

Lloyds Banking Group plc

2019 Half-Year Pillar 3 Disclosures

30 June 2019

BASIS OF PREPARATION

This report presents the half-year Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 30 June 2019 and should be read in conjunction with the Group's 2019 half-year results.

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

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

The disclosures provided in this report include those that were adopted from 31 December 2017, where they are required to be disclosed on a semi-annual basis, although certain disclosures have been excluded on the grounds that they are non-material (refer to page 58).

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

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

On 1 January 2019 the UK implemented its ring-fencing legislation requiring banks to legally separate core retail banking activity from more sophisticated banking activities. Consolidated Pillar 3 disclosures for the Group's ring-fenced banking group (Lloyds Bank plc) and further disclosures surrounding the consolidated capital resources, leverage exposures and capital requirements of large subsidiaries ("Bank of Scotland plc" and "Lloyds Bank Corporate Markets plc") will be published separately on the Group's website, located at www.lloydsbankinggroup.com/investors/financial-performance/

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy, plans and/or results of the Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's 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; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's 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; risks relating to climate change; 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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Table 1: Key Metrics (KM1) and a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (IFRS9-FL)¹

	T Q2 2019	T-1 Q1 2019	T-2 Q4 2018	T-3 Q3 2018	T-4 Q2 2018
Available capital (amounts)					
¹ Common Equity Tier 1 (CET1) (£m)	28,767	28,883	30,167	30,167	29,794
² CET1 capital as if IFRS 9 transitional arrangements were not applied (£m)	28,272	28,375	29,592	29,593	29,216
³ Tier 1 (£m)	34,506	35,703	37,539	36,365	35,973
⁴ Tier 1 capital as if IFRS 9 transitional arrangements were not applied (£m)	34,011	35,196	36,964	35,791	35,395
⁵ Total capital (£m)	44,708	45,379	47,234	45,149	45,584
⁶ Total capital as if IFRS 9 transitional arrangements were not applied (£m)	44,688	45,351	47,195	45,111	45,343
Risk-weighted assets (amounts)					
⁷ Total risk-weighted assets (£m)	206,520	207,664	206,366	206,884	210,689
⁸ Total risk-weighted assets as if IFRS 9 transitional arrangements were not applied (£m)	206,789	207,903	206,614	207,364	211,165
Risk-based capital ratios as a percentage of RWA					
⁹ Common Equity Tier 1 ratio (%) ²	13.9%	13.9%	14.6%	14.6%	14.1%
¹⁰ CET1 ratio as if IFRS 9 transitional arrangements were not applied (%)	13.7%	13.6%	14.3%	14.3%	13.8%
¹¹ Tier 1 ratio (%)	16.7%	17.2%	18.2%	17.6%	17.1%
¹² Tier 1 ratio as if IFRS 9 transitional arrangements were not applied (%)	16.4%	16.9%	17.9%	17.3%	16.8%
¹³ Total capital ratio (%)	21.6%	21.9%	22.9%	21.8%	21.6%
¹⁴ Total capital ratio as if IFRS 9 transitional arrangements were not applied (%)	21.6%	21.8%	22.8%	21.8%	21.5%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement	2.500%	2.500%	1.875%	1.875%	1.875%
Countercyclical buffer requirement	0.883%	0.883%	0.884%	0.444%	0.443%
Bank G-SIB and/or D-SIB additional requirements ³	—	—	—	—	—
Total of bank CET1 specific buffer requirements	3.383%	3.383%	2.759%	2.319%	2.318%
CET1 available after meeting the bank's minimum capital requirements	9.4%	9.4%	10.1%	10.1%	9.6%
UK leverage ratio⁴					
¹⁵ UK leverage ratio exposure measure (£m)	668,207	668,264	663,277	671,885	670,312
¹⁶ UK leverage ratio	5.1%	5.3%	5.5%	5.3%	5.2%
¹⁷ UK leverage ratio as if IFRS 9 transitional arrangements were not applied	5.0%	5.2%	5.4%	5.2%	5.2%
Average Liquidity Coverage Ratio (weighted) (LCR)⁵					
Total High Quality Liquid Assets (HQLA) (£m)	129,483	128,501	125,731	123,498	121,001
Total net cash outflow (£m)	99,281	99,242	98,489	97,091	96,817
LCR ratio (%)	130%	129%	128%	127%	125%

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

² The CET1 ratio at 30 June 2019 is 14.0 per cent on a pro forma basis reflecting the dividend paid up by the Insurance business in July 2019 in relation to its 2019 interim earnings (31 December 2018: 13.9 per cent pro forma, including the share buy back).

³ An additional requirement of 1.7 per cent will apply from 1 August 2019 being equivalent to the systemic risk buffer of 2.0 per cent applied to the Group's ring-fenced bank.

⁴ The UK leverage ratio at 30 June 2019 is 5.1 per cent on a pro forma basis reflecting the dividend paid up by the Insurance business in July 2019 in relation to its 2019 interim earnings (31 December 2018: 5.6 per cent pro forma). The CRD IV leverage ratio at 30 June 2019 is 4.7 per cent (31 December 2018: 5.1 per cent).

⁵ Following the implementation of structural reform, liquidity is managed at a legal entity level with the Group LCR representing the composite of the ring-fenced bank and non-ring fenced bank entities.

The average UK leverage ratio for the quarter (1 April 2019 to 30 June 2019) is 5.1 per cent, compared to 5.3 per cent at the start and 5.1 per cent at the end of the quarter. The average exposure measure over the quarter is £671,502m. The countercyclical leverage buffer is currently 0.3 per cent.

Table 2: Key metrics - TLAC requirements (KM2)

In 2015, the Financial Stability Board established an international standard for the total loss absorbing capacity (TLAC) of global systemically important banks (G-SIBs). The standard, which applies from 1 January 2019, is designed to enhance the resilience of the global financial system by ensuring that failing G-SIBs have sufficient capital to absorb losses and recapitalise under resolution, whilst continuing to provide critical banking services.

At EU level, G-SIBs are subject to the Minimum Requirements for Own Funds and Eligible Liabilities (MREL) that came into force in June 2019 following the implementation of the revised Capital Requirements Regulation (CRR II). The MREL framework reflects the European implementation of the global TLAC standard. The purpose of MREL is to require firms to maintain sufficient own funds and eligible liabilities that are capable of credibly bearing losses or recapitalising the bank whilst in resolution. MREL requirements can be satisfied by a combination of regulatory capital and certain unsecured liabilities (which must be subordinate to a firm's operating liabilities).

In the UK the Bank of England has implemented the requirements of the TLAC standard through a statement of policy on MREL (the MREL SoP).

The Group is not classified as a G-SIB and is not therefore directly subject to the CRR II MREL requirements nor the TLAC standard. However the Group is subject to the Bank of England's MREL SoP and must therefore maintain a minimum level of MREL resources from 2020.

The Group operates a single point of entry (SPE) resolution strategy, with Lloyds Banking Group plc as the designated resolution entity. The Group as a whole will become subject to external MREL requirements from 2020 under the MREL SoP. Applying the Bank of England's MREL policy to current minimum capital requirements, the Group's indicative MREL requirement, excluding regulatory capital buffers, is as follows:

- From 2020, the higher of 2 times Pillar 1 plus Pillar 2A, equivalent to 20.7 per cent of risk-weighted assets, or 6.5 per cent of the UK leverage ratio exposure measure
- From 2022, the higher of 2 times Pillar 1 plus 2 times Pillar 2A, equivalent to 25.4 per cent of risk-weighted assets, or 6.5 per cent of the UK leverage ratio exposure measure.

The Bank of England will review the calibration of MREL in 2020 before setting final end-state requirements to be met from 2022. This review will take into consideration any changes to the capital framework, including the finalisation of Basel III.

Internal MREL requirements will apply to the Group's material entities, including Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc.

The metrics provided in the table below in conjunction with the more detailed disclosures in Appendix II (pages 54 to 57) provide information on the Group's current MREL resources at consolidated and entity levels. The disclosures are based on the Pillar 3 TLAC templates published by the Basel Committee in 2017.

Table 2: Key metrics - TLAC requirements (KM2) (Continued)

	June 2019 Resolution Group¹ £m
¹ Total loss absorbing capacity (TLAC) available	66,415
^{1a} Fully loaded ECL accounting model TLAC available	66,395
² Total RWA at the level of the resolution group	206,520
³ TLAC as a percentage of RWA ²	32.2%
^{3a} Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA	32.1%
⁴ UK leverage ratio exposure measure at the level of the resolution group	668,207
⁵ TLAC as a percentage of UK leverage ratio exposure measure	9.9%
^{5a} Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure	9.9%
^{6a} Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No
^{6b} Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No
^{6c} If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/a

¹The consolidated position of Lloyds Banking Group plc (the resolution entity).

²The TLAC (MREL) ratio is 32.2 per cent on a pro forma basis upon recognition of the dividend paid up by the Insurance business in July 2019 in relation to its 2019 interim earnings (31 December 2018: 32.6 per cent pro forma).

Table 3: Overview of risk-weighted assets (OV1)

	June 2019 RWA £m	Dec 2018 RWA £m	June 2019 Minimum capital Requirements £m	Dec 2018 Minimum capital Requirements £m
	T	T-1	T	T-1
¹ Credit risk (excluding counterparty credit risk)	157,485	157,239	12,599	12,579
² of which: standardised approach	25,157	25,548	2,013	2,044
³ of which: the foundation rating-based (FIRB) approach	45,993	48,747	3,679	3,900
⁴ of which: the retail IRB (RIRB) approach	62,219	59,522	4,978	4,762
of which: corporates – specialised lending ¹	10,359	11,808	829	945
of which: non-credit obligation assets ²	7,434	5,866	595	469
⁵ of which: equity IRB under the simple risk-weight or the internal models approach	6,323	5,749	506	460
⁶ Counterparty credit risk	6,639	7,250	531	580
⁷ of which: marked to market	4,975	4,917	398	393
⁸ of which: original exposure	–	–	–	–
⁹ of which: the standardised approach	–	–	–	–
¹⁰ of which: internal ratings-based model method (IMM)	–	–	–	–
of which: comprehensive approach for credit risk mitigation (for SFTs)	424	471	34	38
¹¹ of which: exposures to central counterparties (including trades, default fund contributions and initial margin)	566	1,160	45	93
¹² of which: credit valuation adjustment (CVA)	673	702	54	56
¹³ Settlement risk	–	–	–	–
¹⁴ Securitisation exposures in banking book³	4,890	4,262	391	341
¹⁵ of which: IRB ratings-based approach (RBA)	2,924	3,159	234	253
¹⁶ of which: IRB supervisory formula approach (SFA)	65	72	5	6
¹⁷ of which: internal assessment approach (IAA)	670	820	54	66
¹⁸ of which: standardised approach	197	209	16	17
of which: revised framework internal ratings based approach	575		46	
of which: revised framework standardised approach	228		18	
of which: revised framework external ratings based approach	231		18	
¹⁹ Market risk	2,228	2,085	178	167
²⁰ of which: standardised approach	431	416	34	34
²¹ of which: internal model approaches	1,797	1,669	144	134
²² Large exposures	–	–	–	–
²³ Operational risk	25,161	25,505	2,013	2,040
²⁴ of which: basic indicator approach	–	–	–	–
²⁵ of which: standardised approach	25,161	25,505	2,013	2,040
²⁶ of which: advanced measurement approach	–	–	–	–
²⁷ Amounts below the thresholds for deduction (subject to 250% risk weight)	10,116	10,026	809	802
²⁸ Floor adjustment	–	–	–	–
²⁹ Total	206,520	206,366	16,522	16,509
Pillar 2A capital requirement ⁴			9,824	9,615
Total capital requirement			26,346	26,124

¹ Includes £10,355m subject to supervisory slotting (as presented in Table 15A) and £4m subject to the Foundation IRB approach.

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

³ Securitisations are shown separately within this table, however, are included within Credit Risk in Table 4: Risk-weighted assets movement by key driver (as per the reconciliation below).

⁴ The Pillar 2A capital requirement is currently c 4.7 per cent of aggregated risk-weighted assets, of which c 2.7 per cent must be met with CET1 capital.

