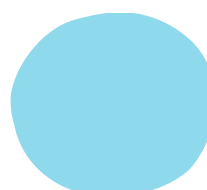




TSB Banking Group plc

Large Subsidiary Disclosures

30 June 2024



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1. Introduction

This document presents the Pillar III Large Subsidiary Disclosures as at 30 June 2024 relating to TSB Banking Group plc (TSB). TSB operates in the United Kingdom (UK) and is authorised and regulated by the Prudential Regulation Authority (PRA). The disclosures have been prepared in accordance with the Disclosure (CRR) part of the PRA Rulebook.

Comparative figures are reported to give insight into movements during the period. Where specific rows and columns in the tables prescribed by the PRA are not applicable or are immaterial to TSB's activities, TSB may omit them and follow the same approach for comparative disclosures.

The table below presents key metrics and additional information on capital metrics on an IFRS9 transitional basis. It is provided for additional information as disclosure and is not a requirement under article 447 for a large subsidiary. A separate table showing a comparison with and without applying the transitional arrangements of IFRS9 has not been presented separately as the impact as at 30 June 2024 is immaterial (June 2024 £0.2m capital, December 2023 £3.1m capital).

Table 1: Key metrics (KM1)

	30 June 2024	31 December 2023	30 June 2023
Available capital (amounts)			
Common Equity Tier 1 (CET1) (£'000)	1,884,784	1,842,646	1,859,042
Tier 1 capital (£'000)	1,884,784	1,842,646	1,859,042
Total capital (£'000)	2,192,004	2,167,829	2,182,320
Risk-weighted exposure amounts			
Total risk-weighted exposure amount (£'000)	11,291,546	11,052,751	10,425,685
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio	16.69%	16.67%	17.83%
Tier 1 ratio	16.69%	16.67%	17.83%
Total capital ratio	19.41%	19.61%	20.93%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
Additional own funds requirements to address risks other than the risk of excessive leverage	2.20%	2.20%	1.84%
Of which: to be made up of CET1 capital	1.24%	1.24%	1.04%
Of which: to be made up of Tier 1 capital	1.65%	1.65%	1.38%
Total SREP own funds requirements ⁽¹⁾	10.20%	10.20%	9.84%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer	2.50%	2.50%	2.50%
Institutional specific countercyclical capital buffer	2.00%	2.00%	1.00%
Combined buffer requirement	4.50%	4.50%	3.50%
Overall capital requirements	14.70%	14.70%	13.34%
CET1 available after meeting the total SREP own funds requirements	9.04%	9.02%	10.45%
Leverage Ratio			
Leverage ratio total exposure measure ⁽²⁾ (£'000)	40,412,371	40,338,726	40,560,388
Leverage ratio ⁽²⁾	4.66%	4.57%	4.58%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value – average) (£'000)	7,051,311	7,371,627	7,159,476
Cash outflows – Total weighted value (£'000)	4,152,339	4,134,068	4,360,990
Cash inflows – Total weighted value (£'000)	221,814	218,878	250,365
Total net cash outflows (adjusted value) (£'000)	3,930,525	3,915,190	4,110,625
Liquidity coverage ratio ⁽³⁾	180%	188%	175%
Net Stable Funding Ratio (NSFR)⁽⁴⁾			
Total available stable funding ⁽⁴⁾ (£'000)	42,371,650	42,368,266	42,660,491
Total required stable funding ⁽⁴⁾ (£'000)	27,780,299	27,601,540	28,152,531
NSFR ratio ⁽⁴⁾	153%	154%	152%

(1) Represents, as a percentage, the level of CET1 capital available to meet buffer requirements after meeting total Pillar 1 and Pillar 2A capital requirements. As TSB does not hold additional Tier 1 capital, the minimum CET1 requirement is equivalent to 6.0% (Pillar 1) plus additional CET1 SREP requirement (75% of Pillar 2A).

(2) Leverage ratio exposure and leverage ratio % have been calculated as defined in the PRA Rulebook introduced with effect from January 2022.

(3) Liquidity coverage ratio presented is based on a twelve month simple average.

(4) NSFR ratio presented is based on a four quarter simple average.

CET1 ratio has remained stable at 16.7% since 31 December 2023. Capital has increased primarily from the inclusion of interim profits, offset by increased RWAs.

2. Own funds

2.1 Own funds

TSB's own funds as at 30 June 2024 is presented in the table below.

Table 2: Composition of regulatory own funds (CC1)⁽¹⁾

	30 June 2024 £000s	Reference (Table CC2)
CET1 capital: instruments and reserves		
1 Capital instruments and the related share premium accounts	970,050	(*) 32, 33
of which: Common shares	5,000	32
2 Retained earnings	1,267,396	36
3 Accumulated other comprehensive income (and other reserves)	(271,026)	(*) 38, 42
5a Independently reviewed interim profits net of any foreseeable charge or dividend	39,268	40
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,005,688	---
Common Equity Tier 1 capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(2,872)	0
8 Intangible assets (net of related tax liability) (negative amount)	(95,820)	---
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) are met) (negative amount)	(4,163)	---
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(18,258)	---
27a Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant)	209	---
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	(120,904)	---
29 Common Equity Tier 1 (CET1) capital	1,884,784	---
45 Tier 1 capital (T1 = CET1 + AT1)	1,884,784	---
Tier 2 Capital: Instruments and Provisions		
46 Capital instruments and the related share premium accounts	300,000	---
50 Credit risk adjustments	7,220	---
51 Tier 2 (T2) capital before regulatory adjustments	307,220	---
Tier 2 Capital: Regulatory Adjustments		
56b Other regulatory adjustments to T2 capital	-	---
57 Total regulatory adjustments to Tier 2 (T2) capital	-	---
58 Tier 2 (T2) capital	307,220	---
59 Total capital (TC = T1 + T2)	2,192,004	---
60 Total risk exposure amount	11,291,546	0

(1) (*) in reference to Table CC2 column indicates sum of, or using elements of the row referenced from Table CC2.

TSB does not hold additional Tier 1 capital, hence CET1 capital and Tier 1 capital have equal values.

