



Pillar 3 Disclosures

For the half year
ended 30 June 2026



Contents

1	Introduction	3
2	Key metrics and overview of risk weighted exposure amounts	4
3	Disclosure of own funds	7
4	Disclosure of countercyclical capital buffers	9
5	Disclosure of credit risk	10
6	Disclosure of market risk	36
7	Disclosure of interest rate risk in the banking book	37
8	Disclosure of the leverage ratio	40
9	Disclosure of liquidity requirements	42
10	Attestation	45
11	Key elements of the Pillar 3 disclosures policy	45
	Appendix 1. Glossary	46

1. Introduction

In this document Coventry Building Society ('the Group') has set out its Pillar 3 disclosures for the quarter ending 30 June 2026 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook.

This report includes specific templates that are required to be disclosed 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. ('the Bank'), which is the ultimate holding company of the Co-operative Bank p.l.c. thus making the Bank 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 from its disclosures until 31 December 2025.

Therefore, the 30 June 2026 disclosures are reported on a UK Consolidation Group basis including the Bank. However, comparatives relating to 30 September 2025 or earlier 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.
Coventry Building Society the Society	Coventry Building Society, parent entity of the Group.
The Co-operative Bank Holdings p.l.c. the Bank the Bank sub-group	The entity acquired on 1 January 2025 by Coventry Building Society, including all of its subsidiaries.
The Co-operative Bank	The trading entity which conducts the banking operations within the Bank sub-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 key capital and liquidity metrics as at 30 June 2026, and those metrics previously disclosed at 31 March 2026, 31 December 2025, 30 September 2025 and 30 June 2025. Profits for the period 1 January 2026 to 30 June 2026 have been verified and included in all key metrics in line with the PRA rulebook.

		30 June 2026	31 March 2026	31 December 2025	30 September 2025	30 June 2025
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital ¹	2,989	2,911	2,907	2,231	2,229
2	Tier 1 capital	3,654	3,576	3,572	2,896	2,894
3	Total capital	3,925	3,854	3,847	2,937	2,935
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount ²	15,235	14,873	14,760	10,771	10,498
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	19.6%	19.6%	19.7%	20.7%	21.2%
6	Tier 1 ratio (%)	24.0%	24.0%	24.2%	26.9%	27.6%
7	Total capital ratio (%)	25.8%	25.9%	26.1%	27.3%	28.0%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	2.0%	2.0%	2.0%	1.5%	1.5%
UK 7b	Additional AT1 SREP requirements (%)	0.7%	0.7%	0.7%	0.5%	0.5%
UK 7c	Additional T2 SREP requirements (%)	0.8%	0.9%	0.9%	0.7%	0.7%
UK 7d	Total SREP own funds requirements (%)	11.5%	11.5%	11.5%	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	Institution specific countercyclical capital buffer (%)	2.0%	2.0%	2.0%	2.0%	2.0%
11	Combined buffer requirements (%)	4.5%	4.5%	4.5%	4.5%	4.5%
UK 11a	Overall capital requirements (%)	16.0%	16.0%	16.0%	15.1%	15.1%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.2%	13.1%	13.3%	14.7%	15.3%
	Leverage ratio					
13	Leverage ratio total exposure measure ³	75,352	75,880	76,407	55,415	54,609
14	Leverage ratio (%)	4.8%	4.7%	4.6%	5.2%	5.3%
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (weighted value - average)	12,423	12,854	13,316	9,775	9,797
UK 16a	Cash outflows - Total weighted value	5,935	6,177	6,360	4,245	4,321
UK 16b	Cash inflows - Total weighted value	534	600	553	360	380
16	Total net cash outflows (adjusted value)	5,401	5,577	5,807	3,885	3,941
17	Liquidity coverage ratio (%) ⁴	231.6%	232.6%	230.3%	254.1%	250.7%
	Net stable funding ratio					
18	Total available stable funding	73,596	68,462	63,351	57,891	57,205
19	Total required stable funding	50,076	46,562	42,676	38,437	38,099
20	NSFR ratio (%) ⁵	147.3%	147.4%	148.9%	150.6%	150.2%

Table 1 Template UK KM1 - Key metrics template

¹ Available own funds as at 31 March 2026 and 30 September 2025, do not include unverified profits. Profits were verified as at 30 June 2026, 31 December 2025 and 30 June 2025 and are therefore included in these periods.

² This amount includes the impacts of the Post Model Adjustments (PMAs).

³ 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.

⁴ The liquidity coverage ratio is calculated as a 12 month average.

⁵ The net stable funding ratio is calculated as an average of the current and preceding three quarters.

The Group's capital position remains robust, with a Common Equity Tier 1 (CET 1) ratio of 19.6% (31 March 2026: 19.6%). The Group is subject to an overall capital requirement of 16.0% (31 March 2026: 16.0%).

The Group's CET 1 capital increased to £2,989m (31 March 2026: £2,911m) primarily driven by the inclusion of verified interim profits.

The capital ratios include additional RWEAs held for regulatory changes that are currently not reflected in the secured IRB models.

The Society and Bank had both submitted updated secured IRB hybrid models to the PRA in 2023. Our strategy following the acquisition is to move to a single Group IRB model. We have received feedback from the PRA in 2025 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 secured IRB model at the end of 2027. When approval is granted, the final Group secured IRB model output RWEAs may vary from those calculated currently, thereby impacting capital ratios.

Basel 3.1 RWEA floors will be phased in following the introduction of the new regulations in 2027, and in time are expected to reduce the Group's reported CET 1 ratio, through increasing RWEAs. Applying the Basel 3.1 RWEA floors to the 30 June 2026 position on a full transition pro-forma basis would result in a CET 1 ratio of approximately 18.6%. However, on expected Basel 3.1 implementation in January 2027, the Group estimates a 20.1% pro-forma CET 1 ratio at 30 June 2026 due to the removal of the IRB scalar of 1.06.

