Lloyds Banking Group plc

Q1 2022
Pillar 3 Disclosures
31 March 2022

BASIS OF PREPARATION

This report presents the interim Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 31 March 2022 and should be read in conjunction with the Group's Q1 2022 Interim Management Statement.

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

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

– Template CCR7 (RWA flow statements of CCR exposures under the IMM) is not applicable to the Group.

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

Consolidated interim Pillar 3 disclosures for the Group's ring-fenced banking group (Lloyds Bank plc and its subsidiaries) will be published separately on the Group's website, located at www.lloydsbankinggroup.com/investors/financial-downloads.

FORWARD LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of our securities; 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; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of our financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

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Key metric and overview of risk weighted exposure amounts

KM1: Key Metrics[1,4]

KM1 Ref	LR2 Ref		31 Mar 2022[2]	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
		Available own funds (amounts)					
1		Common Equity Tier 1 (CET1) capital (£m)	29,816	33,815	34,419	33,525	33,240
2		Tier 1 capital (£m)	34,174	39,145	39,749	38,855	38,534
3		Total capital (£m)	39,735	46,334	47,365	46,481	45,697
		Risk-weighted exposure amounts					
4		Total risk-weighted exposure amount (£m)	210,220	195,967	200,678	200,858	198,894
		Capital ratios (as a percentage of risk-weighted exposure amount)					
5		Common Equity Tier 1 ratio (%)	14.2%	17.3%	17.2%	16.7%	16.7%
6		Tier 1 ratio (%)	16.3%	20.0%	19.8%	19.3%	19.4%
7		Total capital ratio (%)	18.9%	23.6%	23.6%	23.1%	23.0%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a		Additional CET1 SREP requirements (%)	2.0%	2.1%	2.2%	2.2%	2.2%
UK 7b		Additional AT1 SREP requirements (%)	0.7%	0.7%	0.7%	0.7%	0.7%
UK 7c		Additional T2 SREP requirements (%)	0.9%	0.9%	1.0%	1.0%	1.0%
UK 7d		Total SREP own funds requirements (%)	11.5%	11.7%	11.8%	11.8%	11.9%
		Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8		Capital conservation buffer (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9		Institution specific countercyclical capital buffer (%)	0.005%	0.005%	0.007%	0.003%	0.003%
10a		Other Systemically Important Institution buffer (%)[3]	—	—	—	—	—
11		Combined buffer requirement (%)	2.505%	2.505%	2.507%	2.503%	2.503%
UK 11a		Overall capital requirements (%)	14.0%	14.2%	14.3%	14.3%	14.4%
12		CET1 available after meeting minimum SREP own funds requirements (%)[5]	7.7%	10.7%	10.5%	10.0%	10.0%
		Leverage ratio					
13	24b	Total exposure measure excluding claims on central banks (£m)	663,025	664,362	671,527	658,689	655,443
14	25	Leverage ratio excluding claims on central banks (%)	5.2%	5.8%	5.8%	5.8%	6.0%
		Additional leverage ratio disclosure requirements					
UK 14a	UK 25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.1%	5.7%	5.7%	5.6%	5.7%
UK 14b	UK 25c	Leverage ratio including claims on central banks (%)	4.5%	5.2%	5.3%	5.2%	5.3%
UK 14c	UK 33	Average leverage ratio excluding claims on central banks (%)[6]	5.3%	5.8%	5.8%	5.9%	5.9%
UK 14d	UK 34	Average leverage ratio including claims on central banks (%)	4.7%	5.2%	5.3%	5.3%	5.3%
UK 14e	UK 27b	Countercyclical leverage ratio buffer (%)[7]	0.0%	0.0%	0.0%	0.0%	0.0%
		Average Liquidity Coverage Ratio (weighted) (LCR)[8]					
15		Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	144,247	140,222	137,134	139,108	142,700
UK 16a		Cash outflows - Total weighted value - average (£m)	115,635	114,229	115,144	114,986	115,602
UK 16b		Cash inflows - Total weighted value - average (£m)	11,288	10,028	10,049	9,162	9,160
16		Total net cash outflows (adjusted value - average) (£m)	104,347	104,201	105,095	105,824	106,442
17		Average liquidity coverage ratio (%)	138%	135%	130%	131%	134%

1 The Group applies the full extent of the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). Specifically, the Group has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief) and in addition to apply a 100% risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. As at 31 March 2022, static relief under the transitional arrangements amounted to £248 million (31 December 2021: £353 million) and dynamic relief under the transitional arrangements amounted to £3 million (31 December 2021: £428 million) through CET1 capital.

