Lloyds Banking Group plc

Q3 2023

Pillar 3 Disclosures

30 September 2023

Table of contents

Basis of preparation

This report presents the interim Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 30 September 2023 and should be read in conjunction with the Group's Q3 2023 Interim Management Statement.

These disclosures have been prepared in accordance with the Disclosure section of the PRA Rulebook. Pillar 3 templates required to be disclosed on a quarterly basis that have not been included in this report are listed in the table below along with the reason for exclusion.

PRA reference	Template name	Reason for exclusion
CCR7	RWA flow statements of CCR exposures under the IMM	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.

Interim Pillar 3 disclosures for the Group's ring-fenced banking group (Lloyds Bank plc) and large subsidiaries (Bank of Scotland plc and Lloyds Bank Corporate Markets plc) are published separately on the Group's website, located at www.lloydsbankinggroup.com/investors/financial-downloads.

Key metric and overview of risk weighted exposure amounts

KM1: Key metrics[1]

KM1 Ref	Available own funds (amounts)	**30 Sep 2023**	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
1	Common Equity Tier 1 (CET1) capital (£m)	**31,681**	30,604	29,740	31,865	31,571
2	Tier 1 capital (£m)	**37,494**	36,417	35,688	36,036	35,607
3	Total capital (£m)	**43,339**	42,453	42,035	41,580	40,885
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount (£m)	**217,712**	215,290	210,906	210,859	210,822
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	**14.6%**	14.2%	14.1%	15.1%	15.0%
6	Tier 1 ratio (%)	**17.2%**	16.9%	16.9%	17.1%	16.9%
7	Total capital ratio (%)	**19.9%**	19.7%	19.9%	19.7%	19.4%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	**1.5%**	1.5%	1.5%	1.5%	2.0%
UK 7b	Additional AT1 SREP requirements (%)	**0.5%**	0.5%	0.5%	0.5%	0.7%
UK 7c	Additional T2 SREP requirements (%)	**0.7%**	0.7%	0.7%	0.7%	0.9%
UK 7d	Total SREP own funds requirements (%)	**10.7%**	10.7%	10.7%	10.7%	11.5%
	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 (%)	**1.820%**	0.926%	0.898%	0.895%	0.007%
10a	Other Systemically Important Institution buffer (%)[2]	**—**	—	—	—	—
11	Combined buffer requirement (%)	**4.320%**	3.426%	3.398%	3.395%	2.507%
UK 11a	Overall capital requirements (%)	**15.0%**	14.1%	14.1%	14.1%	14.0%
12	CET1 available after meeting minimum SREP own funds requirements (%)[3]	**8.6%**	8.2%	8.1%	9.1%	8.5%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (£m)	**653,546**	638,202	637,502	638,815	665,993
14	Leverage ratio excluding claims on central banks (%)	**5.7%**	5.7%	5.6%	5.6%	5.3%
	Additional leverage ratio disclosure requirements					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.7%**	5.7%	5.6%	5.6%	5.3%
UK 14b	Leverage ratio including claims on central banks (%)	**5.1%**	5.0%	4.8%	4.9%	4.8%
UK 14c	Average leverage ratio excluding claims on central banks (%)[4]	**5.7%**	5.6%	5.5%	5.5%	5.4%
UK 14d	Average leverage ratio including claims on central banks (%)	**5.0%**	4.9%	4.8%	4.9%	4.8%
UK 14e	Countercyclical leverage ratio buffer (%)[5]	**0.6%**	0.3%	0.3%	0.3%	0.0%
	Average Liquidity Coverage Ratio (weighted) (LCR)[6]					
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**136,565**	138,227	140,468	144,682	148,545
UK 16a	Cash outflows - Total weighted value - average (£m)	**112,466**	113,412	113,693	114,557	114,539
UK 16b	Cash inflows - Total weighted value - average (£m)	**16,162**	16,237	15,762	14,275	12,796
16	Total net cash outflows (adjusted value - average) (£m)	**96,304**	97,175	97,931	100,282	101,743
17	Average liquidity coverage ratio (%)	**142%**	142%	143%	144%	146%
	Average Net Stable Funding Ratio[7]					
18	Total available stable funding (Weighted value - average) (£m)	**530,063**	529,863	531,276	533,472	
19	Total required stable funding (Weighted value - average) (£m)	**407,773**	408,889	411,214	410,851	
20	Average NSFR ratio (%)	**130%**	130%	129%	130%	