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 risk weighted exposure amount (RWEA) increased to £15,235m as at 30 June 2026 (31 March 2026: £14,873m). This was primarily driven by higher retail RWEAs, reflecting house price index (HPI) movements and growth in the Buy-To-Let portfolio, partially offset by natural amortisation and contractual paydowns within the Residential mortgage portfolio.

The Group's leverage ratio increased to 4.8% (31 March 2026: 4.7%), reflecting an increase in retained profits for the quarter. The leverage ratio and corresponding leverage ratio total exposure measure excludes qualifying central bank claims in line with the UK leverage regime.

The Group 12-month average pillar 1 liquidity coverage ratio as at 30 June 2026 remained strong at 231.6% (31 March 2026: 232.6%). Although HQLAs decreased during the quarter, this was broadly offset by a corresponding reduction in net cash outflows, resulting in a largely stable 12-month average LCR. The ratio remained well above the regulatory minimum requirement of 100%.

The average net stable funding ratio (NSFR) of 147.3% (31 March 2026: 147.4%) 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 exceed the required stable funding.

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

The table below details RWEAs and the respective own funds requirements as at 30 June 2026, and the RWEAs previously disclosed as at 31 March 2026. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30 June 2026	31 March 2026	30 June 2026
		£m	£m	£m
1	Credit risk (excluding CCR)	13,209	12,834	1,057
2	Of which the standardised approach	673	604	54
3	Of which the foundation IRB (FIRB) approach	401	387	32
4	Of which slotting approach	379	378	30
5	Of which the advanced IRB (AIRB) approach	11,756	11,465	940
6	Counterparty credit risk - CCR	139	152	11
7	Of which the standardised approach	75	81	6
UK 8a	Of which exposure to a CCP	2	2	—
UK 8b	Of which credit valuation adjustment - CVA	59	55	5
9	Of which other CCR	3	14	—
16	Securitisation exposures in the non-trading book (after the cap)	54	54	4
18	Of which SEC-ERBA (including IAA)	54	54	4
23	Operational risk	1,833	1,833	147
UK 23b	Of which standardised approach	1,833	1,833	147
24	<i>Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)⁶</i>	113	122	9
29	Total	15,235	14,873	1,219

Table 2 Template UK OV1 - Overview of risk weighted exposure amounts

⁶ Row 24 is for information only and the value is excluded from the total in row 29.

3. Disclosure of own funds

3.1. Template UK CC1 - Composition of regulatory own funds

The table below shows the composition of the Group's own funds as at 30 June 2026.

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		£m	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
2	Retained earnings	3,546	E1
3	Accumulated other comprehensive income (and other reserves)	47	E3
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	77	E1
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,670	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(3)	
8	Intangible assets (net of related tax liability) (negative amount)	(220)	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	(88)	E3
12	Negative amounts resulting from the calculation of expected loss amounts	(109)	
15	Defined-benefit pension fund assets (negative amount)	(18)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(681)	
29	Common Equity Tier 1 (CET1) capital	2,989	
Additional Tier 1 (AT1) capital: instruments			
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)	3,654	
Tier 2 (T2) capital: regulatory adjustments			
46	Capital instruments and the related share premium accounts	271	
51	Tier 2 (T2) capital before regulatory adjustments	271	
58	Tier 2 (T2) capital	271	
59	Total capital (TC = T1 + T2)	3,925	
60	Total Risk exposure amount	15,235	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.6%	
62	Tier 1 (as a percentage of total risk exposure amount)	24.0%	
63	Total capital (as a percentage of total risk exposure amount)	25.8%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	10.9%	
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)	13.2%	
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)	2	
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)	45	
Applicable caps on the inclusion of provisions in Tier 2			

77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	9	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	75	

Table 3 UK CC1 Composition of regulatory own funds - CET 1 and AT 1

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

The Group has the same accounting and regulatory scope of consolidation so only the Balance Sheet as in published financial statements has been disclosed.

		Balance Sheet as in published financial statements	Balance Sheet as in published financial statements	Reference
		30 June 2026	31 December 2025	
		£m	£m	
	Assets - Breakdown by asset class according to the Balance Sheet in the published financial statements			
1	Loans and advances to customers	72,145	72,936	A1
2	Liquidity	12,107	13,896	A2
3	Other	1,146	1,407	A3
4	Total assets	85,398	88,239	
	Liabilities - Breakdown by liabilities class according to the Balance Sheet in the published financial statements			
1	Retail savings	70,239	71,722	L1
2	Wholesale funding	10,137	11,316	L2
3	Subordinated liabilities and subscribed capital	285	290	L3
4	Other	400	622	L4
5	Total liabilities	81,061	83,950	
	Shareholders' Equity			
1	General reserve	3,583	3,506	E1
2	Other equity instruments	665	665	E2
3	Other	89	118	E3
4	Total shareholders' equity	4,337	4,289	

Table 4 Template UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

4. Disclosure of countercyclical capital buffers

4.1 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 30 June 2026 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			Total	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				
	Exposure by country:	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
10	UK	1,265	74,317	—	—	26	75,609	1,091	—	4	1,095	13,691	100.0	2.0
20	Total	1,265	74,317	—	—	26	75,609	1,091	—	4	1,095	13,691	—	

Table 5 Template 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 rate as shown in the table below.

