Pillar 3 Disclosures

31 December 2023

SKIPTON
BUILDING SOCIETY
Since 1853

Contents

1 INTRODUCTION.....1
1.1 Background.....1
1.2 Scope of application.....1
1.3 Basis of presentation.....1
1.4 Frequency of disclosure.....1
1.5 Media and location of publication.....1
1.6 Disclosure levels.....1
1.7 Pillar 3 policy.....2
1.8 Verification and sign off.....2
1.9 Summary of key disclosures.....3
1.10 Pillar 1 capital.....4
1.11 Pillar 2A capital.....4
1.12 Combined buffer requirement.....4
1.13 Minimum Requirement for Own Funds and Eligible Liabilities (MREL).....4
2 KEY METRICS AND OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS.....6
2.1 UK KM1 – Key metrics template.....6
2.2 Impact of IFRS 9 transitional arrangements.....7
2.3 UK OV1 – Overview of risk weighted assets.....8
2.4 UK OVC – ICAAP information.....9
2.5 UK INS1 – Insurance participation.....9
2.6 UK INS2 – Financial conglomerates information on own funds and capital adequacy ratio.....9
3 RISK MANAGEMENT POLICIES AND OBJECTIVES.....10
3.1 UK OVA – Risk management approach.....10
3.2 UK OVB – Governance arrangements.....18
4 SCOPE OF APPLICATION.....21
4.1 UK LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories.....21
4.2 UK LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....25
4.3 UK LI3 – Outline of the differences in the scopes of consolidation (entity by entity).....27
4.4 UK LIA – Explanations of differences between accounting and regulatory exposure amounts.....28
4.5 UK LIB – Other qualitative information on the scope of application.....28
4.6 UK PV1 – Prudent valuation adjustments (PVA).....29
5 OWN FUNDS.....30
5.1 UK CC1 – Composition of regulatory own funds.....30
5.2 UK CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statement.....32
5.3 UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments.....33
6 COUNTERCYCLICAL CAPITAL BUFFER.....35
6.1 UK CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer.....35

6.2 UK CCyB2 – Amount of institution-specific countercyclical capital buffer 39

7 LEVERAGE RATIO 40

7.1 UK LR1 – LRSum: summary reconciliation of accounting assets and leverage ratio exposures 40

7.2 UK LR2 – LRCom: Leverage ratio common disclosure 41

7.3 UK LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) 42

7.4 UK LRA – Disclosure of leverage ratio qualitative information 42

8 LIQUIDITY REQUIREMENTS 43

8.1 UK LIQA – Liquidity risk management 43

8.2 UK LIQ1 – Quantitative information of LCR 46

8.3 UK LIQB – Qualitative information on LCR, which complements template UK LIQ1 47

8.4 UK LIQ2 – Net Stable Funding Ratio 48

9 CREDIT RISK QUALITY 50

9.1 UK CRA – General qualitative information about credit risk 50

9.2 UK CRB – Additional disclosure related to the credit quality of assets 52

9.3 UK CR1 – Performing and non-performing exposures and related provisions 53

9.4 UK CR1-A – Maturity of exposures 55

9.5 UK CR2 – Changes in the stock of non-performing loans and advances 55

9.6 UK CR2-A – Changes in the stock of non-performing loans and advances and related net accumulated recoveries 56

9.7 UK CQ1 – Credit quality of forborne exposure 56

9.8 UK CQ2 – Quality of forbearance 57

9.9 UK CQ3 – Credit quality of performing and non-performing exposures by past due days 58

9.10 UK CQ4 – Quality of non-performing exposures by geography 60

9.11 UK CQ5 – Credit quality of loans and advances to non-financial corporations by industry 60

9.12 UK CQ6 – Collateral valuation - loans and advances 62

9.13 UK CQ7 – Collateral obtained by taking possession and execution processes 62

9.14 UK CQ8 – Collateral obtained by taking possession and execution processes – vintage breakdown 62

10 CREDIT RISK MITIGATION TECHNIQUES 63

10.1 UK CRC – Qualitative disclosure requirements related to CRM techniques 63

10.2 UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques 65

11 STANDARDISED APPROACH 66

11.1 UK CRD – Qualitative disclosure requirements related to standardised model 66

11.2 UK CR4 – Standardised approach – Credit risk exposure and CRM effects 67

11.3 UK CR5 – Standardised approach 69

12 IRB APPROACH TO CREDIT RISK 71

12.1 UK CRE – Qualitative disclosure requirements related to IRB approach 71

12.2 UK CR6 – IRB approach – Credit risk exposures by exposure class and PD range 75

12.3 UK CR6-A – Scope of the use of IRB and SA approaches 77

12.4 UK CR7 IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques 78

12.5 UK CR7-A IRB approach – Disclosure of the extent of the use of CRM techniques 78

12.6 UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach 79

12.7 UK CR9 – IRB approach – Back-testing of PD per exposure class (fixed PD scale) ... 80

12.8 UK CR9.1 – IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR) ... 81

13 SPECIALISED LENDING AND EQUITY EXPOSURES ... 82

13.1 Specialised lending ... 82

13.2 UK CR10.5 – Equity exposures under the simple risk-weighted approach ... 82

14 COUNTERPARTY CREDIT RISK ... 83

14.1 UK CCRA – Qualitative disclosure related to CCR ... 83

14.2 UK CCR1 – Analysis of CCR exposure by approach ... 85

14.3 UK CCR2 – Transactions subject to own funds requirements for CVA risk ... 86

14.4 UK CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights ... 87

14.5 UK CCR4 – IRB approach – CCR exposures by exposure class and PD scale ... 89

14.6 UK CCR5 – Composition of collateral for CCR exposures ... 89

14.7 UK CCR6 – Credit derivatives exposures ... 89

14.8 UK CCR7 – RWEA flow statements of CCR exposures under the IMM ... 89

14.9 UK CCR8 – Exposures to CCPs ... 89

15 SECURITISATION POSITIONS ... 91

15.1 UK-SECA – Qualitative disclosure requirements related to securitisation exposures ... 91

15.2 UK SEC1 – Securitisation exposures in the non-trading book ... 93

15.3 UK SEC2 – Securitisation exposures in the trading book ... 94

15.4 UK SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – The Group acting as originator or as sponsor ... 94

15.5 UK SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – The Group acting as investor ... 95

15.6 UK SEC5 – Exposures securitised by the institution - Exposures in default and specific credit risk adjustments ... 97

