Lloyds Banking Group plc

2024 Year-End

Pillar 3 Disclosures

20 February 2025

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Attestation Summary

The disclosures presented within this document are not required to be, and have not been, subjected to an external audit.

As set out in the Governance section of the Lloyds Banking Group plc Annual Report and Accounts 2024, the Board is responsible for, and monitors, the Group's risk management and internal control systems. These are designed to facilitate effective and efficient operations and to ensure the quality and integrity of internal and external reporting, including compliance with the disclosure section of the PRA Rulebook.

We confirm that quantitative and qualitative disclosures have been prepared in accordance with relevant policies, internal processes, systems and controls and have subsequently been verified and approved through internal governance procedures.

This report was approved by the Board on 19th February 2025.

William Chalmers
Group Chief Financial Officer

Stephen Shelley
Group Chief Risk Officer

Executive summary

COMMON EQUITY TIER 1 (CET1) RATIO

The Group's CET1 capital ratio reduced to 14.2 per cent at 31 December 2024 (31 December 2023: 14.6 per cent). Banking business profits for the year, including a provision charge for motor finance commission arrangements, and the dividends received from the Group's Insurance business in February 2024 and June 2024 were partly offset by an increase in risk-weighted assets and other movements, including a foreign exchange translation loss following the US Dollar AT1 capital instrument redemption in June 2024. Further offsets included the interim ordinary dividend paid in September 2024, the accrual for the final 2024 ordinary dividend, distributions on other equity instruments and the impact of the ordinary share buyback programme that completed during the year. The Group's pro forma CET1 ratio of 13.5 per cent at 31 December 2024 reflects the full capital impact of the ordinary share buyback programme announced as part of the Group's 2024 year end results and the Insurance dividend received in February 2025.

TOTAL CAPITAL RATIO

The Group's total capital ratio reduced to 19.0 per cent at 31 December 2024 (31 December 2023: 19.8 per cent), reflecting reductions in both Additional Tier 1 and Tier 2 capital and the increase in risk-weighted assets, partly offset by the increase in CET1 capital. The reduction in Additional Tier 1 capital reflects redemptions, including the US dollar AT1 capital instrument redeemed in June 2024, offset in part by a new issuance and a reduction in the Group's significant investment in instruments issued by the Insurance business following a redemption by the Insurance business as it sought to refine its capital structure. The reduction in Tier 2 capital primarily reflects the impact of regulatory amortisation on instruments, interest rate movements and a reduction in eligible provisions recognised through Tier 2 capital, partially offset by new issuances.

MREL RATIO

The MREL ratio increased to 32.2 per cent at 31 December 2024 (31 December 2023: 31.9 per cent) largely reflecting the increase in other eligible liabilities driven by new issuances, net of calls and maturities. This was partly offset by the reduction in total capital resources and the increase in risk-weighted assets.

UK LEVERAGE RATIO

The Group's UK leverage ratio reduced to 5.5 per cent (31 December 2023: 5.8 per cent) reflecting the reduction in the total tier 1 capital position and the increase in the leverage exposure measure following lending growth and increases across securities financing transactions and other assets (excluding central bank claims).

RISK-WEIGHTED ASSETS

Risk-weighted assets increased by £5.5 billion in the year to £224.6 billion at 31 December 2024 (31 December 2023: £219.1 billion), in line with guidance. This reflects the impact of lending growth, Retail secured CRD IV increases and other movements, partly offset by optimisation including capital efficient, net present value positive securitisation activity.

LIQUIDITY COVERAGE RATIO

The Group's liquidity coverage ratio (LCR) was 146 per cent (based on a monthly simple average over the previous 12 months) as of 31 December 2024 (31 December 2023: 142 per cent). The increase of 4 percentage points reflects a decrease in net cash outflows, primarily from a reduction in wholesale funding outflows. Liquid assets also decreased from a reduction in wholesale funding.

NET STABLE FUNDING RATIO

The Group's net stable funding ratio (NSFR) was 129 per cent (based on quarterly simple average over the previous 4 quarters) as at 31 December 2024 (31 December 2023: 130 per cent). The 1 per cent decrease reflects a reduction in wholesale funding.

Introduction

This document presents the consolidated Pillar 3 disclosures of Lloyds Banking Group plc ('the Group') as at 31 December 2024.

Pillar 3 disclosure requirements are designed to promote market discipline through the provision of key information around capital, risk exposures and risk management.

The disclosures presented in this document have been prepared in accordance with the Disclosure section of the PRA Rulebook. This incorporates Part Eight of the Capital Requirements Regulation (UK 'CRR').

INTERNAL CONTROL

The effectiveness of the risk management and internal control systems is reviewed regularly by the Board and the Audit Committee, which also receives reports of reviews undertaken by the Risk Division and Group Internal Audit. A statement from the Board is included within the Governance section of the Lloyds Banking Group plc Annual Report and Accounts 2024 (page 96) confirming that the Board concluded that the Group's risk management arrangements were adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

The Chief Finance Officer (CFO) and the Chief Risk Officer (CRO) have also attested that the 2024 Pillar 3 disclosures have been prepared in accordance with the internal control processes agreed upon at the management body level (page 4).

RING-FENCED BANK SUB-GROUP PILLAR 3 DISCLOSURES

In line with UK ring-fencing legislation, the Group's ring-fenced bank sub-group (Lloyds Bank Group) is required to publish consolidated Pillar 3 disclosures.

The Lloyds Bank Group Pillar 3 disclosures will be published in conjunction with the Lloyds Bank plc Annual Report and Accounts.

LARGE SUBSIDIARY DISCLOSURES

Additional disclosures surrounding the capital resources, leverage exposures and capital requirements of Bank of Scotland plc and Lloyds Bank Corporate Markets plc will be published separately in conjunction with the Annual Report and Accounts for these subsidiaries.

G-SIB DISCLOSURE (CRR ARTICLE 441)

Although the Group is not classified as a Global Systemically Important Bank (G-SIB) at 31 December 2024, by virtue of the Group's leverage exposure measure exceeding €200 billion the Group is required to report G-SIB indicator metrics to the PRA. The Group's indicator metrics used within the 2024 Basel G-SIBs annual exercise will be disclosed at the end of April 2025 and the results are expected to be made available by the Basel Committee later this year.

CAPITAL INSTRUMENTS AND ELIGIBLE LIABILITIES (CRR ARTICLE 437(b))

A description of the main features of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2) capital instruments issued by the Group and its large subsidiaries are included in a separate document on the Group's website located at www.lloydsbankinggroup.com/investors/financial-downloads. In addition, the report identifies and provides a description of the main features of debt instruments that are recognised as eligible liabilities in accordance with the Bank of England's MREL framework.

SUSTAINABILITY REPORT 2024

The Annual Report & Accounts and the Group's Sustainability Report covers the Group's progress against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures as well as the Climate-related Financial Disclosures (CFD) sections 414CA and 414CB of the Companies Act 2006, along with the Group's approach to addressing the broader environmental, social and associated governance areas. The Group continues to gather pace in understanding the sustainability-related risks and opportunities for its business and customers. The 2024 report provides an update on the Group's progress towards its ambitions, targets and pledges, along with the activities it is undertaking to help customers and stakeholders. The report also sets out the work the Group is doing to better understand and manage its sustainability-related risks. The report can be located on the Group's website www.lloydsbankinggroup.com/investors/financial-downloads.

Disclosure policy

The Group maintains a Pillar 3 Disclosure Policy to support compliance with the Disclosure section of the PRA Rulebook. The following sets out the key elements of the policy including the basis of preparation, frequency, media and location and risk profile disclosure. In addition the presentation of credit risk exposures throughout the document is outlined below together with specific considerations in respect of IRB disclosures.

Basis of Preparation

These disclosures have been prepared in accordance with the Disclosure section of the PRA Rulebook.

A number of significant differences exist between accounting disclosures published in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with capital regulations, which prevent direct comparison in a number of areas. These include differences in relation to the scope of consolidation, the definition of credit risk exposure and the recognition, classification and valuation of capital instruments.

Details on the scope of consolidation applied to the disclosures presented within this document are provided within the Scope of Consolidation section.

Pursuant to the disclosure requirements under the PRA's Group Financial Support Instrument, and in accordance with the general principles set out in Articles 431-434 of the CRR, Lloyds Banking Group has not entered into any group financial support agreement.

Article 432 of the CRR on non-material, proprietary or confidential information permits institutions to omit one or more disclosures if the information provided by such a disclosure is not regarded as material. Appendix 2 includes a list of excluded disclosures and the reason for exclusion.

The Group applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (revised). The transitional arrangements ended on 1 January 2025.

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

Frequency, Media and Location

In accordance with Pillar 3 disclosure requirements the Group will continue to make available its full consolidated Pillar 3 disclosures on an annual basis. A standalone copy of these disclosures is located on the Lloyds Banking Group plc website (www.lloydsbankinggroup.com/investors/financial-downloads).

Additionally, the Group publishes limited Pillar 3 disclosures at the interim quarter ends and at half-year in accordance with the requirements of the Disclosure section of the PRA Rulebook.

Risk Profile Disclosure

In accordance with Pillar 3 disclosure requirements, the Group is required to assess whether its external disclosures taken as a whole (including the Group's News Release, Annual Report and Accounts and Pillar 3 disclosures) comprehensively portray its risk profile.

The Group's Pillar 3 disclosures focus primarily on the following risk categories: capital, credit, liquidity, market and operational. Comprehensive qualitative and quantitative disclosures are provided in respect of each category.

The Lloyds Banking Group plc Annual Report and Accounts 2024 provides an in depth analysis of the wider range of principal risks and emerging risks to which the Group is exposed.

The relevant analysis is presented in the following sections of the Lloyds Banking Group plc Annual Report and Accounts 2024:

– Risk overview, pages 33 to 38;

– Emerging risks, page 143;

– Principal risk categories, page 144.

Presentation of Credit Risk Exposures

To ensure compliance with the disclosure requirements, credit risk exposures are presented on different bases throughout the document. Information on the exposure basis is given either in column headings or supporting narrative within the Pillar 3 Credit Risk section (pages 51 to 100).

Counterparty credit risk exposures are presented on a post CRM basis, unless otherwise stated.

Securitisation positions represent the aggregate of the Group's retained or purchased positions, excluding those positions rated below BB- or that are unrated and therefore deducted from capital.

IRB Disclosures

Changes to the regulations applicable to internal ratings based (IRB) models were implemented by the PRA on 1 January 2022. The Group's models to meet these requirements remain subject to further development and final approval by the PRA. As directed by PRA Supervisory Statement SS 11/13, the Group has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the new modelling requirements.

Under the new regulation, Residential Mortgage exposures are subject to a 90 day default backstop. The Group's incumbent (pre CRD IV) UK Mortgage models at the reporting date use a 180 day default backstop. As a result, within the published CR6 tables, Defaulted Exposure, Exposure at Default and weighted average risk metrics are disclosed on a pre CRD IV basis (including a 180 day backstop) whilst risk-weighted assets and expected loss amounts include the impact of significant temporary model adjustments which reflect a 90 day default backstop and other new modelling requirements. Less material definitional differences also exist for other IRB asset classes where similar temporary model adjustments have been applied.

While acknowledging the significant value of these temporary post model adjustments to allow for an appropriate level of capital (aligned to new modelling requirements under CRD IV), PD back testing shows that the incumbent PD models are generally working effectively and prudently against pre CRD IV default definitions.

Standardised approach exposures already use a 90 day default backstop and this is reflected in the CR4 and CR5 tables. Tables CQ1, CQ4 and CQ5 are based on accounting definitions, and therefore also use the current 90 days past due definition.

Key metric and overview of risk weighted exposure amounts

KM1: Key metrics[1, 2]

KM1 Ref	LR2 Ref		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
		Available own funds (amounts)					
1		Common Equity Tier 1 (CET1) capital (£m)	**31,979**	31,967	31,295	30,942	31,897
2		Tier 1 capital (£m)	**37,349**	36,774	36,102	36,757	37,712
3		Total capital (£m)	**42,751**	42,377	41,465	42,412	43,439
		Risk-weighted exposure amounts					
4		Total risk-weighted exposure amount (£m)	**224,632**	223,311	222,019	222,831	219,130
		Capital ratios (as a percentage of risk-weighted exposure amount)					
5		Common Equity Tier 1 ratio (%)	**14.2%**	14.3%	14.1%	13.9%	14.6%
6		Tier 1 ratio (%)	**16.6%**	16.5%	16.3%	16.5%	17.2%
7		Total capital ratio (%)	**19.0%**	19.0%	18.7%	19.0%	19.8%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a		Additional CET1 SREP requirements (%)	**1.5%**	1.5%	1.5%	1.5%	1.5%
UK 7b		Additional AT1 SREP requirements (%)	**0.5%**	0.5%	0.5%	0.5%	0.5%
UK 7c		Additional T2 SREP requirements (%)	**0.6%**	0.6%	0.6%	0.6%	0.6%
UK 7d		Total SREP own funds requirements (%)	**10.6%**	10.6%	10.6%	10.6%	10.6%
		Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8		Capital conservation buffer (%)	**2.5%**	2.5%	2.5%	2.5%	2.5%
9		Institution specific countercyclical capital buffer (%)	**1.8%**	1.9%	1.8%	1.8%	1.8%
10a		Other Systemically Important Institution buffer (%)[3]	**—**	—	—	—	—
11		Combined buffer requirement (%)[3]	**4.3%**	4.4%	4.3%	4.3%	4.3%
UK 11a		Overall capital requirements (%)	**15.0%**	15.0%	15.0%	15.0%	15.0%
12		CET1 available after meeting minimum SREP own funds requirements (%)[4]	**8.2%**	8.3%	8.1%	7.9%	8.6%
		Leverage ratio					
13	UK-24b	Total exposure measure excluding claims on central banks (£m)	**674,074**	673,238	664,936	658,052	647,634
14	25	Leverage ratio excluding claims on central banks (%)	**5.5%**	5.5%	5.4%	5.6%	5.8%
		Additional leverage ratio disclosure requirements					
UK 14a	UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.5%**	5.5%	5.4%	5.6%	5.8%
UK 14b	UK-25c	Leverage ratio including claims on central banks (%)	**5.1%**	5.0%	4.9%	5.0%	5.2%
UK 14c	UK-34	Average leverage ratio excluding claims on central banks (%)[5]	**5.5%**	5.4%	5.4%	5.7%	5.7%
UK 14d	UK-33	Average leverage ratio including claims on central banks (%)[5]	**5.0%**	5.0%	4.9%	5.1%	5.1%
	UK-31	Average total exposure measure including claims on central banks[5]	**751,007**	736,490	731,044	726,288	736,725
	UK-32	Average total exposure measure excluding claims on central banks[5]	**689,726**	677,322	665,494	652,887	656,857
	27	Leverage ratio buffer (%)[6]	**1.2%**	1.2%	1.2%	1.2%	1.2%
	UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	**—**	—	—	—	—
UK 14e	UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.6%**	0.6%	0.6%	0.6%	0.6%

1 Includes extracts of LR2 (Leverage ratio common disclosure) that are required to be disclosed on a quarterly basis.

2 The Group applies dynamic relief in accordance with the IFRS9 transitional arrangements for capital as set out under CRR Article 473a (revised). In addition the Group applies a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the arrangements. At 31 December 2024 dynamic relief for CET1 capital amounted to £13 million (31 December 2023: £196 million).

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

4 Represents, as a percentage, the level of CET1 capital left available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet total Pillar 1 plus Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5 per cent (Pillar 1) plus the additional CET1 SREP requirement (56.25 per cent of Pillar 2A). The Group's Pillar 2A capital requirement is around 2.6 per cent of risk-weighted assets, of which around 1.5 per cent is to be met with CET1 capital.

5 The average leverage ratio is based on the average of the month end tier 1 capital position and average exposure measure over the quarter.

6 The Group's total leverage ratio buffer includes an add-on of 0.6 per cent that equates to the additional leverage ratio buffer (ALRB) of 0.7 per cent applied to the Group's Ring-Fenced Bank.

Key metric and overview of risk weighted exposure amounts continued

KM1: Key metrics (continued)

KM1 Ref	LR2 Ref	Average Liquidity Coverage Ratio (weighted) (LCR)[7]	**31 Dec 2024**	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
15		Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**134,370**	134,594	136,023	136,442	135,997
UK 16a		Cash outflows - Total weighted value - average (£m)	**107,295**	109,021	110,350	111,277	111,014
UK 16b		Cash inflows - Total weighted value - average (£m)	**15,226**	15,715	15,880	16,010	15,526
16		Total net cash outflows (adjusted value - average) (£m)	**92,069**	93,306	94,470	95,267	95,488
17		Average liquidity coverage ratio (%)	**146%**	144%	144%	143%	142%
		Average Net Stable Funding Ratio[8]					
18		Total available stable funding (Weighted value - average) (£m)	**526,703**	529,219	530,557	529,657	530,629
19		Total required stable funding (Weighted value - average) (£m)	**409,686**	409,954	408,586	407,403	407,452
20		Average NSFR ratio (%)	**129%**	129%	130%	130%	130%

7 The liquidity balances are calculated as the simple average of month end observations over the previous 12 months.

8 The net stable funding balances are calculated as the simple average of month end observations over the previous 4 quarter ends.

Key metric and overview of risk weighted exposure amounts continued

IFRS 9-FL: Capital

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

		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital (£m)	**31,979**	31,967	31,295	30,942	31,897
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**31,966**	31,950	31,278	30,844	31,701
3	Tier 1 capital (£m)	**37,349**	36,774	36,102	36,757	37,712
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**37,336**	36,757	36,085	36,659	37,516
5	Total capital (£m)	**42,751**	42,377	41,465	42,412	43,439
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**42,738**	42,360	41,448	42,393	43,402
	Risk-weighted exposure (amounts)					
7	Total risk-weighted exposure amount (£m)	**224,632**	223,311	222,019	222,831	219,130
8	Total risk-weighted exposure amount as if IFRS 9 transitional arrangements had not been applied (£m)	**224,614**	223,289	221,996	222,773	219,015
	Capital ratios (as a percentage of risk-weighted exposure amount)					
9	Common Equity Tier 1 ratio (%)	**14.2%**	14.3%	14.1%	13.9%	14.6%
10	CET1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**14.2%**	14.3%	14.1%	13.8%	14.5%
11	Tier 1 ratio (%)	**16.6%**	16.5%	16.3%	16.5%	17.2%
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied (%)	**16.6%**	16.5%	16.3%	16.5%	17.1%
13	Total capital ratio (%)	**19.0%**	19.0%	18.7%	19.0%	19.8%
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied (%)	**19.0%**	19.0%	18.7%	19.0%	19.8%
	Leverage ratio					
15	Total exposure measure excluding claims on central banks (£m)	**674,074**	673,238	664,936	658,052	647,634
16	Leverage ratio excluding claims on central banks (%)	**5.5%**	5.5%	5.4%	5.6%	5.8%
17	Leverage ratio excluding claims on central banks as if IFRS 9 transitional arrangements had not been applied (%)	**5.5%**	5.5%	5.4%	5.6%	5.8%

KM2: Key Metrics – TLAC requirements

		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
		Resolution Group[1]				
1	Total loss absorbing capacity (TLAC) available (£m)	**72,223**	71,816	70,314	71,386	69,905
1a	Fully loaded ECL accounting model TLAC available (£m)	**72,210**	71,799	70,297	71,368	69,868
2	Total RWA at the level of the resolution group (£m)	**224,632**	223,311	222,019	222,831	219,130
3	TLAC as a percentage of RWA (%)	**32.2%**	32.2%	31.7%	32.0%	31.9%
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**32.1%**	32.2%	31.7%	32.0%	31.9%
4	UK leverage ratio exposure measure at the level of the resolution group (£m)	**674,074**	673,238	664,936	658,052	647,634
5	TLAC as a percentage of UK leverage ratio exposure measure (%)	**10.7%**	10.7%	10.6%	10.8%	10.8%
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure (%)	**10.7%**	10.7%	10.6%	10.8%	10.8%
6a	Does the subordination exemption in the ante-penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

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

OV1: Overview of risk-weighted assets

		Total RWA		Total own funds requirements
		31 Dec 2024	31 Dec 2023	31 Dec 2024
		£m	£m	£m
1	**Credit risk (excluding CCR)**	**178,343**	172,979	**14,267**
2	Of which the standardised approach	**22,532**	22,074	**1,803**
3	Of which the foundation IRB (FIRB) approach	**34,253**	35,727	**2,740**
4	Of which slotting approach	**9,113**	8,778	**729**
UK 4a	Of which equities under the simple risk weighted approach	**14,006**	13,973	**1,120**
5	Of which the advanced IRB (AIRB) approach	**90,567**	85,459	**7,245**
	Of which: non-credit obligation assets[1]	**7,872**	6,968	**630**
6	**Counterparty credit risk (CCR)**	**7,046**	6,535	**564**
7	Of which the standardised approach	**5,605**	5,333	**448**
UK 8a	Of which exposures to a CCP	**212**	178	**17**
UK 8b	Of which credit valuation adjustment (CVA)	**485**	689	**39**
9	Of which other CCR	**744**	335	**60**
16	**Securitisation exposures in the non-trading book (after the cap)**	**8,346**	8,958	**668**
17	Of which SEC-IRBA approach	**4,036**	4,329	**323**
18	Of which SEC-ERBA approach (including IAA)	**1,361**	1,642	**109**
19	Of which SEC-SA approach	**2,949**	2,987	**236**
20	**Position, foreign exchange and commodities risks (Market risk)**	**3,714**	4,242	**297**
21	Of which the standardised approach	**708**	698	**57**
22	Of which IMA	**3,006**	3,544	**240**
23	**Operational risk**	**27,183**	26,416	**2,175**
UK 23b	Of which standardised approach	**27,183**	26,416	**2,175**
24	Memo: Amounts below the thresholds for deduction (subject to 250% risk weight)	**10,738**	11,028	**859**
29	**Total**	**224,632**	219,130	**17,971**
	Pillar 2A capital requirement[2]			**5,936**
	Total capital requirement			**23,907**

1 Non-credit obligation assets (IRB approach) predominantly relate to other balance sheet assets that have no associated credit risk, including the residual value of operating leases and investment properties.

2 As at 31 December 2024, the Pillar 2A capital requirement was around 2.6 per cent of risk-weighted assets, of which around 1.5 per cent was to be met with CET1 capital.

Risk-weighted assets increased by £5.5 billion in the year to £224.6 billion at 31 December 2024 (31 December 2023: £219.1 billion). This largely reflected:

Credit Risk:

- FIRB RWAs decreased by £1.5 billion to £34.3 billion principally due to a reduction in exposures from optimisation, including capital efficient securitisation activity, partially offset by lending growth in Commercial Banking.
- AIRB RWAs increased by £5.1 billion to £90.6 billion predominantly reflecting Retail Secured CRD IV increases and Retail lending growth. This was partially offset by optimisation, including capital efficient securitisation of primarily legacy Retail mortgage portfolios.
- Non-credit obligation asset RWAs increased by £0.9 billion to £7.9 billion primarily due to further property investment through Lloyds Living.

Counterparty Credit Risk: RWAs increased by £0.5 billion to £7.0 billion due to refinement of methodology, partially offset by the net impact of credit movements.

Securitisation: RWAs decreased by £0.6 billion to £8.3 billion primarily due to maturities and amortisation from originated positions, partially offset by new originated issuances from established Corporate programmes as well as the securitisation of legacy Retail mortgages.

Market Risk: RWAs decreased by £0.5 billion to £3.7 billion primarily due to portfolio evolution and a reduction in RWA add-ons in the context of methodology improvements under the Group's internal market risk model.

Operational Risk: RWAs increased by £0.8 billion due to higher 3 year average income reflected through the annual recalculation.

Credit risk

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

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

		Total RWA quarter to 31 Dec 2024	Total RWA YTD 31 Dec 2024
		£m	£m
1	Risk weighted exposure amount as at the end of previous reporting period	132,394	129,964
2	Asset size (+/-)	954	5,889
3	Asset quality (+/-)	(265)	58
4	Model updates (+/-)	358	358
5	Methodology and policy (+/-)	1,641	1,708
6	Acquisitions and disposals (+/-)	(871)	(1,345)
7	Foreign exchange movements (+/-)	370	(245)
8	Other (+/-)	(648)	(2,454)
9	**Risk weighted exposure amount at the end of the reporting period**	**133,933**	**133,933**

Key movements 30 September 2024 to 31 December 2024

– Asset size movement largely driven by Commercial Banking lending growth.

– Methodology and policy movement driven by Retail Secured CRD IV increases.

– Acquisitions and disposals reflect the derecognition of Retail mortgage exposures via securitisation.

– Other reductions in risk-weighted assets are due to optimisation of the Commercial Banking portfolio through capital efficient securitisation activity.

Market Risk

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

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

		Total RWA quarter to 31 Dec 2024					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	**RWAs at 30 September 2024**	**386**	**2,357**	**454**	**1,289**	**4,486**	**359**
1a	Regulatory adjustment	(261)	(1,819)	(37)	—	(2,117)	(169)
1b	RWAs at the previous quarter-end (end of the day)[1]	125	538	417	1,289	2,369	190
2	Movement in risk levels	183	(238)	(131)	(22)	(208)	(17)
3	Model updates/changes	—	—	—	(9)	(9)	(1)
7	Other	—	—	—	(327)	(327)	(26)
8a	RWAs at end of the disclosure period (end of the day)[1]	308	300	286	931	1,825	146
8b	Regulatory adjustment	264	777	140	—	1,181	94
8	**RWAs at 31 December 2024**	**572**	**1,077**	**426**	**931**	**3,006**	**240**

		Total RWA YTD 31 Dec 2024					
		VaR	SVaR	IRC	Other	Total RWA	Total own funds requirements
		£m	£m	£m	£m	£m	£m
1	**RWAs at 31 December 2023**	**853**	**1,009**	**383**	**1,299**	**3,544**	**284**
1a	Regulatory adjustment	(713)	(646)	(42)	—	(1,401)	(112)
1b	RWAs at end of day[1]	140	363	341	1,299	2,143	172
2	Movement in risk levels	168	(63)	(89)	(82)	(66)	(6)
3	Model updates/changes	—	—	34	41	75	6
7	Other	—	—	—	(327)	(327)	(26)
8a	RWAs at end of day[1]	308	300	286	931	1,825	146
8b	Regulatory adjustment	264	777	140	—	1,181	94
8	**RWAs at 31 December 2024**	**572**	**1,077**	**426**	**931**	**3,006**	**240**

[1] End of day represents spot position

Key movements 30 September 2024 to 31 December 2024:

- Moves in VaR and SVaR RWA driven by portfolio evolution.
- The decrease in Other RWA was driven by a reduction in RWA add-ons in the context of methodology improvements under the Group's internal market risk model.

Scope of consolidation (LIB)

The following information sets out the scope of consolidation applied to the disclosures presented within this document.

Introduction

The Group is required to calculate consolidated capital requirements and consolidated capital resources in accordance with the relevant CRR provisions on prudential consolidation.

Regulatory Consolidation

The scope of regulatory consolidation for the purposes of quantifying consolidated capital requirements and consolidated capital resources extends across the banking and investment operations of the Group. All banking and investment services related undertakings included within the scope of the accounting consolidation are included within the scope of the regulatory consolidation. There are, however, a number of differences in the methods by which certain undertakings are consolidated or otherwise treated for regulatory capital purposes.

Subsidiary undertakings included within the scope of the regulatory consolidation are fully consolidated.

Other undertakings in which the Group holds a 'participation', or where it is otherwise deemed that the Group exerts significant influence over the undertaking, may require to be consolidated on a proportional (pro-rata) basis where those undertakings fall under the scope of the regulatory consolidation. This follows line-by-line (accounting) consolidation based upon the ownership share in the undertaking. Such undertakings may include joint ventures and associates as recognised under accounting standards. In certain circumstances, a holding in a participation or an undertaking over which the Group otherwise exerts significant influence may be deducted from capital rather than proportionally consolidated.

Insurance undertakings are excluded from the calculation of consolidated capital requirements and consolidated capital resources. The Group's equity investments in insurance undertakings are instead subject to threshold rules under the regulations that determine the extent to which the equity investments can be risk-weighted with remaining amounts deducted from capital in accordance with the regulations. The regulatory consolidation group diagram presented below highlights the key insurance undertakings of the Group that are excluded from the scope of the regulatory consolidation. The capital requirements for the regulated insurance undertakings within the Group and the capital available to meet those requirements are regularly assessed in accordance with Solvency II requirements in order to ensure that the undertakings are sufficiently capitalised. The minimum required capital for each regulated insurance undertaking must be maintained at all times throughout the year on either an individual or consolidated basis as required.

Venture capital investments that are not classified as financial institutions and investments held by the Group in respect of which it does not have the ability to exert significant influence are included within the calculation of capital requirements, being treated as equity exposures. The underlying assets of these investments are neither consolidated nor deducted.

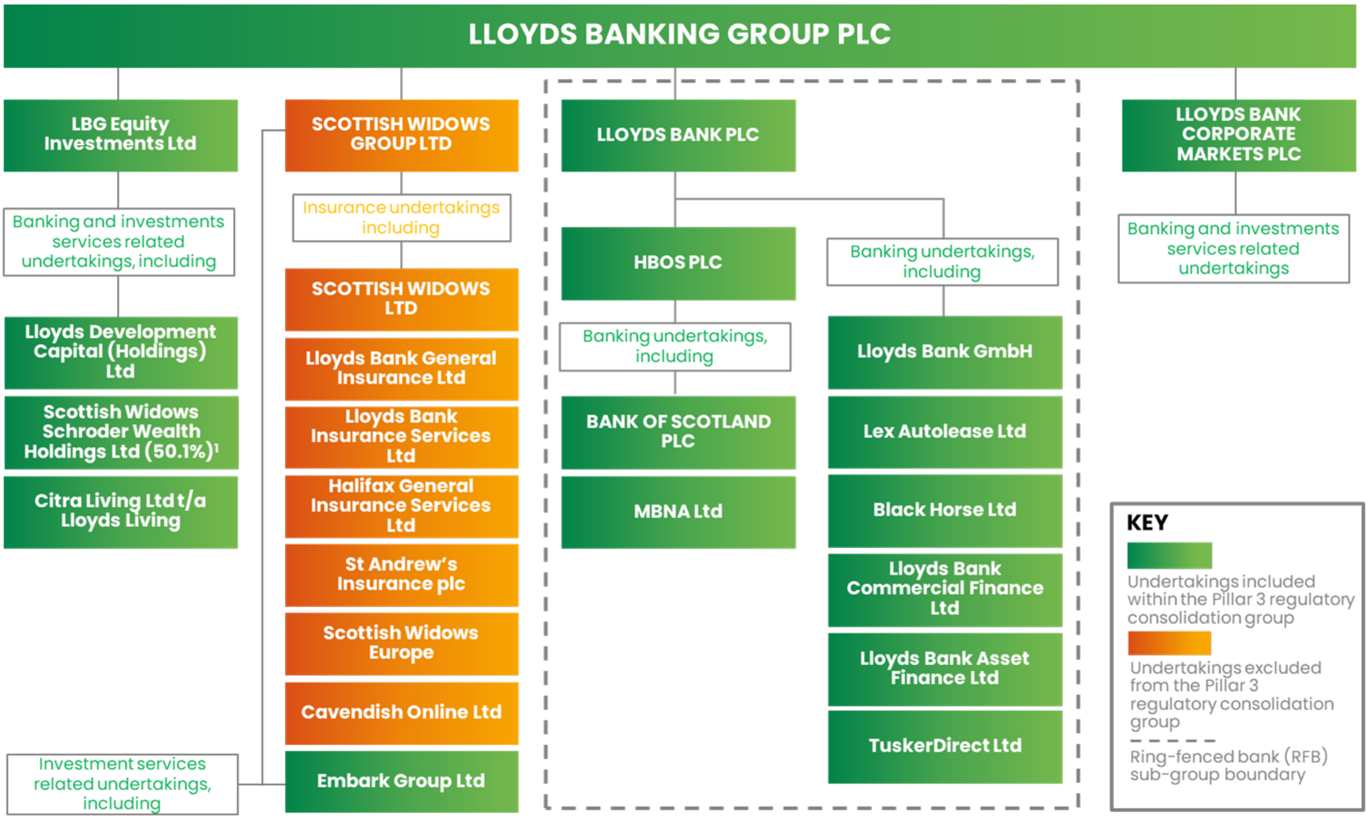
The full list of undertakings where the regulatory method of consolidation or treatment differs from the accounting method of consolidation or treatment is provided on pages 17 to 19.

Management practice and policy ensures that capital adequacy is maintained at all levels of banking and insurance consolidation within the Group in accordance with the appropriate regulatory requirements.

The current legal and regulatory structure of the Group provides a capability for the transfer of surplus capital resources over and above regulatory and internal risk appetite requirements or repayment of liabilities when due throughout the Group. Any such transfer would be subject to legal and regulatory requirements including those required by ring fencing legislation to ensure the Group's ring-fenced bank remains adequately capitalised and any conflicts independently governed. In addition, constraints are imposed over the available capital resources of the Group's life assurance business. There are no other material barriers to such transfers or repayments.

Regulatory Consolidation Group

A summarised diagrammatical representation as at 31 December 2024 of the regulatory consolidation group upon which the disclosures presented within this document are based is provided below.



1 Subject to proportional consolidation

Scope of consolidation continued

Consolidated Balance Sheet Under the Regulatory Scope of Consolidation

The following table provides a reconciliation of the Group's consolidated balance sheet as at 31 December 2024 on an accounting consolidation basis (as presented on page 214 of the Lloyds Banking Group plc Annual Report and Accounts 2024) to the Group's consolidated balance sheet under the regulatory scope of consolidation. It also breaks down how carrying values under the scope of regulatory consolidation are allocated to the different risk frameworks laid out in Part Three of the CRR.

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	31 Dec 2024						
			Carrying values of items[1]:				
	Carrying values as reported in published financial statements	Carrying values under regulatory scope of consolidation[1]	subject to credit risk framework	subject to counterparty credit risk framework	subject to securitisation framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital[2]
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances at central banks	**62,705**	**62,705**	**62,705**	**—**	**—**	**—**	**—**
Financial assets at fair value through profit or loss	**215,925**	**31,872**	**5,136**	**21,223**	**—**	**25,450**	**964**
Derivative financial instruments	**24,065**	**24,628**	**—**	**24,628**	**—**	**20,182**	**—**
Loans and advances to banks	**7,900**	**7,929**	**5,353**	**2,576**	**—**	**—**	**—**
Loans and advances to customers	**459,857**	**459,974**	**428,361**	**1,347**	**30,266**	**—**	**—**
Reverse repurchase agreements	**49,476**	**49,476**	**214**	**49,262**	**—**	**—**	**—**
Debt securities	**14,544**	**14,134**	**10,408**	**—**	**3,727**	**—**	**—**
Financial assets at amortised cost	**531,777**	**531,513**	**444,336**	**53,184**	**33,993**	**—**	**—**
Financial assets at fair value through other comprehensive income	**30,690**	**30,690**	**30,415**	**—**	**—**	**—**	**275**
Investments in joint ventures and associates	**542**	**324**	**324**	**—**	**—**	**—**	**—**
Investment in subsidiaries	**—**	**9,225**	**3,377**	**—**	**—**	**—**	**5,848**
Goodwill and other intangible assets	**8,188**	**5,989**	**—**	**—**	**—**	**—**	**5,989**
Current tax recoverable	**526**	**401**	**401**	**—**	**—**	**—**	**—**
Deferred tax assets	**5,005**	**4,957**	**593**	**—**	**—**	**—**	**4,364**
Retirement benefit assets	**3,028**	**3,028**	**—**	**—**	**—**	**—**	**3,028**
Other assets	**24,246**	**15,887**	**15,187**	**—**	**—**	**—**	**—**
Total assets	**906,697**	**721,220**	**562,474**	**99,035**	**33,993**	**45,632**	**20,468**
Liabilities							
Deposits from banks	**6,158**	**5,789**	**—**	**2,402**	**—**	**—**	**3,387**
Customer deposits	**482,745**	**483,171**	**—**	**2,577**	**—**	**—**	**480,594**
Repurchase agreements at amortised cost	**37,760**	**37,760**	**—**	**37,760**	**—**	**—**	**—**
Financial liabilities at fair value through profit or loss	**27,611**	**27,611**	**—**	**20,564**	**—**	**22,981**	**7,047**
Derivative financial instruments	**21,676**	**20,788**	**—**	**20,199**	**—**	**15,205**	**589**
Notes in circulation	**2,121**	**2,121**	**—**	**—**	**—**	**—**	**2,121**
Debt securities in issue	**70,834**	**69,937**	**—**	**—**	**—**	**—**	**69,937**
Liabilities arising from insurance contracts and participating investment contracts	**122,064**	**—**	**—**	**—**	**—**	**—**	**—**
Liabilities arising from non-participating investment contracts	**51,228**	**—**	**—**	**—**	**—**	**—**	**—**
Other liabilities	**25,918**	**8,266**	**—**	**—**	**—**	**—**	**8,266**
Retirement benefit obligations	**122**	**122**	**—**	**—**	**—**	**—**	**122**
Current tax liabilities	**45**	**45**	**—**	**—**	**—**	**—**	**45**
Deferred tax liabilities	**125**	**137**	**—**	**—**	**—**	**—**	**137**
Other provisions	**2,313**	**2,194**	**—**	**—**	**—**	**—**	**2,194**
Subordinated liabilities	**10,089**	**9,650**	**—**	**—**	**—**	**—**	**9,650**
Total liabilities	**860,809**	**667,591**	**—**	**83,502**	**—**	**38,186**	**584,089**

1 Certain items are subject to more than one risk framework.

2 Includes items which are not subject to capital requirements, as well as assets that are ultimately deducted from own funds and which are therefore not risk-weighted.

Scope of consolidation continued

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
		£m	£m	£m	£m	£m
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**741,134**	**562,474**	**99,035**	**33,993**	**45,632**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**121,688**	**—**	**83,502**	**—**	**38,186**
3	**Total net amount under the regulatory scope of consolidation**	**619,446**	**562,474**	**15,533**	**33,993**	**7,446**
4	Off-balance-sheet amounts	**264,847**	**143,472**	**113,943**	**7,432**	
6	Differences due to different netting rules, other than those already included in row 2	**(100,702)**	**—**	**(100,702)**	**—**	
7	Differences due to consideration of provisions	**3,021**	**3,021**	**—**	**—**	
9	Differences due to credit conversion factors	**(64,632)**	**(64,632)**	**—**	**—**	
11	Other differences	**23,268**	**14,569**	**8,850**	**(151)**	
12	**Exposure amounts considered for regulatory purposes**	**745,248**	**658,904**	**37,624**	**41,274**	**7,446**

UK LIA: Explanations of differences between accounting and regulatory exposure amounts

Differences between accounting and regulatory scopes of consolidation in table UK LI1

Insurance undertakings are included in the published financial statements but excluded from the scope of the Group's regulatory consolidation. Therefore, assets and liabilities relating to the Group's insurance undertakings require to be removed from the regulatory balance sheet. The regulatory consolidation group diagram on page 14 highlights the key undertakings of the Group that are excluded from the scope of regulatory consolidation.

Main sources of differences between the accounting and regulatory scope of consolidation in table UK LI2

Off balance sheet items are stated before the application of credit conversion factors (CCF). Under the credit risk framework, these balances principally consist of undrawn credit facilities. The impact of credit conversion factors is subsequently displayed in row 9.

The off balance sheet amounts included under the CCR framework relate to securities financing transactions. The related collateral is reported in row 6. Row 6 also includes the impact of derivative netting not already included in row 2.

Differences due to consideration of provisions relate to the grossing up of provisions related to IRB exposures.

Other differences: Includes add ons for modelled exposure in the RIRB portfolio, exposures relating to threshold risk-weighted assets, adjustments for potential future exposure and the SA-CCR alpha factor within the derivative portfolio.

Scope of consolidation continued

LI3: Outline of the differences between the accounting and regulatory scopes of consolidation[1,2,6]

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of entity
		Full consolidation	Proportional consolidation	Equity Method	Neither consolidation nor deducted	Deducted	
Associates[3]							
THOUGHT MACHINE GROUP LIMITED	Equity					x	Business and domestic software development
SATAGO FINANCIAL SOLUTIONS LIMITED	Equity					x	Factoring
HUB INVESTMENT HOLDINGS LIMITED	Equity					x	Activities of financial services holding companies
FENNECH FINANCIAL LIMITED	Equity					x	Other professional, scientific and technical activities not elsewhere classified
SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH LIMITED	Equity		x				Financial management
SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH (ACD) LIMITED	Equity		x				Financial intermediation not elsewhere classified
SCOTTISH WIDOWS SCHRODER WEALTH HOLDINGS LIMITED	Equity		x				Activities of financial services holding companies
HOUSING GROWTH PARTNERSHIP II LP	Equity		x				Private Fund Limited Partnership
Securitisation SPEs[4]							
CANCARA ASSET SECURITISATION LTD	Full Consolidation				x		Special Purpose Entity
FONTWELL II SECURITIES 2020 DAC	Full Consolidation				x		Special Purpose Entity
FONTWELL SECURITIES 2016 LIMITED	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 3) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 10) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 13) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 15) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 16) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 20) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 24) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 27) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 32) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 34) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 35) LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 36) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 37) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 38) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 39) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 40) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 41) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 44) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 45) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 46) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 47) UK LTD	Full Consolidation				x		Special Purpose Entity
GRESHAM RECEIVABLES (NO. 48) UK LTD	Full Consolidation				x		Special Purpose Entity
HOUSING ASSOCIATION RISK TRANSFER 2019 DAC	Full Consolidation				x		Special Purpose Entity
SALISBURY II SECURITIES 2016 LTD	Full Consolidation				x		Special Purpose Entity
SALISBURY II-A SECURITIES 2017 LTD	Full Consolidation				x		Special Purpose Entity
SALISBURY III Securities 2019 DAC	Full Consolidation				x		Special Purpose Entity
SALISBURY SECURITIES 2015 LTD	Full Consolidation				x		Special Purpose Entity
WETHERBY III SECURITIES 2019 DAC	Full Consolidation				x		Special Purpose Entity
Insurance subsidiaries[5]							
SCOTTISH WIDOWS GROUP LTD	Full Consolidation					x	Activities of head offices; management consultancy activities

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of entity
		Full consolidation	Proportional consolidation	Equity Method	Neither consolidation nor deducted	Deducted	
SCOTTISH WIDOWS LTD	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
CAVENDISH ONLINE LTD	Full Consolidation					x	Activities of insurance agents and brokers
CLERICAL MEDICAL NON STERLING PROPERTY COMPANY SARL	Full Consolidation					x	Financial service activities, except insurance and pension funding
FRANCE INDUSTRIAL PREMISES HOLDING COMPANY	Full Consolidation					x	Financial service activities, except insurance and pension funding
HALIFAX GENERAL INSURANCE SERVICES LTD	Full Consolidation					x	Financial service activities, except insurance and pension funding
HALIFAX LIFE LTD	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
HBOS INTERNATIONAL FINANCIAL SERVICES HOLDINGS LTD	Full Consolidation					x	Activities of head offices; management consultancy activities
LLOYDS BANK GENERAL INSURANCE HOLDINGS LTD	Full Consolidation					x	Activities of head offices; management consultancy activities
LLOYDS BANK GENERAL INSURANCE LTD	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
LLOYDS BANK INSURANCE SERVICES LTD	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
PENSIONS MANAGEMENT (S.W.F.) LTD	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
SAINT MICHEL HOLDING COMPANY NO1	Full Consolidation					x	Financial service activities, except insurance and pension funding
SAINT MICHEL INVESTMENT PROPERTY	Full Consolidation					x	Financial service activities, except insurance and pension funding
SAINT WITZ 2 HOLDING COMPANY NO1	Full Consolidation					x	Financial service activities, except insurance and pension funding
SAINT WITZ 2 INVESTMENT PROPERTY	Full Consolidation					x	Financial service activities, except insurance and pension funding
SCOTTISH WIDOWS ADMINISTRATION SERVICES (NOMINEES) LTD	Full Consolidation					x	Non-Trading Company
SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LTD	Full Consolidation					x	Office administrative, office support and other business support activities
SCOTTISH WIDOWS EUROPE	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
SCOTTISH WIDOWS FINANCIAL SERVICES HOLDINGS	Full Consolidation					x	Activities of head offices; management consultancy activities
SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
SCOTTISH WIDOWS INDUSTRIAL PROPERTIES EUROPE B.V.	Full Consolidation					x	Real estate activities
SCOTTISH WIDOWS TRUSTEES LTD	Full Consolidation					x	Office administrative, office support and other business support activities

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of entity
		Full consolidation	Proportional consolidation	Equity Method	Neither consolidation nor deducted	Deducted	
SCOTTISH WIDOWS UNIT FUNDS LTD	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
ST ANDREW'S GROUP LTD	Full Consolidation					x	Financial service activities, except insurance and pension funding
ST ANDREW'S INSURANCE PLC	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
ST ANDREW'S LIFE ASSURANCE PLC	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
SW FUNDING PLC	Full Consolidation					x	Insurance, reinsurance and pension funding, except compulsory social security
SW NO.1 LTD	Full Consolidation					x	Financial service activities, except insurance and pension funding
CELSIUS EUROPEAN LUX 2 SARL	Full Consolidation					x	Special Purpose Entity
SARL HIRAM	Full Consolidation					x	Special Purpose Entity
THISTLE INVESTMENTS (AMC) LTD	Full Consolidation					x	Special Purpose Entity

1 The regulatory treatment of all entities listed as subsidiaries in the Lloyds Banking Group plc Annual Report and Accounts 2024, pages 318 to 321, follows the accounting treatment unless otherwise stated in the table above.

2 Collective Investment Vehicles, as listed in the Lloyds Banking Group plc Annual Report and Accounts 2024, pages 329 to 331 are excluded from the regulatory scope of consolidation.

3 Associated undertakings, as listed in the Lloyds Banking Group plc Annual Report and Accounts 2024, pages 322 to 328, are, unless otherwise stated in the list above, predominantly a mix of private equity investments, to which the venture capital exemption applies, and underlying investments through the Housing Growth Partnership (HGP). The private equity investments are accounted for at FVTPL for accounting purposes and are risk weighted for regulatory purposes. The HGP underlying investments are equity accounted and risk weighted for regulatory purposes as shares or units in collective investment undertakings. This includes the Group's share of the underlying investments held by HGP II which is proportionally consolidated for regulatory purposes.

4 For the instances where the Group's capital-efficient securitisations are fully consolidated for accounting purposes, the underlying assets of the securitisations are derecognised from the regulatory balance sheet and replaced with the retained securitisation positions, risk weighted in accordance with the securitisation framework. Conduit vehicles are deconsolidated for regulatory purposes and the corresponding liquidity lines are risk-weighted, as further described in the Securitisation section, pages 109 to 115.

5 All Insurance subsidiaries, other than those identified as investment firms or asset management companies, are excluded from the regulatory scope of consolidation and are classified as 'deducted', as they form part of the Insurance Group headed by Scottish Widows Group Limited. The debt and equity investments held by the Group in Scottish Widows Group Limited are deducted from capital, subject to thresholds.

6 Lloyds Bank plc Niederlassung Berlin is a licenced branch of Lloyds Bank plc and is included in the regulatory scope of consolidation.

Risk Management Approach (UK OVA)

Risk management is integral to our business model and strategy, taking advantage of appropriate opportunities and ensuring sustainable growth for the Group. A strong risk management culture is crucial to keep the Group, our colleagues and our customers safe and secure from existing and emerging risks.

The enterprise risk management framework (ERMF) is the foundation for the delivery of effective and consistent risk control across the whole Group, and is regularly updated to ensure it remains in line with regulatory expectations, corporate governance and industry good practice. The ERMF enables proactive identification, active management and monitoring of the Group's risks, and enables a consistent approach across the Group's entities and sub-groups.

Enhancements to the ERMF have been introduced during 2024 to further define the Group's proportionate and materiality-based approach to risk management.

During 2024, the Group reviewed its three lines of defence model to provide greater clarity to roles and responsibilities and further strengthen the Group's risk management capabilities.

Activity to deliver further improvements to the ERMF and its supporting risk management methodologies will continue into 2025.

Further information on the changes can be found on **page 22**.

Enterprise risk management framework

Role of the Board and senior management

- The Board and senior management are responsible for the approval of the ERMF, together with Group-wide principles and policies
- The Board delegates executive authorities to ensure there is effective oversight of risk management

Risk culture and the customer

- The Group's Code of Ethics and Responsibility helps foster the appropriate culture, which ensures performance, risk and reward are aligned and good customer outcomes are consistently delivered

Risk appetite

- Risk appetite is approved by the Board annually and is defined as the type and aggregate level of risk that the Group is willing to take or accept in pursuit of its strategic aims and business plans
- Board-level risk appetite metrics are augmented further by lower-level measures to facilitate the management of Board risk appetite

Risk and control self-assessment

- The Group adopts a continuous risk management approach from identifying the risks through risk and control self-assessment, and managing the risks through to producing appropriate, accurate and focused risk reporting
- Further details regarding the Group's risk and control cycle can be found on **page 25**, with a summary of the changes to principal risk categories on **page 22**

Risk governance

- The governance framework supports a consistent approach to enterprise-wide behaviour and decision making
- Senior executives are supported by a committee-based structure, which is designed to ensure open challenge and enable effective Board engagement and decision making

Three lines of defence

- The three lines of defence model defines the responsibilities and accountabilities for risk management, with effective independent oversight and assurance
- Enhancements have been made to the model during 2024. **Page 23** provides further information

Risk profile and performance in 2024

The Group is committed to maintaining support for its customers during continued economic uncertainties in both global and domestic markets.

The Group's credit performance improved in the year. The Group's loan portfolio continues to be well positioned and is closely monitored to identify signs of stress.

Potential impacts to customers, shareholders and the Group's risk and control profile following the Court of Appeal decision on motor finance commissions continue to be closely monitored and assessed.

As part of the Group's strategy, there will be continued investment in technology and infrastructure. The Group's operational risks continue to be a key area of focus, particularly relating to information, cyber and physical security risk and supply chain management.

The management of financial crime risks and consumer fraud remains a key priority for the Group. The economic crime prevention strategy has been reviewed, with funding allocated to deliver improved systems and controls.

Model risk and the use of artificial intelligence are also areas of significant internal and external focus.

Principal risks

The principal risks outlined in this section are used to monitor and report the risk exposures posing the greatest potential impact to the Group.

Please refer to the Lloyds Banking Group plc Annual Report and Accounts 2024 for full details of all principal risks. A selected summary of the principal risks most relevant to these Pillar 3 disclosures is included below

Risk trends: ▶ Stable risk ▲ Elevated risk ▼ Improving risk

Capital risk ▶: Unchanged risk

Link to strategy: Focus

Risk performance and key developments in 2024:

The Group continued to maintain its strong capital position in 2024 with a CET1 capital ratio of 13.5 per cent on a pro forma basis (2023: 13.7 per cent pro forma). This remains ahead of minimum capital requirements and in excess of the Group's ongoing target of c.13.0 per cent, which includes a management buffer of around 1 per cent. Banking business profits for the year and the receipt of dividends from the Insurance business, partially offset by risk-weighted asset (RWA) increases and other movements, has enabled strong shareholder distributions.

Downside risks arising from economic and regulatory challenges, including in relation to Retail secured CRD IV RWA increases, along with the potential impact of the Court of Appeal decision on motor finance commission arrangements are being closely monitored.

Key mitigating actions:

- Capital management framework is in place, which includes the setting of capital risk appetite, capital planning and stress testing activities
- Regular refresh and monitoring of a suite of early warning indicators and maintenance of a Capital Contingency Framework, designed to identify and act on emerging capital concerns at an early stage
- De-risking the business through prudent underwriting standards and continual portfolio management, and enhancing capital efficiency through optimisation initiatives including net present value positive securitisation activity

Risk Management Approach (UK OVA) continued

Climate risk ▸ : Unchanged risk

Link to strategy: Grow, Focus, Change

Risk performance and key developments in 2024:

The Group is continuing to develop and embed its capabilities for measuring and managing key climate risks within its risk management approach, including cross-cutting impacts on other principal risks.

The Group has monitored its progress against net zero ambitions, however the external landscape presents increasing challenges, both in relation to the policy changes required to support the transition to net zero, as well as increasing regulatory expectations.

Key mitigating actions:

- Progress against our net zero ambitions and targets monitored through the Group Net Zero Committee
- Enhanced transition risk assessments across commercial lending, expanding into key net zero sectors, such as commercial and residential real estate and agriculture
- Incorporating quantification of climate impact into the calculation of expected credit losses
- Horizon scanning and tracking regulatory compliance requirements

Credit risk ▾ : Unchanged risk

Link to strategy: Grow, Focus

Risk performance and key developments in 2024:

Asset quality remains strong with improved credit performance in the year. In UK mortgages and unsecured portfolios, reductions in new to arrears and flows to default have been observed in 2024. Securitisations in primarily legacy Retail mortgages during 2024 will help mitigate credit risks. The Group's commercial portfolio remains broadly stable and resilient. Impairment charge of £433 million, increasing from a charge of £308 million for 2023, which benefitted from a significant write-back following the full repayment of debt from a single name client. The Group's expected credit loss allowances have decreased in the year to £3,651 million (2023: £4,337 million).

Key mitigating actions:

- Extensive and thorough credit processes, strategies and controls to ensure effective risk identification, management and oversight
- Significant monitoring in place, including early warning indicators
- Selective credit tightening reflective of forecast changes in the macroeconomic environment, including updates to affordability lending controls for forward-looking costs

Liquidity risk ▸ : Reclassified risk

Link to strategy: Focus

Risk performance and key developments in 2024:

The Group maintained its strong liquidity and funding position with a loan to deposit ratio of 95 per cent (2023: 95 per cent). The Group's liquid assets continue to exceed the regulatory minimum and internal risk appetite, with a monthly simple average over the previous 12-months' liquidity coverage ratio (LCR) of 146 per cent (2023: 142 per cent). The Group maintains access to diverse sources and tenors of funding.

This risk was previously named liquidity and funding risk.

Key mitigating actions:

- Management and monitoring of liquidity risks and ensuring that management systems and arrangements are adequate with regard to the internal risk appetite, Group strategy and regulatory requirements
- Significant customer deposit base, driven by inflows to trusted brands
- Participation in term issuance programmes

Market risk ▸ : Unchanged risk

Link to strategy: Focus

Risk performance and key developments in 2024:

Market conditions in 2024 have stabilised. The Group remains well hedged, ensuring near-term interest rate exposure is appropriately managed. The Group's structural hedge has reduced to £242 billion in 2024 (2023: £247 billion) mainly due to the changing mix of customer deposits.

The Group completed the triennial valuation of its main defined benefit pension schemes as at 31 December 2022. There will be no further deficit contributions for this triennial period (to 31 December 2025). The IAS 19 accounting surplus reduced to £2.9 billion (2023: £3.5 billion).

Key mitigating actions:

- Structural hedge programmes to stabilise earnings
- Close monitoring of market risks and where appropriate, undertaking of asset and liability matching and hedging
- Monitoring of the credit allocation in the defined benefit pension schemes, as well as the hedges in place against adverse movements in nominal rates, inflation and longevity

Model risk ▸ : Reclassified risk

Link to strategy: Change, Focus

Risk performance and key developments in 2024:

Model risk has been stable in 2024, despite changes to the regulatory environment, such as implementation of the PRA's model risk management principles for banks (SS1/23) and continued regulatory scrutiny of model risk across the industry.

Improvements to the Group's model risk operating framework have been made during 2024, focusing on developing CRD IV models, strengthening capabilities of our people through effective training and resources, and continued proactive regulatory engagement.

