The Co-operative Bank p.l.c.

Pillar 3 Disclosures

31 December 2025

Contents

1. Introduction

In this document the Co-operative Bank p.l.c. (‘the Bank’) has set out its Pillar 3 disclosures as at the year ending 31 December 2025 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook.

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

Although the Bank’s data is consolidated into the Society Group Pillar 3 disclosures, the Bank is also required to disclosure specific templates on an individual entity basis in accordance with large subsidiaries Pillar 3 requirements.

The Bank 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.

The following terms are used in this report:

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

2. Key metrics and overview of risk weighted exposure amounts

2.1. Template UK KM1 – Key metrics

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

		31 December 2025	31 December 2024
		£m	£m
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	968	924
2	Tier 1 capital	968	924
3	Total capital	1,169	1,124
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount[1]	5,112	4,951
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	18.9%	18.7%
6	Tier 1 ratio (%)	18.9%	18.7%
7	Total capital ratio (%)	22.9%	22.7%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	2.3%	2.8%
UK 7b	Additional AT1 SREP requirements (%)	0.7%	1.0%
UK 7c	Additional T2 SREP requirements (%)	1.0%	1.3%
UK 7d	Total SREP own funds requirements (%)	12.0%	13.1%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institutions specific countercyclical capital buffer	2.0%	2.0%
11	Combined buffer requirement (%)	4.5%	4.5%
UK 11a	Overall capital requirements (%)	16.5%	17.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.9%	8.9%
	Leverage ratio		
13	Leverage ratio total exposure measure[2]	22,035	23,124
14	Leverage ratio	4.4%	4.0%

Table 1 UK KM1 – Key capital metrics

[1] This amount includes the impacts of the Post Model Adjustments (PMAs).

[2] 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.

		31 December 2025	31 December 2024
		£m	£m
	Liquidity coverage ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	3,816	4,015
UK 16a	Cash outflows - Total weighted value	2,292	2,419
UK 16b	Cash inflows - Total weighted value	154	338
16	Total net cash outflows (adjusted value)	2,138	2,081
17	Liquidity coverage ratio (%)[3]	179.8%	193.4%
	Net stable funding ratio		
18	Total available stable funding	21,719	22,318
19	Total required stable funding	16,129	16,752
20	NSFR ratio (%)[4]	134.7%	133.3%

Table 2 UK KM1 – Key liquidity metrics

The Bank's Common Equity Tier 1 (CET1) ratio was 18.9% (31 December 2024: 18.7%) compared to an overall capital requirement of 16.5% (31 December 2024: 17.5%). The available own funds have increased during the year, with the increase in CET1 being driven primarily by profits.

The risk weighted exposure amount £5,112m (31 December 2024: £4,951m) has increased in 2025 due to the annual recalculation of operational risk to include 2025 profit and an increase in mortgage risk weights through business-as-usual changes to composition and performance.

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

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

The Bank's leverage ratio increased to 4.4% (31 December 2024: 4.0%). This is well above regulatory requirements, with the increase being driven mainly by an increase in capital resources in the year, and a reduction in exposures following the sale of covered bonds.

The Bank's liquidity position is also strong as at 31 December 2025 with a 12-month average liquidity coverage ratio of 179.8% (31 December 2024: 193.4%). Note the liquidity position reported in the ARAs is not a 12-month average but is reported as at 31 December 2025, therefore is not directly comparable to Pillar 3 disclosures. The average LCR shows a relative decrease over the year due to an increase in retail deposit requirements, thereby decreasing the net surplus.

The average Net stable funding ratio (NSFR) of 134.7% (31 December 2024: 133.3%) is also well above the regulatory requirement. The NSFR is a longer-term liquidity risk management measure that is designed to ensure a stable funding structure within the Bank where the available stable funding should equal the required stable funding.

[3] The liquidity coverage ratio is calculated as a 12 month average.

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

2.3. Template UK OV1 – Overview of risk weighted exposure amounts

The table below details risk weighted exposure amounts (RWEAs) and the respective own funds requirements as at 31 December 2025, and the RWEAs previously disclosed as at 31 December 2024. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 December 2025	31 December 2024	31 December 2025
		£m	£m	£m
1	Credit risk (excluding CCR)	4,239	4,144	339
2	Of which the standardised approach	386	547	31
3	Of which the foundation IRB (FIRB) approach	272	206	22
4	Of which slotting approach	403	374	32
5	Of which the advanced IRB (AIRB) approach[5]	3,178	3,017	254
6	Counterparty credit risk - CCR	15	18	1
7	Of which the standardised approach	15	18	1
16	Securitisation exposures in the non-trading book (after the cap)	56	82	4
18	Of which SEC-ERBA (including IAA)	56	82	4
23	Operational risk	802	707	64
UK 23b	Of which standardised approach	802	707	64
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) [6]	104	136	8
29	**Total**	**5,112**	**4,951**	**408**

Table 3 UK OV1 - Overview of risk weighted exposure amounts

2.4. Template UK INS1 - Insurance participations

The Bank has no own funds instruments held in insurance or re-insurance undertakings, nor are there any insurance holding companies not deducted from own funds.

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

The Bank is not part of a financial conglomerate.

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

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

2.6. Template UK OVC – ICAAP information

2.6.1 Approach to assessing the adequacy of the internal capital

The ICAAP is an internal assessment of Pillar 2A and Pillar 2B capital requirements. The Pillar 2A assessment considers firm-specific risks and risks not fully captured in Pillar 1 such as credit concentration, operational, and interest rate risk. Pillar 2B provides an assessment of the Bank's stressed capital adequacy in the context of its business strategy, risk appetite, risk profile, and capital plan through a five-year planning horizon.

Stress testing is embedded within the financial planning process, with stressed scenarios and sensitivities applied to the latest forecasts at least on an annual basis, or more frequently where required. This enables senior management and the Board to assess the latest plan or forecast under adverse scenarios to ensure the Bank remains within risk appetite. Where results fall outside of risk appetite, either management actions are identified and embedded to bring the position back within the risk appetite, or the risk is accepted. The ICAAP is completed annually, analysing the major drivers of risk to the business and the amounts and types of capital that should be held to ensure the Bank is able to continue to meet its liabilities as they fall due.

The ICAAP is presented to ALCo for challenge and approval. The Board ratifies the ICAAP document following its approval by ALCo and recommendation by Board Risk Committee. The PRA assesses the Bank's ICAAP and sets the Total Capital Requirement (TCR) alongside buffers.

Capital resources are held to protect depositors, to cover inherent risks, to absorb unexpected losses, and to support the development of the business. The Group manages and calculates its capital adequacy in accordance with CRD IV.

Financial planning and stress testing are used to assess capital adequacy within:

- The financial planning process;
- The ICAAP; and
- Forecasting exercises.

The financial planning process is completed annually, with regular updates throughout the year to assess capital resources and requirements on a forward-looking basis. This process takes into consideration strategic direction and its impact on both resources and requirements.

