

Lloyds Banking Group plc

2018 Half-Year  
Pillar 3 Disclosures

28 August 2018

### BASIS OF PREPARATION

This report presents the half-year Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 30 June 2018 and should be read in conjunction with the Group's 2018 half-year results.

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

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

The disclosures provided in this report include those that were adopted from 31 December 2017, where they are required to be disclosed on a semi-annual basis, although certain disclosures have been excluded on the grounds that they are non-material (refer to page 45).

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

The minimum Pillar 1 capital requirements referred to in this document are calculated as 8 per cent of aggregated risk-weighted assets. The Group's total capital requirement (TCR) is the aggregate of the Group's Pillar 1 (30 June 2018: £16,855m; 31 December 2017: £16,874m) and current Pillar 2A (30 June 2018: £9,734m; 31 December 2017: £11,306m) capital requirements.

On 1 January 2018, the Group implemented IFRS 9 "Financial Instruments". As permitted by IFRS 9, comparative information for 2017 has not been restated.

The Group's significant subsidiaries at 30 June 2018 are unchanged from 31 December 2017 and are Lloyds Bank plc and Bank of Scotland plc. Additional disclosures surrounding the consolidated capital resources, leverage exposures and capital requirements of the significant subsidiaries are published separately on the Group's website, located at [www.lloydsbankinggroup.com/investors/financial-performance/otherdisclosures](http://www.lloydsbankinggroup.com/investors/financial-performance/otherdisclosures)

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

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## 2018 Half-Year Pillar 3 Update

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

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1) (£m)	29,794	29,638	29,647	30,519	29,320
CET1 capital as if IFRS 9 transitional arrangements were not applied (£m)	29,216	29,066			
Tier 1 (£m)	35,973	35,807	36,329	37,303	36,103
Tier 1 capital as if IFRS 9 transitional arrangements were not applied (£m)	35,395	35,235			
Total capital (£m)	45,584	45,436	44,659	46,010	45,203
Total capital as if IFRS 9 transitional arrangements were not applied (£m)	45,343	45,397			
<b>Risk-weighted assets (amounts)</b>					
Total risk-weighted assets (£m)	210,689	210,570	210,919	217,014	217,787
Total risk-weighted assets as if IFRS 9 transitional arrangements were not applied (£m)	211,165	210,821			
<b>Risk-based capital ratios as a percentage of RWA</b>					
Common Equity Tier 1 ratio (%) <sup>2</sup>	14.1%	14.1%	14.1%	14.1%	13.5%
CET1 ratio as if IFRS 9 transitional arrangements were not applied (%)	13.8%	13.8%			
Tier 1 ratio (%)	17.1%	17.0%	17.2%	17.2%	16.6%
Tier 1 ratio as if IFRS 9 transitional arrangements were not applied (%)	16.8%	16.7%			
Total capital ratio (%)	21.6%	21.6%	21.2%	21.2%	20.8%
Total capital ratio as if IFRS 9 transitional arrangements were not applied (%)	21.5%	21.5%			
<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
Capital conservation buffer requirement (2.5% from 2019)	1.875%	1.875%	1.250%	1.250%	1.250%
Countercyclical buffer requirement	0.443%	0.003%	0.002%	0.002%	0.003%
Bank G-SIB and/or D-SIB additional requirements	-	-	-	-	-
Total of bank CET1 specific buffer requirements	2.318%	1.878%	1.252%	1.252%	1.253%
CET1 available after meeting the bank's minimum capital requirements	9.6%	9.6%	9.6%	9.6%	9.1%
<b>UK leverage ratio<sup>3</sup></b>					
UK leverage ratio exposure measure (£m)	670,312	656,305	657,234	663,745	667,207
UK leverage ratio	5.2%	5.3%	5.3%	5.4%	5.2%
UK leverage ratio as if IFRS 9 transitional arrangements were not applied	5.2%	5.2%			
<b>Average Liquidity Coverage Ratio (weighted) (LCR)<sup>4</sup></b>					
Total High Quality Liquid Assets (HQLA) (£m)	121,001	121,552	124,543	126,789	132,437
Total net cash outflow (£m)	96,817	97,623	99,703	102,817	108,156
LCR ratio (%)	125%	125%	125%	123%	123%

<sup>1</sup> Further details on the Group's adoption of the transitional arrangements for IFRS 9 can be found in the Group publication entitled 'IFRS 9 "Financial Instruments" Transition', published in March 2018 and located on the Group's website at <http://www.lloydsbankinggroup.com/investors/financial-performance/>. The Group has opted to apply paragraph 4 of CRR Article 473a (the 'transitional rules') which allows for additional capital relief in respect of any post 1 January 2018 increase in Stage 1 and Stage 2 IFRS 9 provisions (net of regulatory expected losses) during the transition period.

<sup>2</sup> The CET1 ratio at 30 June 2018 is 15.1 per cent (pre-dividend) on a pro-forma basis upon recognition of the dividend paid by the Insurance business in July 2018 in relation to its 2018 interim earnings and the sale of the Irish mortgage portfolio (31 December 2017: 13.9 per cent pro forma, including the share buyback).

<sup>3</sup> The UK leverage ratio at 30 June 2018 is 5.3 per cent on a pro forma basis upon recognition of the dividend paid by the Insurance business in July 2018 in relation to its 2018 interim earnings and the sale of the Irish mortgage portfolio (31 December 2017: 5.4 per cent pro forma). The CRD IV leverage ratio at 30 June 2018 is 4.8 per cent (31 December 2017: 4.9 per cent).

<sup>4</sup> In March 2017 the EBA published final guidelines which specified the public disclosure requirements on the average Liquidity Coverage Ratio (LCR). The weighted average LCR has been calculated in accordance with these guidelines.

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

	June 2018 RWA £m	Dec 2017 RWA £m	June 2018 Minimum capital Requirements £m	Dec 2017 Minimum capital Requirements £m
<b>Credit risk (excluding counterparty credit risk)</b>	<b>160,923</b>	<b>160,301</b>	<b>12,874</b>	<b>12,824</b>
of which: standardised approach	29,340	25,259	2,347	2,021
of which: the foundation rating-based (FIRB) approach	48,207	48,242	3,857	3,859
of which: the retail IRB (RIRB) approach	58,868	61,588	4,709	4,927
of which: corporates – specialised lending <sup>1</sup>	11,991	11,965	959	957
of which: non-credit obligation assets <sup>2</sup>	5,977	5,866	478	469
of which: equity IRB under the simple risk-weight or the internal models approach	6,540	7,381	523	591
<b>Counterparty credit risk</b>	<b>7,304</b>	<b>7,885</b>	<b>584</b>	<b>631</b>
of which: marked to market	5,178	5,481	414	439
of which: original exposure	–	–	–	–
of which: the standardised approach	–	–	–	–
of which: internal ratings-based model method (IMM)	–	–	–	–
of which: comprehensive approach for credit risk mitigation (for SFTs)	368	403	29	32
of which: exposures to central counterparties (including trades, default fund contributions and initial margin)	847	599	68	48
of which: credit valuation adjustment (CVA)	911	1,402	73	112
<b>Settlement risk</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Securitisation exposures in banking book<sup>3</sup></b>	<b>4,135</b>	<b>4,188</b>	<b>331</b>	<b>335</b>
of which: IRB ratings-based approach (RBA)	3,151	3,167	252	253
of which: IRB supervisory formula approach (SFA)	50	46	4	4
of which: internal assessment approach (IAA)	703	731	56	58
of which: standardised approach	231	244	18	20
<b>Market risk</b>	<b>3,318</b>	<b>3,051</b>	<b>266</b>	<b>244</b>
of which: standardised approach	463	395	37	32
of which: internal model approaches	2,856	2,656	229	212
<b>Large exposures</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Operational risk</b>	<b>24,960</b>	<b>25,326</b>	<b>1,997</b>	<b>2,026</b>
of which: basic indicator approach	–	–	–	–
of which: standardised approach	24,960	25,326	1,997	2,026
of which: advanced measurement approach	–	–	–	–
<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>10,048</b>	<b>10,168</b>	<b>804</b>	<b>813</b>
<b>Floor adjustment</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>210,689</b>	<b>210,919</b>	<b>16,855</b>	<b>16,874</b>

<sup>1</sup> Includes £11,987m subject to supervisory slotting (as presented in Table 14A) and £4m subject to the Foundation IRB approach.

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

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

	June 2018 RWAs per OV1 £m	June 2018 Securitisation RWAs £m	June 2018 Total Credit risk RWAs £m
<b>Total credit risk</b>	<b>160,923</b>	<b>4,135</b>	<b>165,058</b>
Of which: credit risk exposures subject to IRB approach	131,583	3,904	135,487
Of which: credit risk exposures subject to standardised approach	29,340	231	29,571

**Table 3: Risk-weighted assets movement by key driver**

	Credit risk IRB £m	Credit risk SA £m	Credit risk total <sup>2</sup> £m	Counterparty credit risk <sup>3</sup> £m	Market risk £m	Operational risk £m	Total £m
<b>Total risk-weighted assets as at 31 December 2017</b>							210,919
Less: threshold risk-weighted assets <sup>1</sup>							(10,168)
<b>Risk-weighted assets at 31 December 2017</b>	138,986	25,503	164,489	7,885	3,051	25,326	200,751
Asset size	(314)	681	367	160	–	–	527
Asset quality	(35)	103	68	(368)	–	–	(300)
Model updates	993	–	993	–	(619)	–	374
Methodology and policy	57	126	183	(136)	–	–	47
Acquisitions and disposals	(4,464)	3,184	(1,280)	–	–	–	(1,280)
Movement in risk levels (market risk only)	–	–	–	–	(321)	–	(321)
Foreign exchange movements	156	(26)	130	(230)	–	–	(100)
Other	108	–	108	(7)	1,208	(366)	943
<b>Risk-weighted assets at 30 June 2018</b>	<b>135,487</b>	<b>29,571</b>	<b>165,058</b>	<b>7,304</b>	<b>3,319</b>	<b>24,960</b>	<b>200,641</b>
Threshold risk-weighted assets <sup>1</sup>							10,048
<b>Total risk-weighted assets as at 30 June 2018</b>							<b>210,689</b>

<sup>1</sup> Threshold risk-weighted assets reflect the element of significant investments and deferred tax assets that are permitted to be risk-weighted instead of being deducted from CET1 capital. Significant investments primarily arise from investments in the Group's Insurance business.

<sup>2</sup> Credit risk includes securitisation risk-weighted assets.

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

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

#### **Credit risk, risk-weighted assets:**

- Asset size increase of £367m was due to targeted growth in key customer segments, partly offset by continued active portfolio management.
- Model updates increases of £993m were principally due to model changes within mortgage portfolios.
- Acquisitions and disposals reflecting the sale of a strategic equity holding and the Irish mortgage portfolio, the latter being offset by a related outstanding short term debtor.
- Sterling foreign exchange movements, principally with Euro and US Dollar, contributed to a small increase in risk-weighted assets.

**Counterparty credit risk and CVA risk-weighted assets** reduction of £581m was mainly driven by CVA and foreign exchange movements.

**Market risk, risk-weighted assets** increase of £268m was largely due to migrations to Lloyds Bank Corporate Markets plc, partly offset by refinements to internal models and a reduction in risk exposure.