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 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. The transitional arrangements for static relief ended on 1 January 2023 and therefore no static relief exists at 30 September 2023 (31 December 2022: £232 million). Dynamic relief under the transitional arrangements amounted to £245 million (31 December 2022: £358 million) through CET1 capital.

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

3 Represents, as a percentage, the level of CET1 capital left available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet total Pillar 1 plus Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5 per cent (Pillar 1) plus the additional CET1 SREP requirement (56.25 per cent of Pillar 2A). The Group's Pillar 2A capital requirement is around 2.7 per cent of risk-weighted assets, of which around 1.5 per cent is to be met with CET1 capital.

4 The average leverage exposure measure (excluding claims on central banks) for the period from 1 July 2023 to 30 September 2023 amounted to £649,434 million.

5 The countercyclical leverage ratio buffer (CCLB) is required to be rounded to the nearest tenth of a percentage. The Group's total leverage ratio buffer at 30 September 2023 was 1.2 per cent (31 December 2022: 0.9 per cent), of which 0.6 per cent equates to the additional leverage ratio buffer (ALRB) of 0.7 per cent applied to the Ring-Fenced Bank.

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

7 The net stable funding balances are calculated as the simple averages of month end observations over the 4 quarterly averages preceding the end of each quarter.

Key metric and overview of risk weighted exposure amounts continued

IFRS 9-FL: Capital

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

		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**31,681**	30,604	29,740	31,865	31,571
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**31,436**	30,331	29,494	31,275	31,101
3	Tier 1 capital (£m)	**37,494**	36,417	35,688	36,036	35,607
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**37,249**	36,144	35,442	35,446	35,136
5	Total capital (£m)	**43,339**	42,453	42,035	41,580	40,885
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**43,326**	42,414	42,005	41,480	40,791
	Risk-weighted exposure (amounts)					
7	Total risk-weighted exposure amount (£m)	**217,712**	215,290	210,906	210,859	210,822
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**217,601**	215,160	210,753	210,573	210,554
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	**14.6%**	14.2%	14.1%	15.1%	15.0%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.4%**	14.1%	14.0%	14.9%	14.8%
11	Tier 1 ratio (%)	**17.2%**	16.9%	16.9%	17.1%	16.9%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**17.1%**	16.8%	16.8%	16.8%	16.7%
13	Total capital ratio (%)	**19.9%**	19.7%	19.9%	19.7%	19.4%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**19.9%**	19.7%	19.9%	19.7%	19.4%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	**653,546**	638,202	637,502	638,815	665,993
16	Leverage ratio excluding claims on central banks (%)	**5.7%**	5.7%	5.6%	5.6%	5.3%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.7%**	5.7%	5.6%	5.6%	5.3%

KM2: Key Metrics – TLAC requirements

		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
				Resolution Group[1]		
1	Total loss absorbing capacity (TLAC) available (£m)	**71,071**	66,705	67,681	66,830	69,068
1a	Fully loaded ECL accounting model TLAC available (£m)	**71,059**	66,666	67,650	66,729	68,974
2	Total RWA at the level of the resolution group (£m)	**217,712**	215,290	210,906	210,859	210,822
3	TLAC as a percentage of RWA (%)	**32.6%**	31.0%	32.1%	31.7%	32.8%
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**32.7%**	31.0%	32.1%	31.7%	32.8%
4	UK leverage ratio exposure measure at the level of the resolution group (£m)	**653,546**	638,202	637,502	638,815	665,993
5	TLAC as a percentage of UK leverage ratio exposure measure (%)	**10.9%**	10.5%	10.6%	10.5%	10.4%
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure (%)	**10.9%**	10.5%	10.6%	10.5%	10.4%
6a	Does the subordination exemption in the ante-penultimate 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

