TESCO PERSONAL FINANCE GROUP PLC

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDED 28 FEBRUARY 2022

Contents

Tables

Tables

Notes:

Row numbers in the above tables relate to the Prudential Regulation Authority (PRA) prescribed references within the standardised templates; where rows contain a nil value, these have been excluded for the purposes of these disclosures.

Please note prior year comparatives were completed under regulations in place as at 28 February 2021, while presentation of prior year balances have been updated to reflect new table requirements, balances have not been recalculated. New reporting requirements without a corresponding prior year comparative will be greyed out in the prior year.

Introduction and Basel Framework

This document presents the Pillar 3 disclosures on capital and risk management of the regulated group (the Group) for the year ended 28 February 2022. The Group comprises Tesco Personal Finance Group plc and Tesco Personal Finance plc, but excludes the insurance underwriting subsidiary, Tesco Underwriting Ltd (TU), and the Special Purpose Entities (SPEs) supporting the Group's securitisation transactions. The Group and its scope of consolidation are illustrated on Page 7 to Page 11.

Regulatory Framework for Disclosures

The Basel framework is structured around three pillars which govern minimum capital requirements, outline the supervisory review framework and promote market discipline through disclosure requirements.

- Pillar 1 sets out the minimum capital requirement that firms are required to meet for Credit, Market and Operational Risk.
- The Pillar 2 supervisory review process requires firms and supervisors to form a view on whether a firm should hold additional capital against risks not taken into account or not fully covered in Pillar 1 (e.g. interest rate risk in the banking book and pension obligation risk) and factors external to the firm (e.g. economic cycle effects). To comply, institutions are required to develop adequate arrangements, strategies, processes and mechanisms to maintain sound management and coverage of their risks, including maintenance of the prescribed capital.
- Pillar 3 aims to complement the capital requirement and supervisory review process by encouraging market discipline through developing a set of disclosure requirements that allow market participants to assess the scope of application, risk exposures, risk assessment process and capital adequacy of firms. The Pillar 3 disclosures contained within this document have two principal purposes:

  a. to meet the regulatory disclosure requirements under the Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021, supplemented by any specific additional requirements of the Prudential Regulatory Authority (PRA); and

  b. to provide transparency and further useful information on the capital and risk profile of the Group.

Introduction and Basel Framework (continued)

Business Developments

Economic environment

The Group returned to profitability during the year ended 28 February 2022 but continued to be impacted by ongoing economic uncertainty. Customer and colleague practices developed through the Covid-19 pandemic have transitioned to a business-as-usual environment, enabling the Group to focus on supporting its customers through continued uncertainty.

The Covid-19 pandemic created significant economic and social disruption, and the Group's macro-economic forecasts had projected a large drop in gross domestic product (GDP) and a corresponding sharp rise in unemployment. This led to an increase in expected credit losses (ECLs) in the prior year. However, due to the extension of unprecedented government support measures such as furlough, coupled with the granting of payment holidays and other customer support measures by the industry and the Group, the impact on unemployment was not as severe as had been anticipated.

As a result there has been a significant reduction in ECLs for potential defaults in the year, with the Group recognising a credit for the year of £29.9m (2021: charge of £359.5m). The credit for the current year reflects the impact on the Group's ECL provision of the improving economic outlook, offset by increased post-model adjustments (PMAs) and increased ECLs in respect of new business written.

Despite a general improvement in the wider macro-economic environment, there still remains ongoing economic uncertainty, and, as such, Management has applied a number of PMAs to the Group's modelled ECL provision. In particular, the Group is monitoring the impact on its customers of the rising cost of living, with inflation expected to continue to rise and increases in National Insurance expected to put significant strain on households over the next financial year, a situation exacerbated by the ongoing conflict in Ukraine. The Group continues to prioritise helping customers and colleagues through the many challenges created by the prevailing economic environment.

The Group has reviewed its stress testing scenarios to ensure it has sufficient capital and liquidity to trade through a plausible range of economic outcomes. In addition, the Board has received frequent operational, financial and colleague updates from the Executive team throughout the year and provided challenge and support. There has also been a focus on both conduct and prudential impacts and close tracking of all government and regulator correspondence to gauge the potential impact on the Group of the economic environment, now and in the future.

Notwithstanding the impact of the economic environment on the Group, its capital and liquidity ratios remain above regulatory requirements over the periods used by Management to monitor these ratios.

Acquisition of Tesco Underwriting Limited

On 4 May 2021 the Group acquired the remaining 50.1% ordinary share capital of its joint venture entity, TU, from its joint venture partner, Ageas, following regulatory approval received in March 2021. TU is an authorised insurance company which provides the insurance underwriting service for a number of the Group's general insurance products.

The acquisition is in line with the Group's strategy of focusing on propositions which better meet the needs of Tesco customers. The investment significantly enhances the Group's insurance capability and enables the Group to create an insurance business that is uniquely positioned to help Tesco shoppers manage their money a little better every day.

As a result of the acquisition of Ageas' 50.1% share in TU and in accordance with Capital Requirements Regulation, the Group has made the required deductions from Tier 1 capital and risk weighted the remaining value of the investment at 250%.

In addition to the purchase of the ordinary share capital of TU, the Company also acquired the holding of £21.2m in TU subordinated debt from Ageas on the same date. The subordinated debt is deducted from Tier 2 capital in accordance with the Capital Requirements Regulation.

Introduction and Basel Framework (continued)

Closure of Personal Current Accounts

The Group closed its Personal Current Account (PCA) product to its existing customers with effect from 30 November 2021, enabling it to focus on new propositions that are specifically designed to meet the everyday needs of Tesco customers. The Group wrote to customers explaining their options and provided support to customers using their PCA as their primary current account during the process of switching or closing their accounts, paying particular attention to supporting vulnerable customers and those in need of financial assistance. For customers who had been using their PCA as a savings product, the Group provided information on its tailored savings products for customers to consider as an alternative to their PCA.

PCA balances are included in the prior year comparatives.

Outsourcing of Collections and Recoveries Capability

During the year, the Group announced its decision to outsource its collections and recoveries capability to a third-party provider which specialises in providing support for customers in financial difficulty. This change enables the Group to deliver the necessary support and flexibility which its customers will need in the future through a modernised service offering, underpinned by new technologies.

The Group consulted with colleagues in its Financial Assist team who were transferred to the third-party provider as a result of outsourcing these activities and supported them throughout the transition process. The transfer of the Group's Financial Assist team to the third-party provider was completed in November 2021.

Launch of Clubcard Pay+

During the year the Group launched Tesco Clubcard Pay+, a new payment and money management offering designed to help Tesco customers pay, save and collect Clubcard points. The product allows customers to add their shopping money to their Clubcard Pay+ account using the Group's secure mobile banking app and to see all of their grocery spending in one place. When customers spend using their Clubcard Pay+ debit card, the amount may be rounded up to the nearest pound and the change saved in their Round Up Savings Account.

Regulatory Developments

The Group continues to monitor and prepare for a number of regulatory changes taking effect over the next few years.

Regulation changes

Amendments to the CRR and Capital Requirements Directive (CRD) were published in the Official Journal of the European Union on 7 June 2019, including amendments due in June 2021. However, in a joint statement, published on 16 November 2020, Her Majesty's Treasury, the PRA and the Financial Conduct Authority (FCA) confirmed a date of 1 January 2022 for implementing those Basel III reforms which make up the UK equivalent to the outstanding elements of the EU’s 2nd CRR. The Group of Central Bank Governors and Heads of Supervision (GHOS), announced in March 2020 that the implementation of the Basel 3.1 standards would be delayed by one year to 1 January 2023. Since the year end the PRA have confirmed that the current intention is to consult on a proposal that these changes will become effective on 1 January 2025. Throughout this document, the original and amended regulation (CRR and CRR2) and directive (CRD IV and CRD V) are collectively referred to as CRR and CRD.

Following the UK's withdrawal from the EU and the ending of the transition period, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, as amended by Statutory Instruments, PRA Rulebook (CRR) Instrument 2021 and PRA Rulebook: CRR Leverage Instrument 2021.

Minimum Requirements for Own Funds and Eligible Liabilities (MREL)

On 1 January 2020, the Group became subject to MREL, with an interim requirement of 18% of risk-weighted assets until 31 December 2022. In order to meet this requirement, TPFG undertook an initial £250.0m issuance of MREL-compliant debt in July 2019.

Introduction and Basel Framework (continued)

From 1 January 2022, following a change in the Group's resolution strategy confirmed by the Bank of England in December 2021, the Group no longer has a requirement to issue MREL-compliant debt since the MREL requirement is equal to the total capital requirement (TCR). The MREL-compliant debt issued by the Group in July 2019 remains in issue.

At 28 February 2022 the MREL ratio was 30.9% (2021: 32.1%).

Climate Change

Climate Change continues to be a risk which impacts the Group. Further information as to how the Group is addressing the challenge of Climate Change is contained in the Annual Report and Financial Statements.

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Disclosure Policy

The Group has a formal, Board approved policy which details its approach to complying fully with the Pillar 3 disclosure requirements as laid out in the Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 and any updates as appropriate.

Frequency of Disclosure

In accordance with that policy, the Group has assessed itself against the need to publish Pillar 3 disclosures and determined that full Pillar 3 disclosures should be published on an annual basis and that Key Metrics (UK KM1) are required to be published on a semi-annual basis. The assessment is due to the following reasons:

- The Group does not meet the criteria for being either a 'small and non-complex' institution or a 'large' institution and is therefore assessed as being an 'other institution'; and
- The Group does not meet the definition of being a non-listed institution because securities have been issued to a regulated market.

The frequency of disclosure will be reviewed at least annually against the criteria outlined in CRR and requirements issued by the PRA. A review of disclosure frequency will be triggered should there be a material change in approach used for the calculation of capital, or if there is an increase in business scale or changes to regulatory requirements.

The Group's assessment has concluded that all Pillar 3 disclosure tables are required to be published on an annual basis, with the exception of KM1 as noted above. Due to the Group's business activities and relevant regulatory thresholds, a number of these tables are not applicable. The rationale for non-disclosure of each table is listed in Appendix 3.

Verification and Medium

In line with the revised Pillar 3 disclosure requirements published by the PRA, the Group's Pillar 3 Policy requires that "information required to be disclosed is subject (at a minimum) to the same level of internal review and internal control processes as the other information provided by institutions for their financial reporting".

These Pillar 3 disclosures have been verified and approved through internal governance, including review by the Board Disclosure Committee and approval by the Board. The disclosures are not subject to independent audit except where they are the same as those audited disclosures prepared under accounting requirements and disclosed in the Annual Report and Financial Statements of both Tesco Personal Finance Group plc and Tesco Personal Finance plc (the Company).

Certain disclosure information required can be found in the Annual Report and Financial Statements of both Tesco Personal Finance Group plc and the Company. References to these disclosures are clearly signposted throughout this document and can be found on the Tesco Bank corporate website at:

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Each of the Directors, whose names are listed in Appendix 2, confirms that to the best of their knowledge that the disclosures provided according to Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 have been prepared in accordance with the internal control processes agreed upon at the management body level.

Approved by the Tesco Personal Finance Group plc Board and signed by their order.

Richard Henderson
Chief Financial Officer
11 April 2022

Sir John Kingman
Independent Non-Executive Chair
11 April 2022

Disclosure Policy (continued)

Use of Disclosure Waivers

CRR allows institutions to omit one or more of the required disclosures if information provided by such disclosures is not regarded as material or if it would be regarded as proprietary or confidential (with the exception of disclosures relating to Own Funds, Remuneration and Diversity). The Group has not made use of any waivers, because disclosures are only omitted due to not meeting regulatory thresholds which trigger such disclosures or because the Group does not have applicable exposures.

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures

Scope of Consolidation

The Company, trading as Tesco Bank, provides a range of financial services and products, primarily to personal customers under the Tesco Bank brand, through Tesco stores, telephony and on-line channels.

Products and services currently offered by the Company include unsecured Personal Loans, Savings accounts, Credit Cards, general insurance, Travel Money, international payments, ATMs and Clubcard Pay+ products. The Group closed the PCA product on 30 November 2021.

The table below outlines the differences between the statutory and regulatory scope of consolidation for all relevant entities.

UK LI3: Outline of the differences in the scope of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					
Name of the entity	Method of Accounting Consolidation	Full Consolidation	Proportional Consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of entity
Tesco Personal Finance Group plc	Full Consolidation	X					Holding Company
Tesco Personal Finance plc	Full Consolidation	X					Banking Services
Tesco Underwriting Ltd	Full Consolidation					X	Insurance entity subsidiary
Delamare Funding 1 Limited	Full Consolidation				X		Special Purpose Entity
Delamare Funding 2 Limited	Full Consolidation				X		Special Purpose Entity
Delamare Cards HoldCo Limited	Full Consolidation				X		Special Purpose Entity
Delamare Cards MTN Issuer plc	Full Consolidation				X		Special Purpose Entity
Delamare Cards Receivables Trustee Limited	Full Consolidation				X		Special Purpose Entity

Note: TU is excluded from the regulatory scope of consolidation and is classified as 'deducted': the Group has made the required deductions from Tier 1 and Tier 2 capital and risk weighted the remaining value of the investment at 250%. The Group's SPEs are fully consolidated for accounting purposes. Significant Risk Transfer (SRT) has not been achieved and the Group retains all underlying positions on its balance sheet and risk weights accordingly.

Comparability

The differences outlined above between the statutory and regulatory scope prevent direct comparison between the Annual Report and Financial Statements of Tesco Personal Finance Group plc and the Group's Pillar 3 disclosures in a number of areas.

To aid users, a statutory and regulatory scope balance sheet together with a reconciliation showing all items affecting regulatory own funds is detailed in table UK CC2 (Page 8). Table UK LI1 (Page 9) shows the mapping of the regulatory scope balance sheet across different risk frameworks.

Pillar 3 exposure values are derived from statutory balance sheet values, net of provisions where appropriate, together with undrawn credit facilities which are assigned credit conversion factors based on prescribed regulatory values. The Group applies the credit conversion factors to its credit card exposures at 0%. As at 28 February 2022, the Group has £12.4bn of undrawn credit lines to customers all of which relate to undrawn credit card facilities. However, the Group considers that the likely exposure, which is impacted by factors such as customer behaviour and the regular assessment of the creditworthiness of customers, is significantly less than the total unused commitments.

The Group is required under CRR to make certain adjustments to Own Funds, the most material being in relation to intangible assets, dated Tier 2 capital instruments and the application of transitional arrangements in relation to IFRS 9.

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

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

	UK CC1	February 2022 Accounting balance sheet (per financial statements) £m	February 2022 Regulatory Scope £m	February 2021 Accounting balance sheet (per financial statements) £m	February 2021 Regulatory Scope £m
Assets					
Cash and balances with central banks		780.6	713.2	804.2	748.0
Loans and advances to banks		50.3	–	–	–
Loans and advances to customers		6,490.3	6,474.3	6,402.2	6,374.1
Derivative financial instruments		45.3	45.3	6.1	6.1
Investment securities		1,466.9	901.5	953.5	953.5
of which: loan to Tesco Underwriting Ltd deducted from Tier 2 CRR (2)	*a*	–	*42.2*	–	*21.1*
Reinsurance assets		245.1	–	–	–
Prepayments and accrued interest		43.2	41.9	41.6	41.6
Other assets		219.7	230.5	211.2	267.0
Current income tax asset		2.5	1.9	*36.1*	51.2
Deferred tax asset		64.2	63.6	67.3	68.7
Investment in group undertaking		–	184.1	92.8	67.6
of which: significant investment in TU below threshold (2)	*b*	–	*155.7*	–	*67.6*
Intangible assets		148.6	111.9	130.9	130.9
of which; other intangibles (2)	*c*	–	*111.9*	–	*130.9*
Property, plant and equipment		79.8	78.4	77.5	77.5
Total Assets		9,636.5	8,846.6	8,823.4	8,786.2
Liabilities					
Deposits from banks		1,052.3	1,052.3	600.0	600.0
Deposits from customers		5,325.9	5,325.9	5,738.0	5,738.0
Debt securities in issue		244.0	244.0	251.0	251.0
Derivative financial instruments		27.2	27.2	47.5	47.5
Provisions for liabilities and charges		37.6	21.5	60.1	32.0
Accruals and deferred income		119.6	101.9	86.1	86.1
Current income tax liability		–	–	–	15.1
Other liabilities		164.1	169.0	184.2	184.0
Insurance funds withheld		114.8	–	–	–
Insurance contract provisions		650.0	–	–	–
Deferred income tax liability		–	0.6	–	1.4
Subordinated liabilities and notes		235.6	235.6	235.0	235.0
of which: allowable for Tier 2 (2)	*d*	–	*235.0*	–	*235.0*
Total Liabilities		7,971.1	7,178.0	7,201.9	7,190.1
Equity and reserves attributable to owners of parent					
Share Capital		122.0	122.0	122.0	122.0
of which: amount eligible for CET 1 (2)	*e*	–	*122.0*	–	*122.0*
Share premium		1,098.2	1,098.2	1,098.2	1,098.2
of which: amount eligible for CET 1 (2)	*f*	–	*1,098.2*	–	*1,098.2*
Retained Earnings		431.7	422.1	370.7	351.0
of which: prior year retained profits (2)	*i*	–	*354.6*	–	*469.3*
of which: current year profit less dividend paid (2)	*j*	–	*67.5*	–	*(125.3)*
Other Reserves	*g*	13.5	26.3	30.6	24.9
of which: cash flow hedge reserve (2)	*h*	–	*0.2*	–	*0.6*
Total Equity		1,665.4	1,668.6	1,621.5	1,596.1
Total liabilities and equity		9,636.5	8,846.6	8,823.4	8,786.2

Notes:

(1) Insurance undertakings and SPEs are not consolidated within the Group's Pillar 3 disclosures, therefore adjustments are required to the assets and liabilities balances. Other adjustments are made to the accounting balance sheet to provide transparency of figures used in the regulatory calculation.

(2) Italicised values represent subsets of values directly above them, and also show the splits between Tier 1 and Tier 2 Capital detailed in the CRR Own Funds table (page 22).

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

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

	February 2022						
	Carrying values as reported in published Financial Statements	Carrying values under Scope of Regulatory Consolidation	Carrying value of items subject to Credit Risk Framework	Carrying value of items subject to Counterparty Credit Risk Framework	Carrying value of items subject to Securitisation Framework	Carrying value of items subject to Market Risk Framework	Carrying value of items not subject to own funds requirements or subject to deduction from own funds
	a	b	c	d	e	f	g
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances with central banks	780.6	713.2	713.2	–	–	–	–
Loans and advances to banks	50.3	–	–	–	–	–	–
Loans and advances to customers	6,490.3	6,474.3	6,474.3	–	–	–	–
Derivative financial instruments	45.3	45.3	–	45.3	–	–	–
Investment Securities	1,466.9	901.5	859.3	–	–	–	42.2
Reinsurance assets	245.1	–	–	–	–	–	–
Prepayments and accrued income	43.2	41.9	41.9	–	–	–	–
Other assets	219.7	230.5	230.5	–	–	–	–
Current income tax asset	2.5	1.9	1.9	–	–	–	–
Deferred tax asset	64.2	63.6	63.6	–	–	–	–
Investment in Group undertakings	–	184.1	155.7	–	–	–	28.4
Intangible assets	148.6	111.9	–	–	–	–	111.9
Property, plant and equipment	79.8	78.4	78.4	–	–	–	–
Total assets	**9,636.5**	**8,846.6**	**8,618.8**	**45.3**	**–**	**–**	**182.5**
Liabilities							
Deposits from banks	1,052.3	1,052.3	–	–	–	–	–
Deposits from customers	5,325.9	5,325.9	–	–	–	–	–
Debt securities in issue	244.0	244.0	–	–	–	–	–
Derivative financial instruments	27.2	27.2	–	45.3	–	–	–
Provision for liabilities and charges	37.6	21.5	–	–	–	–	–
Accruals and deferred income	119.6	101.9	–	–	–	–	–
Current income tax liability	–	–	–	–	–	–	–
Other liabilities	164.1	169.0	–	–	–	–	–
Insurance funds withheld	114.8	–	–	–	–	–	–
Insurance contract provisions	650.0	–	–	–	–	–	–
Deferred income tax liability	–	0.6	–	–	–	–	–
Subordinated liabilities and notes	235.6	235.6	–	–	–	–	–
Total Liabilities	**7,971.1**	**7,178.0**	**–**	**45.3**	**–**	**–**	**–**

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

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

	February 2021						
	Carrying values as reported in published Financial Statements	Carrying values under Scope of Regulatory Consolidation	Carrying value of items subject to Credit Risk Framework	Carrying value of items subject to Counterparty Credit Risk Framework	Carrying value of items subject to Securitisation Framework	Carrying value of items subject to Market Risk Framework	Carrying value of items not subject to own funds requirements or subject to deduction from own funds
	a	b	c	d	e	f	g
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances with central banks	804.2	748.0	748.0	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–
Loans and advances to customers	6,402.2	6,374.1	6,374.1	–	–	–	–
Derivative financial instruments	6.1	6.1	–	6.1	–	–	–
Investment Securities	953.5	953.5	932.4	–	–	–	21.1
Prepayments and accrued income	41.6	41.6	41.6	–	–	–	–
Other assets	211.2	267.0	267.0	–	–	–	–
Current income tax assets	36.1	51.2	51.2	–	–	–	–
Deferred tax asset	67.3	68.7	68.7	–	–	–	–
Investment in associate	92.8	67.6	67.6	–	–	–	–
Intangible assets	130.9	130.9	–	–	–	–	130.9
Property, plant and equipment	77.5	77.5	77.5	–	–	–	–
Assets of the disposal group	–	–	–	–	–	–	–
Total assets	**8,823.4**	**8,786.2**	**8,628.1**	**6.1**	**–**	**–**	**152.0**
Liabilities							
Deposits from banks	600.0	600.0	–	–	–	–	–
Deposits from customers	5,738.0	5,738.0	–	–	–	–	–
Debt securities in issue	251.0	251.0	–	–	–	–	–
Derivative financial instruments	47.5	47.5	–	6.1	–	–	–
Provision for liabilities and charges	60.1	32.0	–	–	–	–	–
Accruals and deferred income	86.1	86.1	–	–	–	–	–
Current income tax liability	–	15.1	–	–	–	–	–
Other liabilities	184.2	184.0	41.3	–	–	–	–
Deferred income tax liability	–	1.4	–	–	–	–	–
Subordinated liabilities and notes	235.0	235.0	–	–	–	–	–
Total Liabilities	**7,201.9**	**7,190.1**	**41.3**	**6.1**	**–**	**–**	**–**

Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures (continued)

Restrictions on the Transfer of Own Funds

There are restrictions on the ability of the Company to make distributions of cash or other assets to Tesco Personal Finance Group plc for the following reasons:

- Regulatory capital requirements: As a regulated entity, the Company is subject to requirements to maintain minimum levels of capital, hence restricting the ability to make distributions of cash or other assets to Tesco Personal Finance Group plc; and

- Assets pledged as collateral: These assets are not available for transfer by the Company to Tesco Personal Finance Group plc.

Risk Management

The Group has a formal structure for reporting, monitoring and managing risks. This comprises, at its highest level, the Group's Risk Appetite, approved by the Board, which is supported by the Risk Management Framework. The Risk Management Framework is embedded across the Group, creating an integrated approach to managing risk. The Risk Management Framework brings together Governance, Risk Appetite, the Three Lines of Risk Management model, the Policy Framework and risk management tools to support the business in managing risk as part of day-to-day activity.

The Chief Risk Officer performs a strategic risk management role and is responsible for managing and enhancing the Risk Management Framework. The Chief Risk Officer is independent from any commercial function, reporting directly to the Chief Executive Officer and can only be removed from position with the approval of the Board.

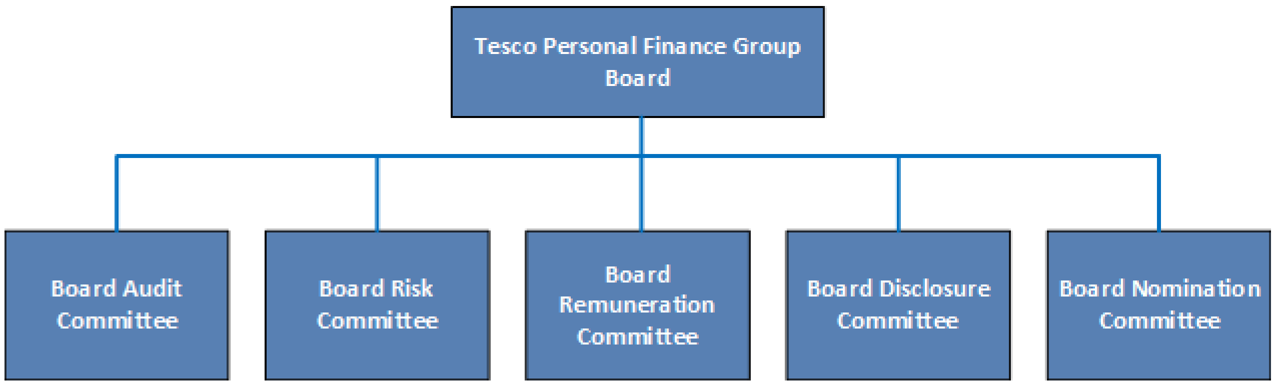
The Group is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and is empowered and qualified to be accountable for them. This approach is strengthened by the Senior Managers and Certification Regime (SMCR), introduced by the FCA in March 2016. The aim of the SMCR is to make relevant individuals accountable for their conduct and competence. The Group embraces a culture where each business area is encouraged to take risk–based decisions, whilst knowing when to escalate or seek advice. The Group also seeks to promote a culture where there is no reluctance to escalate bad news or emerging risks.

Governance Structure

The Group has established a governance structure which is appropriate for the business in terms of its level of complexity and risk profile. This structure is reviewed periodically so that it remains suitable to support the business. The governance structure set out in these disclosures describes the structure that was in place as at 28 February 2022.

The Board

The Board has overall responsibility for the management of the business and acts as the main decision-making forum. It sets the Risk Appetite and strategic aims for the business, in some circumstances subject to shareholder agreement, within a control framework which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are appropriate through the reporting provided to it and provides feedback where necessary to make sure that reporting remains fit for purpose. The Board met 13 times during the year ended 28 February 2022. In order to support effective governance and management of the wide range of responsibilities, the Board has established the following five standing committees:



Risk Management (continued)

Board Audit Committee

The role of the Board Audit Committee is to review the Financial Statements, accounting policies and practices for compliance with relevant standards. The Committee examines the arrangements made by management regarding compliance with regulations and standards and reviews the internal control systems for the appropriateness and effectiveness of systems and controls. The Committee also reviews the internal audit programme, oversees the Internal Audit function and considers both the appointment of the external auditors and their independence. The Committee works closely with the Board Risk Committee (BRC) to avoid as far as possible any overlap or gap in the overall risk and assurance activities of the two committees and carries out such investigations or reviews referred to it by the Board. The Board Audit Committee met 7 times during the year ended 28 February 2022.