2 Incorporating profits for the quarter that remain subject to formal verification in accordance with capital regulations.

3 Although the Group does not have an Other Systemically Important Institution (OSII) buffer, it is required to hold additional CET1 capital to meet its Ring-Fenced Bank's OSII buffer of 2.0 per cent, which equates to 1.7 per cent of Group risk-weighted exposure amounts.

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

5 Represents, as a percentage, the level of CET1 capital left available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet total Pillar 1 plus Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5 per cent (Pillar 1) plus the additional CET1 SREP requirement (56.25 per cent of Pillar 2A).

6 The average leverage exposure measure (excluding claims on central banks) for the period from 1 January 2022 to 31 March 2022 amounted to £669,880 million.

7 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage. The Group's total leverage ratio buffer at 31 March 2022 was 0.6 per cent (31 December 2022: 0.6 per cent), which equates to the additional leverage ratio buffer (ALRB) of 0.7 per cent applied to the Ring-Fenced Bank.

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

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

Common Equity Tier 1

The Group's common equity tier 1 (CET1) capital ratio has reduced from 17.3 per cent at 31 December 2021 (16.3 per cent on a pro forma basis[1]) to 14.2 per cent at 31 March 2022, largely reflecting the implementation of regulatory changes on 1 January 2022 which included an increase in risk-weighted assets as well as other related modelled impacts, in addition to the reinstatement of the full deduction treatment for intangible software assets and phased reductions in IFRS 9 transitional relief. Further reductions in the ratio during the quarter resulted from accelerated pension contributions to the Group's three main defined benefit pension schemes, recognition of the full impact of the ordinary share buyback programme (as announced in February 2022) and the foreseeable ordinary dividend accrual. This was partially offset by banking profits for the period, the dividend received from the Group's Insurance business and a reduction in risk-weighted assets, subsequent to the increase on 1 January 2022.

Total Capital and MREL

The total capital ratio reduced to 18.9 per cent (31 December 2021: 23.6 per cent) and the minimum requirement for own funds and eligible liabilities (MREL) reduced to 31.6 per cent (31 December 2021: 37.2 per cent) primarily reflecting the reduction in CET1 capital, the partial reduction in an AT1 instrument, the increase in risk-weighted assets and completion of the transition to end-point eligibility rules for regulatory capital and MREL on 1 January 2022.

Risk-Weighted Assets

Risk-weighted assets increased from £196.0 billion at 31 December 2021 to £210.2 billion at 31 March 2022, reflecting the implementation of the regulatory changes on 1 January 2022, including the implementation (via the application of temporary model adjustments) of new CRD IV models to meet revised regulatory standards for modelled outputs and a new standardised approach for measuring counterparty credit risk (SA-CCR) following the UK implementation of the remainder of Capital Requirements Regulation (CRR) 2. This was partially offset by a subsequent reduction in risk-weighted assets during the quarter which largely reflected optimisation activities, model recalibrations and lower market risk exposure, offset in part by the growth in balance sheet lending. The new CRD IV models remain subject to finalisation and approval by the PRA and therefore uncertainty over the final impact remains.

Leverage

The UK leverage ratio reduced to 5.2 per cent (31 December 2021: 5.8 per cent) with the average UK leverage ratio over the same period (1 January 2022 to 31 March 2022) at 5.3 per cent. This predominantly reflected reductions in the tier 1 capital measure throughout the quarter which included the implementation of regulatory changes impacting CET1 capital on 1 January 2022 and, during the quarter, the recognition of the full impact of the ordinary share buyback programme (as announced in February 2022), accelerated pension contributions and the partial reduction in an AT1 instrument, offset in part by banking profits.

