



Pillar 3 Disclosures

For the year ended
31 December 2025



Contents

1.	Introduction	3
2.	Key metrics and overview of risk weighted exposure amounts	4
3.	Risk management objectives and policies	9
4.	Disclosure of the scope of application	19
5.	Disclosure of own funds	23
6.	Disclosure of countercyclical capital buffers	30
7.	Disclosure of liquidity requirements	32
8.	Disclosure of credit risk quality	38
9.	Disclosure of the use of credit risk mitigation techniques	51
10.	Disclosure of the use of the credit risk standardised approach (excluding counterparty credit risk and securitisation positions)	52
11.	Disclosure of the use of the IRB approach to credit risk (excluding counterparty credit risk)	54
12.	Disclosure of counterparty credit risk	74
13.	Disclosure on market risk	77
14.	Disclosure of exposures to securitisation positions	78
15.	Disclosure of operational risk	81
16.	Disclosure of remuneration policy	83
17.	Disclosure on interest rate risk in the banking book	92
18.	Disclosure on asset encumbrance	95
19.	Disclosure of the leverage ratio	97
20.	Attestation	99
21.	Key elements of the Pillar 3 disclosures policy	99
	Appendix 1. Glossary	100

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Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (www.fca.org.uk) and the Prudential Regulation Authority (firm reference number 150892). Principal Office: Coventry House, Harry Weston Road, Binley, Coventry, CV3 2TQ.

1. Introduction

In this document Coventry Building Society Group (the ‘Group’) has set out its Pillar 3 disclosures as at the year ending 31 December 2025 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook.

This report includes specific templates that are required to be disclosed on a quarterly, semi-annual and annual basis for large and listed institutions.

The Group has not omitted any disclosures on the basis of materiality, proprietary or confidentiality (See Article 432 of the UK Capital Requirements Regulation (CRR)).

Rows in which there is no data to report or zero values, have been excluded from the templates disclosed.

The information presented in this Pillar 3 report is not required to be, and has not been, subject to an external audit.

On 1 January 2025, the Society completed the acquisition of the Co-operative Bank Holdings p.l.c. (‘Bank Holdings’), which is the ultimate holding company of the Co-operative Bank p.l.c. (‘Bank’) thus making Bank Holdings and its operating entities fully owned subsidiaries of the Coventry Building Society.

Although the Pillar 3 disclosures are prepared on a UK Consolidation Group basis, an application for a modification to the PRA Rulebook (A00009760P available on The Financial Services Register) was approved by the Regulator for the Society to exclude the Bank Holdings group including the Bank from its disclosures until 31 December 2025.

Therefore 31 December 2025 disclosures are reported on a UK Consolidation Group basis including the Bank. However where comparatives are required to be disclosed these are reported on a UK Consolidation Group basis excluding the Bank.

The following terms are used in this report:

The Group	Coventry Building Society and all of its subsidiaries, including the Bank Group from 1 January 2025.
Coventry Building Society the Society	Coventry Building Society, parent entity of the Group.
The Co-operative Bank p.l.c. group the Bank Group	The group headed by The Co-operative Bank p.l.c. including all of its subsidiaries.
The Co-operative Bank p.l.c. the Company the Bank	The main trading entity with a banking licence in the Holdings Group and Bank Group.

2. Key metrics and overview of risk weighted exposure amounts

2.1. Template UK KM1 - Key metrics

The following table details the Group's own funds, key capital metrics, Pillar 1 liquidity coverage ratio and net stable funding ratio as at 31 December 2025 and those metrics previously disclosed as at 30 September 2025, 30 June 2025, 31 March 2025 and 31 December 2024.

Note that the capital values presented here are on a transitional basis whereas the Group's Interim Financial Statements and the Financial Statements included in the Annual Report and Accounts are presented on an end-point basis (i.e. assuming all transitional arrangements have finished, including IFRS 9 transitional relief).

Following the acquisition of the Co-operative Bank Holdings p.l.c. on 1 January 2025, the 31 December 2025 disclosures are reported on a UK Consolidation Group basis including the Bank. However the comparatives in the document are disclosed on a UK Consolidation Group basis excluding the Bank, unless stated otherwise. Therefore prior period numbers are not on a comparable basis, with movements in December 2025 reflecting the acquisition of the Bank.

		31 December 2025	30 September 2025	30 June 2025	31 March 2025	31 December 2024
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital ¹	2,907	2,231	2,229	2,155	2,616
2	Tier 1 capital	3,572	2,896	2,894	2,820	3,281
3	Total capital	3,847	2,937	2,935	2,860	3,321
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount ²	14,760	10,771	10,498	10,134	9,340
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	19.7%	20.7%	21.2%	21.3%	28.0%
6	Tier 1 ratio (%)	24.2%	26.9%	27.6%	27.8%	35.1%
7	Total capital ratio (%)	26.1%	27.3%	28.0%	28.2%	35.5%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	2.0%	1.5%	1.5%	1.5%	1.5%
UK 7b	Additional AT1 SREP requirements (%)	0.7%	0.5%	0.5%	0.5%	0.5%
UK 7c	Additional T2 SREP requirements (%)	0.9%	0.7%	0.7%	0.7%	0.7%
UK 7d	Total SREP own funds requirements (%)	11.5%	10.6%	10.6%	10.6%	10.6%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Institutions specific countercyclical capital buffer	2.0%	2.0%	2.0%	2.0%	2.0%
11	Combined buffer requirement (%)	4.5%	4.5%	4.5%	4.5%	4.5%
UK 11a	Overall capital requirements (%)	16.0%	15.1%	15.1%	15.1%	15.1%
12	CET1 available after meeting the total SREP own funds requirements (%) ³	13.3%	14.7%	15.3%	15.3%	22.0%

Table 1 UK KM1 - Key capital metrics

¹ Available own funds as at 31 March 2025 and 30 September 2025, do not include unverified profits generated in the first and third quarter of 2025 respectively. Profits were verified as at 30 June 2025 and 31 December 2025 and are therefore included in these periods.

² This amount includes the impacts of the Post Model Adjustments (PMAs) described in the Key metrics section.

³ This is calculated to ensure capital is used efficiently, with for example Tier 2 being used to meet Tier 2 requirements. The CET1 available is the excess against CET1 requirements and where appropriate CET1 that has been used to meet AT1 or T2 requirements. Prior periods have been restated to align to this interpretation. This is calculated excluding the combined buffer requirement on row 11.

		31 December 2025	30 September 2025	30 June 2025	31 March 2025	31 December 2024
		£m	£m	£m	£m	£m
	Leverage ratio					
13	Leverage ratio total exposure measure ⁴	76,407	55,415	54,609	53,673	53,662
14	Leverage ratio ⁵	4.6%	5.2%	5.3%	5.3%	5.7%
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	13,316	9,775	9,797	9,924	9,946
UK 16a	Cash outflows - Total weighted value	6,360	4,245	4,321	4,314	4,240
UK 16b	Cash inflows - Total weighted value	553	360	380	380	354
16	Total net cash outflows (adjusted value)	5,807	3,885	3,941	3,934	3,885
17	Liquidity coverage ratio (%) ⁶	230.3%	254.1%	250.7%	254.0%	258.2%
	Net stable funding ratio					
18	Total available stable funding	63,351	57,891	57,205	57,105	56,926
19	Total required stable funding	42,676	38,437	38,099	37,768	37,615
20	NSFR ratio (%) ⁷	148.9%	150.6%	150.2%	151.2%	151.3%

Table 1 UK KM1 - Key liquidity metrics

The capital disclosures above are on a Group basis, including all subsidiary entities.

The Group's Common Equity Tier 1 (CET1) ratio was 19.7% (31 December 2024: 28.0%) compared to an overall capital requirement of 16.0% (31 December 2023: 15.1%), with risk weighted exposure amount increasing to £14,760m (31 December 2024: £9,340m).

The Group's available own funds have increased during the year, driven primarily by the inclusion of the Bank and profits, which are verified as at 30 June 2025 and audited as at 31 December 2025. The inclusion of the Bank has increased RWAs by £5,041m and this has been offset by an increase in CET1 resources due to £812m statutory profit⁸ in the year, with a £584m day one gain from the acquisition of the Bank.

The capital ratios include additional RWAs held for regulatory changes that are currently not reflected in the IRB models, as previously disclosed within the 2024 Annual Report & Accounts.

The Society and Bank had both submitted updated models to the PRA in 2023. Our strategy following the acquisition is to move to a single Group IRB model. We have recently received feedback from the PRA on the models which had been submitted and we intend to incorporate this feedback into the build of our new Group model. We currently expect to submit our new Group IRB model at the end of 2027. When approval is granted, the final Group IRB model output RWAs may vary from those calculated currently, thereby impacting capital ratios.

Basel 3.1 RWA floors are currently expected to be phased in from the introduction of the new regulations in 2027, and in time are expected to reduce the Group's reported CET1 ratio, through increasing RWAs. Applying the Basel 3.1 RWA floors to the 31 December 2025 figures on a full transition pro-forma basis would result in a CET1 ratio of approximately 17.5%. However, on expected

⁴ The UK leverage ratio includes a restriction on the amount of Additional Tier 1 capital and excludes claims on the central bank with a maturity of no longer than three months from the calculation of leverage exposures, in line with the UK Leverage Regime. The leverage ratio reported within Pillar 3 is calculated on this basis.

⁵ Calculated on a restricted Tier 1 capital basis whereas the 4.7% ratio reported to the Regulator within COREP regulatory returns is based on the Total Tier 1 capital amount.

⁶ The liquidity coverage ratio is calculated as a 12 month average.

⁷ The net stable funding ratio is calculated as an average of the current and preceding quarters.

⁸ The profit for the year consists of profit before tax of £801m and a taxation benefit of £11m.

Basel 3.1 implementation in January 2027, the Group estimates a 20.1% pro-forma CET1 ratio at 31 December 2025 due to the removal of the IRB scalar of 1.06. The Group currently expects Basel 3.1 capital requirements to bind from 2028.

All known future capital requirement changes (including Basel 3.1 impacts) have been factored into the Group's financial plans, ensuring we remain appropriately capitalised.

The Group's leverage ratio decreased to 4.6% (31 December 2024: 5.7%), remaining well above regulatory requirements. The inclusion of the Bank has increased leverage ratio exposure by £21,962m and this has been offset by an increase in Tier1 resources due to £812m statutory profit in the year, with a £584m day one gain from the acquisition of the Bank.

The Group 12-month average pillar 1 liquidity coverage ratio as at 31 December 2025 remained strong at 230.3% (31 December 2024: 258.2%), with the reduction a result of the inclusion of the Bank. This is well above the 100% regulatory requirement.

The average Net stable funding ratio (NSFR) of 148.9% (31 December 2024: 151.3%) is also well above regulatory requirements. The NSFR is a longer-term liquidity risk management measure that is designed to ensure a stable funding structure within the Group where the available stable funding should equal the required stable funding.

2.2. Template UK OV1 - Overview of risk weighted exposure amounts

The table below details risk weighted exposure amounts (RWEAs) and the respective own funds requirements as at 31 December 2025, and the RWEAs previously disclosed as at 30 September 2025. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 December 2025	30 September 2025	31 December 2025
		£m	£m	£m
1	Credit risk (excluding CCR)	12,712	9,570	1,017
2	Of which the standardised approach	540	949	43
3	Of which the foundation IRB (FIRB) approach ⁹	369	85	30
4	Of which slotting approach	403	—	32
5	Of which the advanced IRB (AIRB) approach ¹⁰	11,400	8,536	912
6	Counterparty credit risk - CCR	159	155	13
7	Of which the standardised approach	84	69	7
UK 8a	Of which exposures to a CCP	2	3	—
UK 8b	Of which credit valuation adjustment - CVA	59	64	5
9	Of which other CCR	14	19	1
16	Securitisation exposures in the non-trading book (after the cap)	56	—	4
18	Of which SEC-ERBA (including IAA)	56	—	4
23	Operational risk	1,833	1,046	147
UK 23b	Of which standardised approach	1,833	1,046	147
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) ¹¹	132	11	10
29	Total	14,760	10,771	1,181

Table 3 UK OV1 - Overview of risk weighted exposure amounts

2.3. Template UK INS1 - Insurance participations

The Group has no own funds instruments held in insurance or re-insurance undertakings, neither are there any insurance holding companies not deducted from own funds.

2.4. Template UK INS2 - Financial conglomerates information on own funds and capital adequacy ratio

The Group is not part of a financial conglomerate.

2.5. Table UK OVC - ICAAP information

2.5.1. Approach to assessing the adequacy of the internal capital

The Group performs an Internal Capital Adequacy Assessment Process (ICAAP) which is approved by the Board following recommendation by Board Risk Committee.

The ICAAP compares the amount of capital the Group holds against the capital required to mitigate several risks. The assessment also ensures the Group remains above its risk appetite after applying severe and plausible stress scenarios.

Capital risk arises when there are insufficient capital resources to support the Group's strategic objectives and plans, or to meet external stakeholder requirements and expectations. This could

⁹ This includes non-credit obligation assets

¹⁰ See Table 28 UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach for further details.

¹¹ Row 24 is for information only and the value is excluded from the total in row 29.

arise due to a crystallisation of risks depleting capital resources, or an increase in risk or growth, or changing regulatory requirements or economic conditions, which increase capital requirements, or erode capital resources.

The Group assesses its capital adequacy both as a 'going concern' and as a 'gone concern'.

- 1) The '**going concern**' assessment is against two key measures:
 - i) The risk-based capital measure; and
 - ii) the leverage ratio backstop measure which is not risk sensitive.
- 2) The Group assesses its capital adequacy requirements to recapitalise a firm in recovery/ resolution as a '**gone concern**' under the minimum requirement for own funds and eligible liabilities (MREL).

To ensure that the Group would have enough capital in a stress scenario, two prescribed stress scenarios are applied to the Strategic Plan using assumptions that are based on Bank of England (BoE) defined stress scenarios.

The following metrics are assessed for each scenario:

- Profit before tax
- Own funds risk-based capital adequacy
- UK Leverage non-risk-based capital adequacy
- binding MREL.

The following risks are assessed in the current ICAAP:

- retail credit risk
- business and corporate banking credit risk
- treasury credit risk
- concentration risk
- interest rate risk in the banking book
- operational risk including conduct
- business risk
- pension obligation risk
- model risk
- liquidity risk
- market risk
- residual risk
- securitisation risk
- risk of excess leverage
- group risk
- reputational risk
- pension risk
- climate change risk

2.5.2. The result of the internal capital adequacy assessment process

The Group has not received any demand from the Prudential Regulation Authority to disclose the result of its ICAAP.

3. Risk management objectives and policies

3.1. Table UK OVA - Institution risk management approach

3.1.1. Management approved risk statement

The Group’s risk management objectives are to:

- Identify risks to the strategic plan and to the Group’s objectives.
- Assess risk exposures by impact and likelihood.
- Respond to risks by evaluating them against the Group’s risk appetite, formulating associated management responses and monitoring progress against agreed management action plans.

Risks are identified, assessed, managed, monitored, escalated and reported in accordance with the requirements of the ERMF. Management information captures risk metric performance against risk indicators, triggers and limits as appropriate. Where a trigger or limit is breached, a process exists to ensure it is escalated, reported and managed effectively, through the appropriate channels.

3.1.2. Risk governance structure

The Group has a number of committees that oversee and monitor risk as set out on page 36 of the Group Annual Report and Accounts. The Group Board delegates to the Group Board Risk Committee (GBRC) oversight of the Group’s risk management arrangements as a whole. The Chief Risk Officer (CRO) has an independent reporting line directly to the Chair of the BRC, in addition to reporting to the Chief Executive.

The Internal Audit function provides independent and objective assurance and the Chief Internal Auditor has an independent reporting line to the Chair of the Board Audit Committee (BAC).

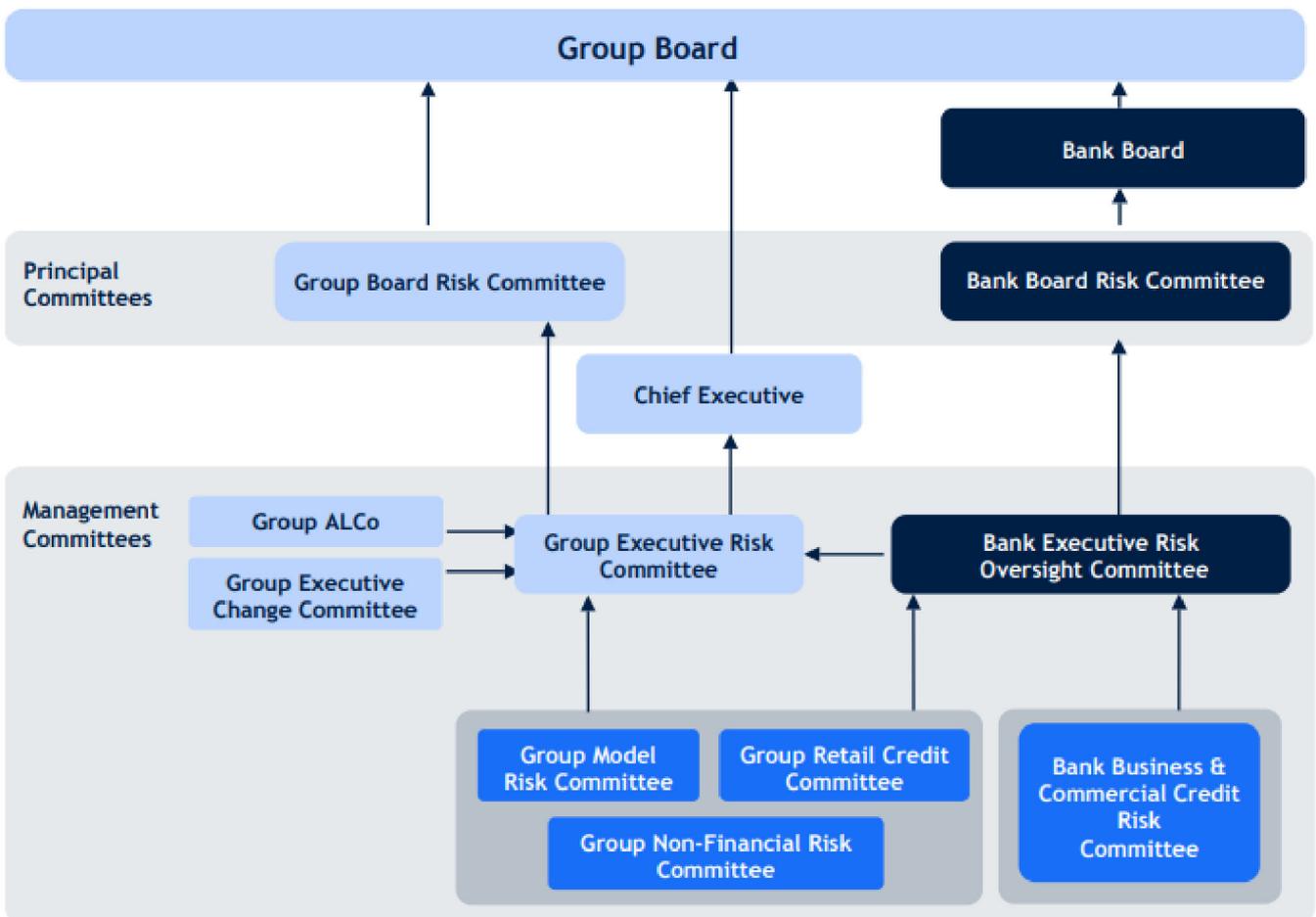


Figure 1 Executive committees

3.1.3. Adequacy of the risk management arrangements

The Group manages risk through the ERMF, which sets out the Board’s approach to managing and overseeing risk by defining risk appetite; governance and controls; and risk management in light of the Group’s strategy. The ERMF is approved annually by the Board to ensure it operates effectively. The Group will continue to enhance the ERMF as required to ensure it identifies and manages risk within its risk appetite.

During 2025, enhancements have been incorporated to provide a consistent Group ERMF approach, replacing the legacy Society and Bank ERMFs. This has resulted in the consistent application of risk committees, risk categorisation, risk reporting, risk policies, risk appetite and the three lines of defence model throughout the Group. The 2026 financial year will see a sustained focus on the full adoption and embedding of the Group’s ERMF.

3.1.4. The scope and nature of risk disclosure and/or measurement systems

Risk is managed through appropriate measurement and tracking via such tools as Board Risk Appetite Measures and Key Risk Indicators, appropriate management information (MI) and results of key annual requirements such as Stress Testing. These provide a view on where the Group currently sits against its risk appetites and will help determine if action is required, or where capacity lies to undertake further related activity. Additionally, consolidation of the risk positions, via these measures, are reported into the Group’s key committees, allowing the leadership to understand the overall position and take appropriate actions as determined. The Group will also consider appropriate MI to such as updates on emerging risks, outputs from Internal Audit and report on risk events. Risk events and risk issues are recorded and managed on the Group’s risk management system - Archer.

3.1.5. Strategies and processes to manage risks

The principal risk categories to which the Group's business model is inherently exposed are set out below. These risks are managed through the Group’s Enterprise Risk Management Framework (ERMF).

Risk categories	Mitigation
CREDIT RISK The risk of loss to the Group from members/customers or wholesale counterparties failing to meet their contractual payments in full and/or on time. This covers retail and commercial credit risk.	We operate robust underwriting and affordability assessments which, together with appropriate credit policies, results in the Group lending responsibly and within its risk appetite. We also build and operate statistical models to measure credit risk to ensure we understand our exposure to ongoing risk of losses in stressed scenarios.
MARKET RISK The risk of a reduction in Group earnings and/or value resulting from adverse movements in market factors.	We operate within Board approved limits and use interest and foreign exchange rate swap agreements to mitigate the impact of changes in interest rates and foreign exchange rate.
LIQUIDITY AND FUNDING RISK The risk that the Group has insufficient funds or projected funds to meet obligations as they fall due or could only do so at excessive cost or risk.	We hold sufficient liquidity to withstand a severe but plausible stress, mitigate risks identified through the annual ILAAP process and operate within limits set by the Board. We maintain a diversified funding base to avoid any overreliance on any funding source, type or term.
CAPITAL RISK The risk that the Group has insufficient capital resources to absorb losses in benign or stressed macro-economic conditions, fails to meet prudential regulations and expectations, or has insufficient financial resources to recapitalise in the event of resolution.	We hold sufficient capital to withstand a severe but plausible stress, and mitigate risks identified through the annual ICAAP process. Risk appetite limits are set to ensure that the Group always maintains compliance with regulatory minima, with early warning indicators in place to identify periods of severe stress as part of the recovery planning process.

<p>MODEL RISK The potential for adverse consequences from errors or the inappropriate use of modelled outputs to inform business decisions.</p>	<p>We have implemented robust model risk management practices, set out in the policy on Model Risk and Model Risk Framework. These cover key governance requirements and processes applicable to material models.</p>
<p>OPERATIONAL RISK The risk of loss arising from inadequate or failed internal processes, people, systems, or from external events that disrupt business operations. The operational risk principal risk category includes technology & cyber; data; third party; legal; people; statutory, regulatory and financial reporting; payments; and premises risk.</p>	<p>We actively identify, assess and manage operational risks across a number of categories to which the Group is exposed, consistent with Basel risk classifications, industry best practice and the Group's business model. We aim to continuously enhance our operational risk management framework to enable the Group to effectively manage its operational risk, thereby limiting incidents and associated losses to within appetite.</p>
<p>STRATEGIC CHANGE RISK The risk that strategic outcomes are not successfully delivered and/or change deliverables adversely impact business operations.</p>	<p>The Group has implemented a robust governance framework, with a dedicated change management office to ensure strategic change is appropriately managed, and portfolio risks are monitored and controlled. This includes deploying established programme management techniques and governance tools utilising third party subject matter expertise as required. Strategic change risk has been elevated to a principal risk category to support enhanced oversight by the Board.</p>
<p>FINANCIAL CRIME RISK The risk that Group products or services will be exploited for criminal purposes, including: a) fraud or dishonesty, including tax evasion and bribery or corruption; b) misconduct in, or misuse of information relating to a financial market; c) handling the proceeds of crime; or d) the financing of terrorism or evading or circumventing of sanctions.</p>	<p>The Group implements systems and controls in order to manage the economic crime risks posed by our customers, products, geographies and channels, in line with our legal and regulatory obligations. The Group monitors the effectiveness of these controls through ongoing oversight and assurance activity and through the Group's governance committees.</p>
<p>CONDUCT & COMPLIANCE RISK The risk that the Group's behaviour, decision making, or products and services result in poor outcomes for customers, undermine market integrity or breach regulatory standards and cause harm to customers, the Group or the financial system.</p>	<p>We place good customer outcomes, aligned to the FCA Consumer Duty, at the heart of our decision making. In line with putting members and customers first, this reduces conduct risk. This ethos is embedded in product design, services, and people and communication strategies. The Board plays an active role in oversight of these strategies and the delivery by the Group of good customer outcomes.</p>
<p>CLIMATE RISK The risk that climate-related events or the transition to a low-carbon economy will lead to financial losses, operational disruption, regulatory censure and/or reputational damage for the Group.</p>	<p>The Group continues to focus on understanding and planning for the impacts of risk associated with climate risk as presented in the Sustainability Report and the Climate section of the Annual Report & Accounts. Regular horizon scanning is performed with periodic reporting to the Group Board Risk Committee, which includes monitoring of emerging risks.</p>
<p>OPERATIONAL RESILIENCE The risk of the Group experiencing operational disruptions due to shortcomings in preventing, adapting to, responding to, recovering from, and learning from disruptive events.</p>	<p>To reduce the likelihood and impact of severe disruption, the Group maintains a comprehensive operational resilience capability that spans across three centres of excellence: Business Continuity & Supplier Resilience, Incident Management & Change, and Important Business Service Oversight. Each centre focuses on enhancing the Group's ability to prevent, adapt, respond, recover and learn from disruptive events. This activity is supported by a multilayered approach to scenario stress testing and a suite of management information that spans across six resilience pillars: Technology, Data, Cyber Security, People, Premises and Third Parties.</p>

Table 4 Principal Risks

3.1.6. Risk disclosure and measurement systems

Risk disclosure allows the Group to maintain an up-to-date view on the position and health of the business through the accurate measurement of its principal risks. It also allows for appropriate dissemination of this information to the Group's leadership team in order to allow for appropriate

management action to be discussed and taken. Additionally, the Group has a regulatory requirement to provide certain information to its regulators and timely, accurate data is vital to providing these disclosures. Further, management of risk events and issues through the Archer management system, allows for up-to-date action tracking and monitoring of any mitigating or corrective action, as well as updates on impacts caused by any associated event.

