# TSB Banking Group PLC

# Large Subsidiary Disclosures

# 30 June 2022

# Contents

# Index of tables

# 1. Introduction

This document presents the Pillar III Large Subsidiary Disclosures as at 30 June 2022 relating to TSB Banking Group plc (TSB), a subsidiary undertaking of Banco de Sabadell Group.

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 disclosures are new, or have been significantly changed, TSB has restated prior period comparatives. 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.

### Table 1: Key metrics (KM1)

The table below presents key metrics and additional information on capital metrics on an IFRS 9 transitional basis. It is provided for additional information as disclosure is not a requirement under article 447 for a large subsidiary.

| | **30 June 2022 £000s** | 31 December 2021 £000s |
|---|---|---|
| **Available capital (amounts)** | | |
| Common Equity Tier 1 (CET1) | **1,697,656** | 1,724,002 |
| Tier 1 capital | **1,697,656** | 1,724,002 |
| Total capital | **1,997,656** | 2,024,002 |
| **Risk-weighted exposure amounts** | | |
| Total risk-weighted exposure amount | **10,625,208** | 10,851,867 |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | |
| Common Equity Tier 1 ratio (%) | **16.0%** | 15.9% |
| Tier 1 ratio (%) | **16.0%** | 15.9% |
| Total capital ratio (%) | **18.8%** | 18.7% |
| **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 (%) | **1.8%** | 1.8% |
| Of which: to be made up of CET1 capital (%) | **1.0%** | 1.0% |
| Of which: to be made up of Tier 1 capital (%) | **1.4%** | 1.4% |
| Total SREP own funds requirements (%) | **9.8%** | 9.8% |
| **Combined buffer requirement (as a percentage of risk-weighted exposure amount)** | | |
| Capital conservation buffer (%) | **2.5%** | 2.5% |
| Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member state (%) | **0.0%** | 0.0% |
| Combined buffer requirement (%) | **2.5%** | 2.5% |
| Overall capital requirements (%) | **12.3%** | 12.3% |
| CET1 available after meeting the total SREP own funds requirements (%) | **8.6%** | 8.5% |
| **Leverage Ratio** | | |
| Leverage ratio total exposure measure[(1)] | **42,580,259** | 42,569,755 |
| Leverage ratio (%) | **4.0%** | 4.0% |
| **Liquidity Coverage Ratio** | | |
| Total high-quality liquid assets (HQLA) (Weighted value – average) | **6,412,561** | 7,513,828 |
| Cash outflows – Total weighted value | **4,351,359** | 4,077,424 |
| Cash inflows – Total weighted value | **216,091** | 213,669 |
| Total net cash outflows (adjusted value) | **4,135,267** | 3,863,755 |
| Liquidity coverage ratio (%) | **155%** | 194% |

**Footnote**

(1) Leverage ratio exposure and leverage ratio % for December 2021 has been restated excluding exposures to Central Banks of £4,842.3 million

# 2. Own funds

## 2.1 Own funds

TSB's own funds as at 30 June 2022 and 31 December 2021 are presented in the table below. This table follows the CRR disclosure format, however only items applicable to TSB are detailed.

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

| | | **30 June 2022** **£000s** | 31 December 2021 £000s | **Reference (Table CC2)** |
|---|---|---|---|---|
| **CET1 capital: instruments and reserves** | | | | |
| 1 | Capital instruments and the related share premium accounts | 970,050 | 970,050 | (*) 32, 33 |
| | of which: Common shares | 5,000 | 5,000 | 32 |
| 2 | Retained earnings | 1,160,185 | 1,029,937 | 36 |
| 3 | Accumulated other comprehensive income (and other reserves) | (276,242) | (280,428) | (*) 38, 42 |
| 5a | Independently reviewed interim profits net of any foreseeable charge or dividend | - | 130,248 | (*) 40 |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **1,853,993** | 1,849,807 | |
| **Common Equity Tier 1 capital: regulatory adjustments** | | | | |
| 7 | Additional value adjustments (negative amount) | (2,336) | (1,394) | --- |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (75,124) | (44,110) | --- |
| 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) | (75,484) | (99,560) | --- |
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | (1,569) | 7,806 | --- |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | (9,749) | (490) | --- |
| 27a | Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant) | 7,925 | 11,943 | --- |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **(156,337)** | (125,805) | --- |
| **29** | **Common Equity Tier 1 (CET1) capital** | **1,697,656** | 1,724,002 | --- |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **1,697,656** | 1,724,002 | --- |
| **Tier 2 Capital: Instruments and Provisions** | | | | |
| 46 | Capital instruments and the related share premium accounts | 300,000 | 300,000 | --- |
| 50 | Credit risk adjustments | - | 5,880 | --- |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **300,000** | 305,880 | --- |
| **Tier 2 Capital: Regulatory Adjustments** | | | | |
| 56b | Other regulatory adjustments to T2 capital | - | (5,880) | --- |
| 57 | **Total regulatory adjustments to Tier 2 (T2) capital** | **-** | (5,880) | --- |
| 58 | **Tier 2 (T2) capital** | **300,000** | 300,000 | --- |
| 59 | **Total capital (TC = T1 + T2)** | **1,997,656** | 2,024,002 | --- |
| 60 | **Total risk exposure amount** | **10,625,208** | 10,851,867 | --- |

**Footnote**

(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 reduced by £26 million primarily due to the removal by the PRA of intangible software assets relief from January 2022, reducing CET1 by £31 million. This was partly offset by a reduction of the deferred tax asset deduction following utilisation of carried forward tax losses during 2022.