Board Risk Committee

The role of the Board Risk Committee (BRC) is to oversee that a culture is appropriately embedded which recognises risk and encourages all colleagues to be alert to the wider impact on the whole organisation of their actions and decisions. The Committee takes a forward-looking view of possible economic trends and risks, informed by analysis of appropriate information, and considers their potential impact on the business. The Committee considers, and recommends to the Board, the Group's Risk Appetite and seeks to ensure that overall business strategy is informed by and remains aligned with it. The Committee reviews and challenges all major risks, controls, actions and events in the business, alerting the Board to any areas of concern. The BRC met 6 times during the year ended 28 February 2022.

Board Remuneration Committee

The role of the Board Remuneration Committee is to monitor compliance with regulatory requirements relating to remuneration, specifically the approval and identification of Material Risk Takers (MRTs) and overseeing the establishment and implementation of a remuneration policy for all colleagues within the Group (including specific arrangements for MRTs). The Committee also provides performance and risk assessment in the determination of pay outcomes including the oversight of pay outcomes for MRT colleagues. The Committee seeks to ensure that the levels and structure of remuneration are designed to attract, retain, and motivate the talent needed to run the business in a way which is consistent with the Risk Appetite and ongoing sustainability of the business and is compliant with all applicable legislation, regulation and guidelines. The Board Remuneration Committee met 7 times during the year ended 28 February 2022.

Board Disclosure Committee

The Board Disclosure Committee reviews, on behalf of the Board, formal company documents which are either destined for publication or which, due to their size or complexity, are better reviewed in detail in a smaller group to ensure the Group's compliance with relevant statutory and regulatory obligations. The Board Disclosure Committee met 5 times during the year ended 28 February 2022.

Board Nomination Committee

The Board Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations with regard to any changes required, including the nomination of candidates to fill Board vacancies as and when they arise. The Committee considers succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Group, and the skills and expertise needed in the future. The Committee keeps under review the leadership needs of the organisation, both executive and non-executive, with a view to safeguarding the continued ability of the organisation to compete effectively in the marketplace. The Committee is kept up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates. The Board Nomination Committee met 8 times during the year ended 28 February 2022.

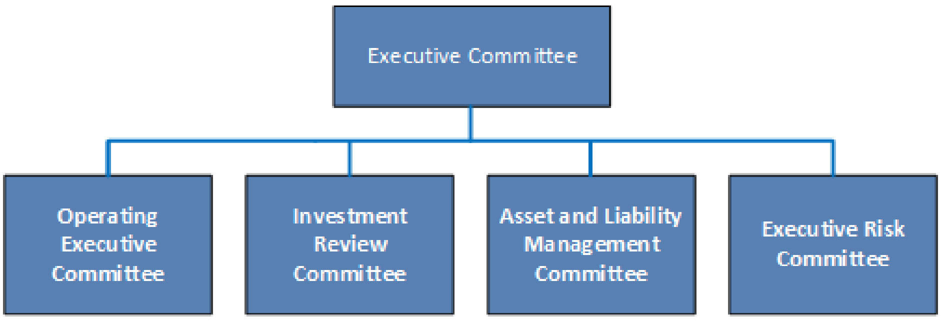
Risk Management (continued)

The Executive Committee (ExCo)

The Group's Board has delegated the day to day running of the business to the Chief Executive Officer. The Chief Executive Officer has established the ExCo to support delivery against the strategy in an effective and controlled way and to set out a framework of reporting to the Board that is sufficient to enable the Board to fulfil its responsibilities. The ExCo supports the Chief Executive Officer, who has the responsibility for the executive management of the business, by reviewing, challenging and overseeing the performance of the business and critical developing matters in the areas of responsibility of each member. Each ExCo member is accountable to the Chief Executive Officer and to the Board for managing performance in line with the Group's Risk Appetite, Long-Term plan, strategy and annual budget.

In order to support their own decision making, the senior Executives have established the following four sub-committees which report to the ExCo to support them in:

- Challenge and oversight of the Risk Management Framework;
- Identification of the key risks facing the Group; and
- Assessing the effectiveness of risk management actions.



Operating Executive Committee

The Operating Executive Committee has been established to support the Chief Customer Officer, Chief Operating Officer, Chief Insurance Officer and Colleague Experience Director, providing oversight and challenge in relation to the effective running of the Banking and Insurance businesses by supporting and enabling an end-to-end operating model across the Group. This includes reviewing customer related activities (including customer outcomes), trade performance (including pricing plans and customer impact of pricing decisions), operational matters, change initiatives, risk management and certain colleague related matters. The minutes are circulated to the ExCo, with any material matters being escalated, as appropriate.

Investment Review Committee

The Investment Review Committee has been established to support the Chief Executive Officer by providing oversight and challenge of the effective delivery of the Group's change portfolio. This includes the planning, objectives and strategy of the change portfolio in relation to customer outcomes, business and financial performance, operational matters, risk management and resourcing. The minutes are circulated to the ExCo, with any material matters being escalated, as appropriate.

Asset and Liability Management Committee

The Asset and Liability Management Committee (ALCo) has been established to support the Chief Financial Officer by providing oversight and challenge in relation to the optimisation of the Group's balance sheet structure, within Board approved Risk Appetite for Liquidity, Capital and Market Risk. This includes:

Risk Management (continued)

- Defining strategic balance sheet structural objectives for liquidity, funding and capital which align with:
  - the Board's stated Risk Appetite;
  - the regulatory obligations of the Group; and
  - the commercial and business objectives set out in the Long-Term Plan as approved by the Board.
- Recommending to the BRC any changes to the amount or composition of the Group's capital base;
- Providing oversight of the continuous compliance with all internal and regulatory limits relating to Liquidity, Capital and Market Risk; and
- Periodic reviews of Treasury policies and key regulatory documents for approval by the Board.

The ALCo minutes are circulated to the ExCo, with any material matters being escalated, as appropriate.

Executive Risk Committee

The Executive Risk Committee (ERC) has been established to support the Chief Risk Officer by providing oversight and challenge in relation to the effective implementation of the Risk Framework across the Group's business. This includes overseeing that the Three Lines of Risk Management model is operating effectively, the appropriateness of, and adherence to, the Risk Appetite, providing oversight of material risks facing the Group and assessing whether appropriate arrangements are in place to manage and mitigate those risks effectively. In addition, the Committee supports the monitoring of the status of regulatory compliance, considers the impact of regulatory initiatives and upstream regulatory risk on the current and future state of compliance whilst also providing oversight and challenge on Conduct risks and Customer Outcomes. The Committee reviews key policies and provides agreement for onward submission to the Board for final approval. The minutes are circulated to the ExCo, with any material matters being escalated, as appropriate. The Committee met 12 times during the year ended 28 February 2022.

Risk Appetite

The Group has a defined Risk Appetite which states the type and amount of risk that the Group is prepared to accept to achieve its strategic objectives and forms a key link between the day to day risk management of the business, its objectives, Long-Term plan, capital plan and stress testing. The Risk Appetite consists of the following broad elements:

- Risk Appetite Statements; and
- Risk Appetite Measures

The Risk Appetite is formally reviewed by the Board on at least an annual basis. Tesco PLC also reviews and approves certain aspects of the Financial Risk Appetite. The Board approves the Group's business plans, budget and any material new product lines in line with the approved Risk Appetite and monitors the Group's risk profile and capital adequacy position. (Appendix 6).

Three Lines of Risk Management

The Three Lines of Risk Management model is a widely recognised, best practice approach to ensuring that the risks within a financial institution are appropriately managed and are subject to effective oversight and challenge. Clearly defined roles and responsibilities help to drive effective risk management:

First Line of Risk Management

Senior management within each business area is responsible for managing the risks that arise from the activities in which the business area is engaged in accordance with the Group's Risk Management Framework and policies. The role of the First Line of Risk Management is to:

- Adhere to the Group's Risk Management Framework, policies, standards and processes;
- Identify, assess, own, manage and monitor risks that arise from the activities in which the respective business

Risk Management (continued)

area is engaged;

- Identify, design, implement, own, check and operate management controls;
- Identify, manage and monitor risk events, including the delivery of remedial actions and performance of root cause analysis;
- Translate Risk Appetite into clear, precise articulation of acceptable risks and operate within Risk Appetite and any related limits which the Second Line of Risk Management establish;
- Provide input to reporting on the risk environment in line with risk reporting standards established by the Second Line of Risk Management;
- Perform risk aggregation, analysis and reporting within their business line;
- Maintain appropriate awareness of external and future risk to support effective risk management; and
- Ensure compliance with all relevant regulations and codes.

Second Line of Risk Management

The Risk Management function operates under the leadership of the Chief Risk Officer. Risk teams reporting to the Chief Risk Officer are the Second Line of Risk Management and are resourced by people with expertise in each of the principal risks faced by the Group. This enables appropriate analysis, challenge, understanding, oversight and assurance of each of the principal risks. The role of the Second Line of Risk Management is to:

- Own, develop, communicate, implement and provide advice on the Group's Risk Management Framework and policies;
- Provide SME expertise in the management of specific types of risk and regulation, including supporting in the identification and management of risk events and associated remediation activity;
- Provide risk-based oversight of the First Line of Risk Management's implementation of, and adherence to the Risk Management Framework and policies;
- Provide risk-based oversight of First Line Risk Management and control, including challenging the completeness of risk identification and assessment. Oversight can take a variety of forms, including active involvement in committees and meetings, analysis of MI and data, and providing an independent perspective on topics of significant interest;
- Own and propose the Risk Appetite to the Board and oversee its implementation in the First Line of Risk Management;
- Design and deliver standards for consistent risk reporting, risk governance and escalation;
- Perform Group-wide risk aggregation and analysis;
- Provide proactive insight and direction on industry, governing body and regulatory developments that will help improve the management of risk in the Group; and
- Deliver and co-ordinate specific regulatory returns.

Third Line of Risk Management

This comprises the Internal Audit function, which is responsible for providing independent assurance to the Board and senior management on the adequacy of the design and operational effectiveness of internal control systems and measures across the business. The Internal Audit function has an independent reporting line to the Chair of the Board

Risk Management (continued)

Audit Committee and is resourced by individuals with relevant experience and professional qualifications. In addition, Internal Audit resources are supplemented across a range of audits by external support to provide additional subject matter experts when required.

The primary role of Internal Audit is to provide independent assurance on the effectiveness of governance, risk management and control across the First and Second Lines of Risk Management.

Independent assessment is provided through the execution of an agreed plan of audits and through attendance at relevant governance committees and through stakeholder management meetings.

Policy Frameworks and supporting risk management tools

The scope of the Risk Management Framework extends to all principal risks faced by the Group and is underpinned by governance, controls, processes, systems and policies within the First Line business areas and those of the Second Line Risk Management function. The key components used to manage, control and monitor those principal risks effectively are outlined in this document within the relevant risk sections.

i) Policies

The Group has a policy framework in place which requires Level 1 policies to be approved by the Board and Level 2 policies by the relevant Senior Management Function owner. Each policy is owned by a specific individual who is responsible for:

- Developing and maintaining the policy, including gaining approval for the policy at the requisite level;
- Communicating the policy, ensuring it is embedded so that those affected by it have sufficient training/information/understanding to comply;
- Undertaking suitable oversight to monitor compliance across the business; and
- Reviewing non-compliance/policy waiver requests and agreeing suitable actions.

Each policy must be reviewed on at least a biennial basis, or earlier if there is a trigger for policy review such as a regulatory change, to ensure its continued effectiveness and applicability in line with changing risks. The Risk Management function provides tracking and oversight of the Policy Framework and is responsible for providing reports to the Board on its effectiveness.

ii) Risk Identification & Assessment

Risk and Control Self-Assessment is the process used to identify, assess, manage, monitor and report risks and controls across the Group.

The process sets out principles which should be consistently applied in the identification of risk. New and emerging risks and the recommended responses to them are reported by business units and the Risk Management function to relevant governance bodies.

The risk assessment process is the means by which the Group understands and estimates the effect of risk on the business, processes, systems and controls that mitigate those risks to an acceptable level. These assessments are reported to the Board on a regular basis.

The Group monitors and tracks current exposures against limits defined in the agreed Risk Appetite and by the regulators. Exceptions are reported on a monthly basis to the ALCo, ERC, and to each meeting of the BRC. Adherence to these limits is independently monitored, measured and reported using a suite of key indicators. Key discussion points from subordinate risk committees and management fora are reported to senior management and committees as appropriate.

Risk Management (continued)

iii) Event Management

An Event is an occurrence caused by an internal or external failure which could impact the Group's finances, customers, compliance with regulations, brand and reputation, or resilience of operations. The Event management process provides the tools and techniques to identify, assess and manage events through to closure.

iv) Stress Testing

Stress testing is the process by which the Group's business plans are subjected to severe but plausible scenarios to assess the potential impact on the business, including projected capital and liquidity positions. The scenarios adopted are subject to a rigorous selection process and analysis which includes hypothetical operational failures, macroeconomic stress events and customer behaviour impacts. The results from the scenario analysis and stress testing, along with proposed actions, are reported to ALCo, ERC, BRC and the Board. These are captured in both the internal liquidity adequacy assessment process and the internal capital adequacy assessment process.

v) Integrated Risk Processes

The Group's integrated risk processes includes the linking of Risk Appetite to business plans and associated capital and liquidity requirements.

The Group is required to submit internal capital adequacy assessment process reports which set out future business plans, the impact on capital availability, capital requirements and the risks to capital adequacy under stress scenarios, to the PRA.

The Group also maintains a Recovery Plan that provides a series of recovery options which could be deployed in a severe stress event impacting capital or liquidity positions. The Recovery Plan is reviewed and approved by the Board on at least an annual basis.

Capital

Capital Management

The Board has ultimate responsibility for capital management and capital allocation. Day to day responsibility for capital planning and other aspects of capital management is delegated to the Treasury Director. Stress testing and preparation of the internal capital adequacy assessment process is the responsibility of the Chief Risk Officer, supported by the Risk Management function.

The Group's capital was calculated for prudential regulatory reporting purposes for the year ended 28 February 2022 using the Basel III framework of the Basel Committee on Banking Supervision (BCBS)), as implemented by CRR and CRD and by the PRA Rulebook for the UK banking industry.

IFRS 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018 and is reflected in the Group disclosures. The Group has elected to use the transitional arrangements available under Article 473a of CRR. These arrangements allow the IFRS 9 impact on capital to be phased in over a period of 5 years. On 27 June 2020, due to the Covid-19 pandemic, CRR was further amended to accelerate specific measures and implement a new IFRS 9 transitional relief calculation which applies additional relief to increases in ECL provisions arising as a result of the Covid-19 pandemic. As a result, the IFRS 9 transitional arrangements have been extended by two years and a new modified calculation has been introduced. As such, the values reported throughout this document are on a transitional basis with the fully loaded impact being shown in table IFRS 9-FL at Appendix 4.

The Group undertakes annual internal capital adequacy assessment, capital planning and long-term planning processes, which are approved by the Board. The Group's capital plan and management actions seek to ensure that there is an adequate capital base to support the business and its strategic objectives. Regulatory capital headroom, capital adequacy and performance against capital plan are monitored closely with monthly reporting provided to the Board and the ALCo.

The internal capital adequacy assessment process considers all of the known risks faced by the Group, the probability of these risks occurring and how these are mitigated to derive the amount of Pillar 2 capital that is deemed appropriate to hold to absorb losses in a normal environment and in a stress scenario.

The PRA in its capacity as supervisor of the UK banking industry sets targets for, and monitors, the capital adequacy of the Group. Capital adequacy returns are submitted on a quarterly basis to the regulator. During the year to 28 February 2022, the Group and Company complied with all capital requirements.

Total Capital Requirement (TCR)

The regulatory minimum amount of total capital, under Pillar 1 of the regulatory framework, is determined as 8.0% of aggregate risk-weighted assets and the Pillar 1 capital requirements referenced in this document are calculated using this regulatory minimum amount.

At least 4.5% of risk-weighted assets are required to be covered by Common Equity Tier 1 (CET1) capital and at least 6% of risk-weighted assets are required to be covered by Tier 1 capital. These minimum Pillar 1 requirements are supplemented by additional minimum requirements under Pillar 2A of the regulatory framework. The aggregate of Pillar 1 and 2A requirements is referred to as the Group's Total Capital Requirement (TCR). The TCR for the Group as at 28 February 2022 is 11.59% of risk-weighted assets plus £52m as a static add-on for pension obligation risk. The PRA requires firms to meet Pillar 2A with at least 56.25% CET1 capital, no more than 43.75% Additional Tier 1 (AT1) capital and no more than 25% Tier 2 capital. The Group has no AT1 capital resources so it must meet the full Tier 1 capital requirement with CET1.

Capital (continued)

The Group has adopted the Standardised Approach for calculating Pillar 1 minimum capital requirements for Credit Risk, Market Risk and Operational Risk as detailed below. This approach uses standard industry-wide risk weightings, prescribed by the regulator, based on a detailed classification of asset types. It allows banks to use external credit ratings to inform the risk weightings for rated counterparties. Other counterparties are grouped into categories with set risk weightings applied to each.

Capital requirement for Credit Risk (Page 34): Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Group will incur losses due to any other counterparty failing to meet their financial obligations. Principal sources of exposures for the Group include loans and advances to individuals, debt securities and undrawn commitments.

Capital requirement for Counterparty Credit Risk (CCR) (Page 52): CCR is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for derivative financial instruments, securities financing transactions and long-dated settlement transactions.

During the year the Group changed CCR methodology adopted from Mark-to-Market method to Original Exposure Method (OEM) in line with the updated regulatory requirements of CRR2. The change in methodology adopted has not resulted in any material difference to exposure values. The OEM is used to measure the exposure value calculated as replacement cost plus an add-on for potential future exposure (PFE), prior to being risk weighted under the Standardised Approach, which takes account of the external credit rating of the counterparty and residual maturity of the exposure.

The CCR framework also includes a Credit Valuation Adjustment (CVA) for the fair value of CCR for derivative transactions. It represents the capital charge for potential losses due to the credit quality deterioration of a counterparty that does not necessarily end with a default. The Group calculates CCR for CVA on derivative transactions, with the exception of those that are centrally cleared with a qualifying central counterparty, using the Standardised Approach.

Capital requirement for Equity (Page 51): all equity exposures are calculated under the Standardised Approach.

Capital requirement for Securitisation and Covered Bond Exposures (Page 54): A separate framework exists for the calculation of risk weighted assets relating to securitisation exposures. The Group has entered into securitisation transactions in which it assigns credit card receivables to a Special Purpose Entity (Delamare Cards Receivables Trustee Ltd). The securitisation transactions executed do not meet the criteria for Significant Risk Transfer, and accordingly the assets securitised are shown as assets of the Group as part of retail credit risk exposures and risk weighted accordingly.

Capital requirement for Operational Risk (Page 63): Operational Risk is the risk of a potential error, loss, harm or failure caused by ineffective or inadequately defined processes, systems failures, improper conduct, human error or from external events. The Group calculates Pillar 1 operational risk capital using the Standardised Approach. The standardised calculation is derived from a percentage of income, averaged over the last three years.

Capital requirement for Market Risk (Page 59): Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank’s earnings or economic value. The Group has a small amount of foreign exchange risk which is de minimis under Article 351 of the CRR.

Pillar 2 - other principal risks

Pillar 2 covers other principal risks and any associated capital requirements. The other principal risks include: Regulatory risk, the impact of the economic environment changes and investment risk relating to pension obligations. These risks are discussed from Page 66 onwards.

Capital (continued)

Own Funds

The following tables present the Group's Own Funds as at 28 February 2022.

Own Funds for the Company, being the main subsidiary, is disclosed in Appendix 5, as required by the CRR.

The following table presents the Group's key metrics at a consolidated level with further detail provided for Capital in UK CC1 template on Page 22 and Leverage Ratio on Page 27. Further information relating to Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is provided on Page 30. End point disclosures are included in Appendix 4.

UK KM1: Key metrics (at consolidated group level)

		February 2022	February 2021
	Available own funds (amounts)(£m)		
1	Common Equity Tier 1 (CET 1) capital	1,668.4	1,728.7
2	Tier 1 capital	1,668.4	1,728.7
3	Total capital	1,861.2	1,942.6
	Risk-weighted exposure amounts (£m)		
4	Total risk-weighted exposure amounts	6,832.0	6,822.4
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	24.4%	25.3%
6	Tier 1 ratio (%)	24.4%	25.3%
7	Total capital ratio (%)	27.2%	28.5%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	2.4%	
UK 7b	Additional AT1 SREP requirements (%)	0.8%	
UK 7c	Additional T2 SREP requirements (%)	1.1%	
UK 7d	Total SREP own funds requirements (%)	12.4%	
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institutions specific countercyclical buffer (%)	–%	–%
11	Combined buffer requirement	2.5%	2.5%
UK 11 a	Overall capital requirements (%)	14.9%	
12	CET1 available after meeting the total SREP own funds requirements (%)	15.2%	19.3%
	Leverage Ratio		
13	Leverage Ratio total exposure measure(£m)	9,454.4	10,144.9
14	Leverage Ratio (%)	17.6%	17.0%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	1,454.5	
UK 16a	Cash outflows - Total weighted value (£m)	672.8	
UK 16b	Cash inflows - Total weighted value (£m)	93.1	
16	Total net cash outflows (adjusted value) (£m)	579.7	
17	Liquidity coverage ratio (%)	250.9%	258.5%
	Net Stable Funding Ratio		
18	Total available stable funding (£m)	8,013.8	
19	Total required stable funding (£m)	6,053.5	
20	NSFR ratio (%)	132.4%	127.6%

Capital (continued)

The following table provides a breakdown of the constituent elements of the Group's Capital.

UK CC1: Composition of regulatory own funds

	Common Equity Tier 1 Capital: Instruments and Reserves	Notes	UK CC2	February 2022 £m	February 2021 £m
1	Capital instruments and the related share premium accounts			1,220.2	1,220.2
	of which: ordinary share capital		*e,f*	1,220.2	1,220.2
2	Retained earnings	*i*	*i*	354.6	476.3
3	Accumulated other comprehensive income (and other reserves)		*g*	26.3	24.9
UK 5a	Independently reviewed interim profits net of any foreseeable charge or dividend		*j*	67.5	(125.3)
6	Common Equity Tier 1 capital before regulatory adjustments	*i*		1,668.6	1,596.1
	Common Equity Tier 1 capital: regulatory adjustments				
7	Additional value adjustments (negative amount)			–	–
8	Intangible assets (net of related tax liability) (negative amount)		*c*	(111.9)	(130.9)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		*h*	(0.2)	0.6
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			(28.4)	–
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)			140.3	262.9
28	Total regulatory adjustments to Common Equity Tier 1	*ii*		(0.2)	132.6
29	Common Equity Tier 1 capital			1,668.4	1,728.7
45	Tier 1 capital (T1 = CET1 + AT1)			1,668.4	1,728.7
	Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts		*d*	235.0	235.0
51	Tier 2 capital before regulatory adjustments	*iii*		235.0	235.0
	Tier 2 capital: regulatory adjustments				
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		*a*	(42.2)	(21.1)
57	Total regulatory adjustments to Tier 2 capital	*iv*		(42.2)	(21.1)
58	Tier 2 capital			192.8	213.9
59	Total capital (Total Capital = Tier 1 + Tier 2)			1,861.2	1,942.6
60	Total Risk exposure amount			6,832.0	6,822.4
	Capital ratios and buffers				
61	Common Equity Tier 1 (as a % of total risk exposure amount)			24.4%	25.3%
62	Tier 1 (as a % of total risk exposure amount)			24.4%	25.3%
63	Total capital (as a % of total risk exposure amount)			27.2%	28.5%
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)			9.4%	
65	of which: capital conservation buffer requirement			2.5%	2.5%
66	of which: countercyclical buffer requirement			0.0%	0.0%
68	Common Equity Tier 1 available to meet buffers (as a % of risk exposure amount)			15.2%	19.3%
	Amounts below the thresholds for deduction (before risk weighting)				
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)		*b*	155.7	67.6

Capital (continued)

Notes for UK CC1: Own Funds disclosure:

i) Common Equity Tier 1 Capital

Tier 1 capital is a component of regulatory capital defined by the CRR, comprising Common Equity Tier 1 capital and Additional Tier 1 capital.

Common Equity Tier 1 capital is the highest form of regulatory capital under Basel III that comprises shares issued and related share premium, retained earnings and other reserves net of regulatory adjustments.

The Group's Tier 1 capital is wholly comprised of Common Equity Tier 1.

ii) Regulatory Adjustments from Tier 1 Capital

The Additional Value Adjustment represents the Prudential Valuation Adjustment required by the CRR which the Group calculates, as 0.1% of Fair Value assets, using the Simplified Approach.

The Intangible Assets deduction relates to computer software and development costs in relation to the Group's operational platforms.

The Fair Value reserves adjustment in relation to gains or losses on Cash Flow Hedges represents those gains or losses made which are not yet realised.

Regulatory adjustments also include an adjustment of £140.3m (2021: £262.9m) relating to the application of transitional arrangements regarding IFRS 9 which allows the impact on capital to be phased in over an extended period.

iii) Tier 2 Capital

Tier 2 capital is a component of regulatory capital comprising qualifying subordinated loan capital.

All dated and undated subordinated debt held is issued by the Company to Tesco Personal Finance Group plc which, in turn, has issued similar debt to Tesco PLC.

The undated and dated subordinated debt instruments comply with current CRD requirements. The undated floating rate notes have no fixed maturity date and may not be repaid except under certain conditions such as the winding up of the Company and/or Tesco Personal Finance Group plc. The dated floating rate subordinated loans are repayable, in whole or in part, at the option of the issuer, prior to maturity, on conditions governing the debt obligation. The earliest option call date is 31 March 2025 (contractual maturity 31 March 2030), but the debt may be repaid on any date if a regulatory or legislative change occurs that would result in the instrument no longer being eligible as Tier 2 capital.

Redemption can be in whole, or in part, at par value plus accrued interest. Interest payable is based on 3-month SONIA plus margin of 67 to 227 basis points.

iv) Regulatory Adjustments to Tier 2 Capital

The significant investments deduction represents the Company subordinated loan investment in Tesco Underwriting Ltd.

v) Capital Instruments - Main features

CRR Article 437 requires disclosure of the key features of the Group's capital instruments (Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments). The full disclosures are shown in Appendix 8 and include for each instrument:

- the governing law of the instruments;
- the instrument type, issue dates, nominal amounts, accounting classification and call option dates; and
- write-down features and sub-ordination for each instrument.

Capital (continued)

Capital Requirements

The following table shows the overall Pillar 1 minimum capital requirements and risk weighted assets for the Group under the Standardised Approach. The Company, being the main subsidiary is also disclosed in Appendix 5.

UK OV1: Overview of risk weighted exposure amounts

		February 2022 Risk weighted exposure amounts (RWEAs) £m	February 2021 Risk weighted exposure amounts (RWEAs) £m	February 2022 Total own funds requirements £m
1	**Credit Risk (excluding CCR)**	**5,272.7**	**5,456.3**	**421.8**
2	Of which Standardised Approach (SA)	5,272.7	5,456.3	421.8
6	**Counterparty credit risk - CCR**	**9.9**	**0.1**	**0.8**
7	Of which the standardised approach	–	–	–
8	Of which internal model method (IMM)	–	–	–
UK 8a	Of which exposures to a CCP	0.4	–	–
UK 8b	Of which CVA	0.1	–	–
9	Of which other CCR	9.4	0.1	0.8
23	**Operational Risk**	**1,072.3**	**1,197.2**	**85.8**
UK 23b	Of which Standardised Approach (SA)	1,072.3	1,197.2	85.8
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**477.1**	**168.8**	**38.2**
29	**Total**	**6,832.0**	**6,822.4**	**546.6**

Notes for UK OV1:

Pillar 1 capital does not include foreign exchange exposure as this is de minimis under the CRR and includes Credit Valuation Adjustment risk which is required in line with CRR.