3.1.7. The strategies and processes to manage, hedge and mitigate risks, and the monitoring of the effectiveness of hedges and mitigants

Risk Strategy

The Board sets the Group’s risk strategy and risk management approach. The strategy includes establishing a robust risk culture, setting the Board’s risk appetite and ensuring that the ‘three lines of defence’ model operates effectively. This model is recognised as an industry standard for risk management.

The Group operates within a ‘three lines of defence’ model, recognised as an industry standard for risk management. The key accountabilities of the three lines of defence within the Group are set out below:

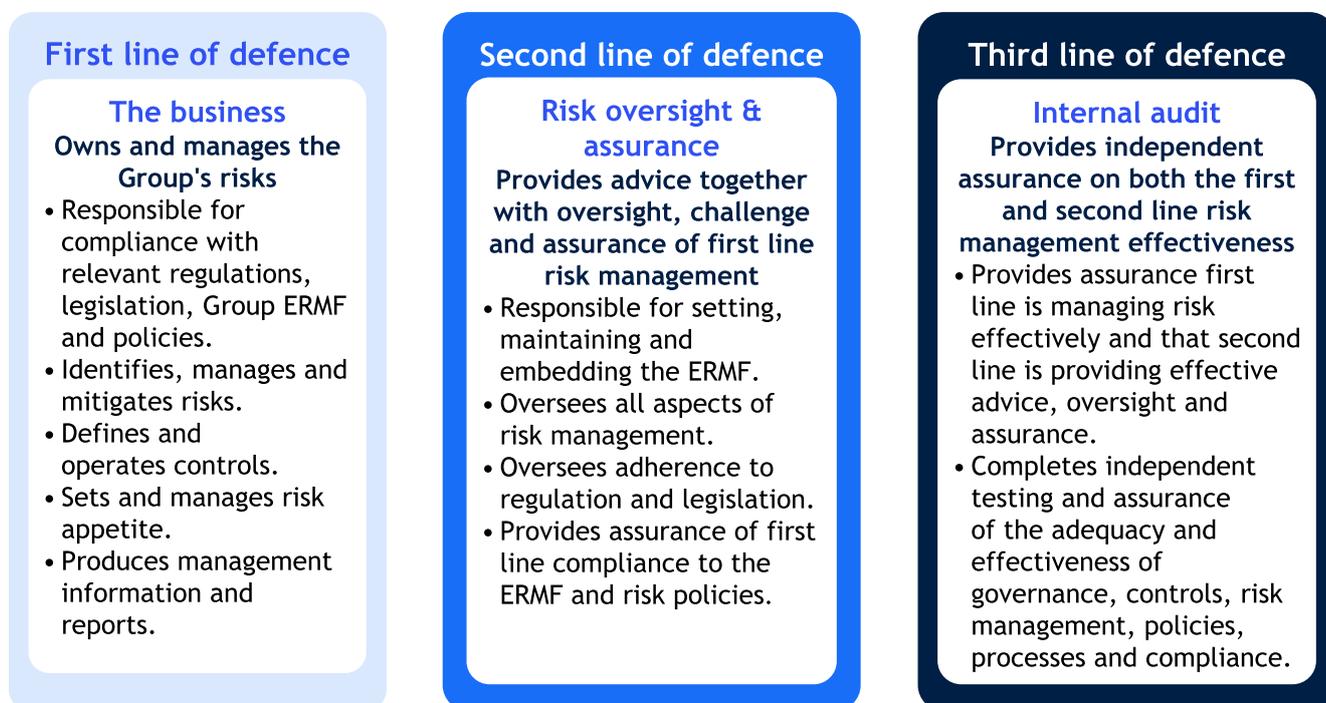


Figure 2 Three lines of defence

Risk Culture

Risk culture is reflected in the behaviour and approach of the Board and all employees to risk awareness, risk taking and risk management. A strong risk culture helps the Group to achieve its strategy within acceptable risk levels.

The Group’s risk culture is built on the following five elements:

- Tone from the top;
- Accountability;
- Conduct and member/customer outcomes;
 - Risk actions and decisions are aligned with fair treatment of members and customers, and regulatory expectations.
- Governance; and

- Our governance processes encourage risk transparency, open discussion and debate, and robust execution of risk management mitigation.
- Incentives.
- In particular, the Society does not pay any sales incentives to employees.

Board Risk Appetite

The Board articulates the risks it is willing to take in delivering the Strategic Plan through its risk appetite statements, which create a framework for decision making. These appetite statements are reviewed on an annual basis to ensure they remain appropriate.

The Board's strategy towards risk and risk appetite is to achieve operational, conduct and prudential resilience that protects the long-term interests of our members and customers and the Group, and also reflects our market role in supporting economic growth and financial stability.

The Executive Risk Committee (ERC), the Board Risk Committee (BRC) and the Board all review performance and adherence to Board risk appetite limits.

Stress Testing and Planning

Stress testing, for both internal and external shocks, is used to understand the potential impact of risks crystallising and options to manage them. This includes scenario and contingency planning.

Stress testing is a key part of the Group's capital and liquidity assessments, and allows the Board to be satisfied that the Group has sufficient capital and liquidity resources even under a range of severe forward-looking scenarios.

More detail on the stress testing carried out by the Group, including the Internal Capital Adequacy Assessment Process (ICAAP), and Internal Liquidity Adequacy Assessment Process (ILAAP) is set out in the sections that follow covering capital risk and liquidity and funding risk.

3.2. Table UK OVB - Disclosure on governance arrangements

3.2.1. Members of the management body, their directorships, knowledge, skills and expertise

David Thorburn - (appointed in April 2022) - Chair of the Board

Chair of the Board and the Board Nominations & Governance Committee. Member of the Board Remuneration Committee and Non-Executive Directors' Remuneration Committee.

Skills and experience

David has over 45 years' experience in the banking industry, including four years as Chief Executive of Clydesdale and Yorkshire Banks. Prior to joining the Society, David held a number of board positions including Chair of the Board Risk Committee at Barclays Bank UK plc. David's previous roles also include External Member of the Bank of England's Prudential Regulation Committee, Chair of the Confederation of British Industry in Scotland, Independent Non-Executive for the EY Global Network, member of its Global Governance Council and former Chair of Ernst & Young LLP Audit Board.

External appointments

None

Steve Hughes - (appointed in April 2020) - Group Chief Executive and Executive Director

Chair of the Non-Executive Directors' Remuneration Committee.

Skills and experience

Steve has broad transformation, financial and operational experience in senior and board level roles within financial services and consumer goods sectors. Before joining the Society, Steve had been Chief Executive of Principality Building Society, and Finance Director of the Lloyds Banking Group General Insurance businesses. Steve also held the role of Non-Executive Director on the main Board of UK Finance and Chair of the Audit and Risk Committee of UK Finance.

External appointments

Chair of the Audit Committee at the BSA council. Advisory Board Member of the Money and Pension Service. Member of the Payments Advisory Board for the Pennies Foundation and Member of the FCA Practitioner Panel.

Iraj Amiri - (appointed in June 2018) - Independent Non-Executive Director and Whistleblowing Champion and DE&I champion

Member of the Board Audit Committee and Board Risk Committee. .

Skills and experience

Iraj was a senior partner with Deloitte for over 20 years, leading its national internal audit group and serving clients in the financial, retail and public sectors. He spent 10 years as Global Head of Internal Audit for Schroders plc. Iraj was a Trustee, and Chair of the Audit and Risk Committee and a member of the Investment Committee of NEST Pension, one of the largest pension administrators in the UK and Iraj was also member of the Regulatory Decisions Committee at the Financial Conduct Authority.

External appointments

Chair of the Audit Committee at Aon UK Limited. Chair of the Audit and Risk Committee at Eurocell plc.

Jo Kenrick - (appointed in November 2017) - Deputy Chair of the Board and Senior Independent Director

Member of the Board Remuneration Committee and the Board Nominations & Governance Committee.

Skills and experience

Jo is an experienced Non-Executive Director who has worked across multiple sectors in her executive and non-executive careers. Her early career included roles at Mars confectionery, Pepsi, and Asda, followed by executive roles at Camelot Group plc, B&Q plc and Homebase Limited. She was also CEO of Start, a Prince of Wales charitable initiative. Jo has held previous non-executive roles at Principality Building Society and Safestore Self Storage Ltd and was the former Chair of PayM and of the Current Account Switch Service for Pay.UK.

External appointments

Senior Independent Director and Chair of the Remuneration Committee at Dŵr Cymru Welsh Water. Chair of Remuneration Committee at Sirius Real Estate. Non-Executive Director and Consumer Duty Champion at Vitality Insurance.

Jane Leach - (appointed October 2025) - Independent Non-Executive Director

Chair of the Board Audit Committee and member of the Board Risk Committee.

Skills and experience

Jane is a chartered accountant and an experienced board, audit and risk committee chair in the financial sector. She has deep control function and governance expertise, combined with skills in strategic commercial leadership. She began her career at KPMG where she went on to become a Partner and then led KPMG's Financial Services Risk Practice. Jane later became Group Capital Controller at HSBC, before becoming a Senior Advisor at The Bank of England.

External appointments

Chair of Jupiter Asset Management's UK Fund Manager. Chair of the Lucy Faithfull Foundation. Chair of the Audit, Risk and Compliance Committee at PayPal (UK). Chair of Audit at AIG (UK).

Caroline Marsh - (appointed January 2025) - Independent Non-Executive Director and Employee Engagement Champion

Skills and experience

Chair of Board Remuneration Committee. Member of Board Nominations & Governance Committee and Board Risk Committee.

External appointments

Caroline has held many positions during her executive career in financial services. She spent the first 13 years of her career in retail banking at Barclays before joining Virgin as they moved into banking in the late 1990s. She was a member of the Executive Committee of Virgin Money until 2018. As Virgin Money's Culture Director, Caroline led the successful cultural integration of Northern Rock and Virgin Money. She also led Virgin Money's social enterprise strategy. Caroline has seven years of experience as a Non-Executive Director.

External appointments

None

Shamira Mohammed - (appointed May 2019) - Independent Non-Executive Director and Board Sustainability Champion

Member of the Board Audit Committee and Remuneration Committee.

Skills and experience

Shamira is a Chartered Accountant with over 20 years' experience in the financial services sector. Shamira held previous executive roles at Aviva plc and Phoenix Group plc including Finance Director for the Phoenix Life Division and Finance Acquisition Director.

External appointments

None

Brendan O'Connor - (appointed January 2021) - Independent Non-Executive Director and Board Consumer Duty Champion

Skills and experience

Brendan has over 35 years' experience at Allied Irish Bank including Head of its Global Treasury Services, Head of Corporate Banking International and Head of Business Banking. Brendan was most recently on the AIB Group leadership team as Head of Financial Solutions Group before becoming CEO of AIB UK plc in 2015.

External appointments

Non-Executive Director at Ford Credit Europe Bank plc and Chair of the Board Risk Committee.

Mark Parker - (appointed January 2025) - Independent Non-Executive Director

Member of the Board Audit Committee and Board Change Committee.

Skills and experience

Mark has held several senior executive positions in the financial services sector, most recently as Chief Operating Officer at Hastings Insurance Services Limited. He was appointed as Chief Operating Officer at Virgin Money, following the restructure and sale of Northern Rock plc to Virgin Money. Prior to joining Northern Rock plc, Mark held senior executive positions at HBOS plc leading Group Services, Group Technology and Chief Executive Officer of Intelligent Finance Bank, part of the HBOS Group.

Iain Plunkett - (appointed July 2024) - Independent Non-Executive Director

Chair of the Board Change Committee and Member of the Board Risk Committee and Nominations & Governance Committee.

Skills and experience

Iain began his career as a software engineer and architect and has since undertaken several senior executive appointments. Iain's executive career began at UBS Group where he was Group Chief Technology Officer, Chief Information Officer ('CIO') of Europe and Global CIO of the investment bank. At Barclays Group, he was the Global Chief Operating Officer of Group Shared Services. He later joined Aberdeen Asset Management as Group Chief Operating Officer before moving to TP ICAP as Group Chief Operating Officer. His most recent executive role was with Santander UK as Chief Operating and Transformation Officer.

External appointments

Independent Non-Executive Director at Citi Group Global Markets Limited.

Lee Raybould - (appointed in April 2021) - Group Chief Financial Officer and Executive Director

Member of the Non-Executive Directors' Remuneration Committee.

Skills and experience

Lee is a qualified accountant and has over 30 years' experience in the building society sector including 24 years at Nationwide Building Society. He has held senior roles in finance, strategy, product and data and was a Member of the Executive Committee during his time there.

External appointments

None

Martin Stewart - (appointed September 2018) - Independent Non-Executive Director

Chair of the Board Risk Committee. Member of the Board Audit Committee and Board Change Committee.

Skills and experience

Martin has wide-ranging experience within the financial services sector. He was the Director of Banks, Building Societies and Credit Unions at the Bank of England and Head of UK Banks and Mutuals at the Financial Services Authority (now the Financial Conduct Authority). Martin also spent ten years in various senior roles at Yorkshire Building Society.

External appointments

Non-Executive Director and Chair of Northern Bank Limited (Danske Bank UK).

3.2.2. The Board recruitment policy

The Board goes through an extensive and rigorous recruitment process to select new board members with the right professional experience to enhance its capability.

3.2.3. The Board diversity policy

The Board are committed to diversity; achieving diversity in our leadership remains a key focus for the Board. Diversity and inclusion are intrinsic to the Group's values and purpose. A key strategic priority for the Group is to create an inspiring place to work which better reflects the diversity of its city and communities. The Group's approach to gender and diversity will continue to be a key factor in achieving this. As part of its remit, the Board oversees the implementation of the Group's diversity and inclusion strategy and objectives.

3.2.4. Board Risk Committee

The Group has a Board Risk Committee (BRC), which is chaired by Martin Stewart and is a sub-committee of the Board and the most senior risk committee within the Group. It has delegated authority from the Board and assists the Board in fulfilling its oversight responsibilities for risk management across the Group.

Its responsibilities include the following:

- Providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group and risk strategy, including determination of risk appetite and the effectiveness of the Group's framework for managing risk.
- Promoting a risk culture that puts the Group's members and customers first and overseeing implementation and maintenance of the Group's Enterprise Risk Management Framework (ERMF).
- Reviewing key risk policies and frameworks, including key risk appetite statements.
- Ensuring the Executive team is held to account to identify, assess and manage risks in accordance with the requirements of the ERMF.
- Monitoring risks on behalf of the Board.

During 2025, the Committee met on six separate occasions. The Committee continues to operate in a flexible manner with a mixture of meetings held remotely and in person throughout the year to ensure that the Committee could appropriately oversee the Group's risk profile. Details on meeting attendance can be viewed in the Directors' Report on Corporate Governance.

3.2.5. Information flow on risk to The Board

As shown in Figure 1 on page 8 the Group operates a Group Executive Risk Committee (GERC) which reports to the Group Chief Executive and the Group Board. The Group Executive Risk Committee has a number of sub-committees; Group Retail Credit Committee (GRCC); Group Executive Change Committee (GECC); Group Assets and Liabilities Committee (GALCo); Group Model Risk Committee (GMRC); and the Group Non-Financial Risk Committee (GNFRC). Information flows through this committee structure to the Group Board Risk Committee and ultimately the Group Board.

The Board Risk Committee considered a consolidated risk report from the Group's Chief Risk Officer (GCRO) at each meeting. These reports highlighted key and emerging risks for consideration by the Committee.

4. Disclosure of the scope of application

The scope of accounting consolidation and the scope of regulatory consolidation are exactly the same so the carrying values as reported in published financial statements and under scope of regulatory consolidation have been reported in one column in line with the guidance ANNEX VI - Instructions for disclosure of information on the scope of application of the regulatory framework.

4.1. Template UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

		a & b	c	d	e	g
		Carrying values as reported in published financial statements and under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements		£m	£m	£m	£m	£m
1	Cash and balances with the Bank of England	11,948	11,948	–	–	–
2	Loans and advances to credit institutions	383	383	–	–	–
3	Debt securities	1,565	1,536	–	29	–
4	Loans and advances to customers	72,936	72,936	–	–	–
5	Hedge accounting adjustment	169	169	–	–	–
6	Derivative financial instruments	533	–	533	–	–
7	Investment in equity shares	5	5	–	–	–
8	Current tax assets	12	12	–	–	–
9	Deferred tax assets	205	53	–	–	152
10	Intangible assets	269	–	–	–	269
11	Property, plant and equipment	101	101	–	–	–
12	Prepayments and accrued income	85	85	–	–	–
13	Pension benefit surplus	28	–	–	–	28
	Total assets	88,239	87,228	533	29	449

Table 5 UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement asset categories with regulatory risk categories

		a & b	c	d	e	g
		Carrying values as reported in published financial statements and under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by liability classes according to the balance sheet in the published financial statements		£m	£m	£m	£m	£m
1	Shares	50,830	–	–	–	50,830
2	Customer accounts	20,892	–	–	–	20,892
3	Deposits from banks	3,009	–	–	–	3,009
4	Debt securities in issue	8,307	–	–	–	8,307
5	Hedge accounting adjustment	29	–	–	–	29
6	Derivative financial instruments	320	–	320	–	–
9	Accruals and deferred income	152	–	–	–	152
10	Other liabilities	108	–	–	–	108
12	Pension benefit obligation	13	–	–	–	13
13	Subordinated liabilities	248	–	–	–	248
14	Subscribed capital	42	–	–	–	42
15	General reserve	3,506	–	–	–	3,506
16	Other equity instruments	665	–	–	–	665
17	Cash flow hedge reserve	118	–	–	–	118
	Total liabilities	88,239	–	320	–	87,919

Table 6 UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement liability categories with regulatory risk categories

4.2. Table UK LIA - Explanations of differences between accounting and regulatory exposure amounts

4.2.1. Differences between columns (a) and (b) in template UK LI1

There are no differences between the columns because no entities are derecognised from the accounting balance sheet for regulatory purposes.

4.2.2. Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template UK LI2

Key differences between accounting and regulatory balances in template UK LI2 are:

- Off-balance sheet amounts are included in row 4 of UK LI2, reduced by applicable regulatory credit conversion factors in row 9; and
- Other differences in row 11 primarily relate to regulatory add-ons within PRA approved IRB models.

4.3. Template UK LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The table below shows the differences between the regulatory exposure amounts and the carrying values in the financial statements.

		£m	£m	£m	£m	£m
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	87,790	87,228	29	533	—
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	320	—	—	320	—
3	Total net amount under the regulatory scope of consolidation	87,470	87,228	29	213	—
4	Off-balance-sheet amounts	3,947	3,947			
6	<i>Differences due to different netting rules, other than those already included in row 2</i>	78			78	
7	<i>Differences due to consideration of provisions</i>	35	35			
8	<i>Differences due to the use of credit risk mitigation techniques (CRMs)</i>	3	3		—	
9	<i>Differences due to credit conversion factors</i>	(496)	(496)			
11	<i>Other differences</i>	1,045	1,045		—	
12	Exposure amounts considered for regulatory purposes	92,082	91,762	29	291	—

Table 7 UK LI2 - Differences between regulatory exposure amounts and the carrying values in the financial statements.

4.4. Template UK LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

There are no differences between the scopes of consolidation.

4.5. Table UK LIB - Other qualitative information on the scope of application

4.5.1. Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group

There are no current or foreseen material restrictions or legal impediments to the movement of capital or to the repayment of liabilities between UK based consolidated entities, with the exception of:

- Securitisation vehicles and covered bond LLP with assets being ring-fenced within such entities; and
- regulated entities which have their own minimum capital requirements.

4.5.2. Subsidiaries not included in the consolidation with own funds less than required

There are no subsidiaries that are not included in the consolidation.

4.5.3. Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR

The Group uses the Individual consolidation method in accordance with Article 9 of the CRR and reports to the PRA on both a UK Consolidation basis and individual consolidated basis.

4.5.4. Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation

There are no subsidiaries that are not included in the consolidation.

4.6. Template UK PV1: Prudent valuation adjustments (PVA)

The Group uses the Simplified Approach for Additional valuation adjustments calculation (AVA) not the Core Approach so does not disclose Template UK PV1.

5. Disclosure of own funds

The template below shows the composition of the Group's own funds as at 31 December 2025.

5.1. Template UK CC1 - Composition of regulatory own funds

		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		31 December 2025	
		£m	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
2	Retained earnings	2,793	E1
3	Accumulated other comprehensive income (and other reserves)	75	E3
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	754	E1
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,622	
Additional Tier 1 (AT1) capital: instruments			
7	Additional value adjustments (negative amount)	(2)	
8	Intangible assets (net of related tax liability) (negative amount)	(231)	A3
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(243)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(119)	E3
12	Negative amounts resulting from the calculation of expected loss amounts	(100)	
15	Defined-benefit pension fund assets (negative amount)	(20)	A3
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(715)	
29	Common Equity Tier 1 (CET1) capital	2,907	
Additional Tier 1 (AT1) capital: regulatory adjustments			
30	Capital instruments and the related share premium accounts	665	E2
36	Additional Tier 1 (AT1) capital before regulatory adjustments	665	
Additional Tier 1 (AT1) capital: regulatory adjustments			
44	Additional Tier 1 (AT1) capital	665	
45	Tier 1 capital (T1 = CET1 + AT1)	3,572	
46	Capital instruments and the related share premium accounts	275	
51	Tier 2 (T2) capital before regulatory adjustments	275	
58	Tier 2 (T2) capital	275	
59	Total capital (TC = T1 + T2)	3,847	
60	Total Risk exposure amount	14,760	

Table 8 UK CC1 Composition of regulatory own funds - CET1 and AT1

		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		31 December 2025	
		£m	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.7%	
62	Tier 1 (as a percentage of total risk exposure amount)	24.2%	
63	Total capital (as a percentage of total risk exposure amount)	26.1%	
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)	11.0%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	2.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.3%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3	
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)	(745)	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	53	
Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	8	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	73	

Table 9 UK CC1 Composition of regulatory own funds - Ratios

5.2. Template UK CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements and under regulatory scope of consolidation	Balance sheet as in published financial statements and under regulatory scope of consolidation	Reference
		31 December 2025	31 December 2024	
		£m	£m	
1	Loans and advances to customers	72,936	51,801	A1
2	Liquidity	13,896	10,724	A2
3	Other	1,407	1,506	A3
	Total assets	88,239	64,031	
1	Retail savings	71,722	49,425	L1
2	Wholesale funding	11,316	10,475	L2
3	Subordinated liabilities and subscribed capital	290	57	L3
4	Other	622	446	L4
	Total liabilities	83,950	60,403	
1	General reserve	3,506	2,754	E1
2	Other equity instruments	665	665	E2
3	Other	118	209	E3
	Total shareholders' equity	4,289	3,628	

Table 10 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

5.3. Template UK CCA: Main features of regulatory own funds instruments and MREL eligible liabilities instruments

		Qualitative or quantitative information							
		31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025
1	Issuer	Coventry Building Society	Coventry Building Society	Coventry Building Society	Coventry Building Society	Coventry Building Society	Coventry Building Society	Coventry Building Society	Coventry Building Society
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS2826591740	GB000229074	XS2336054338	XS2699403106	XS2699403106	XS2702274064	XS2704925846	XS2777468674
2a	Public or private placement	Public	Public	Public	Private	Private	Private	Public	Public
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Regulatory treatment									
4	Current treatment taking into account, where applicable, transitional CRR rules	AT1	T2	N/A	N/A	N/A	N/A	N/A	N/A
5	Post-transitional CRR rules	AT1	T2	N/A	N/A	N/A	N/A	N/A	N/A
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
7	Instrument type (types to be specified by each jurisdiction)	Perpetual Capital Security	PIBS	Senior Non-Preferred					
8	Amount recognised in regulatory capital or eligible liabilities (Currency in millions, as of most recent reporting date)	665	40	–	–	–	–	–	–
8.5	Amount recognised in MREL (as of most recent reporting date) (Currency in millions)	665	40	250	75	20	50	400	500
9	Nominal amount of instrument (Currency in millions)	665	40	250	75	20	50	400	500
UK-9a	Issue price (pence)	100	101	99	96	96	100	100	100
UK-9b	Redemption price (pence)	100	100	100	100	100	100	100	100
10	Accounting classification	Shareholders' Equity	Liability - Amortised Cost						
11	Original date of issuance	6/11/2024	5/28/1992	4/27/2021	10/5/2023	10/19/2023	10/10/2023	11/7/2023	3/12/2024
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	N/A	N/A	12/20/2030	10/5/2033	10/5/2033	10/10/2036	11/7/2027	3/12/2030
14	Issuer call subject to prior supervisory approval	Yes	N/A	No	No	No	Yes	Yes	Yes

		31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025
15	Optional call date, contingent call dates and redemption amount	11/06/2029; par regulatory / tax call	N/A	N/A	N/A	N/A	10/10/2035	11/7/2026	3/12/2029
16	Subsequent call dates, if applicable	5 yearly	N/a	N/a	N/a	N/a	N/a	N/a	N/a
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	0.0875	0.1213	0.02	0.065	0.065	0.06923	0.07	0.05875
Coupons / dividends									
19	Existence of a dividend stopper	N/A	N/A	No	No	No	No	No	No
UK-20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	Partial Discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
UK-20 b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Partial Discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative	non-cumulative
23	Convertible or non-convertible	convertible	non-convertible	non-convertible	non-convertible	non-convertible	non-convertible	non-convertible	non-convertible
24	If convertible, conversion trigger(s)	Contractual - CET1 ratio falling below 7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	Fully	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	One for every £67 held	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	Mandatory	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	Core Capital Deferred Shares	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	Coventry Building Society	N/A	N/A	N/A	N/A	N/A	N/A	N/A

		Contractual: none; statutory: via bail in	Contractual: none; statutory: via bail in	Contractual recognition of statutory bail in					
30	Write-down features								
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual
UK-34 b	Ranking of the instrument in normal insolvency proceedings	2	3	5	5	5	5	5	5
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	PIBS	Senior Non-Preferred	Senior Preferred					
36	Non-compliant transitioned features	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
37a	Link to the full term and conditions of the instrument (signposting)	Further information on Perpetual Capital Securities and PIBS is available on the Group's website (www.coventrybuildingsociety.co.uk). Further information on the immaterial Tier 2 subordinated debt is available on request.							