CET1 has increased primarily due to the inclusion of approved interim profits. In addition, there was a reduction in the deferred tax asset deduction following utilisation of carried forward tax losses during 2024 partly offset by increase in intangible asset deduction.

Table 2: Composition of regulatory own funds (CC1)⁽¹⁾

		30 June 2024 £000s	Reference (Table CC2)
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.69%	---
62	Tier 1 (as a percentage of total risk exposure amount)	16.69%	---
63	Total capital (as a percentage of total risk exposure amount)	19.41%	---
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)	10.24%	---
65	of which: capital conservation buffer requirement	2.50%	---
66	of which: countercyclical buffer requirement	2.00%	---
67b	of which: additional own funds requirements to address risks other than the risk of excessive leverage.	1.24%	---
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	9.04%	---
Capital ratios and buffers			
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)	12,603	---
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) are met)	27,148	---
Limits applicable to the inclusion of provisions in Tier 2 capital			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	14,366	---
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	7,220	---
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	50,987	---

(1) (*) in reference to Table CC2 column indicates sum of, or using elements of the row referenced from Table CC2.

2.2 Other capital disclosures

TSB does not have an obligation to publish audited half year financial statements and therefore the table below is prepared based on unpublished and unaudited financial statements.

Table 3: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (CC2)⁽¹⁾

		Balance sheet as per published financial statements	Under regulatory scope of consolidation	Reference (table CC1)
		30 June 2024	30 June 2024	
Assets – Breakdown by asset classes according to the balance sheet in the published financial accounts		£000s	£000s	
1	Cash, cash balances at central banks and other demand deposits	5,165,287	5,165,287	---
2	Financial assets held for trading	780,001	780,001	---
3	Non-trading financial assets held at fair value through profit or loss	24	24	---
5	Financial assets at fair value with changes in other comprehensive income	339,685	339,685	---
6	Financial assets at amortised cost	38,989,781	38,989,781	---
7	Derivatives - hedge accounting	1,375,872	1,375,872	---
8	Changes in the fair value of hedged items in a portfolio hedged risk	(228,841)	(228,841)	---
11	Tangible assets	252,755	252,755	---
12	Intangible assets	100,995	100,995	---
13	Tax assets	31,462	31,462	---
14	Memorandum items: Deferred tax assets	26,217	26,217	---
15	Other assets	114,056	114,056	---
17	TOTAL ASSETS	46,921,077	46,921,077	---
Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements				
18	Financial liabilities held for trading	938,572	938,572	---
20	Financial liabilities at amortised cost	43,656,208	43,656,208	---
21	Derivatives - hedge accounting	228,963	228,963	---
22	Changes in the fair value of hedged items in a portfolio hedged risk	(172,008)	(172,008)	---
24	Provisions	60,867	60,867	---
25	Tax liabilities	325	325	---
28	Other liabilities	163,195	163,195	---
30	TOTAL LIABILITIES	44,876,122	44,876,122	---
Equity				
31	Own Funds	2,030,982	2,030,982	(*) 1, 2, 3, 5
32	Capital	5,000	5,000	1
33	Issue premium	965,050	965,050	(*) 1
36	Accumulated profits	1,267,395	1,267,395	2
38	Other reserves	(285,000)	(285,000)	(*) 3
40	Result attributed to the owners of the parent company ⁽²⁾	78,536	78,536	(*) 5a
41	Interim dividends	-	-	(*) 5a
42	Accumulated other comprehensive income	13,974	13,974	(*) 3
44	Shareholder's equity	2,044,955	2,044,955	---

(1) (*) in reference to Table CC1 column indicates sum of, or using elements of the row referenced from Table CC1.

(2) Statutory balance sheet results are not adjusted for the foreseeable dividend of £39.3 million, which reduces shareholders equity available for CET1.

3. Capital requirements

3.1 Risk weighted assets and Pillar 1 capital requirements

The risk weighted assets and Pillar 1 capital requirements of TSB as at 30 June 2024 are presented in the following table:

Table 4: Overview of risk weighted exposure amounts (OV1)

	RWAs 30 June 2024 £000s	RWAs 31/03/2024 £000s	RWAs 31/12/2023 £000s	Total own funds requirements ⁽¹⁾ 30 June 2024 £000s
Credit risk (excluding CCR)	9,521,875	9,496,997	9,285,021	761,750
Of which the standardised approach ⁽²⁾	1,024,087	1,024,511	1,027,173	81,927
Of which the advanced IRB (AIRB) approach	8,497,788	8,472,486	8,257,848	679,823
Counterparty credit risk (CCR)	37,154	40,783	47,113	2,973
Of which the standardised approach	5,072	5,864	4,450	406
Of which exposures to a CCP	1,670	1,696	2,067	134
Of which credit valuation adjustment - CVA	11,049	15,754	12,250	884
Of which other CCR	19,363	17,469	28,346	1,549
Operational risk	1,633,140	1,633,140	1,633,140	130,651
Of which Standardised Approach	1,633,140	1,633,140	1,633,140	130,651
Amounts below the thresholds for deduction (subject to 250% risk weight)⁽²⁾	99,377	96,019	87,477	7,950
Total	11,291,546	11,266,939	11,052,751	903,324

(1) Under Pillar 1, firms are required to maintain minimum regulatory capital levels at 8% of RWAs.

(2) Subject to 250% risk weight has been presented as a separate row included in the overall total rather than an 'of which' of the standardised approach.

Since the year end, IRB RWAs have increased reflecting the economic environment and increased secured and unsecured lending. This has been offset by a reduction in CCR RWAs which reflects securities transactions maturing which had been in place at the year end.

3.2 Risk weighted assets movements by key driver

Analysis of movements in IRB credit risk weighted exposure amounts (RWEAs) from 31 March 2024 to 30 June 2024 and from 31 December 2023 to 30 June 2024 is presented below.

Table 5: RWEA flow statements of credit risk exposures under the IRB approach (CR8)

	Risk weighted exposure amount	
	3 months to	6 months to
	30 June 2024	30 June 2024
	£000s	£000s
Risk weighted exposure amount as at the end of the previous reporting period	8,472,486	8,257,848
Asset size (+/-)	127,714	247,407
Asset quality (+/-)	(44,792)	50,153
Model updates (+/-)	-	-
Methodology and policy (+/-)	(57,620)	(57,620)
Risk weighted exposure amount as at the end of the reporting period	8,497,788	8,497,788

During 2024 the increase in asset size largely reflects increase in mortgage and personal loan lending portfolios while movement in asset quality largely reflects economic effects on lending books.