There is no capital requirement for Settlement Risk as the Group had no unsettled exposure at year end. Settlement Risk is the risk that a counterparty fails to deliver a security or its value in cash in accordance with contractual agreements after the other counterparty has already delivered a security or cash value in accordance with the same agreement.

Countercyclical Capital Buffer

The countercyclical capital buffer aims to ensure that banking sector capital requirements take account of the macro-economic environment in which banks operate. Its primary objective is to set a buffer of capital to achieve the broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The buffer can be drawn down to absorb losses during stressed periods.

The countercyclical capital buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which banks have a relevant credit exposure.

The Financial Policy Committee of the Bank of England is responsible for setting the UK countercyclical capital buffer rate (CCyB) i.e. the rate that applies to relevant exposures of UK banks, building societies and large investment firms incorporated in the UK. The UK CCyB is currently set at 0.0% (2021: 0.0%) following the decision in March 2020 by the Financial Policy Committee to reduce the UK CCyB to 0% with immediate effect in response to the financial stability risks associated with the economic disruption resulting from the Covid-19 pandemic. Following its meeting in December 2021, the Financial Policy Committee confirmed that the rate will increase to 1.0% with effect from 13th December 2022.

The countercyclical capital buffer consists entirely of Common Equity Tier 1 capital and, if the minimum buffer requirements are breached, capital distribution constraints will be imposed on the Group.

Capital (continued)

The Group's Countercyclical Capital Buffer Disclosure

The Group's relevant non-UK exposures as at 28 February 2022 equate to 0.11% of total relevant exposures. In line with the Regulatory Technical Standard, the Group has chosen to simplify the identification of exposures to non-UK entities and allocate them to the place of the institution (UK) on the basis that the Group's relevant non-UK exposures are less than 2% of the aggregate of credit, trading and securitisation exposures. The countercyclical buffer rates of other jurisdictions therefore have no impact on the Group's capital requirement. The following tables disclose information relevant for the calculation of the countercyclical capital buffer as at 28 February 2022 in accordance with Commission delegated regulation (EU) 1152/2014.

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

Level of Application: Consolidated

February 2022

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposure		Own funds requirements						
		Exposure value under the Standardised Approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			
010	**Breakdown by country:**													
	UK	7,405.1	–	–	–	–	7,405.1	451.9	–	–	451.9	5,648.3	1.0	0.0%
020	**Total**	**7,405.1**	**–**	**–**	**–**	**–**	**7,405.1**	**451.9**	**–**	**–**	**451.9**	**5,648.3**	**1.0**	

February 2021

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposure		Own funds requirements						
		Exposure value under the Standardised Approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - credit risk	Relevant credit exposures - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			
010	**Breakdown by country:**													
	UK	7,434.4	–	–	–	–	7,434.4	442.7	–	–	442.7	5,533.7	1.0	0.0%
020	**Total**	**7,434.4**	**–**	**–**	**–**	**–**	**7,434.4**	**442.7**	**–**	**–**	**442.7**	**5,533.7**	**1.0**	

UK CCyB2: Amount of institution specific countercyclical capital buffer

		February 2022	February 2021
		010	**010**
010	Total risk exposure amount (£m)	6,832.0	6,822.4
020	Institution specific countercyclical capital buffer rate	0.0%	0.0%
030	Institution specific countercyclical capital buffer requirement (£m)	–	–

Capital (continued)

Capital Conservation Buffer

The capital conservation buffer is a general buffer of risk-weighted assets designed to provide for losses in the event of stress. The rate has been maintained at 2.5%.

Constraints on capital buffers

Both the countercyclical buffer and capital conservation buffer may be subject to constraints under certain conditions. The constraints which may be imposed relate only to capital distributions and limits on certain remuneration. The Group is not subject to any constraints.

Leverage Ratio

The Leverage Ratio was introduced under the Basel III reforms as a simple, transparent, non-risk-based ratio intended to restrict the build-up of leverage in the banking sector to avoid distressed de-leveraging processes that can damage the broader financial system and the economy.

The Leverage Ratio is defined as the ratio of Tier 1 capital to the total Leverage Ratio exposures excluding claims on central banks and applies an equal weighting to all assets regardless of their risk.

At present the Group is not subject to the minimum Tier 1 leverage ratio requirement of 3.25% as it is currently exempt from the UK Leverage Framework Regime, which only applies to LREQ firms with retail deposit levels equal to or greater than £50 billion. However, although PRA has confirmed that the minimum 3.25% ratio will be an LREQ requirement, as a smaller domestic deposit taker, the regulator has stated it still expects the Group to maintain a minimum leverage ratio of 3.25%. The Group will not be subject to regulatory sanctions if it fails to do so.

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

The Leverage Ratio is embedded as part of the Group's capital planning process and is considered in line with Common Equity Tier 1 capital and risk-based asset ratios as part of the long-term plan. The Treasury Committee monitors the performance of the Leverage Ratio to the Long-Term plan on a monthly basis. Management actions are recommended to the ALCo to prevent the Group from being excessively leveraged and to seek to ensure that capital ratios remain in excess of minimum capital requirements in normal circumstances and in periods of stress.

Description of the factors that had an impact on the Leverage Ratio during the period to which the disclosed Leverage Ratio refers:

The Group's Leverage Ratio including claims on central banks has increased to 17.6% as at 28 February 2022 (2021: 17.0%), driven by the reduction in Retail asset balances. The Group's Leverage Ratio excluding claims on central banks is 16.5%.

The Group's Leverage Ratio Disclosure

The following Leverage Ratio disclosures for the year ended 28 February 2022 are laid out in accordance with the requirements of the PRA Rulebook: CRR Firms: Leverage Instrument 2021.

The Leverage Ratio disclosures of the Company are reported within Appendix 5.

UK LRSum: Summary reconciliation of accounting assets and Leverage Ratio exposures

		February 2022 Applicable Amounts £m	February 2021 Applicable Amounts £m
1	Total assets as per published financial statements	9,636.5	8,823.4
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(774.5)	(25.6)
4	(Adjustment for exemption of exposures to central banks)	(639.9)	
8	Adjustment for derivative financial instruments	(26.4)	(1.7)
9	Adjustments for securities financing transactions "SFTs"	18.7	–
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,236.3	1,266.8
12	Other adjustments	3.7	82.0
13	**Total exposure measure**	**9,454.4**	**10,144.9**

Leverage Ratio (continued)

UK LRCom: Leverage Ratio common disclosure

		February 2022 CRR Leverage Ratio exposures £m	February 2021 CRR Leverage Ratio exposures £m
On-balance sheet exposures (excluding derivatives and securities financing transactions "SFT"s)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	8,820.4	8,780.0
2	Asset amounts deducted in determining Tier 1 capital	–	135.0
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**8,820.4**	8,915.0
Derivative exposures			
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	–	4.4
UK-9b	Exposure determined under Original Exposure Method	18.9	–
	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	(41.3)
13	**Total derivative exposures**	**18.9**	**(36.9)**
Securities financing transaction exposures			
16	Counterparty Credit Risk exposure for SFT assets	18.7	–
18	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**18.7**	–
Other off-balance sheet exposures			
19	Other off-balance sheet exposures at gross notional amount	12,363.0	12,668.0
20	Adjustments for conversion to credit equivalent amounts	(11,126.7)	(11,401.2)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**1,236.3**	**1,266.8**
Capital and total exposures			
23	**Tier 1 capital (leverage)**	**1,668.4**	**1,728.7**
24	Total exposure measure including claims on central banks	**10,094.3**	**10,144.9**
UK-24a	(-) Claims on central banks excluded	**(639.9)**	
UK-24b	**Total exposure measure excluding claims on central banks**	**9,454.4**	
Leverage Ratio			
25	Leverage ratio excluding claims on central banks (%)	**17.6%**	
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**16.4%**	
UK-25b	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 (%)	**17.6%**	
UK-25c	Leverage ratio including claims on central banks (%)	**16.5%**	**17.0%**

UK LRSpl: Leverage Ratio: Split-up of on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures)

		February 2022 Leverage Ratio exposures £m	February 2021 Leverage Ratio exposures £m
UK-1	Total on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures), of which:	8,820.4	8,780.0
UK-3	Banking book exposures, of which:	8,820.4	8,780.0
UK-4	Covered bonds	266.5	298.9
UK-5	Exposures treated as sovereigns	1,332.8	1,395.9
UK-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	2.5	6.5
UK-7	Institutions	87.3	148.3
UK-9	Retail exposures	6,444.6	6,301.2
UK-10	Corporates	29.4	30.8
UK-11	Exposures in default	81.2	89.9
UK-12	Other exposures (e.g. equity, securitisation, and other non-credit obligation assets)	576.1	508.5

Liquidity and Funding Risk

Liquidity and Funding Risk Management

Liquidity Risk is the risk that the Group is not able to meet its obligations as they fall due. This includes the risk that a given security cannot be traded quickly enough in the market to prevent a loss if a credit rating falls. Funding Risk is the risk that the Group does not have sufficiently stable and diverse sources of funding.

The Group operates within a Liquidity and Funding Control Framework designed to ensure that sufficient funds are available at all times to meet demands from depositors; to fund agreed advances; to meet other commitments as and when they fall due; and to ensure the Board's Risk Appetite is adhered to.

The Treasury Director reports directly to the Chief Financial Officer and together they are responsible for managing the allocation and maintenance of the Group's capital, funding and liquidity. This includes the ownership of the Liquidity and Funding Risk Management policy (LFRMP) which sets the parameters and processes within which liquidity and funding are managed within the stated Risk Appetite.

Risk Appetite Statement

The Board's Risk Appetite is to maintain an adequate liquidity profile under normal and stressed conditions and a balance sheet structure that limits reliance on potentially unstable sources of funding. This is supported by a range of metrics, limits and triggers that are continuously monitored and regularly reported to the Board.

Risk Appetite Measures

The Group sets formal limits within the LFRMP to maintain liquidity risk exposures within the Liquidity and Funding Risk Appetite set by the Board. The key funding and liquidity measures monitored on a daily basis are:

- the internal liquidity requirement;
- the total liquidity requirement;
- the net stable funding ratio;
- the wholesale funding ratio;
- minimum eligible collateral floor;
- the asset encumbrance ratio; and
- unencumbered assets to retail liabilities ratio.

The Group measures and manages liquidity in line with the above metrics and maintains a funding and liquidity profile to enable it to meet its financial obligations under normal, and stressed, market conditions. The internal liquidity requirement seeks to ensure that the Group maintains adequate liquid assets to survive a defined stress scenario for a sufficient period as defined by Risk Appetite. The total liquidity requirement (TLR) requires the Group to maintain a portfolio of high-quality liquid assets sufficient to meet Pillar 1 and Pillar 2 liquidity requirements during periods of market dislocation and stress over a 30-day period. The TLR encompasses the regulatory Liquidity Coverage Ratio (LCR) and any Pillar 2 add-on prescribed by the PRA.

Liquidity and Funding Risk (continued)

Controls and risk mitigants

Liquidity & Funding Risk is assessed through the internal liquidity adequacy assessment process on at least an annual basis. This process involves detailed consideration of the following:

- identification of sources of Liquidity Risk;
- quantification of those risks through stress testing;
- consideration of management processes and controls to manage the risk;
- assessment of the type and quality of liquid asset holdings required to mitigate the risk; and
- consideration of the levels of contingent funding required to mitigate the risk.

The Group monitors and reports on the composition of its funding base against defined thresholds to avoid funding source and maturity concentration risks.

The Group prepares both short term and long term forecasts to assess liquidity requirements and takes into account factors such as credit card payment cycles, expected utilisation of undrawn credit limits, investment maturities, customer deposit patterns, and wholesale funding (including Term Funding Scheme with additional incentives for SMEs (TFSME)) maturities. These reports support daily liquidity management and are reviewed on a daily basis by senior management along with early warning indicators.

Stress testing of current and forecast financial positions is conducted to inform the Group of required liquidity resources. Reverse stress testing is conducted to inform the Group of the circumstances that would result in liquidity resources being exhausted. Liquidity stress tests are presented to the Treasury Committee and the ALCo on a regular basis to provide evidence that sufficient liquidity is held to meet financial obligations in a stress.

The Treasury Director is responsible for formulating and obtaining Board approval for an annual funding plan as part of the overall business planning process. The Group is predominantly funded by its retail deposit base which reduces reliance on wholesale funding and results in minimal short-term wholesale funding. A significant part of these retail deposits are repayable on demand on a contractual basis. The Group continuously monitors retail deposit activity so that it can reasonably predict expected maturity flows. These instruments form a stable funding base for the Group’s operations because of the broad customer base and the behaviours exhibited.

The Group's contingency funding plans form part of a wider Recovery Plan which provides the framework and arrangements the Bank would deploy in the event that it was exposed to a severe stress.

The Recovery Plan sets out three categories of contingent funding available to the Bank to enable it to manage a liquidity stress: primary liquidity sources which generate cash at little or no cost such as HQLA sale or repo; secondary sources which have a longer lead-time including retail and wholesale funding; and emergency sources (measures of last resort) including access to the Discount Window Facility and other Bank of England facilities. These arrangements are tested as part of the overall Recovery Plan fire drill exercises required prior to each submission to the PRA.

Liquidity Risk Metrics - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Group’s LCR is 250.9% (2021: 258.5%). The Group’s NSFR is 132.4% (2021: 127.6%).

The decrease in LCR has been driven by a decrease in the Bank of England Reserve balance within the Liquid Asset Buffer. Additionally, changes in the retail product mix following the closure of PCA accounts and growth of balances attracting higher outflow rates, such as Internet Saver, have reduced the LCR.

The increase in the NSFR is driven primarily by increased TFSME funding obtained throughout the year. Changes required to the calculation as a result of CRR2 regulations from 1 January 2022 also increased the ratio. Offsetting this, a decrease in retail savings balances and increase in customer lending balances have reduced the ratio.

Liquidity and Funding Risk (continued)

The Group's liquidity comprises extremely high and high-quality sterling liquid assets with retail deposits remaining the main funding source. The Group has minimal currency mismatch in LCR and low risk of potential collateral calls since most derivatives are centrally cleared and are covered by initial and variation margin.

The following table shows a breakdown of the cash outflows and inflows, as well as available high-quality liquid assets (HQLA), as measured and defined according to the LCR standard.

Liquidity and Funding Risk (continued)

UK LIQ1: Quantitative information of LCR

		2022									
		Total unweighted value (average) £m					Total weighted value (average) £m				
UK 1a	Quarter ending on (DD Month YYYY)	**At 28 Feb 2022**	**At 31 Dec 2021**	**At 30 Sep 2021**	**At 30 June 2021**	**At 31 March 2021**	**At 28 Feb 2022**	**At 31 Dec 2021**	**At 30 Sep 2021**	**At 30 June 2021**	**At 31 March 2021**
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	12	12
High-Quality Liquid Assets											
1	Total high-quality liquid assets (HQLA)						1,314.1	1,309.2	1,318.3	1,456.8	1,804.7
Cash Outflows											
2	**Retail deposits and deposits from small business customers, of which:**	3,728.0	3,747.4	3,888.9	4,086.3	4,314.5	304.3	302.9	316.1	356.5	399.0
3	Stable deposits	2,705.1	2,761.6	2,826.1	2,790.3	2,729.1	135.3	138.1	141.3	139.5	136.5
4	Less stable deposits	994.5	956.4	1,036.0	1,261.1	994.5	140.7	135.3	147.9	182.2	225.1
5	**Unsecured wholesale funding:**	0.9	2.1	19.2	19.2	19.2	0.9	2.1	19.2	19.2	19.2
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	–	1.3	1.3	1.3	1.3	–	1.3	1.3	1.3	1.3
8	Unsecured debt	0.9	0.9	17.9	17.9	17.9	0.9	0.9	17.9	17.9	17.9
9	**Secured wholesale funding**						–	–	–	–	–
10	**Additional requirements**	14.8	17.3	20.6	23.9	24.6	14.8	17.3	20.6	23.9	24.6
11	Outflows related to derivative exposures and other collateral requirements	14.8	17.3	20.6	23.9	24.6	14.8	17.3	20.6	23.9	24.6
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	–	–	–	–	–	–	–	–	–	–
14	**Other contractual funding obligations**	49.8	41.8	42.9	41.9	30.8	19.2	11.9	11.9	10.3	–
15	**Other contingent funding obligations**	12,367.1	12,423.6	12,500.8	12,487.5	12,479.3	327.0	328.6	330.8	330.5	332.3
16	**TOTAL CASH OUTFLOWS**						**666.2**	**662.8**	**698.6**	**740.4**	**775.1**
Cash Inflows											
17	**Secured lending (e.g. reverse repos)**	–	–	–	–	–	–	–	–	–	–
18	**Inflows from fully performing exposures**	186.2	187.2	189.6	187.2	190.9	93.1	93.6	94.8	95.1	95.5
19	Other cash flows	0.2	0.2	0.3	0.6	0.8	0.2	0.2	0.3	0.6	0.8
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)						–	–	–	–	–
UK-19b	(Excess inflows from a related specialised credit institution)						–	–	–	–	–
20	**TOTAL CASH INFLOWS**	186.4	187.4	189.9	190.7	191.7	93.3	93.8	95.1	95.7	96.3
UK-20a	***Fully exempt flows***	–	–	–	–	–	–	–	–	–	–
UK-20b	***Inflows subject to 90% cap***	–	–	–	–	–	–	–	–	–	–
UK-20c	***Inflows subject to 75% cap***	186.4	187.4	189.9	190.7	191.7	93.3	93.8	95.1	95.7	96.3
							Total adjusted value				
UK-21	**Liquidity buffer**						1,314.1	1,309.2	1,318.3	1,456.8	1,804.7
22	**Total net cash outflows**						572.9	569.0	603.5	644.7	678.8
23	**Liquidity Coverage Ratio (%)**						230.6%	231.5%	222.0%	227.6%	264.8%

Liquidity and Funding Risk (continued)

		2021									
		Total unweighted value (average) £m					Total weighted value (average) £m				
		At 28 Feb 2021	At 31 Dec 2020	At 30 Sep 2020	At 30 June 2020	At 31 March 2020	At 28 Feb 2021	At 31 Dec 2020	At 30 Sep 2020	At 30 June 2020	At 31 March 2020
High-Quality Liquid Assets											
1	Total high-quality liquid assets (HQLA)						1,880.9	2,001.4	2,403.4	2,721.1	2,595.2
	Cash Outflows										
2	**Retail deposits and deposits from small business customers, of which:**	4,390.0	4,542.8	4,834.0	5,325.3	5,872.3	413.8	446.2	502.6	580.7	660.8
3	Stable deposits	2,702.9	2,645.1	2,567.7	2,531.8	2,533.4	135.1	132.3	128.4	126.6	127.7
4	Less stable deposits	1,648.6	1,855.4	2,219.7	2,749.1	3,277.5	240.2	271.6	327.6	409.6	491.8
5	**Unsecured wholesale funding:**	19.2	17.9	5.9	5.8	5.4	19.2	17.9	5.9	5.8	5.4
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	1	–	–	–	–	–	–	–	–	–
8	Unsecured debt	17.9	17.9	5.9	5.8	5.4	17.9	17.9	5.9	5.8	5.4
9	**Secured wholesale funding**						–	–	16.7	31.3	36.8
10	**Additional requirements**	24.7	24.7	24.8	23.6	23.7	24.7	24.7	24.8	23.6	23.7
11	Outflows related to derivative exposures and other collateral requirements	24.7	24.7	24.8	23.6	23.7	24.7	24.7	24.8	23.6	23.7
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	–	–	–	–	–	–	–	–	–	–
14	**Other contractual funding obligations**	30.0	35.5	34.3	32.6	35.5	–	4.2	4.2	4.3	4.3
15	**Other contingent funding obligations**	12,431.7	12,290.9	12,134.1	12,013.1	11,892.9	335.0	345.1	376.2	427.1	500.8
16	**TOTAL CASH OUTFLOWS**						**792.7**	**838.1**	**930.4**	**1,072.8**	**1,231.8**
	Cash Inflows										
17	**Secured lending (e.g. reverse repos)**	–	–	–	–	–	–	–	–	–	–
18	**Inflows from fully performing exposures**	190.5	188.4	195.6	206.9	217.5	95.3	94.2	97.9	103.5	108.8
19	Other cash flows	0.8	0.8	0.8	0.4	0.3	0.8	0.8	0.8	0.4	0.3
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)						–	–	–	–	–
UK-19b	(Excess inflows from a related specialised credit institution)						–	–	–	–	–
20	**TOTAL CASH INFLOWS**	191.3	189.2	196.4	207.3	217.8	96.1	95.0	98.7	103.9	109.1
UK-20a	***Fully exempt flows***	–	–	–	–	–	–	–	–	–	–
UK-20b	***Inflows subject to 90% cap***	–	–	–	–	–	–	–	–	–	–
UK-20c	***Inflows subject to 75% cap***	191.3	–	196.4	207.3	217.8	96.1	95.0	98.7	103.9	109.1
							Total adjusted value				
UK-21	**Liquidity buffer**						1,880.9	2,001.4	2,403.4	2,721.1	2,595.2
22	**Total net cash outflows**						696.6	743.1	831.7	968.9	1,122.7
23	**Liquidity Coverage Ratio (%)**						268.9%	268.6%	289.8%	287.2%	238.7%

Credit Risk

Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Group will incur losses due to any other counterparty failing to meet their financial obligations. The Group's aim in relation to Credit Risk is to lend responsibly, ensuring that the Credit Risk profile remains within agreed parameters as articulated in the Risk Appetite.

All lending is subject to underwriting processes and the performance of all exposures is monitored closely. Regular management reports are submitted to the Board and appropriate Committees.

Credit Risk within the Group arises principally from retail lending activities but also from placement of surplus funds with other banks, investments in transferable securities and interest rate and foreign exchange derivatives. In addition, Credit Risk arises from contractual arrangements with third-parties where payments and commissions are owed to the Group for short periods of time. Credit Risk may also materialise when an adverse change in an entity's credit rating causes a fall in the fair value of the Group's holding of that entity's financial instrument.

The development, management, execution and monitoring of Credit Risk management strategy is performed within the First Line of Risk Management. This work is underpinned by the credit policy and oversight which are owned by the Second Line of Risk Management.

The Chief Risk Officer together with the Financial & Credit Risk Director, are responsible for:

- developing Credit Risk policies and frameworks deployed across the business;
- providing oversight of Credit Risk activities undertaken by the First Line of Risk Management;
- horizon scanning and scenario setting for macroeconomic indicators; and
- monitoring credit performance.

The Group maintains a suite of policies defining the minimum requirements for the management of credit activities, including the Credit Risk policy, Wholesale Credit Risk policy, Model Risk policy, Collections and Recoveries policy, and Provisioning policy. All Credit Risk policies are subject to at least a biennial review, or earlier if there is a trigger for policy review such as a regulatory change with the Level 1 Credit Risk policy being approved by the Board.

Credit Risk policies are supported by a range of processes and procedures that cover the activities undertaken throughout the credit life cycle. Management information is produced for different audiences within the governance framework to allow monitoring of policy compliance. The Risk Appetite Measures are of significant importance, with supporting limits and tolerances that allow the Group to track performance. Trends are also identified that could act as an early warning that performance may move outside Risk Appetite in the future.

Retail Credit Risk

Retail Credit Risk is the risk that a borrower, who is a personal customer, will default on a debt or obligation by failing to make contractually obligated payments.

Risk Appetite Statement

The Group has set a Risk Appetite based on bad debt to asset ratio and profit volatility triggers and limits.

Credit Risk (continued)

Risk Appetite Measures

Management information is produced covering all lending portfolios which is tailored to meet the requirements of different audiences within the overall governance framework. Risk Appetite Measures with supporting limits and tolerances allow the Group to track performance against Risk Appetite and identify any emerging trends that could act as an early warning that performance could move outside approved Risk Appetite thresholds, thereby allowing mitigating actions to be taken to address such trends. Risk Appetite Measures include:

- Statutory Profit/Loss under a severe but plausible stress scenario (Profit Volatility);
- Product Level Minimum Net Present Value;
- Bad Debt to Asset Ratio; and
- Higher risk concentrations and demographics.

Controls and risk mitigants

To minimise the potential for the Group to be exposed to levels of defaults that are outside Risk Appetite, processes, systems and limits have been established that cover the end-to-end Retail Credit Risk customer life cycle, the key components of which are outlined below:

Credit scoring: The quality of new lending is controlled using appropriate credit scoring and associated rules. Judgemental analysis is used for more complex cases.

Affordability: The Group aims to be a responsible lender, and accordingly employs affordability models, including minimum free income thresholds based on customers' income and outgoings to confirm that they can repay the advances they are seeking.

Credit policies and guides: A suite of Retail Credit Risk policies and supporting guides are maintained by the Credit Risk function. These policies define the minimum requirements for the management of credit activities across the credit life cycle. The guides also comprise specific product and customer related thresholds that in turn seek to ensure the Group is operating within agreed Retail Credit Risk Appetite parameters.

Monitoring and reporting: Management information is produced covering all lending portfolios which is tailored to meet the requirements of different audiences within the overall governance framework. Risk Appetite Measures with supporting limits and tolerances allow the Group to track performance against Risk Appetite and identify any emerging trends that could act as an early warning that performance could move outside approved Risk Appetite thresholds, thereby allowing mitigating actions to be taken to address such trends.

Economic environment impact and responses

During the current financial year, the Group continued to be impacted by ongoing economic uncertainty. Despite the improvement in the wider macro-economic environment, there are a number of prevailing headwinds in place at 28 February 2022. Inflation and rises in National Insurance are expected to put significant strain on households over the next financial year. The Group has also assessed the projected impact on its business and results, at 28 February 2022, of the ongoing conflict in Ukraine, the impact of which could result in more sustained levels of unemployment, slightly lower forecast GDP, and place a further strain on household incomes through an increased rate of inflation.

The Group regularly benchmarks its macro-economic outlook against other external forecasts to ensure its ECL provisions remain at appropriate levels. Prior to the start of the Covid-19 pandemic, the Group already had a suite of early warning indicators in place, together with playbooks for a range of economic scenarios. These playbooks continue to be employed, with changes to underwriting criteria being made based on the Group's assessment of the current and forecast macro-economic environment. The Group's risk appetite framework was also enhanced to limit exposure to certain higher risk segments.

Credit Risk (continued)

The performance of credit portfolios is actively monitored, and this monitoring activity has been extended throughout a prolonged period of economic uncertainty to understand which customers are likely to be more or less impacted by the effects of economic uncertainty arising from the rising cost of living, exacerbated by the ongoing conflict in Ukraine. These activities help ensure that the Group's underwriting controls remain appropriate for the latest macro-economic outlook. Management has applied specific management adjustments to the Group's modelled ECL provision to capture the estimated impact of the stress within the Group's ECL provision.

The Group reviewed its stress testing scenarios to ensure it has sufficient capital and liquidity to trade through a plausible range of economic outcomes.