Table 11 UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments part 2

		Qualitative or quantitative information			
		31 December 2025	31 December 2025	31 December 2025	31 December 2025
1	Issuer	Coventry Building Society	The Co-operative Bank Holdings p.l.c.	The Co-operative Bank Holdings p.l.c.	Coventry Building Society
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS2702921607	XS2464403877	XS2606337082	XS2884724837
2a	Public or private placement	Public	Public	Public	Public
3	Governing law(s) of the instrument	English	English	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes	Yes
Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Senior MREL Debt	Senior MREL Debt	Senior Non-Preferred
5	Post-transitional CRR rules	Tier 2	Senior MREL Debt	Senior MREL Debt	Senior Non-Preferred
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated/ (Individual)	Consolidated/ (Individual)	Consolidated/ (Individual)	Consolidated/ (Individual)
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Senior Unsecured	Senior Unsecured	Senior Unsecured
8	Amount recognised in regulatory capital or eligible liabilities (Currency in millions, as of most recent reporting date)	200	253	201	202
8.5	Amount recognised in MREL (as of most recent reporting date) (Currency in millions)	–	–	–	–
9	Nominal amount of instrument (Currency in millions)	200	250	200	200
UK-9a	Issue price (pence)	100	100	100	100
UK-9b	Redemption price (pence)	N/A	N/A	N/A	N/A
10	Accounting classification	Other borrowed funds	Other borrowed funds	Other borrowed funds	Other borrowed funds
11	Original date of issuance	11/22/2023	4/6/2022	5/24/2023	9/19/2024
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	5/22/2034	4/6/2027	5/24/2028	9/19/2028
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	11/22/2028	4/6/2026	5/24/2027	9/19/2027
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	11.75%	6.00%	9.50%	5.58%

Coupons / dividends					
19	Existence of a dividend stopper	N/A	N/A	N/A	N/A
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	N/A	N/A
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	Contractual recognition of statutory bail in	Contractual recognition of statutory bail in	Contractual recognition of statutory bail in	Contractual recognition of statutory bail in
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	Statutory	Statutory	Statutory
UK-34b	Ranking of the instrument in normal insolvency proceedings	Tier 2	Senior non-preferred	Senior non-preferred	Senior non-preferred
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Non-Preferred	Senior Secured	Senior Secured	Senior Secured
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Further information on Perpetual Capital Securities and PIBS is available on the Group's website (www.coventrybuildingsociety.co.uk). Further information on the immaterial Tier 2 subordinated debt is available on request.			

Table 11 UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments part 2

6. Disclosure of countercyclical capital buffers

6.1. Template UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer and UK CCyB2 - Amount of institution-specific countercyclical capital buffer

The countercyclical buffer is an additional requirement introduced by CRD IV, calculated by applying a weighted average of country countercyclical buffer rates based on the geographical distribution of relevant exposures to the overall capital requirements of the Group. The following templates disclose information relevant for the calculation of the countercyclical buffer as at 31 December 2025 in accordance with Regulation (EU) 2015/1555 on a consolidated basis.

In accordance with Regulation (EU) 1152/2014, as foreign credit exposures represent less than 2% of the Group's aggregate risk weighted exposures, all exposures have been allocated to the UK. Exposures are as defined in Regulation (EU) 2015/1555 and in particular exclude exposures to sovereigns and supranationals.

		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		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			Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total			
£m														
Breakdown by country														
010	United Kingdom	636	76,842	—	—	29	77,508	1,013	0	4	1,018	12,722	100%	2%
020	Total	636	76,842	—	—	29	77,508	1,013	0	4	1,018	12,722		

Table 12 UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

The Group is subject to an institution specific countercyclical capital buffer as shown in the table below.

		£m
1	Total risk exposure amount	14,760
2	Institution specific countercyclical capital buffer rate	2%
3	Institution specific countercyclical capital buffer requirement	295

Table 13 UK CCyB2 - Amount of institution-specific countercyclical capital buffer

7. Disclosure of liquidity requirements

7.1. Table UK LIQA - Qualitative information on liquidity risk management

Liquidity risk is the risk that the Group (or material entities within Society and Bank) has insufficient funds to meet its obligations as they fall due. Funding risk reflects an inability to access funding markets or to do so only at excessive cost. Liquidity risk is difficult to fully eliminate as the Group's business model is to transform on-demand and relatively short-dated retail deposits to contractually much longer-term customer lending (maturity transformation).

7.1.1. Strategies and processes to manage liquidity risk

The Group has articulated its strategy for managing liquidity risk as:

- Having a clear and appropriate internally defined liquidity risk appetite which is prudent and ensures the Group remains a going concern post stress,
- utilising a diversified funding model that maintains active retail and wholesale franchises within regulatory constraints,
- ensuring adequate liquidity is maintained for the strategic planning period,
- maintaining a High-Quality Liquid Asset portfolio, with constituent portfolios aligned to risk appetite, and
- retaining an operational liquidity buffer to provide adequate coverage for forecasting uncertainties, with the ability to fund short term liquidity gaps through:
 - Retail Acquisition;
 - Wholesale Funding; and
 - Bank of England SMF Liquidity Operations (e.g., indexed long-term repo).

The strategy is augmented with sound risk management practices and metrics outlined within the ILAAP.

7.1.2. Liquidity risk management

Day-to-day responsibility for liquidity management is delegated to the Chief Financial Officer with oversight by the Group Assets and Liabilities Committee, Board Risk Committee and the Board. A sub-committee of Group Assets and Liabilities Committee called the Group Liquidity Management Committee acts as a conduit for analysis and proposals to promote detailed challenge at working level prior to any progression to the Group Assets and Liabilities Committee. The Financial and Model Risk function is responsible for oversight and provides insight into key capital, liquidity and interest rate risk in the banking book.

7.1.3. The centralisation of liquidity management and interaction between the group's units

Liquidity risk is managed on a Group basis (including material entities therein) with day-to-day responsibility delegated to the Chief Financial Officer with oversight by the Group Assets and Liabilities Committee, Board Risk Committee and the Board.

7.1.4. Liquidity risk reporting and measurement systems

The Liquidity and Market Risk team within Treasury report the daily measurement of all relevant liquidity and funding measures, commercial cash flows and applicable risk exposures. This is supplemented by a detailed weekly reporting update and a rolling forecast which considers the variance in performance versus plan - in addition to all other relevant liquidity and funding metrics.

7.1.5. Hedging and mitigating liquidity risk

The Group holds sufficient liquidity to withstand a severe but plausible stress and operate within limits set by the Board. Business as usual and stressed liquidity requirements (including asset encumbrance) are forecast over the strategic plan and periodically updated to ensure the prevailing strategy remains suitable. Ad hoc stress testing is also performed to identify any new risks and to skew specific existing risks in developing the Group's understanding of its balance sheet.

The Group maintains a diversified funding base to avoid any overreliance on any funding source, type or term. A large proportion of the Group's funding comes from retail savings deposits however

these are managed by monitoring relevant concentrations including by product type and customer activation (e.g. term/bonus maturity). The Group wholesale funding is also diversified to consider these factors and to utilise both owner-occupied and buy to let mortgage assets as security to increase contingent drawing capacity.

The Group employs monetisation testing of its HQLA security portfolio to ensure channels remain open to the Group and to minimise negative signalling from these activities.

7.1.6. The Group`s contingency funding plans

The Group`s contingency funding options are incorporated in its Recovery Plan (RP). The RP includes:

- Early Warning Indicators (EWIs) and Invocation Triggers Points (ITPs) which identify risk factors that forewarn of future liquidity stress events. EWIs are calibrated at an early stage so that preventative measures can be taken, although invocation of the Recovery Plan by Group/Society or Bank is not a requirement. The RP includes a detailed explanation of the EWI and ITPs that are in place.
- an identified selection of available recovery options to mitigate the impact of a liquidity stress. These sources are updated and validated periodically with any significant changes reported to, and agreed by, the Group Assets and Liabilities Committee. In the event of a stress, the sources will be updated on request to support real-time decision-making.
- an analysis detailing the Group`s Total Recovery Capacity, representing the benefit available from deploying Recovery options and the ensuing impact of deploying these options in a range of scenarios.
- an effective plan of action to equip senior management and the Board with the most effective responses to a stress event, along with delivery of appropriate management information that is both relevant and timely.
- clear allocation of roles and responsibilities.
- guidance on communication with key external stakeholders so that the reputational risks of the Group can be managed.

The Recovery Plan is regularly updated to ensure that it remains relevant and operationally robust.

7.1.7. Liquidity risk stress testing

The Group assesses the adequacy of its liquidity resources through a process of stress testing and scenario testing. These internally defined tests complement the regulatory Liquidity Coverage Ratio and allow the Group (and material entities therein) to prove it meets the Overall Liquidity Adequacy Rule (OLAR) as specified under the ILAAP rules.

Regular liquidity stress testing is performed by Treasury and is reported monthly to the Group Assets and Liabilities Committee. The stress testing analysis is performed daily and reviewed by senior management, whilst also being incorporated into the daily liquidity risk reports to evidence compliance with the Liquidity Risk Appetites. In order to identify and analyse the Group`s risk exposures outside of the regular stress testing, Treasury undertake sensitivity testing as part of the ILAAP, with the results presented to Group Assets and Liabilities Committee. This supplements the stress testing undertaken in the Recovery Plan, Reverse Stress Testing and ILAAP.

The liquidity stress tests described in this section incorporate the on and off-balance sheet risks of the Group`s business model, with reference to the fourteen liquidity risk drivers specified under the ILAAP rules. The results of the stress tests determine the required level of liquidity the Group (and material entities) must hold, both on a current and forecast basis.

The structure of the stress tests is defined by the Group and agreed as a core part of the Group`s Liquidity Risk Appetite (LRA). As with liquidity management and reporting, stress testing is monitored on a Group, Society, and Bank basis.

The ILAAP rules require the Group to undertake stress testing based on three scenarios:

- firm-specific stress;
- market-wide stress; and
- combined stress.

The Combined stress test is the most severe of these tests and is currently used within the Group's Liquidity Risk Appetite for all periods (7, 30 and 90-day stress) and models the simultaneous impact of :

Firm-Specific Liquidity Stress - an unforeseen Group, Society or Bank specific liquidity stress event affecting both wholesale lenders and retail depositors. This results in large retail withdrawals in the short-term and a lowered ability to raise new funding. Maturing wholesale deposits are required to be repaid, and the credit ratings are negatively impacted by two notches, triggering additional contractual liquidity requirements; and

Market-Wide Liquidity Stress - an unforeseen sector-wide liquidity stress occurs which indirectly affects the Group, Society and Bank. This is characterised by increased risk concerns amongst market participants and (less so) in retail depositors. Wholesale rollover is reduced as other market participants become more risk averse. Retail depositors also look to spread funds across several deposit takers to maximise their FSCS coverage but would not seek to take savings out of the system altogether. The scenario is cognisant of developments in the FSCS scheme since 2008, and in the Bank of England sterling monetary framework developed subsequently.

The Combined liquidity stress takes the Group's, Society's or Bank's latest liquidity position and calculates the survival periods after applying all elements of the stress. Survival under this stress scenario is defined as:

- holding sufficient cash to meet both the outflows of the first 7 days and the stressed intra-day liquidity requirement,
- holding sufficient HQLA, and having access to a finite volume of central bank drawings (ILTR) to meet the outflows of the first 30 days of a stress plus the survival point at the end of the 30 days, and
- total liquidity resources to meet further outflows up to a 90-day horizon and to meet the survival point at the end of this period.

7.2. The adequacy of liquidity risk management arrangements

The Group has a robust policy framework in place to manage liquidity and funding risks. The ILAAP is the key document that supports this framework. The Group's ILAAP, along with the Society and Bank ILAAPs therein, are approved by the Board on an annual basis and demonstrate compliance with PRA Rulebook following review by second line. The Group (and material entities) complies with the required liquidity systems and controls as evidenced within the ILAAs.

7.2.1. Management approved liquidity risk statement

The Group and material entities should hold sufficient liquidity (actual and forecast) to withstand severe but plausible stresses with adequate recovery capacity, and mitigate risks within a robust early warning and recovery framework.

7.3. Template UK LIQ1 - Quantitative information of LCR¹²

The LCR is designed to ensure that institutions hold a sufficient reserve of HQLA to allow them to survive a period of significant liquidity stress lasting 30 calendar days.

		Total unweighted value (average) £m				Total weighted value (average) £m			
UK 1a	Quarter ending on (DD Month YYYY)	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25
UK 1b	Number of data points	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					13,316	13,500	13,503	13,636
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	69,923	69,815	69,541	68,957	3,847	3,899	3,900	3,803
3	<i>Stable deposits</i>	32,989	31,752	30,691	29,492	1,649	1,588	1,535	1,475
4	<i>Less stable deposits</i>	16,748	17,640	18,244	18,433	2,198	2,312	2,366	2,328
5	Unsecured wholesale funding	1,468	1,461	1,414	1,394	687	687	638	629
7	<i>Non-operational deposits (all counterparties)</i>	1,430	1,413	1,407	1,386	649	639	631	621
8	<i>Unsecured debt</i>	38	48	7	8	38	48	7	8
9	<i>Secured wholesale funding</i>					30	12	18	35
10	Additional requirements	1,230	1,244	1,272	1,270	1,030	1,051	1,084	1,092
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	952	970	991	1,022	952	970	991	1,022
12	<i>Outflows related to loss of funding on debt products</i>	54	59	71	49	54	59	71	49
14	Other contractual funding obligations	60	62	64	70	1	1	—	1
15	Other contingent funding obligations	4,421	4,277	4,017	3,572	765	755	700	588
16	TOTAL CASH OUTFLOWS					6,360	6,407	6,341	6,147
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	118	157	235	199	1	1	1	—
18	Inflows from fully performing exposures	573	583	592	656	459	466	472	526
19	Other cash inflows	126	147	186	60	93	112	151	25
20	TOTAL CASH INFLOWS	817	887	1,013	915	553	578	624	552
UK-20c	<i>Inflows subject to 75% cap</i>	817	887	1,013	915	553	578	624	552
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					13,316	13,500	13,503	13,636
22	TOTAL NET CASH OUTFLOWS					5,807	5,828	5,717	5,596
23	LIQUIDITY COVERAGE RATIO					230.3%	233.0%	237.3%	243.7%

Table 14 UK LIQ1 - Quantitative information of LCR

¹² All reporting periods on a Group consolidated basis including the Bank, with averages based on 1 January 2025 to 31 December 2025 returns.

7.4. Table UK LIQB on qualitative information on LCR, which complements template UK LIQ1

7.4.1. The main drivers of LCR

Retail deposits (including SME) are the main driver of the LCR requirement, representing 60% of the Group total average weighted cash outflows at 31 December 2025. Periodic changes in the retail deposits requirement result from the maturity of term deposits falling into the LCR stress window or relative changes in Group savings rates versus the market.

7.4.2. Changes in the LCR over time

The Group 12-month average LCR at 31 December 2025 stated in Template UK LIQ1, and the reduction in average LCR through 2025 reflects lower liquid asset levels including the impact of TFSME repayments (£4.3bn repaid across 2025; £2.2bn for Society and £2.1bn for Bank), net of wholesale funding (including Covered Bond issuance), and deposit and lending profile requirements.

7.4.3. The concentration of funding sources

The Group's retail deposit base was £68 billion at 31 December 2025 (2024: £49 billion), which represents 81% (2024: 83%) of the Group's liabilities (excluding capital). The Group held £11 billion (2024: £11 billion) of wholesale funding; 90% (2023: 82%) of this funding was from longer-term sources such as covered bonds, medium-term notes, and residential mortgage-backed securities. The relatively large size of long-term wholesale funding deals and their typical structure as bullet maturities creates re-financing risk. As such wholesale maturities are monitored and spread appropriately to avoid excessive concentration. Following the Bank acquisition, the Group also has £4bn of funding from business and commercial deposits.

7.4.4. The composition of the Group's liquidity buffer

The Group's liquidity buffer is predominantly composed of the Bank of England Reserve Account with the remainder being a mix of high-quality debt security assets including UK Gilts and T-Bills, covered bonds, residential mortgage-backed securities and debt issuance from supranational institutions.

7.4.5. Derivative exposures and potential collateral calls

The Group (material entities) uses derivatives to manage and mitigate market risk exposures, not for trading or speculative purposes. The Group predominantly undertakes derivative trades with external counterparties where a Credit Support Annex (CSA) is in place. Under the terms of a CSA, the Group typically posts and receives collateral with counterparty banks (including its central clearing brokers) that offset the net mark-to-market position of derivatives with the counterparty. These arrangements are effective in mitigating the credit risk incurred in derivatives but create a potential liquidity requirement via initial margin and variation margin calls. The Bank has a small portfolio of legacy, unmarginated derivatives facing Corporate customers which would not incur movements in collateral.

7.4.6. Currency mismatch in the LCR

The Group does not report in any material currencies other than Sterling.

7.3.7. Template UK LIQ2: Net Stable Funding Ratio

The template below provides details of the calculation of the Group's Net Stable Funding Ratio (NSFR). The NSFR is calculated as an average of the current and preceding quarters.

		31 December 2025				Weighted value
		Unweighted value by residual maturity				
		No maturity	<6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	
Available stable funding (ASF) Items						
1	Capital items and instruments	3,017	65	–	153	3,170
2	Own funds	3,017	1	–	103	3,120
4	Retail deposits		43,135	7,330	5,370	52,597
5	Stable deposits		29,893	6,276	4,514	38,874
6	Less stable deposits		13,243	1,054	856	13,723
7	Wholesale funding:		1,958	855	6,932	7,525
9	Other wholesale funding		1,958	855	6,932	7,525
11	Other liabilities:	–	1,813	–	60	60
13	All other liabilities and capital instruments not included in the above categories		1,813	–	60	60
14	Total available stable funding (ASF)					63,351
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					148
UK-15a	Assets encumbered for more than 12m in cover pool		112	110	4,275	3,823
17	Performing loans and securities:		3,659	694	51,299	36,122
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,950	–	1	289
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		–	–	2	–
22	Performing residential mortgages, of which:		675	671	50,891	35,652
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		634	630	46,834	31,963
26	Other assets:		174	147	2,176	2,436
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		137	139	81	303
29	NSFR derivative assets		13			13
30	NSFR derivative liabilities before deduction of variation margin posted		5			–
31	All other assets not included in the above categories		19	8	2,096	2,121
32	Off-balance sheet items		3,092	–	–	147
33	Total RSF					42,676
34	Net Stable Funding Ratio (%)					148.9%

Table 15 UK LIQ1 - Quantitative information of NSFR

8. Disclosure of credit risk quality

8.1. Table UK CRA: General qualitative information about credit risk

8.1.1. Management approved credit risk statement

Retail Credit Risk

Secured mortgages

The Group has credit risk exposures related to its secured mortgage portfolio of owner-occupier and buy to let mortgages.

The Group provides low risk, high quality owner-occupier and buy to let mortgage products secured by immovable property within the UK.

Unsecured lending - credit cards and current account overdrafts

The Group has credit risk exposures related to its credit card portfolio and overdrafts on personal current accounts.

The Group provides lending in a responsible and affordable manner, resulting in a relatively low risk credit card and current account overdraft portfolio.

Business and Commercial Credit Risk

The Group has credit risk exposures related to both secured and unsecured lending covering overdrafts, credit cards and loans to a variety of organisations including sole traders, national charities and UK corporates.

The Group manages this lending via an agreed set of risk indicators and appetite measures for each key sector with a focus on secured lending in key sectors such as Housing Associations where we can see an alignment of values.

Treasury Credit Risk

The Group has a low appetite for treasury credit risk and restricts exposures to good quality counterparties with a low risk of failure.

Treasury investments in financial institutions are predominantly with highly rated UK banks. The treasury credit risk framework is reviewed annually by the BRC and the Board, and reflects internal analysis, external credit ratings and any other relevant factors. There is a maximum permitted exposure set for each category of investments in addition to country limits.

Within the risk framework, detailed limit setting is delegated to GALCo with oversight from the Risk function.

8.1.2. Criteria and approach for defining credit risk management policy

The Board sets prudent credit risk limits within the context of the Group's overall risk appetite, and these are reflected in the Group's lending policy and credit controls.

Retail Credit Risk

Secured mortgages

Credit risk in the Group's mortgage book only crystallises in the event that a borrower is unable to repay the mortgage and, as a result, the property on which the mortgage is secured has to be repossessed and sold at a price which is insufficient to allow the borrower to repay the loan.

All mortgage applications are assessed against the Group's lending policy criteria to ensure consistent credit decision making, and lending within the Group's credit risk appetite. This assessment uses stressed interest rates to ensure affordability even if interest rates increase. Assurance that lending decisions are robust and within the Group's policy is provided through the three lines of defence model.

All underwriting is done by the Group and its key lending criteria include:

- prudent loan to value limits;
- a requirement that buy-to-let loans are against properties which are readily sellable into the owner-occupier market; and
- restrictions on the maximum number of properties in buy to let portfolios.

The Group ensures that there is no over-exposure to any geographical region or counterparty and that its mortgage portfolio as a whole can withstand a range of macroeconomic and specific stress scenarios.

The Group continues to focus on low risk, high quality owner-occupier and buy to let mortgages. Non-traditional mortgage lending outside these core segments was discontinued in 2008.

Buy to let lending continues to be provided mainly on an interest only basis reflecting the underlying investment nature of buy to let properties which can be sold to repay the capital amount. Interest only lending was 5.2% of the owner-occupier portfolio at 31 December 2025 (2024: 4.9%) with an average loan to value of 33.4% (2024: 33.4%).

[Unsecured lending - credit cards and current account overdrafts](#)

All new lending decisions and ongoing portfolio management are supported by application and behavioural scorecards. These scores are used in combination with information from credit reference agencies, policy criteria and an assessment of affordability, to determine whether we will lend to an individual borrower and to set individual limits on the amount we will lend.

Decisions are generally fully automated with manual intervention only required in the event of referrals being triggered or customer appeal. The scorecards and credit reference agency data used for lending decisions and customer management actions also form the main components of the IRB models.

Business and Commercial Credit Risk

Credit risk in the Group's business and commercial book only crystallises in the event that a borrower is unable to repay facilities in place and, as a result, the security provided to support the borrowing has to be relied upon when the amount realised is insufficient to allow the borrower to repay the loan.

