TSB Banking Group plc

Large Subsidiary Disclosures

30 June 2023

Contents

CONTENTS 2

INDEX OF TABLES 3

1. INTRODUCTION 4

2. OWN FUNDS 5

- 2.1 OWN FUNDS 5
- 2.2 OTHER CAPITAL DISCLOSURES 7

3. CAPITAL REQUIREMENTS 8

- 3.1 RISK WEIGHTED ASSETS AND PILLAR 1 CAPITAL REQUIREMENTS 8
- 3.2 RISK WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER 9

4. COUNTERCYCLICAL CAPITAL BUFFER 10

5. CREDIT RISK 11

- 5.1 CONCENTRATION OF EXPOSURES: BY INDUSTRY 11
- 5.2 CREDIT RISK EXPOSURE: GEOGRAPHICAL BREAKDOWN OF EXPOSURES 12
- 5.3 CREDIT RISK EXPOSURE: ANALYSIS BY MATURITY 13
- 5.4 STANDARDISED APPROACH: CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS 13
- 5.5 MANAGEMENT OF CUSTOMERS EXPERIENCING FINANCIAL DIFFICULTIES 15
- 5.6 PAST DUE AND IMPAIRED LOANS AND ADVANCES TO CUSTOMERS REGARDLESS OF IMPAIRMENT STATUS 15
- 5.7 ANALYSIS OF IMPAIRMENT PROVISIONS IN RESPECT OF LOANS AND ADVANCES TO CUSTOMERS 16
- 5.8 CREDIT RISK MITIGATION 18

6. LEVERAGE RATIO 20

7. LIQUIDITY 22

- 7.1 QUANTITATIVE INFORMATION ON LIQUIDITY COVERAGE RATIO 22
- 7.2 NET STABLE FUNDING 24

8. GLOSSARY 25

9. CONTACTS 28

Index of tables

TABLE 1: KEY METRICS (KM1)	4
TABLE 2: COMPOSITION OF REGULATORY OWN FUNDS (CC1)	5
TABLE 3: RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS (CC2)	7
TABLE 4: OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS (OV1)	8
TABLE 5: RWEA FLOW STATEMENT OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH (CR8)	9
TABLE 6: GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER (CCYB1)	10
TABLE 7: AMOUNT OF INSTITUTION SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER (CCYB2)	10
TABLE 8: CREDIT QUALITY OF LOANS AND ADVANCES BY INDUSTRY (CQ5)	11
TABLE 9: MATURITY OF EXPOSURES (CR1-A)	13
TABLE 10: STANDARDISED APPROACH - CREDIT RISK EXPOSURE AND CRM EFFECTS (CR4)	13
TABLE 11: CREDIT QUALITY OF FORBORNE EXPOSURES (CQ1)	15
TABLE 12: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (CR1)	16
TABLE 13: IRB APPROACH - DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES (CR7-A)	18
TABLE 14: CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES (CR3)	19
TABLE 15: LRSum: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURE (UK LR1)	20
TABLE 16: LRCom: LEVERAGE RATIO COMMON DISCLOSURE (UK LR2)	20
TABLE 17: LRSpl: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) (UK LR3)	21
TABLE 18: QUANTITATIVE INFORMATION OF LCR (UK LIQ1)	22
TABLE 19: QUALITATIVE INFORMATION ON LCR, WHICH COMPLEMENTS TEMPLATE UK LIQ1 (UK LIQB)	23
TABLE 20: NET STABLE FUNDING RATIO (LIQ2)	24

1. Introduction

This document presents the Pillar III Large Subsidiary Disclosures as at 30 June 2023 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 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 at half year is immaterial (£0.6m capital).

Table 1: Key metrics (KM1)