**Operational risk, risk-weighted assets** reduced following the actualisation of calculation inputs.

**PILLAR 1 CAPITAL REQUIREMENTS: CREDIT RISK**

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

**Table 4: Credit risk exposures**

	June 2018			December 2017		
	Credit risk exposure	Risk-weighted assets	Average risk weight	Credit risk exposure	Risk-weighted assets	Average risk weight
	£m	£m	%	£m	£m	%
Central governments or central banks	20,324	1,337	7%	17,722	1,416	8%
Institutions	6,436	1,004	16%	4,173	1,087	26%
Corporates	104,141	57,857	56%	103,708	57,703	56%
of which: Specialised lending	16,600	11,991	72%	16,596	11,965	72%
of which: SMEs	11,488	7,701	67%	11,662	7,608	65%
Retail	391,777	58,868	15%	394,687	61,588	16%
Secured by real estate property	330,995	33,307	10%	334,359	36,763	11%
SMEs	9,514	2,470	26%	9,769	2,554	26%
Non-SMEs	321,481	30,836	10%	324,590	34,209	11%
Qualifying revolving	39,919	11,634	29%	40,285	11,142	28%
Other retail	20,863	13,928	67%	20,043	13,684	68%
SMEs	2,186	1,588	73%	2,200	1,578	72%
Non-SMEs	18,677	12,340	66%	17,843	12,106	68%
Equity	3,084	6,540	212%	3,355	7,381	220%
Non-credit obligation assets <sup>1</sup>	9,894	5,977	60%	10,208	5,866	57%
<b>Total IRB approach</b>	<b>535,655</b>	<b>131,582</b>	<b>25%</b>	<b>533,852</b>	<b>135,042</b>	<b>25%</b>
Central governments or central banks	72,702	4	—	76,438	8	—
Regional governments or local authorities	5	1	20%	5	1	20%
Public sector entities	21	21	100%	21	21	100%
Multilateral development banks	1,916	—	—	1,837	—	—
International organisations	—	—	—	—	—	—
Institutions	324	64	20%	189	32	17%
Corporates	12,467	10,913	88%	12,724	10,902	86%
of which: SMEs	3,316	3,038	92%	3,209	2,927	91%
Retail	12,473	8,978	72%	12,819	9,256	72%
of which: SMEs	2,237	1,301	58%	2,144	1,250	58%
Secured by mortgages on immovable property	4,614	1,616	35%	5,153	1,944	38%
of which: SMEs	3	2	68%	14	7	49%
Exposures in default	708	797	113%	681	765	112%
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
Collective investments undertakings	793	159	20%	278	56	20%
Equity exposures	—	—	—	—	—	—
Other exposures <sup>1</sup>	8,094	6,788	84%	3,114	2,273	73%
<b>Total standardised approach</b>	<b>114,118</b>	<b>29,340</b>	<b>26%</b>	<b>113,259</b>	<b>25,259</b>	<b>22%</b>
<b>Total</b>	<b>649,773</b>	<b>160,923</b>	<b>25%</b>	<b>647,111</b>	<b>160,301</b>	<b>25%</b>

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

**Exposures subject to the IRB approach – key movements for the six months to 30 June 2018****Central governments or central banks**

- Exposures increased by £2.6bn with a reduction in risk-weighted assets of £0.1bn mainly due to deposits placed with the US Federal reserve.

**Institutions**

- Exposures increased by £2.3bn and risk-weighted assets decreased by £0.1bn mainly due to new business with lower risk-weights attached.

**Retail – Secured by real estate property**

- Exposures and risk-weighted assets decreased by £3.4bn and £3.5bn respectively mainly due to the sale of the Irish mortgage portfolio.

**Retail – Other (non-SME)**

- Exposures and risk-weighted assets increased by £0.8bn and £0.2bn respectively mainly due to new lending in the UK Motor Finance business.

**Equity**

- Exposures and risk-weighted assets decreased by £0.3bn and £0.8bn respectively mainly due to the sale of a strategic equity investment.

**Exposures subject to the Standardised approach – key movements for the six months to 30 June 2018****Central governments or central banks**

- Exposures decreased by £3.7bn mainly due to a reduction in UK Gilt holdings.

**Secured by mortgages on immovable property**

- Exposures and risk-weighted assets decreased by £0.5bn and £0.3bn due to active portfolio management.

**Collective investment undertakings**

- Exposures and risk-weighted assets increased by £0.5bn and £0.1bn respectively as a result of an additional entity being included in the scope of regulatory banking consolidation.

**Other exposures**

- Exposures and risk-weighted assets increased by £5.0bn and £4.5bn respectively mainly due to an outstanding short term debtor arising following the sale of the Irish mortgage portfolio.

**ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO THE FOUNDATION IRB APPROACH**

Exposures in the tables below are stated on two different bases (gross carrying values and EAD post-CCF and CRM).

On-balance sheet gross exposures and off-balance sheet exposures represent gross carrying values (before taking into account SCRAAs) before the application of CRM and CCF. Disclosures provided in the tables that follow take into account PD floors specified by regulators in respect of the calculation of regulatory capital requirements.

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

‘RWA density’ represents the ‘average risk weight’. ‘Number of obligors’ corresponds to the number of individual PDs (in each band). In the case of Corporate Main and Corporate SME, as customers may have exposures in both Commercial Banking and Motor Finance divisions, an individual corporate obligor may be counted twice.



## Analysis of credit risk exposures subject to the IRB Approach

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

June 2018												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m
0.00 to <0.15	20,324	–	–	20,324	0.01%	11	45.00%	2.0	1,337	6.58%	1	–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Sub-total</b>	<b>20,324</b>	<b>–</b>	<b>–</b>	<b>20,324</b>	<b>0.01%</b>	<b>11</b>	<b>45.00%</b>	<b>2.0</b>	<b>1,337</b>	<b>6.58%</b>	<b>1</b>	<b>–</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m
0.00 to <0.15	17,722	–	–	17,722	0.01%	11	45.00%	2.5	1,416	7.99%	1	–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Sub-total</b>	<b>17,722</b>	<b>–</b>	<b>–</b>	<b>17,722</b>	<b>0.01%</b>	<b>11</b>	<b>45.00%</b>	<b>2.5</b>	<b>1,416</b>	<b>7.99%</b>	<b>1</b>	<b>–</b>

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

June 2018												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	Average Maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
	£m	£m	%	£m	%		%		£m	%	£m	£m
0.00 to <0.15	3,931	2,590	68.33%	5,708	0.05%	1,567	31.53%	1.2	595	10.42%	1	
0.15 to <0.25	207	42	57.44%	231	0.18%	65	39.58%	0.9	66	28.66%	–	
0.25 to <0.50	14	289	74.08%	218	0.29%	76	44.98%	1.7	105	48.17%	–	
0.50 to <0.75	116	14	74.26%	126	0.63%	38	44.99%	1.2	85	67.07%	1	
0.75 to <2.50	145	73	48.00%	181	1.02%	57	39.86%	0.7	147	81.14%	1	
2.50 to <10.00	1	2	0.00%	1	4.15%	15	44.33%	1.4	1	157.41%	–	
10.00 to <100.00	3	–	75.00%	3	12.01%	14	43.49%	1.4	6	230.52%	–	
100.00 (Default)	2	–	–	2	100.00%	5	45.00%	4.4	–	–	1	
<b>Sub-total</b>	<b>4,419</b>	<b>3,010</b>	<b>68.20%</b>	<b>6,470</b>	<b>0.14%</b>	<b>1,837</b>	<b>32.77%</b>	<b>1.2</b>	<b>1,004</b>	<b>15.52%</b>	<b>4</b>	<b>–</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	Average Maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
	£m	£m	%	£m	%		%		£m	%	£m	£m
0.00 to <0.15	2,882	845	70.78%	4,256	0.05%	1,486	38.29%	1.6	681	16.01%	1	
0.15 to <0.25	95	326	50.79%	222	0.18%	54	39.34%	1.5	75	33.86%	–	
0.25 to <0.50	19	233	72.33%	177	0.29%	58	44.97%	1.7	86	48.60%	–	
0.50 to <0.75	128	17	68.80%	139	0.63%	33	45.00%	1.2	95	68.05%	–	
0.75 to <2.50	157	56	36.46%	178	1.01%	52	41.21%	0.6	149	83.72%	1	
2.50 to <10.00	1	–	–	1	3.07%	17	42.69%	1.3	1	139.55%	–	
10.00 to <100.00	–	–	–	–	–	7	–	–	–	–	–	
100.00 (Default)	28	–	–	28	100.00%	6	45.00%	1.2	–	–	13	
<b>Sub-total</b>	<b>3,310</b>	<b>1,476</b>	<b>68.10%</b>	<b>5,001</b>	<b>0.68%</b>	<b>1,713</b>	<b>38.90%</b>	<b>1.6</b>	<b>1,087</b>	<b>21.74%</b>	<b>15</b>	<b>–</b>

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

June 2018											
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	Value adjustments and provisions EL £m
0.00 to <0.15	17,847	22,166	74.86%	33,719	0.08%	1,089	42.63%	2.7	8,687	25.76%	11
0.15 to <0.25	4,897	6,044	71.69%	8,775	0.18%	3,168	44.62%	2.2	3,666	41.78%	7
0.25 to <0.50	10,474	10,559	71.50%	16,134	0.34%	5,907	43.81%	2.3	9,535	59.10%	26
0.50 to <0.75	3,191	1,893	70.81%	4,380	0.63%	7,133	43.49%	2.1	3,316	75.71%	12
0.75 to <2.50	5,854	4,253	71.34%	8,439	1.25%	11,325	43.38%	2.2	8,352	98.96%	52
2.50 to <10.00	2,147	1,283	63.11%	2,865	4.36%	4,885	43.08%	2.1	4,059	141.66%	61
10.00 to <100.00	212	67	67.93%	261	19.21%	612	43.36%	1.9	551	210.86%	19
100.00 (Default)	1,016	107	75.83%	1,095	100.00%	715	43.23%	2.0	–	–	473
<b>Sub-total</b>	<b>45,639</b>	<b>46,373</b>	<b>72.87%</b>	<b>75,669</b>	<b>1.98%</b>	<b>34,834</b>	<b>43.28%</b>	<b>2.4</b>	<b>38,165</b>	<b>50.44%</b>	<b>662</b>

December 2017											
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	Value adjustments and provisions EL £m
0.00 to <0.15	16,820	19,291	74.99%	30,580	0.07%	1,088	42.45%	2.9	7,986	26.12%	10
0.15 to <0.25	5,930	6,961	73.60%	10,573	0.18%	3,126	43.69%	2.0	4,004	37.87%	9
0.25 to <0.50	10,591	10,016	71.56%	15,886	0.34%	5,866	43.48%	2.3	9,163	57.68%	25
0.50 to <0.75	2,806	1,976	70.16%	4,034	0.63%	6,730	43.42%	2.1	3,030	75.12%	11
0.75 to <2.50	6,092	4,636	70.02%	8,975	1.24%	11,254	43.48%	2.3	8,990	100.17%	54
2.50 to <10.00	2,563	1,307	63.58%	3,264	3.99%	5,088	42.97%	2.3	4,552	139.45%	64
10.00 to <100.00	102	109	71.52%	179	20.76%	652	44.19%	2.6	406	226.07%	14
100.00 (Default)	864	177	71.29%	989	100.00%	756	43.05%	1.8	–	–	426
<b>Sub-total</b>	<b>45,769</b>	<b>44,474</b>	<b>72.90%</b>	<b>74,480</b>	<b>1.86%</b>	<b>34,561</b>	<b>43.06%</b>	<b>2.5</b>	<b>38,131</b>	<b>51.20%</b>	<b>611</b>

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

June 2018												
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	Average Maturity (years)	RWA	RWA density	EL	Value adjustments and provisions and £m
PD Scale	£m	£m	%	£m	%		%		£m	%	£m	£m
0.00 to <0.15	725	513	80.51%	1,166	0.08%	235	41.72%	3.1	259	22.25%	1	
0.15 to <0.25	217	277	74.86%	420	0.18%	345	43.16%	2.0	136	32.53%	–	
0.25 to <0.50	935	589	72.61%	1,349	0.37%	1,089	41.72%	2.2	698	51.78%	2	
0.50 to <0.75	1,315	358	69.72%	1,562	0.58%	3,887	37.78%	3.1	880	56.31%	4	
0.75 to <2.50	3,257	766	71.07%	3,803	1.25%	8,175	38.01%	3.0	2,751	72.35%	19	
2.50 to <10.00	2,210	400	75.93%	2,512	4.45%	5,025	38.39%	2.9	2,507	99.80%	43	
10.00 to <100.00	324	38	67.51%	350	18.37%	1,501	37.33%	2.8	468	133.85%	20	
100.00 (Default)	306	24	84.09%	326	100.00%	838	38.99%	2.0	–	–	127	
Sub-total	9,290	2,965	73.92%	11,488	4.92%	21,095	39.07%	2.8	7,701	67.04%	216	