The control environment for model risk continues to be enhanced to meet both internal and regulatory requirements, as well as industry-wide challenges. Investment in model risk management remains a priority for the Group to further improve risk management and act as an enabler to drive strategic developments of AI and machine learning in a safe way.

Key mitigating actions:

- Enhancement of the model risk management framework for managing and mitigating model risk within the Group
- Establishment of an AI assurance framework
- Implementation of new model risk management policy and supporting standards to further increase ownership and accountability
- Initiation of model risk training for key stakeholders, including Board and GEC members
- Development of the process for the identification of quantitative methods, including models, and cascade across the Group

Operational risk ▸ : Reclassified risk

Link to strategy: Focus, Change

Risk performance and key developments in 2024:

Operational risk has been stable in 2024, with key risks relating to data and privacy, supplier risk, information, cyber and physical security risk. Operational loss event volumes are historically low, with the majority relating to transaction processing, IT systems and change execution.

Whilst there has been continued safe delivery of change, some IT outages in the supply chain have occurred. No material security breaches took place in 2024, though some events at third-party suppliers reinforces the need for vigilance.

Risk Management Approach (UK OVA) continued

Balancing people-related transformation and other strategic initiatives remains key to the success of the Group's transformation activity, with ongoing focus on evolving the operational risk framework and ensuring the appropriate resource and capabilities are in place.

Key mitigating actions:

- Deployment of a range of risk management strategies, such as avoidance, mitigation, transfer (including insurance) and acceptance
- Three-year control enhancement plans reviewed annually by Board Risk Committee to monitor progress against commitments
- The Group continues to invest strategically to mitigate operational risks, strengthen controls and to meet future operational resilience regulatory requirements
- Following IT outages, post-incident reviews undertaken to assess future mitigating actions for the Group and its suppliers
- Enhancement of skills, capabilities and reporting to strengthen supplier management practices

The Group's approach to risk

The Group operates a prudent approach to risk, with rigorous management controls, supporting sustainable business growth within the Group's risk appetite and minimising losses. Through a strong and independent risk function, a robust control framework is maintained to identify and escalate current and emerging risks, and drive and inform good risk-reward decision making.

To comply with UK-specific ring-fencing requirements, core banking services are ring-fenced from other activities within the overall Group. The Group's enterprise risk management framework (ERMF) and risk appetite apply across the Group. The Group's Corporate Governance Framework applies across Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc. It is tailored where needed to meet the entity-specific needs of Lloyds Bank plc and Bank of Scotland plc, within the Ring-Fenced Bank sub-group (RFB) and supplementary corporate governance frameworks are in place to address the specific requirements of the other sub-groups (Non-Ring-Fenced Bank, Insurance and Equity Investments).

The Group's ERMF is structured to align with the industry-accepted internal control framework standards and applies to every area of the business, covering all types of risk. In 2024, the framework was reviewed and updated to align more closely to the changing nature of risks within the industry and the Group, along with evolving regulatory expectations.

The ERMF provides the Group with an effective mechanism for developing and embedding risk policies and risk management strategies which are aligned with the risks faced by its businesses. It also seeks to facilitate effective communication on these matters across the Group.

Updates to the enterprise risk management framework

The Group has transformed its approach to risk management to support its strategic ambition and purpose of Helping Britain Prosper, and has conducted a comprehensive review of its ERMF. This has resulted in a reduction in the number of principal risk types (or level one risk categories) from 15 to 11, and the simplification of level two risk categories.

- Compliance risk supersedes the previous regulatory and legal risk
- Economic crime is now a principal risk, recognising the increased focus on topics such as fraud
- Previous change and execution, data and people risks are now classified as level two risks within the principal operational risk
- Operational resilience and strategic risk are no longer individual risks, but are addressed throughout the updated framework
- New definitions for conduct, model and operational risks

This change better aligns to the Basel Committee on Banking Supervision's event categories which will benefit the Group for scenario activities and regulatory reporting. This review will continue in 2025, with further focus on level three risks.

Risk appetite

The Group's approach to setting, and the ongoing management of risk appetite is detailed in the risk appetite framework, which is an integral component of the Group's ERMF.

The Group defines risk appetite as the type and aggregate level of risk the Group is willing to take or accept in pursuit of its strategic objectives and business plans.

Risk appetite aligns to organisational objectives, defined through consideration of how it enables the Group to achieve its strategic aims. It reinforces our purpose, strategy and objectives by driving behaviour and setting boundaries around risk taking, to monitor changes in risk exposure, enabling the delivery of business plans.

The Board is responsible for approving the Group's Board risk appetite at least annually. Group Board-level risk appetite metrics are augmented further by lower-level measures to facilitate the management of Board risk appetite.

Risk culture

Guided by the Board, the senior management articulates and role models the core risk values to which the Group aspires. Senior management establishes a strong focus on building and sustaining long-term relationships with customers, through the economic cycle. The Group's Code of Ethics and Responsibility reinforces colleagues' accountability for the risks they take and supports better decision making to meet their customers' needs.

Risk skills and capabilities

To support a strong risk culture across the Group, all colleagues complete risk training as part of their annual mandatory training. A library of risk management learning resources is available, which all colleagues who have specific risk management roles can access to build their skills and capabilities.

There is ongoing investment in risk systems and models alongside the Group's focus on customer and product systems and processes. This drives improvements in risk data quality, aggregation and reporting, enabling effective and efficient risk decisions.

Risk governance

Governance frameworks

The Group's approach to risk is based on a robust control framework and strong risk management culture, enabling the delivery of effective risk management, guiding the way all employees approach their work, behave and make decisions.

Authority is delegated from the Board to individuals through the management hierarchy. Senior management are supported by a committee-based structure, ensuring open challenge and effective decision making.

The Group's risk appetite, principles, policies, procedures, controls, and reporting are regularly reviewed and updated as required, to ensure they remain in line with evolving regulation, law, corporate governance and industry good practice.

The Board and senior management encourage a culture of transparency which supports the interaction of the executive and non-executive governance structure.

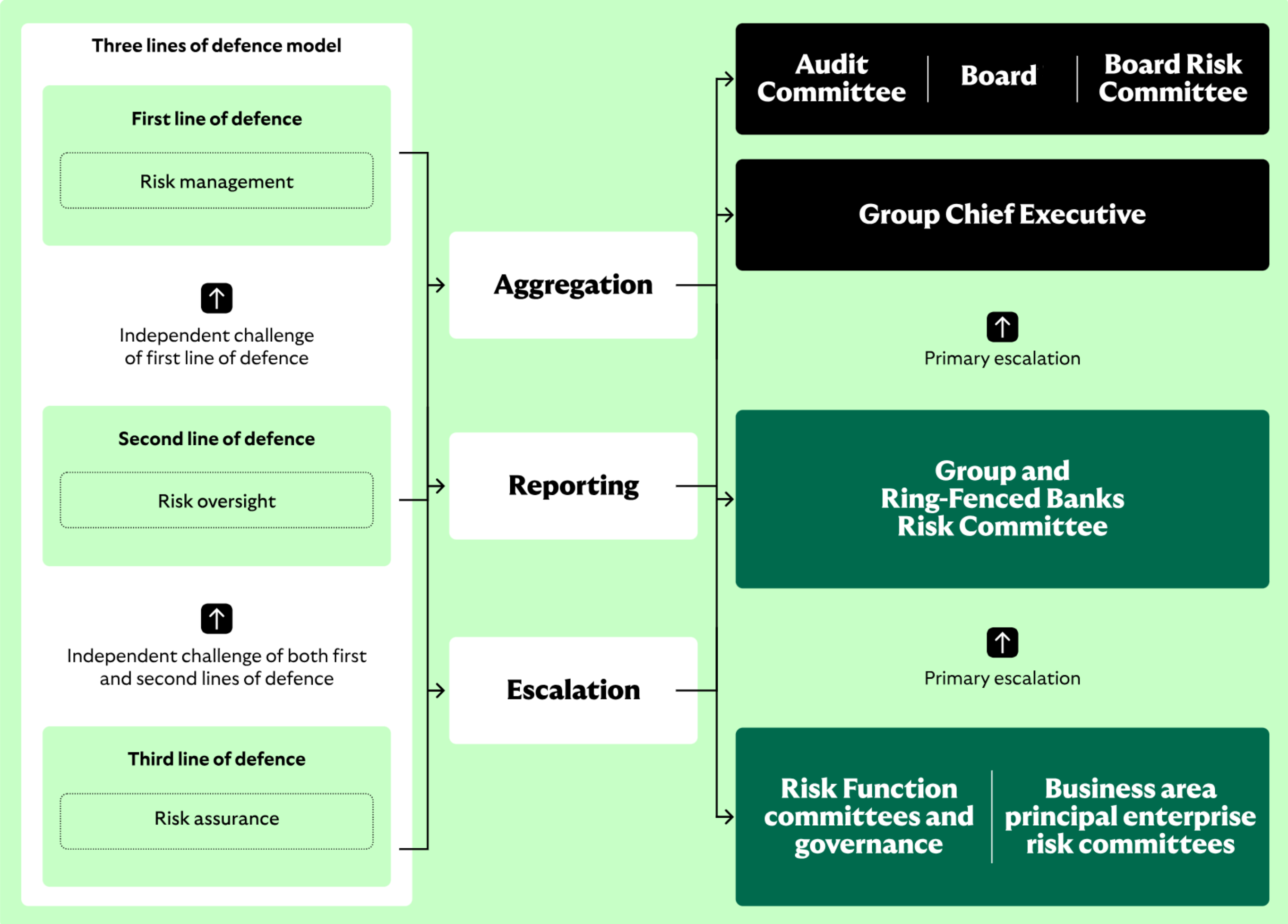
Board-level engagement, combined with senior management in Group-wide risk issues at Group Executive Committee level, ensure that any escalated issues are addressed promptly and that necessary remediation plans are initiated as required.

Line managers are accountable for identifying and managing risks in their individual businesses, ensuring that business decisions balance risk and reward, and are consistent with the Group's risk appetite.

The risk committee governance framework is explained on page **24** .

Risk Management Approach (UK OVA) continued

Risk governance structure



Risk governance structure

The risk governance structure above is integral to effective risk management across the Group. To meet ring-fencing requirements, the Boards and Board Committees of the Group and the Ring-Fenced Banks as well as relevant Committees of the Group and the Ring-Fenced Banks will sit concurrently and referred to as the Aligned Board Model.

Three lines of defence model

The Group's ERMF is implemented through a 'three lines of defence' model, which has been enhanced during 2024 to ensure more clearly defined responsibilities and accountabilities across the business, and drive further consistency across the Group's oversight and assurance activities.

The Group's three lines of defence model distinguishes between risk management, risk oversight and risk assurance, with continued focus on ensuring appropriate risk resource and capabilities is in place within each area:

- Senior management within the business areas (first line of defence) have primary responsibility for risk decisions within Group risk appetite parameters set and approved by the Board. They have end-to-end accountability for all risks within their end-to-end business processes. They must ensure effective controls are in place both within the business and at third parties to manage risk appropriately within risk appetite. They are responsible for managing the direct and consequential risk by identifying, assessing, mitigating, monitoring and reporting risks. They are also responsible for complying with relevant laws and regulations
- The Risk function (second line of defence) is independent from the first line of defence. It advises on, monitors, challenges, approves, escalates where required, and reports on the risk-taking activities undertaken by the first line, ensuring these are within the constraints of the ERMF and risk appetite set by the Board. It provides oversight of governance, risk management and controls across the Group to ensure risks are identified and reported appropriately to the Board and the Group Chief Executive. The Risk function also provides regulatory advice, supports interpretation of regulatory requirements and provides oversight of first line compliance
- Group Audit (third line of defence) provide independent assurance to the Group Audit Committee, Board Risk Committee and the Board on the effectiveness of control and governance processes in place across the first and second lines. It exercises its role as a single independent internal audit function through the delivery of reviews and insights, identifying the most significant risks facing the Group. The function provides opinion and challenge on the Group's control environment to the Audit Committee, Board and Board Audit Committees of the sub-groups, subsidiaries and legal entities where applicable
- The Company Secretariat supports senior and Board level committees and supports agenda planning. This gives a further line of escalation outside the three lines of defence

Risk Management Approach (UK OVA) continued

Risk governance structure

Board, Executive and Risk Committees

The Group's risk governance structure strengthens risk evaluation and management, while also positioning the Group to manage the changing regulatory environment in an efficient and effective manner.

Assisted by the Board Risk and Audit Committees, the Board approves the Group's overall governance, risk and control frameworks and risk appetite. Refer to the corporate governance section on **pages 76 to 96** of the Lloyds Banking Group plc Annual Report and Accounts 2024, for further information on Board Committees.

The sub-group, business unit (where appropriate) and functional risk committees review and recommend relevant risk appetite and monitor local risk profile and adherence to appetite.

Executive and Risk Committees

The Group Chief Executive is supported by the following:

Committees	Risk focus[1]
Group Executive Committee (GEC)	Assists the Group Chief Executive in exercising their authority in relation to material matters which have strategic, cross-business unit, cross-function or Group-wide implications.
Group and Ring-Fenced Banks Risk Committees (GRC)	Responsible for the development, implementation and effectiveness of the Group's enterprise risk management framework, the clear articulation of the Group's risk appetite and monitoring and reviewing of the Group's aggregate risk exposures, control environment and concentrations of risk.
Group and Ring-Fenced Banks Asset and Liability Committees (GALCO)	Responsible for the strategic direction of the Group's assets and liabilities and the profit and loss implications of balance sheet management actions. The Committee reviews and determines the appropriate allocation of capital, liquidity and funding, and market risk resources and makes appropriate trade-offs between risk and reward.
Group and Ring-Fenced Banks Cost Management Committees	Leads and shapes the Group's approach to cost management, ensuring appropriate governance and process over Group-wide cost management activities and effective control of the Group's cost base.
Group and Ring-Fenced Banks Contentious Regulatory Committees	Provides senior management oversight, challenge and accountability in connection with the Group's engagement with contentious regulatory matters as agreed by the Group Chief Executive.
Group and Ring-Fenced Banks Strategic Delivery Committees	Responsible for driving the execution of the Group's investment portfolio and strategic transformation agenda as agreed by the Group Chief Executive. Monitors execution performance and progress against strategic objectives. Assists in resolving issues on individual project areas and prioritisation across the Group. Seeks to resolve challenges that require cross-Group support, ensuring appropriate funding is available. Ensures that project performance provides value for money for the Group, and that autonomy is maintained alongside accountability for projects and platforms.
Group and Ring-Fenced Banks Disclosure Committee	Provides oversight of the accuracy, completeness and timeliness of disclosures made to the market and/or prospective investors.
Group and Ring-Fenced Banks Net Zero Committees	Provides direction and oversight of the Group's environmental sustainability strategy, with particular focus on the net zero transition and nature strategy. Oversight of the Group's approach to meeting external environmental commitments and targets, including the Net Zero Banking Alliance (NZBA). Recommend all external material commitments and targets in relation to environmental sustainability.
Group and Ring-Fenced Banks Conduct Investigations Committee	Protects and promotes the Group's conduct, values and behaviours by taking action to rectify the most serious cases of misconduct within the Group. The Committee makes decisions and recommendations (including sanctions) on investigations which have been referred from the triage process, and oversees regular reviews to identify thematic outcomes and lessons learned, which are shared with the business.
The Group Risk Committee is supported by business unit risk committees, cross-business unit committees addressing specific matters of Group-wide significance, and the following second line of defence Risk committees which ensure oversight of risk management:	
Group Market Risk Committee	Responsible for monitoring, oversight and challenge of market risk exposures across the Group. Reviews and proposes changes to the market risk management framework, and reviews the adequacy of data quality needed for managing market risks. Issues of Group-level significance are escalated to GALCO or GFRC as required, including those held in the Group's insurance companies.
Group Economic Crime Prevention Committee	Ensures that the Group's economic crime risk management complies with its strategic aims, corporate responsibility, risk appetite and economic crime prevention policy. The Committee provides direction and appropriate focus on priorities to enhance the Group's economic crime risk management capabilities in line with business and customer objectives, whilst aligning to the Group's target operating model.
Group Financial Risk Committee (GFRC)	Responsible for overseeing, reviewing, challenging and, where relevant, making recommendations to GALCO, GEC and/or BRC for the following matters: internal capital stress tests; all PRA and any other regulatory stress tests; reverse stress tests; ICAAP; Pillar 3; recovery plans and resolution; sign-off of level one models; annual refresh of through the cycle loss rates; Resolvability Assessment Framework; and relevant ad-hoc stress tests or other analysis as and when required by the Committee.
Group Capital Risk Committee	Provides oversight and challenge over holistic capital risk matters, focusing on Group, Ring-Fenced Bank and material subsidiaries. Reviews latest capital positions and plans, capital risk appetite proposals, early warning indicators, Capital Contingency Framework assessment and regulatory developments specific to capital. Issues of Ring-Fenced Bank and Group-level significance are escalated to GALCO or GFRC as required.
Group Model Governance Committee	Provides debate, challenge and support of decisions relating to the Group's model risk management policy. Facilitating the approval of models, model changes and model-related items as required by model policy, including items related to the governance framework as a whole and its application.
Group Liquidity Risk Committee	Provides oversight, monitoring, challenge, and approval for liquidity and funding risks across the Ring-Fenced Bank and Group. Reviews and proposes changes to the liquidity and funding risk management framework, including the ILAAP, liquidity risk appetite and internal liquidity stress testing. Issues of Ring-Fenced Bank and Group-level significance are escalated to GALCO or GFRC as required.

1 Reference to Group within the risk focus of each Committee relates to the Group and the Ring-Fenced Banks.

Risk Management Approach (UK OVA) continued

Risk decision making and reporting

Risk analysis and reporting enables better understanding of risks and returns, supporting the identification of opportunities as well as better management of risks.

An aggregate view of the Group's overall risk profile, key risks and management actions, and performance against risk appetite, including the Group Control and Risk Environment report, is reported to and discussed regularly at Group Risk Committee and Board Risk Committee.

Risk and control cycle from identification to reporting

To allow senior management to make informed risk decisions, the business follows a continuous risk management approach. This risk and control cycle, from identification to reporting, ensures that there is consistency in the approach to managing and mitigating risks impacting the Group.

The risk and control self-assessment (RCSA) process is used to identify, measure and manage operational risks across the Group. Risks are identified and measured on an inherent basis, using a consistent quantification methodology.

Financial reporting risk management systems and internal controls

Following the updated enterprise risk management framework, financial reporting (including tax) is now recognised as a level two risk within the principal operational risk. Please see **pages 196 to 198** of the Lloyds Banking Group plc Annual Report and Accounts 2024 for further detail.

The Group has a Disclosure Committee which assists the Group Chief Executive and Chief Financial Officer in fulfilling their disclosure responsibilities under relevant listing and other regulatory and legal requirements. In addition, the Audit Committee reviews the quality and acceptability of the Group's financial disclosures. For further information on the Audit Committee's responsibilities relating to financial reporting see **pages 100 to 103** of the Lloyds Banking Group plc Annual Report and Accounts 2024.

Risk and control cycle

01 Identify

Risk identification is conducted on a continuous basis through the use of scenario analysis which considers the most material and emerging risks the Group faces, and identifies and assesses extreme, but plausible instances which may occur.

02 Measure

Risks are measured against the impact and likelihood of the risk occurring, using prescribed matrices, and are determined as to whether they satisfy the Group risk appetite.

03 Manage

Risks are then managed with appropriate controls or mitigation plans put in place, which are reviewed to ensure their effectiveness. Any risks which cannot be mitigated will then require risk acceptance via the appropriate risk governance.

04 Monitor

Proactive monitoring or testing is established to ensure that controls continue to be effective, and that the Group remains within risk appetite.

05 Report

Risks are reported via appropriate Group, sub-Group and Divisional level risk reports and committees, allowing independent challenge by the Risk function. When thresholds for risk appetite are breached, committee minutes are clear on the actions and time frames required to address the risk and bring the exposure back within tolerance.

Risk Management Approach (UK OVA) continued

Stress testing

Overview

Stress testing is recognised as an important risk management tool by the Boards, senior management, the businesses and the Risk and Finance functions of all parts of the Group and its legal entities. It is fully embedded in the planning process of the Group and its key legal entities as a key activity in medium-term planning, and senior management is actively involved in stress testing activities.

Scenario stress testing is used to support:

Risk identification:

- Understanding key vulnerabilities of the Group and its key legal entities under adverse economic conditions

Risk appetite:

- Assessing the results of the stress test against the risk appetite of all parts of the Group to ensure the Group and its legal entities are managed within their risk parameters
- Setting of risk appetite by assessing the underlying risks under stress conditions

Strategic and capital planning:

- Senior management and the Boards of the Group and its key legal entities to adjust strategies if the plan does not meet risk appetite in a stressed scenario
- The ICAAP, by demonstrating capital adequacy and meeting the requirements of regulatory stress tests that are used to inform the setting of the PRA and management buffers (see capital risk on **pages 144 to 150** of the Lloyds Banking Group plc Annual Report and Accounts 2024) of the Group and its separately regulated legal entities.
- The capital allocation process which feeds into business unit performance management

Risk mitigation:

- The development of potential actions and contingency plans to mitigate the impact of adverse scenarios. Stress testing also links directly to the recovery and resolution planning process of the Group and its legal entities

Regulatory stress tests

Following the 2022/23 ACS stress test, the PRA completed a desk-based stress test in 2024. The test evaluated the resilience of the UK banking system to two hypothetical scenarios including severe but plausible combinations of adverse shocks to the UK and global economies. The results were published in November 2024 and the report concluded the UK banking system is well capitalised, maintains high levels of liquidity and asset quality remains strong. The report did not publish individual bank results and the Group was not required to take any capital actions. The Bank of England has updated its approach to stress testing the UK banking system, as part of that, in 2025 the Group will participate in the PRA Bank Capital Stress Test. Scottish Widows will participate in the 2025 Life Insurance Stress Test.

Internal stress tests

On at least an annual basis, the Group conducts macroeconomic stress tests to highlight and understand the key vulnerabilities of the Group's and its legal entities' business plans to adverse changes in the economic environment, to evaluate mitigating actions and ensure that there are adequate financial resources in the event of a downturn.

Reverse stress testing

Reverse stress testing is used to explore the vulnerabilities of the Group's and its key legal entities' strategies and plans for extreme adverse events that would cause the businesses to fail. Where this identifies plausible scenarios with an unacceptably high risk, the Group or its entities will adopt measures to prevent or mitigate that and reflect these in strategic plans.

Other stress testing activity

The Group's stress testing programme also involves undertaking assessments of liquidity scenarios, market risk sensitivities and scenarios, and business-specific scenarios. If required, ad hoc stress testing exercises are also undertaken to assess emerging risks, as well as in response to regulatory requests. This wide-ranging programme provides a comprehensive view of the potential impacts arising from the risks to which the Group is exposed and reflects the nature, scale and complexity of the Group. In 2024, the Group also participated in the Bank of England's System-wide exploratory scenario (SWES), to improve understanding of the behaviours of banks and non-bank financial institutions during stressed financial market conditions. The results were published at a sectorial level; for the banking sector, this stress had minimal impact.

Methodology

The stress tests process must comply with all regulatory requirements, which is achieved through comprehensive scenarios and a rigorous divisional, functional, risk and executive review and challenge process, supported by analysis and insight into impacts on customers and business drivers.

All relevant business, Risk and Finance teams are involved in the delivery of analysis, and ensure the sensitivity of the business plan to each risk is well understood. The methodologies and modelling approach used for stress testing embed direct links between the macroeconomic scenarios and the drivers for each business area to give appropriate stress sensitivities. All material assumptions used in modelling are documented and justified, with a clearly communicated review and sign-off process. Modelling is supported by expert judgement and is subject to the Group model governance policy.

Governance

Clear accountabilities and responsibilities for stress testing are assigned to senior management and the Risk and Finance functions throughout the Group and its key legal entities. This is formalised through the Group business planning and stress testing policy and procedure, which are reviewed at least annually.

The Group Financial Risk Committee (GFRC), chaired by the Chief Risk Officer and attended by the Chief Financial Officer and other senior Risk and Finance colleagues, has primary responsibility for overseeing the development and execution of the Group's and Ring-Fenced Bank's stress tests. A similar process is in place within Lloyds Bank Corporate Markets (LBCM) and Scottish Widows for governance of their specific results.

The review and challenge of the Group's and Ring-Fenced Bank's detailed stress forecasts, the key assumptions behind these, and the methodology used to translate the economic assumptions into stressed outputs conclude with the appropriate Finance and Risk sign-off. The outputs are then presented to the GFRC and the Board Risk Committee for review and challenge. With regulatory exercises being approved at Board Risk Committee and Board where appropriate. There is a similar process within the LBCM for the governance of the LBCM-specific results.

Information on the strategies and processes to manage, hedge and mitigate risks

The Group uses a range of approaches to mitigate and hedge risk that vary depending on the risk type. For credit risk, further details can be found on **pages 156 to 158** of the Lloyds Banking Group plc Annual Report and Accounts 2024.

The Regulatory Capital Framework

The Group assesses both its regulatory capital requirements and the quantity and quality of capital resources it holds to meet those requirements in accordance with the relevant provisions of the Capital Requirements Directive (CRD V) and Capital Requirements Regulation (UK CRR). This is supplemented through additional regulation set out under the PRA Rulebook and through associated statements of policy, supervisory statements and other regulatory guidance.

The regulatory capital framework consists of various classifications of capital resources – Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) – which are held to meet a stack of regulatory capital requirements and buffers.

Regulatory Capital Resources

The Group's capital resources are classified depending on the degree of permanency and loss absorbency exhibited.

Common equity tier 1 capital

This represents the strongest form of capital consisting of shareholders' equity (ordinary share capital and reserves) after a number of regulatory adjustments and deductions have been applied. These include the deconsolidation of Insurance reserves, the elimination of the cash flow hedging reserve and deductions for the Group's equity investment in the Insurance business, goodwill and other intangible assets, the majority of deferred tax assets, defined benefit pension scheme surpluses and excess regulatory expected losses. In addition reserves are adjusted to reflect the application of the IFRS 9 transitional arrangements for capital and accruals for foreseeable dividends and other forms of shareholder distributions. The IFRS 9 transitional arrangements ended on 1 January 2025.

Additional tier 1 capital

AT1 capital instruments are non-cumulative perpetual securities containing a specific provision to write down the security or convert it to equity should the CET1 ratio fall to a defined trigger limit. The Group's current AT1 securities contain a trigger limit of 7 per cent.

Restricted Tier 1 capital instruments issued by the Group's Insurance business and held by the Group are deducted from AT1 capital.

CET1 and AT1 together form Tier 1 Capital (T1).

Tier 2 capital

T2 capital comprises certain other subordinated debt securities that do not qualify as AT1. They must have an original term of at least 5 years, cannot normally be redeemed within their first 5 years and are phased out as T2 regulatory capital in the final 5 years before maturity through the application of regulatory amortisation.

Tier 2 subordinated debt instruments issued by the Group's Insurance business and held by the Group are deducted from T2 capital.

Any excess of IFRS 9 expected credit losses over regulatory expected losses in respect of the Group's IRB portfolios is added to T2 capital ('eligible provisions'), subject to a percentage cap based on IRB risk-weighted assets. However, as a consequence of applying the IFRS 9 transitional arrangements for capital, eligible provisions may be partially or fully reduced, with any resultant surplus adjustment under the arrangements subsequently deducted from tier 2 capital.

T1 and T2 together form Total Capital.

Regulatory Capital Requirements and Buffers

Prudential requirements under the Basel framework are categorised under three pillars: Pillar 1 – Minimum Capital Requirements; Pillar 2 – Supervisory Review Process; and Pillar 3 – Market Discipline.

Pillar 1 – Minimum Capital Requirements

Pillar 1 of the regulatory framework focuses on the determination of risk weighted assets and expected losses in respect of the firm's exposure to credit, counterparty credit, market and operational risks.

The minimum amount of total capital, under Pillar 1 of the regulatory capital framework, is set at 8 per cent of total risk-weighted assets. At least 4.5 per cent of risk-weighted assets are required to be met with CET1 capital and at least 6 per cent of risk-weighted assets are required to be met with tier 1 capital.

A range of approaches, varying in sophistication, are available under the regulatory framework to use in measuring risk-weighted assets and thereby determine the minimum level of capital required under Pillar 1. The Group's risk-weighted assets are predominantly calculated using internal models that are prudently calibrated based on loss experience and are subject to a number of internal controls and external approval from the PRA. Group models designed to meet revised regulations implemented by the PRA on 1 January 2022 remain in development and as a result the Group has applied temporary model adjustments to risk-weighted assets and expected loss amounts. A brief summary of the different approaches for the different risk types and their application by the Group as at 31 December 2024 is disclosed on pages 20 to 22 with further detail provided in each of the sections as indicated.

The Regulatory Capital Framework continued

Pillar 1 Capital Requirements

Risk type	Approaches	Application within the Group
Credit risk	Credit risk risk-weighted assets represent a measure of on and off-balance sheet exposures weighted according to risk as specified under the rules. There are two approaches available: **Standardised Approach (STA)** A simple approach which relies on the application of a prescribed set of risk weights to credit risk exposures, dependent on a number of factors including the applicable asset class and underlying credit quality. The Standardised Approach takes account of credit risk mitigation and specific credit risk adjustments (SCRAs) that the Group has applied against an exposure, before the relevant risk weight is applied to the adjusted exposure amount. Unlike exposures modelled under the IRB approaches, there is no distinction made between expected and unexpected losses for exposures on the Standardised Approach. Under this approach banks can utilise risk assessments from External Credit Assessment Institutions (ECAIs) for a number of exposure classes that cover rated counterparties, including corporates, central governments or central banks and institutions. The Group primarily uses ratings published by Standard & Poor's, Moody's and Fitch to determine risk-weights for rated counterparties under this approach. The Standardised Approach is also applied to exposures in the form of units or shares in a Collective Investment Unit (CIU).	The Group applies the Standardised Approach to the majority of its central government and central bank exposures, its multilateral development bank exposures, the MBNA credit card portfolio, certain corporate and residential mortgage portfolios and a number of other smaller exposure classes.
	IRB Approach (IRB) There are two main variations for commercial exposures – Foundation IRB (FIRB) and Advanced IRB (AIRB). For retail exposures, Retail IRB (RIRB) is available (a variation of AIRB). In each case a prescribed regulatory formula is used to calculate risk-weighted assets which incorporates probability of default (PD), loss given default (LGD) and exposure at default (EAD) in addition to other variables such as maturity and correlation. Regulatory expected losses (EL) under the FIRB, AIRB and RIRB approaches are calculated by multiplying regulatory EAD by PD and LGD, with the exception of defaulted exposures on the AIRB and RIRB where the best estimate of expected loss (BEEL) is used. Scaling factors are applied to the calculation of risk-weighted assets with an uplift applied for Financial Institutions Interconnectedness (FII) and a reduction for exposures to SMEs. The FIRB Approach uses internal assessments of a counterparty's PD (subject to certain floors) together with regulatory defined assessments for LGD and EAD The AIRB Approach uses internal assessments of PD, EAD and LGD (subject to certain floors). The Retail IRB Approach is a version of the AIRB Approach tailored to retail exposures. For specialised lending exposures there is also a Supervisory Slotting Approach which assigns regulatory prescribed risk weights to assets based on the characteristics of each exposure. A number of alternative methodologies exist for other exposures such as equity exposures and securitisation positions.	The FIRB Approach is used for the majority of the Group's commercial exposures. The Group has permission to utilise the RIRB Approach for retail portfolios and applies this with a few exceptions (e.g. MBNA which is on the Group's roll-out plan). Certain portfolios are permanently exempt from the IRB approaches, being subject to the Standardised Approach instead, including certain non UK incorporated Corporate assets and the acquired closed book of Tesco Bank residential mortgages. Other portfolios (including MBNA) are currently awaiting roll out under the Group's IRB model roll-out plan. For more information on IRB models refer to the Model Performance section on pages 68 to 72. The Group applies the Supervisory Slotting Approach to corporate specialised lending exposures that comprise mainly of real estate portfolios and project finance. The Simple Risk Weight Method is applied to the Group's equity exposures. Securitisation positions are risk weighted under the Securitisation External Ratings Based Approach (SEC-ERBA), the Securitisation Internal Ratings Based Approach (SEC-IRBA) or the Securitisation Standardised Approach (SEC-SA).

Risk type	Approaches	Application within the Group
Counterparty credit risk	There are several approaches for measuring exposures to counterparty credit risk, as set out below. The resultant exposures are risk-weighted under either the Standardised Approach or the relevant IRB Approach, as appropriate, to determine the capital requirement. Standardised Approach (SA-CCR): The exposure value is calculated by applying a multiplier (alpha) to a combination of the market value and potential future exposure (PFE). The calculation includes collateral haircuts, mapping of trades to 'hedging sets' and application of any margin received and posted. Simplified Standardised Approach (Simplified SA-CCR): The exposure value is calculated by applying a multiplier (alpha) to a combination of the market value and PFE. However, replacement cost and PFE are calculated in a simplified way. Original Exposure Method: The exposure value is calculated by applying a multiplier (alpha) to a combination of the market value and PFE. However, PFE is calculated by multiplying the notional amount of the instrument by set percentages prescribed depending on maturity. SFT Comprehensive Approach: Volatility adjustments are applied to the market value of collateral to take account of price volatility. Internal Models Method (IMM): The fair value on the balance sheet is replaced by an exposure value calculated using internal models. Exposures to central counterparties (CCPs), comprising trades, default fund contributions and initial margin are subject to specific measurement and risk weight requirements. Credit valuation adjustment (CVA) risk can be calculated under either the Advanced Method (via the use of internal models) or the Standardised Method.	The Group's derivative and securities financing transaction (SFT) counterparty credit risk exposures are measured under the Standardised Approach (SA-CCR) and SFT Comprehensive Approach respectively, prior to being risk weighted under the Standardised Approach, FIRB Approach or Supervisory Slotting Approach as appropriate. The Group applies the Standardised Method for calculating CVA risk.
Market risk	The two key approaches for Market Risks are as follows. Standardised Approach (STA): This requires the calculation of position risk requirements (PRR) for each type of market risk in the trading book. Internal Models Approach (IMA): Involves the use of internal Value at Risk (VaR) and other models to determine appropriate capital requirements based on the market risks in the trading book.	The majority of the Group's trading book positions are assigned a capital requirement under the Internal Models Approach with the remainder following the Standardised Approach.
Operational risk	There are three approaches for Operational Risk as set out below. Basic Indicator Approach (BIA): A low risk sensitivity approach which calculates the capital requirement as a percentage of average net interest and non-interest income. Standardised Approach (TSA): A medium risk sensitivity approach where the capital requirement is derived from regulatory prescribed factors applied to the three year average income from various business lines. Advanced Measurement Approach (AMA): A high risk sensitivity approach, the capital requirement is determined through the use of an internal operational risk measurement model.	The Group measures its operational risk requirement using The Standardised Approach.

Pillar 2 - Supervisory Review Process

Minimum Pillar 1 requirements are supplemented by additional minimum requirements under Pillar 2A of the regulatory capital framework, the aggregate of which is referred to as the Group's Total Capital Requirement (TCR), and a number of regulatory capital buffers which are further described on page 30.

Individual Capital Requirement (UK OVC)

The PRA sets an additional minimum capital requirement under Pillar 2A. This reflects a point in time estimate of the amount of capital required to cover risks that are not fully covered by Pillar 1, such as credit concentration and operational risk, and those risks not covered at all by Pillar 1, such as pension obligation risk and interest rate risk in the banking book (IRRBB).

Pillar 2A capital requirements consist of a variable amount (being a set percentage of risk-weighted assets), with fixed add-ons for certain risk types.

The Group's Pillar 2A capital requirement is around 2.6 per cent of risk-weighted assets, of which around 1.5 per cent of risk-weighted assets must be met by CET1 capital. The Group is not permitted by the PRA to disclose any details on the individual components of its Pillar 2A capital requirement.

A key input into the PRA's Pillar 2A setting process is a bank's own assessment of the minimum amount of capital it needs to cover risks that are not covered or not fully covered by Pillar 1 as part of its Internal Capital Adequacy Assessment Process (ICAAP).

The Regulatory Capital Framework continued

Some of the key risks assessed within the Pillar 2A assessment part of the Group's ICAAP include:

- Concentration risk – greater loss volatility arising from a higher level of loan default correlation than is assumed by the Pillar 1 assessment. Such correlation can arise from, for example, geographic, industry sector and single name concentrations.
- Underestimation risk – where it is considered that the Pillar 1 capital assessments for credit, market, credit valuation adjustment (CVA) or operational risk underestimate the risk, including as a result of climate change related considerations. The operational risk assessment includes consideration of conduct risk.
- Residual value risk – the risk of potential loss on vehicle returns where market valuation is lower than anticipated.
- Pension obligation risk – the potential for losses that the Group would incur in the event of a significant deterioration in the funding position of the Group's defined benefit pension schemes.
- Interest rate risk in the banking book – the potential losses in the non-trading book resulting from interest rate changes or changes in spreads between different rates.

The detailed ICAAP document is subject to a robust review process, approved by the Board Risk Committee and submitted to the PRA annually for their consideration ahead of setting the Groups P2A requirement.

Regulatory Capital Buffers

The Group is also required to meet a number of regulatory capital buffers with CET1 capital.

Systemic buffers

Systemic buffers are designed to hold systemically important banks to higher capital standards, so that they can withstand a greater level of stress before requiring resolution.The Group is not classified as a global systemically important institution (G-SII) but has been classified as an 'other' systemically important institution (O-SII) by the PRA. The O-SII buffer applies to the Group's RFB sub-group and is set at 2.0 per cent of the RFB sub-group's risk-weighted assets at December 2024. This equates to 1.7 per cent of risk-weighted assets at Group level, with the difference reflecting the risk-weighted assets of the Group that are not in the RFB sub-group and for which the O-SII buffer does not therefore apply. It is the PRA's policy to include this in the Group's PRA Buffer. The latest review point under the Financial Policy Committee's (FPC) framework occurred during November 2024 (based upon the average of the RFB sub-group's quarter-end UK leverage exposure measures over 2023) which resulted in no change to the buffer.

Capital conservation buffer

The capital conservation buffer (CCB) is a standard buffer of 2.5 per cent of risk-weighted assets designed to provide for losses in the event of stress.

Countercyclical capital buffer

The countercyclical capital buffer (CCyB) is time-varying and is designed to require banks to hold additional capital to remove or reduce the build-up of systemic risk in times of credit boom, providing additional loss-absorbing capacity and acting as an incentive for banks to constrain further credit growth. The amount of the buffer is determined by reference to published buffer rates for the individual countries where the Group has relevant credit exposures. The FPC sets the UK CCyB rate, which as at 31 December 2024 is set at 2 per cent. The FPC judges that the neutral rate for the UK CCyB is around 2 per cent.

Given the Group's UK-focused business model, the Group's CCyB at 31 December 2024 was around 1.8% per cent of risk-weighted assets.

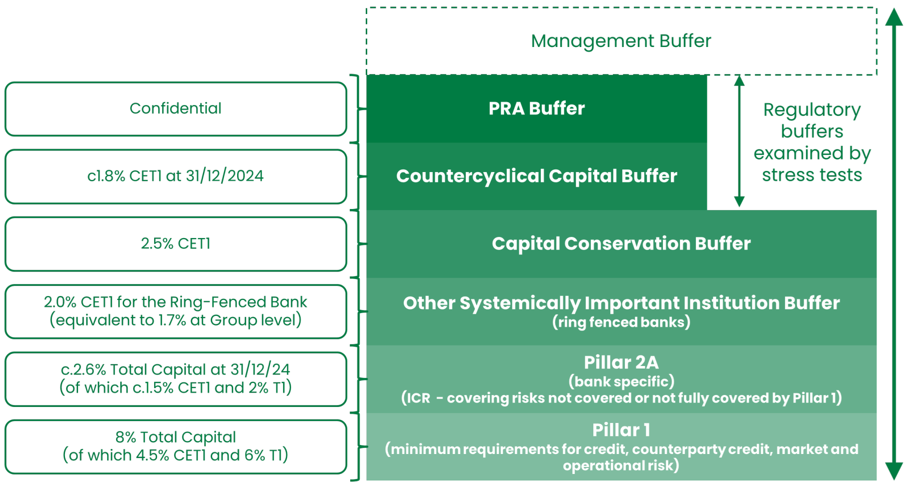
PRA buffer

As part of the Group's capital planning process, forecast capital positions are subjected to stress testing to determine the adequacy of the Group's capital resources against minimum requirements, including the Pillar 2A requirement. The PRA considers outputs from both the Group's internal stress tests and Bank of England (BoE) stress tests, in conjunction with other information, as part of the process for informing the setting of a bank-specific capital buffer for the Group, known as the PRA Buffer. The PRA requires this buffer to remain confidential.

Under previous Bank of England stress tests, the BoE has taken action to avoid an unwarranted de facto increase in capital requirements that could result from the interaction with IFRS 9. The stress hurdle rates for banks participating in the annual cyclical scenario (ACS) stress test exercises were adjusted to recognise the additional resilience provided by the earlier provisions taken under IFRS 9. The BoE is continuing to work towards a more enduring treatment of IFRS 9 for the purposes of future stress tests.

Management buffer

The Group's internal view of the amount of capital the Group should hold is informed by a number of factors including regulatory, market and investor expectations and the outputs from internal and regulatory stress testing exercises.



The PRA provided an update of the Group's Pillar 2A CET1 capital requirement during the third quarter of 2024, with the requirement remaining at around 1.5 per cent of risk-weighted assets.

The Group's countercyclical capital buffer is currently around 1.8 per cent of RWAs.

The Board's view of the ongoing level of CET1 capital required to grow the business, meet current and future regulatory requirements and cover uncertainties is 13.0 per cent.

The Regulatory Capital Framework continued

All buffers

All buffers are required to be met with CET1 capital. Usage of the PRA Buffer (which includes the Group's share of the RFB sub-group's O-SII buffer) would trigger a dialogue between the Group and the PRA to agree what action is required whereas a breach of the combined buffer (all other regulatory buffers, as referenced above) would give rise to mandatory restrictions upon any discretionary capital distributions. The PRA has previously communicated its expectation that banks' capital and liquidity buffers can be drawn down as necessary to support the real economy through a shock and that sufficient time would be made available to restore buffers in a gradual manner.

Sectoral capital requirements

The FPC can also set sectoral capital requirements which are temporary increases to banks' capital requirements on exposures to specific sectors, if the FPC judges that exuberant lending to those sectors poses risks to financial stability. No sectoral capital requirements currently apply to the Group.

Pillar 3 - Market Discipline

The third pillar addresses the external publication of disclosures surrounding a firm's risk management practices, its approach to capital management, its capital resources and Pillar 1 capital requirements and a detailed analysis of its risk exposures.

The Group's Pillar 3 disclosures comply with the requirements of the Disclosure Part of the PRA Rulebook.

Leverage Framework

In addition to the risk-based capital framework outlined above, the Group is also subject to minimum capital requirements under the UK Leverage Ratio Framework. The leverage ratio is calculated by dividing tier 1 capital resources by the leverage exposure which is a defined measure of on-balance sheet assets and off-balance sheet items.

The minimum tier 1 leverage ratio requirement under the UK Leverage Ratio Framework is 3.25 per cent. This is supplemented by a time-varying countercyclical leverage buffer (CCLB) requirement which is determined by multiplying the Group's CCyB rate by 35 per cent, with the result rounded to the nearest tenth of a percentage. As at 31 December 2024 the CCLB for the Group was 0.6 per cent. An additional leverage ratio buffer (ALRB) requirement of 0.7 per cent applies to the RFB sub-group and is determined by multiplying the RFB sub-group O-SII buffer by 35 per cent. At Group level an equivalent buffer of 0.6 per cent applies.

At least 75 per cent of the 3.25 per cent minimum leverage ratio requirement as well as 100 per cent of regulatory leverage buffers must be met by CET1 capital.

As at 31 December 2024 the leverage ratio framework did not give rise to higher regulatory capital requirements for the Group than the risk-based capital framework.

Ring-Fencing

The vast majority of the Group's banking operations continue to be held by Lloyds Bank plc and its subsidiaries (the 'Ring-Fenced Bank'). Non-ring-fenced banking operations are either held by Lloyds Bank Corporate Markets plc and its subsidiaries (the non-ring-fenced bank) or by LBG Equity Investments Limited and its subsidiaries. The Group's insurance operations continue to be held in the Scottish Widows Group.

IFRS 9 Transitional Arrangements

IFRS 9 transitional arrangements for capital, as set out under CRR Article 473a, were designed to allow the initial net impact on CET1 capital on 1 January 2018 resulting from the increase in accounting impairment provisions under the IFRS 9 Expected Credit Loss (ECL) framework, and the capital impact of any subsequent increases in Stage 1 and Stage 2 ECLs (net of movements in regulatory expected losses), to be phased in over set transition periods.

These arrangements have provided some stability in capital requirements against the volatility and provisioning connected to the impact of IFRS 9. The arrangements ended on 1 January 2025.

During 2024, the Group applied the full extent of the arrangements which allowed for 25 per cent of the post 1 January 2020 increases in Stage 1 and Stage 2 ECLs (net of movements in regulatory expected losses) to be added back to CET1 capital - this is referred to as 'dynamic' relief. Increases in Stage 3 ECLs were not covered by the arrangements and therefore impacted CET1 capital in full.

The effect of adding back amounts to CET1 capital to reflect the relief resulted in further consequential adjustments being made to tier 2 capital (eligible provisions) and risk-weighted assets. For the latter the Group opted to apply a 100 per cent risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revised CRR Article 473a.

Minimum requirement for own funds and eligible liabilities (MREL)

Global systemically important banks (G-SIBs) are subject to an international standard on total loss absorbing capacity (TLAC). The standard is designed to enhance the resilience of the global financial system by ensuring that failing G-SIBs have sufficient capital to absorb losses and recapitalise under resolution, whilst continuing to provide critical banking services.

In the UK, the Bank of England has implemented the requirements of the international TLAC standard through the establishment of a framework which sets out MREL. The purpose of MREL is to require firms to maintain sufficient own funds and eligible liabilities that are capable of credibly bearing losses or recapitalising a bank whilst in resolution. MREL can be satisfied by a combination of regulatory capital and certain unsecured liabilities (which must be subordinate to a firm's operating liabilities).

Although the Group is not classified as a G-SIB it is subject to the Bank of England's MREL framework, including the statement of policy on MREL (the 'MREL SoP') which requires the Group to maintain a minimum level of MREL resources.

Under the requirements of the framework, the Group operates a single point of entry (SPE) resolution strategy, with Lloyds Banking Group plc as the designated resolution entity.

Applying the MREL SoP to minimum capital requirements at 31 December 2024, the Group's MREL, excluding regulatory capital and leverage buffers, is the higher of 2 times Pillar 1 plus 2 times Pillar 2A, equivalent to 21.3 per cent of risk-weighted assets, or 6.5 per cent of the UK leverage ratio exposure measure. In addition, CET1 capital cannot be used to meet both MREL and capital or leverage buffers.

Internal minimum requirements for own funds and eligible liabilities (Internal MREL) also apply to the Group's material sub-groups and entities, being the RFB sub-group, Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc.

The Regulatory Capital Framework continued

Regulatory Updates

Final Basel III reforms

The Basel Committee published its final reforms on Basel III in December 2017. The stated purpose of the reforms is to restore credibility in the calculation of risk-weighted assets through greater robustness and risk-sensitivity in the Standardised approaches, constraints on the use of internal models, and restricting the RWA benefits that internal models can provide. The aim is to improve comparability between banks' capital ratios through the following measures:

- improving the granularity and risk sensitivity of the standardised credit risk framework;
- addressing shortcomings related to the use of the IRB credit risk framework, including excessive complexity, lack of comparability and lack of robustness in modelling certain asset classes;
- removing the option to apply the Advanced IRB Approach for low default portfolios;
- adopting input floors for PDs, LGDs and EADs to ensure a degree of conservatism is maintained in modelled outputs and providing greater specification of parameter estimation practices to reduce variability in risk-weighted assets;
- replacing the existing approaches under the operational risk framework with a single risk sensitive standardised approach that combines a measure of a bank's income with a measure of its historic operational risk losses;
- revisions to the credit valuation adjustment (CVA) risk framework designed to enhance its risk sensitivity, strengthen its robustness and improve its consistency;
- replacing the current Basel II capital floors (output) requirement with a new version based on the revised Basel III standardised approaches to ensure that total RWAs for banks using internal models and subject to the floor cannot fall below 72.5% of RWAs derived under the standardised approaches, to be phased in over five years.

The PRA published policy statements PS 17/23 (December 2023) and PS 9/24 (September 2024) setting out near-final rules for implementing Basel 3.1 in the UK.

Overall, the near-final rules closely align with the Basel III framework with certain specific adjustments tailored to the UK market including:

- application of the Output Floor at UK group consolidated level and sub-consolidated level for ring-fenced banks;
- Standardised credit risk framework adjustments including: residential real estate valuations being based at origination or updated when an obligor refinances their mortgage at the end of a fixed period; a 100% risk weight floor for commercial real estate exposures that are materially dependent on cash flows of the property; and an alternative risk-sensitive approach for unrated corporates;
- A 20% conversion factor for transaction-related contingent items and a 50% conversion factor for UK residential mortgage commitments. In line with the Basel III framework a conversion factor of 40% applies to all other commitments;
- A 0.1% PD floor for UK retail residential mortgage exposures;
- Removal of the IRB approach for central government and central bank exposures;
- Permission to apply a reduced 'alpha factor' of one in the standardised approach to counterparty credit risk (SA-CCR) framework for calculating exposures to non-financial counterparties and pension funds but with transitional arrangements available to maintain additional Pillar 1 CCR RWA's for legacy trades (alongside a transitioning in of the CVA scope expansion) which would reduce linearly over four years;
- setting the internal loss multiplier (ILM) equal to one under the new Standardised approach for Pillar 1 Operational Risk capital requirements.
- a new firm-specific Pillar 2A adjustment to ensure removal of the SME support factor under Pillar 1 does not result in a capital requirement increase for lending to SMEs.

While the PRA proposal to increase the CVA framework scope to include exposures to Sovereigns, non-financial counterparties and pension funds is in line with the Basel III framework, the PRA proposals give firms an option to apply a transitional approach for legacy transactions.

The PRA initially set an implementation date of 1 January 2026 for the new requirements, with a transitional period (for reduction of CCR alpha factor, CVA scope expansion and Output Floor) of four years ensuring full implementation by 1 January 2030.

In January 2025, the PRA announced a one-year delay to the implementation of Basel 3.1 with the new date set at 1 January 2027. The date for full implementation remains as 1 January 2030, reducing the transitional period to three years.

Other developments

The Group continues to monitor and engage in developments in relation to climate-related financial risk. This includes participation in industry working groups. In Q1 2024 the Group contributed to UK Finance feedback to the Basel consultation on the disclosure of climate-related financial risks (November 2023) which proposes the introduction of new Pillar 3 reporting requirements.

Changes to the regulations applicable to internal ratings based (IRB) models were implemented by the PRA on 1 January 2022. The Group's models to meet these requirements remain subject to further development and final approval by the PRA. As a result, the Group has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the new modelling requirements.

Capital Management

The Group's Approach to Capital Risk

Definition

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Group.

Exposures

A capital risk event arises when the Group has insufficient capital resources to support its strategic objectives and plans, and to meet both regulatory and external stakeholder requirements and expectations. This could arise due to a depletion of the Group's capital resources as a result of the crystallisation of any of the risks to which it is exposed, or through a significant increase in risk-weighted assets as a result of rule changes or economic deterioration. Alternatively a shortage of capital could arise from an increase in the minimum requirements for capital or leverage or the minimum requirement for own funds and eligible liabilities (MREL) either at Group, Ring-Fenced Bank (RFB) sub-group or regulated entity level. The Group's capital management approach is focused on maintaining sufficient and appropriate capital resources across all regulated levels of its structure in order to prevent such exposures while optimising value for shareholders.

Measurement

The Group maintains capital levels across all regulated entities commensurate with a prudent level of solvency to achieve financial resilience and market confidence. To support this, capital risk appetite is calibrated by taking into consideration both an internal view of the amount of capital to hold as well as external regulatory requirements.

Further information on the Group's approach to measuring both capital requirements and the amount of capital resources it holds to meet those requirements can be found on pages 27 to 32 (The Regulatory Capital Framework).

Mitigating actions

The Group has a capital management framework that includes the setting of capital risk appetite and capital planning and stress testing activities. Close monitoring of capital, leverage and MREL ratios is undertaken to ensure the Group meets regulatory requirements and risk appetite levels and deploys its capital resources efficiently.

The Group regularly refreshes and monitors its suite of early warning indicators and maintains a Capital Contingency Framework as part of a Recovery Plan, which is designed to identify and escalate emerging capital concerns at an early stage, so that mitigating actions can be taken, if needed. For example, the Group is able to accumulate additional capital through the retention of profits over time, which can be enhanced through reducing or cancelling proposed dividend payments and share buybacks, by raising new equity via, for example, a rights issue or debt exchange and by raising additional tier 1 or tier 2 capital securities. The cost and availability of additional capital are dependent upon market conditions and perceptions at the time.

The Group is also able to manage the demand for capital through management actions including adjusting its lending strategy, business disposals and through the efficient use of securitisations and other optimisation activity.

Capital policies and procedures are well established and subject to independent oversight.

Monitoring

The Group's capital is actively managed and monitoring capital ratios is a key factor in the Group's planning processes, which separately cover the RFB sub-group and key individual banking entities. Multi-year base case forecasts of the Group's capital position, based upon the Group's operating plan, are produced at least annually to inform the Group's capital plan whilst shorter-term forecasts are more frequently undertaken to understand and respond to variations of the Group's actual performance against the plan. The Group's capital plan is tested for capital adequacy using relevant stress scenarios and sensitivities covering adverse economic conditions as well as other adverse factors that could impact the Group.

Regular monitoring of the capital position is undertaken by a range of committees, including Group Capital Risk Committee (GCRC), Group Financial Risk Committee (GFRC), Group and Ring-Fenced Banks Asset and Liability Committees (GALCO), Group and Ring-Fenced Banks Risk Committees (GRC), Board Risk Committee (BRC) and the Board. This includes reporting of actual ratios against risk appetite, base case and stress scenario projected ratios, and review of early warning indicators and assessment against the Capital Contingency Framework.

The Group continues to monitor prudential developments very closely, analysing the potential capital impacts to ensure that, through organic capital generation and management actions, the Group continues to maintain a strong capital position that exceeds both minimum regulatory requirements and the Group's risk appetite and is consistent with market expectations.