	30 June 2023	31 December 2022	30 June 2022
Available capital (amounts)			
Common Equity Tier 1 (CET1) (£'000)	**1,859,042**	1,791,545	1,697,656
Tier 1 capital (£'000)	**1,859,042**	1,791,545	1,697,656
Total capital (£'000)	**2,182,320**	2,109,761	1,997,656
Risk-weighted exposure amounts			
Total risk-weighted exposure amount (£'000)	**10,425,685**	10,442,066	10,625,208
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio	**17.8%**	17.2%	16.0%
Tier 1 ratio	**17.8%**	17.2%	16.0%
Total capital ratio	**20.9%**	20.2%	18.8%
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%	1.8%
Of which: to be made up of CET1 capital	**1.0%**	1.0%	1.0%
Of which: to be made up of Tier 1 capital	**1.4%**	1.4%	1.4%
Total SREP own funds requirements(1)	**9.8%**	9.8%	9.8%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer	**2.5%**	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%	0.0%
Institutional specific countercyclical capital buffer	**1.0%**	1.0%	0.0%
Combined buffer requirement	**3.5%**	3.5%	2.5%
Overall capital requirements	**13.3%**	13.3%	12.3%
CET1 available after meeting the total SREP own funds requirements	**10.5%**	9.8%	8.6%
Leverage Ratio			
Leverage ratio total exposure measure(2) (£'000)	**40,560,388**	42,544,451	42,580,259
Leverage ratio(2)	**4.6%**	4.2%	4.0%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value – average) (£'000)	**7,159,476**	6,788,964	6,687,218
Cash outflows – Total weighted value (£'000)	**4,360,990**	4,326,960	4,111,546
Cash inflows – Total weighted value (£'000)	**250,365**	260,513	227,646
Total net cash outflows (adjusted value) (£'000)	**4,110,625**	4,066,447	3,883,900
Liquidity coverage ratio(3)	**175%**	168%	173%
Net Stable Funding Ratio (NSFR)(4)			
Total available stable funding(4) (£'000)	**42,660,491**	42,774,578	
Total required stable funding(4) (£'000)	**28,152,531**	28,845,131	
NSFR ratio(4)	**152%**	148%	

(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. The 30 June 2022 ratio has been restated on this basis.

(4) NSFR ratio presented is based on a four quarter simple average. Not reported for 30 June 2022 as PRA guidance came into effect on 1 January 2022.

CET1 ratio has increased by 0.6% to 17.8% since 31 December 2022. This was primarily driven by the inclusion of approved interim profits leading to higher CET1 capital.

2. Own funds

2.1 Own funds

TSB's own funds as at 30 June 2023 and 31 December 2022 are presented in the table below.

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

		30 June 2023 £000s	31 December 2022 £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	1,212,509	1,160,185	36
3	Accumulated other comprehensive income (and other reserves)	(240,964)	(250,561)	(*) 38, 42
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	52,286	52,324	40
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,993,881**	1,931,998	**---**
Common Equity Tier 1 capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(5,423)	(4,412)	---
8	Intangible assets (net of related tax liability) (negative amount)	(70,472)	(70,617)	---
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)	(13,050)	(41,570)	---
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(46,397)	(33,211)	---
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant)	503	9,357	---
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(134,839)**	(140,453)	---
29	**Common Equity Tier 1 (CET1) capital**	**1,859,042**	1,791,545	---
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,859,042**	1,791,545	---
Tier 2 Capital: Instruments and Provisions				
46	Capital instruments and the related share premium accounts	300,000	300,000	(*) 20
50	Credit risk adjustments	23,278	25,968	---
51	**Tier 2 (T2) capital before regulatory adjustments**	**323,278**	325,968	---
Tier 2 Capital: Regulatory Adjustments				
56b	Other regulatory adjustments to T2 capital	-	(7,752)	---
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	(7,752)	---
58	**Tier 2 (T2) capital**	**323,278**	318,216	---
59	**Total capital (TC = T1 + T2)**	**2,182,320**	2,109,761	---
60	**Total risk exposure amount**	**10,425,685**	10,442,066	---

(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 2023.

The largely offsetting movement in Other regulatory adjustment to Tier 1 and Tier 2 mainly relates to a reduction in IFRS9 transitional adjustments.

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

		30 June 2023 £000s	31 December 2022 £000s	Reference (Table CC2)
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.8%	17.2%	---
62	Tier 1 (as a percentage of total risk exposure amount)	17.8%	17.2%	---
63	Total capital (as a percentage of total risk exposure amount)	20.9%	20.2%	---
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)	9.0%	9.0%	---
65	of which: capital conservation buffer requirement	2.5%	2.5%	---
66	of which: countercyclical buffer requirement	1.0%	1.0%	---
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)	10.5%	9.8%	---
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)	7,227	6,660	---
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)	26,405	24,498	---
Limits applicable to the inclusion of provisions in Tier 2 capital				
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	14,299	14,949	---
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	23,278	25,968	---
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	46,737	46,516	---

(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]