December 2017												
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	Average Maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
PD Scale	£m	£m	%	£m	%		%		£m	%	£m	£m
0.00 to <0.15	744	476	87.09%	1,172	0.07%	245	40.39%	3.2	253	21.56%	—	
0.15 to <0.25	244	391	74.97%	536	0.18%	324	43.26%	2.4	188	35.11%	—	
0.25 to <0.50	902	533	72.72%	1,282	0.36%	1,063	41.83%	2.2	668	52.10%	2	
0.50 to <0.75	1,311	371	70.87%	1,574	0.58%	3,573	37.93%	3.1	902	57.28%	4	
0.75 to <2.50	3,255	791	71.40%	3,813	1.24%	8,322	37.79%	2.9	2,700	70.79%	19	
2.50 to <10.00	2,223	441	78.19%	2,571	4.37%	5,077	38.06%	2.9	2,523	98.10%	43	
10.00 to <100.00	274	25	71.07%	291	17.75%	1,449	37.43%	2.5	375	128.76%	15	
100.00 (Default)	401	27	80.76%	423	100.00%	894	39.19%	2.0	—	—	166	
Sub-total	9,353	3,056	75.53%	11,662	5.57%	20,948	38.87%	2.8	7,608	65.23%	250	115

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

June 2018												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	2,953	324	97.97%	3,270	0.54%	23,149	15.18%	360	11.01%	3		317
0.75 to <2.50	3,666	317	97.38%	3,975	1.13%	26,246	16.97%	785	19.75%	8		309
2.50 to <10.00	1,581	93	96.90%	1,671	4.28%	11,001	17.94%	775	46.37%	13		90
10.00 to <100.00	416	15	96.32%	431	22.12%	3,633	19.09%	346	80.23%	18		15
100.00 (Default)	164	3	96.72%	167	100.00%	1,438	12.00%	205	122.41%	20		3
<b>Sub-total</b>	<b>8,779</b>	<b>753</b>	<b>97.55%</b>	<b>9,514</b>	<b>4.17%</b>	<b>65,467</b>	<b>16.53%</b>	<b>2,470</b>	<b>25.96%</b>	<b>62</b>	<b>88</b>	<b>734</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	3,045	310	97.79%	3,349	0.54%	23,555	15.56%	377	11.25%	3		304
0.75 to <2.50	3,807	330	97.47%	4,128	1.13%	26,937	17.05%	824	19.97%	8		322
2.50 to <10.00	1,599	97	97.08%	1,694	4.25%	11,269	17.91%	779	45.99%	13		94
10.00 to <100.00	401	17	95.77%	417	21.59%	3,652	19.77%	348	83.33%	18		16
100.00 (Default)	177	3	98.01%	180	100.00%	1,632	10.52%	226	125.22%	19		3
<b>Sub-total</b>	<b>9,029</b>	<b>757</b>	<b>97.52%</b>	<b>9,769</b>	<b>4.17%</b>	<b>67,045</b>	<b>16.69%</b>	<b>2,554</b>	<b>26.14%</b>	<b>61</b>	<b>25</b>	<b>739</b>

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

June 2018												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	238,948	12,568	98.52%	263,243	0.27%	2,301,728	10.41%	15,548	5.91%	84		12,382
0.15 to <0.25	20,965	215	74.26%	22,115	0.80%	177,064	11.19%	2,837	12.83%	21		160
0.25 to <0.50	14,139	124	76.65%	14,909	1.30%	122,125	11.23%	2,575	17.27%	21		95
0.50 to <0.75	3,451	11	67.74%	3,626	2.49%	32,750	12.07%	1,024	28.25%	10		7
0.75 to <2.50	6,384	318	59.37%	6,882	5.26%	55,492	11.97%	2,832	41.16%	41		189
2.50 to <10.00	4,225	5	89.64%	4,417	17.03%	38,422	10.88%	2,808	63.57%	79		5
10.00 to <100.00	2,722	–	–	2,794	52.82%	23,241	10.97%	1,775	63.54%	166		–
100.00 (Default)	3,495	–	–	3,495	100.00%	25,906	11.91%	1,436	41.08%	430		–
<b>Sub-total</b>	<b>294,330</b>	<b>13,241</b>	<b>96.95%</b>	<b>321,481</b>	<b>2.25%</b>	<b>2,776,728</b>	<b>10.58%</b>	<b>30,836</b>	<b>9.59%</b>	<b>853</b>	<b>1,394</b>	<b>12,837</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	231,775	11,172	97.60%	254,252	0.26%	2,265,026	10.30%	13,936	5.48%	72		10,904
0.15 to <0.25	22,637	212	70.05%	23,872	0.76%	200,175	10.99%	2,802	11.74%	20		149
0.25 to <0.50	17,971	130	73.01%	18,933	1.17%	158,996	10.91%	2,954	15.60%	23		95
0.50 to <0.75	4,852	11	60.59%	5,085	2.15%	47,177	12.80%	1,329	26.13%	12		6
0.75 to <2.50	9,218	174	64.36%	9,698	4.15%	74,360	17.72%	4,382	45.18%	52		112
2.50 to <10.00	5,389	7	82.15%	5,603	13.24%	41,737	16.41%	4,175	74.52%	90		5
10.00 to <100.00	3,162	–	–	3,247	49.08%	27,129	12.31%	2,218	68.30%	179		–
100.00 (Default)	3,901	–	–	3,901	100.00%	28,273	14.41%	2,413	61.86%	445		–
<b>Sub-total</b>	<b>298,905</b>	<b>11,707</b>	<b>96.28%</b>	<b>324,590</b>	<b>2.40%</b>	<b>2,842,873</b>	<b>10.82%</b>	<b>34,209</b>	<b>10.54%</b>	<b>893</b>	<b>1,540</b>	<b>11,272</b>

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

June 2018												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	873	14,487	66.91%	10,566	0.09%	7,268,583	66.48%	405	3.83%	6		9,693
0.15 to <0.25	620	6,799	67.08%	5,180	0.20%	3,837,357	70.41%	415	8.00%	7		4,561
0.25 to <0.50	1,551	9,502	62.24%	7,465	0.36%	5,308,440	72.84%	997	13.35%	20		5,915
0.50 to <0.75	1,187	3,789	65.99%	3,688	0.62%	2,918,939	76.60%	788	21.38%	17		2,501
0.75 to <2.50	3,963	5,169	79.07%	8,050	1.37%	6,973,298	80.16%	3,289	40.86%	89		4,087
2.50 to <10.00	2,382	1,450	94.52%	3,753	4.54%	2,081,216	80.91%	3,396	90.49%	138		1,370
10.00 to <100.00	659	143	128.39%	859	32.15%	617,582	79.42%	1,798	209.36%	220		183
100.00 (Default)	358	33	0.03%	358	100.00%	747,781	49.97%	547	152.52%	178		–
<b>Sub-total</b>	<b>11,592</b>	<b>41,372</b>	<b>68.43%</b>	<b>39,919</b>	<b>2.47%</b>	<b>29,753,196</b>	<b>73.36%</b>	<b>11,634</b>	<b>29.14%</b>	<b>675</b>	<b>508</b>	<b>28,310</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	801	14,207	71.05%	10,894	0.09%	7,772,519	67.06%	418	3.84%	7		10,093
0.15 to <0.25	606	6,917	68.54%	5,347	0.20%	3,770,664	70.09%	424	7.92%	8		4,741
0.25 to <0.50	1,647	9,644	63.49%	7,771	0.36%	5,227,102	73.05%	1,036	13.33%	21		6,123
0.50 to <0.75	1,301	3,793	67.38%	3,857	0.62%	2,792,152	76.36%	824	21.37%	18		2,555
0.75 to <2.50	4,133	4,621	81.06%	7,879	1.38%	5,963,333	79.39%	3,190	40.48%	86		3,746
2.50 to <10.00	2,143	1,267	96.89%	3,371	4.52%	1,738,615	80.22%	2,995	88.84%	122		1,228
10.00 to <100.00	613	125	131.30%	797	30.41%	582,427	78.41%	1,704	213.78%	191		164
100.00 (Default)	369	31	0.25%	369	100.00%	724,839	48.31%	550	149.26%	176		–
<b>Sub-total</b>	<b>11,613</b>	<b>40,606</b>	<b>70.56%</b>	<b>40,285</b>	<b>2.34%</b>	<b>28,571,651</b>	<b>73.07%</b>	<b>11,142</b>	<b>27.66%</b>	<b>628</b>	<b>251</b>	<b>28,651</b>

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

June 2018												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	247	307	99.99%	554	0.54%	49,068	77.07%	289	52.16%	2		307
0.75 to <2.50	475	361	99.99%	836	1.15%	63,824	77.15%	575	68.79%	7		361
2.50 to <10.00	316	132	99.99%	448	4.46%	37,257	79.81%	439	98.06%	16		132
10.00 to <100.00	117	25	99.99%	142	23.80%	36,700	84.00%	193	136.07%	29		25
100.00 (Default)	203	4	100.00%	207	100.00%	9,964	13.98%	92	44.26%	29		4
<b>Sub-total</b>	<b>1,358</b>	<b>829</b>	<b>99.99%</b>	<b>2,186</b>	<b>12.50%</b>	<b>196,813</b>	<b>72.14%</b>	<b>1,588</b>	<b>72.62%</b>	<b>83</b>	<b>71</b>	<b>828</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	251	313	99.99%	563	0.54%	50,000	76.91%	293	51.99%	2		313
0.75 to <2.50	480	363	99.99%	843	1.15%	63,175	76.91%	578	68.55%	7		363
2.50 to <10.00	320	121	99.99%	441	4.53%	33,777	78.51%	427	96.66%	16		121
10.00 to <100.00	112	23	99.99%	135	23.51%	32,278	83.98%	183	135.37%	27		23
100.00 (Default)	213	3	100.00%	217	100.00%	9,960	11.62%	97	44.78%	25		3
<b>Sub-total</b>	<b>1,377</b>	<b>823</b>	<b>99.99%</b>	<b>2,200</b>	<b>12.78%</b>	<b>189,190</b>	<b>71.24%</b>	<b>1,578</b>	<b>71.72%</b>	<b>78</b>	<b>16</b>	<b>823</b>



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

June 2018												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	338	–	–	338	0.08%	24,149	34.98%	27	7.99%	–		–
0.15 to <0.25	96	2	30.00%	100	0.21%	19,315	80.01%	36	35.92%	–		1
0.25 to <0.50	4,402	7	30.00%	4,415	0.37%	437,105	39.69%	1,129	25.56%	7		2
0.50 to <0.75	2,844	7	30.00%	2,858	0.70%	284,078	49.33%	1,265	44.28%	10		2
0.75 to <2.50	7,121	27	30.00%	7,173	1.52%	786,474	62.92%	5,550	77.37%	67		8
2.50 to <10.00	2,896	14	30.00%	2,922	4.29%	366,929	68.11%	3,047	104.29%	85		4
10.00 to <100.00	584	3	30.00%	590	33.22%	79,504	57.40%	749	127.05%	119		1
100.00 (Default)	282	–	–	282	100.00%	121,004	47.09%	537	190.43%	101		–
<b>Sub-total</b>	<b>18,563</b>	<b>61</b>	<b>30.00%</b>	<b>18,677</b>	<b>4.01%</b>	<b>2,118,558</b>	<b>55.34%</b>	<b>12,340</b>	<b>66.07%</b>	<b>389</b>	<b>485</b>	<b>18</b>