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

| | | 30 June 2022 £000s | 31 December 2021 £000s | Reference (Table CC2) |
|---|---|---|---|---|
| **Capital ratios and buffers** | | | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 16.0% | 15.9% | --- |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 16.0% | 15.9% | --- |
| 63 | Total capital (as a percentage of total risk exposure amount) | 18.8% | 18.7% | --- |
| 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) | 8.0% | 8.0% | --- |
| 65 | of which: capital conservation buffer requirement | 2.5% | 2.5% | --- |
| 66 | of which: countercyclical buffer requirement | 0.0% | 0.0% | --- |
| 67 | of which: systemic risk buffer requirement | 0.0% | 0.0% | --- |
| 67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | 0.0% | 0.0% | --- |
| 67b | of which: additional own funds requirements to address risks other than the risk of excessive leverage. | 1.0% | 1.0% | --- |
| 68 | Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount) | 8.6% | 8.5% | --- |
| **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) | 6,306 | 4,313 | --- |
| 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) | 18,201 | 23,696 | --- |
| **Limits applicable to the inclusion of provisions in Tier 2 capital** | | | | |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | 14,935 | 15,783 | --- |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | - | 5,880 | --- |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | 48,179 | 49,130 | --- |

## 2.2 Other capital disclosures

### Table 3: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (CC2)[(1)(2)]

| · | Assets – Breakdown by asset classes according to the balance sheet in the published financial accounts | Balance sheet as per published financial statements[(2)] | Under regulatory scope of consolidation | Reference (table CC1) |
|---|---|---|---|---|
| | | As at 30 June 2022 | As at 30 June 2022 | |
| | | £000s | £000s | |
| 1 | Cash, cash balances at central banks and other demand deposits | 4,585,351 | 4,585,351 | --- |
| 2 | Financial assets held for trading | 579,524 | 579,524 | --- |
| 3 | Non-trading financial assets held at fair value through profit or loss | 40 | 40 | --- |
| 5 | Financial assets at fair value with changes in other comprehensive income | 758,577 | 758,577 | --- |
| 6 | Financial assets at amortised cost | 40,309,199 | 40,309,199 | --- |
| 7 | Derivatives - hedge accounting | 891,362 | 891,362 | --- |
| 8 | Changes in the fair value of hedged items in a portfolio hedged risk | (332,247) | (332,247) | --- |
| 11 | Tangible assets | 284,742 | 284,742 | --- |
| 12 | Intangible assets | 77,785 | 77,785 | --- |
| 13 | Tax assets | 93,685 | 93,685 | --- |
| 14 | Memorandum items: Deferred tax assets | 93,685 | 93,685 | --- |
| 15 | Other assets | 175,662 | 175,662 | --- |
| **17** | **TOTAL ASSETS** | **47,423,680** | **47,423,680** | **---** |
| | **Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements** | | | |
| 18 | Financial liabilities held for trading | 640,741 | 640,741 | --- |
| 20 | Financial liabilities at amortised cost | 44,637,175 | 44,637,175 | --- |
| 21 | Derivatives - hedge accounting | 141,790 | 141,790 | --- |
| 22 | Changes in the fair value of hedged items in a portfolio hedged risk | (209,840) | (209,840) | --- |
| 24 | Provisions | 109,699 | 109,699 | --- |
| 25 | Tax liabilities | 810 | 810 | --- |
| 28 | Other liabilities | 188,337 | 188,337 | --- |
| **30** | **TOTAL LIABILITIES** | **45,508,712** | **45,508,712** | **---** |
| | **Equity** | | | |
| 31 | Own Funds | 1,906,209 | 1,906,209 | (*) 1, 2, 3, 5 |
| 32 | Capital | 5,000 | 5,000 | 1 |
| 33 | Issue premium | 965,050 | 965,050 | (*) 1 |
| 36 | Accumulated profits | 1,160,185 | 1,160,185 | 2 |
| 38 | Other reserves | (285,000) | (285,000) | (*) 3 |
| 40 | Result attributed to the owners of the parent company | 60,974 | 60,974 | (*) 5a |
| 42 | Accumulated other comprehensive income | 8,759 | 8,759 | (*) 3 |
| **44** | **Shareholder's equity** | **1,914,968** | **1,914,968** | --- |

**Footnote**

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

(2) TSB has no obligation to publish of audited half year financial statements.

# 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 2022 are presented in the following table:

### Table 4: Overview of risk-weighted assets (OV1)

| | **RWAs** | RWAs | RWAs | **Total own funds requirements[1]** |
|---|---|---|---|---|
| | **30 June 2022** | 31 March 2022 | 31 December 2021 | **30 June 2022** |
| | **£000s** | £000s | £000s | **£000s** |
| **Credit risk (excluding CCR)** | **9,144,006** | 9,249,655 | 9,375,601 | **731,521** |
| Of which the standardised approach[2] | 1,114,143 | 1,117,571 | 1,187,214 | 89,132 |
| Of which the advanced IRB (AIRB) approach | 8,029,863 | 8,132,084 | 8,188,387 | 642,389 |
| **Counterparty credit risk (CCR)** | **20,606** | 20,229 | 17,276 | **1,648** |
| Of which the standardised approach | 588 | 1,056 | 408 | 47 |
| Of which exposures to a CCP | 19,740 | 18,682 | 16,713 | 1,579 |
| Of which credit valuation adjustment - CVA | 278 | 491 | 155 | 22 |
| **Settlement risk** | **-** | - | - | - |
| **Securitisation exposures in the non-trading book (after cap)** | **-** | - | - | - |
| **Position, foreign exchange and commodities risks (Market risk)** | **-** | - | - | - |
| **Large exposures** | - | - | - | - |
| **Operational risk** | **1,400,010** | 1,400,010 | 1,400,010 | **112,001** |
| Of which Standardised Approach | 1,400,010 | 1,400,010 | 1,400,010 | 112,001 |
| Of which Advanced Measurement Approach | - | - | - | - |
| **Amounts below the thresholds for deduction (subject to 250% risk weight)[2]** | **60,586** | 57,868 | 58,980 | **4,847** |
| **Other risk exposure amounts** | **-** | - | - | - |
| **Total** | **10,625,208** | 10,727,762 | 10,851,867 | **850,017** |

**Footnote**

(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.

RWAs have decreased by £227 million since the year end, largely reflecting the effect of increases in house prices offset by continued growth in mortgage lending. The reduction in RWAs measured under the standardised approach reflects the ongoing repayment of the closed Whistletree portfolio.