Regulators have been consistently updated with progress through regular and ad-hoc management information and relationship meetings.

A number of areas have been identified where the Group has exposure to climate change, however these typically represent an indirect or low risk to the Group. The Group could have exposure to customers who work for industries whose business models may be impacted through transition and, as a result, could face lower income or the loss of their job.

Areas of focus for risk management over the next year are building climate change into the Group's Risk Appetite, developing further insightful management information and ensuring business areas have fully embedded climate change into their risk identification and controls processes.

Wholesale Credit Risk

Wholesale Credit Risk is the risk that a counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, securities financing transactions and long-dated settlement transactions. The Group does not operate in the mainstream commercial or corporate lending market. However, the Group is exposed to Wholesale Credit Risk primarily through Treasury activities, as a result of cash management, liquidity, and market risk management, with the inherent risk that these counterparties could fail to meet their obligations.

Risk Appetite Statement

The Group has a wholesale credit risk appetite commensurate with only those activities required to support the retail business. This includes maintaining adequate liquidity, facilitating debt and capital issuance, market risk management and non-treasury supplier relationships.

Risk Appetite Measures

Risk appetite is conservative, with total regulatory capital allocated to mitigate potential wholesale credit loss in an individual capital adequacy assessment process level stress. Proprietary risk taking is not permitted.

Controls and risk mitigants

Daily monitoring of exposures is undertaken, with oversight from the Second Line of Risk Management. Monthly reporting of Risk Appetite Measures is provided to the ERC. Escalation processes are in place for the reporting of any breached limits directly to the ERC.

The Risk Appetite Measure limits are set out in the Wholesale Credit Risk Policy which is approved by the Board. The limits contained in the policy are approved by the Board. The Treasury Director is responsible for ensuring that the Treasury function complies with CCR limits.

The Group's approach to investing funds focuses on counterparties with capacity to meet financial commitments and requires approved counterparties to have investment grade ratings. Counterparty types include financial institutions, sovereigns and multilateral development banks, with approved instrument types including cash, certificates of deposit,

Credit Risk (continued)

bonds, treasury bills, gilts, repurchase agreements, interest rate derivatives and foreign exchange derivatives. Ratings issued by external credit assessment institutions are considered as part of the process to set limits.

Wholesale Credit Risk limits are designed to prevent wholesale credit losses outside of Risk Appetite. Proprietary risk taking is not permitted. Exposure to Wholesale Credit Risk is controlled based on a hierarchy of limits where financial institution, corporate, sovereign, central bank and multilateral development bank exposures at an aggregate level are capped by credit rating and country limits.

Wholesale Credit Risk Limits restrict the amounts that can be invested based on counterparty creditworthiness by country, instrument type and remaining tenor. As part of the credit assessment process for wholesale credit risk exposures, the Group uses the external credit ratings issued by Fitch (as the nominated external credit assessment institution) to help determine the appropriate risk weighting to apply under the Standardised Approach to credit risk exposures. The Wholesale Credit Risk Policy is set by the Board and any new counterparty limits, policy exceptions or overrides must follow delegated authorities agreed by the Board.

International Swaps and Derivatives Association (ISDA) master agreements are in place with all derivative counterparties, Global Master Repurchase Agreements are in place for all repurchase counterparties and ISDA Credit Support Annexes have been executed with all of the Group's derivative counterparties. The Group uses central counterparties (CCPs) in order to clear specified derivative transactions (predominantly interest rate swaps) thereby mitigating CCR. Positions are continuously marked to market and margin in the form of collateral is exchanged on at least a daily basis. As at 28 February 2022, no additional credit risk mitigation was deemed necessary.

Concentration risk

Concentration Risk is the risk of losses arising as a result of concentrations of exposures to a specific counterparty, economic sector, segment or geographical region. The Group could become exposed to this risk were it to become concentrated in certain geographic areas or product profiles e.g. a disproportionate level of high value unsecured personal loans. Such concentrations could result in increased levels of default in some adverse but plausible situations.

Controls and risk mitigants

The Group mitigates these potential concentration risks by establishing appropriate limits and trigger thresholds that are regularly monitored and reported to the appropriate senior management team and risk committees. An assessment of credit concentration is also undertaken as part of the internal capital adequacy assessment process. The Group does not consider itself to be overly concentrated, other than its geographic concentration as a UK business.

Wrong Way Risk

Wrong Way Risk is defined, by the ISDA, as the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. It arises when the future exposure to a specific counterparty is positively correlated with the counterparty's probability of default due to the nature of the transactions with the counterparty.

Specific wrong-way risk occurs in repurchase agreements where the repurchase counterparty and the issuer of the collateral is the same, or a related entity. The Group's Wholesale Credit Risk policy prohibits a repurchase counterparty and the issuer of the collateral from being the same, or related, entities. Therefore the Group is not exposed to this risk. This does not apply to UK Government or related entity exposures.

Third-Party Credit Exposures

The Group has a number of contracts with third-parties that involve the receipt of fees or commissions. Third-party credit exposure arises through the risk that these payments may not be received. The requirements for management of these exposures are detailed in the Wholesale Credit Risk policy with limits in place to manage these exposures. Exposures and limit breaches are reported to the ERC, BRC and the Board.

Credit Risk (continued)

Credit Risk under the Standardised Approach

This table provides information on the main sources of differences (other than those due to different scopes of consolidation, which are shown in Template UK LI1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes. The main difference arises due to the regulatory credit conversion factors applied to off-balance sheet exposures.

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

		February 2022				
			Items subject to			
		Total	Credit Risk Framework	Securitisation Framework	Counterparty Credit Risk Framework	Market Risk Framework
		a	b	c	d	e
		£m	£m	£m	£m	£m
1	Assets carrying value under the scope of regulatory consolidation (as per template LI1)	8,664.1	8,618.8	–	45.3	–
2	Liabilities carrying value under the scope of regulatory consolidation (as per LI1)	45.3	–	–	45.3	–
3	Total net amount under the scope of regulatory consolidation	8,618.8	8,618.8	–	–	–
4	Off-balance sheet amounts	12,363.0	–	–	–	–
5	Differences in valuations	–	–	–	–	–
6	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	–
7	Differences due to consideration of provisions	159.5	159.5	–	–	–
8	Differences due to credit risk mitigation techniques (CRMs)	–	–	–	–	–
9	Differences due to credit conversion factors	–	–	–	–	–
11	Other differences	37.6	–	–	37.6	–
12	**Exposure amounts considered for regulatory purposes**	**21,178.9**	**8,778.3**	**–**	**37.6**	**–**

		February 2021				
			Items subject to			
		Total	Credit Risk Framework	Securitisation Framework	Counterparty Credit Risk Framework	Market Risk Framework
		a	b	c	d	e
		£m	£m	£m	£m	£m
1	Assets carrying value under the scope of regulatory consolidation (as per template UK LI1)	8,634.2	8,628.1	–	6.1	–
2	Liabilities carrying value under the scope of regulatory consolidation (as per UK LI1)	47.4	41.3	–	6.1	–
3	Total net amount under the scope of regulatory consolidation	8,586.8	8,586.8	–	–	–
4	Off-balance sheet amounts	12,668.0	–	–	–	–
5	Differences in valuations	–	–	–	–	–
6	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	–
7	Differences due to consideration of provisions	266.0	266.0	–	–	–
8	Differences due to credit risk mitigation techniques (CRMs)	–	–	–	–	–
9	Differences due to credit conversion factors	–	–	–	–	–
11	Other differences	4.4	–	–	4.4	–
12	**Exposure amounts considered for regulatory purposes**	**21,525.2**	**8,852.8**	**–**	**4.4**	**–**

Note: The 'Total' per column a in the above tables, include off-balance-sheet exposures prior to the use of a credit conversion factor. The subsequent columns, b to e, include the off-balance-sheet amounts subject to the regulatory framework, after the application of the relevant credit conversion factors.

Credit Risk (continued)

Credit Risk: Asset Quality

Asset quality risk is the risk that ineffective management and controls over the emerging asset quality of the Group's lending portfolios could expose the Group to elevated levels of default.

Controls and risk mitigants

The Group's asset quality is reflected through the level of its impairment by lending type. Asset quality is maintained through credit and affordability assessments at asset origination combined with regular monitoring and reporting of asset quality to the appropriate senior management team and risk committees.

Past Due, Impaired Assets and Provisions

Past Due and Impaired Definitions

The Group considers exposures to be past due where a customer does not make the minimum contractual monthly payment of principal, interest or fee. Accounts remain as past due but not impaired until the point where a loss trigger has occurred.

An asset will be initially recognised as impaired in response to the following loss triggers:

- where the customer makes a declaration of significant financial difficulty and is placed on a temporary interest free repayment plan or permanent reduction in APR;
- where the customer or third-party agency communicates that it is probable that the customer will enter bankruptcy or another form of financial re-structure, e.g. insolvency or repossession;
- where the account has been transferred to recoveries and the relationship is terminated;
- when the customer is more than 90 days past due (the equivalent of four payments down) for Personal Loans and Credit Cards; or
- where the customer is deceased.

These definitions align to both statutory and regulatory reporting and comply with the requirements of each. The Group has no past due exposures of more than 90 days that are not considered to be impaired.

During the year, in reporting Credit Risk provisioning and impairment the Group complied with International Financial Reporting Standards, specifically IFRS 9, Financial Instruments. A loan is impaired when there is objective evidence that events since the loan was granted have affected the amount or timing of expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows discounted at the loan's original effective interest rate.

Provisioning models

The Group applies an ECL model which segments provisions into 3 stages as defined by IFRS 9. Stage 1 and Stage 2 are held against the portfolio which is not credit impaired at the reporting date. Stage 3 provisions are held against the credit impaired portfolio based upon the above definition.

ECL provisions are calculated at an account level taking into account the relative change in Credit Risk since origination, the level of arrears, security, past loss experience and probability of defaulting based on portfolio trends. The five key areas of judgement in calculating these provisions are:

- probability of default (PD);
- the Group's judgement around a Significant Increase in Credit Risk (SICR) since origination;
- loss given default (LGD);
- the choice of macro-economic scenarios and their relative weighting; and
- the expected lifetime of revolving facilities.

Credit Risk (continued)

Forbearance

The main aim of forbearance is to support customers in returning to a position where they are able to meet their contractual obligations and reduce the risk of default.

Forbearance is relief granted by a lender through arrangements which temporarily allow the customer to pay an amount other than the contractual amounts due. These temporary arrangements may be initiated by the customer or the Group where financial distress would prevent repayment within the original terms and conditions of the contract.

The Group has adopted the definition of forbearance as published in Regulation EU 2015/227. The Group reports all accounts meeting this definition, providing for them appropriately.

The value of unsecured loans and advances that are subject to forbearance programmes is disclosed in the Annual Report & Financial Statements of both Tesco Personal Finance Group plc and Tesco Personal Finance plc: https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Controls and risk mitigants

The Group has well defined forbearance policies and processes.

A number of forbearance options are made available to customers by the Group. These routinely, but not exclusively, include the following:

- Arrangements to repay arrears over a period of time, by making payments above the contractual amount, that seek to ensure the loan is repaid within the original repayment term.
- Short term concessions, where the borrower can make reduced repayments (or in exceptional circumstances, no repayments) on a temporary basis to assist with short term financial hardship.

Credit Risk (continued)

UK CQ1: Credit quality of forborne exposures

The following table provides an overview of the quality of forborne exposures.

		February 2022							
		Gross carrying amount of forborne exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
		Performing forborne	Non-Performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Collateral received and financial guarantees received on forborne exposures	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
		a	b	c	d	e	f	g	h
		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	–	–	–	–	–	–	–	–
010	Loans and advances	39.6	106.2	103.1	103.1	11.8	61.1	–	–
020	*Central banks*	–	–	–	–	–	–	–	–
030	*General government*	–	–	–	–	–	–	–	–
040	*Credit institutions*	–	–	–	–	–	–	–	–
050	*Other financial corporations*	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	–	–	–	–	–	–	–	–
070	*Households*	39.6	106.2	103.1	103.1	11.8	61.1	–	–
080	Debt securities	–	–	–	–	–	–	–	–
090	Loan commitments given	–	–	–	–	–	–	–	–
100	**Total**	**39.6**	**106.2**	**103.1**	**103.1**	**11.8**	**61.1**	**–**	**–**

Credit Risk (continued)

		February 2021							
		Gross carrying amount of forborne exposures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
		Performing forborne	Non-Performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures	Collateral received and financial guarantees received on forborne exposures	Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
		a	b	c	d	e	f	g	h
		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	–	–	–	–	–	–	–	–
010	Loans and advances	48.4	118.5	113.7	113.7	20.1	66.5	–	–
020	*Central banks*	–	–	–	–	–	–	–	–
030	*General government*	–	–	–	–	–	–	–	–
040	*Credit institutions*	–	–	–	–	–	–	–	–
050	*Other financial corporations*	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	–	–	–	–	–	–	–	–
070	*Households*	48.4	118.5	113.7	113.7	20.1	66.5	–	–
080	Debt securities	–	–	–	–	–	–	–	–
090	Loan commitments given	–	–	–	–	–	–	–	–
100	**Total**	**48.4**	**118.5**	**113.7**	**113.7**	**20.1**	**66.5**	**–**	**–**

Credit Risk (continued)

UK CQ 3: Credit quality of performing and non-performing exposures by past due days

The following table provides an overview of the quality of non-performing exposures.

		February 2022 Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non-performing exposures	Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
		a	b	c	d	e	f	g	h	i	j	k	l
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	702.4	702.4	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	7,102.9	7,088.9	14.0	206.8	58.4	44.0	70.5	19.0	14.9	–	–	200.9
020	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–
030	*General government*	5.3	5.3	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	141.2	141.2	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	128.7	128.7	–	–	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	13.1	13.1	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	*0.7*	*0.7*	–	–	–	–	–	–	–	–	–	–
080	*Households*	6,814.6	6,800.6	14.0	206.8	58.4	44.0	70.5	19.0	14.9	–	–	200.9
090	Debt securities	857.6	857.6	–	–	–	–	–	–	–	–	–	–
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–
110	*General government*	136.2	136.2	–	–	–	–	–	–	–	–	–	–
120	*Credit institutions*	686.4	686.4	–	–	–	–	–	–	–	–	–	–
130	*Other financial corporations*	35.0	35.0	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	12,356.7	–	–	6.3	–	–	–	–	–	–	–	6.1
160	*Central banks*	–			–								–
170	*General government*	–			–								–
180	*Credit institutions*	–			–								–
190	*Other financial corporations*	–			–								–
200	*Non-financial corporations*	–			–								–
210	*Households*	12,356.7			6.3								6.1
220	**Total**	**21,019.6**	**8,648.9**	**14.0**	**213.1**	**58.4**	**44.0**	**70.5**	**19.0**	**14.9**	**–**	**–**	**207.0**

Credit Risk (continued)

		February 2021 Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Performing exposures	Of which: Not past due or past due ≤ 30 days	Of which: Past due > 30 days ≤ 90 days	Non-performing exposures	Unlikely to pay that are not past due or are past due ≤ 90 days	Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years	Of which: Defaulted
		a	b	c	d	e	f	g	h	i	j	k	l
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	737.2	737.2	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	7,085.5	7,063.4	22.1	250.4	76.1	60.5	68.3	30.8	14.6	0.1	–	241.6
020	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–
030	*General government*	6.3	6.3	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	104.1	104.1	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	177.7	177.7	–	–	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	13.0	12.8	0.2	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	–	–	–	–	–	–	–	–	–	–	–	–
080	*Households*	6,784.4	6,762.5	21.9	250.4	76.1	60.5	68.3	30.8	14.6	0.1	–	241.6
090	Debt securities	928.0	928.0	–	–	–	–	–	–	–	–	–	–
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–
110	*General government*	145.9	145.9	–	–	–	–	–	–	–	–	–	–
120	*Credit institutions*	741.7	741.7	–	–	–	–	–	–	–	–	–	–
130	*Other financial corporations*	40.4	40.4	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	12,664.2	–	–	3.8	–	–	–	–	–	–	–	3.8
160	*Central banks*	–			–								–
170	*General government*	–			–								–
180	*Credit institutions*	–			–								–
190	*Other financial corporations*	–			–								–
200	*Non-financial corporations*	–			–								–
210	*Households*	12,664.2			3.8								3.8
220	**Total**	**21,414.9**	**8,728.6**	**22.1**	**254.2**	**76.1**	**60.5**	**68.3**	**30.8**	**14.6**	**0.1**	**–**	**245.4**

Credit Risk (continued)

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

The following table provides an overview of the quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class.

		February 2022														
		Gross Carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received on:	
		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				Performing exposures	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			
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	702.4	702.4	–	–	–	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	7,102.9	6,271.7	831.2	206.8	2.7	204.1	374.8	102.9	271.9	130.2	1.3	128.9	–	–	–
020	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
030	*General government*	5.3	5.3	–	–	–	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	141.2	141.2	–	–	–	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	128.7	128.7	–	–	–	–	0.2	0.2	–	–	–	–	–	–	–
060	*Non-financial corporations*	13.1	13.1	–	–	–	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	*0.7*	*0.7*	–	–	–	–	–	–	–	–	–	–	–	–	–
080	*Households*	6,814.6	5,983.4	831.2	206.8	2.7	204.1	374.6	102.7	271.9	130.2	1.3	128.9	–	–	–
090	Debt securities	857.6	857.6	–	–	–	–	0.3	0.3	–	–	–	–	–	35.8	–
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	*General governments*	136.2	136.2	–	–	–	–	0.1	0.1	–	–	–	–	–	35.8	–
120	*Credit institutions*	686.4	686.4	–	–	–	–	0.2	0.2	–	–	–	–	–	–	–
130	*Other financial corporations*	35.0	35.0	–	–	–	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	12,356.7	12,028.7	328.0	6.3	0.2	6.1	–	–	–	–	–	–	–	–	–
160	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
170	*General government*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
180	*Credit institutions*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
190	*Other financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
200	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
210	*Households*	12,356.7	12,028.7	328.0	6.3	0.2	6.1	–	–	–	–	–	–	–	–	–
220	**Total**	**21,019.6**	**19,860.4**	**1,159.2**	**213.1**	**2.9**	**210.2**	**375.1**	**103.2**	**271.9**	**130.2**	**1.3**	**128.9**	–	**35.8**	–

Credit Risk (continued)

February 2021

		Gross Carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received on:	
		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			Accumulated partial write-off	Performing exposures	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			
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	737.2	737.2	–	–	–	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	7,085.5	6,062.1	1,023.4	250.4	4.1	246.3	494.8	144.8	350.0	158.0	2.6	155.4	–	–	–
020	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
030	*General government*	6.3	6.3	–	–	–	–	–	–	–	–	–	–	–	–	–
040	*Credit institutions*	104.1	104.1	–	–	–	–	–	–	–	–	–	–	–	–	–
050	*Other financial corporations*	177.7	177.7	–	–	–	–	0.1	0.1	–	–	–	–	–	–	–
060	*Non-financial corporations*	13.0	13.0	–	–	–	–	–	–	–	–	–	–	–	–	–
070	*Of which SMEs*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
080	*Households*	6,784.4	5,761.0	1,023.4	250.4	4.1	246.3	494.7	144.7	350.0	158.0	2.6	155.4	–	–	–
090	Debt securities	928.0	928.0	–	–	–	–	0.7	0.7	–	–	–	–	–	54.2	–
100	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	*General governments*	145.9	145.9	–	–	–	–	–	–	–	–	–	–	–	54.2	–
120	*Credit institutions*	741.7	741.7	–	–	–	–	0.7	0.7	–	–	–	–	–	–	–
130	*Other financial corporations*	40.4	40.4	–	–	–	–	–	–	–	–	–	–	–	–	–
140	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	12,664.2	12,378.8	285.4	3.8	–	3.8	–	–	–	–	–	–	–	–	–
160	*Central banks*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
170	*General government*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
180	*Credit institutions*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
190	*Other financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
200	*Non-financial corporations*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
210	*Households*	12,664.2	12,378.8	285.4	3.8	–	3.8	–	–	–	–	–	–	–	–	–
220	**Total**	21,414.9	20,106.1	1,308.8	254.2	4.1	250.1	495.5	145.5	350.0	158.0	2.6	155.4	–	54.2	–

Credit Risk (continued)

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

The following table shows the reconciliation of changes in non-performing loans and advances.

		February 2022 Gross carrying amount (£m)
		a
010	**Initial stock of non-performing loans and advances**	250.4
020	Inflows to non-performing portfolios	256.4
030	Outflows from non-performing portfolios	(300.0)
040	*Outflows due to write-offs*	(115.4)
050	*Outflow due to other situations*	(184.6)
060	**Final stock of non-performing loans and advances**	**206.8**

Note: Balance included in "Outflow due to other situations" mainly driven by debt sales.

UK CR1-A: Maturity of exposures

The following table shows residual contractual maturity of specific debt instruments.

		February 2022 Net exposure value (£m)					
		On demand	<=1 year	>1 year <=5 years	> 5 years	No stated maturity	Total
		a	b	c	d	e	f
1	Loans and advances	656.3	3,553.7	2,673.3	510.0	113.8	7,507.1
2	Debt securities	–	–	502.5	354.8	–	857.3
3	**Total**	**656.3**	**3,553.7**	**3,175.8**	**864.8**	**113.8**	**8,364.4**

UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

The following table splits loans and advances by industrial sector.

		February 2022					
		Gross carrying amount	Of which non-performing	Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk due to credit risk on non-performing exposures
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	£m
030	Manufacturing	0.2	–	–	0.2	–	–
070	Wholesale and retail trade	7.3	–	–	7.3	–	–
110	Financial and insurance activities	–	–	–	–	–	–
130	Professional, scientific and technical activities	2.4	–	–	2.4	–	–
140	Administrative and support service activities	3.2	–	–	3.2	–	–
190	Other services	–	–	–	–	–	–
200	**Total**	**13.1**	**–**	**–**	**13.1**	**–**	**–**

Credit Risk (continued)

Credit Risk: Mitigation

Management of Credit Risk Mitigation

The Group utilises credit risk mitigation in the form of explicit government guarantees provided against some specific debt security investments.

UK CR3: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The following table discloses the extent of the use of CRM techniques.

		February 2022				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	8,012.1	–	–	–	–
2	Debt Securities	821.8	35.8	–	35.8	–
3	**Total**	**8,833.9**	**35.8**	**–**	**35.8**	**–**
4	Of which non-performing exposures	206.8	–	–	–	–
5	Of which defaulted	200.9	–	–	–	–

		February 2021				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount	Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	8,073.1	–	–	–	–
2	Debt Securities	873.8	54.2	–	54.2	–
3	**Total**	**8,946.9**	**54.2**	**–**	**54.2**	**–**
4	Of which non-performing exposures	250.4	–	–	–	–
5	Of which defaulted	241.6	–	–	–	–

UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects

The following table illustrates the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR.

		February 2022					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
		On balance sheet exposures	Off-balance sheet exposures	On balance sheet exposures	Off-balance sheet amount	RWAs	RWA density (%)
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	
	Exposure Class						
1	Central governments or central banks	819.3	–	855.3	–	88.0	10.3%
2	Regional governments or local authorities	2.5	–	2.5	–	0.5	20.0%
3	Public sector entities	36.0	–	–	–	–	0.0%
4	Multilateral development banks	428.1	–	428.1	–	–	0.0%
6	Institutions	87.3	–	87.3	–	13.0	14.9%
7	Corporates	29.4	–	29.4	–	28.1	95.4%
8	Retail	6,604.4	12,363.0	6,604.4	–	4,953.3	75.0%
10	Exposures in default	111.2	–	111.2	–	111.2	100.0%
12	Covered bonds	266.5	–	266.5	–	26.7	10.0%
15	Equity exposures	155.7	–	155.6	–	389.1	250.0%
16	Other exposures	237.9	–	238.0	–	139.9	58.8%
17	**Total**	**8,778.3**	**12,363.0**	**8,778.3**	**–**	**5,749.8**	**65.5%**

Credit Risk (continued)

		February 2021					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
		On balance sheet exposures	Off-balance sheet exposures	On balance sheet exposures	Off-balance sheet amount	RWAs	RWA density (%)
		a	b	c	d	e	f
		£m	£m	£m	£m	£m	
	Exposure Class						
1	Central governments or central banks	815.6	–	869.8	–	72.4	8.3%
2	Regional governments or local authorities	6.5	–	6.5	–	1.3	20.0%
3	Public sector entities	54.2	–	–	–	–	0.0%
4	Multilateral development banks	435.1	–	435.1	–	–	0.0%
6	Institutions	107.0	–	107.0	–	17.6	16.4%
7	Corporates	30.8	–	30.8	–	28.8	93.5%
8	Retail	6,595.7	12,668.0	6,595.7	–	4,946.9	75.0%
10	Exposures in default	152.2	–	152.2	–	152.2	100.0%
12	Covered bonds	298.9	–	298.9	–	29.9	10.0%
15	Equity exposures	67.6	–	67.6	–	168.8	250.0%
16	Other exposures	289.2	–	289.2	–	207.2	71.6%
17	**Total**	**8,852.8**	**12,668.0**	**8,852.8**	**–**	**5,625.1**	**63.4%**

Note: In accordance with CRR, Public Sector Entities that are the subject of an explicit guarantee from the Central Government or Central Bank are treated as exposures to the central government, regional government or local authority in whose jurisdiction they are established.

Analysis of Credit Risk Mitigation

Use of External Credit Assessment Institutions' Ratings

The Group complies with the credit quality assessment scale with the appropriate issue or issuer rating used to determine the risk weightings applied under the Standardised Approach to Credit Risk.

The exposure amounts and the external credit ratings issued by Fitch have been included for corporates, institutions and covered bonds as required by the CRR. For completeness the ratings of central governments and banks have also been included, in line with the defined risk weightings set out in the CRR. The following table provides additional information on the use of external credit ratings.

UK CRD: Institution's use of external credit ratings under the Standardised Approach for credit risk

The following table provides additional information on the use of external credit ratings.