Common Equity Tier 1

The Group's common equity tier 1 (CET1) capital ratio has reduced to 14.6 per cent at 30 September 2023 (31 December 2022: 15.1 per cent). Banking business profits for the first nine months of the year and the dividend received from the Group's Insurance business were partly offset by risk-weighted asset increases (including CRD IV model changes), the full year payment of fixed pension deficit contributions made to the Group's three main defined benefit pension schemes and phased reductions in IFRS 9 transitional relief. The capital ratio reduction also reflects the share buyback programme completed during the period, the interim ordinary dividend paid in September, the foreseeable ordinary dividend accrual and the acquisition of Tusker.

Total Capital and MREL

The Group's total capital ratio increased to 19.9 per cent at 30 September 2023 (31 December 2022: 19.7 per cent) primarily reflecting AT1 and Tier 2 issuance, partially offset by the reduction in CET1 capital, risk weighted asset increases and other movements in Tier 2 capital instruments. The MREL ratio increased to 32.6 per cent at 30 September 2023 (31 December 2022: 31.7 per cent) largely reflecting the increase in total capital resources and issuance of other eligible liabilities, partially offset by the increase in risk-weighted assets.

Risk-Weighted Assets

Risk-weighted assets have increased by £6.8 billion during the first nine months of the year to £217.7 billion at 30 September 2023 (31 December 2022: £210.9 billion). This includes an adjustment for part of the anticipated impact of CRD IV model updates. Excluding this, lending and market risk increases, a modest uplift from credit and model calibrations and other movements were partly offset by capital efficient securitisation and other optimisation activity. The CRD IV model updates reflect a further iteration of model development. The models remain subject to further development and final approval by the PRA. On that basis final impacts remain uncertain and further increases are likely to be required.

Leverage

The Group's UK leverage ratio increased to 5.7 per cent (31 December 2022: 5.6 per cent) reflecting an increase in the total tier 1 capital position. This was partially offset by the increase in the leverage exposure measure following increases in securities financing transactions and other balance sheet assets.

Liquidity

The Group's liquidity coverage ratio (LCR) was 142 percent (based on a monthly rolling average over the previous 12 months) as at 30 September 2023 (31 December 2022: 144 per cent). The 2 percent decrease is due to a decrease in liquid assets, primarily from a decrease in customer deposits. Net cash outflows also decreased, primarily from a decrease in customer deposit outflows. The Group's net stable funding ratio (NSFR) remains strong at 130 per cent (based on a quarterly rolling average over the previous 4 quarters) as at 30 September 2023 (31 December 2022: 130 per cent).

Key metric and overview of risk weighted exposure amounts continued

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		30 Sep 2023	31 Dec 2022	30 Sep 2023
		£m	£m	£m
1	**Credit risk (excluding CCR)**	**174,668**	170,474	**13,972**
2	Of which the standardised approach	**23,455**	23,119	**1,876**
3	Of which the foundation IRB (FIRB) approach	**36,409**	37,479	**2,912**
4	Of which slotting approach	**9,269**	9,021	**741**
UK 4a	Of which equities under the simple risk weighted approach	**13,663**	13,672	**1,093**
5	Of which the advanced IRB (AIRB) approach	**85,186**	81,091	**6,815**
	Of which: non-credit obligation assets[1]	**6,686**	6,092	**535**
6	**Counterparty credit risk (CCR)**	**5,978**	6,532	**479**
7	Of which the standardised approach	**4,896**	5,488	**392**
UK 8a	Of which exposures to a CCP	**199**	96	**16**
UK 8b	Of which credit valuation adjustment (CVA)	**584**	621	**47**
9	Of which other CCR	**299**	327	**24**
16	**Securitisation exposures in the non-trading book (after the cap)**	**7,857**	6,397	**629**
17	Of which SEC-IRBA approach	**3,348**	2,176	**268**
18	Of which SEC-ERBA approach (including IAA)	**1,669**	1,657	**134**
19	Of which SEC-SA approach	**2,840**	2,564	**227**
20	**Position, foreign exchange and commodities risks (Market risk)**	**4,932**	3,215	**395**
21	Of which the standardised approach	**698**	204	**56**
22	Of which IMA	**4,234**	3,011	**339**
23	**Operational risk**	**24,277**	24,241	**1,942**
UK 23b	Of which standardised approach	**24,277**	24,241	**1,942**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**11,208**	11,883	**897**
29	**Total**	**217,712**	210,859	**17,417**
	Pillar 2A capital requirement[2]			**5,839**
	Total capital requirement			**23,256**