Amounts below threshold for deduction (subject to 250% risk weight) includes £24 million of deferred tax assets and a holding of capital in Sabadell, which result in £60 million RWAs.

## 3.2 Risk weighted assets movements by key driver

Analysis of movements in IRB credit risk weighted exposure amounts (RWEAs) from 31 March 2022 to 30 June 2022 and from 31 December 2021 to 30 June 2022 is presented below.

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

| | Risk weighted exposure amount | |
|---|---|---|
| | **3 months to 30 June 2022 £000s** | 6 months to 30 June 2022 £000s |
| **Risk weighted exposure amount as at the end of the previous reporting period** | **8,132,084** | 8,188,387 |
| Asset size (+/-) | 232,873 | 356,632 |
| Asset quality (+/-) | (335,094) | (510,091) |
| Model updates (+/-) | - | - |
| Methodology and policy (+/-) | - | (5,065) |
| Acquisitions and disposals (+/-) | - | - |
| Foreign exchange movements (+/-) | - | - |
| Other (+/-) | - | - |
| **Risk weighted exposure amount as at the end of the reporting period** | **8,029,863** | 8,029,863 |

During 2022 the increase in asset size largely reflects an increase in the mortgage portfolio while the improvement in asset quality relates to increases in house prices. Movements in unsecured lending RWAs reflect an increase in personal loans lending, largely offset by reduction in credit cards and overdrafts.

# 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. The UK CCyB applies to all TSB exposures as non-UK relevant credit exposure RWAs are less than 2% of total RWAs. On the 13th December 2021, the FPC announced an increase in the CCyB from 0.0% to 1.0% which takes effect from December 2022.

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

| | General credit exposures | | Relevant credit exposures – Market Risk | | Securitisation exposures | Total exposure value | Own funds requirements | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30 June 2022 | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short position of trading book exposures for SA | Value of trading book exposure for internal models | Exposures value for non-trading book | | Relevant credit risk exposures – Credit Risk | Relevant credit exposures – Market Risk | Relevant credit exposures - Securitisation exposures | Total | Risk-weighted exposure amounts | Own funds requirement weights | Counter-cyclical capital buffer rate |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | % | % |
| Breakdown by country | | | | | | | | | | | | | |
| Country: United Kingdom | 2,134,270 | 42,608,563 | - | - | - | 44,742,833 | 728,928 | - | - | 728,928 | 9,111,605 | 100.00% | 0.00% |
| **Total** | **2,134,270** | **42,608,563** | **-** | **-** | **-** | **44,742,833** | **728,928** | **-** | **-** | **728,928** | **9,111,605** | **100.00%** | **0.00%** |
| 31 December 2021 | | | | | | | | | | | | | |
| Country: United Kingdom | 2,263,629 | 42,100,696 | - | - | - | 44,364,325 | 747,949 | - | - | 747,949 | 9,349,358 | 100.00% | 0.00% |
| **Total** | **2,263,629** | **42,100,696** | **-** | **-** | **-** | **44,364,325** | **747,949** | **-** | **-** | **747,949** | **9,349,358** | **100.00%** | **0.00%** |

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

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| | £000s | £000s |
| Total risk exposure amount | 10,625,208 | 10,851,867 |
| Institution specific countercyclical buffer rate % | 0.00% | 0.00% |
| Institution specific countercyclical buffer requirement | - | - |

# 5. Credit risk

## 5.1 Concentration of exposures: By industry

Gross exposures to non-financial corporations as at 30 June 2022 and 31 December 2021, analysed by major industrial sector are provided in the tables below:

### Table 8: Credit quality of loans and advances to non-financial corporations by industry (CQ5)[1]

| 30 June 2022 | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | | Of which: non-performing | | | | |
| | Total | | Of which: defaulted | Of which: loans and advances subject to impairment | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Agriculture, forestry, and fishing | 3,893 | 294 | 95 | 3,893 | (151) | - |
| Mining and quarrying | 10 | - | - | 10 | - | - |
| Manufacturing | 11,204 | 651 | 525 | 11,204 | (114) | - |
| Electricity, gas, steam, and air conditioning supply | 264 | - | - | 264 | (1) | - |
| Water supply | 1,283 | 39 | 39 | 1,283 | (24) | - |
| Construction | 56,721 | 4,630 | 3,979 | 56,721 | (433) | - |
| Wholesale and retail trade | 63,328 | 4,703 | 4,377 | 63,328 | (763) | - |
| Transport and storage | 14,704 | 1,747 | 1,597 | 14,704 | (83) | - |
| Accommodation and food service activities | 37,637 | 3,406 | 3,191 | 37,637 | (345) | - |
| Information and communication | 14,080 | 1,147 | 1,057 | 14,080 | (75) | - |
| Real estate activities | 90,343 | 3,892 | 1,006 | 90,343 | (3,938) | - |
| Professional, scientific, and technical activities | 43,259 | 3,042 | 2,733 | 43,259 | (379) | - |
| Administrative and support service activities | 17,581 | 1,450 | 1,331 | 17,581 | (124) | - |
| Public administration and defence, compulsory social security | 468 | - | - | 468 | (2) | - |
| Education | 4,600 | 224 | 224 | 4,600 | (60) | - |
| Human health services and social work | 22,671 | 682 | 636 | 22,671 | (780) | - |
| Arts, entertainment, and recreation | 5,081 | 389 | 344 | 5,081 | (28) | - |
| Other services | 10,849 | 703 | 686 | 10,849 | (221) | - |
| **Total** | **397,976** | **26,999** | **21,820** | **397,976** | **(7,521)** | **-** |

**Footnote**
(1) Lending to non-financial corporations relates to SME lending, which includes Bounce Back Lending Scheme loans, which benefit from a 100% guarantee from the UK Government.