16 STANDARDISED APPROACH AND INTERNAL MODEL FOR MARKET RISK ... 99

16.1 UK MRA – Qualitative disclosure requirements related to market risk ... 99

16.2 UK MR1 – Market risk under the standardised approach ... 99

16.3 Information on the internal Market Risk Models ... 100

17 EXPOSURES TO INTEREST RATE RISK ON POSITIONS NOT HELD IN THE TRADING BOOK (IRRBB) ... 101

17.1 UK IRRBBA – IRRBB risk management objectives and policies ... 101

17.2 UK IRRBB1 – Quantitative information on IRRBB ... 104

18 OPERATIONAL RISK ... 105

18.1 UK ORA – Qualitative information on operational risk ... 105

18.2 UK OR1 – Operational risk own funds requirements and risk-weighted exposure amounts ... 106

19 REMUNERATION POLICY ... 107

19.1 UK REMA – Remuneration policy ... 107

19.2 UK REM1 – Remuneration awarded for the financial year ... 114

19.3 UK REM2 – Special payments to staff whose professional activities have a material impact on institutions’ risk profile (identified staff) ... 116

19.4 UK REM3 – Deferred remuneration ... 118

19.5 UK REM4 – Remuneration of 1 million EUR or more per year 120

19.6 UK REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) 121

20 ENCUMBERED AND UNENCUMBERED ASSETS 122

20.1 UK AE1 – Encumbered and unencumbered assets 122

20.2 UK AE2 – Collateral received and own debt securities issued 124

20.3 UK AE3 – Sources of encumbrance 126

20.4 UK AE4 – Accompanying narrative information 127

GLOSSARY 128

1 Introduction

1.1 Background

This document presents the Pillar 3 disclosures of Skipton Building Society (the Society) and its subsidiaries at prudential group level as at 31 December 2023.

The disclosures have been prepared in accordance with the Capital Requirements Directive (CRD V), the United Kingdom's Capital Requirements Regulation (UK CRR) and the disclosure requirements set out in the Prudential Regulation Authority's (PRA) Rulebook.

The Pillar 3 disclosure requirements apply to banks and building societies and require firms to publish key details regarding their financial strength and risk management.

1.2 Scope of application

The Society is required to calculate and maintain regulatory capital on both a prudential and individual consolidation basis. The basis of consolidation for regulatory and accounting purposes are different.

For accounting purposes, the Group comprises the Society and all of its subsidiaries. The prudential Group comprises the Society and all of its subsidiaries excluding the Connells group, Jade Software Corporation Ltd and a small number of other entities whose activities are not closely aligned with the core business. Section 4.3 provides further details on the Society's subsidiaries in the scope of prudential consolidation and section 4.4(a) sets out the entities which are excluded from the prudential group consolidation.

1.3 Basis of presentation

These Pillar 3 disclosures are based upon the Group's Annual Report and Accounts for the year ended 31 December 2023, unless otherwise stated. As such, these disclosures should be read in conjunction with the Group's Annual Report and Accounts 2023. Reference to the Group's Annual Report and Accounts 2023 has been set out clearly in the relevant sections of this document to avoid duplication of information.

The balances within the Group's Annual Report and Accounts 2023 are prepared in line with International Financial Reporting Standards (IFRS), whilst the balances within the Pillar 3 disclosures are disclosed at a regulatory group level (see section 1.2 above) and prepared in line with CRD V. This results in some differences between the two documents that are set out in sections 4 and 5.

The disclosures are presented using the prescribed disclosure templates in the PRA Rulebook. Row and column references are based on those prescribed in the PRA templates. No changes have been made to the fixed templates, unless specifically stated under the template.

All figures and narratives are as at 31 December 2023. Comparative figures are disclosed based on the previous disclosed reporting period end as prescribed in the PRA Rulebook.

1.4 Frequency of disclosure

The Society is required to publish Pillar 3 disclosures quarterly in accordance with the requirements set out in the PRA Rulebook on materiality, proprietary and confidentiality in Article 432 and with the disclosure frequency set out in Article 433a of the PRA Rulebook. The contents of this document are published on an annual basis in conjunction with the publication of the Group's Annual Report and Accounts.

1.5 Media and location of publication

These Pillar 3 disclosures, and those from previous reporting periods, are published on Skipton Building Society's website (www.skipton.co.uk/about-us/pillar-3-disclosure).

1.6 Disclosure levels

In accordance with Article 432 of the PRA Rulebook, an institution may omit one or more of the disclosures required if the information provided is not regarded as material or if it is regarded as proprietary or confidential. Such information, that we have chosen not to disclose, is set out in section 1.6.1.

1.6.1 Non-material information

In accordance with Article 440 of the PRA Rulebook, the countercyclical capital buffer template UK CCyB1 sets out a geographical breakdown of the obligors of various exposure types. For reasons of both clarity and materiality, only those countries where the own fund requirement is equal to, or above, £0.1m are listed. Exposures in countries where these criteria are not met have been presented in aggregate as 'other countries.'