	June 2019 RWAs per OV1 £m	June 2019 Securitisation RWAs £m	June 2019 Total Credit risk RWAs £m
Total credit risk	157,485	4,890	162,376
Of which: credit risk exposures subject to IRB approach	132,328	4,465	136,794
Of which: credit risk exposures subject to standardised approach	25,157	425	25,582

Table 4: Risk-weighted assets movement by key driver

	Credit risk IRB £m	Credit risk SA £m	Credit risk total ² £m	Counterparty credit risk ³ £m	Market risk £m	Operational risk £m	Total £m
Fully loaded risk-weighted assets as at 31 December 2018							206,366
Less: total threshold risk-weighted assets ¹							(10,026)
Risk-weighted assets at 31 December 2018	135,743	25,757	161,500	7,250	2,085	25,505	196,340
Asset size	(919)	513	(406)	(133)	(110)	–	(649)
Asset quality	613	(153)	460	(93)	–	–	367
Model updates	1,747	–	1,747	–	(117)	–	1,630
Methodology and policy	(412)	(525)	(937)	(276)	4	–	(1,209)
Acquisitions and disposals	–	–	–	–	–	–	–
Movement in risk levels (Market risk only)	–	–	–	–	366	–	366
Foreign exchange movements	22	(10)	12	(109)	–	–	(97)
Other	–	–	–	–	–	(344)	(344)
Risk-weighted assets at 30 June 2019	136,794	25,582	162,376	6,639	2,228	25,161	196,404
Threshold risk-weighted assets ¹							10,116
Fully loaded risk-weighted assets as at 30 June 2019							206,520

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

² Credit risk includes securitisation risk-weighted assets.

³ Counterparty credit risk includes movements in contributions to the default funds 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 reduction of £0.4bn includes movement in book size (both drawn and undrawn) and composition, excluding acquisitions and disposals.
- Asset quality increases in risk-weighted assets of £0.5bn are a result of movements due to changes in borrower risk, including changes in the economic environment.
- The model update increase of £1.7bn relates to retail mortgage models.
- Methodology and policy decreases of £0.9bn are principally as a result of securitisation activity partly offset by the introduction of IFRS16.

Counterparty credit risk, risk-weighted assets decreased by £0.6bn, largely driven by reduced contributions to default funds.

Market risk, risk-weighted assets increases of £0.1bn are due to various small risk and model changes.

Operational risk, risk-weighted assets decreased by £0.3bn 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 5: Credit risk exposures

	June 2019			December 2018		
	Credit risk exposure £m	Risk-weighted assets £m	Average risk weight %	Credit risk exposure £m	Risk-weighted assets £m	Average risk weight %
Central governments or central banks	9,825	642	7%	12,435	740	6%
Institutions	8,934	1,353	15%	5,954	1,103	19%
Corporates	97,988	54,357	55%	103,367	58,712	57%
of which: Specialised lending	14,676	10,359	71%	16,351	11,808	72%
of which: SMEs	11,197	7,759	69%	11,638	8,162	70%
Retail	389,903	62,219	16%	387,793	59,522	15%
Secured by real estate property	328,250	35,246	11%	327,800	33,284	10%
SMEs	8,750	2,140	24%	9,204	2,269	25%
Non-SMEs	319,500	33,106	10%	318,596	31,015	10%
Qualifying revolving	39,023	11,168	29%	38,342	11,294	29%
Other retail	22,631	15,805	70%	21,651	14,943	69%
SMEs	2,207	1,582	72%	2,234	1,581	71%
Non-SMEs	20,424	14,223	70%	19,417	13,362	69%
Equity	2,929	6,323	216%	2,700	5,749	213%
Non-credit obligation assets ¹	11,055	7,434	67%	9,933	5,866	59%
Total IRB approach	520,635	132,328	25%	522,181	131,692	25%
Central governments or central banks	65,671	30	—	61,428	4	—
Regional governments or local authorities	—	—	—	5	1	20%
Public sector entities	1	1	100%	21	21	100%
Multilateral development banks	6,046	—	—	2,974	—	—
International organisations	—	—	—	—	—	—
Institutions	140	50	36%	161	67	42%
Corporates	11,302	9,941	88%	11,310	9,887	86%
of which: SMEs	3,582	3,302	92%	3,424	3,156	92%
Retail	12,139	8,671	71%	12,294	8,842	72%
of which: SMEs	2,569	1,493	58%	2,271	1,325	58%
Secured by mortgages on immovable property	4,327	1,516	35%	4,505	1,578	35%
of which: SMEs	13	6	47%	11	5	44%
Exposures in default	1,401	1,887	135%	1,642	2,186	133%
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Claims on institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
Collective investments undertakings	459	92	20%	716	143	20%
Equity exposures	—	—	—	—	—	—
Other exposures ¹	3,787	2,968	78%	3,680	2,819	77%
Total standardised approach	105,274	25,157	24%	98,736	25,548	26%
Total	625,908	157,485	25%	620,917	157,239	25%

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

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

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

Institutions

- Exposures increased by £3.0bn and risk-weighted assets increased by £0.3bn mainly due to new business with lower risk weights attached.

Corporates

- Specialised lending and SME exposures decreased by £2.1bn and risk-weighted assets decreased by £1.9bn mainly due to securitisation activity. Other corporate lending exposures and risk weighted assets decreased by £3.3bn and £2.5bn respectively mainly due to a net reduction in both on and off balance sheet exposures.

Retail – Secured by real estate property

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

Retail – Other (non-SME)

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

Non-credit obligation assets

- Exposures and risk-weighted assets increased by £1.1bn and £1.6bn respectively mainly due to the introduction of IFRS16.

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

- Exposures increased by £4.2bn mainly due to deposits with Deutsche Bundesbank post implementation of ring-fencing.

Multilateral development banks

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

ANALYSIS OF CREDIT RISK EXPOSURES SUBJECT TO THE IRB APPROACH

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

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

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

Analysis of credit risk exposures subject to the IRB Approach

Table 6: IRB – Credit risk exposures by portfolio and PD range - Central governments or central banks (CR6)

June 2019												
PD Scale	Original on-balance sheet gross exposure £m	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
	^a	^b	^c	^d	^e	^f	^g	^h	ⁱ	^j	^k	^l
0.00 to <0.15	9,555	540	100.00%	9,409	0.01%	11	45.00%	2.1	642	6.82%	–	–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	9,555	540	100.00%	9,409	0.01%	11	45.00%	2.1	642	6.82%	–	–

December 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
	^a	^b	^c	^d	^e	^f	^g	^h	ⁱ	^j	^k	^l
0.00 to <0.15	12,146	576	–	11,966	0.01%	13	45.00%	1.9	740	6.19%	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)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	12,146	576	–	11,966	0.01%	13	45.00%	1.9	740	6.19%	1	–

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

June 2019												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m
	^a	^b	^c	^d	^e	^f	^g	^h	ⁱ	^j	^k	^l
0.00 to <0.15	6,531	2,177	51.39%	7,619	0.05%	1,473	35.39%	1.3	855	11.22%	1	
0.15 to <0.25	586	131	56.25%	659	0.18%	62	34.72%	1.4	172	26.06%	–	
0.25 to <0.50	117	309	77.33%	312	0.34%	73	38.66%	1.4	135	43.14%	–	
0.50 to <0.75	79	15	20.69%	82	0.65%	36	45.00%	1.0	55	66.55%	–	
0.75 to <2.50	89	28	15.52%	94	1.58%	50	44.16%	1.0	107	114.41%	1	
2.50 to <10.00	21	7	64.97%	26	2.63%	27	44.98%	0.3	27	102.88%	–	
10.00 to <100.00	1	–	–	1	13.62%	15	44.81%	1.3	3	237.13%	–	
100.00 (Default)	2	–	–	2	100.00%	7	44.99%	4.7	–	–	1	
Sub-total	7,427	2,667	53.65%	8,795	0.13%	1,743	35.67%	1.3	1,353	15.38%	4	–

December 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
	^a	^b	^c	^d	^e	^f	^g	^h	ⁱ	^j	^k	^l
0.00 to <0.15	4,433	1,090	64.00%	5,130	0.06%	1,534	38.87%	1.2	647	12.60%	1	
0.15 to <0.25	257	104	66.36%	326	0.18%	65	41.15%	0.7	87	26.67%	–	
0.25 to <0.50	20	181	69.84%	141	0.28%	65	45.00%	1.5	65	46.34%	–	
0.50 to <0.75	151	28	33.31%	161	0.63%	34	44.99%	0.8	98	60.98%	–	
0.75 to <2.50	129	69	60.32%	171	1.35%	56	37.05%	0.8	149	87.06%	1	
2.50 to <10.00	42	8	58.58%	47	2.61%	22	45.00%	0.6	52	111.35%	1	
10.00 to <100.00	2	–	–	2	16.25%	14	44.52%	1.3	5	243.91%	–	
100.00 (Default)	2	–	–	2	100.00%	5	45.00%	4.4	–	–	1	
Sub-total	5,037	1,480	64.09%	5,980	0.18%	1,796	39.31%	1.2	1,103	18.44%	5	1

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

June 2019												
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m
	^a	^b	^c	^d	^e	^f	^g	^h	ⁱ	^j	^k	^l
0.00 to <0.15	18,784	19,390	76.09%	33,090	0.08%	1,052	42.76%	2.7	8,762	26.48%	12	
0.15 to <0.25	4,442	4,873	68.31%	7,437	0.18%	2,910	44.70%	2.3	3,140	42.21%	6	
0.25 to <0.50	8,565	9,486	69.04%	13,438	0.35%	5,630	43.50%	2.4	7,823	58.21%	20	
0.50 to <0.75	2,944	1,994	71.10%	4,185	0.63%	7,299	43.61%	2.1	3,093	73.91%	11	
0.75 to <2.50	6,174	3,418	67.99%	8,181	1.26%	11,119	43.18%	2.2	8,000	97.80%	45	
2.50 to <10.00	2,626	1,547	66.94%	3,548	3.90%	5,043	43.46%	2.1	4,831	136.15%	60	
10.00 to <100.00	214	60	73.59%	256	20.66%	513	44.00%	1.9	589	227.94%	23	
100.00 (Default)	1,294	162	71.65%	1,408	100.00%	1,103	41.51%	1.6	–	–	584	
Sub-total	45,043	40,930	72.25%	71,544	2.54%	34,671	43.21%	2.4	36,239	50.65%	761	604

December 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
	^a	^b	^c	^d	^e	^f	^g	^h	ⁱ	^j	^k	^l
0.00 to <0.15	19,317	18,621	75.99%	33,275	0.08%	1,159	42.89%	2.7	8,826	26.52%	11	
0.15 to <0.25	4,448	6,373	70.97%	8,518	0.18%	3,176	44.66%	2.5	3,731	43.80%	7	
0.25 to <0.50	9,576	10,832	67.78%	15,048	0.35%	5,840	43.88%	2.4	8,875	58.98%	23	
0.50 to <0.75	3,161	2,235	73.49%	4,655	0.63%	7,392	43.32%	2.1	3,449	74.10%	13	
0.75 to <2.50	6,284	3,769	68.69%	8,419	1.24%	11,067	43.10%	2.1	8,093	96.12%	45	
2.50 to <10.00	2,762	1,575	64.68%	3,710	4.07%	5,045	42.93%	2.1	5,071	136.68%	64	
10.00 to <100.00	228	88	72.91%	291	23.99%	571	44.38%	2.1	697	239.64%	31	
100.00 (Default)	897	84	74.38%	955	100.00%	631	43.11%	1.6	–	–	412	
Sub-total	46,673	43,577	72.05%	74,871	1.88%	34,880	43.35%	2.5	38,741	51.74%	606	663