4. Countercyclical Capital Buffer

Countercyclical capital buffer (CCyB)

The Financial Policy Committee (FPC) of the Bank of England is responsible for setting the UK CCyB which increased to 2.0% with effect from July 2023.

Table 6: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (CCyB1)

30 June 2024	General credit exposures		Total exposure value	Own funds requirements		Risk-weighted exposure amounts	Own funds requirement weights	Counter-cyclical capital buffer rate
	Exposure value under the standardised approach	Exposure value under the IRB approach		Relevant credit risk exposures – Credit Risk				
	£000s	£000s	£000s	£000s	£000s	£000s	%	%
Breakdown by country								
Country: United Kingdom	1,719,181	40,582,806	42,301,987	752,383	752,383	9,404,784	100.00%	2.00%
Total	1,719,181	40,582,806	42,301,987	752,383	752,383	9,404,784	100.00%	2.00%
December 2023								
Country: United Kingdom	1,795,054	40,244,040	42,039,095	732,725	732,725	9,159,066	100.00%	2.00%
Total	1,795,054	40,244,040	42,039,095	732,725	732,725	9,159,066	100.00%	2.00%

Table 7: Amount of institution specific countercyclical capital buffer (CCyB2)

	30 June 2024	December 2023
	£000s	£000s
Total risk exposure amount	11,291,546	11,052,751
Institution specific countercyclical buffer rate %	2.00%	2.00%
Institution specific countercyclical buffer requirement	225,831	221,055

5. Credit risk

5.1 Concentration of exposures: By industry

Gross exposures to non-financial corporations as at 30 June 2024, analysed by major industrial sector are provided in the table below:

Table 8: Credit quality of loans and advances by industry (CQ5)

30 June 2024	Gross carrying amount				Accumulated impairment £000s
	£000s	Of which: non-performing		Of which: loans and advances subject to impairment £000s	
		£000s	Of which:		
			defaulted £000s		
	£000s	£000s	£000s	£000s	£000s
Agriculture, forestry, and fishing	2,396	4	3	2,396	(9)
Mining and quarrying	5	-	-	5	-
Manufacturing	5,595	259	211	5,595	(33)
Electricity, gas, steam, and air conditioning supply	111	-	-	111	-
Water supply	771	-	-	771	(4)
Construction	28,036	1,684	1,344	28,036	(120)
Wholesale and retail trade	56,445	1,862	1,691	56,445	(1,095)
Transport and storage	7,245	317	284	7,245	(26)
Accommodation and food service activities	18,028	1,219	1,078	18,028	(208)
Information and communication	7,255	481	461	7,255	(29)
Real estate activities	96,804	3,362	620	96,804	(1,691)
Professional, scientific, and technical activities	24,641	792	659	24,641	(266)
Administrative and support service activities	8,085	608	498	8,085	(34)
Public administration and defence, compulsory social security	233	-	-	233	(1)
Education	3,031	21	6	3,031	(13)
Human health services and social work	27,212	642	277	27,212	(755)
Arts, entertainment, and recreation	2,473	154	149	2,473	(8)
Other services	5,488	297	210	5,488	(166)
Total	293,854	11,702	7,491	293,854	(4,458)

5.2 Credit risk exposure: Geographical breakdown of exposures

TSB's credit risk exposures arising outside of the UK are not deemed material in the context of TSB's balance sheet as they are below the reporting thresholds (10% of gross exposures or 2% qualifying RWAs) applied for regulatory reporting.

All credit risk exposures as at 30 June 2024 are therefore categorised as being in the UK.

5.3 Credit risk exposure: Analysis by maturity

Net balance sheet credit risk exposures as at 30 June 2024, analysed by residual contractual maturity, are provided in the table below:

Table 9: Maturity of exposures (CR1-A)

30 June 2024	Net exposure value					
	On Demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Loans and advances	4,594,674	444,362	2,686,809	34,917,722	8,672	42,652,239
Debt Securities	-	144,818	398,355	1,763,884	-	2,307,057
Total	4,594,674	589,180	3,085,164	36,681,606	8,672	44,959,296

On demand amounts largely relate to personal current accounts and credit card exposures. The greater than 5 years amounts largely relate to secured retail mortgages and gilts.

5.4 Standardised approach: Credit risk exposure and Credit Risk Mitigation (CRM) effects

The following table provides a measure of the risk of each portfolio by analysing RWA density.

Table 10: Standardised approach - Credit risk exposure and CRM effects (CR4)⁽¹⁾

30 June 2024	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs	RWA density
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount		
	£000s	£000s	£000s	£000s	£000s	%
Central governments or central banks	6,799,800	-	7,088,989	-	67,871	0.96%
Public sector entities	72,868	-	-	-	-	0.00%
Multilateral development banks	166,421	-	166,421	-	-	0.00%
Institutions	410,418	12,578	410,418	12,578	148,597	35.13%
Corporates	42,360	15	42,360	3	35,904	84.75%
Retail	358,102	21,909	161,410	4,387	99,211	59.84%
Secured by mortgages on immovable property	582,397	293,862	581,166	146,814	253,943	34.88%
Exposures in default	113,048	962	94,650	472	95,479	100.38%
Covered bonds	190,932	-	190,932	-	19,093	10.00%
Other items	489,686	23,014	489,686	7,302	403,366	81.16%
Total	9,226,032	352,340	9,226,032	171,556	1,123,464	11.95%

(1) The main sources of CRM relate to Government guarantees on Bounce Back Loans (BBLs) as evident from the transfer of exposures before CRM from Retail to Central Governments on a post CRM basis.