1 Pro forma basis reflects the dividend received from Insurance in February 2022 and the full impact of the share buyback.

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

Capital - IFRS 9 / Article 468-FL[1,3]

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

		31 Mar 2022[2]	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	29,816	33,815	34,419	33,525	33,240
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	29,565	33,033	33,187	31,855	31,339
3	Tier 1 capital (£m)	34,174	39,145	39,749	38,855	38,534
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	33,922	38,363	38,517	37,185	36,633
5	Total capital (£m)	39,735	46,334	47,365	46,481	45,697
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	39,629	46,336	47,355	46,153	45,106
	Risk-weighted exposure amounts					
7	Total risk-weighted exposure amount (£m)	210,220	195,967	200,678	200,858	198,894
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	210,065	195,874	200,483	200,234	198,381
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	14.2%	17.3%	17.2%	16.7%	16.7%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	14.1%	16.9%	16.6%	15.9%	15.8%
11	Tier 1 ratio (%)	16.3%	20.0%	19.8%	19.3%	19.4%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	16.1%	19.6%	19.2%	18.6%	18.5%
13	Total capital ratio (%)	18.9%	23.6%	23.6%	23.1%	23.0%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	18.9%	23.7%	23.6%	23.0%	22.7%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	663,025	664,362	671,527	658,689	655,443
16	Leverage ratio excluding claims on central banks (%)	5.2%	5.8%	5.8%	5.8%	6.0%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	5.1%	5.7%	5.7%	5.6%	5.7%

1 The Group applies the full extent of the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). Specifically, the Group has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief) and in addition to apply a 100% risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. As at 31 March 2022, static relief under the transitional arrangements amounted to £248 million (31 December 2021: £353 million) and dynamic relief under the transitional arrangements amounted to £3 million (31 December 2021: £428 million) through CET1 capital.
2 Incorporating profits for the quarter that remain subject to formal verification in accordance with capital regulations.
3 The Group has chosen not to apply the temporary treatment specified under CRR Article 468 (revised) and therefore the reported own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses on holdings in government and public sector debt measured at fair value through other comprehensive income.

KM2: Key Metrics – TLAC requirements

		31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
		Resolution Group[1]	Resolution Group[1]	Resolution Group[1]	Resolution Group[1]	Resolution Group[1]
		£m	£m	£m	£m	£m
1	Total loss absorbing capacity (TLAC) available	66,448	72,954	74,130	72,846	71,832
1a	Fully loaded ECL accounting model TLAC available	66,342	72,956	74,120	72,519	71,241
2	Total RWA at the level of the resolution group	210,220	195,967	200,678	200,858	198,894
3	TLAC as a percentage of RWA	31.6%	37.2%	36.9%	36.3%	36.1%
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA	31.6%	37.2%	37.0%	36.2%	35.9%
4	UK leverage ratio exposure measure at the level of the resolution group	663,025	664,362	671,527	658,689	655,443
5	TLAC as a percentage of UK leverage ratio exposure measure	10.0%	11.0%	11.0%	11.1%	11.0%
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure	10.0%	11.0%	11.1%	11.0%	10.9%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	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	N/a	N/a	N/a	N/a