All business and commercial lending is assessed against the Group's lending policy criteria to ensure consistent credit decision making, and lending within the Group's credit risk appetite. This assessment uses stressed tests appropriate to the borrower which can include interest rates to ensure affordability even if interest rates increase. Assurance that lending decisions are robust and within the Group's policy is provided through the three lines of defence model.

All underwriting is done by the Group and its with key lending criteria set for each key sector the Group provides facilities to which include:

- Housing Associations and
- Commercial Real Estate;

The Group has sector caps to ensure that there is no over-exposure to any sector and single name limits within each sector to seek that the overall portfolio is diverse and as a whole can withstand a range of macroeconomic and specific stress scenarios.

Treasury Credit Risk

Exposures are reviewed continuously to ensure that they remain within the approved limits. Developments with treasury counterparties are closely monitored, with detailed internal credit assessments performed annually on key counterparties, with limits reduced or suspended where there are adverse changes, including changes in the creditworthiness of counterparties or markets.

The Group manages this risk by undertaking credit assessments of all counterparties and by exchanging collateral to mitigate any exposure. Daily collateralisation of repo transactions is carried out in accordance with the Global Master Repurchase Agreements to mitigate net exposure arising from changes in market value. Similarly, all derivatives have Credit Support Annexes (CSAs) in place to collateralise the net mark-to-market credit exposures.

The Group is also subject to mandatory central clearing of derivatives through a third-party regulated central clearing counterparty to reduce systemic and operating risk. Under this, collateral is exchanged on a daily basis. The Group may still enter into swaps that are not currently cleared by any of the central clearing houses, e.g. cross currency swaps; these may be subject to daily exchange of collateral to better manage counterparty risk.

8.1.3. Credit risk management

Retail Credit Risk

The Group Retail Credit Committee (GRCC), Board Risk Committee (BRC), and ultimately the Board oversee the Group's management of retail credit risks, supported by the Retail Credit Risk and Risk Modelling and Measurement functions, both reporting to the Group Chief Risk Officer. A separate Retail Credit Risk Oversight and Analytics team within the Retail Credit Risk Function also provides portfolio information, review and challenge.

The Retail Credit Risk function is responsible for all aspects of reporting on the performance of the retail credit secured and unsecured portfolios and for maintaining and updating the Group's Retail Credit Risk Lending Policies. The function works closely with stakeholders across the Group, for example in product design and distribution, to ensure that the evolution of the Group's Lending Policies both meets commercial requirements with regard to income and margin and risk appetite limits as set and agreed by the Board.

The Risk Modelling and Measurement function comprises of a Model Development and Maintenance team that builds all the retail credit models and a Risk Measurement and Reporting team that executes the models, generates and reports on impairment provisions and capital calculations, undertakes credit model performance reporting, and is responsible for regulatory reporting of capital and impairment.

The Group Model Risk Committee (GMRC) and ultimately Board Risk Committee oversee the management of model risk and is the governing committee with oversight over credit model development and deployment in the business, for example with respect to the development of application and behavioural scorecards, capital (IRB) models for regulatory capital calculations, and IFRS 9 models for Expected Credit Loss calculations.

Business and Commercial Credit Risk

The Bank Business and Commercial Credit Risk Committee (BCCRC) and Executive Risk Committees and ultimately the Board oversee the Group's management of business and commercial credit risks, supported by the Business and Commercial Credit Risk and Risk Modelling and Measurement functions, both reporting to the Group Chief Risk Officer. A separate Business and Commercial Credit Risk Oversight and Analytics team within the Business and Commercial Credit Risk Function also provides portfolio information, review and challenge.

The Business and Commercial Credit Risk function is responsible for all aspects of reporting on the performance of the business and commercial credit portfolios and for maintaining and updating the Group's Business and Commercial Credit Risk Lending Policies. The function works closely with stakeholders across the Group, for example in the first line lending team to ensure that the evolution of the Group's Lending Policies both meets commercial requirements with regard to income and margin and risk appetite limits as set and agreed by the Board.

The Risk Modelling and Measurement function comprises of a Model Development and Maintenance team that builds all the business and commercial credit models and a Risk Measurement and Reporting team that executes the models, generates and reports on impairment provisions and capital calculations, undertakes credit model performance reporting, and is responsible for regulatory reporting of capital and impairment.

The Group Model Risk Committee (GMRC) and ultimately Board Risk Committee oversee the management of model risk and is the governing committee with oversight over credit model development and deployment in the business, for example with respect to the development of

application and behavioural scorecards, capital (IRB) models for regulatory capital calculations, and IFRS 9 models for Expected Credit Loss calculations.

Treasury Credit Risk

The objectives of the Group Treasury Credit Risk Policy and Policy standard are:

- to ensure effective oversight of Treasury counterparties to mitigate the risk of losses;
- to ensure effective review of jurisdictions where changes in a financial profile may increase the risk of losses;
- to have effective oversight over the concentration of Treasury counterparty risk exposure;
- to ensure a dedicated WWR framework is integrated into the general-risk assessment; framework and gives due consideration to both general wrong-way risk (GWWR) and specific wrong-way risk (SWWR); and
- to ensure effective oversight of collateral securing transactions to mitigate the risk of losses.

This Policy is reviewed by GALCo at least on an annual basis or as warranted due to changes to the business or external factors. The Treasury Credit Risk Appetite is defined within the Board Risk Appetite Measures and the Key Risk Indicators. Compliance with the policy is documented in the ERMF. The Group operates a Three Lines of Defence (3LoD) approach to monitoring, oversight and assurance

GALCo has delegated the responsibility of managing Treasury Credit Risk to the Treasury Credit Committee (TCC), which is required to convene in line with the approved terms of reference. The TCC provide an avenue for the Group and entities to monitor Treasury Credit risks and to escalate issues around policy compliance, counterparty credit deterioration or emerging risks upwards to GALCo for consideration. In-depth management information is presented to TCC which allows for appropriate review of risks. The detailed roles and responsibilities of these sub-committees have been detailed within the approved terms of reference.

8.1.4. Credit risk reporting and measurement systems

Retail Credit Risk

Retail credit risk reporting and measurement is conducted principally using SAS with data sourced from a combination of dedicated analytics and data platforms and via data extracts and files produced by the Group's central Data function. The data warehouse and analytical tools sit on a dedicated platform of servers and storage, overseen and managed by a team of data engineers and platform administrators.

Credit models are built using the data held in the credit risk data warehouse as well as data items extracted from data tables. Models are executed in Society and Bank data platforms. The outputs of the models are used for a variety of purposes including regulatory capital and impairment provision calculations. All regulatory and accounting reporting of credit model outputs as well as portfolio analytics and reporting are sourced from the data platforms.

Business and Commercial Credit Risk

Business and commercial credit risk reporting and measurement is conducted principally using SAS with data sourced from a combination of dedicated analytics and data platforms and via data extracts. The data warehouse and analytical tools sit on a dedicated platform of servers and storage, overseen and managed by a team of data engineers and platform administrators.

Credit models are built using the data held in the credit risk data warehouse as well as data items extracted from data tables. Models are executed in Society and Bank data platforms. The outputs of the models are used for a variety of purposes including regulatory capital and impairment provision calculations. All regulatory and accounting reporting of credit model outputs as well as portfolio analytics and reporting are sourced from the data platforms.

Treasury Credit Risk

External counterparty credit ratings are monitored on a weekly basis to ensure that the ratings held in Group treasury management systems and monitoring tools, are up to date and accurately reflect those determined by external credit rating agencies. Adjustments to limits and counterparty ratings are subject to four eye post completion checks.

8.1.5. Hedging and mitigating credit risk

Retail Credit Risk

The Group does not employ credit risk mitigation (CRM) techniques in relation to retail credit risk apart from taking a first legal charge on each property being offered as security for a mortgage.

All properties taken as security are valued at the outset of the loan and when any further advance is made during the lifetime of the loan.

The initial valuations of properties are determined by the Credit Risk function using a variety of techniques. These techniques include internal physical inspection with written reports by a qualified Royal Institutions of Chartered Surveyors (RICS) surveyor as well as Automated Valuation Models or desktop valuations. The credit risk function oversees the techniques used, and independently assesses the accuracy of valuations which are performed.

Regular reviews of the appropriateness and accuracy of the various valuation methods used by the Society are undertaken, to ensure these remain appropriate.

Assumptions regarding realisation (or work-out) costs, the time it takes to effect repossession and sale, and the effect of forced sale on estimated property values are updated regularly and are used in the impairment model to determine the realistic value that could be achieved upon repossession and sale of a property.

Business and Commercial Credit Risk

The Group ensures facilities have appropriate covenants to monitor ongoing performance of the facilities it provides. Alongside this appropriate security for the loan size, customer sector/segment and in line with lending policy and criteria is taken when the loan is drawn down.

All properties taken as security are valued at the outset of the facility and when any further advance is made during the lifetime of the loan. These valuations are completed in line with a specific valuation policy by a panel firm with written reports completed by a qualified Royal Institutions of Chartered Surveyors (RICS) surveyor.

Regular reviews of the valuation policy are undertaken, to ensure this remains appropriate.

Assumptions regarding realisation (or work-out) costs, the time it takes to realise any security and the effect of any formal enforcement are considered in the impairment model to determine the realistic outcome when a business moves into a default position.

Treasury Credit Risk

The Group enters into derivative transactions for risk management purposes. It undertakes sale and repurchase (repo) transactions to manage liquidity and raise longer-term funding, where highly rated assets such as gilts are sold with an agreement to repurchase at an agreed price at a later date. Counterparty credit risk includes the risk of default by the derivative counterparty and the risk that cash received in a repo transaction is less than the market value of the asset.

The Group manages this risk by undertaking credit assessments of all counterparties and by exchanging collateral to mitigate any exposure. Daily collateralisation of repo transactions is carried out in accordance with the Global Master Repurchase Agreements to mitigate net exposure arising from changes in market value. Similarly, all derivatives have Credit Support Annexes (CSAs) in place to collateralise the net mark-to-market credit exposures.

The Group has entered into International Swaps and Derivatives Association (ISDA) master netting agreements for all of its derivatives (other than swaps undertaken by the Group's securitisation

funding programmes). These allow the Group to settle exposures 'net' in the event of a default or other predetermined event.

The Group is subject to mandatory central clearing of most of its derivatives through a third-party regulated central clearing counterparty to reduce systemic and operating risk. Under this, collateral is exchanged on a daily basis. The Group may still enter into swaps that are not currently cleared by any of the central clearing houses, e.g. cross currency swaps; these may be subject to daily exchange of collateral to better manage counterparty risk.

The Group's covered bond programmes and Economic Master Issuer plc enter into swaps under separate ISDA agreements. Each agreement includes a CSA which provides collateralisation of the swap exposure.

8.1.6. The relationships between credit risk management, risk control, compliance and internal audit functions

Retail Credit Risk

The Retail Credit Risk function, reporting to the Group Chief Risk Officer, sits within the second line in the Group's three lines of defence model.

The function is responsible for independent review and challenge of the activities of relevant first line teams. Operating in accordance with the Group's Risk Management Framework, the second line provides evidence of review and challenge to the governance committees who must be satisfied those proposals made in the first line, for example with regard to lending policies and retail credit risk appetite, have been appropriately reviewed and any challenges have been satisfactorily addressed.

The Risk Modelling & Measurement function, whilst also reporting to the Group Chief Risk Officer, undertakes first line activities such as all development of the Group's credit models (e.g. scorecards, impairment, and capital models including retail IRB and corporate models) and the calculation and reporting of the group's impairment provision (i.e. Expected Credit Losses under the IFRS9 reporting standard) and regulatory capital requirements (i.e. under Internal Ratings Based and Standardised Approaches), as well monitoring of the performance of the credit models. All modelling activity as well as assurance over the execution and operation of the models and calculations is undertaken by the independent second line function.

The Internal Audit function, reporting to the Group Chief Internal Auditor, forms the third line of defence and seeks evidence that there are appropriate controls in place to ensure that the first and second lines are operating in a manner consistent with the Group's Risk Management Framework. Internal Audit has open invitations to attend all relevant risk committees (GRCC, GMRC, and any sub-committees thereof) and reports through to Board Audit Committee its opinion on how the first and second lines are complying with the requirements of the Risk Management Framework.

Business and Commercial Credit Risk

The Business and Commercial Credit Risk function reports into the Bank Chief Risk Officer and sits within the first line in the Group's three lines of defence model.

The second line function is responsible for independent review and challenge of the activities of the first line business and commercial teams primarily around the approval of new facilities and annual reviews and ongoing monitoring of facilities in place this is completed within an agreed framework with all facilities above £2.5m approved via the Credit Approval Committee Process. The team operates in accordance with the Group's Risk Management Framework, the second line provides evidence of review, challenge and monitoring to the governance committees.

The Internal Audit function, reporting to the Group Chief Internal Auditor, forms the third line of defence and seeks evidence that there are appropriate controls in place to ensure that the first and second lines are operating in a manner consistent with the Groups Risk Management Framework. Internal Audit has open invitations to attend all relevant risk committees (BCRC and Credit Approval Committees and any sub-committees thereof) and reports through to Board Audit Committee its

opinion on how the first and second lines are complying with the requirements of the Risk Management Framework.

Treasury Credit Risk

The Treasury Credit Risk function, reporting to the Group Chief Risk Officer, sits within the second line in the Group's three lines of defence model and is responsible for oversight of Treasury Credit Risk within the Group. This responsibility predominantly includes oversight of Treasury's compliance with Group risk appetite, due diligence of counterparties, setting the Groups limit framework, determining individual counterparty credit limits and maintaining the risk and control framework for Treasury Credit Risk. Updates to the Treasury Credit risk framework are governed through the Groups Treasury Credit Committee (TCC) and GALCo.

The Internal Audit function, reporting to the Group Chief Internal Auditor, forms the third line of defence and provides assurance that there are appropriate controls in place to ensure that the first and second lines are operating in a manner consistent with the Group's Risk Management Framework. Internal Audit has open invitations to attend all relevant risk committees and reports through to Board Audit Committee its assessment on how the first and second lines are complying with the requirements of the Risk Management Framework.

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

8.2.1. 'Past-due' and 'impaired' exposures

Under IFRS 9 the Group calculates impairment provisions on loans and advances to customers on an expected credit loss (ECL) basis and not on an incurred loss basis. ECL provisions are based on an assessment of probability of default, loss given default and exposure at default in a range of forward-looking scenarios.

IFRS 9 requires the Group to categorise customer loans into one of three stages at the balance sheet date. Assets that are 'performing' are shown in stage 1; assets where there has been a significant increase in credit risk since initial-recognition or 'deteriorating' assets are in stage 2; and assets which are credit impaired or in 'default' are in stage 3. Under IFRS 9, assets are generally treated as being in 'default' if they are three or more months in arrears, have been three or more months in arrears in the last 12 months or have other specific unlikelihood to pay indicators.

All exposures that are past-due by more than 90 days are impaired.

Retail Credit Risk

Secured mortgages

In addition to the 90 days past due backstop definition of impairment, a range of unlikelihood to pay indicators are also employed to signal impaired status on secured mortgage exposures. These include where certain forbearance activity has been undertaken (e.g. a concession to the contractual mortgage payment has been agreed), bankruptcy of the borrower, and temporary transfer to interest only.

Equity release loans are treated as being in default once the loan is 12 months past the contractual trigger event. IFRS 9 requires a 12-month ECL provision on all stage 1 assets and a lifetime ECL provision on all stage 2 and 3 assets.

Unsecured lending - credit cards and current account overdrafts

The 90 days past due backstop definition is supplemented by triggers including non-Bank filed bankruptcy or IVA and some forbearance treatments, such as Current Accounts with temporary reducing overdrafts.

Corporate Credit Risk

In addition to the 90 days past due backstop definition of impairment, a range of unlikelihood to pay indicators are also employed to signal impairment, including active or failed forbearance treatment, debt forgiveness and where a specific provision has been raised on an individual basis.

Treasury Credit Risk

No allowance for losses has been recognised for treasury assets in either the current or prior year, and all are classified as low-to-medium risk and within stage 1. The Group has applied the low credit risk exemption available within IFRS 9 to treasury assets with an external rating of investment grade and to assets which the Group classifies as investment grade.

Accordingly, at each balance sheet date, it is assumed that credit risk on all such financial assets has not increased significantly since initial recognition. The 'low credit risk exemption' has not been applied to any other type of financial asset.

8.2.2. Description of methods used for determining general and specific credit risk adjustments

Following the acquisition of the Bank on 1 January 2025, Group expected credit losses have been calculated on a "reset" basis for former Bank assets, whereby any Bank loans that were in Stage 2 at the acquisition date were moved into Stage 1, and any assets in Stage 3 were categorized as POCI loans (Purchased or Originated as Credit Impaired on initial recognition). The impairment charge for the year on acquired loans was then assessed on the basis of deterioration in credit risk from Stage 1, whilst deterioration within former Stage 3 classified as POCI assets were accounted for within the fair value adjustment that was determined for the acquisition transaction.

The Board Audit Committee continued to review the Group's IFRS 9 accounting policies during 2025 to ensure that they remain appropriate.

The committee also reviewed the basis of calculating ECLs including the method for determining a significant increase in credit risk and the application of post model adjustments to the overall ECL provision, including the potential impact of climate change on the Group's credit portfolios.

Retail Credit Risk

The modelled calculation of ECLs for loans and advances to customers continued to require a significant degree of management judgement due to the ongoing impact of the uncertainty regarding the UK's economic volatility and inflationary pressures.

Secured mortgages

Principal adjustments to the mortgage models are made to account for ongoing affordability pressures.

Unsecured lending - credit cards and current account overdrafts

ECL is largely driven by the Group's Unsecured IFRS 9 model, with no material adjustments to the position at 31 December 2025

Corporate Credit Risk

For loans and advances to customers not in default, ECL is determined via the modelled calculation, with additional ECL raised via management judgement, most notably due to uncertainty in Commercial Real Estate valuations. Where an asset is marked as default/Stage 3, ECL is raised via an individual assessment.

8.2.3. Forborne exposures

Retail Credit Risk

Secured mortgages

The Group exercises forbearance if it is in the best interests of the borrower. Forbearance measures that the Group may offer are:

- arrangements, where monthly payments are maintained, and the arrears are repaid over a period;
- concessions, where the Group agrees to accept either the normal monthly payment with no contribution towards paying off the outstanding arrears, reduced payments, or in exceptional circumstances no repayments for a short period;

- mortgage term extensions to reduce the amount of the monthly payment as part of a longer-term solution; and
- a change of product which results in more sustainable monthly payments or a temporary transfer to interest only repayments.

On very rare occasions, arrears may be capitalised, or the Group may agree to change repayment mortgages to interest only terms for a temporary period as a means of exercising forbearance.

Where a loan is up to date, the Group may agree a short-term payment holiday as a way of allowing borrowers to resolve financial difficulties, in which case this is treated as a forbearance measure rather than as one where the borrower is using a product feature. Forbearance payment holidays are for a maximum of three months and are only given where the borrower can afford the post-holiday monthly repayments.

The Group also subscribes to the provisions of the Mortgage Charter to support customers seeking assistance when facing financial difficulty that may cause them to miss their mortgage payments. To date there have been relatively few requests for such assistance under the Charter.

[Unsecured lending - credit cards and current account overdrafts](#)

Forbearance occurs when, for reasons relating to actual or apparent financial difficulty of the borrower, a temporary or permanent concession is granted. A concession may involve restructuring the payment terms of the facility. The primary aim of forbearance is to help the borrower through a period of financial difficulty and return the account into a sustainable position, where the facility can be serviced through to full repayment. Where the primary aim cannot be achieved, the secondary aim is to maximise recovery of debt.

A number of forbearance options, including concessionary arrangements, are available to borrowers in financial difficulty. These are handled either with customers directly or through a third party chosen to represent them. Accounts classified as forborne remain so until the period of financial difficulty has passed and the account has demonstrated it can operate under sustainable terms or ownership is transferred to a third party

Business and Commercial Credit Risk

The Group exercises forbearance if it is in the best interests of the borrower. Forbearance measures that the Group may offer are:

- arrangements, where monthly payments are maintained, and the arrears are repaid over a period;
- concessions, where the Group agrees to accept either the normal monthly payment with no contribution towards paying off the outstanding arrears, reduced payments, or in exceptional circumstances no repayments for a short period;
- term extensions to reduce the amount of the monthly payment as part of a longer-term solution; and
- a change of product which results in more sustainable monthly payments or a temporary transfer to interest only repayments.

On very rare occasions, arrears may be capitalised, or the Group may agree to change repayment terms for a temporary period as a means of exercising forbearance.

Where a loan is up to date, the Group may agree to a short-term payment holiday as a way of allowing borrowers to resolve financial difficulties, in which case this is treated as a forbearance measure.

8.3. Template UK CR1: Performing and non-performing exposures and related provisions

The table below provides details of the credit quality of the Group's exposures including the related provisions.

		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	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		£m	£m
005	Cash balances at central banks and other demand deposits	12,312	12,312	–	–	–	–	–	–	–	–	–	–	–	–	–
010	Loans and advances	72,444	65,917	6,490	538	7	525	(22)	(9)	(13)	(21)	–	(21)	–	71,741	499
030	General governments	1	1	–	–	–	–	–	–	–	–	–	–	–	–	–
050	Other financial corporations	11	10	1	–	–	–	–	–	–	–	–	–	–	7	–
060	Non-financial corporations	1,232	1,092	141	19	1	18	(4)	(2)	(2)	(6)	–	(6)	–	887	1
070	Of which SMEs	1,077	955	123	19	1	18	(4)	(2)	(2)	(6)	–	(6)	–	765	1
080	Households	71,200	64,814	6,349	519	6	507	(18)	(7)	(11)	(15)	–	(15)	–	70,847	498
090	Debt securities	1,565	1,562	–	–	–	–	–	–	–	–	–	–	–	–	–
110	General governments	810	810	–	–	–	–	–	–	–	–	–	–	–	–	–
120	Credit institutions	706	706	–	–	–	–	–	–	–	–	–	–	–	–	–
130	Other financial corporations	49	46	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance-sheet exposures	3,945	3,905	39	1	–	1	(3)	(2)	(1)	–	–	–	–	–	–
190	Other financial corporations	1	1	–	–	–	–	–	–	–	–	–	–	–	–	–
200	Non-financial corporations	589	567	22	–	–	–	–	–	–	–	–	–	–	–	–
210	Households	3,355	3,337	17	1	–	1	(3)	(2)	(1)	–	–	–	–	–	–
220	Total	90,266	83,695	6,529	538	7	526	(25)	(11)	(14)	(21)	–	(21)	–	71,741	499

Table 16 UK CR1: Performing and non-performing exposures and related provisions

8.4. Template UK CR1-A: Maturity of exposures

The maturity profile of the Group's exposures is set out in the template below.

		Net exposure value					Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
		£m	£m	£m	£m	£m	
1	Loans and advances	66	234	2,429	70,003	207	72,938
2	Debt securities	—	488	774	303	—	1,565
3	Total	66	722	3,203	70,306	207	74,503

Table 17 UK CR1-A: Maturity of exposures

8.5. Template UK CR2: Changes in the stock of non-performing loans and advances and Template UK CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

The Group is not required to disclose this template because it is below the 5% threshold for disclosure.

8.6. Template UK CQ1: Credit quality of forborne exposures

The template below provides details of the credit quality of the Group's exposures including whether an exposure is forborne, defaulted or impaired.

		Gross carrying amount/nominal amount of exposures with forbearance measures (£m)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (£m)		Collateral received and financial guarantees received on forborne exposures (£m)	
		Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
			Of which defaulted	Of which impaired					
		£m	£m	£m	£m	£m	£m	£m	
010	Loans and advances	176	154	148	148	(1)	(9)	306	143
060	Non-financial corporations	12	16	16	16	(1)	(5)	10	10
070	Households	164	138	132	132	—	(4)	296	133
100	Total	176	154	148	148	(1)	(9)	306	143

Table 18 UK CQ1: Credit quality of forborne exposures

8.7. Template UK CQ2: Quality of forbearance

The Group is not required to disclose this template because it is below the 5% threshold for disclosure.

8.8. Template UK CQ3: Credit quality of performing and non-performing exposures by past due days

The template below provides details of the credit quality of performing and non-performing exposures by past due days.