December 2017												
PD Scale	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of Obligors	Average LGD	RWA	RWA density	EL	Value adjustments and provisions	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
0.00 to <0.15	262	–	–	262	0.08%	19,348	34.41%	20	7.81%	–		–
0.15 to <0.25	76	1	30.00%	79	0.21%	16,098	79.39%	28	35.57%	–		–
0.25 to <0.50	4,068	6	30.00%	4,081	0.37%	418,457	39.69%	1,044	25.59%	6		2
0.50 to <0.75	2,595	6	30.00%	2,608	0.70%	265,347	48.98%	1,146	43.94%	9		2
0.75 to <2.50	6,901	23	30.00%	6,954	1.52%	781,574	63.65%	5,440	78.23%	66		7
2.50 to <10.00	2,966	12	30.00%	2,993	4.25%	383,894	69.11%	3,166	105.78%	88		4
10.00 to <100.00	562	3	30.00%	568	33.14%	80,753	58.28%	732	128.80%	115		1
100.00 (Default)	298	–	–	298	100.00%	125,333	49.79%	529	177.71%	116		–
<b>Sub-total</b>	<b>17,727</b>	<b>51</b>	<b>30.00%</b>	<b>17,843</b>	<b>4.22%</b>	<b>2,090,804</b>	<b>56.18%</b>	<b>12,106</b>	<b>67.85%</b>	<b>400</b>	<b>261</b>	<b>15</b>

**ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO OTHER IRB APPROACHES**

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

**Table 14A: IRB - Specialised lending (CR10)**

		June 2018 Specialised lending					
		On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWA	Expected losses
Regulatory Categories	Remaining maturity	£m	£m	%	£m	£m	£m
1) Strong	Less than 2.5 years	2,800	878	50%	3,141	1,570	–
	Equal to or more than 2.5 years	3,098	767	70%	3,572	2,499	14
2) Good	Less than 2.5 years	2,266	651	70%	2,783	1,947	11
	Equal to or more than 2.5 years	4,986	402	90%	5,373	4,832	43
3) Satisfactory	Less than 2.5 years	103	19	115%	121	138	3
	Equal to or more than 2.5 years	586	71	115%	683	779	19
4) Weak	Less than 2.5 years	16	1	250%	17	41	1
	Equal to or more than 2.5 years	62	–	250%	72	179	6
5) Default	Less than 2.5 years	174	2	0%	251	–	126
	Equal to or more than 2.5 years	73	9	0%	108	–	54
<b>Total</b>	Less than 2.5 years	5,359	1,550		6,312	3,697	142
	Equal to or more than 2.5 years	8,805	1,249		9,807	8,290	136

		December 2017 Specialised lending					
		On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWA	Expected losses
Regulatory Categories	Remaining maturity	£m	£m	%	£m	£m	£m
1) Strong	Less than 2.5 years	2,784	673	50%	3,168	1,587	–
	Equal to or more than 2.5 years	2,999	951	70%	3,446	2,412	14
2) Good	Less than 2.5 years	2,314	449	70%	2,686	1,881	11
	Equal to or more than 2.5 years	4,778	424	90%	5,148	4,629	41
3) Satisfactory	Less than 2.5 years	160	27	115%	182	209	5
	Equal to or more than 2.5 years	791	64	115%	860	982	24
4) Weak	Less than 2.5 years	20	1	250%	21	51	2
	Equal to or more than 2.5 years	84	1	250%	86	214	7
5) Default	Less than 2.5 years	257	25	0%	374	–	187
	Equal to or more than 2.5 years	74	52	0%	146	–	73
<b>Total</b>	Less than 2.5 years	5,534	1,174		6,431	3,728	205
	Equal to or more than 2.5 years	8,727	1,491		9,686	8,237	159

**ANALYSIS OF EQUITY EXPOSURES**

An analysis of equity exposures and risk-weighted assets categorised under the Simple Risk Weight Method is provided in the table below.

**Table 14B: Equity exposure subject to the simple risk weight method (CR10)**

June 2018						
Equities under the simple risk-weight approach						
Categories	On-balance	Off-balance	RW	Exposure	RWA requirements	Capital
	sheet amount £m	sheet amount £m		amount £m		requirements £m
Exchange-traded equity exposures	177	–	290%	177	515	41
Private equity exposures	2,521	106	190%	2,627	4,991	399
Other equity exposures	279	–	370%	279	1,034	83
<b>Total</b>	<b>2,978</b>	<b>106</b>		<b>3,084</b>	<b>6,540</b>	<b>523</b>

December 2017						
Equities under the simple risk-weight approach						
Categories	On-balance	Off-balance	RW	Exposure	RWA requirements	Capital
	sheet amount £m	sheet amount £m		amount £m		requirements £m
Exchange-traded equity exposures	573	–	290%	573	1,662	133
Private equity exposures	2,439	101	190%	2,540	4,827	386
Other equity exposures	241	–	370%	241	893	71
<b>Total</b>	<b>3,254</b>	<b>101</b>		<b>3,355</b>	<b>7,381</b>	<b>591</b>

**ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO THE STANDARDISED APPROACH**

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

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

	Exposures before		June 2018		RWA and RWA density	
	CCF and CRM		Exposures post			
	On-balance	Off-balance	On-balance	Off-balance	RWA	RWA density <sup>1</sup>
	sheet amount	sheet amount	sheet amount	sheet amount		
	£m	£m	£m	£m	£m	%
Central governments or central banks	72,651	254	72,651	302	4	—
Regional governments or local authorities	5	—	5	—	1	20%
Public sector entities	1	40	1	20	21	100%
Multilateral development banks	1,916	—	1,916	—	—	—
International organisations	—	—	—	—	—	—
Institutions	270	253	270	417	64	9%
Corporates	9,665	8,177	9,226	2,783	10,913	91%
Retail	12,284	21,651	12,284	189	8,978	72%
Secured by mortgages on immovable property	4,609	10	4,609	5	1,616	35%
of which: residential property	4,607	10	4,607	5	1,614	35%
of which: commercial property	2	—	2	—	2	100%
Exposures in default	696	25	695	13	797	113%
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Short term claims on institutions and corporates	—	—	—	—	—	—
Collective investment undertakings (CIUs)	793	—	793	—	159	20%
Equity exposures	—	—	—	—	—	—
Other items	8,094	—	8,094	—	6,788	84%
<b>Total</b>	<b>110,985</b>	<b>30,409</b>	<b>110,545</b>	<b>3,727</b>	<b>29,340</b>	<b>26%</b>

	Exposures before CCF and CRM		December 2017 Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density <sup>1</sup>
	£m	£m	£m	£m	£m	%
Central governments or central banks	76,352	327	76,352	349	8	—
Regional governments or local authorities	5	—	5	—	1	20%
Public sector entities	1	40	1	20	21	100%
Multilateral development banks	1,837	—	1,837	—	—	—
International organisations	—	—	—	—	—	—
Institutions	136	247	135	13	32	22%
Corporates	10,036	8,006	9,600	2,671	10,902	89%
Retail	12,619	21,466	12,619	201	9,256	72%
Secured by mortgages on immovable property	5,148	10	5,148	5	1,944	38%
of which: residential property	5,146	10	5,146	5	1,942	38%
of which: commercial property	2	—	2	—	2	100%
Exposures in default	662	39	661	19	765	112%
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Short term claims on institutions and corporates	—	—	—	—	—	—
Collective investment undertakings (CIUs)	278	—	278	—	56	20%
Equity exposures	—	—	—	—	—	—
Other items	3,114	—	3,114	—	2,273	73%
Total	110,187	30,136	109,750	3,278	25,259	22%

<sup>1</sup> RWA density is RWA expressed as a percentage of exposures post CCF and CRM.

Standardised exposures in the table below are stated after CCF and CRM

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

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

Exposure Classes	June 2018 Risk Weight															Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% £m	250% £m	370% £m	1250% £m	Others £m	Total £m	Unrated £m
Central governments or central banks	72,935	–	–	–	18	–	–	–	–	–	–	–	–	–	–	72,953	72,953
Regional government or local authorities	–	–	–	–	5	–	–	–	–	–	–	–	–	–	–	5	5
Public sector entities	–	–	–	–	–	–	–	–	–	21	–	–	–	–	–	21	21
Multilateral development banks	1,916	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,916	1,916
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	122	–	403	–	110	–	49	–	–	2	–	–	–	–	–	686	554
Corporates	–	–	–	–	57	–	1,527	–	–	10,424	–	–	–	–	–	12,008	10,337
Retail	–	–	–	–	–	–	–	–	12,473	–	–	–	–	–	–	12,473	12,473
Secured by mortgages on immovable property	–	–	–	–	–	4,612	–	–	–	2	–	–	–	–	–	4,614	4,614
of which: residential property	–	–	–	–	–	4,612	–	–	–	–	–	–	–	–	–	4,612	4,612
of which: commercial property	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
Exposures in default	–	–	–	–	–	–	–	–	–	529	178	–	–	–	–	708	708
Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	793	–	–	–	–	–	–	–	–	–	–	793	–
Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other items	192	–	–	–	1,393	–	–	–	–	6,510	–	–	–	–	–	8,094	8,094
<b>Total</b>	<b>75,165</b>	<b>–</b>	<b>403</b>	<b>–</b>	<b>2,377</b>	<b>4,612</b>	<b>1,576</b>	<b>–</b>	<b>12,473</b>	<b>17,487</b>	<b>178</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>114,272</b>	<b>111,676</b>

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

Exposure Classes	December 2017 Risk Weight															Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% £m	250% £m	370% £m	1250% £m	Others £m	Total £m	Unrated £m
Central governments or central banks	76,660	–	–	–	41	–	–	–	–	–	–	–	–	–	–	76,701	76,701
Regional government or local authorities	–	–	–	–	5	–	–	–	–	–	–	–	–	–	–	5	5
Public sector entities	–	–	–	–	–	–	–	–	–	21	–	–	–	–	–	21	21
Multilateral development banks	1,837	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,837	1,837
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	29	–	–	–	100	–	16	–	–	4	–	–	–	–	–	149	59
Corporates	–	–	–	–	217	–	1,805	–	–	10,248	–	–	–	–	–	12,271	10,187
Retail	–	–	–	–	–	–	–	–	12,819	–	–	–	–	–	–	12,819	12,819
Secured by mortgages on immovable property	–	–	–	–	–	4,695	183	–	260	14	–	–	–	–	–	5,153	5,153
of which: residential property	–	–	–	–	–	4,695	183	–	260	12	–	–	–	–	–	5,151	5,151
of which: commercial property	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
Exposures in default	–	–	–	–	–	–	–	–	–	510	170	–	–	–	–	680	680
Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	278	–	–	–	–	–	–	–	–	–	–	278	–
Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other items	195	–	–	–	807	–	–	–	–	2,111	–	–	–	–	–	3,114	3,114
<b>Total</b>	<b>78,721</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,448</b>	<b>4,695</b>	<b>2,005</b>	<b>–</b>	<b>13,080</b>	<b>12,908</b>	<b>170</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>113,028</b>	<b>110,576</b>