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

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

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Mar 2022	31 Dec 2021[1]	31 Mar 2022
		£m	£m	£m
1	**Credit risk (excluding CCR)[1]**	**169,913**	156,905	**13,592**
2	Of which the standardised approach[1]	23,643	21,628	1,891
3	Of which the foundation IRB (FIRB) approach	37,526	38,207	3,002
4	Of which slotting approach	9,419	9,048	754
UK 4a	Of which equities under the simple risk weighted approach[1]	12,453	15,314	996
5	Of which the advanced IRB (AIRB) approach	81,067	65,450	6,485
	Of which: non-credit obligation assets[2]	5,805	7,258	464
6	**Counterparty credit risk - CCR[1]**	**7,965**	5,939	**637**
7	Of which the standardised approach	6,579	—	526
	Of which: marked to market[1]	—	4,401	—
UK 8a	Of which exposures to a CCP	178	522	14
UK 8b	Of which credit valuation adjustment - CVA	821	678	66
9	Of which other CCR	387	338	31
16	**Securitisation exposures in the non-trading book (after the cap)[1]**	**6,056**	5,945	**484**
17	Of which SEC-IRBA approach	2,120	2,188	170
18	Of which SEC-ERBA (including IAA)[1]	2,043	1,978	163
19	Of which SEC-SA approach[1]	1,893	1,779	151
20	**Position, foreign exchange and commodities risks (Market risk)**	**2,482**	3,153	**199**
21	Of which the standardised approach	335	353	27
22	Of which IMA	2,147	2,800	172
23	**Operational risk**	**23,804**	24,025	**1,904**
UK 23b	Of which standardised approach	23,804	24,025	1,904
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)[1]**	11,182	12,359	895
29	**Total**	**210,220**	195,967	**16,816**
	Pillar 2A capital requirement			7,308
	Total capital requirement			**24,124**

1 Restated in accordance with revised OV1 template requirements: (i) threshold balances now reported through relevant underlying category; (ii) counterparty credit risk exposures linked to securitisations now reported through securitisation exposures.

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

IRB Approach to Credit Risk

The table below summarises the movements of risk-weighted assets for credit risk exposures under the Internal Ratings Based (IRB) Approach. The table excludes counterparty credit risk exposures, securitisation exposures, other non-credit obligation assets and equity exposures.

CR8: Risk-weighted assets flow statements of credit risk exposures - year to 31 March 2022

		Total RWA	Total own funds requirements
		£m	£m
1	**Risk weighted exposure amount as at 31 Dec 2021**	**112,705**	**9,017**
2	Asset size (+/-)	447	36
3	Asset quality (+/-)	(871)	(70)
4	Model updates (+/-)	—	—
5	Methodology and policy (+/-)	15,517	1,241
6	Acquisitions and disposals (+/-)	—	—
7	Foreign exchange movements (+/-)	214	17
8	Other (+/-)	—	—
9	**Risk weighted exposure amount as at 31 Mar 2022**	**128,012**	**10,241**

Key movements

– Asset quality decrease mainly driven by retail model calibrations.

– Methodology and policy increases in risk-weighted assets reflect the implementation (via the application of temporary model adjustments) of new CRD IV models to meet revised regulatory standards for modelled outputs, partly offset by other optimisation activity.

Internal Model for Market Risk

The table below summarises the movements of risk-weighted assets for market risk exposures under the Internal Models Approach (IMA).

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

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m	£m
1	**RWAs at 31 Dec 2021**	**322**	**1,268**	**181**	**—**	**1,029**	**2,800**	**224**
1a	Regulatory adjustment	(218)	(1,022)	—	—	—	**(1,240)**	(99)
1b	**RWAs at end of day 31 Dec 2021[1]**	**104**	**246**	**181**	**—**	**1,029**	**1,560**	**125**
2	Movement in risk levels	29	(82)	(132)	—	(128)	**(313)**	(25)
3	Model updates/changes	—	—	—	—	(7)	**(7)**	(1)
4	Methodology and policy	—	—	—	—	—	**—**	—
5	Acquisitions and disposals	—	—	—	—	—	**—**	—
6	Foreign exchange movements	—	—	—	—	—	**—**	—
7	Other	—	—	—	—	—	**—**	—
8a	**RWAs at end of day 31 Mar 2022[1]**	**133**	**164**	**49**	**—**	**894**	**1,240**	**99**
8b	Regulatory adjustment	244	603	60	—	—	**907**	**73**
8	**RWAs at 31 Mar 2022**	**377**	**767**	**109**	**—**	**894**	**2,147**	**172**

[1] End of day represents spot position

Key movements

– Market risk RWAs decreased over the quarter largely driven by a reduction in interest rate risk exposure.