There have been no other omissions on the basis of materiality, proprietary or confidentiality.

1.7 Pillar 3 policy

The Board has adopted a formal policy for the production of the Pillar 3 disclosures. The Pillar 3 policy (Policy) sets out the principles which ensure that the Pillar 3 disclosures satisfy the regulatory reporting requirements in respect of the basis, frequency, verification and appropriateness of disclosures, and the governance and control framework applied in the preparation of the disclosures. The Policy also ensures that the Group's risk profile is comprehensively disclosed and that our disclosures are comparable to other market participants.

1.8 Verification and sign off

These disclosures have been verified and approved in accordance with internal governance procedures that are in line with the Policy and contains the following key elements to comply with the disclosure requirements:

- Compliance with regulatory requirements, as set out in the PRA Rulebook, has been reviewed and documented;
- The Pillar 3 governance and control framework has been applied to the production of the disclosures; and
- The standard of internal controls applied to the Pillar 3 disclosures is consistent with that applied to other statutory reporting requirements.

There is no requirement for the disclosures to be externally audited, although some information within the disclosures also appears in the Group's Annual Report and Accounts 2023 which is externally audited. The disclosures have been subject to risk-based review activities by the Society's second line function to provide assurance over the reviewed areas of disclosures.

These Pillar 3 disclosures have been reviewed and approved by the Board Risk Committee (BRC) on behalf of the Board at a meeting also attended by members of the Board Audit Committee (BAC) in accordance with the Policy.

"We attest that, to the best of our knowledge, the Pillar 3 disclosures have been prepared in accordance with the Policy and the principles described within it."

Bobby Ndawula	**Steve O'Regan**
Group Chief Financial Officer	Group Chief Risk Officer

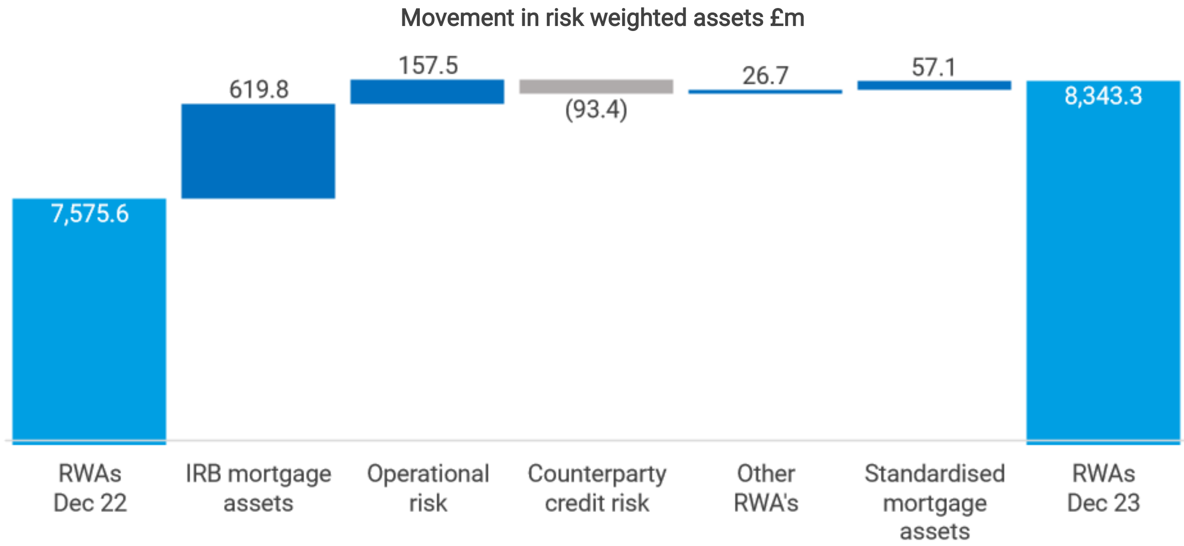
1.9 Summary of key disclosures

Total regulatory capital £m

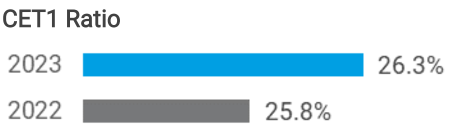
The Group's capital position remains strong with Common Equity Tier 1 (CET1) capital of £2,195.2m (31 December 2022: £1,952.9m). The increase in CET1 capital during the period is predominantly driven by the profits accumulated during the period. Further detail on regulatory capital is set out in template UK CC1 (section 5.1). The difference between the CET1 and total capital relates to Permanent Interest Bearing Shares (PIBS) which are held as Tier 2 capital.

Risk weighted assets

The risk weighted assets (RWAs) increased by £767.7m during the period to £8,343.3m (31 December 2022: £7,575.6m). This increase is principally driven by strong mortgage book growth in the year, and an increase in the operational risk requirement (as calculated under the standardised approach as per article 317 of UK CRR) due to rising average income in the past three years. This is partially offset by a change in the composition of the liquid assets portfolio, resulting in lower overall risk weights for liquid assets in 31 December 2023. A graph below illustrates the movements in total RWAs during 2023.



Capital Ratios



As a result of the movement in regulatory capital and RWAs explained above, the CET1 ratio and Total Capital Ratio have increased to 26.3% (31 December 2022: 25.8%) and 26.8% (31 December 2022: 26.3%) respectively. The capital ratios may be subject to future movements as a result of the ongoing development of the Internal Ratings-Based (IRB) models. See section 12.1 for further details.