		Gross carrying amount/nominal amount												
		Performing exposures			Non-performing exposures									Of which defaulted
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			
005	Cash balances at central banks and other demand deposits	12,312	12,312	–	–	–	–	–	–	–	–	–	–	
010	Loans and advances	72,444	72,029	416	538	235	115	118	50	19	–	–	523	
050	<i>Other financial corporations</i>	11	10	1	–	–	–	–	–	–	–	–	–	
060	Non-financial corporations	1,232	1,092	140	19	–	–	18	–	–	–	–	18	
070	<i>Of which SMEs</i>	1,077	955	122	19	–	–	18	–	–	–	–	18	
080	<i>Households</i>	71,201	70,927	275	519	235	115	100	50	19	–	–	505	
090	Debt securities	1,565	1,565	–	–	–	–	–	–	–	–	–	–	
110	<i>General governments</i>	810	810	–	–	–	–	–	–	–	–	–	–	
120	<i>Credit institutions</i>	706	706	–	–	–	–	–	–	–	–	–	–	
130	<i>Other financial corporations</i>	49	49	–	–	–	–	–	–	–	–	–	–	
150	<i>Off-balance-sheet exposures</i>	3,945			1								1	
190	Other financial corporations	1			–								–	
200	Non-financial corporations	589			–								–	
210	<i>Households</i>	3,355			1								1	
220	Total	90,266	85,906	416	539	235	115	118	50	19	–	–	524	

Table 19 UK CQ3: Credit quality of performing and non-performing exposures by past due days

8.9. Template UK CQ4: Quality of non-performing exposures by geography

The Group is not required to disclose this template as it is below the 5% non-performing loans and 10% non-domestic exposures 10% thresholds.

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

		Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
		Of which non-performing		Of which loans and advances subject to impairment			
			Of which defaulted				
		£m	£m	£m	£m	£m	
010	Agriculture, forestry and fishing	0.7	0.2	0.2	0.7	–	–
030	Manufacturing	4.8	0.3	0.3	4.8	(0.2)	–
040	Electricity, gas, steam and air conditioning supply	6.9	–	–	6.9	–	–
050	Water supply	0.1	–	–	0.1	–	–
060	Construction	75.8	0.5	0.5	75.8	(0.5)	–
070	Wholesale and retail trade	37.9	0.9	0.9	37.9	(0.5)	–
080	Transport and storage	8.9	0.1	0.1	8.9	(0.1)	–
090	Accommodation and food service activities	23.6	0.7	0.7	23.6	(0.4)	–
100	Information and communication	2.4	0.2	0.2	2.4	(0.1)	–
120	Real estate activities	898.4	14.2	14.2	898.4	(6.9)	–
130	Professional, scientific and technical activities	23.7	0.4	0.4	23.7	(0.1)	–
140	Administrative and support service activities	16.4	0.9	0.9	16.4	(0.2)	–
160	Education	49.9	0.1	0.1	49.9	(0.3)	–
170	Human health services and social work activities	88.3	0.2	0.2	88.3	(0.3)	–
180	Arts, entertainment and recreation	12.8	0.1	0.1	12.8	(0.1)	–
190	Other services	0.1	–	–	0.1	–	–
200	Total	1,250.6	18.7	18.7	1,250.6	(9.6)	–

Table 20 UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

8.11. Template UK CQ6: Collateral valuation - loans and advances

The Group is not required to disclose this template as the non-performing loans and advances are less than the 5% threshold set in the PRA rulebook.

8.12. Template UK CQ7: Collateral obtained by taking possession and execution processes

The Group has not reported this template as it does not take the possession of its collateral and show the value through the Balance Sheet. Any impact on the balance sheet is reported within expected credit loss.

8.13. Template UK CQ8: Collateral obtained by taking possession and execution processes - vintage breakdown

The Group is not required to disclose this template as the non-performing loans and advances are less than the 5% threshold set in the PRA rulebook.

9. Disclosure of the use of credit risk mitigation techniques

9.1. Table UK CRC - Qualitative disclosure requirements related to CRM techniques

9.1.1. On- balance sheet and off-balance sheet netting

The Group may use on-balance sheet netting of mutual claims between itself and its counterparties as an eligible form of CRM. Netting is transactions between an institution and a single counterparty that are subject to a legally enforceable bilateral netting arrangement.

9.1.2. Eligible collateral evaluation and management

Credit risk is the likelihood of loss resulting from a borrower's failure to repay a loan or meet their contractual obligations. The Group does not employ CRM techniques on the retail credit front. The Group uses immovable property as collateral for mortgage loans. In the instance of a default the Group realises the collateral through repossession and sale to pay off the outstanding balance in full (with any surplus returned to the borrower) or in part (if the realised sale proceeds are insufficient to pay back the outstanding balance).

9.1.3. Information about market or credit risk concentrations within the credit mitigation taken

A significant portion of exposures are to households via secured loans to prime owner-occupier borrowers and, on Buy to let (BTL) lending, largely to individual customers.

9.1.4. A description of the main types of collateral taken by the Group to mitigate credit risk

The Group's appetite for credit risk to such exposures is carefully defined to position the Group towards the prudent end of the market, with lending criteria that focuses on attracting customers of higher credit quality and good affordability as well as through lending on properties that meet well defined standards for type, construction, and saleability in the event of repossession. On BTL exposures the same property criteria apply, which helps avoid overconcentration in rental only areas. The effectiveness of the Group's prudent risk appetite is demonstrated by the very low default experience and, where those small numbers of defaults do roll through to repossession and sale, the Group has historically incurred low actual losses.

9.1.5. Guarantees and credit derivatives

During the year under review there were no guarantees or credit derivatives used as credit protection.

9.2. Template UK CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The Group secures its mortgage loans by collateral but applies no other CRM techniques.

	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	12,312	72,239	72,185	54	—
2	Debt securities	1,565	—	—	—	—
3	Total	13,877	72,239	72,185	54	—
4	<i>Of which non-performing exposures</i>	51	591	591	—	—
5	<i>Of which defaulted</i>	13	576			

Table 21 UK CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

10. Disclosure of the use of the credit risk standardised approach (excluding counterparty credit risk and securitisation positions)

10.1. Table UK CRD - Qualitative disclosure requirements related to standardised model

10.1.1. External credit assessment institutions (ECAIs) and export credit agencies (ECAs)

Within the Group, the Society uses Moody's as its external credit assessment institution (ECAI) and the Bank uses Moody's and Fitch. In exceptional cases where Moody's and Fitch ratings are not available, the Bank uses Standard and Poor's ratings.

ECAI ratings are used for central governments, financial institutions, central banks and some corporate exposures. ECAIs ratings are also used for public sector entities and multilateral development bank exposures that do not have central government guarantees or qualify for 0% risk weights

10.2. Template UK CR4 - standardised approach - Credit risk exposure and CRM effects

The template below shows the exposures that the Group applies the standardised approach to, by exposure class.

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures £m	Off-balance-sheet exposures £m	On-balance-sheet exposures £m	Off-balance-sheet amount £m	RWAs £m	RWAs density %
1	Central governments or central banks	12,781	—	12,848	—	133	1.0%
3	Public sector entities	64	—	64	—	—	0.6%
4	Multilateral development banks	448	—	448	—	—	—
6	Institutions	121	—	121	—	24	19.9%
7	Corporates	134	86	121	35	142	91.0%
8	Retail	52	25	13	5	12	67.4%
9	Secured by mortgages on immovable property	424	298	422	60	173	36.0%
10	Exposures in default	29	1	26	—	28	108.5%
12	Covered bonds	234	—	234	—	23	10.0%
15	Equity	5	—	5	—	5	100.0%
17	TOTAL	14,292	410	14,302	100	540	3.8%

Table 22 UK CR4 - standardised approach - Credit risk exposure and CRM effects

10.3. Template UK CR5 - standardised approach

The table below provides details of the applicable risk weights applied to each exposure by exposure class under the standardised approach.

	Exposure classes	Risk weight £m														Total £m	Of which unrated £m	
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%			Others
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			£m
1	Central governments or central banks	12,795	–	–	–	–	–	–	–	–	–	–	53	–	–	–	12,848	–
3	Public sector entities	61	–	–	–	3	–	–	–	–	–	–	–	–	–	–	64	64
4	Multilateral development banks	448	–	–	–	–	–	–	–	–	–	–	–	–	–	–	448	–
6	Institutions	–	–	–	–	122	–	–	–	–	–	–	–	–	–	–	121	–
7	Corporates	–	–	–	–	–	–	–	–	156	–	–	–	–	–	–	156	156
8	Retail exposures	–	–	–	–	–	–	–	18	–	–	–	–	–	–	–	18	18
9	Exposures secured by mortgages on immovable property	–	–	–	–	–	476	–	–	6	–	–	–	–	–	–	482	482
10	Exposures in default	–	–	–	–	–	–	–	–	22	4	–	–	–	–	–	26	26
12	Covered bonds	–	–	–	234	–	–	–	–	–	–	–	–	–	–	–	234	–
15	Equity exposures	–	–	–	–	–	–	–	–	5	–	–	–	–	–	–	5	5
17	TOTAL	13,304	–	–	234	125	476	–	–	18	189	4	53	–	–	–	14,402	751

Table 23 UK CR5 - standardised approach

11. Disclosure of the use of the IRB Approach to credit risk (excluding counterparty credit risk)

11.1. Table UK CRE - Qualitative disclosure requirements related to IRB approach

11.1.1. The PRA's permission of the IRB approach

The Group uses the Internal Ratings Based (IRB) approach for most of its retail credit risk capital management and select Corporate portfolios. This includes two rating systems for Retail Mortgages to reflect the position post the Society acquisition of the Bank.

As at 31 December 2025 the PRA has provided feedback on both the Society and Bank's retail hybrid mortgage model submissions and further Group model development is scheduled. Post Model Adjustments continue to be held in both models.

Where the Group does not have IRB permissions, the standardised approach is applied. The standardised approach uses capital risk weighting percentages set by UK CRR to calculate capital requirements.

11.1.2. Rating systems and model development

(i) The relationship between the risk management function and the internal audit function

The risk management function comprises first and second line departments operating within the Group's three Lines of Defence model, whereby first line undertakes model development and change activities and the second line independently challenges and reviews those changes and developments. The internal audit function, as the third line of defence, then considers whether the second line has appropriately discharged its duties regarding independent review and challenge. The risk management function reports into the Chief Risk Officer whilst the internal audit function reports to the Chief Internal Auditor.

(ii) The rating system review

Models within the rating system are subject to the governance requirements that are set out within the Board Risk Committee approved Model Risk Framework. New model developments and model changes must be reviewed by the independent second line function and approved for use by the governance committee (the Group Model Risk Committee) that is charged with overseeing model risk management at the Group. On an annual basis the models also undergo a first line annual review that considers ongoing model performance, adherence to evolving regulation, documentation requirements, consideration of previous independent review findings, and fitness-for-purpose. The second line function provides independent oversight of the first line reviews, before the models are presented to Group Model Risk Committee for re-approval.

(iii) Procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models

Whilst both the model development and model review teams report to the Group Chief Risk Officer (CRO), they are led by separate function leaders. The independent model review team also documents its challenges and questioning of model developments. The independence is also demonstrated by the model development and validation teams separately providing reports and reviews to the Group Model Risk Committee. The Group CRO is responsible for ensuring that the two teams operate independently of each other.

(iv) The procedure to ensure the accountability of the functions in charge of developing and reviewing the models

Accountability of the functions in charge of developing and reviewing models rests with different Heads of Departments who separately report to the Group CRO. The Group CRO holds overall responsibility for ensuring that accountabilities of the two areas are appropriately discharged.

11.1.3. The development, approval and changes of the credit risk models

The Group CRO holds Executive responsibility for the management of model risk. Model risk is governed through Group Model Risk Committee (GMRC), chaired by the Head of Financial and Model Risk and includes in its membership the Group CRO, Group CFO and senior managers from the Credit Risk, Risk Modelling & Measurement, Treasury, Financial Control, and Financial and Model Risk functions, with Internal Audit also in attendance.

A key aspect when using internal rating models is establishing robust control and review mechanisms to effectively monitor and validate the models.

Model developments, model changes, and ongoing performance monitoring are undertaken in the first line by the Risk Modelling & Measurement function, who are responsible for the methodology applied and the models themselves.

The second line risk function, Financial and Model Risk (F&M), independently reviews this work, and both first line model development and change activity and the second line opinion is presented to GMRC for discussion and approval.

GMRC's responsibilities in relation to IRB models include:

- Agreeing the scope and design of the models, including key assumptions and judgements;
- reviewing progress updates during model development;
- considering the results of independent second line model validation and confirming that the models are fit for purpose;
- reviewing ongoing model performance monitoring reports, to ensure that the models are operating as designed. If model performance deteriorates beyond expectation, a review of the model may be triggered which could result in a recalibration or redevelopment; and
- approving the submission of any new IRB models and material changes to existing models to the regulator.

As part of its third line responsibilities, Internal Audit undertakes an annual review of the effectiveness of the controls governing the use of IRB models.

The Group CRO also attests on an annual basis to compliance with IRB regulatory requirements.

The Group has a Board approved policy on model risk which sets out the minimum standards to be applied to mitigate risk. These standards are supported by controls and model requirements within a comprehensive Group Model Risk Framework which is reviewed by BRC annually and is designed to conform to the regulatory expectations for model risk management practices. This framework sets out policies and statements that govern all models including the IRB models throughout their life cycle.

Techniques employed to manage model risk include:

- Independent model validation;
- governance around model assumptions and data;
- model overview statements which identify conditions when the models may fail;
- requirements on model development and documentation; and
- sensitivity analysis of key assumptions.

The Group categorises its models and deterministic quantitative methods (DQMs) dependent on their materiality and complexity and the framework operates by way of increasing controls on more material and more complex models.

Model risk outlook

The PRA supervisory statement SS1/23 'Model risk management principles for banks' came into effect in May 2024. It sets out the PRA's expectations in relation to banks' and building societies' model risk

management practices. Whilst many of the expectations align to the Group's existing practices, the Group has undertaken a self-assessment of our model risk management practices against the supervisory statement and are undertaking work to enhance model risk management practices where relevant.

Development of Group-wide Retail Secured IRB models has commenced. The models will calculate regulatory capital requirements for retail secured credit risk exposures and will align to the most recent regulations.

11.1.4. The internal ratings process by exposure class

(i) the definitions, methods and data for estimation and validation of probability of default (PD), which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods

Retail Secured Lending (Society)

In accordance with regulatory requirements, the Society operates a hybrid PD model that is built on a combination of observed default rates and backcasted default rates that encompasses the downturn of the early 1990s. Observed default rates are available back to 2006 and, for periods earlier than that, the UK Finance arrears data series is used as an estimator for what the Society's default rates would have been, using various statistical techniques to capture the likely shape of the Society's backcasted default rate curve together with an appropriate margin of conservatism built into account for lack of historic internal data pre-2006.

The definition of default meets the requirements in the applicable regulatory guidance, with default being triggered once an account goes 3+ months in arrears or if a defined set of unlikelihood to pay indicators are met (these include certain forbearance measures such as the granting of concessionary terms or the distressed transfer to interest only terms). In addition, a "cure" period of 12 months is applied to ensure that a customer, once defaulted, demonstrates continued ability to service the loan before the account is returned to a non-defaulted status.

Any applicable regulatory floors are captured in the applied PD rates, where the modelled rate is above the floor.

The Society has sufficient history of defaults to not have to resort to using Low Default Portfolio techniques.

The hybrid PD model, being built using a combination of through-the-cycle average default rates and observed point-in-time default rates, has been consistently producing PDs for application in the regulatory capital calculation that are significantly above current observed default rates.

Retail Secured Lending (Bank)

Underlying scorecards are calibrated to provide a PD for each loan. The application credit score is used for new lending to determine PD up until sufficient internal account performance data is available, at which time the behaviour score is used to determine PD. Both scorecards focus on obligor specific drivers, such as Experian bureau information, and in the case of the behavioural model delinquency, as well as Loan to Value.

The Definition of Default is focused on months in arrears and unlikelihood to pay measures such as distressed restructuring, litigation and possession. The Definition of Default is non-compliant with PS7/19 and PS11/20 due to the requirement to apply a 3 months in arrears default definition for the delinquency component. This will be remediated through the PS11/20 model development.

The Retail Secured portfolio is segmented into a Non-Specialist and Specialist portfolios, the former constituting lower risk Owner-Occupied mortgages versus the latter constituting higher risk (Optimum - now a closed portfolio) and BTL mortgages. Assignment to grade is driven by the scorecards, with a set mapping and no differentiation between the treatment of Non-Specialist and Specialist portfolios.

There are 7 non-default grades applied within the model. The ratings philosophy of the PD models is deemed to be hybrid with the Point-in-Time (PiT) score mapped to a long run average PD grade. The long run PD's assigned to each grade have been determined using historical data (circa 10 years of internal performance) and an assessment of PD performance over a full economic cycle, with the application of external industry data to support such backcasting. The regulatory PD floor of 0.03% is maintained.

The model is not compliant with the requirements of PS11/20, including such areas as grade concentration and cyclical expectations.

The PD model, being built using a combination of through-the-cycle average default rates and observed point-in-time default rates, continues to produce PDs for application in the regulatory capital calculation that are above current observed default rates.

Retail Unsecured Lending - QRRE & Other

The Bank maintains IRB Models for Credit Card and Current Account portfolios, which are predominantly assigned to the QRRE asset class. The structure of the models across the two portfolios are closely aligned with differences, for example, in the application and behavioural scoring drivers being based on relevant portfolio drivers of risk.

Accounts are predominantly assigned a PD score depending on the product and the length of time on book. Some additional characteristics are used to segment the portfolios further, including the arrears status, utilisation and bureau data, driven by the different behaviour exhibited by the segments. The application credit score is the main driver used to determine PDs for new lending until sufficient internal account performance data is available, at which time the account is assessed via a behavioural model. The underlying model outputs are calibrated to PD grades with an associated LRA PD assigned. The regulatory PD floor of 0.03% is maintained.

The rating philosophy of the Credit Card PD model is considered to be a hybrid model which is closer to a Through the Cycle (TtC) methodology as evidenced through the movement of default rates and predicted PD. The Current Account PD model rating philosophy is dependent on each individual segment being considered. Overall it is considered to be closer to a Point in Time (PiT) system than TtC with the most material segment of the portfolio demonstrating strong PiT behaviour.

Assessment of the model performance for QRRE demonstrates appropriate rank order across the rating scale. Re-development is still required for Basel 3.1 requirements, including incorporation of low materiality defaults, no PMA is deemed necessary at this time. Similar considerations of definition of default apply across the Unsecured models noted below.

In the case of Other Non-SME obligors, traditionally a credit obligation was only recorded once an obligor is overdrawn which was reflected in high default rates being returned. Through the current IRB models, EAD estimates are now assigned to these accounts resulting in significant volumes now being reported and actual default rates versus LRA PD assessments are satisfactory.

Corporate Models

An internally developed PD model is used for grading and monitoring exposures to Registered Social Landlords (RSL). The RSL portfolio is defined as a low-default portfolio, with the Benjamin Cathcart Ryan methodology used to assign a portfolio level central tendency and an expert judgment model used to assign obligors to grades. The expert judgment model is deemed to be near PiT and contains a mixture of quantitative drivers from financial accounts and qualitative drivers such as management experience. The output of the expert judgment model is mapped to a subset of the 13 grades of the internal master grading scale (with a 14th grade indicating default). The regulatory PD floor of 0.03% is maintained. No regulatory defaults have been recognised to date for the RSL portfolio.

Supervisory slotting criteria are used to analyse and monitor the specialised lending exposures for the portfolios Property Investment and Private Finance Initiatives (PFIs). The PFI and Property

Investment slotting models apply an expert judgement model to calculate a score which is then mapped to the four supervisory categories from Strong to Weak (slotting categories 1-4 respectively) or default with prescribed risk weights and expected loss percentages.

(ii) where applicable, the definitions, methods and data for estimation and validation of loss given default (LGD), such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure

Retail Secured Lending (Society)

The LGD models are calibrated to the experience of the last economic downturn, with model parameters such as in the Probability of Possession Given Default model then being uplifted to meet the regulatory guidance that LGD models must be downturn models that reflect a minimum level of house price fall that is in excess of that seen in the downturn. Various statistical techniques are used to generate the uplifts required to reflect the worse-than-actual downturn experience required, together with an appropriate margin of conservatism.

The Society has sufficient history of repossessions and losses to not have to resort to using Low Default Portfolio techniques.

The Society defines the period of the downturn that is being used to calibrate the models against but maintains an extended period post-downturn to ensure that sufficient time is available for workouts such that statistically robust models are built on observed resolution of post-default events (e.g. repossession or cure).

Retail Secured Lending (Bank)

The key components of the LGD models are the Probability of Possession Given Default (PPGD) and expected shortfall in case of possession, calibrated to reflect a downturn environment. The expected shortfall calculation uses an estimate of house price at sale, a forced sale discount, projected balances (EAD) and costs, along with time to possession and sale parameters and standard discounting principles. Following default recognition, over the model development period, it takes on average 18 months for the closure of the exposure through a possession sale event. The model is not compliant with the requirements of PS11/20, again due to the 3 months in arrears default definition. The regulatory portfolio level LGD floor of 10% is maintained.

From a monitoring perspective, actual losses remain below modelled predictions. Similarly, future predicted losses (when potential losses from unresolved defaults are taken into account) remain low. The low volume of cases means that individual components such as forced sale discounts can be volatile.

Retail Unsecured

The LGD model predicts the percentage of the default balance that is realised post default. The model is based upon a forward flow debt sale agreement, whereby all eligible accounts are written off and sold at 90 days past due, at an agreed price per segment.

Segmentation is applied within the model to align either to the debt sale categories, an exclusions segment (accounts which are not sold and are written off) or accounts not yet 90 days past due. The pre-calibrated LGD is aligned to the sale price for accounts which are sold, a fully provided for written off segment, or a blended rate based on historical segmentation proportions for the remaining segment.

The downturn LGD is derived by including an element which takes a historically conservative point to reflect the expected sale receipts in a downturn environment; a discounting overlay and a cost of collections component.

Quarterly IRB monitoring shows that the estimates are conservative across all segments and products. This is driven by a high proportion of accounts that cure from default which was not anticipated.

Corporates

Capital adequacy for customers rated with a PD model is calculated under the Foundation IRB Approach and therefore regulatory prescribed LGD rates apply (from 35% for senior exposures fully secured by real estate collateral to 45% for senior unsecured exposures).

(iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables

Retail Secured Lending (Society)

The Society currently assumes a product- related credit conversion factor (90% for owner-occupier mortgages and 80% for Buy to Let applied through a PMA), which is applied to all applications where the Society has made an offer to advance a mortgage, as once a mortgage offer is made, the Society will not unilaterally withdraw the offer.

Retail Secured Lending (Bank)

The Bank assumes an 85% credit conversion factor applied through a PMA across all retail secured lending.

The EAD model is an account level calculation, based on the account's existing balance. It assumes that up to 6 monthly payments will be missed before the account defaults. The resultant missed interest is added to the account balance, along with monthly arrears charges, to give the predicted EAD. The model is non-compliant with PS7/19 and PS11/20 due to the requirement to apply a 3 months in arrears default definition. The regulatory expectation that EAD cannot be lower than existing balance is maintained.

Actual EADs continue to be below the balance at initial observation. This contrasts with the modelled EAD, where the model design always ensures the modelled EAD is higher than the balance.

Retail Unsecured Lending

The EAD model calculates the account balance anticipated at the point of default in downturn conditions. The account level estimates are derived by risk segment, where predictive variables are specific to the risk segment. The main variables which are considered include the product, current exposure, current balance and current utilisation (for credit cards). An assessment of the segment performance over historical observations (including a downturn period) is used to inform the downturn estimate.

Model performance is strong where the estimates maintain their rank ordering and downturn EAD estimates remain higher than realised actuals.

Corporates

EAD across the whole corporate portfolio is calculated by applying regulatory prescribed credit conversion factors (CCFs).

IRB model performance over time

The monitoring of IRB models is undertaken on a detailed and regular basis to provide assurance that the performance of the models remains within satisfactory bounds and that the resulting credit risk RWA calculation is accurate. A variety of techniques are applied including statistical measures of performance (e.g. Gini to assess scorecard discriminatory power, default rate accuracy measures, and population stability indices to track changes to distributions), and judgement is also exercised where appropriate (e.g. to exclude certain outliers that arise due to individual circumstances that could not have been modelled).

Monitoring is undertaken of both the currently approved (incumbent) IRB model suite and the new hybrid models that were submitted in response to the PRA's Policy Statement PS16/21 which came into force on 1 January 2022. The Society and Bank had both submitted updated models to the PRA in 2023. Our strategy following the acquisition is to move to a single Group IRB model. We have recently received feedback from the PRA on the models which had been submitted and we intend to

incorporate this feedback into the build of our new Group model. We currently expect to submit our new Group IRB model at the end of 2027. When approval is granted, the final Group IRB model output RWAs may vary from those calculated currently, thereby impacting capital ratios.

11.1.5. Reporting related to credit risk models

At each Board Risk Committee meeting, the Committee considered a consolidated risk report from the Group's Chief Risk Officer (CRO). In relation to credit risk models, the Committee reviewed the Model Risk Framework and Policy and recommended these to the Board Risk Committee for approval.

Treatment of undrawn exposures

At any point, the Group has a number of undrawn exposures that it assigns ratings to using the IRB rating system. These undrawn exposures relate to mortgage applications that have reached the 'offer' stage, where the Group has agreed to advance the funds, but completion of the mortgage has not yet taken place. An offer will generally only be cancelled if adverse information is received after the offer has been made or if it has not been taken up by the customer and hence expires.