1	Total risk exposure amount (£m)	15,235
2	Institution specific countercyclical capital buffer rate (%)	2.0
3	Institution specific countercyclical capital buffer requirement (£m)	305

Table 6 Template UK CCyB2 - Amount of institution-specific countercyclical capital buffer

5. Disclosure of credit risk quality

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

5.1.1 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.

5.1.2 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.

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 undertaken by the Group and lending decisions are assessed against sector-specific criteria. Key sectors to which the Group provides facilities include:

- Housing Associations
- 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 ensure 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 operational risk. Under these arrangements 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 also be subject to daily exchange of collateral to better manage counterparty risk.

5.1.3 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 Group Treasury Credit Committee (GTCC), which is required to convene in line with the approved terms of reference. The GTCC 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 GTCC 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.

5.1.4 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.

5.1.5 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 provisions for collateralisation as required.

5.1.6 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 Group's 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 Group's 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 Group's Treasury Credit Committee (GTCC) 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.

5.1.7 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				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		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
		£m	£m	Of which defaulted £m	Of which impaired £m	£m	£m	£m	£m
10	Loans and advances	179	172	165	165	—	(9)	340	162
60	Non-financial corporations	—	13	13	13	—	(4)	9	9
70	<i>Households</i>	179	159	152	152	—	(5)	331	153
100	Total	179	172	165	165	—	(9)	340	162

Table 7 Template UK CQ1: Credit quality of forborne exposures

5.1.8 Template UK CQ2: Quality of forbearance

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

5.1.9 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 thresholds.

5.1.10 Credit Quality of loans and advances to non-financial corporations by industry

The Group has a small number of loans to non-financial corporations and these are broken down by industry below.

		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
10	Agriculture, forestry and fishing	0.6	0.2	0.2	0.6	—
30	Manufacturing	3.6	0.2	0.2	3.6	(0.2)
40	Electricity, gas, steam and air conditioning supply	5.0	—	—	5.0	—
60	Construction	72.9	0.6	0.6	72.9	(0.5)
70	Wholesale and retail trade	18.5	0.6	0.6	18.5	(0.5)
80	Transport and storage	8.1	—	—	8.1	(0.3)
90	Accommodation and food service activities	14.1	0.6	0.6	14.1	(0.3)
100	Information and communication	1.6	0.2	0.2	1.6	(0.1)
120	Real estate activities	1,386.9	13.8	13.8	1,386.9	(5.7)
130	Professional, scientific and technical activities	25.9	0.3	0.3	25.9	(0.1)
140	Administrative and support service activities	14.1	0.1	0.1	14.1	(0.2)
160	Education	47.9	0.1	0.1	47.9	(0.3)
170	Human health services and social work activities	84.8	0.1	0.1	84.8	(0.2)
180	Arts, entertainment and recreation	11.0	0.1	0.1	11.0	(0.1)
200	Total	1,695.0	16.9	16.9	1,695.0	(8.5)

Table 8 Template UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

5.1.11 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.

5.1.12 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.

5.2. Performing and non-performing exposures and related provisions

The template 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	£m
5	Cash balances at central banks and other demand deposits	10,180	10,180	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Loans and advances	71,612	67,267	4,311	575	7	563	(19)	(9)	(9)	(20)	—	(20)	—	70,895	547
30	General governments	2	2	—	—	—	—	—	—	—	—	—	—	—	—	—
50	Other financial corporations	11	9	2	—	—	—	—	—	—	—	—	—	—	9	—
60	Non-financial corporations	1,679	1,557	122	17	—	17	(4)	(2)	(2)	(4)	—	(4)	—	1,403	10
70	Of which SMEs	1,516	1,402	114	17	—	17	(4)	(2)	(1)	(4)	—	(4)	—	1,275	10
80	Households	69,922	65,700	4,187	558	7	547	(15)	(7)	(9)	(16)	—	(16)	—	69,483	537
90	Debt securities	1,913	1,909	—	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	1,085	1,085	—	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	782	782	—	—	—	—	—	—	—	—	—	—		—	—
130	Other financial corporations	46	42	—	—	—	—	—	—	—	—	—	—		—	—
150	Off-balance sheet exposures	3,424	3,391	33	1	—	1	(4)	(2)	(2)	—	—	—		—	—
190	Other financial corporations	1	1	—	—	—	—	—	—	—	—	—	—		—	—
200	Non-financial corporations	598	581	17	—	—	—	(1)	—	(1)	—	—	—		—	—
210	Households	2,825	2,809	16	1	—	1	(3)	(2)	(1)	—	—	—		—	—
220	Total	87,129	82,747	4,344	576	7	564	(23)	(11)	(11)	(20)	—	(20)	—	70,895	547

Table 9 Template UK CR1: Performing and non-performing exposures and related provisions

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

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	70	418	2,519	68,940	201	72,147
2	Debt securities	—	579	888	446	—	1,913
3	Total	70	946	3,346	69,992	203	73,879

Table 10 Template UK CR1-A: Maturity of exposures

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.