**ANALYSIS OF CREDIT QUALITY OF EXPOSURES**

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

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

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

	June 2018				
	Gross carrying values of Defaulted exposures	Non- defaulted exposures	Specific credit risk adjustment	Credit risk charges in the period	Net values
	£m	£m	£m	£m	£m
Central governments or central banks	–	20,324	–	–	20,324
Institutions	2	7,426	–	–	7,428
Corporates	1,815	119,596	1,035	3	120,376
of which: Specialised lending	362	16,782	177	(9)	16,967
of which: SMEs	330	11,925	187	(7)	12,068
Retail	4,542	386,334	2,546	335	388,330
Secured by real estate property	3,662	313,440	1,482	16	315,620
SMEs	167	9,364	88	(1)	9,443
Non-SMEs	3,495	304,076	1,394	16	306,177
Qualifying revolving	391	52,573	508	157	52,456
Other retail	489	20,321	556	163	20,254
SMEs	207	1,980	71	3	2,116
Non-SMEs	282	18,342	485	160	18,139
Equity	–	3,084	–	–	3,084
Non-credit obligation assets	–	9,894	–	–	9,894
<b>Total IRB approach</b>	<b>6,359</b>	<b>546,658</b>	<b>3,581</b>	<b>338</b>	<b>549,437</b>
Central governments or central banks		72,905	–	–	72,905
Regional governments or local authorities		5	–	–	5
Public sector entities		41	–	–	41
Multilateral development banks		1,916	–	–	1,916
International organisations		–	–	–	–
Institutions		523	–	–	523
Corporates		17,907	66	(8)	17,841
of which: SMEs		3,599	12	–	3,587
Retail		34,192	257	114	33,935
of which: SMEs		2,388	5	–	2,383
Secured by mortgages on immovable property		4,649	31	1	4,618
of which: SMEs		3	–	–	3
Exposures in default <sup>1</sup>	992	–	271	11	721
Items associated with particularly high risk		–	–	–	–
Covered bonds		–	–	–	–
Claims on institutions and corporates with a short-term credit assessment		–	–	–	–
Collective investments undertakings		793	–	–	793
Equity exposures		–	–	–	–
Other exposures		8,094	–	–	8,094
<b>Total standardised approach</b>	<b>992</b>	<b>141,027</b>	<b>625</b>	<b>119</b>	<b>141,394</b>
<b>Total</b>	<b>7,351</b>	<b>687,686</b>	<b>4,206</b>	<b>456</b>	<b>690,831</b>
of which: Loans	7,111	424,735	3,958	456	427,887
of which: Debt securities	33	4,147	–	–	4,181
of which: Off-balance-sheet exposures	207	141,681	247	–	141,641



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

	December 2017		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Gross carrying values of Defaulted exposures	Non- defaulted exposures			
	£m	£m	£m	£m	£m
Central governments or central banks	–	17,722	–	–	17,722
Institutions	28	4,759	–	–	4,787
Corporates	1,993	117,752	847	92	118,898
of which: Specialised lending	524	16,569	166	(25)	16,927
of which: SMEs	428	11,981	115	(12)	12,294
Retail	4,995	387,600	2,093	563	390,502
Secured by real estate property	4,081	316,317	1,565	(22)	318,834
SMEs	180	9,606	25	7	9,761
Non-SMEs	3,901	306,711	1,540	(30)	309,072
Qualifying revolving	400	51,819	251	359	51,968
Other retail	514	19,463	277	226	19,700
SMEs	217	1,983	16	15	2,184
Non-SMEs	298	17,480	261	211	17,516
Equity	–	3,355	–	–	3,355
Non-credit obligation assets	–	10,231	–	–	10,231
<b>Total IRB approach</b>	<b>7,017</b>	<b>541,418</b>	<b>2,940</b>	<b>655</b>	<b>545,494</b>
Central governments or central banks		76,679	–	–	76,679
Regional governments or local authorities		5	–	–	5
Public sector entities		41	–	–	41
Multilateral development banks		1,837	–	–	1,837
International organisations		–	–	–	–
Institutions		383	–	–	383
Corporates		18,074	32	7	18,042
of which: SMEs		3,492	4	–	3,488
Retail		34,159	74	57	34,085
of which: SMEs		2,303	3	–	2,300
Secured by mortgages on immovable property		5,181	23	3	5,158
of which: SMEs		8	–	–	8
Exposures in default <sup>1</sup>	1,031	–	330	60	701
Items associated with particularly high risk		–	–	–	–
Covered bonds		–	–	–	–
Claims on institutions and corporates with a short-term credit assessment		–	–	–	–
Collective investments undertakings		278	–	–	278
Equity exposures		–	–	–	–
Other exposures		3,114	–	–	3,114
<b>Total standardised approach</b>	<b>1,031</b>	<b>139,751</b>	<b>459</b>	<b>127</b>	<b>140,323</b>
<b>Total</b>	<b>8,048</b>	<b>681,169</b>	<b>3,400</b>	<b>782</b>	<b>685,817</b>
of which: Loans	7,649	426,513	3,225	782	430,937
of which: Debt securities	40	3,459	–	–	3,499
of which: Off-balance-sheet exposures	359	135,492	175	–	135,677

<sup>1</sup> The breakdown of “exposures in default” by the exposure class that corresponds to the exposure before default, comprises Corporate £285m (2017: £319m) and Retail £707m (2017: £712m).

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

	June 2018				
	Gross carrying values of		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	£m	£m	£m	£m	£m
Agriculture, forestry and fishing	150	6,527	48	1	6,629
Energy and water supply	1	5,273	12	–	5,262
Manufacturing	311	19,688	112	17	19,887
Construction	497	6,087	300	20	6,284
Transport, distribution and hotels	307	26,792	208	25	26,891
Postal and communications	4	2,177	3	–	2,178
Property companies	738	30,918	366	(48)	31,290
Financial, business and other services	395	166,541	297	17	166,639
Personal: mortgages	4,010	309,289	1,510	13	311,789
Personal: other	797	93,050	1,079	365	92,768
Lease financing	10	6,286	12	–	6,284
Hire purchase	130	15,058	259	47	14,930
<b>Total</b>	<b>7,351</b>	<b>687,686</b>	<b>4,206</b>	<b>456</b>	<b>690,831</b>

	December 2017				
	Gross carrying values of		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	£m	£m	£m	£m	£m
Agriculture, forestry and fishing	143	6,302	18	2	6,426
Energy and water supply	1	5,078	5	–	5,073
Manufacturing	284	17,980	111	5	18,153
Construction	551	5,808	251	85	6,108
Transport, distribution and hotels	280	26,322	102	(19)	26,500
Postal and communications	4	2,404	3	1	2,405
Property companies	995	30,686	343	(7)	31,338
Financial, business and other services	433	160,966	204	42	161,196
Personal: mortgages	4,471	313,103	1,678	(34)	315,896
Personal: other	765	91,897	513	596	92,149
Lease financing	8	6,867	2	–	6,873
Hire purchase	114	13,756	171	111	13,699
<b>Total</b>	<b>8,048</b>	<b>681,169</b>	<b>3,400</b>	<b>782</b>	<b>685,817</b>

**ANALYSIS OF CREDIT RISK MITIGATION**

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

**Table 19: CRM techniques - overview (CR3)**

	June 2018				
	Exposures unsecured – carrying amount £m	Exposures to be secured <sup>1</sup> £m	Exposures secured by collateral £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives £m
<b>Exposures subject to the IRB approach</b>					
Central governments or central banks	20,324	–	–	–	–
Institutions	5,639	1,790	1,779	–	11
Corporates	75,456	44,921	44,043	325	553
of which: Specialised lending	–	16,967	16,967	–	–
of which: SMEs	4,460	7,609	7,609	–	–
Retail	62,398	325,933	325,933	–	–
Secured by real estate property	–	315,619	315,619	–	–
SMEs	–	9,443	9,443	–	–
Non-SMEs	–	306,177	306,177	–	–
Qualifying revolving	52,456	–	–	–	–
Other retail	9,941	10,313	10,313	–	–
SMEs	2,084	32	32	–	–
Non-SMEs	7,857	10,281	10,281	–	–
Equity	3,084	–	–	–	–
Non-credit obligation assets	9,894	–	–	–	–
<b>Total – IRB approach</b>	<b>176,794</b>	<b>372,643</b>	<b>371,755</b>	<b>325</b>	<b>564</b>
<b>Exposures subject to the standardised approach</b>					
Central governments and central banks	72,905	–	–	–	–
Regional governments or local authorities	5	–	–	–	–
Public sector entities	41	–	–	–	–
Multilateral development banks	1,916	–	–	–	–
International organisations	–	–	–	–	–
Institutions	280	243	243	–	–
Corporates	16,917	924	561	364	–
Retail	33,755	180	180	–	–
Secured by mortgages on immovable property	–	4,618	4,618	–	–
Exposures in default	309	412	412	–	–
Items associated with particularly high risk	–	–	–	–	–
Covered bonds	–	–	–	–	–
Claims on institutions and corp. with a ST credit assessment	–	–	–	–	–
Collective investment undertakings (CIUs)	793	–	–	–	–
Equity exposures	–	–	–	–	–
Other exposures	8,094	–	–	–	–
<b>Total – standardised approach</b>	<b>135,017</b>	<b>6,378</b>	<b>6,014</b>	<b>364</b>	<b>–</b>
<b>Total exposures</b>	<b>311,810</b>	<b>379,020</b>	<b>377,769</b>	<b>688</b>	<b>564</b>
of which: defaulted	<b>1,625</b>	<b>3,877</b>	<b>3,877</b>	<b>–</b>	<b>–</b>

**Table 19: CRM techniques (CR3) (continued)**

	December 2017				
	Exposures unsecured – carrying amount £m	Exposures to be secured <sup>1</sup> £m	Exposures secured by collateral £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives £m
<b>Exposures subject to the IRB approach</b>					
Central governments or central banks	17,722	–	–	–	–
Institutions	4,454	333	245	–	88
Corporates	72,621	46,277	44,894	338	1,045
of which: Specialised Lending	–	16,927	16,927	–	–
of which: SME	4,386	7,909	7,909	–	–
Retail	62,052	328,450	328,450	–	–
Secured by real estate property	–	318,833	318,833	–	–
SME	–	9,761	9,761	–	–
Non-SME	–	309,072	309,072	–	–
Qualifying Revolving	51,968	–	–	–	–
Other Retail	10,083	9,617	9,617	–	–
SME	2,150	34	34	–	–
Non-SME	7,933	9,583	9,583	–	–
Equity	3,355	–	–	–	–
Non-credit obligation assets	10,231	–	–	–	–
<b>Total – IRB approach</b>	<b>170,434</b>	<b>375,060</b>	<b>373,589</b>	<b>338</b>	<b>1,133</b>
<b>Exposures subject to the standardised approach</b>					
Central governments and central banks	76,679	–	–	–	–
Regional governments or local authorities	5	–	–	–	–
Public sector entities	41	–	–	–	–
Multilateral development banks	1,837	–	–	–	–
International organisations	–	–	–	–	–
Institutions	146	237	237	–	–
Corporates	17,041	1,001	818	183	–
Retail	33,935	150	150	–	–
Secured by mortgages on immovable property	–	5,158	5,158	–	–
Exposures in default	255	446	446	–	–
Items associated with particularly high risk	–	–	–	–	–
Covered bonds	–	–	–	–	–
Claims on institutions and corp. with a ST credit assessment	–	–	–	–	–
Collective investment undertakings (CIUs)	278	–	–	–	–
Equity exposures	–	–	–	–	–
Other exposures	3,114	–	–	–	–
<b>Total – standardised approach</b>	<b>133,330</b>	<b>6,992</b>	<b>6,809</b>	<b>183</b>	<b>–</b>
<b>Total exposures</b>	<b>303,764</b>	<b>382,052</b>	<b>380,398</b>	<b>521</b>	<b>1,133</b>
of which: defaulted	<b>1,716</b>	<b>4,206</b>	<b>4,206</b>	<b>–</b>	<b>–</b>

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

**ANALYSIS OF PERFORMING, NON-PERFORMING AND FORBORNE EXPOSURES**

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

**Table 20: Ageing of performing and non-performing exposures<sup>1</sup> (CR1-D hybrid)**

June 2018 Gross carrying values						
Performing			Non-performing			
	Not past-due or Past-due <= 30 days £m	Past-due > 30 days <= 90 days £m	Unlikely to pay that are not past-due or or past-due <= 90 days £m	Past-due > 90 days <= 180 days £m	Past-due > 180 days <= 1 year £m	Past due > 1 year £m
Loans	530,592	1,986	5,714	1,930	1,545	2,323
Debt securities	4,846	–	–	–	–	44
<b>Total exposures</b>	<b>535,437</b>	<b>1,986</b>	<b>5,714</b>	<b>1,930</b>	<b>1,545</b>	<b>2,366</b>

December 2017 Gross carrying values						
Performing			Non-performing			
	Not past-due or Past-due <= 30 days £m	Past-due > 30 days <= 90 days <sup>2</sup> £m	Unlikely to pay that are not past-due or or past-due <= 90 days £m	Past-due > 90 days <= 180 days £m	Past-due > 180 days <= 1 year £m	Past due > 1 year £m
Loans	511,444	2,085	6,102	2,158	1,800	2,832
Debt securities	4,172	–	–	–	–	40
<b>Total exposures</b>	<b>515,616</b>	<b>2,085</b>	<b>6,102</b>	<b>2,158</b>	<b>1,800</b>	<b>2,872</b>

<sup>1</sup> Ageing analysis of on-balance sheet past due exposures regardless of their impairment status.