	February 2022							
	Credit Quality Step 1	Credit Quality Step 2	Credit Quality Step 3	Credit Quality Step 4	Credit Quality Step 5	Credit Quality Step 6	Unrated or Defined Risk Weight in	Total
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to BB-	B+ to B-	CCC+ and below	CRR	
Exposure Class	£m	£m	£m	£m	£m	£m	£m	£m
Central governments or central banks	–	–	–	–	–	–	819.3	819.3
Regional governments or local authorities	–	–	–	–	–	–	2.5	2.5
Public sector entities	–	–	–	–	–	–	36.0	36.0
Multilateral development banks	–	–	–	–	–	–	428.1	428.1
Institutions	51.7	20.5	–	–	–	–	15.1	87.3
Corporates	–	1.8	8.5	–	–	–	19.1	29.4
Retail	–	–	–	–	–	–	18,967.4	18,967.4
Exposures in default	–	–	–	–	–	–	111.2	111.2
Covered bonds	266.5	–	–	–	–	–	–	266.5
Equity exposures	–	–	–	–	–	–	155.7	155.7
Other exposures	–	–	–	–	–	–	237.9	237.9
Total	**318.2**	**22.3**	**8.5**	**–**	**–**	**–**	**20,792.3**	**21,141.3**

Credit Risk (continued)

	February 2021							
Fitch	Credit Quality Step 1 AAA to AA-	Credit Quality Step 2 A+ to A-	Credit Quality Step 3 BBB+ to BB-	Credit Quality Step 4 BB+ to BB-	Credit Quality Step 5 B+ to B-	Credit Quality Step 6 CCC+ and below	Unrated or Defined Risk Weight in CRR	Total
Exposure Class	£m	£m	£m	£m	£m	£m	£m	£m
Central governments or central banks	–	–	–	–	–	–	815.6	815.6
Regional governments or local authorities	–	–	–	–	–	–	6.5	6.5
Public sector entities	–	–	–	–	–	–	54.2	54.2
Multilateral development banks	–	–	–	–	–	–	435.1	435.1
Institutions	80.2	6.8	–	–	–	–	20.0	107.0
Corporates	–	1.9	7.6	–	–	–	21.3	30.8
Retail	–	–	–	–	–	–	19,263.7	19,263.7
Exposures in default	–	–	–	–	–	–	152.2	152.2
Covered bonds	298.9	–	–	–	–	–	–	298.9
Equity exposures	–	–	–	–	–	–	67.6	67.6
Other exposures	–	–	–	–	–	–	289.2	289.2
Total	**379.1**	**8.7**	**7.6**	**–**	**–**	**–**	**21,125.4**	**21,520.8**

UK CR5: Standardised Approach - breakdown of exposures under the Standardised Approach by asset class and risk weight

The following table provides additional information on exposures split by asset class and risk weight. Please note only applicable risk weights are disclosed in the following table.

		February 2022									
		Risk Weight								Total	Of which: unrated
		0%	2%	10%	20%	50%	75%	100%	250%		
		a	b	d	e	g	i	k	n	p	q
	Exposure Class	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	820.1	–	–	–	–	–	–	35.2	**855.3**	855.3
2	Regional government or local authorities	–	–	–	2.5	–	–	–	–	**2.5**	2.5
3	Public sector entities	–	–	–	–	–	–	–	–	**–**	–
4	Multilateral development banks	428.1	–	–	–	–	–	–	–	**428.1**	428.1
6	Institutions	–	25.3	–	61.9	–	–	0.1	–	**87.3**	15.1
7	Corporates	–	–	–	–	1.8	–	27.6	–	**29.4**	19.1
8	Retail exposures	–	–	–	–	–	6,604.4	–	–	**6,604.4**	6,604.4
10	Exposures in default	–	–	–	–	–	–	111.2	–	**111.2**	111.2
12	Covered bonds	–	–	266.5	–	–	–	–	–	**266.5**	–
15	Equity exposures	–	–	–	–	–	–	–	155.7	**155.7**	155.7
16	Other items	11.1	–	–	108.6	–	–	118.2	–	**237.9**	237.9
17	**Total**	**1,259.3**	**25.3**	**266.5**	**173.0**	**1.8**	**6,604.4**	**257.1**	**190.9**	**8,778.3**	**8,429.3**

		February 2021									
		Risk Weight								Total	Of which: unrated
		0%	2%	10%	20%	50%	75%	100%	250%		
		a	b	d	e	g	i	k	n	p	q
	Exposure Class	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	840.8	–	–	–	–	–	–	29.0	**869.8**	869.8
2	Regional governments or local authorities	–	–	–	6.5	–	–	–	–	**6.5**	6.5
3	Public sector entities	–	–	–	–	–	–	–	–	**–**	–
4	Multilateral development banks	435.1	–	–	–	–	–	–	–	**435.1**	435.1
6	Institutions	–	21.2	–	85.8	–	–	–	–	**107.0**	20.0
7	Corporates	–	–	–	–	1.9	–	28.9	–	**30.8**	21.3
8	Retail exposures	–	–	–	–	–	6,595.7	–	–	**6,595.7**	6,595.7
10	Exposures in default	–	–	–	–	–	–	152.2	–	**152.2**	152.2
12	Covered bonds	–	–	298.9	–	–	–	–	–	**298.9**	–
15	Equity exposures	–	–	–	–	–	–	–	67.6	**67.6**	67.6
16	Other items	10.9	–	–	88.9	–	–	189.4	–	**441.2**	289.2
17	**Total**	**1,286.8**	**21.2**	**298.9**	**181.2**	**1.9**	**6,595.7**	**370.5**	**96.6**	**9,004.8**	**8,457.4**

Credit Risk (continued)

Non Trading Book Exposures in Equities

The Group's non trading book exposure in equities relates to its investment in TU. TU is a subsidiary offering general insurance products to the Group's customers. The subsidiary is fully consolidated in the Annual Report and Financial Statements of both Tesco Personal Finance Group plc and the Company and is outside of the scope of regulatory consolidation. This equity position in the non-trading book is held as a strategic shareholding.

The investment in TU is valued at cost less any provision for impairment. At 28 February 2022 this investment was valued at £184.1m (2021: £60.6m), with the increase representing the purchase of Ageas' 50.1% shareholding earlier in the year. The Group has made the required deductions relating to this investment from Tier 1 capital and risk weighted the remaining value of the investment at 250%.

Counterparty Credit Risk (CCR)

Counterparty Credit Risk Management

CCR is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for derivative financial instruments, securities financing transactions and long-dated settlement transactions. As at 28 February 2022, the Group has an undrawn £200.0m committed structured repurchase facility and has no long-dated settlement transactions.

Controls and risk mitigants

All derivative transactions are governed by industry standard ISDA Master Agreements, supplemented by ISDA Credit Support Annexes for a number of counterparties. Information relating to policies used in the management of Wholesale Credit Risk, is provided on Page 36 to Page 37.

Policies are in place which allow the use of credit risk mitigation to reduce CCR. As at 28 February 2022 no use has been made of collateral other than under industry standard ISDA agreements, ISDA Credit Support Annexes used in relation to derivative transactions and Global Master Repurchase Agreements used in relation to repurchase transactions.

The Group in its ordinary course of business uses over the counter derivatives and forward foreign exchange transactions to hedge interest rate and foreign exchange risk.

Counterparty Credit Risk under the Original Exposure Method (OEM) Approach

The CCR OEM is used to measure the exposure value calculated as replacement cost plus an add-on for PFE, prior to being risk weighted under the Standardised Approach. The Group recognises the effects of netting as risk reducing in accordance with the CRR allowing the Group to calculate its derivative exposure as the positive net replacement cost plus a reduced potential future exposure (PFE).

As at 28 February 2022, the Group had a public credit rating of BBB. The Group is not required to post additional collateral in the event of a downgrade in credit rating. The Group has no exposure to credit derivative transactions.

UK CCR1: Analysis of CRR exposure by approach

The following table provides a breakdown of the Counterparty Credit Risk by approach used in calculation.

		February 2022							
		Replacement cost (RC)	Potential futures exposure (PFE)	EEPE	Alpha used for computing regulatory exposure	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
		£m	£m	£m	£m	£m	£m	£m	£m
UK1	Original Exposure Method (for derivatives)	0.4	0.1	–	1.4	0.7	0.7	0.7	0.1
3	Financial collateral simple method (for SFTs)	–	–	–	–	18.7	18.7	18.7	9.3
6	**Total**					**19.4**	**19.4**	**19.4**	**9.4**

Counterparty Credit Risk (CCR) (continued)

UK CCR2: Transactions subject to own funds requirements for CVA risk

The following table provides the CVA regulatory calculations with a breakdown by approach

		February2022 Exposure Value	RWEA	February 2021 Exposure Value	RWEA
		a	b	a	b
		£m	£m	£m	£m
1	Total portfolios subject to the Advanced method	–	–	–	–
2	(i) VaR component (including the 3x multiplier)		–		–
3	(ii) Stressed VaR component (including the 3x multiplier)		–		–
4	All portfolios subject to the Standardised Method	0.7	0.1	–	–
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	–	–	–	–
5	**Total transactions subject to own funds requirements for CVA risk**	**0.7**	**0.1**	**–**	**–**

UK CCR3: Standardised Approach - CCR exposures by regulatory exposure class and risk weights

The following table provides a breakdown of CCR exposures calculated by portfolio and by risk weight.

		February 2022 Risk Weight			February 2022 Total exposure value	February 2021 Risk Weight			February 2021 Total exposure value
		2%	20%	50%		2%	20%	50%	
		b	e	g	l	b	e	g	l
	Exposure class	£m	£m	£m	£m	£m	£m	£m	£m
6	Institutions	–	0.7	18.7	19.4	4.4	–	–	4.4
11	**Total exposure value**	**–**	**0.7**	**18.7**	**19.4**	**4.4**	**–**	**–**	**4.4**

UK CCR5: Composition of collateral for CCR exposures

The following table provides the breakdown of collateral received and posted.

	February 2022					
	Collateral used in derivative transactions				Collateral used in securities financing transactions (SFTs)	
	Fair value of collateral received (£ms)		Fair value of collateral posted (£ms)		Fair value of collateral received (£m)	Fair value of collateral posted (£m)
	Segregated (£m)	Unsegregated (£m)	Unsegregated (£m)			
	£'s	£'s	£'s	£'s	£'s	£'s
1 Cash	22.3	0.4	25.3	–	–	–
5 Total	**22.3**	**0.4**	**25.3**	**–**	**–**	**–**

UK CCR8: Exposures to CCPs

The following table provides additional information on the exposures to Central Counterparties (CCPs).

		February 2022 Exposure value (£m)	RWEA (£m)
		a	b
1	Exposures to QCCPs (total)		0.4
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	18.2	0.4
3	(i) OTC derivatives	18.2	0.4
7	Segregated initial margin	25.3	
11	Exposures to non-QCCPs (total)		–

Securitisation and Covered Bond Exposures

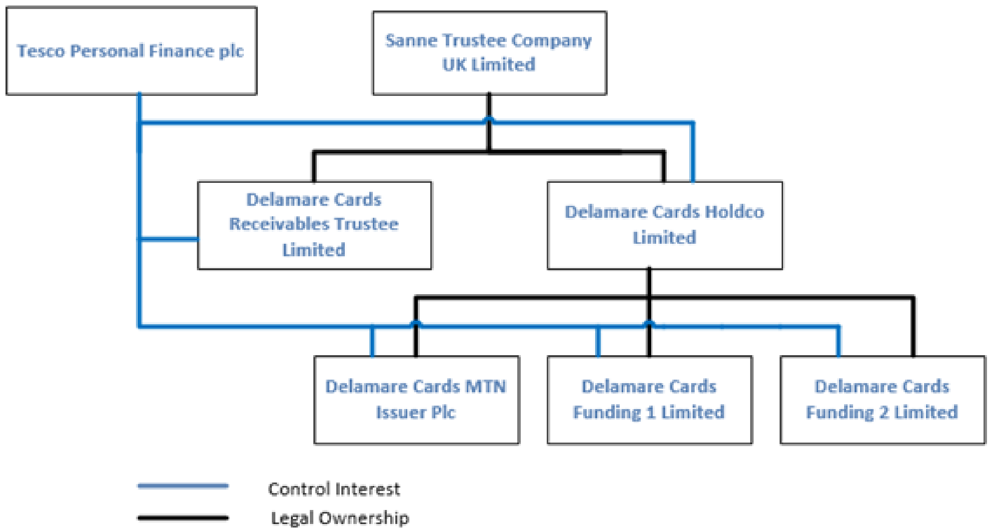
A securitisation is defined as a transaction where the payments are dependent upon the performance of a single exposure or pool of exposures, where the subordination of tranches determines the distribution of losses during the life of the transaction.

The principal objective within all the Group's securitisation activity is funding diversification on the basis that securitisation provides access to secured term funding from a wide range of investors in different geographical areas.

The Group has undertaken a number of securitisation transactions, having assigned a portion of its credit card receivables to a Special Purpose Entity (Delamare Cards Receivables Trustee Ltd). These receivables support the Group's issuance of credit card asset backed securities as their respective revenue and principal cash flows are transferred to the Special Purpose Entity facilitating both expense and securities payments. Although none of the equity of the securitisation Special Purpose Entity is owned by the Group, the nature of these entities, which are in substance controlled by the Group, mean that it retains substantially all of the risks and rewards of ownership of the securitised credit card receivables. The accounting policies in relation to the Group's securitisation activity are disclosed within the Annual Report and Financial Statements of both Tesco Personal Finance plc and Tesco Personal Finance Group plc: https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Both the underlying assets and the securitisation bonds are held at amortised cost. For accounting purposes, the securitisation Special Purpose Entity is consolidated within the Group as the substance of the relationship and retention of risk and rewards indicates control is retained.

The following diagram details the securitisation Special Purpose Entities:



The Group operates within the securitisation markets and covered bond markets as an investor, purchasing only ABS backed by Group assets (own name securities) and covered bonds for the purposes of diversifying its wholesale assets as part of managing its overall liquid asset buffer.

The Group does not hold any re-securitisation positions and is not active in synthetic securitisation. The Group does not act as a sponsor to any securitisations and it does not provide liquidity facilities to either its originated asset backed securities or any third-parties involved in securitisation activity.

Securitisation and Covered Bond Exposures (continued)

As at 28 February 2022, Delamare Cards MTN Issuer plc had £1,840.0m (2021: £1,840.0m) notes in issue in relation to securitisation transactions, of which £1,550.0m are rated AAA by S&P Global Ratings Europe Limited and Fitch Ratings Limited. Additionally, the AAA rated notes in issue (£1,550.0m) have been notified to the FCA as being compliant with the "Simple, Transparent and Standardised" (STS) criteria set out in the Securitisation (Amendment) (EU Exit) Regulations 2019 (as so amended, and together with the EU Securitisation Regulation (EU) 2017/2402). At the year end the Group had pledged £2,966.8m (2021: £2,959.5m) of credit card assets in Delamare Special Purpose Entities. The beneficial interest of these assets has been assigned to Delamare Cards Receivables Trustee Limited.

The following table presents the retained securitisation exposures for the Group.

UK SEC1: Securitisation exposures in the non-trading book

		February 2022						
		Institution acts as originator						
		Traditional				Synthetic		Sub-total
		STS		Non-STS				
			Of which SRT		Of which SRT		Of which SRT	
		a	b	c	d	e	f	g
		£m	£m	£m	£m	£m	£m	
1	Total exposures	1,550.0	–	290.0	–	–	–	1,840.0
2	Retail (total)	1,550.0	–	290.0	–	–	–	1,840.0
4	Credit card	1,550.0	–	290.0	–	–	–	1,840.0

		February 2021						
		Institution acts as originator						
		Traditional				Synthetic		Sub-total
		STS		Non-STS				
			Of which SRT		Of which SRT		Of which SRT	
		a	b	c	d	e	f	g
		£m	£m	£m	£m	£m	£m	
1	Total exposures	1,550.0	–	290.0	–	–	–	1,840.0
2	Retail (total)	1,550.0	–	290.0	–	–	–	1,840.0
4	Credit card	1,550.0	–	290.0	–	–	–	1,840.0

The following table presents the exposures securitised by the Group.

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

		February 2022		
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		
			Of which exposures in default	Total amount of specific credit risk adjustments made during the period
		a	b	c
		£m	£m	£m
1	Total exposures	2,966.8	112.0	175.0
2	Retail (total)	2,966.8	112.0	175.0
4	Credit card	2,966.8	112.0	175.0

The Group invests in covered bond securities where preferential capital treatment is permitted. Bonds acquired are held as Investment Securities on the balance sheet. At 28 February 2022, the Group's exposure to covered bonds amounted to £266.5m (2021: £298.9m).

Risks Inherent in Securitised and Covered Bond Assets

The Group is exposed to limited risk as it purchases only own name ABS, however one of the inherent risks when purchasing Class A securities is the loss of eligibility of these securities for Central Bank pre-positioning or market repo. This can be mitigated by the Group via established monitoring and remedial processes that apply to both the securitisation and the wider funding plan.

Securitisation and Covered Bond Exposures (continued)

The Group's credit card securitisation programme itself is flexible in terms of structure and enhancement and can respond to stresses experienced by the underlying assets. The Group regularly assesses securitisation asset performance and models its cash flows to take account of Liquidity Risk, Currency Risk, Operational Risk, market prices / yields and any Counterparty Credit Risk.

The risks inherent in covered bonds relate primarily to the financial strength of the issuer and to the underlying assets used as collateral for the bonds. A credit assessment of the issuer's financial strength is undertaken at point of purchase together with a due diligence assessment of the bond structure and underlying assets on at least a quarterly basis. The due diligence includes a review of areas such as arrears levels and collateral arrangements. An annual review of the issuer's financial strength is also undertaken.

Approach to Calculating Risk Weighted Exposure Amounts

The Group adopts the Standardised Approach in relation to all types of securitisation and covered bond exposures. For covered bond investments, risk weighted exposure amounts are calculated using the credit quality steps prescribed in the CRR. Significant Risk Transfer in relation to the Group's securitisation is not achieved and so the underlying credit card assets remain on balance sheet and are classified as Retail exposures and risk weighted accordingly.

Encumbered and Unencumbered Assets

Asset encumbrance represents a claim to an asset by another party in the form of a security interest such as a pledge. Encumbrance reduces the assets available and therefore, the recovery rate of its depositors and other unsecured bank creditors. An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

The Group has adopted the definition of encumbrance in accordance with the PRA Rulebook.

The Group's Asset Encumbrance Disclosure

The Group maintains limits for total encumbrance and product encumbrance for Credit Cards and Personal Loans as part of the Risk Appetite process. Pledging assets as part of secured funding and repo markets activity give rise to encumbrance. The majority of the Group's unencumbered assets are not deemed as available for encumbrance since the Group only encumbers balances relating to Credit Cards, Personal Loans, Debt Securities, derivative margin and balances ringfenced with the Bank of England. Encumbrance levels are monitored on a regular basis to review and reduce over collateralisation where possible. No intergroup encumbrance is undertaken.

The Group’s total encumbrance ratio was 21% as at 28 February 2022 (2021: 11%). The increase in the encumbrance ratio is due to additional funds being placed with the BoE in relation to TFSME and a repo transaction. The asset encumbrance ratio is calculated as (total encumbered assets + total collateral received which has been re-used for refinancing transactions) divided by (total assets + total collateral received which is available for encumbrance).

Asset values reported in the tables are medians of the quarterly values over the year ended 28 February 2022.

UK AE1: Encumbered and unencumbered assets

		February 2022							
		Carrying amount of encumbered assets		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which eligible EHQLA and HQLA		of which eligible EHQLA and HQLA
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
		010	**030**	**040**	**050**	**060**	**080**	**090**	**100**
010	**Assets of the reporting institution**	**2,034.0**	**60.9**			**6,743.0**	**1,225.0**		
030	Equity Instruments	–	–	–	–	3.5	–	3.6	–
040	Debt securities	60.9	60.9	61.3	–	862.6	862.6	857.3	857.3
120	Other assets	2,003.7	–			5,874.2	378.3		

		February 2021							
		Carrying amount of encumbered assets		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
		010	**030**	**040**	**050**	**060**	**080**	**090**	**100**
010	**Assets of the reporting institution**	**1,320.4**	**61.2**			**8,388.6**	**1,682.5**		
030	Equity Instruments	–	–	–	–	3.6	–	3.6	–
040	Debt securities	61.2	61.2	62.2	–	772.4	772.4	792.5	792.5
120	Other assets	1,259.1	–			7,613.5	868.8		

Encumbered and Unencumbered Assets

UK AE2 : Collateral received and own debt securities issued

		February 2022				February 2021			
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
		010	020	030	040	010	020	030	040
130	Collateral received by the reporting institution	–	–	–	–	–	–	–	–
140	Loans on demand	–	–	–	–	–	–	–	–
150	Equity instruments	–	–	–	–	–	–	–	–
160	Debt securities	–	–	–	–	–	–	–	–
170	of which: covered bonds	–	–	–	–	–	–	–	–
180	of which: securitisations	–	–	–	–	–	–	–	–
190	of which: issued by general government	–	–	–	–	–	–	–	–
200	of which: issued by financial corporations	–	–	–	–	–	–	–	–
210	of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
220	Loans and advances other than loans on demand	–	–	–	–	–	–	–	–
230	Other collateral received	–	–	–	–	–	–	–	–
240	Own debt securities issued other than own covered bonds or securitisations	–	–	–	–	–	–	–	–
241	Own covered bonds and asset-backed securities issued and not yet pledged	–	–	542.7	–	–	–	1,550.0	–
250	**Total assets, collateral received and own debt securities issued**	**2,034.0**	**60.9**	**–**	**–**	**1,320.4**	**61.2**	**–**	**–**

UK AE 3: Sources of encumbrance

		February 2022		February 2021	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		£m	£m	£m	£m
		010	030	010	030
010	Carrying amount of selected financial liabilities	1,103.3	1,961.5	890.7	1,231.0

Market Risk

Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank's earnings or economic value.

The Group assesses Interest Rate Risk in the Banking Book (IRRBB) by measuring the value risk to equity capital and future earnings sensitivity under specific interest rate scenarios. The Group assesses its exposure to Foreign Exchange (FX) Risk by measuring its net open currency position.

Risk Appetite Statement

The Group has established a Risk Appetite for Market Risk arising from its core business of providing retail banking products. Proprietary risk taking is not permitted. This Risk Appetite statement is implemented via the Group's Market Risk Policy.

Risk Appetite Measures

The Group's Market Risk Appetite statement defines limits for the following Market Risk measures: -

- Capital at Risk (CaR): measures the value risk to equity capital under adverse interest rate scenarios. The measure is based on conditional cash flow modelling under the assumption that the timing and amount of cash flows is dependent on the specific interest rate scenario. The cash flows in CaR are modelled on a run-off basis where existing banking book positions amortise and are not replaced by new business. The Group defines a net equity capital (known as Net Free Reserves) that is eligible for behavioural treatment; since equity capital has no contractual reset date, the Group determines its own investment term assumption whereby its interest rate sensitivity is considered. This investment term is approved by the Board and is intended to stabilise both earnings and economic value sensitivity as interest rates change.

- Annual Earnings at Risk (AEaR): measures the sensitivity of the Bank's forecast earnings (over the next 12 months), in response to adverse movements in interest rates and basis risk scenarios. The measure is based on the same conditional cash flow assumptions used in CaR but is measured on a dynamic balance sheet which is aligned to the Long-Term plan of the Group, incorporating future business expectations.

- Net Open Currency Position: measures the Bank's net open currency position aggregated across all currencies.

The scenarios considered for CaR include both parallel and non-parallel movements of the yield curve and have been designed to assess impacts across a suitable range of severe but plausible movements in interest rates.

The Group assesses the AEaR measure by considering the impact of a +/- 0.25%, 0.50%, 0.75%, 1 % shock in rates versus the base case scenario.

Controls and risk mitigants

- The Board approved Market Risk Policy provides direction to all staff with responsibility for managing market risk and defines the approach the Group must apply to measure, monitor, and control Market Risk. The Group's Market Risk Appetite statement is documented within this policy which includes specific limits on Market Risk measures.

- The Treasury Function implement and operate systems and standards for measuring Market Risk including a comprehensive reporting suite for the BRC and the ALCo including timely updates in response to changing market conditions. The Treasury Function ensures compliance with the Board's Market Risk Appetite statement by implementing hedging strategies such as the use of derivatives to hedge any residual risks.

Market Risk (continued)

- The Second Line of Risk Management independently validates measurement systems and models used to assess the Group's Market Risk exposures; and provides oversight and challenge on Market Risk reporting, management strategies and other related matters.

- Per the SMCR and via the ALCo, the Chief Financial Officer is responsible for understanding and assessing the performance of the Treasury Function in monitoring and controlling Market Risk within Board approved limits. The purpose of the Group's ALCo is to support the Chief Financial Officer by providing oversight and challenge in relation to principal Treasury risks including Market Risk; the ALCo has representation from various First Line of Risk Management functions including Treasury, Finance and Commercial plus Second and Third Line of Risk Management representatives.

Market Risk Capital Requirements under the Standardised Approach

The Group calculates its capital requirements for Market Risk in line with the requirements of CRR. In making this calculation, the Group assesses its capital requirement against three specific areas:

- Position Risk;

- FX Risk; and

- Commodities Risk.

The Group has no requirement to hold capital for either Position Risk or Commodities Risk since it is not exposed to either of these risks. In relation to FX Risk, there is no capital requirement since the Group does not exceed the de minimis trigger which would then require Own Funds to be held.

Foreign Exchange Risk

Foreign Exchange Risk is the risk that the value of transactions in currencies other than sterling are altered by the movement of exchange rates.

The Group's Risk Appetite permits investment in non-sterling denominated bonds and the Group may also raise funding from the wholesale markets in currencies other than sterling. Foreign exchange exposure arises if these exposures are not hedged. Foreign exchange exposure may also arise through its 'Click & Collect' Travel Money product and through invoices received which are denominated in foreign currencies.

Controls and risk mitigants

Substantially all non-domestic currency exposure is hedged to reduce exposure to a minimum level, within Board approved limits. The residual exposure is not material and as such, no sensitivity analysis is disclosed.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current or prospective risk to both earnings and economic value arising from movements in interest rates. The main sub-types of IRRBB include gap risk (or repricing risk), basis risk and customer optionality risk.

The Group offers lending and savings products with varying interest rate features and maturities which create re-pricing mismatches and therefore potential interest rate risk exposures. The Group is therefore exposed to interest rate risk through its retail banking products as well as through its limited wholesale market and therefore potential interest rate risk exposures. IRRBB is the main Market Risk that could affect the Group's net interest income.

Controls and risk mitigants

The main hedging instruments used to hedge IRRBB exposures are interest rate swaps; any residual exposures are then assessed against Board approved limits under various interest rate scenarios that consider changes in the level and shape of the yield curve, and changes in the relationship between different rate indexes.

Market Risk (continued)

On a monthly basis the Treasury Function measures and reports the Group's CaR and AEaR results to the Treasury Committee, ALCo, ERC and the Board.

IRRBB - Risk Measurement

The Group measures and controls its IRRBB exposures by assessing the CaR and AEaR measures against Board approved Risk Appetites. The interest rate shock scenarios considered include both parallel and non-parallel movements of the yield curve and have been designed to assess impacts across a suitable range of severe but plausible movements in interest rates.

Table UK IRRBB1 provides information on the following IRRBB measures: -

- Changes to Economic Value of Equity (ΔEVE): measures the market value risk where equity is excluded from the cash flows and is measured by subtracting the net present value of total liabilities from the net present value of total assets. Similar to CaR, the measure is based on conditional cash flow modelling and is modelled on a run-off basis.

- Changes to Net Interest Income (ΔNII): measures changes in future interest income over a rolling 12-month period, which includes expected cash flows (such as commercial margins and other spread components) arising from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book. It is computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features.

For the computation of ΔEVE, commercial margins and other spread components have been excluded from both the cash flows and discount rates. The assumptions applied to estimate prepayment rates on customer loans, and early withdrawal rates on customer deposits, are based on historical experience and considers dimensions influencing such behaviours, including seasonality, and both original and residual terms.

For IRRBB modelling, Non-Maturity Deposits (NMDs) are identified and determined as either stable or non-stable based on observed customer behaviours; the stable NMD portion is the portion that is found to remain undrawn with a high degree of likelihood. Core NMDs are then the proportion of stable NMDs which are unlikely to reprice even under significant changes in the interest rate environment. NMDs are slotted into appropriate buckets with non-core deposits considered as overnight deposits and are therefore placed into the shortest/overnight time bucket. The average repricing maturity assigned to Non-Maturity Deposits as at Feb-22 was 9 months; the longest repricing maturity is 5 years.