Target capital ratios

The Board's view of the ongoing level of CET1 capital required by the Group to grow the business, meet current and future regulatory requirements and cover economic and business uncertainties is c.13.0 per cent which includes a management buffer of around 1 per cent. This takes into account, amongst other considerations:

- The minimum Pillar 1 CET1 capital requirement of 4.5 per cent of risk-weighted assets
- The Group's Pillar 2A CET1 capital requirement, set by the PRA, which is the equivalent of around 1.5 per cent of risk-weighted assets
- The Group's countercyclical capital buffer (CCyB) requirement which is around 1.8 per cent of risk-weighted assets
- The capital conservation buffer (CCB) requirement of 2.5 per cent of risk-weighted assets
- The Ring-Fenced Bank (RFB) sub-group's other systemically important institution (O-SII) buffer of 2.0 per cent of risk-weighted assets, which equates to 1.7 per cent of risk-weighted assets at Group level
- The Group's PRA Buffer, set after taking account of the results of any PRA stress tests and other information, as well as outputs from the Group's own internal stress tests. The PRA requires this buffer to remain confidential
- The likely performance of the Group in various potential stress scenarios and ensuring capital remains resilient in these
- The economic outlook for the UK and business outlook for the Group
- The desire to maintain a progressive and sustainable ordinary dividend policy in the context of year to year earnings movements

Analysis of pro forma CET1 capital position

The Group's pro forma CET1 capital ratio at 31 December 2024 was 13.5 per cent (31 December 2023: 13.7 per cent pro forma), in line with guidance. Capital generation during the year was 148 basis points. Excluding the provision for motor finance commission arrangements, capital generation was 177 basis points, in line with guidance. Capital generation reflects robust banking build and the interim half-year and full-year dividends received from the Insurance business in June 2024 (£200 million) and February 2025 (£100 million) respectively, partially offset by risk-weighted asset increases and other movements, including 15 basis points relating to the foreign exchange translation loss following the US dollar AT1 capital instrument redemption in June. Regulatory headwinds of 27 basis points in the year reflect an adjustment for part of the impact of the Retail secured CRD IV increases and the reduction in the transitional factor applied to IFRS 9 dynamic relief on 1 January 2024. There was a further 29 basis points resulting from a provision relating to the potential impacts of motor finance commission arrangements. The impact of the interim ordinary dividend paid in September 2024 and the accrual for the recommended final ordinary dividend equates to 91 basis points, with a further 80 basis points to cover the accrual for the announced ordinary share buyback programme of up to £1.7 billion.

The full impact of the share buyback will be accrued for through the Group's actual capital position during the first quarter of 2025.

Excluding the Insurance dividend received in February 2025 and the full impact of the announced ordinary share buyback programme, the Group's CET1 capital ratio at 31 December 2024 was 14.2 per cent (31 December 2023: 14.6 per cent).

Capital Management continued

Capital and MREL resources

An analysis of the Group's capital position and MREL resources as at 31 December 2024 is presented below. This reflects the application of the transitional arrangements for IFRS 9.

	At 31 Dec 2024 £m	At 31 Dec 2023[1] £m
Common equity tier 1: instruments and reserves		
Share capital and share premium account	**24,782**	24,926
Banking retained earnings[2]	**19,582**	19,000
Banking other reserves[2]	**2,786**	3,136
Adjustment to retained earnings for foreseeable dividends	**(1,276)**	(1,169)
	45,874	45,893
Common equity tier 1: regulatory adjustments		
Cash flow hedging reserve	**3,755**	3,766
Goodwill and other intangible assets	**(5,679)**	(5,731)
Prudent valuation adjustment	**(354)**	(417)
Excess of expected losses over impairment provisions and value adjustments	**(270)**	–
Removal of defined benefit pension surplus	**(2,215)**	(2,653)
Significant investments[2]	**(5,024)**	(4,975)
Deferred tax assets	**(4,025)**	(4,048)
Other regulatory adjustments	**(83)**	62
Common equity tier 1 capital	**31,979**	31,897
Additional tier 1: instruments		
Other equity instruments	**6,170**	6,915
Additional tier 1: regulatory adjustments		
Significant investments[2]	**(800)**	(1,100)
Total tier 1 capital	**37,349**	37,712
Tier 2: instruments and provisions		
Subordinated liabilities	**6,366**	6,320
Eligible provisions	**–**	371
Tier 2: regulatory adjustments		
Significant investments[2]	**(964)**	(964)
Total capital resources	**42,751**	43,439
Ineligible AT1 and tier 2 instruments[3]	**(94)**	(139)
Amortised portion of eligible tier 2 instruments issued by Lloyds Banking Group plc	**891**	1,113
Other eligible liabilities issued by Lloyds Banking Group plc[4]	**28,675**	25,492
Total MREL resources	**72,223**	69,905
Risk-weighted assets	**224,632**	219,130
Common equity tier 1 capital ratio	**14.2%**	14.6%
Tier 1 capital ratio	**16.6%**	17.2%
Total capital ratio	**19.0%**	19.8%
MREL ratio	**32.2%**	31.9%

1 Restated for presentational changes.

2 In accordance with banking capital regulations, the Group's Insurance business is excluded from the scope of the Group's capital position. The Group's investment in the equity and other capital instruments of the Insurance business are deducted from the relevant tier of capital ('Significant investments'), subject to threshold regulations that allow a portion of the equity investment to be risk-weighted rather than deducted from capital. The risk-weighted portion forms part of threshold risk-weighted assets. .

3 Instruments not issued out of the holding company.

4 Includes senior unsecured debt.

Capital Management continued

Movements in CET1 capital resources

The key movements are set out in the table below.

	Common equity tier 1 £m
At 31 December 2023	31,897
Banking business profits[1]	**4,765**
Movement in foreseeable dividend accrual[2]	**(107)**
Dividends paid out on ordinary shares during the year	**(1,828)**
Adjustment to reflect full impact of share buyback	**(2,011)**
Dividends received from the Insurance business[3]	**450**
IFRS 9 transitional adjustment to retained earnings	**(159)**
Excess regulatory expected losses	**(270)**
Redemption of other equity instruments	**(316)**
Distributions on other equity instruments	**(498)**
Other movements	**56**
At 31 December 2024	**31,979**

1 Under banking capital regulations, profits made by Insurance are removed from CET1 capital. However, when dividends are paid to the Group by Insurance these are recognised through CET1 capital.

2 Reflects the reversal of the brought forward accrual for the final 2023 ordinary dividend, net of the accrual for the final 2024 ordinary dividend.

3 Received in February 2024 and June 2024.

The Group's CET1 capital ratio reduced to 14.2 per cent at 31 December 2024 from 14.6 per cent at 31 December 2023, with the increase in CET1 capital resources more than offset by the increase in risk-weighted assets.

CET1 capital resources increased by £82 million, with banking business profits for the year and the receipt of dividends paid up by the Insurance business offset by:

- The interim ordinary dividend paid in September 2024, the accrual for the final 2024 ordinary dividend of 2.11 pence per share and distributions on other equity instruments
- The recognition of the full capital impact of the ordinary share buyback programme announced as part of the Group's 2023 year end results, which completed in November 2024
- The recognition of a foreign exchange translation loss upon the redemption of a US dollar denominated AT1 capital instrument in June 2024

The IFRS 9 transitional arrangements for dynamic relief amounted to £13 million (31 December 2023: £196 million) through CET1 capital. The transitional arrangements ended on 1 January 2025.

The full capital impact of the ordinary share buyback programme and the Insurance dividend received in February 2024 were reflected through the Group's pro forma CET1 ratio of 13.7 per cent at 31 December 2023.

The Group's pro forma CET1 ratio of 13.5 per cent at 31 December 2024 reflects the full capital impact of the ordinary share buyback programme announced as part of the Group's 2024 year end results and the Insurance dividend received in February 2025.

Movements in total capital and MREL

The Group's total capital ratio reduced to 19.0 per cent at 31 December 2024 (31 December 2023: 19.8 per cent), reflecting reductions in both Additional Tier 1 and Tier 2 capital and the increase in risk-weighted assets, partly offset by the increase in CET1 capital. The reduction in Additional Tier 1 capital reflects redemptions, including the US dollar AT1 capital instrument redeemed in June 2024, offset in part by a new issuance and a reduction in the Group's significant investment in instruments issued by the Insurance business following a redemption by the Insurance business as it sought to refine its capital structure. The reduction in Tier 2 capital primarily reflects the impact of regulatory amortisation on instruments, interest rate movements and a reduction in eligible provisions recognised through Tier 2 capital, partially offset by new issuances.

The MREL ratio increased to 32.2 per cent at 31 December 2024 (31 December 2023: 31.9 per cent) largely reflecting the increase in other eligible liabilities driven by new issuances, net of calls and maturities. This was partly offset by the reduction in total capital resources and the increase in risk-weighted assets.

Capital Management continued

Leverage ratio

The table below summarises the component parts of the Group's leverage ratio.

	At 31 Dec 2024 £m	At 31 Dec 2023 £m
Total tier 1 capital	**37,349**	37,712
Exposure measure		
Statutory balance sheet assets		
Derivative financial instruments	**24,065**	22,356
Securities financing transactions	**69,941**	56,184
Loans and advances and other assets	**812,691**	802,913
Total assets	**906,697**	881,453
Qualifying central bank claims	**(62,396)**	(77,625)
Deconsolidation adjustments[1]		
Derivative financial instruments	**563**	585
Loans and advances and other assets	**(191,551)**	(178,552)
Total deconsolidation adjustments	**(190,988)**	(177,967)
Derivatives adjustments	**(6,254)**	(4,896)
Securities financing transactions adjustments	**3,351**	2,262
Off-balance sheet items	**40,186**	40,942
Amounts already deducted from tier 1 capital	**(12,395)**	(12,523)
Other regulatory adjustments[2]	**(4,127)**	(4,012)
Total exposure measure	**674,074**	647,634
Average exposure measure[3]	**689,726**	
UK leverage ratio	**5.5%**	5.8%
Average UK leverage ratio[3]	**5.5%**	
Leverage exposure measure (including central bank claims)	**736,470**	725,259
Leverage ratio (including central bank claims)	**5.1%**	5.2%
Total MREL resources	**72,223**	69,905
MREL Leverage Ratio	**10.7%**	10.8%

1 Deconsolidation adjustments relate to the deconsolidation of certain Group entities that fall outside the scope of the Group's regulatory capital consolidation, primarily the Group's Insurance business.

2 Includes adjustments to exclude lending under the Government's Bounce Back Loan Scheme (BBLS).

3 The average UK leverage ratio is based on the average of the month end tier 1 capital position and average exposure measure over the quarter (1 October 2024 to 31 December 2024). The average of 5.5 per cent compares to 5.5 per cent at the start and 5.5 per cent at the end of the quarter.

Analysis of leverage movements

The Group's UK leverage ratio reduced to 5.5 per cent (31 December 2023: 5.8 per cent) reflecting the reduction in the total tier 1 capital position and the increase in the leverage exposure measure following lending growth and increases across securities financing transactions and other assets (excluding central bank claims). The average leverage exposure measure reflected higher levels of securities financing transactions during the quarter.

Own funds

CC1: Composition of regulatory own funds

The capital positions presented below reflect the application of the transitional arrangements for IFRS 9.

		31 Dec 2024 £m	31 Dec 2023 £m	CC2 Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	**24,782**	24,926	
	of which: called up share capital	**6,062**	6,358	a
	of which: share premium	**18,720**	18,568	b
2	Retained earnings	**19,582**	19,000	d
3	Accumulated other comprehensive income (and other reserves)	**2,786**	3,136	d
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend[1]	**(1,276)**	(1,169)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**45,874**	45,893	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	**(354)**	(417)	
8	Intangible assets (net of related tax liability)	**(5,679)**	(5,731)	e
10	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) CRR are met)	**(4,025)**	(4,048)	f
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**3,755**	3,766	
12	Negative amounts resulting from the calculation of expected loss amounts	**(270)**	—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	**(46)**	(97)	
15	Defined-benefit pension fund assets	**(2,215)**	(2,653)	g
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments	**(47)**	(10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	**(5,024)**	(4,975)	h
27a	Other regulatory adjustments to CET1 capital	**10**	169	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(13,895)**	(13,996)	
29	**Common Equity Tier 1 (CET1) capital**	**31,979**	31,897	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	**6,170**	6,915	c
31	of which: classified as equity under applicable accounting standards	**6,170**	6,915	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**6,170**	6,915	
Additional Tier 1 (AT1) capital: regulatory adjustments				
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	**(800)**	(1,100)	h
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(800)**	(1,100)	
44	**Additional Tier 1 (AT1) capital**	**5,370**	5,815	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**37,349**	37,712	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	**6,322**	6,232	i
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	**44**	88	i
50	Credit risk adjustments	**—**	371	
51	**Tier 2 (T2) capital before regulatory adjustments**	**6,366**	6,691	
Tier 2 (T2) capital: regulatory adjustments				
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	**(964)**	(964)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(964)**	(964)	
58	**Tier 2 (T2) capital**	**5,402**	5,727	
59	**Total capital**	**42,751**	43,439	
60	**Total risk exposure amount**	**224,632**	219,130	

		31 Dec 2024 £m	31 Dec 2023 £m	CC2 Reference
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**14.2%**	14.6%	
62	Tier 1 (as a percentage of total risk exposure amount)	**16.6%**	17.2%	
63	Total capital (as a percentage of total risk exposure amount)	**19.0%**	19.8%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**10.3%**	10.3%	
65	of which: capital conservation buffer requirement	**2.5%**	2.5%	
66	of which: countercyclical buffer requirement	**1.8%**	1.8%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**8.2%**	8.6%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**177**	401	
73	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 17.65% thresholds and net of eligible short positions)	**3,700**	3,687	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	**595**	724	
Applicable caps on the inclusion of provisions in Tier 2				
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	**–**	371	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**914**	880	

1 The reported amounts for 31 December 2024 and 31 December 2023 reflects the year end foreseeable dividend accruals only as the externally audited profits for each year are included in row 2 (Retained earnings).

Own funds continued

CC2: Reconciliation of regulatory own funds to the balance sheet in the financial statements

The following table compares the Group's consolidated accounting and regulatory balance sheets as at 31 December 2024. The regulatory scope of consolidation, which excludes the Group's insurance undertakings, is the basis for the calculation of the Group's regulatory own funds as presented in table CC1.

		Balance sheet as in published financial statements at 31 Dec 2024	Balance sheet under regulatory scope of consolidation at 31 Dec 2024[2]	
Assets		**£m**	**£m**	**Reference[1]**
1	Cash and balances at central banks	**62,705**	**62,705**	
2	Financial assets at fair value through profit or loss	**215,925**	**31,872**	
3	Derivative financial instruments	**24,065**	**24,628**	
4	Loans and advances to banks	**7,900**	**7,929**	
5	Loans and advances to customers	**459,857**	**459,974**	
6	Reverse repurchase agreements	**49,476**	**49,476**	
7	Debt securities	**14,544**	**14,134**	
8	Financial assets at amortised cost	**531,777**	**531,513**	
9	Financial assets at fair value through other comprehensive income	**30,690**	**30,690**	
10	Investments in joint ventures and associates	**542**	**324**	
11	Investment in subsidiaries[2]	**—**	**9,225**	h
12	Goodwill and other intangible assets	**8,188**	**5,989**	e
13	Current tax recoverable	**526**	**401**	
14	Deferred tax assets[3]	**5,005**	**4,957**	f
15	Retirement benefit assets	**3,028**	**3,028**	g
16	Other assets	**24,246**	**15,887**	
17	**Total assets**	**906,697**	**721,220**	
Liabilities				
1	Deposits from banks	**6,158**	**5,789**	
2	Customer deposits	**482,745**	**483,171**	
3	Repurchase agreements at amortised cost	**37,760**	**37,760**	
4	Financial liabilities at fair value through profit or loss	**27,611**	**27,611**	
5	Derivative financial instruments	**21,676**	**20,788**	
6	Notes in circulation	**2,121**	**2,121**	
7	Debt securities in issue	**70,834**	**69,937**	
8	Liabilities arising from insurance contracts and participating investment contracts	**122,064**	**—**	
9	Liabilities arising from non-participating investment contracts	**51,228**	**—**	
10	Other liabilities	**25,918**	**8,266**	
11	Retirement benefit obligations	**122**	**122**	
12	Current tax liabilities	**45**	**45**	
13	Deferred tax liabilities[3]	**125**	**137**	f
14	Other provisions	**2,313**	**2,194**	
15	Subordinated liabilities	**10,089**	**9,650**	i
16	**Total liabilities**	**860,809**	**667,591**	
Shareholders' equity				
1	Called up share capital	**24,782**	**24,782**	
2	of which: share capital	**6,062**	**6,062**	a
3	of which: share premium	**18,720**	**18,720**	b
4	Other equity instruments	**6,195**	**6,195**	c
5	Retained earnings, accumulated other comprehensive income and other reserves[4]	**14,739**	**22,480**	d
6	**Total equity excluding non-controlling interests**	**45,716**	**53,457**	
7	Non-controlling interests	**172**	**172**	
8	**Total equity**	**45,888**	**53,629**	
9	**Total equity and liabilities**	**906,697**	**721,220**	

1 The references (a) to (i) identify regulatory balance sheet components that link initially to items disclosed in table CC1, prior to the application of regulatory definitions and adjustments per the rules for calculating own funds.

2 The primary difference between the balance sheet published per the financial statements and the balance sheet under the regulatory scope of consolidation relates to the adjustments required to deconsolidate the Insurance business headed by Scottish Widows Group Limited and replace this with the Group's investment in the equity and debt instruments issued by the undertaking, in addition to reinstating intragroup balances between the banking and insurance businesses that are otherwise eliminated upon accounting consolidation. The investment in subsidiaries balance of £9,225 million per the regulatory scope above represents the Group's total investment in the equity instruments of Scottish Widows Group Limited. The majority of this investment is deducted from CET1 capital which includes £800 million of other equity instruments that are classified by Scottish Widows Group Limited as restricted tier 1 capital and are treated accordingly. Capital regulations require a portion of the share capital investment in Scottish Widows Group Limited to be deducted from CET1 capital where this exceeds a threshold limit based upon the underlying CET1 capital base of the Group, with the remaining investment up to this limit becoming subject to risk weight.

3 Deferred tax assets that rely on future profitability may be reduced by associated deferred tax liabilities where the conditions specified in Article 38 of the CRR are met. The resultant net deferred tax asset positions are deducted from CET1 capital, except in the case of deferred tax assets that arise from temporary differences which may be risk weighted instead of deducted from capital for the portion of the balance that does not exceed a threshold limit. Deferred tax assets are also adjusted to reflect the application of the IFRS 9 transitional arrangements.

4 The regulatory definition of eligible items for inclusion in retained earnings differs from the accounting definition. The aggregate of retained earnings and accumulated other comprehensive income and other reserves is comparable on both bases but the allocation between categories differs.

Total Loss Absorbing Capacity

TLAC1: Total loss absorbing capital composition

		31 Dec 2024 Resolution Group £m	31 Dec 2023 Resolution Group £m
	Regulatory capital elements of TLAC and adjustments		
1	Common equity tier 1 (CET1) capital	**31,979**	31,897
2	Additional tier 1 (AT1) capital before TLAC adjustments	**5,370**	5,815
5	**AT1 instruments eligible under the TLAC framework**	**5,370**	5,815
6	Tier 2 (T2) capital before TLAC adjustments	**5,402**	5,727
7	Amortised portion of T2 instruments where remaining maturity > 1 year	**891**	1,242
8	T2 capital ineligible as TLAC as issued out of subsidiaries to third parties	**(94)**	(139)
9	Other adjustments	**—**	(129)
10	**Tier 2 instruments eligible under the TLAC framework**	**6,199**	6,701
11	**TLAC arising from regulatory capital**	**43,548**	44,413
	Non-regulatory capital elements of TLAC		
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	**28,675**	25,492
17	**TLAC arising from non-regulatory capital instruments before adjustments**	**28,675**	25,492
	Non-regulatory capital elements of TLAC: adjustments		
18	**TLAC before deductions**	**72,223**	69,905
22	**TLAC after deductions**	**72,223**	69,905
	Risk-weighted assets (RWA) and leverage exposure measure for TLAC purposes		
23	Total RWA adjusted as permitted under the TLAC regime	**224,632**	219,130
24	UK leverage exposure measure	**674,074**	647,634
	TLAC ratios and buffers		
25	**TLAC (as a percentage of RWA adjusted as permitted under the TLAC regime)**	**32.2%**	31.9%
26	**TLAC (as a percentage of UK leverage exposure)**	**10.7%**	10.8%
27	**CET1 (as a percentage of RWA) available after meeting the resolution group's minimum total capital and TLAC requirements**[1]	**8.2%**	8.6%
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA)	**4.3%**	4.3%
29	Of which: capital conservation buffer requirement	**2.5%**	2.5%
30	Of which: bank specific countercyclical buffer requirement	**1.8%**	1.8%
31	Of which: higher loss absorbency requirement[2]	**—**	—

1 Defined as CET1 remaining after meeting Pillar 1 and Pillar 2A CET1 capital requirements.

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

Total Loss Absorbing Capacity continued

TLAC2: Material sub-group entity - creditor ranking at the entity level

The following disclosures provide information on the creditor hierarchy for each material entity within the resolution group, including Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc. The disclosures include information on the nominal value of all own funds instruments and other liabilities to the extent that they are subordinate to or rank pari passu with the most senior MREL claim. Where the instrument is denominated in foreign currency, the nominal value is converted into sterling using the rate as at 31 December 2024. For ordinary shares, this excludes the value of share premium and reserves attributable to ordinary shareholders.

		31 Dec 2024							
		Creditor ranking							
		£m		£m	£m		£m	£m	£m
	Lloyds Bank plc	(Most junior)							
1	Is the resolution entity the creditor/investor?	Y	Y	N	N	Y	N	Y	
2	Description of creditor ranking	Ordinary shares (£1.00 each)		Preference shares, preferred securities and AT1 equity instruments	Undated subordinated liabilities		Dated subordinated liabilities	Senior non-preferred liabilities	Total
3	Total capital and liabilities net of credit risk mitigation	1,574	5,753	—	100	7,655	273	18,857	34,212
5	Total capital and liabilities less excluded liabilities	1,574	5,753	—	100	7,655	273	18,857	34,212
6	Subset of row 5 that are eligible as TLAC	1,574	5,753	—	—	7,655	—	18,215	33,197
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—	518	—	2,771	3,289
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	—	159	—	8,444	8,603
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	—	—	—	—	3,485	—	4,608	8,093
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	3,493	—	2,392	5,885
11	Subset of row 6 that are perpetual securities	1,574	5,753	—	—	—	—	—	7,327
	Bank of Scotland plc								
1	Is the resolution entity the creditor/investor?	N	Y	N	N	Y	N	N	
2	Description of creditor ranking	Ordinary shares (£1.00 each)		Preference shares, preferred securities and AT1 equity instruments	Undated subordinated liabilities		Dated subordinated liabilities	Senior non-preferred liabilities	Total
3	Total capital and liabilities net of credit risk mitigation	5,847	—	2,600	28	—	1,500	5,310	15,285
5	Total capital and liabilities less excluded liabilities	5,847	—	2,600	28	—	1,500	5,310	15,285
6	Subset of row 5 that are eligible as TLAC	5,847	—	2,600	—	—	1,500	5,310	15,257
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—	—	—	1,100	1,100
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	—	—	—	2,303	2,303
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	—	—	—	—	—	1,500	1,907	3,407
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	Subset of row 6 that are perpetual securities	5,847	—	2,600	—	—	—	—	8,447

TLAC2: Material sub-group entity - creditor ranking at the entity level continued

		31 Dec 2024 Creditor ranking							
		£m	£m	£m	£m	£m	£m	£m	£m
	Lloyds Bank Corporate Markets plc	**(Most junior)**							
1	Is the resolution entity the creditor/investor?	**Y**	**Y**	**N**	**Y**	**Y**	**N**	**Y**	
2	Description of creditor ranking	**Ordinary shares (£1.00 each)**		**AT1 equity instruments**	**Undated subordinated liabilities**		**Dated subordinated liabilities**	**Senior non-preferred liabilities**	**Total**
3	Total capital and liabilities net of credit risk mitigation	**370**	**805**	**—**	**—**	**743**	**—**	**2,725**	**4,643**
5	Total capital and liabilities less excluded liabilities	**370**	**805**	**—**	**—**	**743**	**—**	**2,725**	**4,643**
6	Subset of row 5 that are eligible as TLAC	**370**	**805**	**—**	**—**	**743**	**—**	**2,517**	**4,435**
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	**—**	**—**	**—**	**—**	**—**	**—**	**2,517**	**2,517**
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	**—**	**—**	**—**	**—**	**743**	**—**	**—**	**743**
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11	Subset of row 6 that are perpetual securities	**370**	**805**	**—**	**—**	**—**	**—**	**—**	**1,175**

		31 Dec 2023 Creditor ranking							
		£m		£m	£m		£m	£m	£m
	Lloyds Bank plc	(Most junior)							
1	Is the resolution entity the creditor/investor?	Y	Y	N	N	Y	N	Y	
2	Description of creditor ranking	Ordinary shares (£1.00 each)		Preference shares, preferred securities and AT1 equity instruments	Undated subordinated liabilities		Dated subordinated liabilities	Senior non-preferred liabilities	Total
3	Total capital and liabilities net of credit risk mitigation	1,574	5,022	—	100	7,272	273	17,834	32,074
5	Total capital and liabilities less excluded liabilities	1,574	5,022	—	100	7,272	273	17,834	32,074
6	Subset of row 5 that are eligible as TLAC	1,574	5,022	—	—	7,272	—	16,528	30,395
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—	—	—	4,563	4,563
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	—	684	—	6,512	7,196
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	—	—	—	—	3,124	—	5,453	8,577
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	3,464	—	—	3,464
11	Subset of row 6 that are perpetual securities	1,574	5,022	—	—	—	—	—	6,596

TLAC2: Material sub-group entity - creditor ranking at the entity level continued

		31 Dec 2023							
		Creditor ranking							
		£m	£m		£m	£m		£m	£m
	Bank of Scotland plc								
1	Is the resolution entity the creditor/investor?	N	Y	N	N	Y	N	N	
2	Description of creditor ranking	Ordinary shares (£0.25 each)	Preference shares, preferred securities and AT1 equity instruments		Undated subordinated liabilities	Dated subordinated liabilities		Senior non-preferred liabilities	Total
3	Total capital and liabilities net of credit risk mitigation	5,847	—	2,550	28	—	1,500	5,310	15,235
5	Total capital and liabilities less excluded liabilities	5,847	—	2,550	28	—	1,500	5,310	15,235
6	Subset of row 5 that are eligible as TLAC	5,847	—	2,550	—	—	1,500	5,310	15,207
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years		—	—	—	—	—	—	—
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years		—	—	—	—	—	2,383	2,383
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years		—	—	—	—	1,500	2,927	4,427
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities		—	—	—	—	—	—	—
11	Subset of row 6 that are perpetual securities	5,847	—	2,550	—	—	—	—	8,397

	Lloyds Bank Corporate Markets plc								
		Creditor ranking							
		£m	£m		£m	£m		£m	£m
		(Most junior)							
1	Is the resolution entity the creditor/investor?	Y	Y	N	Y	Y	N	Y	
2	Description of creditor ranking	Ordinary shares (£1.00 each)	AT1 equity instruments		Undated subordinated liabilities	Dated subordinated liabilities		Senior non-preferred liabilities	Total
3	Total capital and liabilities net of credit risk mitigation	370	806	—	—	744	—	2,700	4,620
5	Total capital and liabilities less excluded liabilities	370	806	—	—	744	—	2,700	4,620
6	Subset of row 5 that are eligible as TLAC	370	806	—	—	744	—	2,482	4,403
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	—	—	—	—	—	—	—	—
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	—	—	—	—	—	—	1,501	1,501
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	—	—	—	—	744	—	981	1,725
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	—	—	—	—	—	—	—	—
11	Subset of row 6 that are perpetual securities	370	806	—	—	—	—	—	1,176

Total Loss Absorbing Capacity continued

TLAC3: Resolution entity - creditor ranking at the legal entity level

The following disclosure provides information on the creditor hierarchy for the resolution entity (Lloyds Banking Group plc).

The disclosure includes information on the nominal value of all own funds instruments and other liabilities to the extent that they are subordinate to or rank pari passu with the most senior MREL claim. Where the instrument is denominated in foreign currency, the nominal value is converted into sterling using the rate as at 31 December 2024.

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

		31 Dec 2024					
		Creditor ranking					
		£m	£m	£m	£m	£m	£m
	Lloyds Banking Group plc	**(Most junior)**					
1	Description of creditor ranking	**Ordinary shares (£0.10 each)**	**Preference shares and AT1 equity instruments**	**Undated subordinated liabilities**	**Dated subordinated liabilities**	**Senior liabilities**	**Total**
2	Total capital and liabilities net of credit risk mitigation	**6,062**	**6,626**	**10**	**10,128**	**33,645**	**56,471**
3	Subset of row 2 that are excluded liabilities		**—**	**—**	**—**	**310**	**310**
4	Total capital and liabilities less excluded liabilities	**6,062**	**6,626**	**10**	**10,128**	**33,335**	**56,161**
5	Subset of row 4 that are potentially eligible as TLAC	**6,062**	**6,626**	**10**	**9,049**	**29,099**	**50,846**
6	Subset of row 5 with 1 year ≤ residual maturity < 2 years		**—**	**—**	**1,196**	**3,136**	**4,332**
7	Subset of row 5 with 2 years ≤ residual maturity < 5 years		**—**	**—**	**—**	**16,801**	**16,801**
8	Subset of row 5 with 5 years ≤ residual maturity < 10 years		**—**	**—**	**3,754**	**6,719**	**10,473**
9	Subset of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities		**—**	**—**	**4,099**	**2,443**	**6,542**
10	Subset of row 5 that are perpetual securities	**6,062**	**6,626**	**10**	**—**	**—**	**12,698**
		31 Dec 2023					
2	Total capital and liabilities net of credit risk mitigation	6,358	7,679	10	10,080	29,147	53,273
3	Subset of row 2 that are excluded liabilities					429	429
4	Total capital and liabilities less excluded liabilities	6,358	7,679	10	10,080	28,718	52,844
5	Subset of row 4 that are potentially eligible as TLAC	6,358	7,679	10	9,295	26,064	49,405
6	Subset of row 5 with 1 year ≤ residual maturity < 2 years		—	—	1,062	4,825	5,887
7	Subset of row 5 with 2 years ≤ residual maturity < 5 years		—	—	1,177	15,730	16,907
8	Subset of row 5 with 5 years ≤ residual maturity < 10 years		—	—	3,001	5,453	8,454
9	Subset of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities		—	—	4,055	55	4,110
10	Subset of row 5 that are perpetual securities	6,358	7,679	10	—	—	14,046

Prudent Valuation Adjustments

The table below provides a breakdown of the constituent elements of the Group's Prudent Valuation Adjustments (PVA)

PV1: Prudent valuation adjustment

31 Dec 2024

		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Category level AVA	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Market price uncertainty	294	36	1	41	—	56	3	216	19	197
3	Close-out cost	—	70	—	9	—	10	—	44	35	9
4	Concentrated positions	—	3	—	18	—			21	3	18
5	Early termination	—	—	—	—	—			—	—	—
6	Model risk	—	20	2	31	—	5	1	30	14	16
7	Operational risk	15	5	—	6	—			26	5	21
10	Future administrative costs	—	13	—	4	—			17	9	8
12	**Total Additional Valuation Adjustments (AVAs)**								**354**	**85**	**269**

31 Dec 2023

		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	Category level AVA	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Market price uncertainty	314	24	—	59	—	40	29	233	11	223
3	Close-out cost	—	86	—	12	—	7	—	53	44	9
4	Concentrated positions	—	4	—	22	—			26	4	22
5	Early termination	—	—	—	—	—			—	—	—
6	Model risk	—	21	4	28	—	6	3	31	15	15
7	Operational risk	31	11	—	15	—			57	11	46
10	Future administrative costs	—	13	—	4	—			17	8	9
12	Total Additional Valuation Adjustments (AVAs)								417	93	324

Countercyclical capital buffers

CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	31 Dec 2024												
	General credit exposures[2,3]		Relevant credit exposures - Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
Breakdown by Country	Exposure value under the standardised approach £m	Exposure value under the IRB approach £m	Sum of long and short positions of trading book exposures for SA £m	Value of trading book exposures for internal models £m	Exposure value for non-trading book £m	Total exposure value £m	Credit risk[2,3] £m	Market risk[2] £m	Securitisation positions in the non-trading book[3] £m	Total £m	Risk-weighted exposure amounts £m	Own fund requirements weights %	Countercyclical buffer rate %
United Kingdom	23,059	480,109	17	24	32,271	535,480	12,327	9	549	12,885	161,067	89.64%	2.00%
Australia	12	130	—	—	—	142	6	—	—	6	70	0.04%	1.00%
Belgium	2	15	—	—	—	17	1	—	—	1	8	0.00%	1.00%
Cyprus	103	—	—	—	—	103	8	—	—	8	101	0.06%	1.00%
Czech Republic	17	—	—	—	—	17	1	—	—	1	17	0.01%	1.25%
Denmark	10	6	1	1	—	18	1	—	—	1	18	0.01%	2.50%
France	342	150	4	5	251	752	29	2	7	38	477	0.27%	1.00%
Germany	957	383	31	45	570	1,986	67	16	5	88	1,098	0.61%	0.75%
Hong Kong	55	54	—	—	—	109	3	—	—	3	35	0.02%	0.50%
Ireland	211	372	3	4	79	669	37	1	1	39	489	0.27%	1.50%
South Korea	21	272	—	—	—	293	10	—	—	10	127	0.07%	1.00%
Luxembourg	15	3,987	—	1	219	4,222	83	—	2	85	1,065	0.59%	0.50%
Netherlands	751	17,295	—	—	213	18,259	235	—	2	237	2,963	1.65%	2.00%
Norway	2	64	—	—	—	66	5	—	—	5	59	0.03%	2.50%
Sweden	—	3	4	6	—	13	—	2	—	2	29	0.02%	2.00%
i) Total[1]	25,557	502,840	60	86	33,603	562,146	12,813	30	566	13,409	167,623	93.29 %	
United States of America	1,429	13,727	27	39	7,505	22,727	486	14	101	601	7,503	4.18%	
ii) Total[1]	1,429	13,727	27	39	7,505	22,727	486	14	101	601	7,503	4.18%	
iii) Rest of the World[1]	2,441	8,516	8	12	164	11,141	360	5	1	366	4,560	2.53%	
Total	29,427	525,083	95	137	41,272	596,014	13,659	49	668	14,376	179,686	100.00%	

CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer continued

31 Dec 2023

	General credit exposures[2,3]		Relevant credit exposures -Market risk[2]		Securitisation exposures[3]		Own fund requirements - relevant credit exposures						
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Credit risk[2,3]	Market risk[2]	Securitisation positions in the non-trading book[3]	Total	Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
Breakdown by Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
United Kingdom	22,886	469,052	23	62	31,987	524,010	11,882	18	607	12,507	156,338	89.94%	2.00%
Australia	12	76	—	1	—	89	2	—	—	2	30	0.02 %	1.00 %
Cyprus	116	—	—	—	—	116	9	—	—	9	114	0.07 %	0.50 %
Denmark	—	6	—	—	—	6	1	—	—	1	7	0.00 %	2.50 %
France	257	189	9	25	254	734	25	7	7	39	489	0.28 %	0.50 %
Germany	771	311	17	45	683	1,827	55	13	6	74	925	0.53 %	0.75 %
Hong Kong	62	52	—	—	—	114	3	—	—	3	36	0.02 %	1.00 %
Ireland	81	347	—	—	41	469	23	—	—	23	286	0.16 %	1.00 %
Luxembourg	21	3,921	—	—	484	4,426	93	—	4	97	1,211	0.70 %	0.50 %
Netherlands	916	15,498	—	—	196	16,610	227	—	2	229	2,860	1.65 %	1.00 %
Norway	2	73	1	3	—	79	5	1	—	6	79	0.05 %	2.50 %
Sweden	—	2	—	—	—	2	—	—	—	—	1	0.00 %	2.00 %
i) Total[1]	25,124	489,527	50	136	33,645	548,482	12,325	39	626	12,990	162,376	93.42 %	
United States of America	1,240	11,540	9	23	6,912	19,724	416	7	90	513	6,411	3.69 %	
ii) Total[1]	1,240	11,540	9	23	6,912	19,724	416	7	90	513	6,411	3.69 %	
iii) Rest of the World[1]	2,469	9,479	6	14	131	12,099	397	5	1	403	5,032	2.89 %	
Total	28,833	510,546	65	173	40,688	580,305	13,138	51	717	13,906	173,819	100.00 %	

1 The breakdown by country is disclosed on the following basis:

i. those countries for which a countercyclical capital buffer rate has been set and the Group holds applicable exposures.

ii. those countries for which a countercyclical capital buffer rate has not been set and have an own funds requirement weighting of greater than or equal to one per cent, the threshold having been determined by the Group in accordance with guidelines on materiality for Pillar 3.

iii. the aggregate of all remaining countries for which a countercyclical buffer rate has not been set and individually have an own funds requirement weighting of less than one per cent.

2. For the purposes of the calculation of the countercyclical capital buffer, general credit risk and trading book exposures exclude exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions. In addition, trading book exposures are limited to those that are subject to the own funds requirement for specific risk or incremental default and migration risk.

3. General credit and securitisation exposures include counterparty credit risk and are stated on a post CRM basis.

CCyB2: Amount of institution-specific countercyclical capital buffer

		31 Dec 2024	31 Dec 2023
1	Total risk exposure amount	**£224,632m**	£219,130m
2	Institution specific countercyclical capital buffer rate	**1.84%**	1.83%
3	Institution specific countercyclical capital buffer requirement	**£4,140m**	£4,006m

Leverage

LR2: Leverage ratio common disclosure

		31 Dec 2024 £m	31 Dec 2023 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)[1]	**617,012**	620,348
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**2,879**	3,273
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**(6,115)**	(6,335)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(12,395)**	(12,523)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**601,381**	604,763
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**11,703**	11,855
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**9,784**	9,078
11	Adjusted effective notional amount of written credit derivatives	**457**	192
12	Adjusted effective notional offsets and add-on deductions for written credit derivatives	**(334)**	(17)
13	Total derivatives exposures	**21,610**	21,108
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	**95,745**	75,935
15	Netted amounts of cash payables and cash receivables of gross SFT assets	**(25,803)**	(19,751)
16	Counterparty credit risk exposure for SFT assets	**3,351**	2,262
18	Total securities financing transaction exposures	**73,293**	58,446
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**150,904**	149,044
20	Adjustments for conversion to credit equivalent amounts	**(110,529)**	(107,878)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	**(189)**	(224)
22	Off-balance sheet exposures	**40,186**	40,942
Capital and total exposure measure			
23	Tier 1 capital (leverage)	**37,349**	37,712
24	Total exposure measure including claims on central banks	**736,470**	725,259
UK-24a	(-) Claims on central banks excluded	**(62,396)**	(77,625)
UK-24b	Total exposure measure excluding claims on central banks	**674,074**	647,634
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.5%**	5.8%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.5%**	5.8%
UK-25c	Leverage ratio including claims on central banks (%)	**5.1%**	5.2%
26	Regulatory minimum leverage ratio requirement (%)	**3.25%**	3.25%
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)[2]	**1.2%**	1.2%
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	**—**	—
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.6%**	0.6%
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets (over the quarter), after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**81,496**	66,097
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**69,941**	56,184
UK-31	Average total exposure measure including claims on central banks	**751,007**	736,725
UK-32	Average total exposure measure excluding claims on central banks	**689,726**	656,857
UK-33	Average leverage ratio including claims on central banks	**5.0%**	5.1%
UK-34	Average leverage ratio excluding claims on central banks	**5.5%**	5.7%

1 Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).

2 The Group's total leverage ratio buffer at 31 December 2024 was 1.2 per cent (31 December 2023: 1.2 per cent), of which 0.6 per cent equates to the additional leverage ratio buffer (ALRB) of 0.7 per cent applied to the Ring-Fenced Bank.

Leverage continued

LR1: Summary reconciliation of accounting assets and leverage ratio exposures

		31 Dec 2024 £m	31 Dec 2023 £m
1	Total assets as per published financial statements	**906,697**	881,453
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(190,988)**	(177,967)
4	Adjustment for exemption of exposures to central banks	**(62,396)**	(77,625)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(1,061)**	(222)
8	Adjustment for derivative financial instruments	**(6,254)**	(4,896)
9	Adjustment for securities financing transactions (SFTs)	**3,351**	2,262
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)[1]	**40,375**	41,166
11	Adjustment for items and specific and general provisions which have reduced tier 1 capital (leverage)	**(12,584)**	(12,747)
12	Other adjustments[2]	**(3,066)**	(3,790)
13	**Total exposure measure**	**674,074**	647,634

1 Gross of specific provisions. The amount net of specific provisions at 31 December 2024 is £40,186 million (31 December 2023: £40,942 million) .
2 Includes an adjustment to exclude lending under the UK Government's Bounce Back Loan Scheme (BBLS).

LR3: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31 Dec 2024 £m	31 Dec 2023 £m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**617,012**	**620,348**
UK-2	**Trading book exposures**	**4,984**	**4,225**
UK-3	**Banking book exposures, of which:**	**612,028**	**616,123**
UK-4	Covered bonds	**3,591**	4,123
UK-5	Exposures treated as sovereigns	**93,043**	106,987
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**3,785**	3,188
UK-7	Institutions	**6,580**	8,807
UK-8	Secured by mortgages of immovable properties	**344,838**	338,059
UK-9	Retail exposures	**42,631**	40,019
UK-10	Corporates	**56,968**	55,317
UK-11	Exposures in default	**5,724**	5,915
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**54,868**	53,708

LRA: Disclosure of LR qualitative information

Description of the processes used to manage the risk of excessive leverage

Capital is actively managed and regulatory ratios, including leverage, are a key factor in the Group's internal risk appetite assessment, planning processes and stress analyses.

Capital plans include an assessment of leverage requirements over the forecast period, with capital adequacy in respect of both risk based capital and leverage requirements subjected to stress scenarios. Where relevant the scenarios consider the risk of excessive leverage and potential mitigating actions that could be undertaken in response.

The Group monitors its leverage position through a combination of actual and projected ratios, including those under stressed scenarios, ensuring that the ratio exceeds regulatory minimums and internal risk appetite and reports these on a regular basis to the Group Financial Risk Committee, Group Capital Risk Committee, the Group and Ring-Fenced Banks Asset and Liability Committees, the Group Executive Committee, the Group and Ring-Fenced Banks Risk Committees, the Board Risk Committee and the Board.

The risks of contingent leverage are appropriately assessed as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Further details on the process by which the Group manages its capital position in respect of both risk-based capital and leverage requirements is discussed on pages 27 to 32.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Further details on the factors that had an impact on the leverage ratio during the period are discussed on page 36.

PILLAR 1 CAPITAL REQUIREMENTS: CREDIT RISK

Divisional credit risk exposures and risk-weighted assets[1]

			31 Dec 2024			31 Dec 2023		
Division	Risk Weight approach		EAD post CRM post CCF	Risk-weighted assets	Average risk weight	EAD post CRM post CCF	Risk-weighted assets	Average risk weight
			£m	£m	%	£m	£m	%
Retail	IRB		**429,078**	**95,355**	**22 %**	412,354	89,137	22 %
	Standardised		**16,884**	**11,788**	**70 %**	16,536	11,473	69 %
Commercial Banking	IRB		**86,496**	**41,766**	**48 %**	91,950	43,012	47 %
	Standardised		**14,225**	**6,269**	**44 %**	16,684	5,910	35 %
Insurance, Pensions & Investments	IRB		**4**	**4**	**100 %**	20	5	25 %
	Standardised		**270**	**140**	**52 %**	219	126	58 %
Equity Investments & Central Items	IRB		**24,063**	**18,686**	**78 %**	22,259	18,750	84 %
	Standardised		**87,881**	**4,335**	**5 %**	101,400	4,565	5 %
		Total	**658,901**	**178,343**	**27 %**	661,422	172,978	26 %
	Total IRB		**539,641**	**155,811**	**29 %**	526,583	150,904	29 %
	Total Standardised		**119,260**	**22,532**	**19 %**	134,839	22,074	16 %

1 Excludes securitisation.

UK CRA: General qualitative information about credit risk

Definition

Credit Risk is defined as the risk that the parties with whom the Group has contracted fail to meet their financial obligations (both on and off-balance sheet).

Exposures

The principal sources of credit risk within the Group arise from loans and advances, contingent liabilities, commitments and debt securities to customers, financial institutions and sovereigns.

Credit risk arises from;

- Loans and advances (for example mortgages, term loans and overdrafts) and commitments or guarantees (for example credit instruments): The Group can experience potential losses from both amounts advanced and commitments to extend credit to a customer or a bank
- Leasing arrangements where the Group is the lessor. Note 2(J)(1) on page 223 of the Lloyds Banking Group plc Annual Report and Accounts 2024 provides details on the Group's approach to the treatment of leases

Measurement

The process for credit risk identification, measurement and control is integrated into the Board-approved framework for credit risk appetite and governance.

Credit risk is measured from different perspectives using a range of appropriate modelling and scoring techniques at a number of levels of granularity, including total balance sheet, individual portfolio, pertinent concentrations and individual customer – for both new business and existing exposure. Key metrics, which may include but are not limited to, total exposure, ECL, risk-weighted assets, new business quality, concentration risk and portfolio performance, are reported monthly to risk committees and forums.

Measures such as ECL, risk-weighted assets, observed credit performance, predicted credit quality (usually from predictive credit scoring models), collateral cover and quality, and other credit drivers (such as cash flow, affordability, leverage and indebtedness) have been incorporated into the Group's credit risk management practices to enable effective risk measurement across the Group.

The Group is strengthening its ability to manage climate-related risks and opportunities recognising the impact of climate change on credit risk.

Stress testing and scenario analysis are used to estimate impairment losses and capital demand forecasts for both regulatory and internal purposes and to assist in the formulation and calibration of credit risk appetite, where appropriate.

The Risk function also tests the effectiveness of credit risk management and internal credit risk controls. This includes ensuring that the control and monitoring of higher risk and vulnerable portfolios and sectors is appropriate and confirming that appropriate loss allowances for impairment are in place. Output from these reviews helps to inform credit risk appetite, credit policy and portfolio mandates.

As the third line of defence, Group Internal Audit undertakes regular risk-based reviews to assess the effectiveness of credit risk management and controls.

Mitigation

The Group uses a range of approaches to mitigate credit risk.

Prudent credit principles, risk policies and appetite statements: The independent Risk function sets out the credit principles, credit risk policies and credit risk appetite statements.

Robust models and controls: The model risk management framework, established by and with continued oversight from an independent team in the Risk function, provides the foundation for managing and mitigating model risk within the Group. Accountability is cascaded from the Board and senior management via the Group enterprise risk management framework.

Limitations on concentration risk: there are portfolio controls on certain industries, sectors and products to reflect risk appetite as well as individual, customer and bank limit risk tolerances. Credit policies, appetite statements and mandates are aligned to the Group's risk appetite and restrict exposure to higher risk countries and potentially vulnerable sectors and asset classes. Exposures are monitored to prevent both an excessive concentration of risk and single name concentrations. These concentration risk controls are not necessarily in the form of a maximum limit on exposure, but may instead require new business in concentrated sectors to fulfil additional minimum policy and/or guideline requirements. The Group's largest credit limits are regularly monitored by the Board Risk Committee and reported in accordance with regulatory requirements.

Defined country risk management framework: the Group sets a broad maximum country risk appetite. Risk-based appetite for all countries is set within the independent Risk function, taking into account economic, financial, political and social factors as well as the approved business and strategic plans of the Group.

Specialist expertise: credit quality is managed and controlled by a number of specialist units within the business and Risk function, which provide for example: intensive management and control; security perfection; maintenance of customer and facility records; expertise in documentation for lending and associated products; sector-specific expertise; and legal services applicable to the particular market segments and product ranges offered by the Group.

Stress testing: the Group's credit portfolios are subject to regular stress testing, including Group-led PRA and other regulatory stress tests focusing on individual divisions and portfolios.

Frequent and robust credit risk assurance: An independent function within the Risk function provides oversight that credit risk is effectively managed and to ensure appropriate controls are in place and being adhered to. Group Audit conducts assurance on the effectiveness of credit risk management.

Obtaining collateral and other credit transfers - see UK CRC on page 62 for further detail.

Credit risk management function

Centralised functions in the Risk Division:

- Undertake the majority of credit risk sanctioning across the Group;
- Provide robust 2nd Line credit risk oversight practices, identifying and escalating emerging credit risks
- Review and report the performance of the credit portfolio against credit risk appetite metrics.
- Undertake control and monitoring activity to ensure compliance with and effective implementation of credit risk policies;
- Review and reports on the credit risk profile of the credit risk portfolios;
- Develop the sustainability risk appetite response for credit risk;
- Ensure that appropriate mitigating actions are in place where unacceptable credit risk is identified;
- Support sustainable growth opportunities within agreed risk appetite;
- Provide reporting, model governance and capital stress testing and impairment methodology tools.

Relationships between credit risk management, risk control, compliance and internal audit functions

The Group operates a 'three lines of defence' model. Further detail can be found on page 23.

UK CRB: Additional disclosure related to the credit quality of assets

The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and regulatory purposes

On 1 January 2022, as part of changes to new CRD IV regulations applicable to internal ratings based (IRB) models, the Group amended its definition of default for UK mortgages which aligned accounting and regulatory definitions of default. For UK mortgages, regulatory default was previously deemed to have occurred no later than when a payment was 180 days past due. In line with CRD IV, this definition was reduced to 90 days, as well as including end-of-term payments on past due interest-only accounts and any non performing loans. As such, all exposures greater than 90 days past due are now considered impaired and in default for both accounting and regulatory purposes.

The change in definition of default was one element of a wider range of CRD IV changes for modelled outputs. The Groups models to meet these new requirements remain subject to further development and final approval by the PRA. As a result the Group has applied temporary model adjustments to risk-weighted asset and expected loss amounts reflecting the new modelling requirements. Regulatory IRB figures for Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) in these disclosures are based on existing (pre-CRD IV) models. For EAD disclosures this includes the reporting of defaulted exposures on a 180 days past due basis.

The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

As noted above, all exposures greater than 90 days past due are considered impaired.

Methods used for determining general and specific credit risk adjustments.

All expected credit losses are calculated in line with IFRS 9 (Financial Instruments). All expected credit losses are allocated against individual exposures and so all are considered as specific credit risk adjustments. The Group does not recognise any general credit risk adjustments.

The institution's own definition of a restructured exposure (CRR Articles 178(3)(d) and 47b)

Following the change in definition of default recognised by the Group on 1 January 2022, the Group's definition of a restructured exposure aligns to Article 178(3)(d) and Article 47b.

Credit risk

The tables in this section reflect FINREP categories and definitions. The reported values for defaulted exposure reflect a definition of default backstop of 90 days.

CR1: Performing and non-performing exposures and related provisions

		31 Dec 2024														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**60,019**	**60,019**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**513,588**	**463,985**	**44,086**	**9,624**	**684**	**6,715**	**(1,853)**	**(736)**	**(1,107)**	**(1,339)**	**(54)**	**(1,108)**	**(358)**	**371,595**	**6,951**
020	Central banks	1,751	1,751	—	—	—	—	—	—	—	—	—	—	—	—	—
030	General governments	1,085	1,063	7	—	—	—	(1)	—	—	—	—	—	—	868	—
040	Credit institutions	14,556	14,556	—	6	6	—	(1)	(1)	—	—	—	—	—	31	—
050	Other financial corporations	69,817	68,464	143	31	1	30	(15)	(9)	(6)	(19)	—	(19)	—	179	2
060	Non-financial corporations	61,680	56,729	4,826	1,998	178	1,820	(460)	(202)	(258)	(409)	—	(409)	(358)	33,740	692
070	Of which SMEs	26,996	24,376	2,620	1,202	178	1,025	(180)	(65)	(115)	(108)	—	(108)	—	16,936	491
080	Households	364,699	321,422	39,110	7,589	499	4,865	(1,376)	(524)	(843)	(911)	(54)	(680)	—	336,777	6,257
090	**Debt securities**	**46,932**	**44,505**	**—**	**1,653**	**—**	**1**	**(7)**	**(7)**	**—**	**(924)**	**—**	**(1)**	**—**	**—**	**—**
100	Central banks	65	65	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	24,593	24,561	—	—	—	—	(1)	(1)	—	—	—	—	—	—	—
120	Credit institutions	10,107	10,107	—	—	—	—	(1)	(1)	—	—	—	—	—	—	—
130	Other financial corporations	10,810	9,721	—	124	—	—	(5)	(5)	—	—	—	—	—	—	—
140	Non-financial corporations	1,357	51	—	1,529	—	1	—	—	—	(924)	—	(1)	—	—	—
150	**Off-balance-sheet exposures**	**150,100**	**145,706**	**4,356**	**310**	**209**	**101**	**(262)**	**(142)**	**(120)**	**(8)**	**(6)**	**(2)**		**7,031**	**29**
170	General governments	673	673	—	—	—	—	—	—	—	—	—	—		299	—
180	Credit institutions	1,785	1,785	—	—	—	—	—	—	—	—	—	—		1,518	—
190	Other financial corporations	24,384	24,305	79	11	11	—	(6)	(4)	(1)	—	—	—		1,841	—
200	Non-financial corporations	40,190	38,632	1,559	84	54	30	(99)	(48)	(51)	(2)	—	(2)		3,373	29
210	Households	83,068	80,311	2,718	215	144	71	(157)	(90)	(68)	(6)	(6)	—		—	—
220	**Total**	**770,639**	**714,215**	**48,442**	**11,587**	**893**	**6,817**	**(2,122)**	**(885)**	**(1,227)**	**(2,271)**	**(60)**	**(1,111)**	**(358)**	**378,626**	**6,980**

CR1: Performing and non-performing exposures and related provisions continued

		31 Dec 2023														
		Gross carrying amount/nominal amount[1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions[1]							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	£m	£m	£m[2]	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	75,748	75,748	–	–	–	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	494,770	436,297	52,388	10,763	782	7,144	(2,336)	(907)	(1,410)	(1,389)	(57)	(1,137)	(358)	363,610	7,882
020	Central banks	1,421	1,420	–	–	–	–	–	–	–	–	–	–	–	–	–
030	General governments	1,147	1,126	6	–	–	–	(1)	–	–	–	–	–	–	1,032	–
040	Credit institutions	18,702	18,702	–	5	5	–	(8)	(8)	–	–	–	–	–	31	–
050	Other financial corporations	55,987	55,012	174	44	1	43	(32)	(23)	(9)	(18)	–	(18)	–	288	3
060	Non-financial corporations	63,478	55,844	7,558	2,287	232	2,055	(577)	(214)	(363)	(418)	–	(418)	(358)	35,669	851
070	Of which SMEs	29,938	26,006	3,933	1,420	65	1,355	(212)	(74)	(138)	(122)	–	(122)	–	20,617	652
080	Households	354,035	304,193	44,650	8,427	544	5,046	(1,718)	(662)	(1,038)	(953)	(57)	(701)	–	326,590	7,028
090	Debt securities	44,835	42,189	81	1,239	–	2	(15)	(13)	(2)	(721)	–	(2)	–	–	–
110	General governments	18,961	18,911	–	–	–	–	(4)	(4)	–	–	–	–	–	–	–
120	Credit institutions	11,768	11,768	–	–	–	–	(1)	(1)	–	–	–	–	–	–	–
130	Other financial corporations	12,600	11,461	81	146	–	–	(10)	(8)	(2)	–	–	–	–	–	–
140	Non-financial corporations	1,506	49	–	1,093	–	2	–	–	–	(721)	–	(2)	–	–	–
150	Off-balance-sheet exposures	145,009	139,187	5,764	389	239	149	(314)	(160)	(154)	(8)	(6)	(2)		9,094	41
170	General governments	624	624	–	–	–	–	–	–	–	–	–	–		175	–
180	Credit institutions	2,417	2,417	–	–	–	–	–	–	–	–	–	–		1,850	–
190	Other financial corporations	24,167	23,902	265	11	11	–	(12)	(8)	(5)	–	–	–		1,682	–
200	Non-financial corporations	39,919	37,534	2,385	154	84	70	(130)	(58)	(72)	(2)	–	(2)		5,387	41
210	Households	77,882	74,710	3,114	224	144	79	(172)	(94)	(77)	(6)	(6)	–		–	–
220	Total	760,362	693,421	58,233	12,391	1,021	7,295	(2,665)	(1,080)	(1,566)	(2,118)	(63)	(1,141)	(358)	372,704	7,923

1 Staging analysis will exclude those assets and provisions that cannot be allocated to a stage such as those classified as 'purchased or originated credit impaired' (POCI) and those measured at fair value.
2 The non-performing exposures for Dec-23 have been restated.