Table 10: Standardised approach - Credit risk exposure and CRM effects (CR4)⁽¹⁾

December 2023	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs	RWA density
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount		
	£000s	£000s	£000s	£000s		%
Central governments or central banks	7,775,313	-	8,113,367	-	67,776	0.84%
Public sector entities	73,368	-	-	-	-	0.00%
Multilateral development banks	192,582	-	192,582	-	-	0.00%
Institutions	395,431	7,880	395,431	7,880	145,657	36.12%
Corporates	39,478	14	39,478	3	33,836	85.70%
Retail	409,168	23,334	149,076	4,674	92,781	60.35%
Secured by mortgages on immovable property	650,488	294,114	648,891	146,897	277,613	34.89%
Exposures in default	79,204	228	76,207	110	76,521	100.27%
Covered bonds	224,034	-	224,034	-	22,403	10.00%
Other items	476,201	63,774	476,201	29,484	398,063	78.72%
Total	10,315,267	389,344	10,315,267	189,048	1,114,650	10.61%

(1) The main sources of CRM relate to Government guarantees on Bounce Back Loans (BBLs) as evident from the transfer of exposures before CRM from Retail to Central Governments on a post CRM basis.

5.5 Management of customers experiencing financial difficulties

Table 11: Credit quality of forbore exposures (CQ1)

30 June 2024 £000s	Gross carrying amount / Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions ⁽¹⁾		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Total	Of which defaulted	Of which impaired				
Loans and advances	142,108	292,695	233,486	292,695	(2,685)	(56,428)	344,929	214,884
Other financial corporations	-	43	43	43	-	(11)	31	31
Non-financial corporations	242	2,585	38	2,585	(6)	(222)	2,590	2,358
Households	141,866	290,067	233,405	290,067	(2,679)	(56,195)	342,308	212,495
Loan commitments given ⁽¹⁾	10,303	23,322	10,431	23,322	(139)	(1,120)	-	-
Total	152,411	316,017	243,917	316,017	(2,824)	(57,548)	344,929	214,884

(1) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

December 2023 £000s	Gross carrying amount / Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions ⁽¹⁾		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Total	Of which defaulted	Of which impaired				
Loans and advances	142,316	282,192	222,672	282,192	(2,973)	(55,474)	336,699	206,294
Other financial corporations	-	15	-	15	-	(12)	-	-
Non-financial corporations	2,798	88	-	88	(291)	(2)	2,588	85
Households	139,518	282,089	222,672	282,089	(2,682)	(55,460)	334,111	206,209
Loan commitments given ⁽¹⁾	12,553	21,746	10,101	21,746	(270)	(1,004)	-	-
Total	154,869	303,938	232,773	303,938	(3,243)	(56,478)	336,699	206,294

(1) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

5.6 Past due and impaired loans and advances to customers regardless of impairment status

As at 30 June 2024, past due exposures in respect of loans and advances to customers, regardless of impairment status, amounted to £622.8 million, of which £593.0 million relates to non-performing exposures.

Analysis by geography

All past due but not impaired loans and advances to customers and impaired loans and advances to customers as at 30 June 2024 are categorised as being in the United Kingdom, based on the materiality criteria, outlined on page 12 relating to retail exposures.

5.7 Analysis of impairment provisions in respect of loans and advances to customers

Table 12: Performing and non-performing exposures and related provisions⁽¹⁾ (CR1)

30 June 2024	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions ⁽²⁾						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			On performing exposures	On non-performing exposures
	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 2	Of which Stage 3	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 2	Of which Stage 3		
£000s														
Cash balances at central banks and other demand deposits	5,096,756	5,096,756	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	36,660,378	33,211,510	3,384,312	561,342	-	535,755	(123,458)	(57,802)	(65,656)	(75,853)	-	(75,292)	34,294,394	446,120
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	5,779	5,779	-	-	-	-	-	-	-	-	-	-	5,779	-
Credit institutions	295,291	295,291	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	83,146	82,485	659	75	-	75	(61)	(52)	(9)	(12)	-	(12)	2,299	63
Non-financial corporations	282,152	242,575	39,577	11,702	-	11,702	(3,878)	(1,481)	(2,397)	(579)	-	(579)	266,624	11,115
Of which SMEs	282,152	242,575	39,577	11,702	-	11,702	(3,878)	(1,481)	(2,397)	(579)	-	(579)	266,624	11,115
Households	35,994,011	32,585,380	3,344,075	549,564	-	523,977	(119,519)	(56,268)	(63,251)	(75,262)	-	(74,701)	34,019,692	434,942
Debt securities	2,307,057	2,307,057	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,664,950	1,664,950	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	590,773	590,773	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	51,333	51,333	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	5,606,982	5,299,810	285,751	31,647	-	31,560	(6,867)	(3,926)	(2,941)	(1,932)	-	(1,930)	-	-
Credit institutions	460	460	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	100	73	28	3	-	3	-	-	-	-	-	-	-	-
Non-financial corporations	10,671	9,977	695	6	-	6	-	-	-	-	-	-	-	-
Households	5,595,750	5,289,300	285,028	31,637	-	31,551	(6,867)	(3,926)	(2,941)	(1,932)	-	(1,930)	-	-
Total	49,671,173	45,915,133	3,670,063	592,989	-	567,315	(130,325)	(61,728)	(68,597)	(77,785)	-	(77,222)	34,294,394	446,120

(1) Table reported in accordance with FINREP definitions.

(2) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

Table 12: Performing and non-performing exposures and related provisions⁽¹⁾ (CR1)

