acquisitions, equity and debt capital structuring and risk management

William joined the Board in August 2019, when he was appointed Chief Financial Officer and was Interim Group Chief Executive from May 2021 to August 2021.

William has worked in financial services for over 25 years, and previously held a number of senior roles at Morgan Stanley, including Co-Head of the Global Financial Institutions Group and Head of EMEA Financial Institutions Group. Before joining Morgan Stanley, William worked for J P Morgan, again in the Financial Institutions Group.

Key External appointments:

None

Appendix 1: Board of Directors (OVB) continued

Cathy Turner

Senior Independent Director

Appointed: November 2022 (Board), September 2023 (Senior Independent Director)

Skills, experience and contribution:

- Significant executive and non-executive financial services experience
- Knowledge of complex remuneration matters
- Communications expertise with a broad range of stakeholders including investors, regulators, government, media and unions

Cathy has significant financial services experience, having worked in senior executive positions at Barclays plc and at the Group. Cathy has previously been a Non-Executive Director and Chair of the Remuneration Committee of Aldermore Group plc, Quilter plc and Countrywide plc.

Key External appointments:

Non-Executive Director of Rentokil Initial plc and Senior Independent Director of Spectris plc. Partner on a part-time basis at Manchester Square Partners LLP.

Nathan Bostock

Independent non-executive director and Chair of Lloyds Bank Corporate Markets plc

Appointed: August 2024

Skills, experience and contribution:

- A wealth of financial, risk and regulatory expertise
- Extensive experience in large-scale customer and corporate facing businesses
- Significant executive experience in the financial services industry

Nathan was Chief Executive Officer of Santander UK plc from 2014 until 2022 and then Head of Investment Platforms at Banco Santander S.A. until his retirement from Santander in 2023. Prior to joining Santander in 2014, Nathan was an executive director and Group Chief Financial Officer of RBS and previously held the post of Chief Risk Officer at RBS. Before joining RBS, Nathan held various senior positions at Santander UK plc between 2004 and 2009, including Executive Director, Finance Director and commercial Chief Executive Officer roles in Financial Markets and Corporate Banking and in Cards and Insurance. He is qualified as a Chartered Accountant.

Key External appointments:

Non-Executive Director of Centrica plc.

Sarah Legg

Independent non-executive director

Appointed: December 2019

Skills, experience and contribution:

- Strong financial leadership and regulatory reporting skills
- Significant audit and risk experience in financial leadership
- Strong transformation programme experience

Sarah has spent her entire executive career in financial services with almost 30 years at HSBC. She was the Group Financial Controller, a Group General Manager, and CFO for HSBC's Asia Pacific region. She also spent eight years as a Non-Executive Director of Hang Seng Bank Limited.

Key External appointments:

Non-Executive Director of Severn Trent plc, Non-Executive Director of Man Group plc and a Trustee of the Lloyds Bank Foundation for England and Wales.

Amanda Mackenzie LVO OBE

Independent non-executive director

Appointed: October 2018

Skills, experience and contribution:

- Extensive experience in ESG matters including responsible business and sustainability
- Strong customer engagement and digital technology experience
- Significant marketing and brand background

Amanda was Chief Executive of Business in the Community, of which King Charles III is the Royal Founding Patron and which promotes responsible business and corporate responsibility. Prior to that role, she was a member of Aviva's Group Executive for seven years as Chief Marketing and Communications Officer and was seconded to help launch the United Nation's Sustainable Development Goals. She is also a former Director of British Airways AirMiles, BT, Hewlett Packard Inc and British Gas.

Key External appointments:

Non-Executive Director of The British Land Company plc, Chair of The Queen's Reading Room.

Harmeen Mehta

Independent non-executive director

Appointed: November 2021

Skills, experience and contribution:

- Over 25 years' experience leading digital and complex transformation
- Experience of building and running technology-led businesses and creating new ventures
- A wealth of international and financial services knowledge having lived in 11 countries and worked across 30 countries on six continents

Harmeen was appointed Chief Digital and

Innovation Officer at BT in April 2021. Prior to that role, she spent seven years as Global Chief Information Officer and Head of Cyber Security and Cloud Business at Bharti Airtel, leading its cloud and security businesses. Earlier in her career, Harmeen held CIO positions at BBVA, HSBC and Bank of America Merrill Lynch.

Key External appointments:

Chief Digital and Innovation Officer at BT.

