

Lloyds Banking Group plc

2017 Half-Year
Pillar 3 Disclosures

16 August 2017

BASIS OF PREPARATION

This report presents the condensed half-year Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 30 June 2017, prepared in accordance with European Banking Authority (EBA) guidelines on Pillar 3 disclosure frequency and the guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 finalised in December 2016. The report should be read in conjunction with the 2017 Lloyds Banking Group Half-Year Results News Release.

The EBA guidelines on Pillar 3 disclosure frequency set out key information that institutions in the EU banking sector should consider disclosing on a more frequent than annual basis under Pillar 3. The Group's assessment of these guidelines has resulted in the disclosure of specific capital and leverage information at the interim quarter ends, with further detailed analysis provided at half-year as covered by this report. These half-year disclosures remain in addition to the full annual disclosure of the Group's Pillar 3 report. Risk-weighted assets by type of risk are included in the individual half-year Management Reports for the Group's significant subsidiaries Lloyds Bank Group and Bank of Scotland Group.

In 2015 the Basel Committee on Banking Supervision published revised Pillar 3 disclosure requirements with the aim of improving the comparability and consistency of disclosures between banks and within the various disclosures made by individual banks. The EBA subsequently issued its finalised guidelines in December 2016 to ensure the harmonised and timely implementation of the Pillar 3 framework revisions within the European Union.

The EBA guidelines described above apply from 31 December 2017, except for institutions that, as at 1 January 2016, qualify as G-SIBs (in accordance with the Commission Implementing Regulation (EU) No 1030/2014). These institutions were encouraged to make every effort to comply with the guidelines from year-end 2016. Although Lloyds Banking Group is not currently classed as a G-SIB, the Group has worked with other UK banks (via UK Finance (formally the British Bankers' Association)) to adopt a forward-looking approach and agreed with the Prudential Regulation Authority (PRA) that they would early adopt a limited number of templates for December 2016 year end and June 2017 interim reporting.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the business, strategy and plans of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking 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 the plans, objectives, expectations, estimates and intentions expressed in such 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 (including low or negative rates), exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the exit by the UK from the European Union (EU) and the potential for one or more other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of an exit by the UK from the EU, 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; the ability to attract and retain senior management and other employees; requirements or limitations on the Group as a result of HM Treasury's investment in the Group; 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 provision of banking operations services to TSB Banking Group plc; 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 and lending companies; 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 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 Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements. 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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2017 Half-Year Pillar 3 Update

The following disclosures include information on Lloyds Banking Group's own-funds, leverage, risk-weighted assets and capital requirements by type of risk and by exposure class.

	At 30 June 2017	At 31 Dec 2016
Key ratios and risk-weighted assets		
Pro forma common equity tier 1 capital ratio ¹	13.5%	13.8%
Common equity tier 1 capital ratio	13.5%	13.6%
Transitional tier 1 capital ratio	16.6%	17.0%
Transitional total capital ratio	20.8%	21.4%
Total risk-weighted assets	£217,787m	£215,534m
Pro forma leverage ratio ¹	4.9%	5.0%
Leverage ratio ²	4.8%	4.9%
Modified UK leverage ratio ³	5.2%	5.2%
Average modified UK leverage ratio ⁴	5.4%	

¹ The common equity tier 1 and leverage ratios at 30 June 2017 and 31 December 2016 are reported on a pro forma basis, separately reflecting dividends paid by the Insurance business in July 2017 (in relation to 2017 interim earnings) and February 2017 (in relation to 2016 full year earnings).

² The countercyclical leverage ratio buffer is currently nil.

³ The Group's leverage ratio on a modified basis, excluding qualifying central bank claims from the exposure measure in accordance with the rule modification applied to the UK Leverage Ratio Framework by the PRA in 2016.

⁴ The average modified UK leverage ratio is based on the average of the month end tier 1 capital and modified exposure measures over the quarter (1 April 2017 to 30 June 2017). The average of 5.4 per cent compares to 5.4 per cent at the start and 5.2 per cent at the end of the quarter.

Table 1: Risk-weighted assets movement by key driver

	Credit risk IRB £m	Credit risk SA £m	Credit risk total ¹ £m	Counterparty credit risk ² £m	Market risk £m	Operational risk £m	Total £m
Total risk-weighted assets as at 31 December 2016							215,534
Less: total threshold risk-weighted assets ³							(10,851)
Risk-weighted assets at 31 December 2016	147,665	18,956	166,621	9,623	3,147	25,292	204,683
Asset size	(1,269)	(238)	(1,507)	(258)	–	–	(1,765)
Asset quality	(539)	(92)	(631)	(661)	–	–	(1,292)
Model updates	57	–	57	–	–	–	57
Methodology and policy	(324)	(74)	(398)	–	–	–	(398)
Acquisitions and disposals	(444)	6,351	5,907	(26)	–	930	6,811
Movement in risk levels (market risk only)	–	–	–	–	(217)	–	(217)
Foreign exchange	(340)	(109)	(449)	(336)	–	–	(785)
Other	–	–	–	–	–	–	–
Risk-weighted assets at 30 June 2017	144,806	24,794	169,600	8,342	2,930	26,222	207,094
Threshold risk-weighted assets ³							10,693
Total risk-weighted assets as at 30 June 2017							217,787

¹ Credit risk includes securitisation risk-weighted assets.

² Counterparty credit risk includes movements in contributions to the default fund of central counterparties and movements in credit valuation adjustment risk.

³ 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.

The risk-weighted assets movement table provides analysis of the movements in the risk-weighted assets in the period by risk type and an insight into the key drivers of these 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.

Key movements in credit risk, risk-weighted assets

- Asset size movements. Credit risk-weighted assets decreased by £1.5 billion due to continued active portfolio management partly offset by targeted growth in key customer segments.
- Asset quality captures movements due to changes in borrower risk, including changes in the economic environment. Net reductions of £0.6 billion primarily relate to a net change in credit quality and model calibrations.
- Methodology and policy reductions of £0.4 billion relate to capital efficient securitisation activity.
- Acquisitions and disposals: the acquisition of MBNA increased risk-weighted assets by £6.4 billion, partly offset by the disposal of the Group's interest in strategic equity investment.
- Foreign exchange movements reflect the appreciation of Sterling.

Counterparty credit risk and CVA risk-weighted asset reductions of £1.3 billion are driven mainly by yield curve movements (included in asset quality) and foreign exchange movements.

Market risk, risk-weighted assets reduced by £0.2 billion largely due to a decrease in the exposure to long dated inflation linked gilts and a decrease in interest rate exposure.

Operational risk, risk-weighted assets increased by £0.9 billion due to the acquisition of MBNA.

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

	June 2017 RWA £m	December 2016 RWA £m	June 2017 Minimum capital requirements £m	December 2016 Minimum capital requirements £m
1 Credit risk (excluding counterparty credit risk)	165,583	162,650	13,247	13,012
2 Of which standardised approach	24,538	18,688	1,963	1,495
3 Of which the foundation rating-based (FIRB) approach	48,820	51,438	3,906	4,115
4 Of which the retail IRB (RIRB) approach	65,330	64,970	5,226	5,198
Of which corporates – specialised lending	12,297	13,469	984	1,077
Of which non-credit obligation assets	7,009	6,427	561	514
5 Of which equity IRB under the simple risk-weight or the internal models approach	7,589	7,658	607	613
6 Counterparty credit risk	8,342	9,623	667	770
7 Of which marked to market	6,334	7,552	507	604
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)	693	712	55	57
Of which exposures to central counterparties (including trades, default fund contributions and initial margin)	580	495	46	40
12 Of which credit valuation adjustment (CVA)	735	864	59	69
13 Settlement risk	–	–	–	–
14 Securitisation exposures in banking book¹	4,017	3,971	321	318
15 Of which IRB ratings-based approach (RBA)	2,977	2,878	238	231
16 Of which IRB supervisory formula approach (SFA)	46	–	4	–
17 Of which internal assessment approach (IAA)	738	825	59	66
18 Of which standardised approach	256	268	20	21
19 Market risk	2,930	3,147	234	252
20 Of which standardised approach	381	352	30	28
21 Of which internal model approaches	2,549	2,795	204	224
22 Large exposures	–	–	–	–
23 Operational risk	26,222	25,292	2,098	2,023
24 Of which basic indicator approach	–	–	–	–
25 Of which standardised approach	26,222	25,292	2,098	2,023
26 Of which advanced measurement approach	–	–	–	–
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	10,693	10,851	855	868
28 Floor adjustment	–	–	–	–
29 Total	217,787	215,534	17,422	17,243

¹ Securitisations are shown separately within this table, however, are included within credit risk throughout the remainder of the disclosures (as per the reconciliation below).

	June 2017 RWAs per OV1 £m	June 2017 Securitisation RWAs £m	June 2017 Total Credit risk RWAs £m
Total credit risk	165,583	4,017	169,600
Of which: credit risk exposures subject to IRB approach	141,045	3,761	144,806
Of which: credit risk exposures subject to standardised approach	24,538	256	24,794

PILLAR 1 CAPITAL REQUIREMENTS: CREDIT RISK

This section details Lloyds Banking Group's credit risk profile, focusing on regulatory measures such as exposure at default and risk-weighted assets.

- Credit risk exposures (excluding thresholds) increased by 0.3 per cent to £675.5 billion.
- Of the Group's credit risk exposures, 83 per cent (£557.6 billion) are risk-weighted under the IRB approach, with the remainder (£117.9 billion) risk-weighted using the Standardised approach.
- Total credit risk risk-weighted assets (excluding thresholds) increased by 1.79 per cent to £169.6 billion, primarily due to the acquisition of MBNA.
- The Group's average risk weight for credit risk exposures remained stable at 25 per cent.

Table 3: Risk-weighted assets flow statement of credit risk exposures¹

	Credit risk IRB RWA amount total £m	Credit risk IRB capital requirements total £m	Credit risk - SA RWA amount total £m	Credit risk - SA capital requirements total £m
1 Risk-weighted assets as at 31 December 2016	147,665	11,814	18,956	1,517
2 Asset size	(1,269)	(102)	(238)	(19)
3 Asset quality	(539)	(43)	(92)	(7)
4 Model updates	57	4	—	—
5 Methodology and policy	(324)	(26)	(74)	(6)
6 Acquisitions and disposals	(444)	(36)	6,351	508
7 Foreign exchange	(340)	(27)	(109)	(9)
8 Other	—	—	—	—
9 Risk-weighted assets as at 30 June 2017	144,806	11,584	24,794	1,984

¹ Credit risk includes securitisation risk-weighted assets.