2.6.2 The result of the internal capital adequacy assessment process

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

3. Disclosure of own funds

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

3.1. Template UK CC1 – Composition of regulatory own funds

		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of
		31 December 2025	
		£m	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	26	E1
	of which: Instrument type 1	26	E1
2	Retained earnings	1,328	E2
3	Accumulated other comprehensive income (and other reserves)	(81)	E2, E3
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	86	E2
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	1,359	
7	Additional value adjustments (negative amount)	(1)	
8	Intangible assets (net of related tax liability) (negative amount)	(107)	A1
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)	A2
12	Negative amounts resulting from the calculation of expected loss amounts	(20)	
15	Defined-benefit pension fund assets (negative amount)	(20)	A2, A3
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(391)	
29	**Common Equity Tier 1 (CET1) capital**	968	
Additional Tier 1 (AT1) capital: regulatory adjustments			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**968**	
46	**Capital instruments and the related share premium accounts**	201	L1
51	**Tier 2 (T2) capital before regulatory adjustments**	201	
58	**Tier 2 (T2) capital**	**201**	
59	**Total capital (TC = T1 + T2)**	**1,169**	
60	**Total Risk exposure amount**	**5,112**	

Table 4 UK CC1 Composition of regulatory own funds – CET1 and AT1

		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
		31 December 2025	
		£m	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.9%	
62	Tier 1 (as a percentage of total risk exposure amount)	18.9%	
63	Total capital (as a percentage of total risk exposure amount)	22.9%	
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)	16.5%	
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)	9.9%	
Amounts below the thresholds for deduction (before risk weighting)			
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)	42	
Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	5	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	23	

Table 5 UK CC1 Composition of regulatory own funds – Ratios

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

		Balance sheet as in published financial statements and under regulatory scope of consolidation	Reference
		31 December 2025	
		£m	
1	Cash in hand and balances with the Bank of England	3,035	
2	Loans and advances to credit institutions	57	
3	Debt securities	1,041	
4	Loans and advances to customers	20,254	
5	Hedge accounting adjustment	4	
6	Derivative financial instruments	80	
7	Current tax assets	5	
8	Investments in group undertakings	142	
9	Intangible assets	107	A1
10	Property, plant and equipment	48	
11	Prepayments, accrued income and other assets	45	
12	Deferred tax assets	277	A2
13	Pension asset	28	A3
14	**Total assets**	**25,122**	
1	Customer accounts	20,917	
2	Deposits from banks	954	
3	Debt securities in issue	500	
4	Hedge accounting adjustment	11	
5	Derivative financial instruments	57	
6	Accruals and deferred income	62	
7	Other liabilities	80	
8	Amounts due to connected undertakings	1,177	L1
9	Pension benefit obligation	5	
10	**Total liabilities**	**23,763**	
1	Ordinary share capital	26	E1
2	General reserve	1,340	E2
3	Other reserves	(6)	E3
4	**Total shareholders' equity**	**1,359**	

Table 6 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

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

		Qualitative or quantitative information			
		31 December 2025	31 December 2025	31 December 2025	31 December 2025
1	Issuer	The Co-operative Bank Holdings p.l.c	The Co-operative Bank Holdings p.l.c	The Co-operative Bank Holdings p.l.c	The Co-operative Bank Holdings p.l.c
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	BBG00HMYP504	BBG00NX9F8W4	XS2464403877	XS2606337082
2a	Public or private placement	Private	Private	Public	Public
3	Governing law(s) of the instrument	English	English	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/a	N/a	Yes	Yes
Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Senior MREL Debt	Senior MREL Debt
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Senior MREL Debt	Senior MREL Debt
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated	Individual	Consolidated/ (Individual)	Consolidated/ (Individual)
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Senior Unsecured	Senior Unsecured
8	Amount recognised in regulatory capital or eligible liabilities (Currency in millions, as of most recent reporting date)	314.7	25.6	253	201.3
8.5	Amount recognised in MREL (as of most recent reporting date) (Currency in millions)	0	0	0	0
9	Nominal amount of instrument (Currency in millions)	0.9	25.6	250	200
UK-9a	Issue price (pence)	0.01p nominal value	5p nominal value	100	100
UK-9b	Redemption price (pence)	N/A	N/A	N/A	N/A
10	Accounting classification	Shareholder's equity	Shareholder's equity	Other borrowed funds	Other borrowed funds
11	Original date of issuance	9/1/2017	12/20/2013	4/6/2022	5/24/2023
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	N/A	N/A	4/6/2027	5/24/2028
14	Issuer call subject to prior supervisory approval	N/A	N/A	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	4/6/2026	5/24/2027
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	N/A	N/A	0.06	0.095

19	Existence of a dividend stopper	N/A	N/A	N/A	N/A
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	N/A	N/A
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	Contractual recognition of statutory bail in	Contractual recognition of statutory bail in
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	Statutory	Statutory
UK-34b	Ranking of the instrument in normal insolvency proceedings	CET1	CET1	Senior non-preferred	Senior non-preferred
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to Redeemable Preference Shares1	Senior Unsecured	Senior Secured	Senior Secured
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Further information on the Bank’s debt instruments can be found on its website at http://www.co-operativebank.co.uk/investorrelations.			

Table 7 UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments part 2

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 Bank. The following templates disclose information relevant for the calculation of the countercyclical buffer as at 31 December 2025 in accordance with Regulation (EU) 2015/1555 on a consolidated basis.

In accordance with Regulation (EU) 1152/2014, as foreign credit exposures represent less than 2% of the Bank'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				Own fund requirements						
£m		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	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Breakdown by country:													
10	United Kingdom	673	22,165	–	–	29	22,867	339	0	4	343	4,283	100%	2%
20	Total	673	22,165	–	–	29	22,867	339	0	4	343	4,283		

Table 8 UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

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

		£m
1	Total risk exposure amount	**5,112**
2	Institution specific countercyclical capital buffer rate	2%
3	Institution specific countercyclical capital buffer requirement	**102**

Table 9 UK CCyB2 - Amount of institution-specific countercyclical capital buffer

5. Disclosure of liquidity requirements

5.1. Template UK LIQA - Qualitative information on liquidity risk management

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

5.1.1. Strategies and processes to manage liquidity risk

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

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

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

5.1.2. Liquidity risk management

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

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

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

5.1.4. Liquidity risk reporting and measurement systems

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

5.1.5. Hedging and mitigating liquidity risk

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

The Bank seeks to diversify funding sources across retail and SME depositors, and within the product ranges offered, along with maintaining a wholesale funding program, which includes secured and unsecured instruments, allowing the Bank to further diversify its funding source. The Bank employs monetisation testing of its liquidity security portfolio to ensure channels remain open to the Bank and to minimise negative signalling from these activities.