5.3. Standardised approach

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		RWEAs and RWEAs density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWEAs	RWEAs density
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	10,985	—	11,021	—	113	1.0
3	Public sector entities	66	1	65	—	—	0.5
4	Multilateral development banks	431	—	431	—	—	—
6	Institutions	128	—	128	—	26	20.1
7	Corporates	109	80	99	32	118	90.3
8	Retail	36	25	13	5	12	64.9
9	Secured by mortgages on immovable property	888	350	886	70	339	35.5
10	Exposures in default	28	—	26	—	28	105.7
12	Covered bonds	328	—	328	—	33	10.0
15	Equity	5	—	5	—	5	100.0
17	Total	13,004	456	13,002	107	674	5.1

Table 11 Template UK CR4 - standardised approach - Credit risk exposure and CRM effects

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

	Exposure classes	Risk weight															Total	Of which unrated
		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	10,975	—	—	—	—	—	—	—	—	—	—	46	—	—	—	11,021	—
3	Public sector entities	62	—	—	—	3	—	—	—	—	—	—	—	—	—	—	65	65
4	Multilateral development banks	431	—	—	—	—	—	—	—	—	—	—	—	—	—	—	431	—
6	Institutions	—	—	—	—	129	—	—	—	—	—	—	—	—	—	—	129	—
7	Corporates	—	—	—	—	—	—	—	—	—	130	—	—	—	—	—	130	130
8	Retail	—	—	—	—	—	—	—	—	17	—	—	—	—	—	—	17	17
9	Secured by mortgages on immovable property	—	—	—	—	—	951	—	—	—	6	—	—	—	—	—	957	957
10	Exposures in default	—	—	—	—	—	—	—	—	—	24	2	—	—	—	—	26	26
12	Covered bonds	—	—	—	328	—	—	—	—	—	—	—	—	—	—	—	328	—
15	Equity exposures	—	—	—	—	—	—	—	—	—	5	—	—	—	—	—	5	5
17	Total	11,468	—	—	328	132	951	—	—	17	165	2	46	—	—	—	13,109	1,200

Table 12 Template UK CR5 - standardised approach

5.4. Credit risk mitigation techniques

The Group secures its mortgage loans by collateral but applies no other credit risk mitigation 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
Loans and advances	10,180	71,442	71,406	36	—
Debt securities	1,913	—	—	—	—
Total	12,093	71,442	71,406	36	—
<i>Of which non-performing exposures</i>	30	648	648	—	—
<i>Of which defaulted</i>	10	616			

Table 13 Template UK CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

5.5. IRB approach

The tables below analyse 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-SMEs - Secured by immovable property collateral													
	0.00 to <0.15	33938	650	100.0%	35177	0.1%	267,949	10.2%	—	1,311	3.7%	5	—
	0.00 to <0.10	12798	285	100.0%	13441	0.1%	139,516	7.9%	—	240	1.8%	1	—
	0.10 to <0.15	21140	364	100.0%	21736	0.1%	128,433	11.6%	—	1,072	4.9%	4	—
	0.15 to 0.25	52	—	—	53	0.2%	675	5.9%	—	5	9.5%	—	—
	0.25 to <0.50	28846	1,017	101.3%	30450	0.4%	194,298	17.8%	—	5,021	16.5%	25	(4)
	0.50 to <0.75	20	—	—	21	0.7%	246	6.2%	—	4	19.5%	—	—
	0.75 to <2.50	4226	268	101.4%	4588	1.4%	31,198	20.4%	—	2,006	43.7%	15	(5)
	0.75 to <1.75	4208	268	101.4%	4570	1.3%	30,998	20.5%	—	1,998	43.7%	15	(5)
	1.75 to <2.50	18	—	—	19	2.0%	200	8.4%	—	8	41.4%	—	—
	2.50 to <10.00	1692	69	100.0%	1784	4.8%	10,323	21.1%	—	1,631	91.4%	19	(2)
	3.50 to <5.00	1120	59	100.0%	1193	3.7%	6,551	21.8%	—	1,005	84.3%	10	(1)
	5.00 to < 10.00	572	9	100.0%	591	7.2%	3,772	19.7%	—	625	105.8%	9	(1)
	10.00 to <100.00	803	1	100.0%	815	37.8%	5,293	15.8%	—	875	107.3%	42	(3)
	10.00 to <20.00	283	1	100.0%	288	14.9%	1,567	19.5%	—	397	137.8%	8	(1)
	20.00 to <30.00	54	—	—	56	25.6%	569	15.1%	—	53	95.1%	2	—
	30.00 to <100.00	466	—	—	471	53.1%	3,157	13.6%	—	425	90.1%	32	(2)
	100.00 (Default)	506	—	—	506	100.0%	3,302	9.6%	—	640	126.5%	14	(13)
	Subtotal (exposure class)	70,084	2,005	100.8%	73,394	1.5%	513,284	14.3%	—	11,492	15.7%	119	(26)
	Total (all exposure classes)	70,300	2,927	94.0%	74,407		2,018,116		—	11,756	15.8%	131	(34)

Table 14 Template UK CR6 - IRB approach - Credit risk exposures 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	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	107.7%	462	0.1%	681,279	84.7%	—	15	3.4%	—	—
	0.00 to <0.10	5	193	178.0%	349	—	624,808	85.0%	—	8	2.3%	—	—
	0.10 to <0.15	20	212	43.7%	113	0.1%	56,471	83.9%	—	8	6.7%	—	—
	0.15 to <0.25	42	360	45.0%	205	0.2%	126,925	84.3%	—	21	10.5%	—	—
	0.25 to <0.50	37	96	79.8%	114	0.4%	206,591	84.7%	—	18	15.7%	—	—
	0.50 to <0.75	1	6	220.3%	16	0.5%	57,648	83.9%	—	3	20.9%	—	—
	0.75 to <2.50	27	28	78.6%	50	1.4%	54,932	78.0%	—	22	44.9%	1	—
	0.75 to <1.75	27	27	76.6%	48	1.3%	49,675	77.8%	—	21	44.7%	1	—
	1.75 to <2.5	—	—	136.2%	2	2.0%	5,257	84.8%	—	1	49.9%	—	—
	2.50 to <10.00	36	16	63.0%	47	3.0%	28,417	85.3%	—	36	77.3%	1	—
	2.5 to <5	35	15	56.7%	44	2.8%	18,553	85.4%	—	32	72.2%	1	—
	5 to <10	2	1	150.2%	4	6.2%	9,864	84.5%	—	5	115.0%	—	—
	10.00 to <100.00	43	4	85.2%	48	11.6%	22,867	87.1%	—	85	177.6%	5	(3)
	10 to <20	42	4	85.3%	46	—	18,361	0.1%	—	81	176.4%	4	(2)
	20 to <30	1	—	60.5%	1	27.9%	3,511	85.2%	—	3	253.0%	—	—
	30.00 to <100.00	1	—	—	1	62.5%	995	86.4%	—	2	156.7%	—	—
	100.00 (Default)	3	—	118.5%	4	100.0%	12,898	91.0%	—	8	193.5%	3	(3)
Subtotal (exposure class)		215	916	79.2%	946	1.4%	1,191,557	84.4%	—	210	22.2%	11	(6)