Table 4: Credit risk exposures

Exposure class	Credit risk exposure ¹ £m	June 2017 Risk-weighted assets £m	Minimum capital requirements £m	Average risk weight ⁵ %
Exposures subject to the IRB approach				
<i>Foundation IRB approach</i>				
Corporate – main	75,699	38,743	3,099	51%
Corporate – SME	11,784	7,726	618	66%
Corporate – specialised lending	4	5	–	114%
Central governments and central banks	16,395	1,447	116	9%
Institutions	4,823	904	72	19%
<i>Retail IRB approach</i>				
Retail mortgages	335,692	39,111	3,129	12%
Of which: residential mortgages (SME)	9,969	2,544	204	26%
Of which: residential mortgages (non-SME)	325,723	36,567	2,925	11%
Qualifying revolving retail exposures	39,290	12,326	986	31%
Other SME	2,331	1,664	133	71%
Other non-SME	17,131	12,229	978	71%
<i>Other IRB approaches²</i>				
Corporate – specialised lending	17,374	12,292	983	71%
Equities – exchange traded	555	1,610	129	290%
Equities – private equity	2,741	5,208	417	190%
Equities – other	208	771	62	370%
Securitisation positions ³	22,992	3,761	301	16%
Non-credit obligation assets ⁴	10,586	7,009	561	66%
Total – IRB approach	557,605	144,806	11,584	26%
Exposures subject to the standardised approach				
Central governments and central banks	79,637	9	1	–
Regional governments or local authorities	–	–	–	–
Public sector entities	1	1	–	100%
Multilateral development banks	1,876	–	–	–
International organisations	–	–	–	–
Institutions	265	66	5	25%
Corporates	12,600	10,085	807	80%
Retail	12,517	9,044	724	72%
Secured by mortgages on immovable property	5,345	2,014	161	38%
Of which: residential property	5,343	2,012	161	38%
Of which: commercial property	2	2	–	100%
Exposures in default	812	921	74	113%
Exposures associated with particularly high risk	–	–	–	–
Securitisation positions	1,124	256	20	23%
Short term claims on institutions and corporates	–	–	–	–
Collective investment undertakings (CIUs)	284	57	5	20%
Other items ⁴	3,417	2,341	187	69%
Total – standardised approach	117,878	24,794	1,984	21%
Total credit risk	675,483	169,600	13,568	25%

		December 2016		
	Credit risk exposure ¹	Risk-weighted assets	Minimum capital requirements	Average risk weight ⁵
	£m	£m	£m	%
Exposure class				
Exposures subject to the IRB approach				
Foundation IRB approach				
Corporate – main	78,527	41,171	3,294	52%
Corporate – SME	11,981	7,880	630	66%
Corporate – specialised lending	2	2	–	137%
Central governments and central banks	15,153	1,430	114	9%
Institutions	6,011	957	77	16%
Retail IRB approach				
Retail mortgages	335,510	39,550	3,164	12%
Of which: residential mortgages (SME)	10,211	2,662	213	26%
Of which: residential mortgages (non-SME)	325,299	36,888	2,951	11%
Qualifying revolving retail exposures	36,984	12,073	966	33%
Other SME	2,445	1,728	138	71%
Other non-SME	16,026	11,618	930	72%
Other IRB approaches²				
Corporate – specialised lending	18,814	13,467	1,077	72%
Equities – exchange traded	461	1,337	107	290%
Equities – private equity	2,583	4,909	393	190%
Equities – other	382	1,413	113	370%
Securitisation positions ³	26,066	3,703	296	14%
Non-credit obligation assets ⁴	10,890	6,427	514	59%
Total – IRB approach	561,835	147,665	11,813	26%
Exposures subject to the standardised approach				
Central governments and central banks	81,021	–	–	–
Regional governments or local authorities	–	–	–	–
Public sector entities	2	2	–	100%
Multilateral development banks	1,753	–	–	–
International organisations	–	–	–	–
Institutions	279	117	9	42%
Corporates	13,511	10,801	864	80%
Retail	4,114	2,761	221	67%
Secured by mortgages on immovable property	5,504	1,981	159	36%
Of which: residential property	5,501	1,978	159	36%
Of which: commercial property	3	3	–	100%
Exposures in default	789	883	71	112%
Exposures associated with particularly high risk	–	–	–	–
Securitisation positions	1,184	268	21	23%
Short term claims on institutions and corporates	–	–	–	–
Collective investment undertakings (CIUs)	224	45	4	20%
Other items ⁴	3,091	2,098	168	68%
Total – standardised approach	111,472	18,956	1,517	17%
Total credit risk	673,307	166,621	13,330	25%

¹ Credit risk exposure is exposure at default (EAD) pre credit risk mitigation (CRM).

² Credit risk exposures subject to other IRB approaches include corporate specialised lending exposures risk-weighted in accordance with supervisory slotting criteria, equity exposures risk-weighted in accordance with the Simple Risk Weight Method and securitisation positions risk-weighted in accordance with the IAA and the RBA.

³ Securitisation positions exclude amounts allocated to the 1,250 per cent risk weight category. These amounts are deducted from capital, after the application of SCRA, rather than being risk-weighted at 1,250 per cent.

⁴ Other items (Standardised Approach) and non-credit obligation assets (IRB approach) predominantly relate to other balance sheet assets that have no associated credit risk. These comprise various non-financial assets, including fixed assets, cash, items in the course of collection, prepayments and sundry debtors.

⁵ Average risk weight is risk-weighted assets expressed as a percentage of credit risk exposure (which is EAD pre-CRM, but post-CCF).

Exposures subject to the IRB Approach – key movements for the six months to 30 June 2017**FIRB Corporate Main**

- Corporate Main exposures decreased by £2.8 billion and risk-weighted assets reduced by £2.4 billion driven by active portfolio management.

Institutions

- Institutions exposures decreased by £1.2 billion mainly driven by a portfolio rebalancing exercise on the Group's bond portfolio.

Retail IRB Residential Mortgages

- Retail mortgage exposure was broadly stable compared to the end of 2016 after reflecting the reacquisition of a portfolio of mortgages from TSB in the second quarter.

Qualifying Revolving Retail Exposures

- Whilst gross exposure remained fairly stable, credit risk exposure balances increased due to EAD model calibrations reflecting policy changes. The resulting increase in risk-weighted assets has largely been offset by improving customer risk profile.

Retail Other non-SME

- Retail other (non-SME) exposures have increased by £1.1 billion and risk-weighted assets increased by £0.6 billion mainly as a result of continued growth in UK Retail Motor Finance business.

Corporate – Specialised lending (slotting)

- Corporate specialised lending (slotting) exposures and risk-weighted assets reduced by £1.4 billion and £1.2 billion respectively largely due to active portfolio management and capital-efficient securitisation activity.

Securitisation Positions

- Securitisation exposures decreased by £3.1 billion primarily as a result of a decrease in investment grade and lower risk weighted investor positions, partially offset by a new originated securitisation transaction.

Equities Other

- Equity Other exposures have decreased by £0.2 billion and risk-weighted assets reduced by £0.6 billion due to the disposal of the Group's interest in strategic equity investments.

Exposures subject to the Standardised Approach – key movements for the six months to 30 June 2017**Corporates**

- Exposures and risk-weighted assets decreased by £0.9 billion and £0.7 billion respectively primarily driven by continued portfolio management activity.

Retail

- Exposures and risk-weighted assets increased by £8.4 billion and £6.3 billion respectively due to the acquisition of MBNA.

Analysis of credit risk exposures subject to the IRB Approach

This section provides a detailed analysis, by PD grade, of credit risk exposures subject to the IRB Approach. Exposures are presented on a post CRM and post CCF basis. The tables below take into account PD and LGD floors specified by regulators in respect of the calculation of regulatory capital requirements. The EBA guidelines include a single prescribed scale for presenting the credit quality of all IRB portfolios by asset class, which is used in tables that follow.

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

Table 5: IRB – Credit risk exposures by portfolio and PD range - Corporate Main (CR6)

	June 2017											
	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	EAD post CRM and post CCF		Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
PD Scale	£m	£m	Average CCF %	£m	%		%		£m	%	£m	£m
Corporates – Main												
0.00 to <0.15	15,719	19,607	75.5	29,706	0.07	2,196	42.3	3.0	8,136	27.4	9	
0.15 to <0.25	5,912	7,221	73.8	10,862	0.18	1,645	43.9	2.0	4,187	38.6	9	
0.25 to <0.50	11,035	11,001	71.6	17,564	0.34	4,490	43.8	2.4	10,243	58.3	26	
0.50 to <0.75	2,916	2,071	69.2	4,226	0.63	6,460	43.7	2.3	3,255	77.0	12	
0.75 to <2.50	6,357	3,999	66.5	8,660	1.21	14,264	43.3	2.1	8,174	94.4	45	
2.50 to <10.00	2,614	961	69.0	3,200	4.04	4,773	42.5	2.2	4,343	135.7	55	
10.00 to <100.00	110	92	67.1	168	24.92	605	44.7	2.1	405	241.4	19	
100.00 (Default)	751	90	82.0	824	100.00	1,000	42.7	1.6	–	–	352	
Sub-total	45,414	45,042	73.0	75,210	1.63	35,433	43.1	2.5	38,743	51.5	527	487

	December 2016											
	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	EAD post CRM and post CCF		Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
PD Scale	£m	£m	Average CCF %	£m	%		%		£m	%	£m	£m
Corporates – Main												
0.00 to <0.15	16,090	18,757	76.2	29,898	0.07	2,191	42.1	3.0	8,157	27.3	8	
0.15 to <0.25	7,035	8,560	75.9	13,528	0.18	1,495	44.1	2.1	5,407	40.0	11	
0.25 to <0.50	9,632	11,516	71.4	16,791	0.34	4,490	43.8	2.4	9,833	58.6	25	
0.50 to <0.75	3,291	2,626	63.9	4,751	0.63	6,260	43.7	2.5	3,781	79.6	13	
0.75 to <2.50	6,735	4,053	68.4	9,012	1.24	14,235	43.4	2.3	8,772	97.3	49	
2.50 to <10.00	2,637	1,082	70.4	3,273	4.29	4,647	42.9	2.4	4,592	140.3	60	
10.00 to <100.00	172	138	68.1	263	24.79	599	44.5	1.9	629	239.1	29	
100.00 (Default)	793	110	65.6	864	100.00	857	42.9	1.9	–	–	370	
Sub-total	46,385	46,842	73.4	78,380	1.67	34,774	43.1	2.6	41,171	52.5	565	488

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

	June 2017											
	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
PD Scale	£m	£m	%	£m	%		%		£m	%	£m	£m
Corporates – SME												
0.00 to <0.15	777	371	82.9	1,094	0.08	243	41.0	3.3	291	26.6	–	
0.15 to <0.25	155	254	74.5	341	0.18	164	42.8	2.7	124	36.3	–	
0.25 to <0.50	936	558	73.6	1,347	0.36	1,214	42.2	2.1	619	46.0	2	
0.50 to <0.75	1,292	372	70.7	1,554	0.58	3,555	38.4	3.0	875	56.3	4	
0.75 to <2.50	3,484	765	71.2	4,014	1.26	8,483	37.8	2.9	2,858	71.2	19	
2.50 to <10.00	2,230	402	85.1	2,587	4.30	5,126	37.8	2.7	2,483	96.0	42	
10.00 to <100.00	325	24	72.6	343	18.92	1,550	37.2	2.6	476	139.0	24	
100.00 (Default)	477	34	78.2	504	100.00	931	39.5	2.0	–	–	200	
Sub-total	9,676	2,780	75.6	11,784	6.33	21,266	38.9	2.8	7,726	65.6	291	131