UK IRRBB1: Quantitative information on IRRBB

	ΔEVE (£m)		ΔNII (£m)		Tier 1 capital (£m)	
	a	b	c	d	e	f
	February 2022	February 2021	February 2022	February 2021	February 2022	February 2021
Parallel shock up	(29.5)	(56.5)	9.9	3.2		
Parallel shock down	(10.4)	(1.3)	(25.9)	(14.1)		
Steepner shock	(0.1)	(3.4)				
Flattener shock	(11.1)	(25.3)				
Short rates shock up	(18.6)	(40.8)				
Short rates shock down	0.2	1.0				
Maximum Exposure	(29.5)	(56.5)	(25.9)	(14.1)		
Tier 1 capital					1,688.4	1,728.7
Maximum/Tier 1 Capital					1.8%	3.3%

There are certain modelling assumptions used in the Group's internal view of IRRBB (CaR / AEaR) that differ from the common assumptions, referred to in Article 98(5a) of Directive 2013/36/EU, that are used in Table UK IRRBB1. These differences are described below: -

- Dynamic Balance Sheet – to consider the impact of future business, AEaR is measured on a dynamic balance

Market Risk (continued)

sheet which is aligned to the Long-Term plan of the Group, whereas the changes in Net Interest Income (ΔNII) measure assumes a constant balance sheet. In an upward rate scenario, this results in a higher exposure when comparing to ΔNII due to the inclusion of future non-interest rate assets (such as Credit Cards) which are assumed to be funded by rate sensitive liabilities.

- Net Free Reserves – in CaR the Group defines a net equity capital (known as Net Free Reserves) that is eligible for behavioural treatment; since equity capital has no contractual reset date, the Group determines its own investment term whereby its interest rate sensitivity is considered. This investment term assumption is approved by the Board and is intended to stabilise both earnings and economic value sensitivity as interest rates change. In the Economic Value of Equity (ΔEVE) measure no rate or term is applied to equity itself, it is therefore excluded from the cashflows. This results in a higher exposure to upward rate scenarios due to the removal of the NPV benefit associated with equity when applying a behavioural treatment.

Hedge accounting

The Group uses derivative financial instruments for the purpose of providing an economic hedge to its exposures to interest rate and foreign exchange risks as they arise from operating, financing and investing activities and where the risk is not mitigated by natural offsetting. Derivative financial instruments are initially recognised at fair value on the contract date and are remeasured at fair value at subsequent reporting dates. Examples of instruments used are interest rate swaps and FX forwards.

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges, where it is efficient to do so and the relevant criteria are met. This attempts to match any gains or losses on the fair value of the hedged item attributable to the risk being hedged (e.g. Personal Loan or Savings portfolio) with the losses or gains on the fair value of the hedging instrument (e.g. interest rate swap) so that they are recognised in the Income Statement or Other Comprehensive Income, as appropriate, in the same accounting period. Through this matching process, the volatility in the Income Statement is either reduced or eliminated.

The Group has implemented IFRS 9 'Financial Instruments' hedge accounting requirements in respect of its fair value hedges of the Group's investment securities and its cash flow hedges. As permitted under IFRS 9, the Group has elected to continue to apply the existing hedge accounting requirements of International Accounting Standard (IAS) 39 'Financial instruments: Recognition and measurement' for its portfolio hedge accounting (i.e. on the Personal Loan and Fixed Rate Saver portfolios) until the new macro hedge accounting standard is implemented.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Operational Risk

Operational Risk is the risk of a potential error, loss, harm or failure caused by ineffective or inadequately defined processes, systems failures, improper conduct, human error or from external events. The Group is subject to the Standardised Approach to calculate Pillar 1 operational risk capital, as outlined in the CRR.

Risk Appetite Statement

The Group's Risk Appetite is to:

- Maintain an effective control environment and limit risk events that cause material customer detriment and/or financial loss;
- Accept only a low number of material events, assurance and audit findings; and
- Accept operational losses (excluding fraud) of no more than 1.6% of income.

Risk Appetite Measures

- Operational losses (Non-Fraud);
- Material events (12-month average);
- Number of open and overdue assurance issues raised by the Second and Third Lines of Risk Management;
- Supplier performance, service and risk rating for Segment A and B suppliers;
- Infrastructure resilience including single points of failure;
- Service availability;
- Information Security policy coverage and compliance;
- Business continuity plans, business impact assessments and Work Area Recovery testing in place; and
- Risk and control Self-Assessment overall control effectiveness.

Controls and risk mitigants

The Group's risks are assessed utilising a Risk Management Framework which is aligned to the Three Lines of Risk Management model. The Chief Risk Officer and the Head of Operational Risk, together with a dedicated Operational Risk team, are responsible for:

- developing and maintaining the Operational Risk policy;
- working with relevant business areas to make sure that First Line of Risk Management responsibilities are understood and that those responsibilities are executed as defined in the Risk Management Framework;
- supporting relevant business areas to embed policies and controls, instilling a positive risk management culture; and
- independent monitoring, assessing and reporting on Operational Risk profiles and losses.

Operational Risk (continued)

Second Line of Risk Management maintains policies defining the minimum requirements for the management of Operational Risk and Financial Crime.

Business units and functions assess operational risks on an ongoing basis via a prescribed Risk and Control Self-Assessment process and operational risk scenario analysis. The Risk and Control Self-Assessment process is reviewed and updated on a timely basis by the First Line of Risk Management to reflect the risk and control environment and any changes arising from changes in products, processes and systems. The outputs are reported to relevant governance bodies, including the BRC. This is supplemented further by an event management process and regular reporting of the operational risk profile to the ERC which provides oversight of the Group's Operational Risk profile.

The operational risk scenario analysis builds on the Risk and Control Self-Assessment process and event management process to identify the forward-looking risk profile and the results are used to inform the Board's decision on any additional requirement for operational risk capital under Pillar 2.

Economic environment impact and responses

The Group's continued priority throughout the year has been helping customers and colleagues through the many challenges created by the current economic environment. The Group continues to face a number of operational risks including a high proportion of colleagues working from home for extended periods; the need to implement social distancing measures across the Group's premises for colleagues unable to work from home; and the ongoing potential for the Group's suppliers to be impacted by disruption to the global supply chain and labour market.

The Group has served and supported its customers, including the provision of payment holidays and additional support for vulnerable customers, while maintaining the safety and well-being of colleagues and has transitioned new working practices to business-as-usual. The actions taken included enhancing homeworking capability and testing different ways of working for colleagues. Close monitoring remains in place to ensure that the Group's critical functions continue to be resilient.

Regulators have been consistently updated with progress through regular and ad-hoc management information and relationship meetings.

A significant number of services and processes are provided by third-party service providers and a key operational risk is the failure of an outsourced service provider.

The Procurement and Supplier Management Framework provides an appropriate and consistent approach to procurement and the management of suppliers to ensure the Group is able to effectively engage, manage and terminate supplier relationships.

Procurement and Supplier Management Framework supports the relevant Group policies applicable to procurement and supplier management and enables the Group to meet its regulatory requirements, understand and manage supplier and service risk effectively, and take a consistent approach to supplier relationships.

Increased market demand for specialist personnel could result in increased costs of recruitment and retention or reduced organisational effectiveness if a sufficient number of skilled staff cannot be employed or retained.

Operational Risk (continued)

Minimum own funds requirements

The Group uses the Standardised Approach to calculate Pillar 1 operational risk capital, as outlined in the CRR. The following table show the operational risk own funds requirements.

UK OR1: Operational risk own funds requirements and risk-weighted exposure amounts

					February 2022	
		Relevant indicator (£m)			Own funds requirements (£m)	Risk weighted exposure amount (£m)
	Banking activities	Year-3	Year-2	Last Year		
		a	b	c	d	e
1	Banking activities subject to basic indicator approach (BIA)	–	–	–	–	–
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	877.7	631.7	633.0	85.8	1,072.3
3	*Subject to TSA:*	877.7	631.7	633.0		
4	*Subject to ASA:*	–	–	–		
5	Banking activities subject to advanced measurement approaches AMA	–	–	–	–	–

Financial Crime & Fraud

Financial Crime and Fraud Risk is the risk of sanctions, losses or reputational damage resulting from internal or external fraud, money laundering, failure to identify sanction matches, bribery / corruption, and cyber-crime. Financial Crime and fraud are significant drivers of Operational Risk and the external threat continues to be a high priority area of risk management across the Financial Services industry.

Controls and risk mitigants

The Group has a suite of policies that provide clear standards for the management of financial crime risks. The Group has a dedicated Financial Crime team that continually monitors emerging risks and threats through engaging with industry experts to identify and manage the risks. Regular updates are provided to Executive and Board level committees.

Technology Risk

Technology Risk is the risk the Group's IT architecture does not align to business objectives and that poor performance and availability impact our customers or operations. As primarily a digital bank, technology is a key element in providing services to our customers in a consistent and secure manner. Causes of technology outages across the industry include failed change, third-party failures, shadow IT risks or security events.

Controls and risk mitigants

The Group manages technology and technology risk through its Information Technology team and has aligned key processes and controls with industry recognised standards such as ITIL (Information Technology Infrastructure Library) and NIST (National Institute of Standards and Technology). Regular reporting on technology services and technology risk are provided to the Group's ExCo, ERC, BRC and the Board.

The Group has identified shadow IT, relating to IT systems used by the business but not managed by the Group's Chief Information Officer (CIO) function, as an area of focus. A programme is underway to identify all shadow IT across the Group and transfer management of such systems to the CIO function.

Cyber Crime

The financial services industry remains under significant threat from cyber attacks. This includes various organised groups targeting institutions through phishing, malware, denial of service and other sophisticated methods.

Operational Risk (continued)

Controls and risk mitigants

The Group manages cyber security risks through its Information Security team. The Group continually monitors emerging risks and threats. Regular reporting is provided to the ERC and BRC.

Other Principal Risks

In addition to the risks identified above, there are a number of other risks to which the Group is exposed as detailed below, and where appropriate, Pillar 2 capital is held to support these risks.

Regulatory & Conduct Risk

Regulatory Risk is the risk of poor customer outcomes, reputational damage, liability, loss or regulatory censure arising from failure to comply with the requirements of the financial services regulators or industry codes of best practice. Conduct Risk is the risk that the conduct, acts or omissions of the organisation, or individuals within the organisation, leads to customer detriment, or has an adverse effect on market stability or effective competition.

Risk Appetite Statement

The Group has no appetite for failing to comply with rules and regulations. If regulatory events and breaches occur, the Group will take appropriate rectifying action on a timely basis. The Group seeks to deliver fair outcomes for customers.

Risk Appetite Measures

- Status of regulatory change programmes;
- Customer or Regulatory events with a material rating;
- Personal data breaches;
- Overall rating in Data Protection Officer's Data Protection Assessment; and
- Conduct outcomes.

Controls and mitigants

As part of the Group's Policy Framework, Second Line of Risk Management are responsible for the Compliance and Conduct Risk Policy which is approved by the Board, as well as for monitoring, challenge and oversight of regulatory risk and compliance across the business. Guidance and advice to enable the business to operate in a compliant manner is provided by the Second Line of Risk Management and the Legal teams.

Second Line of Risk Management are also responsible for the detailed regulatory policies which underpin the Compliance and Conduct Risk Policy (e.g. Data Protection and Regulatory Contact). These are further supported by practical guidance documents supplied to business and operational areas, enabling them to comply with the regulatory policies.

The Group's Legal function has responsibility for commercial legal work, regulatory legal compliance, litigation/dispute resolution matters, advising on competition law and supporting the Group's Treasury activity. The Legal team also comprises the Company Secretariat function which, in addition to its role supporting the Board and maintaining statutory books, ensures the Company complies with all applicable governance codes.

The Group has a Conduct and Compliance Risk Committee (CCRC). The CCRC is a sub-committee of the ERC. The purpose of the CCRC is to support the Compliance Director, Data Protection Officer and other members in demonstrating reasonable steps through oversight and challenge of compliance, conduct and data protection risks inherent in the Risk Taxonomy. Close tracking of all government and regulator correspondence in relation to both conduct and prudential impacts is also undertaken to gauge the potential impact on the Group of the economic environment, now and in the future.

Other Principal Risks (continued)

Business areas manage conduct risk and use a range of management information to monitor the fair treatment of customers. A suite of product-led conduct management information has been developed and is reviewed by senior management in the business lines.

Customer outcomes are assessed as part of the development and design of new products and through annual reviews of existing products. The Risk function provides robust oversight of customer outcomes and the ERC and the Board review and challenge delivery of fair outcomes for customers.

The volume and pace of regulatory change remain high. The Group actively engages in relevant industry consultation and closely monitors potential changes to regulatory requirements to allow it to address possible opportunities while recognising potential competitive risks. The Group has opportunities arising from these changes to create additional benefits for customers due to its position within the wider Tesco group

Pension Obligation Risk

Pension Obligation Risk is the risk relating to a firm's contractual or other liabilities relating to its pension scheme (whether established for its employees or those of a related company or otherwise). The Group is a participating employer in the Tesco PLC Pension Scheme (operated by Tesco Stores Limited) and is exposed to pension obligation risk through its obligation to the scheme. Tesco PLC has recognised the appropriate net liability of the Tesco PLC pension scheme in its statutory accounts.

Controls and mitigants

The Group undertakes an assessment of the impact of its share of the pension scheme under a stress as part of its annual internal capital adequacy assessment process.

Residual Price Risk

Residual Price Risk is the risk that the fair value of a financial instrument and its associated hedge will fluctuate because of changes in market prices, for reasons other than interest rate or credit risk. The Group has equity investment securities which are held at fair value in the Statements of Financial Position.

Controls and mitigants

The Group has established appropriate hedging strategies to mitigate the interest rate and foreign exchange risks however Residual Price Risk remains. Further information relating to the Group's exposure to Residual Price Risk at the year end can be found in the Annual Report and Financial Statements.

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

Remuneration

Approach to Remuneration

The Group's Remuneration policy is designed to comply with the remuneration rules set out by the PRA and the FCA.

The Group structures its approach to reward based on that used across the wider Tesco Group, maintaining consistency where appropriate, but tailored to fit the financial services industry in line with both industry specific commercial need and external regulatory requirements.

The Group externally benchmarks its reward framework annually to confirm it is aligned to the market and is adequate to recruit and retain qualified and experienced staff. Reward is structured to incentivise people to meet business goals, whilst ensuring actual awards are based on business performance and then applying individual performance, overall promoting an environment of sound risk management.

The Group has identified Material Risk Takers (MRTs) using criteria in the Commission Delegated Regulation (EU) 604/2014 to identify categories of staff whose professional activities have a material impact on a company's risk profile.

The list of MRTs is provided to the Remuneration Committee at each meeting.

Board Remuneration Committee

The Group has established a Board Remuneration Committee to oversee the Remuneration policy and decisions on reward for all MRTs.

The Remuneration policy is reviewed on a regular basis and agreed by the Committee prior to Board approval. No significant changes were made to the policy during the year.

The Board Remuneration Committee seeks to ensure that the levels and structures of remuneration are designed to attract, retain and motivate management talent needed to run the business in a way which is consistent with the Risk Appetite and on going sustainability of the business and to be compliant with the applicable legislation and regulation.

The Board Remuneration Committee is appointed by the Board and during the year, consisted of a Non-Executive Director as Chair of the Committee, the Chair of the Group and three other Non-Executive Directors. Additionally, the Committee Chair provides an annual update to the Remuneration Committee of Tesco PLC in its shareholder capacity.

Members of the Board Remuneration Committee are members of either, or both of, the Group's Board Audit and BRC, which ensures that they are regularly updated on key risk and control issues relating to the Group.

The Board Remuneration Committee is supported by the Colleague Experience Director of the Group and a representative from the Tesco PLC Group Reward team attends meetings as appropriate. In addition, the Group's Chief Executive Officer attends meetings at the request of the Committee.

Where appropriate, the Committee also draws on external consultants to provide advice and guidance. During the year, the Committee received independent external advice from PricewaterhouseCoopers, including an independent review of the Remuneration Policy.

Remuneration (continued)

Link between pay and performance

The Remuneration Policy requires the following when determining individual remuneration arrangements to enforce the link between pay and performance:

- A combination of financial and non-financial performance measures including risk management objectives of Tesco PLC and the Group is used, ensuring that decisions are not taken for short-term financial gain to the detriment of other aspects of the business.
- An appropriate combination of fixed and variable pay, benchmarked annually, ensuring the Group's fixed:variable ratios on remuneration are controlled and do not encourage inappropriate risk-taking behaviour.
- The basis of assessment for the short-term bonus is adjusted for colleagues in control functions, so greater emphasis is placed on control objectives.
- Annual incentives reflect both individual performance and business performance. Business performance determines the bonus pool. Senior people also have an element of their annual incentive based on Tesco Group performance which forms part of the bonus pool.
- Maximum award levels are determined as percentages of salary, which are pre-set for the Group, based on work level. Rewards are established within this framework, and therefore there is no opportunity for an individual to benefit from increased rewards outside of this core structure.

Where underperformance is identified it is managed through the performance management process and may result in reduced or zero awards.

Design characteristics of the remuneration system

The Group delivers its reward via a combination of fixed pay, variable pay and other benefits. All identified MRTs, employed by the Group, participate in the variable reward schemes.

The Group does not currently benefit from the derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3).

Long-term incentive pay is based on the outcome of Tesco PLC measures including earnings per share and free cash flow.

A share-based element to the variable reward supports Long-Term commitment, with all identified MRTs subject to levels of deferral. Shares awarded are those of Tesco PLC. Variable pay deferral levels are set at the time of award and in line with regulatory requirements, with at least 50% of variable pay being paid in shares.

All incentive awards include provisions for performance and risk adjustments, including the application of malus and claw-back, which are at the discretion of the Board Remuneration Committee. The following non-exhaustive list outlines the circumstances in which malus and/or clawback measures can be triggered:

- where business performance has been materially misstated;
- where a participant has contributed to serious reputational damage to the Group and or the wider Tesco Group;
- failure to comply with the Code of Business Conduct through individual behaviour which has led to serious misconduct, fraud or misstatement;
- an underlying incorrect figure in the Annual Report and Financial Statements of the Group which has (or other information has come to light which, had it been considered at the time, would have) affected the determination of the value of the Bonus Award;

Remuneration (continued)

- any error or miscalculation in respect of the value of a Bonus Award, which has resulted in an incorrect value to be delivered or to have been delivered (whether in cash or shares) to an individual; or
- there has been a significant failure in risk management or significant financial losses.

A Risk Adjustment Framework is in place to support discussions on potential adjustments to reward and a Risk Adjustment Forum is established to review reporting against the Risk Adjustment Framework and provide input to the Board Remuneration Committee in relation to risk events and other matters which may affect variable awards.

Recruitment policy for the selection of members of the management body

The Board Nomination Committee annually reviews the structure, size and composition of the Board, by evaluating the balance of skills, knowledge, experience and diversity currently in place, and makes recommendations to the Board regarding any changes.

In addition, the Board Remuneration Committee ensures that during the recruitment process, the remuneration package approach for all MRTs (including those in relation to members of the management body) aligns to Tesco PLC with differences arising only if driven by the need for regulatory compliance or if market practice for certain specialist employee skill sets is so different from Tesco PLC policy as to create significant challenges to industry competitiveness.

Following internal processes and governance, the Board Remuneration Committee is required to approve the remuneration package for new and existing MRTs. To enable recruitment, the Remuneration Committee may be asked to approve buyouts of awards such as annual bonus awards from previous employers. Where such an award is made, it is awarded on an exceptional basis and remains subject to appropriate retention, deferral, performance and recovery terms.

Information on the skills and experience of the Board is set out in the biographies on the Tesco Bank corporate website (refer to link contained in Appendix 2). This appendix also details the number of directorships held by members of the Board.

Board Diversity Policy

The Group has a Board Diversity & Inclusion Policy which has been reviewed by the Board Nomination Committee during the year prior to it being approved by the Board. The Group is fully committed to creating an inclusive culture with a mix of skills, knowledge, experience, geographical expertise and educational and professional backgrounds. In addition, the Board aims to have a mix of gender, tenure, age, ethnicity and other distinctions between Directors.

In addition, the Equal Opportunities Policy and supporting guidance aim to ensure that there is a fair process to attract, develop and retain talent and ensure that all colleagues are afforded equal opportunities regardless of protected characteristics or background, creating a diverse and inclusive workplace that reflects the customers that the Group serves.

The Group is a Women in Finance signatory, supporting the progression of women into senior roles in the financial services sector, championing the benefits of greater diversity within business through setting a variety of targets regarding female representation. Signatories are required to publicly report on progress to deliver against these internal targets in support of the accountability and transparency needed to drive change. In the last year, the Group made positive progress in improving female representation and is focussed on building a sustainable talent pipeline to ensure that it continues to develop diverse talent throughout all levels of the organisation. For full transparency, the figures quoted and disclosed below relate to the statutory Group which includes Tesco Underwriting. Tesco Underwriting is excluded from all other disclosures in this document since it does not meet the requirements for prudential consolidation. The Group has met its female Executive Committee membership target ahead of time, reaching 44% representation against our target of 33% by 2022. The Group has also exceeded its target of 33% female Board members by end of 2022 by reaching 42% representation. The Group recognises that it has significant progress to make against its director target, which has been impacted by the acquisition of Tesco Underwriting. As a result, the

Remuneration (continued)

Group has revised the timeline and scope for this target to include senior management representation of 33% by 2024. These changes align with industry norms, enabling the Group to continue to address diversity within its senior leadership populations and take a holistic approach to addressing diversity throughout the organisation. Details of the Group's targets and progress can be found at: https://bank.tescoplc.com/sustainability/diversity-inclusion/gender/

Gerry Mallon is Executive Sponsor for Inclusion and as such leads the Inclusion agenda for the Group and chairs the Inclusion Network, which consists of Sponsors and Chairs of colleague networks, the Director of Colleague Experience and the Inclusion team. He is also accountable for progress towards the Women in Finance targets.

	Target	February 2022	February 2021
Senior Female Managers * (by end of 2024)	33.3%	23.3%	16.0%
Female Executive Committee Members (by end of 2022)	33.3%	44.4%	28.6%
Female Board Members (by end of 2022)	33.3%	41.7%	27.3%

*Senior Female Managers refers to the Director and Executive Committee & Board population.

Remuneration for MRTs

Under the CRR, the Group is required to make certain aggregate quantitative disclosures regarding the remuneration of MRTs. The following tables represent the Group's disclosure for the year ended 28 February 2022. Staff whose professional activities have a material impact on the institutions' risk profile have been determined in accordance with Article 92 CRD and the Commission Delegated Regulation on identified staff implementing Article 94(2) CRD (identified staff).

UK REM1: Remuneration awarded for the financial year

			February 2022			
			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed Remuneration	Number of identified staff	9	4	6.0	29.0
2		Total fixed remuneration (£m)	0.9	1.8	1.7	5.2
3		Of which: cash-based (£m)	0.9	1.5	1.4	4.4
7		Of which: other forms (£m)	–	0.3	0.3	0.8
9	Variable Remuneration	Number of identified staff	–	3	6.0	29.0
10		Total variable remuneration (£m)	–	2.7	2.5	4.7
11		Of which: cash-based (£m)	–	0.5	0.7	1.7
12		Of which: deferred (£m)	–	–	–	–
UK 13a		Of which: shares or equivalent ownership interests (£m)	–	2.2	1.8	3.0
UK 14a		Of which: deferred (£m)	–	2.2	1.8	2.9
17	Total Remuneration(2+10)		**0.9**	**4.5**	**4.2**	**9.9**

Remuneration (continued)

UK REM2: Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		February 2022			
		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	–	–	–	–
2	Guaranteed variable remuneration awards -Total amount (£m)	–	–	–	–
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap (£m)	–	–	–	–
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	–	–	–	–
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount (£m)	–	–	–	–
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	–	–	–	1.0
7	Severance payments awarded during the financial year - Total amount (£m)	–	–	–	0.2
8	Of which paid during the financial year (£m)	–	–	–	0.2
9	Of which deferred (£m)	–	–	–	–
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap (£m)	–	–	–	0.2
11	Of which highest payment that has been awarded to a single person (£m)	–	–	–	0.2

UK REM4: Remuneration of 1 million EUR or more per year

		February 2022
		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	2
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	–
4	2 500 000 to below 3 000 000	1
5	3 000 000 to below 3 500 000	–
6	3 500 000 to below 4 000 000	–
7	4 000 000 to below 4 500 000	–
8	4 500 000 to below 5 000 000	–
9	5 000 000 to below 6 000 000	–
10	6 000 000 to below 7 000 000	–
11	7 000 000 to below 8 000 000	–

UK REM3: Deferred remuneration

		February 2022							
		a	b	c	d	e	f	UK g	UK h
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function** (£m)	–	–	–	–	–	–	–	–
3	Shares or equivalent ownership interests (£m)	–	–	–	–	–	–	–	–
7	**MB Management function** (£m)	9.9	3.1	6.8	1.8	1.7	1.4	1.3	0.3
9	Shares or equivalent ownership interests (£m)	9.9	3.1	6.8	1.8	1.7	1.4	1.3	0.3
13	**Other senior management** (£m)	3.4	0.4	3.0	0.1	0.3	0.8	0.3	–
15	Shares or equivalent ownership interests (£m)	3.4	0.4	3.0	0.1	0.3	0.8	0.3	–
19	**Other identified staff** (£m)	6.8	2.4	4.4	0.7	0.1	1.2	1.7	–
21	Shares or equivalent ownership interests (£m)	6.8	2.4	4.4	0.7	0.1	1.2	1.7	–
25	**Total Amount** (£m)	20.1	5.9	14.2	2.6	2.1	3.4	3.3	0.3

Note: values reported in column d and e reflect reductions due to the performance conditions of individual schemes not being met. No malus adjustments have been applied.