5.1.6. The Bank`s contingency funding plans

The Bank's contingency funding plan is incorporated in the Group Recovery Plan ('RP'). The RP includes:

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

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

5.1.7. Liquidity risk stress testing

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

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

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

The structure of the stress tests is defined by the Group and agreed as a core part of the Group's Liquidity Risk Appetite (LRA).

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

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

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

- Firm-Specific Liquidity Stress – an unforeseen Group or Bank specific liquidity stress event affecting both wholesale lenders and retail depositors. This results in large retail withdrawals in the short-term and a lowered ability to raise new funding. A higher volume of maturing wholesale deposits is required to be repaid, and the Bank's credit ratings are impacted by two notches, triggering additional contractual liquidity requirements; and
- Market-Wide Liquidity Stress – an unforeseen sector-wide liquidity stress occurs which indirectly affects the Group and Bank. This is characterised by increased risk concerns amongst market participants and (less so) in retail depositors. Wholesale rollover is reduced as other market participants become more risk averse. Retail depositors also look to spread funds across a number of deposit takers to maximise their FSCS coverage but would not seek to take savings out of the system altogether. The scenario is cognisant of developments in the FSCS scheme since 2008, and in the Bank of England sterling monetary framework developed subsequently.

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

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

5.1.8. The adequacy of liquidity risk management arrangements

The Bank has a robust policy framework in place to manage liquidity and funding risks. The ILAAP is the key document that supports this framework. The Bank's ILAAP is approved by the Board on an annual basis and demonstrates compliance with PRA Rulebook following review by second line. The Bank complies with the required liquidity systems and controls as evidenced within the ILAAP.

5.1.9. Management approved liquidity risk statement

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

5.2. Template UK LIQ1 - Quantitative information of LCR

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

		Total unweighted value (average) £m				Total weighted value (average) £m			
UK 1a	Quarter ending on (DD Month YYY)	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25
UK 1b	Number of data points	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					3,816	3,899	3,936	3,986
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	18,936	18,770	18,561	18,281	1,154	1,145	1,136	1,122
3	*Stable deposits*	13,136	13,034	12,970	12,863	657	652	649	643
4	*Less stable deposits*	4,328	4,312	4,262	4,189	467	464	458	449
5	Unsecured wholesale funding	1,445	1,408	1,380	1,358	654	633	612	595
7	*Non-operational deposits (all counterparties)*	1,445	1,408	1,380	1,358	654	633	612	595
9	*Secured wholesale funding*					3	6	10	14
10	Additional requirements	417	426	459	477	218	228	260	290
11	*Outflows related to derivative exposures and other collateral requirements*	192	203	236	267	192	203	236	267
12	*Outflows related to loss of funding on debt products*	2	2	1	1	2	2	1	1
13	*Credit and liquidity facilities*	223	222	222	209	23	23	23	22
14	Other contractual funding obligations	32	32	31	32	—	—	—	—
15	Other contingent funding obligations	1,936	1,709	1,608	1,625	264	220	193	197
16	TOTAL CASH OUTFLOWS					2,292	2,232	2,211	2,217
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	115	183	288	286	—	—	—	—
18	Inflows from fully performing exposures	180	188	186	181	126	132	131	128
19	Other cash inflows	60	62	63	62	28	27	27	27
20	TOTAL CASH INFLOWS	355	434	537	529	154	159	158	155
UK-20c	*Inflows subject to 75% cap*	355	434	537	529	154	159	158	155
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					3,816	3,899	3,936	3,986
22	TOTAL NET CASH OUTFLOWS					2,138	2,073	2,053	2,063
23	LIQUIDITY COVERAGE RATIO					179.8%	189.0%	192.3%	193.8%

Table 10 UK LIQ1 - Quantitative information of LCR

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

5.3.1 The main drivers of LCR

The main drivers of the Bank's LCR are the size of the liquid asset buffer, customer deposit outflows, wholesale refinancing requirements and expected mortgage completions, as well as collateral outflows that could arise in a stress. As the Bank is predominantly customer funded and has a reduced wholesale refinancing profile (following majority repayment of TFSME), deposit outflows are the largest contributor to LCR net outflows.

5.3.2 Changes in the LCR over time

The 12-month average LCR at Dec-25 stated in Template UK LIQ1, and the reduction in average LCR through 2025 reflects lower liquid asset levels including the impact of TFSME repayments (£2.2bn repaid across 2025), net of deposit and lending profiles. The net outflows position is relatively stable, as largely driven by customer deposits.

5.3.3 The concentration of funding sources

As the Bank is predominantly deposit funded, this represents a natural concentration of funding, though the Bank seeks to diversify these portfolios across retail and SME depositors, and within the product ranges offered. The Bank maintains a wholesale funding program, which includes secured and unsecured instruments, allowing the Bank to further diversify its funding source.

5.3.4 The composition of the Bank's liquidity buffer

The Bank's liquid asset buffer is predominantly held in reserves with the Bank of England and highly rated securities issued or guaranteed by governments (including UK Gilts), central banks or supranationals. The portfolio includes holdings of eligible Covered Bond and RMBS to provide an appropriate level of diversification. The liquid asset buffer is held and managed centrally by the Treasury function, and subject to internal limits to ensure it remains an appropriate composition, including security type, issuer and tenor concentrations. In line with the Bank's ethical position, an ESG lens is also applied to the liquid asset buffer.

5.3.5 Derivative exposures and potential collateral calls

The Bank uses derivatives to manage and mitigate market risk exposures, not for trading or speculative purposes. LCR net cash outflows related to derivatives primarily reflect the risk of potential collateral outflows due to adverse market rate changes; the requirement has reduced through the second half of 2025 as December 2023 market volatility falls outside of the 2-year look back period.

5.3.6 Currency mismatch in the LCR

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

5.3.7 Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

There are no other relevant items.

5.4. Template UK LIQ2 : Net Stable Funding Ratio

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

		31 December 2025				
		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding (ASF) Items						
1	Capital items and instruments	910	78	63	725	1,635
2	*Own funds*	910	4	–	200	1,110
4	Retail deposits		18,093	664	245	17,834
5	*Stable deposits*		13,731	433	185	13,641
6	*Less stable deposits*		4,362	231	59	4,193
7	Wholesale funding:		2,434	210	1,497	2,250
9	*Other wholesale funding*		2,434	210	1,497	2,250
11	Other liabilities:	–	943	–	–	–
13	*All other liabilities and capital instruments not included in the above categories*		943	–	–	–
14	**Total available stable funding (ASF)**					21,719
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					322
17	Performing loans and securities:		467	407	19,613	14,388
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		2	2	4	5
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		127	86	1,510	–
22	*Performing residential mortgages, of which:*		334	320	18,064	14,345
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		321	308	17,380	12,350
24	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		5	–	40	37
25	Interdependent assets		–	–	–	–
26	Other assets:		53	5	1,256	1,306
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		2	–	–	2
29	*NSFR derivative assets*		5			5
30	*NSFR derivative liabilities before deduction of variation margin posted*		2			–
31	*All other assets not included in the above categories*		44	5	1,256	1,299
32	Off-balance sheet items		2,240	–	–	113
33	**Total RSF**					16,129
34	**Net Stable Funding Ratio (%)**					134.7%

Table 11 UK LIQ1 - Quantitative information of NSFR

6. Disclosure of credit risk quality

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

6.1.1 'Past-due' and 'impaired' exposures

The Bank considers all defaulted instruments to be credit impaired and vice versa. Qualitative criteria applied in the definition of default include:

- Bankruptcy/insolvency for all portfolios;
- Certain types of forbearance and unlikeliness to pay factors for all portfolios except for Treasury; and
- Fraud, litigation/possession and term expiry for retail secured portfolios.