31 December 2023	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions ⁽²⁾						Collateral and financial guarantees received	
	Gross carrying amount / nominal amount			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			On performing exposures	On non-performing exposures
	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 2	Of which Stage 3	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 2	Of which Stage 3		
£000s														
Cash balances at central banks and other demand deposits	5,808,103	5,808,103	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	36,463,086	32,703,307	3,687,847	532,200	-	509,209	(132,864)	(55,895)	(76,914)	(79,000)	-	(78,126)	33,586,414	415,215
Central banks	136,020	136,020	-	-	-	-	-	-	-	-	-	-	-	-
General governments	7,868	7,868	-	-	-	-	-	-	-	-	-	-	7,868	-
Credit institutions	312,019	312,019	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	83,451	82,810	641	127	-	127	(38)	(4)	(34)	(19)	-	(19)	1,796	102
Non-financial corporations	303,112	242,797	60,315	6,235	-	6,235	(4,003)	(2,335)	(1,668)	(688)	-	(688)	288,425	5,535
Of which SMEs	303,112	242,797	60,315	6,235	-	6,235	(4,003)	(2,335)	(1,668)	(688)	-	(688)	288,425	5,535
Households	35,620,616	31,921,793	3,626,891	525,838	-	502,847	(128,823)	(53,556)	(75,212)	(78,293)	-	(77,419)	33,288,325	409,578
Debt securities	2,480,813	2,480,813	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,771,861	1,771,861	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	656,848	656,848	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	52,104	52,104	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	5,783,379	5,330,651	431,332	29,804	-	29,766	(8,652)	(4,642)	(4,011)	(1,765)	-	(1,755)	-	-
Credit institutions	595	595	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	115	90	25	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	10,846	10,175	671	-	-	-	-	-	-	-	-	-	-	-
Households	5,771,823	5,319,791	430,636	29,804	-	29,766	(8,652)	(4,642)	(4,011)	(1,765)	-	(1,755)	-	-
Total	50,535,381	46,322,874	4,119,179	562,004	-	538,975	(141,516)	(60,537)	(80,925)	(80,765)	-	(79,881)	33,586,414	415,215

(1) Table reported in accordance with FINREP definitions.

(2) Accumulated impairment on Loan commitments reported as negative consistent with Loans and advances for presentational purposes.

5.8 Credit risk mitigation

Table 13: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

30 June 2024	Total exposures	Credit Risk Mitigation Techniques		Credit Risk Mitigation Methods in the calculation of RWEAs	
		Funded Credit Protection (FCP)		RWEA without substitution effects	RWEA substitution effects
		Other eligible collaterals	Immovable property collaterals ⁽¹⁾		
£000s					
Retail	40,582,806	193.34%	193.34%	8,497,788	8,497,788
Of which Retail – Immovable property Non-SMEs	36,213,402	216.67%	216.67%	5,793,595	5,793,595
Of which Retail – Qualifying revolving	3,081,920	0.00%	0.00%	1,261,319	1,261,319
Of which Retail – Other non-SMEs	1,287,483	0.00%	0.00%	1,442,874	1,442,874
Total	40,582,806	193.34%	193.34%	8,497,788	8,497,788

(1) The disclosed value of collateral used to calculate the percentage is the indexed market value.

31 December 2023	Total exposures	Credit Risk Mitigation Techniques		Credit Risk Mitigation Methods in the calculation of RWEAs	
		Funded Credit Protection (FCP)		RWEA without substitution effects	RWEA substitution effects
		Other eligible collaterals	Immovable property collaterals ⁽¹⁾		
£000s					
Retail	40,244,040	192.83%	192.83%	8,257,848	8,257,848
Of which Retail – Immovable property Non-SMEs	35,964,388	215.77%	215.77%	5,668,061	5,668,061
Of which Retail – Qualifying revolving	3,076,273	0.00%	0.00%	1,241,623	1,241,623
Of which Retail – Other non-SMEs	1,203,379	0.00%	0.00%	1,348,165	1,348,165
Total	40,244,040	192.83%	192.83%	8,257,848	8,257,848

(1) The disclosed value of collateral used to calculate the percentage is the indexed market value.

Table 14: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques (CR3)

30 June 2024	Unsecured carrying amount	Secured Carrying Amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
	£000s	£000s	£000s	£000s	£000s
Loans and advances ⁽¹⁾	7,378,651	34,740,514	34,483,473	257,041	-
Debt securities	2,307,057	-	-	-	-
Total	9,685,708	34,740,514	34,483,473	257,041	-
Of which non-performing exposures	39,369	446,120	432,818	13,302	-
Of which defaulted ⁽²⁾	34,305	404,127			

(1) Loans and advances exclude cash balances at central banks or other assets.

(2) Of which default is reported net of impairment provisions.

31 December 2023	Unsecured carrying amount	Secured Carrying Amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
	£000s	£000s	£000s	£000s	£000s
Loans and advances ⁽¹⁾	8,589,894	34,001,630	33,707,752	293,878	-
Debt securities	2,480,813	-	-	-	-
Total	11,070,707	34,001,630	33,707,752	293,878	-
Of which non-performing exposures	37,984	415,215	406,236	8,979	-
Of which defaulted ⁽²⁾	23,573	368,942			

(1) Loans and advances exclude cash balances at central banks or other assets.

(2) Of which default is reported net of impairment provisions.

Decrease in unsecured loans and advances largely reflects lower balances held with Bank of England, while higher secured by collateral reflects growth in retail mortgage lending. The reduction in debt securities reflects a reduced holding of UK Government gilts.

6. Leverage ratio

The following tables present disclosures on the leverage ratio with only rows applicable to TSB presented. The disclosures have been prepared in accordance with the disclosure part of the PRA Rulebook.

Table 15: LRSum: Summary reconciliation of accounting assets and leverage ratio exposure (UK LR1)

Applicable Amounts	30 June 2024	December 2023
	£000s	£000s
Total assets as per published financial statements	46,921,077	47,652,668
(Adjustment for exemption of exposures to central banks)	(5,155,284)	(5,891,423)
Adjustments for derivative financial instruments	(1,968,230)	(1,963,138)
Adjustment for securities financing transactions (SFTs)	24,146	37,571
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	837,967	879,216
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(2,872)	(2,991)
Other adjustments	(244,433)	(373,177)
Leverage ratio total exposure measure	40,412,371	40,338,726

Table 16: LRCom: Leverage ratio common disclosure (UK LR2)

CRR leverage ratio exposure	30 June 2024	December 2023
	£000s	£000s
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	44,781,989	45,374,094
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(143,187)	(152,430)
(Asset amounts deducted in determining Tier 1 capital)	(120,903)	(115,591)
Total on-balance sheet exposures (excluding derivatives and SFTs)	44,517,899	45,106,073
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	106,142	138,117
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	81,501	69,172
Total derivatives exposures	187,643	207,289
Securities financing transaction (SFT) exposures		
Counterparty credit risk exposure for SFT assets	24,146	37,571
Total securities financing transaction exposures	24,146	37,571
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	5,650,046	5,820,214
(Adjustments for conversion to credit equivalent amounts)	(4,812,079)	(4,940,998)
Off-balance sheet exposures	837,967	879,216
Capital and total exposures measure		
Tier 1 capital (leverage)	1,884,784	1,842,646
Total exposure measure including claims on central banks	45,567,654	46,230,149
(-) Claims on central banks excluded	(5,155,283)	(5,891,424)
Total exposure measure excluding claims on central banks	40,412,371	40,338,726
Leverage ratio		
Leverage ratio excluding claims on central banks	4.66%	4.57%
Fully loaded ECL accounting model Leverage ratio including claims on central banks	4.66%	4.57%
Leverage ratio including claims on central banks	4.14%	3.99%

The increase in the leverage ratio has been driven by an increase in capital and exposure measure. Capital has increased due to the inclusion of interim profits and a reduction in deferred asset deductions, and the exposure measure has increased due to increase in unsecured retail lending and lending to SME's.