Scott Wheway

Independent non-executive director and Chair of Scottish Widows Group

Appointed: August 2022 (Board), September 2022 (Chair of Scottish Widows Group)

Skills, experience and contribution:

- Significant financial services board and chair experience
- Extensive knowledge and experience of large-scale banking and insurance businesses
- Track record as a non-executive and executive in customer-centric companies

Scott was a Non-Executive Director of Centrica plc between 2016 and 2020 and served as Chair of Centrica plc between 2020 and 2024. He was formerly Chair of AXA UK plc, Chair of Aviva Insurance Limited, a Non-Executive Director of Aviva plc and Senior Independent Director of Santander UK plc. He worked as an executive in the retail sector for over 25 years where he held positions including chief executive officer of Best Buy Europe, managing director of Boots the Chemist plc and a number of senior executive positions at Tesco plc.

Key External appointments:

None.

Appendix 1: Board of Directors (OVB) continued

Catherine Woods

Independent non-executive director

Appointed: March 2020

Skills, experience and contribution:

- Extensive executive experience of international financial institutions
- Deep experience of risk and transformation oversight
- Strong focus on culture and corporate governance

Catherine is a former Deputy Chair and Senior Independent Director of AIB Group plc where she also chaired the Board Audit Committee. In her executive career with J P Morgan Securities, she was Vice President, European Financial Institutions, Mergers and Acquisitions, and Vice President Equity Research Department, forming the European Banks Team.

Key External appointments:

Deputy Chair of BlackRock Asset Management Ireland Limited.

Kate Cheetham

Chief Legal Officer and Company Secretary

Appointed: July 2019 (Company Secretary)

Skills, experience and contribution:

- Significant legal and governance leadership experience within financial services
- Strategic functional planning and development, corporate, mergers and acquisitions, regulation and risk management

Kate became Group General Counsel (now Chief Legal Officer) in May 2015 and Company Secretary in July 2019. Kate joined the Group in 2005 from Linklaters, where she was a corporate lawyer specialising in mergers and acquisitions transactions. Before her current roles, Kate held a number of senior positions including Deputy Group General Counsel and General Counsel for Group Legal.

Key External appointments:

None

Nigel Hinshelwood

Senior Independent Director Lloyds Bank plc and Bank of Scotland plc

Appointed: January 2019

Skills, experience, and contribution:

- Extensive experience in the financial services sector in the UK and worldwide
- Significant experience of large-scale transformation, operations and technology

Nigel was a partner at Ernst & Young and also held various roles at HSBC Bank plc, including Deputy CEO of HSBC Bank plc, Head of HSBC Insurance Holdings, Chief Operating Officer for EMEA and Global Head of Operations. Nigel was formerly a Non-Executive Director of Lloyd's of London, Nordea Bank and Ikano Board.

External appointments:

Chief of AXA XL Underwriting Agencies Limited and AXA XL Insurance Company UK Limited, International Advisory Council Member of Adobe Systems Software Ireland Limited, Advisory Council Member of International Association of Credit Portfolio Managers and Member of the Finance and Risk Committee of Business in the Community.

Sarah Bentley

Non-executive director Lloyds Bank plc and Bank of Scotland plc

Appointed: January 2019

Skills, experience and contribution:

- Extensive digital and digital transformation experience
- Strong customer and marketing skills

Sarah is Chair of the Gender Equality Leadership Team at Business in the Community. She was formerly Chief Executive Officer and Executive Director of Thames Water Utilities Limited and Director of Water UK, the trade association of the water and wastewater industry. Prior to those roles, Sarah was Chief Customer Officer at Severn Trent plc and a member of its Executive Committee and the Managing Partner for Accenture's Digital business unit in the UK & Ireland. She has worked internationally in a number of roles including Strategy, Marketing & Propositions for BT's Global Services division, CEO of Datapoint and Senior Vice President of eLoyalty.

External appointments:

Director of Scanes Bentley & Associates Limited and Chair of the Gender Equality Leadership Team at Business in the Community.

Brendan Gilligan

Non-executive director Lloyds Bank plc and Bank of Scotland plc

Appointed: January 2019

Skills, experience, and contribution:

- Extensive experience in core strategic finance and controllership roles in the financial services industry
- Significant experience of serving on the boards of regulated financial services businesses in the UK, France, Switzerland and Poland

Brendan's career began in the Public Audit division of KPMG in Ireland and Canada. He subsequently worked in commercial and consumer banking services and financing with Woodchester Investments plc and, after its acquisition by General Electric Company, with GE Capital until his retirement in April 2018.

External appointments:

Non-Executive Director of Cabot Credit Management Group Limited.

Appendix 2: Excluded disclosures

The Pillar 3 templates listed below are required to be disclosed on a annual basis but have been excluded from his report for the reasons indicated. 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.