The Bank uses the 90 days past due backstop for all portfolios in evaluating whether or not an instrument has defaulted, both for the purposes of ECL calculation and internal credit risk management. If an instrument does not meet the default criteria for a defined period of months (after a probationary period of 6-12 months) then an instrument is no longer considered to be in default. This period has been set with regard to the probability of an instrument returning to default status after cure.

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

Under IFRS 9, the expected credit loss (ECL) is assessed on a forward-looking basis for debt instruments carried at amortised cost and FVOCI, for exposures related to loan commitments, and for financial guarantee contracts. Credit risk is measured using probability of default (PD), the exposure at default (EAD) and loss given default (LGD).

Financial instruments are classified within stage 1 on initial recognition. If a significant increase in credit risk (SICR) since recognition is identified but the financial instrument is not credit impaired, then the financial instrument transitions to stage 2. A financial instrument transitions to stage 3 when it becomes credit impaired. Financial instruments within stage 1 have a loss allowance reflecting a 12 month ECL whereas financial instruments within stage 2 and 3 have a loss allowance reflecting a lifetime ECL. Financial instruments which are purchased or originated credit impaired attract a lifetime ECL until derecognition irrespective of staging criteria. For stage 3 assets, interest is calculated on balances net of any associated ECLs.

The expected life of a financial instrument is estimated based on the shorter of the contractual and behavioural life. For retail credit cards and corporate charge cards, expected life is based on the behavioural life with the contractual life applied to other portfolios.

The ECL provision is calculated based on collective and individual assessments. Judgemental adjustments are applied to reflect risk characteristics for assets subject to collective provisioning but for which a specific risk characteristic is not captured within the collective models. The origination, measurement and release of material judgemental adjustments are initially reviewed and approved by the Head of Risk Modelling and Measurement on a quarterly basis, and subject to further analysis and challenge through the Group's accounting judgement review process before ultimately being presented to the Group's Board Audit Committee.

6.1.3 Forborne exposures

When renegotiating or otherwise modifying the contractual cash flows of loans to customers, e.g. by applying forbearance, the Bank considers whether or not the new terms are substantially different to the original terms.

If the new terms are not substantially different to the original terms, the modification in contractual cash flows does not result in derecognition. The gain or loss on modification of the contractual cash flow associated with the recognition of the revised gross carrying amount is recognised in the income statement.

When the contractual cash flows of financial assets are renegotiated or otherwise modified and the new terms are substantially different to the original terms, the original asset is derecognised, and a new asset is recognised at fair value with a new EIR. At the date of recognition of the new asset, an assessment is made as to whether the asset was credit impaired on recognition. The difference between the carrying amount derecognised and that re-recognised is included in the income statement as a gain or loss on derecognition.

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

The table below provides details of the credit quality of the Bank'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
Cash balances at central banks and other demand deposits	3,084	3,084	–	–	–	–	–	–	–	–	–	–		–	–
Loans and advances	20,290	18,738	1,515	116	–	110	(15)	(7)	(9)	(12)	–	(12)	–	19,503	91
Non-financial corporations	961	821	140	19	–	18	(4)	(2)	(2)	(6)	–	(6)	–	615	–
Of which SMEs	806	684	122	18	–	18	(4)	(2)	(2)	(6)	–	(6)	–	494	–
Households	19,199	17,787	1,374	98	–	92	(12)	(4)	(7)	(6)	–	(6)	–	18,880	90
Debt securities	1,041	1,038	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	286	286	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	706	706	–	–	–	–	–	–	–	–	–	–	–	–	–
Off-balance-sheet exposures	2,078	2,040	37	1	–	1	(3)	(2)	(1)	–	–	–		–	–
Non-financial corporations	291	268	22	–	–	–	(1)	–	(1)	–	–	–		–	–
Households	1,786	1,674	15	1	–	1	(2)	(2)	(1)	–	–	–		–	–
Total	**26,492**	**24,900**	**1,552**	**117**	**–**	**111**	**(18)**	**(9)**	**(10)**	**(12)**	**–**	**(12)**	**–**	**19,503**	**91**

Table 12 UK CR1: Performing and non-performing exposures and related provisions

6.3. Template UK CR1-A : Maturity of exposures

The maturity profile of the Bank'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	15	118	784	19,250	211	20,378
2	Debt securities	–	242	584	215	–	1,041
3	**Total**	**15**	**360**	**1,367**	**19,465**	**211**	**21,419**

Table 13 UK CR1-A: Maturity of exposures

6.4. 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 Bank is not required to disclose these templates as it is below the 5% threshold for disclosure.

6.5. Template UK CQ1: Credit quality of forborne exposures

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

		Gross carrying amount/nominal amount of exposures with forbearance measures (£m)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (£m)		Collateral received and financial guarantees received on forborne exposures (£m)	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
		£m	£m	£m	£m	£m	£m	£m	£m
10	Loans and advances	152	85	85	85	(1)	(8)	215	76
60	Non-financial corporations	12	16	16	16	(1)	(5)	10	10
70	*Households*	140	69	69	69	–	(3)	205	66
100	***Total***	**152**	**85**	**85**	**85**	**(1)**	**(8)**	**215**	**76**

Table 14 UK CQ1: Credit quality of forborne exposures

6.6. Template UK CQ2: Quality of forbearance

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

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

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

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
5	Cash balances at central banks and other demand deposits	3,084	3,084	–	–	–	–	–	–	–	–	–	–
10	Loans and advances	20,290	20,113	177	116	49	19	33	10	5	–	–	110
50	Other financial corporations	129	128	1	–	–	–	–	–	–	–	–	–
60	Non-financial corporations	961	820	140	18	–	–	18	–	–	–	–	18
70	Of which SMEs	805	683	122	18	–	–	18	–	–	–	–	18
80	*Households*	19,200	19,163	36	98	49	19	15	10	5	–	–	93
90	Debt securities	1,041	1,041	–	–	–	–	–	–	–	–	–	–
110	*General governments*	286	286	–	–	–	–	–	–	–	–	–	–
120	*Credit institutions*	706	706	–	–	–	–	–	–	–	–	–	–
130	Other financial corporations	49											–
150	Off-balance-sheet exposures	2,078			1								1
190	Other financial corporations	1			–								–
200	Non-financial corporations	291			–								–
210	*Households*	1,786			1								1
220	***Total***	**26,493**	**24,237**	**177**	**117**	**49**	**19**	**33**	**10**	**5**	**–**	**–**	**111**

Table 15 UK CQ3: Credit quality of performing and non-performing exposures by past due days

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

The Bank is not required to disclosure this template because it is below the 5% non-performing threshold and 10% geographic for disclosure.