11.2. Template UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range

The table below analyses the credit risk exposures to which the IRB approach is applied by exposure class and PD range.

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	%	£m	£m
Exposure class : Retail non-SME - Secured by immovable property collateral													
	0.00 to <0.15	34,831	672	204%	36,119	0.1%	276,717	10.2%	–	1,753	4.9%	4	(1)
	0.00 to <0.10	13,536	314	204%	14,235	0.1%	146,075	8.1%	–	377	2.7%	1	–
	0.10 to <0.15	21,295	358	100%	21,884	0.1%	130,642	11.5%	–	1,376	6.3%	3	(1)
	0.15 to <0.25	57	–	–%	58	0.2%	742	6.0%	–	3	5.3%	–	–
	0.25 to <0.50	29,183	1,301	204%	31,101	0.4%	198,976	17.8%	–	4,799	15.4%	24	(5)
	0.50 to <0.75	24	–	–%	24	0.7%	267	6.8%	–	2	9.8%	–	–
	0.75 to <2.50	4,436	335	204%	4,874	1.3%	33,509	20.3%	–	1,805	37.0%	14	(6)
	0.75 to <1.75	4,414	335	204%	4,852	1.3%	33,267	20.3%	–	1,799	37.1%	14	(6)
	1.75 to <2.5	22	–	100%	23	2.0%	242	7.7%	–	6	27.0%	–	–
	2.50 to <10.00	1,704	109	204%	1,836	4.8%	10,612	21.4%	–	1,365	74.4%	18	(2)
	2.5 to <5	1,160	88	100%	1,262	3.7%	6,844	21.9%	–	858	68.0%	10	(1)
	5 to <10	544	20	204%	574	7.1%	3,768	20.3%	–	507	88.3%	8	(1)
	10.00 to <100.00	757	3	100%	771	38.2%	5,127	16.1%	–	698	90.5%	43	(3)
	10 to <20	256	2		262	15.0%	1,481	19.8%	–	293	111.9%	8	(1)
	20 to <30	47	–	–%	49	25.8%	522	15.7%	–	47	96.4%	2	–
	30.00 to <100.00	453	1	–%	459	52.8%	3,124	14.0%	–	357	77.8%	33	(2)
	100.00 (Default)	468	–	100%	468	100.0%	3,164	9.6%	–	702	150.1%	11	(13)
	Subtotal (exposure class)	71,459	2,420	95%	75,251	1.4%	529,114	15.3%	–	11,127	14.8%	114	(30)
	Total (all exposures classes)	71,683	3,350	–%	76,278		2,040,626			11,400	14.9%	127	(38)

Table 24 UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range - Retail non-SME - Secured by immovable property collateral

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	%	£m	£m
Exposure class Retail - Qualifying Revolving													
	0.00 to <0.15	25	406	107.9%	464	0.1%	679,566	84.7%	—	16	3.3%	—	—
	0.00 to <0.10	5	194	178.3%	352	—%	623,566	85.0%	—	8	2.3%	—	—
	0.10 to <0.15	20	212	43.5%	113	0.1%	56,000	83.9%	—	8	6.7%	—	—
	0.15 to <0.25	43	360	45.2%	206	0.2%	130,955	84.3%	—	22	10.4%	—	—
	0.25 to <0.50	38	98	78.9%	116	0.4%	206,249	84.8%	—	18	15.7%	—	—
	0.50 to <0.75	1	7	211.4%	16	0.5%	56,718	83.9%	—	3	21.0%	—	—
	0.75 to <2.50	29	31	75.7%	53	1.4%	57,244	79.5%	—	24	45.0%	1	—
	0.75 to <1.75	29	30	73.9%	51	1.3%	51,788	79.3%	—	23	44.8%	1	—
	1.75 to <2.5	—	1	133.0%	2	2.0%	5,456	84.8%	—	1	52.5%	—	—
	2.50 to <10.00	38	17	63.1%	50	3.1%	30,995	85.4%	—	39	78.2%	1	(1)
	2.5 to <5	36	16	56.2%	45	2.8%	19,212	85.5%	—	33	73.5%	1	—
	5 to <10	2	1	140.7%	5	6.5%	11,783	84.5%	—	6	120.4%	—	—
	10.00 to <100.00	45	4	83.4%	50	11.6%	23,579	88.1%	—	89	178.4%	5	(3)
	10 to <20	44	4		48	—	1	—	—	85	177.6%	4	(3)
	20 to <30	1	—	64.3%	1	28.0%	3,655	85.1%	—	3	266.8%	—	—
	30.00 to <100.00	—	—	—%	1	62.5%	876	86.1%	—	1	126.7%	—	—
	100.00 (Default)	4	—	119.9%	4	100.0%	13,178	90.8%	—	8	208.3%	3	(3)
	Subtotal (exposure class)	223	923	79.2%	959	1.4%	1,198,484	84.6%		219	22.8%	11	(7)

Table 25 UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range - Retail qualifying revolving

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	%	£m	£m
Exposure class Retail - Other non-SMEs													
	0.00 to <0.15	–	–	–	5	–	18,384	100.0%	–	1	10.8%	–	–
	0.00 to <0.10	–	–	–	5	–	18,384	100.0%	–	1	10.8%	–	–
	0.15 to <0.25	–	–	–	–	0.2%	217	100.0%	–	–	–	–	–
	0.25 to <0.50	–	–	–	39	0.4%	181,615	100.0%	–	24	61.5%	–	–
	0.50 to <0.75	–	–	–	–	0.5%	1,073	100.0%	–	–	–	–	–
	0.75 to <2.50	–	–	–	14	1.3%	65,621	100.0%	–	16	116.2%	–	–
	0.75 to <1.75	–	–	–	14	1.3%	65,553	100.0%	–	16	116.0%	–	–
	1.75 to <2.5	–	–	–	–	2.0%	68	100.0%	–	–	–	–	–
	2.50 to <10.00	–	–	–	8	3.7%	39,469	100.0%	–	13	157.1%	–	–
	2.5 to <5	–	–	–	8	3.7%	39,412	100.0%	–	13	156.9%	–	–
	5 to <10	–	–	–	–	9.7%	57	100.0%	–	–	–	–	–
	10.00 to <100.00	–	–	–	–	47.8%	1,262	100.0%	–	1	–	–	–
	10 to <20	–	–	–	–	14.3%	1	100.0%	–	–	–	–	–
	20 to <30	–	–	–	–	29.1%	1,063	100.0%	–	–	–	–	–
	30.00 to <100.00	–	–	–	–	62.5%	198	100.0%	–	–	–	–	–
	100.00 (Default)	1	–	–	1	100.0%	5,387	100.0%	–	–	0.2%	1	(1)
	Subtotal (exposure class)	1	–	–	67	1.9%	313,028	100.0%		54	80.6%	1	(1)

Table 26 UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range - Retail other non-SMEs

F-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	%	£m	£m
Exposure class - Corporate SMEs													
	0.00 to <0.15	164	127	75.0%	259	0.1%	17	36.2%	5	124	47.8%	—	—
	0.10 to <0.15	164	127	75.0%	259	0.1%	17	36.2%	5	124	47.8%	—	—
	0.15 to <0.25	12	35	74.9%	38	0.2%	6	35.0%	5	22	58.2%	—	—
	Subtotal (exposure class)	176	163	75.0%	298	0.2%	24	36.1%	5	146	49.0%	—	—
	Total (all exposures classes)	271	162	75.0%	393		27			201	51.1%	—	—

Table 27 UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range - Corporate SMEs

F-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	%	£m	£m
Exposure class Corporate Other													
	0.00 to <0.15	74	—	0	74	0.1%	2	43.8%	5	43	58.0%	—	—
	0.10 to <0.15	74	—	0	74	0.1%	2	43.8%	5	43	58.0%	—	—
	0.15 to <0.25	21	—	0	21	0.2%	1	35.0%	5	12	58.3%	—	—
	Subtotal (exposure class)	95	—	0	95	0.2%	3	41.8%	5	55	57.9%	—	—

Table 28 UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range - Corporate other

1.3. Template UK CR6-A - Scope of the use of IRB and SA approaches

The table below analyses the credit risk exposures to which the IRB and standard approaches are applied.

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
		£m	£m			
1	Central governments or central banks	—	13,953	100.0 %	—	—
1.2	<i>Of which Public sector entities</i>		4	100.0 %	—	—
2	Institutions	—	2,341	100.0 %	—	—
3	Corporates	1,020	1,262	19.2 %	80.8 %	—
3.2	<i>Of which Corporates - Specialised lending under slotting approach</i>		586	—	100.0 %	—
4	Retail	75,035	75,853	0.3 %	98.9 %	0.8 %
4.1	<i>of which Retail - Secured by real estate SMEs</i>	—	569	—	—	100.0 %
4.2	<i>of which Retail - Secured by real estate non-SMEs</i>		74,054	0.2 %	99.8 %	—
4.3	<i>of which Retail - Qualifying revolving</i>		1,151	—	100.0 %	—
4.4	<i>of which Retail - Other SMEs</i>		70	100.0 %	—	—
4.5	<i>of which Retail - Other non-SMEs</i>		8	91.6 %	8.4 %	—
5	Equity	—	5	100.0 %	—	—
6	Other non-credit obligation assets	—	206	100.0 %	—	—
7	Total	76,054	93,620	18.8 %	81.2 %	—

Table 29 - UK CR6-A - Scope of the use of IRB and SA approaches

11.4. Template UK CR7 - IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques

The Group is not required to disclose this template as it does not use credit derivatives to mitigate credit risk.

11.5. Template UK CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques

The Group secures its mortgage loans by collateral but applies no other credit risk mitigation techniques.

Advanced IRB - Retail

A-IRB		Total exposures (£m)	Credit risk Mitigation techniques										Credit risk Mitigation methods in the calculation of RWEAs			
			Funded credit Protection (FCP)										Unfunded credit Protection (UFCP)		RWEA post all CRM assigned to the obligor exposure class (£m)	RWEA with substitution effects (£m)
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)			
														a		
4	Retail	76,277	—	222.2 %	222.2 %	—	—	—	—	—	—	—	—	—	—	11,400
4.2	Of which Retail - Immovable property non-SMEs	75,251	—	222.2 %	222.2 %	—	—	—	—	—	—	—	—	—	—	11,127
4.3	Of which Retail - Qualifying revolving	960	—	—	—	—	—	—	—	—	—	—	—	—	—	219
4.5	Of which Retail - Other non-SMEs	66	—	—	—	—	—	—	—	—	—	—	—	—	—	54
5	Total	76,277	—	222.2 %	222.2 %	—	—	—	—	—	—	—	—	—	—	11,400

Table 30 UK CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques - Retail - Secured by immovable property non-SME

Foundation IRB - Corporate

F-IRB		Total exposures (£m)	Credit risk Mitigation techniques										Credit risk Mitigation methods in the calculation of RWEAs		
			Funded credit Protection (FCP)							Unfunded credit Protection (UFCP)			RWEA post all CRM assigned to the obligor exposure class (£m)	RWEA with substitution effects (£m)	
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)			Part of exposures covered by Credit Derivatives (%)
					Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)								
a	b	c	d	e	f	g	h	i	j	k	l	m	n		
3	Corporates	941	—	49.5 %	49.5 %	—	—	—	—	—	—	—	—	640	
3.1	Of which Corporates - SMEs	297	—	142.7 %	142.7 %	—	—	—	—	—	—	—	—	146	
3.2	Of which Corporates - Specialised lending	549	—	—	—	—	—	—	—	—	—	—	—	439	
3.3	Of which Corporates - Other	95	—	45.0 %	45.0 %	—	—	—	—	—	—	—	—	55	
4	Total	941	—	49.5 %	49.5 %	—	—	—	—	—	—	—	—	640	

Table 31 UK CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques - Retail qualifying revolving

11.6. Template UK CR8 - RWEA flow statements of credit risk exposures under the IRB approach

The table below summarises the movements of RWEAs for credit risk exposures under the Internal Ratings Based (IRB) approach. Following guidance from the PRA this flow statement includes the post model adjustment applied to both our loss given default and probability of default models.

		Risk weighted exposure amount
		£m
1	Risk weighted exposure amount as at the end of the previous reporting period	8,536
2	Asset size (+/-)	67
3	Asset quality (+/-)	(20)
6	Acquisitions and disposals (+/-)	3,781
8	Other (+/-)	(360)
9	Risk weighted exposure amount as at the end of the reporting period	12,004

Table 32 UK CR8 - RWEA flow statements of credit risk exposures under the IRB approach

The acquisition of the Co-operative Bank is included within acquisitions and disposals following inclusion of the Bank within the Group Pillar 3 disclosures for the first time.

11.7. Template 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)

This template is not applicable to the Group because it does not apply point (f) of Article 180(1) of the CRR.

11.8. Template UK CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale)

The tables below analyse the back-testing of probability of default per exposure class based on a fixed PD scale for those exposures under the IRB valuation approach.

Retail - Secured by immovable property non-SME

PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		Of which number of obligors which defaulted in the year				
			%	%	%	%
0.00 to <0.15	285,722	206	0.1%	0.1%	0.1%	0.1%
0.00 to <0.10	152,431	107	—	0.1%	0.1%	—
0.10 to <0.15	133,291	99	0.1%	0.1%	0.1%	0.1%
0.15 to <0.25	862	1	—	0.2%	0.2%	0.1%
0.25 to <0.50	196,105	366	0.2%	0.4%	0.4%	0.2%
0.50 to <0.75	328	1	—	0.7%	0.7%	0.4%
0.75 to <2.50	31,645	122	0.4%	1.3%	1.2%	0.4%
0.75 to <1.75	31,366	120	0.4%	1.3%	1.2%	0.4%
1.75 to <2.5	279	2	0.7%	2.0%	2.0%	0.7%
2.50 to <10.00	9,450	190	2.0%	4.8%	5.0%	2.0%
2.5 to <5	5,941	97	1.6%	3.7%	3.7%	1.5%
5 to <10	3,509	93	2.7%	7.1%	7.3%	2.8%
10.00 to <100.00	4,737	810	17.1%	38.2%	38.8%	18.4%
10 to <20	1,265	72	5.7%	15.0%	14.9%	5.8%
20 to <30	532	24	4.5%	25.8%	25.1%	7.4%
30.00 to <100.00	2,940	714	24.3%	52.8%	51.8%	24.4%
100.00 (Default)	2,953	—	—	100.0%	100.0%	—

Table 32 - UK CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale)

Retail - Qualifying revolving

PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		Of which number of obligors which defaulted in the year				
0.00 to <0.15	676,483	262	—	0.1%	—	0.2%
0.00 to <0.10	619,610	214	—	—	—	—
0.10 to <0.15	56,873	48	0.1%	0.1%	0.1%	1.0%
0.15 to <0.25	135,376	293	—	0.2%	0.2%	0.3%
0.25 to <0.50	203,151	406	0.2%	0.4%	0.3%	0.2%
0.50 to <0.75	55,872	249	—	0.5%	0.5%	0.5%
0.75 to <2.50	58,819	673	1.1%	1.4%	1.4%	1.1%
0.75 to <1.75	53,283	537	1.0%	1.3%	1.3%	1.0%
1.75 to <2.5	5,536	136	2.5%	2.0%	2.0%	2.0%
2.50 to <10.00	31,580	1,192	3.8%	3.1%	4.4%	4.1%
2.5 to <5	19,827	353	1.8%	2.8%	2.9%	2.3%
5 to <10	11,753	839	7.1%	6.5%	6.8%	7.3%
10.00 to <100.00	24,828	2,816	11.3%	11.6%	15.8%	16.5%
10 to <20	20,501	1,679	8.2%	—	11.1%	10.6%
20 to <30	3,543	679	19.2%	28.0%	28.9%	39.1%
30.00 to <100.00	784	458	58.4%	62.5%	62.5%	47.2%
100.00 (Default)	13,108	—	—	100.0%	100.0%	—

Table 33 UK CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale) - Retail qualifying revolving

Retail - Other non-SME

PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		Of which number of obligors which defaulted in the year				
0.00 to <0.15	19,183	1	—	—	—	—
0.00 to <0.10	19,183	1	—	—	—	—
0.15 to <0.25	239	—	—	0.2%	0.3%	20.3%
0.25 to <0.50	178,747	107	—	0.4%	0.4%	0.1%
0.50 to <0.75	1,150	2	0.2%	0.5%	0.5%	14.3%
0.75 to <2.50	68,139	357	—	1.3%	1.3%	17.8%
0.75 to <1.75	68,066	357	0.5%	1.3%	1.3%	0.5%
1.75 to <2.5	73	—	—	2.0%	2.0%	43.7%
2.50 to <10.00	39,766	765	1.9%	3.7%	3.7%	1.9%
2.5 to <5	39,688	752	1.9%	3.7%	3.7%	1.9%
5 to <10	78	13	16.7%	9.7%	9.6%	18.6%
10.00 to <100.00	1,197	266	22.2%	47.8%	34.3%	30.1%
10 to <20	—	—	—	14.3%	14.3%	—
20 to <30	1,035	156	15.1%	29.1%	29.1%	15.0%
30.00 to <100.00	162	110	67.9%	62.5%	62.5%	54.5%
100.00 (Default)	5,959	—	—	100.0%	100.0%	—

Table 34 UK CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale) - Retail Other SME

Corporate - SME

PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		Of which number of obligors which defaulted in the year				
0.00 to <0.15	21	—	—	0.1%	0.1%	—
0.10 to <0.15	21	—	—	0.1%	0.1%	—
0.15 to <0.25	4	—	—	0.2%	0.2%	—
0.25 to <0.50	—	—	—	0.3%	0.3%	—

Table 35 UK CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale) - Corporate SME

Corporate - Other

PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		Of which number of obligors which defaulted in the year				
0.00 to <0.15	2	—	—	0.1%	0.1%	—
0.10 to <0.15	2	—	—	0.1%	0.1%	—
0.15 to <0.25	1	—	—	0.2%	0.2%	—

Table 36 UK CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale) - Corporate other

11.9. Template UK CR10 - Disclosure of specialised lending and equity exposures under the simple risk weight approach

The table below shows an analysis of project finance specialised lending using the slotting approach method.

Specialised lending : Project finance (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		£m	£m	%	£m	£m	£m
Category 1	Equal to or more than 2.5 years	–	–	50%	–	–	–
	Equal to or more than 2.5 years	309	19	70%	304	180	1
Category 2	Equal to or more than 2.5 years	–	–	70%	–	–	–
	Equal to or more than 2.5 years	7	–	90%	7	6	–
Category 3	Equal to or more than 2.5 years	–	–	115%	–	–	–
	Equal to or more than 2.5 years	20	2	115%	19	19	1
Category 4	Equal to or more than 2.5 years	–	–	250%	–	–	–
	Equal to or more than 2.5 years	–	–	250%	–	–	–
Total	Equal to or more than 2.5 years	–	–	–	–	–	–
	Equal to or more than 2.5 years	336	21	–	330	205	2

Table 37 UK CR10 - Disclosure of specialised lending and equity exposures under the simple risk weight approach

The table below shows an analysis of Income-producing real estate and high volatility commercial real estate specialised lending using the slotting approach method.

Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
		£m	£m	%	£m	£m	£m
Category 1	Equal to or more than 2.5 years	–	–	50%	–	–	–
	Equal to or more than 2.5 years	–	–	70%	–	–	–
Category 2	Equal to or more than 2.5 years	57	–	70%	57	36	–
	Equal to or more than 2.5 years	171	2	90%	171	143	2
Category 3	Equal to or more than 2.5 years	5	–	115%	5	5	–
	Equal to or more than 2.5 years	5	–	115%	5	5	–
Category 4	Equal to or more than 2.5 years	2	–	250%	2	4	–
	Equal to or more than 2.5 years	2	–	250%	2	5	–
Total	Equal to or more than 2.5 years	64	–	–	64	46	–
	Equal to or more than 2.5 years	178	2	–	178	153	2

Table 38 UK CR10.2 - Disclosure of specialised lending and equity exposures under the simple risk weight approach

12. Disclosure of counterparty credit risk

12.1. Table UK CCRA - Qualitative disclosure related to CCR

12.1.1. Methodology used to assign internal capital and credit limits for counterparty credit exposures

The Group uses standardised risk weightings to assign capital to its counterparty credit exposures. Unless specified otherwise by the regulations, risk weights are applied with regard to the credit rating of the counterparty.

Credit limits are set using a framework that incorporates risk metrics and qualitative factors to determine the Group's maximum credit exposure to each counterparty. These factors include external ratings, type of entity, their relationship with the Group and size of the entity. This framework is reviewed annually with daily monitoring of the counterparty exposures and limits.

12.1.2. Policies related to guarantees and other credit risk mitigants

The Group enters into derivative transactions for risk management purposes. It undertakes sale and repurchase (repo) transactions to manage liquidity and raise longer-term funding, where highly rated assets such as gilts are sold with an agreement to repurchase at an agreed price at a later date. Counterparty credit risk includes the risk of default by the derivative counterparty and the risk that cash received in a repo transaction is less than the market value of the asset.

The Group manages this risk by undertaking credit assessments of all counterparties and by exchanging collateral to mitigate any exposure. Daily collateralisation of repo transactions is carried out in accordance with the Global Master Repurchase Agreements to mitigate net exposure arising from changes in market value. Similarly, all derivatives have Credit Support Annexes (CSAs) in place to collateralise the net mark-to-market credit exposures.

The Group has entered into International Swaps and Derivatives Association (ISDA) master netting agreements for all of its derivatives (other than swaps undertaken by Coventry Building Society Covered Bonds LLP and Coventry Godiva Covered Bonds LLP). These allow the Group to settle exposures 'net' in the event of a default or other predetermined event.

The Group is subject to mandatory central clearing of all new derivatives transactions through a third-party regulated central clearing counterparty to reduce systemic and operating risk. Under this, collateral is exchanged on a daily basis. The Group may still enter into swaps that are not currently cleared by any of the central clearing houses, e.g. cross currency swaps; these are all subject to daily exchange of collateral to better manage counterparty risk.

The Group's covered bond programmes (Coventry Building Society Covered Bonds LLP, Coventry Godiva Covered Bonds LLP and Moorlands Covered Bond LLP) and Economic Master Issuer plc enter into swaps under separate ISDA agreements. Each agreement includes a CSA which provides collateralisation of the swap exposure. The derivative exposures can only be settled net following a default or other predetermined event, and therefore exposures are presented gross on the balance sheet. The Group has £nil net derivative credit exposure (2024:nil).

12.1.3. Policies with respect to Wrong-Way risk

Wrong-way risk relates to the possibility that exposures to a counterparty increase as the credit quality of that counterparty deteriorates. This risk is commonly mitigated by Eligible Collateral Schedules across its derivative contracts that prohibit the use of debt securities by the Group or its counterparties in meeting its margin calls.

Where the Group engages in repo agreements using its own debt securities, specific terms are in place to manage the deterioration in value of these securities or in the downgrade of the Group.

12.1.4. Collateral provided as a result of a credit rating downgrade

As at 31 December 2025, the Group would have to provide £201.3m (31 December 2024: £213.7m) of collateral if it was given a one notch downgrade in its credit rating.

12.2. Template UK CCR1 - Analysis of CCR exposure by approach

The table below provides details of the calculation of risk weighted exposure amounts for Counterparty Credit Risk by approach used.

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	110	98		1.4	639	291	291	86
4	Financial collateral comprehensive method (for SFTs)					1,754	136	136	27
6	Total					2,393	427	427	113

Table 39 UK CCR1 - Analysis of CCR exposure by approach

12.3. Template UK CCR2 - Transactions subject to own funds requirements for CVA risk

Credit Valuation Adjustments (CVAs) reflect the adjustment of default risk-free prices of derivatives and securities financing transactions (SFTs) due to a potential default of the counterparty. The Group uses the standardised method to calculate CVA risk weighted exposure amounts.

		Exposure value	RWEA
		£m	£m
4	Transactions subject to the Standardised method	194	59
5	Total transactions subject to own funds requirements for CVA risk	194	59

Table 40 UK CCR2 - Transactions subject to own funds requirements for CVA risk

12.4. Template UK CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights

The table below provides counterparty credit risk exposures by regulatory exposure class and risk weights based on standardised valuation approach.

	Exposure classes	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
1	Central governments or central banks	2	–	–	–	–	–	–	–	–	–	–	2
6	Institutions	–	74	–	–	221	107	–	–	–	–	–	402
11	Total exposure value	2	74	–	–	221	107	–	–	–	–	–	404

Table 41 UK CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights

12.5. Template UK CCR4 - IRB Approach - CCR exposures by exposure class and PD scale.

The Group is not required to disclose this template as it does not use the Internal Model Method for counterparty credit risk exposures.

12.6. Template UK CCR5 - Composition of collateral for CCR exposures

The Group is not required to disclose this template as its collateral posted and received are below the £125bn threshold per PS17/21.

12.7. Template UK CCR6 - Credit derivative exposures

The Group is not required to disclose this template as it does not use credit derivatives to mitigate credit risk.