<sup>2</sup> Restated.

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

June 2018													
Gross carrying amount of performing and non-performing exposures								Accumulated impairment and provisions and negative fair value adjustments due to credit risk and provisions				Collaterals and financial guarantees received	
	Of which performing but past due >30 days and <=90 days		Of which performing forborne	Of which non-performing				On performing exposures	On non-performing exposures			On non-performing exposures	On non-performing exposures
					Of which: defaulted	Of which: impaired	of which: forborne			of which: forborne	of which: forborne		
	£m	£m		£m	£m	£m	£m		£m	£m	£m		
Debt securities	4,889	—	—	44	33	27	33	(19)	(14)	—	—	—	—
Loans and advances	544,090	1,986	3,130	11,512	7,426	7,716	7,633	(1,528)	(734)	(1,528)	(1,145)	8,642	7,487
Off balance sheet exposures	147,595	—	221	384	282	—	274	(246)	(1)	(3)	(1)	—	—
December 2017													
Gross carrying amount of performing and non-performing exposures								Accumulated impairment and provisions and negative fair value adjustments due to credit risk and provisions				Collaterals and financial guarantees received	
	Of which performing but past due >30 days and <=90 days		Of which performing forborne	Of which non-performing				On performing exposures	On non-performing exposures			On non-performing exposures	On non-performing exposures
					Of which: defaulted	Of which: impaired	of which: forborne			of which: forborne	of which: forborne		
	£m	£m		£m	£m	£m	£m		£m	£m	£m		
Debt securities	4,212	—	—	40	40	40	40	—	—	(26)	(26)	—	—
Loans and advances	526,421	2,086	3,395	12,891	7,994	7,790	8,467	(485)	(259)	(1,716)	(1,279)	9,028	8,482
Off balance sheet exposures	132,759	—	139	360	260	—	264	—	—	—	—	—	—

**Key movements**

- The movement in loans and advances exposures reflects an increase in cash and balances held with central banks and an increase in lending, specifically reverse repo balances.
- The movement in off balance sheet exposures reflects an increase in external-to-LBG lending commitments, including mortgages, and also increased lending commitments to the Group's deconsolidated entities.

**PILLAR 1 CAPITAL REQUIREMENTS: COUNTERPARTY CREDIT RISK**

- Counterparty credit risk (including CVA) represents a small proportion (4 per cent) (2017: 4 per cent) of the Group's total risk-weighted assets.
- Counterparty credit risk exposures post CRM increased by 5 per cent to £41.9bn primarily due to increasing trade volumes through CCPs offset by reduction in central government exposures.
- Risk-weighted assets decreased by 7 per cent to £7.3bn mainly driven by CVA and foreign exchange movements.

**Table 22: Analysis of CCR exposure by approach (CCR1)<sup>3</sup>**

June 2018							
	Notional	Replacement cost/current market value <sup>1</sup>	Potential future credit exposure <sup>1</sup>	Effective expected positive exposure (EEPE)	Multiplier	EAD Post CRM <sup>2</sup>	RWAs
	£m	£m	£m	£m	x	£m	£m
Mark to Market		5,825	4,330			10,141	5,178
Original exposure	–					–	–
Standardised approach		–		–	–	–	–
IMM (for derivatives and SFTs)				–	–	–	–
of which: securities financing transactions				–	–	–	–
of which: derivatives and long settlement transactions				–	–	–	–
of which: from contractual cross-product netting				–	–	–	–
Financial collateral simple method (for SFTs)						–	–
Financial collateral comprehensive method (for SFTs)						16,781	368
VaR for SFTs						–	–
<b>Total</b>	<b>–</b>	<b>5,825</b>	<b>4,330</b>	<b>–</b>	<b>–</b>	<b>26,922</b>	<b>5,546</b>

December 2017							
	Notional	Replacement cost/current market value <sup>1</sup>	Potential future credit exposure <sup>1</sup>	Effective expected positive exposure (EEPE)	Multiplier	EAD Post CRM <sup>2</sup>	RWAs
	£m	£m	£m	£m	x	£m	£m
Mark to Market		6,267	4,314			10,669	5,481
Original exposure	–					–	–
Standardised approach		–		–	–	–	–
IMM (for derivatives and SFTs)				–	–	–	–
of which: securities financing transactions				–	–	–	–
of which: derivatives and long settlement transactions				–	–	–	–
of which: from contractual cross-product netting				–	–	–	–
Financial collateral simple method (for SFTs)						–	–
Financial collateral comprehensive method (for SFTs)						20,597	403
VaR for SFTs						–	–
<b>Total</b>	<b>–</b>	<b>6,267</b>	<b>4,314</b>	<b>–</b>	<b>–</b>	<b>31,266</b>	<b>5,884</b>

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

<sup>2</sup> Exposures values of £3.3bn (2017: £2.7bn) are embedded in this section, the CVA risk-weighted assets are excluded from this table. For CVA risk-weighted assets please refer to Table 24.

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

**Table 23: Exposures to CCPs (CCR8)**

	June 2018		December 2017	
	EAD post CRM	RWA	EAD post CRM	RWA
	£m	£m	£m	£m
<b>Exposures to QCCPs (total)</b>	<b>14,968</b>	<b>847</b>	<b>8,757</b>	<b>599</b>
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	14,499	300	8,534	171
(i) OTC derivatives	13,530	271	7,592	152
(ii) Exchange-traded derivatives	910	29	417	8
(iii) SFTs	59	1	524	10
(iv) Netting sets where cross-product netting has been approved	–	–	–	–
Segregated initial margin	–	–	–	–
Non-segregated initial margin	160	3	22	–
Prefunded default fund contributions	310	543	201	428
Alternative calculation of own funds requirements for exposures	–	–	–	–
<b>Exposures to non-QCCPs (total)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–	–	–
(i) OTC derivatives	–	–	–	–
(ii) Exchange-traded derivatives	–	–	–	–
(iii) SFTs	–	–	–	–
(iv) Netting sets where cross-product netting has been approved	–	–	–	–
Segregated initial margin	–	–	–	–
Non-segregated initial margin	–	–	–	–
Prefunded default fund contributions	–	–	–	–
Unfunded default fund contributions	–	–	–	–

**Table 24: Credit valuation adjustment (CVA) capital charge (CCR2)<sup>1</sup>**

	June 2018		December 2017	
	Exposure value	RWA	Exposure value	RWA
	£m	£m	£m	£m
Total portfolios subject to the Advanced CVA capital charge	–	–	–	–
(i) VaR component (including the 3xmultiplier)	–	–	–	–
(ii) Stressed VaR component (including the 3xmultiplier)	–	–	–	–
All portfolios subject to the Standardised Method	3,278	911	2,657	1,402
Based on Original Exposure Method	–	–	–	–
<b>Total subject to the CVA capital charge</b>	<b>3,278</b>	<b>911</b>	<b>2,657</b>	<b>1,402</b>

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

Exposure values subject to CVA risk-weighted assets have increased by £0.6bn due to an increase in trade volumes and counterparties subject to CVA risk-weighted assets. The decrease in risk-weighted assets of £0.5bn is primarily driven by hedging activity in the year.



**Table 25: Counterparty credit risk exposures**

	June 2018		December 2017	
	Credit Risk exposure	RWA	Credit risk exposure	RWA
	£m	£m	£m	£m
<b>Foundation IRB approach</b>				
Corporate – main	4,915	2,159	5,109	2,218
Corporate – SME	2	3	3	4
Central governments or central banks	883	39	987	43
Institutions	3,002	1,102	2,850	1,118
<b>Other IRB approach</b>				
Corporate – specialised lending <sup>1</sup>	2,182	1,630	2,569	1,890
Securitisation positions <sup>2</sup>	234	135	283	107
<b>Total IRB approach</b>	<b>11,218</b>	<b>5,068</b>	<b>11,802</b>	<b>5,381</b>
<b>Exposures subject to the standardised approach</b>				
Central governments or central banks	14,739	–	18,319	–
Multilateral development banks	37	–	62	–
International organisations	26	–	65	–
Institutions	14,665	309	8,574	184
Corporates	895	473	1,000	490
<b>Total standardised approach</b>	<b>30,363</b>	<b>782</b>	<b>28,020</b>	<b>674</b>
Contributions to the default fund of a Central Counterparty	310	543	201	428
Credit valuation adjustment <sup>3</sup>		911		1,402
<b>Total</b>	<b>41,890</b>	<b>7,304</b>	<b>40,023</b>	<b>7,885</b>

<sup>1</sup> Exposures subject to the IRB Supervisory Slotting Approach.

<sup>2</sup> No positions relating to counterparty credit risk securitisation positions were deducted from capital in either 2018 or 2017.

<sup>3</sup> CVA exposure value of £3.3bn (2017: £2.7bn) is embedded in the asset class analysis above.

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

June 2018							
PD Scale	EAD post CRM £m	Average PD %	Number of obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %
0.00 to <0.15	3,199	0.07%	853	45.0%	3.5	1,050	32.8%
0.15 to <0.25	604	0.18%	291	45.0%	3.5	326	54.0%
0.25 to <0.50	769	0.32%	873	45.1%	2.2	441	57.4%
0.50 to <0.75	85	0.63%	157	45.0%	2.6	71	82.8%
0.75 to <2.50	138	1.36%	247	45.0%	2.5	149	108.1%
2.50 to <10.00	51	3.80%	99	45.0%	2.3	74	144.0%
10.00 to <100.00	23	12.56%	7	45.0%	1.1	48	203.1%
100.00 (Default)	45	100.00%	13	45.0%	2.8	–	–
<b>Sub-total</b>	<b>4,915</b>	<b>1.18%</b>	<b>2,540</b>	<b>45.0%</b>	<b>3.3</b>	<b>2,159</b>	<b>43.9%</b>

December 2017							
PD Scale	EAD post CRM £m	Average PD %	Number of obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %
0.00 to <0.15	3,213	0.07%	711	45.0%	3.4	1,003	31.2%
0.15 to <0.25	789	0.18%	254	45.0%	2.8	379	48.1%
0.25 to <0.50	751	0.33%	766	45.0%	2.3	442	58.9%
0.50 to <0.75	84	0.63%	129	45.0%	3.2	76	90.8%
0.75 to <2.50	102	1.21%	240	45.0%	2.7	110	108.0%
2.50 to <10.00	90	3.30%	109	45.0%	2.2	123	136.6%
10.00 to <100.00	41	13.46%	4	45.0%	1.0	85	204.8%
100.00 (Default)	40	100.00%	10	45.0%	2.8	–	–
<b>Sub-total</b>	<b>5,109</b>	<b>1.10%</b>	<b>2,223</b>	<b>45.0%</b>	<b>3.1</b>	<b>2,218</b>	<b>43.4%</b>