Table 17: LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3)

Leverage ratio exposures	30 June 2024	December 2023
	£000s	£000s
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	44,638,802	45,221,664
Banking book exposures, of which:	44,638,802	45,221,664
Covered bonds	190,932	224,034
Exposures treated as sovereigns	6,838,760	7,804,040
Institutions	410,419	395,431
Secured by mortgages of immovable properties	33,966,563	33,657,864
Retail exposures	2,133,963	2,103,074
Corporate	42,360	39,478
Exposures in default	468,299	419,604
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	587,506	578,139

7.Liquidity

The Liquidity Coverage Ratio (LCR) is a key regulatory tool used to monitor the short-term liquidity adequacy of the bank.

7.1 Quantitive information on Liquidity Coverage Ratio

The table below reflects the trailing 12 month-end average LCR balances at the applicable quarter end dates.

Table 18: Quantitative information of LCR (UK LIQ1)

Consolidated	Total unweighted value (average)				Total weighted value (average)			
	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23
£000s								
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					7,051,311	7,235,974	7,371,627	7,296,738
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	34,836,753	34,967,049	35,208,229	35,433,859	2,259,673	2,276,212	2,305,933	2,330,557
Stable deposits	25,507,365	25,777,719	26,138,004	26,625,242	1,275,368	1,288,886	1,306,900	1,331,262
Less stable deposits	6,694,246	6,733,745	6,821,983	6,848,554	984,305	987,326	999,033	999,295
Unsecured wholesale funding	251,760	263,582	239,470	295,383	146,658	151,369	115,772	162,373
Non-operational deposits (all Counterparties)	194,958	207,698	227,766	244,616	89,856	95,485	104,068	111,605
Unsecured debt	56,802	55,884	11,704	50,767	56,802	55,884	11,704	50,768
Secured wholesale funding					-	31,250	31,250	31,250
Additional requirements	4,571,768	4,585,922	4,592,195	4,594,664	908,837	916,053	917,114	916,471
Outflows related to derivative exposures and other collateral requirements	716,051	722,902	723,689	722,882	716,051	722,902	723,689	722,882
Credit and liquidity facilities	3,855,717	3,863,020	3,868,506	3,871,782	192,786	193,151	193,425	193,589
Other contractual funding obligations	230,085	205,066	169,169	134,552	160,539	136,868	102,393	68,721
Other contingent funding obligations	1,819,796	1,775,193	1,651,486	1,713,461	676,632	680,560	661,606	727,190
TOTAL CASH OUTFLOWS					4,152,339	4,192,312	4,134,068	4,236,562
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	-	31,250	31,250	31,250	-	-	-	-
Inflows from fully performing exposures	324,899	321,842	326,930	339,129	214,814	209,714	212,574	221,960
Other cash inflows	10,868	10,151	13,136	32,052	7,000	5,559	6,304	22,907
TOTAL CASH INFLOWS	335,767	363,243	371,316	402,431	221,814	215,273	218,878	244,867
Inflows subject to 75% cap	335,767	363,243	371,316	402,431	221,814	215,273	218,878	244,867
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					7,051,311	7,235,974	7,371,627	7,296,738
TOTAL NET CASH OUTFLOWS					3,930,525	3,977,039	3,915,190	3,991,695
LIQUIDITY COVERAGE RATIO⁽¹⁾					180%	182%	188%	183%

(1) The ratios reported in the above table are simple averages of month-end LCR ratios over the trailing 12 months to the reporting quarter date. Therefore, these ratios may not be equal to the implied LCR % calculated when using the average component amounts reported under 'LIQUIDITY BUFFER' and 'TOTAL NET CASH OUTFLOWS' in the above table.

Table 19: Qualitative information on LCR, which complements template UK LIQ1 (UK LIQB)

In accordance with Article 451a(2) CRR

Row	Requirement	
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time.	TSB is primarily funded by retail deposits, in particular current and savings accounts, the majority of which being retail and are predominately categorised as stable for LCR reporting. Non-retail sources of funding provide diversification and stability to the bank's funding profile. This funding includes cash drawings from the TFSME and external wholesale funding such as the bank's Covered Bond issuances.
(b)	Explanations on the changes in the LCR over time.	The 12 month-end average LCR for the year to June 2024 decreased to 180% (December 2023: 188%). This decrease is primarily driven by a decrease in average central bank funding (TFSME), offset by an increase in wholesale funding from covered bond issuances.
(c)	Explanations on the actual concentration of funding sources.	TSB continued to maintain a strong average LCR over the reporting period with a prudent surplus to both Board approved risk appetite and regulatory minimum requirements. TSB has several sources of funding which are well diversified in terms of the type of instrument, programmes, counterparty, term structure and market. TSB's main source of funding is from retail customer funding, which is supplemented with wholesale funding to support balance sheet growth.
(d)	High-level description of the composition of the institution's liquidity buffer.	The liquidity buffer is composed primarily of BoE Withdrawable Central Bank Reserves and UK Government Gilts. The remainder includes Bonds issued by multilateral development banks and international organisations, extremely high-quality and high-quality Covered Bonds, and Coins and Banknotes.
(e)	Derivative exposures and potential collateral calls.	Derivative transactions are largely subject to collateral agreements, protecting them against any changes in their market value. In addition, the LCR considers the liquidity risk from additional outflows arising from collateral requirements that would result from the impact of an adverse market scenario on the institution's derivatives transactions, which could potentially reduce the banks Liquidity Buffer. Within the LCR, the most significant net change in 30 days over the time horizon of the preceding 24 months is calculated and then included as a liquidity requirement.
(f)	Currency mismatch in the LCR.	The LCR is calculated and reported on a consolidated basis in GBP. TSB has no material exposure to other currencies.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile.	TSB has no other items in its LCR calculation, that are not captured in the LCR UK LIQ1 disclosure template, that it considers relevant for its liquidity profile.