12.8. Template UK CCR7 - RWEA flow statements of CCR exposures under the IMM

The Group is not required to disclose this template as it does not use the Internal Model Method for counterparty credit risk exposures.

12.9. Template UK CCR8 - Exposures to CCPs

The Group has some exposures to Central Counterparty Clearing Houses (CCPs). All the exposures are with Qualifying Central Counterparty Clearing Houses (QCCPs). The value and risk weighted value of those exposures are shown below.

		Exposure value	RWEA
		£m	£m
1	Exposures to QCCPs (total)		2
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	74	1
3	(i) OTC derivatives	69	1
4	(ii) Exchange-traded derivatives	5	–
7	Segregated initial margin	451	
9	Prefunded default fund contributions	2	–

Table 42 UK CCR8 - Exposures to CCPs

13. Disclosure on market risk

13.1. Table UK MRA: Qualitative disclosure requirements related to market risk

13.1.1. Strategies and processes to manage market risk

Market risk is the risk of a reduction in earnings and/or value resulting from adverse movements in financial markets. Market risk only arises in the banking book as the Group (Bank & Society) does not hold a trading book. Interest rate risk in the banking book (IRRBB) includes reprice, option and basis risk. The Group is also subject to credit spread risk in the banking book (CSRBB) and foreign currency risk. The main source of market risk to which the Group is exposed to is reprice risk, which is the risk that interest rates change, and its assets and liabilities are repriced on different dates, resulting in a negative impact. The Group manages reprice risk by limiting the exposure using both economic value and earnings sensitivity measures.

13.1.2. Market risk management

The Chief Financial Officer and Treasurer are responsible for managing and monitoring current and emerging market risks. This is overseen by the Group Market Risk Management Committee (GMRMC), Group Asset and Liabilities Committee (GALCo), Board Risk Committee (BRC) and the Board.

13.1.3. Market risk reporting and measurement systems

Market risk is managed by specifying risk tolerances and operating to these limits, using derivatives, such as interest rate swaps, or matching offsetting assets and liabilities. The Group maintains adequate margin capacity through administered rates and invests its reserves and non-maturing deposit (NMD) account balances in fixed rate assets to reduce income volatility.

13.2. Table UK MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models

Not applicable since the Group has no trading book.

13.3. Template UK MR1 - Market risk under the standardised approach

The Group is not required to disclose this template as it is below the 2% market risk threshold.

13.4. Template UK MR2-A - Market risk under the internal Model Approach (IMA)

The Group is not required to disclose this template as it does not use the Internal Model Approach for market risk.

13.5. Template UK MR2-B - RWA flow statements of market risk exposures under the IMA

The Group is not required to disclose this template as it does not use the Internal Model Approach for market risk.

13.6. Template UK MR3 - IMA values for trading portfolios

The Group is not required to disclose this template as it does not use the Internal Model Approach for market risk.

13.7. Template UK MR4 - Comparison of VaR estimates with gains/losses

The Group is not required to disclose this template as it does not use the Internal Model Approach for market risk.

14. Disclosure of exposures to securitisation positions

14.1. Table UK-SECA - Qualitative disclosure requirements related to securitisation exposures

The Group has securitisation exposures both as an originator of residential mortgages and an investor in traditional STS securitisation vehicles as shown in the tables below.

14.1.1. Description of securitisation and re-securitisation activities

The Society has securitised certain mortgage loans by transferring the loans to structured entity controlled by the Society. This securitisation enables the issuance of debt to investors, who take security in the underlying assets as collateral. The structured entity is fully consolidated into the Group accounts and the Group has full control over it. Transfers of mortgage loans to the structured entity are not treated as sales and the loans are not derecognised but remain on the Group's Balance Sheet as the Group retains substantially all the risks and rewards of the mortgage loans. The proceeds received from the transfer of mortgage loans to structured entities are accounted for as a deemed loan from the structured entities and are disclosed as a form of funding.

The Group has also issued debt from its securitisation programme to be used as collateral for central government schemes or for use in sale and repurchase agreements (repos) and similar transactions. Some or all of the debt issuances may be retained by the Group.

14.1.2. The type of risk the Group is exposed to in its securitisation and re-securitisation activities

To manage interest rate risk, the Group enters into derivative transactions with its structured entities, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. In accordance with IFRS 9, these internal derivatives are treated as part of the deemed loan and not separately measured at fair value because the relevant mortgage loans are not derecognised. All other derivatives relating to securitisations are explained in the Group's derivatives and hedge accounting policy.

14.1.3. Securitisation risk-weighted exposure amounts

There are no specific capital requirements for the securitisation vehicles. As there has not been a transfer of significant credit risk, and as loans are not derecognised and remain on the Group's balance sheet, the Group does not calculate risk weighted asset amounts for any positions it holds in its securitisation programme. Instead, risk weighted asset calculations are performed on the underlying mortgage assets remaining on the Group's balance sheet.

Purchased Securitisation exposures are risk weighted using the external ratings-based approach (ERBA) as per CRR article 264 derived from the revised securitisation framework fully in-force from 1 January 2020. All other credit exposures are risk weighted based on the standardised approach.

14.2. Template UK-SEC1 - Securitisation exposures in the non-trading book

The table below details the Group's securitisation exposures in the non-trading book.

		Institution acts as originator						Institution acts as sponsor				Institution acts as investor			
		Traditional			Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS	of which CPT	of which SRT		STS	Non-STS			STS	Non-STS		
		£m	£m				£m			£m	£m			£m	£m
1	Total exposures	26	—	—	—	—	—	26	—	—	—	—	—	—	—
2	Retail (total)	26	—	—	—	—	—	26	—	—	—	—	—	—	—
3	residential mortgage	26	—	—	—	—	—	26	—	—	—	—	—	—	—

Table 43 UK-SEC1 - Securitisation exposures in the non-trading book

14.1. Template UK SEC2 - Securitisation exposures in the trading book

The Group is not required to disclose this template as it does not have a trading book.

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

The table below shows an analysis of the securitisation exposures in the non-trading book and associated regulatory capital requirements with the Group acting as originator or as sponsor

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/deductions	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (incl IAA)	SEC-SA	1250%/deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	—	—	26	—	3	—	26	—	3	—	20	—	36	—	2	—	3
2	Traditional transactions	—	—	26	—	3	—	26	—	3	—	20	—	36	—	2	—	3
3	Securitisation	—	—	26	—	3	—	26	—	3	—	20	—	36	—	2	—	3

Table 44 UK-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

14.3. Template UK-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

The Group is not required to disclose this template as it does not have securitisations where it is acting as investor.

14.4. Template UK-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
		£m	£m	£m
1	Total exposures	2,855	7	—
2	Retail (total)	2,855	7	—
3	residential mortgage	2,855	7	—

Table 45 UK-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

15. Disclosure of operational risk

15.1. Table UK ORA - Qualitative information on operational risk

15.1.1. Operational risk management

Operational Risk Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events that disrupt business operations. The Group will comply with regulations on the management of operational risk and adopt regulatory best practice guidance, including the Capital Requirement Directive and the Basel Committee on Banking Supervision (BCBS)'s "Principles for the Sound Management of Operational Risk".

Operational Risk Management Framework

The Group has an Enterprise Risk Management Framework (ERMF) which defines the approach to risk management and sets out rules, tools, processes and approaches that help the Group identify and effectively manage its risks.

The Group's operational risk management policies and procedures support the overarching principles defined in ERMF, ensuring there is a consistent approach to the identification, measurement and management of operational risk across the Group. The policies and procedures are subject to annual review to ensure they remain fit for purpose and reflect the internal and external environment.

Operational risk is managed, monitored and reported across eight sub-categories (Technology & Cyber, Data, People, Payments, Third Party, Premises, Legal and Statutory, Regulatory, and Financial Reporting), aligned with the Basel risk classifications, industry best practices, and the Group's business model. Financial Crime, Change, and Conduct and Compliance are treated as stand-alone Principal Risks to ensure enhanced oversight and focus on these areas. Operational Resilience is designated as a Thematic Risk, enabling the aggregation of related risk exposure so that they can be effectively assessed, managed and reported.

Operational Risk Management and Governance

The operational risk profile is informed by Risk and Control Self-Assessments (RCSAs). RCSA owners are required to: identify and assess the potential impacts of risks on an inherent and residual basis; test the effectiveness of controls; and develop and implement action plans to address control weaknesses. For risks that are rated Amber or Red, RCSA owners must either take remedial actions to reduce the risks or accept the risk where remedial action is either not possible or appropriate due to practical or cost considerations.

In addition to RCSAs, the Group monitors and reports its operational risk events to ensure control gaps are identified and remediated to reduce recurrence. Outputs from the risk event reporting and analysis help the Group identify and assess current and future risks.

To support effective risk management, the Group adopts the three lines of defence model:

1. The first line of defence is accountable for identifying, managing and reporting risks.
2. The second line of defence is accountable for maintaining an effective ERMF and providing oversight, assurance and challenge to the management of those risks.
3. The third line provides independent assurance.

The Non-Financial Risk Committee (NFRC) provides primary oversight of all operational risk categories, with further oversight provided by Executive and Board risk committees and the Board. Risk category owners are responsible for ensuring that comprehensive management information has been developed, established, monitored and reported to NFRC monthly.

With this in mind, the Financial Services sector faces multiple risk management challenges in the current environment, particularly in areas such as technology, cyber security, data, third party, people and financial crime. The Group continues to strengthen its control environment to mitigate these risks effectively. In addition, the focus on operational resilience has provided opportunity to enhance the Group’s ability to prevent, respond to, recover and learn from operational disruptions.

Risk measurements

The Group adopts the standardised approach for the purpose of calculating its Pillar 1 capital requirement for operational risk. The calculation uses net interest income averaged over a three-year period. The Group’s capital requirement for operational risk as at 31 December 2025 was £146.6 million (2024: £83.7 million).

The Group also undertakes a Pillar 2A assessment through scenario analysis, leveraging both internal and external loss event data supplemented by internal expert judgement. The outputs of the assessment informs the level of capital the Group should hold for operational risk.

15.1.2. The assessment of minimum own funds requirements

The Group has adopted the Standardised approach to the assessment of minimum own funds requirements.

15.2. Template UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

The table below details the Group’s operational risk own funds requirements and risk-weighted exposure amounts.

Banking activities		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
		£m	£m	£m	£m	£m
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,314	1,172	1,085	147	1,833
3	<i>Subject to TSA:</i>	1,314	1,172	1,085		

Table 46 - UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Each of the 3 years of the calculation includes Bank data to enable a Group calculation including the Bank in accordance with UK CRR article 317.

16. Disclosure of remuneration policy

16.1. Table UK REMA - Remuneration policy

16.1.1. The Remuneration Committee and Non-Executive Directors' Remuneration Committee

These disclosures are made in accordance with Article 450 of the CRR for the performance year ending 31 December 2025 and should be read in conjunction with the Directors Remuneration Report set out in the 2025 Coventry Building Society (The Group) Annual Report and Accounts.

This section provides details of the remuneration of the Group's colleagues, including Material Risk Takers (MRTs) for 2025 together with an explanation of the Group's remuneration policies, practices, and governance.

MRTs are those individuals whose professional activities have a material impact on the Group's risk profile, based on, but not limited to, the qualitative and quantitative criteria set by the European Banking Authority (EBA) under Commission Delegated Regulation (EU) No 604/2014. We identify MRTs by reviewing their responsibilities within their role, applying the EBA Regulatory Technical Standards for the definition of MRTs for remuneration purposes and assessing the materiality of the impact a role would have on the risk profile of the Group.

During the year there were a total of 94 MRTs (2024: 55). Those identified as MRTs include, but are not limited to:

- Executive and non-executive directors of the Group and Senior Management (being the other members of the Executive Leadership Team, for the purposes of these disclosures);
- Other colleagues with key functional or managerial responsibility including senior managers of control functions such as audit and risk; and
- Other risk takers, whose professional activities could have a material impact on the Group's risk profile.

The table below provides a breakdown of the number of individuals identified as MRTs by business area.

Committee membership and attendees

The Remuneration Committee consists exclusively of independent Non-Executive Directors and the Group Chair of the Board. The members of the Committee are:

Current membership	Member since
Caroline Marsh ¹³	2025
Jo Kenrick	2017
Shamira Mohammed	2023
David Thorburn	2022

Table 47 Remuneration committee members

The Committee seeks input from the Group Chief People Officer, the Head of Reward and People Services and the Group Chief Executive, who are invited to attend meetings. The Group Chief Risk Officer and the Secretary and Head of Corporate Governance are invitees where appropriate. The Committee also benefits from specialist advice from its independent remuneration advisor (Deloitte LLP).

¹³ Chair of the Committee from January 2025

Governance and the role of the Remuneration Committee

The Committee met seven times in 2025.

The Committee has overall responsibility for remuneration matters delegated to it by the Board. The Committee's role is to consider the Group's Remuneration Policy and the specific remuneration packages for the Group Chair, Group Executives and any other colleagues who are deemed to fall within the scope of the PRA/FCA Remuneration Codes. The Committee also provides oversight of the pay practices for the workforce across the Group.

All decisions about remuneration have at their heart the Group's purpose and values and the interests of members. Decisions align with the approach taken for all colleagues and take account of the long-term sustainable success of the Group.

The Group follows the PRA's Code on Remuneration Practices and Disclosure Requirements, and in addition, aligns the Policy with the PRA's best practice guidelines and the UK Corporate Governance Code where applicable.

The Committee's work is particularly focused on ensuring that variable pay awards for colleagues reward good performance and are not excessive and drive sustainable growth and reasonable risk-taking. The Committee considers that the Remuneration Policy has operated as intended in 2025.

Non-Executive Directors' Remuneration (NEDR) Committee

The members of the NEDR Committee are:

Current membership	Member since
Stephen Hughes ¹⁴	2020
Lucy Becque ¹⁵	2025
Lee Raybould	2021
David Thorburn	2022

Table 47 Non-Executive Directors' Remuneration (NEDR) committee members

The NEDR Committee is responsible for reviewing and recommending the remuneration of the non-executive directors, other than for the Chair of the Board, for the Board's approval.

Non-executive directors are appointed for an initial term of three years, which can be terminated by the director, or at the discretion of the Board with a notice period of three months. Non-executive directors must voluntarily stand for re-election each year.

The approach for non-executive directors' fees is in line with the objectives of the Remuneration Policy for the whole Group, which is to offer fees that are competitive when compared with similar financial services firms of a similar size and complexity. The time commitment for the role at the Society is also taken into account.

The NEDR Committee recommends the remuneration of the non-executive directors, other than the Chair of the Board, to the Board for approval. Recommendations for the remuneration of the Chair of the Board are made by the Remuneration Committee and approved by the full Board without the participation of the Chair. No director takes part in the discussion of their own remuneration.

16.1.2. The remuneration system for identified staff

¹⁴ Chair of the Committee

¹⁵ Group Chief People Officer and member of the Committee from January 2025

The Group's Remuneration Policy is designed to reward all colleagues for their skills, knowledge, responsibilities, and performance. When making any decisions about pay and benefits the Group must strike a balance between the needs of colleagues, the needs of members to ensure cost efficiency and the requirements of its regulators. The Group's ultimate objective is to offer a remuneration package (pay, benefits and non-financial rewards) that is competitive when compared with similar financial services organisations and that is also fair and appropriate for the size and type of organisation we are. The principles of the Group's Remuneration Policy apply to all colleagues, including MRT's across the whole Group. All fixed and variable remuneration are paid through the payroll.

The Group's Remuneration Policy is consistent with the Group's risk appetite and is designed to support the overall financial stability of the Group and its strategic priorities, by promoting sound and effective risk management and not encouraging excessive risk taking. Salary levels for colleagues are reviewed annually, taking into account a number of factors including the scope and size of role; the skills, experience and responsibility of the role holder; the position of the role holder's salary against wider market rates of pay and their individual performance; equal pay principles, the Group's financial performance and the economic environment.

Non-executive directors receive a base fee and an additional fee for chairing a committee and/or holding the position of Senior Independent Director or Deputy Chair of the Board. Reasonable expenses are reimbursed and paid in accordance with the Group's policy. These fees are the only element of remuneration and are set at a level that reflects the market and is sufficient to attract individuals with appropriate knowledge and experience to support the Group in achieving its strategic objectives. Fees are reviewed annually, taking into account market data, annual pay increases awarded to colleagues, the economic environment and the Groups performance.

The Group provides a competitive benefits package to all its colleagues to support their physical, mental, and financial wellbeing. MRT's receive benefits that are in line with the external market. These include a company car or cash alternative, private medical insurance, health screening, permanent health insurance and life insurance. All colleagues receive permanent health insurance and life insurance and many also receive private medical insurance. MRT's do not receive any benefits that are unavailable to other senior managers within the Group.

The Group provides post-retirement financial security for all its colleagues at a cost that is sustainable for the Group over the long term and in line with market practice. All colleagues are eligible to join the Group's defined contribution pension scheme, receiving contributions of up to 10%.

"Control functions" are defined under regulations as Risk, Compliance, and Internal Audit functions. For control functions, remuneration is not determined within the business unit alone in order to avoid conflicts of interest. As part of the annual pay review, salaries of senior colleagues in control functions are reviewed against peers who carry out similar roles in other organisations. Variable pay is determined by the same balanced scorecard used for all colleagues.

Guaranteed variable remuneration and buy out awards are only awarded in exceptional circumstances and would always be limited to new hires in the first year of service.

Payments on termination of employment are made in accordance with any contractual or other statutory entitlements (e.g. redundancy) and are made in a way that does not reward failure or misconduct and reflect performance over time.

16.1.3. The criteria used for performance measurement and ex ante and ex post risk adjustment

The Group currently operates three variable pay plans: the annual Success Share bonus which applies to all colleagues, except Executives, and for Executives only, an annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP). Awards are made in cash and for Executives are subject to deferral and retention.

Performance metrics for all variable pay awards are set by the Committee and reflect the Group's strategic priorities, providing a clear link with members' interests and our short and long term goals, as well as our regulatory obligations.

Appropriately stretching performance targets are set each year taking into account a number of different reference points which may include the Group's business plans and strategy, and the market environment.

The Committee retains the discretion to adjust or set different performance measures or targets if the measures are no longer appropriate, such as in the case of a significant change in prevailing market conditions, and amendment is required so that the measures achieve their original purpose.

16.1.4. Description of the ways in which current and future risks are taken into account in the remuneration processes.

Our approach to risk adjustment at a Group level provides for a discretionary assessment of 'ex ante' and 'ex post' risk adjustment, based on performance against our risk appetite as set out in the Group Plan, and taking into account any risk events during the year from a conduct, reputational, financial or operational perspective. In reaching its determination of an appropriate level of risk adjustment, the Remuneration Committee considers a range of factors, including evidence from the Board Risk Committee.

This includes an assessment of both current and future risk issues provided by the Board Risk Committee, supported by the risk management and compliance functions and, for our most senior leaders, any conduct issues on an individual basis provided by the Group Chief People Officer. Accordingly, the Committee has discretion to reduce performance pay in relation to risk-related or individual conduct related matters. For our most senior leaders variable pay is subject to risk adjustment through malus and clawback.

Malus applies to any payments under the annual AIP, and three year LTIP scheme. The Committee can decide to reduce or cancel any variable pay award before the payment has been made. This can include, but is not limited to, reasonable evidence of misbehaviour or material error by the recipient; the Group suffering a material downturn in its financial performance or a material failure of risk management.

Clawback applies to payments under the annual AIP, and three year performance period LTIP scheme, for up to seven years even if an individual leaves the Group's employment. The Committee may decide that an individual must repay part or all of a variable pay award after the payment has been made. This can include, but is not limited to, reasonable evidence of misbehaviour or material error by the recipient; the Group or function suffering a material failure of risk management; a material misstatement of the Group's financial results, such that the payment made under the variable pay arrangement was greater than it would have been.

16.1.5. The ratios between fixed and variable remuneration set

The Group believes it is essential that variable pay is not excessive, and all variable awards operate within a pay ratio of 200% of fixed remuneration (base salary and benefits). The ratio cap was increased to 300% for the 2025 performance year, in order to allow the awarding of an Integration and Retention Award for five Group Executives identified as being key to the delivery of the Group's integration plans. The Group's variable pay awards in respect of the financial year are currently limited to a maximum total of 300% of base salary for executive directors, 230% for executive managers and 20% for all other colleagues.

When reviewing the annual Success Share bonus and the AIP, the Remuneration Committee considers the Group's performance against a balanced scorecard as set out above. The Committee considers target ranges taking into account plan targets, market forecasts, credit and risk limits and maintaining long-term sustainability. The nature of the balanced scorecard and inclusion of these factors ensures that outperformance cannot be achieved through excessive risk taking and

considers member outcomes. Both Plans are reviewed each year, and the Committee has absolute discretion to adjust or recover awards if necessary, including withholding vested awards under malus arrangements and recovering payments made under clawback arrangements.

16.1.6. The link between performance during a performance measurement period with levels of remuneration.

Variable pay is determined according to the Group's performance using a balanced scorecard, which reflects a number of strategic performance measures agreed by the Board. These include growth, capital strength, costs, profitability, project delivery, ESG measures, control of risk, customer experience and colleague engagement. These are considered alongside individual and business unit performance and conduct, and any other factors or events the Committee considers to be relevant.

For recipients of the AIP the performance metrics are split 70:30 between collective performance as determined by the outturn of the balanced scorecard, and individual performance as determined by the achievement of up to three strategically aligned individual goals. The individual goals are used to increase personal accountability for the delivery of key strategic targets.

16.1.7. Adjustments to remuneration to take account of long-term performance.

MRTs are subject to regulations, which may affect the structure of their pay. At the Group, most MRTs are currently exempt from the PRA Remuneration Code's requirements and are termed as "MRT's below the proportionality threshold". MRT's are exempt from the Code's requirements if:

- variable remuneration is no more than 33% of total remuneration;
- total remuneration is no more than £500,000; and
- variable pay is less than £44,000.

At the end of 2025 the Prudential Regulatory Authority (PRA) published an update to the Remuneration Code with the aim of simplifying remuneration rules for the banking sector. For the 2025 performance year the Group has continued to apply the existing de-minimis rules, but has applied the following changes to variable payments for 2025:

- 4 year deferral period for all MRTs;
- 40% deferral on variable pay amount up to £660,000, and 60% deferral on amounts in excess of £660,000;
- 50% of all variable pay to be paid in the form of an equivalent share like instrument;
- LTIP awards for Executive Directors retained for 5 years, in line with the requirements of the Corporate Code;
- consideration as to whether there is a need to reduce (malus) and/or require repayment (clawback) of variable remuneration in certain circumstances.

Details of the Remuneration Policy for Executives can be found in the Directors Remuneration Report in the Group's 2025 Annual Report & Accounts. Taking account of individual conduct and performance and Group performance during 2025 (the look back period), the LTIP awards will be granted to Executives in April 2026. These awards will vest on the third anniversary of their grant subject to meeting performance conditions measured over the three years. However, the face value of the LTIP over the look back period can be utilised to offset the deferral schedule as in the example of an Executive Director shown below:

		2025	2026	2027	2028	2029	2030	2031
Annual Incentive Plan	100% cash	Performance period	100% cash					
Integration and Retention Award	33.3% cash	Performance period	33.3% cash					
	33.3% deferred for one year			33.3% SEI				
	33.3% deferred for two years					33.3% SEI		
Long-term Incentive Plan	100% Share equivalent	Pre-grant performance period	Performance period			50% SEI	50% released	
							50% SEI	50% released

16.1.8. The main parameters and rationale for variable components and any other non-cash benefit.

The Remuneration Code requires that 50% of variable pay is made in shares or, in the case of a non-listed business like the Group, an equivalent share-like instrument. The Group’s share-like instrument is linked to capital performance, utilising the year-on-year change in Leverage Ratio to calculate the upward or downward adjustment in order to emulate the change in share value of a listed firm. The plan is reviewed each year to ensure alignment to the strategic priorities and changes in regulation.

The Remuneration Committee monitors all awards made under our variable pay schemes to ensure adherence to regulatory requirements.

16.1.9. The remuneration of The Board

Details of the remuneration of our Executives can be found in the Directors Remuneration Report in the Group’s 2025 Annual Report & Accounts.

16.2. Template UK REM1 - Remuneration awarded for the financial year

The table below shows the aggregate remuneration for MRT's by remuneration type

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
			£m	£m	£m	£m
1	Fixed remuneration	Number of identified staff	23	6	16	49
2		Total fixed remuneration	1.9	3.5	4.8	8.6
3		Of which: cash-based	1.8	3.2	4.3	7.5
7		Of which: other forms	–	0.3	0.5	1.1
9	Variable remuneration	Number of identified staff	10	6	16	47
10		Total variable remuneration	–	5.2	4.1	3.2
11		Of which: cash-based	–	2.4	2.0	2.0
12		Of which: deferred	–	0.4	0.3	–
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	–	2.7	2.2	1.2
UK-14b		Of which: deferred	–	2.6	2.0	1.1
17	Total remuneration (2 + 10)		1.9	8.7	8.9	11.8

Table 48 UK REM1 - Remuneration awarded for the financial year

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

The table below details special payments made during the year ended 31 December 2025 to staff whose professional activities have a material impact on the Society's risk profile (identified staff).