	December 2016											
	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance sheet gross exposure	Off balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
PD Scale	£m	£m	%	£m	%		%		£m	%	£m	£m
Corporates – SME												
0.00 to <0.15	853	337	78.9	1,127	0.08	253	40.8	3.5	311	27.6	–	
0.15 to <0.25	179	206	73.3	329	0.18	206	43.3	2.6	121	36.7	–	
0.25 to <0.50	947	554	73.5	1,339	0.37	1,197	41.5	2.1	616	46.0	2	
0.50 to <0.75	1,364	294	69.8	1,583	0.58	3,464	38.0	3.2	906	57.2	4	
0.75 to <2.50	3,424	839	72.5	4,012	1.23	8,412	38.0	2.9	2,849	71.0	19	
2.50 to <10.00	2,382	406	74.7	2,693	4.32	5,044	37.9	2.7	2,628	97.6	44	
10.00 to <100.00	315	27	72.6	335	20.66	1,544	37.2	2.6	449	134.0	26	
100.00 (Default)	543	28	66.2	563	100.00	962	39.7	2.1	–	–	224	
Sub-total	10,007	2,691	73.6	11,981	6.79	21,082	38.8	2.8	7,880	65.8	319	144

Table 7: IRB – Credit risk exposures by portfolio and PD range - Central governments and central banks (CR6)

PD Scale	June 2017											Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	
	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	
Central governments and central banks												
0.00 to <0.15	16,395	–	–	16,395	0.01	8	45.0	2.8	1,447	8.8	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	16,395	–	–	16,395	0.01	8	45.0	2.8	1,447	8.8	1	–

PD Scale	December 2016											Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	
	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	
Central governments and central banks												
0.00 to <0.15	15,153	–	–	15,153	0.01	6	45.0	3.0	1,430	9.4	1	
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	
0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	15,153	–	–	15,153	0.01	6	45.0	3.0	1,430	9.4	1	–

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

PD Scale	June 2017											Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	
	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	
Institutions	2,490	2,000	75.2	4,490	0.05	362	29.4	1.4	537	12.0	1	
0.00 to <0.15	83	164	47.7	161	0.18	46	37.2	1.4	49	30.6	–	
0.15 to <0.25	75	283	74.4	270	0.28	54	45.0	1.7	131	48.4	–	
0.25 to <0.50	110	24	61.8	125	0.63	34	44.7	1.0	79	63.7	–	
0.50 to <0.75	108	22	75.8	125	1.01	43	40.0	0.8	106	84.7	1	
0.75 to <2.50	–	2	18.5	1	4.02	17	44.5	1.1	1	154.9	–	
2.50 to <10.00	–	–	73.5	–	12.99	7	43.4	1.3	1	–	–	
10.00 to <100.00	40	–	–	40	100.00	9	45.0	2.2	–	–	18	
100.00 (Default)												
Sub-total	2,906	2,495	73.1	5,212	0.88	572	31.2	1.4	904	17.3	20	12

PD Scale	December 2016											Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	
	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	
Institutions	3,668	1,873	74.1	5,250	0.05	375	22.2	2.1	535	10.2	1	
0.00 to <0.15	215	194	65.4	365	0.18	33	45.0	1.2	130	35.6	–	
0.15 to <0.25	211	264	76.5	413	0.33	63	44.8	1.3	200	48.4	1	
0.25 to <0.50	3	12	21.9	5	0.62	34	44.2	1.4	4	85.1	–	
0.50 to <0.75	80	54	35.2	99	1.03	49	39.0	0.9	83	83.9	–	
0.75 to <2.50	4	1	–	4	3.89	17	41.2	1.3	5	144.9	–	
2.50 to <10.00	–	–	–	–	–	6	–	–	–	–	–	
10.00 to <100.00	42	–	–	42	100	10	45.0	1.6	–	–	19	
100.00 (Default)												
Sub-total	4,223	2,398	72.5	6,178	0.78	587	25.5	2.0	957	15.5	21	13

Key movements

- Institutions exposures decreased by £1.2 billion and average LGD increased by 5.7 per cent mainly driven by a portfolio rebalancing exercise on the Group's bond portfolio.

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

PD Scale Residential mortgages (SME)	June 2017											
	a	b	c	d	e	f	g	i	j	k	l	m
	Original on- balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—		—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—		—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—		—
0.50 to <0.75	2,899	316	98.0	3,208	0.54	23,137	15.6	338	10.5	3		310
0.75 to <2.50	4,035	337	97.4	4,364	1.14	27,945	17.1	826	18.9	8		328
2.50 to <10.00	1,608	95	96.8	1,700	4.09	11,490	18.2	735	43.2	13		92
10.00 to <100.00	454	20	96.5	474	21.57	3,977	19.4	366	77.2	20		19
100.00 (Default)	219	3	97.0	223	100.00	2,026	10.3	279	125.3	23		3
Sub-total	9,215	771	97.6	9,969	4.63	68,575	16.8	2,544	25.5	67	24	752

PD Scale Residential mortgages (SME)	December 2016											
	a	b	c	d	e	f	g	i	j	k	l	m
	Original on- balance sheet gross exposure £m	Off balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—		—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—		—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—		—
0.50 to <0.75	3,154	327	97.9	3,475	0.54	24,378	16.0	376	10.8	3		321
0.75 to <2.50	3,983	322	97.4	4,296	1.13	26,873	17.5	827	19.2	9		313
2.50 to <10.00	1,621	89	96.8	1,709	4.17	11,333	18.2	745	43.6	13		87
10.00 to <100.00	481	19	96.5	499	21.61	4,006	19.1	379	75.9	21		18
100.00 (Default)	228	4	97.2	232	100.00	2,277	8.3	335	144.5	19		4
Sub-total	9,467	761	97.6	10,211	4.68	68,867	17.0	2,662	26.1	65	17	743

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

PD Scale Residential mortgages (non-SME)	June 2017											
	a	b	c	d	e	f	g	i	j	k	l	m
	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 ¹ %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
0.00 to <0.15	210,255	11,830	98.4	232,435	0.24	2,111,480	10.0	11,981	5.2	59		11,639
0.15 to <0.25	31,389	351	62.8	33,137	0.64	294,928	10.6	3,351	10.1	22		220
0.25 to <0.50	24,972	221	60.1	26,312	0.97	221,739	10.9	3,765	14.3	28		132
0.50 to <0.75	7,265	31	55.6	7,623	1.61	66,936	12.0	1,658	21.7	14		17
0.75 to <2.50	11,379	179	42.5	11,928	3.35	94,987	16.5	4,838	40.6	53		76
2.50 to <10.00	6,047	5	74.6	6,291	10.95	47,574	15.7	4,384	69.7	88		4
10.00 to <100.00	3,573	–	62.7	3,669	46.90	30,266	11.9	2,468	67.3	199		–
100.00 (Default)	4,327	–	27.7	4,328	100.00	31,848	14.0	4,122	95.3	319		–
Sub-total	299,207	12,617	95.8	325,723	2.54	2,899,758	10.6	36,567	11.2	782	1,661	12,088

PD Scale Residential mortgages (non-SME)	December 2016											
	a	b	c	d	e	f	g	i	j	k	l	m
	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 ¹ %	RWA £m	RWA density %	EL £m	Value adjustments and provisions £m	Undrawn commitments (post CCF) £m
0.00 to <0.15	210,668	10,358	96.8	231,330	0.23	2,140,658	9.9	11,547	5.0	58		10,028
0.15 to <0.25	30,428	314	58.2	32,105	0.61	281,254	10.4	3,228	10.1	21		183
0.25 to <0.50	25,396	183	59.6	26,717	0.96	227,202	11.3	3,889	14.6	29		109
0.50 to <0.75	7,345	26	56.6	7,698	1.60	67,819	12.7	1,685	21.9	15		15
0.75 to <2.50	12,066	491	24.8	12,686	3.37	102,578	16.7	5,078	40.0	58		122
2.50 to <10.00	6,350	4	58.7	6,600	10.92	50,120	15.7	4,603	69.7	94		2
10.00 to <100.00	3,777	–	–	3,877	45.53	31,529	12.3	2,739	70.6	212		–
100.00 (Default)	4,286	–	–	4,286	100.00	31,100	14.1	4,119	96.1	328		–
Sub-total	300,316	11,376	91.9	325,299	2.56	2,932,260	10.6	36,888	11.3	815	1,703	10,459

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

June 2017													
	a	b	c	d	e	f	g	h	i	j	k	l	m
	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)	
PD Scale	£m	£m	%	£m	%		%	£m	%	£m	£m	£m	
Qualifying revolving retail exposures	1,050	20,364	68.1	14,909	0.07	10,856,013	76.3	500	3.4	8		13,858	
0.00 to <0.15	671	5,331	67.0	4,244	0.20	4,170,975	79.0	385	9.1	7		3,573	
0.15 to <0.25	1,223	5,350	66.7	4,794	0.36	3,883,215	79.2	689	14.4	14		3,571	
0.25 to <0.50	1,063	2,567	64.2	2,710	0.62	1,605,873	79.5	604	22.3	13		1,647	
0.50 to <0.75	3,504	4,541	68.8	6,627	1.40	3,852,725	80.8	2,775	41.9	75		3,123	
0.75 to <2.50	3,161	1,857	81.6	4,679	4.89	2,685,817	81.5	4,727	101.0	186		1,516	
2.50 to <10.00	774	148	130.0	971	22.84	640,930	82.5	1,964	202.2	183		192	
10.00 to <100.00	356	43	—	356	100.00	152,177	38.6	682	191.3	151		—	
100.00 (Default)	11,802	40,201	68.4	39,290	2.42	27,847,725	78.4	12,326	31.4	637	220	27,480	
Sub-total													

December 2016													
	a	b	c	d	e	f	g	h	i	j	k	l	m
	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)	
PD Scale	£m	£m	%	£m	%		%	£m	%	£m	£m	£m	
Qualifying revolving retail exposures	896	18,975	64.8	13,198	0.07	10,510,198	75.2	446	3.4	7		12,302	
0.00 to <0.15	665	5,701	56.1	3,864	0.20	2,674,829	74.8	328	8.5	6		3,199	
0.15 to <0.25	1,161	5,666	61.9	4,669	0.36	4,577,241	77.3	649	13.9	13		3,508	
0.25 to <0.50	1,049	2,883	64.5	2,908	0.62	2,544,591	79.3	644	22.1	14		1,858	
0.50 to <0.75	3,476	4,630	62.4	6,364	1.41	3,859,895	79.6	2,636	41.4	72		2,888	
0.75 to <2.50	3,148	2,040	73.5	4,648	5.06	2,788,757	80.3	4,733	101.8	189		1,499	
2.50 to <10.00	734	150	124.1	924	23.17	617,086	81.0	1,850	200.2	173		186	
10.00 to <100.00	409	45	—	409	100.00	165,350	37.6	787	192.1	166		—	
100.00 (Default)	11,538	40,090	63.5	36,984	2.70	27,737,947	76.9	12,073	32.6	640	241	25,440	
Sub-total													