7.2 Net Stable Funding

The net stable funding ratio (NSFR) is an important regulatory metric used in TSB to monitor the stability of the funding profile in relation to its on and off-balance sheet activities. It is reported monthly and forms part of TSB's Risk Appetite metrics.

The table below reflects the average NSFR balances at the 30 June 2024, based on the quarter-end NSFRs for the last four quarters. The average NSFR for the four quarter ends in the year to 30 June 2024 was 153% (31 December 2023: 154%), shown in the LIQ2 disclosure table below.

Table 20: Net Stable Funding Ratio (UK LIQ2)

30 June 2024					
Available stable funding (ASF) Items £000s	Unweighted value by residual maturity				Weighted value
	No maturity ⁽¹⁾	< 6 months	6 months to < 1yr	≥ 1yr	
Capital items and instruments	1,958,199	-	-	300,000	2,258,199
Own funds	1,958,199	-	-	300,000	2,258,199
Retail deposits		33,035,284	1,017,975	929,166	32,946,630
Stable deposits		26,372,633	1,017,975	929,166	26,950,244
Less stable deposits		6,662,651	-	-	5,996,386
Wholesale funding:		513,188	3,900	7,077,725	7,166,821
Other wholesale funding		513,188	3,900	7,077,725	7,166,821
Other liabilities:	1,642	272,805	-	-	-
NSFR derivative liabilities	1,642				
All other liabilities and capital instruments not included in the above categories		272,805	-	-	-
Total available stable funding (ASF)					42,371,650

Unweighted value by residual maturity					
Required stable funding (RSF) Items	Unweighted value by residual maturity				Weighted value
	No maturity ⁽¹⁾	< 6 months	6 months to < 1yr	≥ 1yr	
Total high-quality liquid assets (HQLA)					43,391
Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	4,242,571	3,606,185
Performing loans and securities:		1,684,294	818,908	29,454,571	22,447,720
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	187,500	187,500
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		121,425	-	58,750	70,892
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		869,212	218,063	1,097,874	1,476,830
Performing residential mortgages, of which:		693,658	600,845	28,110,448	20,712,497
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		693,658	600,845	27,308,108	20,030,508
Other assets:	-	495,742	13,248	1,267,518	1,459,816
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			-	402,127	341,808
NSFR derivative assets		85,399			85,399
NSFR derivative liabilities before deduction of variation margin posted		16,763			838
All other assets not included in the above categories		393,580	13,248	865,391	1,031,771
Off-balance sheet items		3,885,074	-	-	223,188
Total RSF					27,780,300
Net stable funding ratio (%)⁽²⁾					153%

(1) The unweighted value of high-quality liquid assets is not included in this table according to the instructions provided.

(2) The ratio reported in the above table is a simple average of quarter-end NSFR ratios over the last 4 quarters. Therefore, the ratio may not be equal to the implied NSFR % calculated when using the average component amounts reported under 'Total ASF' and 'Total RSF' in the above table.

Available stable funding (ASF) has remained flat due to a reduction in deposits (principally PCAs offset by term deposits), offset by an increase in wholesale funding (principally new covered bond issuances offset by term funding scheme repayments) and Capital.

Required stable funding (RSF) has increased in H1 2024 principally due to additional asset encumbrance from new covered bond issuances and the collateral upgrade

The impact of the ASF remaining flat and RSF increases has resulted in an overall decrease to the ratio

8. Glossary

Capital Requirements Regulation (CRR)	The Capital Requirements Regulation No. 575/2013 is an EU law that aims to decrease the likelihood that banks go insolvent.
Central Clearing Counterparty (CCP)	A central clearing counterparty (CCP) is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts. For the purposes of the capital framework, a qualifying CCP is a financial institution.
Common Equity Tier 1 (CET1) capital	The highest quality form of regulatory capital under CRR that comprises common shares issued and related share premium, retained earnings and other reserves less specified regulatory adjustments.
Common Equity Tier 1 ratio	Common Equity Tier 1 Capital as a percentage of risk weighted assets.
Counterparty credit risk (CCR)	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 and include derivative contracts and repo contracts.
Credit Conversion Factor (CCF)	Credit conversion factors (CCF) are used in determining the exposure at default (EAD) in relation to a credit risk exposure. The CCF is an estimate of the proportion of undrawn commitments expected to be drawn down at the point of default.
Credit risk	The risk of reductions in earnings and / or value, through financial loss, as a result of the failure of the party with whom the TSB has contracted to meet its obligations (both on and off-balance sheet).
Credit risk mitigation (CRM)	A technique used to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.
Debt securities	Debt securities are assets held by the TSB representing certificates of indebtedness of credit institutions, public bodies or other undertakings, excluding those issued by Central Banks.
Debt securities in issue	These are unsubordinated liabilities issued by the TSB. They include commercial paper, certificates of deposit, bonds and medium-term notes.
European Banking Authority (EBA)	The European Banking Authority (EBA) is a regulatory agency of the European Union headquartered in London, United Kingdom. Its activities include conducting stress tests on European banks to increase transparency in the European financial system and identifying weaknesses in banks' capital structures. The EBA was established on 1 January 2011, upon which date it inherited all of the tasks and responsibilities of the Committee of European Banking Supervisors (CEBS).
Expected Loss (EL)	Expected loss represents the anticipated loss, in the event of default, on a credit risk exposure modelled under the internal ratings-based approach. EL is determined by multiplying the associated probability of default, loss given default and exposure at default together and assumes a 12-month time horizon.
Exposure at Default (EAD)	Exposure at default represents the estimated exposure to a customer in the event of default. In determining EAD amounts, consideration is made of the extent to which undrawn commitments may be drawn down at the point of default (see Credit Conversion Factors) and the application of credit risk mitigation (i.e. eligible financial collateral).
Financial Reporting Standards (FINREP)	Financial Reporting Standards framework represents a common standardised reporting framework with the objective to increase comparability of financial information produced by credit institutions for their respective national supervisory authorities.
Forbearance	Forbearance takes place when a concession is made on the contractual terms of a loan in response to an obligor's financial difficulties.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the expected losses in the lending book. An impairment allowance may be either individual or collective.
Internal Ratings Based Approach (IRB)	A methodology of estimating the credit risk within a portfolio by utilising internal risk parameters to calculate credit risk regulatory capital requirements.
Leverage Ratio	A non-risk-based leverage ratio is calculated by dividing Tier 1 capital by a defined measure of on and off-balance sheet items. Banks are expected to maintain a leverage ratio in excess of 3%. Tier 1 capital divided by the exposure measure. Basel III reforms introduced a leverage ratio framework designed to reinforce risk-based capital requirements with a simple, transparent, non-risk based 'backstop' measure.
Leverage Ratio exposure	The Leverage Ratio exposure measure is the sum of the following exposures: (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction (SFT) exposures; and (d) off-balance sheet (OBS) items. The specific treatments for these four main exposure types are defined by the Basel III leverage ratio framework disclosure requirements.