	Assets – Breakdown by asset classes according to the balance sheet in the published financial accounts	Balance sheet as per published financial statements As at 30 June 2023 £000s	Under regulatory scope of consolidation As at 30 June 2023 £000s	Reference (table CC1)
1	Cash, cash balances at central banks and other demand deposits	5,543,041	5,543,041	---
2	Financial assets held for trading	1,325,780	1,325,780	---
3	Non-trading financial assets held at fair value through profit or loss	9	9	---
5	Financial assets at fair value with changes in other comprehensive income	329,245	329,245	---
6	Financial assets at amortised cost	39,266,884	39,266,884	---
7	Derivatives - hedge accounting	1,864,756	1,864,756	---
8	Changes in the fair value of hedged items in a portfolio hedged risk	(709,403)	(709,403)	---
11	Tangible assets	272,997	272,997	---
12	Intangible assets	75,445	75,445	---
13	Tax assets	34,702	34,702	---
14	Memorandum items: Deferred tax assets	34,702	34,702	---
15	Other assets	121,544	121,544	---
17	**TOTAL ASSETS**	**48,125,000**	**48,125,000**	**---**
	Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements			
18	Financial liabilities held for trading	1,451,684	1,451,684	---
20	Financial liabilities at amortised cost	44,388,016	44,388,016	(*) 46
21	Derivatives - hedge accounting	507,496	507,496	---
22	Changes in the fair value of hedged items in a portfolio hedged risk	(505,742)	(505,742)	---
24	Provisions	60,444	60,444	---
25	Tax liabilities	1,435	1,435	---
28	Other liabilities	175,500	175,500	---
30	**TOTAL LIABILITIES**	**46,078,833**	**46,078,833**	**---**
	Equity			
31	Own Funds	2,002,130	2,002,130	(*) 1, 2, 3, 5
32	Capital	5,000	5,000	1
33	Issue premium	965,050	965,050	(*) 1
36	Accumulated profits	1,262,508	1,212,508	2
38	Other reserves	(285,000)	(285,000)	(*) 3
40	Result attributed to the owners of the parent company	104,572	104,572	(*) 5a
41	Interim dividends	(50,000)	-	(*) 5a
42	Accumulated other comprehensive income	44,037	44,037	(*) 3
44	**Shareholder's equity**	**2,046,167**	**2,046,167**	---

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

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 2023 are presented in the following table:

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

	RWAs	RWAs	RWAs	Total own funds requirements[1]
	30 June 2023	31 March 2023	31 December 2022	30 June 2023
	£000s	£000s	£000s	£000s
Credit risk (excluding CCR)	**8,833,306**	8,745,215	8,781,922	**706,665**
Of which the standardised approach[2]	1,043,800	1,033,560	1,029,312	83,505
Of which the advanced IRB (AIRB) approach	7,789,506	7,711,655	7,752,610	623,160
Counterparty credit risk (CCR)	**33,085**	77,500	107,036	**2,647**
Of which the standardised approach[3]	5,190	4,680	6,736	415
Of which exposures to a CCP	1,510	1,461	2,542	121
Of which credit valuation adjustment - CVA	16,888	16,566	18,257	1,351
Of which other CCR[3]	9,497	54,793	79,501	760
Operational risk	**1,475,213**	1,475,213	1,475,213	**118,017**
Of which Standardised Approach	1,475,213	1,475,213	1,475,213	118,017
Amounts below the thresholds for deduction (subject to 250% risk weight)[2]	**84,081**	83,930	77,895	**6,726**
Total	**10,425,685**	10,381,858	10,442,066	**834,055**

(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.

(3) RWAs relating to securities financing transactions previously reported in 'of which' the standardised approach have been separately presented in 'of which' other CCR for 30 June 2023 and prior reporting periods.

Since the year end, IRB RWAs have increased reflecting the economic enviroment, largely offset by a reduction in lending from lower customer demand and management action to manage volumes. 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 2023 to 30 June 2023 and from 31 December 2022 to 30 June 2023 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 2023 £000s	6 months to 30 June 2023 £000s
Risk weighted exposure amount as at the end of the previous reporting period	**7,711,655**	7,752,610
Asset size (+/-)	36,807	(69,182)
Asset quality (+/-)	96,954	161,988
Model updates (+/-)	(55,460)	(55,460)
Methodology and policy (+/-)	(450)	(450)
Risk weighted exposure amount as at the end of the reporting period	**7,789,506**	7,789,506

During 2023 the reduction in asset size largely reflects reduction 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. The UK CCyB applies to all TSB exposures as non-UK relevant credit exposure RWAs are less than 2% of total RWAs. With effect from 13 December 2022, the FPC increased the CCyB from 0.0% to 1.0%.