Credit risk continued

CR1-A: Maturity of exposures

		31 Dec 2024					
		Net exposure value					
		On demand	<=1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	**23,110**	**73,445**	**89,846**	**333,434**	**184**	**520,019**
2	Debt securities	**26**	**4,284**	**23,343**	**20,002**	**—**	**47,655**
3	**Total**	**23,136**	**77,729**	**113,189**	**353,436**	**184**	**567,674**
		31 Dec 2023					
		£m	£m	£m	£m	£m	£m
1	Loans and advances	23,799	67,206	85,305	325,323	176	501,809
2	Debt securities	26	3,301	23,313	18,698	—	45,338
3	Total	23,825	70,507	108,618	344,021	176	547,147

CR2: Changes in the stock of non-performing loans and advances

		Gross carrying amount
		£m
010	Initial stock of non-performing loans and advances at 31 December 2023	10,764
020	Inflows to non-performing portfolios	3,904
030	**Outflows from non-performing portfolios**	**(5,044)**
040	Outflows due to write-offs	(1,229)
050	Outflow due to other situations	(3,815)
060	**Final stock of non-performing loans and advances at 31 December 2024**	**9,624**

Credit risk continued

CQ1: Credit quality of forborne exposures

		31 Dec 2024							
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	£m	£m	£m	£m	£m	£m
010	**Loans and advances**	**1,346**	**4,534**	**4,225**	**4,224**	**(30)**	**(719)**	**3,531**	**2,608**
040	Credit institutions	25	6	—	—	—	—	—	—
050	Other financial corporations	11	30	30	30	—	(18)	2	1
060	Non-financial corporations	350	1,793	1,719	1,719	(4)	(388)	624	505
070	Households	960	2,705	2,476	2,475	(26)	(313)	2,905	2,102
080	**Debt Securities**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
090	**Loan commitments given**	**152**	**181**	**73**	**73**	**(3)**	**(5)**	**—**	**—**
100	**Total**	**1,498**	**4,715**	**4,298**	**4,297**	**(33)**	**(724)**	**3,531**	**2,608**

		31 Dec 2023							
		£m	£m	£m	£m	£m	£m	£m	£m
010	Loans and advances	1,516	4,853	4,554	4,554	(39)	(724)	3,913	2,752
040	Credit institutions	—	5	—	—	—	—	—	—
050	Other financial corporations	28	42	42	42	—	(18)	3	1
060	Non-financial corporations	316	1,967	1,868	1,868	(2)	(393)	679	527
070	Households	1,172	2,839	2,644	2,644	(37)	(313)	3,231	2,224
080	Debt Securities	—	—	—	—	—	—	—	—
090	Loan commitments given	146	208	82	82	(3)	(4)	—	—
100	Total	1,662	5,061	4,636	4,636	(42)	(728)	3,913	2,752

Credit risk continued

CQ3: Credit quality of performing and non-performing exposures by past due days

		31 Dec 2024											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**60,019**	**60,019**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and advances**	**513,588**	**512,210**	**1,377**	**9,624**	**3,517**	**1,654**	**1,551**	**1,733**	**844**	**178**	**147**	**8,885**
020	Central banks	1,751	1,751	—	—	—	—	—	—	—	—	—	—
030	General governments	1,085	1,085	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	14,556	14,556	—	6	—	5	—	—	—	1	—	—
050	Other financial corporations	69,817	69,817	—	31	2	1	22	2	2	2	—	30
060	Non-financial corporations	61,680	61,609	70	1,998	396	380	409	552	151	86	24	1,820
070	Of which SMEs	26,996	26,932	64	1,202	321	229	224	302	79	36	11	1,025
080	Households	364,699	363,392	1,307	7,589	3,119	1,268	1,120	1,179	691	89	123	7,035
090	**Debt securities**	**46,932**	**46,932**	**—**	**1,653**	**1,651**	**1**	**—**	**—**	**—**	**—**	**1**	**125**
100	Central banks	65	65	—	—	—	—	—	—	—	—	—	—
110	General governments	24,593	24,593	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	10,107	10,107	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	10,810	10,810	—	124	123	1	—	—	—	—	—	124
140	Non-financial corporations	1,357	1,357	—	1,529	1,528	—	—	—	—	—	1	1
150	**Off-balance-sheet exposures**	**150,100**			**310**								**101**
170	General governments	673			—								—
180	Credit institutions	1,785			—								—
190	Other financial corporations	24,384			11								—
200	Non-financial corporations	40,190			84								30
210	Households	83,068			215								71
220	**Total**	**770,639**	**619,161**	**1,377**	**11,587**	**5,168**	**1,655**	**1,551**	**1,733**	**844**	**178**	**148**	**9,111**

CQ3: Credit quality of performing and non-performing exposures by past due days continued

		31 Dec 2023											
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures[1]								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	75,748	75,748	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	494,770	492,952	1,818	10,763	4,281	2,303	1,929	1,072	845	158	175	9,917
020	Central banks	1,421	1,421	—	—	—	—	—	—	—	—	—	—
030	General governments	1,147	1,147	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	18,702	18,647	55	5	—	1	2	1	1	—	—	—
050	Other financial corporations	55,987	55,986	1	44	1	9	8	17	5	3	1	43
060	Non-financial corporations	63,478	63,262	216	2,287	606	532	477	284	267	69	52	2,055
070	Of which SMEs	29,938	29,822	116	1,420	505	331	229	146	139	41	29	1,355
080	Households	354,035	352,489	1,546	8,427	3,674	1,761	1,442	770	572	86	122	7,819
090	Debt securities	44,835	44,835	—	1,239	1,237	—	—	—	—	—	2	147
110	General governments	18,961	18,961	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	11,768	11,768	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	12,600	12,600	—	146	146	—	—	—	—	—	—	146
140	Non-financial corporations	1,506	1,506	—	1,093	1,091	—	—	—	—	—	2	1
150	Off-balance-sheet exposures	145,009			389								146
170	General governments	624			—								—
180	Credit institutions	2,417			—								—
190	Other financial corporations	24,167			11								—
200	Non-financial corporations	39,919			154								66
210	Households	77,882			224								80
220	Total	760,362	613,535	1,818	12,391	5,518	2,303	1,929	1,072	845	158	177	10,210

1 The non-performing exposures for Dec-23 have been restated.

Credit risk continued

CQ4: Quality of non-performing exposures by geography

		31 Dec 2024				
		Gross carrying/nominal amount				
		Total performing and non-performing	Of which defaulted	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m
010	**On-balance-sheet exposures**	**571,797**	**9,010**	**(3,200)**		**(923)**
020	France	6,956	–	–		–
030	Netherlands	17,520	15	(22)		–
040	Other Countries (MDB)[1]	7,758	–	–		–
050	United Kingdom	486,829	8,875	(3,069)		(923)
060	United States	21,431	–	(19)		–
070	Other countries	31,303	120	(90)		–
080	**Off-balance-sheet exposures**	**150,410**	**101**		**(270)**	
090	France	282	–		–	
100	Netherlands	1,989	16		(2)	
110	Other Countries (MDB)[1]	–	–		–	
120	United Kingdom	123,500	85		(250)	
130	United States	14,964	–		(10)	
140	Other countries	9,675	–		(8)	
150	**Total**	**722,207**	**9,111**	**(3,200)**	**(270)**	**(923)**

		31 Dec 2023				
		£m	£m	£m	£m	£m
010	On-balance-sheet exposures	551,607	10,065	(3,741)		(720)
030	Luxembourg	6,418	–	(5)		–
040	Netherlands	15,521	16	(24)		–
050	United Kingdom	475,595	9,923	(3,582)		(720)
060	United States	16,972	–	(27)		–
070	Other countries	37,101	126	(103)		–
080	Off-balance-sheet exposures	145,398	146		(322)	
100	Luxembourg	1,993	–		(1)	
110	Netherlands	1,666	15		(4)	
120	United Kingdom	120,560	129		(295)	
130	United States	12,524	–		(14)	
140	Other countries	8,655	2		(8)	
150	Total	697,005	10,211	(3,741)	(322)	(720)

1 Exposures to multilateral development banks.

Credit risk continued

CQ5: Quality of loans and advances to non-financial corporations by industry

		31 Dec 2024			
		Gross carrying amount			
			Of which defaulted	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	6,424	298	(57)	–
020	Mining and quarrying	275	1	(2)	–
030	Manufacturing	4,588	90	(47)	–
040	Electricity, gas, steam and air conditioning supply	4,222	78	(25)	–
050	Water supply	688	2	(14)	–
060	Construction	3,479	258	(170)	–
070	Wholesale and retail trade	6,772	233	(100)	–
080	Transport and storage	1,969	32	(22)	–
090	Accommodation and food service activities	2,004	114	(44)	–
100	Information and communication	3,182	75	(20)	–
110	Financial and insurance activities				
120	Real estate activities	19,390	330	(217)	–
130	Professional, scientific and technical activities	2,567	103	(44)	–
140	Administrative and support service activities	2,555	52	(23)	–
150	Public administration and defence, compulsory social security	19	–	–	–
160	Education	1,106	10	(14)	–
170	Human health services and social work activities	3,313	92	(49)	–
180	Arts, entertainment and recreation	351	22	(9)	–
190	Other services	773	30	(12)	–
200	**Total**	**63,677**	**1,820**	**(869)**	**–**

		31 Dec 2023			
		£m	£m	£m	£m
010	Agriculture, forestry and fishing	7,142	323	(78)	–
020	Mining and quarrying	363	3	(10)	–
030	Manufacturing	4,744	132	(77)	–
040	Electricity, gas, steam and air conditioning supply	2,970	–	(14)	–
050	Water supply	936	3	(4)	–
060	Construction	3,889	463	(207)	–
070	Wholesale and retail trade	7,041	196	(97)	–
080	Transport and storage	2,295	51	(32)	–
090	Accommodation and food service activities	2,035	191	(39)	–
100	Information and communication	2,605	69	(33)	–
110	Financial and insurance activities				
120	Real estate activities	20,942	293	(251)	–
130	Professional, scientific and technical activities	2,396	75	(38)	–
140	Administrative and support service activities	2,581	55	(27)	–
150	Public administration and defence, compulsory social security	21	–	–	–
160	Education	1,108	37	(13)	–
170	Human health services and social work activities	3,297	107	(50)	–
180	Arts, entertainment and recreation	513	32	(12)	–
190	Other services	887	25	(13)	–
200	Total	65,765	2,055	(995)	–

UK CRC: Qualitative disclosure requirements related to CRM techniques

Collateral

The principal types of acceptable collateral include: residential and commercial properties; charges over business assets such as inventory and accounts receivable; financial instruments such as debt securities; vehicles; cash; and guarantees received from third parties.

The Group maintains appetite parameters on the acceptability of specific classes of collateral.

For non-mortgage retail lending to small businesses, collateral may include second charges over residential property and the assignment of life cover.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the underlying exposure. Debt securities, including treasury and other bills, are generally unsecured, with the exception of asset-backed securities and similar instruments such as covered bonds, which are secured by portfolios of financial assets. Collateral is generally not held against loans and advances to financial institutions and debt securities. Debt securities are classified as financial assets held at amortised cost.

Collateral requirements at origination depend on the transaction's nature and the borrower's credit quality, size and structure. For non-retail exposures, the Group may seek:

- A first charge over land and buildings owned and occupied by the business
- A debenture over the assets of a company or limited liability partnerships
- Limited personal guarantees from directors of a company or limited liability partnership
- Key man insurance

The Group has policies on acceptable collateral valuations, maximum loan-to-value (LTV) ratios, and other criteria for application reviews. The customer must demonstrate its ability to generate funds from normal operations to repay a customer or counterparty's financial commitments, rather than relying on the disposal of collateral.

The Group requires collateral to be valued by a qualified, independent source at the time of borrowing. For retail residential mortgages, automated valuation models may be used, subject to accuracy and LTV limits. Third party valuations are regularly monitored and reviewed. Collateral values are reviewed based on lending type, collateral and account performance to ensure they remain appropriate. If collateral value declines, the Group may seek additional collateral or amend facility terms. The Group adjusts estimated market values to take account of the costs of realisation and any discount associated with the realisation of the collateral when estimating credit losses. In some circumstances, where the discounted value of the estimated net proceeds from the liquidation of collateral (i.e. net of costs, expected haircuts and anticipated changes in the value of the collateral to the point of sale) is greater than the estimated exposure at default, no credit losses are expected and no ECL allowance is recognised.

The Group considers risk concentrations by collateral providers and collateral type with a view to ensuring that any potential undue concentrations of risk are identified and suitably managed by changes to strategy, policy and/or business plans.

Application of Credit Risk Mitigation

Where collateral is held, the eligible collateral for loans and advances and contingent liabilities is classified as either financial collateral or other collateral, as outlined below:

Eligible financial collateral

– Eligible financial collateral includes cash on deposit with the bank, gold, rated debt securities (subject to certain restrictions), equities or convertible bonds included in a main index and units in certain collective investment undertakings or mutual funds.

– The Group predominantly applies financial collateral to its corporate (IRB and Standardised) and institutions (IRB) exposures.

Other eligible collateral

– Real estate collateral includes charges over residential and commercial properties, for example, for the Group's mainstream mortgages.

– Other eligible collateral includes short term financial receivables, credit insurance, life policies and other physical collateral for example, vehicles, providing the criteria for eligibility are met.

– The Group largely applies other eligible collateral to the IRB corporate main, corporate SME and retail asset classes.

The Group also undertakes asset sales, credit derivative based transactions, securitisations (including Significant Risk Transfer transactions), purchases of credit default swaps and purchase of credit insurance as a means of mitigating or reducing credit risk and/or risk concentration, taking into account the nature of assets and the prevailing market conditions.

– Credit derivatives are a method of transferring credit risk from one counterparty (the protection buyer) to another (the protection seller). Capital relief under regulatory requirements is restricted to the following types of credit derivative: credit default swaps (CDS); total return swaps; and credit linked notes (CLN) (to the extent of their cash funding).

– The Group makes limited use of credit derivatives as credit risk mitigation from a capital perspective.

Guarantees

– In addition, guarantees from eligible protection providers including governments, institutions and corporates, can also provide regulatory capital relief, although there are minimum operational and legal requirements which must be met before reflecting the risk mitigating effect. On the basis that these requirements are met, alternative forms of protection, for example indemnities, may be classified as a guarantee for regulatory capital purposes. Export Credit agencies can provide risk mitigation in the form of a guarantee (typically up to 85% – 95% of a contract value) providing cover and guarantee of payment in relation to commercial and political risk.

– Regulatory capital relief is taken for guarantees provided by appropriate governments, institutions or corporates, as well as for collateralised guarantees from corporates where available. This includes COVID-19 government lending schemes.

UK CRC: Qualitative disclosure requirements related to CRM techniques continued

The Group's application of different types of credit risk mitigation from a regulatory capital perspective is outlined below:

	Standardised		IRB		
	EAD	Other	EAD	LGD	PD
Eligible financial collateral					
trading book	✓		✓		
non-trading book	✓			✓	
Other eligible collateral					
real estate collateral[1]		✓		✓	✓
other physical collateral				✓	✓
credit insurance[2]		✓			✓
receivables	✓			✓	
life policies	✓			✓	
Credit derivatives[2]		✓			✓
Collateralised guarantees		✓		✓	
Non collateralised guarantees[2]		✓			✓

1 Real estate collateral determines the exposure class under the Standardised Approach as explained below.

2 As per application under the Substitution Approach, as explained below.

Application under the Standardised Approach

Where a credit risk exposure subject to the Standardised Approach is covered by a form of eligible financial collateral the EAD value is adjusted accordingly under the Financial Collateral Comprehensive Method (FCCM) applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

For unfunded credit protection, where both the protection provider and the original obligor are reported under the Standardised approach, for example where certain guarantees or credit derivatives apply, the exposure class and therefore risk weight applied to the portion of the exposure covered by the protection provider is based on the exposure class of the provider, referred to as the Substitution Approach. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The risk weight applied to the uncovered portion of the exposure is not impacted.

Real estate collateral does not impact EAD directly under the Standardised Approach, however, it instead determines the exposure class and directly impacts the risk-weight applied to the exposure.

Collateral may also be used as an input for modelling SCRAs against exposures, which will also indirectly reduce the EAD for exposures subject to the Standardised Approach.

Application under the IRB Approach

In recognising eligible financial collateral under the FIRB Approach, the Group adjusts the relevant LGD value in accordance with the application of the FCCM, applying adjustments for volatility and currency mismatch, in addition to maturity mismatches for all collateral types and appropriate value discounts as needed.

Other eligible collateral, collateralised guarantees and real estate collateral applied under the FIRB Approach will typically result in an adjustment to the regulatory LGD value, subject to floors as prescribed in the CRR. The adjustment applied is dependent on the value and type of collateral used.

Where appropriate guarantees or credit derivatives apply and both the protection provider and the original obligor are reported under the FIRB approach, the PD applied to the portion of the exposure covered by the protection provider is based on the PD of the provider, referred to as the PD substitution approach. The covered portion is determined after the application of 'haircuts' for currency and maturity mismatch applied to the protection provided. The PD applied to the uncovered portion of the exposure is not impacted.

Under the Retail IRB Approach, own estimates of LGD are used, taking into account eligible collateral, including real estate collateral or other physical collateral, among other factors. As well as impacting LGD, real estate collateral may also influence a counterparty's PD under the Retail IRB approach in certain cases, for example, for residential mortgages.

Application between the IRB and Standardised Approaches

Under the Substitution Effect a non-collateralised guarantee could also result in an exposure moving between regulatory approaches, i.e. SA to IRB or IRB to SA. This occurs where the original obligor and the protection provider would be reported under different approaches due to their specific characteristics. This is most notable for COVID-19 government lending schemes where the UK government (as protection provider) is reported as a Standardised obligor whilst the majority of the original obligors are reported under the FIRB or RIRB approaches, though it can also occur for other government, corporate or institutional guarantees (including centrally cleared credit default swap protection). When this situation arises the covered exposure, after taking account of the specific exposure covered by the protection and application of 'haircuts' for any currency and / or maturity mismatches, is substituted from its original approach/exposure class into the approach/exposure class of the protection provider. Where this results in the exposure moving to the Standardised approach the risk weight is then based on the exposure class of the protection provider. If it results in the exposure moving into the IRB approach the RWA is based on the PD of the protection provider. Such substitution is only undertaken if the resultant position benefits from a lower capital requirement than was originally required.

Within Pillar 3 reporting this is evident as the Gross Exposure (or On and Off Balance Sheet Exposure pre CCF and CRM) shown in a particular table will include the exposure against the original obligor's exposure class as this is usually presented pre-CRM. The EAD for that asset class will not include that same exposure as it is shown post-CRM and therefore reflects that the exposure has substituted into the exposure class of the protection provider. EAD can therefore be higher or lower than the pre-CRM Gross Exposure as a result of this substitution effect.

Credit risk continued

CR3: CRM techniques – Overview

	31 Dec 2024				
	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	£m	£m	£m	£m	£m
Loans and advances	**141,474**	**378,546**	**372,874**	**5,672**	**—**
Debt securities	**47,654**	**—**	**—**	**—**	
Total	**189,128**	**378,546**	**372,874**	**5,672**	**—**
Of which non-performing exposures	**2,063**	**6,951**	**6,712**	**239**	**—**
Of which defaulted	**123**	**6,624**			

	31 Dec 2023				
	£m	£m	£m	£m	£m
Loans and advances	130,317	371,491	364,877	6,615	13
Debt securities	45,338	—	—	—	
Total	175,655	371,491	364,877	6,615	13
Of which non-performing exposures	2,011	7,882	7,486	396	—
Of which defaulted	449	7,506			

Credit risk exposures

The table below gives an overview of credit risk exposure at default and risk-weighted assets. The amounts include threshold risk-weighted assets and related exposures and exclude securitisation exposures and risk-weighted assets.

	31 Dec 2024			31 Dec 2023		
	EAD post CRM and post CCF	**Risk-weighted assets**	**Average risk weight**	EAD post CRM and post CCF	Risk-weighted assets	Average risk weight
Exposure classes	**£m**	**£m**	**%**	£m	£m	%
Central governments or central banks	**10,237**	**149**	**1.5 %**	8,269	388	4.7 %
Institutions	**11,189**	**1,757**	**15.7 %**	14,136	2,329	16.5 %
Corporates	**77,198**	**41,460**	**53.7 %**	79,160	41,787	52.8 %
of which: Specialised lending	13,548	9,113	67.3 %	12,619	8,778	69.6 %
of which: SMEs	7,068	4,716	66.7 %	6,597	4,261	64.6 %
Retail	**423,360**	**90,567**	**21.4 %**	408,694	85,459	20.9 %
Secured by real estate property	**361,800**	**62,455**	**17.3 %**	350,093	58,723	16.8 %
SMEs	3,083	685	22.2 %	4,051	915	22.6 %
Non-SMEs	358,717	61,770	17.2 %	346,042	57,808	16.7 %
Qualifying revolving	**41,117**	**13,434**	**32.7 %**	39,427	13,087	33.2 %
Other retail	**20,443**	**14,678**	**71.8 %**	19,173	13,648	71.2 %
SMEs	1,398	1,019	72.9 %	1,477	1,171	79.2 %
Non-SMEs	19,045	13,659	71.7 %	17,696	12,478	70.5 %
Equity	**6,092**	**14,006**	**229.9 %**	6,060	13,973	230.6 %
Non-credit obligation assets	**11,569**	**7,872**	**68.0 %**	10,265	6,968	67.9 %
Total IRB approach	**539,645**	**155,811**	**28.9 %**	526,583	150,904	28.7 %
Central governments or central banks	**74,754**	**1,502**	**2.0 %**	93,602	1,829	2.0 %
Regional governments or local authorities	**679**	**15**	**2.2 %**	647	32	4.9 %
Public sector entities	**3,106**	**—**	**—**	2,542	—	—
Multilateral development banks	**10,587**	**—**	**—**	9,004	—	—
International organisations	**654**	**—**	**—**	500	—	—
Institutions	**596**	**155**	**26.0 %**	473	103	21.7 %
Corporates	**6,848**	**5,609**	**81.9 %**	6,177	5,142	83.2 %
of which: SMEs	2,737	2,186	79.9 %	2,456	1,972	80.3 %
Retail	**11,759**	**8,504**	**72.3 %**	11,255	8,275	73.5 %
of which: SMEs	1,703	960	56.4 %	934	534	57.2 %
Secured by mortgages on immovable property	**4,912**	**1,833**	**37.3 %**	5,199	1,921	37.0 %
of which: SMEs	282	213	75.4 %	258	192	74.3 %
Exposures in default	**596**	**728**	**122.2 %**	694	829	119.4 %
Claims on institutions and corporates with a short-term credit assessment	**80**	**40**	**50.0 %**	209	98	47.0 %
Collective investments undertakings	**1,742**	**1,770**	**101.6 %**	1,607	1,505	93.7 %
Other exposures	**2,947**	**2,376**	**80.6 %**	2,928	2,341	79.9 %
Total standardised approach	**119,260**	**22,532**	**18.9 %**	134,836	22,074	16.4 %
Total	**658,905**	**178,343**	**27.1 %**	661,419	172,979	26.2 %

Overall IRB average risk weight has increased primarily due to continued CRD IV increases reflected in the higher Secured by real estate property risk weight. The increase in IRB Corporates average risk weight is largely driven by the removal of an exposure to an individually large customer with a zero LGD and risk weight. Excluding this, the underlying risk weight for Corporates has reduced.

Overall Standardised average risk weight has increased driven primarily by the lower exposure in central governments or central banks.

Credit risk exposures continued

UK CRD: Qualitative disclosure requirements related to standardised model

The Group uses ratings published by Standard & Poor's, Moody's and Fitch ('ECAIs') to determine risk-weights for rated counterparties under the standardised approach. The Group complies with the standard association of these ECAI ratings to the credit quality steps published by the EBA and included in the PRA Rulebook

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

		31 Dec 2024					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density[1]	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density
	Exposure classes	£m	£m	£m	£m	£m	%
1	Central governments or central banks	**69,852**	**575**	**74,210**	**544**	**1,502**	**2%**
2	Regional government or local authorities	**679**	**—**	**679**	**—**	**15**	**2%**
3	Public sector entities	**3,106**	**—**	**3,106**	**—**	**—**	**—**
4	Multilateral development banks	**10,587**	**—**	**10,587**	**—**	**—**	**—**
5	International organisations	**653**	**—**	**653**	**—**	**—**	**—**
6	Institutions	**493**	**—**	**507**	**90**	**155**	**26%**
7	Corporates	**5,422**	**5,640**	**5,039**	**1,810**	**5,609**	**82%**
8	Retail	**11,918**	**20,487**	**11,653**	**106**	**8,504**	**72%**
9	Secured by mortgages on immovable property	**4,898**	**65**	**4,897**	**15**	**1,833**	**37%**
10	Exposures in default	**623**	**36**	**587**	**9**	**728**	**122%**
13	Institutions and corporates with a short-term credit assessment	**—**	**—**	**80**	**—**	**40**	**50%**
14	Collective investment undertakings	**1,739**	**3**	**1,739**	**2**	**1,770**	**102%**
16	Other items	**2,947**	**—**	**2,947**	**—**	**2,376**	**81%**
17	**Total**	**112,917**	**26,806**	**116,684**	**2,576**	**22,532**	**19%**

		31 Dec 2023					
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	87,003	277	93,170	432	1,829	2%
2	Regional government or local authorities	646	—	647	—	32	5%
3	Public sector entities	2,542	—	2,542	—	—	—
4	Multilateral development banks	9,004	—	9,004	—	—	—
5	International organisations	500	—	500	—	—	—
6	Institutions	259	1	263	209	102	22%
7	Corporates	4,841	5,703	4,555	1,623	5,142	83%
8	Retail	11,589	22,088	11,166	90	8,275	74%
9	Secured by mortgages on immovable property	5,191	40	5,191	7	1,921	37%
10	Exposures in default	735	23	685	9	829	119%
13	Institutions and corporates with a short-term credit assessment	74	235	74	135	98	47%
14	Collective investment undertakings	1,594	12	1,594	12	1,505	94%
16	Other items	2,928	—	2,928	—	2,341	80%
17	Total	126,906	28,379	132,319	2,517	22,074	16%

1 Risk-weighted assets and density reported in this table are disclosed after application of supporting factors.

Credit risk continued

CR5: Standardised approach – exposures by asset classes and risk weights (post CCF and post CRM)

31 Dec 2024

		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
	Exposure classes	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	74,145	—	—	—	—	—	—	—	—	15	—	595	—	—	—	**74,754**	**—**
2	Regional government or local authorities	606	—	—	—	74	—	—	—	—	—	—	—	—	—	—	**679**	**—**
3	Public sector entities	3,106	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**3,106**	**—**
4	Multilateral development banks	10,587	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**10,587**	**—**
5	International organisations	653	—	—	—	—	—	—	—	—	—	—	—	—	—	—	**654**	**—**
6	Institutions	—	—	103	—	385	—	74	—	—	33	2	—	—	—	—	**596**	**33**
7	Corporates	—	—	—	—	92	—	1,275	—	—	5,462	18	—	—	1	—	**6,848**	**5,318**
8	Retail exposures	—	—	—	—	—	—	—	—	11,759	—	—	—	—	—	—	**11,759**	**11,759**
9	Exposures secured by mortgages on immovable property	—	—	—	—	—	4,643	—	—	38	230	—	—	—	—	—	**4,912**	**4,912**
10	Exposures in default	—	—	—	—	—	—	—	—	—	331	265	—	—	—	—	**596**	**596**
13	Exposures to institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	80	—	—	—	—	—	—	—	—	**80**	**—**
14	Units or shares in collective investment undertakings	56	—	—	—	580	—	14	—	—	30	1,057	—	—	2	3	**1,742**	**1,162**
16	Other items	233	—	—	—	422	—	—	—	—	2,291	—	—	—	—	—	**2,947**	**2,947**
17	**Total**	**89,386**	**—**	**103**	**—**	**1,553**	**4,643**	**1,443**	**—**	**11,797**	**8,392**	**1,342**	**595**	**—**	**3**	**3**	**119,260**	**26,727**

31 Dec 2023

	Exposure classes	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m[1]
1	Central governments or central banks	92,859	—	—	—	—	—	—	—	—	19	—	724	—	—	—	93,602	—
2	Regional government or local authorities	486	—	—	—	160	—	—	—	—	—	—	—	—	—	—	646	—
3	Public sector entities	2,542	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,542	—
4	Multilateral development banks	9,004	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,004	—
5	International organisations	500	—	—	—	—	—	—	—	—	—	—	—	—	—	—	500	—
6	Institutions	—	—	214	—	188	—	31	—	—	38	2	—	—	—	—	473	40
7	Corporates	—	—	—	—	14	—	1,118	—	—	5,031	14	—	—	1	—	6,177	4,941
8	Retail exposures	—	—	—	—	—	—	—	—	11,255	—	—	—	—	—	—	11,255	11,255
9	Exposures secured by mortgages on immovable property	—	—	—	—	—	4,958	—	—	37	203	—	—	—	—	—	5,199	5,199
10	Exposures in default	—	—	—	—	—	—	—	—	—	425	269	—	—	—	—	694	694
13	Exposures to institutions and corporates with a short-term credit assessment	—	—	—	—	21	—	188	—	—	—	—	—	—	—	—	209	—
14	Units or shares in collective investment undertakings	101	—	—	—	576	—	8	—	—	32	875	—	—	2	13	1,607	1,031
16	Other items	70	—	—	—	646	—	—	—	—	2,212	—	—	—	—	—	2,928	2,928
17	Total	105,562	—	214	—	1,605	4,958	1,345	—	11,292	7,960	1,160	724	—	3	13	134,836	26,088

1. 'Of which unrated' for Dec-23 has been restated.

CRE: Qualitative Disclosure Requirements related to IRB Approach

Scope of IRB permission and disclosure of the internal rating systems by exposure class

Distribution of exposures by approach

To illustrate the degree to which Capital models are used within the group, the following table shows the EAD split between RIRB, FIRB, Other IRB (including supervisory slotting, equity exposures) and Standardised (not modelled) approaches across the different exposure classes. Securitisation exposure values are excluded. Exposures presented in the table below are in line with tables CR4 and CR6, and are on a post CRM and post CCF basis and include off-balance sheet exposures.

<table>
<tr><th></th><th>RIRB</th><th>FIRB</th><th>Other IRB</th><th>Standardised</th></tr>
<tr><th>Exposure Class[1]</th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr>
<tr><td>Central governments or central banks</td><td>—</td><td>10,237</td><td>—</td><td>74,754</td></tr>
<tr><td>Regional governments or local authorities</td><td>—</td><td>—</td><td>—</td><td>679</td></tr>
<tr><td>Public sector entities</td><td>—</td><td>—</td><td>—</td><td>3,106</td></tr>
<tr><td>Multilateral development banks</td><td>—</td><td>—</td><td>—</td><td>10,587</td></tr>
<tr><td>Institutions</td><td>—</td><td>11,188</td><td>—</td><td>596</td></tr>
<tr><td>Corporates[2]</td><td>—</td><td>63,650</td><td>13,548</td><td>6,848</td></tr>
<tr><td>Retail – Secured by real estate</td><td>361,800</td><td>—</td><td>—</td><td>4,912</td></tr>
<tr><td>Retail – Qualifying revolving</td><td>41,117</td><td>—</td><td>—</td><td rowspan="2">11,759</td></tr>
<tr><td>Retail – Other</td><td>20,442</td><td>—</td><td>—</td></tr>
<tr><td>Other[3]</td><td>—</td><td>—</td><td>17,661</td><td>6,020</td></tr>
<tr><td>Total Exposure</td><td>423,359</td><td>85,075</td><td>31,209</td><td>119,261</td></tr>
<tr><td>% coverage</td><td>64%</td><td>13%</td><td>5%</td><td>18%</td></tr>
</table>

1. Includes threshold exposures.
2. Corporate 'Other IRB' exposures represent exposures risk-weighted under the Supervisory Slotting Approach.
3. Other exposures include (i) Other IRB: equity exposures and non-credit obligation assets; (ii) Standardised: exposures in default, collective investment undertakings, international organisations, claims on institutions and corporates with a short-term credit assessment and other exposures.

Scope of the IRB permission

The Group has regulatory approval to use its internal models in the calculation of the majority of its credit risk capital requirements. The Group currently has permission to use both the FIRB Approach (used for corporate exposures, institutions and central governments or central banks) and the RIRB Approach (for retail exposures).

The Group has permanent exemption to use the Standardised Approach for a number of portfolios, including;

– Entities outside UK jurisdiction - Corporate Assets

– Tesco Mortgages (closed portfolio)

– Sub Prime Mortgages

– UK Private Banking

– Certain asset types under UK Motor Finance

A number of other portfolios, currently under the Standardised Approach, are on the IRB Roll-Out plan. Most prominent among these are the following:

– MBNA Unsecured

– BoS Commercial (BDCS)

The Group applies the Supervisory Slotting Approach to certain corporate specialised lending exposures (including the Group's income-producing real estate exposures), the Simple Risk Weight Method to equity exposures, while CIU exposures are treated under the Standardised Approach; hence no models are used for these three groups. Capital Requirements in relation to securitisation positions are determined under the SEC-IRBA, the SEC-SA and the SEC-ERBA approaches.

Exposures advanced through government loan schemes (BBLS, CBILS, CLBILS and RLS) are reported predominantly under the Standardised Approach. The impact of a guarantee on government lending schemes leads to substitution of exposure primarily from IRB to the Standardised Approach. These exposures are mainly in the Retail SME asset class and substituted to Standardised Central Governments and Central Banks.

Further details on other areas such as the Supervisory Slotting Approach for Corporate Specialised Lending exposures, Simple Risk Weight Method for Equities and various approaches for Securitisations can be found in the relevant sections of this document (see CR10 and SEC tables).

Under the Group's IRB permission, the list on the following page comprises the rating systems that are significant at a Group level, each having risk-weighted assets in excess of £2.5 billion (as at end September 2024). The IRB models listed are existing (pre CRD IV) models and are the same as those used in the PD back-testing analysis (later in this section) with the following exceptions:

– The PELF rating system is excluded due to the low level of defaults; and

– The BoS Netherlands mortgages, Lloyds Buy-to-Let mortgages, and Lloyds Near Prime mortgages rating systems are collectively material, and therefore included in the PD back-testing table despite being individually below the £2.5 billion RWA threshold.

The rating systems included in the PD back-testing analysis represent the overwhelming majority of obligors across the bank that are assessed under either the RIRB or FIRB approaches. Other rating systems with risk-weighted assets less than £2.5 billion generally have low volumes of obligors, and their absence from the PD back-testing tables has a low impact.

With one exception, the rating systems listed all use 10 or more years of data in their development / calibration process. The exception is UK Motor Finance (Non-Retail) which uses less than five years of data.

Those rating systems with EAD and LGD components are reported under the Retail IRB approach, the remainder are reported under the Foundation IRB approach.

All RWAs are inclusive of Post Model Adjustments and as at end September 2024.

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

Significant IRB credit risk rating systems: selected features

30 Sep 2024

Rating System	RWAs (£m)	Component Model Type	Exposure Class	IRB Model Segmentation	Model Characteristics
Halifax and Lloyds Bank Mainstream Mortgages[1]	39,626	PD	Retail – Secured by real estate (non-SME)	Separate PD and LGD model calibration for Halifax and Lloyds branded mortgages.	Calibration of the internal mortgage application and behavioural scores. Variable Scalar approach (segmented by origination Loan to Value and Loan to Income) used to determine Regulatory PD.
		EAD			Based predominantly on current balance
		LGD			Estimated by modelling probability of possession given default (key driver: LTV) and loss given repossession (key drivers: LTV and property type).
HBOS Buy-to-Let Mortgages	12,638	PD	Retail – Secured by real estate (non-SME)	Single model	Calibration of the internal mortgage application and behavioural scores. Point in Time plus buffer approach used to determine Regulatory PD.
		EAD			Based predominantly on current balance.
		LGD			Estimated by modelling probability of possession given default (key driver: LTV) and loss given repossession (key drivers: LTV and property type).
Unquoted	9,861	PD	Corporate Other, Corporate SME	Single model used to rate corporate customers not listed on a stock exchange, with segments based on turnover, heritage and leverage.	Default predictor approach using a blend of financial and qualitative factors to produce model score. Final model score converted to PD using logistic transform which is mapped to an internal risk grade.
HBOS and Lloyds Bank Unsecured Personal Loans[1]	8,418	PD	Retail - Other (non-SME)	Separate PD and LGD model calibration for Halifax and Lloyds branded Loans.	Calibration of the application and customer scores. Point in Time plus buffer approach used to determine Regulatory PD.
		EAD			Based predominantly on current balance.
		LGD			Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status and exposure at default).
HBOS and Lloyds Bank Credit Cards[1,2]	9,552	PD	Retail - Qualifying Revolving	Separate PD, EAD and LGD model calibration for Halifax and Lloyds branded Cards.	Calibration of the application and customer scores. Point in Time plus buffer approach used to determine Regulatory PD.
		EAD			Statistical models used to estimate EAD as a function of current balance and remaining limit.
		LGD			Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status and exposure at default).
Publicly Quoted	6,446	PD	Corporate Other, Corporate SME	Single model used to rate publicly quoted companies (apart from listed Banks and Insurance companies, which are rated through separate models).	Rating replicator approach using a blend of financial and qualitative factors to produce an internally derived rating closely approximating ECAI ratings from the major rating agencies (Moody's, Fitch and S&P).

HBOS Other Mortgages	4,271	PD	Retail – Secured by real estate – non-SME	Single model	Calibration of the internal mortgage behavioural scores. Point in Time approach used to determine Regulatory PD.
		EAD			Based predominantly on current balance
		LGD			Estimated by modelling probability of possession given default (key driver: LTV) and loss given repossession (key drivers: LTV and property type).
UK Motor Finance (Retail)	5,194	PD	Retail - Other (non-SME)	Single model.	Calibration of the internal application and customer scores.
		EAD			Based predominantly on current balance.
		LGD			Differentiated loss estimates based on underlying asset type.
HBOS and Lloyds Bank Overdrafts [1]	4,226	PD	Retail - Qualifying revolving		Calibration of the application and customer scores. Point in Time plus buffer approach used to calculate regulatory PD
		EAD			Statistical models used to estimate EAD as a function of current balance and remaining limit.
		LGD			Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status and exposure at default).
BDCS	3,382	PD	Corporate SME, Retail SME and Retail Mortgages (SME)	Separate PD models for Business Banking and SME clients, with industry sector segmentations within SME.	Account behavioural models calibrated with a Point in Time bias.
		EAD			Statistical models used to estimate EAD as a function of current balance and remaining limit.
		LGD		Common EAD and LGD models for Retail exposures.	Statistical models to predict customer propensity to repay and estimate resultant recovery cashflows (key drivers: default status, probability of transfer to recoveries, exposure at default and collateral coverage).
Private Equity and Loan Finance	3,256	PD	Corporate Other	Single model used to rate investor recourse facilities provided to private equity and loan funds.	A statistical model targeting expert opinions captures the relationship between the key risk drivers, such as the quality and strength of fund managers and investors, and the expert rankings. The model score is converted to PD using a logistic transformation, which is then mapped to an internal risk grade. The model calibration target is estimated using a Low Default Portfolio (LDP) methodology.
UK Motor Finance (Non-Retail)	3,060	PD	Corporate Other	Separate PD models rating corporate motor finance customers submitting Full or Abridged Accounts to Companies House.	Logistic regression models targeting 12-month default rates. Key drivers in both the Full and Abridged models are liquidity and payment performance. Model score converted to PD using logistic transform which is mapped to an internal risk grade.

1. For these products, separate rating systems exist for Lloyds Bank and HBOS (Halifax). However, as the risk profiles are sufficiently similar, they are grouped together in this table.
2. The Group applies the Standardised Approach to the MBNA credit card portfolio.

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

Further details of Group rating systems

PD rating philosophy

PD ratings from the Group's existing (pre-CRD IV) models generally adhere to either 'Point-in-time' (PIT) or 'Through-the-cycle' (TTC) rating approaches.

- For Qualifying Revolving Retail Exposures (QRRE) and Retail – Other (non-SME), PD ratings are constructed on a PIT basis with a PD 'buffer' added to the PIT PD to cover potential underestimation of default risk between regular calibrations.
- Retail - Secured by real estate uses a TTC approach where this is available (the majority of Lloyds Bank and Halifax Mainstream mortgages) and a PIT approach with a PD buffer otherwise.
- Corporate PD models are largely calibrated to the long-run default experience, meaning the PD predictions are more TTC in nature. The material exception to this being BDCS, which is more PIT in nature.

Models currently use a definition of default based on a 90 days-past-due backstop with the exception of the Lloyds/Halifax/HBOS UK retail mortgage portfolios, which use a 180 days-past-due backstop. (This will change to 90 days-past-due when the CRD IV capital model is approved for use, but until that definition is implemented a temporary model adjustment is being held per Article 146 of CRR). Additionally, Unlikeliness To Pay triggers are included in the definition of default and vary by portfolio, using criteria such as bankruptcy/IVAs, repossessions and forbearance treatments.

The PD models are based on a number of counterparty-specific or account-specific factors. In retail portfolios, the assigned PDs are calibrations of the obligor's associated application or behavioural scores. These are statistical models which are in turn based on a mix of internal behavioural and external (credit bureau) data. For corporate portfolios the PD models include counterparty quantitative (e.g. financial) and qualitative (e.g. assessment of management) factors.

EAD and LGD modelling approach

EAD models are used to determine the Group's exposure to a counterparty in the event of them defaulting. LGD models determine the loss experienced in the event of that default.

Corporate exposures are rated using the FIRB approach, so have no LGD or EAD models for capital purposes.

Retail exposures use EAD models, where the general approach is to estimate the proportion of the unused credit facility that will be further drawn down prior to default and add this to the current balance. This is material for revolving credit facilities, but generally not material for term products. The EAD calculated to determine regulatory capital is based on an economic downturn.

Retail LGD models are built using statistical models based on key drivers of loss. The LGD calculated to determine regulatory capital is based on an economic downturn. For portfolios with security (residential property, non-residential property and vehicles), components include probability of repossession and loss severity; for portfolios of an unsecured nature, components include probability of paying back a proportion of the debt and loss severity.

Model development, validation and review

IRB models, and subsequent changes to those models, are generally developed by a centralised modelling team within the Risk Division on behalf of the business. The models are challenged, both technically and from a business usage perspective, by an independent unit (Model Risk Office) which reports through an independent reporting line within the Risk division.

Within independent model reviews for both the initial model development and subsequent annual validation, Desktop Reviews (focusing on documentation relating to the model) and Code Assessment will be supplemented by Independent Quantitative Testing (IQT) to the extent required by the model's materiality. IQT may include statistical analysis of the model, data quality assessment, independent recoding, and use of challenger approaches. Reviews are more in-depth for the more material IRB rating systems. All IRB models are reviewed annually in line with regulatory requirements.

GRC (whose membership includes the Chief Financial Officer and the Chief Risk Officer, as well as representation from each division of the Group) approves the Group's most material IRB models, and their performance is reported monthly to BRC.

Lower materiality IRB models are approved and monitored by the Model Governance Committee (MGC). The chair of MGC has delegated approval responsibility from GRC. MGC attendees include senior risk and business model owners responsible for the model under consideration. All new IRB models and all material model changes are subject to governance in line with regulatory guidance.

Once a model has been approved, it is subject to ongoing monitoring and periodic validation requirements. The periodic validation of models is undertaken by the centralised modelling team and is subject to the same governance framework as a new model build.

Where material changes to rating systems are necessary, pre-notification to the PRA is required and their approval obtained before the change can be implemented. During 2024, there have been no material model changes impacting the CR9 back-testing tables. A pre-notification was approved by the PRA in 2022 with reference to the reversion to Standardised from IRB of the Retirement Home Plan and the Scottish Widows Bank BTL portfolios. This amendment will come into effect alongside changes to be made to the Retail Mortgage rating systems in relation to CRD IV regulations.

A hierarchy of model monitoring exists for all IRB models – regular and detailed model monitoring (including rank ordering and predictive accuracy) is used to prioritise both model changes and corrective action for model underperformance. This includes providing BRC with an annual update on model performance and wider modelling issues. IRB model monitoring is also provided to the PRA at their request. As with model development and annual validation, the independent validation function uses the same overarching methods of testing to verify the suitability and effectiveness of the model monitoring framework.

Where required, typically where there is a data or model weakness, an appropriate degree of conservatism is included in the estimated risk parameters to ensure capital adequacy. If a model or data weakness is identified that indicates understatement of capital, the capital requirements are adjusted on an immediate and temporary basis via Post Model Adjustments (PMAs) until the issue is remediated.

Model Risk Office maintains an inventory of all models within the scope of the Group Model Risk Management Policy, including IRB models. This serves to assist the wider model governance process. More specifically, the inventory enables the following: a schedule of models under development or awaiting periodic validation to be maintained, a means of tracking the resolution of corrective actions set by Model Risk Office, individual accountability for models to be defined and the collation of documentation relating to all models. Accountability for model development and maintenance is assigned at an individual level. Similarly, accountability for the wider control environment for the model is also assigned at an individual level.

The Chief Model Risk Officer is the owner of the Group Model Risk Management Policy, which defines the principles and framework by which models must be developed and maintained. Responsibilities of the Chief Model Risk Officer include: Independent validation of models, maintaining a relationship with regulators, chairing of MGC, reviewing risk appetite performance, and where appropriate, escalating material model issues to the GRC and Board.

The governance framework, supported by comprehensive model risk management information, provides the Group with confidence that, in respect of IRB models, its Pillar 1 credit risk capital requirements adequately reflect the Group's credit risk exposure.

Further information on model risk, including details on measurement, mitigation and monitoring can be found in the Risk Management section of the Lloyds Banking Group plc Annual Report and Accounts 2024 (page 138).

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

Relationships between risk management function and internal audit function

Group Internal Audit undertake a program of internal audits to check that appropriate controls and processes are in place and operating effectively across all aspects of IRB models. Group Internal Audit is independent from the model development and validation teams, reporting to the Chief Internal Auditor, a Group Executive Committee member.

Other applications of IRB model outputs

In addition to the regulatory capital calculation process, IRB models are used for other purposes within the Group, for example:

Credit approval: IRB models are strongly linked to the credit approval process, though the precise nature of this differs between business areas. For retail exposures, operational, application and behavioural scorecards (primarily used to make retail credit approval and account management decisions) are typically used as inputs to PD models. For corporate exposures, the PD model ascribes a credit risk grade to each customer, and is a key consideration in credit underwriting.

Credit portfolio reporting and risk appetite: IRB parameters are embedded into management information at both Group and Divisional levels and are used to inform the setting of risk appetite.

Pricing: IRB outputs are used within various business' pricing tools to enable risk-based pricing.

Calculating impairment: IRB component models are typically used as an input into the impairment process, within the wider IFRS 9 reporting framework; this may be through direct use of the PDs, or through shared use of inputs (typically the use of scorecards as an input to both capital and impairment models). The calculation of provision levels within each portfolio is subject to rigorous challenge and oversight from both Finance and Risk.

Stress Testing: IRB model outputs are used in the various internal and regulatory stress testing exercises. Additionally, the IRB models themselves will be replicated (using approximations where necessary) over the forecasting period.

Model Performance

PD Back-testing tables

The following PD back-testing tables (CR9) compare assigned PDs with observed default rates over both a 1-year and a 5-year period. When making this comparison, care needs to be taken with the interpretation as the result is partially dependent on the choice of PD approach (PIT or TTC).

The PD back-testing is based on existing (pre-CRD IV) models. The introduction of CRD IV regulations has led to a significant increase in the level of PMAs for both RWA and EL, primarily in Retail Mortgages due to modelling changes. While acknowledging the significant value of these PMAs (which have been made to ensure capital levels reflect the new modelling requirements), PD back-testing needs to be assessed using the currently implemented definition of default. The back-testing shows that the incumbent PD models are generally working effectively and prudently against pre CRD IV default definitions. The introduction of approved rating systems for CRD IV will see the removal of most PMAs.

For Corporate exposure classes, a September to September window is used. For Retail the window is November to November except for BDCS which is September to September.

The proportion of total IRB RWA covered within each exposure class is as follows:

- Corporate Other: 65%
- Corporate SME: 77%
- Retail - Secured by real estate (SME): 100%
- Retail SME: 100%
- Retail Other (non-SME): 100%
- QRRE: 100%
- Retail - Secured by real estate (non-SME) 98%

The lower coverage figures for Corporate SME and Corporate Other reflect the absence of rating systems with high value and low volume. Such rating systems would have little impact on the PD back-testing tables whose patterns and results are driven by volume only.

Two additional back-testing tables are presented, showing aggregate figures for Corporates (Corporate SME and Corporate Other) and Retail (all other tables). Given the absence of any in-scope rating systems, no tables are presented for the Institutions and Central Government and Central Banks exposure classes.

In line with reporting requirements, a separate table is shown (CR9.1) for obligors rated under the Publicly Quoted rating system as it meets the criteria specified in point f Article 180(1) of CRR in relation to the use of External Credit Assessment Institution (ECAI) ratings. Only Corporate Other is shown due to the extremely low volume of Publicly Quoted obligors within the Corporate SME exposure class.

All tables follow the same format and adopt the following definitions:

- The PD ranges are as prescribed in Annex XXI of the CRR.
- The Observed Average Default Rate is calculated as the number of defaults in the 12-month period divided by the number of obligors at the start of the period.
- The weighted average PD is calculated using the regulatory PD weighted by the EAD at the start of the period.
- The arithmetic average PD is calculated using the regulatory PD at the start of the period. This PD is volume weighted.
- The allocation to a risk grade is based on the PIT PD at the start of the year for Retail (non-SME) exposure classes and regulatory PD for other exposure classes.
- Various definitions of obligor operate within the bank, reflecting how the exposures are managed within each area. This translates as follows:
  - Cards, Loans and Overdrafts aggregate at customer level within brand and product.
  - Retail Mortgages (excluding BDCS) and UK Motor Finance (Retail) treat each account as an obligor. Hence, a customer with two accounts would be represented as two obligors with distinct PD estimates.
  - The definition for models in the Corporate and Retail SME exposure classes is legal entity by source system (obligors reside on different source systems according to the nature of the lending). This means that one legal entity might be represented by one or more obligors in the data if that entity has borrowing across one or more businesses (source systems).
  - Obligors that are 'connected' may share the same PD subject to certain conditions (these are known as Obligor Risk Groups, or ORGs). These cases are aggregated and reported as single obligors within a single exposure class.
- For Table 9.1, the external rating equivalent is the based on the S&P rating scale.

CRE: Qualitative Disclosure Requirements related to IRB Approach continued

The table below summarises the rating systems in scope for each exposure class within the PD back-testing analysis. All rating systems reported here cover UK exposures only, with the exception of Publicly Quoted which is a global rating system and the BoS Netherlands Mortgages rating system.

Exposure Class	**Rating Systems Included**
Corporate Other	Publicly Quoted, Unquoted, UK Motor Finance (Non-Retail)
Corporate SME	Unquoted, Publicly Quoted, BDCS
Retail - Secured by real estate (non-SME)	Halifax Mainstream Mortgages, Lloyds Bank Mainstream Mortgages, HBOS Buy-to-Let Mortgages, HBOS Other Mortgages, Lloyds Near Prime Mortgages, Lloyds Buy to Let Mortgages, BoS Netherlands Mortgages.
Retail - Secured by real estate (SME)	BDCS
Retail SME	BDCS
Retail – Qualifying revolving	HBOS and Lloyds Bank Credit Cards, HBOS and Lloyds Bank Overdrafts
Retail – Other (non-SME)	HBOS and Lloyds Bank Personal Loans and UK Motor Finance (Retail)

Model Performance
CR9: Back-testing of PD per portfolio – Corporate Other

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**223**	**0**	**0.00%**	**0.08%**	**0.08%**	**0.05%**
0.00 to <0.10	**98**	**0**	**0.00%**	**0.05%**	**0.05%**	**0.00%**
0.10 to <0.15	**125**	**0**	**0.00%**	**0.11%**	**0.11%**	**0.08%**
0.15 to <0.25	**790**	**0**	**0.00%**	**0.18%**	**0.19%**	**0.10%**
0.25 to <0.50	**1,960**	**8**	**0.41%**	**0.34%**	**0.37%**	**0.23%**
0.50 to <0.75	**1,919**	**10**	**0.52%**	**0.61%**	**0.57%**	**0.37%**
0.75 to <2.50	**4,484**	**46**	**1.03%**	**1.13%**	**1.11%**	**0.88%**
0.75 to <1.75	**4,006**	**30**	**0.75%**	**1.12%**	**1.01%**	**0.70%**
1.75 to <2.50	**478**	**16**	**3.35%**	**1.90%**	**1.90%**	**2.33%**
2.50 to <10.00	**1,428**	**35**	**2.45%**	**3.72%**	**3.84%**	**2.58%**
2.50 to <5.00	**1,313**	**25**	**1.90%**	**3.15%**	**3.56%**	**2.12%**
5.00 to <10.00	**115**	**10**	**8.70%**	**7.41%**	**6.98%**	**6.13%**
10.00 to <100.00	**80**	**13**	**16.25%**	**16.19%**	**21.54%**	**13.99%**
10.00 to <20.00	**30**	**6**	**20.00%**	**12.00%**	**12.37%**	**12.98%**
20.00 to <30.00	**17**	**0**	**0.00%**	**20.00%**	**20.00%**	**3.33%**
30.00 to <100.00	**33**	**7**	**21.21%**	**30.90%**	**30.67%**	**17.08%**
100.00 (Default)	**223**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	210	0	0.00%	0.08%	0.08%	0.08%
0.00 to <0.10	101	0	0.00%	0.05%	0.05%	0.09%
0.10 to <0.15	109	0	0.00%	0.11%	0.11%	0.08%
0.15 to <0.25	750	1	0.13%	0.18%	0.19%	0.10%
0.25 to <0.50	1,993	4	0.20%	0.34%	0.37%	0.25%
0.50 to <0.75	1,784	4	0.22%	0.62%	0.58%	0.39%
0.75 to <2.50	4,025	37	0.92%	1.27%	1.11%	0.92%
0.75 to <1.75	3,630	28	0.77%	1.27%	1.02%	0.78%
1.75 to <2.50	395	9	2.28%	1.90%	1.91%	2.09%
2.50 to <10.00	1,504	40	2.66%	4.02%	3.87%	3.02%
2.50 to <5.00	1,365	34	2.49%	3.36%	3.56%	2.56%
5.00 to <10.00	139	6	4.32%	6.57%	6.99%	5.85%
10.00 to <100.00	97	16	16.49%	18.65%	23.92%	13.57%
10.00 to <20.00	25	3	12.00%	12.00%	11.96%	11.25%
20.00 to <30.00	18	3	16.67%	20.00%	20.00%	3.96%
30.00 to <100.00	54	10	18.52%	30.99%	30.76%	15.79%
100.00 (Default)	226	N/A	N/A	100.00%	100.00%	N/A

Key observations
- Over 80 per cent of obligors reported in this exposure class are on the UK Motor Finance (Commercial) portfolio, with the remainder being on the Publicly Quoted and Unquoted rating systems.
- Relatively low default volumes lead to year-on-year volatility in 1-year default rates within a given PD range. At an overall level, 1-year default rates remain low and continue to track below or broadly in line with average PD.
- The average historical (5-year) default rate remains either within or below the respective PD band.
- A regulatory default reporting error exists within the UK Motor Finance (Commercial) rating system, whereby certain 90 days-past-due defaults have been under-reported. This is mitigated through a Post Model Adjustment.