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

	June 2017												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	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)
PD Scale	£m	£m	%	£m	%		%		£m	%	£m	£m	£m
Other SME													
0.00 to <0.15	–	–	–	–	–	–	–		–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–		–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–		–	–	–		–
0.50 to <0.75	271	367	100.0	638	0.54	54,347	77.7		327	51.3	3		366
0.75 to <2.50	520	329	100.0	849	1.15	59,078	75.9		592	69.7	8		330
2.50 to <10.00	360	111	100.0	471	4.51	33,982	77.5		450	95.5	16		111
10.00 to <100.00	120	21	100.0	141	23.30	33,608	82.8		191	135.8	28		21
100.00 (Default)	228	4	100.0	232	100.00	10,133	11.8		104	45.0	27		4
Sub-total	1,499	832	100.0	2,331	12.82	191,148	70.8		1,664	71.4	82	15	832

	December 2016												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	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)
PD Scale	£m	£m	%	£m	%		%		£m	%	£m	£m	£m
Other SME													
0.00 to <0.15	–	–	–	–	–	–	–		–	–	–		–
0.15 to <0.25	–	–	–	–	–	–	–		–	–	–		–
0.25 to <0.50	–	–	–	–	–	–	–		–	–	–		–
0.50 to <0.75	303	375	100.0	678	0.54	56,640	77.4		345	50.9	3		375
0.75 to <2.50	575	332	100.0	907	1.15	58,385	75.4		622	68.6	8		332
2.50 to <10.00	360	110	100.0	470	4.52	33,524	77.1		451	96.2	16		110
10.00 to <100.00	127	22	100.0	148	23.00	32,132	81.1		198	133.4	28		22
100.00 (Default)	238	3	99.9	242	100.00	10,207	9.4		112	46.2	23		3
Sub-total	1,603	842	100.0	2,445	12.74	190,888	70.1		1,728	70.7	78	13	842

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

PD Scale	June 2017										
	a	b	c	d	e	f	g	h	i	j	k
	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
Other non-SME	£m	£m	%	£m	%		%	£m	%	£m	£m
0.00 to <0.15	337	1	30.0	339	0.09	33,810	43.1	37	10.8	–	–
0.15 to <0.25	163	3	30.0	168	0.21	32,457	83.1	61	36.3	–	–
0.25 to <0.50	3,875	8	30.0	3,891	0.37	413,312	40.8	1,018	26.2	6	2
0.50 to <0.75	2,299	7	30.0	2,313	0.71	245,208	48.0	997	43.1	8	2
0.75 to <2.50	6,439	23	30.0	6,481	1.53	740,143	65.6	5,255	81.1	64	8
2.50 to <10.00	2,963	16	30.0	2,993	4.28	365,817	72.5	3,322	111.0	93	5
10.00 to <100.00	641	5	30.0	650	30.16	98,936	66.8	937	144.2	133	1
100.00 (Default)	296	–	–	296	100.00	26,478	36.1	602	203.5	111	–
Sub-total	17,013	63	30.0	17,131	4.38	1,956,161	58.1	12,229	71.4	415	230

PD Scale	December 2016										
	a	b	c	d	e	f	g	h	i	j	k
	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
Other non-SME	£m	£m	%	£m	%		%	£m	%	£m	£m
0.00 to <0.15	314	1	30.0	315	0.09	34,244	40.7	32	10.2	–	–
0.15 to <0.25	149	2	30.0	152	0.21	26,947	83.4	56	36.8	–	–
0.25 to <0.50	3,566	6	30.0	3,580	0.37	395,742	42.6	980	27.4	6	2
0.50 to <0.75	2,206	5	30.0	2,219	0.71	239,467	50.3	1,002	45.1	8	2
0.75 to <2.50	6,153	19	30.0	6,199	1.54	734,596	67.4	5,169	83.4	63	6
2.50 to <10.00	2,691	12	30.0	2,721	4.30	350,106	74.0	3,087	113.5	87	4
10.00 to <100.00	538	4	30.0	546	28.63	88,692	66.8	793	145.4	103	1
100.00 (Default)	294	–	–	294	100.00	25,519	33.2	499	169.5	117	–
Sub-total	15,911	49	30.0	16,026	4.32	1,895,313	59.6	11,618	72.5	384	201

Table 14A: IRB (specialised lending) (CR10)

		June 2017 Specialised lending					
Regulatory categories	Remaining maturity	On- balance sheet amount £m	Off- balance sheet amount £m	RW %	Exposure amount £m	RWA £m	Expected losses £m
1) Strong	Less than 2.5 years	3,060	606	50%	3,558	1,587	–
	Equal to or more than 2.5 years	3,187	979	70%	3,857	2,548	15
2) Good	Less than 2.5 years	3,052	535	70%	3,484	2,438	14
	Equal to or more than 2.5 years	3,923	409	90%	4,349	3,830	33
3) Satisfactory	Less than 2.5 years	260	27	115%	285	327	8
	Equal to or more than 2.5 years	1,038	92	115%	1,137	1,297	32
4) Weak	Less than 2.5 years	20	–	250%	20	49	2
	Equal to or more than 2.5 years	85	–	250%	87	216	7
5) Default ^{1,2}	Less than 2.5 years	331	6	0%	455	–	227
	Equal to or more than 2.5 years	66	43	0%	142	–	71
Total	Less than 2.5 years	6,723	1,174		7,802	4,401	251
	Equal to or more than 2.5 years	8,299	1,523		9,572	7,891	158

		December 2016 Specialised lending					
Regulatory categories	Remaining maturity	On- balance sheet amount £m	Off- balance sheet amount £m	RW %	Exposure amount £m	RWA £m	Expected losses £m
1) Strong	Less than 2.5 years	2,356	505	50%	2,772	1,192	–
	Equal to or more than 2.5 years	4,255	1,164	70%	5,090	3,307	19
2) Good	Less than 2.5 years	2,465	644	70%	3,004	2,102	12
	Equal to or more than 2.5 years	4,294	642	90%	4,890	4,312	38
3) Satisfactory	Less than 2.5 years	709	20	115%	736	843	21
	Equal to or more than 2.5 years	1,097	89	115%	1,183	1,349	33
4) Weak	Less than 2.5 years	29	1	250%	30	73	2
	Equal to or more than 2.5 years	116	–	250%	116	289	9
5) Default ^{1,2}	Less than 2.5 years	406	37	0%	655	–	328
	Equal to or more than 2.5 years	207	8	0%	338	–	170
Total	Less than 2.5 years	5,965	1,207		7,197	4,210	363
	Equal to or more than 2.5 years	9,969	1,903		11,617	9,257	269

¹ Exposures categorised as 'default' do not attract a risk weighting but instead are treated as EL deductions at a rate of 50 per cent of the exposure value.

² Total for the on-balance sheet and off-balance sheet exposures in default is lower than the exposure amount (presented on a post CRM and post CCF basis). This is due to the offset of the impairment allowances against the on-balance sheet amounts in line with the specified EBA requirements for this table.

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

June 2017						
Equities under the simple risk-weight approach						
Categories	On-balance	Off-balance	RW	Exposure	Capital	
	sheet amount £m	sheet amount £m		amount £m	RWA requirements £m	requirements £m
Exchange-traded equity exposures	555	–	290%	555	1,610	129
Private equity exposures	2,592	149	190%	2,741	5,208	417
Other equity exposures	208	–	370%	208	771	62
Total	3,355	149		3,504	7,589	608

December 2016						
Equities under the simple risk-weight approach						
Categories	On-balance	Off-balance	RW	Exposure	Capital	
	sheet amount £m	sheet amount £m		amount £m	RWA requirements £m	requirements £m
Exchange-traded equity exposures	461	–	290%	461	1,337	107
Private equity exposures	2,492	91	190%	2,583	4,909	393
Other equity exposures	382	–	370%	382	1,413	113
Total	3,335	91		3,426	7,659	613

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

	June 2017					
	a		b		c	
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On balance sheet amount £m	Off balance sheet amount £m	On balance sheet amount £m	Off balance sheet amount £m	RWA £m	RWA density ¹ %
1 Central governments and central banks	79,551	327	79,551	366	9	–
2 Regional governments or local authorities	–	–	–	–	–	–
3 Public sector entities	1	–	1	–	1	100%
4 Multilateral development banks	1,876	–	1,876	–	–	–
5 International organisations	–	–	–	–	–	–
6 Institutions	197	296	196	25	66	30%
7 Corporates	9,351	6,865	8,387	3,335	10,085	86%
8 Retail	12,313	21,269	12,313	204	9,044	72%
9 Secured by mortgages on immovable property	5,340	9	5,340	5	2,014	38%
Of which: residential property	5,338	9	5,338	5	2,012	38%
Of which: commercial property	2	–	2	–	2	100%
10 Exposures in default	794	39	794	17	921	113%
11 Exposures associated with particularly high risk	–	–	–	–	–	–
12 Covered bonds	–	–	–	–	–	–
13 Short term claims on institutions and corporates	–	–	–	–	–	–
14 Collective investment undertakings (CIUs)	284	–	284	–	57	20%
15 Equity exposures	–	–	–	–	–	–
16 Other items	3,417	–	3,417	–	2,341	69%
17 Total	113,124	28,805	112,159	3,952	24,538	21%

	December 2016					
	a		b		c	
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On balance sheet amount £m	Off balance sheet amount £m	On balance sheet amount £m	Off balance sheet amount £m	RWA £m	RWA density ¹ %
1 Central governments and central banks	80,918	239	80,918	382	–	–
2 Regional governments or local authorities	–	–	–	–	–	–
3 Public sector entities	2	–	2	–	2	100%
4 Multilateral development banks	1,753	–	1,753	–	–	–
5 International organisations	–	–	–	–	–	–
6 Institutions	218	291	218	14	117	50%
7 Corporates	10,987	5,945	9,782	2,574	10,801	87%
8 Retail	3,963	837	3,963	151	2,761	67%
9 Secured by mortgages on immovable property	5,499	10	5,499	5	1,981	36%
Of which: residential property	5,496	10	5,496	5	1,978	36%
Of which: commercial property	3	–	3	–	3	100%
10 Exposures in default	781	17	781	8	883	112%
11 Exposures associated with particularly high risk	–	–	–	–	–	–
12 Covered bonds	–	–	–	–	–	–
13 Short term claims on institutions and corporates	–	–	–	–	–	–
14 Collective investment undertakings (CIUs)	224	–	224	–	45	20%
15 Equity exposures	–	–	–	–	–	–
16 Other items	3,016	75	3,016	75	2,098	68%
17 Total	107,361	7,414	106,156	3,209	18,688	17%