Abbreviation	Template name	Reason for exclusion
INS1	Insurance participations	Not applicable to the Group
INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable to the Group
CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
CQ2	Quality of forbearance	Threshold for disclosure not met
CQ6	Collateral valuation – loans and advances	Threshold for disclosure not met
CQ7	Collateral obtained by taking possession and execution processes	No collateral taken into possession is recognised on the balance sheet
CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	No collateral taken into possession is recognised on the balance sheet
CR7	IRB – Effect on the RWAs of credit derivatives used as CRM techniques	Excluded on materiality basis
CR10.4	Specialised lending: Commodities finance (Slotting approach)	Not applicable to the Group
CR10.5	Equity exposures under the simple risk weighted approach	Not applicable to the Group
CCR7	RWA flow statements of CCR exposures under the IMM	Not applicable to the Group
SEC2	Securitisation exposures in the trading book	Excluded on materiality basis
MR2-B	Risk-weighted assets flow statements of market risk exposures under an IMA	Excluded on materiality basis
MR2-A	Market risk under internal models approach	
MR3	IMA values for trading portfolios	
MR4	Comparison of VaR estimates with gains/losses	
MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	

Abbreviations

Abbreviation	Brief description
A	
ABCP	Asset-backed commercial paper
ABS	Asset-backed securities
AIRB	Advanced Internal Ratings-Based Approach
ALRB	Additional Leverage Ratio Buffer
AMA	Advanced Measurement Approach
ARA	Annual Report and Accounts
AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustment
B	
BCBS	Basel Committee on Banking Supervision
BEEL	Best estimate of expected losses
BoE	Bank of England
BRC	Board Risk Committee
C	
CCB	Capital Conservation Buffer
CCF	Credit conversion factor
CCLB	Countercyclical Leverage Buffer
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical Capital Buffer
CDS	Credit default swap
CET1	Common equity tier 1 capital
CLN	Credit linked notes
CP	Commercial paper
CRD IV	Capital Requirements Directive & Regulation
CRM	Credit risk mitigation
CRR	Capital Requirements Regulation
CSA	Credit support annex
CVA	Credit valuation adjustment
D	
DRR	Director Remuneration Report
DVA	Debit valuation adjustment
E	
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EEL	Excess expected loss
EHQLA	Extremely high quality liquid assets
EL	Expected loss
EU	European Union
F	
FCCM	Financial Collateral Comprehensive Method
FII	Financial Institutions Interconnectedness
FIRB	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
FPC	Financial Policy Committee (UK)
G	
GALCO	Group Asset and Liability Committee
GEC	Group Executive Committee
GRC	Group Risk Committee
Group	Lloyds Bank plc together with its subsidiary undertakings on a consolidated basis
G-SIB	Global Systemically Important Bank
H	
HGP	Housing Growth Partnership
HQLA	High quality liquid assets
I	
IAA	Internal Assessment Approach
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IMM	Internal Model Method
IQT	Independent Quantitative Testing
IRBA	Internal Ratings-Based Approach
IRRBB	Interest rate risk in the banking book
IRC	Incremental risk charge
ISDA	International Swaps and Derivatives Association
L	
LCR	Liquidity coverage ratio
LDP	Low default portfolio
LGD	Loss given default
LTIP	Long term incentive plan
LTV	Loan-to-value
M	
MGC	Model Governance Committee
Moody's	Moody's Investors Service
MRT	Material Risk Taker
MTM	Mark-to-market
N	
NCO	Non Credit Obligation
NMD	Non Maturing Deposits
O	
OTC	Over-the-counter
P	
PD	Probability of default
PFE	Potential future exposure
PIT	Point-in-time
PRA	Prudential Regulation Authority (UK)
PRR	Position risk requirement
PSE	Public Sector Entities
PVA	Prudent valuation adjustment
Q	
QCCP	Qualifying Central Counterparty
QRRE	Qualifying revolving retail exposure
R	
Retail IRB	Retail Internal Ratings Based Approach
RNIV	Risks not in VaR
S	
S&P	Standard and Poor's
SA-CCR	Standardised Approach or Counterparty Credit Risk
SCRA	Specific credit risk adjustment
SFTs	Securities financing transactions
SME	Small and medium-sized enterprise
SRB	Systemic risk buffer
SRT	Significant risk transfer
SSPE	Securitisation special purpose entity
STA	Standardised Approach
SVaR	Stressed value-at-risk
SYSC	Senior Management Arrangements, Systems and Controls
T	
TTC	Through-the-cycle
T1	Tier 1 capital
T2	Tier 2 capital
U	
UFCP	Unfunded Credit Protection
UK	United Kingdom
UKFI	UK Financial Investments
V	
VaR	Value-at-risk

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 and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; 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; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting defined benefit pension schemes; 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 including risks as a result of the failure of third party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the 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.

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