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

June 2019											
PD Scale	Original on-balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of Obligors	Average LGD %	Average Maturity (years)	RWA £m	RWA density %	Value adjustments and provisions EL £m
	a	b	c	d	e	f	g	h	i	j	k
0.00 to <0.15	701	327	78.82%	983	0.08%	141	42.07%	3.2	229	23.26%	–
0.15 to <0.25	104	182	75.38%	241	0.19%	211	43.33%	2.1	77	32.08%	–
0.25 to <0.50	878	411	73.39%	1,167	0.37%	1,030	41.89%	2.4	581	49.78%	2
0.50 to <0.75	1,448	435	70.53%	1,750	0.58%	4,496	39.20%	3.2	1,039	59.36%	4
0.75 to <2.50	2,884	829	70.61%	3,469	1.24%	7,509	38.31%	2.8	2,476	71.38%	16
2.50 to <10.00	2,299	564	76.36%	2,736	4.24%	5,036	38.61%	2.6	2,667	97.45%	45
10.00 to <100.00	461	41	69.89%	489	18.22%	1,764	37.87%	2.4	690	141.15%	34
100.00 (Default)	334	47	73.18%	361	100.00%	875	39.46%	2.1	–	–	142
Sub-total	9,109	2,835	73.43%	11,197	5.58%	21,061	39.35%	2.8	7,759	69.30%	243
December 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
	a	b	c	d	e	f	g	h	i	j	k
0.00 to <0.15	614	267	79.58%	849	0.08%	923	41.44%	2.9	176	20.78%	–
0.15 to <0.25	128	187	75.53%	269	0.18%	218	43.27%	1.9	80	29.62%	–
0.25 to <0.50	892	501	72.84%	1,248	0.37%	1,515	41.59%	2.4	592	47.46%	2
0.50 to <0.75	1,567	451	69.58%	1,880	0.58%	4,388	38.87%	3.2	1,115	59.31%	4
0.75 to <2.50	3,207	819	70.77%	3,786	1.24%	7,794	38.01%	3.0	2,724	71.94%	18
2.50 to <10.00	2,597	425	72.29%	2,905	4.32%	5,061	38.36%	2.7	2,852	98.18%	48
10.00 to <100.00	404	43	73.74%	433	18.81%	1,536	37.88%	2.6	623	143.88%	31
100.00 (Default)	248	29	67.25%	267	100.00%	827	38.92%	2.2	–	–	104
Sub-total	9,657	2,722	72.40%	11,638	4.62%	22,262	39.01%	2.8	8,162	70.14%	208
											193

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

June 2019												
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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—		—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—		—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—		—
0.50 to <0.75	3,089	298	97.23%	3,378	0.54%	25,067	17.39%	416	12.31%	3		289
0.75 to <2.50	3,158	303	97.69%	3,453	1.15%	22,405	16.27%	664	19.22%	6		296
2.50 to <10.00	1,293	75	97.33%	1,367	4.27%	9,080	17.28%	608	44.48%	10		73
10.00 to <100.00	360	16	96.86%	375	22.13%	3,260	17.95%	284	75.67%	15		15
100.00 (Default)	172	3	97.26%	176	100.00%	1,301	34.33%	168	95.59%	25		3
Sub-total	8,072	694	97.43%	8,750	4.29%	61,113	17.30%	2,140	24.45%	61	104	676

December 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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—		—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—		—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—		—
0.50 to <0.75	3,187	299	97.24%	3,478	0.54%	25,642	17.54%	433	12.45%	3		291
0.75 to <2.50	3,390	311	97.71%	3,694	1.15%	23,572	16.47%	714	19.34%	7		304
2.50 to <10.00	1,367	83	97.38%	1,448	4.27%	9,544	17.25%	641	44.30%	11		81
10.00 to <100.00	396	19	97.50%	414	23.05%	3,313	17.74%	308	74.39%	17		18
100.00 (Default)	166	4	98.06%	170	100.00%	1,324	13.35%	172	101.47%	23		4
Sub-total	8,505	716	97.47%	9,204	4.22%	63,395	17.00%	2,269	24.65%	61	99	697

Table 11: IRB – Credit risk exposures by portfolio and PD range - Residential mortgages (non-SME) (CR6)

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

December 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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	232,731	10,951	98.04%	255,103	0.27%	2,190,785	10.35%	15,539	6.09%	85		10,737
0.15 to <0.25	24,340	249	75.86%	25,642	0.79%	209,034	10.41%	3,096	12.08%	23		189
0.25 to <0.50	14,822	147	80.01%	15,608	1.27%	124,494	10.92%	2,519	16.14%	21		117
0.50 to <0.75	3,941	15	72.54%	4,139	2.31%	37,428	11.75%	1,108	26.76%	10		11
0.75 to <2.50	6,607	544	69.58%	7,301	5.10%	58,297	11.47%	2,780	38.07%	40		379
2.50 to <10.00	4,335	16	100.00%	4,542	16.59%	37,596	10.66%	2,816	61.99%	80		16
10.00 to <100.00	2,782	–	–	2,856	51.24%	23,623	10.28%	1,710	59.87%	155		–
100.00 (Default)	3,405	–	–	3,405	100.00%	26,057	11.60%	1,447	42.50%	407		–
Sub-total	292,962	11,921	96.03%	318,596	2.25%	2,707,314	10.45%	31,015	9.73%	821	1,372	11,448

Table 12: IRB – Credit risk exposures by portfolio and PD range - Qualifying revolving retail exposures (CR6)

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

December 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	Value adjustments and provisions	EL	Undrawn commitments (post CCF)
	£m	£m	%	£m	%		%	£m	%	£m	£m	£m
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	771	13,928	65.48%	9,891	0.09%	8,019,751	62.75%	359	3.63%	6		9,120
0.15 to <0.25	554	6,461	64.12%	4,697	0.20%	3,822,377	67.76%	362	7.71%	6		4,143
0.25 to <0.50	1,443	9,952	58.88%	7,304	0.36%	5,294,693	71.33%	957	13.10%	19		5,860
0.50 to <0.75	1,201	4,240	61.37%	3,803	0.62%	3,053,183	75.12%	797	20.97%	18		2,602
0.75 to <2.50	3,962	5,501	70.86%	7,860	1.37%	6,495,278	78.91%	3,147	40.04%	85		3,898
2.50 to <10.00	2,485	1,329	85.87%	3,627	4.50%	1,847,413	79.94%	3,230	89.06%	130		1,141
10.00 to <100.00	653	115	117.32%	810	31.57%	599,867	77.13%	1,663	205.32%	197		135
100.00 (Default)	350	28	0.00%	350	100.00%	1,127,625	54.46%	780	222.95%	144		–
Sub-total	11,420	41,555	64.73%	38,342	2.46%	30,260,187	71.39%	11,294	29.46%	605	467	26,900

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

June 2019												
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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	290	373	100.00%	662	0.54%	58,457	78.02%	343	51.86%	3		372
0.75 to <2.50	438	345	100.00%	783	1.14%	62,910	78.13%	544	69.55%	7		345
2.50 to <10.00	302	116	100.00%	418	4.35%	35,126	79.80%	403	96.53%	15		116
10.00 to <100.00	121	26	100.00%	147	25.37%	35,897	85.99%	204	139.19%	32		26
100.00 (Default)	193	4	100.00%	197	100.00%	9,598	91.16%	87	43.93%	23		4
Sub-total	1,343	864	100.00%	2,207	12.01%	201,988	80.10%	1,582	71.69%	80	64	864

December 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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–		–
0.50 to <0.75	301	380	100.00%	681	0.54%	58,941	78.37%	354	52.06%	3		380
0.75 to <2.50	461	344	100.00%	805	1.14%	62,191	77.41%	554	68.84%	7		344
2.50 to <10.00	308	109	100.00%	418	4.45%	32,695	78.22%	401	96.09%	15		109
10.00 to <100.00	110	23	100.00%	133	25.00%	32,949	85.14%	184	137.74%	29		23
100.00 (Default)	194	4	100.00%	198	100.00%	9,747	13.37%	87	44.09%	26		4
Sub-total	1,375	859	100.00%	2,234	11.76%	196,523	72.64%	1,581	70.74%	80	58	859

Table 14: IRB – Credit risk exposures by portfolio and PD range – Retail Other non-SME (CR6)

June 2019												
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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	506	–	–	507	0.08%	30,881	33.65%	44	8.60%	–		–
0.15 to <0.25	74	2	30.00%	77	0.22%	16,329	76.39%	27	35.39%	–		1
0.25 to <0.50	4,828	8	30.00%	4,841	0.37%	441,204	38.27%	1,327	27.41%	10		3
0.50 to <0.75	3,028	8	30.00%	3,041	0.71%	283,555	46.60%	1,392	45.79%	12		2
0.75 to <2.50	7,518	34	30.00%	7,570	1.54%	789,900	60.98%	6,020	79.52%	78		10
2.50 to <10.00	3,423	20	30.00%	3,454	4.43%	418,083	68.93%	3,817	110.52%	113		6
10.00 to <100.00	650	5	30.00%	657	32.80%	86,002	58.09%	887	135.02%	140		1
100.00 (Default)	277	–	–	277	100.00%	141,942	48.62%	709	255.49%	91		–
Sub-total	20,305	78	30.00%	20,424	3.93%	2,207,896	53.92%	14,223	69.64%	445	548	23

December 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
	a	b	c	d	e	f	g	h	i	j	k	l
0.00 to <0.15	306	–	–	307	0.08%	21,322	34.64%	27	8.83%	–		–
0.15 to <0.25	91	2	30.00%	94	0.22%	18,553	77.02%	34	35.69%	–		1
0.25 to <0.50	4,622	7	30.00%	4,635	0.37%	441,562	39.07%	1,279	27.58%	7		2
0.50 to <0.75	3,011	7	30.00%	3,024	0.71%	290,943	47.96%	1,403	46.41%	10		2
0.75 to <2.50	7,400	27	30.00%	7,452	1.52%	788,745	61.27%	5,911	79.32%	73		8
2.50 to <10.00	2,995	14	30.00%	3,020	4.35%	363,522	66.61%	3,222	106.68%	93		4
10.00 to <100.00	599	3	30.00%	605	33.20%	81,692	56.06%	804	132.84%	127		1
100.00 (Default)	279	–	–	279	100.00%	143,293	50.08%	683	245.07%	87		–
Sub-total	19,302	61	30.00%	19,417	3.93%	2,149,632	54.06%	13,362	68.82%	398	490	18

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 15A: IRB - Specialised lending (CR10)

		June 2019		Specialised lending			
		On-balance	Off-balance				
		sheet	sheet		Exposure	RWA	Expected
Regulatory		amount	amount	RW	amount		losses
Categories	Remaining maturity	£m	£m	%	£m	£m	£m
1) Strong	Less than 2.5 years	3,108	767	50%	3,463	1,731	–
	Equal to or more than 2.5 years	3,371	849	70%	4,003	2,802	16
2) Good	Less than 2.5 years	2,121	475	70%	2,502	1,751	10
	Equal to or more than 2.5 years	2,932	532	90%	3,401	3,058	27
3) Satisfactory	Less than 2.5 years	155	12	115%	167	190	5
	Equal to or more than 2.5 years	471	19	115%	502	575	14
4) Weak	Less than 2.5 years	34	–	250%	36	89	3
	Equal to or more than 2.5 years	57	–	250%	64	159	5
5) Default	Less than 2.5 years	83	3	0%	165	–	82
	Equal to or more than 2.5 years	62	–	0%	74	–	37
Total	Less than 2.5 years	5,500	1,257		6,333	3,761	100
	Equal to or more than 2.5 years	6,893	1,399		8,044	6,594	100

		December 2018		Specialised lending			
		On-balance	Off-balance				
		sheet	sheet		Exposure	RWA	Expected
Regulatory		amount	amount	RW	amount		losses
Categories	Remaining maturity	£m	£m	%	£m	£m	£m
1) Strong	Less than 2.5 years	3,069	970	50%	3,634	1,817	–
	Equal to or more than 2.5 years	2,586	858	70%	3,181	2,226	13
2) Good	Less than 2.5 years	2,284	631	70%	2,809	1,965	11
	Equal to or more than 2.5 years	4,817	609	90%	5,331	4,794	43
3) Satisfactory	Less than 2.5 years	98	12	115%	110	125	3
	Equal to or more than 2.5 years	543	16	115%	592	677	17
4) Weak	Less than 2.5 years	8	1	250%	8	20	1
	Equal to or more than 2.5 years	66	–	250%	72	180	6
5) Default	Less than 2.5 years	121	4	0%	228	–	114
	Equal to or more than 2.5 years	56	3	0%	85	–	43
Total	Less than 2.5 years	5,579	1,619		6,788	3,927	129
	Equal to or more than 2.5 years	8,068	1,486		9,260	7,877	120

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 15B: Equity exposure subject to the simple risk weight method (CR10)

June 2019						
Equities under the simple risk-weight approach						
Categories	On-balance	Off-balance	RW	Exposure	RWA requirements	Capital
	sheet	sheet		amount		
	amount	amount		amount	£m	£m
	£m	£m	%	£m	£m	£m
Exchange-traded equity exposures	46	–	290%	46	133	11
Private equity exposures	2,415	73	190%	2,488	4,727	378
Other equity exposures	395	–	370%	395	1,463	117
Total	2,856	73		2,929	6,323	506

December 2018						
Equities under the simple risk-weight approach						
Categories	On-balance	Off-balance	RW	Exposure	RWA requirements	Capital
	sheet	sheet		amount		
	amount	amount		amount	£m	£m
	£m	£m	%	£m	£m	£m
Exchange-traded equity exposures	53	–	290%	53	154	12
Private equity exposures	2,280	52	190%	2,332	4,431	354
Other equity exposures	314	–	370%	314	1,163	93
Total	2,648	52		2,700	5,749	460