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

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
		£m	£m	£m	£m	£m	£m
10	Agriculture, forestry and fishing	0.7	0.2	0.2	0.7	—	—
30	Manufacturing	4.7	0.2	0.2	4.7	—	—
40	Electricity, gas, steam and air conditioning supply	6.9	—	—	6.9	—	—
60	Construction	75.8	0.5	0.5	75.8	(1.0)	—
70	Wholesale and retail trade	37.9	0.9	0.9	37.9	(1.0)	—
80	Transport and storage	8.9	—	—	8.9	—	—
90	Accommodation and food service activities	23.1	0.2	0.2	23.1	(1.0)	—
100	Accommodation and food service activities	2.4	0.2	0.2	2.4	—	—
120	Real estate activities	627.1	14.2	14.2	627.1	(6.6)	—
130	Professional, scientific and technical activities	23.7	0.4	0.4	23.7	—	—
140	Administrative and support service activities	16.4	0.9	0.9	16.4	—	—
160	Education	49.9	0.1	0.1	49.9	—	—
170	Human health services and social work activities	88.3	0.2	0.2	88.3	—	—
180	Arts, entertainment and recreation	12.8	0.1	0.1	12.8	—	—
200	***Total***	**978.6**	**18.1**	**18.1**	**978.6**	**(9.6)**	**—**

Table 16 UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

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

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

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

The Bank is not required to disclosure this template because it does not recognise collateral obtained by taking possession on its balance sheet.

6.12. Template UK CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

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

7. Disclosure of the use of credit risk mitigation techniques

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

7.1.1 On- balance sheet and off-balance sheet netting

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

7.1.2 Eligible collateral evaluation and management

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

7.1.3 Information about market or credit risk concentrations within the credit mitigation taken

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

Various forms of collateral are used to mitigate the Bank’s exposure to credit risk. These can vary depending on the lend type and include property collateral, debentures (England and Wales), floating charges (Scotland), cash cover and personal guarantees. Government guarantees apply to the CBILS and BBLs books (80% and 100% respectively).

Single name concentration risk is the concentration in exposures to single counterparties. During 2025, there were 3 additional counterparties with exposure over £50m, reflecting the Bank’s increase within the registered social landlord (RSL) sector:

- as at 31 December 2025, there were 5 customers with individual exposure exceeding £50m, totalling £375.5m (27.9% of total corporate portfolio). The customers are RSL and are low risk with performing status.
- as at 31 December 2024, there were 2 customers with individual exposure exceeding £50m, totalling £127.5m (10.5% of total corporate portfolio). This customers RSL are low risk with performing status.

7.1.4 A description of the main types of collateral taken by the Bank to mitigate credit risk

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

7.1.5 Guarantees and credit derivatives

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

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

The table below shows where the Bank secures its exposures by collateral or guarantees.

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	3,750	19,713	19,659	54	–
2	Debt securities	1,041	–	–	–	
3	**Total**	4,791	19,713	19,659	54	–
4	*Of which non-performing exposures*	13	91	91	–	–
5	*Of which defaulted*	9	90			

Table 17 UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

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

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

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	3,336	–	3,403	–	105	3.1%
3	Public sector entities	64	–	63	–	–	0.6%
4	Multilateral development banks	448	–	448	–	–	–
6	Institutions	55	–	55	–	11	19.8%
7	Corporates	192	86	179	35	199	93.0%
8	Retail	45	25	6	5	7	61.3%
10	Exposures in default	16	1	12	–	14	118.8%
12	Covered bonds	234	–	234	–	23	10.0%
15	Equity	27	–	27	–	27	100.0%
17	**TOTAL**	**4,417**	**112**	**4,428**	**40**	**386**	**8.6%**

Table 18 UK CR4 - standardised approach - Credit risk exposure and CRM effects

7.4. Template UK CR5 - standardised approach

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

	Exposure classes	Risk weight £m															Total	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	£m	£m
1	Central governments or central banks	3,361	–	–	–	–	–	–	–	–	–	–	42	–	–	–	3,403	–
3	Public sector entities	61	–	–	–	2	–	–	–	–	–	–	–	–	–	–	63	63
4	Multilateral development banks	448	–	–	–	–	–	–	–	–	–	–	–	–	–	–	448	–
6	Institutions	–	–	–	–	55	–	–	–	–	–	–	–	–	–	–	55	–
7	Corporates	–	–	–	–	–	–	–	–	–	214	–	–	–	–	–	214	214
8	Retail exposures	–	–	–	–	–	–	–	–	11	–	–	–	–	–	–	11	11
10	Exposures in default	–	–	–	–	–	–	–	–	–	9	3	–	–	–	–	12	12
12	Covered bonds	–	–	–	234	–	–	–	–	–	–	–	–	–	–	–	234	
15	Equity exposures	–	–	–	–	–	–	–	–	–	27	–	–	–	–	–	27	27
17	**TOTAL**	**3,870**	**–**	**–**	**234**	**57**	**–**	**–**	**–**	**11**	**250**	**3**	**42**	**–**	**–**	**–**	**4,467**	**327**

Table 19 UK CR5 - standardised approach

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

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

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

The table below shows where the Bank secures its IRB exposures by collateral or other credit protection.

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)			
			Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
		£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m
4	Retail	21,705	–	208.5%	208.5%	–	–	–	–	–	–	–	–	–	3,178
4.2	*Of which Retail - Immovable property non-SMEs*	20,675	–	218.9%	218.9%	–	–	–	–	–	–	–	–	–	2,903
4.3	Of which Retail - Qualifying revolving	963	–	–	–	–	–	–	–	–	–	–	–	–	220
4.5	*Of which Retail - Other non-SMEs*	66	–	–	–	–	–	–	–	–	–	–	–	–	54
5	**Total**	21,705	–	208.5%	208.5%	–	–	–	–	–	–	–	–	–	3,178

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

Foundation IRB - Corporate

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

Table 21 UK CR7-A - IRB approach - Disclosure of the extent of the use of CRM techniques

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

The table below summarises the movements of RWEAs for credit risk exposures under the 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**	**3,533**
2	Asset size (+/-)	617
3	Asset quality (+/-)	(382)
4	Model updates (+/-)	14
9	**Risk weighted exposure amount as at the end of the reporting period**	**3,782**