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

2 As at 30 September 2023, the Pillar 2A capital requirement was around 2.7 per cent of risk-weighted assets, of which around 1.5 per cent was to be met with CET1 capital.

Credit risk

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

CR8: Risk-weighted assets flow statements of credit risk exposures

		Total RWA quarter to 30 Sept 2023	Total RWA YTD 30 Sept 2023
		£m	£m
1	Risk weighted exposure amount as at the end of previous reporting period	129,279	127,591
2	Asset size (+/-)	**82**	**1,664**
3	Asset quality (+/-)	**1,276**	**1,889**
5	Methodology and policy (+/-)	**(198)**	**2,505**
6	Acquisitions and disposals (+/-)	**—**	**(1,391)**
7	Foreign exchange movements (+/-)	**425**	**(259)**
8	Other (+/-)	**—**	**(1,135)**
9	**Risk weighted exposure amount at the end of the reporting period**	**130,864**	**130,864**

Key movements 30 June to 30 September 2023

– Asset quality movement predominantly driven by our Retail mortgage portfolio.

– Methodology and Policy movements driven by ongoing optimisation activity in Commercial Banking.

– Foreign exchange movements are principally driven by movement in the US Dollar impacting Commercial Banking.

Market Risk

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

MR2-B: Risk-weighted assets flow statements of market risk exposures under the Internal Model Approach

		Total RWA Quarter to 30 Sept 2023					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	RWAs at 30 June 2023	1,212	683	198	1,118	3,211	257
1a	Regulatory adjustment	(809)	(499)	(13)	(1)	(1,322)	(106)
1b	RWAs at end of day[1]	403	184	185	1,117	1,889	151
2	Movement in risk levels	**166**	**—**	**187**	**(35)**	**318**	**26**
3	Model updates/changes	**170**	**—**	**—**	**—**	**170**	**14**
7	Other	**—**	**—**	**—**	**653**	**653**	**52**
8a	**RWAs at end of day[1]**	**739**	**184**	**372**	**1,735**	**3,030**	**243**
8b	**Regulatory adjustment**	**620**	**584**	**—**	**—**	**1,204**	**96**
8	**RWAs at 30 Sept 2023**	**1,359**	**768**	**372**	**1,735**	**4,234**	**339**

		Total RWA YTD to 30 Sept 2023					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	RWAs at 31 Dec 2022	1,033	734	124	1,120	3,011	241
1a	Regulatory adjustment	(920)	(565)	(32)	—	(1,517)	(121)
1b	RWAs at end of day[1]	113	169	92	1,120	1,494	120
2	Movement in risk levels	**459**	**17**	**280**	**(165)**	**591**	**48**
3	Model updates/changes	**170**	**—**	**—**	**(44)**	**126**	**10**
4	Methodology and policy	**(3)**	**(2)**	**—**	**(29)**	**(34)**	**(3)**
7	Other	**—**	**—**	**—**	**853**	**853**	**68**
8a	**RWAs at end of day[1]**	**739**	**184**	**372**	**1,735**	**3,030**	**243**
8b	**Regulatory adjustment**	**620**	**584**	**—**	**—**	**1,204**	**96**
8	**RWAs at 30 Sept 2023**	**1,359**	**768**	**372**	**1,735**	**4,234**	**339**

[1] End of day represents spot position

Key movements 30 June to 30 September 2023:

- Movement in VaR RWA driven by model change following IBOR transition combined with increased trading book activity.
- Increase to the RWA add-on introduced to anticipate the capital impact of a planned enhancement to the internal model approach ("Other").
- Increase in IRC RWA driven by increased trading activity.