Model Performance continued

CR9: Back-testing of PD per portfolio – Corporate SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	**No.**	**No.**	**%**	**%**	**%**	**%**
0.00 to <0.15	**28**	**0**	**0.00%**	**0.09%**	**0.07%**	**0.48%**
0.00 to <0.10	**19**	**0**	**0.00%**	**0.06%**	**0.04%**	**0.63%**
0.10 to <0.15	**9**	**0**	**0.00%**	**0.11%**	**0.11%**	**0.00%**
0.15 to <0.25	**36**	**0**	**0.00%**	**0.18%**	**0.18%**	**0.00%**
0.25 to <0.50	**1,050**	**1**	**0.10%**	**0.39%**	**0.39%**	**0.17%**
0.50 to <0.75	**17,385**	**36**	**0.21%**	**0.57%**	**0.54%**	**0.27%**
0.75 to <2.50	**11,228**	**89**	**0.79%**	**1.24%**	**1.12%**	**0.91%**
0.75 to <1.75	**11,228**	**89**	**0.79%**	**1.24%**	**1.12%**	**0.91%**
2.50 to <10.00	**4,200**	**150**	**3.57%**	**4.16%**	**4.26%**	**3.31%**
2.50 to <5.00	**2,360**	**36**	**1.53%**	**2.93%**	**2.83%**	**1.62%**
5.00 to <10.00	**1,840**	**114**	**6.20%**	**6.36%**	**6.10%**	**5.59%**
10.00 to <100.00	**1,141**	**78**	**6.84%**	**23.44%**	**20.22%**	**9.18%**
10.00 to <20.00	**499**	**26**	**5.21%**	**12.34%**	**12.43%**	**7.84%**
20.00 to <30.00	**431**	**2**	**0.46%**	**20.52%**	**20.04%**	**0.94%**
30.00 to <100.00	**211**	**50**	**23.70%**	**38.42%**	**39.00%**	**18.97%**
100.00 (Default)	**497**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	35	0	0.00%	0.06%	0.05%	0.48%
0.00 to <0.10	30	0	0.00%	0.06%	0.04%	0.63%
0.10 to <0.15	5	0	0.00%	0.11%	0.11%	0.00%
0.15 to <0.25	46	0	0.00%	0.18%	0.18%	—%
0.25 to <0.50	1,156	1	0.09%	0.39%	0.39%	0.15%
0.50 to <0.75	18,220	32	0.18%	0.57%	0.54%	0.29%
0.75 to <2.50	11,806	104	0.88%	1.21%	1.12%	0.92%
0.75 to <1.75	11,806	104	0.88%	1.21%	1.12%	0.92%
2.50 to <10.00	3,930	128	3.26%	4.29%	4.20%	3.30%
2.50 to <5.00	2,252	46	2.04%	3.18%	2.84%	1.69%
5.00 to <10.00	1,678	82	4.89%	6.31%	6.03%	5.44%
10.00 to <100.00	1,043	84	8.05%	22.78%	21.51%	8.72%
10.00 to <20.00	454	44	9.69%	12.39%	12.75%	7.63%
20.00 to <30.00	368	2	0.54%	20.00%	20.02%	1.01%
30.00 to <100.00	221	38	17.19%	38.24%	41.95%	16.27%
100.00 (Default)	448	N/A	N/A	100.00%	100.00%	N/A

Key observations

- This exposure class reports obligors on the BDCS, Unquoted and Publicly Quoted rating systems, with the majority (66% by volume) being BDCS.
- Obligor volumes and the distribution by risk grade remain consistent within this exposure class.
- The default rates in this exposure class have remained relatively consistent with last year's numbers. Both the 2024 single year default rate and the historical 5-year average continue, in the main, to sit below the average PD. The exception of the average historical default rate for 0.00 to < 0.10 where a single default across five years of data is driving the observation.

Model Performance continued
CR9: Back-testing of PD per portfolio – Retail SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
PD range		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
	No.	No.	%	%	%	%
0.50 to <0.75	**30,192**	**173**	**0.57 %**	**0.54 %**	**0.54 %**	**0.43 %**
0.75 to <2.50	**27,600**	**624**	**2.26 %**	**1.14 %**	**1.15 %**	**1.68 %**
0.75 to <1.75	**27,600**	**624**	**2.26 %**	**1.14 %**	**1.15 %**	**1.68 %**
2.50 to <10.00	**13,279**	**1,063**	**8.01 %**	**4.17 %**	**4.17 %**	**5.96 %**
2.50 to <5.00	**6,545**	**395**	**6.04 %**	**2.62 %**	**2.62 %**	**4.22 %**
5.00 to <10.00	**6,734**	**668**	**9.92 %**	**5.80 %**	**5.68 %**	**7.62 %**
10.00 to <100.00	**15,867**	**7,085**	**44.65 %**	**29.14 %**	**24.30 %**	**28.91 %**
10.00 to <20.00	**4,471**	**913**	**20.42 %**	**13.27 %**	**13.14 %**	**15.76 %**
20.00 to <30.00	**8,809**	**4,591**	**52.12 %**	**20.00 %**	**20.00 %**	**30.61 %**
30.00 to <100.00	**2,587**	**1,581**	**61.11 %**	**57.23 %**	**58.23 %**	**44.88 %**
100.00 (Default)	**42,663**	**N/A**	**N/A**	**100.00 %**	**100.00 %**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.50 to <0.75	33,022	239	0.72%	0.54%	0.54%	0.35%
0.75 to <2.50	30,179	802	2.66%	1.13%	1.15%	1.40%
0.75 to <1.75	30,179	802	2.66%	1.13%	1.15%	1.40%
2.50 to <10.00	14,785	1,374	9.29%	4.18%	4.19%	5.02%
2.50 to <5.00	7,205	449	6.23%	2.62%	2.62%	3.45%
5.00 to <10.00	7,580	925	12.20%	5.74%	5.68%	6.47%
10.00 to <100.00	17,192	8,611	50.09%	29.41%	24.96%	21.33%
10.00 to <20.00	4,957	1,141	23.02%	12.99%	13.13%	13.48%
20.00 to <30.00	9,201	5,549	60.31%	20.00%	20.00%	20.55%
30.00 to <100.00	3,034	1,921	63.32%	57.36%	59.32%	38.33%
100.00 (Default)	35,295	N/A	N/A	100.00%	100.00%	N/A

Key observations

– This table relates solely to obligors rated on the Group's BDCS rating system, where obligor volumes have reduced for the second year in a row.

– One-year default rates exceed the average prediction in all PD ranges, noting that defaults are lower than in the 2023 return across all ranges. To address this, and in line with an approach agreed with the regulator, a post model adjustment is applied at the BDCS rating system level.

– The vast majority of obligors in the 20 to <30 PD range have an exposure of less than £100, with defaults occurring on the obligor's Bounce Back Loan which cross-defaults the relatively small Bank debt.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail - Other (non-SME)

	31 Dec 2024					
	Number of obligors in the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	**No.**	**No.**	**%**	**%**	**%**	**%**
0.00 to <0.15	**27,602**	**49**	**0.18%**	**0.08%**	**0.08%**	**0.17%**
0.00 to <0.10	**25,499**	**42**	**0.16%**	**0.08%**	**0.08%**	**0.16%**
0.10 to <0.15	**2,103**	**7**	**0.33%**	**0.14%**	**0.14%**	**0.39%**
0.15 to <0.25	**13,597**	**51**	**0.38%**	**0.21%**	**0.21%**	**0.45%**
0.25 to <0.50	**366,703**	**3,312**	**0.90%**	**0.37%**	**0.37%**	**0.71%**
0.50 to <0.75	**226,022**	**2,336**	**1.03%**	**0.72%**	**0.70%**	**0.85%**
0.75 to <2.50	**479,227**	**5,244**	**1.09%**	**1.57%**	**1.54%**	**1.20%**
0.75 to <1.75	**379,069**	**4,036**	**1.06%**	**1.45%**	**1.39%**	**1.09%**
1.75 to <2.50	**100,158**	**1,208**	**1.21%**	**2.11%**	**2.11%**	**1.54%**
2.50 to <10.00	**332,382**	**12,707**	**3.82%**	**4.51%**	**4.65%**	**4.85%**
2.50 to <5.00	**216,234**	**5,788**	**2.68%**	**3.40%**	**3.45%**	**3.43%**
5.00 to <10.00	**116,148**	**6,919**	**5.96%**	**6.67%**	**6.86%**	**7.71%**
10.00 to <100.00	**80,191**	**16,566**	**20.66%**	**26.79%**	**26.85%**	**25.15%**
10.00 to <20.00	**37,554**	**4,366**	**11.63%**	**12.35%**	**12.85%**	**14.24%**
20.00 to <30.00	**16,597**	**2,157**	**13.00%**	**21.49%**	**22.02%**	**16.27%**
30.00 to <100.00	**26,040**	**10,043**	**38.57%**	**46.30%**	**49.87%**	**44.24%**
100.00 (Default)	**51,748**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	29,167	31	0.11%	0.08%	0.08%	0.16%
0.00 to <0.10	27,270	20	0.07%	0.08%	0.08%	0.15%
0.10 to <0.15	1,897	11	0.58%	0.14%	0.14%	0.36%
0.15 to <0.25	16,470	68	0.41%	0.22%	0.21%	0.43%
0.25 to <0.50	420,652	1,247	0.30%	0.37%	0.37%	0.71%
0.50 to <0.75	244,675	1,140	0.47%	0.72%	0.70%	0.85%
0.75 to <2.50	631,486	6,005	0.95%	1.56%	1.54%	1.28%
0.75 to <1.75	474,984	3,766	0.79%	1.41%	1.35%	1.15%
1.75 to <2.50	156,502	2,239	1.43%	2.11%	2.11%	1.69%
2.50 to <10.00	423,959	18,839	4.44%	4.50%	4.65%	5.29%
2.50 to <5.00	276,455	8,149	2.95%	3.41%	3.46%	3.80%
5.00 to <10.00	147,504	10,690	7.25%	6.71%	6.88%	8.42%
10.00 to <100.00	91,588	20,543	22.43%	26.86%	26.89%	27.22%
10.00 to <20.00	45,554	6,457	14.17%	12.63%	13.08%	14.81%
20.00 to <30.00	17,493	2,651	15.15%	21.75%	22.36%	17.40%
30.00 to <100.00	28,541	11,435	40.07%	48.14%	51.54%	46.07%
100.00 (Default)	60,704	N/A	N/A	100.00%	100.00%	N/A

Key observations

- Overall, the average historical annual default rate has shown a small decrease in 2024.
- Where 1-year and 5-year default rates are under-predicted, these are primarily driven by the Motor Finance definition of default which includes a number of non-credit related termination events; PD models are not designed to predict these events.
- As a result of the Loans calibration methodology there is a degree of under-prediction in some mid-range PD bands; these account for less than 10% of the obligors. For Loans, at an overall level, average PD remains above the default rates due to the presence of a PD buffer.

Model Performance continued
CR9: Back-testing of PD per portfolio – Retail QRRE

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**8,125,148**	**2,259**	**0.03%**	**0.09%**	**0.09%**	**0.03%**
0.00 to <0.10	**5,114,005**	**1,083**	**0.02%**	**0.07%**	**0.07%**	**0.02%**
0.10 to <0.15	**3,011,143**	**1,176**	**0.04%**	**0.13%**	**0.13%**	**0.04%**
0.15 to <0.25	**4,089,527**	**2,817**	**0.07%**	**0.20%**	**0.20%**	**0.07%**
0.25 to <0.50	**5,854,113**	**9,218**	**0.16%**	**0.36%**	**0.36%**	**0.18%**
0.50 to <0.75	**3,369,383**	**11,945**	**0.35%**	**0.62%**	**0.62%**	**0.39%**
0.75 to <2.50	**7,455,075**	**77,747**	**1.04%**	**1.37%**	**1.30%**	**1.22%**
0.75 to <1.75	**6,003,400**	**48,990**	**0.82%**	**1.15%**	**1.11%**	**0.96%**
1.75 to <2.50	**1,451,675**	**28,757**	**1.98%**	**2.09%**	**2.09%**	**2.32%**
2.50 to <10.00	**2,375,364**	**114,806**	**4.83%**	**4.65%**	**4.52%**	**5.37%**
2.50 to <5.00	**1,681,838**	**60,729**	**3.61%**	**3.54%**	**3.53%**	**4.14%**
5.00 to <10.00	**693,526**	**54,077**	**7.80%**	**6.90%**	**6.91%**	**8.41%**
10.00 to <100.00	**712,671**	**155,409**	**21.81%**	**27.68%**	**27.37%**	**22.81%**
10.00 to <20.00	**331,725**	**42,416**	**12.79%**	**13.60%**	**13.95%**	**13.23%**
20.00 to <30.00	**135,935**	**26,862**	**19.76%**	**24.48%**	**24.63%**	**19.39%**
30.00 to <100.00	**245,011**	**86,131**	**35.15%**	**51.30%**	**47.08%**	**35.08%**
100.00 (Default)	**285,636**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	8,882,797	2,936	0.03%	0.09%	0.09%	0.03%
0.00 to <0.10	5,789,694	1,433	0.02%	0.07%	0.07%	0.02%
0.10 to <0.15	3,093,103	1,503	0.05%	0.13%	0.13%	0.04%
0.15 to <0.25	4,228,421	3,392	0.08%	0.20%	0.20%	0.07%
0.25 to <0.50	5,610,037	10,614	0.19%	0.37%	0.37%	0.17%
0.50 to <0.75	3,316,723	12,698	0.38%	0.62%	0.63%	0.38%
0.75 to <2.50	6,296,181	72,146	1.15%	1.37%	1.30%	1.22%
0.75 to <1.75	5,084,094	46,118	0.91%	1.15%	1.11%	0.96%
1.75 to <2.50	1,212,087	26,028	2.15%	2.11%	2.10%	2.36%
2.50 to <10.00	2,033,817	105,265	5.18%	4.69%	4.56%	5.44%
2.50 to <5.00	1,420,149	55,610	3.92%	3.55%	3.54%	4.23%
5.00 to <10.00	613,668	49,655	8.09%	6.90%	6.93%	8.45%
10.00 to <100.00	647,554	140,527	21.70%	29.11%	28.60%	23.02%
10.00 to <20.00	285,468	36,871	12.92%	13.70%	14.00%	13.11%
20.00 to <30.00	121,728	22,815	18.74%	24.48%	24.63%	19.05%
30.00 to <100.00	240,358	80,841	33.63%	52.02%	47.96%	35.00%
100.00 (Default)	297,565	N/A	N/A	100.00%	100.00%	N/A

Key observations

– Overall, the average historical annual default rate remains broadly comparable with 2023.

– As a result of the calibration methodology there is a degree of under-prediction in some mid-range PD bands; these account for around 12% of obligors. At an overall level, the PDs remain above the default rates due to the presence of a PD buffer.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail - Secured by real estate - non-SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**1,986,857**	**1,389**	**0.07%**	**0.36%**	**0.32%**	**0.06%**
0.00 to <0.10	**1,804,459**	**969**	**0.05%**	**0.32%**	**0.28%**	**0.04%**
0.10 to <0.15	**182,398**	**420**	**0.23%**	**0.69%**	**0.65%**	**0.16%**
0.15 to <0.25	**131,177**	**407**	**0.31%**	**1.04%**	**0.99%**	**0.24%**
0.25 to <0.50	**84,663**	**612**	**0.72%**	**2.08%**	**1.96%**	**0.49%**
0.50 to <0.75	**19,061**	**231**	**1.21%**	**3.45%**	**3.37%**	**0.97%**
0.75 to <2.50	**28,664**	**707**	**2.47%**	**8.00%**	**7.50%**	**1.87%**
0.75 to <1.75	**17,030**	**402**	**2.36%**	**5.77%**	**5.68%**	**1.73%**
1.75 to <2.50	**11,634**	**305**	**2.62%**	**10.81%**	**10.17%**	**2.21%**
2.50 to <10.00	**20,352**	**1,758**	**8.64%**	**21.76%**	**21.00%**	**6.47%**
2.50 to <5.00	**12,263**	**787**	**6.42%**	**17.70%**	**17.05%**	**4.61%**
5.00 to <10.00	**8,089**	**971**	**12.00%**	**27.46%**	**26.98%**	**9.44%**
10.00 to <100.00	**20,199**	**8,242**	**40.80%**	**57.45%**	**57.44%**	**32.82%**
10.00 to <20.00	**7,680**	**1,551**	**20.20%**	**39.86%**	**39.97%**	**16.64%**
20.00 to <30.00	**3,424**	**1,122**	**32.77%**	**52.99%**	**52.69%**	**28.02%**
30.00 to <100.00	**9,095**	**5,569**	**61.23%**	**73.13%**	**73.98%**	**52.65%**
100.00 (Default)	**18,839**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	2,076,241	1,606	0.08%	0.38%	0.35%	0.05%
0.00 to <0.10	1,888,249	1,129	0.06%	0.35%	0.31%	0.04%
0.10 to <0.15	187,992	477	0.25%	0.77%	0.72%	0.15%
0.15 to <0.25	135,996	512	0.38%	1.19%	1.13%	0.22%
0.25 to <0.50	99,182	812	0.82%	2.01%	2.03%	0.44%
0.50 to <0.75	21,322	370	1.74%	3.57%	3.64%	0.88%
0.75 to <2.50	32,350	1,039	3.21%	8.52%	8.23%	1.66%
0.75 to <1.75	19,716	583	2.96%	6.00%	6.09%	1.50%
1.75 to <2.50	12,634	456	3.61%	12.08%	11.57%	2.03%
2.50 to <10.00	20,691	2,253	10.89%	22.74%	22.45%	5.88%
2.50 to <5.00	12,399	1,015	8.19%	18.63%	18.33%	4.19%
5.00 to <10.00	8,292	1,238	14.93%	28.53%	28.60%	8.58%
10.00 to <100.00	14,929	5,733	38.40%	57.00%	57.90%	30.92%
10.00 to <20.00	6,443	1,504	23.34%	41.70%	41.71%	15.44%
20.00 to <30.00	2,485	824	33.16%	56.12%	56.76%	26.57%
30.00 to <100.00	6,001	3,405	56.74%	74.30%	75.76%	50.50%
100.00 (Default)	16,384	N/A	N/A	100.00%	100.00%	N/A

Key observations

– For UK mortgages, values represent the live system 180 days past due definition of default. Material Post Model Adjustments are in place to reflect the impact of new CRD IV models including a 90-day definition of default.

– Obligors are allocated to grades using PIT PDs, so the weighted and arithmetic average PDs are above the range due to the use of more conservative TTC PDs.

– Most obligors are rated on a TTC basis, which is conservative relative to average historic default rates.

– Year-on-year, 1-year default rates have fallen slightly.

– The Netherlands mortgage book has been included from 2023 onwards. Default rates for prior years have not been revised.

Model Performance continued

CR9: Back-testing of PD per portfolio – Retail - Mortgages SME

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.50 to <0.75	**16,253**	**62**	**0.38 %**	**0.54 %**	**0.54 %**	**0.30 %**
0.75 to <2.50	**11,201**	**118**	**1.05 %**	**1.14 %**	**1.13 %**	**0.86 %**
0.75 to <1.75	**11,201**	**118**	**1.05 %**	**1.14 %**	**1.13 %**	**0.86 %**
2.50 to <10.00	**3,702**	**187**	**5.05 %**	**4.11 %**	**4.14 %**	**3.79 %**
2.50 to <5.00	**1,871**	**56**	**2.99 %**	**2.62 %**	**2.62 %**	**2.06 %**
5.00 to <10.00	**1,831**	**131**	**7.15 %**	**5.71 %**	**5.70 %**	**5.60 %**
10.00 to <100.00	**1,564**	**279**	**17.84 %**	**21.40 %**	**21.90 %**	**13.71 %**
10.00 to <20.00	**1,004**	**128**	**12.75 %**	**12.91 %**	**12.96 %**	**9.88 %**
20.00 to <30.00	**204**	**12**	**5.88 %**	**20.00 %**	**20.00 %**	**4.93 %**
30.00 to <100.00	**356**	**139**	**39.04 %**	**47.86 %**	**48.22 %**	**29.16 %**
100.00 (Default)	**724**	**N/A**	**N/A**	**100.00 %**	**100.00 %**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.50 to <0.75	18,716	90	0.48%	0.54%	0.54%	0.25%
0.75 to <2.50	12,577	157	1.25%	1.12%	1.12%	0.81%
0.75 to <1.75	12,577	157	1.25%	1.12%	1.12%	0.81%
2.50 to <10.00	4,076	192	4.71%	4.16%	4.15%	3.44%
2.50 to <5.00	2,052	62	3.02%	2.62%	2.62%	1.78%
5.00 to <10.00	2,024	130	6.42%	5.72%	5.69%	5.13%
10.00 to <100.00	1,570	294	18.73%	23.63%	22.45%	12.43%
10.00 to <20.00	1,008	142	14.09%	12.68%	12.92%	8.90%
20.00 to <30.00	202	25	12.38%	20.00%	20.00%	4.01%
30.00 to <100.00	360	127	35.28%	51.84%	50.51%	26.38%
100.00 (Default)	661	N/A	N/A	100.00%	100.00%	N/A

Key observations

– This table relates solely to the BDCS rating system.

– Obligor volumes have reduced again compared to last year's return though default rates have decreased in a number of PD ranges.

– One-year default rates have dropped below average PD in a number of PD ranges with only the 2.5 to <5 and 5 to <10 PD ranges seeing a higher one-year default rate than average PD. However, the average historical default rates remain within (or below) the PD range in all ranges.

Model Performance continued
CR9: Back-testing of PD per portfolio – Retail Total

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	No.	No.	%	%	%	%
0.00 to <0.15	**10,139,607**	**3,697**	**0.04%**	**0.35%**	**0.14%**	**0.03%**
0.00 to <0.10	**6,943,963**	**2,094**	**0.03%**	**0.32%**	**0.13%**	**0.03%**
0.10 to <0.15	**3,195,644**	**1,603**	**0.05%**	**0.62%**	**0.16%**	**0.05%**
0.15 to <0.25	**4,234,301**	**3,275**	**0.08%**	**0.86%**	**0.22%**	**0.08%**
0.25 to <0.50	**6,305,479**	**13,142**	**0.21%**	**1.16%**	**0.39%**	**0.22%**
0.50 to <0.75	**3,660,911**	**14,747**	**0.40%**	**1.15%**	**0.64%**	**0.42%**
0.75 to <2.50	**8,001,767**	**84,440**	**1.06%**	**2.57%**	**1.34%**	**1.22%**
0.75 to <1.75	**6,438,300**	**54,170**	**0.84%**	**1.83%**	**1.14%**	**0.98%**
1.75 to <2.50	**1,563,467**	**30,270**	**1.94%**	**5.11%**	**2.15%**	**2.23%**
2.50 to <10.00	**2,745,079**	**130,521**	**4.75%**	**8.63%**	**4.66%**	**5.28%**
2.50 to <5.00	**1,918,751**	**67,755**	**3.53%**	**6.53%**	**3.61%**	**4.01%**
5.00 to <10.00	**826,328**	**62,766**	**7.60%**	**12.30%**	**7.09%**	**8.23%**
10.00 to <100.00	**830,492**	**187,581**	**22.59%**	**44.25%**	**27.99%**	**23.34%**
10.00 to <20.00	**382,434**	**49,374**	**12.91%**	**26.39%**	**14.35%**	**13.40%**
20.00 to <30.00	**164,969**	**34,744**	**21.06%**	**39.86%**	**24.69%**	**19.74%**
30.00 to <100.00	**283,089**	**103,463**	**36.55%**	**64.74%**	**48.30%**	**36.70%**
100.00 (Default)	**399,610**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	10,988,205	4,573	0.04%	0.37%	0.14%	0.03%
0.00 to <0.10	7,705,213	2,582	0.03%	0.34%	0.13%	0.03%
0.10 to <0.15	3,282,992	1,991	0.06%	0.69%	0.16%	0.05%
0.15 to <0.25	4,380,887	3,972	0.09%	0.98%	0.23%	0.08%
0.25 to <0.50	6,129,871	12,673	0.21%	1.20%	0.39%	0.22%
0.50 to <0.75	3,634,458	14,537	0.40%	1.20%	0.65%	0.42%
0.75 to <2.50	7,002,773	80,149	1.14%	2.75%	1.36%	1.23%
0.75 to <1.75	5,621,550	51,426	0.91%	1.93%	1.15%	0.99%
1.75 to <2.50	1,381,223	28,723	2.08%	5.46%	2.19%	2.27%
2.50 to <10.00	2,497,328	127,923	5.12%	8.81%	4.72%	5.39%
2.50 to <5.00	1,718,260	65,285	3.80%	6.71%	3.63%	4.14%
5.00 to <10.00	779,068	62,638	8.04%	12.43%	7.13%	8.34%
10.00 to <100.00	772,833	175,708	22.74%	41.96%	28.87%	23.46%
10.00 to <20.00	343,430	46,115	13.43%	26.14%	14.38%	13.28%
20.00 to <30.00	151,109	31,864	21.09%	39.56%	24.61%	18.71%
30.00 to <100.00	278,294	97,729	35.12%	62.95%	49.05%	36.74%
100.00 (Default)	410,609	N/A	N/A	100.00%	100.00%	N/A

Model Performance continued

CR9: Back-testing of PD per portfolio – Corporate Total

	31 Dec 2024					
	Number of obligors in the end of previous year					
		Of which number of obligors which defaulted in the year	Observed average default rate	Exposure weighted average PD	Average PD	Average historical annual default rate
PD range	**No.**	**No.**	**%**	**%**	**%**	**%**
0.00 to <0.15	**251**	**0**	**0.00%**	**0.08%**	**0.08%**	**0.12%**
0.00 to <0.10	**117**	**0**	**0.00%**	**0.05%**	**0.05%**	**0.16%**
0.10 to <0.15	**134**	**0**	**0.00%**	**0.11%**	**0.11%**	**0.07%**
0.15 to <0.25	**826**	**0**	**0.00%**	**0.18%**	**0.19%**	**0.10%**
0.25 to <0.50	**3,010**	**9**	**0.30%**	**0.34%**	**0.38%**	**0.21%**
0.50 to <0.75	**19,304**	**46**	**0.24%**	**0.60%**	**0.55%**	**0.29%**
0.75 to <2.50	**15,712**	**135**	**0.86%**	**1.16%**	**1.12%**	**0.89%**
0.75 to <1.75	**15,234**	**119**	**0.78%**	**1.16%**	**1.09%**	**0.83%**
1.75 to <2.50	**478**	**16**	**3.35%**	**1.90%**	**1.90%**	**2.33%**
2.50 to <10.00	**5,628**	**185**	**3.29%**	**3.85%**	**4.15%**	**3.12%**
2.50 to <5.00	**3,673**	**61**	**1.66%**	**3.10%**	**3.09%**	**1.92%**
5.00 to <10.00	**1,955**	**124**	**6.34%**	**6.85%**	**6.15%**	**5.74%**
10.00 to <100.00	**1,221**	**91**	**7.45%**	**19.97%**	**20.30%**	**9.79%**
10.00 to <20.00	**529**	**32**	**6.05%**	**12.15%**	**12.42%**	**8.36%**
20.00 to <30.00	**448**	**2**	**0.45%**	**20.29%**	**20.04%**	**0.83%**
30.00 to <100.00	**244**	**57**	**23.36%**	**36.00%**	**37.88%**	**18.48%**
100.00 (Default)	**720**	**N/A**	**N/A**	**100.00%**	**100.00%**	**N/A**

	31 Dec 2023					
PD range	No.	No.	%	%	%	%
0.00 to <0.15	245	0	0.00%	0.08%	0.08%	0.15%
0.00 to <0.10	131	0	0.00%	0.05%	0.05%	0.24%
0.10 to <0.15	114	0	0.00%	0.11%	0.11%	0.07%
0.15 to <0.25	796	1	0.13%	0.18%	0.19%	0.10%
0.25 to <0.50	3,149	5	0.16%	0.35%	0.38%	0.23%
0.50 to <0.75	20,004	36	0.18%	0.61%	0.55%	0.33%
0.75 to <2.50	15,831	141	0.89%	1.25%	1.12%	0.93%
0.75 to <1.75	15,436	132	0.86%	1.25%	1.10%	0.87%
1.75 to <2.50	395	9	2.28%	1.90%	1.91%	2.09%
2.50 to <10.00	5,434	168	3.09%	4.10%	4.11%	3.26%
2.50 to <5.00	3,617	80	2.21%	3.32%	3.11%	2.21%
5.00 to <10.00	1,817	88	4.84%	6.46%	6.11%	5.65%
10.00 to <100.00	1,140	100	8.77%	20.88%	21.71%	9.78%
10.00 to <20.00	479	47	9.81%	12.20%	12.71%	8.23%
20.00 to <30.00	386	5	1.30%	20.00%	20.02%	0.98%
30.00 to <100.00	275	48	17.45%	35.16%	39.76%	16.62%
100.00 (Default)	674	N/A	N/A	100.00%	100.00%	N/A

Model Performance continued

CR9.1: Back-testing of PD per exposure class – Corporates Other

		31 Dec 2024				
		Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate	Average PD	Average historical annual default rate
PD range	External rating equivalent	No.	No.	%	%	%
0.015 - 0.025%	AAA to AA	**1**	**—**	**—**	**0.02%**	**—**
0.025 - 0.035%	AA-	**6**	**—**	**—**	**0.03%**	**—**
0.035 - 0.050%	A+	**4**	**—**	**—**	**0.04%**	**—**
0.050 - 0.080%	A	**11**	**—**	**—**	**0.06%**	**—**
0.080 - 0.140%	A-	**23**	**—**	**—**	**0.11%**	**—**
0.140 - 0.220%	BBB+	**22**	**—**	**—**	**0.18%**	**0.40%**
0.220 - 0.340%	BBB	**50**	**—**	**—**	**0.28%**	**—**
0.340 - 0.500%	BBB-	**37**	**—**	**—**	**0.42%**	**0.33%**
0.500 - 0.760%	BB+	**21**	**—**	**—**	**0.63%**	**0.44%**
0.760 - 1.240%	BB	**24**	**—**	**—**	**1.00%**	**0.42%**
1.240 - 2.000%	BB-	**12**	**—**	**—**	**1.62%**	**—**
2.000 - 3.200%	B+	**13**	**—**	**—**	**2.60%**	**7.02%**
3.200 - 5.200%	B+	**5**	**—**	**—**	**4.20%**	**1.54%**
5.200 - 7.200%	B	**3**	**—**	**—**	**6.20%**	**15.56%**
7.200 - 10.200%	B-	**3**	**—**	**—**	**8.70%**	**4.00%**
10.200 - 13.800%	B-	**1**	**1**	**100 %**	**12.00%**	**12.00%**
13.800 - 99.999%	CCC to C	**—**	**—**	**—**	**—**	**11.67%**
100.000 (Default)		**5**	**N/A**	**N/A**	**100.00%**	**N/A**

		31 Dec 2023				
PD range	External rating equivalent	No.	No.	%	%	%
0.015 - 0.025%	AAA to AA	2	—	—	0.02%	—
0.025 - 0.035%	AA-	5	—	—	0.03%	—
0.035 - 0.050%	A+	5	—	—	0.04%	—
0.050 - 0.080%	A	8	—	—	0.06%	—
0.080 - 0.140%	A-	23	—	—	0.11%	—
0.140 - 0.220%	BBB+	28	—	—	0.18%	0.40%
0.220 - 0.340%	BBB	50	—	—	0.28%	—
0.340 - 0.500%	BBB-	45	—	—	0.42%	0.33%
0.500 - 0.760%	BB+	21	—	—	0.63%	0.44%
0.760 - 1.240%	BB	26	—	—	1.00%	0.42%
1.240 - 2.000%	BB-	21	—	—	1.62%	—
2.000 - 3.200%	B+	7	1	14.29%	2.60%	7.02%
3.200 - 5.200%	B+	9	—	—	4.20%	1.54%
5.200 - 7.200%	B	4	1	25.00%	6.20%	15.56%
7.200 - 10.200%	B-	1	—	—	8.70%	4.00%
10.200 - 13.800%	B-	1	—	—	12.00%	12.00%
13.800 - 99.999%	CCC to C	2	—	—	31.00%	11.67%
100.000 (Default)		6	N/A	N/A	100.00%	N/A

Key observations

- This table reports on the Publicly Quoted rating system only. It is the Group's most material rating system which meets the criteria specified in point f Article 180(1) of CRR in relation to the use of External Credit Assessment Institution (ECAI) ratings.
- Default volumes are low; with only one default observed in the most recent 12-month outcome period. This was rated as sub-investment at the point of default.
- Low volumes of customers and defaults can lead to a significant degree of volatility in the annual historical default rate.

Credit risk

CR6: Credit risk exposures by portfolio and PD range

Most of the Group's CRD IV models remain subject to further development and final approval by the PRA. In disclosing the CR6 tables the Group has followed PRA guidance from Supervisory Statement 11/13, with the below factors being particularly relevant:

– The Group has prudently applied temporary model adjustments to risk-weighted asset and expected loss amounts at a portfolio (i.e rating system) level (SS 11/13 19.17(a));

– Incumbent models have not been recalibrated or changed to reflect the desired capital outcome (SS 11/13 191.7(b)); and

– Total risk-weighted asset and expected loss amounts for each PD grade has been increased proportionately (SS 11/13 19.18). Exposure at Default is not adjusted.

This means that whilst risk-weighted assets and expected losses disclosed in these tables reflect new CRD IV modelling requirements, the exposure distribution across PD grades and the reported average weighted PDs and LGDs reflect our incumbent models which are not CRD IV compliant.

Where relevant, further information on how this impacts particular asset classes has been included as footnotes to the tables.

CR6: Credit risk exposures by portfolio and PD range - Central Governments and Central Banks

	31 Dec 2024											
PD range	**On-balance sheet exposures**	**Off-balance-sheet exposures pre-CCF**	**Exposure weighted average CCF**	**Exposure post CCF and post CRM**	**Exposure weighted average PD**	**Number of obligors**	**Exposure weighted average LGD**	**Exposure weighted average maturity (years)**	**Risk weighted exposure amount after supporting factors**	**Density of risk weighted exposure amount**	**Expected loss amount**	**Value adjustments and provisions**
Central Governments or Central Banks	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**10,420**	**240**	**74.92%**	**10,237**	**0.01%**	**19**	**45.00%**	**0.3**	**149**	**1.45%**	**1**	**—**
0.00 to <0.10	10,420	240	74.92%	10,237	0.01%	19	45.00%	0.3	149	1.45%	1	—
0.25 to <0.50	**—**	**—**	**—**	**—**	**0.42%**	**1**	**45.00%**	**5.0**	**—**	**97.82%**	**—**	**—**
0.75 to <2.50	**—**	**75**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**
0.75 to <1.75	—	75	—	—	—	1	—	—	—	—	—	—
2.50 to <10.00	**36**	**64**	**75.00%**	**—**	**8.70%**	**4**	**45.00%**	**1.0**	**—**	**175.73%**	**—**	**—**
2.50 to <5.00	12	64	—	—	—	2	—	—	—	—	—	—
5.00 to <10.00	24	—	75.00%	—	8.70%	2	45.00%	1.0	—	175.73%	—	—
10.00 to <100.00	**39**	**—**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**—**
10.00 to <20.00	39	—	—	—	—	1	—	—	—	—	—	—
Subtotal	**10,495**	**379**	**74.91%**	**10,237**	**0.01%**	**26**	**45.00%**	**0.3**	**149**	**1.46%**	**1**	**—**
	31 Dec 2023											
Central Governments or Central Banks	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	8,526	224	74.93%	8,264	0.01%	17	45.00%	1.3	384	4.64%	—	—
0.00 to <0.10	8,526	224	74.93%	8,264	0.01%	17	45.00%	1.3	384	4.64%	—	—
0.25 to <0.50	—	—	—	—	0.42%	1	45.00%	5.0	—	97.82%	—	—
0.75 to <2.50	74	1	—	—	—	1	—	—	—	—	—	—
0.75 to <1.75	74	1	—	—	—	1	—	—	—	—	—	—
2.50 to <10.00	40	66	75.00%	—	6.20%	4	45.00%	1.9	1	163.99%	—	—
2.50 to <5.00	4	66	—	—	—	2	—	—	—	—	—	—
5.00 to <10.00	36	—	75.00%	—	6.20%	2	45.00%	1.9	1	163.99%	—	—
10.00 to <100.00	44	1	—	—	—	1	—	—	—	—	—	—
10.00 to <20.00	44	1	—	—	—	1	—	—	—	—	—	—
Subtotal	8,684	292	74.93%	8,268	0.01%	26	45.00%	1.3	388	4.69%	—	—

CR6: Credit risk exposures by portfolio and PD range - Institutions

	31 Dec 2024											
PD range	**On-balance sheet exposures**	**Off-balance-sheet exposures pre-CCF**	**Exposure weighted average CCF**	**Exposure post CCF and post CRM**	**Exposure weighted average PD**	**Number of obligors**	**Exposure weighted average LGD**	**Exposure weighted average maturity (years)**	**Risk weighted exposure amount after supporting factors**	**Density of risk weighted exposure amount**	**Expected loss amount**	**Value adjustments and provisions**
Institutions	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**8,896**	**1,307**	**21.62%**	**9,696**	**0.05%**	**822**	**36.32%**	**1.5**	**1,527**	**15.75%**	**3**	**—**
0.00 to <0.10	7,762	940	24.00%	8,508	0.05%	685	36.96%	1.5	1,301	15.29%	2	—
0.10 to <0.15	1,134	367	14.52%	1,188	0.11%	137	31.75%	1.4	226	19.06%	1	—
0.15 to <0.25	**109**	**100**	**22.60%**	**145**	**0.18%**	**45**	**30.15%**	**2.1**	**51**	**34.85%**	**—**	**—**
0.25 to <0.50	**5**	**78**	**75.10%**	**64**	**0.41%**	**65**	**32.33%**	**1.5**	**30**	**47.26%**	**—**	**—**
0.50 to <0.75	**61**	**37**	**2.12%**	**61**	**0.63%**	**43**	**43.68%**	**1.1**	**60**	**97.36%**	**—**	**—**
0.75 to <2.50	**187**	**1**	**66.99%**	**96**	**1.15%**	**70**	**34.41%**	**2.5**	**87**	**91.26%**	**—**	**1**
0.75 to <1.75	187	1	66.99%	96	1.15%	63	34.39%	2.5	87	91.23%	—	1
1.75 to <2.50	—	—	—	—	1.90%	7	43.78%	1.3	—	125.21%	—	—
2.50 to <10.00	**1**	**1,500**	**75.00%**	**1,126**	**2.60%**	**28**	**0.03%**	**1.0**	**1**	**0.09%**	**—**	**—**
2.50 to <5.00	1	1,500	75.00%	1,126	2.60%	17	0.02%	1.0	1	0.07%	—	—
5.00 to <10.00	—	—	—	—	6.20%	11	45.00%	1.1	—	179.89%	—	—
10.00 to <100.00	**—**	**—**	**—**	**—**	**31.00%**	**6**	**45.00%**	**1.0**	**1**	**292.43%**	**—**	**—**
10.00 to <20.00	—	—	—	—	—	1	—	—	—	—	—	—
30.00 to <100.00	—	—	—	—	31.00%	5	45.00%	1.0	1	292.43%	—	—
100.00 (Default)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**9,259**	**3,023**	**47.98%**	**11,188**	**0.33%**	**1,079**	**32.59%**	**1.4**	**1,757**	**15.71%**	**3**	**1**

	31 Dec 2023											
Institutions	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	12,273	1,191	18.18%	12,502	0.06%	858	36.83%	1.2	1,997	15.98%	4	1
0.00 to <0.10	10,328	829	19.74%	10,504	0.05%	717	36.90%	1.3	1,524	14.51%	3	1
0.10 to <0.15	1,945	362	14.57%	1,998	0.11%	141	36.46%	0.9	473	23.70%	1	—
0.15 to <0.25	34	104	29.09%	64	0.18%	43	44.86%	1.8	35	54.62%	—	—
0.25 to <0.50	238	69	62.26%	280	0.34%	69	26.53%	2.5	120	42.63%	1	—
0.50 to <0.75	52	30	2.63%	53	0.63%	45	42.42%	1.1	49	92.71%	—	—
0.75 to <2.50	51	190	27.17%	103	1.03%	63	42.71%	1.4	120	116.72%	1	1
0.75 to <1.75	51	190	27.17%	103	1.03%	59	42.71%	1.4	120	116.71%	1	1
1.75 to <2.50	—	—	—	—	1.90%	4	43.02%	1.3	—	123.06%	—	—
2.50 to <10.00	1	1,500	75.01%	1,127	2.60%	26	0.08%	1.0	3	0.29%	—	—
2.50 to <5.00	1	1,500	75.01%	1,127	2.60%	16	0.07%	1.0	3	0.23%	—	—
5.00 to <10.00	—	—	75.00%	—	6.20%	10	45.00%	1.1	—	150.32%	—	—
10.00 to <100.00	—	—	—	—	30.55%	10	45.00%	1.0	1	292.57%	—	—
10.00 to <20.00	—	—	—	—	20.00%	2	45.00%	1.0	—	268.31%	—	—
30.00 to <100.00	—	—	—	—	31.00%	8	45.00%	1.0	1	293.60%	—	—
100.00 (Default)	—	—	—	—	—	—	45.00%	—	—	—	—	—
Subtotal	12,649	3,084	47.48%	14,129	0.28%	1,114	33.79%	1.2	2,325	16.46%	6	2

CR6: Credit risk exposures by portfolio and PD range - Corporate SME

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
31 Dec 2024												
Corporate SME	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**592**	**354**	**26.03%**	**684**	**0.06%**	**220**	**39.94%**	**3.6**	**188**	**27.44%**	**—**	**—**
0.00 to <0.10	511	254	31.13%	590	0.05%	160	39.84%	3.5	145	24.49%	—	—
0.10 to <0.15	81	100	13.06%	94	0.11%	60	40.60%	4.4	43	46.12%	—	—
0.15 to <0.25	**157**	**25**	**28.40%**	**163**	**0.19%**	**214**	**42.47%**	**3.3**	**68**	**41.65%**	**—**	**—**
0.25 to <0.50	**448**	**249**	**25.18%**	**490**	**0.39%**	**1,215**	**43.43%**	**3.1**	**268**	**54.59%**	**1**	**1**
0.50 to <0.75	**914**	**378**	**22.73%**	**960**	**0.57%**	**17,433**	**39.38%**	**3.1**	**489**	**50.89%**	**2**	**3**
0.75 to <2.50	**2,469**	**900**	**32.90%**	**2,653**	**1.23%**	**14,086**	**40.28%**	**3.0**	**1,955**	**73.70%**	**16**	**12**
0.75 to <1.75	2,461	900	32.90%	2,645	1.22%	14,044	40.27%	3.0	1,949	73.69%	16	12
1.75 to <2.50	8	—	—	8	2.00%	42	44.69%	1.4	6	77.66%	—	—
2.50 to <10.00	**1,475**	**508**	**32.15%**	**1,570**	**3.96%**	**7,048**	**40.31%**	**2.7**	**1,482**	**94.41%**	**29**	**33**
2.50 to <5.00	1,024	427	32.01%	1,110	3.01%	3,885	40.76%	2.8	1,009	90.95%	15	19
5.00 to <10.00	451	81	32.87%	460	6.25%	3,163	39.23%	2.5	473	102.75%	14	14
10.00 to <100.00	**186**	**33**	**20.28%**	**178**	**21.07%**	**2,452**	**39.43%**	**2.1**	**266**	**149.42%**	**17**	**10**
10.00 to <20.00	107	14	30.44%	107	12.81%	2,101	37.69%	2.0	135	125.86%	6	3
30.00 to <100.00	79	19	12.61%	71	33.60%	351	42.06%	2.4	131	185.21%	11	7
100.00 (Default)	**389**	**28**	**38.80%**	**370**	**100.00%**	**986**	**39.68%**	**2.1**	**—**	**—**	**147**	**71**
Subtotal	**6,630**	**2,475**	**29.28%**	**7,068**	**7.21%**	**43,654**	**40.35%**	**2.9**	**4,716**	**66.71%**	**212**	**130**
31 Dec 2023												
Corporate SME	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	626	615	24.76%	778	0.07%	232	41.06%	4.1	212	27.24%	—	—
0.00 to <0.10	450	395	21.51%	534	0.05%	166	40.49%	4.1	122	22.82%	—	—
0.10 to <0.15	176	220	30.60%	244	0.11%	66	42.31%	4.0	90	36.92%	—	—
0.15 to <0.25	179	28	36.62%	187	0.19%	219	41.52%	2.9	78	41.61%	—	—
0.25 to <0.50	605	296	13.54%	603	0.39%	1,236	41.35%	3.6	330	54.84%	1	1
0.50 to <0.75	940	446	8.82%	911	0.58%	18,280	40.11%	3.7	535	58.73%	2	3
0.75 to <2.50	2,184	850	15.21%	2,151	1.28%	13,552	40.43%	3.1	1,562	72.63%	13	17
0.75 to <1.75	2,180	850	15.21%	2,147	1.28%	13,520	40.42%	3.1	1,559	72.62%	13	17
1.75 to <2.50	4	—	—	4	2.00%	32	45.00%	1.3	3	74.71%	—	—
2.50 to <10.00	1,428	356	25.92%	1,397	3.98%	6,314	39.91%	2.9	1,283	91.80%	24	30
2.50 to <5.00	974	289	28.66%	968	2.98%	3,476	40.34%	2.9	851	87.91%	13	19
5.00 to <10.00	454	67	14.19%	429	6.24%	2,838	38.93%	3.0	432	100.57%	11	11
10.00 to <100.00	190	32	29.72%	174	20.43%	1,861	38.95%	2.2	261	149.89%	15	12
10.00 to <20.00	117	10	9.52%	108	13.01%	1,528	37.38%	2.1	142	131.47%	6	4
30.00 to <100.00	73	22	38.60%	66	32.69%	333	41.65%	2.4	119	180.36%	9	8
100.00 (Default)	417	37	24.38%	395	100.00%	913	40.43%	2.4	—	—	160	87
Subtotal	6,569	2,660	18.12%	6,596	7.92%	42,608	40.43%	3.2	4,261	64.60%	215	150

CR6: Credit risk exposures by portfolio and PD range - Corporate Main

	31 Dec 2024											
PD range Corporate Main	**On-balance sheet exposures £m**	**Off-balance-sheet exposures pre-CCF £m**	**Exposure weighted average CCF %**	**Exposure post CCF and post CRM £m**	**Exposure weighted average PD %**	**Number of obligors No.**	**Exposure weighted average LGD %**	**Exposure weighted average maturity (years) No.**	**Risk weighted exposure amount after supporting factors £m**	**Density of risk weighted exposure amount %**	**Expected loss amount £m**	**Value adjustments and provisions £m**
0.00 to <0.15	**15,686**	**21,149**	**51.64%**	**27,014**	**0.09%**	**680**	**43.02%**	**2.2**	**7,359**	**27.24%**	**12**	**25**
0.00 to <0.10	4,051	10,242	44.98%	8,950	0.05%	314	42.46%	2.6	2,092	23.37%	2	9
0.10 to <0.15	11,635	10,907	58.03%	18,064	0.11%	366	43.30%	1.9	5,267	29.16%	10	16
0.15 to <0.25	**5,861**	**5,473**	**56.40%**	**9,122**	**0.18%**	**2,657**	**42.84%**	**2.3**	**3,953**	**43.34%**	**8**	**15**
0.25 to <0.50	**5,073**	**9,373**	**52.36%**	**9,490**	**0.36%**	**4,342**	**37.34%**	**2.1**	**5,100**	**53.74%**	**16**	**26**
0.50 to <0.75	**2,274**	**1,626**	**24.59%**	**2,574**	**0.62%**	**5,209**	**41.58%**	**2.0**	**1,950**	**75.77%**	**8**	**18**
0.75 to <2.50	**4,022**	**3,347**	**35.28%**	**4,948**	**1.22%**	**7,887**	**39.37%**	**2.0**	**4,692**	**94.83%**	**28**	**57**
0.75 to <1.75	3,912	3,329	35.50%	4,838	1.21%	6,452	39.26%	2.0	4,571	94.48%	27	57
1.75 to <2.50	110	18	—	110	1.95%	1,435	44.09%	1.4	121	110.01%	1	—
2.50 to <10.00	**2,271**	**1,970**	**48.81%**	**2,654**	**3.80%**	**3,089**	**43.30%**	**2.5**	**4,012**	**151.19%**	**49**	**58**
2.50 to <5.00	1,912	1,730	47.70%	2,165	3.10%	2,490	43.37%	2.7	3,164	146.11%	33	36
5.00 to <10.00	359	240	56.30%	489	6.91%	599	43.00%	1.8	848	173.65%	16	22
10.00 to <100.00	**183**	**128**	**31.73%**	**223**	**22.97%**	**226**	**41.37%**	**2.4**	**565**	**252.65%**	**22**	**25**
10.00 to <20.00	91	72	6.80%	96	12.17%	137	40.55%	2.9	232	241.52%	5	9
20.00 to <30.00	—	1	—	—	30.00%	26	42.91%	1.2	1	288.25%	—	—
30.00 to <100.00	92	55	65.58%	127	31.12%	63	41.99%	2.1	332	260.97%	17	16
100.00 (Default)	**497**	**92**	**65.83%**	**557**	**100.00%**	**568**	**44.17%**	**1.4**	**—**	**—**	**247**	**154**
Subtotal	**35,867**	**43,158**	**50.10%**	**56,582**	**1.52%**	**24,658**	**41.67%**	**2.2**	**27,631**	**48.83%**	**390**	**378**

	31 Dec 2023											
Corporate Main	£m	£m	%	£m	%	No.	%	No.	£m	%	£m	£m
0.00 to <0.15	14,161	21,038	53.04%	25,580	0.09%	650	42.89%	2.4	6,998	27.36%	12	28
0.00 to <0.10	4,078	8,842	48.28%	8,531	0.05%	299	42.01%	3.0	2,062	24.17%	3	9
0.10 to <0.15	10,083	12,196	56.54%	17,049	0.11%	351	43.34%	2.0	4,936	28.95%	9	19
0.15 to <0.25	5,136	6,107	55.81%	8,793	0.18%	2,750	44.08%	2.1	3,582	40.74%	8	17
0.25 to <0.50	7,213	9,905	56.96%	12,583	0.34%	4,201	38.34%	2.2	6,823	54.22%	21	48
0.50 to <0.75	2,141	2,065	42.59%	2,840	0.62%	6,011	40.89%	2.2	2,218	78.10%	10	23
0.75 to <2.50	3,419	4,545	64.46%	6,219	1.17%	7,300	27.54%	2.2	4,208	67.66%	25	65
0.75 to <1.75	3,335	4,534	64.63%	6,136	1.16%	6,012	27.31%	2.2	4,114	67.05%	24	65
1.75 to <2.50	84	11	—	83	1.97%	1,288	44.50%	1.5	94	112.65%	1	—
2.50 to <10.00	2,430	1,897	45.81%	3,018	3.75%	3,244	43.50%	2.2	4,393	145.53%	55	130
2.50 to <5.00	2,090	1,763	46.14%	2,629	3.20%	2,565	43.42%	2.3	3,672	139.63%	41	95
5.00 to <10.00	340	134	41.54%	389	7.44%	679	44.07%	1.5	721	185.41%	14	35
10.00 to <100.00	172	48	51.32%	196	24.64%	226	42.40%	1.5	497	253.35%	21	27
10.00 to <20.00	62	19	32.13%	68	12.35%	136	39.66%	1.5	134	197.75%	3	12
20.00 to <30.00	5	2	—	5	30.00%	17	44.96%	1.0	15	289.41%	1	—
30.00 to <100.00	105	27	68.70%	123	31.11%	73	43.72%	1.5	348	282.16%	17	15
100.00 (Default)	630	109	52.30%	686	100.00%	580	41.89%	1.8	—	—	288	191
Subtotal	35,302	45,714	54.64%	59,915	1.70%	24,961	40.44%	2.3	28,719	47.93%	440	529

CR6: Credit risk exposures by portfolio and PD range - Residential Mortgages (SME)

	31 Dec 2024										
PD range	**On-balance sheet exposures**	**Off-balance-sheet exposures pre-CCF**	**Exposure weighted average CCF**	**Exposure post CCF and post CRM**	**Exposure weighted average PD**	**Number of obligors**	**Exposure weighted average LGD**	**Risk weighted exposure amount after supporting factors**	**Density of risk weighted exposure amount**	**Expected loss amount**	**Value adjustments and provisions**
Residential mortgages (SME)	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.50 to <0.75	**1,293**	**171**	**96.65%**	**1,441**	**0.54%**	**12,530**	**17.63%**	**169**	**11.71%**	**1**	**35**
0.75 to <2.50	**976**	**127**	**97.76%**	**1,089**	**1.12%**	**7,909**	**16.43%**	**230**	**21.14%**	**3**	**12**
0.75 to <1.75	976	127	97.76%	1,089	1.12%	7,909	16.43%	230	21.14%	3	12
2.50 to <10.00	**310**	**23**	**99.07%**	**330**	**4.20%**	**2,492**	**17.94%**	**168**	**50.85%**	**4**	**8**
2.50 to <5.00	150	12	97.71%	161	2.62%	1,269	17.51%	63	39.10%	1	4
5.00 to <10.00	160	11	100.63%	169	5.70%	1,223	18.35%	105	62.04%	3	4
10.00 to <100.00	**91**	**5**	**97.47%**	**95**	**21.89%**	**931**	**20.66%**	**92**	**96.49%**	**7**	**6**
10.00 to <20.00	66	5	97.85%	70	12.65%	740	20.57%	69	97.72%	3	4
30.00 to <100.00	25	—	93.64%	25	48.38%	191	20.90%	23	91.75%	4	2
100.00 (Default)	**123**	**6**	**98.32%**	**128**	**100.00%**	**431**	**17.75%**	**26**	**20.70%**	**23**	**32**
Subtotal	**2,793**	**332**	**97.29%**	**3,083**	**5.92%**	**24,293**	**17.34%**	**685**	**22.22%**	**38**	**93**

	31 Dec 2023										
Residential mortgages (SME)	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.50 to <0.75	1,678	164	97.16%	1,806	0.54%	13,246	18.16%	222	12.30%	2	36
0.75 to <2.50	1,386	154	98.25%	1,515	1.13%	9,094	16.03%	316	20.85%	4	16
0.75 to <1.75	1,386	154	98.25%	1,515	1.13%	9,094	16.03%	316	20.85%	4	16
2.50 to <10.00	438	25	98.86%	457	4.17%	2,968	17.59%	232	50.88%	5	13
2.50 to <5.00	218	13	100.31%	228	2.62%	1,493	17.67%	93	40.91%	2	6
5.00 to <10.00	220	12	97.28%	229	5.72%	1,475	17.50%	139	60.83%	3	7
10.00 to <100.00	127	8	97.91%	133	22.12%	1,115	18.20%	125	93.76%	8	11
10.00 to <20.00	93	7	98.24%	99	13.32%	882	18.23%	95	95.72%	4	8
30.00 to <100.00	34	1	94.53%	34	47.68%	233	18.12%	30	88.06%	4	3
100.00 (Default)	134	7	98.43%	140	100.00%	454	18.58%	20	14.20%	25	32
Subtotal	3,763	358	97.79%	4,051	5.30%	26,878	17.32%	915	22.60%	44	108

CR6: Credit risk exposures by portfolio and PD range - Residential Mortgages (non-SME)

	31 Dec 2024										
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Residential mortgages (non-SME) [1,2]	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	**241,028**	**16,455**	**103.91%**	**268,802**	**0.28%**	**1,641,893**	**10.55%**	**27,179**	**10.11%**	**127**	**141**
0.00 to <0.10	195,238	16,057	104.35%	220,658	0.23%	1,283,291	10.66%	19,408	8.80%	85	91
0.10 to <0.15	45,790	398	85.93%	48,144	0.50%	358,602	10.03%	7,771	16.14%	42	50
0.15 to <0.25	**39,717**	**1,252**	**88.18%**	**42,307**	**0.68%**	**300,868**	**12.11%**	**8,185**	**19.35%**	**49**	**45**
0.25 to <0.50	**23,996**	**229**	**65.38%**	**25,178**	**1.16%**	**191,221**	**9.97%**	**7,224**	**28.69%**	**54**	**52**
0.50 to <0.75	**6,538**	**76**	**54.74%**	**6,870**	**2.05%**	**58,159**	**7.81%**	**2,132**	**31.03%**	**19**	**23**
0.75 to <2.50	**5,830**	**63**	**56.47%**	**6,126**	**3.68%**	**49,730**	**8.21%**	**2,939**	**47.98%**	**34**	**30**
0.75 to <1.75	5,081	62	56.57%	5,343	3.24%	42,860	8.25%	2,477	46.36%	27	25
1.75 to <2.50	749	1	51.39%	783	6.72%	6,870	7.98%	462	59.07%	7	5
2.50 to <10.00	**3,074**	**6**	**64.79%**	**3,211**	**17.05%**	**25,176**	**7.84%**	**2,633**	**82.00%**	**71**	**45**
2.50 to <5.00	1,594	2	90.71%	1,666	13.58%	12,862	8.15%	1,361	81.67%	31	22
5.00 to <10.00	1,480	4	54.30%	1,545	20.79%	12,314	7.50%	1,272	82.37%	40	23
10.00 to <100.00	**3,151**	**2**	**59.11%**	**3,242**	**51.92%**	**24,132**	**7.84%**	**2,518**	**77.69%**	**250**	**37**
10.00 to <20.00	1,255	2	63.82%	1,302	33.89%	9863	8.09%	1,196	91.91%	60	18
20.00 to <30.00	501	—	—%	517	45.30%	3,840	7.54%	479	92.64%	33	7
30.00 to <100.00	1,395	—	45.97%	1,423	70.82%	10,429	7.73%	843	59.24%	157	12
100.00 (Default)	**2,981**	**—**	**55.46%**	**2,981**	**100.00%**	**19,013**	**9.95%**	**8,960**	**300.54%**	**308**	**618**
Subtotal	**326,315**	**18,083**	**101.94%**	**358,717**	**1.93%**	**2,310,192**	**10.54%**	**61,770**	**17.22%**	**912**	**991**

CR6: Credit risk exposures by portfolio and PD range - Residential Mortgages (non-SME) continued

	31 Dec 2023										
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Residential mortgages (non-SME)[1 2]	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	277,583	12,944	101.28%	302,774	0.34%	2,015,050	10.62%	32,510	10.74%	158	287
0.00 to <0.10	251,827	12,685	101.94%	275,871	0.31%	1,822,125	10.50%	27,770	10.07%	131	233
0.10 to <0.15	25,756	259	69.01%	26,903	0.65%	192,925	11.86%	4,740	17.62%	27	54
0.15 to <0.25	16,566	655	88.68%	17,855	1.05%	128,109	10.36%	4,212	23.59%	29	58
0.25 to <0.50	10,878	76	62.90%	11,402	1.82%	89,944	9.06%	3,329	29.20%	29	55
0.50 to <0.75	2,027	6	60.37%	2,118	3.41%	19,262	8.75%	845	39.92%	9	20
0.75 to <2.50	3,359	19	85.20%	3,523	7.37%	29,164	8.43%	2,168	61.52%	34	66
0.75 to <1.75	1,986	16	91.19%	2,087	5.15%	17,867	8.47%	1,029	49.29%	14	25
1.75 to <2.50	1,373	3	53.76%	1,436	10.60%	11,297	8.37%	1,139	79.31%	20	41
2.50 to <10.00	2,525	4	95.64%	2,629	21.15%	20,806	8.41%	2,243	85.33%	69	67
2.50 to <5.00	1,468	4	96.05%	1,532	16.98%	12,261	8.42%	1,239	80.84%	32	45
5.00 to <10.00	1,057	—	83.57%	1,097	26.97%	8,545	8.39%	1,004	91.58%	37	22
10.00 to <100.00	2,699	1	53.38%	2,760	57.02%	21,042	8.31%	2,494	90.36%	262	51
10.00 to <20.00	966	—	95.67%	995	39.06%	7,777	8.35%	1,003	100.77%	51	23
20.00 to <30.00	462	—	—	474	52.29%	3,710	8.27%	538	113.52%	39	11
30.00 to <100.00	1,271	1	49.75%	1,291	72.61%	9,555	8.30%	953	73.82%	172	17
100.00 (Default)	2,981	—	41.26%	2,981	100.00%	20,235	10.00%	10,006	335.68%	346	715
Subtotal	318,618	13,705	100.42%	346,042	1.99%	2,343,612	10.48%	57,807	16.71%	936	1,319

1 The Group's Secured CRD IV models remain subject to further development and final approval by the PRA. A significant level of temporary model adjustments have been applied separately to the not-in-default and default populations, reflecting new CRD IV modelling requirements. These adjustments include a 90-days past due default backstop and other new modelling requirements for this asset class. Risk-weighted asset and expected loss for each range within the not in default population has been increased proportionately, in line with PRA guidance (Supervisory Statement 11/13).