Table 15 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	Density of risk weighted exposure amount	Expected loss amount	Value adjustment s and provisions
		£m	£m	%	£m	%		%	Years	£m	%	£m	£m
Exposure class Retail - Other non-SMEs													
	0.00 to <0.15	—	—	—	5	—	18,191	100.0%	—	1	10.7%	—	—
	0.00 to <0.10	—	—	—	5	—	18,191	100.0%	—	1	10.7%	—	—
	0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
	0.15 to <0.25	—	—	—	—	0.2%	263	100.0%	—	—	—	—	—
	0.25 to <0.50	—	—	—	39	0.4%	184,788	100.0%	—	24	62.5%	—	—
	0.50 to <0.75	—	—	—	—	0.5%	1,075	100.0%	—	—	—	—	—
	0.75 to <2.50	—	—	—	14	1.3%	64,664	100.0%	—	16	114.5%	—	—
	0.75 to <1.75	—	—	—	14	1.3%	64,597	100.0%	—	16	114.3%	—	—
	1.75 to <2.5	—	—	—	—	2.0%	67	100.0%	—	—	—	—	—
	2.50 to <10.00	—	—	—	8	3.7%	38,454	100.0%	—	12	153.4%	—	—
	2.5 to <5	—	—	—	8	3.7%	38,428	100.0%	—	12	153.2%	—	—
	5 to <10	—	—	—	—	9.8%	26	100.0%	—	—	—	—	—
	10.00 to <100.00	—	—	—	—	49.2%	542	100.0%	—	—	—	—	—
	10 to <20	—	—	—	—	—	—	—	—	—	—	—	—
	20 to <30	—	—	—	—	29.1%	389	100.0%	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	62.5%	153	100.0%	—	—	—	—	—
	100.00 (Default)	1	—	—	1	100.0%	5,298	100.0%	—	—	0.2%	1	(1)
Subtotal (exposure class)		1	—	—	67	1.8%	313,275	100.0%	—	54	80.6%	1	(1)

Table 16 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	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	170	127	75.0%	265	0.1%	19	36.5%	5	127	47.9%	—	—
	0.10 to <0.15	170	127	75.0%	265	0.1%	19	36.5%	5	127	47.9%	—	—
	0.15 to <0.25	102	—	—	102	0.2%	4	35.0%	5	59	57.5%	—	—
	0.25 to <0.50	—	—	—	—	0.3%	1	45.0%	1	—	—	—	—
Subtotal (exposure class)		271	127	74.9%	367	0.2%	24	36.1%	5	185	50.4%	—	—
Total (all exposures classes)		299	127	74.9%	394		26		5	200	50.8%	—	—

Table 17 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	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	9	—	—	9	0.1%	1	35.0%	5	4	46.7%	—	—
	0.10 to <0.15	9	—	—	9	0.1%	1	35.0%	5	4	46.7%	—	—
	0.15 to <0.25	19	—	—	19	0.2%	1	35.0%	5	11	57.7%	—	—
Subtotal (exposure class)		27	—	—	27	0.2%	2	35.0%	5	15	55.6%	—	—

Table 18 UK CR6 - IRB approach - Credit risk exposures by exposure class and PD range - Corporate other

5.6. 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.

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

Advanced IRB - Retail

A-IRB		Total exposures	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	RWEA with substitution effects
			Part of exposure 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 Guarantees	Part of exposures covered by Credit Derivatives		
					Part of exposures covered by Immovable property collateral	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral		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				
			£m	%	%	%	%	%	%	%	%	%	%	%	£m
4	Retail	74,406	—	224.0%	224.0%	—	—	—	—	—	—	—	—	—	11,756
4.2	Of which Retail - immovable property non-SMEs	73,394	—	224.0%	224.0%	—	—	—	—	—	—	—	—	—	11,492
4.3	Of which Retail - Qualifying revolving	946	—	—	—	—	—	—	—	—	—	—	—	—	210
4.5	Of which Retail - Other non-SMEs	66	—	—	—	—	—	—	—	—	—	—	—	—	54
5	Total	74,406	—	224.0%	224.0%	—	—	—	—	—	—	—	—	—	11,756

Table 19 Template UK CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques

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 exposure s covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)				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 (%)		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 (%)				
			a	b	c	d	e	f	g	h	i	j	k	l	m
3	Corporates	924	—	57.6%	57.6%	—	—	—	—	—	—	—	—	621	
3.1	Of which Corporates - SMEs	366	—	134.9%	134.9%	—	—	—	—	—	—	—	—	185	
3.2	Of which Corporates - Specialised lending	530	—	—	—	—	—	—	—	—	—	—	—	421	
3.3	Of which Corporates - Other	28	—	141.6%	141.6%	—	—	—	—	—	—	—	—	15	
4	Total	924	—	57.6%	57.6%	—	—	—	—	—	—	—	—	621	

Table 20 UK CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques - Retail qualifying revolving

The table below summarises the movements of RWEAs for credit risk exposures under the 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	12,054
2	Asset size (+ / -)	123
3	Asset quality (+ / -)	(244)
4	Model updates (+/-)	402
8	Other (+ / -)	—
9	Risk weighted exposure amount as at the end of the reporting period	12,335

Table 21 Template UK CR8 - RWEA flow statements of credit risk exposures under the IRB approach⁷

Movements in asset size and asset quality are calculated using the Group's current IRB models. The impact of net new business in the quarter is shown in the asset size row.