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

PD Scale	June 2018						
	EAD post CRM £m	Average PD %	Number of obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %
0.00 to <0.15	881	0.04%	9	45.0%	0.0	37	4.1%
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	2	12.00%	1	45.0%	1.0	2	100.0%
100.00 (Default)	–	–	–	–	–	–	–
<b>Sub-total</b>	<b>883</b>	<b>0.05%</b>	<b>10</b>	<b>45.0%</b>	<b>0.0</b>	<b>39</b>	<b>4.4%</b>

PD Scale	December 2017						
	EAD post CRM £m	Average PD %	Number of obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %
0.00 to <0.15	986	0.04%	13	45.0%	0.1	42	4.3%
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	1	12.00%	1	45.0%	1.0	1	100.0%
100.00 (Default)	–	–	–	–	–	–	–
<b>Sub-total</b>	<b>987</b>	<b>0.04%</b>	<b>14</b>	<b>45.0%</b>	<b>0.1</b>	<b>43</b>	<b>4.3%</b>

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

June 2018							
PD Scale	EAD post CRM £m	Average PD %	Number of obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %
0.00 to <0.15	2,666	0.04%	257	45.0%	3.4	867	32.5%
0.15 to <0.25	283	0.18%	53	45.0%	3.2	188	66.4%
0.25 to <0.50	40	0.32%	32	45.0%	3.4	35	86.2%
0.50 to <0.75	9	0.63%	10	45.0%	1.9	6	74.8%
0.75 to <2.50	4	1.04%	9	45.0%	1.4	4	106.8%
2.50 to <10.00	–	–	1	45.0%	1.0	–	136.5%
10.00 to <100.00	1	31.00%	1	45.0%	5.0	2	317.2%
100.00 (Default)	–	–	–	–	–	–	–
<b>Sub-total</b>	<b>3,002</b>	<b>0.07%</b>	<b>363</b>	<b>45.0%</b>	<b>3.4</b>	<b>1,102</b>	<b>36.7%</b>

December 2017							
PD Scale	EAD post CRM £m	Average PD %	Number of obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %
0.00 to <0.15	2,609	0.04%	239	45.0%	3.7	912	34.9%
0.15 to <0.25	168	0.18%	45	45.0%	4.3	129	76.9%
0.25 to <0.50	65	0.30%	36	45.0%	4.0	62	95.5%
0.50 to <0.75	3	0.63%	8	45.0%	2.0	2	74.7%
0.75 to <2.50	2	1.57%	9	45.0%	1.1	2	95.7%
2.50 to <10.00	–	2.61%	4	45.0%	1.1	–	138.9%
10.00 to <100.00	4	27.79%	3	45.0%	3.4	12	289.9%
100.00 (Default)	–	–	–	–	–	–	–
<b>Sub-total</b>	<b>2,850</b>	<b>0.10%</b>	<b>344</b>	<b>45.0%</b>	<b>3.7</b>	<b>1,118</b>	<b>39.2%</b>

**Table 29: CCR corporate exposures subject to supervisory slotting**

		June 2018 Specialised lending				
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	Exposure amount £m	RWA £m
1) Strong	Less than 2.5 years	60	–	50%	60	30
	Equal to or more than 2.5 years	1,951	–	70%	1,676	1,173
2) Good	Less than 2.5 years	17	–	70%	17	12
	Equal to or more than 2.5 years	314	–	90%	307	276
3) Satisfactory	Less than 2.5 years	59	–	115%	59	68
	Equal to or more than 2.5 years	61	–	115%	61	70
4) Weak	Less than 2.5 years	–	–	250%	–	–
	Equal to or more than 2.5 years	–	–	250%	–	–
5) Default	Less than 2.5 years	–	–	0%	–	–
	Equal to or more than 2.5 years	2	–	0%	–	–
Total	Less than 2.5 years	137	–		137	110
	Equal to or more than 2.5 years	2,328	–		2,046	1,520

		December 2017 Specialised lending				
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	Exposure amount £m	RWA £m
1) Strong	Less than 2.5 years	105	–	50%	106	53
	Equal to or more than 2.5 years	1,956	–	70%	1,802	1,261
2) Good	Less than 2.5 years	90	–	70%	90	63
	Equal to or more than 2.5 years	442	–	90%	465	419
3) Satisfactory	Less than 2.5 years	1	–	115%	1	1
	Equal to or more than 2.5 years	67	–	115%	81	93
4) Weak	Less than 2.5 years	–	–	250%	–	–
	Equal to or more than 2.5 years	–	–	250%	–	–
5) Default	Less than 2.5 years	–	–	0%	–	–
	Equal to or more than 2.5 years	13	–	0%	24	–
Total	Less than 2.5 years	196	–		197	117
	Equal to or more than 2.5 years	2,478	–		2,372	1,773

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

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

Exposure Classes	June 2018											Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total £m	Unrated £m
Central governments or central banks	14,739	–	–	–	–	–	–	–	–	–	–	14,739	14,739
Multilateral development banks	37	–	–	–	–	–	–	–	–	–	–	37	37
International organisations	26	–	–	–	–	–	–	–	–	–	–	26	26
Institutions	–	14,136	522	–	–	2	–	–	5	–	–	14,665	14,663
Corporates	–	–	–	–	105	676	–	–	113	–	–	895	112
<b>Total – Standardised Approach</b>	<b>14,803</b>	<b>14,136</b>	<b>522</b>	<b>–</b>	<b>105</b>	<b>678</b>	<b>–</b>	<b>–</b>	<b>118</b>	<b>–</b>	<b>–</b>	<b>30,363</b>	<b>29,578</b>

Exposure Classes	December 2017											Of which:	
	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total £m	Unrated £m
Central governments or central banks	18,319	–	–	–	–	–	–	–	–	–	–	18,319	18,319
Multilateral development banks	62	–	–	–	–	–	–	–	–	–	–	62	62
International organisations	65	–	–	–	–	–	–	–	–	–	–	65	65
Institutions	–	8,556	–	–	–	9	–	–	8	–	–	8,574	8,564
Corporates	–	–	–	–	225	659	–	–	116	–	–	1,000	115
<b>Total – Standardised Approach</b>	<b>18,447</b>	<b>8,556</b>	<b>–</b>	<b>–</b>	<b>225</b>	<b>668</b>	<b>–</b>	<b>–</b>	<b>124</b>	<b>–</b>	<b>–</b>	<b>28,020</b>	<b>27,126</b>

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

	June 2018				
	Gross positive fair value exposure amount	Netting benefits credit	Netted current credit exposure	Collateral held <sup>1</sup>	Net Credit exposure <sup>2</sup>
	£m	£m	£m	£m	£m
Derivatives	70,831	58,851	11,979	6,141	5,838
SFTs	152,496	–	152,496	139,489	13,007
<b>Total</b>	<b>223,327</b>	<b>58,851</b>	<b>164,475</b>	<b>145,631</b>	<b>18,845</b>

	December 2017				
	Gross positive fair value exposure amount	Netting benefits credit	Netted current credit exposure	Collateral held <sup>1</sup>	Net Credit exposure <sup>2</sup>
	£m	£m	£m	£m	£m
Derivatives	75,403	64,667	10,736	4,459	6,277
SFTs	163,033	–	163,033	147,754	15,279
<b>Total</b>	<b>238,436</b>	<b>64,667</b>	<b>173,769</b>	<b>152,213</b>	<b>21,556</b>

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

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

**Table 32: Credit derivative exposures (CCR6)**

	June 2018			December 2017		
	Credit derivative hedges			Credit derivative hedges		
	Protection bought	Protection sold	Other credit derivatives	Protection bought	Protection sold	Other credit derivatives
	£m	£m	£m	£m	£m	£m
<b>Notionals</b>						
Single-name credit default swaps	2,204	185	–	2,288	463	–
Index credit default swaps	1,256	252	–	1,381	146	–
Total return swaps	556	8,713	–	586	8,879	–
Credit options	–	–	–	–	–	–
Other credit derivatives	–	5,443	–	–	5,443	–
<b>Total notionals</b>	<b>4,017</b>	<b>14,594</b>	<b>–</b>	<b>4,255</b>	<b>14,931</b>	<b>–</b>
<b>Fair values</b>						
Positive fair value (asset)	10	38	–	7	70	–
Negative fair value (liability)	(105)	(214)	–	(169)	(307)	–

**PILLAR 1 CAPITAL REQUIREMENTS: MARKET RISK**

- Market risk represents a small proportion (2 per cent) (2017: 1 per cent) of the Group's total risk-weighted assets.
- Risk-weighted assets increased by 9 per cent to £3.3bn largely due to migrations to Lloyds Bank Corporate Markets, partly offset by refinements to internal models and a reduction in risk exposure.

**Table 33: Market risk capital requirements**

	June 2018		December 2017	
	RWA	Capital Requirements	RWA	Capital Requirements
	£m	£m	£m	£m
<b>Internal models approach</b>	<b>2,856</b>	<b>229</b>	<b>2,656</b>	<b>212</b>
VaR	316	25	141	11
SVaR	1,789	143	891	71
Incremental risk charge	228	18	414	33
Comprehensive risk measure	–	–	–	–
Risks not in VaR	523	42	1,210	97
<b>Standardised approach</b>	<b>463</b>	<b>37</b>	<b>395</b>	<b>32</b>
Interest rate risk (general and specific)	308	25	294	24
Equity risk (general and specific)	–	–	–	–
Foreign exchange risk	147	12	73	6
Commodity risk	–	–	–	–
Specific interest rate risk of securitisation position	7	1	28	2
<b>Total</b>	<b>3,319</b>	<b>266</b>	<b>3,051</b>	<b>245</b>

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

	VaR	SVaR	IRC	CRM	Other	RWA	Capital Requirements
	£m	£m	£m	£m	£m	£m	£m
Risk-weighted assets as at 31 December 2017	141	891	414	–	1,210	2,656	212
Movement in risk levels	24	(170)	(181)	–	(63)	(390)	(31)
Model updates/changes	5	121	(88)	–	(656)	(618)	(49)
Methodology and policy	–	–	–	–	–	–	–
Acquisitions and disposals	–	–	–	–	–	–	–
Other	146	947	83	–	32	1,208	97
<b>Risk-weighted assets as at 30 June 2018</b>	<b>316</b>	<b>1,789</b>	<b>228</b>	<b>–</b>	<b>523</b>	<b>2,856</b>	<b>228</b>

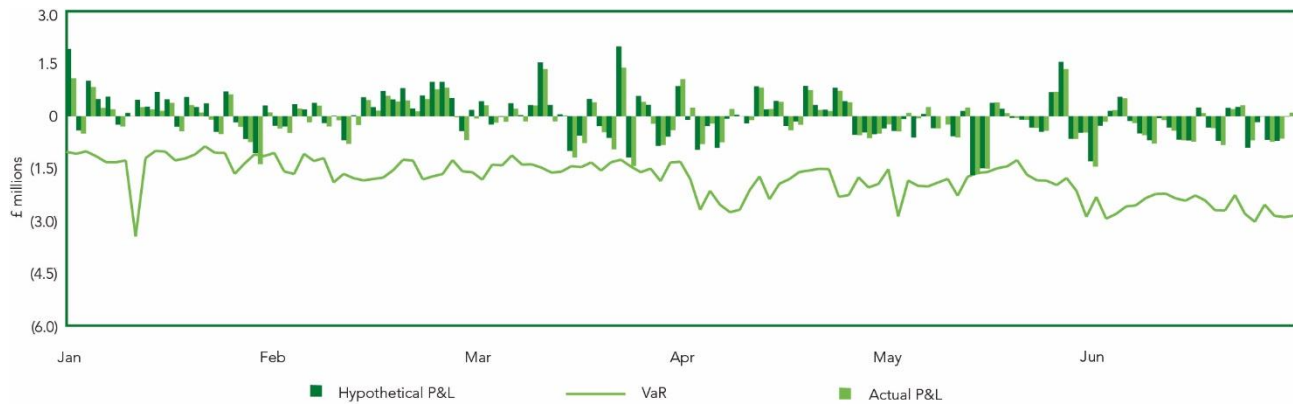
Internal model approach risk-weighted assets increased due to the migration of positions to Lloyds Bank Corporate Markets. This was partially offset by transfer of a number of risk factors from Risks Not in VaR (RNIV) into the VaR model in the first half of the year and a reduction in IRC from reduced exposure to corporate bonds.