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

	Exposures before		June 2019 Exposures post		RWA and RWA density	
	CCF and CRM		CCF and CRM		RWA £m	RWA density ¹ %
	On-balance	Off-balance	On-balance	Off-balance		
	sheet amount £m	sheet amount £m	sheet amount £m	sheet amount £m		
¹ Central governments or central banks	^a 65,671	^b 1	^c 65,884	^d 442	^e 30	^f –
² Regional governments or local authorities	–	–	–	–	–	–
³ Public sector entities	1	–	1	–	1	100%
⁴ Multilateral development banks	6,046	–	6,046	–	–	–
⁵ International organisations	–	–	–	–	–	–
⁶ Institutions	140	–	235	446	50	7%
⁷ Corporates	8,799	5,900	8,685	2,446	9,941	89%
⁸ Retail	11,877	21,130	11,877	262	8,671	71%
⁹ Secured by mortgages on immovable property	4,323	8	4,323	4	1,516	35%
of which: residential property	4,321	8	4,321	4	1,514	35%
of which: commercial property	2	–	2	–	2	100%
¹⁰ Exposures in default	1,381	64	1,381	19	1,887	135%
¹¹ Items associated with particularly high risk	–	–	–	–	–	–
¹² Covered bonds	–	–	–	–	–	–
¹³ Short term claims on institutions and corporates	–	–	–	–	–	–
¹⁴ Collective investment undertakings (CIUs)	459	–	459	–	92	20%
¹⁵ Equity exposures	–	–	–	–	–	–
¹⁶ Other items	3,787	–	3,787	–	2,968	78%
¹⁷ Total	102,485	27,104	102,680	3,620	25,157	24%

	Exposures before CCF and CRM		December 2018 Exposures post CCF and CRM		RWA and RWA density	
	On-balance	Off-balance	On-balance	Off-balance	RWA	RWA
	sheet	sheet	sheet	sheet		density ¹
	amount £m	amount £m	amount £m	amount £m	£m	%
	^a	^b	^c	^d	^e	^f
¹ Central governments or central banks	61,428	1	61,608	468	4	—
² Regional governments or local authorities	5	—	5	—	1	20%
³ Public sector entities	1	40	1	20	21	100%
⁴ Multilateral development banks	2,974	—	2,974	—	—	—
⁵ International organisations	—	—	—	—	—	—
⁶ Institutions	160	—	193	580	67	9%
⁷ Corporates	8,162	8,527	7,773	3,120	9,887	91%
⁸ Retail	12,098	20,332	12,098	196	8,842	72%
⁹ Secured by mortgages on immovable property	4,500	9	4,500	5	1,578	35%
of which: residential property	4,498	9	4,498	5	1,576	35%
of which: commercial property	2	—	2	—	2	100%
¹⁰ Exposures in default	1,570	98	1,570	72	2,186	133%
¹¹ Items associated with particularly high risk	—	—	—	—	—	—
¹² Covered bonds	—	—	—	—	—	—
¹³ Short term claims on institutions and corporates	—	—	—	—	—	—
¹⁴ Collective investment undertakings (CIUs)	716	—	716	—	143	20%
¹⁵ Equity exposures	—	—	—	—	—	—
¹⁶ Other items	3,680	—	3,680	—	2,819	77%
¹⁷ Total	95,295	29,008	95,119	4,461	25,548	26%

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

Table 17: Standardised approach – exposures by asset class (CR5)

Exposures in the table below are stated on a post CRM post CCF basis

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

Exposure Classes	June 2019 Risk Weight															Total £m	Of which: Unrated £m
	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		
¹ Central governments or central banks	66,175	–	–	–	151	–	–	–	–	–	–	–	–	–	–	66,326	61,170
² Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
³ Public sector entities	–	–	–	–	–	–	–	–	–	1	–	–	–	–	–	1	1
⁴ Multilateral development banks	6,046	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6,046	6,046
⁵ International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
⁶ Institutions	–	–	541	–	138	–	2	–	–	–	–	–	–	–	–	681	549
⁷ Corporates	–	–	–	–	31	–	1,874	–	–	9,212	15	–	–	–	–	11,132	8,600
⁸ Retail	–	–	–	–	–	–	–	–	12,139	–	–	–	–	–	–	12,139	12,139
⁹ Secured by mortgages on immovable property	–	–	–	–	–	4,325	–	–	–	2	–	–	–	–	–	4,327	4,327
of which: residential property	–	–	–	–	–	4,325	–	–	–	–	–	–	–	–	–	4,325	4,325
of which: commercial property	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
¹⁰ Exposures in default	–	–	–	–	–	–	–	–	–	427	973	–	–	–	–	1,401	1,401
¹¹ Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹² Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹³ Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹⁴ Collective investment undertakings	–	–	–	–	459	–	–	–	–	–	–	–	–	–	–	459	–
¹⁵ Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹⁶ Other items	101	–	–	–	898	–	–	–	–	2,788	–	–	–	–	–	3,787	3,787
¹⁷ Total	72,322	–	541	–	1,677	4,325	1,875	–	12,139	12,431	988	–	–	–	–	106,299	98,021

Table 17: Standardised approach – exposures by asset class (CR5) (Continued)

Exposure Classes	December 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
¹ Central governments or central banks	62,058	–	–	–	19	–	–	–	–	–	–	–	–	–	–	62,077	58,522
² Regional government or local authorities	–	–	–	–	5	–	–	–	–	–	–	–	–	–	–	5	5
³ Public sector entities	–	–	–	–	–	–	–	–	–	21	–	–	–	–	–	21	21
⁴ Multilateral development banks	2,974	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,974	2,974
⁵ International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
⁶ Institutions	–	–	613	–	124	–	36	–	–	–	–	–	–	–	–	773	655
⁷ Corporates	–	–	–	–	123	–	1,252	–	–	9,501	16	–	–	–	–	10,892	9,405
⁸ Retail	–	–	–	–	–	–	–	–	12,294	–	–	–	–	–	–	12,294	12,294
⁹ Secured by mortgages on immovable property	–	–	–	–	–	4,503	–	–	–	2	–	–	–	–	–	4,505	4,505
of which: residential property	–	–	–	–	–	4,503	–	–	–	–	–	–	–	–	–	4,503	4,503
of which: commercial property	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
¹⁰ Exposures in default	–	–	–	–	–	–	–	–	–	525	1,117	–	–	–	–	1,642	1,642
¹¹ Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹² Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹³ Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹⁴ Collective investment undertakings	–	–	–	–	716	–	–	–	–	–	–	–	–	–	–	716	–
¹⁵ Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
¹⁶ Other items	122	–	–	–	924	–	–	–	–	2,634	–	–	–	–	–	3,680	3,680
¹⁷ Total	65,154	–	613	–	1,911	4,503	1,288	–	12,294	12,682	1,133	–	–	–	–	99,580	93,704

IMPAIRMENT AND CREDIT QUALITY OF EXPOSURES

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

The Group does not recognise any general credit risk adjustment as defined by the EBA therefore this column has been excluded from templates CR1-A and CR1-B.

Table 18: Credit quality of exposures by exposure class and instrument (CR1-A)

	June 2019				
	Gross carrying values of Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	Credit risk charges in the period	Net values
	£m	£m	£m	£m	£m
	a	b	c	f	g
Central governments or central banks	-	10,095	-	-	10,095
Institutions	2	10,092	-	1	10,094
Corporates	2,076	111,042	953	26	112,165
of which: Specialised lending	240	14,963	150	-	15,052
of which: SMEs	380	11,563	199	5	11,745
Retail	4,195	386,541	2,500	393	388,235
Secured by real estate property	3,371	311,131	1,416	(30)	313,087
SMEs	176	8,591	104	5	8,662
Non-SMEs	3,196	302,541	1,312	(35)	304,424
Qualifying revolving	349	53,294	472	223	53,171
Other retail	474	22,115	613	199	21,977
SMEs	197	2,010	64	6	2,143
Non-SMEs	277	20,106	548	193	19,834
Equity	-	2,929	-	-	2,929
Non-credit obligation assets	-	11,055	-	-	11,055
Total IRB approach	6,273	531,755	3,454	420	534,574
Central governments or central banks		65,672	-	-	65,672
Regional governments or local authorities		-	-	-	-
Public sector entities		1	-	-	1
Multilateral development banks		6,046	-	-	6,046
International organisations		-	-	-	-
Institutions		140	-	-	140
Corporates		14,713	15	(10)	14,698
of which: SMEs		3,861	3	-	3,858
Retail		33,257	250	114	33,007
of which: SMEs		2,783	12	4	2,771
Secured by mortgages on immovable property		4,363	31	-	4,332
of which: SMEs		13	-	-	13
Exposures in default ¹	1,801	-	355	88	1,446
Items associated with particularly high risk		-	-	-	-
Covered bonds		-	-	-	-
Claims on institutions and corporates with a short-term credit assessment		-	-	-	-
Collective investments undertakings		459	-	-	459
Equity exposures		-	-	-	-
Other exposures		3,787	-	-	3,787
Total standardised approach	1,801	128,439	650	192	129,589
Total	8,074	660,193	4,104	612	664,163
of which: Loans	7,770	418,094	3,901	631	421,964
of which: Debt securities	3	5,414	-	-	5,417
of which: Off-balance sheet exposures	300	135,539	203	(19)	135,636

Table 18: Credit quality of exposures by exposure class and instrument (CR1-A) (continued)

	December 2018				
	Gross carrying values of Defaulted exposures £m	Non-defaulted exposures £m	Specific credit risk adjustment £m	Credit risk charges in the period £m	Net values £m
	a	b	c	f	g
Central governments or central banks	–	12,723	–	–	12,723
Institutions	2	6,515	1	(12)	6,516
Corporates	1,566	118,016	1,053	88	118,529
of which: Specialised lending	307	16,646	198	(2)	16,755
of which: SMEs	277	12,102	193	9	12,186
Retail	4,429	384,248	2,485	638	386,191
Secured by real estate property	3,575	310,530	1,471	41	312,634
SMEs	170	9,051	99	10	9,122
Non-SMEs	3,405	301,479	1,372	31	303,511
Qualifying revolving	378	52,598	467	303	52,509
Other retail	477	21,120	548	293	21,049
SMEs	198	2,036	58	11	2,176
Non-SMEs	279	19,084	490	282	18,873
Equity	–	2,700	–	–	2,700
Non-credit obligation assets	–	9,933	–	–	9,933
Total IRB approach	5,997	534,135	3,539	714	536,593
Central governments or central banks		61,429	–	–	61,429
Regional governments or local authorities		5	–	–	5
Public sector entities		41	–	–	41
Multilateral development banks		2,974	–	–	2,974
International organisations		–	–	–	–
Institutions		161	–	–	161
Corporates		16,716	26	4	16,690
of which: SMEs		3,754	5	–	3,749
Retail		32,679	248	186	32,430
of which: SMEs		2,423	5	–	2,418
Secured by mortgages on immovable property		4,543	34	1	4,510
of which: SMEs		11	–	–	11
Exposures in default ¹	1,981	–	314	31	1,668
Items associated with particularly high risk		–	–	–	–
Covered bonds		–	–	–	–
Claims on institutions and corporates with a short-term credit assessment		–	–	–	–
Collective investments undertakings		716	–	–	716
Equity exposures		–	–	–	–
Other exposures		3,680	–	–	3,680
Total standardised approach	1,981	122,944	622	223	124,303
Total	7,978	657,079	4,162	937	660,896
of which: Loans	7,710	421,821	3,915	1,009	425,616
of which: Debt securities	12	4,519	–	–	4,531
of which: Off-balance-sheet exposures	256	135,404	247	(72)	135,413

¹ The breakdown of “exposures in default” by the exposure class that corresponds to the exposure before default, comprises Corporate £1,161m (2018: £1,224m) and Retail £640m (2018: £757m).