Table 22 UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach

7.8. Template UK CR10 – Specialised lending and equity exposures under the simple risk weighted 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	309	19	70 %	304	180	1
Category 2	Less than 2.5 years	—	—	70 %	—	—	—
	Equal to or more than 2.5 years	7	—	90 %	7	6	—
Category 3	Less than 2.5 years	—	—	115 %	—	—	—
	Equal to or more than 2.5 years	20	2	115 %	19	19	1
Total	Less than 2.5 years	—	—		—	—	—
	Equal to or more than 2.5 years	336	21		330	205	2

Table 23 UK CR10.1 – Specialised lending and equity exposures under the simple risk weighted approach

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

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

Table 24 UK CR10.2 - Specialised lending and equity exposures under the simple risk weighted approach

8. Disclosure of counterparty credit risk

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

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

9. Disclosure of market risk

9.1. Template UK MR2B - RWEA flow statements of market risk exposures under the IMA

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

10. Disclosure of remuneration policy

10.1. Template UK REMA – Remuneration policy

10.1.1 The Remuneration Committee and Non-Executive Directors' Remuneration Committee

The Bank has an established Remuneration Committee consisting of Non-Executive Directors. Its responsibilities include recommending to the Board for approval the overarching principles and parameters of the remuneration policy across the Bank, in alignment with the Group Remuneration Committee, and applying the necessary oversight so that a coherent approach to remuneration is implemented for all employees, whilst ensuring that arrangements are consistent with effective risk management.

The members of the Remuneration Committee during the year were as follows:

Committee membership	Date of appointment	Date of resignation
Caroline Marsh (Chair)[7]	1 Jan 2025	
Mark Parker	1 Jan 2025	
Jo Kenrick	1 Jan 2025	
Fiona Clutterbuck[8]	1 Aug 2023	6 March 2025

Table 25 Remuneration committee members

In setting remuneration policies, the Remuneration Committee seeks to:

- link reward to business and individual performance, ensuring that performance metrics include financial and non-financial measures so as not to encourage undue/inappropriate risk;
- ensure that the remuneration of senior management is informed, but not driven by reference to independently sourced market data on comparable organisations, and is set in a manner broadly consistent with the systems used to determine pay for employees elsewhere in the Bank taking into account quantum, market comparators and affordability;
- determine the specific conditions for annual bonus so that these are financially prudent, directly aligned to approved strategic plans and thus support and drive long-term sustainability; and
- establish measures which explicitly reward the ongoing support for co-operative values and ethics.

The Remuneration Committee received support and advice during the year from Deloitte as the Remuneration Committee's external advisor. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to 'executive remuneration consulting in the UK'. The role and activities of the Remuneration Committee are further detailed in the Remuneration Committee's terms of reference (which are available on the Bank's website).

The Remuneration Committee continues to consult regularly with management on aspects of remuneration and benefits, corporate governance and risk. For these purposes, management includes the Chief Executive Officer, the Chief People Officer, the Chief Risk Officer and the Company

[7] Chair from 7 March 2025

[8] Chair from 28 October 2023 to 6 March 2025

Secretary. The Remuneration Committee also works closely with the Chairs of the Risk Committee, Audit Committee, Nomination Committee, Values and Ethics Committee and Group Board Change Committee. The Chair of the Board was a member of the Committee from 2025 onwards.

The Remuneration Committee is satisfied that the Bank's remuneration approach is in line with regulatory requirements. The Banks is a Level 2 firm based on the proportionality guidance issued for the purpose of the PRA and FCA remuneration rules.

Material Risk Taker criteria

The Remuneration Committee oversees remuneration for staff identified as Material Risk Takers (MRTs). In 2025, 39 MRTs were identified within the Bank, according to the qualitative and quantitative criteria set out under the PRA and FCA remuneration rules and the Bank's own assessment of individuals who can create material risks through their professional activities. The Bank has a robust process for identifying MRTs.

The remuneration of MRTs is subject to the requirements set out in the PRA and FCA remuneration rules.

Link between pay and performance

Components of remuneration

Employee remuneration, including that of MRTs, consists of fixed and variable remuneration. The Committee reviews individual pay decisions and outcomes for all employees deemed to be MRTs in any given year.

The Bank's variable pay arrangements aim to reward individual and collective performance achieved in a manner consistent with its values and ethics and within its risk appetite. In addition to the annual bonus, from 2025, Executives are eligible for a group level Long Term Incentive Plan (LTIP) arrangement. Details of this scheme are included in the Society/Group Directors Remuneration Report and Pillar 3 disclosures. A one-off Management Incentive Plan, which was implemented in late 2018, and the senior leader retention award, granted in 2023, crystallised in early 2025 given the sale of the Bank to Coventry Building Society and will continue to be subject to the appropriate regulatory requirements, including those on deferral, retention, payment in instruments and malus and clawback.

Fixed remuneration

Fixed remuneration, which includes salary for all employees (and other cash allowances for executives and certain other senior roles) is set having regard to individual roles, scope of responsibilities and experience, and internal and external benchmarks. In addition, employee pension contributions to our defined contribution scheme are matched up to 10% by the Bank. A range of benefits including wellbeing support, volunteering opportunities and financial support products are offered to colleagues.

Variable remuneration

The Annual Incentive Plan (AIP) incorporates the use of a balanced scorecard of financial and non-financial measures which are directly aligned to the overall Group's strategic plan, more details of which are provided within the Society/Group Directors Remuneration Report.

Variable remuneration awarded to employees whose roles have a material impact on the Bank's risk profile meets the requirements of the PRA and FCA remuneration rules. This includes appropriate deferral of awards and the awards being subject to malus (cancellation or reduction of unvested awards) and clawback (recoupment of paid and/or vested awards) provisions as set out in the PRA and FCA remuneration rules. In line with the PRA and FCA remuneration rules, the Bank does not award guaranteed variable remuneration, unless it is exceptional, it occurs in the context of hiring, is limited to the first year of service and the Bank has a strong and sound capital base. In addition, any severance payments made to this population will take into consideration a number of factors, including but not limited to, contractual obligations (such as payment in lieu of notice) and tenure. Any such guaranteed remuneration or severance to MRT roles is disclosed within the relevant table within this year's Pillar 3 disclosure.

Risk consideration

Any risk related failure or risks not being managed within appetites, without Executive Committee and Board oversight, would result in consideration of a risk-based remuneration adjustment via:

- individual performance assessment;
- individual or collective adjustment through the risk adjustment process; and/or
- adjustment of bonus pool through Remuneration Committee applied risk modifier informed by the Chief Risk Officer risk report to the Committee.