UK REM5: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		February 2022									
		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										40.7
2	Of which: members of the MB	9	4	13							
3	Of which: other senior management				–	3.0	–	3.0	–	–	
4	Of which: other identified staff				–	12.0	–	7.0	10.0	–	
5	Total remuneration of identified staff (£m)	0.9	4.5	5.4	–	7.7	–	4.6	1.8	–	
6	Of which: variable remuneration (£m)	–	2.7	2.7	–	4.1	–	2.4	0.7	–	
7	Of which: fixed remuneration (£m)	0.9	1.8	2.7	–	3.6	–	2.2	1.1	–	

Glossary of Terms

	Definition
A	
Asset encumbrance	An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.
B	
Basel II	Basel II is a set of international banking regulations put forth by the Basel Committee on Bank Supervision, which levelled the international regulation field with uniform rules and guidelines. Basel II expanded rules for minimum capital requirements established under Basel I and provided the framework for regulatory review, as well as set disclosure requirements for assessment of capital adequacy of banks.
Basel III	Basel III is an international regulatory accord that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector.
C	
Capital conservation buffer	A capital buffer designed to ensure that banks are able to build up capital buffers outside of periods of stress which can then be drawn upon as losses are incurred.
Capital Requirements Directive (CRD)	The Capital Requirements Directive is an EU legislative package that contains prudential rules for banks, building societies and investment firms as onshored to the UK post Brexit and amended by applicable Statutory Instruments.
Capital Requirements Regulation (CRR)	The Capital Requirements Regulation is an EU law, which was onshored to the UK post Brexit and amended by relevant Statutory Instruments. The CRR aims to decrease the likelihood that banks become insolvent, reflecting Basel III rules on capital measurement and capital standards.
Capital resources	Eligible capital held in order to satisfy capital requirements.
Central counterparties	Central counterparties (CCPs) are used in order to clear specified derivative transactions (predominantly interest rate swaps) thereby mitigating counterparty risk within the financial system. Positions are continuously marked and margin in the form of collateral is exchanged on at least a daily basis.
Common Equity Tier 1 capital (CET1)	The highest form of regulatory capital under CRR, comprising common shares issued, related share premium, retained earnings and other reserves less regulatory adjustments.
Countercyclical capital buffer (CCyB)	A capital buffer, determined by the regulator, which aims to ensure that capital requirements take account of the macro-economic financial environment in which banks operate. This aims to provide the banking sector with additional capital to protect it from potential future losses. In times of adverse financial or economic circumstances, when losses tend to deplete capital and banks are likely to restrict the supply of credit, the CCyB can be released by the regulator to help avoid a credit crunch.
Counterparty Credit Risk	The risk that a counterparty to a transaction will default before the final settlement of the transaction's cash flows.
Covid-19	An infectious disease caused by Coronavirus.
Credit quality step	A step in the CRR credit quality assessment scale which is based on the credit ratings applied by external credit assessment institutions. The scale is used to assign risk weightings to exposures under the Standardised Approach.
Credit conversion factor	The CCF converts an off-balance sheet exposure to its credit exposure equivalent which is then risk weighted. Off-balance sheet exposures have a probability of becoming a credit exposure and shifting onto the balance sheet. The CCF is an estimate of this probability. The expected value of the credit exposure is derived by multiplying the CCF with the value of the off-balance sheet exposure.
Credit Risk	Credit Risk is the risk that a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Group will incur losses due to any other counterparty failing to meet their financial obligations.
Credit risk mitigation	Techniques (such as collateral agreements) used to reduce the Credit Risk associated with an exposure.
Credit Valuation Adjustments	Adjustments to the fair value of derivative assets to reflect the credit worthiness of the counterparty.

Glossary of Terms (continued)

D	
Derivatives	Financial instruments whose value is based on the performance of one or more underlying assets
E	
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
External credit assessment institutions	These include external credit rating agencies such as Standard & Poor's, Moody's and Fitch.
F	
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Forbearance	Forbearance is a temporary postponement or alteration of contractual repayment terms in response to a counterparty's financial difficulties.
Funding Risk	The risk that the institution does not have sufficiently stable and diverse sources of funding.
G	
Global Systemically Important Institution (G-SII)	A financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.
I	
Impaired exposures	Exposures where it is not expected that all contractual cash flows will be collected or will be collected when they are due.
Impairment charge and impairment provisions	Provisions held on the balance sheet as a result of the raising of an impairment charge against profit for the incurred loss inherent in the lending book. Impairment provisions may be individual or collective.
Impairment losses	The reduction in value that arises following an impairment review of an asset which has determined that the asset's value is lower than its carrying value. For impaired financial assets measured at amortised cost, impairment losses are the difference between the carrying value and the present value of estimated future cash flows, discounted at the asset's original effective interest rate.
Interest Rate Risk in the Banking Book (IRRBB)	IRRBB is the current or prospective risk to both earnings and economic value arising from movements in interest rates. The main sub-types of IRRBB include gap risk (or repricing risk), basis risk and customer optionality risk.
Internal Capital Adequacy Assessment Process (ICAAP)	The institution's own assessment of the level of capital needed in respect of its regulatory capital requirements (for Credit, Market and Operational Risks) and for other risks including stress events.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The institution's own assessment of the level of liquidity needed in respect of its regulatory requirements to ensure that the Group maintains adequate liquid assets to survive a defined stress scenario for a sufficient period as defined by Risk Appetite.
International Swaps and Derivatives Association (ISDA) master agreement	A standardised contract developed by the ISDA which is used as an umbrella contract for bilateral derivative contracts.
L	
Leverage Ratio	Tier 1 capital divided by the exposure measure.
Liquidity Risk	Risk that the Group is not able to meet its obligations as they fall due. It also covers the risk that a given security cannot be traded quickly enough in the market to prevent a loss if a credit rating falls.
LREQ firm	A firm or CRR consolidation entity, which exceeds a £50bn deposits threshold or a £10bn non-UK assets threshold, to which minimum Leverage Ratio and Leverage Ratio Capital Buffers apply.
M	
Market risk	Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank's earnings or economic value.

Glossary of Terms (continued)

Minimum capital requirement	The minimum regulatory capital that must be held in accordance with Pillar 1 requirements for Credit, Market and Operational Risk. This is currently 8%.
MREL ratio	The MREL ratio is calculated by dividing total capital plus MREL debt by risk-weighted assets.
O	
Operational Risk	Risk of a potential error, loss, harm, or failure caused by ineffective or inadequately defined processes, system failures, improper conduct, human error or from external events.
Original Exposure Method (OEM)	The method used to calculate exposure values for Counterparty Credit Risk. The method is calculated as net replacement cost plus a reduced potential future exposure.
Other Systemically Important Institution (O-SII)	Institutions that, due to their systemic importance, are more likely to create risks to financial stability. These institutions may bring negative externalities into the system and contribute to market distortions.
Over the counter derivatives	Derivatives for which the terms and conditions can be freely negotiated by the counterparties involved, unlike exchange traded derivatives which have standardised terms.
P	
Pillar 1	The first pillar of the Basel II framework sets out the minimum regulatory capital requirements (8%) for Credit, Market and Operational Risks.
Pillar 2	The second pillar of the Basel II framework, known as the Supervisory Review Process, sets out the review process for a bank's capital adequacy; the process under which supervisors evaluate how well banks are assessing their risks and the actions taken as a result of these assessments.
Pillar 2A	Pillar 2A addresses risks to an individual firm which are either not captured, or not fully captured under the Pillar 1 capital requirements applicable to all banks.
Pillar 3	The third pillar of the Basel II 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.
Potential Future Exposure (PFE)	The maximum expected credit exposure over a specified period of time (e.g. at a given quartile) calculated at some level of confidence.
Prudential Regulatory Authority (PRA)	Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
PRA Rulebook	The PRA Rulebook contains provisions made by the PRA that apply to PRA-authorised firms. This includes the inclusion of additional rules required after revocation from the CRR by HMT.
R	
Regulatory capital	The capital that a bank holds, determined in accordance with the relevant regulation arising from the CRR.
Residual maturity	The length of time remaining from present date until the maturity of the exposure.
Retail Credit Risk	Retail Credit Risk is the risk that a borrower who is a personal customer will default on a debt or obligation by failing to make contractually obligated payments.
Risk appetite	The level and types of risk that a firm is willing to assume to achieve its strategic objectives.
Risk Appetite Measures	Measures designed to monitor exposure to certain risks to ensure that exposure stays within approved Risk Appetite (see Appendix 5).
Risk Weighted Assets (RWAs)	Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure value in accordance with the applicable Standardised Approach rules.
S	
Securitisation	A securitisation is defined as a transaction where the payments are dependent upon the performance of a single exposure or pool of exposures, where the subordination of tranches determines the distribution of losses during the life of the transaction.
Securities financing transactions (SFTs)	The act of lending or borrowing a stock, derivative, or other security to or from an investor or firm. For the Group this represents market repo transactions and does not represent securities financing for clients.
Segment A & B suppliers	Suppliers classified as 'Material Outsourcing' or 'Material Non-Outsourcing', based on Segmentation (Inherent Risk Assessment). These Suppliers provide critical and/or high value Services to the Bank. All suppliers that are critical to Bank KCO services are in Segment A or B.

Glossary of Terms (continued)

Settlement Risk	Settlement Risk is the risk that a counterparty fails to deliver a security or its value in cash in accordance with contractual agreements after the other counterparty has already delivered a security or cash value in accordance with the same agreement.
Stress testing	The term used to describe techniques where plausible events are considered as vulnerabilities to ascertain how this will impact the capital resources which are required to be held.
Special Purpose Entity	A corporation, trust, or other non-bank entity, established for a defined purpose, including for carrying on securitisation activities. Special Purpose Entities are designed to isolate its obligations from those of the originator and the holder of the beneficial interests in the securitisation.
Standardised Approach	In relation to Credit Risk, the method for calculating Credit Risk capital requirements using risk weightings that are prescribed by regulation. Standardised Approaches, following prescribed methodologies also exist for calculating Market 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.
T	
Temporary Payment Holidays	Temporary deferral of contractual repayments due from customers in respect of lending balances.
Term funding schemes	Funding schemes provided by the Bank of England which provide participating banks and building societies with funding at interest rates close to Bank Rate. The Group has specifically utilised both the original Term Funding Scheme (TFS) and the more recent Term Funding Scheme with additional incentives for SMEs (TFSME).
Tier 1 capital	A component of regulatory capital, comprising Common Equity Tier 1 capital and Additional Tier 1 capital. Additional Tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and Additional Tier 1 capital securities.
Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital and related non-controlling interests.
W	
Wholesale Credit Risk	The risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, securities financing transactions and long-dated settlement transactions.
Wrong Way Risk	The risk that arises from the correlation between a counterparty exposure and the credit quality of the counterparty. The risk that the probability of default increases with exposure.

Appendix 1: Board Risk Statement and Declaration

The Group's purpose is to serve its customers, communities and planet a little better every day. The Group operates with a strong customer centric focus providing simple, transparent products which aim to deliver value for customers pursuing this within a defined Risk Appetite. The Risk Appetite comprises a set of Risk Appetite Statements aligned to each of the principal risks to which the business is exposed and which are underpinned by corresponding Risk Appetite Measures with agreed triggers and limits.

The Group is exposed to the following principal risk categories:

- Capital Risk;
- Liquidity and Funding Risk;
- Credit Risk;
- Market Risk;
- Operational Risk; and
- Regulatory and Conduct Risk.

Risk Appetite Measures are used by the Group to support the overarching objective to manage risk within prescribed limits. Risk Appetite Measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. The Group's Risk Appetite and Measures are discussed throughout the document with the principle measures disclosed in tables UK OV1 and UK KM1.

The impact of the changes to the economic environment on the Group, most materially in relation to Credit and Operational Risk, is detailed throughout these disclosures.

The Group's transactions with related parties are disclosed in the Annual Report and Financial Statements which are published on the corporate website at:

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

The Board of Directors is ultimately responsible for reviewing the effectiveness of the Group's Risk Management Framework and systems of financial and internal controls. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that the Group has in place adequate systems and controls and Liquidity Risk management arrangements with regard to the Group's profile and strategy and an appropriate array of assurance mechanisms to manage risk within appetite.

Appendix 2: Analysis of the Number of Directorships held by Members of the Board

The following breakdown shows the number of directorships held by members of the Group as at 28 February 2022:

Name	Position within Tesco Personal Finance Group plc	Changes in the year	Executive	Non-Executive
Sir John Kingman	Independent Non-Executive Chair		0	2
Elizabeth Buckley	Independent Non-Executive Director	Appointed 9th December 2021	0	3
Julie Currie	Independent Non-Executive Director		0	2
Robert Endersby	Independent Non-Executive Director		0	2
Jacqueline Ferguson	Senior Independent Non-Executive Director		0	3
Richard Henderson	Chief Financial Officer	Role change from Chief Risk Officer to Chief Financial Officer with effect from June 2021	1	0
Simon Machell	Independent Non-Executive Director		0	4
Gerard Mallon	Chief Executive Officer		1	0
Adrian Morris	Non-Executive Director	Appointed 30th April 2021	1	1
Tikendra Patel	Independent Non-Executive Director	Appointed 30th December 2021	1	1
Amanda Rendle	Independent Non-Executive Director		0	3
Deborah Walker	Chief Risk Officer	Appointed 18th January 2022	1	0

Multiple directorships within the same group are treated as a single role, in line with CRD rules.

Information on their skills and experience is set out in their biographies on the Tesco Bank corporate website:

https://bank.tescoplc.com/about-us/board-and-exec/board/

Alan Stewart resigned from his role on the Board, due to his retirement from the Group on 30th April 2021.

Declan Hourican resigned from his role on the Board on 29th June 2021, this followed his resignation as Chief Financial Officer.

James Willens retired from the Board on 28th September 2021.

Appendix 3: Disclosures excluded from current reporting

The following tables have not been completed as part of the Group's Pillar 3 disclosures. The rationale for exclusion is detailed below. These tables will be reviewed on an annual basis to determine if these should be continued to be excluded in future periods.

Table	Table Name	Rationale for exclusion
UK INS1	Insurance participations	The Group does not have relevant permission
UK INS2	Financial conglomerates information on own funds and capital adequacy ratio	The Group does not meet the financial conglomerate classification
UK PV1	Prudent valuation adjustments (PVA)	PVA is reported under the simplified method and not the approach reportable in this table
UK LIQ2	Net Stable Funding Ratio	The regulation which makes this template a requirement comes into force on 01/01/22 ,however, the first period where this will be required to be reported is February 2023. This is consistent with PS22/21.
UK CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Only required for institutions with Non-performing ratio of greater than 5%, the Group has not breached the 5% non performing threshold which triggers the requirement to make this disclosure.
UK CQ2	Quality of forbearance	Only required for institutions with Non-performing ratio of greater than 5%, the Group has not breached the 5% non performing threshold which triggers the requirement to make this disclosure.
UK CQ4	Quality of non-performing exposures by geography	Only required for institutions with exposures in non-domestic countries of greater than 10% of total exposures, the Group has not breached the 10% non-domestic exposure which triggers the requirement to make this disclosure.
UK CQ6	Collateral valuation - loans and advances	Only required for institutions with Non-performing ratio of greater than 5%, the Group has not breached the 5% non performing threshold which triggers the requirement to make this disclosure.
UK CQ7	Collateral obtained by taking possession and execution processes	The Group do not undertake the activities detailed in this template
UK CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	The Group do not undertake the activities detailed in this template
UK CR6	IRB approach – Credit risk exposures by exposure class and PD range	The Group does not use IRB approach
UK CR6A	Scope of the use of IRB and SA approaches	The Group does not use IRB approach
UK CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	The Group does not use IRB approach
UK CR7A	IRB approach – Disclosure of the extent of the use of CRM techniques	The Group does not use IRB approach
UK CR8	RWEA flow statements of credit risk exposures under the IRB approach	The Group does not use IRB approach
UK CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	The Group does not use IRB approach
UK CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	The Group does not use IRB approach
UK CR10	Specialised lending and equity exposures under the simple risk weighted approach	The Group does not undertake the specialised lending activities detailed in this template
UK CCR4	IRB approach – CCR exposures by exposure class and PD scale	The Group does not use IRB approach
UK CCR6	Credit derivatives exposures	The Group does not hold credit derivatives
UK CCR7	RWEA flow statements of CCR exposures under the IMM	The Group does not use internal models
UK SEC2	Securitisation exposures in the trading book	The Group does not have a trading book
UK SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	The Group does not achieve Significant Risk Transfer
UK SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	The Group does not achieve Significant Risk Transfer
UK MR1	Market risk under the standardised approach	The Group does not recognise any balances for Market Risk under the Standardised approach since FX exposure are under de minimis
UK MR2A	Market risk under the internal Model Approach (IMA)	The Group does not use internal models
UK MR2B	RWA flow statements of market risk exposures under the IMA	The Group does not use internal models
UK MR3	IMA values for trading portfolios	The Group does not use internal models
UK MR4	Comparison of VaR estimates with gains/losses	The Group does not use internal models

Appendix 4: IFRS 9-FL: Comparison of institutions' own funds and capital and Leverage Ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

		February 2022 £m	February 2021 £m
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	1,668.4	1,728.7
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,528.1	1,465.8
3	Tier 1 capital	1,668.4	1,728.7
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,528.1	1,465.8
5	Total capital	1,861.2	1,942.6
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,720.9	1,679.7
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets	6,832.0	6,822.4
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,772.7	6,692.5
	Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	24.4%	25.3%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22.6%	21.9%
11	Tier 1 (as a percentage of risk exposure amount)	24.4%	25.3%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22.6%	21.9%
13	Total capital (as a percentage of risk exposure amount)	27.2%	28.5%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25.4%	25.1%
	Leverage Ratio		
15	Leverage Ratio total exposure measure	9,454.4	10,144.9
16	Leverage Ratio	17.6%	17.0%
17	Leverage Ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.4%	14.8%

Appendix 5: Tesco Personal Finance plc Capital Resources, Capital Requirements and Leverage Ratio

In accordance with Article 13 of the CRR, this Appendix sets out the reduced Pillar 3 disclosures of Tesco Personal Finance plc (the Company), the significant subsidiary of the Group.

UK CC1: Composition of regulatory own funds

	Common Equity Tier 1 Capital: Instruments and Reserves	February 2022 £m	February 2021 £m
1	Capital instruments and the related share premium accounts	**1,219.9**	**1,219.9**
	of which: ordinary share capital	1,219.9	*1,219.9*
2	Retained earnings	339.6	463.1
3	Accumulated other comprehensive income (and other reserves)	26.3	24.9
UK 5a	Independently reviewed interim profits net of any foreseeable charge or dividend	74.6	(127.2)
6	Common Equity Tier 1 capital before regulatory adjustments	**1,660.4**	**1,580.7**
	Common Equity Tier 1 capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–	–
8	Intangible assets (net of related tax liability) (negative amount)	(111.9)	(130.9)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(0.2)	0.6
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(29.2)	–
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	140.3	262.9
28	Total regulatory adjustments to Common Equity Tier 1	**(1.0)**	**132.6**
29	Common Equity Tier 1 capital	**1,659.4**	**1,713.3**
45	Tier 1 capital (Tier1 + Common Equity Tier 1 + Additional Tier 1)	**1,659.4**	**1,713.3**
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	235.0	235.0
50	Credit risk adjustments	–	–
51	Tier 2 capital before regulatory adjustments	**235.0**	**235.0**
	Tier 2 capital: regulatory adjustments		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(42.2)	(21.1)
57	Total regulatory adjustments to Tier 2 capital	**(42.2)**	**(21.1)**
58	Tier 2 capital	**192.8**	**213.9**
59	Total capital (Total Capital = Tier 1 + Tier 2)	**1,852.2**	**1,927.2**
60	Total Risk exposure amount	**6,828.5**	**6,820.2**
	Capital ratios and buffers		
61	Common Equity Tier1 (as a % of total risk exposure amount)	**24.3%**	**25.1%**
62	Tier 1 (as a % of total risk exposure amount)	**24.3%**	**25.1%**
63	Total capital (as a % of total risk exposure amount)	**27.1%**	**28.3%**
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)	9.4%	
65	of which: capital conversation buffer requirement	2.5%	2.5%
66	of which: countercyclical buffer requirement	0.0%	0.0%
68	Common Equity Tier 1 available to meet buffers (as a % of risk exposure amount)	15.0%	19.1%
	Amounts below the thresholds for deduction (before risk weighting)		
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)	154.9	67.6

Appendix 5: Tesco Personal Finance plc Capital Resources, Capital Requirements and Leverage Ratio (continued)

UK OV1: Overview of risk weighted exposure amounts

		February 2022 Risk weighted exposure amounts (RWEAs) £m	February 2021 Risk weighted exposure amounts (RWEAs) £m	February 2022 Total own funds requirements £m
1	**Credit Risk (excluding CRR)**	**5,325.2**	**5,456.0**	**426.0**
2	Of which Standardised Approach	5,325.2	5,456.0	426.0
6	**Counterparty Credit Risk - CCR**	**9.9**	**0.1**	**0.8**
7	Of which Standardised Approach	–	–	–
8	Of which internal model method (IMM)	–	–	–
UK 8a	Of which exposures to a CCP	0.4	–	–
UK 8b	Of which credit valuation adjustment - CVA	0.1	–	–
9	Of which other CCR	9.4	0.1	**0.8**
23	**Operational Risk**	**1,071.1**	**1,195.3**	**85.7**
UK 23b	Of which Standardised Approach	1,071.1	1,195.3	85.7
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	**422.3**	**168.8**	**33.8**
29	**Total**	**6,828.5**	**6,820.2**	**546.3**

Leverage Ratio

UK LRSum: Summary reconciliation of accounting assets and Leverage Ratio exposures

		February 2022 Applicable Amounts £m	February 2021 Applicable Amounts £m
1	Total assets as per published financial statements	8,860.3	8,796.3
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–	–
4	(Adjustment for exemption of exposures to central banks)	(639.9)	–
7	Adjustment for eligible cash pooling transactions	–	–
8	Adjustment for derivative financial instruments	(26.4)	(1.7)
9	Adjustments for securities financing transactions "SFTs"	18.7	–
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,236.3	1,266.8
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	–	–
UK 11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	–	–
UK 11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	–	–
12	Other adjustments	3.0	81.9
13	**Total exposure measure**	**9,452.0**	**10,143.3**

Appendix 5: Tesco Personal Finance plc Capital Resources, Capital Requirements and Leverage Ratio (continued)

UK LRCom: Leverage Ratio common disclosure

		February 2022 CRR Leverage Ratio exposures £m	February 2021 CRR Leverage Ratio exposures £m
On-balance sheet exposures (excluding derivatives and securities financing transactions "SFT"s)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	8,818.8	8,778.5
6	Asset amounts deducted in determining Tier 1 capital	(0.8)	134.9
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**8,818.0**	**8,913.4**
Derivative exposures			
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	–	4.4
UK-9b	Exposure determined under Original Exposure Method	18.9	
	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	(41.3)
13	**Total Derivative exposure**	**18.9**	**(36.9)**
Securities financing transaction exposures			
16	Counterparty Credit Risk exposure for SFT assets	18.7	–
18	**Total securities financing transaction exposures**	**18.7**	**–**
Other off-balance sheet exposures			
19	Other off-balance sheet exposures at gross notional amount	12,363.0	12,668.0
20	Adjustments for conversion to credit equivalent amounts	(11,126.7)	(11,401.2)
22	**Off-balance sheet exposures**	**1,236.3**	**1,266.8**
Capital and total exposures			
23	Tier 1 capital (leverage)	**1,659.4**	**1,713.3**
24	Total exposure measure including claims on central banks	10,091.9	10,143.3
UK- 24a	(-) Claims on central banks excluded	(639.9)	
UK-24b	**Total exposure measure excluding claims on central banks**	**9,452.0**	
Leverage Ratio			
25	Leverage ratio excluding claims on central banks (%)	17.6%	
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	16.3%	
UK-25b	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 (%)	17.6%	
UK-25c	Leverage ratio including claims on central banks (%)	16.4%	16.9%

UK LRSpl: Leverage Ratio: Split-up of on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures)

		February 2022 CRR Leverage Ratio exposures £m	February 2021 CRR Leverage Ratio exposures £m
UK-1	Total on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures), of which:	8,818.8	8,778.5
UK-3	Banking book exposures, of which:	8,818.8	8,778.5
UK-4	Covered bonds	266.5	298.9
UK-5	Exposures treated as sovereigns	1,332.8	1,395.9
UK-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	2.5	6.5
UK-7	Institutions	85.6	146.6
UK-9	Retail exposures	6,444.6	6,301.2
UK-10	Corporates	29.4	30.8
UK-11	Exposures in default	81.2	89.9
UK-12	Other exposures (e.g. equity, securitisation, and other non-credit obligation assets)	576.2	508.7

Appendix 6: Risk Appetite Measures

Measures designed to monitor exposure to certain risks to ensure that exposure stays within approved Risk Appetite:

Risk Appetite Measure	Calculation / Explanation
Annual Earnings at Risk (AEaR)	Changes in interest rates affect the Group's earnings by altering interest rate-sensitive income and expenses. Excessive interest income sensitivity can pose a threat to the Group's current capital base and / or future earnings. The AEaR model measures the impact on earnings of +/- 0.25%, 0.50%, 0.75%, 1% parallel interest rate shocks against the base case. The most adverse scenario is measured against Risk Appetite.
Asset Encumbrance Ratio	Encumbered Assets / Total Assets
Bad Debt to Asset Ratio	The impairment charge over the last 12 months as a proportion of the average balance for Credit Cards and Personal Loans, compared to expectations from increased losses set relative to the latest budget.
Statutory Profit/Loss under a severe but plausible stress scenario (Profit Volatility)	Compares the impact of a stress scenario with base case profit forecasts, incorporating macroeconomic, operational and insurance underwriting impacts. This allows the Group to test and shape its plan to ensure that it is sufficiently resilient to a stress.
Business Continuity Plans, business impact assessments and Work Area Recovery testing in place	Business Continuity plans tested successfully / invoked during incident. Volume of Work Area Recovery testing that has failed to deliver against agreed success criteria.
Capital at Risk (CaR)	Capital at Risk is an economic-value measure and assesses sensitivity to a reduction in the Group's capital to movements in interest rates. When interest rates change, the present value and timing of future cash flows change. This changes the underlying value of a bank's assets, liabilities and off-balance sheet items and its economic value which in turn poses a threat to the capital base.
Conduct outcomes	Level of amber or red customer outcomes.
Customer or Regulatory events with a material rating	Number of open customer or regulatory events with a material rating.
Higher risk concentrations and demographics	We recognise that some demographic and product level segments exhibit higher risk behaviours. As a result of this we have concentration limits in place to control exposure to these segments both on a single and in some cases on a combination basis.
Infrastructure Resilience including single point failure	Number of material 'Single Points of Failure' risks at the end of the reporting month. Volume of testing undertaken which remains in a failed position at the end of a reporting quarter. Percentage of critical services in place and proved at the end of the reporting month.
Internal Liquidity Requirement (ILR)	The ILR is the Group's own assessment of liquidity requirements based on surviving a defined stress scenario for a 90-day period.
Total Liquidity Requirement (TLR)	Encompasses the regulatory Liquidity Coverage Ratio (LCR) and any Pillar 2 add-on prescribed by the PRA.
Information Security policy coverage and compliance	Assessment of people, process and technology to provide confidence in our compliance and coverage.

Appendix 6: Risk Appetite Measures (continued)

Risk Appetite Measure	Calculation / Explanation
Material events	12-month average.
Minimum eligible collateral floor (MECF)	The floor requires that the Group hold a minimum amount of contingent liquidity in the form of high-quality collateral, for use in BOE facilities or Bank repo. This ensures the Group has the ability to generate funding in a liquidity stress event and therefore supports its financial resilience. Any excess collateral over and above the MECF is available to use for BAU purposes.
Net open currency position	Limits the risk of adverse movements in foreign exchange rates.
Net Stable Funding Ratio (NSFR)	Available Stable Funding / Required Funding
Number of open and overdue assurance issues raised by the Second and Third Lines of Risk Management	Number of open and overdue material themed assurance findings identified through the risk assurance and Internal Audit plans as at the end of the reporting month.
Operational losses (Non-Fraud)	Total non-fraud losses as a % of income (12-month average)
Overall rating in Data Protection Officer's Data Protection Assessment	Overall rating, based on quantitative and subjective measures assessing 10 data protection compliance statements.
Personal data breaches	Level of medium materiality data protection events.
Product Level Minimum Net Present Value	Monitors the profitability of new business to ensure the Group writes business which is Net Present Value positive
Regulatory Capital	Headroom above regulatory capital requirements (Total Capital Requirement plus Regulatory Buffers) on a verified profits only basis to allow early action to address potential shortfalls.
Risk and Control Self-Assessment overall control effectiveness	Percentage of Risks with control effectiveness rated as Red compared to all Risks identified through the RCSA process as at the end of the reporting month.
Service Availability	Percentage availability of critical services.
Status of regulatory change programmes	Number of regulatory change programmes with red status.
Supplier performance, service and risk rating for Segment A & B suppliers	Number of Segment A & B Suppliers with Amber and Red residual risk ratings.
Unencumbered Assets to Retail Liabilities Ratio	Surplus of unencumbered assets relative to the total amount of retail liabilities.
Wholesale Funding Ratio	Total Wholesale Funding / Total Funding

Appendix 7: CRR Mapping

The following table shows how the Group have complied with the disclosure requirements of the Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021.