Leverage Ratio

The leverage ratio, which is a non-risk based measure, is defined as the ratio of Tier 1 capital to total leverage exposure, which includes both on and off-balance sheet items. The leverage exposure is subject to regulatory adjustments and excludes deposits with central banks. As at 31 December 2023, the leverage ratio remained stable at 6.7% (31 December 2022: 6.8%) showing that the growth in mortgage lending has been offset by the profits accumulated during the period. Further detail on leverage ratio is set out in section 7.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is a measure designed to ensure that financial institutions have sufficient High Quality Liquid assets (HQLA) available to meet their liquidity needs for a 30 day liquidity stress scenario. As at 31 December 2023, the LCR was 170.5% (31 December 2022: 174.5%) and above both the regulatory and internal limits set by the Board throughout the period. Further detail on the LCR is set out in section 8.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is a long-term stable funding metric, which measures the stability of our funding sources relative to the term and liquidity of our assets we are required to fund. As at 31 December 2023, the NSFR was 135.4% was (31 December 2022: 141.1%) and above both the regulatory and internal limits set by the Board throughout the period. Further detail on the NSFR is set out in section 8.4.

1.10 Pillar 1 capital

The Group holds a minimum level of capital (Pillar 1) for credit risk, operational risk, and market risk. The IRB approach is applied to calculate the capital requirement for the majority of residential mortgages (section 12), and for equity (section 13) and non-credit obligation exposures. The standardised approach is applied to all other exposures (section 11), operational risk (section 18), and market risk (section 16).

1.11 Pillar 2A capital

Pillar 2A capital is provided to cover specific risks faced by the Group that have not been covered by Pillar 1, such as pension and interest rate risks.

As at 31 December 2023, the Pillar 2A requirement set by the PRA was £171.2m (31 December 2022: £159.1m), equivalent to 2.1% of RWAs.

1.12 Combined buffer requirement

Under CRD V, institutions are required to hold a combined buffer requirement comprising a Capital Conservation Buffer (CCoB) and a Countercyclical Buffer (CCyB) to provide capital that can be utilised to absorb losses in stressed conditions. As at 31 December 2023, the CCoB was 2.5% of risk weighted assets and the CCyB rate was 2% of RWAs for exposures in the UK. Further detail on the CCyB is set out in section 6.

1.13 Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Minimum Requirement for Own Funds and Eligible Liabilities (MREL) is a regulatory requirement set by the Bank of England to ensure institutions can cover losses that would need to be absorbed in the event of a resolution scenario. The amount of MREL that institutions need to have, is linked to the resolution strategy chosen for each firm. The Bank of England's preferred resolution strategy for Skipton Building Society is a single point of entry bail-in under Part 1 of the Banking Act 2009. From 1 January 2023, our MREL requirement is 2x (pillar 1 plus pillar 2A capital requirements) plus the applicable capital requirement buffers issued by the Bank of England, which is 20.1% of RWAs plus capital buffers.

At 31 December 2023, total MREL resources, including MREL eligible senior non-preferred debt, were 35.2% of RWAs (31 December 2022: 30.9% - restated). The increase in the year is mainly due to the issuance in April 2023 of £350m of senior non-preferred notes due 25 April 2029 (senior non-preferred notes contribute to meeting our MREL requirements) and retained profits accumulated during the period, partially offset by the increase in RWAs as set out in section 1.9 above.

The ratio remains above the 2023 requirement of 20.1% of RWAs plus capital buffers set by the Bank of England.

2 Key metrics and overview of risk weighted exposure amounts

The template below provides a summary of the key prudential ratios and measures. Capital ratios and measures are presented with IFRS 9 transitional arrangements applied in accordance with Article 473a of the UK CRR.

2.1 UK KM1 – Key metrics template

		a 31 Dec 23 £m	b 30 Sep 23 £m	c 30 Jun 23 £m	d 31 Mar 23 £m	e 31 Dec 22 £m
	Available own funds (amounts)					
1	Total Common Equity Tier 1 (CET1) capital	**2,195.2**	2,071.9	2,068.7	1,950.9	1,952.9
2	Tier 1 capital	**2,195.2**	2,071.9	2,068.7	1,950.9	1,952.9
3	Total capital	**2,235.2**	2,111.9	2,108.7	1,990.9	1,992.9
	Risk-weighted exposure amounts (RWEAs)					
4	Total risk-weighted exposure amount	**8,343.3**	8,068.6	7,852.6	7,700.2	7,575.6
	Capital ratios (as a % of RWEAs)					
5	Common Equity Tier 1 ratio (%)	**26.31**	25.68	26.34	25.34	25.78
6	Tier 1 ratio (%)	**26.31**	25.68	26.34	25.34	25.78
7	Total capital ratio (%)	**26.79**	26.17	26.85	25.86	26.31
	Additional own funds requirements based on SREP (as a % of RWEAs)					
UK 7a	Additional CET1 SREP requirements (%)	**1.15**	1.16	1.17	1.18	1.18
UK 7b	Additional AT1 SREP requirements (%)	**0.39**	0.39	0.39	0.39	0.39
UK 7c	Additional T2 SREP requirements (%)	**0.51**	0.52	0.52	0.52	0.53
UK 7d	Total SREP own funds requirements (%)	**10.05**	10.07	10.08	10.09	10.10
	Combined buffer requirement (as a % of RWEAs) [1]					
8	Capital conservation buffer (%)	**2.50**	2.50	2.50	2.50	2.50
9	Institution specific countercyclical capital buffer (%) [2]	**1.81**	1.82	0.92	0.91	0.91
11	Combined buffer requirement (%)	**4.31**	4.32	3.42	3.41	3.41
UK 11a	Overall capital requirements (%)	**14.36**	14.39	13.50	13.50	13.51
12	CET1 available after meeting the total SREP own funds requirements (%)* [3]	**16.74**	16.11	16.77	15.76	16.21
	Leverage ratio [4]					
13	Total exposure measure excluding claims to central banks	**32,766.0**	31,393.5	30,175.0	29,719.3	28,699.2
14	Leverage ratio excluding claims on central banks (%)	**6.70**	6.60	6.86	6.56	6.80
	Liquidity Coverage Ratio [5]					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	**5,818.4**	5,719.9	5,615.8	5,400.7	5,040.5
UK 16a	Cash outflows - Total weighted value	**3,651.7**	3,568.4	3,434.5	3,263.5	3,045.5
UK 16b	Cash inflows - Total weighted value	**232.8**	221.7	179.8	168.9	153.2
16	Total net cash outflows (adjusted value)	**3,418.9**	3,346.7	3,254.7	3,094.6	2,892.3
17	Liquidity coverage ratio (%)	**170.53**	171.23	172.57	174.81	174.50
	Net Stable Funding Ratio [6]					
18	Total available stable funding	**30,604.1**	29,836.0	29,424.7	28,808.3	28,149.1
19	Total required stable funding	**22,608.8**	21,997.5	21,354.5	20,558.9	19,959.7
20	Net Stable Funding Ratio (%)	**135.37**	135.72	137.85	140.29	141.10