Table 19: Credit quality of exposures by industry type (CR1-B)

	June 2019				
	Gross carrying values of		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	£m	£m	£m	£m	£m
	^a	^b	^c	^f	^g
Agriculture, forestry and fishing	185	6,713	52	1	6,846
Energy and water supply	59	4,745	10	3	4,793
Manufacturing	361	18,034	102	(6)	18,293
Construction	489	5,576	349	17	5,717
Transport, distribution and hotels	1,541	22,471	312	51	23,700
Postal and communications	3	1,936	4	–	1,935
Property companies	500	29,139	279	(4)	29,359
Financial, business and other services	363	150,801	203	25	150,961
Personal: mortgages	3,674	307,153	1,426	(34)	309,401
Personal: other	730	91,258	1,026	460	90,961
Lease financing	11	5,887	1	–	5,896
Hire purchase	159	16,481	341	99	16,300
Total	8,074	660,193	4,104	612	664,163

	December 2018				
	Gross carrying values of		Specific credit risk adjustment	Credit risk charges in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	£m	£m	£m	£m	£m
	^a	^b	^c	^f	^g
Agriculture, forestry and fishing	160	6,788	53	(12)	6,896
Energy and water supply	–	5,434	9	(16)	5,426
Manufacturing	225	18,118	103	3	18,240
Construction	494	5,921	360	14	6,056
Transport, distribution and hotels	1,267	24,569	217	47	25,619
Postal and communications	3	2,691	2	(12)	2,692
Property companies	601	30,762	343	16	31,020
Financial, business and other services	351	145,077	265	87	145,163
Personal: mortgages	3,908	306,137	1,488	32	308,557
Personal: other	824	89,924	1,026	682	89,722
Lease financing	8	5,998	14	5	5,992
Hire purchase	138	15,659	282	91	15,514
Total	7,978	657,079	4,162	937	660,896

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 20: CRM techniques - overview (CR3)

	June 2019				
	Exposures unsecured – carrying amount £m	Exposures to be secured ¹ £m	Exposures secured by collateral ² £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives ³ £m
Exposures subject to the IRB approach					
Central governments or central banks	9,348	747	–	747	–
Institutions	9,329	766	647	9	109
Corporates	71,046	41,119	40,353	281	485
of which: Specialised lending	–	15,052	15,052	–	–
of which: SMEs	4,627	7,118	7,118	–	–
Retail	63,580	324,655	324,655	–	–
Secured by real estate property	–	313,087	313,087	–	–
SMEs	–	8,662	8,662	–	–
Non-SMEs	–	304,424	304,424	–	–
Qualifying revolving	53,171	–	–	–	–
Other retail	10,409	11,568	11,568	–	–
SMEs	2,114	29	29	–	–
Non-SMEs	8,296	11,539	11,539	–	–
Equity	2,929	–	–	–	–
Non-credit obligation assets	11,055	–	–	–	–
Total – IRB approach	167,286	367,288	365,656	1,038	594
Exposures subject to the standardised approach					
Central governments and central banks	65,672	–	–	–	–
Regional governments or local authorities	–	–	–	–	–
Public sector entities	1	–	–	–	–
Multilateral development banks	6,046	–	–	–	–
International organisations	–	–	–	–	–
Institutions	140	–	–	–	–
Corporates	13,783	915	445	400	70
Retail	32,835	172	172	–	–
Secured by mortgages on immovable property	–	4,332	4,332	–	–
Exposures in default	1,039	407	407	–	–
Items associated with particularly high risk	–	–	–	–	–
Covered bonds	–	–	–	–	–
Claims on institutions and corporates with a short term credit assessment	–	–	–	–	–
Collective investment undertakings (CIUs)	459	–	–	–	–
Equity exposures	–	–	–	–	–
Other exposures	3,787	–	–	–	–
Total – standardised approach	123,763	5,826	5,356	400	70
Total exposures	291,050	373,113	371,012	1,437	664
of which: defaulted	2,434	3,810	3,810	–	–

Table 20: CRM techniques (CR3) (continued)

	December 2018				
	Exposures unsecured – carrying amount £m	Exposures to be secured ¹ £m	Exposures secured by collateral ² £m	Exposures secured by financial guarantees £m	Exposures secured by credit derivatives ³ £m
Exposures subject to the IRB approach					
Central governments or central banks	11,966	757	-	757	-
Institutions	6,419	98	82	-	15
Corporates	74,631	43,898	43,046	259	593
of which: Specialised Lending	-	16,755	16,755	-	-
of which: SME	4,376	7,810	7,810	-	-
Retail	62,606	323,585	323,585	-	-
Secured by real estate property	-	312,634	312,634	-	-
SME	-	9,122	9,122	-	-
Non-SME	-	303,511	303,511	-	-
Qualifying Revolving	52,509	-	-	-	-
Other Retail	10,098	10,951	10,951	-	-
SME	2,147	29	29	-	-
Non-SME	7,951	10,922	10,922	-	-
Equity	2,700	-	-	-	-
Non-credit obligation assets	9,933	-	-	-	-
Total – IRB approach	168,256	368,337	366,713	1,016	609
Exposures subject to the standardised approach					
Central governments and central banks	61,429	-	-	-	-
Regional governments or local authorities	5	-	-	-	-
Public sector entities	41	-	-	-	-
Multilateral development banks	2,974	-	-	-	-
International organisations	-	-	-	-	-
Institutions	160	-	-	-	-
Corporates	15,774	916	473	426	17
Retail	32,262	168	168	-	-
Secured by mortgages on immovable property	-	4,510	4,510	-	-
Exposures in default	1,230	438	438	-	-
Items associated with particularly high risk	-	-	-	-	-
Covered bonds	-	-	-	-	-
Claims on institutions and corporates with a short term credit assessment	-	-	-	-	-
Collective investment undertakings (CIUs)	716	-	-	-	-
Equity exposures	-	-	-	-	-
Other exposures	3,680	-	-	-	-
Total – standardised approach	118,271	6,032	5,589	426	17
Total exposures	286,527	374,369	372,301	1,442	625
of which: defaulted	2,442	3,655	3,655	-	-

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

² At 30th June 2019 the value of exposures secured by eligible financial collateral is £4.5bn (Dec 2018: £4.2bn) and the value of exposures secured by other eligible collateral is £366.4bn (Dec 2018: £368bn).

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

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

	June 2019 Gross carrying values					
	Performing		Non-performing			
	Not past-due or Past-due <= 30 days £m	Past-due > 30 days <= 90 days £m	Unlikely to pay that are not past-due or or past-due <= 90 days £m	Past-due > 90 days <= 180 days £m	Past-due > 180 days <= 1 year £m	Past due > 1 year £m
	b, c			d	e	f
¹ Loans	547,528	2,330	6,695	1,845	1,326	2,349
² Debt securities	7,158	–	–	–	–	3
³ Total exposures	554,686	2,330	6,695	1,845	1,326	2,352

	December 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
	b, c			d	e	f
¹ Loans	532,440	2,302	5,896	1,941	1,412	2,346
² Debt securities	7,558	–	–	–	–	12
³ Total exposures	539,998	2,302	5,896	1,941	1,412	2,358

Table 22: Non-performing and forborne exposures (CR1-E)

June 2019													
	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral and financial guarantees received	
	Of which performing but past due >30 days and <=90 days		Of which performing forborne	Of which non-performing			On performing exposures		On non-performing exposures		On non-performing exposures	of which: forborne exposures	
				Of which: defaulted	Of which: impaired	of which: forborne	of which: forborne	of which: forborne					
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
a	b	c	d	e	f	g	h	i	j	k	l	m	
010 Debt securities	7,161	—	—	3	3	3	3	—	—	(3)	(3)	—	—
020 Loans and advances	562,073	2,330	2,683	12,216	8,128	9,136	8,383	(1,444)	(59)	(1,871)	(1,440)	8,765	6,922
030 Off balance sheet exposures	133,918	—	341	590	379	—	429	(172)	(1)	(1)	(1)	—	—

December 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				Collateral and financial guarantees received	
	Of which performing but past due >30 days and <=90 days		Of which performing forborne	Of which non-performing			On performing exposures		On non-performing exposures		On non-performing exposures	of which: forborne exposures	
				Of which: defaulted	Of which: impaired	of which: forborne	of which: forborne	of which: forborne					
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
a	b	c	d	e	f	g	h	i	j	k	l	m	
010 Debt securities	7,571	—	—	12	12	12	12	(1)	(1)	(5)	(5)	—	—
020 Loans and advances	546,336	2,302	3,127	11,595	7,756	8,660	7,723	(1,510)	(65)	(1,642)	(1,247)	8,234	7,008
030 Off balance sheet exposures	137,107	—	457	416	312	—	324	(198)	(1)	(3)	(1)	—	—

Key movements

The movement in loans and advances exposures reflects an increase in cash and balances held with central banks and an increase in reverse repo balances.

PILLAR 1 CAPITAL REQUIREMENTS: COUNTERPARTY CREDIT RISK

- Counterparty credit risk (including CVA) represents 3.2 per cent (2018: 3.5 per cent) of the Group's total risk-weighted assets.
- Risk-weighted assets decreased by 8 per cent to £6.6bn mainly driven by reduced contributions to default funds.

Table 23: Analysis of CCR exposure by approach (CCR1)³

	June 2019						
	Replacement	Potential	Effective			EAD	
	cost/current	future	expected			Post	
	market	credit	positive			CRM ²	RWAs
	Notional	value ¹	exposure ¹	(EEPE)	Multiplier	£m	£m
	£m	£m	£m	£m	x	£m	£m
	a	b	c	d	e	f	g
¹ Mark to Market		5,850	4,240			9,721	4,975
² Original exposure	–					–	–
³ Standardised approach		–		–	–	–	–
⁴ IMM (for derivatives and SFTs)				–	–	–	–
⁵ of which: securities financing transactions				–	–	–	–
⁶ of which: derivatives and long settlement transactions				–	–	–	–
⁷ of which: from contractual cross-product netting				–	–	–	–
⁸ Financial collateral simple method (for SFTs)						–	–
⁹ Financial collateral comprehensive method (for SFTs)						17,367	424
¹⁰ VaR for SFTs						–	–
¹¹ Total	–	5,850	4,240	–	–	27,087	5,399

	December 2018						
	Replacement	Potential	Effective			EAD	
	cost/current	future	expected			Post	
	market	credit	positive			CRM ^{2,4}	RWAs
	Notional	value ¹	exposure ¹	(EEPE)	Multiplier	£m	£m
	£m	£m	£m	£m	x	£m	£m
	a	b	c	d	e	f	g
¹ Mark to Market		5,627	4,367			9,605	4,917
² Original exposure	–					–	–
³ Standardised approach		–		–	–	–	–
⁴ IMM (for derivatives and SFTs)				–	–	–	–
⁵ of which: securities financing transactions				–	–	–	–
⁶ of which: derivatives and long settlement transactions				–	–	–	–
⁷ of which: from contractual cross-product netting				–	–	–	–
⁸ Financial collateral simple method (for SFTs)						–	–
⁹ Financial collateral comprehensive method (for SFTs)						15,854	471
¹⁰ VaR for SFTs						–	–
¹¹ Total	–	5,627	4,367	–	–	25,459	5,387

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

² Exposure values of £2.9bn (2018: £3bn) subject to CVA are embedded in this section, the CVA risk-weighted assets are excluded from this table. For CVA risk weighted assets please refer to Table 24.

³ CCP exposures and charges are excluded from this table. For CCP balances please refer to Table 24.

Table 24: Exposures to CCPs (CCR8)

	June 2019		December 2018	
	EAD post		EAD post	
	CRM	RWA	CRM	RWA
	£m	£m	£m	£m
	a	b	a	b
¹ Exposures to QCCPs (total)	14,025	566	16,408	1,160
² Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	13,730	287	15,915	329
³ (i) OTC derivatives	12,836	257	14,883	298
⁴ (ii) Exchange-traded derivatives	862	29	1,003	30
⁵ (iii) SFTs	32	1	30	1
⁶ (iv) Netting sets where cross-product netting has been approved	–	–	–	–
⁷ Segregated initial margin	–	–	–	–
⁸ Non-segregated initial margin	78	2	89	2
⁹ Prefunded default fund contributions	217	278	404	830
¹⁰ Alternative calculation of own funds requirements for exposures	–	–	–	–
¹¹ Exposures to non-QCCPs (total)	–	–	–	–
¹² Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–	–	–
¹³ (i) OTC derivatives	–	–	–	–
¹⁴ (ii) Exchange-traded derivatives	–	–	–	–
¹⁵ (iii) SFTs	–	–	–	–
¹⁶ (iv) Netting sets where cross-product netting has been approved	–	–	–	–
¹⁷ Segregated initial margin	–	–	–	–
¹⁸ Non-segregated initial margin	–	–	–	–
¹⁹ Prefunded default fund contributions	–	–	–	–
²⁰ Unfunded default fund contributions	–	–	–	–

Table 25: Credit valuation adjustment (CVA) capital charge (CCR2)¹

	June 2019		December 2018	
	EAD		EAD	
	post CRM	RWA	post CRM	RWA
	£m	£m	£m	£m
	a	b	a	b
¹ Total portfolios subject to the Advanced CVA capital charge	–	–	–	–
² (i) VaR component (including the 3xmultiplier)	–	–	–	–
³ (ii) Stressed VaR component (including the 3xmultiplier)	–	–	–	–
⁴ All portfolios subject to the Standardised Method	2,918	673	2,985	702
^{EU4} Based on Original Exposure Method	–	–	–	–
⁵ Total subject to the CVA capital charge	2,918	673	2,985	702

¹ The CVA exposures disclosed in this table are embedded in the exposures reported in Table 23: Analysis of CCR exposure by approach (CCR1).