5.7. 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	Less than 2.5 years	—	—	50%	—	—	—
	Equal to or more than 2.5 years	293	19	70%	288	169	1
Category 2	Less than 2.5 years	—	—	70%	—	—	—
	Equal to or more than 2.5 years	6	—	90%	6	6	—
Category 3	Less than 2.5 years	—	—	115%	—	—	—
	Equal to or more than 2.5 years	20	2	115%	19	18	1
Category 4	Less than 2.5 years	—	—	250%	—	—	—
	Equal to or more than 2.5 years	—	—	250%	—	—	—
Total	Less than 2.5 years	—	—		—	—	—
	Equal to or more than 2.5 years	319	21		313	193	2

Table 22 UK CR10 - Disclosure of specialised lending and equity exposures under the simple risk weight approach

⁷ UK CR8 excludes non-credit obligation assets which are included in UK OV1

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	Less than 2.5 years	—	—	50%	—	—	—
	Equal to or more than 2.5 years	—	—	70%	—	—	—
Category 2	Less than 2.5 years	68	—	70%	68	43	—
	Equal to or more than 2.5 years	152	—	90%	152	128	2
Category 3	Less than 2.5 years	6	—	115%	6	6	—
	Equal to or more than 2.5 years	2	—	115%	2	2	—
Category 4	Less than 2.5 years	2	—	250%	2	5	—
	Equal to or more than 2.5 years	1	—	250%	1	2	—
Total	Less than 2.5 years	76	—		76	54	—
	Equal to or more than 2.5 years	155	—		155	132	2

Table 23 UK CR10.2 - Disclosure of specialised lending and equity exposures under the simple risk weight approach

5.8. Securitisation exposures

The Group has securitisation exposures as an originator of residential mortgages.

	Institution acts as originator						Institution acts as sponsor				Institution acts as investor			
	Traditional			Synthetic			Traditional		Synthetic		Traditional		Synthetic	
	STS		Non-STS		of which SRT	Sub total	STS	Non-STS		Sub total	STS	Non-STS		Sub total
		of which SRT		of which SRT										
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total exposure	23	—	—	—	—	23	—	—	—	—	—	—	—	—
Retail (total)	23	—	—	—	—	23	—	—	—	—	—	—	—	—
Residential Mortgage	23	—	—	—	—	23	—	—	—	—	—	—	—	—

Table 24 Template UK-SEC1 - Securitisation exposures in the non-trading book

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	—	10	13	—	3	—	23	—	3	—	19	—	35	—	1	—	3
2	Traditional transactions	—	10	13	—	3	—	23	—	3	—	19	—	35	—	1	—	3
3	Securitisation	—	10	13	—	3	—	23	—	3	—	19	—	35	—	1	—	3

Table 25 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 exposures securitised by the institution where the Institution acts as originator or as sponsor.

		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	3,057	7	—
2	Retail (total)	3,057	7	—
3	Residential mortgage	3,057	7	—

Table 26 Template UK-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

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.

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.

5.9. Counterparty Credit Risk

The template below provides details of the calculation of RWEAs 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)	87	114		1.4	828	281	281	77
4	Financial collateral comprehensive method (for SFTs)					828	58	58	12
6	Total					1,656	339	339	89

Table 27 Template UK CCR1 - Analysis of CCR exposure by approach

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	172	59
5	Total transactions subject to own funds requirements for CVA risk	172	59

Table 28 UK CCR2 - Transactions subject to own funds requirements for CVA risk

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

Exposure classes		Risk weight											Total exposure value
		a	b	c	d	e	f	g	h	i	j	k	
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
6	Institutions	—	91	—	—	126	104	—	—	—	—	—	321
11	Total exposure value	—	91	—	—	126	104	—	—	—	—	—	321

Table 29 Template UK CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights

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	93	2
3	(i) OTC derivatives	77	2
4	(ii) Exchange-traded derivatives	16	—
7	Segregated initial margin	310	
9	Prefunded default fund contributions	2	—

Table 30 Template UK CCR8 – Exposures to CCPs

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.

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 the PS17/21 | CP5/21 - Implementation of Basel standards policy statement.

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.

6. Disclosure of market risk

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

Not applicable since the Group has no trading book.

6.2. 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.

6.3. 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.

6.4. 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.

6.5. 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.

7. Disclosure of interest rate risk in the banking book

7.1 Table UK IRRBBA - IRRBB risk management objectives and policies

7.1.1 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, swap spread risk and option risk.

The Board has overall responsibility for determining the Group's appetite to market risks, including IRRBB. 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, with market risk as a level 2 risk within the Enterprise Risk Management Framework (ERMF). Market risk information is reported monthly to GALCo and Board Risk Committee. The first line management of market risk is through the Treasury department, with second line responsibility within Prudential & Model Risk. The market risk framework and management is audited on a regular basis, completing the third line of defence approach.

7.1.2 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;
- adherence to approved hedging principles; and
- appropriate product design controls such as early-repayment charges and product offer-periods.

7.1.3 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.