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

30 June 2023	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	1,873,969	40,311,507	42,185,476	700,160	700,160	8,752,004	100.0%	1.0%
Total	**1,873,969**	**40,311,507**	**42,185,476**	**700,160**	**700,160**	**8,752,004**	**100.0%**	**1.0%**
31 December 2022								
Country: United Kingdom	1,954,713	41,831,248	43,785,961	696,525	696,525	8,706,567	100.0%	1.0%
Total	1,954,713	41,831,248	43,785,961	696,525	696,525	8,706,567	100.0%	1.0%

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

	30 June 2023	31 December 2022
	£000s	£000s
Total risk exposure amount	10,425,685	10,442,066
Institution specific countercyclical buffer rate %[1]	1.0%	1.0%
Institution specific countercyclical buffer requirement	104,257	104,421

(1) With effect from 13 December 2022 the Financial Policy Committee increrased the CCyB to 1.0% from 0.0% for the UK reflecting economic recovery from the impact of Covid.

5. Credit risk

5.1 Concentration of exposures: By industry

Gross exposures to non-financial corporations as at 30 June 2023 and 31 December 2022, analysed by major industrial sector are provided in the tables below:

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

30 June 2023	Gross carrying amount				Accumulated impairment
		Of which: non-performing		Of which: loans and advances subject to impairment	
			Of which: defaulted		
	£000s	£000s	£000s	£000s	£000s
Agriculture, forestry, and fishing	2,913	91	48	2,913	(30)
Mining and quarrying	8	-	-	8	-
Manufacturing	8,288	323	225	8,288	(58)
Electricity, gas, steam, and air conditioning supply	151	43	43	151	(1)
Water supply	1,065	69	69	1,065	(9)
Construction	40,758	2,442	1,742	40,758	(255)
Wholesale and retail trade	49,240	2,161	1,520	49,240	(412)
Transport and storage	10,315	1,063	965	10,315	(44)
Accommodation and food service activities	25,638	1,487	1,344	25,638	(184)
Information and communication	10,181	502	383	10,181	(46)
Real estate activities	95,013	3,062	333	95,013	(2,332)
Professional, scientific, and technical activities	33,003	1,512	1,062	33,003	(229)
Administrative and support service activities	12,750	751	554	12,750	(89)
Public administration and defence, compulsory social security	318	11	11	318	(1)
Education	3,613	35	35	3,613	(26)
Human health services and social work	23,616	1,065	921	23,616	(865)
Arts, entertainment, and recreation	3,708	224	148	3,708	(17)
Other services	7,944	402	333	7,944	(197)
Total	**328,522**	**15,243**	**9,736**	**328,522**	**(4,795)**

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

31 December 2022	Gross carrying amount				
		Of which: non-performing			
	Total		Of which: defaulted	Of which: loans and advances subject to impairment	Accumulated impairment
	£000s	£000s	£000s	£000s	£000s
Agriculture, forestry, and fishing	3,297	149	139	3,297	(115)
Mining and quarrying	9	-	-	9	-
Manufacturing	9,891	471	420	9,891	(81)
Electricity, gas, steam, and air conditioning supply	239	-	-	239	(1)
Water supply	1,148	54	10	1,148	(17)
Construction	48,970	3,647	2,644	48,970	(306)
Wholesale and retail trade	55,041	3,726	3,093	55,041	(506)
Transport and storage	12,214	1,213	972	12,214	(57)
Accommodation and food service activities	30,907	2,778	2,522	30,907	(257)
Information and communication	11,757	863	661	11,757	(59)
Real estate activities	95,185	3,430	762	95,185	(2,869)
Professional, scientific, and technical activities	37,849	1,838	1,601	37,849	(303)
Administrative and support service activities	15,139	1,072	735	15,139	(94)
Public administration and defence, compulsory social security	435	46	46	435	(2)
Education	3,935	81	30	3,935	(44)
Human health services and social work	22,505	483	408	22,505	(492)
Arts, entertainment, and recreation	4,304	423	256	4,304	(22)
Other services	9,215	594	506	9,215	(210)
Total	362,040	20,868	14,805	362,040	(5,435)

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 2023 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 2023, analysed by residual contractual maturity, are provided in the table below:

Table 9: Maturity of exposures (CR1-A)

	Net exposure value					
30 June 2023	**On Demand**	**≤ 1 year**	**> 1 year ≤ 5 years**	**> 5 years**	**No stated maturity**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Loans and advances	4,597,002	524,495	2,768,893	35,010,338	4,902	42,905,629
Debt Securities	-	99,319	474,816	1,739,840	-	2,313,974
Total	**4,597,002**	**623,814**	**3,243,709**	**36,750,178**	**4,902**	**45,219,603**