2 Balance sheet exposures and Exposure post CCF/CRM are not adjusted for CRD IV and are allocated to ranges based on the underlying PiT PD from incumbent (pre CRD IV) models. Weighted and arithmetic average PDs quoted are above the ranges due to the use of more conservative TTC PDs, also from incumbent models. This includes the use of a 180 days past due default backstop within the definition of default. Under CRD IV rules we would expect the distribution of exposures to PD ranges, including the level of defaulted exposures, to be significantly different given the stricter definitions.

CR6: Credit risk exposures by portfolio and PD range - Qualifying revolving retail exposures

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2024										
Qualifying revolving retail exposures	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**1,026**	**15,729**	**64.64%**	**11,194**	**0.09%**	**8,761,967**	**56.51%**	**395**	**3.53%**	**6**	**52**
0.00 to <0.10	631	10,720	64.82%	7,581	0.07%	5,858,020	55.75%	212	2.80%	3	36
0.10 to <0.15	395	5,009	64.24%	3,613	0.13%	2,903,947	58.11%	183	5.07%	3	16
0.15 to <0.25	**606**	**6,648**	**66.16%**	**5,004**	**0.20%**	**4,150,232**	**59.53%**	**377**	**7.53%**	**7**	**21**
0.25 to <0.50	**1,304**	**9,291**	**65.28%**	**7,369**	**0.36%**	**5,941,124**	**62.45%**	**941**	**12.77%**	**19**	**32**
0.50 to <0.75	**931**	**3,902**	**67.91%**	**3,580**	**0.62%**	**3,417,468**	**69.01%**	**773**	**21.58%**	**17**	**20**
0.75 to <2.50	**3,720**	**6,665**	**70.63%**	**8,429**	**1.37%**	**7,590,419**	**75.17%**	**3,600**	**42.71%**	**99**	**104**
0.75 to <1.75	2,588	5,442	71.01%	6,453	1.15%	6,164,026	74.81%	2,418	37.48%	63	65
1.75 to <2.50	1,132	1,223	68.90%	1,976	2.09%	1,426,393	76.36%	1,182	59.78%	36	39
2.50 to <10.00	**3,077**	**1,623**	**71.92%**	**4,246**	**4.62%**	**2,509,902**	**77.92%**	**4,406**	**103.78%**	**174**	**183**
2.50 to <5.00	1,969	1,291	70.64%	2,883	3.54%	1,764,676	77.51%	2,526	87.63%	90	96
5.00 to <10.00	1,108	332	76.90%	1,363	6.88%	745,226	78.80%	1,880	137.94%	84	87
10.00 to <100.00	**911**	**145**	**89.14%**	**1,059**	**29.17%**	**752,307**	**77.63%**	**2,398**	**226.52%**	**274**	**140**
10.00 to <20.00	448	86	88.57%	525	13.60%	325,796	78.67%	1,066	203.08%	64	56
20.00 to <30.00	123	23	91.72%	146	24.36%	128,953	76.87%	374	256.52%	31	21
30.00 to <100.00	340	36	88.84%	388	52.05%	297,558	76.53%	958	246.99%	179	63
100.00 (Default)	**236**	**40**	**0.08**	**236**	**100.00%**	**248,607**	**73.16%**	**544**	**229.89%**	**146**	**136**
Subtotal	**11,811**	**44,043**	**66.49%**	**41,117**	**2.25%**	**33,372,026**	**65.71%**	**13,434**	**32.67%**	**742**	**688**

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2023										
Qualifying revolving retail exposures	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	861	14,553	64.35%	10,225	0.09%	8,265,226	57.61%	368	3.60%	6	49
0.00 to <0.10	493	9,439	64.90%	6,620	0.07%	5,211,559	56.74%	187	2.83%	3	32
0.10 to <0.15	368	5,114	63.31%	3,605	0.13%	3,053,667	59.22%	181	5.01%	3	17
0.15 to <0.25	531	6,470	64.40%	4,698	0.20%	4,112,262	60.85%	349	7.43%	6	21
0.25 to <0.50	1,161	9,468	62.39%	7,069	0.37%	5,868,075	63.51%	895	12.66%	18	34
0.50 to <0.75	840	4,065	67.08%	3,568	0.62%	3,384,508	69.84%	752	21.07%	17	22
0.75 to <2.50	3,359	6,785	72.52%	8,285	1.37%	7,551,369	76.63%	3,475	41.95%	95	114
0.75 to <1.75	2,314	5,539	72.42%	6,330	1.15%	6,089,385	76.38%	2,327	36.76%	60	71
1.75 to <2.5	1,045	1,246	72.93%	1,955	2.09%	1,461,984	77.46%	1,148	58.72%	35	43
2.50 to <10.00	3,001	1,671	73.94%	4,238	4.66%	2,403,373	78.42%	4,337	102.33%	170	214
2.50 to <5.00	1,869	1,310	72.38%	2,818	3.53%	1,686,388	78.16%	2,421	85.91%	85	109
5.00 to <10.00	1,132	361	79.62%	1,420	6.90%	716,985	78.92%	1,916	134.91%	85	105
10.00 to <100.00	930	184	87.08%	1,106	28.33%	706,180	78.02%	2,385	215.59%	264	155
10.00 to <20.00	477	101	90.09%	569	13.57%	317,797	78.81%	1,117	196.49%	66	68
20.00 to <30.00	126	34	84.21%	157	24.29%	127,825	76.94%	384	244.00%	32	24
30.00 to <100.00	327	49	82.91%	380	52.06%	260,558	77.25%	884	232.42%	166	63
100.00 (Default)	238	—	—	238	100.00%	270,657	72.47%	526	221.11%	134	130
Subtotal	10,921	43,196	65.93%	39,427	2.36%	32,561,650	67.06%	13,087	33.19%	710	739

CR6: Credit risk exposures by portfolio and PD range - Retail Other SME

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31 Dec 2024										
Retail Other SME	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.50 to <0.75	**966**	**303**	**88.77%**	**433**	**0.54%**	**55,327**	**80.14%**	**210**	**48.58%**	**2**	**12**
0.75 to <2.50	**1,006**	**221**	**93.32%**	**423**	**1.15%**	**61,144**	**80.12%**	**358**	**84.56%**	**7**	**8**
0.75 to <1.75	1,006	221	93.32%	423	1.15%	61,144	80.12%	358	84.56%	7	8
2.50 to <10.00	**492**	**66**	**94.65%**	**196**	**4.22%**	**35,700**	**81.32%**	**229**	**116.73%**	**13**	**4**
2.50 to <5.00	242	37	94.53%	98	2.62%	16,619	81.16%	109	111.33%	4	4
5.00 to <10.00	250	29	94.82%	98	5.81%	19,081	81.47%	120	122.13%	9	—
10.00 to <100.00	**192**	**14**	**92.03%**	**75**	**27.23%**	**43,787**	**85.62%**	**122**	**160.99%**	**26**	**3**
10.00 to <20.00	129	11	92.09%	51	12.96%	38,751	85.70%	82	159.07%	11	2
30.00 to <100.00	63	3	91.80%	24	57.34%	5,036	85.26%	40	164.73%	15	1
100.00 (Default)	**510**	**2**	**89.91%**	**271**	**100.00%**	**83,888**	**5.97%**	**100**	**37.11%**	**16**	**21**
Subtotal	**3,166**	**606**	**91.15%**	**1,398**	**21.93%**	**279,846**	**66.24%**	**1,019**	**72.88%**	**64**	**48**
	31 Dec 2023										
Retail Other SME	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.50 to <0.75	1,537	287	90.65%	474	0.54%	57,928	77.45%	222	46.93%	2	13
0.75 to <2.50	1,561	213	94.43%	479	1.15%	65,104	76.50%	442	92.36%	8	9
0.75 to <1.75	1,561	213	94.43%	479	1.15%	65,104	76.50%	442	92.36%	8	9
2.50 to <10.00	610	59	94.89%	188	4.19%	34,291	79.42%	255	135.09%	13	4
2.50 to <5.00	295	34	95.01%	93	2.62%	16,488	79.83%	121	129.63%	4	3
5.00 to <10.00	315	25	94.74%	95	5.73%	17,803	79.02%	134	140.46%	9	1
10.00 to <100.00	251	12	92.33%	77	28.67%	51,127	84.94%	150	193.29%	30	4
10.00 to <20.00	162	9	92.51%	50	13.12%	45,208	84.17%	97	192.09%	12	3
30.00 to <100.00	89	3	91.70%	27	57.25%	5,919	85.75%	53	194.08%	18	1
100.00 (Default)	677	4	93.12%	259	100.00%	72,453	8.33%	102	39.30%	21	21
Subtotal	4,636	575	92.54%	1,477	20.09%	280,901	65.68%	1,171	79.24%	74	51

CR6: Credit risk exposures by portfolio and PD range - Retail Other non-SME

	31 Dec 2024										
PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Retail Other non-SME	**£m**	**£m**	**%**	**£m**	**%**	**No.**	**%**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	**380**	**—**	**30.00%**	**381**	**0.08%**	**22,829**	**37.18%**	**38**	**10.11%**	**—**	**1**
0.00 to <0.10	372	—	30.00%	372	0.08%	20,287	36.30%	36	9.82%	—	1
0.10 to <0.15	8	—	30.00%	9	0.14%	2,542	73.18%	2	25.12%	—	—
0.15 to <0.25	**71**	**2**	**30.00%**	**74**	**0.21%**	**16,003**	**75.70%**	**26**	**35.15%**	**—**	**—**
0.25 to <0.50	**4,470**	**7**	**30.00%**	**4,479**	**0.37%**	**361,683**	**38.85%**	**1,319**	**29.45%**	**6**	**61**
0.50 to <0.75	**3,367**	**7**	**30.00%**	**3,375**	**0.72%**	**235,461**	**43.33%**	**1,558**	**46.14%**	**10**	**49**
0.75 to <2.50	**6,076**	**30**	**30.00%**	**6,110**	**1.56%**	**553,246**	**63.77%**	**5,266**	**86.19%**	**63**	**112**
0.75 to <1.75	4,844	20	30.00%	4,867	1.42%	423,927	59.10%	3,795	77.98%	40	86
1.75 to <2.50	1,232	10	30.00%	1,243	2.11%	129,319	82.03%	1,471	118.32%	23	26
2.50 to <10.00	**3,685**	**22**	**30.00%**	**3,710**	**4.51%**	**370,788**	**67.61%**	**4,158**	**112.06%**	**118**	**99**
2.50 to <5.00	2,456	14	30.00%	2,472	3.42%	243,866	69.27%	2,755	111.41%	62	60
5.00 to <10.00	1,229	8	30.00%	1,238	6.70%	126,922	64.30%	1,403	113.34%	56	39
10.00 to <100.00	**692**	**5**	**30.00%**	**697**	**27.00%**	**76,058**	**55.72%**	**977**	**140.06%**	**106**	**56**
10.00 to <20.00	261	3	30.00%	264	12.39%	35,139	68.58%	378	143.22%	25	11
20.00 to <30.00	169	1	30.00%	170	21.47%	15,678	45.65%	221	129.66%	17	15
30.00 to <100.00	262	1	30.00%	263	45.21%	25,241	49.34%	378	143.73%	64	30
100.00 (Default)	**218**	**—**	**—**	**218**	**100.00%**	**36,226**	**55.38%**	**317**	**145.47%**	**118**	**118**
Subtotal	**18,959**	**73**	**30.00%**	**19,044**	**3.73%**	**1,672,294**	**54.16%**	**13,659**	**71.72%**	**421**	**496**

	31 Dec 2023										
Retail Other non-SME	£m	£m	%	£m	%	No.	%	£m	%	£m	£m
0.00 to <0.15	411	—	30.00%	412	0.08%	24,083	36.77%	42	10.27%	—	2
0.00 to <0.10	404	—	30.00%	405	0.08%	21,927	36.13%	40	10.00%	—	2
0.10 to <0.15	7	—	30.00%	7	0.14%	2,156	72.48%	2	25.60%	—	—
0.15 to <0.25	53	1	30.00%	55	0.21%	13,513	74.70%	20	35.34%	—	—
0.25 to <0.50	4,370	6	30.00%	4,378	0.37%	362,577	37.79%	1,287	29.40%	5	62
0.50 to <0.75	3,222	5	30.00%	3,229	0.73%	225,892	41.62%	1,484	45.94%	9	58
0.75 to <2.50	5,159	20	30.00%	5,189	1.57%	478,341	59.80%	4,338	83.60%	50	113
0.75 to <1.75	4,258	13	30.00%	4,278	1.46%	377,754	55.14%	3,248	75.93%	33	88
1.75 to <2.50	901	7	30.00%	911	2.11%	100,587	81.70%	1,090	119.65%	17	25
2.50 to <10.00	3,459	15	30.00%	3,481	4.56%	345,029	66.27%	3,905	112.17%	111	104
2.50 to <5.00	2,286	9	30.00%	2,300	3.42%	225,284	67.78%	2,559	111.26%	57	65
5.00 to <10.00	1,173	6	30.00%	1,181	6.78%	119,745	63.34%	1,346	113.95%	54	39
10.00 to <100.00	719	5	30.00%	726	27.12%	82,849	57.03%	1,045	143.98%	116	53
10.00 to <20.00	282	3	30.00%	286	12.35%	38,752	69.29%	418	146.48%	27	12
20.00 to <30.00	169	1	30.00%	170	21.54%	16,350	46.85%	230	135.11%	18	13
30.00 to <100.00	268	1	30.00%	270	46.29%	27,747	50.53%	397	147.12%	71	28
100.00 (Default)	226	—	30.00%	226	100.00%	51,011	55.57%	357	158.04%	128	115
Subtotal	17,619	52	30.00%	17,696	3.98%	1,583,295	51.65%	12,478	70.51%	419	507

Credit risk continued

CR6-A: Scope of the use of IRB and SA approaches

The exposure values in the table below are presented on a different basis. Column (a) IRB exposures are presented on a pre CRM post CCF basis in accordance with rules for calculating exposures under the IRB approach. Retail IRB exposures reported in column (a) use EAD models. For column (b), both standardised and IRB exposure values reported are calculated in accordance with CRR Article 429(4) relating to leverage exposure methodology. This is gross exposure, net of credit risk adjustments, and after application of CCFs as set out in CRR Article 429. For the majority of the Retail asset classes, due to the use of the lower Article 429 CCFs in column (b) versus the use higher modelled EAD in column (a), the reported value for Retail exposures in column (b) is less than that reported in column (a).

		31 Dec 2024				
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	**Total exposure value for exposures subject to the Standardised approach and to the IRB approach**[1]	**Percentage of total exposure value subject to the permanent partial use of the SA**	**Percentage of total exposure value subject to IRB Approach**	**Percentage of total exposure value subject to a roll-out plan**
		(a)	**(b)**	**(c)**	**(d)**	**(e)**
		£m	**£m**	**%**	**%**	**%**
1	**Central governments or central banks**	**10,743**	**91,900**	**88.4%**	**11.6%**	**—**
2	**Institutions**	**10,697**	**14,164**	**30.2%**	**69.8%**	**—**
3	**Corporates**	**79,138**	**80,626**	**6.3%**	**90.5%**	**3.2%**
3.2	Of which Corporates - Specialised lending under slotting approach		13,506	—	100.0%	—
4	**Retail**	**425,712**	**388,513**	**2.5%**	**95.0%**	**2.4%**
4.1	of which Retail – Secured by real estate SMEs		3,175	1.4%	91.0%	7.5%
4.2	of which Retail – Secured by real estate non-SMEs		333,576	1.4%	98.6%	—
4.3	of which Retail – Qualifying revolving		25,333	7.8%	61.7%	30.5%
4.4	of which Retail – Other SMEs		5,229	23.5%	61.5%	14.9%
4.5	of which Retail – Other non-SMEs		20,824	7.8%	88.7%	3.4%
5	**Equity**	**6,061**	**7,802**	**22.3%**	**77.7%**	**—**
6	**Other non-credit obligation assets**	**11,569**	**14,393**	**20.5%**	**79.5%**	**—**
7	**Total**	**543,920**	**597,398**	**17.6%**	**80.4%**	**2.0%**

		31 Dec 2023				
		£m	£m	%	%	%
1	Central governments or central banks	8,885	105,403	91.6%	8.4%	—
2	Institutions	14,118	16,738	20.6%	79.4%	—
3	Corporates	80,668	80,911	6.1%	91.1%	2.8%
3.2	Of which Corporates - Specialised lending under slotting approach		12,577	—	100.0%	—
4	Retail	412,445	379,639	2.5%	94.9%	2.6%
4.1	of which Retail – Secured by real estate SMEs		3,965	0.7%	93.4%	5.9%
4.2	of which Retail – Secured by real estate non-SMEs		324,989	1.5%	98.5%	—
4.3	of which Retail – Qualifying revolving		24,195	6.0%	60.4%	33.6%
4.4	of which Retail – Other SMEs		6,043	10.1%	76.9%	13.0%
4.5	of which Retail – Other non-SMEs		20,010	10.7%	85.6%	3.7%
5	Equity	5,951	7,558	21.3%	78.7%	—
6	Other non-credit obligation assets	10,265	13,066	22.4%	77.6%	—
7	Total	532,332	603,315	19.7%	78.2%	2.0%

1 Standardised exposures have been allocated to IRB exposure classes as defined under the IRB approach. Standardised regional governments, local authorities and public sector entities exposures have been allocated to exposure class Institutions per CRR Articles 147, 115 and 116.

Credit risk continued

CR7-A IRB - Disclosure of the extent of the use of CRM techniques

		31 Dec 2024												
			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWAs
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)[2]		
					Of which				Of which					
		Total exposure at default	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals[1]	Part of exposures covered by Immovable property Collaterals[1]	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWA with substitution effects
A-IRB		£m	%	%	%	%	%	%	%	%	%	%	%	£m
4	**Retail**	**423,359**	**—**	**85.25%**	**85.25%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**90,567**
4.1	Of which Retail – Immovable property SMEs	**3,083**	**0.02%**	**94.27%**	**94.25%**	**—**	**0.02%**	**—**	**—**	**—**	**—**	**—**	**—**	**685**
4.2	Of which Retail – Immovable property non-SMEs	**358,717**	**—**	**99.80%**	**99.80%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**61,770**
4.3	Of which Retail – Qualifying revolving	**41,117**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**13,434**
4.4	Of which Retail – Other SMEs	**1,398**	**0.12%**	**0.28%**	**—**	**—**	**0.28%**	**—**	**—**	**—**	**—**	**—**	**—**	**1,019**
4.5	Of which Retail – Other non-SMEs	**19,044**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**13,659**
5	**Total**	**423,359**	**—**	**85.25%**	**85.25%**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**90,567**
F-IRB														
1	**Central governments and central banks**	**10,237**	**—**	**—**	**—**	**—**	**—**	**—**				**5.64%**	**—**	**149**
2	**Institutions**	**11,188**	**48.96%**	**1.23%**	**—**	**—**	**1.23%**	**—**				**1.07%**	**—**	**1,757**
3	**Corporates**	**77,198**	**4.19%**	**16.53%**	**12.98%**	**1.78%**	**1.77%**	**—**				**3.19%**	**0.20%**	**41,460**
3.1	Of which Corporates – SMEs	**7,068**	**0.62%**	**60.73%**	**47.34%**	**13.38%**	**0.01%**	**—**				**4.05%**	**—**	**4,716**
3.2	Of which Corporates – Specialised lending[3]	**13,548**	**—**	**—**	**—**	**—**	**—**	**—**				**—**	**—**	**9,113**
3.3	Of which Corporates – Other	**56,582**	**5.64%**	**14.98%**	**11.80%**	**0.76%**	**2.42%**	**—**				**3.84%**	**0.27%**	**27,631**
4	**Total**	**98,623**	**8.83%**	**13.09%**	**10.16%**	**1.40%**	**1.53%**	**—**				**3.20%**	**0.16%**	**43,366**

CR7-A IRB - Disclosure of the extent of the use of CRM techniques continued

		31 Dec 2023												
			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWAs
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)[2]		
					Of which				Of which					
		Total exposure at default	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals[1]	Part of exposures covered by Immovable property Collaterals[1]	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWA with substitution effects (both reduction and substitution effects)
A-IRB		£m	%	%	%	%	%	%	%	%	%	%	%	£m
4	Retail	408,694	—	79.65%	79.65%	—	—	—	—	—	—	—	—	85,459
4.1	Of which Retail – Immovable property SMEs	4,051	0.04%	93.56%	93.54%	—	0.02%	—	—	—	—	—	—	915
4.2	Of which Retail – Immovable property non-SMEs	346,042	—	92.98%	92.98%	—	—	—	—	—	—	—	—	57,808
4.3	Of which Retail – Qualifying revolving	39,427	—	—	—	—	—	—	—	—	—	—	—	13,087
4.4	Of which Retail – Other SMEs	1,477	0.23%	0.28%	—	—	0.28%	—	—	—	—	—	—	1,171
4.5	Of which Retail – Other non-SMEs	17,696	—	—	—	—	—	—	—	—	—	—	—	12,478
5	Total	408,694	—	79.65%	79.65%	—	—	—	—	—	—	—	—	85,459
F-IRB														
1	Central governments and central banks	8,269	—	—	—	—	—	—				7.92%	—	388
2	Institutions	14,136	43.28%	1.11%	—	—	1.11%	—				—	—	2,329
3	Corporates	79,160	6.59%	15.53%	11.99%	1.79%	1.75%	—				1.77%	0.36%	41,787
3.1	Of which Corporates – SMEs	6,596	1.08%	57.15%	42.69%	14.42%	0.04%	—				6.90%	—	4,261
3.2	Of which Corporates – Specialised lending[3]	12,619	—	—	—	—	—	—				—	—	8,778
3.3	Of which Corporates – Other	59,945	8.59%	14.23%	11.14%	0.78%	2.31%	—				1.58%	0.48%	28,748
4	Total	101,565	11.16%	12.26%	9.35%	1.39%	1.52%	—				2.02%	0.28%	44,504

1. For AIRB the value of eligible collateral has been capped at individual exposure amount. The percentage immovable property collateral for Retail immovable property non-SMEs without capping collateral is 231 per cent. For FIRB, the amount is capped at the value used in determining the LGD.
2. For AIRB, the unfunded credit protection includes only cases where unfunded credit protection is taken into account in own estimates of LGD. For FIRB, it relates to unfunded credit protection which has substitution effect.
3. 100% of the exposures disclosed in the 'Of which Corporates - Specialised lending' row use the Slotting approach which does not use collateral in the calculation of RWA.

Credit risk continued

CR10.1: IRB – Specialised lending - Project Finance (Slotting approach)

		31 Dec 2024					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Regulatory categories	**Remaining maturity**	**£m**	**£m**		**£m**	**£m**	**£m**
1) Strong	Less than 2.5 years	**970**	**803**	**50%**	**1,523**	**760**	**—**
	Equal to or more than 2.5 years	**2,205**	**1,464**	**70%**	**3,307**	**2,221**	**13**
2) Good	Less than 2.5 years	**49**	**145**	**70%**	**177**	**124**	**1**
	Equal to or more than 2.5 years	**294**	**139**	**90%**	**400**	**360**	**3**
3) Satisfactory	Less than 2.5 years	**48**	**4**	**115%**	**50**	**57**	**1**
	Equal to or more than 2.5 years	**310**	**12**	**115%**	**319**	**367**	**9**
4) Weak	Less than 2.5 years	**—**	**—**	**250%**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**35**	**35**	**250%**	**62**	**154**	**5**
5) Default	Less than 2.5 years	**84**	**6**		**88**	**—**	**44**
	Equal to or more than 2.5 years	**69**	**6**		**74**	**—**	**37**
Total	**Less than 2.5 years**	**1,151**	**958**		**1,838**	**941**	**46**
	Equal to or more than 2.5 years	**2,913**	**1,656**		**4,162**	**3,102**	**67**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m		£m	£m	£m
1) Strong	Less than 2.5 years	718	462	50%	1,016	508	—
	Equal to or more than 2.5 years	1,756	1,051	70%	2,545	1,697	10
2) Good	Less than 2.5 years	127	38	70%	157	110	1
	Equal to or more than 2.5 years	491	255	90%	739	665	6
3) Satisfactory	Less than 2.5 years	15	2	115%	16	19	—
	Equal to or more than 2.5 years	39	6	115%	44	50	1
4) Weak	Less than 2.5 years	—	—	250%	—	—	—
	Equal to or more than 2.5 years	23	17	250%	36	90	3
5) Default	Less than 2.5 years	59	—		59	—	29
	Equal to or more than 2.5 years	1	1		2	—	1
Total	Less than 2.5 years	919	502		1,248	637	30
	Equal to or more than 2.5 years	2,310	1,330		3,366	2,502	21

Credit risk continued

CR10.2: IRB – Specialised lending - Income-producing real estate and high volatility commercial real estate (Slotting approach)

		31 Dec 2024					
		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Regulatory categories	**Remaining maturity**	**£m**	**£m**		**£m**	**£m**	**£m**
1) Strong	Less than 2.5 years	**2,261**	**183**	**50%**	**2,322**	**1,133**	**—**
	Equal to or more than 2.5 years	**1,012**	**141**	**70%**	**1,030**	**695**	**4**
2) Good	Less than 2.5 years	**1,343**	**82**	**70%**	**1,400**	**962**	**6**
	Equal to or more than 2.5 years	**2,089**	**139**	**90%**	**2,186**	**1,903**	**17**
3) Satisfactory	Less than 2.5 years	**65**	**1**	**115%**	**66**	**73**	**2**
	Equal to or more than 2.5 years	**154**	**1**	**115%**	**154**	**174**	**4**
4) Weak	Less than 2.5 years	**17**	**—**	**250%**	**17**	**41**	**1**
	Equal to or more than 2.5 years	**13**	**—**	**250%**	**13**	**30**	**1**
5) Default	Less than 2.5 years	**283**	**3**		**284**	**—**	**142**
	Equal to or more than 2.5 years	**9**	**—**		**10**	**—**	**5**
Total	**Less than 2.5 years**	**3,969**	**269**		**4,089**	**2,209**	**151**
	Equal to or more than 2.5 years	**3,277**	**281**		**3,393**	**2,802**	**31**
		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m		£m	£m	£m
1) Strong	Less than 2.5 years	2,017	477	50%	2,218	1,107	—
	Equal to or more than 2.5 years	953	99	70%	1,007	702	4
2) Good	Less than 2.5 years	1,948	150	70%	2,038	1,426	8
	Equal to or more than 2.5 years	1,700	179	90%	1,830	1,647	15
3) Satisfactory	Less than 2.5 years	252	12	115%	260	299	7
	Equal to or more than 2.5 years	197	2	115%	198	228	6
4) Weak	Less than 2.5 years	56	1	250%	57	141	5
	Equal to or more than 2.5 years	9	—	250%	9	24	1
5) Default	Less than 2.5 years	295	7		299	—	150
	Equal to or more than 2.5 years	16	—		16	—	8
Total	Less than 2.5 years	4,567	647		4,872	2,973	170
	Equal to or more than 2.5 years	2,876	281		3,060	2,601	33

Credit risk continued

CR10.3: IRB – Specialised lending - Object finance (Slotting approach)

		31 Dec 2024					
		On-balance sheet exposure	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Regulatory categories	**Remaining maturity**	**£m**	**£m**		**£m**	**£m**	**£m**
2) Good	Less than 2.5 years	**—**	**—**	**70%**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**64**	**—**	**90%**	**64**	**58**	**1**
Total	**Less than 2.5 years**	**—**	**—**		**—**	**—**	**—**
	Equal to or more than 2.5 years	**64**	**—**		**64**	**58**	**1**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m		£m	£m	£m
2) Good	Less than 2.5 years	—	—	70%	—	—	—
	Equal to or more than 2.5 years	73	—	90%	73	66	1
Total	Less than 2.5 years	—	—		—	—	—
	Equal to or more than 2.5 years	73	—		73	66	1

CR10.5: Equity exposures subject to the simple risk weight method[1]

	31 Dec 2024					
	On-balance sheet exposure	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Categories	**£m**	**£m**		**£m**	**£m**	**£m**
Private equity exposures	**2,269**	**6**	**190%**	**2,275**	**4,323**	**18**
Other equity exposures	**117**	**—**	**370%**	**117**	**432**	**3**
Total	**2,386**	**6**		**2,392**	**4,755**	**21**

	31 Dec 2023					
Categories	£m	£m		£m	£m	£m
Private equity exposures	2,230	6	190%	2,236	4,248	18
Other equity exposures	137	—	370%	137	507	3
Total	2,367	6		2,373	4,755	21

1 Excludes threshold risk weighted assets (31 December 2024: £9,251 million / 31 December 2023: £9,218 million)

PILLAR 1 CAPITAL REQUIREMENTS: COUNTERPARTY CREDIT RISK

CCRA: Qualitative disclosure related to CCR

Definition

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial instruments derivatives and SFT contracts.

Internal Capital and Credit Limits

The credit risk appetite for counterparties is determined through a combination of credit quality (expressed as an internal credit rating) and size (measured by its capital and reserves). In general, activity of the Group is conducted with counterparties that have internal obligor ratings equivalent to investment grade as measured by external credit rating agencies.

Internal obligor ratings are mapped to modelled PDs, which when combined with LGDs and EADs determine EL. To calculate EAD, values for derivative products are determined by using the SA-CCR methodology for regulatory purposes and internally developed exposure models for limit management.

Additionally a number of product specific, obligor quality limit guidelines and counterparty specific policies also serve to determine risk management and credit limit setting. Once commercial approval has been obtained for a counterparty, credit limits are established through the Group's credit approval framework on the basis of the projected maximum PFE of anticipated derivative transaction volumes, based on 95th percentile assumptions.

Credit limits are set by risk type and reflect documentation held for netting or collateral management purposes. Outstanding exposures are calculated on a PFE basis, based upon the transaction characteristics and documentation.

Securing Collateral and Establishing Credit Reserves

Use is made of collateral and risk mitigation techniques to reduce credit risks in various portfolios. These include the use of collateral (principally cash and UK Government Gilts, which is largely applied to central governments or central banks and institution exposures; government securities and guarantees), break clauses and netting. A significant amount of derivative exposure is cleared at Qualified Central Counterparties (QCCPs), which replaces exposure to individual counterparties with an exposure against the Central Counterparty (CCP).

Policy is set governing types of acceptable collateral and haircuts, in line with industry practice.

Collateral arrangements are governed by standard agreements (such as Global Master Repurchase Agreements and Credit Support Annexes (CSA) and Credit Support Deeds (CSD). It is policy that appropriate documentation is put in place for all clients prior to trading, any exceptions being subject to specific approval from the appropriate Credit Sanctioner. Policy also defines minimum acceptable requirements for the negotiation of ISDA and CSA documentation.

Derivative transactions with financial counterparties are typically collateralised under a Credit Support Annex (CSA) in conjunction with the International Swaps and Derivatives Association (ISDA) Master Agreement. Derivative transactions with non-financial customers are not usually supported by a CSA.

To recognise the effects of credit risk mitigation, any agreements must be valid, enforceable, unconditional and irrevocable. In addition, collateral must be transferred to the bank through the passing of title and should be offset on a portfolio by portfolio basis. Once these conditions are met, the effect of collateral received is reflected in reductions to all applicable credit exposures and in capital adequacy calculations.

Collateral received is reviewed daily to ensure quality is maintained and concentrations are avoided as necessary.

Correlation (Wrong Way) Risk

The Group seeks to avoid correlation or wrong-way risk where possible. Under the Group's repurchase (repo) policy, the issuer of the collateral and the repo counterparty should be neither the same nor connected. The same rule applies for derivatives. The Risk function has the necessary discretion to extend this rule to other cases where there is significant correlation. Countries with a rating equivalent to AA- or better may be considered to have no adverse correlation between the counterparty domiciled in that country and the country of risk (issuer of securities).

Collateral Requirements in the Event of a Downgrade in Credit Rating

The Group has a number of rating dependent contracts that would trigger cash and collateral outflows in the event of a credit rating downgrade.

As at 31st December 2024 a simultaneous one-notch downgrade in the long-term and associated short-term credit ratings of all rated entities in the Group would result in liquidity outflows of £1.3 billion before any mitigating management actions.

The Group manages the impact of such an eventuality by holding sufficient levels of liquidity for these outflows through both its liquidity coverage ratio and internal liquidity stress tests, which continue to exceed the regulatory minimum and internal risk appetite.

Master Netting Agreements

It is credit policy that a Group-approved master netting agreement must be used for all derivative and traded product transactions and must be in place prior to trading, with separate documentation required for each Group entity providing facilities. This requirement extends to trades with clients and the counterparties used for the Group's own hedging activities, which may also include clearing trades with Central Counterparties (CCPs).

Any exceptions must be approved by the appropriate credit approver. Master netting agreements do not generally result in an offset of balance sheet assets and liabilities for accounting purposes, as transactions are usually settled on a gross basis. However, within relevant jurisdictions and for appropriate counterparty types, master netting agreements do reduce the credit risk to the extent that, if an event of default occurs, all trades with the counterparty may be terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting agreements can change substantially within a short period, since this is the net position of all trades under the master netting agreement.

Counterparty credit risk

CCR1: Analysis of CCR exposure by approach

		31 Dec 2024							
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	**4,169**	**5,137**	**—**	**1.4**	**27,169**	**13,029**	**12,915**	**5,605**
4	Financial collateral comprehensive method (for SFTs)					**177,232**	**22,077**	**22,077**	**744**
6	**Total**					**204,401**	**35,106**	**34,992**	**6,349**
		31 Dec 2023							
		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	4,574	4,855	—	1.4	26,228	13,201	13,027	5,333
4	Financial collateral comprehensive method (for SFTs)					156,122	22,377	22,377	335
6	Total					182,350	35,578	35,404	5,668

CCR2: Credit valuation adjustment (CVA) capital charge

		31 Dec 2024		31 Dec 2023	
		Exposure value	RWA	Exposure value	RWA
		£m	£m	£m	£m
4	Transactions subject to the Standardised method	**4,664**	**485**	4,363	689
5	**Total transactions subject to own funds requirements for CVA risk**	**4,664**	**485**	4,363	689

Counterparty credit risk continued

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk

		31 Dec 2024											
		Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
	Exposure classes	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	Central governments or central banks	**16,818**	**—**	**—**	**—**	**49**	**—**	**—**	**—**	**—**	**—**	**—**	**16,866**
3	Public sector entities	**9**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9**
4	Multilateral development banks	**164**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**164**
5	International organisations	**306**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**307**
6	Institutions	**—**	**1,826**	**268**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,094**
7	Corporates	**—**	**—**	**—**	**—**	**—**	**91**	**—**	**—**	**452**	**—**	**—**	**543**
11	**Total exposure value**	**17,297**	**1,826**	**268**	**—**	**49**	**91**	**—**	**—**	**452**	**—**	**—**	**19,983**
		31 Dec 2023											
	Exposure classes	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	19,433	—	—	—	46	—	—	—	—	—	—	19,478
3	Public sector entities	7	—	—	—	—	—	—	—	—	—	—	7
4	Multilateral development banks	275	—	—	—	—	—	—	—	—	—	—	275
5	International organisations	388	—	—	—	—	—	—	—	—	—	—	388
6	Institutions	—	1,681	545	—	—	—	—	—	—	—	—	2,226
7	Corporates	—	—	—	—	—	324	—	—	440	—	—	763
11	Total exposure value	20,103	1,681	545	—	46	324	—	—	440	—	—	23,139

Counterparty credit risk continued

CCR4: IRB – CCR exposure by portfolio and PD scale

		31 Dec 2024						
	PD scale	Exposure value	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
	Corporate	£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	**4,616**	**0.09%**	**747**	**45.0%**	**2.0**	**1,200**	**26.0%**
2	0.15 to <0.25	**1,689**	**0.18%**	**353**	**45.0%**	**2.4**	**732**	**43.3%**
3	0.25 to <0.50	**1,622**	**0.32%**	**640**	**45.0%**	**1.8**	**840**	**51.8%**
4	0.50 to <0.75	**85**	**0.63%**	**147**	**45.0%**	**1.1**	**54**	**63.0%**
5	0.75 to <2.50	**163**	**1.14%**	**185**	**45.0%**	**1.7**	**146**	**90.0%**
6	2.50 to <10.00	**411**	**6.72%**	**104**	**45.0%**	**4.0**	**791**	**192.3%**
7	10.00 to <100.00	**—**	**16.15%**	**8**	**45.0%**	**1.0**	**—**	**154.7%**
8	100.00 (Default)	**402**	**100.00%**	**10**	**45.0%**	**5.0**	**—**	**—**
	Sub-total	**8,988**	**4.95%**	**2,194**	**45.0%**	**2.3**	**3,763**	**41.9%**
		31 Dec 2023						
		£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	4,205	0.09%	977	45.0%	1.7	1,011	24.0%
2	0.15 to <0.25	1,800	0.18%	377	45.0%	2.5	790	43.9%
3	0.25 to <0.50	1,660	0.33%	867	45.0%	2.6	1,035	62.4%
4	0.50 to <0.75	265	0.63%	158	45.3%	1.2	172	65.1%
5	0.75 to <2.50	234	1.28%	214	45.0%	1.3	208	88.9%
6	2.50 to <10.00	77	3.53%	98	45.0%	1.4	97	126.3%
7	10.00 to <100.00	1	30.27%	7	45.0%	1.0	1	244.2%
8	100.00 (Default)	0	100.00%	5	45.0%	4.9	—	—
	Sub-total	8,242	0.25%	2,703	45.0%	2.0	3,315	40.2%

1. From June 2024, number of obligors reported represents the number of obligors allocated to each range, regardless of the number of different exposures granted.

CCR4: IRB – CCR exposure by portfolio and PD scale continued

	PD scale	Exposure value	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
		31 Dec 2024						
	Central governments or central banks	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**
1	0.00 to <0.15	**537**	**0.04%**	**10**	**45.0%**	**0.0**	**25**	**4.7%**
5	0.75 to <2.50	**47**	**1.00%**	**1**	**45.0%**	**0.1**	**31**	**65.3%**
	Sub-total	**584**	**0.12%**	**11**	**45.0%**	**0.0**	**56**	**9.5%**
		31 Dec 2023						
		£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	550	0.04%	11	45.0%	0.0	25	4.5%
5	0.75 to <2.50	33	1.60%	3	45.0%	0.2	27	82.9%
	Sub-total	583	0.13%	14	45.0%	0.0	52	8.9%

1. From June 2024, number of obligors reported represents the number of obligors allocated to each range, regardless of the number of different exposures granted.

	PD scale	Exposure value	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
		31 Dec 2024						
	Institutions	**£m**	**%**	**No.**	**%**	**No.**	**£m**	**%**
1	0.00 to <0.15	**6,126**	**0.06%**	**134**	**45.0%**	**1.5**	**1,152**	**18.8%**
2	0.15 to <0.25	**143**	**0.18%**	**14**	**45.0%**	**0.9**	**54**	**37.4%**
3	0.25 to <0.50	**31**	**0.32%**	**31**	**45.0%**	**1.0**	**14**	**46.8%**
4	0.50 to <0.75	**3**	**0.63%**	**3**	**45.0%**	**0.2**	**1**	**52.6%**
5	0.75 to <2.50	**10**	**1.02%**	**12**	**45.0%**	**0.2**	**9**	**81.4%**
	Sub-total	**6,313**	**0.05%**	**194**	**45.0%**	**1.5**	**1,230**	**19.5%**
		31 Dec 2023						
		£m	%	No.	%	No.	£m	%
1	0.00 to <0.15	3,981	0.05%	171	45.0%	0.8	519	13.1%
2	0.15 to <0.25	85	0.18%	10	45.0%	0.3	25	29.6%
3	0.25 to <0.50	54	0.29%	35	45.0%	0.2	21	39.6%
4	0.50 to <0.75	3	0.63%	2	45.0%	0.5	2	55.4%
5	0.75 to <2.50	22	1.05%	13	45.0%	0.4	18	80.4%
	Sub-total	4,144	0.06%	231	45.0%	0.8	585	14.1%

1. From June 2024, number of obligors reported represents the number of obligors allocated to each range, regardless of the number of different exposures granted.

Counterparty credit risk continued

CCR Corporate exposures subject to supervisory slotting

		31 Dec 2024					
		On-balance sheet exposure	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
1) Strong	Less than 2.5 years	**96**	**—**	**50 %**	**95**	**48**	**—**
	Equal to or more than 2.5 years	**926**	**—**	**70 %**	**888**	**622**	**3**
2) Good	Less than 2.5 years	**4**	**—**	**70 %**	**4**	**2**	**—**
	Equal to or more than 2.5 years	**97**	**—**	**90 %**	**93**	**83**	**1**
3) Satisfactory	Less than 2.5 years	**1**	**—**	**115 %**	**1**	**2**	**—**
	Equal to or more than 2.5 years	**36**	**—**	**115 %**	**32**	**38**	**1**
4) Weak	Less than 2.5 years	**—**	**—**	**250 %**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**2**	**—**	**250 %**	**1**	**3**	**—**
5) Default	Less than 2.5 years	**—**	**—**		**—**	**—**	**—**
	Equal to or more than 2.5 years	**112**	**—**		**104**	**—**	**52**
Total	**Less than 2.5 years**	**101**	**—**		**100**	**52**	**—**
	Equal to or more than 2.5 years	**1,173**	**—**		**1,118**	**746**	**57**

		31 Dec 2023					
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
1) Strong	Less than 2.5 years	57	—	50%	57	29	—
	Equal to or more than 2.5 years	1,295	—	70%	1,193	835	5
2) Good	Less than 2.5 years	7	—	70%	7	5	—
	Equal to or more than 2.5 years	249	—	90%	233	210	2
3) Satisfactory	Less than 2.5 years	—	—	115%	—	—	—
	Equal to or more than 2.5 years	28	—	115%	24	27	1
4) Weak	Less than 2.5 years	—	—	250%	—	—	—
	Equal to or more than 2.5 years	2	—	250%	1	3	—
5) Default	Less than 2.5 years	—	—		—	—	—
	Equal to or more than 2.5 years	10	—		7	—	3
Total	Less than 2.5 years	64	—		64	34	—
	Equal to or more than 2.5 years	1,584	—		1,458	1,075	11

Counterparty credit risk continued

CCR5: Composition of collateral for exposures to CCR

		31 Dec 2024					
		Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
		Segregated	Unsegregated	Segregated	Unsegregated		
	Collateral type	£m	£m	£m	£m	£m	£m
1	Cash	**60**	**4,424**	**60**	**6,328**	**85,303**	**96,646**
2	Debt	**331**	**5,045**	**2,556**	**1,740**	**102,733**	**68,617**
3	Equity	**—**	**—**	**—**	**—**	**—**	**—**
4	Other	**—**	**—**	**—**	**—**	**816**	**47,490**
5	**Total**	**391**	**9,469**	**2,616**	**8,068**	**188,852**	**212,753**

		31 Dec 2023					
		Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
		Segregated	Unsegregated	Segregated	Unsegregated		
	Collateral type	£m	£m	£m	£m	£m	£m
1	Cash	60	3,732	60	6,659	77,644	77,225
2	Debt	449	4,638	2,113	2,724	89,675	57,175
3	Equity	—	—	—	—	—	—
4	Other	—	—	—	—	581	55,449
5	Total	509	8,370	2,173	9,383	167,900	189,849

Counterparty credit risk continued

CCR6: Credit derivatives exposures

	31 Dec 2024		31 Dec 2023	
	Protection bought	Protection sold	Protection bought	Protection sold
Notionals	£m	£m	£m	£m
1 Single-name credit default swaps	1,852	—	1,815	24
2 Index credit default swaps	1,119	334	682	17
3 Total return swaps	3,417	1,142	5,270	1,065
4 Credit options	—	5,443	—	5,443
5 Other credit derivatives	—	—	—	—
6 Total notionals	6,388	6,919	7,767	6,549
Fair values				
7 Positive fair value (asset)	541	8	1,039	69
8 Negative fair value (liability)	(89)	(70)	(172)	(34)

CCR8: Exposures to CCPs

		31 Dec 2024		31 Dec 2023	
		Exposure value	RWA	Exposure value	RWA
		£m	£m	£m	£m
1	**Exposures to QCCPs (total)**		212		178
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,074	47	1,812	47
3	(i) OTC derivatives	890	18	906	18
4	(ii) Exchange-traded derivatives	815	22	671	24
5	(iii) SFTs	369	7	235	5
6	(iv) Netting sets where cross-product netting has been approved				
8	Non-segregated initial margin	21	—	413	8
9	Prefunded default fund contributions	357	165	291	123
11	**Exposures to non-QCCPs (total)**		—		—

Pillar 1 Capital Requirements: Securitisation

SECA: Qualitative disclosure requirements related to securitisation exposures

The Group is an active participant in the securitisation market, operating as an originator, a sponsor of an asset-backed commercial paper conduit and as an arranger of, and an investor in, third party securitisations. The Group provides liquidity and funding facilities to sponsored securitisations as well as to third parties. In addition, the Group also holds a small portfolio of ABS trading book securitisation positions.

Banking book securitisation strategy and roles

The Group's objectives in relation to banking book securitisations are to manage risk concentrations in its balance sheet, to support relationships with customers and to manage its funding and liquidity requirements and capital position. It undertakes the following roles to meet these objectives:

As an originator the Group uses securitisation as a means of balance sheet management to generate funding, liquidity, capital efficiencies and to reduce risk concentrations.

Traditional originated securitisation transactions typically involve the sale of a group or portfolio of ring-fenced loans to a securitisation special purpose entity (SSPE). A SSPE is a purposely created company within a group of companies where the ultimate holding company of the group is unrelated to the originator and is usually held by a trust. This means the Group does not legally own the SSPE. The originating Group company receives fees from the SSPE for continuing to service the loans and undertaking certain cash management activities on behalf of the SSPE. Traditional securitisations may be funding-driven transactions where the most junior tranches are retained by the Group meaning there is no transfer of credit risk away from the Group. Alternatively they may be structured to sell the junior tranches thereby achieving transfer of risk. This may also result in accounting derecognition of the assets providing additional capital efficiencies. The Group executed two such transactions in 2024 through the securitisation of £1.9 billion of primarily legacy Retail mortgages. In 2024, the Group also executed a securitisation of £1.25 billion of finance lease receivables, resulting in partial derecognition of the receivables for accounting purposes but no capital relief.

Synthetic originated securitisations typically work in a similar way to the traditional version except that no sale of assets takes place, and the junior tranche(s) relating to the portfolio of assets are transferred outside the Group, with the Group retaining only the senior tranche(s).

In 2021 the Group established the Lloyds Bank Synthetic Securitisation Note Programme. Whilst the rationale remains the same i.e. capital efficiency and reduction of risk concentration, no SSPE structure is used and Credit Linked Notes are issued directly by Lloyds Bank plc.

Where capital efficiency is sought, a test of significant risk transfer (SRT) may be required. Passing the test allows the capital required on the underlying exposures to be replaced by the lower capital requirements of the retained positions in the securitisation.

Origination activities have mainly extended to the Group's retail and commercial lending portfolios.

As a sponsor the Group manages and supports, through the provision of liquidity facilities, Cancara Asset Securitisation Limited (Cancara). Liquidity facilities provided to Cancara are risk-weighted using the internal assessment approach (IAA). The Group also holds some commercial paper (CP) issued by Cancara.

Structure and liquidity facilities

Cancara is an Asset Backed Commercial Paper (ABCP) conduit that buys assets from clients of the Group. The conduit funds the purchase of the assets primarily by issuing ABCP. Assets purchased relate to pools of third party receivables. Cancara Asset Securitisation LLC is a separate bankruptcy remote, special purpose limited liability company established to co-issue US Dollar domestic CP with Cancara.

A number of intermediary special purpose entities within the conduit structure are used to purchase the assets. Each purchasing company enters into a commissioning agreement with the issuer, which then advances funds to the purchasing company to buy the assets. The purchasing company issues a purchaser demand note to the issuer which benefits from security over the assets.

For each new asset purchase, Cancara enters into a liquidity facility with the Group, to cover the repayment of the ABCP notes. In the absence of market disruption the conduit will usually look to fund through issuing ABCP. Certain liquidity facilities supporting the program are drawn to provide funding alongside the proceeds of ABCP issuance.

As an investor the Group invests directly in third party ABS and notes and provides liquidity facilities to other third party securitisations.

Trading book securitisation strategy and roles

The Group's ABS trading book consists primarily of investments in third party securitisation positions and to a lesser extent, in the Group's sponsored securitisations.

The main objectives of the ABS trading book are:

- to create a secondary market through normal market making activity for the Group's related issuance where the underlying loans or receivables are originated by the Group;
- to support the development of a third party securitisation debt capital market business that generates fees for the Group by normal market making activities; and
- to carry out normal market making activities in support of the Group's clients.

The trading desk does not undertake origination activities and does not structure transactions, nor does it re-structure or re-securitise securitisations for the purposes of holding them on the trading book.

As the Group's portfolio of trading book securitisation positions is relatively small in the context of both the overall trading book and the Group's banking book securitisation positions, the Group has elected to provide only limited disclosure around its trading book securitisation positions as permitted by CRR Article 432 and in accordance with related EBA guidelines.

Risk retained in own-originated transactions

Where the Group acts as originator its securitisation programmes primarily include residential mortgage portfolios, credit card portfolios, auto-loan portfolios, commercial loan portfolios and personal loan portfolios. In each case credit risk is the primary risk driver attached to the underlying asset pool.

The performance of the securitised assets is largely dependent on prevailing economic conditions, and in the case of residential mortgage assets, the health of the UK housing market. The likelihood of defaults in the underlying asset pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics, product type, security, collateral and customer support initiatives. Significant changes in the national or international economic climate, regional economic or housing conditions, tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies or in the health of a particular geographic zone that represents a concentration in the securitised assets, could also affect the cashflows from the underlying asset pool.