Exposure values subject to CVA risk-weighted assets have decreased by £67m due to a decrease in trade volumes and counterparties subject to CVA risk-weighted assets.

Table 26: Counterparty credit risk exposures: analysis by exposure class

	June 2019		December 2018	
	EAD	RWA	EAD	RWA
	post CRM	£m	post CRM ⁴	£m
Foundation IRB approach				
Corporate – main	4,675	2,122	5,180	2,189
Corporate – SME	2	2	2	2
Central governments or central banks	435	17	429	21
Institutions	2,947	1,053	2,630	1,045
Other IRB approach				
Corporate – specialised lending ¹	2,298	1,653	2,128	1,567
Securitisation positions ²	229	82	174	67
Total IRB approach	10,586	4,929	10,542	4,891
Exposures subject to the standardised approach				
Central governments or central banks	15,565	–	13,961	–
Multilateral development banks	36	–	28	–
International organisations	40	–	41	–
Institutions	13,821	292	16,012	333
Corporates	847	467	878	494
Total standardised approach	30,309	759	30,920	827
Contributions to the default fund of a Central Counterparty	217	278	404	830
Credit valuation adjustment ³		673		702
Total	41,112	6,639	41,866	7,250

¹ Exposures subject to the IRB Supervisory Slotting Approach.

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

³ CVA exposure value of £2.9bn (2018: £3bn) is embedded in the asset class analysis above.

⁴ Restated

Table 27: IRB – CCR exposure by portfolio and PD scale – Corporate Main (CCR4)

PD Scale	June 2019						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	2,936	0.08%	805	45.0%	3.6	1,029	35.1%
0.15 to <0.25	528	0.18%	280	45.0%	3.2	269	50.9%
0.25 to <0.50	694	0.32%	949	45.1%	2.0	387	55.8%
0.50 to <0.75	212	0.63%	163	45.0%	1.6	149	70.1%
0.75 to <2.50	201	1.39%	229	45.0%	2.2	210	104.4%
2.50 to <10.00	55	3.22%	130	45.0%	2.5	77	140.9%
10.00 to <100.00	1	13.22%	7	45.0%	2.5	2	221.1%
100.00 (Default)	49	100.00%	21	45.0%	1.5	–	–
Sub-total	4,675	1.30%	2,584	45.0%	3.1	2,122	45.4%

PD Scale	December 2018						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	3,173	0.07%	866	45.0%	3.4	1,037	32.7%
0.15 to <0.25	662	0.18%	278	45.0%	3.1	330	49.9%
0.25 to <0.50	987	0.31%	986	45.1%	1.6	495	50.2%
0.50 to <0.75	65	0.63%	172	45.0%	2.4	53	81.2%
0.75 to <2.50	190	1.22%	232	45.0%	2.1	187	98.4%
2.50 to <10.00	59	3.88%	154	45.0%	2.3	84	142.7%
10.00 to <100.00	1	25.97%	8	45.0%	3.9	3	264.6%
100.00 (Default)	43	100.00%	10	45.0%	2.1	–	–
Sub-total	5,180	1.06%	2,706	45.0%	2.9	2,189	42.3%

Table 28: IRB – CCR exposure by portfolio and PD scale – Central governments or central banks (CCR4)

PD Scale	June 2019						
	EAD post	Average	Number of	Average	Average	RWA	RWA
	CRM	PD	obligors	LGD	Maturity		
	£m	%		%	(years)		
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	435	0.03%	13	45.0%	0.0	15	3.5%
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)	–	–	–	–	–	–	–
Sub-total	435	0.05%	14	45.0%	0.0	17	3.8%

PD Scale	December 2018						
	EAD post	Average	Number of	Average	Average	RWA	RWA
	CRM	PD	obligors	LGD	Maturity		
	£m	%		%	(years)		
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	427	0.04%	8	45.0%	0.0	18	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%	2	45.0%	1.0	3	200.5%
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	429	0.08%	10	45.0%	0.0	21	4.9%

Table 29: IRB – CCR exposure by portfolio and PD scale – Institutions (CCR4)

PD Scale	June 2019						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	2,573	0.05%	243	45.0%	3.0	775	30.1%
0.15 to <0.25	320	0.18%	43	45.0%	3.6	231	72.1%
0.25 to <0.50	35	0.31%	37	45.0%	3.3	27	77.8%
0.50 to <0.75	5	0.63%	6	45.0%	1.0	3	64.0%
0.75 to <2.50	10	1.00%	9	45.0%	2.2	9	93.6%
2.50 to <10.00	3	2.60%	2	45.0%	2.6	4	163.3%
10.00 to <100.00	1	31.00%	1	45.0%	4.0	2	307.5%
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	2,947	0.08%	341	45.0%	3.1	1,053	35.7%

PD Scale	December 2018						
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average Maturity (years)	RWA	RWA density
	£m	%		%		£m	%
	^a	^b	^c	^d	^e	^f	^g
0.00 to <0.15	2,179	0.05%	239	45.0%	3.2	713	32.7%
0.15 to <0.25	386	0.18%	52	45.0%	3.4	269	69.8%
0.25 to <0.50	51	0.29%	34	45.0%	4.4	48	95.1%
0.50 to <0.75	7	0.63%	6	45.0%	1.0	5	71.8%
0.75 to <2.50	6	1.07%	8	45.0%	2.9	7	116.5%
2.50 to <10.00	1	2.60%	3	45.0%	1.0	1	136.5%
10.00 to <100.00	–	31.00%	1	45.0%	4.5	1	312.3%
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	2,630	0.08%	343	45.0%	3.3	1,045	39.7%

Table 30: CCR corporate exposures subject to supervisory slotting

		June 2019 Specialised lending				
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	EAD post CRM £m	RWA £m
1) Strong	Less than 2.5 years	151	–	50%	149	75
	Equal to or more than 2.5 years	2,185	–	70%	1,767	1,237
2) Good	Less than 2.5 years	16	–	70%	16	11
	Equal to or more than 2.5 years	306	–	90%	306	275
3) Satisfactory	Less than 2.5 years	–	–	115%	–	–
	Equal to or more than 2.5 years	48	–	115%	48	55
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	11	–	0%	11	–
Total	Less than 2.5 years	167	–		166	87
	Equal to or more than 2.5 years	2,550	–		2,132	1,567

		December 2018 Specialised lending				
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	EAD post CRM £m	RWA £m
1) Strong	Less than 2.5 years	54	–	50%	53	27
	Equal to or more than 2.5 years	2,059	–	70%	1,691	1,183
2) Good	Less than 2.5 years	15	–	70%	15	10
	Equal to or more than 2.5 years	311	–	90%	304	273
3) Satisfactory	Less than 2.5 years	–	–	115%	–	1
	Equal to or more than 2.5 years	63	–	115%	63	72
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%	2	–
Total	Less than 2.5 years	70	–		69	38
	Equal to or more than 2.5 years	2,435	–		2,059	1,530

Table 31: 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.

June 2019												
Exposure Classes	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Of which: Total £m Unrated £m
¹ Central governments or central banks	15,565	–	–	–	–	–	–	–	–	–	–	15,565 15,528
⁴ Multilateral development banks	36	–	–	–	–	–	–	–	–	–	–	36 36
⁵ International organisations	40	–	–	–	–	–	–	–	–	–	–	40 40
⁶ Institutions	–	13,199	608	–	11	2	–	–	–	–	–	13,820 13,819
⁷ Corporates	–	–	–	–	1	760	–	–	87	–	–	847 87
¹¹ Total – Standardised Approach	15,641	13,199	608	–	11	762	–	–	87	–	–	30,309 29,510

December 2018												
Exposure Classes ¹	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Of which: Total £m Unrated £m
¹ Central governments or central banks	13,961	–	–	–	–	–	–	–	–	–	–	13,961 13,961
⁴ Multilateral development banks	28	–	–	–	–	–	–	–	–	–	–	28 28
⁵ International organisations	41	–	–	–	–	–	–	–	–	–	–	41 41
⁶ Institutions	–	15,488	516	–	5	3	–	–	–	–	–	16,012 16,010
⁷ Corporates	–	–	–	–	6	759	–	–	113	–	–	878 113
¹¹ Total – Standardised Approach	14,031	15,488	516	–	11	762	–	–	113	–	–	30,921 30,154

¹ Restated

Table 32: Impact of netting and collateral held on exposure values (CCR5-A)

	June 2019				
	Gross positive fair value exposure amount £m	Netting benefits credit £m	Netted current credit exposure £m	Collateral held ¹ £m	Net Credit exposure ² £m
	^a	^b	^c	^d	^e
¹ Derivatives	103,847	88,507	15,341	9,473	5,868
² SFTs	164,732	–	164,732	153,102	11,629
⁴ Total	268,579	88,507	180,073	162,575	17,498

	December 2018				
	Gross positive fair value exposure amount £m	Netting benefits credit £m	Netted current credit exposure £m	Collateral held ¹ £m	Net Credit exposure ² £m
	^a	^b	^c	^d	^e
¹ Derivatives	79,270	66,642	12,629	5,778	6,851
² SFTs ³	159,059	–	159,059	148,130	10,929
⁴ Total	238,329	66,642	171,688	153,908	17,780

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

² The net credit exposure value may differ from EAD value disclosed in Table 23: 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.

³ Restated

Table 33: Composition of collateral for exposures to CCR (CCR5-B)

	June 2019			
	Collateral Used in Derivatives		Collateral Used in SFTs	
	Fair Value of Collateral Received £m	Fair Value of Collateral Posted £m	Fair Value of Collateral Received £m	Fair Value of Collateral Posted £m
Collateral Types				
Cash - Domestic currency	4,089	3,652	49,859	77,242
Cash - Other currencies	6,166	3,328	6,015	8,525
Domestic sovereign debt	2,661	6,799	87,105	37,421
Other sovereign debt	13	78	10,183	5,122
Government agency debt	–	–	–	–
Corporate bonds	222	63	603	363
Equity securities	–	–	–	–
Other collateral	–	–	56	36,059
TOTAL	13,151	13,921	153,821	164,732

Table 34: Credit derivative exposures (CCR6)

	June 2019			December 2018		
	Credit derivative hedges			Credit derivative hedges		
	Protection bought £m a	Protection sold £m b	Other credit derivatives £m c	Protection bought £m a	Protection sold £m b	Other credit derivatives £m c
Notionals						
Single-name credit default swaps	2,229	318	–	2,246	362	–
Index credit default swaps	1,016	139	–	861	94	–
Total return swaps	2,236	6,852	–	1,455	6,966	–
Credit options	–	–	–	–	–	–
Other credit derivatives	–	5,847	–	–	5,989	–
Total notionals	5,481	13,156	–	4,562	13,412	–
Fair values						
Positive fair value (asset)	40	23	–	32	65	–
Negative fair value (liability)	(123)	(386)	–	(73)	(145)	–

PILLAR 1 CAPITAL REQUIREMENTS: MARKET RISK

– Market risk represents 1.1 per cent (2018: 1 per cent) of the Group's total risk-weighted assets.