* The comparative percentages for four previous quarters have been restated following a review of the interpretation and recalculation of the disclosure requirement.

Notes

1. The buffer requirement in rows UK 8a, UK 9a to UK10a have been removed from the template as not applicable for the Group.
2. The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which the Group has exposures.
3. Represents the level of CET1 capital available to meet buffer requirements after subtracting the amount of minimum CET1 capital required to meet Pillar 1 and Pillar 2A capital requirements, also referred to as total Supervisory Review and Evaluation Process (SREP) own funds requirements, as a percentage of RWAs. The current CET1 capital requirement for the Group is equivalent to the total SREP own funds requirement, less Tier 2 capital.
4. The additional leverage ratio disclosure requirements only apply to financial institutions with deposits equal to or greater than £50bn or with non-UK assets equal to or greater than £10bn. The rows UK-14a to UK-14e have been removed from the template as the Group is not currently captured by either threshold.
5. The values have been calculated as a simple average of the 12 month-end observations preceding the end of each quarter.
6. The values have been calculated based on a four quarter rolling average of quarter-end positions.

2.2 Impact of IFRS 9 transitional arrangements

The Group has opted to apply the IFRS 9 transitional arrangements to capital calculations from 1 January 2018, in accordance with EBA/GL/2018/01, on a scaling basis, over the period to 31 December 2024. The implementation of IFRS 9 transitional arrangements does not have a significant impact on the Group's capital position. The template below shows key ratios and measures with and without the application of IFRS 9 transitional arrangements.

		a 31 Dec 23 £m	b 30 Sep 23 £m	c 30 Jun 23 £m	d 31 Mar 23 £m	e 31 Dec 22 £m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	**2,195.2**	2,071.9	2,068.7	1,950.9	1,952.9
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**2,194.1**	2,070.3	2,066.8	1,949.4	1,949.9
3	Tier 1 capital	**2,195.2**	2,071.9	2,068.7	1,950.9	1,952.9
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**2,194.1**	2,070.3	2,066.8	1,949.4	1,949.9
5	Total capital	**2,235.2**	2,111.9	2,108.7	1,990.9	1,992.9
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**2,234.1**	2,110.3	2,106.8	1,989.4	1,989.9
	Risk-weighted exposure amounts (RWEAs)					
7	Total risk-weighted exposure amounts	**8,343.3**	8,068.6	7,852.6	7,700.2	7,575.6
8	Total risk-weighted exposure amounts as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**8,342.2**	8,066.8	7,850.7	7,698.4	7,572.5
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount) (%)	**26.31**	25.68	26.34	25.34	25.78
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**26.30**	25.66	26.33	25.32	25.75
11	Tier 1 (as a percentage of risk exposure amount) (%)	**26.31**	25.68	26.34	25.34	25.78
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**26.30**	25.66	26.33	25.32	25.75
13	Total capital (as a percentage of risk exposure amount)(%)	**26.79**	26.17	26.85	25.86	26.31
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**26.78**	26.16	26.84	25.84	26.28
	Leverage ratio					
15	Total exposure measure excluding claims to central banks	**32,766.0**	31,393.5	30,175.0	29,719.3	28,699.2
16	Leverage ratio excluding claims on central banks (%)	**6.70**	6.60	6.86	6.56	6.80
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**6.70**	6.59	6.85	6.56	6.80

2.3 UK OV1 – Overview of risk weighted assets

The template below provides an overview of RWAs and minimum capital requirements under the Pillar 1 capital requirement as at 31 December 2023. Pillar 1 credit risk exposures include balances which are off-balance sheet, such as credit commitments relating to mortgages not yet drawn down.