7.1.4 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;
- steepener 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
- 250bps parallel shock down

The Group also monitors EVE and NII sensitivities against ± 100 bps and ± 200 bps rate shocks, which form the key internal risk measures. NII sensitivities to a range of potential rate paths, based on the prevailing economic environment, is monitored monthly.

7.1.5 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.
- 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 of -100bps is assumed, unwinding by 5bps per year for 20 years.

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, and no interest rate floors are assumed.

7.1.6 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. An interest rate floor of -50bps is assumed, and it is assumed that retail product rates are floored at zero.

For internal EVE sensitivity measures, more likely, less severe shocks are assessed. It is assumed that reserves reprices inline with associated hedging. An interest rate floor of -50bps is assumed.

7.1.7 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 offsets between assets and liabilities are utilised.

The Group utilises structural hedging which refers to the assets or derivatives which are used to hedge proportions of the reserves, non-interest bearing balances and non-maturing deposits of the Group. 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 Annual Report & Accounts.

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

The average repricing maturity assigned to the Group's NMDs is 1.3 years (Weighted Average Life (WAL) of Society NMD is 1.4 years & Bank NMD is 1.2 years). This includes both stable rate-insensitive NMDs that are assigned a repricing profile and non-stable NMDs assumed to reprice overnight.

7.1.9 Longest repricing maturity assigned to NMDs

The longest repricing maturity assigned to NMDs is 8 years.

7.2 Template UK IRRBB1 - Quantitative information on IRRBB

IRRBB refers to the current or prospective risk to the institution's capital and earnings arising from adverse movements in interest rates that affect the institution's banking book positions. The template below shows the impacts of a number of shock scenarios to the EVE and the NII measures of interest rate risk in the banking book.

	Period	Δ EVE	Δ NII	Tier 1 capital
		June 2026	June 2026	June 2026
		£m	£m	£m
10	Parallel shock up	(162)	24	
20	Parallel shock down	120	(80)	
30	Steeper shock	53		
40	Flattener shock	(77)		
50	Short rates shock up	(120)		
60	Short rates shock down	115		
70	Maximum	(162)	(80)	
80	Tier 1 capital			3,654

Table 31 Template UK IRRBB1 - Quantitative information on IRRBB

8. Disclosure of the leverage ratio

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 the movements between accounting assets and leverage ratio exposures.

		Applicable amount
		£m
1	Total assets as per published financial statements	85,398
4	(Adjustment for exemption of exposures to central banks)	(9,866)
8	Adjustment for derivative financial instruments	(294)
9	Adjustment for securities financing transactions (SFTs)	42
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	675
12	Other adjustments	(603)
13	Total exposure measure	75,352

Table 32 UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The table below details leverage ratio exposures as at 30 June 2026 and those metrics previously displayed at 31 December 2025.

		Leverage ratio exposures	Leverage ratio exposures
		30 June 2026	31 December 2025
		£m	£m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	84,811	87,701
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(593)	(596)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	84,218	87,105
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	116	153
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	168	153
13	Total derivatives exposures	284	306
Securities financing transaction (SFT) exposures			
16	Counterparty credit risk exposure for SFT assets	42	108
18	Total securities financing transaction exposures	42	108
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	3,530	3,946
20	(Adjustments for conversion to credit equivalent amounts)	(2,855)	(3,081)
22	Off-balance sheet exposures	675	865
Capital and total exposure measure			
23	Tier 1 capital (leverage)	3,654	3,572
24	Total exposure measure including claims on central banks	85,219	88,384
UK-24a	(-) Claims on central banks excluded	(9,867)	(11,978)
UK-24b	Total exposure measure excluding claims on central banks	75,352	76,406
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	4.8%	4.6%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.8%	4.6%
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 (%)	4.8%	4.6%

UK-25c	Leverage ratio including claims on central banks (%)	4.3%	4.0%
26	Regulatory minimum leverage ratio requirement (%)	3.25%	3.25%

Table 33 Template UK LR2 - LRCom: Leverage ratio common disclosure

The table below details the split 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:	84,811
UK-3	Banking book exposures, of which:	84,811
UK-4	Covered bond	328
UK-5	Exposures treated as sovereigns	11,375
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	4
UK-7	Institutions	335
UK-8	Secured by mortgages of immovable properties	70,740
UK-9	Retail exposures	246
UK-10	Corporates	937
UK-11	Exposures in default	96
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	748

Table 34 UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

9. Disclosure of liquidity requirements

The Liquidity Coverage Ratio (LCR) is designed to ensure that institutions hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days. The liquidity coverage ratio is calculated as a 12 month average.

UK 1a	Quarter ending on (DD Month YYYY)	Total unweighted value (average) £m				Total weighted value (average) £m			
		June 2026	March 2026	December 2025	September 2025	June 2026	March 2026	December 2025	September 2025
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)					12,423	12,854	13,316	13,500
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	69,861	70,067	69,923	69,815	3,455	3,654	3,847	3,899
3	<i>Stable deposits</i>	37,519	35,502	32,989	31,752	1,876	1,775	1,649	1,588
4	<i>Less stable deposits</i>	12,135	14,398	16,748	17,640	1,579	1,879	2,198	2,312
5	Unsecured wholesale funding	1,533	1,512	1,468	1,461	731	719	687	687
7	<i>Non-operational deposits (all counterparties)</i>	1,472	1,452	1,430	1,413	670	659	649	639
8	<i>Unsecured debt</i>	61	60	38	48	61	60	38	48
9	Secured wholesale funding					93	93	30	12
10	Additional requirements	1,119	1,130	1,230	1,244	901	919	1,030	1,051
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	785	845	952	970	785	845	952	970
12	<i>Outflows related to loss of funding on debt products</i>	91	50	54	59	91	50	54	59
13	<i>Credit and liquidity facilities</i>	243	234	223	215	25	24	23	23
14	Other contractual funding obligations	59	59	60	62	1	1	1	1
15	Other contingent funding obligations	4,555	4,639	4,421	4,277	754	791	765	755
16	TOTAL CASH OUTFLOWS					5,935	6,177	6,360	6,407
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	39	93	118	157	—	1	1	1
18	Inflows from fully performing exposures	619	620	573	583	507	507	459	466
19	Other cash inflows	49	122	126	147	27	92	93	112
20	TOTAL CASH INFLOWS	707	835	817	887	534	600	553	578
UK-20C	<i>Inflows subject to 75% cap</i>	707	835	817	887	534	600	553	578
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					12,423	12,854	13,316	13,500
22	TOTAL NET CASH OUTFLOWS					5,401	5,577	5,807	5,828
23	LIQUIDITY COVERAGE RATIO					231.6%	232.6%	230.3%	233.0%