Table 35: Market risk capital requirements

	June 2019		December 2018	
	RWA	Capital Requirements	RWA	Capital Requirements
	£m	£m	£m	£m
Internal models approach	1,797	144	1,669	134
VaR	326	26	220	18
SVaR	899	72	739	59
Incremental risk charge	169	14	150	12
Comprehensive risk measure	–	–	–	–
Risks not in VaR	403	32	561	45
Standardised approach	431	34	416	33
Interest rate risk (general and specific)	218	17	253	20
Equity risk (general and specific)	–	–	–	–
Foreign exchange risk	204	16	155	12
Commodity risk	6	–	4	–
Specific interest rate risk of securitisation position	4	–	3	–
Total	2,228	177	2,085	167

Table 36: Risk-weighted assets flow statements of market risk exposures under an IMA (MR2-B)

	VaR	SVaR	IRC	CRM	Other	Total RWA	Total Capital Requirements
	£m	£m	£m	£m	£m	£m	£m
¹ Risk-weighted assets as at 31 December 2018	220	739	150	–	561	1,669	134
² Movement in risk levels	122	255	19	–	(40)	356	28
³ Model updates/changes	–	–	–	–	(117)	(117)	(9)
⁴ Methodology and policy	–	–	–	–	–	–	–
⁵ Acquisitions and disposals	–	–	–	–	–	–	–
⁶ Foreign exchange movements	–	–	–	–	–	–	–
⁷ Other	–	–	–	–	–	–	–
Asset size	(16)	(95)	–	–	–	(110)	(9)
⁸ Risk-weighted assets as at 30 June 2019	326	899	169	–	403	1,797	144

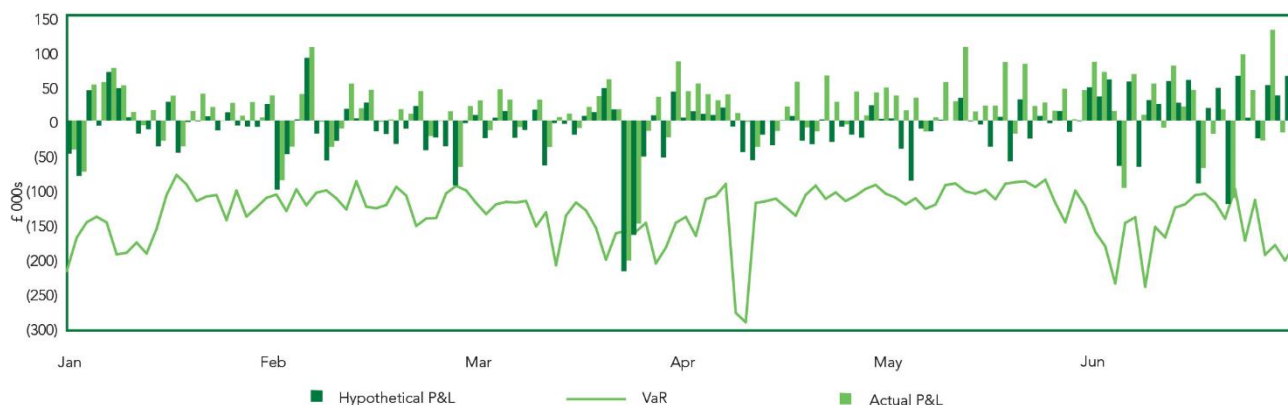
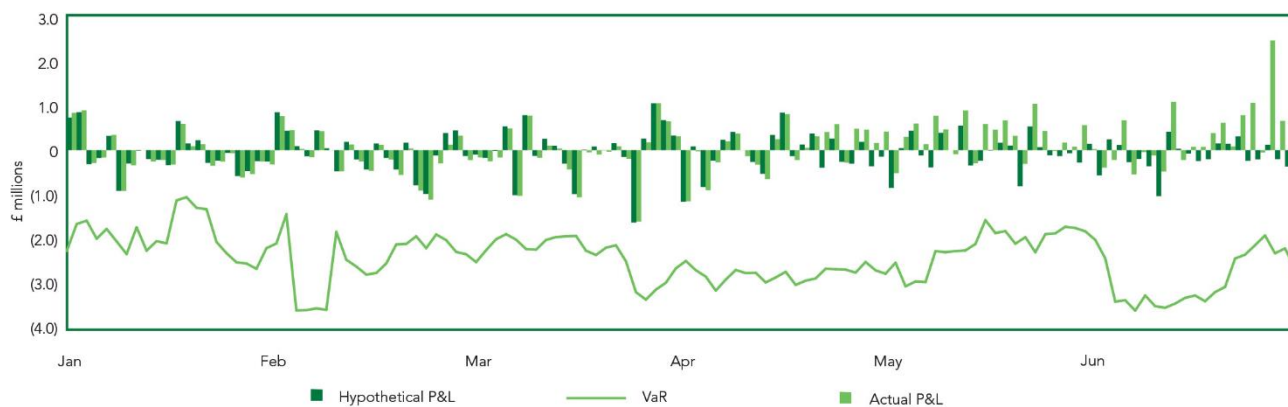
Internal model approach risk-weighted assets increased due to increased interest rate and credit spread exposures for VaR and SVaR. This was partially offset by refinements to Risks Not in VaR (RNIV) and the redesignation of the repo business to the banking book as part of business reorganisation post implementation of ring-fencing.

Table 37: Comparison of VaR estimates with gains/losses (MR4)

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

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

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

Lloyds Bank Group**Lloyds Bank Corporate Markets**

CAPITAL AND LEVERAGE**Table 38: Own funds template**

	Transitional rules		Fully loaded rules	
	At 30 June 2019 £m	At 31 Dec 2018 £m	At 30 June 2019 £m	At 31 Dec 2018 £m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	24,815	24,835	24,815	24,835
<i>of which: called up share capital</i>	7,076	7,116	7,076	7,116
<i>of which: share premium</i>	17,739	17,719	17,739	17,719
Retained earnings	9,741	10,055	9,741	10,055
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	11,530	10,859	11,530	10,859
Foreseeable dividends and share buyback	(2,059)	(1,523)	(2,059)	(1,523)
Common equity tier 1 (CET1) capital before regulatory adjustments	44,027	44,226	44,027	44,226
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	(530)	(529)	(530)	(529)
Intangible assets (net of related tax liability)	(3,901)	(3,667)	(3,901)	(3,667)
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) of the CRR are met)	(3,247)	(3,037)	(3,247)	(3,037)
Fair value reserves related to gains or losses on cash flow hedges	(1,738)	(1,051)	(1,738)	(1,051)
Negative amounts resulting from the calculation of expected loss amounts	(30)	(27)	(30)	(27)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(86)	(337)	(86)	(337)
Defined benefit pension fund assets	(1,184)	(994)	(1,184)	(994)
Direct and indirect holdings by the Group of own CET1 instruments	(4)	(4)	(4)	(4)
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)	(4,350)	(4,222)	(4,350)	(4,222)
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative <i>of which: securitisation positions</i>	(190)	(191)	(190)	(191)
Amount exceeding the 15% threshold	(190)	(191)	(190)	(191)
<i>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</i>	-	-	-	-
<i>of which: deferred tax assets arising from temporary differences</i>	-	-	-	-
Total regulatory adjustments applied to common equity tier 1 (CET1)	(15,260)	(14,059)	(15,260)	(14,059)
Common equity tier 1 (CET1) capital	28,767	30,167	28,767	30,167

Table 38: Own funds template (Continued)

	Transitional rules		Fully loaded rules	
	At 30	At 31	At 30	At 31
	June 2019	Dec 2018	June 2019	Dec 2018
	£m	£m	£m	£m
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	5,381	6,466	5,381	6,466
of which: classified as equity under applicable accounting standards	5,381	6,466	5,381	6,466
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	356	450	–	–
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	1,297	1,754	–	–
of which: instruments issued by subsidiaries subject to phase out	1,297	1,754	–	–
Additional tier 1 (AT1) capital before regulatory adjustments	7,034	8,670	5,381	6,466
Additional tier 1 (AT1) capital: regulatory adjustments				
Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of the CRR	(1,295)	(1,298)	–	–
of which: significant investments in Tier 2 instruments of other financial sector entities	(1,295)	(1,298)	–	–
Total regulatory adjustments applied to additional tier 1 (AT1) capital	(1,295)	(1,298)	–	–
Additional tier 1 (AT1) capital	5,739	7,372	5,381	6,466
Tier 1 capital	34,506	37,539	34,148	36,633
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	6,111	5,486	6,468	5,935
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	5,459	5,202	1,596	1,993
of which: instruments issued by subsidiaries subject to phase out	3,813	3,160	–	–
Credit risk adjustments	–	–	–	–
Tier 2 (T2) capital before regulatory adjustments	11,580	10,698	8,064	7,928
Tier (T2) capital: regulatory adjustments				
Direct and indirect holdings by the Group of the T2 instruments and subordinated loans of financial sector entities where the Group has a significant investment in those entities (net of eligible short positions)	(965)	(973)	(2,260)	(2,271)
IFRS 9 transitional adjustments	(413)	(30)	(413)	(30)
Total regulatory adjustments applied to tier 2 (T2) capital	(1,378)	(1,003)	(2,673)	(2,301)
Tier 2 (T2) capital	10,202	9,695	5,391	5,627
Total capital	44,708	47,234	39,539	42,260
Total risk weighted assets	206,520	206,366	206,520	206,366

Table 38: Own funds template (Continued)

	Transitional rules		Fully loaded rules	
	At 30 June 2019 £m	At 31 Dec 2018 £m	At 30 June 2019 £m	At 31 Dec 2018 £m
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	13.9%	14.6%	13.9%	14.6%
Tier 1 (as a percentage of risk exposure amount)	16.7%	18.2%	16.5%	17.8%
Total capital (as a percentage of risk exposure amount)	21.6%	22.9%	19.1%	20.5%
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)	3.383%	2.759%	3.383%	2.759%
<i>of which: capital conservation buffer requirement¹</i>	2.500%	1.875%	2.500%	1.875%
<i>of which: countercyclical buffer requirement</i>	0.883%	0.884%	0.883%	0.884%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²	9.4%	10.1%	9.4%	10.1%
Amounts below the threshold for deduction (before risk weighting)				
Direct and indirect holdings of the capital of financial sector entities where the Group does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	542	493	542	493
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)	3,312	3,439	3,312	3,439
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	735	572	735	572
Applicable caps on the inclusion of provisions in Tier 2				
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–	–	–	–
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	852	844	852	844
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
Current cap on AT1 instruments subject to phase out arrangements	1,653	2,204	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	2,452	1,636	–	–
Current cap on T2 instruments subject to phase out arrangements	4,300	5,734	–	–

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

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

Table 39: Summary reconciliation of accounting assets and leverage ratio exposures

	At 30 June 2019 Fully loaded £m	At 31 Dec 2018 Fully loaded £m
Total assets as per published financial statements	822,248	797,598
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(143,820)	(131,911)
Adjustments for derivative financial instruments	(3,143)	(575)
Adjustments for securities financing transactions (SFTs)	(2,045)	40
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	56,622	56,393
Other adjustments	(8,367)	(8,163)
Leverage ratio total exposure measure	721,495	713,382

Table 40: Leverage ratio common disclosure

	At 30 June 2019 Fully loaded £m	At 31 Dec 2018 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	581,699	574,654
Asset amounts deducted in determining Tier 1 capital	(8,367)	(8,163)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	573,332	566,491
Derivative exposures		
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	4,695	5,967
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	18,544	18,250
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	2,384	2,645
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(4,578)	(5,757)
Adjusted effective notional amount of written credit derivatives	799	841
Adjusted effective notional offsets and add-on deductions for written credit derivatives	(314)	(302)
Total derivative exposures	21,530	21,644
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	78,916	76,526
Netted amounts of cash payables and cash receivables of gross SFT assets	(11,336)	(10,754)
Counterparty credit risk exposure for SFT assets	2,431	3,082
Total securities financing transaction exposures	70,011	68,854
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	144,949	145,444
Adjustments for conversion to credit equivalent amounts	(88,327)	(89,051)
Other off-balance sheet exposures	56,622	56,393
Capital and total exposure measure		
Tier 1 capital	34,148	36,633
Leverage ratio total exposure measure	721,495	713,382
Leverage ratio	4.7%	5.1%

Table 41: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	At 30 June 2019 Fully loaded £m	At 31 Dec 2018 Fully loaded £m
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:		
Trading book exposures	581,699	574,654
Banking book exposures, of which:	7,656	7,513
Covered bonds	574,043	567,141
Exposures treated as sovereigns	2,047	769
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	82,013	77,123
Institutions	1	6
Secured by mortgages of immovable properties	5,568	4,438
Retail exposures	313,572	316,580
Corporates	44,252	43,487
Exposures in default	70,392	73,460
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	7,637	7,554
	48,561	43,724

APPENDIX I - Asset Encumbrance**Table 42: Encumbered and unencumbered assets**

The values reported in the tables below represent the median of the values reported to the regulator via quarterly supervisory returns over the period 30 September 2018 to 30 June 2019