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

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

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

Exposure Classes	June 2017 Risk weight																Of which: Unrated ¹ £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	Total £m	
1 Central governments or central banks	79,875	–	–	–	42	–	–	–	–	–	–	–	–	–	–	79,917	79,874
2 Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3 Public sector entities	–	–	–	–	–	–	–	–	–	1	–	–	–	–	–	1	1
4 Multilateral development banks	1,876	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,876	1,876
5 International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6 Institutions	15	–	–	–	122	–	84	–	–	–	–	–	–	–	–	221	37
7 Corporates	–	–	–	–	218	–	2,261	–	–	9,241	2	–	–	–	–	11,722	9,208
8 Retail	–	–	–	–	–	–	–	–	12,513	4	–	–	–	–	–	12,517	12,517
9 Secured by mortgages on immovable property	–	–	–	–	–	4,870	201	–	260	14	–	–	–	–	–	5,345	5,345
Of which: residential property	–	–	–	–	–	4,870	201	–	260	12	–	–	–	–	–	5,343	5,343
Of which: commercial property	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
10 Exposures in default	–	–	–	–	–	–	–	–	–	592	219	–	–	–	–	811	811
11 Higher-risk categories	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12 Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13 Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14 Collective investment undertakings	–	–	–	–	284	–	–	–	–	–	–	–	–	–	–	284	–
15 Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16 Other items	231	–	–	–	1,056	–	–	–	–	2,130	–	–	–	–	–	3,417	3,417
17 Total	81,997	–	–	–	1,722	4,870	2,546	–	12,773	11,982	221	–	–	–	–	116,111	113,087

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

Exposure Classes	December 2016 Risk weight															Total £m	Of which: Unrated ¹ £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	81,300	–	–	–	–	–	–	–	–	–	–	–	–	–	–	81,300	81,300
2 Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3 Public sector entities	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	2	2
4 Multilateral development banks	1,753	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,753	1,753
5 International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6 Institutions	–	–	–	–	115	–	47	–	–	70	–	–	–	–	–	232	10
7 Corporates	–	–	–	–	198	–	2,275	–	–	9,882	1	–	–	–	–	12,356	9,767
8 Retail	–	–	–	–	–	–	–	–	4,110	4	–	–	–	–	–	4,114	4,114
9 Secured by mortgages on immovable property	–	–	–	–	–	5,229	235	–	27	13	–	–	–	–	–	5,504	5,504
Of which: residential property	–	–	–	–	–	5,229	235	–	27	10	–	–	–	–	–	5,501	5,501
Of which: commercial property	–	–	–	–	–	–	–	–	–	3	–	–	–	–	–	3	3
10 Exposures in default	–	–	–	–	–	–	–	–	–	600	189	–	–	–	–	789	789
11 Higher-risk categories	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12 Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13 Institutions and corporations with a short term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14 Collective investment undertakings	–	–	–	–	224	–	–	–	–	–	–	–	–	–	–	224	–
15 Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16 Other items	223	–	–	–	963	–	–	–	–	1,905	–	–	–	–	–	3,091	3,091
17 Total	83,276	–	–	–	1,500	5,229	2,557	–	4,137	12,476	190	–	–	–	–	109,365	106,330

¹ Of which: Unrated includes any exposures for which a credit assessment by a nominated ECAI is not utilised in determining a risk weight or that have specific risk weights applied depending on their class as specified in articles 113 to 134.

PILLAR 1 CAPITAL REQUIREMENTS: COUNTERPARTY CREDIT RISK

This section details Lloyds Banking Group's counterparty credit risk profile, focusing on regulatory measures such as exposure at default and risk-weighted assets.

- Counterparty credit risk (including CVA) represents a small proportion (4 per cent) (2016: 4.5 per cent) of the Group's total risk-weighted assets.
- Counterparty credit risk exposures increased by 53 per cent to £46.4 billion primarily due to the utilisation of the Bank of England term funding scheme.
- Risk-weighted assets decreased by 13 per cent to £8.3 billion primarily due to yield curve movements and foreign exchange impacts.

Table 17: Risk-weighted assets flow statement of counterparty credit risk exposures^{1,2}

	2017 RWA amounts £m	2017 Capital requirements £m
Risk-weighted assets as at 31 December 2016	9,623	770
Asset size	(258)	(21)
Asset quality	(661)	(53)
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	(26)	(2)
Foreign exchange	(336)	(27)
Other	-	-
Risk-weighted assets as at 30 June 2017	8,342	667

¹ There are no exposures under the Internal Model Method requiring analysis under EBA template CCR7. The Group has elected to include the above risk-weighted assets flow statement of total CCR as a supplementary disclosure.

² Counterparty credit risk includes movements in contributions to the default fund of central counterparties and movements in credit valuation adjustment risk.

Table 18: Counterparty credit risk exposures

	June 2017		December 2016	
	Exposure value £m	RWA £m	Exposure value £m	RWA £m
Foundation IRB approach				
Corporate – main	7,438	2,881	7,902	3,213
Corporate – SME	5	5	–	–
Central governments and central banks	958	45	1,599	79
Institutions	3,708	1,407	4,420	1,828
Other IRB approach				
Corporate – specialised lending ¹	2,783	2,034	3,206	2,453
Securitisation positions ²	291	109	343	118
Total IRB approach	15,183	6,481	17,470	7,691
Exposures subject to the standardised approach				
Central governments and central banks	21,612	–	3,597	3
Multilateral development banks	78	–	19	–
International organisations	266	–	209	–
Institutions	8,083	167	7,761	158
Corporates	1,020	540	1,037	567
Total standardised approach	31,059	707	12,623	728
Contributions to the default fund of a central counterparty	175	419	165	340
Credit valuation adjustment ³		735		864
Total	46,417	8,342	30,258	9,623

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 2017 or 2016.

³ CVA exposure value of £3.7 billion (2016: £4.5 billion) is embedded in the asset class analysis above.

Table 19: Credit valuation adjustment (CVA) capital charge (CCR2)

	June 2017		December 2016	
	a	b	a	b
	Exposure value £m	RWA £m	Exposure value £m	RWA £m
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	3,721	735	4,463	864
EU4 Based on original exposure method	–	–	–	–
5 Total subject to the CVA capital charge	3,721	735	4,463	864

Table 20: IRB – CCR exposure by portfolio and PD scale – Corporate Main (CCR4)

PD Scale Corporates – Main	June 2017						
	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density
	£m	%		%		£m	%
0.00 to <0.15	4,589	0.06	694	45.0	3.1	1,262	27.5
0.15 to <0.25	852	0.18	233	45.0	3.2	440	51.7
0.25 to <0.50	1,608	0.32	784	45.1	1.5	795	49.4
0.50 to <0.75	85	0.63	157	45.0	2.9	74	86.3
0.75 to <2.50	146	1.28	258	45.0	2.6	158	108.3
2.50 to <10.00	95	3.37	140	45.0	2.5	135	142.2
10.00 to <100.00	7	26.66	5	45.0	1.0	17	239.0
100.00 (Default)	56	100.00	10	45.0	2.4	–	–
Sub-total	7,438	0.98	2,281	45.0	2.8	2,881	38.7

PD Scale Corporates – Main	December 2016						
	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density
	£m	%		%		£m	%
0.00 to <0.15	4,783	0.07	624	45.0	3.2	1,336	28.0
0.15 to <0.25	767	0.18	240	45.0	3.0	375	49.0
0.25 to <0.50	1,831	0.33	774	45.0	1.7	948	51.8
0.50 to <0.75	103	0.63	256	45.0	2.5	84	81.2
0.75 to <2.50	234	1.20	403	45.0	2.7	249	106.3
2.50 to <10.00	137	4.50	189	45.0	3.1	220	160.2
10.00 to <100.00	–	31.62	27	45.0	1.7	1	210.6
100.00 (Default)	47	100.00	14	45.0	2.3	–	–
Sub-total	7,902	0.85	2,527	45.0	2.8	3,213	40.7

Table 21: IRB – CCR exposure by portfolio and PD scale – Central governments and central banks (CCR4)

PD Scale	June 2017						
	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density
Central governments and central banks	£m	%		%		£m	%
0.00 to <0.15	958	0.04	13	45.0	0.1	45	4.7
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	958	0.04	13	45.0	0.1	45	4.7

PD Scale	December 2016						
	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density
Central governments and central banks	£m	%		%		£m	%
0.00 to <0.15	1,599	0.04	11	45.0	0.0	79	5.0
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	1,599	0.04	11	45.0	0.0	79	5.0

Table 22: IRB – CCR exposure by portfolio and PD scale – Institutions (CCR4)

PD Scale Institutions	June 2017						
	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density
	£m	%		%		£m	%
0.00 to <0.15	3,307	0.05	276	45.0	3.4	1,103	33.4
0.15 to <0.25	282	0.18	45	45.0	3.7	192	68.1
0.25 to <0.50	104	0.30	34	45.0	3.3	90	86.7
0.50 to <0.75	4	0.63	9	45.0	1.2	3	72.8
0.75 to <2.50	6	1.25	10	45.0	1.1	5	86.4
2.50 to <10.00	–	2.61	2	45.0	1.0	–	136.6
10.00 to <100.00	5	28.86	3	45.0	0.9	14	269.3
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	3,708	0.11	379	45.0	3.4	1,407	38.0

PD Scale Institutions	December 2016						
	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWA	RWA density
	£m	%		%		£m	%
0.00 to <0.15	3,905	0.05	264	45.0	3.4	1,397	35.8
0.15 to <0.25	312	0.18	40	45.0	4.6	252	80.8
0.25 to <0.50	182	0.32	50	45.0	3.6	160	88.0
0.50 to <0.75	10	0.63	7	45.0	1.4	8	86.4
0.75 to <2.50	9	1.04	8	45.0	1.1	7	80.5
2.50 to <10.00	1	4.20	2	45.0	1.9	2	141.9
10.00 to <100.00	1	–	1	–	5.0	2	317.2
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	4,420	0.08	372	45.0	3.5	1,828	41.3

Table 23: CCR corporate exposures subject to supervisory slotting

		June 2017 Specialised lending				
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	Exposure amount £m	RWA £m
1) Strong	Less than 2.5 years	88	–	50%	88	44
	Equal to or more than 2.5 years	2,085	–	70%	1,994	1,395
2) Good	Less than 2.5 years	157	–	70%	159	111
	Equal to or more than 2.5 years	526	–	90%	386	347
3) Satisfactory	Less than 2.5 years	1	–	115%	1	1
	Equal to or more than 2.5 years	99	–	115%	117	135
4) Weak	Less than 2.5 years	–	–	250%	–	–
	Equal to or more than 2.5 years	–	–	250%	–	1
5) Default	Less than 2.5 years	1	–	0%	1	–
	Equal to or more than 2.5 years	26	–	0%	37	–
Total	Less than 2.5 years	247	–		249	156
	Equal to or more than 2.5 years	2,736	–		2,534	1,878