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

The following chart provides a comparison of VaR (1-day 99 per cent confidence level) to the hypothetical and clean profit and loss on a daily basis over the six months to June 2018.

Note that the profit and loss used in back-testing represents the gains and losses based on the changes in valuation of the portfolio due to market moves and is not reflective of the total profit and loss from trading book. There were two back-testing overshoots in the six months to June 2018 which were driven by movements in interest rates.



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

	<b>Transitional rules</b>		<b>Fully loaded rules</b>	
	<b>At 30</b>	<b>At 31</b>	<b>At 30</b>	<b>At 31</b>
	<b>June 2018</b>	<b>Dec 2017</b>	<b>June 2018</b>	<b>Dec 2017</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>				
Capital instruments and related share premium accounts	<b>24,901</b>	24,831	<b>24,901</b>	24,831
of which: called up share capital	<b>7,196</b>	7,197	<b>7,196</b>	7,197
of which: share premium	<b>17,705</b>	17,634	<b>17,705</b>	17,634
Retained earnings	<b>8,674</b>	8,301	<b>8,674</b>	8,301
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	<b>11,513</b>	11,598	<b>11,513</b>	11,598
Foreseeable dividends and share buyback	<b>(1,568)</b>	(1,475)	<b>(1,568)</b>	(1,475)
<b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>	<b>43,520</b>	43,255	<b>43,520</b>	43,255
<b>Common equity tier 1 (CET1) capital: regulatory adjustments</b>				
Additional value adjustments	<b>(570)</b>	(556)	<b>(570)</b>	(556)
Intangible assets (net of related tax liability)	<b>(3,372)</b>	(2,966)	<b>(3,372)</b>	(2,966)
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	<b>(3,103)</b>	(3,255)	<b>(3,103)</b>	(3,255)
Fair value reserves related to gains or losses on cash flow hedges	<b>(941)</b>	(1,405)	<b>(941)</b>	(1,405)
Negative amounts resulting from the calculation of expected loss amounts	<b>(29)</b>	(498)	<b>(29)</b>	(498)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	<b>(52)</b>	83	<b>(52)</b>	83
Defined benefit pension fund assets	<b>(1,213)</b>	(541)	<b>(1,213)</b>	(541)
Direct and indirect holdings by the Group of own CET1 instruments	<b>(21)</b>	(29)	<b>(21)</b>	(29)
Direct, indirect and synthetic holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	<b>(4,236)</b>	(4,250)	<b>(4,236)</b>	(4,250)
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative of which: securitisation positions	<b>(189)</b>	(191)	<b>(189)</b>	(191)
Amount exceeding the 15% threshold	<b>(189)</b>	(191)	<b>(189)</b>	(191)
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	<b>—</b>	—	<b>—</b>	—
of which: deferred tax assets arising from temporary differences	<b>—</b>	—	<b>—</b>	—
<b>Total regulatory adjustments applied to common equity tier 1 (CET1)</b>	<b>(13,726)</b>	(13,608)	<b>(13,726)</b>	(13,608)
<b>Common equity tier 1 (CET1) capital</b>	<b>29,794</b>	29,647	<b>29,794</b>	29,647

	<b>Transitional rules</b>		<b>Fully loaded rules</b>	
	At 30 June 2018 £m	At 31 Dec 2017 £m	At 30 June 2018 £m	At 31 Dec 2017 £m
<b>Additional tier 1 (AT1) capital: instruments</b>				
Capital instruments and related share premium accounts	5,330	5,330	5,330	5,330
of which: classified as equity under applicable accounting standards	5,330	5,330	5,330	5,330
Amount of qualifying items referred to in Article 484 (4) of the CRR and the related share premium accounts subject to phase out from AT1	384	501	–	–
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	1,820	2,254	–	–
of which: instruments issued by subsidiaries subject to phase out	1,820	2,254	–	–
<b>Additional tier 1 (AT1) capital before regulatory adjustments</b>	<b>7,534</b>	<b>8,085</b>	<b>5,330</b>	<b>5,330</b>
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>				
Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of the CRR	(1,355)	(1,403)	–	–
of which: significant investments in Tier 2 instruments of other financial sector entities	(1,355)	(1,403)	–	–
<b>Total regulatory adjustments applied to additional tier 1 (AT1) capital</b>	<b>(1,355)</b>	<b>(1,403)</b>	<b>–</b>	<b>–</b>
<b>Additional tier 1 (AT1) capital</b>	<b>6,179</b>	<b>6,682</b>	<b>5,330</b>	<b>5,330</b>
<b>Tier 1 capital</b>	<b>35,973</b>	<b>36,329</b>	<b>35,124</b>	<b>34,977</b>
<b>Tier 2 (T2) capital: Instruments and provisions</b>				
Capital instruments and related share premium accounts	5,262	3,531	5,646	4,032
Amount of qualifying items referred to in Article 484 (5) of the CRR and the related share premium accounts subject to phase out from T2	10	10	–	–
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	6,054	6,185	2,443	2,784
of which: instruments issued by subsidiaries subject to phase out	3,561	3,352	–	–
Credit risk adjustments	–	120	–	120
<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>11,326</b>	<b>9,846</b>	<b>8,089</b>	<b>6,936</b>
<b>Tier (T2) capital: regulatory adjustments</b>				
Direct and indirect holdings by the Group of the T2 instruments and subordinated loans of financial sector entities where the Group has a significant investment in those entities (net of eligible short positions)	(1,534)	(1,516)	(2,889)	(2,919)
IFRS 9 transitional adjustments	(181)	–	(181)	–
<b>Total regulatory adjustments applied to tier 2 (T2) capital</b>	<b>(1,715)</b>	<b>(1,516)</b>	<b>(3,070)</b>	<b>(2,919)</b>
<b>Tier 2 (T2) capital</b>	<b>9,611</b>	<b>8,330</b>	<b>5,019</b>	<b>4,017</b>
<b>Total capital</b>	<b>45,584</b>	<b>44,659</b>	<b>40,143</b>	<b>38,994</b>
<b>Total risk-weighted assets</b>	<b>210,689</b>	<b>210,919</b>	<b>210,689</b>	<b>210,919</b>

	<b>Transitional rules</b>		<b>Fully loaded rules</b>	
	<b>At 30 June 2018 £m</b>	<b>At 31 Dec 2017 £m</b>	<b>At 30 June 2018 £m</b>	<b>At 31 Dec 2017 £m</b>
<b>Capital ratios and buffers</b>				
<b>Common Equity Tier 1 (as a percentage of risk exposure amount)</b>	<b>14.1%</b>	14.1%	<b>14.1%</b>	14.1%
<b>Tier 1 (as a percentage of risk exposure amount)</b>	<b>17.1%</b>	17.2%	<b>16.7%</b>	16.6%
<b>Total capital (as a percentage of risk exposure amount)</b>	<b>21.6%</b>	21.2%	<b>19.1%</b>	18.5%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	<b>2.318%</b>	1.252%	<b>2.318%</b>	1.252%
of which: capital conservation buffer requirement <sup>1</sup>	<b>1.875%</b>	1.250%	<b>1.875%</b>	1.250%
of which: countercyclical buffer requirement	<b>0.443%</b>	0.002%	<b>0.443%</b>	0.002%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) <sup>2</sup>	<b>9.6%</b>	9.6%	<b>9.6%</b>	9.6%
<b>Amounts below the threshold for deduction (before risk weighting)</b>				
Direct and indirect holdings of the capital of financial sector entities where the Group does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	<b>513</b>	921	<b>513</b>	921
Direct and indirect holdings by the Group of the CET1 instruments of financial sector entities where the Group has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	<b>3,403</b>	3,390	<b>3,403</b>	3,390
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	<b>616</b>	678	<b>616</b>	678
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	<b>–</b>	120	<b>–</b>	120
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	<b>843</b>	866	<b>843</b>	866
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>				
Current cap on AT1 instruments subject to phase out arrangements	<b>2,204</b>	2,755	<b>–</b>	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	<b>2,083</b>	1,617	<b>–</b>	–
Current cap on T2 instruments subject to phase out arrangements	<b>5,734</b>	7,167	<b>–</b>	–

<sup>1</sup> The capital conservation buffer requirement is the percentage applicable at the reporting date. This will increase to 2.5 per cent by 2019.

<sup>2</sup> Before adjusting for CET1 capital required to meet Pillar 2A requirements.

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

	At 30 June 2018 Fully loaded £m	At 31 Dec 2017 Fully loaded £m
Total assets as per published financial statements	829,779	812,109
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(140,642)	(142,515)
Adjustments for derivative financial instruments	(3,705)	(7,195)
Adjustments for securities financing transactions (SFTs)	(1,398)	(2,022)
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	59,581	58,357
Other adjustments	(8,143)	(7,658)
<b>Leverage ratio total exposure measure</b>	<b>735,472</b>	<b>711,076</b>

**Table 38: Leverage ratio common disclosure**

	At 30 June 2018 Fully loaded £m	At 31 Dec 2017 Fully loaded £m
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	607,822	596,695
Asset amounts deducted in determining Tier 1 capital	(8,143)	(7,658)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	599,679	589,037
<b>Derivative exposures</b>		
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	4,895	5,699
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	15,193	12,335
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	2,332	1,716
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(1,577)	(4,035)
Adjusted effective notional amount of written credit derivatives	740	997
Adjusted effective notional offsets and add-on deductions for written credit derivatives	(55)	(116)
Total derivative exposures	21,528	16,596
<b>Securities financing transaction exposures</b>		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	57,201	56,401
Netted amounts of cash payables and cash receivables of gross SFT assets	(5,787)	(11,911)
Counterparty credit risk exposure for SFT assets	3,270	2,596
Total securities financing transaction exposures	54,684	47,086
<b>Other off-balance sheet exposures</b>		
Off-balance sheet exposures at gross notional amount	152,160	147,814
Adjustments for conversion to credit equivalent amounts	(92,579)	(89,457)
Other off-balance sheet exposures	59,581	58,357
<b>Capital and total exposure measure</b>		
Tier 1 capital	35,124	34,977
Leverage ratio total exposure measure	735,472	711,076
<b>Leverage ratio</b>		
Leverage ratio	4.8%	4.9%

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

	<b>At 30 June 2018 Fully loaded £m</b>	<b>At 31 Dec 2017 Fully loaded £m</b>
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	<b>607,822</b>	596,695
Trading book exposures	<b>10,289</b>	10,647
Banking book exposures, of which:	<b>597,533</b>	586,048
Covered bonds	<b>774</b>	727
Exposures treated as sovereigns	<b>95,509</b>	96,589
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	<b>6</b>	6
Institutions	<b>3,887</b>	2,716
Secured by mortgages of immovable properties	<b>318,370</b>	323,415
Retail exposures	<b>43,062</b>	42,575
Corporates	<b>73,112</b>	74,016
Exposures in default	<b>7,034</b>	7,651
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	<b>55,779</b>	38,353

**TEMPLATES NOT DISCLOSED**

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

CR2-A (Changes in the stock of general and specific credit risk adjustments) is met through the disclosure of Note 11 (Allowance for impairment losses) of the Group's 2018 half-year results. CR8 (RWA flow statements of credit risk exposures under the IRB approach) is met through the disclosure of Table 3: Risk-weighted assets movement by key driver.

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

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

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