### Table 8: Credit quality of loans and advances to non-financial corporations by industry (CQ5)[1]

| 31 December 2021 | Gross carrying amount | | | | | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
|---|---|---|---|---|---|---|
| | | Of which: non-performing | | Of which: loans and advances subject to impairment | | |
| | Total | | Of which: defaulted | | Accumulated impairment | |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Agriculture, forestry, and fishing | 3,501 | 417 | 86 | 3,501 | (88) | - |
| Mining and quarrying | 19 | - | - | 19 | - | - |
| Manufacturing | 13,057 | 656 | 624 | 13,057 | (115) | - |
| Electricity, gas, steam, and air conditioning supply | 288 | - | - | 288 | (1) | - |
| Water supply | 1,509 | 113 | 113 | 1,509 | (21) | - |
| Construction | 65,258 | 3,934 | 3,039 | 65,257 | (531) | - |
| Wholesale and retail trade | 73,425 | 3,309 | 3,067 | 73,425 | (686) | - |
| Transport and storage | 18,249 | 1,783 | 1,561 | 18,249 | (155) | - |
| Accommodation and food service activities | 44,732 | 2,315 | 2,077 | 44,732 | (351) | - |
| Information and communication | 16,375 | 642 | 494 | 16,375 | (101) | - |
| Real estate activities | 75,752 | 1,018 | 805 | 75,752 | (3,461) | - |
| Professional, scientific, and technical activities | 48,971 | 2,324 | 2,006 | 48,971 | (393) | - |
| Administrative and support service activities | 20,531 | 1,141 | 966 | 20,531 | (187) | - |
| Public administration and defence, compulsory social security | 613 | 13 | 13 | 613 | (4) | - |
| Education | 5,235 | 225 | 78 | 5,235 | (49) | - |
| Human health services and social work | 22,694 | 582 | 491 | 22,694 | (546) | - |
| Arts, entertainment, and recreation | 6,091 | 268 | 220 | 6,091 | (41) | - |
| Other services | 12,786 | 626 | 573 | 12,786 | (242) | - |
| **Total** | **429,086** | **19,366** | **16,213** | **429,085** | **(6,972)** | **-** |

**Footnote**

(1) Lending to non-financial corporations relates to SME lending, includes Bounce Back Lending Scheme loans which benefits from a 100% guarantee from the UK Government.

## 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 EBA reporting thresholds (of 10% gross exposures or 2% qualifying RWAs) applied for regulatory reporting. These non-UK exposures relate to institutional exposures of £289 million and £135 million of retail secured exposures to customers currently resident overseas but secured on residential properties in the UK as at 30 June 2022.

All credit risk exposures as at 30 June 2022 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 2022, analysed by residual contractual maturity, are provided in table below:

### Table 9: Maturity of exposures (CR1-A) [(1)]

| | Net exposure value | | | | | |
|---|---|---|---|---|---|---|
| **30 June 2022** | **On Demand** | **≤ 1 year** | **> 1 year ≤ 5 years** | **> 5 years** | **No stated maturity** | **Total** |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Loans and advances | 4,582,718 | 477,416 | 2,957,741 | 36,913,652 | 5,031 | 44,936,558 |
| Debt Securities | - | 290,785 | 150,800 | 2,339,484 | - | 2,781,069 |
| **Total** | **4,582,718** | **768,201** | **3,108,541** | **39,253,136** | **5,031** | **47,717,627** |

**Footnote**

(1) Off balance sheet exposures previously reported in 'No stated maturity' have been represented in maturity bucket associated with product terms

| | Net exposure value | | | | | |
|---|---|---|---|---|---|---|
| 31 December 2021 | On Demand | ≤ 1 year | > 1 year ≤ 5 years | > 5 years | No stated maturity | Total |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Loans and advances | 4,548,931 | 481,739 | 2,983,006 | 36,095,540 | 5,870 | 44,115,086 |
| Debt Securities | - | 67,135 | 354,887 | 2,813,706 | - | 3,235,728 |
| Total | 4,548,931 | 548,874 | 3,337,893 | 38,909,246 | 5,870 | 47,350,814 |

**Footnote**

(1) Off balance sheet exposures previously reported in 'No stated maturity' have been represented in maturity bucket associated with product terms

## 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)]

| | Exposures before CCF and CRM | | Exposures post CCF and CRM | | | |
|---|---|---|---|---|---|---|
| **30 June 2022** | **On-balance-sheet amount** | **Off-balance-sheet amount** | **On-balance-sheet amount** | **Off-balance-sheet amount** | **RWAs** | **RWA density** |
| | £000s | £000s | £000s | £000s | £000s | % |
| Central governments or central banks | 6,918,889 | - | 7,436,873 | 33 | 44,821 | 0.6% |
| Public sector entities | 95,579 | - | 21,528 | - | - | 0.0% |
| Multilateral development banks | 196,750 | - | 196,750 | - | - | 0.0% |
| Institutions | 72,645 | 6,266 | 72,645 | 6,267 | 48,165 | 61.0% |
| Corporates | 29,348 | 15 | 29,348 | 3 | 25,862 | 88.1% |
| Retail | 548,286 | 25,865 | 132,790 | 5,156 | 85,972 | 62.3% |
| Secured by mortgages on immovable property | 873,109 | 288,829 | 870,487 | 144,212 | 353,983 | 34.9% |
| Exposures in default | 101,408 | 310 | 75,594 | 146 | 76,066 | 100.4% |
| Covered bonds | 224,982 | - | 224,982 | - | 22,498 | 10.0% |
| Equity[(2)] | - | - | - | - | - | - |
| Other items | 626,718 | 44,469 | 626,717 | 24,835 | 517,362 | 79.4% |
| **Total** | **9,687,714** | **365,754** | **9,687,714** | **180,652** | **1,174,729** | **11.9%** |

**Footnote**

(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.

(2) Equity exposures previously reported within Equity have been reclassified and presented in institutions following guidance from PRA with regards to article 133(3) and article 48(4).