		December 2016 Specialised lending				
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	Exposure amount £m	RWA £m
1) Strong	Less than 2.5 years	94	–	50%	95	47
	Equal to or more than 2.5 years	2,184	–	70%	2,165	1,517
2) Good	Less than 2.5 years	146	–	70%	147	103
	Equal to or more than 2.5 years	433	–	90%	488	439
3) Satisfactory	Less than 2.5 years	4	–	115%	1	1
	Equal to or more than 2.5 years	201	–	115%	278	320
4) Weak	Less than 2.5 years	–	–	250%	–	–
	Equal to or more than 2.5 years	9	–	250%	11	26
5) Default	Less than 2.5 years	–	–	0%	–	–
	Equal to or more than 2.5 years	17	–	0%	21	–
Total	Less than 2.5 years	244	–		243	151
	Equal to or more than 2.5 years	2,844	–		2,963	2,302

Table 24: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

June 2017

Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which: unrated ¹
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Central governments and central banks	21,612	–	–	–	–	–	–	–	–	–	–	21,612	21,612
4 Multilateral development banks	78	–	–	–	–	–	–	–	–	–	–	78	78
5 International organisations	266	–	–	–	–	–	–	–	–	–	–	266	266
6 Institutions	–	8,056	–	–	26	1	–	–	–	–	–	8,083	8,056
7 Corporates	–	–	–	–	133	747	–	–	140	–	–	1,020	138
17 Total – standardised approach	21,956	8,056	–	–	159	748	–	–	140	–	–	31,059	30,150

December 2016

Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which: unrated ¹
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Central governments and central banks	3,592	–	–	–	–	5	–	–	–	–	–	3,597	3,592
4 Multilateral development banks	19	–	–	–	–	–	–	–	–	–	–	19	19
5 International organisations	209	–	–	–	–	–	–	–	–	–	–	209	209
6 Institutions	–	7,752	–	–	4	5	–	–	–	–	–	7,761	7,752
7 Corporates	–	–	–	–	139	715	–	–	183	–	–	1,037	180
17 Total – standardised approach	3,820	7,752	–	–	143	725	–	–	183	–	–	12,623	11,752

¹Of which: Unrated includes any exposures for which a credit assessment by a nominated ECAI is not utilised in determining a risk weight or that have specific risk weights applied depending on their class as specified in articles 113 to 134 and in article 306 (for exposures cleared through a qualifying central counterparty).

Key movements

- Standardised exposures increased by £18.4 billion primarily due to the utilisation of the Bank of England term funding scheme.

PILLAR 1 CAPITAL REQUIREMENTS: MARKET RISK

This section details Lloyds Banking Group's market risk profile, focusing in particular on the Group's internally modelled market risk measures.

- Market risk represents a small proportion (1.4 per cent) (2016: 1.5 per cent) of the Group's total risk-weighted assets.
- Risk-weighted assets decreased by 7 per cent to £2.9 billion largely due to a decrease in exposure to long dated inflation linked gilts and a decrease in interest rate exposure.

Table 25: Market risk capital requirements

	June 2017		December 2016	
	RWA	Capital requirements	RWA	Capital requirements
	£m	£m	£m	£m
Internal models approach	2,549	204	2,795	224
VaR	133	11	207	17
SVaR	887	71	1,008	81
Incremental risk charge	225	18	143	11
Comprehensive risk measure	–	–	–	–
Risks not in VaR	1,304	104	1,437	115
Standardised approach	381	30	352	28
Interest rate risk (general and specific)	263	21	280	23
Equity risk (general and specific)	–	–	–	–
Foreign exchange risk	110	8	55	4
Commodity risk	–	–	–	–
Specific interest rate risk of securitisation position	8	1	17	1
Total	2,930	234	3,147	252

Table 26: RWA flow statements of market risk exposures under an IMA (MR2-B)

	a	b	c	d	e	f	g
	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 2016	207	1,008	143	–	1,437	2,795	224
2 Movement in risk levels	(74)	(121)	82	–	(133)	(246)	(20)
3 Model updates/changes	–	–	–	–	–	–	–
4 Methodology and policy	–	–	–	–	–	–	–
5 Acquisitions and disposals	–	–	–	–	–	–	–
7 Other	–	–	–	–	–	–	–
8 Risk-weighted assets as at 30 June 2017	133	887	225	–	1,304	2,549	204

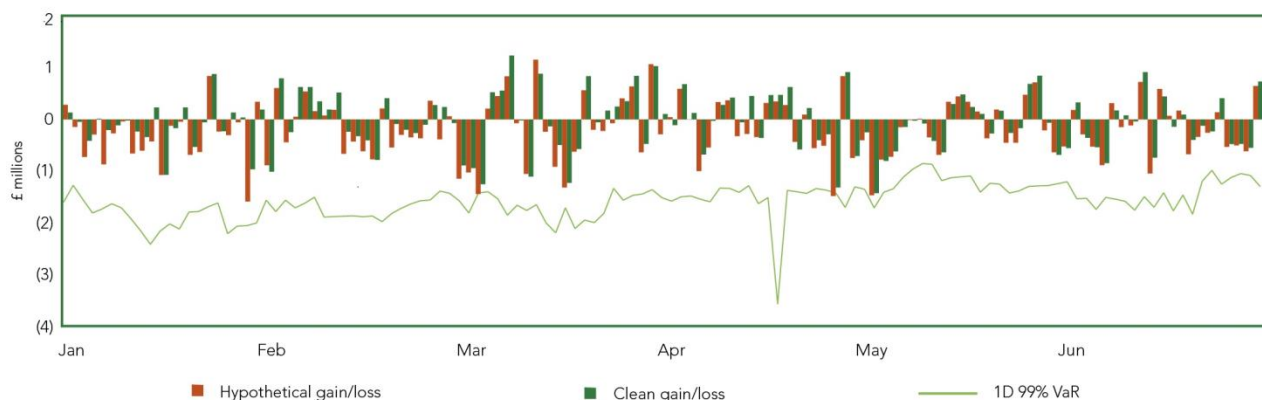
Key movements

- Internal model approach risk-weighted assets reduced from 2016 year end due to a reduction in interest rate exposures for VaR, SVaR and Risks not in VaR or SVaR. This was partially offset by an increase in Incremental Risk Charge (IRC) from increased exposure to corporate bonds.
- 'Other' represents the risk factors that fall within market risk under the internal models approach. These risk factors are insufficiently captured by the VaR model and hence captured as a Risk Not in VaR (RNIV). A number of risks captured as RNIVs were moved into the VaR model in 2016 and plans are in place to transfer a material proportion of the remaining RNIVs during the second half of 2017.

Table 27: Comparison of VaR estimates with gains/losses

The following chart provides a comparison of VaR (1-day 99 per cent confidence level) to the hypothetical and clean profit and loss on a daily basis over the six months to June 2017.

Note that the profit and loss used in back-testing represents the gains and losses based on the changes in valuation of the portfolio due to market moves and is not reflective of the total profit and loss from trading book.



There were two back-testing overshoots compared to hypothetical gain/loss in the six months to June 2017. These amounted to losses of £6,000 and £48,000 in excess of the 1-day 99 VaR. These overshoots were driven by movements in both interest rates and exchange rates.

Table 28: Market risk under internal models approach (MR2-A)

	June 2017		December 2016	
	a	b	a	b
	RWA	Capital requirements	RWA	Capital requirements
	£m	£m	£m	£m
1 VaR (higher of values a and b)	133	11	207	17
(a) Previous day's VaR (Article 365(1)) (VaRt-1))		4		4
Average of the daily VaR (Article 365(1)) on each of the preceding sixty business days (VaRavg) x multiplication factor ((mc) in accordance with Article 366)		11		17
(b)		71	1,008	81
2 SVaR (higher of values a and b)	887	71		13
(a) Latest SVaR (Article 365(2)) (sVaRt-1))		24		
Average of the SVaR (Article 365(2)) during the preceding sixty business days (sVaRavg) x multiplication factor (ms) (Article 366)		71		81
(b)		18	143	11
3 Incremental risk charge – IRC (higher of values a and b)	225	18		
Most recent IRC value (incremental default and migration risks section 3 calculated in accordance with Section 3 articles 370/371)		16		8
(a)		18		11
(b) Average of the IRC number over the preceding 12 weeks				
Comprehensive Risk Measure – CRM (higher of values a, b and c)	–	–	–	–
Most recent risk number for the correlation trading portfolio (article 377)		–		–
(a)		–		–
Average of the risk number for the correlation trading portfolio over the preceding 12-weeks		–		–
(b)		–		–
8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio (Article 338(4))		–		–
(c)				
5 Other	1,304	104	1,437	115
6 Total	2,549	204	2,795	224

Table 29: IMA values for trading portfolios (MR3)

	June 2017	December 2016
	a	a
	£m	£m
VaR (10 day 99%)		
1 Maximum value	9.7	42.7
2 Average value	3.7	10.3
3 Minimum value	2.1	2.7
4 Period end	3.9	4.1
Stressed VaR (10 day 99%)		
5 Maximum value	44.0	38.3
6 Average value	23.3	19.5
7 Minimum value	12.4	8.7
8 Period end	23.9	13.4
Incremental risk charge (99.9%)		
9 Maximum value	21.5	30.5
10 Average value	16.2	13.5
11 Minimum value	7.6	6.1
12 Period end	15.8	8.3
Comprehensive risk capital charge (99.9%)		
13 Maximum value	—	—
14 Average value	—	—
15 Minimum value	—	—
16 Period end	—	—

Key movements

- The VaR (10 day 99%) maximum and average values reduced significantly due to high levels of VaR in the first half of 2016 as a result of the low to negative Euro interest rates. Model improvements, implemented at the end of June 2016, reduced the VaR level.
- SVaR as at 30 June 2017 increased given low levels of exposure held at 2016 year end. There was a slight increase in the average SVaR over the 6 months to June 2017 from the 2016 average due to low levels of risk held in advance of and following the EU referendum in 2016.
- The IRC value has increased during the first half of 2017 due to increased positions in corporate bonds by the Credit Trading business.