Liquidity risk arises where insufficient funds are received by the SSPE to service payments to the noteholders as they fall due. The receipt of funds is in part dependent on the level of repayment on the underlying asset pool and applicable liquidity risk mechanisms in the programme documentation. In general, where such a situation arises noteholders may not be paid in full and amounts may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds become available in accordance with the relevant priority of payments as set out in the programme documentation. Variations in the rate of prepayment of principal on the underlying loans may affect each series and class of notes differently.

In addition, both the notes in issue and the underlying asset pool are exposed to interest rate risk and, in certain cases, may be subject to foreign exchange risk.

SECA: Qualitative disclosure requirements related to securitisation exposures continued

Monitoring changes in the credit risk of securitised exposures

The Group employs a range of measures to monitor changes in the credit risk of securitised assets. These include monitoring on a monthly basis of current exposures in the underlying pool (including credit events, default history and disposals), together with data tracking collateral cover and loan repayments which are tracked from the original amount advanced.

Risk incurred in relation to transactions originated by third parties

Where the Group holds notes in a securitisation it is exposed to the credit performance of the underlying asset pool, the impact of interest rates and, in some cases, foreign exchange volatility on the value of the notes, and to the seniority of the notes held, the latter of which determines the extent to which the Group would suffer any loss as a result of a shortfall in funds received by the SSPE.

The key risks attached to the Group's holding of trading book securitisation positions include price risk, credit risk, event risk, interest rate fluctuations, moral hazard and servicer risk. Liquidity risk is considered to be low as the Group's ABS trading book is relatively small, with maximum holding period limits and with positions held for the short term.

Monitoring changes in the credit risk of ABS portfolios

Credit reviews are produced at least annually for a particular name, sector or for a specific bond (or all) as well as for third party ABS liquidity facilities.

A credit review process will also be triggered where an ECAI applies a significant downgrade to a bond or where the investor report suggests a trigger or other breach.

The relevant Credit teams provide an independent risk oversight for ABS credit reviews. Credit limits are sanctioned locally.

Furthermore, additional monitoring measures are applied including stress testing of portfolios. .

ORIGINATED SECURITISATIONS

Regulatory treatment

In deriving credit risk exposures associated with originated securitisations, the Group takes into account that certain securitised assets, whilst held on the balance sheet for accounting purposes, are deemed to have met the prudential SRT tests when securitised. Meeting these tests allows the retained positions in the securitisations to be included within regulatory calculations, and the risk-weighted assets on the exposures underlying the securitisation to be removed. Where the minimum requirements for recognition of SRT are not met, the underlying exposures remain part of the relevant exposure class and are risk-weighted accordingly.

Capital requirements in relation to originated securitisation positions are determined under the SEC-IRBA, the SEC-SA and the SEC-ERBA approaches. For synthetic securitisations any maturity mismatch between the credit protection and securitised exposures is treated in line with CRR Article 252. In addition, for any synthetic securitisations with a currency mismatch, this is treated in line with CRR articles 218, 223 and 224.

Originated securitisations subject to the Securitisation Internal Ratings Based Approach (SEC-IRBA)

Under the SEC-IRBA the risk weight is determined by the capital requirement for the underlying assets, as calculated under the IRB approach, tranche thickness and maturity, the number of loans securitised and their loss given default.

Originated Securitisations subject to the Securitisation Standardised Approach (SEC-SA)

The risk weight for SEC-SA is based on a supervisory formula and the capital requirement for the underlying assets as calculated under the standardised approach for credit risk, tranche thickness and the ratio of delinquent to total exposures.

Originated Securitisations subject to the Securitisation External Ratings Based Approach (SEC-ERBA)

The SEC-ERBA approach calculates a risk weight with reference to the external rating of the securitisation, seniority of the tranche, tranche thickness and tranche maturity.

Invested securitisations

Capital requirements in relation to invested securitisations are calculated using the SEC-SA or SEC-ERBA. The risk weight for SEC-SA is based on a supervisory formula and the capital requirement for the underlying assets as calculated under the standardised approach for credit risk, tranche thickness and the ratio of delinquent to total exposures. The SEC-ERBA approach calculates a risk weight with reference to the external rating of the securitisation, seniority of the tranche, tranche thickness and tranche maturity.

Simple, transparent and standardised (STS) securitisations

The securitisation framework permits differentiated capital treatment for positions which qualify as STS (CRR Article 242 (10)). As at 31 December 2024 the Group had a small number of STS positions in its role as an Investor and Sponsor.

SSPEs which reference exposures originated by The Group:

SSPE	Asset Type
Salisbury Securities 2015 Ltd	SME Commercial Real Estate
Salisbury II Securities 2016 Ltd	SME
Salisbury II-A Securities 2017 Ltd	SME
Fontwell Securities 2016 Ltd	Agricultural Mortgages
Salisbury III Securities 2019 DAC	SME
HART 2019 DAC	Social Housing
Wetherby III Securities 2019 DAC	Large Corporate Commercial Real Estate
Fontwell II Securities 2020 DAC	Agricultural Mortgages
Bridgegate Funding plc *	Mortgages
Performer Funding plc *	Personal Loans
Barrow Funding plc *	Mortgages
Valley Funding plc *	Mortgages

The above can also be seen on table LI3 (* these SSPEs are not consolidated for accounting purposes and are therefore not referenced in table LI3).

The following are not SSPEs but have been issued under the Lloyds Bank Synthetic Securitisation Notes Programme:

Non-SSPEs	Asset Type
Lloyds Bank plc: SALIS 2021-1 (Salisbury IV)	SME
Lloyds Bank plc: SALIS 2022-1 (Salisbury V)	SME
Lloyds Bank plc: Musselburgh 2023-1 (Musselburgh 1)	Large Corporates
Lloyds Bank plc: Musselburgh 2023-2 (Musselburgh 2)	Large Corporates
Lloyds Bank plc: Epsom 2023-1 (Epsom)	Infrastructure & Project Finance
Lloyds Bank plc: SALIS 2023-1 (Salisbury VI)	SME
Lloyds Bank plc: Musselburgh 2024-1 (Musselburgh 3)	Large Corporates
Lloyds Bank plc: Musselburgh 2024-2 (Musselburgh 4)	Large Corporates
Lloyds Bank plc: SALIS 2024-1 (Salisbury VII)	SME

As noted above, the Group acts as Sponsor for Cancara. Please refer to table LI3 for a list of SSPEs fully consolidated for accounting purposes, where the regulatory treatment differs (as further explained in footnote 4 to table LI3).

There are no SSPEs or legal entities in which we have an equity interest where the Group has provided securitisation-related services.

The Group does not provide implicit support to any entities under Chapter 5 of Title II of Part Three CRR (Article 449(e) CRR).

SECA: Qualitative disclosure requirements related to securitisation exposures continued

There are no entities affiliated with the Group that invest in securitisations originated by the Group (Article 449(f) CRR).

Accounting policies

From an accounting perspective, the treatment of SSPEs is assessed in accordance with IFRS 10 which establishes the principles for when the Group is deemed to control another entity and therefore required to consolidate it through the Group's financial statements.

Under IFRS 10, the Group controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the exercise of power.

Securitised assets (which may include a fully proportionate share of all or specifically identified cash flows of assets) are only derecognised where the following conditions are met:

- the Group has transferred the contractual rights to receive the cash flows or assumed a contractual obligation to pay the cash flows to a third party; and
- substantially all of the risks and rewards associated with the assets have been transferred in which case they are derecognised in full; or
- a significant proportion but not all of the risks and rewards have been transferred, in which case the assets are either derecognised in full where the transferee has the ability to sell the assets, or continue to be recognised by the Group but only to the extent of its continuing involvement.

Where a securitisation has resulted in derecognition, the Group recognises it as a sale or partial sale. The difference between the carrying amount and the consideration received is recorded in the income statement.

Where the transfer of the Group assets to an SSPE fails the derecognition accounting tests under IFRS 9, the transferred assets remain on the Group's balance sheet for accounting purposes. These assets are classified as financial assets measured at amortised cost on the balance sheet. Where the Group controls and therefore consolidates the SSPE, it will recognise notes issued (excluding those held by the Group) as debt securities in issue, measured at amortised cost.

The majority of the Group's securitised residential mortgages and commercial banking loans are not derecognised. In some cases this is because the Group retains substantially all the risks and rewards associated with the underlying portfolios of assets. In the case of synthetic securitisations it is because the Group has not transferred the contractual rights to receive the cash flows or assumed a contractual obligation to pay the cash flows to a third party. The Credit Linked Notes, issued as part of synthetic securitisations, and through which the Group acquires credit protection, are accounted for under the requirements of IFRS 9.

Where internal transactions between the regulatory consolidation group and regulated insurance undertakings achieve accounting derecognition from the underlying banking subsidiary balance sheet, the assets continue to be fully consolidated from a Group perspective but may achieve derecognition under the regulatory scope of consolidation.

All the external assets in Cancara are consolidated for accounting purposes in the Group's financial statements. The total consolidated assets in the conduits are set out in Note 39 (Structured entities) of the Lloyds Banking Group plc Annual Report and Accounts 2024.

Liquidity lines provided to conduits are accounted for in accordance with the accounting policies set out in the Lloyds Banking Group plc Annual Report and Accounts 2024.

The Group's retained and purchased securitisation positions are accounted for in accordance with the Group's accounting policies as outlined on Note 2(E) (Accounting Policies: Financial Assets and Liabilities) of the Lloyds Banking Group plc Annual Report and Accounts 2024.

The majority of the direct third party ABS and notes investments are accounted for as debt securities at amortised cost on the balance sheet, with the remainder held at fair value through other comprehensive income or at fair value through profit or loss. Further details on the Group's holding of ABS are presented on page 179 of the Lloyds Banking Group plc Annual Report and Accounts 2024.

For those positions measured at fair value, further details on the valuation methodologies applied are outlined in Note 17 (Fair values of financial assets and liabilities) of the Lloyds Banking Group plc Annual Report and Accounts 2024.

The Group uses the following ECAIs to obtain external credit ratings for the exposures listed:

ECAI	Type of exposure rated
Fitch Ratings	Agricultural Mortgages, Auto Leases, Auto Loans, Commercial Property, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables, Infrastructure, Leisure, Mortgages and Student Loans
Kroll Bond Rating Agency	Agricultural Mortgages
Moody's	Auto Leases, Auto Loans, Commercial Property, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables, Infrastructure, Leisure, Mortgages and Student Loans
Standard & Poor's	Auto Leases, Auto Loans, Commercial Property, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables, Infrastructure, Leisure, Mortgages and Student Loans
DBRS	ABS Note Holdings, Auto Leases, Auto Loans, Consumer Loans, Credit Cards, Fleet Rental Trade Receivables and Mortgages

Internal Assessment Approach

With regard to sponsored activities, the Group has approval to utilise the IAA for calculating capital requirements for the liquidity facilities provided to the conduit purchasing companies.

The Group's IAA model is a proprietary credit rating system. This model generates a rating equivalent to an external rating. This rating then feeds the SEC-ERBA in order to calculate the capital requirement.

The model consists of a number of scorecards, one for each asset class. Unlike the Group's Foundation and Retail IRB models, the ABCP IAA model does not estimate the PD for the exposure, but instead is used to determine a model rating grade equivalent to an ECAI grade. The internal rating methodology must reflect the ECAI's methodology. Periodically, ECAIs publish updates to their methodologies relating to different asset classes. The Securitised Products Group monitors rating agency updates and undertakes assessment to confirm that all relevant changes to rating methodologies have been reflected in the cashflow modelling and the IAA model.

Stress factor inputs play an important part in determining the rating of a transaction. Depending on the level of credit enhancement, the stress factor contributes towards the final rating a transaction would receive from an ECAI taking into account 'stressed scenarios' on the level of cash-flows generated by the underlying pool of assets.

The sponsored receivables facilities are modelled using a stress factor input which reflects the ability of the transaction to withstand a significant deterioration in the asset quality and is a through-the-cycle measure that is applied to a base case default rate. To determine the base case default rate historic loss data is used. For example, in its approach Standard & Poor's incorporates additional analysis into historic loss data to mitigate any effects of recent changes with the result that in many cases the base case loss rate assumed is above the historical average.

The model is subject to a robust governance framework. In line with the Group Model Governance Policy, the Group undertakes an Annual Review to ensure that the model remains compliant with the requirements of CRR (Article 265) which establishes the criteria that must be met in order to apply the IAA to exposures relating to programmes such as liquidity facilities.

Securitisation

SEC1: Securitisation exposures in the non-trading book

		31 Dec 2024															
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor				
		Traditional				Synthetic			Traditional				Traditional				
		STS		Non-STS													
			of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**—**	**—**	**2,347**	**—**	**14,207**	**14,207**	**16,554**	**765**	**3,682**	**—**	**4,447**	**7,693**	**12,580**	**—**	**20,273**
2	**Retail (total)**	**—**	**—**	**2,347**	**—**	**—**	**—**	**2,347**	**570**	**3,095**	**—**	**3,665**	**7,227**	**8,699**	**—**	**15,926**
3	Residential mortgage	**—**	**—**	**1,445**	**—**	**—**	**—**	**1,445**	**—**	**217**	**—**	**217**	**1,389**	**3,536**	**—**	**4,925**
4	Credit card	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**200**	**619**	**—**	**819**
5	Other retail exposures	**—**	**—**	**902**	**—**	**—**	**—**	**902**	**570**	**2,878**	**—**	**3,448**	**5,638**	**4,544**	**—**	**10,182**
7	**Wholesale (total)**	**—**	**—**	**—**	**—**	**14,207**	**14,207**	**14,207**	**195**	**587**	**—**	**782**	**466**	**3,881**	**—**	**4,347**
8	Loans to corporates	**—**	**—**	**—**	**—**	**9,741**	**9,741**	**9,741**	**—**	**—**	**—**	**—**	**23**	**302**	**—**	**325**
9	Commercial mortgage	**—**	**—**	**—**	**—**	**1,168**	**1,168**	**1,168**	**—**	**—**	**—**	**—**	**—**	**933**	**—**	**933**
10	Lease and receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**195**	**467**	**—**	**662**	**188**	**2,143**	**—**	**2,331**
11	Other wholesale	**—**	**—**	**—**	**—**	**3,298**	**3,298**	**3,298**	**—**	**120**	**—**	**120**	**255**	**503**	**—**	**758**
		31 Dec 2023															
1	Total exposures	—	—	4,134	—	12,626	12,626	16,760	928	3,794	—	4,722	6,255	12,950	—	19,205
2	Retail (total)	—	—	4,134	—	—	—	4,134	724	3,154	—	3,878	5,903	9,029	—	14,932
3	Residential mortgage	—	—	1,807	—	—	—	1,807	—	339	—	339	1,068	4,187	—	5,255
4	Credit card	—	—	—	—	—	—	—	—	—	—	—	—	610	—	610
5	Other retail exposures	—	—	2,327	—	—	—	2,327	724	2,815	—	3,539	4,835	4,232	—	9,067
7	Wholesale (total)	—	—	—	—	12,626	12,626	12,626	204	640	—	844	352	3,921	—	4,273
8	Loans to corporates	—	—	—	—	7,559	7,559	7,559	—	—	—	—	12	508	—	520
9	Commercial mortgage	—	—	—	—	1,716	1,716	1,716	—	—	—	—	—	937	—	937
10	Lease and receivables	—	—	—	—	—	—	—	204	521	—	725	80	1,962	—	2,042
11	Other wholesale	—	—	—	—	3,351	3,351	3,351	—	119	—	119	260	514	—	774

As a sponsor, the Group manages and supports, through the provision of liquidity facilities, Cancara Asset Securitisation Limited, a fully supported ABCP conduit that invests in client assets. The volume of funded ABCP transactions at 31 December 2024 was US$1,474m (£1,175m).

Securitisation continued

SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

		31 Dec 2024																
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions[1]	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**11,465**	**8,050**	**1,369**	**104**	**11**	**15,386**	**4,510**	**1,104**	**—**	**4,036**	**906**	**380**	**—**	**323**	**72**	**30**	**—**
2	**Traditional transactions**	**4,422**	**2,163**	**163**	**33**	**11**	**2,347**	**4,446**	**—**	**—**	**767**	**819**	**—**	**—**	**61**	**65**	**—**	**—**
3	Securitisation	**4,422**	**2,163**	**163**	**33**	**11**	**2,347**	**4,446**	**—**	**—**	**767**	**819**	**—**	**—**	**61**	**65**	**—**	**—**
4	Retail underlying	**3,972**	**1,950**	**45**	**33**	**11**	**2,347**	**3,665**	**—**	**—**	**767**	**641**	**—**	**—**	**61**	**51**	**—**	**—**
5	Of which STS	**570**	**—**	**—**	**—**	**—**	**—**	**570**	**—**	**—**	**—**	**57**	**—**	**—**	**—**	**5**	**—**	**—**
6	Wholesale	**450**	**213**	**118**	**—**	**—**	**—**	**781**	**—**	**—**	**—**	**178**	**—**	**—**	**—**	**14**	**—**	**—**
7	Of which STS	**195**	**—**	**—**	**—**	**—**	**—**	**195**	**—**	**—**	**—**	**19**	**—**	**—**	**—**	**2**	**—**	**—**
9	**Synthetic transactions**	**7,043**	**5,887**	**1,206**	**71**	**—**	**13,039**	**64**	**1,104**	**—**	**3,269**	**87**	**380**	**—**	**262**	**7**	**30**	**—**
10	Securitisation	**7,043**	**5,887**	**1,206**	**71**	**—**	**13,039**	**64**	**1,104**	**—**	**3,269**	**87**	**380**	**—**	**262**	**7**	**30**	**—**
12	Wholesale	**7,043**	**5,887**	**1,206**	**71**	**—**	**13,039**	**64**	**1,104**	**—**	**3,269**	**87**	**380**	**—**	**262**	**7**	**30**	**—**
		31 Dec 2023																
1	Total exposures	11,801	8,196	1,352	105	27	15,044	4,818	1,620	—	4,329	1,027	625	—	346	82	50	—
2	Traditional transactions	5,938	2,648	203	39	27	4,134	4,722	—	—	1,474	888	—	—	118	71	—	—
3	Securitisation	5,938	2,648	203	39	27	4,134	4,722	—	—	1,474	888	—	—	118	71	—	—
4	Retail underlying	5,464	2,393	89	39	27	4,134	3,878	—	—	1,474	689	—	—	118	55	—	—
5	Of which STS	724	—	—	—	—	—	724	—	—	—	72	—	—	—	6	—	—
6	Wholesale	474	255	114	—	—	—	844	—	—	—	199	—	—	—	16	—	—
7	Of which STS	204	—	—	—	—	—	204	—	—	—	20	—	—	—	2	—	—
9	Synthetic transactions	5,863	5,548	1,149	66	—	10,910	96	1,620	—	2,855	139	625	—	228	11	50	—
10	Securitisation	5,863	5,548	1,149	66	—	10,910	96	1,620	—	2,855	139	625	—	228	11	50	—
12	Wholesale	5,863	5,548	1,149	66	—	10,910	96	1,620	—	2,855	139	625	—	228	11	50	—

1. Exposure values (by RW bands/deductions) in 1250% RW/deductions column includes exposures weighted at 1250% under the SEC-IRBA approach. These exposures are disclosed as SEC-IRBA in subsequent columns.

Securitisation continued

SEC4: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

		31 Dec 2024																
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**18,793**	**1,419**	**3**	**58**	**—**	**—**	**2,611**	**17,662**	**—**	**—**	**456**	**2,569**	**—**	**—**	**36**	**206**	**—**
2	**Traditional transactions**	**18,793**	**1,419**	**3**	**58**	**—**	**—**	**2,611**	**17,662**	**—**	**—**	**456**	**2,569**	**—**	**—**	**36**	**206**	**—**
3	Securitisation	**18,793**	**1,419**	**3**	**58**	**—**	**—**	**2,611**	**17,662**	**—**	**—**	**456**	**2,569**	**—**	**—**	**36**	**206**	**—**
4	Retail underlying	**15,324**	**602**	**—**	**—**	**—**	**—**	**2,423**	**13,503**	**—**	**—**	**316**	**1,825**	**—**	**—**	**25**	**146**	**—**
5	Of which STS	**7,226**	**—**	**—**	**—**	**—**	**—**	**1,416**	**5,810**	**—**	**—**	**142**	**593**	**—**	**—**	**11**	**47**	**—**
6	Wholesale	**3,469**	**817**	**3**	**58**	**—**	**—**	**188**	**4,159**	**—**	**—**	**140**	**744**	**—**	**—**	**11**	**60**	**—**
7	Of which STS	**465**	**—**	**—**	**—**	**—**	**—**	**9**	**456**	**—**	**—**	**1**	**46**	**—**	**—**	**—**	**4**	**—**
9	**Synthetic transactions**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
		31 Dec 2023																
1	Total exposures	18,240	762	27	178	—	—	2,680	16,526	—	—	615	2,363	—	—	49	189	—
2	Traditional transactions	18,240	762	27	178	—	—	2,680	16,526	—	—	615	2,363	—	—	49	189	—
3	Securitisation	18,240	762	27	178	—	—	2,680	16,526	—	—	615	2,363	—	—	49	189	—
4	Retail underlying	14,842	91	—	—	—	—	2,449	12,483	—	—	328	1,674	—	—	26	134	—
5	Of which STS	5,903	—	—	—	—	—	1,352	4,551	—	—	135	467	—	—	11	37	—
6	Wholesale	3,398	671	27	178	—	—	231	4,043	—	—	287	689	—	—	23	55	—
7	Of which STS	350	3	—	—	—	—	26	326	—	—	4	33	—	—	—	3	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Securitisation continued

SEC5: Exposures securitised by the institution – Exposures in default and specific credit risk adjustments

		31 Dec 2024			31 Dec 2023		
		Exposures securitised by the institution – Institution acts as originator or as sponsor			Exposures securitised by the institution – Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default			Of which exposures in default	
		£m	£m	£m	£m	£m	£m
1	**Total exposures**	**21,229**	**616**	**–**	19,282	75	–
2	**Retail (total)**	**5,324**	**512**	**–**	5,026	24	–
3	Residential mortgage	**3,796**	**488**	**–**	2,219	23	–
4	Credit card	**–**	**–**	**–**	–	–	–
5	Other retail exposures	**1,528**	**24**	**–**	2,807	1	–
6	Re-securitisation	**–**	**–**	**–**	–	–	–
7	**Wholesale (total)**	**15,905**	**104**	**–**	14,256	51	–
8	Loans to corporates	**11,127**	**72**	**1**	8,771	29	1
9	Commercial mortgage	**1,334**	**32**	**–**	1,988	22	–
10	Lease and receivables	**–**	**–**	**–**	–	–	–
11	Other wholesale	**3,444**	**–**	**(1)**	3,497	–	(1)
12	Re-securitisation	**–**	**–**	**–**	–	–	–

Market Risk

Market risk is defined as the risk that the Group's capital or earnings profile is adversely affected by changes in market rates or prices, including, but not limited to, interest rates, foreign exchange, equity prices and credit spreads.

MRA: Qualitative disclosure requirements related to market risk

Trading portfolios

Exposures

The Group's trading activity is small relative to its peers. The Group's trading activity is undertaken primarily to meet the financial requirements of commercial and retail customers for foreign exchange, credit, interest rate and inflation products. These activities support customer flow and market making activities.

All trading activities are performed within the Commercial Banking division. While the trading positions taken are generally small, any extreme moves in the main risk factors and other related risk factors could cause significant losses in the trading book depending on the positions at the time.

Trading market risk measures are applied to all of the Group's regulatory trading books and they include daily VaR , sensitivity-based measures, and stress testing calculations.

A number of processes are in place to identify all the risk factors that the trading portfolio has exposure to and ensure that these are captured and treated as per the regulation.

The identification processes are also covering the existing risk factors and can result in the requirement to update their categorisation or treatment.

Banking activities

The Group's banking activities expose it to the risk of adverse movements in market rates or prices, predominantly interest rates, credit spreads, exchange rates and equity prices. The volatility of market rates or prices can be affected by both the transparency of prices and the amount of liquidity in the market for the relevant asset, liability or instrument.

Interest rate risk exposure is monitored monthly using, primarily:

Market value sensitivity: this methodology considers all repricing mismatches (behaviourally adjusted where appropriate) in the current balance sheet and calculates the change in market value that would result from an instantaneous 25, 100 and 200 basis points parallel rise or fall in the yield curve. The market value sensitivities are calculated on a static balance sheet using principal cash flows excluding interest, commercial margins and other spread components and are discounted at the risk-free rate.

Interest income sensitivity: this measures the impact on future net interest income arising from various economic scenarios. These include instantaneous 25, 100 and 200 basis point parallel shifts in all yield curves and the Group economic scenarios. These scenarios are reviewed every year and are designed to replicate severe but plausible economic events, capturing risks that would not be evident through the use of parallel shocks alone such as basis risk and steepening or flattening of the yield curve.

For further information on the key market risks in relation to defined benefit pension schemes and Insurance portfolios refer to pages 193 and 194 of the Lloyds Banking Group Plc Annual Report and Accounts 2024.

Structure and organisation

Market risk follows the Group's Risk Management Framework. For further information refer to pages 20 to 26.

The Group Board's responsibilities include approving the Group's Board Risk Appetite; approving the Group's ERMF; monitoring the Group's aggregate risk exposure. The Group Board Risk Committee's (BRC) responsibilities include overseeing and challenging the development and implementation of the Group's overall risk management framework and its risk appetite.

GALCO is responsible for approving and monitoring market risk management techniques, market risk measures, behavioural assumptions, and the market risk policy. Various mitigation activities are assessed and undertaken across the Group to manage portfolios and seek to ensure they remain within approved limits. The mitigation actions will vary dependent on exposure but will, in general, look to reduce risk in a cost effective manner by offsetting balance sheet exposures and externalising to the financial markets dependent on market liquidity. The market risk policy is owned by Group Corporate Treasury (GCT) and refreshed annually. The policy is underpinned by supplementary market risk procedures, which define specific market risk management and oversight requirements.

GALCO and GMRC regularly review high level market risk exposures as part of the wider risk management framework. They also make recommendations to the Board concerning overall market risk appetite and market risk policy. Exposures at lower levels of delegation are monitored at various intervals according to their volatility, from daily in the case of trading portfolios to monthly or quarterly in the case of less volatile portfolios. Levels of exposures compared to approved limits and triggers are monitored by Risk and appropriate escalation procedures are in place.

The Group has an integrated Asset and Liability Management (ALM) system which supports non-traded asset and liability management of the Group. The risk of loss measured by the VaR model is the minimum expected loss in earnings given the 95 per cent confidence.

The Group's policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board. The Group market risk policy and procedures outlines the hedging process, and the centralisation of risk from divisions into Group Corporate Treasury (GCT), for example via the transfer pricing framework. GCT is responsible for managing the centralised risk and does this through natural offsets of matching assets and liabilities, and appropriate hedging activity of the residual exposures, subject to the authorisation and mandate of GALCO within the Board risk appetite. The hedges are externalised to the market by derivative desks within GCT and the Commercial Bank.

The Group mitigates income statement volatility through hedge accounting. This reduces the accounting volatility arising from the Group's economic hedging activities and any hedge accounting ineffectiveness is continuously monitored.

Market Risk continued

MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models

Trading Book Designation

Group Market Risk Committee reviews and approves a detailed framework for assessing the classification of books between trading and banking on an annual basis. The framework takes into account current regulatory rules but also considers future or imminent changes in regulatory rules. The objective of this framework is to articulate the process for the assessment of the classification of books between banking book and trading book. The book designation is reviewed and approved at the following points:

– At inception of the business activity

– Where there is a significant change in the activity undertaken

– Where there is a designation change between banking book and trading book.

The framework is designed to be applied against information provided by the desks including policies, procedures, frameworks, or strategy documents. The proposal must be documented and presented at GMRC for approval. To ensure they remain appropriate, the procedures for management of the trading book are reviewed and taken to GALCO for approval on an annual basis.

Prudent Valuation

Trading securities, other financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivatives are stated at fair value. Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is a measure as at a specific date and may be significantly different from the amount which will actually be paid or received on maturity or settlement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments to those held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by the Group. The Group measures valuation adjustments for its derivative exposures on the same basis as the derivatives are managed.

The key elements of the control framework for the valuation of financial instruments include model validation, product implementation review and independent price verification. These functions are carried out by appropriately skilled risk and finance teams, independent of the business area responsible for the products.

Model validation covers both qualitative and quantitative elements relating to new models. In respect of new products, a product implementation review is conducted pre and post-trading. Pre-trade testing ensures that the new model is integrated into the Group's systems and that the profit and loss and risk reporting are consistent throughout the trade lifecycle. Post-trade testing examines the explanatory power of the implemented model, actively monitoring model parameters and comparing in-house pricing to external sources. Independent price verification procedures cover financial instruments carried at fair value and are performed at a minimum on a monthly basis. Valuation differences in breach of established thresholds are escalated to senior management. The results from independent pricing and valuation reserves are reviewed monthly by senior management.

Formal committees, consisting of senior risk, finance and business management, meet at least quarterly to discuss and approve valuations in more judgemental areas, in particular for unquoted equities, structured credit, derivatives and the credit valuation adjustment (CVA), funding valuation adjustment (FVA) and other valuation adjustments.

Full details on the use of valuation models and related adjustments are provided in Note 17 (Fair values of financial assets and liabilities) of the Lloyds Banking Group plc Annual Report and Accounts 2024.

Internal Model Review

The Group's internal market risk model permissions allow it to calculate Pillar 1 market risk capital requirements for the trading book using internal models. The Lloyds Banking Group internal model permission covers general interest rate, specific interest rate risk and foreign exchange risk for the Lloyds Bank Corporate Markets plc (LBCM) portfolio. The capital charge is based on the 10-day 99 per cent VaR and Stressed VaR calculated by the model. The Stressed VaR is the measure of VaR using a continuous one-year window based on a period of market stress. In addition, the model permission covers specific Interest Rate Risk (IRR) and the capital charge incorporates specific IRR through VaR and Stressed VaR. The VaR model allows diversification across the different risk factors. The internal model for Pillar 1 market risk capital requirements also includes an Incremental Risk Charge (IRC) model for the trading book.

The Group uses a historical simulation methodology to calculate VaR for the trading book. This methodology consists of calculating historical daily price movements for a full range of market risk factors, either proportional or absolute shifts depending on the risk factor. The historical daily price movements are applied to positions to create a distribution of hypothetical daily profit and loss scenarios. The hypothetical daily changes in portfolio value are ranked, and the 95th and 99th percentile worst losses are identified. The same VaR model is applied for both management purposes and regulatory purposes. A 1-day 95th percentile VaR is used for internal management purposes, and a 10-day 99th percentile VaR and Stressed VaR is applied for regulatory capital calculation purposes. The 10-day VaR uses a rolling 10-day history and this is updated daily. The VaR and Stressed VaR are also integrated into the risk management process for efficient capital management and to highlight potentially significant exposures based on previous market volatility.

Any material risk factors that fall within the scope of the trading books using internal models and are insufficiently captured by the VaR model are identified and capitalised individually outside the VaR model. Identification of risks is performed at least quarterly and through the new product review process to ensure any material risks outside of the VaR model are capitalised in a timely manner. Where risk factors are incorporated into the Risk-not-in-VaR (RNIV) framework they are quantified either through a VaR-based RNIV approach or a stress test approach. RNIVs can arise for a number of reasons such as where there is limited historical market data, event risks not captured in the current historical data or limited variability in the market data or risks not captured elsewhere such as cross risks, basis risks and higher-order risks.

Validation of the risk models uses a number of methods including but not limited to stress tests, sensitivity analyses and scenarios analyses. The risk models, including the RNIVs, are reviewed independently of the development team and model performance is monitored over time. Model performance, including back-testing analysis, is regularly reviewed by the Model Governance Committee.

Market Risk continued

MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models continued

Component modelled	Significant models and associated capital requirement	Model description and methodology	Market data	Applicable regulatory thresholds for the industry
VaR	One Model: (£46m) 19% of total IMA capital requirements	Historical simulation to create a distribution of daily P&Ls from market moves. P&Ls are calculated using partial revaluation. Diversified VaR is calculated based on aggregated total P&Ls from IL, FX, General and Specific Interest Rate Risks	300 daily P&Ls, no weighting.	Regulatory VaR is computed with 10 day holding period and 99% confidence level. The 10-day VaR is based on rolling 10-day periods.
SVaR	One Model: (£86m) 36% of total IMA capital requirements	Same as VaR model. Historical simulation to create a distribution of daily P&Ls from market moves. P&Ls are calculated using partial revaluation.	250 day period of significant stress. No weighting. SVaR calibration is updated at least quarterly.	Same as VaR model. Regulatory VaR is computed with 10 day holding period and 99% confidence level. The 10-day VaR is based on rolling 10-day periods.

Stressed VaR uses historical market data from a continuous one-year period of significant financial stress which is relevant to the trading book positions. The one-year dataset is taken from any period since the beginning of 2007 (excluding the VaR period) and therefore potentially includes the market movements experienced during the financial crisis. Stressed VaR is calibrated at least quarterly to the period of stress which generates the highest Stressed VaR with the current exposures in the Group's trading books.

Stress Testing

The Group has a comprehensive trading book stress testing programme. Economic scenarios representing extreme but plausible stressed market events are applied to the trading book. These scenarios stress numerous risk factors including interest rates, interest rate spreads, interest rate volatilities, inflation swap rates, inflation volatilities, FX rates, FX volatilities and credit spreads.

There are two sets of stress-testing applied to the trading book: macro-economic and asset class specific. The macro-economic scenarios apply a set of historical events such as the Lehman's default, possible economic events and also regulator provided scenarios such as the PRA stress tests. The macro-economic scenarios are intended to be severe but holistic and plausible. The asset class specific scenarios, also known as desk specific, are intended to apply extreme events to individual risk factors with stresses being applied in groups and to identify points of weakness at both asset class and trading book level.

The market risk function produces stress testing daily and these are reviewed by CB Markets businesses weekly to facilitate the management of the market risk within their businesses. Limits and triggers apply to stress testing as part of the market risk limit framework.

The stress testing programme is reviewed monthly and new stress tests are introduced when deemed necessary.

Back-testing of the VaR models

The Group compares both hypothetical and actual profit or loss with the VaR calculated at a 1-day 99 per cent confidence level daily for regulatory back-testing.

The purpose of this analysis is to provide an indication of how well the VaR model's output, has described the corresponding trading outcome. Analysis is performed at the aggregate trading book level, and the business unit level. Hypothetical profit or loss is the change in the valuation of the portfolio due to market moves that would have resulted assuming that the portfolio remains unchanged. Actual profit or loss is hypothetical profit or loss with the additional profit or loss from the change in the portfolio's value due to time and any profit or loss arising from intraday activity. Fees and commissions do not feed into either profit and loss measure.

A back-testing overshoot is generated when loss is greater than the 1-day 99 per cent VaR for a given day. Please see commentary below Table Back-testing results (VaR models) for information on back-testing performance.

VaR model performance monitoring is performed for the LBCM portfolio. Below the LBCM entity level there is back-testing performed at business area level.

Back-testing results (VaR model)

2024 back-testing result		Number of reported overshoots	
	Multiplier	Hypothetical	Actual
LBCM	3.50	0	0

Statistically the Group would expect to see losses in excess of VaR two to three times over a one-year period. Details of loss overshoots within LBCM are provided in the back-testing charts comparing VaR to hypothetical and actual profit and loss (MR4: Comparison of VaR estimates with gains/losses).

All significant profit and loss events are investigated as part of normal business. In addition, all back-testing overshoots are reported to senior management, internal auditors and the PRA.

During 2024 no regulatory back-testing overshoots were observed for LBCM. LBG works on enhancements to the internal market risk model and a regulatory multiplier add-on of 0.5 remains in place until full closure of model related remedial actions.

Market Risk continued

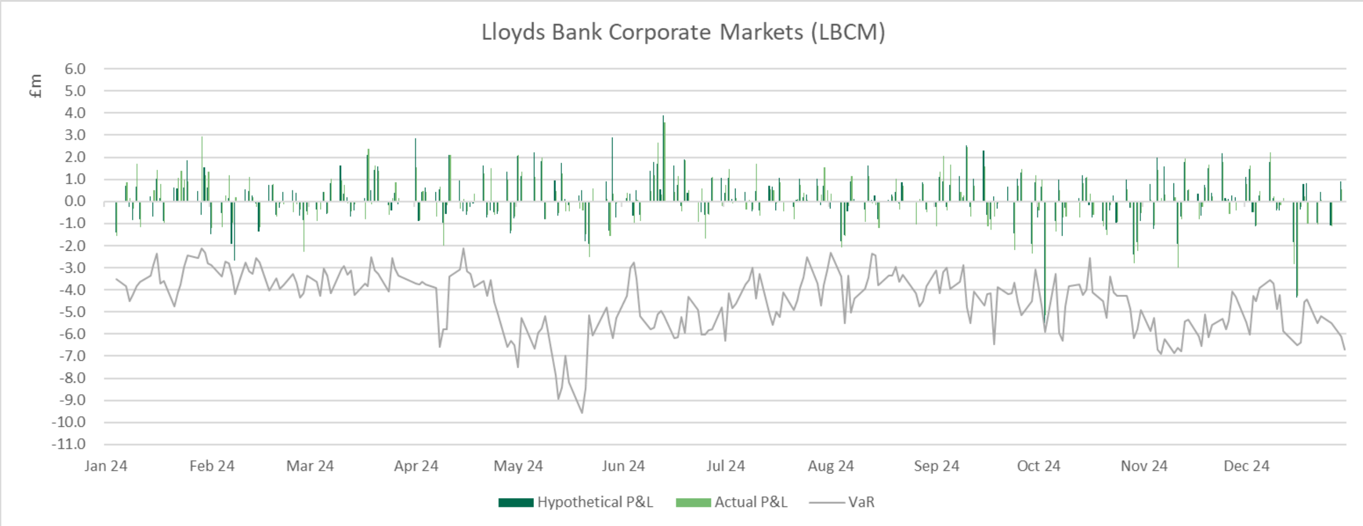
The following chart provides comparisons of VaR (1-day 99 per cent confidence level) to the hypothetical and actual profit and loss on a daily basis over the twelve months to 31 December 2024 for Lloyds Bank Corporate Markets.

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

There were no actual or hypothetical profit and loss overshoots reported for the twelve months to 31 December 2024 for Lloyds Bank Corporate Markets.

MR4: Comparison of VaR estimates with gains/losses

LLOYDS BANK CORPORATE MARKETS (LBCM)



MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models continued

Incremental default and migration risk (IRC)

Component modelled	**Significant models and associated capital requirement**	**Model description and methodology**	**Market data**	**Applicable regulatory thresholds for the industry**
IRC	One Model: (£34m) 14% of total IMA capital requirements	Monte Carlo approach is used to simulate the profit and loss changes arising from rating migration and default.	Credit Ratings data (from 1983), CDS long term average data (from 2006), CDS bond basis data (from 2006), LGD data (from 1990).	IRC is computed with a 1 year holding period and 99.9% confidence level.

The IRC measures the risks arising from both default and rating migrations in the trading book of LBCM.

The IRC simulates the impact of ratings transitions by estimating the improvement or deterioration in credit spreads resulting from these transitions. The ratings transition matrices are calibrated separately for corporate and sovereign issuers, based on historical transitions collated over many decades. A Monte Carlo approach is used to simulate the profit and loss changes arising from migration and default for each portfolio position in turn. The profit and loss changes from each position contribute to the overall loss distribution. The asset returns for obligors are computed using a multi-factor Gaussian copula model framework. Correlations between obligors are based on an existing LBG factor model, which consists of industry sectors and geographical regions. The model also allows for idiosyncratic behaviour at obligor level.

Both economic downturn and upturn scenarios are captured for every calculation, by using alternative recovery rate parameters. A sensitivity test using alternative asset return distributions is completed on a quarterly basis. The annual validation of the IRC model includes further stress and scenario testing – including studying the effect of issuer concentrations, alternative sector/region factor correlations, and alternative sector/region factor loadings. The annual validation also includes benchmarking against an independent implementation of the model.

The Group ensures that the IRC model is consistent with the EBA guidelines for computing capital for incremental risk in the trading book, and the soundness standards comparable to that of the internal-ratings based (IRB) approach for credit risk. The IRC model employs a confidence interval of 99.9% and a one-year risk horizon, using a constant position assumption. The annual validation of the IRC model ensures that the soundness standard comparable to IRB is maintained.

Market Risk continued

MR1: Market risk under Standardised Approach

		31 Dec 2024 RWAs £m	31 Dec 2023 RWAs £m
	Outright products		
1	Interest rate risk (general and specific)	**669**	608
3	Foreign exchange risk[1]	**—**	—
4	Commodity risk	**5**	57
	Options		
6	Delta-plus approach	**12**	22
8	Securitisation (specific risk)	**22**	11
9	**Total**	**708**	698

1 As permitted by the CRR, the Group has elected to set this to zero, with exposure below the 2 per cent de minimis threshold of own funds.

MR3: IMA values for trading portfolios

The table below provides relevant statistics for the Group's 10-day 99 per cent confidence level VaR and Stressed VaR over 12 months to year end 2024 and year end 2023. Also included are statistics for the Incremental Risk Charge over one year to year end 2024 and year end 2023.

The risk of loss measured by the VaR model is the minimum expected loss in earnings given a 99 per cent confidence. The total and average trading VaR numbers reported below have been obtained after the application of the diversification benefits across the different risk types: interest rate, foreign exchange, credit spread and inflation risk.

		Lloyds Bank Corporate Markets plc	
		31 Dec 2024 £m	31 Dec 2023 £m
VaR (10 day 99%)			
1	Maximum value	**25**	86
2	Average value	**11**	25
3	Minimum value	**6**	4
4	Period end	**23**	11
SVaR (10 day 99%)			
5	Maximum value	**73**	31
6	Average value	**39**	18
7	Minimum value	**14**	10
8	Period end	**24**	29
IRC (99.9%)			
9	Maximum value	**47**	44
10	Average value	**33**	19
11	Minimum value	**21**	8
12	Period end	**23**	27
Comprehensive risk measure (99.9%)			
13	Maximum value	**—**	—
14	Average value	**—**	—
15	Minimum value	**—**	—
16	Period end	**—**	—

Market Risk continued

MR2-A: Market risk under Internal Model Approach

		Lloyds Bank Corporate Markets plc			
		31 Dec 2024		31 Dec 2023	
		RWAs	**Own funds requirements**	RWAs	Own funds requirements
		£m	**£m**	£m	£m
1	**VaR (higher of values a and b)**	**572**	**46**	853	68
(a)	Previous day's VaR (VaRt-1)		**25**		11
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		**46**		68
2	**SVaR (higher of values a and b)**	**1,077**	**86**	1,009	81
(a)	Latest available SVaR (SVaRt-1))		**24**		29
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		**86**		81
3	**IRC (higher of values a and b)**	**426**	**34**	383	31
(a)	Most recent IRC measure		**23**		27
(b)	12 weeks average IRC measure		**34**		31
4	**Comprehensive risk measure (higher of values a, b and c)**	**—**	**—**	—	—
(a)	Most recent risk measure of comprehensive risk measure		**—**		—
(b)	12 weeks average of comprehensive risk measure		**—**		—
(c)	Comprehensive risk measure Floor		**—**		—
5	**Other**	**931**	**74**	1,299	104
6	Total	**3,006**	**240**	3,544	284

Operational risk

ORA: Qualitative information on operational risk

Definition

Operational risk is defined as the risk of actual or potential impact to the Group (financial and/or non-financial) resulting from inadequate or failed internal processes, people, and systems or from external events.

Resilience is core to the management of operational risk within the Group to ensure that business processes (including those that are outsourced) can withstand operational risks and can respond to and meet customer and stakeholder needs when continuity of operations is compromised.

Exposures

The principal operational risks to the Group could result in customer harm, unfair outcomes, colleague detriment, financial loss, regulatory censure and/or reputational damage.

A number of these risks could increase where there is a reliance on third party suppliers to provide services to the Group or its customers.

The Group faces significant conduct risks, which affect all aspects of the Group's operations and all types of customers. The introduction of the FCA's Consumer Duty regulation has increased expectations in relation to customer outcomes, including how the Group demonstrates, monitors and measures them.The Group continues to monitor and assess potential impacts to customers following the Court of Appeal decision on motor finance commission arrangements, liaising closely with regulatory bodies. See note 28: to the consolidated financial statements on **page 289** of the Lloyds Banking Group plc Annual Report and Accounts 2024 .

The Group remains exposed to the evolving legal and regulatory landscape, such as changes to the regulatory framework and other standards.

Measurement

Operational risk is managed across the Group through an operational risk framework and policies. This framework includes a risk and control self-assessment process, risk impact likelihood matrix, risk and control indicators, risk appetite setting, a robust operational loss event management and escalation process, and a scenario analysis and operational loss forecasting process that feed into capital planning. This is supplemented by Group level and local management information and reporting across a suite of governed metrics.

The table on **page 196** of the Lloyds Banking Group plc Annual Report and Accounts 2024 shows high level loss and event trends for the Group using Basel II categories. Based on data captured on the Group's RCSA, in 2024 the highest frequency of events occurred in external fraud with 85 per cent of the total volume. External fraud also accounted for the highest losses by value at 41 per cent.

Operational risk losses and scenario analysis is used to inform the Internal Capital Adequacy Assessment Process (ICAAP). The Group calculates its minimum (Pillar I) operational risk capital requirements using The Standardised Approach (TSA). Pillar II is calculated using internal and external loss data and severe but plausible scenarios that may occur in the next 12 months.

Mitigating actions

The Group continues to focus on risk management requirements and developing the processes, systems and people skills and capabilities needed to mitigate risks. Risks are reported and discussed at local governance forums and escalated to executive management and the Board as appropriate to ensure the correct level of visibility and engagement. The Group employs a range of risk management strategies, including: avoidance, mitigation, transfer (including insurance) and acceptance within appetite or tolerance. Where there is a reliance on third party suppliers to provide services, including the areas of IT systems and information security, the Group's sourcing policy ensures that outsourcing initiatives follow a defined process including due diligence, risk evaluation and ongoing assurance. Business management uses issues and action-tracking management to address identified risk exposure weaknesses in the control environment in a consistent manner.

Mitigating actions to the principal operational risks include the following:

- The Group adopts a risk-based approach to mitigate cyber threats it faces. Specifically, the Group continues to undertake remediation activity to address deficiencies in its access controls across certain business applications and associated IT infrastructure. The effective operation of the Group's estate is supported by an IT and Cyber Security Governance framework, guided by a threat-based strategy which underpins investment decisions. The ongoing protection of the estate and confidentiality of material information is ensured through adherence to the Group Security Policy which has been aligned to industry good practice including the NIST Cyber Security Framework; and material laws and regulations. The Group engages a specialist third party consultancy on a periodic basis, to assess the maturity of its cyber security programme, in assessing, identifying and managing material risks from cyber security threats. Thresholds have been set that, once triggered, will bring the information security risk owning business representatives, legal and compliance teams together as a subcommittee. The sub-committee will own the invocation of crisis management, Board and/or regulatory notification and the drafting of any wider stakeholder communications.
- The Group is focused on leadership and colleague engagement, through delivery of strategies to attract, retain and develop high calibre people together with a focus on creating a strong and resilient talent pipeline
- The Group continues to focus on its culture and inclusivity strategy by developing and delivering initiatives that reinforce the appropriate behaviours which generate the best possible long-term outcomes for customers and colleagues
- The Group is managing organisational capability and capacity through divisional people strategies to ensure there are the right skills and resources to meet customers' needs and deliver the Group's strategic plan
- The Group ensures colleague wellbeing strategies and support are in place to meet colleague needs, alongside skills and capability growth required to maximise the potential of our people
- The Group ensures compliance with legal and regulatory requirements, embedding compliant and appropriate colleague behaviours in line with Group policies, values and its people risk priorities
- The Group has simplified and enhanced conduct policies and procedures to ensure appropriate controls and processes to deliver good customer outcomes, and support market integrity and competition requirements
- The Group ensures customer needs are considered through divisional customer plans, with an integral conduct lens
- The Group continues to develop and oversight the Implementation of the vulnerability strategy, with focus on the monitoring of vulnerable customer outcomes, providing strategic direction and ensuring consistency of outcomes across the Group

ORA: Qualitative information on operational risk continued

- The Group has a robust product governance framework to ensure products continue to offer customers fair value, and consistently meet their needs throughout their product lifecycle
- The Group effectively manages complaints through responding to, and learning from, root causes of complaint volumes and Financial Ombudsman Service (FOS) change rates

Monitoring

Monitoring and reporting of operational risk is undertaken at Board, Group, legal entity and business unit and functional committees. Each committee monitors key risks, control effectiveness, indicators, events, operational losses, risk appetite metrics and the results of independent review conducted by the Risk function and/or Group Audit. Additionally, the Group's IT and information security processes are validated and audited by internal experts within the Risk function and Group Audit.

The Group maintains a formal approach to operational risk event escalation, whereby events are identified, captured and escalated, where appropriate based on materiality. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe and improve efficiency.

The insurance policies are monitored and reviewed regularly, with recommendations being made to the Group's senior management annually prior to each renewal. Insurers are monitored on an ongoing basis, to ensure counterparty risk is minimised. A process is in place to manage any insurer rating changes or insolvencies.

Further information on operational, compliance and conduct risk management can be found in the Lloyds Banking Group plc Annual Report and Accounts 2024.

Approaches for assessment of own funds requirements

The Group measures its operational risk requirement using the Standardised Approach.

OR1: Operational risk own funds requirements and risk-weighted exposure amounts

		31 Dec 2024				
		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2022	2023	2024[1]		
	Banking activities	£m	£m	£m	£m	£m
1	Banking activities subject to basic indicator approach (BIA)	–	–	**–**	–	–
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	16,614	17,188	**16,290**	**2,175**	**27,183**
3	Subject to TSA:	16,614	17,188	**16,290**		

1. Management estimates are used for the 2024 relevant indicator as audited income is not available at the time of calculation.

Liquidity

LIQA: Liquidity risk management

Strategies and processes in the management of the liquidity risk

The Group manages and monitors liquidity risks and ensures that liquidity risk management systems and arrangements are adequate with regard to the internal risk appetite, Group strategy and regulatory requirements.

Liquidity policies and procedures are subject to independent internal oversight by Risk. Overseas branches and subsidiaries of the Group may also be required to meet the liquidity requirements of the entity's domestic country.

The Group's funding and liquidity position is underpinned by its significant customer deposit base, and is supported by strong relationships across customer segments.

The Group plans funding requirements over its planning period, combining business as usual and stressed conditions. Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis and where concentrations do exist, these are managed as part of the planning process and limited by the internal funding and liquidity risk monitoring framework, with analysis regularly provided to senior management.

Structure and organisation of the liquidity risk management function

The Group's Board develops the Group strategy within the boundaries set by the Group Risk Appetite which is reviewed and approved at least annually. The Group Board Risk Committee is responsible for reviewing the Group Risk Appetite, Enterprise Risk Management Framework (ERMF) and risk culture. The Group adopts the Lloyds Banking Group ERMF supplemented with additional tailored practices to address the Group specific requirements.

The Group and Ring-Fenced Banks Asset and Liability Committee (GALCO) is responsible for reviewing and determining the appropriate allocation of capital, funding and liquidity and market risk resources. GALCO is supported by Divisional ALCOs, second line risk committees and Group Corporate Treasury (GCT) in managing liquidity risk. The ERMF is implemented through a Three Lines of Defence model which defines clear responsibilities and accountabilities ensuring effective independent oversight and assurance of key decisions.

A description of the degree of centralisation of liquidity management and interaction between the group's units

GCT is responsible for the Group's overall day-to-day liquidity risk management. Liquidity is managed on a legal entity basis, with liquidity only being transferable between legal entities upon agreement on an arm's length basis. Each liquidity group has a distinct liquidity risk appetite and will manage liquidity separately, in line with Group policy.

The Group operates a Liquidity Transfer Pricing process which allocates relevant interest expenses from the centre to the Group's banking businesses within the internal management accounts, and helps drive the correct inputs to customer pricing.

Scope and nature of liquidity risk reporting and measurement systems.

Liquidity risk is managed through a series of measures, tests and reports that are primarily based on contractual maturities with behavioural overlays as appropriate. The Group undertakes both quantitative and qualitative analysis of the behavioural aspects of its assets and liabilities to reflect their expected behaviour.

The Group's liquidity risk reporting utilises the Group's strategic Liquidity Reporting System, which is used for both external regulatory reporting and a range of other internal liquidity metrics including the internal liquidity stress test.

Daily monitoring and control processes are in place to address both internal and regulatory liquidity reporting and measurement which include key ratios such as LCR, Internal Liquidity Stress Testing and NSFR.

The Group monitors a range of market and internal early warning indicators daily for early signs of liquidity risk in the market or specific to the Group. These are a mixture of quantitative and qualitative measures, including but not limited to, wholesale funding concentration and maturity profiles, changes in customer deposits, and widening Credit Default Swap spreads.

Policies for hedging and mitigating the liquidity risk and strategies and processes

The Group manages its liquidity position both with regard to its internal risk appetite, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as required by the PRA, the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR) liquidity requirements.

To mitigate liquidity risk, the Group holds a liquidity buffer consisting of central bank reserves and other diversified high quality liquid assets to mitigate potential liquidity outflow risks as indicated under the LCR and internal liquidity stress scenarios. The Group has access to a range of central bank facilities and has pre-positioned a substantial amount of assets at the Bank of England's Discount Window Facility, which can be used to access additional liquidity in a time of stress. The Group considers diversification across geography, currency, markets and tenor when assessing appropriate holding of liquid assets.

An outline of the bank`s contingency funding plans

The Group maintains a Liquidity Contingency Framework as part of the wider Recovery Plan which is reviewed and tested regularly and is designed to identify emerging liquidity concerns at an early stage, so that mitigating actions can be taken to avoid a crisis developing. The Liquidity Contingency Framework has a foundation of robust and regular monitoring and reporting of KPIs, EWIs and Risk Appetite by both GCT and Risk up to and including Board level. Where movements in any of these metrics and indicator suites point to a potential issue, SME teams and their Directors will escalate this information as appropriate.

An explanation of how stress testing is used

The Group carries out internal stress testing of its liquidity and potential cash flow mismatch position over both short (up to one month) and longer-term horizons against a range of scenarios forming an important part of the internal risk appetite. The scenarios and assumptions are reviewed at least annually to ensure that they continue to be relevant to the nature of the business, including reflecting emerging horizon risks to the Group.

This scenario includes a two notch downgrade of the Group's current long-term debt rating and accompanying one notch short-term downgrade implemented instantaneously by all major rating agencies.

A declaration approved by the management body on the adequacy of liquidity risk management

The Group Board confirm the adequacy of our liquidity risk management arrangements, including compliance with the PRA's Overall Liquidity Adequacy Rule, annually via the Group's Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP documents and demonstrates that the Group maintains liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

A concise liquidity risk statement approved by the management body

The Group Board approves the Group's Funding and Liquidity management framework, as defined by the ERMF, and approves the Group's Liquidity Risk Appetite Statement; that the liquidity risk appetite is maintained above regulatory minima in a severe but plausible stress for a reasonable time-period, relying on non-franchise damaging management actions.