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
		£m	£m	£m	£m
1	Guaranteed variable remuneration awards - Number of identified staff	–	1	2	–
2	Guaranteed variable remuneration awards - Total amount	–	0.4	0.1	–
6	Severance payments awarded during the financial year - Number of identified staff	–	1.0	1.0	8.0
7	Severance payments awarded during the financial year - Total amount (£m)	–	–	–	0.3
8	Of which paid during the financial year (£m)	–	–	–	0.3
11	Of which highest payment that has been awarded to a single person	–	–	–	0.1

Table 49 UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

16.4. Template UK REM3 - Deferred remuneration

The table below details the deferred remuneration payments made during the year ended 31 December 2025 or vesting in subsequent years.

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
		£m	£m	£m	£m	£m	£m	£m	£m
7	MB Management function	9.4	0.7	8.6	–	–	–	0.3	0.5
8	Cash-based	2.5	0.2	2.3	–	–	–	0.2	–
10	Share-linked instruments or equivalent non-cash instruments	6.9	0.5	6.3	–	–	–	0.1	0.5
13	Other Senior Management	2.9	0.1	2.6	–	–	–	0.1	0.2
14	Cash-based	0.7	–	0.7	–	–	–	–	–
16	Share-linked instruments or equivalent non-cash instruments	2.2	0.1	1.9	–	–	–	0.1	0.2
19	Other identified staff	4.8	1.1	2.5	–	–	–	1.4	1.0
20	Cash-based	0.6	0.1	0.5	–	–	–	0.1	–
22	Share-linked instruments or equivalent non-cash instruments	4.2	1.1	2.0	–	–	–	1.3	1.0
25	Total amount	17.1	2.0	13.7	–	–	–	1.9	1.7

Table 50 UK REM3 - Deferred remuneration

16.5. Template UK REM4 - Remuneration of 1 million EUR or more per year

The table below details the total remuneration package of 1 million euros or more per year.

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
		£m
1	1 000 000 to below 1 500 000	3
2	1 500 000 to below 2 000 000	2

Table 51 UK REM4 - Remuneration of 1 million EUR or more per year

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

The table below details information on remuneration of staff whose professional activities have a material impact on the Society's risk profile (identified staff).

		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
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total number of identified staff										94
2	Of which: members of the MB	23	6	29							
3	Of which: other senior management					2		7	4	3	16
4	Of which: other identified staff					5		29	12	3	49
5	Total remuneration of identified staff (£m)	1.9	8.7	10.6		2.4		11.1	5.3	2.1	
6	Of which: variable remuneration (£m)	–	5.2	5.2		0.7		4.0	2.0	0.7	
7	Of which: fixed remuneration (£m)	1.9	3.5	5.4		1.7		7.1	3.3	1.4	

Table 52 UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

17. Disclosure on interest rate risk in the banking book

17.1. Table UK IRRBBA - IRRBB risk management objectives and policies

17.1.1. A description of how the Group defines, measures, mitigates and controls IRRBB for the purposes of risk control and measurement

IRRBB is defined as the risk that changes in the general level of interest rates will cause variations in earnings in the near term and variations to the value of future cash flows in the longer term. The key sources of IRRBB that the Group is exposed to include repricing risk, basis risk, credit spread risk and option risk.

The Board has overall responsibility for determining the Group's appetite to market risks, including IRRBB. Group Asset and Liabilities Committee (GALCo) are responsible for managing market risk within this risk appetite framework which is supported by a suite of policies and limits.

The market risk of the Group is embedded within the governance structure of the Group, with market risk as a level 2 risk within the enterprise-wide risk management framework. Market risk information is reported monthly to Group Market Risk Committee (GMRMC), GALCo, and Board Risk Committee. The first line management of market risk is through the Treasury department, with second line responsibility within Prudential and Model Risk. The market risk framework and management are audited on a regular basis, completing the three lines of defence approach.

17.1.2. A description of the Group's overall IRRBB management and mitigation strategies

IRRBB is managed and mitigated by the Group through:

- Regular assessment and quantification of the sources of IRRBB;
- reporting of strategic and regulatory Board monitored risk limits, supported by a range of GALCo monitored risk indicators;
- adhering to approved hedging principles; and
- appropriate product design controls such as early-repayment charges and product offer-periods.

17.1.3. The periodicity of the calculation of the Group's IRRBB measures, and a description of the specific risk measures that the Group uses to gauge its sensitivity to IRRBB

IRRBB exposures are measured on a monthly basis. The Group's key measures which are economic value of equity (EVE) and net interest income (NII) sensitivities are monitored alongside measures for basis risk, credit spread risk, and structural interest rate risk. The regulatory prescribed Supervisory Outlier Tests (SOT) for EVE and NII are calculated and reported monthly.

17.1.4. A description of the interest rate shock and stress scenarios that the Group uses to estimate changes in its economic value and in earnings

In line with regulatory requirements, EVE sensitivity is measured against six prescribed interest rate shocks;

- 250bps parallel shock up;
- 250bps parallel shock down;
- steeper shock;
- flattener shock;
- short rates shock up; and
- short rates shock down.

NII sensitivity is measured against two prescribed shocks;

- 250bps parallel shock up; and
- 100bps parallel shock down

The Group also monitors EV and NII sensitivities against rate shocks, which form the key internal risk measures. NII sensitivities to a range of potential rate paths, based on the prevailing economic environment, are monitored monthly.

17.1.5. Key modelling and parametric assumptions used in calculating change in economic value of equity (Δ EVE) and change in net interest

The key assumptions used in calculating change in EVE in Template UK IRRBB1 are:

- EVE sensitivities measure the difference in the value of assets and liabilities given today's market rates, and rates with a shock applied. The valuation differences come from the mismatches of the time of repricing of the Group's existing assets and liabilities, on- and off-balance sheet.
- The balance sheet runs off from the reporting date.
- Behavioural modelling is used to predict the expected run-off of fixed-rate mortgages and savings products that allow early repayment or early access.
- Commercial margins are excluded from cashflows.
- The Group's reserves are excluded. Non-maturing deposits that are deemed stable and rate-insensitive are assumed to reprice in line with associated hedging.
- An interest rate floor is assumed, unwinding over time

The key assumptions used in calculating change in NII Template UK IRRBB1 are:

- NII sensitivities measure the sensitivity of interest income to changes in interest rates, over a 12-month period.
- The balance sheet is static, modelled on like-for-like reinvestment.
- Commercial margins are included within cashflows.
- Changes in interest rates are passed on in full to applicable variable rate products.

17.1.6. Modelling assumptions

For internal NII sensitivity measures, the Group uses a deterministic model which accounts for planned change or growth in the balance sheet over time. More likely, less severe interest rate shocks are assessed.

For internal EVE sensitivity measures, more likely, less severe shocks are assessed. It is assumed that the Group's reserves reprice in line with associated hedging.

17.1.7. Hedging IRRBB and the associated accounting treatment

The Group uses derivative financial instruments (swaps) solely for risk management purposes to manage interest rate and currency risk arising from its fixed mortgage and savings activity, fixed liquid assets and from non-sterling and fixed rate wholesale funding. Where appropriate, natural offset between assets and liabilities are utilised.

The Group utilises structural hedging which refers to the assets or derivatives which are used to hedge the reserves of the Group and non-maturing deposits. This is primarily to mitigate potential volatility arising from these rate insensitive liabilities, and so to provide earnings stability.

The Group uses hedge accounting, applying the requirements of IAS 39, to reduce income statement volatility arising from fair value accounted derivatives. The Group's hedge accounting treatment is detailed within the financial statements of the published accounts.

17.1.8. Average repricing maturity assigned to non-maturing deposits (NMDs)

The average repricing maturity assigned to NMDs is 2.3 years. This includes both stable rate insensitive NMDs that are assigned a repricing profile and non-stable NMDs assumed to reprice overnight.

17.1.9. Longest repricing maturity assigned to NMDs

The longest repricing maturity assigned to NMDs is 8 years.

17.2. Template UK IRRBB1 - Quantitative information on IRRBB

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions. The table below shows the impacts of a number of shock scenarios to the Economic Value of Equity and the Net Interest Income measures of interest rate risk in the banking book.

	In reporting currency	ΔEVE	ΔNII	Tier 1 capital
	Period	31 December 2025	31 December 2025	31 December 2025
		£m	£m	£m
010	Parallel shock up	(195)	92	
020	Parallel shock down	161	(156)	
030	Steeper shock	59		
040	Flattener shock	(89)		
050	Short rates shock up	(142)		
060	Short rates shock down	138		
070	Maximum	(195)	(156)	
080	Tier 1 capital			3,572

Table 53 UK IRRBB1 - Quantitative information on IRRBB

18. Disclosure on asset encumbrance

Some of the Group's mortgages or treasury assets are used to support collateral requirements for secured funding, central bank operations or third party repo transactions. Mortgages or treasury assets used in this way are referred to as encumbered. Encumbrance provides cheaper and more stable funding; however, it creates the risk that savings members and other senior unsecured creditors may be unable to benefit from the liquidation of encumbered assets in the event of insolvency of the Group and may risk bearing losses from a forced sale of the encumbered assets if the Group defaulted. While these risks are very remote, limits on encumbrance are set by the Board and encumbrance levels are managed within these limits.

In all the asset encumbrance disclosure templates, the values reflect the median of the sums of the four quarter end-of-period values over the previous 12 months as prescribed by the PRA and therefore differ from encumbrance disclosures in the Annual Report and Accounts that are based on year end balances. Note due to the use of median values the totals do not always agree to the sum of the rows below.

18.1. Template UK AE1 - Encumbered and unencumbered assets

The table below details the carrying amounts and fair values of encumbered and unencumbered assets and that portion of them that are Extremely High Quality Liquid Assets (EHQLA) and High Quality Liquid Assets (HQLA).

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	£m	of which notionally eligible EHQLA and HQLA £m	£m	of which notionally eligible EHQLA and HQLA £m	£m	of which EHQLA and HQLA £m	£m	of which EHQLA and HQLA £m
Assets of the reporting institution	12,044	506			52,839	27		
Equity instruments	–	–	–	–	3	–	–	–
Debt securities	506	506	506	506	27	27	27	27
of which: securitisations	–	–	–	–	–	–	–	–
of which: issued by general governments	506	506	506	506	27	27	27	27
Other assets	11,554	–			52,829	–		

Table 54 UK AE1 - Encumbered and unencumbered assets

18.2. Template UK AE2 - Collateral received and own debt securities issued

The following table details the fair values of encumbered and unencumbered collateral received or own debt securities issued and that portion of them that are Extremely High Quality Liquid Assets (EHQLA) and High Quality Liquid Assets (HQLA).

		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 EHQLA and HQLA
		£m	£m	£m	£m
130	Collateral received by the reporting institution	–	–	270	–
160	Debt securities	–	–	270	–
241	Own covered bonds and asset-backed securities issued and not yet pledged			4,004	–
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	12,044	11,498		

Table 55 UK AE2 - Collateral received and own debt securities issued

18.3. Template UK AE3 - Sources of encumbrance

The following table shows the carrying amounts of selected financial liabilities and the corresponding sources of encumbrance other than covered bonds and securitisations encumbered.

		Matching liabilities, contingent liabilities or securities lent (£m)	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered (£m)
		£m	£m
010	Carrying amount of selected financial liabilities	6,976	11,690

Table 56 UK AE3 - Sources of encumbrance

18.4. Table UK AE4 - Accompanying narrative information

The Group manages asset encumbrance in line with a series of Board limits and triggers. In recent years, the encumbrance framework has been extensively developed, in light of the encumbrance borne from its structured funding vehicles and BoE funding. These exposures are reviewed through three lens, external encumbrance, total encumbrance in business as usual, and total encumbrance in a stress. Alongside encumbrance, over-collateralisation is a key consideration in managing the Group's risk via the pledging of assets. This is also monitored in business as usual and estimated under a stress.

The Group has three covered bond programmes utilising both its owner occupied (Coventry Building Society Covered Bond LLP, Moorland Covered Bonds LLP) and buy-to-let (Coventry Godiva Covered Bond LLP) loan portfolios. Coventry Godiva Covered Bond LLP allows the Group to indirectly utilise the buy-to-let portfolio at the Sterling Monetary Framework (SMF), an option not available with the whole-loans. This provides additional contingent drawing capacity and allows the owner occupied portfolio to be used in the issuance of external secured funding.

19. Disclosure of the leverage ratio

19.1. Table UK LRA: Disclosure of LR qualitative information

19.1.1. Managing the risk of excessive leverage

The UK leverage ratio framework only applies to banks and building societies with retail deposits of £75 billion or more, calculated on a three-year moving average basis, or non-UK assets equal to or greater than £10 billion, neither of which measures currently applies to the Group. The Group nevertheless actively monitors its performance against the UK leverage ratio framework.

The UK leverage ratio framework requires a minimum ratio of 3.25%, calculated on the basis that exposures exclude central bank exposures with less than a 3-month maturity. Of this leverage requirement, a maximum of 25% may be met using high quality AT 1 capital.

There are two additional buffers; these are: a Supplementary Leverage Ratio Buffer (SLRB), which does not impact the Group, and a macro-prudential Countercyclical Leverage Buffer (CCLB). The levels of these buffers are set at 35% of the corresponding CET 1 buffers.

The CCLB is currently 0.7%, having increased in July 2023, in line with the CCyB.

The Group has policies and procedures in place to manage the risk of excessive leverage through maintaining a prudent balance between the pace of growth and the pace of capital accumulation. This includes consideration through the ICAAP of the impact of stress events on leverage. This is explicitly incorporated into the Group's strategic planning process. ICAAP stress testing considers the impact of stress events on leverage.

19.1.2. Factors that have impacted on the leverage ratio

The UK leverage ratio decreased to 4.6% (2024: 5.7%). On the acquisition of the Bank, the updated pro-forma Group leverage ratio was 4.4%. The increase since then has been driven mainly by capital resources growing faster than exposures.

19.2. Template UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The table below details the movements between accounting assets and leverage ratio exposures.

		Applicable amount
		£m
1	Total assets as per published financial statements	88,239
8	Adjustment for derivative financial instruments	(226)
9	Adjustment for securities financing transactions (SFTs)	109
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	865
12	Other adjustments	(603)
13	Total exposure measure	88,384

Table 57 UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

19.3. Template UK LR2 - LRCom: Leverage ratio common disclosure

The leverage ratio is a non-risk weighted financial measurement that assesses the ability of a company to meet its financial obligations. The table below details leverage ratio exposures as at 31 December 2025 and those metrics previously displayed at 30 June 2025.

		Leverage ratio exposures	
		31-Dec-25	30-Jun-25
		£m	£m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	87,701	62,851
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	(1)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(596)	(598)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	87,105	62,252
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	153	142
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	153	133
13	Total derivatives exposures	306	275
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	–	250
16	Counterparty credit risk exposure for SFT assets	108	43
18	Total securities financing transaction exposures	108	293
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	3,946	2,307
20	(Adjustments for conversion to credit equivalent amounts)	(3,081)	(1,829)
22	Off-balance sheet exposures	865	478
Excluded exposures			
Capital and total exposure measure			
23	Tier 1 capital (leverage)	3,572	2,894
24	Total exposure measure including claims on central banks	88,384	63,297
UK-24a	(-) Claims on central banks excluded	(11,978)	(8,688)
UK-24b	Total exposure measure excluding claims on central banks	76,406	54,609
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	4.6%	5.3%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.6%	5.3%
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 (%)	4.6%	5.3%
UK-25c	Leverage ratio including claims on central banks (%)	4.0%	4.6%
26	Regulatory minimum leverage ratio requirement (%)	3.25%	3.25%

Table 58 UK LR2 - LRCom: Leverage ratio common disclosure

Following the acquisition of the Co-operative Bank Holdings p.l.c. on 1 January 2025, the 31st December 2025 disclosures are reported on a UK Consolidation Group basis including the Bank. However the comparatives in the above table were disclosed on a UK Consolidation Group basis excluding the Bank, hence are not on a comparable basis.

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

The table below details the split-up of on balance sheet leverage ratio exposures excluding derivatives, securities financing transactions (SFTs) and other exposures that are exempt.

		Leverage ratio exposures
		£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	87,701
UK-3	Banking book exposures, of which:	87,701
UK-4	Covered bonds	234
UK-5	Exposures treated as sovereigns	13,164
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	3
UK-7	Institutions	369
UK-8	Secured by mortgages of immovable properties	71,786
UK-9	Retail exposures	271
UK-10	Corporates	951
UK-11	Exposures in default	95
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	831

Table 59 UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

20. Attestation

The Chief Finance Officer (CFO) attests that the Group has made the disclosures required under the Disclosure (CRR) Part of the PRA Rulebook and in accordance with the Pillar 3 Disclosures Policy and internal processes, systems and controls.

21. Key elements of the Pillar 3 disclosures policy

The Group's Pillar 3 disclosures policy includes the following key elements:

1. an approval process for disclosures involving Senior Management; and
2. an approval process for omitted disclosures involving Senior Management.

Appendix 1. Glossary

Abbreviation	Full Name	Description
AIRB	Advanced Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk components.
ARA	Annual Report and Accounts	Used to refer to the Group's financial statements
AT1	Additional Tier 1 Capital	Additional Tier 1 (AT1) capital consists of paid-up capital instruments and their associated share premium account.
CCF	Credit Conversion Factor	The Credit Conversion Factor converts an off-balance sheet exposure to its credit exposure equivalent.
CCP	Central Counterparty Clearing House	Institutions that take on counterparty credit risk between parties to a transaction and provide clearing and settlement services for trades in foreign exchange, securities, options, and derivative contracts.
CCR	Counterparty Credit Risk	The risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
CCyB	Counter Cyclical Buffer	The countercyclical capital buffer (CCyB) is setting aside capital resources to counter procyclicality in the financial system. An increase in cyclical systemic risk requires institutions to accumulate capital to create buffers that strengthen the resilience of the banking sector during periods of stress when losses materialise.
CET1	Common Equity Tier 1	Common Equity Tier 1 capital (CET1) is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
CRD	Capital Requirements Directive	Legislation, known as CRD V (Directive (EU) 2019/878) amended CRD IV (Directive (EU) 2013/36). The UK implemented elements of CRD V and the final policy was published in PS29/20 'Capital Requirements Directive V (CRD V)'. The UK implemented elements of CRD V and the final policy was published in PS29/20 'Capital Requirements Directive V (CRD V)'.
CRM	Credit Risk Mitigation	Credit risk mitigation is the attempt by lenders, through the application of various safeguards or processes, to minimize the risk of losing all of their original investment due to borrowers defaulting on their interest and principal payments.
CRR	Capital Requirements Regulation	The Capital Requirements Regulations 2013 (Statutory Instrument 2013/3115).
CVA	Credit Valuation Adjustment	Credit Valuation Adjustment reflects the adjustment of default risk-free prices of derivatives and securities financing transactions (SFTs) due to a potential default of the counterparty.
EHQLA	Extremely high quality liquid	Assets that can easily and immediately be converted into cash at little or no loss of value.
ERBA	External Ratings Based Approach	An approach to calculate capital requirements for securitisation exposures that are externally rated or for which an inferred rating is available.
EU	European Union	A union of 27 European states operating as a single market and using the Euro currency established to promote economic and political co-operation.
EVE	Economic Value of Equity	The economic value of equity is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Unlike earnings at risk and value at risk (VAR), an institution uses the economic value of equity to manage its assets and liabilities. It is a long-term economic measure used to assess the degree of interest rate risk exposure—as opposed to net-interest income (NII), which reflects short-term interest rate risk.
EWI	Early Warning Indicators	Forward-looking, data-driven metrics used to anticipate, measure, and mitigate risks—such as financial crises, operational failures, or economic downturns—before they fully materialise.
FCP	Funded Credit Protection	A technique where a bank reduces credit risk by holding collateral such as cash, securities, or assets—that it can liquidate or retain if a counterparty defaults.
FIRB	Foundation Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk of default of the obligor but estimates of additional risk factors are derived through the application of standardised supervisory rules.
HQLA	High quality liquid asset	Assets that can easily and immediately be converted into cash at little or no loss of value.
IAA	Internal Assessment Approach	An approach to calculate capital requirements for securitisation exposures in which an institution may use its internal assessments of the credit quality of its securitisation exposures.

ICAAP	Internal Capital Adequacy Assessment	The process that allows firms to assess their capital adequacy and requires them to have appropriate risk management techniques in place.
ILAAP	Internal Liquidity Adequacy Assessment	The process that allows firms to assess their liquidity adequacy and requires them to have appropriate risk management techniques in place.
ILTR	Indexed Long-Term Repo	A Bank of England weekly auction facility that provides six-month sterling liquidity to banks and financial institutions.
IRB	Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk of default of the obligor but estimates of additional risk factors are derived through the application of standardised supervisory rules.
IRRBB	Interest Rate Risk in the banking book	Interest rate risk in the banking book is the risk posed by adverse movements in interest rates that can cause a mismatch between the rates the Group set on customer loans and on deposits.
ITP	Invocation Triggers Points	These are measurable, preliminary data points that show a trend is moving toward a risky state.
LCR	Liquidity Coverage Ratio	The LCR is a measure that is designed to ensure that financial institutions hold a sufficient amount of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting up to 30 calendar days.
MB	Management Body	The Group's Board
MDB	Multilateral development bank	A multilateral development bank is an international financial institution chartered by two or more countries to encourage economic development.
MREL	Minimum requirement for own funds and eligible liabilities	Minimum requirement for own funds and eligible liabilities is set by resolution authorities to ensure that a bank maintains at all times sufficient eligible instruments to facilitate the implementation of the preferred resolution strategy.
NII	Net Interest Income	Net interest income is a financial performance measure that reflects the difference between the income from an institution's interest-bearing assets and the expenses associated with paying on its interest-bearing liabilities. It reflects short-term interest rate risk.
NSFR	Net Stable Funding Ratio	The NSFR is a longer-term liquidity risk management measure that is designed to ensure a stable funding structure within the Group where the available stable funding should equal the required stable funding.
OTC	Over The Counter	Over The counter (OTC) is trading derivative securities through a broker-dealer network as opposed to on a centralised exchange like the London Stock Exchange.
PD	Probability of Default	The likelihood that a borrower will fail to make their scheduled contractual payments over a period of time, usually one year.
PMA	Post Model Adjustment	Adjustments applied when the Group considers that a modelled output is not sufficiently accurate or complete due to there being potential for additional risks that have not been identified or that cannot be adequately modelled.
PRA	Prudential Regulation Authority	The Bank of England prudentially regulates and supervises financial services firms through the Prudential Regulation Authority (PRA).
QCCP	Qualifying Central Counterparty	A qualifying central counterparty (QCCP) is an entity that is licenced to operate as a CCP and is permitted by the regulator to operate as such with respect to the products offered.
RWA / RWEA	Risk Weighted Asset / Risk Weighted Exposure Amount	Risk-weighted asset or Risk Weighted Exposure Amount is the Group's exposure relating to assets and off-balance-sheet exposures, weighted according to risk.
SA-CCR	Standardised Approach to Counterparty Credit Risk	The Standardised Approach for Counterparty Credit Risk is a method applied to over-the-counter derivatives, exchange-traded derivatives and long settlement transactions to calculate their capital requirement.
SEC-ERBA	Securitisation: External-ratings-based approach	Under the SEC-ERBA, the risk-weighted exposure amount for a securitisation position shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 of the CRR.
SFT	Securities financing transaction	Securities financing transactions allow institutions to use assets, such as the shares or bonds they own, to secure funding for their activities.

SME	Small and Medium-sized Enterprise	Non-financial businesses are also classified by size of business. For this purpose, SMEs are defined as those with an annual debit account turnover on the main business account of up to £25 million.
SMF	Sterling Monetary Framework	The Sterling Monetary Framework (SMF) is the set of tools and facilities used by Bank of England to implement monetary policy (setting Bank Rate) and ensure financial stability.
SOT	Supervisory Outlier Tests	Prescribed tests of IRRBB
SRT	Significant risk transfer	Term that indicates securitisation has been used as an effective credit risk transfer tool.
SREP	Supervisory Review and Evaluation	The supervisory review and evaluation process that the PRA conducts on firms.
STS	Simple, transparent and standardised	Securitisations can be designated as simple, transparent and standardised (STS) where they meet certain criteria.
T2	Tier 2 capital	Tier 2 is designated as the second or supplementary layer of an institution's capital and is composed of items such as revaluation reserves, hybrid instruments, and subordinated term debt.
TFSME	Term Funding Scheme with additional incentives for small and medium-sized enterprises	Term Funding Scheme is a form of government lending to offer four-year funding at or very close to Bank Rate. Additional funding will be available for banks that increase lending, especially to small and medium-sized enterprises (SMEs).
UFCP	Unfunded Credit Protection	A risk mitigation technique where a third party (guarantor) covers potential losses on an exposure if a borrower defaults, without upfront cash collateral.

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (www.fca.org.uk) and the Prudential Regulation Authority (firm reference number 150892).

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