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

| | Exposures before CCF and CRM | | Exposures post CCF and CRM | | | |
|---|---|---|---|---|---|---|
| 31 December 2021 | On-balance-sheet amount | Off-balance-sheet amount | On-balance-sheet amount | Off-balance-sheet amount | RWAs | RWA density |
| | £000s | £000s | £000s | £000s | £000s | % |
| Central governments or central banks | 7,617,722 | - | 8,207,020 | 49 | 48,196 | 0.6% |
| Public sector entities | 102,094 | - | 22,486 | - | - | 0.0% |
| Multilateral development banks | 206,932 | - | 206,932 | - | - | 0.0% |
| Institutions | 75,654 | - | 75,654 | - | 37,026 | 48.9% |
| Corporates | 28,099 | 15 | 28,099 | 3 | 24,393 | 86.8% |
| Retail | 627,933 | 29,264 | 139,910 | 5,839 | 90,330 | 62.0% |
| Secured by mortgages on immovable property | 954,758 | 286,240 | 951,845 | 142,886 | 382,277 | 34.9% |
| Exposures in default | 90,673 | 405 | 71,919 | 193 | 72,313 | 100.3% |
| Covered bonds | 213,393 | - | 213,393 | - | 21,339 | 10.0% |
| Equity | 115 | 4,198 | 115 | 4,198 | 10,784 | 250.0% |
| Other items | 644,936 | 79,475 | 644,936 | 60,292 | 559,536 | 79.3% |
| Total | 10,562,309 | 399,597 | 10,562,309 | 213,460 | 1,246,194 | 11.6% |

**Footnote**

(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 forborne exposures (CQ1)

| **30 June 2022 £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** | | **Collateral received and financial guarantees received on forborne exposures** | |
|---|---|---|---|---|---|---|---|---|
| | | **Non-performing forborne** | | | | | | |
| . | **Performing forborne** | **Total** | **Of which defaulted** | **Of which impaired** | **On performing forborne exposures** | **On non-performing forborne exposures** | **Total** | **Of which collateral and financial guarantees received on non-performing exposures with forbearance measures** |
| **Cash balances at central banks and other demand deposits** | - | - | - | - | - | - | - | - |
| **Loans and advances** | **99,416** | **219,704** | **163,941** | **219,704** | **(1,285)** | **(44,986)** | **255,834** | **162,230** |
| Non-financial corporations | 377 | 2,422 | - | 2,422 | (16) | (253) | 2,510 | 2,168 |
| Households | 99,039 | 217,282 | 163,941 | 217,282 | (1,269) | (44,733) | 253,324 | 160,062 |
| **Debt securities** | - | - | - | - | - | - | - | - |
| **Loan commitments given** | **7,622** | **20,199** | **9,318** | **20,199** | **(148)** | **(1,164)** | - | - |
| **Total** | **107,038** | **239,903** | **173,259** | **239,903** | **(1,433)** | **(46,150)** | **255,834** | **162,230** |

| 31 December 2021 £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 | | Collateral received and financial guarantees received on forborne exposures | |
|---|---|---|---|---|---|---|---|---|
| | | Non-performing forborne | | | | | | |
| . | Performing forborne | Total | Of which defaulted | Of which impaired | On performing forborne exposures | On non-performing forborne exposures | Total | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| Cash balances at central banks and other demand deposits | - | - | - | - | - | - | - | - |
| Loans and advances | 96,156 | 222,639 | 169,276 | 222,639 | (1,397) | (40,556) | 265,397 | 173,981 |
| Non-financial corporations | 2,679 | - | - | - | (266) | - | 2,384 | - |
| Households | 93,477 | 222,639 | 169,276 | 222,639 | (1,131) | (40,556) | 263,013 | 173,981 |
| Debt securities | - | - | - | - | - | - | - | - |
| Loan commitments given | 3,450 | 22,153 | 8,738 | 22,153 | (112) | (1,890) | - | - |
| Total | 99,606 | 244,792 | 178,014 | 244,792 | (1,509) | (42,446) | 265,397 | 173,981 |

## 5.6 Analysis of past due and impaired loans and advances to customers regardless of impairment status

As at 30 June 2022, past due exposures in respect of loans and advances to customers, regardless of impairment status, amounted to £586.6 million, of which £528.9 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 2022 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 2022 £000s | Gross carrying amount / nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-offs | 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 | | | |
| **Cash balances at central banks and other demand deposits** | **4,508,970** | **4,508,970** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances** | **37,973,441** | **35,056,158** | **2,832,503** | **499,718** | **-** | **466,445** | **(125,975)** | **(38,180)** | **(87,751)** | **(60,478)** | **-** | **(59,789)** | **-** | **35,519,242** | **413,490** |
| Central banks | 146,765 | 146,766 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 43,894 | 43,894 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit institutions | 71,863 | 71,863 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial corporations | 103,684 | 103,408 | 276 | 209 | - | 209 | (13) | (10) | (3) | (11) | - | (11) | - | 2,083 | 192 |
| Non-financial corporations | 370,977 | 262,835 | 108,142 | 26,999 | - | 26,999 | (6,658) | (4,186) | (2,471) | (864) | - | (864) | - | 341,447 | 25,264 |
| Of which SMEs | 370,977 | 262,835 | 108,142 | 26,999 | - | 26,999 | (6,658) | (4,186) | (2,471) | (864) | - | (864) | - | 341,447 | 25,264 |
| Households | 37,236,258 | 34,427,392 | 2,724,085 | 472,510 | - | 439,237 | (119,304) | (33,984) | (85,277) | (59,603) | - | (58,914) | - | 35,175,712 | 388,034 |
| **Debt securities** | **2,781,069** | **2,781,069** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 2,233,705 | 2,233,705 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit institutions | 490,340 | 490,340 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial corporations | 57,024 | 57,024 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Off-balance-sheet exposures** | **6,635,820** | **6,199,752** | **415,199** | **29,156** | **-** | **28,903** | **(12,951)** | **(6,182)** | **(6,769)** | **(2,171)** | **-** | **(2,152)** | **-** | **-** | **-** |
| Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit institutions | 381 | 381 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial corporations | 48 | 47 | 1 | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 11,961 | 11,150 | 811 | 35 | - | 35 | - | - | - | - | - | - | - | - | - |
| Households | 6,623,430 | 6,188,174 | 414,387 | 29,121 | - | 28,868 | (12,951) | (6,182) | (6,769) | (2,171) | - | (2,152) | - | - | - |
| **Total** | **51,899,300** | **48,545,949** | **3,247,702** | **528,874** | **-** | **495,348** | **(138,926)** | **(44,362)** | **(94,520)** | **(62,649)** | **-** | **(61,941)** | **-** | **35,519,242** | **413,490** |

**Footnote**

(1) Table reported in accordance with FINREP definitions.