Table 35 Template UK LIQ1 - Quantitative information of liquidity coverage ratio

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

9.1.1 The main drivers of LCR

Retail deposits are the main driver of the LCR requirement, representing 58% of the Group total average weighted cash outflows at 30 June 2026. 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.

9.1.2 Changes in the LCR over time

The Group 12-month average LCR at 30 June 2026 as stated in Template UK LIQ1 remains broadly stable across the year with lower liquid asset levels largely offset by reductions in deposit requirements, and derivative exposure and other collateral outflows.

9.1.3 The concentration of funding sources

The Group's retail deposit base was £66 billion at 30 June 2026 (2025: £68 billion), which represents 82% (2025: 81%) of the Group's liabilities (excluding capital). The Group held £10 billion (2025: £11 billion) of wholesale funding; 90% (2025: 90%) 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 £3.6 billion (2025: £3.5 billion) of funding from business and commercial deposits.

9.1.4 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.

9.1.5 Derivative exposures and potential collateral calls

The Group 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.

9.1.6 Currency mismatch in the LCR

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

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 three quarters.

		30 June 2026				
		Unweighted value by residual maturity			Weighted value	
	No maturity	<6 months	6 months to <1 year	≥1 year		
	£m	£m	£m	£m		£m
Available stable funding (ASF) items						
1	Capital items and instruments	3,397	3	—	220	3,617
2	<i>Own funds</i>	3,397	3	—	220	3,617
4	Retail deposits		51,656	7,318	6,015	61,438
5	<i>Stable deposits</i>		40,653	6,279	5,223	49,808
6	<i>Less stable deposits</i>		11,003	1,040	792	11,631
7	Wholesale funding		3,013	975	7,504	8,493
9	<i>Other wholesale funding</i>		3,013	975	7,504	8,493
11	Other liabilities	—	2,501	—	47	47
12	<i>NSFR derivative liabilities</i>	—				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		2,501	—	47	47
14	Total available stable funding (ASF)					73,596
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					237
UK-15a	Assets encumbered for more than 12m on cover pool		103	102	4,204	3,748
17	Performing loans and securities		4,155	901	61,017	43,047
19	<i>Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions</i>		3,235	1	3	320
20	<i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		97	68	568	—
22	<i>Performing residential mortgages, of which:</i>		822	832	59,938	42,292
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		782	791	55,633	38,014
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		—	—	511	435
26	Other assets		252	131	2,493	2,842
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		127	121	94	291
29	<i>NSFR derivative assets</i>		104			104
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		(26)			(1)
31	<i>All other assets not included in the above categories</i>		46	10	2,399	2,448
32	Off-balance sheet items		4,205	—	—	203
33	Total required stable funding (RSF)					50,076
34	Net Stable Funding Ratio (%)					147.3%

Table 36 Template UK LIQ2 - Net Stable Funding Ratio

10. Attestation

The Chief Finance Officer (CFO) attests that the Group has made the disclosures required under Part 8 of the UK CRR in accordance with the Pillar 3 Disclosures Policy and internal processes, systems and controls.

11. 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.
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.
CET 1	Common Equity Tier 1	Common Equity Tier 1 capital (CET 1) 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)'.
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)
CSA	Credit Support Annex	A legal document that regulates the exchange of collateral (such as cash or securities) between two counterparties to mitigate credit risk in over-the-counter (OTC) derivatives trading.
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.
EEPE	Effective Expected Positive Exposure	Effective Expected Positive Exposure (EEPE) is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval.
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.

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.
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.
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.
ISDA	International Swaps and Derivatives Association	A global trade association for participants in the derivatives market. ISDA promotes market standardisation and publishes the ISDA Master Agreement, the industry-standard legal framework for OTC derivatives transactions.
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.
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.
NMD	Non Maturity Deposit	These are core banking liabilities, such as transactional current accounts and instant-access savings accounts, that have no predefined contractual maturity date.
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.
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 licensed to operate as a CCP and is permitted by the regulator to operate as such with respect to the products offered.
RWEA	Risk Weighted Exposure Amount	The amount of the exposure value multiplied by the risk weight associated with the exposure.
SA-CCR	Standardised Approach to Counterparty Credit Risk	The Standardised Approach for Counterparty Credit Risk is a method applied to over-the-counter (OTC) 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.
SREP	Supervisory Review and Evaluation Process	The supervisory review and evaluation process that the PRA conducts on firms.
SRT	Significant risk transfer	Term that indicates securitisation has been used as an effective credit risk transfer tool.
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.
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.
WAL	Weighted Average Life	This is the average time it takes for the principal amount in a loan, asset, or deposit portfolio to be repaid or withdrawn, weighted by the size of each cash flow.

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