The Chief Risk Officer's (CRO) annual report to the Committee provides a summary of the Bank's risk performance, including consideration of the following:

- Risk Category Ratings
- Board Risk Appetite
- Risk Events
- Risk Losses
- Issue Management
- Outputs from Assurance Reviews (Internal Audit and Risk Assurance Activity)
- Whistleblowing / Conduct Issues

When deciding whether the CRO applies risk adjustments all relevant criteria are taken into account, including:

- the cost of fines and other regulatory actions (e.g. section 166 reviews);
- direct and indirect financial losses attributable to the relevant failure;
- reputational damage;
- the impact of the failure on the firm's relationships with its stakeholders including shareholders, customers, employees, creditors, counterparties and regulators;
- the impact on profitability from the event (e.g. profit before tax) – actual/accounting and provisioned;
- the timeframe during which the event occurred and whether losses/costs are still accumulating;
- the extent of customer detriment (e.g. number and value of mis-sold policies); and
- redress costs.

The Bank bonus pool is determined taking into account the following:

- performance against financial and non-financial measures in the Bank balanced scorecard;
- status of risk appetite and consideration of their potential future impact;

- risk events which have already happened and which are reported through to Remuneration Committee; and
- any discretionary adjustment by the Remuneration Committee, having regard to the Bank's overall performance and the experience of shareholders and customers.

Individual adjustments to variable pay may then be made, having regard to material risk events that have been reported to the Remuneration Committee, which looks at the role and accountability of the individual in relation to the relevant risk event.

Once the final performance for 2025 was determined, the Remuneration Committee oversaw the distribution of variable pay, including annual bonuses for all employees for the 2025 performance year. Awards varied subject to both the Bank-wide scorecard, and individual performance against agreed personal objectives including both 'what' colleagues achieved and behaviours in terms of 'how' they achieved this. Appropriate consideration was also given to the underlying capital performance of the Bank, in accordance with regulatory requirements.

The Committee believes that the final scorecard result and subsequent bonus pool are a fair reflection of delivery against a number of key financial and non-financial objectives across 2025.

Individual performance assessment, deferral, malus and clawback

Bonus allocations to individuals are calculated as a percentage of base salary, determined according to an individual's overall performance rating for the performance period, assessed against a set of financial and non-financial measures and including risk management considerations. Variable pay for control functions is primarily based on role-specific objectives, independent of the performance of the business units that they oversee. Individual performance outcomes include input from the Chairs of the Risk and Audit Committees, where appropriate. The final outcomes for senior control functions are approved by the Remuneration Committee.

Deferral of incentive awards is a key mechanism to retain talent which is primarily achieved through annual incentive deferral. In line with regulatory requirements the following is applied to employees' (including MRTs') annual incentives where necessary:

- the deferral of at least 40-60% of their variable remuneration over a period of at least four years;
- the delivery of at least 50% of their variable remuneration in the form of instruments. Where instruments form part of upfront remuneration, this is subject to a retention period of up to 12 months;
- risk adjustment of any variable remuneration award, including malus and clawback. Clawback may apply for up to seven years following the award; and
- malus and clawback may be exercised in the event of a material misstatement of the Bank's audited financial results, material error in assessing a performance condition, a material failure of risk management, reputational damage to the Bank, a material downturn in financial performance, misbehaviour, misconduct or material error by an individual or any other similar circumstances the Remuneration Committee deems appropriate.

Ratio between fixed and variable remuneration

Under the Banks's remuneration policy, variable remuneration for Material Risk Takers in the normal course of business cannot exceed twice the amount of their fixed remuneration. Additional flexibility is provided, subject to approval by the Remuneration Committee, to operate a higher ratio of three times fixed remuneration, in exceptional circumstances and in alignment with Group Remuneration Policy.

Template UK REM1 - Remuneration awarded for the financial year

The table below shows the aggregate remuneration for MRTs by remuneration type

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
			£m	£m	£m	£m
1	Fixed remuneration	Number of identified staff	13	4	5	17
2		Total fixed remuneration	0.6	1.9	1.4	2.8
3		Of which: cash-based	0.6	1.8	1.2	2.4
9	Variable remuneration	Number of identified staff	–	4	5	15
10		Total variable remuneration	–	1.5	0.6	1.5
11		Of which: cash-based	–	0.6	0.4	0.9
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	–	0.9	0.3	0.6
17	**Total remuneration (2 + 10)**		**0.6**	**3.4**	**2.0**	**4.3**

Table 26 UK REM1 - Remuneration awarded for the financial year

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

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

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
		£m	£m	£m	£m
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	–	1	–	–
2	Guaranteed variable remuneration awards - Total amount	–	0.4	–	–
6	Severance payments awarded during the financial year - Number of identified staff	–	1.0	1.0	4.0
7	Severance payments awarded during the financial year - Total amount (£m)	–	–	–	0.2
8	Of which paid during the financial year (£m)	–	–	–	0.2
11	Of which highest payment that has been awarded to a single person	–	–	–	0.1

Table 27 UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Template UK REM3 - Deferred remuneration

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

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
		£m	£m	£m	£m	£m	£m	£m	£m
7	MB Management function	8	1	7	—	—	—	—	—
8	Cash-based	2	—	2	—	—	—	—	—
10	Share-linked instruments or equivalent non-cash instruments	6	—	5	—	—	—	—	—
13	Other Senior Management	2	—	2				—	—
16	Share-linked instruments or equivalent non-cash instruments	2	—	2	—	—	—	—	—
25	**Total amount**	15	2	11	—	—	—	2	2

Table 28 UK REM3 - Deferred remuneration

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

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

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

Table 29 UK REM4 - Remuneration of 1 million EUR or more per year

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

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

		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
											£m
1	Total number of identified staff										39
2	Of which: members of the MB	13	4	17							
3	Of which: other senior management					1		3	1		5
4	Of which: other identified staff					3		8	6		17
5	Total remuneration of identified staff (£m)	1	3	4		1		3	2		
6	Of which: variable remuneration (£m)	—	2	2		—		1	1		
7	Of which: fixed remuneration (£m)	1	2	3		1		2	1		

Table 30 UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff)

11. Disclosure of the leverage ratio

11.1. Table UK LRA - Disclosure of LR qualitative information

11.1.1 Managing the risk of excessive leverage

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

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

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

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

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

11.1.2 Factors that have impacted on the leverage ratio

The UK leverage ratio increased slightly to 4.4% (2024: 4.0%) mainly driven by an increase in capital resources in the year, and a reduction in exposures following the sale of covered bonds.

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

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

		Applicable amount
		£m
1	Total assets as per published financial statements	25,122
8	Adjustment for derivative financial instruments	(50)
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	493
12	Other adjustments	(455)
13	**Total exposure measure**	25,110

Table 31 UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

11.3. Table UK LR2 - LRCom: Leverage ratio common disclosure

The leverage ratio is a non-risk weighted financial measurement that assesses the ability of a company to meet its financial obligations. The table below details leverage ratio exposures as at 31 December 2025 and those metrics previously displayed at 31 December 2024.