	Net exposure value					
31 December 2022	On Demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Loans and advances	4,660,039	472,157	2,979,284	36,545,085	3,965	44,660,530
Debt Securities	-	39,399	434,221	1,987,543	-	2,461,163
Total	4,660,039	511,556	3,413,505	38,532,628	3,965	47,121,693

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)]

	Exposures before CCF and CRM		**Exposures post CCF and CRM**			
30 June 2023	**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	7,300,868	-	7,670,644	-	66,013	0.9%
Public sector entities	69,518	-	20,272	-	-	0.0%
Multilateral development banks	184,722	-	184,722	-	-	0.0%
Institutions	306,938	7,218	306,938	7,218	99,369	31.6%
Corporates	31,514	15	31,514	3	27,383	86.9%
Retail	444,474	23,036	139,557	4,617	87,854	60.9%
Secured by mortgages on immovable property	712,545	292,673	710,531	146,171	298,842	34.9%
Exposures in default	92,001	126	78,403	58	78,820	100.5%
Covered bonds	223,828	-	223,828	-	22,383	10.0%
Other items	509,199	59,095	509,198	30,090	447,217	82.9%
Total	**9,875,607**	**382,163**	**9,875,607**	**188,157**	**1,127,881**	**11.2%**

(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]

31 December 2022	Exposures before CCF and CRM		Exposures post CCF and CRM			
	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	7,223,183	-	7,649,644	-	61,244	0.8%
Public sector entities	71,037	-	20,496	-	-	0.0%
Multilateral development banks	188,091	-	188,091	-	-	0.0%
Institutions	235,026	6,613	235,026	6,613	92,005	38.1%
Corporates	34,259	15	34,259	3	29,785	86.9%
Retail	491,131	24,933	136,528	4,994	86,987	61.5%
Secured by mortgages on immovable property	789,141	291,180	786,777	145,380	325,120	34.9%
Exposures in default	91,063	221	72,110	104	72,596	100.5%
Covered bonds	254,271	-	254,271	-	25,427	10.0%
Other items	498,007	38,334	498,007	22,280	414,043	79.6%
Total	9,875,209	361,296	9,875,209	179,374	1,107,207	11.0%

(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 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 forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne 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	**117,626**	**260,969**	**202,970**	**260,969**	**(2,154)**	**(54,407)**	**295,774**	**188,379**
Other financial corporations	-	9	-	9	-	(9)	-	-
Non-financial corporations	377	2,409	-	2,409	(14)	(250)	2,508	2,159
Households	117,249	258,551	202,970	258,551	(2,140)	(54,148)	293,266	186,220
Loan commitments given(1)	**11,911**	**21,364**	**10,517**	**21,364**	**(245)**	**(1,010)**	**-**	**-**
Total	**129,537**	**282,333**	**213,487**	**282,333**	**(2,399)**	**(55,417)**	**295,774**	**188,379**

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

31 December 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(1)		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne 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	114,057	238,059	184,547	238,059	(1,609)	(48,081)	281,578	174,681
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	393	2,415	4	2,415	(17)	(252)	2,524	2,161
Households	113,664	235,644	184,543	235,644	(1,592)	(47,829)	279,054	172,520
Loan commitments given(1)	10,337	19,189	9,358	19,189	(249)	(1,133)	-	-
Total	124,394	257,248	193,905	257,248	(1,858)	(49,214)	281,578	174,681

(1) Accumulated impairment on Loan commitments reported as negative consitent 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 2023, past due exposures in respect of loans and advances to customers, regardless of impairment status, amounted to £583.0 million, of which £541.6 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 2023 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 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	
	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
£000s	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	**5,475,822**	**5,475,822**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**36,965,550**	**32,874,138**	**4,013,218**	**511,575**	**-**	**487,331**	**(122,092)**	**(39,064)**	**(82,997)**	**(72,879)**	**-**	**(72,363)**	**34,477,556**	**406,891**
Central banks	144,748	144,748	-	-	-	-	-	-	-	-	-	-	-	-
General governments	10,384	10,384	-	-	-	-	-	-	-	-	-	-	10,384	-
Credit institutions	265,882	265,882	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	122,234	121,921	312	168	-	168	(7)	(6)	(1)	(16)	-	(16)	1,678	148
Non-financial corporations	313,280	249,849	63,431	15,243	-	15,243	(4,023)	(2,600)	(1,423)	(772)	-	(772)	279,247	14,366
Of which SMEs	313,280	249,849	63,431	15,243	-	15,243	(4,023)	(2,600)	(1,423)	(772)	-	(772)	279,247	14,366
Households	36,109,022	32,081,354	3,949,475	496,164	-	471,920	(118,062)	(36,458)	(81,573)	(72,091)	-	(71,575)	34,186,247	392,377
Debt securities	**2,313,975**	**2,313,975**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	1,617,116	1,617,116	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	647,613	647,613	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	49,246	49,246	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**5,604,956**	**5,081,415**	**502,264**	**30,034**	**-**	**29,993**	**(9,598)**	**(3,512)**	**(6,086)**	**(1,917)**	**-**	**(1,903)**	**-**	**-**
Credit institutions	857	857	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	65	55	10	7	-	7	-	-	-	-	-	-	-	-
Non-financial corporations	10,725	9,975	750	14	-	14	-	-	-	-	-	-	-	-
Households	5,593,309	5,070,528	501,504	30,013	-	29,972	(9,598)	(3,512)	(6,086)	(1,917)	-	(1,903)	-	-
Total	**50,360,303**	**45,745,350**	**4,515,482**	**541,609**	**-**	**517,324**	**(131,690)**	**(42,576)**	**(89,083)**	**(74,796)**	**-**	**(74,266)**	**34,477,556**	**406,891**