The own funds requirement under both the IRB and standardised approach is calculated as 8% of the RWAs.

		a	b	c
		Risk weighted exposure amounts (RWEAs)		Total Own Fund Requirements
		31 Dec 23 £m	30 Sep 23 £m	31 Dec 23 £m
1	**Credit risk (excluding CCR)**	**7,531.5**	7,388.6	**602.6**
2	Of which standardised approach	**1,476.3**	1,502.0	**118.1**
3	Of which the foundation IRB (FIRB) approach [1]	-	-	-
4	Of which slotting approach [1]	-	-	-
UK 4a	Of which equities under the simple risk weighted approach	**304.5**	304.5	**24.4**
5	Of which the advanced IRB (AIRB) approach [2]	**5,750.7**	5,582.1	**460.1**
6	**Counterparty credit risk (CCR)**	**78.3**	102.5	**6.2**
7	Of which the standardised approach	**13.0**	17.2	**1.0**
8	Of which internal model method (IMM) [1]	-	-	-
UK 8a	Of which exposures to a CCP	**10.2**	11.1	**0.8**
UK 8b	Of which credit valuation adjustment - CVA [3]	**55.1**	74.2	**4.4**
9	Of which other CCR	-	-	-
15	**Settlement risk**	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	**40.8**	41.4	**3.3**
17	Of which SEC-IRBA approach [1]	-	-	-
18	Of which SEC-ERBA (including IAA) [4]	**40.8**	41.4	**3.3**
19	Of which SEC-SA approach [1]	-	-	-
UK 19a	Of which 1250% / deduction [1]	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)** [5]	-	-	-
21	Of which the standardised approach [1]	-	-	-
22	Of which IMA [1]	-	-	-
UK 22a	**Large exposure**	-	-	-
23	**Operational risk**	**692.7**	536.1	**55.4**
UK 23a	Of which basic indicator approach [1]	-	-	-
UK 23b	Of which standardised approach	**692.7**	536.1	**55.4**
UK 23c	Of which advanced measurement approach [1]	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	**Total**	**8,343.3**	8,068.6	**667.5**

Notes
1. This approach is not applicable to the Group.
2. The advanced IRB approach includes exposures to non-credit obligation assets of £53.0m (30 September 2023: £52.7m) that are subject to 100% risk weight.
3. Credit Valuation Adjustment (CVA) is the adjustment applied to the fair value of derivatives for potential mark-to-market losses due to credit quality deterioration of a counterparty
4. The Group has adopted the SEC-ERBA approach method to calculate the capital requirements of securitisation exposures. The Internal Assessment Approach (IAA) is not applicable to the Group.
5. As permitted per Article 351 of the UK CRR, the Group has elected to set exposure to market risk a zero.

The RWAs increased by £274.7m during the period as set out above in template OV1. This increase is principally driven by strong mortgage book growth in the year, and an increase in the operational risk requirement (as calculated under the standardised approach as per article 317 of UK CRR) due to rising average income in the past three years. This is partially offset by a change in the composition of the liquid assets portfolio, resulting in lower overall risk weights for liquid assets in 2023.

2.4 UK OVC – ICAAP information

a) Approach to assessing the adequacy of internal capital (Article 438(a) CRR)

The Group holds capital to absorb losses which may occur in the economic cycle. The Internal Capital Adequacy Assessment Process (ICAAP) is the means by which the Group ensures it has:

- Sufficient levels of capital resources to pursue the corporate objectives as set out in the Group's five year Corporate Plan in light of the risks it faces; and
- Sufficient capital resources to trade through a variety of scenarios, including a severe recession, if necessary, by applying appropriate management actions.

In formulating the Group's five year Corporate Plan, the Board takes its overall objectives into consideration and evaluates them based on its risk appetites.

The individual component parts included in the ICAAP are challenged in the relevant executive committees before the results are articulated in a single document which is reviewed and approved by the Board.

b) The result of the Group's Internal Capital Adequacy Assessment Process (Article 438(c) CRR)

Under Annex II to the Disclosure (CRR) Part of the Rulebook, this information shall only be disclosed by institutions when required by the relevant competent authority. This has not been demanded from the Group.

2.5 UK INS1 – Insurance participation

The Group has no own funds held in insurance or reinsurance firms, and as such, this template has not been presented.

2.6 UK INS2 – Financial conglomerates information on own funds and capital adequacy ratio

Financial conglomerates are large groups with significant activities in more than one financial sector (banking, investment, insurance). The Group does not qualify as a financial conglomerate, and as such, this template has not been presented.

3 Risk management policies and objectives

3.1 UK OVA – Risk management approach

a) Risk statement approved by the management body (Point (f) of Article 435(1) CRR)

As a mutual organisation, the Board is charged with the protection of members' deposits and bases its risk appetites on avoiding strategies or business practices which would threaten members' interests.

The Board's risk appetites express both qualitative and quantitative boundaries that provide clear guidance on the limits of risk exposure that are acceptable and in line with the business strategy. The defined Board risk appetite statements are supported by a comprehensive range of metrics used to assess business performance and risk exposure against its risk appetites. A key objective of the Group is to maintain strong capital and liquidity levels. These measures are monitored by Senior Executives, and the Board on an ongoing basis to help ensure that minimum regulatory requirements are met, and that the Group has sufficient levels of capital and liquidity for current and projected future activities, as well as potential stress scenarios. The Group does not disclose key ratios, limits and figures relating to its Board risk appetite statements, as they are considered to be proprietary information as per Article 432 of the PRA Rulebook.

The Board Risk Committee (BRC) is responsible for considering and recommending the Group's risk appetites, and capital adequacy and liquidity management policies to the Board. The Board reviews and approves risk appetites and capacity on an annual basis or more frequently in the event of changes to the risk environment, with the aim of ensuring that the approach is consistent with the Group's strategy, business environment and regulatory environment.

The principal risks presented below are those that are inherent to the Group's business model and strategy, as well as to the economic environment within which the Group operates. These risks are identified by the Group Chief Risk Officer, discussed at the Executive Risk Committee (ERC) and the BRC, and are then presented to the Board for further consideration and agreement, as appropriate.