Liquidity

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

LIQ1: Liquidity Coverage Ratio

		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	**31 Dec 2024**	30 Sep 2024	30 Jun 2024	31 Mar 2024
	Number of data points used in the calculation of averages	**12**	12	12	12	**12**	12	12	12
High-quality liquid assets (£m)									
1	Total high-quality liquid assets (HQLA)					**134,370**	134,594	136,023	136,442
Cash - outflows (£m)									
2	Retail deposits and deposits from small business customers, of which:	**351,223**	348,045	345,646	344,618	**23,538**	23,321	23,193	23,183
3	Stable deposits	**266,224**	263,972	262,145	261,144	**13,311**	13,198	13,107	13,057
4	Less stable deposits	**84,999**	84,073	83,501	83,474	**10,227**	10,123	10,086	10,126
5	Unsecured wholesale funding	**90,855**	91,937	93,693	95,274	**45,463**	46,362	47,603	48,485
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**22,329**	20,871	20,083	19,279	**5,582**	5,218	5,021	4,820
7	Non-operational deposits (all counterparties)	**65,371**	67,745	69,532	71,772	**36,726**	37,823	38,504	39,442
8	Unsecured debt	**3,155**	3,321	4,078	4,223	**3,155**	3,321	4,078	4,223
9	Secured wholesale funding					**178**	209	253	291
10	Additional requirements	**72,915**	73,985	74,450	74,347	**32,881**	34,057	34,457	34,394
11	Outflows related to derivative exposures and other collateral requirements	**20,265**	21,466	21,779	21,927	**20,265**	21,466	21,779	21,927
12	Outflows related to loss of funding on debt products	**587**	595	614	558	**587**	595	614	558
13	Credit and liquidity facilities	**52,063**	51,924	52,057	51,862	**12,029**	11,996	12,064	11,909
14	Other contractual funding obligations	**2,741**	2,033	1,433	1,524	**1,182**	1,198	1,013	1,110
15	Other contingent funding obligations	**94,154**	92,903	91,953	91,361	**4,053**	3,874	3,831	3,814
16	Total cash outflows					**107,295**	109,021	110,350	111,277
Cash - inflows (£m)									
17	Secured lending (e.g. reverse repos)	**34,672**	34,866	33,549	34,008	**329**	342	391	460
18	Inflows from fully performing exposures	**7,090**	7,126	7,186	7,137	**5,310**	5,319	5,338	5,211
19	Other cash inflows	**9,647**	10,110	10,204	10,388	**9,587**	10,054	10,151	10,339
20	Total cash inflows	**51,409**	52,102	50,939	51,533	**15,226**	15,715	15,880	16,010
UK-20c	Inflows subject to 75% cap	**49,496**	50,075	48,967	49,284	**15,226**	15,715	15,880	16,010
Total adjusted value									
UK-21	Liquidity buffer (£m)					**134,370**	134,594	136,023	136,442
22	Total net cash outflows (£m)					**92,069**	93,306	94,470	95,267
23	Liquidity coverage ratio (%)					**146%**	144%	144%	143%

Liquidity continued

LIQB: Qualitative information on LCR

The Group's LCR disclosure (based on a monthly simple average over the previous 12 months) was 146 per cent as of 31 December 2024. The increase of 2 percentage points from the prior quarter was due to a decrease in net cash outflows, primarily from a reduction in wholesale funding outflows and decreased outflows related to derivative exposures from market volatility at the onset of 2022 UK mini-budget no longer being included in the LCR's Historical Look-Back approach (HLBA). For 2024, the increase in LCR is explained by a decrease in net cash outflows, primarily from a reduction in wholesale funding outflows. Liquid assets also decreased from a reduction in wholesale funding.

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

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

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

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

Liquidity continued

LIQ2: Net Stable Funding Ratio

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		£m	£m	£m	£m	£m
Available stable funding (ASF) Items						
1	**Capital items and instruments:**	**45,482**	**1,326**	**1,754**	**13,133**	**58,615**
2	Own funds	**45,482**	**1,117**	**1,571**	**12,455**	**57,937**
3	Other capital instruments		**209**	**183**	**678**	**678**
4	**Retail deposits:**		**353,207**	**—**	**—**	**331,272**
5	Stable deposits		**267,703**	**—**	**—**	**254,318**
6	Less stable deposits		**85,504**	**—**	**—**	**76,954**
7	**Wholesale funding:**		**170,423**	**21,478**	**72,861**	**128,120**
8	Operational deposits		**22,063**	**—**	**—**	**11,031**
9	Other wholesale funding		**148,360**	**21,478**	**72,861**	**117,089**
10	**Interdependent liabilities**		**—**	**—**	**—**	**—**
11	**Other liabilities:**	**—**	**7,040**	**—**	**8,696**	**8,696**
12	NSFR derivative liabilities	**—**				
13	All other liabilities and capital instruments not included in the above categories		**7,040**	**—**	**8,696**	**8,696**
14	**Total available stable funding (ASF)**					**526,703**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**3,880**
UK-15a	**Assets encumbered for more than 12m in cover pool**		**460**	**394**	**14,711**	**13,230**
16	**Deposits held at other financial institutions for operational purposes**		**—**	**—**	**—**	**—**
17	**Performing loans and securities:**		**79,267**	**32,905**	**418,014**	**346,609**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		**47,969**	**9,747**	**8,317**	**13,191**
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		**9,592**	**8,609**	**13,620**	**18,710**
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		**10,869**	**7,567**	**92,458**	**88,501**
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**—**	**—**	**—**	**—**
22	Performing residential mortgages, of which:		**5,963**	**4,748**	**294,022**	**215,255**
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		**5,527**	**4,382**	**269,731**	**194,021**
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		**4,874**	**2,234**	**9,597**	**10,952**
25	**Interdependent assets**		**—**	**—**	**—**	**—**
26	**Other assets:**	**21,396**	**3,062**	**196**	**31,099**	**41,774**
27	Physical traded commodities				**—**	**—**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			**4,431**		**3,766**
29	NSFR derivative assets			**5,944**		**5,944**
30	NSFR derivative liabilities before deduction of variation margin posted			**11,021**		**551**
31	All other assets not included in the above categories		**3,062**	**196**	**31,099**	**31,513**
32	**Off-balance sheet items**		**148,099**	**—**	**—**	**4,193**
33	**Total RSF**					**409,686**
34	**Net Stable Funding Ratio (%)**					**129%**

Asset Encumbrance

AE1: Encumbered and unencumbered assets

The table below provides a median view of encumbered and unencumbered assets over the period 31 December 2023 to 31 December 2024.

		31 Dec 2024							
		Carrying amount of encumbered assets		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
			of which notionally eligible EHQLA and HQLA		**of which notionally eligible EHQLA and HQLA**		**of which EHQLA and HQLA**		**of which EHQLA and HQLA**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
010	Total Assets	**91,725**	**19,027**			**623,472**	**86,190**		
030	Equity instruments	**—**	**—**	**—**	**—**	**2,075**	**—**	**2,075**	**—**
040	Debt securities[1]	**14,929**	**11,964**	**14,929**	**11,964**	**36,374**	**28,648**	**36,374**	**28,648**
050	of which: covered bonds	**190**	**190**	**190**	**190**	**4,354**	**4,290**	**4,354**	**4,290**
060	of which: securitisations	**1,598**	**—**	**1,598**	**—**	**1,886**	**1,378**	**1,886**	**1,378**
070	of which: issued by general governments	**12,349**	**10,815**	**12,349**	**10,815**	**15,026**	**12,645**	**15,026**	**12,645**
080	of which: issued by financial corporations	**2,844**	**1,214**	**2,844**	**1,214**	**20,654**	**14,110**	**20,654**	**14,110**
090	of which: issued by non-financial corporations	**130**	**130**	**130**	**130**	**1,932**	**1,478**	**1,932**	**1,478**
120	Other assets	**77,942**	**7,062**			**583,033**	**57,989**		

		31 Dec 2023							
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
010	Total Assets	101,375	24,737			623,612	101,126		
030	Equity instruments	—	—	—	—	2,040	—	2,040	—
040	Debt securities[1]	15,837	14,164	15,837	14,164	27,234	17,664	27,234	17,664
050	of which: covered bonds	29	29	29	29	4,016	4,015	4,016	4,015
060	of which: securitisations	1,561	24	1,561	24	4,505	1,049	4,505	1,049
070	of which: issued by general governments	12,520	12,414	12,520	12,414	5,809	3,822	5,809	3,822
080	of which: issued by financial corporations	3,170	1,709	3,170	1,709	19,523	13,135	19,523	13,135
090	of which: issued by non-financial corporations	75	75	75	75	2,032	192	2,032	192
120	Other assets	85,746	10,350			595,707	83,880		

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

Asset Encumbrance continued

AE2: Collateral received and own debt securities issued

		31 Dec 2024				31 Dec 2023			
				Unencumbered				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
130	Collateral received by the reporting institution	**53,413**	**49,019**	**47,046**	**45,437**	53,357	51,480	35,115	33,713
160	Debt securities[1]	**53,413**	**49,019**	**47,046**	**45,437**	53,357	51,480	35,115	33,713
170	of which: covered bonds	**1,113**	**1,113**	**2,562**	**2,560**	33	25	1,646	1,592
180	of which: securitisations	**340**	**65**	**368**	**324**	38	38	685	685
190	of which: issued by general governments	**49,980**	**46,797**	**40,520**	**39,766**	50,434	49,695	28,897	27,186
200	of which: issued by financial corporations	**2,897**	**1,697**	**4,519**	**2,895**	2,163	1,039	3,510	3,789
210	of which: issued by non-financial corporations	**610**	**603**	**2,062**	**2,000**	814	791	2,775	2,662
241	Own covered bonds and asset-backed securities issued and not yet pledged			**8,049**	**—**			8,940	—
250	**Total assets, collateral received and own debt securities issued**	**146,688**	**67,894**			154,833	76,217		

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

AE3: Source of encumbrance

		31 Dec 2024		31 Dec 2023	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		£m	£m	£m	£m
010	Carrying amount of selected financial liabilities[1]	**121,990**	**131,640**	105,891	134,120

[1]Consists of derivatives, deposits and debt securities issued.

Asset Encumbrance continued

UK AE4: Accompanying narrative information

(a) Information on asset encumbrance

The reported values represent the median of encumbered and unencumbered assets over the period 31 December 2023 to 31 December 2024.

Encumbered assets and encumbered collateral received have decreased on a median basis in 2024 compared to the prior year. This is largely driven by reductions in redemptions and internal collateral requirements.

(b) Information on the impact of the business model on levels of encumbrance and the importance of encumbrance on the finding model

The Group Asset and Liability Committee monitor and manage total balance sheet encumbrance, including via a defined risk appetite. The Group primarily encumbers mortgages and credit card receivables through the issuance of covered bonds and securitisation and by way of it's participation in the Bank of England's Sterling Monetary Framework together with tradable securities through securities financing activity via repo and stock lending. The majority of assets encumbered are in the UK banking entities with no significant intragroup encumbrance. In covered bonds and securitisations the Group will encumber assets in excess of the matching liabilities in line with the requirements of the relevant programmes.

The Group provides collateralised security financing services to its clients, providing them with cash financing or specific securities. Collateralised security financing is also used to manage the Group's own short-term cash and collateral needs. In terms of securities accepted as collateral, mandates are asset class and credit rating driven with appropriate notional limits per rating, asset and individual bond concentration. The majority of collateral the Group uses in repo/reverse repo and stock lending/stock borrowing transactions is investment grade government issued, primarily UK Government debt.

The Group separately identifies unencumbered assets which are available to meet any future possible funding requirements, further details are included on page 186 of the Lloyds Banking Group plc Annual Report and Accounts 2024.

Interest rate risk in the banking book (IRRBB)

IRRBBA: IRRBB risk management objectives and policies

Risk control and measurement of IRRBB

The Group generates interest rate risk by virtue of the origination of customer assets and liabilities and any mismatch between these.

Interest rate risk can change the value of the Group's cash flows/ income in a number of ways. The main sources of interest rate risk in the banking book are yield curve changes, basis risk, margin risk, rate reset risk, prepayment risk, withdrawal risk, other embedded optionality and pre-hedging risk.

The Board is responsible for approving the Group's Board risk appetite statement annually. Group Board-level metrics are augmented by further sub-Board-level metrics and cascaded into more detailed business appetite metrics and limits. The Group risk appetite is cascaded first to the Group Asset and Liability Committee (GALCO), chaired by the Chief Financial Officer, where risk appetite is approved and monitored by risk type, and then to the Group Market Risk Committee (GMRC) where risk appetite is sub-allocated by division. These metrics are reviewed regularly by senior management to inform effective decision-making.

The 'three lines of defence' model defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

IRRBB management and mitigation strategies.

GALCO is responsible for approving and monitoring market risks, management techniques, market risk measures, behavioural assumptions, and the market risk policy. Various mitigation activities are assessed and undertaken across the Group to manage portfolios and seek to ensure they remain within approved limits. The mitigation actions will vary dependent on exposure but will, in general, look to reduce risk in a cost effective manner by offsetting balance sheet exposures and externalising to the financial markets dependent on market liquidity.

The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific risk measures that the institution's uses to gauge its sensitivity to IRRBB, including changes to its economic value and earnings.

Interest rate risk exposure is monitored monthly using, primarily:

- Market value sensitivity: this methodology considers all repricing mismatches (behaviourally adjusted where appropriate) in the current balance sheet and calculates the change in market value.
- Interest income sensitivity: this measures the impact on future net interest income arising from various economic scenarios.

Supplementary measures such as sensitivity and exposure limits are applied where they provide greater insight into risk positions. Frequency of reporting supplementary measures varies from daily to quarterly appropriate to each risk type.

A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in its economic value and in earnings.

The change in market value is measured as a result from an instantaneous 25, 100 and 200 basis points parallel rise or fall in the yield curve.

For interest income sensitivities, scenarios include instantaneous 25, 100 and 200 basis point parallel shifts in all yield curves along with the Group economic scenarios.

These scenarios are reviewed every year and are designed to replicate severe but plausible economic events, capturing risks that would not be evident through the use of parallel shocks alone such as basis risk and steepening or flattening of the yield curve.

Additionally, the Group monitors the changes in economic value of equity (EVE) and net interest income (NII) against the six scenarios prescribed by the PRA. These include parallel shocks along with steepener, flattener, short rates up and short rates down scenarios. From the six scenarios prescribed by the PRA, net interest income sensitivity is measured against the parallel up and parallel down shocks. Results of which are found in table IRRBB1.

Key modelling and parametric assumptions used in calculating change in economic value of equity (ΔEVE) and change in net interest income (ΔNII) in UK IRRBB1.

The Group has applied the rules set out by the regulator in Annex XXXVII of the disclosure requirements of the PRA Rulebook in the calculation of both EVE and NII sensitivity. A high-level description of key modelling and parametric assumptions for each metric is given below:

EVE Sensitivity

- The spot balance sheet as at the reporting date is assumed to run off - cashflows are grouped into the appropriate duration.
- Equity is excluded from the calculation given the purpose of the calculation is to assess the sensitivity of the Group's economic value of equity.
- Dynamic prepayment profiles are applied to the Group's mortgage book for each of the 6 prescribed interest rate shocks. Prepayment and early withdrawal assumptions are also applied to other lending products and fixed term deposits respectively. Material assumptions used in the measurement of market risk are reviewed by Business Units and Risk before approval at the appropriate ALCO at least every 12 months.
- Interest cashflows are included until the next reset date or maturity date (whichever is first).
- Commercial margins have been included and the discount rate used is the risk free rate.
- Non maturing deposits (NMDs) are assumed to reprice overnight unless deemed interest rate insensitive, in which case the Group's own assessment of duration is applied.
- The yield curve at the report date is instantaneously shocked in line with the six prescribed interest rate scenarios.
- There is no correlation assumed between currencies. As prescribed by the regulations, positive economic value changes in any individual currency are weighted at 50% and adverse changes are weighted at 100%.

NII Sensitivity

- Balance sheet volumes and margins are held static for the 12 month calculation period - new business replaces maturing business on a like for like basis.
- Behavioural and pass on assumptions are applied for managed rate products.
- The calculation includes product specific flooring where appropriate.
- The calculation doesn't include the impact of any management actions which may be taken in the prescribed interest rate scenarios.

Significant modelling assumptions used in the institution's internal measurement systems (IMS) for purposes other than disclosure that differ from the modelling assumptions prescribed for the disclosure in UK IRRBB1, including their directional implications and the rationale for those differences.

The Group's approach to the internal calculation of value sensitivity includes equity, which is assumed to reprice to an agreed profile, this significantly reduces the value sensitivity in an upward rate shock.

The interest rate pass on assumption used for NII disclosures is an illustrative percentage which differs from the more granular assumptions used internally. In addition, internal models use a forecast of balance sheet and margins rather than the static approach required by the regulation. As a result, internal models show a lower level of risk under the two prescribed scenarios.

A high-level description of how the institution hedges its IRRBB, as well as the associated accounting treatment.

The Group's policy is to optimise reward while managing its market risk exposures within the risk appetite defined by the Board. The Group market risk policy and procedures outlines the hedging process, and the centralisation of risk from divisions into Group Corporate Treasury (GCT), e.g. via the transfer pricing framework. GCT is responsible for managing the centralised risk and does this through natural offsets of matching assets and liabilities, and

IRRBBA: IRRBB risk management objectives and policies continued

appropriate hedging activity of the residual exposures, subject to the authorisation and mandate of GALCO within the Board risk appetite. The hedges are externalised to the market by derivative desks within GCT and the Commercial Bank. The Group mitigates income statement volatility through hedge accounting. This reduces the accounting volatility arising from the Group's economic hedging activities and any hedge accounting ineffectiveness is continuously monitored.

The largest residual risk exposure arises from balances that are deemed to be insensitive to changes in market rates (including current accounts, a portion of variable rate deposits and investable equity), and is managed through the Group's structural hedge. Consistent with the Group's strategy to deliver stable returns, GALCO seeks to minimise large reinvestment risk, and to smooth earnings over a range of investment tenors. The structural hedge consists of longer term fixed rate assets or interest rate swaps and the amount and duration of the hedging activity is reviewed regularly by GALCO.

While the Group faces uncertainty in customer behaviour due to a higher rate environment, its exposure to increased pipeline and prepayment risks are managed through hedging in line with expected customer behaviour. These are appropriately monitored and controlled through divisional Asset and Liability Committees (ALCOs).

Any other information which the institution wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.

EVE Sensitivity

The Group monitors EVE sensitivity monthly through the Supervisory Outlier Test ensuring compliance with the ΔEVE as a percentage of Tier 1 capital regulatory limit of 15% . As described above, the main driver of risk is the exclusion of the Group's own equity, as a result of this the most severe outcome for the Group is the parallel up scenario.

NII Sensitivity

The Group also monitors NII sensitivity against the two prescribed parallel shocks on a quarterly basis. The most severe outcome for the Group is the parallel down scenario, and the main drivers are reduced sensitivity from structural interest rate hedging and timing delays associated with the repricing of administered deposits. Note product specific floors are based on internal assumptions.

IRRBB1: Quantitative information on IRRBB

The table below shows the Group's exposure to movements in interest rates based on the 6 prescribed scenarios defined by rule 9.7 of the ICAAP part of the PRA Rulebook.

Average repricing maturity assigned to non-maturing deposits (NMDs).

The average repricing maturity of the Group's NMDs is 1.9 years. The calculation includes both profiled balances and those that are assumed to reprice overnight.

Longest repricing maturity assigned to NMDs.

The longest repricing maturity assigned to NMDs is 10 years.

		ΔEVE		ΔNII		Tier 1 capital	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
		£m	£m	**£m**	£m	**£m**	£m
010	Parallel shock up	**(3,348)**	(1,507)	**1,082**	1,184		
020	Parallel shock down	**1,100**	(205)	**(1,472)**	(1,524)		
030	Steepener shock	**(304)**	286				
040	Flattener shock	**(197)**	(647)				
050	Short rates shock up	**(1,330)**	(1,050)				
060	Short rates shock down	**409**	287				
070	Maximum	**(3,348)**	(1,507)	**(1,472)**	(1,524)		
080	Tier 1 capital					**37,349**	37,712

Remuneration (REMA)

This section discloses the remuneration awards made by the Group to Material Risk Takers (MRTs) in respect of the 2024 performance year and provides additional information with respect to the Group's remuneration policies, structure and governance.

The remuneration principles and practices detailed in the Directors' Remuneration Report (DRR) in the Lloyds Banking Group Annual Report and Accounts 2024 on pages 110 to 133 apply to MRTs and non-MRTs in the same way as to Executive Directors (other than were noted in the DRR).

The Group has applied the Remuneration Part of the PRA's Rulebook, and SYSC 19 of the Financial Conduct Authority's Handbook as well as associated guidance, to determine which colleagues should be identified as MRTs. MRTs are colleagues who are considered to have a material impact on the Group's risk profile, and include, but are not limited to:

- Board Executive Directors, Board Non-Executive Directors and members and attendees of the Group Executive Committee (GEC) and their respective executive level direct reports
- Business and Function Heads and their respective direct reports. Senior Management Function (SMF) holders and certain Certified roles
- Other highly remunerated individuals whose activities could have a material impact on the Group's risk profile

Remuneration Policy

The Group has a strong belief in aligning remuneration with the successful performance of the business and, through this, the delivery of long-term, superior and sustainable returns to shareholders.

During 2024 the Group Remuneration Committee comprised of four non-executive directors, led by Catherine Turner as Committee Chair, and held five scheduled meetings. In attendance there are two of three independent non-executive directors of the Ring-Fenced Banks who attend as observers in order to provide insights on matters relevant to the Ring-Fenced Banks.

Price Waterhouse Coopers (PwC) provides independent remuneration advice to the Committee. More broadly, PwC also provided professional services to the Group in the ordinary course of business including tax, advisory internal audit & non-audit assurance services. PwC has no other connections with the Group's Directors that may impair their independence as advisers to the Committee.

The Remuneration Committee's Terms of Reference are available from the Company Secretary and are displayed on the Group's website, www.lloydsbankinggroup.com/who-we-are/group-overview/corporate-governance.html. These Terms are reviewed each year to ensure compliance with applicable regulations and best practice guidelines and were last updated in January 2025.

The overarching purpose of the Remuneration Committee is to oversee the design of, and recommend to the Board an overall remuneration policy for the Group that is aligned with its long-term business strategy, its business objectives, its risk appetite, purpose and values and the long-term interests of the Group, and recognises the interests of relevant stakeholders, including the wider workforce.

The remuneration policy governs all aspects of remuneration and applies in its entirety firm-wide to all colleagues, contractors, seconded and temporary staff, including MRTs, in all entities and subsidiaries in the Group, including wholly owned overseas businesses.

The Committee reviews the policy annually and monitors the level and structure of remuneration for Executive Directors, GEC members and attendees, senior risk and compliance officers, high earners and any other MRTs.

In 2022, the Remuneration Committee performed a thorough review of the Directors' Remuneration Policy (DRP) to inform changes for 2023, to more closely align variable reward outcomes with the delivery of the Group's growth-oriented strategy and the creation of shareholder value. Input was sought from a range of key stakeholders, including institutional shareholders. The updated DRP was overwhelmingly approved at the 2023 AGM on 18 May 2023 and took effect from that date.

During the upcoming year, the DRP will be again reviewed in advance of it being proposed to shareholders for approval at the AGM in 2026.

Governance and Risk Management

An essential component of the approach to remuneration is the governance process that underpins it. This ensures that the policy is robustly applied and risk is managed appropriately.

In addition to setting the overall remuneration policy and philosophy for the Group, the Remuneration Committee ensures that colleagues who could have a material impact on the Group's risk profile are not rewarded for excessive risk taking but provided with appropriate incentives that recognise their individual contribution to the success of the Group.

The Remuneration Committee receives input from the Chief Risk Officer, approved by the Board Risk Committee, to ensure that the Group Performance Share (GPS) outcome properly reflects risk considerations including whether the proposed GPS outcome and performance assessments adequately reflect the risk appetite and framework of the Group; whether it takes account of current and future risks; and whether any further risk adjustment is recommended.

A strong risk governance model is in place which manages against the Group's appetite for risk. The risk types considered are set out in the Risk Management Framework and include for example, conduct risk, operational risk, and regulatory and legal risk.

The Remuneration Committee ensures that the aggregate variable remuneration for all colleagues is appropriate and balanced with the interests of shareholders and all other stakeholders.

Link between Pay and Performance

The Group's approach to reward is intended to provide a clear link between remuneration and delivery of the Group's purpose of Helping Britain Prosper and the strategic aim of becoming the UK's customer-focused, digital leader and integrated financial services provider, whilst delivering higher, more sustainable returns to shareholders. To this end, the performance management process has been developed, with input from Group Risk, to ensure there is a clear alignment between award outcomes and individual contribution, performance, behaviours and growth.

Our balanced scorecard provides transparency on how our performance directly aligns with remuneration outcomes for 2024 GPS, including for our executive directors.

In addition, the Remuneration Committee and/or Board Risk Committee may also use Performance adjustment which may result in a reduction of up to 100 per cent of the discretionary annual bonus (GPS) opportunity for the relevant period. It can be applied on a collective or individual basis. When considering collective adjustment, a report is submitted to the Remuneration Committee regarding any adjustments required to balanced scorecards or the overall GPS and outcome to reflect in-year or prior year risk matters.

Performance adjustment will generally be considered when:

- there is reasonable evidence of employee misbehaviour or material error or that they participated in conduct which resulted in losses for the Group or failed to meet appropriate standards of fitness and propriety;
- there is material failure of risk management at a Group, business area, division and/or business unit level;
- the Committee determines that the financial results for a given year do not support the level of variable remuneration awarded; and/or
- any other circumstances where the Committee consider adjustments should be made

Judgement on individual performance adjustment is informed by considering the severity of the issue including its impact on customers, clients or other stakeholders, the individual's proximity to the issue and the individual's behaviour in respect of any necessary investigation or remediation. Individual adjustment may be applied through adjustments to balanced scorecard assessments and/or through reducing the variable remuneration outcome.

Remuneration (REMA) continued

100% of variable awards are subject to clawback for a period of up to seven years after the date of award which may be extended to 10 years where there is an ongoing internal or regulatory investigation.

The application of clawback will generally be considered when:

– there is reasonable evidence of employee misbehaviour or material error; or

– there is material failure of risk management at a Group, business area, division and/or business unit level.

Design and Structure of Remuneration

When establishing the remuneration policy and associated frameworks, the Group is required to consider its size, organisation and the nature, scope and complexity of its activities. For the purpose of remuneration regulation, Lloyds Bank plc is treated as a proportionality level I firm and therefore subject to the more stringent remuneration rules.

Remuneration is delivered via a combination of fixed and variable remuneration. Fixed remuneration reflects the role, responsibility and experience of a colleague. Variable remuneration is based on an assessment of individual, business area and Group performance. The mix of variable and fixed remuneration is driven by seniority and role. Taking into account the expected value of awards, the performance-related elements of pay make up a considerable proportion of the total remuneration package for MRTs, whilst maintaining an appropriate balance between the fixed and variable elements.

As a result of the removal of the mandated regulatory fixed to variable cap, as part of its consultation process with shareholders, the Remuneration Committee Chair discussed increasing the Group's bonus cap as an administrative step such that it does not constrain variable award design in the future. Following overwhelming approval by the Group's shareholders of a resolution to allow the Committee to set an appropriate variable to fixed pay ratio for its MRTs, it has approved a ratio of 8:1 for 2024 and later years. The Committee considers that this will provide it with sufficient flexibility in terms of variable reward design without creating an incentive for excessive risk taking.

The higher ratio will not apply to our executive directors until a new Policy is approved by shareholders at the 2026 AGM.

Remuneration for control functions is set in relation to benchmark market data to ensure that it is possible to attract and retain staff with the appropriate knowledge, experience and skills. An appropriate balance between fixed and variable compensation supports this approach. Generally, control function staff receive a higher proportion of fixed remuneration than other colleagues. Particular attention is paid to ensure remuneration for control function staff is linked to the performance of their function and independent from the business areas they control.

The information below summarises the different remuneration elements for MRTs (this includes control function staff) and non-MRTs in respect of the 2024 performance year.

Base salary

Base salaries are reviewed annually, taking into account an individual's role, responsibilities as well as market information. Further information on base salaries can be found on page 115 of the DRR.

Applies to:

– Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports

– Colleagues performing a Senior Management Function

– Other MRTs

– Non-MRTs

Fees

Chair and Non-Executive Director fees provide an appropriate reward to attract and retain a high-calibre individual with the relevant skills, knowledge and experience. Non-Executive Director fees are reviewed annually by the Board.

Further information on fees can be found on page 133 of the 2024 Directors' Remuneration Report.

Fixed share award / Role based allowance

The fixed share award, made annually, delivers Lloyds Banking Group shares over a period of three years. Role based allowances are delivered monthly in cash. The purpose of the fixed share award/role based allowance is to ensure that total fixed remuneration is commensurate with the role, responsibilities and experience of the individual; provides a competitive reward package; and is appropriately balanced with variable remuneration, in line with regulatory requirements.

The fixed share award and role based allowance can be amended or withdrawn in the following circumstances:

– to reflect a change in role;

– to reflect a Group leave policy (e.g. parental leave or sickness absence);

– termination of employment with the Group;

– if the award would be inconsistent with any applicable legal, regulatory or tax requirements or market practice.

Applies to:

– Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports

– Colleagues performing a Senior Management Function

– Other employees (with eligibility based on seniority and role)

Benefits

Core benefits for UK-based colleagues include pension, private medical insurance, life insurance and other benefits that may be selected through the Group's flexible benefits plan.

Flexible benefits allowance of 4 per cent of base salary was consolidated into base salary in July 2023 for the majority of colleagues, simplifying their reward package and incurring pension contribution entitlement.

Benefits can be amended or withdrawn in the following circumstances:

– to reflect a change to colleague contractual terms;

– to reflect a change of grade;

– termination of employment with the Group;

– to reflect a change of Reward Strategy/benefit provision;

– if the award would be inconsistent with any statutory or tax requirements.

Details of benefits are set out on page 115 of the 2024 Directors Remuneration Report.

The Chair receives an all-inclusive fee, which is reviewed annually plus benefits including life insurance, medical insurance and transportation. Non-Executive Directors are reimbursed for expenses incurred in the course of their duties, such as travel and accommodation expenses on a grossed-up basis (where applicable).

Details of Non-Executive Directors' benefits are set out on page 133 of the 2024 Directors Remuneration Report of the Lloyds Banking Group plc Annual Report and Accounts 2024.

Applies to:

– Non-Executive Directors

– Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports

– Colleagues performing a Senior Management Function

– Other MRTs

– Non-MRTs

Remuneration (REMA) continued

Group Performance Share

The Group Performance Share (GPS) plan is an annual discretionary bonus plan. The plan is designed to reflect specific goals linked to the performance of the Group. The majority of colleagues and all MRTs (excluding non-executive directors) participate in the GPS plan. Individual GPS awards are based upon individual financial and non-financial performance, including risk management performance, as well as the Group's overall results. The Group's total risk-adjusted GPS pool outcome is determined by the Remuneration Committee annually having considered a range of factors including:

- Group's underlying financial performance.
- Performance for our customers and communities.
- Variable reward market positioning.
- Collective and discretionary adjustments to reflect risk matters and/or other factors.

The Group applies deferral arrangements to GPS and variable pay awards made to colleagues. GPS awards for MRTs are subject to deferral and a holding period in line with regulatory requirements and market practice.

Further information on the GPS plan, including information on the 2024 Group Balanced Scorecard outcome, can be found on pages 116 and 118 of the 2024 Directors Remuneration Report.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the 2023 AGM and is designed to deliver stronger alignment with our strategic objectives by supporting a more demanding performance culture and providing the opportunity to directly link vesting outcomes to delivery of the strategy and the realisation of its benefits for shareholders.

Only members of the Group Executive Committee, including the executive directors, are eligible to participate in the plan.

Individual awards were based upon individual contribution. The level of award is determined with reference to a pre-grant test based on an assessment of performance by the Committee. The grant price of shares to be awarded may be adjusted to reflect that the directors are not eligible for dividends on unvested awards.

Awards are subject to forward looking performance measures over a period of not less than 3 years (as determined by the Committee) based on financial metrics (50 per cent weighting), strategic targets (35 per cent weighting) and environmental measures (15 per cent weighting) all of which are set out in the annual report on remuneration each year.

No more than 25 per cent of the award vests for threshold performance. 100 per cent of the award vests for achieving the maximum performance. Where performance falls between threshold, target and maximum levels, an intermediate number of awards will vest.

For PRA SMFs, awards vest in five equal annual instalments which do not start before the third anniversary of grant; each vesting is subject to a further 12 month holding period as required by regulation. For FCA SMFs, awards vest in five equal annual instalments starting on the first anniversary of grant; each vesting is subject to a further 12 month holding period as required by regulation.

The Committee retains full discretion to amend the vesting levels should the outcome not reflect business and/or individual performance including risk and conduct outcomes. The Committee may reduce (including to zero) the level of the award, apply additional conditions to the vesting, or delay the vesting of awards to a specified date or until conditions set by the Committee are satisfied, where it considers it appropriate.

Further detail on the LTIP, including the applicable performance measures, can be found on page 132 of the 2024 Directors' Remuneration Report.

Applies to:

- Board Executive Directors and members/attendees of the Group Executive Committee only.

Deferral, vesting and performance adjustment

At least 40 per cent of MRTs' variable remuneration is deferred into Lloyds Banking Group Shares. For all MRTs, variable remuneration is deferred in line with the regulatory requirements for four, five or seven years, (depending on MRT category). Share awards are subject to a 12-month post-vesting holding period.

For all colleagues, any deferred variable remuneration amount may be subject to performance adjustment (malus) in accordance with the Group's Deferral and Performance Adjustment Policy.

100% of MRTs' variable remuneration can be recovered from colleagues up to seven years after the date of award in the case of a material or severe risk event (clawback). For Senior Management Function holders, this period may be extended to ten years where there is an ongoing internal or regulatory investigation. Clawback may be used alongside other performance adjustment processes.

De Minimis

In 2024, the Group relied on the 'de minimis' derogation under Sections 12.2(2) and 15.A1 (3) of the PRA Rulebook (Remuneration Part), and the equivalent provisions of SYSC 19D, in respect of the number of individuals (including non-executive directors) as detailed in the table below, and to each of whom Sections 12.2 and 15.15 to 15.19 of the PRA Rulebook (Remuneration Part) (and the equivalent provisions of SYSC 19D) therefore did not apply.

De-Minimis	Total Fixed Remuneration (£)	Total Variable Remuneration (£)	Total Remuneration (£)
53	15,551,331	1,738,143	17,289,474

Guaranteed variable remuneration

Guarantees, such as lost opportunity awards made to compensate for bonus awards that have been forfeited upon resignation, may only be offered in exceptional circumstances to new hires for the first year of service and in accordance with regulatory requirements.

Any awards made to new hires in the form of a buyout award to compensate them for unvested variable remuneration they forfeit on leaving their previous employment will be subject to appropriate retention, deferral, performance and clawback arrangements in accordance with applicable regulatory requirements.

Retention awards may be made to existing colleagues in limited circumstances and are subject to prior regulatory approval in line with applicable regulatory requirements.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports
- Colleagues performing a Senior Management Function
- Other MRTs
- Non-MRTs

Shareholding requirement

For Executive Directors the minimum shareholding requirement are expected to meet are as follows: 400 per cent of base salary for the Group Chief Executive and 300 per cent of base salary for other Executive Directors. Executive Directors will have five years from appointment to achieve the shareholding requirement. Group Executive Committee members are required to hold an amount equivalent to 100% of their base salary and any Role Based Allowance.

Applies to:

- Executive Directors, members/attendees of the Group Executive Committee

Remuneration (REMA) continued

Termination payments

It is the Group's policy that for Executive Directors and or members/attendees of the Group Executive Committee where notice pay continues to be payable after termination, it should be paid on a phased basis, mitigated if alternative employment is secured. For other MRTs, termination payments are either paid on a phased basis, mitigated if alternative employment is secured, or paid as a lump sum on termination, dependent on individual contractual terms.

Generally, on termination of employment, unvested Group Performance Share awards, Group Ownership Share awards, Long Term Share Plan awards, Long Term Incentive Plan awards and other rights to payments will lapse except where termination falls within redundancy, retirement/ill health, injury, permanent disability, death, change of control or merger or another reason where the Remuneration Committee determines that the executive should be treated as a good leaver.

Termination payments comply with the Group's contractual, legal and regulatory requirements and are made in such a way as to ensure they do not reward failure or misconduct and reflect performance over time.

Applies to:

– Executive Directors, members/attendees of the Group Executive Committee and their respective direct reports

– Other MRTs

Remuneration continued

REM1: Remuneration awarded for the financial year

		MB Supervisory function	MB Management function	Other senior management[2]	Other identified staff
Fixed remuneration[3]	Number of identified staff	10	2	12	282
	Total fixed remuneration	£2,577,186	£3,954,573	£13,442,154	£95,436,725
	Of which: cash-based	£2,577,186	£2,033,403	£12,104,525	£83,260,341
	Of which: shares or equivalent ownership interests[1]	–	£1,616,160	–	£155,705
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
	Of which: other instruments	–	–	–	–
	Of which: other forms	–	£305,010	£1,337,629	£12,020,679
Variable remuneration	Number of identified staff	–	2	12	253
	Total variable remuneration	–	£8,038,856	£25,321,726	£59,904,648
	Of which: cash-based	–	£969,324	£2,773,363	£29,219,812
	Of which: deferred	–	–	–	£13,050,828
	Of which: shares or equivalent ownership interests	–	£7,069,533	£22,548,363	£30,684,836
	Of which: deferred	–	£6,100,209	£19,775,000	£13,281,400
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other instruments	–	–	–	–
	Of which: deferred	–	–	–	–
	Of which: other forms	–	–	–	–
	Of which: deferred	–	–	–	–
Total remuneration		£2,577,186	£11,993,429	£38,763,879	£155,341,373

1. Released over a three-year period.
2. Other Senior Management is defined as Group Executive Committee (GEC) members/attendees (excluding Group Executive Directors and Non-Executive Directors).
3. Fixed Remuneration is calculated using annualised salary.

Remuneration continued

REM2: Special payments to staff whose professional activities have a material impact on institutions risk profile (identified staff)

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	–	–	–	**1**
Guaranteed variable remuneration awards -Total amount	–	–	–	**£106,920**
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	–	–	–	–
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	–	–	–	**17**
Severance payments awarded during the financial year - Total amount	–	–	–	**£1,007,144**
Of which paid during the financial year	–	–	–	**£814,793**
Of which deferred	–	–	–	–
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Of which highest payment that has been awarded to a single person	–	–	–	**£212,175**

Remuneration continued

REM3: Deferred remuneration

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function[1]								
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
MB Management function								
Cash-based	£713,294	£470,324	£242,970	–	–	–	£470,324	–
Shares or equivalent ownership interests	£2,146,696	£1,903,728	£242,967	–	–	£51,236	–	£1,903,728
Share-linked instruments or equivalent non-cash instruments	£13,387,477	£331,093	£13,056,384	–	–	£2,753,269	£131,571	£199,521
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other senior management								
Cash-based	£1,560,727	£1,106,656	£454,071	–	–	–	£1,106,656	–
Shares or equivalent ownership interests	£27,116,368	£5,212,334	£21,904,034	–	–	£4,619,020	–	£5,212,334
Share-linked instruments or equivalent non-cash instruments	223,068	223,068	–	–	–	–	£38,535	£184,533
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other identified staff								
Cash-based	£31,813,183	£2,912,231	£28,900,952	–	£669	–	£2,912,231	–
Shares or equivalent ownership interests	£62,322,105	£32,091,214	£30,230,891	–	–	£6,374,949	£7,680,949	£24,410,265
Share-linked instruments or equivalent non-cash instruments	£754,751	£434,311	£320,440	–	–	£67,573	£248,584	£185,727
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Total amount	**£140,037,668**	**£44,684,958**	**£95,352,710**	**–**	**£669**	**£13,866,048**	**£12,588,850**	**£32,096,108**

1. Non-Executive Directors are not eligible to receive variable remuneration.

Remuneration continued

REM4: Remuneration of 1 million EUR or more per year[1,2]

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	30
1 500 000 to below 2 000 000	6
2 000 000 to below 2 500 000	2
2 500 000 to below 3 000 000	1
3 000 000 to below 3 500 000	4
3 500 000 to below 4 000 000	1
4 000 000 to below 4 500 000	1
4 500 000 to below 5 000 000	5
5 000 000 to below 6 000 000	1
6 000 000 to below 7 000 000	—
7 000 000 to below 8 000 000	—
8 000 000 to below 9 000 000	1

1. Converted to Euros using £1: €1.20149 (the exchange rate used by the European Commission for financial programming for December 2024). The exchange rate used for 2023 was £1: €1.15574.
2. Total number of Material Risk Takers earning more than €1m has decreased from 54 in 2023 to 52 in 2024.

REM5: Information on remuneration of staff whose professional activities have a material impact on institutions risk profile (identified staff)

	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking[1]	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**304.05**
Of which: members of the MB	10	2	12							
Of which: other senior management				—	5	—	3	2	2	
Of which: other identified staff				46	73	—	59	53	50	
Total remuneration of identified staff	£2,577,186	£11,993,429	£14,570,615	£30,254,955	£58,408,321	—	£39,700,151	£32,261,085	£33,480,740	
Of which: variable remuneration	—	£8,038,856	£8,038,856	£12,869,234	£27,279,350	—	£17,417,940	£13,048,772	£14,611,078	
Of which: fixed remuneration	£2,577,186	£3,954,573	£6,531,759	£17,385,721	£31,128,971	—	£22,282,211	£19,212,314	£18,869,663	

1. Retail Banking includes Consumer Lending, Consumer Relationship, Business & Commercial Banking and Corporate & Institutional Banking.

Appendix 1: Board of Directors (UK OVB)

Board Diversity Policy

The Board Diversity Policy (the "Policy") sets out the Board of Lloyds Banking Group's (the "Board") approach to diversity and provides a high-level indication of the Board's approach to diversity and inclusion in senior management roles which is governed in greater detail, through the Group's policies.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. Consideration is given to the combination of diversity demographics, skills, experience, educational and professional background, and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed to support good decision making.

New appointments and succession plans are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition. They should promote diversity, inclusion and equal opportunity.

Objectives for achieving Board diversity are reviewed on a regular basis. On gender balance, the Board is committed to maintaining at least four women Board members and aspires to maintain 45-55% female representation on the Board, higher than the FTSE Women Leaders recommendation of 40%, while recognising the limited numbers involved. On ethnicity, the Board is committed to meeting the Parker Review recommendation of having at least one Black, Asian or Minority Ethnic Board member, which the Board currently exceed. Currently, the Policy is not applied to the Board committees individually, although we strive to apply similar representation across the committees.

The Board places high emphasis on not only its own diversity composition but on the oversight of the Group's Diversity, Equity and Inclusion approach and ambitions and expects to be kept updated on progress. Any material changes to the Group's Diversity, Equity and Inclusion approach are approved by the Executive Committee, noted by the Responsible Business Committee and approved at the Board level. This includes material changes in our DE&I ambitions and supporting plans. The Group's policies are subject to local laws and regulations, and aspirations identified above reflect targets set out in the UK Listing Rules LR6.6.6(9).

Further information on the current approach to the Group's Diversity, Equity and Inclusion ambitions, can be located on the Group's website www.lloydsbankinggroup.com/investors/financial-downloads.

Board of Directors

Sir Robin Budenberg CBE
Chair

Appointed: October 2020 (Board), January 2021 (Chair)

Skills, experience and contribution:

- Extensive financial services and investment banking experience
- Strong governance and strategic advisory skills in relation to companies and government
- Regulatory, public policy and stakeholder management experience

Robin spent 25 years advising UK companies and the UK Government while working for S.G. Warburg/UBS Investment Bank and was formerly Chief Executive and Chairman of UK Financial Investments (UKFI), managing the Government's investments in UK banks following the 2008 financial crisis. He is a qualified Chartered Accountant.

Key External appointments:
Chair of The Crown Estate.

Charlie Nunn
Executive director and Group Chief Executive

Appointed: August 2021

Skills, experience and contribution:

- Extensive financial services experience including in Chief Executive and other leadership roles
- Strategic planning and implementation
- Extensive experience of digital transformation

Charlie has over 25 years' experience in the financial services sector. Prior to joining the Group, Charlie held a range of leadership positions at HSBC, including Global Chief Executive, Wealth and Personal Banking, and Group Head of Wealth Management and Digital, as well as Global Chief Operating Officer of Retail Banking and Wealth Management.

Charlie began his career at Accenture, where he worked for 13 years in the US, France, Switzerland and the UK before being made a Partner. He then moved to McKinsey & Co. as a Senior Partner, leading on projects for five years.

Key External appointments:
None

William Chalmers
Executive director and Chief Financial Officer

Appointed: August 2019

Skills, experience and contribution:

- Significant board level strategic and financial leadership experience
- Strategic planning and development, mergers and acquisitions, equity and debt capital structuring and risk management

William joined the Board in August 2019, when he was appointed Chief Financial Officer and was Interim Group Chief Executive from May 2021 to August 2021.

William has worked in financial services for over 25 years, and previously held a number of senior roles at Morgan Stanley, including Co-Head of the Global Financial Institutions Group and Head of EMEA Financial Institutions Group. Before joining Morgan Stanley, William worked for J P Morgan, again in the Financial Institutions Group.

Key External appointments:
None

Appendix 1: Board of Directors (UK OVB) continued

Cathy Turner

Senior Independent Director

Appointed: November 2022 (Board), September 2023 (Senior Independent Director)

Skills, experience and contribution:

- Significant executive and non-executive financial services experience
- Knowledge of complex remuneration matters
- Communications expertise with a broad range of stakeholders including investors, regulators, government, media and unions

Cathy has significant financial services experience, having worked in senior executive positions at Barclays plc and at the Group. Cathy has previously been a Non-Executive Director and Chair of the Remuneration Committee of Aldermore Group plc, Quilter plc and Countrywide plc.

Key External appointments:

Non-Executive Director of Rentokil Initial plc and Senior Independent Director of Spectris plc. Partner on a part-time basis at Manchester Square Partners LLP.

Nathan Bostock

Independent non-executive director and Chair of Lloyds Bank Corporate Markets plc

Appointed: August 2024

Skills, experience and contribution:

- A wealth of financial, risk and regulatory expertise
- Extensive experience in large-scale customer and corporate facing businesses
- Significant executive experience in the financial services industry

Nathan was Chief Executive Officer of Santander UK plc from 2014 until 2022 and then Head of Investment Platforms at Banco Santander S.A. until his retirement from Santander in 2023. Prior to joining Santander in 2014, Nathan was an executive director and Group Chief Financial Officer of RBS and previously held the post of Chief Risk Officer at RBS. Before joining RBS, Nathan held various senior positions at Santander UK plc between 2004 and 2009, including Executive Director, Finance Director and commercial Chief Executive Officer roles in Financial Markets and Corporate Banking and in Cards and Insurance. He is qualified as a Chartered Accountant.

Key External appointments:

Non-Executive Director of Centrica plc.

Sarah Legg

Independent non-executive director

Appointed: December 2019

Skills, experience and contribution:

- Strong financial leadership and regulatory reporting skills
- Significant audit and risk experience in financial leadership
- Strong transformation programme experience

Sarah has spent her entire executive career in financial services with almost 30 years at HSBC. She was the Group Financial Controller, a Group General Manager, and CFO for HSBC's Asia Pacific region. She also spent eight years as a Non-Executive Director of Hang Seng Bank Limited.

Key External appointments:

Non-Executive Director of Severn Trent plc, Non-Executive Director of Man Group plc and a Trustee of the Lloyds Bank Foundation for England and Wales.

Appendix 1: Board of Directors (UK OVB) continued

Amanda Mackenzie LVO OBE

Independent non-executive director

Appointed: October 2018

Skills, experience and contribution:

- Extensive experience in ESG matters including responsible business and sustainability
- Strong customer engagement and digital technology experience
- Significant marketing and brand background

Amanda was Chief Executive of Business in the Community, of which King Charles III is the Royal Founding Patron and which promotes responsible business and corporate responsibility. Prior to that role, she was a member of Aviva's Group Executive for seven years as Chief Marketing and Communications Officer and was seconded to help launch the United Nation's Sustainable Development Goals. She is also a former Director of British Airways AirMiles, BT, Hewlett Packard Inc and British Gas.

Key External appointments:

Non-Executive Director of The British Land Company plc, Chair of The Queen's Reading Room.

Harmeen Mehta

Independent non-executive director

Appointed: November 2021

Skills, experience and contribution:

- Over 25 years' experience leading digital and complex transformation
- Experience of building and running technology-led businesses and creating new ventures
- A wealth of international and financial services knowledge having lived in 11 countries and worked across 30 countries on six continents

Harmeen was appointed Chief Digital and

Innovation Officer at BT in April 2021. Prior to that role, she spent seven years as Global Chief Information Officer and Head of Cyber Security and Cloud Business at Bharti Airtel, leading its cloud and security businesses. Earlier in her career, Harmeen held CIO positions at BBVA, HSBC and Bank of America Merrill Lynch.

Key External appointments:

Chief Digital and Innovation Officer at BT.

Scott Wheway

Independent non-executive director and Chair of Scottish Widows Group

Appointed: August 2022 (Board), September 2022 (Chair of Scottish Widows Group)

Skills, experience and contribution:

- Significant financial services board and chair experience
- Extensive knowledge and experience of large-scale banking and insurance businesses
- Track record as a non-executive and executive in customer-centric companies

Scott was a Non-Executive Director of Centrica plc between 2016 and 2020 and served as Chair of Centrica plc between 2020 and 2024. He was formerly Chair of AXA UK plc, Chair of Aviva Insurance Limited, a Non-Executive Director of Aviva plc and Senior Independent Director of Santander UK plc. He worked as an executive in the retail sector for over 25 years where he held positions including chief executive officer of Best Buy Europe, managing director of Boots the Chemist plc and a number of senior executive positions at Tesco plc.

Key External appointments:

None.

Catherine Woods

Independent non-executive director

Appointed: March 2020

Skills, experience and contribution:

- Extensive executive experience of international financial institutions
- Deep experience of risk and transformation oversight
- Strong focus on culture and corporate governance

Catherine is a former Deputy Chair and Senior Independent Director of AIB Group plc where she also chaired the Board Audit Committee. In her executive career with J P Morgan Securities, she was Vice President, European Financial Institutions, Mergers and Acquisitions, and Vice President Equity Research Department, forming the European Banks Team.

Key External appointments:

Deputy Chair of BlackRock Asset Management Ireland Limited.

Kate Cheetham

Chief Legal Officer and Company Secretary

Appointed: July 2019 (Company Secretary)

Skills, experience and contribution:

- Significant legal and governance leadership experience within financial services
- Strategic functional planning and development, corporate, mergers and acquisitions, regulation and risk management

Kate became Group General Counsel (now Chief Legal Officer) in May 2015 and Company Secretary in July 2019. Kate joined the Group in 2005 from Linklaters, where she was a corporate lawyer specialising in mergers and acquisitions transactions. Before her current roles, Kate held a number of senior positions including Deputy Group General Counsel and General Counsel for Group Legal.

Key External appointments:

None

Appendix 2: Excluded disclosures

The Pillar 3 templates listed below are required to be disclosed on a annual basis but have been excluded from his report for the reasons indicated. Article 432 of the CRR on non-material, proprietary or confidential information permits institutions to omit one or more disclosures if the information provided by such a disclosure is not regarded as material.

Abbreviation	Template name	Reason for exclusion
INS1	Insurance participations	Not applicable to the Group
INS2	Financial conglomerates information on own funds and capital adequacy ratio	Not applicable to the Group
CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Threshold for disclosure not met
CQ2	Quality of forbearance	Threshold for disclosure not met
CQ6	Collateral valuation – loans and advances	Threshold for disclosure not met
CQ7	Collateral obtained by taking possession and execution processes	No collateral taken into possession is recognised on the balance sheet
CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	No collateral taken into possession is recognised on the balance sheet
CR7	IRB – Effect on the RWAs of credit derivatives used as CRM techniques	Excluded on materiality basis
CR10.4	Specialised lending: Commodities finance (Slotting approach)	Not applicable to the Group
CCR7	RWA flow statements of CCR exposures under the IMM	Not applicable to the Group
SEC2	Securitisation exposures in the trading book	Excluded on materiality basis

Abbreviations

Abbreviation	Brief description
A	
ABCP	Asset-backed commercial paper
ABS	Asset-backed securities
AIRB	Advanced Internal Ratings-Based Approach
ALRB	Additional Leverage Ratio Buffer
AMA	Advanced Measurement Approach
ARA	Annual Report and Accounts
AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustment
B	
BCBS	Basel Committee on Banking Supervision
BEEL	Best estimate of expected losses
BoE	Bank of England
BRC	Board Risk Committee
C	
CCB	Capital Conservation Buffer
CCF	Credit conversion factor
CCLB	Countercyclical Leverage Buffer
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical Capital Buffer
CDS	Credit default swap
CET1	Common equity tier 1 capital
CLN	Credit linked notes
CP	Commercial paper
CRD IV	Capital Requirements Directive & Regulation
CRM	Credit risk mitigation
CRR	Capital Requirements Regulation
CSA	Credit support annex
CVA	Credit valuation adjustment
D	
DRR	Director Remuneration Report
DVA	Debit valuation adjustment
E	
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EEL	Excess expected loss
EHQLA	Extremely high quality liquid assets
EL	Expected loss
EU	European Union
F	
FCCM	Financial Collateral Comprehensive Method
FII	Financial Institutions Interconnectedness
FIRB	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
FPC	Financial Policy Committee (UK)
G	
GALCO	Group Asset and Liability Committee
GEC	Group Executive Committee
GRC	Group Risk Committee
Group	Lloyds Banking Group plc together with its subsidiary undertakings on a consolidated basis
G-SIB	Global Systemically Important Bank
H	
HGP	Housing Growth Partnership
HQLA	High quality liquid assets
I	
IAA	Internal Assessment Approach
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IMM	Internal Model Method
IQT	Independent Quantitative Testing
IRBA	Internal Ratings-Based Approach
IRRBB	Interest rate risk in the banking book
IRC	Incremental risk charge
ISDA	International Swaps and Derivatives Association
L	
LCR	Liquidity coverage ratio
LDP	Low default portfolio
LGD	Loss given default
LTIP	Long term incentive plan
LTV	Loan-to-value
M	
MGC	Model Governance Committee
Moody's	Moody's Investors Service
MRT	Material Risk Taker
MTM	Mark-to-market
N	
NCO	Non Credit Obligation
NMD	Non Maturing Deposits
O	
OTC	Over-the-counter
P	
PD	Probability of default
PFE	Potential future exposure
PIT	Point-in-time
PRA	Prudential Regulation Authority (UK)
PRR	Position risk requirement
PSE	Public Sector Entities
PVA	Prudent valuation adjustment
Q	
QCCP	Qualifying Central Counterparty
QRRE	Qualifying revolving retail exposure
R	
Retail IRB	Retail Internal Ratings Based Approach
RNIV	Risks not in VaR
S	
S&P	Standard and Poor's
SA-CCR	Standardised Approach or Counterparty Credit Risk
SCRA	Specific credit risk adjustment
SFTs	Securities financing transactions
SME	Small and medium-sized enterprise
SRB	Systemic risk buffer
SRT	Significant risk transfer
SSPE	Securitisation special purpose entity
STA	Standardised Approach
SVaR	Stressed value-at-risk
SYSC	Senior Management Arrangements, Systems and Controls
T	
TTC	Through-the-cycle
T1	Tier 1 capital
T2	Tier 2 capital
U	
UFCP	Unfunded Credit Protection
UK	United Kingdom
UKFI	UK Financial Investments
V	
VaR	Value-at-risk

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward-looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. 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