(1) Table reported in accordance with FINREP definitions.

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

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

31 December 2022	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
£000s	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	5,150,913	5,150,913	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	38,753,978	34,801,636	3,870,620	500,727	-	473,102	(134,200)	(38,178)	(95,997)	(63,816)	-	(63,256)	35,708,110	410,208
Central banks	144,271	144,271	-	-	-	-	-	-	-	-	-	-	-	-
General governments	21,354	21,354	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	311,481	311,481	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	531,468	531,152	316	178	-	178	(9)	(7)	(1)	(16)	-	(16)	1,837	154
Non-financial corporations	341,173	240,548	100,624	20,868	-	20,868	(4,885)	(3,672)	(1,212)	(551)	-	(551)	309,114	20,247
Of which SMEs	341,173	240,548	100,624	20,868	-	20,868	(4,885)	(3,672)	(1,212)	(551)	-	(551)	309,114	20,247
Households	37,404,231	33,552,830	3,769,680	479,681	-	452,056	(129,306)	(34,499)	(94,784)	(63,249)	-	(62,689)	35,397,159	389,807
Debt securities	2,461,163	2,461,163	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,861,748	1,861,748	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	548,873	548,873	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	50,542	50,542	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	5,589,976	5,064,709	504,096	27,675	-	27,619	(11,541)	(4,356)	(7,185)	(2,268)	-	(2,212)	-	-
Credit institutions	202	202	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	73	73	-	2	-	2	-	-	-	-	-	-	-	-
Non-financial corporations	11,108	10,251	857	22	-	22	-	-	-	-	-	-	-	-
Households	5,578,593	5,054,183	503,239	27,651	-	27,595	(11,541)	(4,356)	(7,185)	(2,268)	-	(2,212)	-	-
Total	51,956,030	47,478,421	4,374,716	528,402	-	500,721	(145,741)	(42,534)	(103,182)	(66,084)	-	(65,468)	35,708,110	410,208

(1) Table reported in accordance with FINREP definitions.

(2) Accumulated impairment on Loan commitments reported as negative consitent 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 2023 **£000s**	**Total exposures**	**Credit Risk Mitigation Techniques**			**Credit Risk Mitigation Methods in the calculation of RWEAs**	
		Funded Credit Protection (FCP)				
		Financial Collaterals	**Other eligible collaterals**	**Immovable property collaterals[1]**	**RWEA without substitution effects**	**RWEA substitution effects**
Retail	40,311,507	-	196.1%	196.1%	7,789,506	7,789,506
Of which Retail – Immovable property Non-SMEs	36,132,166	-	218.8%	218.8%	5,274,916	5,274,916
Of which Retail – Qualifying revolving	2,923,399	-	0.0%	0.0%	1,145,373	1,145,373
Of which Retail – Other non-SMEs	1,255,942	-	0.0%	0.0%	1,369,217	1,369,217
Total	**40,311,507**	**-**	**196.1%**	**196.1%**	**7,789,506**	**7,789,506**

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

31 December 2022 £000s	Total exposures	Credit Risk Mitigation Techniques			Credit Risk Mitigation Methods in the calculation of RWEAs	
		Funded Credit Protection (FCP)				
		Financial Collaterals	Other eligible collaterals	Immovable property collaterals[1]	RWEA without substitution effects	RWEA substitution effects
Retail	41,831,248	-	201.8%	201.8%	7,752,610	7,752,610
Of which Retail – Immovable property Non-SMEs	37,301,537	-	226.3%	226.3%	5,075,383	5,075,383
Of which Retail – Qualifying revolving	3,217,966	-	0.0%	0.0%	1,244,017	1,244,017
Of which Retail – Other non-SMEs	1,311,745	-	0.0%	0.0%	1,433,210	1,433,210
Total	41,831,248	-	201.8%	201.8%	7,752,610	7,752,610