The principal risks that the Group is managing to meet its strategic objectives are as follows:

Principal risk	Description	Primary Oversight Committee
Business risk	Business risk is the risk of failing to formulate and deliver the strategy and/or a lack of response to changes in the external environment affecting the sustainability of the business.	The Board
Capital and MREL risk	Capital risk is the risk of not maintaining sufficient capital/MREL levels to support day to day operations, withstand stressed economic conditions, and meet regulatory requirements.	Asset and Liability Committee
Climate change risk	Climate change risk refers to the commercial impact that climate and environmental changes present to our business model.	Group Executive Committee
Conduct risk	Conduct risk is the risk of delivering poor or inappropriate outcomes for customers.	Executive Risk Committee
Retail credit risk	Retail credit risk is the risk that a borrower fails to meet its obligations in accordance with agreed terms.	Retail Credit Committee
Wholesale credit risk	Wholesale credit risk is the risk of unexpected credit losses resulting from a counterparty default.	Asset and Liability Committee
Interest rate risk	Interest rate risk is the exposure of the Group's financial condition to adverse movements in interest rates.	Asset and Liability Committee
Liquidity risk	Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due or are only able to do so at excessive cost.	Asset and Liability Committee

Principal risk	Description	Primary Oversight Committee
Model risk	Model risk is the risk of financial loss or of a poor strategic or business decision as a result of errors, weaknesses or failures in the design or use of a model.	Model Governance Committee
Operational risk	Operational risk is the risk of poor customer outcome or loss, resulting from inadequate or failed internal processes, systems, people, culture and/or from external factors.	Executive Risk Committee
Reputational risk	Reputational risk is the risk to earnings, liquidity or capital arising from negative market or public opinion.	Executive Risk Committee

In addition to the principal risk areas noted above, other key risk categories are defined, monitored, and reported against through governance, to provide the management body with a holistic view of the Group's risk profile. This includes underlying metrics for market risk, funding risk, tax risk, investment risk, outsourcing, and third-party risk. The Society has effective governance processes and controls in place to manage market risk, which covers: interest rate risk exposure and currency risk exposure of the Group against policy limits.

b) Information on the risk governance structure for each type of risk (Point (b) of Article 435(1) CRR)

Board
The Board's terms of reference clearly set out its responsibility for the overall stewardship of the Group within the context of the Group's 'principles of governance' which are:

- **Governing Body** - *The Society is headed by an effective Board which is responsible for the long-term success of the Group.*
  The Board formulates strategy and establishes the Society's risk appetite and balance sheet strategy. It is organised so as to have a proper understanding of, and competence to deal with, the current and emerging issues facing the business of the Group, exercising independent judgement, and effectively reviewing and challenging the performance of management.

- **Management and Oversight** - *The Society's management and oversight framework enables the Board to provide strategic guidance to, and effective oversight of, management throughout the Group.*
  The governance framework clarifies the respective roles and responsibilities of Directors and Senior Executives in order to facilitate Board and management accountability to the Group and its members. This ensures a balance of authority such that no single individual has unfettered powers. It has clear lines of sight into activities to enable challenge and oversight, allowing the Board to obtain assurance over performance, the integrity of reporting and effectiveness of control implementation.

- **Recognise and Manage Risk** - *The Board has a sound system of risk oversight, risk management and internal control supported by timely and transparent reporting.*
  This framework identifies, assesses, mitigates, and monitors risk on an ongoing basis. It informs management and the Board of material changes to the risk profile of the Group and facilitates challenge of the effectiveness of actions taken to mitigate risk. It is designed to be forward-looking in approach so as to reduce both the likelihood and the impact of known risks crystallising.

The Board has established a framework of authorities that maps out the structure of high-level delegation below Board level and specifies those issues which remain the responsibility of the Board. The Board also has a general duty to ensure that the Group operates within the Society's Rules, relevant laws, regulations, and guidance issued by relevant regulatory authorities and that proper accounting records and effective systems of internal control are established, maintained, and audited.

The Board has delegated certain matters to its committees in order that these can be considered in more detail. Further details on the specific responsibilities of the Board and the Executive Committees are summarised in this section and are set out in detail in the Directors' Report on Corporate Governance and in the Risk Management Report of the Group's Annual Report and Accounts 2023 on pages 58 to 85.

Board Audit Committee

The Board Audit Committee (BAC) is responsible for the monitoring and review of the financial reporting process, internal controls and risk management systems as well as the effectiveness of the Internal Audit and Compliance functions. It is also responsible for ensuring an independent and effective external audit process, which includes making recommendations to the Board on the appointment and removal of the external auditors. Further information regarding the BAC can be found in the Board Audit Committee Report of the Group's Annual Report and Accounts 2023 on pages 70 to 75.

Board Remuneration Committee

The Board Remuneration Committee ensures that clear remuneration principles for the Society and its subsidiaries are set and agreed annually. Further information on the Board Remuneration Committee's responsibilities can be found in the Group's Annual Report and Accounts 2023 on pages 86 to 101 and in section 19.1 of this document.

Non-Executive Remuneration Committee

The Non-Executive Remuneration Committee sets and reviews the Non-Executive Director fees ensuring that these are appropriate to attract and retain high quality individuals.

Board Nominations Committee

The Board Nominations Committee, which comprises all of the Society's Non-Executive Directors and is chaired by the Society Chair, leads the process for Board appointments and succession planning. The Board Nominations Committee aims to ensure that the Board's committees are optimally resourced and are refreshed at appropriate intervals to avoid reliance on any one individual.

Board Change Committee

The Board Change Committee is responsible for providing guidance, challenge, and advice to the Board or senior management on the vision, strategy for change, and the implementation of change across the Group. On behalf of the Board, it oversees the alignment of the change programme with the technology and people strategies in order to be satisfied that the change programme supports the wider strategy of the Group and meets the needs of the business as these evolve.