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

| 31 December 2021<br>£000s | Gross carrying amount / nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-offs | 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 | | | |
| **Cash balances at central banks and other demand deposits** | **4,750,460** | **4,750,460** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances** | **37,312,641** | **34,628,388** | **2,684,253** | **541,046** | **-** | **541,046** | **(133,453)** | **(59,007)** | **(74,446)** | **(56,096)** | **-** | **(56,096)** | **-** | **34,960,255** | **462,405** |
| Central banks | 143,588 | 143,588 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 28,566 | 28,566 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit institutions | 73,626 | 73,626 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial corporations | 37,203 | 36,513 | 690 | 40 | - | 40 | (25) | (11) | (14) | - | - | - | - | 2,599 | 40 |
| Non-financial corporations | 409,720 | 288,786 | 120,934 | 19,367 | - | 19,367 | (6,410) | (3,566) | (2,844) | (563) | - | (563) | - | 376,967 | 18,202 |
| Of which SMEs | 409,720 | 288,786 | 120,934 | 19,367 | - | 19,367 | (6,410) | (3,566) | (2,844) | (563) | - | (563) | - | 376,967 | 18,202 |
| Households | 36,619,938 | 34,057,309 | 2,562,629 | 521,639 | - | 521,639 | (127,018) | (55,430) | (71,588) | (55,533) | - | (55,533) | - | 34,580,689 | 444,163 |
| **Debt securities** | **3,235,727** | **3,235,727** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | 2,683,290 | 2,683,290 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit institutions | 489,856 | 489,856 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial corporations | 62,581 | 62,581 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Off-balance-sheet exposures** | **6,436,623** | **6,123,267** | **313,356** | **30,956** | **-** | **30,956** | **(13,656)** | **(8,896)** | **(4,760)** | **(2,990)** | **-** | **(2,990)** | **-** | **-** | **-** |
| Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| General governments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Credit institutions | 173 | 173 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other financial corporations | 100 | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-financial corporations | 13,160 | 12,278 | 882 | 44 | - | 44 | - | - | - | - | - | - | - | - | - |
| Households | 6,423,190 | 6,110,716 | 312,474 | 30,912 | - | 30,912 | (13,656) | (8,896) | (4,760) | (2,990) | - | (2,990) | - | - | - |
| **Total** | **51,735,451** | **48,737,842** | **2,997,609** | **572,002** | **-** | **572,002** | **(147,109)** | **(67,903)** | **(79,206)** | **(59,086)** | **-** | **(59,086)** | **-** | **34,960,255** | **462,405** |

**Footnote**

(1) Table reported in accordance with FINREP definitions.

## 5.8 Credit risk mitigation

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

| **30 June 2022** £000s | **TOTAL exposures** | **Credit Risk Mitigation Techniques** – **Funded Credit Protection (FCP)** | | | **Credit Risk Mitigation Methods in the calculation of RWEAs** | |
|---|---|---|---|---|---|---|
| | | **Financial Collaterals** | **Other eligible collaterals** | **Immovable property collaterals[(1)]** | **RWEA without substation effects** | **RWEA substitution effects** |
| | **a** | **b** | **c** | **d** | **m** | **n** |
| Retail | 42,608,563 | - | 195.3% | 195.3% | 8,029,863 | 8,029,863 |
| Of which Retail – Immovable property Non-SMEs | 38,037,761 | - | 218.7% | 218.7% | 5,189,762 | 5,189,762 |
| Of which Retail – Qualifying revolving | 3,208,946 | - | 0.0% | 0.0% | 1,231,869 | 1,231,869 |
| Of which Retail – Other non-SMEs | 1,361,856 | - | 0.0% | 0.0% | 1,608,232 | 1,608,232 |
| **Total** | **42,608,563** | **-** | **195.3%** | **195.3%** | **8,029,863** | **8,029,863** |

**Footnote**

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

| 31 December 2021 £000s | TOTAL exposures | Credit Risk Mitigation Techniques – Funded Credit Protection (FCP) | | | Credit Risk Mitigation Methods in the calculation of RWEAs | |
|---|---|---|---|---|---|---|
| | | Financial Collaterals | Other eligible collaterals | Immovable property collaterals[(1)] | RWEA without substation effects | RWEA substitution effects |
| | a | b | c | d | m | n |
| Retail | 42,100,696 | - | 187.8% | 187.8% | 8,188,387 | 8,188,387 |
| Of which Retail – Immovable property Non-SMEs | 37,195,813 | - | 212.6% | 212.6% | 5,370,574 | 5,370,574 |
| Of which Retail – Qualifying revolving | 3,597,397 | - | 0.0% | 0.0% | 1,260,843 | 1,260,843 |
| Of which Retail – Other non-SMEs | 1,307,486 | - | 0.0% | 0.0% | 1,556,970 | 1,556,970 |
| Total | 42,100,696 | - | 187.8% | 187.8% | 8,188,387 | 8,188,387 |

**Footnote**

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

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

| **30 June 2022** | **Unsecured carrying amount** | **Secured Carrying Amount** | | | |
|---|---|---|---|---|---|
| | | | | **Of which secured by financial guarantees** | |
| | | **Total** | **Of which secured by collateral** | **Total** | **Of which secured by credit derivatives** |
| | £000s | £000s | £000s | £000s | £000s |
| Loans and advances | 6,862,944 | 35,932,732 | 35,487,944 | 444,788 | - |
| Debt securities | 2,781,069 | - | - | - | |
| **Total** | 9,644,013 | 35,932,732 | 35,487,944 | 444,788 | - |
| Of which non-performing exposures | 25,750 | 413,490 | 378,640 | 34,850 | - |
| Of which defaulted[2] | 17,277 | 314,558 | | | |