CRR reference	High level summary	Tesco Personal Finance Group plc Pillar 3 Disclosures, For the year ended 28 February 2022. Compliance Reference:
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar 3 disclosures	Tesco Personal Finance Group plc Pillar 3 Disclosures For the Year Ended 28 February 2022
431 (2)	Firms with permission to use specific methodologies must disclose information associated with those methodologies	Not applicable: The Group does not use the IRB, Advanced Measurement Approaches or Internal Market Risk Models
431 (3)	Institutions are required to have a formal policy setting out its approach to Pillar 3 disclosures, specifically in relation to: - Appropriateness of disclosures in conveying the risk profile of the business; - Approach to verification; - Written Attestation	Page 5- Disclosure Policy Page 5- Verification and Medium
431 (4)	Relevant information to be provided to allow users to understand both current disclosures and significant changes in information contained in previous disclosures	Page 3 - Closure of PCA
431 (5)	Institutions shall, if requested explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked	Not applicable - The Group's main lending exposure is in the personal Retail market, the Group does not participate in SME Lending
Non material, proprietary or confidential information		
432 (1)	The Group may choose to omit one or more of the disclosure requirements set out in Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 so long as the omission is not material and does not relate to: - Diversity - Own Funds - Remuneration Should the Group choose to use this waiver, it must disclose that it has done so, the reasons for the decision not to disclose and instead provide more general information in respect of the disclosure requirement. It must assess the decision on a regular basis at least once a year; and assess the need for both qualitative & quantitative disclosure	Page 6 - Use of Disclosure Waivers
432 (2)	The Group may also choose to not disclose information on the grounds that it is proprietary or confidential if certain conditions are met	Page 6 - Use of Disclosure Waivers
432 (3)	If the Group decide to omit a disclosure, the Pillar 3 document should report the fact that the specific items of information are not disclosed, the reason for non-disclosure, and publish more general information about the subject matter of the disclosure requirement	Not applicable - the Group has not made use of any Disclosure Waivers
Frequency of disclosure		
433	Institutions shall publish the disclosures required by Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 at least on an annual basis Annual disclosures shall be published in conjunction with the date of publication of the financial statements	The Group publishes disclosures in conjunction with the TPFG plc Annual Report & Financial Statements.
433 (a)	Large Institutions are required to publish all disclosures required by Part Eight of the CRR on an annual basis, with some disclosures also being required on a semi-annual or quarterly basis	Not applicable - the Group does not meet the requirements of a Large Institution
433 (b)	Small and non-complex institutions shall only disclose specific key disclosures on an annual basis	Not applicable - the Group does not meet the requirements of a Small and non-complex Institution
433 (c)	Institutions which do not meet the requirements of Articles 433(a) or 433(b) will be treated as an Other institution and will be required to complete all disclosures on an annual basis and key metrics on a semi-annual basis, unless the institution is non-listed Additional disclosures required for LREQ firms	The Group meets the definition of an Other institution and will complete all relevant disclosures Page 5 - Frequency of Disclosure Additional LREQ disclosures are not applicable since the Group does not meet the criteria

Appendix 7: CRR Mapping (continued)

Means of disclosures		
434 (1)	Institutions shall disclose all information required in electronic format in a single medium or location	Page 5- Verification and Medium The Group's disclosures are published on the Tesco Bank corporate website
434 (2)	Institutions shall disclose required information on their website or appropriate location. Relevant archived information should also be available	Page 5- Verification and Medium The Group's disclosures are published on the Tesco Bank corporate website with previous period disclosures
434b	G-SIIs shall disclose the information required by Article 411 within 4 months of period end. This can be disclosed in a separate medium or location.	Not applicable - The Group are not a G-SII
Risk management objectives and policies		
435 (1)	Disclose information on:	
435 (1) (a)	the strategies and processes to manage risks	Page 12- Risk Management Page 15- Three lines of Risk Management Page 17 Policy Frameworks and supporting risk management tools
435 (1) (b)	the structure and organisation of the risk management function	Page 12- Risk Management Page 15- Three lines of Risk Management Page 17 Policy Frameworks and supporting risk management tools
435 (1) (c)	Risk reporting and measurement systems	Page 12- Risk Management Page 15- Three lines of Risk Management Page 17 Policy Frameworks and supporting risk management tools
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Page 12- Risk Management Page 15- Three lines of Risk Management Page 17 Policy Frameworks and supporting risk management tools Throughout document under 'Controls and risk mitigants'
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution	Appendix 1 - Board Risk Statement and Declaration
435 (1) (f)	a concise risk statement approved by the management body	Appendix 1 - Board Risk Statement and Declaration
435 (2)	Disclose information on:	
435 (2) (a)	the number of directorships held by members of the management body	Appendix 2 - Analysis of the Number of Directorships held by Members of the Board
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	Page 70 - Remuneration Board biographies link contained in Appendix 2 - Analysis of the Number of Directorships held by Members of the Board
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	Page 70 - Remuneration
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	Page 12 - Governance Structure
435 (2) (e)	the description of the information flow on risk to the management body	Risk Appetite Measures described throughout the document Page 12 details Board feedback re information provided to ensure that reporting remains fit for purpose
Scope of Application		
436	Disclose the following information:	
436 (a)	the name of the institution	Document front cover Page 1 Introduction and Basel Framework

Appendix 7: CRR Mapping (continued)

436 (b)	an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: (i) fully consolidated; (ii) proportionally consolidated; (iii) deducted from own funds; (iv) neither consolidated nor deducted;	Page 7 - Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures Page 7 - Comparability
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation and regulatory risk categories	Table UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation	Table UK LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
436 (e)	breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment	Page 23 - Notes for UK CC1: Composition of regulatory own funds
436 (f)	Impediments to transfer of own funds between subsidiaries	Page 11 - Restrictions on the Transfer of Own Funds
436 (g)	Capital shortfalls in any subsidiaries outside of the scope of consolidation	Not applicable - the Group does not have any capital shortfalls in subsidiaries outside of the scope of consolidation.
436 (h)	Whether the institution has made use of the articles on derogations from: - Prudential requirements - Liquidity requirements for individual subsidiaries or entities	Not applicable - the Group has not made use of the articles on derogation from prudential requirements or liquidity requirements for individual subsidiaries or entities.
Own funds		
437	Disclose the following information regarding own funds:	
437 (a)	a full reconciliation of CET1 items, AT1 items, Tier 2 items and filters and deductions applied to own funds of the institution with the balance sheet in the audited financial statements of the institution	Page 7 - Scope of Consolidation and Linkages between Financial Statements and Regulatory Exposures Table UK CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements
437 (b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Appendix 8: UK CCA: Capital Instrument Key Features
437 (c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Appendix 8: UK CCA: Capital Instrument Key Features
437 (d)	disclosure of the nature and amounts of the prudential filters and deductions made against own funds and items not deducted	Page 22- Own Funds Table UK CC1: Composition of regulatory own funds
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	Page 22- Own Funds Table UK CC1: Composition of regulatory own funds
437 (f)	an explanation where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down by the CRR	Not applicable - the Group has not calculated any ratios using elements of own funds determined on a basis other than that laid down by the CRR.
437 a	additional disclosure for Own Funds and Eligible liabilities for institutions subject to Articles 92a or 92b	Not applicable - the Group is not a Globally Systemic Important Institution
Capital requirements		
438	Disclose the following information:	
438 (a)	a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	Page 19 - Capital Management
438 (b)	Own Funds requirements based on the supervisory review and evaluation process	Page 19 - Capital Management
438 (c)	Upon demand the result of the institution's internal capital adequacy assessment process	Individual Capital Adequacy Assessment Process would be provided on request
438 (d)	Own Funds requirements and risk weighted exposures broken down by risk categories	Page 19 - Capital Requirements Table UK OV1: Overview of risk weighted exposure amounts

Appendix 7: CRR Mapping (continued)

438 (e)	on and off-balance sheet exposures related to specialised lending and equity	The Group does not participate in specialised lending Page 50 - Non Trading Book Exposures in Equities Table CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
438 (f)	Own Funds requirements and risk weighted exposures held in any insurance undertaking, reinsurance undertaking or insurance holding company	Page 51 - Non Trading Book Exposures in Equities Table UK CR4: Standardised Approach - Credit risk exposure and CRM effects
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate	Not applicable - the Group is currently not classed as a financial conglomerate
438 (h)	variations resulting from the use of internal models	Not applicable - the Group does not use internal models
Exposure to Counterparty Credit Risk (CCR)		
439	Disclose the following information:	
439 (a)	a description of the methodology used to assign internal capital and credit limits for CCR exposures	Page 52 - Counterparty Credit Risk (CCR)
439 (b)	description of policies for securing collateral and establishing credit reserves	Page 52 - Counterparty Credit Risk (CCR)
439 (c)	description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk exposures	Page 37 - Wrong Way Risk
439 (d)	the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating	Page 52 - Counterparty Credit Risk under the Original Exposure Method Approach
439 (e)	breakdown of segregated and unsegregated collateral received and posted for derivative transactions	Table UK CCR5 - Composition of collateral for CCR exposures
439 (f)	impact of Credit Risk Mitigation on derivative transactions	Table UK CCR1 – Analysis of CCR exposure by approach
439 (g)	impact of Credit Risk Mitigation on securities financing transactions (SFT's)	Table UK CCR1 – Analysis of CCR exposure by approach
439 (h)	impact of Credit Risk Mitigation on credit valuation adjustment values	Table UK CCR1 – Analysis of CCR exposure by approach
439 (i)	exposure value to central counterparties	Table UK CCR8 – Exposures to CCPs
439 (j)	notional amounts of credit derivative transactions	Not applicable - the Group has no exposure to credit derivatives
439 (k)	estimate of alpha	Not appliable - the Group does not use IMM methodologies
439 (m)	on and off-balance sheet derivatives for institutions using: Simplified standardised approach for Counterparty Credit risk or Original Exposure method	Table UK CCR1 – Analysis of CCR exposure by approach
Capital buffers		
440	Disclose the following information:	
440 (a)	geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer	Page 24- The Group's Countercyclical Capital Buffer Disclosure Table UK CCyB1: Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Capital Buffer
440 (b)	the amount of its institution specific countercyclical capital buffer	Page 24- The Group's Countercyclical Capital Buffer Disclosure Table UK CCyB2: Amount of institution specific countercyclical capital buffer
Indicators of global systemic importance		
441	disclosures of the indicators of global systemic importance	Not applicable - the Group is not a Globally Systemic Important Institution

Appendix 7: CRR Mapping (continued)

Credit risk adjustments		
442	Disclose the following information:	
442 (a)	the definitions for accounting purposes of “past due” and “impaired” and differences, if any, between accounting and regulatory definitions	Page 39 - Past Due, Impaired Assets and Provisions No differences between accounting and regulatory definitions
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Page 39- Past Due, Impaired Assets and Provisions
442 (c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Table UK CQ1: Credit quality of forborne exposures Table UK CR1: Performing and non-performing exposures and related provisions.
442 (d)	an ageing analysis of accounting past due exposures	Table UK CQ3: Credit quality of performing and non-performing exposures by past due days
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off- balance-sheet exposures	Table UK CR1: Performing and non-performing exposures and related provisions. The Group is under the threshold for Geographic disclosures
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off	Table UK CR2: Changes in the stock of non-performing loans and advances
442 (g)	the breakdown of loans and debt securities by residual maturity.	Table UK CR1-A: Maturity of exposures
Encumbered and Unencumbered assets		
443	Disclosures of encumbered unencumbered assets	Page 57- Encumbered and Unencumbered Assets
Use of Standardised approach		
444	Disclose the following information:	
444 (a)	the names of the nominated ECAIs and ECAs and the reasons for any changes	Page 48- Analysis of credit risk mitigation
444 (b)	the exposure classes for which each ECAI or ECA is used	Page 48- Analysis of credit risk mitigation Table UK CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk
444 (c)	an explanation of the process used to translate external ratings into credit quality steps	Page 48- Analysis of credit risk mitigation
444 (d)	mapping of external rating to credit quality steps	Page 48- Analysis of credit risk mitigation Table UK CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk
444 (e)	exposure value pre and post credit risk mitigation by credit quality step	Page 48- Analysis of credit risk mitigation Table UK CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk Table UK CR4: Standardised Approach - Credit risk exposure and CRM effects
Market Risk		
445	Disclosure of Position Risk, large exposures exceeding limits, FX Settlement and Commodities Risk Interest rate risk of securitisation positions shall be disclosed separately	Page 60 - Foreign Exchange Risk Page 60 - Market Risk Capital Requirements under the Standardised Approach N/A the Group does not currently hold any securitisation positions
Operational Risk		
446	Disclose the approach for the assessment of own funds requirements for Operational Risk	Page 19 - Capital Management (Pillar 1 - application within the Group)

Appendix 7: CRR Mapping (continued)

Disclosure of key metrics		
447	Institutions shall disclose the following metrics:	
447 (a)	compositions of own funds and own funds requirements	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds
447 (b)	total risk exposure amount	Table UK KM1 - Key metrics template
447 (c)	amount and composition of additional own funds	Table UK KM1 - Key metrics template
447 (d)	combined buffer requirement	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds
447 (e)	leverage ratio and total exposure measure	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds Table UK LRCom - Leverage Ratio common disclosure
447 (f)	liquidity coverage ratio	Table UK KM1 - Key metrics template Table UK CC1 - Composition of regulatory own funds Table UK LIQ1 - Quantitative information of LCR
447 (g)	net stable funding requirement	Table UK KM1 - Key metrics template Table UK LIQ2: Net Stable Funding Ratio not applicable until post 01/01/2023 per PS 22/21
447 (h)	own funds and eligible liabilities ratio and the components	Not applicable - the Group is not a Globally Systemic Important Institution
Disclosure of exposures to interest rate risk on positions not held in the trading book		
448 (1)	Disclose the following information:	
448 (1) (a)	changes in the economic value of equity calculated under the following six supervisory shock scenarios: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down;	Page 60- Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (b)	changes in net interest income under the following shock scenarios: (i) parallel shock up; (ii) parallel shock down;	Page 60- Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (c)	description of key modelling and parametric assumptions used to calculate changes in value of equity and net interest income	Page 60- Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (d)	explanation of the significance of the risk measures disclosed	Page 60- Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (e)	description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities	Page 60- Interest Rate Risk in the Banking Book (IRRBB))
448 (1) (f)	description of the overall risk management and mitigation strategies	Page 60- Interest Rate Risk in the Banking Book (IRRBB)
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	Page 60- Interest Rate Risk in the Banking Book (IRRBB))
448 (2)	derogation relating to economic value of equity shall not apply to institutions that use the standardised framework	Not applicable - the Group implements an internal system, to identify, evaluate, manage and mitigate IRRBB and therefore the derogation under Article 448(2) does not apply.
Disclosure of exposure to securitisation positions		
449	Disclose the following information:	
449 (a)	description of securitisation and re-securitisation activities, including risk management and investment objectives, ole in securitisation and re-securitisation transactions, use of the simple, transparent and standardised securitisation, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third-parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Page 54- Securitisation and Covered Bond Exposures

Appendix 7: CRR Mapping (continued)

449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third-parties;	Page 55- Risks Inherent in Securitised and Covered Bond Assets
449 (c)	approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions	Page 54- Securitisation and Covered Bond Exposures Page 55 - Risks Inherent in Securitised and Covered Bond Assets
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	Page 54- Securitisation and Covered Bond Exposures
449 (e)	list of any legal entities in relation to which the institutions have disclosed that they have provided support	Not applicable - the securitisations undertaken to not meet the requirements for significant risk transfer
449 (f)	list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions	Not applicable - all securitisations retained by originator
449 (g)	summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation position	Page 54- Securitisation and Covered Bond Exposures
449 (h)	the names of the ECAIs used for securitisations and the types of exposure for which each agency is used	Page 54- Securitisation and Covered Bond Exposures
449 (i)	Full description of Internal Assessment Approach	Not applicable - the Group does not use the Internal Assessment Approach
449 (j)	breakdown of securitisation exposures	Table UK-SEC1 - Securitisation exposures in the non-trading book
449 (k)	for the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements ; (ii) the aggregate amount of securitisation positions where institutions act as investor and the associated risk- weighted assets and capital requirements by regulatory approaches	Not applicable - the securitisations undertaken do not meet the requirements for significant risk transfer
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	Table UK-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments
Remuneration policy		
450 (1)	Disclose the following information regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile:	
450 (1) (a)	information concerning the process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, the external consultant whose services have been used for the determination of the remuneration policy	Page 68 - Remuneration Page 14 Remuneration Committee - No of meetings of Remuneration Committee
450 (1) (b)	information on link between pay and performance	Page 69 - Remuneration

Appendix 7: CRR Mapping (continued)

450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	Page 69- Remuneration
450 (1) (d)	the ratios between fixed and variable remuneration	Page 71 - Remuneration Table UK REM1 - Remuneration awarded for the financial year
450 (1) (e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	Page 69 - Remuneration
450 (1) (f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits	Page 69- Remuneration Template UK REM3 - Deferred remuneration
450 (1) (g)	aggregate quantitative information on remuneration, broken down by business area	Page 72 - Remuneration Table UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
450 (1) (h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:	
450 (1) (h) (i)	the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries	Page 71 - Remuneration Table UK REM1 - Remuneration awarded for the financial year
450 (1) (h) (ii)	the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types	Page 71 to 73- Remuneration Table UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) Template UK REM3 - Deferred remuneration
450 (1) (h) (iii)	the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years	Page 73- Remuneration Template UK REM3 - Deferred remuneration
450 (1) (h) (iv)	the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards	Page 73 - Remuneration Template UK REM3 - Deferred remuneration
450 (1) (h) (v)	the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards	Page 72 - Remuneration Table UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
450 (1) (h) (vi)	severance payments awarded in previous periods, that have been paid out during the financial year	Page 69- Remuneration Table UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
450 (1) (h) (vii)	the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person	Page 72- Remuneration Template UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
450 (1) (i)	the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	Page 72 - Remuneration Template UK REM4 - Remuneration of 1 million EUR or more per year
450 (1) (k)	benefits from remuneration derogation taken	Not applicable - the Group does not take the relevant derogation

Appendix 7: CRR Mapping (continued)

450 (2)	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	The Group is not classified as a large institution but discloses all required information publicly
Leverage		
451 (1)	Disclose the following information:	
451 (1) (a)	leverage ratio	Page 27- Leverage Ratio
451 (1) (b)	leverage ratio calculated as if central bank claims were required to be included in the total exposure method	Page 27- Leverage Ratio Table UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Page 27- Leverage Ratio
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage	Page 27- Leverage Ratio
451 (1) (e)	a description of the factors that impact the leverage ratio during the period	Page 27- Leverage Ratio
451 (1) (f)	leverage ratio calculated excluding unrealised gains and losses	Not applicable - the Group does not include unrealised gains and losses in leverage calculation
451 (1) (g)	leverage ratio calculated excluding transitional adjustment	Page 27- Leverage Ratio Table UK LR2 - LRCom: Leverage ratio common disclosure
451 (2)	LREQ firm must disclose: a) average exposure measure; b) average leverage ratio; c) average leverage ratio including central bank claims; d) countercyclical leverage ratio buffer	Not applicable - the Group does not meet the requirements of a LREQ firm
451 (3)	LREQ firm must disclose information regarding change in total exposure measure and tier 1 capital	Not applicable - the Group does not meet the requirements of a LREQ firm
451 (4) & (5)	LREQ firm must calculate average exposure method	Not applicable - the Group does not meet the requirements of a LREQ firm
Disclosure of Liquidity requirements		
451 a (1)	Institutions shall disclose information on liquidity coverage ratio, net stable funding ratio and liquidity risk management	Page 29 - Liquidity and Funding Risk
451 a (2)	Disclose the following information in relation to liquidity coverage ratio:	
451 a (2) (a)	the average or averages, as applicable, of liquidity coverage ratio based on end-of the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	Table UK LIQ1 - Quantitative information of LCR
451 a (2) (b)	the average or averages, as applicable, of their liquid assets, after applying the relevant haircuts, included in the liquidity buffer based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer	Table UK LIQ1 - Quantitative information of LCR
451 a (2) (c)	the averages of liquidity outflows, inflows and net liquidity outflows based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of composition	Table UK LIQ1 - Quantitative information of LCR
451 a (3)	Disclose the following information in relation to net stable funding ratio:	
451 a (3) (a)	averages of their net stable funding ratio calculated for each quarter of the relevant disclosure period, based on end-of-the quarter observations over the preceding four quarters;	Not applicable - This article comes into force on 1st January 2022, the first period where four quarters will be available will be the disclosures for February 2023.
451 a (3) (b)	an overview of the amount of available stable funding calculated for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	Not applicable - This article comes into force on 1st January 2022, the first period where four quarters will be available will be the disclosures for February 2023.
451 a (3) (c)	an overview of the amount of required stable funding calculated for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	Not applicable - This article comes into force on 1st January 2022, the first period where four quarters will be available will be the disclosures for February 2023.

Appendix 7: CRR Mapping (continued)

451 a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment	Page 29- Liquidity and Funding Risk
Disclosure of the use of the IRB Approach to Credit Risk		
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose information	Not applicable - the Group does not use the IRB approach
Use of credit risk mitigation techniques		
453	Disclose the following information:	
453 (a)	the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting	Page 52 - Counterparty Credit Risk under the Original Exposure Method Approach
453 (b)	the policies and processes for collateral valuation and management	Page 36 -Wholesale Credit Risk Page 48- Management of credit risk mitigation
453 (c)	a description of the main types of collateral taken by the institution	Page 36 -Wholesale Credit Risk Page 48- Management of credit risk mitigation
453 (d)	the main types of guarantor and credit derivative counterparty and their creditworthiness	Not applicable - the Group has no exposure to credit derivatives
453 (e)	information about Market or Credit Risk concentrations within the credit mitigation taken	Not applicable - the Group has no Market or Credit Risk concentrations within the credit mitigation taken
453 (f)	for exposures under either the Standardised or IRB Approach, disclose the exposure value not covered by eligible collateral	Page 48- Management of credit risk mitigation Table EU CRD: Institution's use of external credit ratings under the Standardised Approach for Credit Risk Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Page 48- Management of credit risk mitigation Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Page 48- Management of credit risk mitigation Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Page 48- Management of credit risk mitigation Table UK CR4: Standardised Approach - credit risk exposure and credit risk mitigation effects
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission	Not applicable - the Group does not use the IRB approach
Disclosure of the use of the Advanced Measurement Approaches to Operational Risk		
454	description of the use of insurance or other risk transfer mechanisms to mitigate Operational Risk	Not applicable, the Group does not use Advanced Measurement Approaches to Operational Risk
Use of Internal Market Risk Models		
455	disclosures relating to the use of Internal Market Risk Models	Not applicable, the Group does not use Internal Market Risk Models

Appendix 8: UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
1	Issuer	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc	Tesco Personal Finance Group plc
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	XS2031923126
2a	Public or private placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Private Placement	Public
3	Governing law(s) of the instrument	Scottish Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No	No	No	No	No	No	No	No	Yes
	Regulatory treatment										
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Eligible liabilities
5	Post-transitional CRR Rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Eligible liabilities
6	Eligible at Solo /(sub-) consolidated/ solo & (sub-) consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common Equity	Dated Floating Rate Subordinated Notes	Undated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Undated Floating Rate Subordinated Notes	Undated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Dated Floating Rate Subordinated Notes	Dated Fixed rate senior notes
8	Amount recognised in regulatory capital or eligible liabilities (currency in million, as of most recent reporting date)	£1220.2m comprising nominal and premium	£20m	£9m	£10m	£16m	£20m	£35m	£95m	£30m	£250m
9	Nominal amount of instrument	0.10	£20m	£9m	£10m	£16m	£20m	£35m	£95m	£30m	£250m
UK 9a	Issue price	100%	100%	100%	100%	100%	100%	100%	100%	100%	99.641%
UK 9b	Redemption price	n/a	100%	100%	100%	100%	100%	100%	100%	100%	100%
10	Accounting classification	Shareholders equity	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Various	10 Apr 2002	10 Apr 2002	19 Sep 2002	19 Sep 2002	10 Dec 2002	28 Apr 2003	31 Dec 2007	25 Feb 2010	25 July 2019
12	Perpetual or dated	Perpetual	Dated	Perpetual	Dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated

Appendix 8: Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

		Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
13	Original maturity date	No maturity	29 March 2030	No maturity	29 March 2030	No maturity	No maturity	29 March 2030	29 March 2030	29 March 2030	25 July 2025
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Option call date, contingent call dates and redemption amount	n/a	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Earliest option call date 31 March 2025, may repay on any date if a Regulatory Event or Tax Event occurs, redemption can be in whole or in part at par value plus accrued interest	Interest Payment Date falling on or nearest to 25 July 2024
16	Subsequent call dates, if applicable	n/a	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	each quarter thereafter until maturity	n/a
	Coupons/Dividends										
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating	Fixed
18	Coupon rate and any related index	n/a	3month SONIA plus 0.67 per cent per annum	3month SONIA plus 1.27 per cent per annum	3month SONIA plus 0.67 per cent per annum	3month SONIA plus 2.27 per cent per annum	3month SONIA plus 2.27 per cent per annum	3month SONIA plus 1.67 per cent per annum	3month SONIA plus 1.07 per cent per annum	3month SONIA plus 1.82 per cent per annum	3.50%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
UK 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
UK20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No	No	No	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	BoE Resolution Authority may convert at point of non-viability under a statutory approach

Appendix 8: Main features of regulatory own funds instruments and eligible liabilities instruments (continued)

		Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	MREL
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fully or Partially
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Mandatory, at the option of Resolution Authority
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Tesco Personal Finance Group
30	Write-down features	No	No	No	No	No	No	No	No	No	Yes
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	BoE Resolution Authority may write-down at point of non-viability under a statutory approach
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fully or Partially
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Permanent
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34a	Type of subordination (only for eligible liabilities)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Structural
UK 34b	Ranking of the instrument in normal insolvency proceedings	Ranks behind all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Repaid before all other forms of capital	Rank below all other externally issued liabilities that are not own funds
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2 Capital	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured HoldCo debt (MREL)	Senior Unsecured Creditors of Tesco Personal Finance (solo) Plc
36	Non-compliant transitional features	No	No	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
37a	Link to the full term and conditions of the instrument (signposting)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	EMTN Programme - Tesco Bank (tescoplc.com)