		Leverage ratio exposures	
		31-Dec-25	31-Dec-24
		£m	£m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	24,980	25,385
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(391)	(349)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**24,589**	**25,036**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	11	13
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	18	27
13	**Total derivatives exposures**	**29**	**40**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	–	100
18	**Total securities financing transaction exposures**	**–**	**100**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	2,080	1,479
20	(Adjustments for conversion to credit equivalent amounts)	(1,587)	(864)
22	**Off-balance sheet exposures**	**493**	**615**
Excluded exposures			
Capital and total exposure measure			
23	**Tier 1 capital (leverage)**	968	924
24	Total exposure measure including claims on central banks	25,110	25,790
UK-24a	(-) Claims on central banks excluded	(3,075)	(2,665)
UK-24b	**Total exposure measure excluding claims on central banks**	22,035	23,124
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	4.4%	4.0%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.4%	4.0%
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 (%)	4.4%	4.0%
UK-25c	Leverage ratio including claims on central banks (%)	3.9%	3.6%
26	Regulatory minimum leverage ratio requirement (%)	3.25%	3.25%

Table 32 UK LR2 - LRCom: Leverage ratio common disclosure

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

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

		Leverage ratio exposures
		£m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**24,980**
UK-3	Banking book exposures, of which:	24,980
UK-4	Covered bonds	234
UK-5	Exposures treated as sovereigns	3,804
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	3
UK-7	Institutions	55
UK-8	Secured by mortgages of immovable properties	18,959
UK-9	Retail exposures	263
UK-10	Corporates	1,001
UK-11	Exposures in default	81
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	580

Table 33 UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

12. Attestation

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

13. 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.

14. Glossary

Abbreviation	Full Name	Description
AIRB	Advanced Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk components.
ARA	Annual Report and Accounts	Used to refer to the Bank's financial statements
AT1	Additional Tier 1 Capital	Additional Tier 1 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 is setting aside capital resources to counter procyclicality in the financial system. An increase in cyclical systemic risk requires institutions to accumulate capital to create buffers that strengthen the resilience of the banking sector during periods of stress when losses materialise.
CET1	Common Equity Tier 1	Common Equity Tier 1 capital 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).
EU	European Union	A union of 27 European states operating as a single market and using the Euro currency established to promote economic and political co-operation.
EUR	Euro	The euro (symbol: €; currency code: EUR) is the official currency of 21 of the 27 member states of the European Union. This group of states is officially known as the euro area or, more commonly, the eurozone.
EVE	Economic Value of Equity	The economic value of equity is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Unlike earnings at risk and value at risk (VAR), an institution uses the economic value of equity to manage its assets and liabilities. It is a long-term economic measure used to assess the degree of interest rate risk exposure—as opposed to net-interest income (NII), which reflects short-term interest rate risk.
EWI	Early Warning Indicators	Forward-looking, data-driven metrics used to anticipate, measure, and mitigate risks—such as financial crises, operational failures, or economic downturns—before they fully materialise.
FCP	Funded Credit Protection	A technique where a bank reduces credit risk by holding collateral such as cash, securities, or assets—that it can liquidate or retain if a counterparty defaults.
FIRB	Foundation Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk of default of the obligor but estimates of additional risk factors are derived through the application of standardised supervisory rules.
HQLA	High-quality liquid asset	Assets that can easily and immediately be converted into cash at little or no loss of value.
IAA	Internal Assessment Approach	An approach to calculate capital requirements for securitisation exposures in which an institution may use its internal assessments of the credit quality of its securitisation exposures.
ICAAP	Internal Capital Adequacy Assessment Process	The process that allows firms to assess their capital adequacy and requires them to have appropriate risk management techniques in place.
ILAAP	Internal Liquidity Adequacy Assessment Process	The process that allows firms to assess their liquidity adequacy and requires them to have appropriate risk management techniques in place.
ILTR	Indexed Long-Term Repo	A Bank of England weekly auction facility that provides six-month sterling liquidity to banks and financial institutions.

IRB	Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk of default of the obligor but estimates of additional risk factors are derived through the application of standardised supervisory rules.
ITP	Invocation Triggers Points	These are measurable, preliminary data points that show a trend is moving toward a risky state.
LCR	Liquidity Coverage Ratio	The Liquidity Coverage Ratio is a measure that is designed to ensure that financial institutions hold a sufficient amount of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting up to 30 calendar days.
MB	Management Body	The Bank's Board.
MDB	Multilateral development bank	A multilateral development bank is an international financial institution chartered by two or more countries to encourage economic development.
MREL	Minimum requirement for own funds and eligible liabilities	Minimum requirement for own funds and eligible liabilities is set by resolution authorities to ensure that a bank maintains at all times sufficient eligible instruments to facilitate the implementation of the preferred resolution strategy
NII	Net-Interest Income	Net-interest income is a financial performance measure that reflects the difference between the income from an institution's interest-bearing assets and the expenses associated with paying on its interest-bearing liabilities. It reflects short-term interest rate risk.
NSFR	Net Stable Funding Ratio	The Net Stable Funding Ratio is a longer-term liquidity risk management measure that is designed to ensure a stable funding structure within the Group where the available stable funding should equal the required stable funding.
OTC	Over-The-Counter	Over-the-counter (OTC) markets are decentralized networks where financial instruments—stocks, bonds, and derivatives—are traded directly between two parties rather than through a central, public exchange.
PD	Probability of Default	The likelihood that a borrower will fail to make their scheduled contractual payments over a period of time, usually one year.
PMA	Post Model Adjustment	Adjustments applied when the Bank 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).
RWA / RWEA	Risk Weighted Asset / Risk Weighted Exposure Amount	Risk-weighted asset or Risk-Weighted Exposure Amount is the Bank's exposure relating to assets and off-balance-sheet exposures, weighted according to risk.
SA-CCR	Standardised Approach to Counterparty Credit Risk	The Standardised Approach for Counterparty Credit Risk is a method applied to over-the-counter derivatives, exchange-traded derivatives and long settlement transactions to calculate their capital requirement.
SFT	Securities financing transaction	Securities financing transactions allow institutions to use assets, such as the shares or bonds they own, to secure funding for their activities.
SME	Small and Medium-sized Enterprise	Non-financial businesses are also classified by size of business. For this purpose, SMEs are defined as those with an annual debit account turnover on the main business account of up to £25 million.
SMF	Sterling Monetary Framework	The Sterling Monetary Framework is the set of tools and facilities used by Bank of England to implement monetary policy (setting Bank Rate) and ensure financial stability.
SREP	Supervisory Review and Evaluation Process	The supervisory review and evaluation process that the PRA conducts on firms.
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.
TC	Total Capital	Total Capital is the sum of Tier 1 and Tier 2 capital amounts.
TFSME	Term Funding Scheme with additional incentives for small and medium-sized enterprises	Term Funding Scheme is a form of government lending to offer four-year funding at or very close to Bank Rate. Additional funding will be available for banks that increase lending, especially to small and medium-sized enterprises (SMEs).
UFCP	Unfunded Credit Protection	A risk mitigation technique where a third party (guarantor) covers potential losses on an exposure if a borrower defaults, without upfront cash collateral.