**Footnote**

(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 2021 | Unsecured carrying amount | Secured Carrying Amount | | | |
|---|---|---|---|---|---|
| | | | | Of which secured by financial guarantees | |
| | | Total | Of which secured by collateral | Total | Of which secured by credit derivatives |
| | £000s | £000s | £000s | £000s | £000s |
| Loans and advances | 7,181,487 | 35,422,660 | 34,908,598 | 514,061 | - |
| Debt securities | 3,235,727 | - | - | - | |
| Total | 10,417,214 | 35,422,660 | 34,908,598 | 514,061 | - |
| Of which non-performing exposures | 78,641 | 462,405 | 436,320 | 26,085 | - |
| Of which defaulted[2] | 5,929 | 360,347 | | | |

**Footnote**

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

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

Increase in loans and advances largely reflect a continued increase in 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: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1)[(1)]

| Applicable Amounts | 30 June 2022 £000s | 31 December 2021 £000s |
|---|---|---|
| **1 Total assets as per published financial statements** | 47,423,680 | 46,688,763 |
| 4 (Adjustment for exemption of exposures to central banks)[(1)] | (4,566,817) | (4,842,254) |
| 8 Adjustments for derivative financial instruments | (990,163) | (276,494) |
| 9 Adjustment for securities financing transactions (SFTs) | 4,952 | - |
| 10 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 1,043,529 | 1,050,945 |
| 11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | (2,336) | (1,394) |
| 12 Other adjustments | (332,586) | (49,812) |
| **Leverage ratio total exposure measure** | **42,580,259** | 42,569,754 |

**Footnote**

(1) Prior period reporting has been represented following new PRA reporting requirements including adjustment for exemption of exposures to central banks

### Table 16: Leverage ratio common disclosure (UK LR2)[(1)]

| CRR leverage ratio exposure | 30 June 2022 £000s | 31 December 2021 £000s |
|---|---|---|
| **On-balance sheet exposures (excluding derivatives and SFTs)** | | |
| On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 45,838,917 | 46,379,561 |
| (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | (64,713) | (18,087) |
| (Asset amounts deducted in determining Tier 1 capital) | (156,333) | (137,748) |
| **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **45,617,871** | 46,223,726 |
| **Derivative exposures** | | |
| Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin) | 411,488 | 645 |
| Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 69,236 | 136,692 |
| Adjusted effective notional amount of written credit derivatives | - | - |
| **Total derivatives exposures** | **480,724** | 137,337 |
| **Securities financing transaction (SFT) exposures** | | |
| Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | - | - |
| Counterparty credit risk exposure for SFT assets | 4,952 | - |
| **Total securities financing transaction exposures** | **4,952** | **-** |
| **Other off-balance sheet exposures** | | |
| Off-balance sheet exposures at gross notional amount | 6,670,070 | 6,454,105 |
| (Adjustments for conversion to credit equivalent amounts) | (5,626,541) | (5,403,160) |
| **Off-balance sheet exposures** | **1,043,529** | 1,050,945 |
| **Capital and total exposures measure** | | |
| Tier 1 capital (leverage) | 1,697,660 | 1,724,002 |
| Total exposure measure including claims on central banks | 47,147,076 | 47,412,008 |
| (-) Claims on central banks excluded | (4,566,817) | (4,842,254) |
| **Total exposure measure excluding claims on central banks** | **42,580,259** | 42,569,754 |
| **Leverage ratio** | | |
| Leverage ratio excluding claims on central banks(%) | 4.0% | 4.1% |
| Fully loaded ECL accounting model Leverage ratio including claims on central banks (%) | 4.0% | 4.0% |
| Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied) (%) | n/a | n/a |
| Leverage ratio including claims on central banks % | 3.6% | 3.6% |
| Regulatory minimum leverage ratio requirement (%) | n/a | n/a |

**Footnote**

(1) Prior period reporting has been represented following new PRA reporting requirements including adjustment for exemption of exposures to central banks

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

| Leverage ratio exposures | **30 June 2022** £000 | 31 December 2021 £000 |
|---|---|---|
| **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **45,774,204** | 46,361,474 |
| Banking book exposures, of which: | 45,774,204 | 46,361,474 |
| Covered bonds | 224,982 | 213,393 |
| Exposures treated as sovereigns | 6,848,831 | 8,030,932 |
| Institutions | 72,645 | 75,654 |
| Secured by mortgages of immovable properties | 35,091,388 | 34,487,747 |
| Retail exposures | 2,391,093 | 2,425,272 |
| Corporate | 29,348 | 28,099 |
| Exposures in default | 380,642 | 407,779 |
| Other exposures (e.g. equity, securitisations, and other non-credit obligation assets) | 735,275 | 692,598 |

# 7. Liquidity

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

The table below reflects the trailing 12 month-end average LCR balances at the applicable quarter end dates. The trailing 12 month-end average LCR to 30 June 2022 was 173%, shown in the LIQ1 disclosure table below:

### Table 18: Quantitative information of LCR (UK LIQ1)

| Consolidated | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|
| **£000's** | **30-Jun-22** | **31-Mar-22** | **31-Dec-21** | **30-Sep-21** | **30-Jun-22** | **31-Mar-22** | **31-Dec-21** | **30-Sep-21** |
| 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) | | | | | **6,687,218** | **6,505,243** | **6,441,563** | **6,248,446** |
| **CASH - OUTFLOWS** | | | | | | | | |
| **Retail deposits and deposits from small business customers, of which:** | **35,525,896** | **35,553,452** | **35,348,216** | **34,934,424** | **2,389,516** | **2,380,596** | **2,353,679** | **2,308,219** |
| Stable deposits | 28,433,063 | 28,537,148 | 28,457,680 | 28,235,259 | 1,421,653 | 1,426,858 | 1,422,884 | 1,411,763 |
| Less stable deposits | 6,714,792 | 6,631,254 | 6,489,020 | 6,268,901 | 967,863 | 953,738 | 930,795 | 896,456 |
| **Unsecured wholesale funding** | **297,313** | **285,347** | **266,972** | **241,740** | **158,282** | **150,276** | **142,362** | **131,974** |
| Non-operational deposits (all Counterparties) | 257,593 | 250,417 | 232,280 | 206,470 | 118,562 | 115,346 | 107,670 | 96,704 |
| Unsecured debt | 39,720 | 34,930 | 34,692 | 35,270 | 39,720 | 34,930 | 34,692 | 35,270 |
| **Secured wholesale funding** | | | | | **-** | **-** | **-** | **-** |
| **Additional requirements** | **4,037,400** | **3,998,203** | **3,973,912** | **3,937,208** | **397,501** | **368,552** | **353,505** | **332,801** |
| Outflows related to derivative exposures and other collateral requirements | 205,928 | 177,517 | 162,957 | 143,095 | 205,928 | 177,517 | 162,957 | 143,095 |
| Credit and liquidity facilities | 3,831,472 | 3,820,686 | 3,810,955 | 3,794,113 | 191,573 | 191,035 | 190,548 | 189,706 |
| **Other contractual funding obligations** | **77,251** | **89,814** | **107,771** | **114,082** | **11,031** | **22,980** | **40,177** | **45,946** |
| **Other contingent funding obligations** | **2,565,362** | **2,624,264** | **2,739,520** | **2,655,572** | **1,155,216** | **1,181,812** | **1,233,670** | **1,195,841** |
| **TOTAL CASH OUTFLOWS** | | | | | **4,111,546** | **4,104,216** | **4,123,393** | **4,014,781** |
| **CASH - INFLOWS** | | | | | | | | |
| Secured lending (e.g. reverse repos) | - | - | 18,654 | 18,654 | - | - | - | - |
| Inflows from fully performing exposures | 331,018 | 318,470 | 311,269 | 303,510 | 205,388 | 196,386 | 190,750 | 184,215 |
| Other cash inflows | 35,656 | 29,829 | 25,109 | 23,534 | 22,258 | 16,266 | 11,503 | 9,931 |
| **TOTAL CASH INFLOWS** | **366,674** | **348,299** | **355,032** | **345,698** | **227,646** | **212,652** | **202,253** | **194,146** |
| Fully exempt inflows | - | - | - | - | - | - | - | - |
| Inflows subject to 90% cap | - | - | - | - | - | - | - | - |
| Inflows subject to 75% cap | 366,674 | 348,299 | 355,032 | 345,698 | 227,646 | 212,652 | 202,253 | 194,146 |
| **TOTAL ADJUSTED VALUE** | | | | | | | | |
| **LIQUIDITY BUFFER** | | | | | **6,687,218** | **6,505,243** | **6,441,563** | **6,248,446** |
| **TOTAL NET CASH OUTFLOWS** | | | | | **3,883,900** | **3,891,564** | **3,921,140** | **3,820,636** |
| **LIQUIDITY COVERAGE RATIO(1)** | | | | | **173%** | **168%** | **165%** | **165%** |

**Footnote:**

(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) CCR

| 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, are 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. In 12 month average terms to the applicable date, June 2022 v December 2021, 'high-quality liquid assets' have increased by £246m, improving the bank's position in the face of possible stress events, as well as its capacity to react immediately to sudden changes in liquidity. For the 12 month average to June 2022 total weighted cash outflows amounted to £4,112m, which represents an decrease of £12m in comparison to the average of the 12 months to December 2021. |
| (b) | Explanations on the changes in the LCR over time | The 12-month average LCR for the 12 months to June 2022 increased to 173% from 165% December 2021. The movement is driven by an increase in High-Quality Liquid Assets, a decrease in Net Cash Outflows also contributed to the increase albeit to a lesser extent. The increase in High-Quality Liquid Assets is primarily driven by increased funding from TSB's Bank of England Term Funding Scheme drawings and TSB's Covered Bond issuance, offset by an increase in net retail lending driven by increased lending. |
| (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 Central Bank Reserves and UK Government Gilts. The remainder includes Bonds issued by multilateral development banks and international organisations, extremely 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 corresponding to collateral needs 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 any 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 does not have other items in its LCR calculation, that are not captured in the LCR EU LIQ1 disclosure template, that it considers relevant for its liquidity profile. |

# 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. |
| **Foreclosed assets** | A foreclosed asset is defined as a loan in which the bank has received physical possession of a borrower's assets, regardless of whether formal foreclosure proceedings have taken place or a deed in lieu of foreclosure has been issued. |
| **General Credit Risk Adjustment** | Those credit risk adjustments that are freely and fully available, about to timing and amount, to meet losses that are not yet materialised or where no evidence of a loss event has occurred. |

| | |
|---|---|
| **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. |
| **Individually / collectively assessed** | Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. |
| **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. |
| **Lifetime Expected Credit Losses (Lifetime ECL)** | The allowance required for Expected Credit Losses resulting from default events expected over the estimated life of the financial instrument, in the event of a significant increase in credit risk. |
| **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. |
| **Original exposure** | The exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques. |
| **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. |
| **Residual Maturity** | The remaining time in years that a borrower is permitted to take to fully discharge its contractual obligation (principal, interest and fees) under the terms of a loan agreement. |
| **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 GCRAs. Credit risk adjustments recognised via an incurred loss model under IAS 39 are classed as SCRAs. |
| **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%. |
| **Whistletree** | Whistletree loans include the portfolio of former Northern Rock mortgages and unsecured loans which was acquired with effect from 7 December 2015 and a small portfolio of Airdrie Saving Bank customers which was acquired on 28 April 2017. |

# 9. Contacts

For further information please contact:

## Media

George Gordon
Communications and Corporate Affairs Director
Phone: +44 (0)207 003 9369
Mobile: +44 (0)7825 680197
Email: george.gordon@tsb.co.uk

Supreet Thomas
Head of Communications
Mobile: +44 (0) 07519 502123
Email: supreet.thomas@tsb.co.uk

## Investors and analysts

investorrelations@bancsabadell