(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 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]	7,873,530	34,884,447	34,531,940	352,507	-
Debt securities	2,313,974	-	-	-	
Total	10,187,504	34,884,447	34,531,940	352,507	-
Of which non-performing exposures	31,805	406,891	386,685	20,206	-
Of which defaulted[2]	3,555	343,666			

(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 2022	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]	8,089,284	36,118,318	35,725,570	392,748	-
Debt securities	2,461,163	-	-	-	
Total	10,550,447	36,118,318	35,725,570	392,748	-
Of which non-performing exposures	26,703	410,208	381,777	28,431	-
Of which defaulted[2]	10,327	325,620			

(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 loans and advances reflecting lower customer demand, alongside management action to manage volumes in a volatile and competative mortgage market. 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 2023 £000s	31 December 2022 £000s
Total assets as per published financial statements	48,125,001	49,449,717
(Adjustment for exemption of exposures to central banks)	(5,539,228)	(5,229,036)
Adjustments for derivative financial instruments	(2,923,544)	(2,464,681)
Adjustment for securities financing transactions (SFTs)	33,810	114,555
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	838,415	832,469
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(5,423)	(4,412)
Other adjustments	31,357	(154,161)
Leverage ratio total exposure measure	**40,560,388**	42,544,451

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

CRR leverage ratio exposure	30 June 2023 £000s	31 December 2022 £000s
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	45,337,867	46,903,422
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(242,628)	(197,719)
(Asset amounts deducted in determining Tier 1 capital)	(134,840)	(140,454)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**44,960,399**	46,565,249
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	191,416	174,981
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	75,576	86,233
Total derivatives exposures	**266,992**	261,214
Securities financing transaction (SFT) exposures		
Counterparty credit risk exposure for SFT assets	33,810	114,555
Total securities financing transaction exposures	**33,810**	114,555
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	5,640,912	5,622,343
(Adjustments for conversion to credit equivalent amounts)	(4,802,497)	(4,789,874)
Off-balance sheet exposures	**838,415**	832,469
Capital and total exposures measure		
Tier 1 capital (leverage)	1,859,042	1,791,545
Total exposure measure including claims on central banks	46,099,616	47,773,487
(-) Claims on central banks excluded	(5,539,228)	(5,229,036)
Total exposure measure excluding claims on central banks	**40,560,388**	42,544,451
Leverage ratio		
Leverage ratio excluding claims on central banks	4.6%	4.2%
Fully loaded ECL accounting model Leverage ratio including claims on central banks	4.6%	4.2%
Leverage ratio including claims on central banks	4.0%	3.8%

The increase in the leverage ratio has been driven by an increase in capital and a reduction in the exposure measure. Capital has increased due to the inclusion of interim profits and a reduction in deferred asset deductions, and the exposure measure has decreased reflecting a reduction in lending from lower customer demand and management action to manage volumes.

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

Leverage ratio exposures	30 June 2023 £000s	31 December 2022 £000s
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**45,095,238**	46,705,703
Banking book exposures, of which:	45,095,238	46,705,703
Covered bonds	223,828	254,271
Exposures treated as sovereigns	7,269,515	7,166,325
Institutions	306,938	235,026
Secured by mortgages of immovable properties	34,107,346	35,325,984
Retail exposures	2,168,883	2,278,679
Corporate	31,514	34,259
Exposures in default	405,544	384,869
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	581,670	1,026,290