Liquidity buffer	Refers to the stock of liquid assets that enables a bank to meet expected and unexpected cash flows and collateral needs without affecting the bank's daily operations. Supervisors encourage banks to make prudent use of the liquidity buffers in times of stress in order to continue to meet obligations to creditors and other counterparties while also continuing to support households and businesses.
Liquidity coverage ratio (LCR)	Measures the percentage of high-quality liquid assets relative to expected net cash outflows over a 30-day period. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.
Loss Given Default (LGD)	Loss given default represents the estimated proportion of an EAD amount that will be lost in the event of default. It is calculated after taking account of credit risk mitigation and includes the cost of recovery.
Market risk	The risk that unfavourable market movements (including changes in and increased volatility of interest rates, market-implied inflation rates, credit spreads and prices for bonds, foreign exchange rates, equity, property and commodity prices and other instruments) lead to reductions in earnings and / or value.
Minimum capital requirement	The minimum amount of regulatory capital that a financial institution must hold to meet the Pillar 1 requirements for credit, market and operational risk.
Multilateral development banks (MBD)	An institution created by a group of countries to provide financing for the purpose of development.
Net Stable Funding Ratio (NSFR)	Liquidity standard requiring banks to hold enough stable funding to cover the duration of their long-term assets.
Non-performing exposures	Non-performing are those that satisfy either or both of the following criteria: a) material exposures which are more than 90 days past-due; b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.
Non-performing loans (NPL) ratio	The ratio of the amount of non-performing loans in a bank's loan portfolio to the total amount of outstanding loans the bank holds.
Operational risk	The risk of reductions in earnings and / or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people-related or external events.
Pillar 3	The third pillar of the Basel III framework aims to encourage market discipline by setting out disclosure requirements for banks on their capital, risk exposures and risk assessment processes. These disclosures are aimed at improving the information made available to the market.
Public Sector Entity (PSE)	A non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or authorities that exercise the same responsibilities as regional and local authorities; or non-commercial undertakings owned by central governments that have explicit guarantee arrangements; or self-administered bodies governed by law that are under public supervision.
Qualifying Revolving Retail Exposure (QRRE)	Qualifying Revolving Retail Exposures (QRRE) relate to revolving, unsecured retail exposures that, to the extent they are not drawn, are immediately and unconditionally cancellable. Such exposures include credit cards and overdraft facilities.
Regulatory capital	The amount of capital that the TSB holds, determined in accordance with rules established by the PRA.
Retail Internal Ratings Based (Retail IRB)	The Retail Internal Ratings Based (Retail IRB) Approach allows internal estimates of PD, LGD and EAD to be used in determining credit risk capital requirements for retail portfolios.
Retail SME	A small or medium sized entity, an exposure to which may be treated as a retail exposure.
Risk weighted assets (RWAs)	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with CRR.
RWA density	RWAs divided by exposure after default (post credit risk mitigation and the application of credit conversion factors).

Securities financing transactions (SFTs)	Securities financing transactions are repurchase and reverse repurchase agreements, buy / sell backs and securities lending. For the lender (seller) of the securities it is usually a way to raise funds to finance the securities positions. For the borrower (buyer) of the securities it is a way to invest short-term funds or to cover short (bond) positions.
Specific Credit Risk Adjustment	Those credit risk adjustments that do not meet the criteria to be recognised as GCRA's. Credit risk adjustments recognised via an incurred loss model under IAS 39 are classed as SCRA's.
Stable deposits	Retail deposits are considered stable deposits when covered by a deposit guarantee scheme, they are provided with a 5% outflow weighting where the deposit is either part of an established relationship or held in a transactional account.
Standardised Approach	The Standardised Approach to calculating credit risk capital requirements requires the use of a standard set of risk weights prescribed by the regulator. Use may be made of external credit ratings supplied by External Credit Rating Agencies to assign risk weights to exposures. Standardised approaches, following prescribed methodologies, also exist for calculating market risk and operational risk capital requirements.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Supervisory Review and Evaluation Process (SREP)	The appropriate supervisor's assessment of the adequacy of certain firms' capital.
Term Funding Scheme (TFSME)	Bank of England scheme which allows eligible banks and building societies to access funding with incentives for SME's.
Tier 1 capital	A measure of a bank's financial strength defined by CRR. It captures Common Equity Tier 1 Capital plus other Tier 1 securities in issue, subject to deductions.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk weighted assets.
Tier 2 capital	A component of regulatory capital defined by CRR, mainly comprising qualifying subordinated loan capital and eligible collective impairment allowances.
Total capital ratio	Total capital as a percentage risk weighted assets.
Trading book	Positions in financial instruments and commodities held for trading purposes or to hedge other elements of the trading book.
UK Leverage Ratio	A PRA defined modified measure of the leverage ratio which excludes qualifying central bank claims from the exposure measure. The PRA has set the minimum ratio at 3.25%.

9. Contacts

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