	June 2019							
	Carrying amount of encumbered assets of which notionally eligible EHQLA and HQLA		Fair value of encumbered assets of which notionally eligible EHQLA and HQLA		Carrying amount of unencumbered assets of which notionally eligible EHQLA and HQLA		Fair value of unencumbered assets of which notionally eligible EHQLA and HQLA	
	£m	£m	£m	£m	£m	£m	£m	£m
Encumbered and unencumbered assets								
Total assets	114,283	15,805			569,946	77,508		
Equity instruments	—	—			1,732	—		
Debt securities ¹	13,871	11,227	13,871	11,227	30,957	22,980	30,957	22,980
of which: covered bonds	6	1	6	1	1,284	1,284	1,284	1,284
of which: asset-backed securities	2,418	—	2,418	—	828	—	837	—
of which: issued by general governments	11,174	11,101	11,174	11,101	15,726	15,726	15,726	15,726
of which: issued by financial corporations	2,683	237	2,683	237	13,322	6,932	13,322	6,932
of which: issued by non-financial corporations	26	2	26	2	2,231	1,370	2,231	1,370
Other assets ²	100,170	4,725			537,612	54,822		

	December 2018							
	Carrying amount of encumbered assets of which notionally eligible EHQLA and HQLA		Fair value of encumbered assets of which notionally eligible EHQLA and HQLA		Carrying amount of unencumbered assets of which notionally eligible EHQLA and HQLA		Fair value of unencumbered assets of which notionally eligible EHQLA and HQLA	
	£m	£m	£m	£m	£m	£m	£m	£m
Encumbered and unencumbered assets								
Total assets	121,137	20,004			560,885	84,559		
Equity instruments	—	—			2,204	—		
Debt securities ^{1, 3}	17,822	15,529	17,822	15,529	32,575	24,014	32,575	24,014
of which: covered bonds	—	—	—	—	798	795	798	795
of which: asset-backed securities	2,167	—	2,167	—	2,000	1,926	2,000	1,926
of which: issued by general governments	15,335	15,335	15,335	15,335	17,319	17,319	17,319	17,319
of which: issued by financial corporations	2,463	96	2,463	96	12,945	6,659	12,945	6,659
of which: issued by non-financial corporations	1	—	1	—	1,901	39	1,901	39
Other assets ²	105,415	4,475			526,846	58,938		

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

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

³ Restated.

Table 43: Collateral received

Collateral received	June 2019				December 2018			
	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
	of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA	
	£m	£m	£m	£m	£m	£m	£m	£m
Collateral received	47,016	46,619	64,804	61,046	47,016	46,897	51,410	47,642
Loans on demand	–	–	–	–	–	–	–	–
Equity Instruments	–	–	–	–	–	–	–	–
Debt securities ¹	47,016	46,619	61,118	61,046	47,016	46,733	48,367	47,642
of which: covered bonds	–	–	10	–	–	–	13	7
of which: asset-backed securities	3	–	204	31	1	–	285	9
of which: issued by general governments	46,864	46,423	60,847	60,847	46,864	46,709	47,354	47,354
of which: issued by financial corporations	61	47	298	169	8	–	567	86
of which: issued by non-financial corporations	198	190	113	101	123	10	203	141
Loans and advances other than loans on demand	–	–	3,246	–	–	–	3,269	–
Other collateral received	–	–	–	–	–	–	–	–
Own debt securities issued other than own covered bonds or asset-backed securities	–	–	–	–	–	–	–	–
Own covered bonds and asset-backed securities issued and not yet pledged			9,735	–			10,507	–
Total assets, collateral received and own debt securities issued	162,540	61,269			169,979	65,958		

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

Table 44: Sources of Encumbrance

Sources of Encumbrance¹	June 2019		December 2018	
	Matching liabilities, contingent liabilities or securities lent £m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £m	Matching liabilities, contingent liabilities or securities lent £m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £m
Carrying amount of selected financial liabilities	112,523	100,418	121,529	99,070

¹ Consists of derivatives, deposits and debt securities issued.

APPENDIX II - Total Loss Absorbing Capacity

The following table is based on the Basel Committee Pillar 3 template "TLAC 1" and presents the composition of the Group's MREL resources as at 30 June 2019.

Table 45: Total loss absorbing capital composition (TLAC 1)

	At 30 June 2019 Resolution Group £m
Regulatory capital elements of TLAC and adjustments	
¹ Common equity tier 1 (CET1) capital	28,767
² Additional tier 1 (AT1) capital before TLAC adjustments	5,739
³ AT1 ineligible as TLAC as issued out of subsidiaries to third parties ¹	–
⁴ Other adjustments	–
⁵ AT1 instruments eligible under the TLAC framework	5,739
⁶ Tier 2 (T2) capital before TLAC adjustments	10,202
⁷ Amortised portion of T2 instruments where remaining maturity > 1 year	–
⁸ T2 capital ineligible as TLAC as issued out of subsidiaries to third parties ¹	–
⁹ Other adjustments ²	(768)
¹⁰ Tier2 instruments eligible under the TLAC framework	9,434
¹¹ TLAC arising from regulatory capital	43,940
Non-regulatory capital elements of TLAC	
¹² External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	22,475
¹³ External TLAC instruments issued directly by the bank which are not subordinated to excluded liabilities but meet all other TLAC Term Sheet requirements	–
¹⁴ Of which: amount eligible as TLAC after application of the caps	–
¹⁵ External TLAC instruments issued by funding vehicles prior to 1 January 2022	–
¹⁶ Eligible ex ante commitments to recapitalise a G-SIB in resolution	–
¹⁷ TLAC arising from non-regulatory capital instruments before adjustments	22,475
Non-regulatory capital elements of TLAC: adjustments	–
¹⁸ TLAC before deductions	66,415
¹⁹ Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC (not applicable to single point of entry G-SIBs)	–
²⁰ Deduction of investments in own other TLAC liabilities	–
²¹ Other adjustments to TLAC	–
²² TLAC after deductions	66,415
Risk-weighted assets (RWA) and leverage exposure measure for TLAC purposes	
²³ Total RWA adjusted as permitted under the TLAC regime	206,520
²⁴ UK leverage exposure measure	668,207
TLAC ratios and buffers	
²⁵ TLAC (as a percentage of RWA adjusted as permitted under the TLAC regime)	32.2%
²⁶ TLAC (as a percentage of UK leverage exposure)	9.9%
²⁷ CET1 (as a percentage of RWA) available after meeting the resolution group's minimum total capital and TLAC requirements³	6.7%
²⁸ Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA)	3.4%
²⁹ Of which: capital conservation buffer requirement	2.5%
³⁰ Of which: bank specific countercyclical buffer requirement	0.9%
³¹ Of which: higher loss absorbency requirement ⁴	–

¹ Until 2022, externally issued regulatory capital in operating entities can count towards the Group's MREL to the extent that such capital would count towards the Group's consolidated capital resources.

² Instruments with less than one year to maturity or governed under non-EEA law without a contractual bail-in clause.

³ Defined as CET1 remaining after meeting the total capital requirement i.e Pillar 1 and Pillar 2A

⁴ An additional requirement of 1.7 per cent will apply from 1 August 2019 being equivalent to the systemic risk buffer of 2.0 per cent applied to the Group's ring-fenced bank.

Table 46: Material sub-group entity - creditor ranking at legal entity level (TLAC 2)

The following disclosures, based on the Basel Committee Pillar 3 template “TLAC 2”, provide information on the creditor hierarchy for each material entity within the resolution group, including Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc.

The disclosures include information on the nominal value of all MREL eligible instruments and other liabilities to the extent that they are subordinate to or rank pari passu with the most senior MREL eligible claim. Where the instrument is denominated in foreign currency, the nominal value is converted into sterling using the rate as at 30 June 2019.

For ordinary shares, this excludes the value of share premium and reserves attributable to ordinary shareholders.

During H2 2019 the Group will be restructuring a number of existing internal senior and senior non-preferred liabilities to create / increase the amount of senior non-preferred internal MREL eligible liabilities for Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc.

Lloyds Bank plc	Creditor ranking						
	£m	£m		£m	£m		£m
	(Most junior)						
1. Is the resolution entity the creditor/investor?	Y	Y	N	N	Y	N	Y
2. Description of creditor ranking	Ordinary shares (£1.00 each)	Preference shares, preferred securities and AT1 equity instruments		Undated subordinated liabilities	Dated subordinated liabilities		Senior non-preferred liabilities
3. Total capital and liabilities net of credit risk mitigation	1,575	3,363	2,163	435	2,891	3,496	1,465
4. Subset of row 3 that are excluded liabilities	-	-	-	-	-	-	-
5. Total capital and liabilities less excluded liabilities	1,575	3,363	2,163	435	2,891	3,496	1,465
6. Subset of row 5 that are eligible as TLAC	1,575	3,363	2,163	435	2,891	1,489	1,465
7. Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-	-	89	-
8. Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-	-	300	786
9. Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	-	-	1,100	679
10. Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	2,891	-	-
11. Subset of row 6 that are perpetual securities	1,575	3,363	2,163	435	-	-	-

Bank of Scotland plc

	Creditor ranking				£m
	£m	£m	£m	£m	
	(Most junior)				
1. Is the resolution entity the creditor/investor?	N	N	N	N	
2. Description of creditor ranking	Ordinary shares (£0.25 each)	Preference shares, preferred securities and AT1 equity instruments	Undated subordinated liabilities	Dated subordinated liabilities	Total
3. Total capital and liabilities net of credit risk mitigation	5,847	1,800	4,584	1,433	13,664
4. Subset of row 3 that are excluded liabilities	-	-	-	-	-
5. Total capital and liabilities less excluded liabilities	5,847	1,800	4,584	1,433	13,664
6. Subset of row 5 that are eligible as TLAC	5,847	1,800	4,584	1,183	13,414
7. Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	183	183
8. Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-	-
9. Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	1,000	1,000
10. Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
11. Subset of row 6 that are perpetual securities	5,847	1,800	4,584	-	12,231

Lloyds Bank Corporate Markets plc

	Creditor ranking				£m
	£m	£m	£m	£m	
	(Most junior)				
1. Is the resolution entity the creditor/investor?	Y	Y	Y		
2. Description of creditor ranking	Ordinary shares (£1.00 each)	AT1 equity instruments	Subordinated liabilities	Total	
3. Total capital and liabilities net of credit risk mitigation	120	813	724	1,657	
4. Subset of row 3 that are excluded liabilities	-	-	-	-	
5. Total capital and liabilities less excluded liabilities	120	813	724	1,657	
6. Subset of row 5 that are eligible as TLAC	120	813	724	1,657	
7. Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-	
8. Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-	
9. Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	275	275	
10. Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	449	449	
11. Subset of row 6 that are perpetual securities	120	813	-	933	

Table 47: Resolution entity – creditor ranking at legal entity level (TLAC 3)

The following disclosure, based on the Basel Committee Pillar 3 template “TLAC 3”, provides information on the creditor hierarchy for the resolution entity (Lloyds Banking Group plc).

The disclosure includes information on the nominal value of all MREL eligible instruments and other liabilities to the extent that they are subordinate to or rank pari passu with the most senior MREL eligible claim. Where the instrument is denominated in foreign currency, the nominal value is converted into sterling using the rate as at 30 June 2019.

For ordinary shares, this excludes the value of share premium and reserves attributable to ordinary shareholders.

Lloyds Banking Group plc	Creditor ranking					£m
	£m	£m	£m	£m	£m	
	(Most junior)					
1. Description of creditor ranking	Ordinary shares (£0.10 each)	Preference shares and AT1 equity instruments	Undated subordinated liabilities	Dated subordinated liabilities	Senior liabilities	Total
2. Total capital and liabilities net of credit risk mitigation	7,076	6,852	10	5,527	22,039	41,504
3. Subset of row 2 that are excluded liabilities	-	-	-	-	164	164
4. Total capital and liabilities less excluded liabilities	7,076	6,852	10	5,527	21,875	41,340
5. Subset of row 4 that are potentially eligible as TLAC	7,076	6,852	10	5,527	21,875	41,340
6. Subset of row 5 with 1 year ≤ residual maturity < 2 years	-	-	-	-	393	393
7. Subset of row 5 with 2 years ≤ residual maturity < 5 years	-	-	-	-	11,212	11,212
8. Subset of row 5 with 5 years ≤ residual maturity < 10 years	-	-	-	3,700	10,155	13,855
9. Subset of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	1,827	115	1,942
10. Subset of row 5 that are perpetual securities	7,076	6,852	10	-	-	13,938

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) and CCR7 (RWA flow statements of CCR exposures under the IMM).

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 2019 half-year results. CR8 (RWA flow statements of credit risk exposures under the IRB approach) is met through the disclosure of Table 4: 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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