Liquidity Requirements

LIQ1: Liquidity Coverage Ratio

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

		Total unweighted value (average)				Total weighted value (average)			
		31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS (£m)									
1	Total high-quality liquid assets (HQLA)					144,247	140,222	137,134	139,108
CASH - OUTFLOWS (£m)									
2	Retail deposits and deposits from small business customers, of which:	343,328	337,567	329,537	320,394	23,433	22,944	22,254	21,516
3	Stable deposits	259,849	257,170	253,006	247,875	12,992	12,859	12,650	12,394
4	Less stable deposits	83,479	80,396	76,531	72,519	10,441	10,086	9,603	9,122
5	Unsecured wholesale funding	104,700	103,203	102,983	102,673	50,821	50,090	50,582	51,181
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	35,013	33,618	32,045	30,477	8,753	8,405	8,011	7,619
7	Non-operational deposits (all counterparties)	65,656	66,203	67,452	68,384	38,037	38,304	39,085	39,751
8	Unsecured debt	4,031	3,382	3,486	3,811	4,031	3,382	3,486	3,811
9	Secured wholesale funding					99	120	121	101
10	Additional requirements	73,703	74,542	76,860	77,360	35,734	35,675	36,567	36,598
11	Outflows related to derivative exposures and other collateral requirements	24,589	24,191	24,634	24,471	24,584	24,186	24,631	24,471
12	Outflows related to loss of funding on debt products	936	944	1,023	1,012	936	944	1,023	1,012
13	Credit and liquidity facilities	48,178	49,407	51,202	51,878	10,214	10,546	10,913	11,115
14	Other contractual funding obligations	811	686	830	888	448	320	461	516
15	Other contingent funding obligations	94,369	93,633	93,405	92,409	5,100	5,079	5,159	5,074
16	TOTAL CASH OUTFLOWS					115,635	114,229	115,144	114,986

LIQ1: Liquidity Coverage Ratio (continued)

		Total unweighted value (average)				Total weighted value (average)			
		31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
CASH - INFLOWS (£m)									
17	Secured lending (e.g. reverse repos)	**31,614**	30,752	29,909	30,856	**342**	307	267	227
18	Inflows from fully performing exposures	**4,752**	4,568	4,564	4,507	**3,198**	3,049	3,026	2,957
19	Other cash inflows	**8,147**	7,062	7,138	6,356	**7,748**	6,672	6,757	5,977
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					**—**	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)					**—**	—	—	—
20	TOTAL CASH INFLOWS	**44,513**	42,382	41,611	41,720	**11,288**	10,028	10,049	9,162
UK-20a	Fully exempt inflows	**—**	—	—	—	**—**	—	—	—
UK-20b	Inflows subject to 90% cap	**—**	—	—	—	**—**	—	—	—
UK-20c	Inflows subject to 75% cap	**40,083**	38,068	37,629	37,839	**11,288**	10,028	10,049	9,162
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER (£m)					**144,247**	140,222	137,134	139,108
22	TOTAL NET CASH OUTFLOWS (£m)					**104,347**	104,201	105,095	105,824
23	LIQUIDITY COVERAGE RATIO (%)					**138 %**	135 %	130 %	131 %

LIQB: Qualitative information on LCR

The Group's Pillar 3 LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of each quarter) was 138% as of 31 March 2022. The 3% increase from 135% for the prior quarter is explained primarily by an increase in liquid assets.

Over time, the general increase in the Pillar 3 template LCR is explained primarily by an increase in liquid assets. This results primarily from draw downs from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) during 2021.

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

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

Group derivative exposures and other collateral requirements outflows primarily include modelled outflows due to a deterioration in credit rating and outflows from the impact of an adverse market scenario on derivatives transactions. Also included are outflows on derivative contracts that have offsetting inflows recorded in 'other cash inflows' in the template.

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