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)			
£000s	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22
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)					**7,159,476**	**6,901,297**	**6,788,964**	**6,896,348**
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	**35,488,060**	**35,454,669**	**35,440,272**	**35,439,394**	**2,359,517**	**2,377,924**	**2,390,620**	**2,393,827**
Stable deposits	27,112,401	27,542,119	27,953,717	28,240,683	1,355,620	1,377,106	1,397,686	1,412,034
Less stable deposits	6,891,924	6,881,204	6,847,913	6,793,444	1,003,897	1,000,818	992,934	981,793
Unsecured wholesale funding	**304,453**	**342,410**	**340,291**	**297,303**	**165,675**	**202,799**	**201,671**	**158,914**
Non-operational deposits (all Counterparties)	255,734	258,340	257,486	257,058	116,957	118,729	118,866	118,669
Unsecured debt	48,719	84,070	82,805	40,245	48,718	84,070	82,805	40,245
Secured wholesale funding					**31,250**	**-**	**-**	**-**
Additional requirements	**4,528,608**	**4,409,488**	**4,270,502**	**4,125,429**	**853,393**	**740,112**	**608,365**	**474,932**
Outflows related to derivative exposures and other collateral requirements	659,961	546,987	415,621	282,800	659,961	546,987	415,621	282,801
Credit and liquidity facilities	3,868,647	3,862,501	3,854,881	3,842,629	193,432	193,125	192,744	192,131
Other contractual funding obligations	**108,751**	**90,056**	**79,806**	**79,385**	**43,443**	**25,037**	**14,705**	**13,822**
Other contingent funding obligations	**2,040,621**	**2,235,268**	**2,468,321**	**2,606,439**	**907,712**	**1,006,678**	**1,111,599**	**1,173,727**
TOTAL CASH OUTFLOWS					**4,360,990**	**4,352,550**	**4,326,960**	**4,215,222**
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	31,250	-	-	-	-	-	-	-
Inflows from fully performing exposures	344,774	350,190	347,164	336,969	224,341	226,958	222,350	210,083
Other cash inflows	37,524	45,832	51,366	35,588	26,024	32,726	38,163	22,315
TOTAL CASH INFLOWS	**413,548**	**396,022**	**398,530**	**372,557**	**250,365**	**259,684**	**260,513**	**232,398**
Inflows subject to 75% cap	413,548	396,022	398,530	372,557	250,365	259,684	260,513	232,398
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**7,159,476**	**6,901,297**	**6,788,964**	**6,896,348**
TOTAL NET CASH OUTFLOWS					**4,110,625**	**4,092,866**	**4,066,447**	**3,982,824**
LIQUIDITY COVERAGE RATIO[1]					**175%**	**170%**	**168%**	**174%**

(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 2023 increased to 175% (December 2022: 168%). This increase is primarily driven by an increase in average wholesale funding and a decrease in lending, offset by a decrease in average central bank funding (TFSME).
(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 2023, 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 2023 was 152% (31 December 2022: 148%), shown in the LIQ2 disclosure table below. The average calculation methodology for LIQ2 was introduced by the PRA at 1 January 2022.

Table 20: Net Stable Funding Ratio (UK LIQ2)

31 June 2023	Unweighted value by residual maturity				
Available stable funding (ASF) Items £000s	**No maturity[1]**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
Capital items and instruments	1,903,471	-	-	300,000	2,203,471
Own funds	1,903,471	-	-	300,000	2,203,471
Retail deposits		34,346,195	707,738	561,653	33,517,460
Stable deposits		27,437,608	707,738	561,653	27,299,733
Less stable deposits		6,908,586	-	-	6,217,728
Wholesale funding:		1,158,084	375,000	6,637,500	6,939,559
Other wholesale funding		1,158,084	375,000	6,637,500	6,939,559
Other liabilities:	770	255,340	-	-	-
NSFR derivative liabilities	770				
All other liabilities and capital instruments not included in the above categories		255,340	-	-	-
Total available stable funding (ASF)					**42,660,491**

	Unweighted value by residual maturity				
Required stable funding (RSF) Items	**No maturity[1]**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
Total high-quality liquid assets (HQLA)					29,733
Assets encumbered for a residual maturity of of one year or more in a cover pool		-	-	2,086,628	1,773,634
Performing loans and securities:		2,090,735	903,072	32,335,046	24,805,249
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		375,000	-	-	-
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		95,029	-	30,756	40,259
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		841,340	225,292	1,226,838	1,576,128
Performing residential mortgages, of which:		779,366	677,781	31,077,451	23,188,861
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		779,366	677,781	30,272,405	22,504,572
Other assets:	-	790,584	14,627	918,184	1,321,647
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		105,345	-	328,768	368,997
NSFR derivative assets		113,021			113,021
NSFR derivative liabilities before deduction of variation margin posted		24,217			1,211
All other assets not included in the above categories		548,001	14,627	589,416	838,419
Off-balance sheet items		3,901,926	-	-	222,269
Total RSF					**28,152,531**
Net stable funding ratio (%)[2]					**152%**

(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 decreased due to a reduction in wholesale funding (term funding scheme repayments and the maturity profile of covered bond issuances), partially offset by an increase in deposits (principally term deposits) and Capital.

Required stable funding (RSF) has decreased throughout 2023 principally due to a reduction in mortgage lending.

The impact of the ASF and RSF decreases has resulted in an overall increase 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 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%.

9. Contacts

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