Table 30: Market risk under standardised approach (MR1)

	June 2017		December 2016	
	a	b	a	b
	RWA	Capital	RWA	Capital
	£m	£m	£m	£m
Outright Products				
1 Interest rate risk (general and specific)	263	21	280	23
2 Equity risk (general and specific)	—	—	—	—
3 Foreign exchange risk	110	8	55	4
4 Commodity Risk	—	—	—	—
8 Securitisation (specific risk)	8	1	17	1
Options				
5 Simplified approach	—	—	—	—
6 Delta-plus method	—	—	—	—
7 Scenario approach	—	—	—	—
9 Total	381	30	352	28

SUMMARY: CAPITAL AND LEVERAGE**Table 31: Lloyds Banking Group own funds template**

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2016 £m	At 30 Jun 2017 £m	At 31 Dec 2016 £m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	24,815	24,768	24,815	24,768
of which: called up share capital	7,191	7,146	7,191	7,146
of which: share premium	17,624	17,622	17,624	17,622
Retained earnings	7,752	7,716	7,752	7,716
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	11,439	11,718	11,439	11,718
Foreseeable dividend	(1,080)	(1,568)	(1,080)	(1,568)
Common equity tier 1 (CET1) capital before regulatory adjustments	42,926	42,634	42,926	42,634
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	(636)	(630)	(636)	(630)
Intangible assets (net of related tax liability)	(2,651)	(1,623)	(2,651)	(1,623)
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)	(3,313)	(3,564)	(3,313)	(3,564)
Fair value reserves related to gains or losses on cash flow hedges	(1,703)	(2,136)	(1,703)	(2,136)
Negative amounts resulting from the calculation of expected loss amounts	(551)	(602)	(551)	(602)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	80	(2)	80	(2)
Defined benefit pension fund assets	(320)	(267)	(320)	(267)
Direct and indirect holdings by the Group of own CET1 instruments	(35)	(27)	(35)	(27)
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)	(4,279)	(4,282)	(4,279)	(4,282)
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative	(198)	(217)	(198)	(217)
of which: securitisation positions	(198)	(217)	(198)	(217)
Amount exceeding the 15% threshold				
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	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
Total regulatory adjustments applied to common equity tier 1 (CET1)	(13,606)	(13,350)	(13,606)	(13,350)
Common equity tier 1 (CET1) capital	29,320	29,284	29,320	29,284
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	5,320	5,320	5,320	5,320
of which: classified as equity under applicable accounting standards	5,320	5,320	5,320	5,320
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	495	592	-	-
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	2,260	2,714	-	-
of which: instruments issued by subsidiaries subject to phase out	2,260	2,714	-	-
Additional tier 1 (AT1) capital before regulatory adjustments	8,075	8,626	5,320	5,320

Table 31: Lloyds Banking Group own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2016 £m	At 30 Jun 2017 £m	At 31 Dec 2016 £m
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	(1,292)	(1,329)	–	–
of which: significant investments in Tier 2 instruments of other financial sector entities	(1,292)	(1,329)	–	–
Total regulatory adjustments applied to additional tier 1 (AT1) capital	(1,292)	(1,329)	–	–
Additional tier 1 (AT1) capital	6,783	7,297	5,320	5,320
Tier 1 capital	36,103	36,581	34,640	34,604
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	3,728	3,813	4,224	4,404
Amount of qualifying items referred to in Article 484 (5) of the CRR and the related share premium accounts subject to phase out from T2	10	10	–	–
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	6,753	7,104	3,009	3,328
of which: instruments issued by subsidiaries subject to phase out	3,679	3,711	–	–
Credit risk adjustments	255	186	255	186
Tier 2 (T2) capital before regulatory adjustments	10,746	11,113	7,488	7,918
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)	(1,646)	(1,571)	(2,938)	(2,900)
Total regulatory adjustments applied to tier 2 (T2) capital	(1,646)	(1,571)	(2,938)	(2,900)
Tier 2 (T2) capital	9,100	9,542	4,550	5,018
Total capital	45,203	46,123	39,190	39,622
Total risk-weighted assets	217,787	215,534	217,787	215,534
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	13.5%	13.6%	13.5%	13.6%
Tier 1 (as a percentage of risk exposure amount)	16.6%	17.0%	15.9%	16.1%
Total capital (as a percentage of risk exposure amount)	20.8%	21.4%	18.0%	18.4%
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)	1.253%	0.627%	1.253%	0.627%
of which: capital conservation buffer requirement ¹	1.250%	0.625%	1.250%	0.625%
of which: countercyclical buffer requirement	0.003%	0.002%	0.003%	0.002%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²	9.0%	9.1%	9.0%	9.1%
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)	854	1,040	854	1,040
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)	3,360	3,357	3,360	3,357
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	917	984	917	984

Table 31: Lloyds Banking Group own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2016 £m	At 30 Jun 2017 £m	At 31 Dec 2016 £m
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	255	186	255	186
	908	932	908	932
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	2,755	3,305	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	1,762	1,419	–	–
Current cap on T2 instruments subject to phase out arrangements	7,167	8,600	–	–

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

² Excluding CET1 required to meet Pillar 2A requirements.

Table 32: Lloyds Banking Group leverage ratio common disclosure

	At 30 Jun 2017 Fully loaded £m	At 31 Dec 2016 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	604,638	596,415
Asset amounts deducted in determining Tier 1 capital	(7,239)	(9,128)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	597,399	587,287
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6,428	7,863
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	12,853	13,188
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	1,614	1,636
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(4,246)	(4,686)
Adjusted effective notional amount of written credit derivatives	1,007	1,088
Adjusted effective notional offsets and add-on deductions for written credit derivatives	(149)	(389)
Total derivative exposures	17,507	18,700
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	51,831	44,617
Netted amounts of cash payables and cash receivables of gross SFT assets	(13,036)	(3,858)
Counterparty credit risk exposure for SFT assets	1,546	1,677
Total securities financing transaction exposures	40,341	42,436
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	146,907	129,214
Adjustments for conversion to credit equivalent amounts	(87,847)	(70,529)
Other off-balance sheet exposures	59,060	58,685
Capital and total exposure measure		
Tier 1 capital	34,640	34,604
Leverage ratio total exposure measure	714,307	707,108
Leverage ratio		
Leverage ratio	4.8%	4.9%

Table 33: Lloyds Banking Group summary reconciliation of accounting assets and leverage ratio exposures

	At 30 Jun 2017 Fully loaded £m	At 31 Dec 2016 Fully loaded £m
Total assets as per published financial statements	814,919	817,793
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(140,897)	(145,246)
Adjustments for derivative financial instruments	(10,522)	(15,035)
Adjustments for securities financing transactions (SFTs)	(1,014)	39
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	59,060	58,685
Other adjustments	(7,239)	(9,128)
Leverage ratio total exposure measure	714,307	707,108

Table 34: Lloyds Banking Group split-up of on balance sheet exposures (excluding derivatives, STFS and exempted exposures)

	At 30 Jun 2017	At 31 Dec 2016
	Fully loaded	Fully loaded
	£m	£m
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	604,638	596,415
Trading book exposures	13,731	12,174
Banking book exposures, of which:	590,907	584,241
Covered bonds	989	2,363
Exposures treated as sovereigns	98,739	98,799
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1	2
Institutions	2,555	2,252
Secured by mortgages of immovable properties	323,641	325,290
Retail exposures	41,850	32,176
Corporate	73,057	77,679
Exposures in default	8,287	8,775
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	41,788	36,905

Table 35: Lloyds Bank Group overview of risk-weighted assets (OV1)

	June 2017 RWA £m	December 2016 RWA £m	June 2017 Minimum capital requirements £m	December 2016 Minimum capital requirements £m
1 Credit risk (excluding counterparty credit risk)	165,583	162,650	13,247	13,012
2 Of which standardised approach	24,538	18,688	1,963	1,495
3 Of which the foundation rating-based (FIRB) approach	48,820	51,438	3,906	4,115
4 Of which the retail IRB (RIRB) approach	65,330	64,970	5,226	5,198
Of which corporates – specialised lending	12,297	13,469	984	1,077
Of which non-credit obligation	7,009	6,427	561	514
Of which equity IRB under the simple risk-weight or the internal models approach	7,589	7,658	607	613
6 Counterparty credit risk	8,342	9,623	667	770
7 Of which marked to market	6,334	7,552	507	604
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)	693	712	55	57
Of which exposures to central counterparties (including trades, default fund contributions and initial margin)	580	495	46	40
12 Of which credit valuation adjustment (CVA)	735	864	59	69
13 Settlement risk	–	–	–	–
14 Securitisation exposures in banking book	4,017	3,971	321	318
15 Of which IRB ratings-based approach (RBA)	2,977	2,878	238	231
16 Of which IRB supervisory formula approach (SFA)	46	–	4	–
17 Of which internal assessment approach (IAA)	738	825	59	66
18 Of which standardised approach	256	268	20	21
19 Market risk	2,930	3,147	234	252
20 Of which standardised approach	381	352	30	28
21 Of which internal model approaches	2,549	2,795	204	224
22 Large exposures	–	–	–	–
23 Operational risk	26,222	25,292	2,098	2,023
24 Of which basic indicator approach	–	–	–	–
25 Of which standardised approach	26,222	25,292	2,098	2,023
26 Of which advanced measurement approach	–	–	–	–
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	11,509	11,500	921	920
28 Floor adjustment	–	–	–	–
29 Total	218,603	216,183	17,488	17,295

Table 36: Lloyds Bank Group own funds template

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2016 £m	At 30 Jun 2017 £m	At 31 Dec 2016 £m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	2,174	1,574	2,174	1,574
of which: called up share capital	1,574	1,574	1,574	1,574
of which: share premium	600	–	600	–
Retained earnings	39,769	39,758	39,769	39,758
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	5,468	5,868	5,468	5,868
Foreseeable dividend	(1,080)	(1,568)	(1,080)	(1,568)
Common equity tier 1 (CET1) capital before regulatory adjustments	46,331	45,632	46,331	45,632
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	(636)	(630)	(636)	(630)
Intangible assets (net of related tax liability)	(2,651)	(1,623)	(2,651)	(1,623)
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)	(3,286)	(3,536)	(3,286)	(3,536)
Fair value reserves related to gains or losses on cash flow hedges	(1,839)	(2,224)	(1,839)	(2,224)
Negative amounts resulting from the calculation of expected loss amounts	(551)	(602)	(551)	(602)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	80	(3)	80	(3)
Defined benefit pension fund assets	(320)	(267)	(320)	(267)
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)	(3,946)	(3,986)	(3,946)	(3,986)
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative	(198)	(217)	(198)	(217)
of which: securitisation positions	(198)	(217)	(198)	(217)
Total regulatory adjustments applied to common equity tier 1 (CET1)	(13,347)	(13,088)	(13,347)	(13,088)
Common equity tier 1 (CET1) capital	32,984	32,544	32,984	32,544
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts	3,182	3,182	3,182	3,182
of which: classified as equity under applicable accounting standards	3,182	3,182	3,182	3,182
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	2,044	2,380	–	–
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	1,357	1,499	–	–
of which: instruments issued by subsidiaries subject to phase out	1,357	1,499	–	–
Additional tier 1 (AT1) capital before regulatory adjustments	6,583	7,061	3,182	3,182

Table 36: Lloyds Bank Group own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2015 £m	At 30 Jun 2017 £m	At 31 Dec 2015 £m
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	(1,262)	(1,329)	–	–
of which: significant investments in Tier 2 instruments of other financial sector entities	(1,262)	(1,329)	–	–
Total regulatory adjustments applied to additional tier 1 (AT1) capital	(1,262)	(1,329)	–	–
Additional tier 1 (AT1) capital	5,321	5,732	3,182	3,182
Tier 1 capital	38,305	38,276	36,166	35,726
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	5,489	5,880	5,489	5,880
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	844	685	–	–
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	2,112	2,355	341	495
of which: instruments issued by subsidiaries subject to phase out	1,737	1,860	–	–
Credit risk adjustments	255	186	255	186
Tier 2 (T2) capital before regulatory adjustments	8,700	9,106	6,085	6,561
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)	(1,371)	(1,571)	(2,633)	(2,900)
Total regulatory adjustments applied to tier 2 (T2) capital	(1,371)	(1,571)	(2,633)	(2,900)
Tier 2 (T2) capital	7,329	7,535	3,452	3,661
Total capital	45,634	45,811	39,618	39,387
Total risk-weighted assets	218,603	216,183	218,603	216,183
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.1%	15.1%	15.1%	15.1%
Tier 1 (as a percentage of risk exposure amount)	17.5%	17.7%	16.5%	16.5%
Total capital (as a percentage of risk exposure amount)	20.9%	21.2%	18.1%	18.2%
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)	1.253%	0.627%	1.253%	0.627%
of which: capital conservation buffer requirement ¹	1.250%	0.625%	1.250%	0.625%
of which: countercyclical buffer requirement	0.003%	0.002%	0.003%	0.002%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²	10.6%	10.6%	10.6%	10.6%

Table 36: Lloyds Bank Group own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2015 £m	At 30 Jun 2017 £m	At 31 Dec 2015 £m
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)	854	1,040	854	1,040
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)	3,693	3,653	3,693	3,653
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) of the CRR are met)	911	947	911	947
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)	255	186	255	186
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	908	932	908	932
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	3,401	4,081	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	303	–	–	–
Current cap on T2 instruments subject to phase out arrangements	3,312	3,974	–	–

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

² Excluding CET1 required to meet Pillar 2A requirements.