Liquidity

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

LIQ1: Liquidity Coverage Ratio

		Total unweighted value (average)				Total weighted value (average)			
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	**30 Sep 2023**	30 Jun 2023	31 Mar 2023	31 Dec 2022
	Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
High-quality liquid assets (£m)									
1	Total high-quality liquid assets (HQLA)					**136,565**	138,227	140,468	144,682
Cash - outflows (£m)									
2	Retail deposits and deposits from small business customers, of which:	**346,114**	348,205	349,610	350,186	**23,522**	23,781	23,957	24,004
3	Stable deposits	**261,108**	261,873	262,426	262,815	**13,055**	13,094	13,121	13,141
4	Less stable deposits	**85,006**	86,332	87,184	87,371	**10,467**	10,687	10,836	10,863
5	Unsecured wholesale funding	**98,303**	100,623	102,908	105,347	**48,807**	49,407	50,105	51,218
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**25,847**	30,160	34,626	36,854	**6,462**	7,540	8,656	9,214
7	Non-operational deposits (all counterparties)	**67,805**	65,639	62,889	62,764	**37,694**	37,043	36,056	36,275
8	Unsecured debt	**4,651**	4,824	5,393	5,729	**4,651**	4,824	5,393	5,729
9	Secured wholesale funding					**211**	141	99	54
10	Additional requirements	**74,455**	73,962	73,016	71,764	**34,712**	34,525	33,894	33,381
11	Outflows related to derivative exposures and other collateral requirements	**22,595**	22,350	21,781	21,838	**22,595**	22,350	21,781	21,837
12	Outflows related to loss of funding on debt products	**856**	1,071	1,295	1,076	**856**	1,071	1,295	1,076
13	Credit and liquidity facilities	**51,004**	50,541	49,940	48,850	**11,261**	11,104	10,818	10,468
14	Other contractual funding obligations	**1,350**	1,440	1,248	1,197	**958**	1,058	876	828
15	Other contingent funding obligations	**94,074**	95,633	96,404	96,934	**4,256**	4,500	4,762	5,072
16	Total cash outflows					**112,466**	113,412	113,693	114,557
Cash - inflows (£m)									
17	Secured lending (e.g. reverse repos)	**35,559**	37,129	35,894	35,215	**470**	492	435	422
18	Inflows from fully performing exposures	**6,434**	6,113	5,729	5,514	**4,467**	4,188	3,883	3,708
19	Other cash inflows	**11,441**	11,868	11,847	10,573	**11,225**	11,557	11,444	10,145
20	Total cash inflows	**53,434**	55,110	53,470	51,302	**16,162**	16,237	15,762	14,275
UK-20c	Inflows subject to 75% cap	**50,710**	51,999	49,987	47,561	**16,162**	16,237	15,762	14,275
Total adjusted value									
UK-21	Liquidity buffer (£m)					**136,565**	138,227	140,468	144,682
22	Total net cash outflows (£m)					**96,304**	97,175	97,931	100,282
23	Liquidity coverage ratio (%)					**142%**	142%	143%	144%

Liquidity continued

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 142 per cent as of 30 September 2023, unchanged from prior quarter. Liquid assets decreased primarily from a decrease in customer deposits, offset with a decrease in net cash outflows primarily from an associated decrease in customer deposit outflows.

The Group's outflows related to derivative exposures and other collateral requirements include outflows for potential deterioration in credit rating and for the impact of an adverse market scenario on derivatives transactions. Also included are outflows on derivative contracts that have offsetting inflows recorded in 'other cash inflows' in the template.

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

The Group's liquidity buffer consists almost entirely of Level 1 assets. Level 1 assets are primarily held as central bank reserves and UK government bonds.

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

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds 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; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; market related risks, trends and developments; exposure to counterparty risk; instability in the global financial markets, including within the Eurozone, and as a result of the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; tightening of monetary policy in jurisdictions in which the Group operates; natural pandemic (including but not limited to the COVID-19 pandemic) and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; risks related to the uncertainty surrounding the integrity and continued existence of reference rates; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. 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. 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