Table 37: Lloyds Bank Group leverage ratio common disclosure

	June 2017 Fully loaded £m	December 2016 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	609,109	599,273
Asset amounts deducted in determining Tier 1 capital	(7,213)	(9,187)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	601,896	590,086
Derivative exposures¹		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6,428	7,863
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	12,853	13,188
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	1,614	1,636
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(4,246)	(4,686)
Adjusted effective notional amount of written credit derivatives	1,007	1,088
Adjusted effective notional offsets and add-on deductions for written credit derivatives	(149)	(389)
Total derivative exposures	17,507	18,700
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	51,831	44,617
Netted amounts of cash payables and cash receivables of gross SFT assets	(13,036)	(3,858)
Counterparty credit risk exposure for SFT assets	1,546	1,677
Total securities financing transaction exposures	40,341	42,436
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	146,907	129,214
Adjustments for conversion to credit equivalent amounts	(87,847)	(70,529)
Other off-balance sheet exposures	59,060	58,685
Exempted exposures in accordance with CRR Article 429 (7) (on and off balance sheet)		
Intragroup exposures exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet) ²	(4,406)	(3,218)
Capital and total exposure measure		
Tier 1 capital	36,166	35,726
Leverage ratio total exposure measure	714,398	706,689
Leverage ratio		
Leverage ratio	5.1%	5.1%

¹ Excludes intragroup derivative assets amounting to £124m (2016:nil) exempted in accordance with CRR Article 429(7).

² Relates to exempted intragroup loans and receivables. Total intragroup exposures exempted in accordance with CRR Article 429(7), including derivatives, amounted to £4,530m (2016:£3,218m).

Table 38: Lloyds Bank Group summary reconciliation of accounting assets and leverage ratio exposures

	June 2017 Fully loaded £m	December 2016 Fully loaded £m
Total assets as per the financial statements	828,448	830,927
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(149,831)	(155,522)
Adjustments for derivative financial instruments	(10,522)	(15,035)
Adjustments for securities financing transactions (SFTs)	(1,014)	39
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	59,060	58,685
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	(4,530)	(3,218)
Other adjustments	(7,213)	(9,187)
Leverage ratio total exposure measure	714,398	706,689

Table 39: Bank of Scotland Group overview of risk-weighted assets (OV1)

	June 2017	December 2016	June 2017	December 2016
	RWA	RWA	Minimum capital requirements	Minimum capital requirements
	£m	£m	£m	£m
1 Credit risk (excluding counterparty credit risk)	57,457	58,597	4,596	4,688
2 Of which standardised approach	7,688	8,150	615	652
3 Of which the foundation rating-based (FIRB) approach	3,959	4,459	316	357
4 Of which the retail IRB (RIRB) approach	40,483	40,295	3,239	3,224
Of which corporates – specialised lending	2,720	3,167	218	253
Of which non-credit obligation	1,327	1,030	106	82
5 Of which equity IRB under the simple risk -weight or the internal models approach	1,280	1,496	102	120
6 Counterparty credit risk	1,234	1,816	99	145
7 Of which marked to market	1,127	1,574	90	126
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)	–	–	–	–
Of which exposures to central counterparties (including trades, default fund contributions and initial margin)	–	–	–	–
12 Of which credit valuation adjustment (CVA)	107	242	9	19
13 Settlement risk	–	–	–	–
14 Securitisation exposures in banking book	278	296	22	24
15 Of which IRB ratings-based approach (RBA)	65	66	5	5
16 Of which IRB supervisory formula approach (SFA)	–	–	–	–
17 Of which internal assessment approach (IAA)	213	230	17	19
18 Of which standardised approach	–	–	–	–
19 Market risk	1,540	1,980	123	158
20 Of which standardised approach	400	253	32	20
21 Of which internal model approaches	1,140	1,727	91	138
22 Large exposures	–	–	–	–
23 Operational risk	12,059	12,059	965	965
24 Of which basic indicator approach	–	–	–	–
25 Of which standardised approach	12,059	12,059	965	965
26 Of which advanced measurement approach	–	–	–	–
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	728	813	58	65
28 Floor adjustment	–	–	–	–
29 Total	73,297	75,561	5,863	6,045

Table 40: Bank of Scotland Group own funds template

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017 £m	At 31 Dec 2016 £m	At 30 Jun 2017 £m	At 31 Dec 2016 £m
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts of which: called up share capital	5,847	5,847	5,847	5,847
Retained earnings	4,166	4,243	4,166	4,243
Accumulated other comprehensive income and other reserves (including unrealised gains and losses)	2,053	2,165	2,053	2,165
Foreseeable dividend	(500)	(500)	(500)	(500)
Common equity tier 1 (CET1) capital before regulatory adjustments	11,566	11,755	11,566	11,755
Common equity tier 1 (CET1) capital: regulatory adjustments				
Additional value adjustments	(88)	(165)	(88)	(165)
Intangible assets (net of related tax liability)	(438)	(424)	(438)	(424)
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)	(1,566)	(1,650)	(1,566)	(1,650)
Fair value reserves related to gains or losses on cash flow hedges	(61)	(90)	(61)	(90)
Negative amounts resulting from the calculation of expected loss amounts	(87)	(132)	(87)	(132)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(4)	(11)	(4)	(11)
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the Group has opted for the deduction alternative	(186)	(186)	(186)	(186)
of which: securitisation positions	(186)	(186)	(186)	(186)
Total regulatory adjustments applied to common equity tier 1 (CET1)	(2,430)	(2,658)	(2,430)	(2,658)
Common equity tier 1 (CET1) capital	9,136	9,097	9,136	9,097
Additional tier 1 (AT1) capital: instruments				
Capital instruments and related share premium accounts of which: classified as equity under applicable accounting standards	1,500	1,500	1,500	1,500
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	174	177	–	–
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	150	150	–	–
of which: instruments issued by subsidiaries subject to phase out	150	150	–	–
Additional tier 1 (AT1) capital	1,824	1,827	1,500	1,500
Tier 1 capital	10,960	10,924	10,636	10,597

Table 40: Bank of Scotland Group own funds template (continued)

	Transitional rules		Fully loaded rules	
	At 30 Jun 2017	At 31 Dec 2016	At 30 Jun 2017	At 31 Dec 2016
	£m	£m	£m	£m
Tier 2 (T2) capital: Instruments and provisions				
Capital instruments and related share premium accounts	4,332	3,216	4,332	3,216
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	89	3,052	–	–
Credit risk adjustments	300	304	300	304
Tier 2 (T2) capital	4,721	6,572	4,632	3,520
Total capital	15,681	17,496	15,268	14,117
Total risk weighted assets	73,297	75,561	73,297	75,561
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	12.5%	12.0%	12.5%	12.0%
Tier 1 (as a percentage of risk exposure amount)	15.0%	14.5%	14.5%	14.0%
Total capital (as a percentage of risk exposure amount)	21.4%	23.2%	20.8%	18.7%
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)	1.251%	0.627%	1.251%	0.627%
of which: capital conservation buffer requirement ¹	1.250%	0.625%	1.250%	0.625%
of which: countercyclical buffer requirement	0.001%	0.002%	0.001%	0.002%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ²	8.0%	7.5%	8.0%	7.5%
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)	21	133	21	133
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 (amount below 10% threshold and net of eligible short positions)	2	2	2	2
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) of the CRR are met)	289	323	289	323
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)	430	392	430	392
Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	300	304	300	304
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	356	427	–	–
Current cap on T2 instruments subject to phase out arrangements	3,430	5,316	–	–

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

² Excluding CET1 required to meet Pillar 2A requirements.

Table 41: Bank of Scotland Group leverage ratio common disclosure

	June 2017 Fully loaded £m	December 2016 Fully loaded £m
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	371,298	333,075
Asset amounts deducted in determining Tier 1 capital	(2,282)	(2,658)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	369,016	330,417
Derivative exposures¹		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,677	2,296
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	283	318
Deductions of receivables assets for cash variation margin provided in derivatives transactions	(556)	(602)
Total derivative exposures	1,404	2,012
Securities financing transaction exposures²		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
Counterparty credit risk exposure for SFT assets	-	-
Total securities financing transaction exposures	-	-
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	38,726	37,061
Adjustments for conversion to credit equivalent amounts	(21,132)	(21,553)
Other off-balance sheet exposures	17,594	15,508
Exempted exposures in accordance with CRR Article 429 (7) (on and off balance sheet)		
Intragroup exposures exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet) ³	(90,416)	(50,933)
Capital and total exposure measure		
Tier 1 capital	10,636	10,597
Leverage ratio total exposure measure	297,598	297,004
Leverage ratio		
Leverage ratio	3.6%	3.6%

¹ Excludes intragroup derivative assets amounting to £7,426m (2016:£8,468m) exempted in accordance with CRR Article 429(7).

² Excludes intragroup SFT assets amounting to £37m (2016: £946m) exempted in accordance with CRR Article 429(7).

³ Relates to exempted intragroup loans and receivables. Total intragroup exposures exempted in accordance with CRR Article 429(7), including derivatives and SFTs, amounted to £97,879m (2016: £60,347m).

Table 42: Bank of Scotland Group summary reconciliation of accounting assets and leverage ratio exposures

	June 2017 Fully loaded £m	December 2016 Fully loaded £m
Total assets as per the financial statements	384,219	348,685
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
Adjustments for derivative financial instruments	(4,054)	(4,184)
Adjustments for securities financing transactions (SFTs)	-	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	17,594	15,508
Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	(97,879)	(60,347)
Other adjustments	(2,282)	(2,658)
Leverage ratio total exposure measure	297,598	297,004

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