Board Risk Committee

To enable appropriate focus on risk matters, the Board has delegated oversight of risk management to the BRC, although ultimate responsibility for risk management continues to reside with the Board which receives regular reporting to support its oversight of risk. The BRC is responsible for considering and recommending the Group's risk appetite, and capital adequacy and liquidity management policies to the Board. It is also responsible for ensuring that the Group maintains an effective risk governance structure to ensure that internal and external risks across the Group are identified, reviewed, mitigated, and reported on.

The BRC is supported by the Model Governance Committee (MGC), a formal forum for monitoring and managing model risk in the Group, which develops and maintains model build standards and reviews key models against these to ensure that the output from models can be relied on for decision making. MGC has oversight of model risk.

The ERC also supports the BRC, exercising oversight of the Group's management of risk and monitoring the key risks facing the Group, ensuring appropriate risk mitigation actions are being taken where required. ERC is responsible for oversight of the design and implementation of the Group's risk management framework including risk policies, the risk register, and risk and control systems. ERC acts as the senior risk decision-making body within the Group, subject to matters reserved for the BRC and the Board.

In accordance with the CRD regulations, the BRC's membership comprises only Non-Executive Directors. The responsibilities of the Committee are delegated by the Board and are set out in its written terms of reference, which are available on our website at www.skipton.co.uk/about-us/governance/board-committees.

Group Executive Committee

The Group Executive Committee (GEC) is responsible for ensuring that the Group meets its strategic and operational objectives as defined in the Corporate Plan. The GEC, comprising the Executive Directors and other senior Society executives, is chaired by the Group Chief Executive. It formulates the Group strategy for Board approval considering market dynamics, culture, values, consumer behaviours, options to differentiate, strategic risks and opportunities, and environmental/social/corporate governance (ESG). The GEC reviews and monitors the strategy and the Corporate Plans for each Group Business and assesses and monitors the strategic risks facing the Group.

As at 31 December 2023, the GEC was supported by five Executive Committees:

Board of Directors

Group Executive Committee

Executive Risk Committee

The Executive Risk Committee (ERC) exercises oversight of the Group's management of risk and monitors the key risks facing the Group, ensuring appropriate risk mitigation actions are being taken where required. ERC is responsible for oversight of the design and implementation of the Group's risk management framework including risk policies, the risk register, and risk and control systems. ERC acts as the senior risk decision-making body within the Group, subject to matters reserved for the BRC and Board.

- Conduct and Operational Risk Committee
- Resolvability Steering Group
- Stress Testing Committee
- Retail Credit Committee
- Operational Resilience

Asset and Liability Committee

The Asset and Liability Committee (ALCO) develops and maintains policies and structural risk management, capital risk (incl. MREL), liquidity, funding, and wholesale credit risk to ensure the prudential strength of the Group and monitors adherence to the policies to ensure the Group remains within risk appetite . ALCO has oversight of the liquidity risk and interest rate risk.

- Group Wholesale Credit Committee
- Liquidity Management Committee
- Capital Management Committee

Product Approval Committee

The Product Approval Committee (PAC) approve the launch and withdrawal of products and the setting of pricing for all products. They ensure that products approved are suitable for agreed target markets, deliver fair customer outcomes that comply with Consumer Duty, and are in line with potential conduct risks and the Society's risk appetite.

- Product Pricing Committee

Change prioritisation Committee

The Change Prioritisation Committee (CPC) is the sole committee accountable for governing change across the Society. The CPC provide strategic oversight of the change agenda and ensures there is appropriate input, governance, and oversight on all change projects including strategic change programmes. CPC ensures that risks inherent in the change programme are identified and monitored, and that mitigating steps are taken as appropriate. The CPC has oversight over the execution of changes (project, programme, portfolio), ensuring that they are conducted effectively and efficiently and governed through change lifecycle.

Executive People Committee

The Executive People Committee (EPC) is responsible for the oversight of people operations and development of people and culture at the Society which in turn ensures the delivery of the people elements of the strategy for the Society (the scope of the Committee is currently focussed on the Society). EPC agrees and monitors the key operational people metrics and insights to ensure confidence in continued operations and awareness of risk and supports associated mitigating actions.

Risk Management Framework

The Group has a formal structure for identifying and managing risks throughout the business. This framework is designed to deliver the Corporate Plan in line with the Board's overall risk appetite and is based upon the best practice 'three lines of defence' model which operates as follows:

- **First line of defence**, being colleagues within the business who, through the implementation of the organisation's risk framework, identify, assess, and manage risk.
- **Second line of defence**, comprising independent risk teams: Group Enterprise and Operational Risk, Model Risk Management, Credit Risk Oversight, Prudential Risk Oversight, Compliance, and Financial Crime. These functions challenge, monitor, guide and support the business in managing its risk exposure. The risk framework includes the sub-committees of the BRC and GEC described above which are responsible for recommending and monitoring the Group's adherence to policy. The independent risk functions are represented on each of these sub-committees. The BRC Chair is responsible for maintaining the independence of the second line of defence to ensure there are no obstacles to its independent challenge of first line operations. Structural changes have been implemented in Q4 2023 to further strengthen the independence of the second line of defence, including the movement of stress testing and asset and liability management activities from the second line to the first line. These changes will be further embedded throughout the coming year.
- **Third line of defence**, provided by Group Internal Audit, is designed to provide independent assurance to the Board (through the BAC) of the adequacy and effectiveness of control systems operating within the first and second lines in identifying and managing risk.

This risk management framework ensures that risks are effectively managed throughout the Group and that all risks are appropriately identified, assessed, mitigated, monitored, and reported consistently.

Risk Culture

The Group's approach to risk management is founded on robust corporate governance practices and a risk management culture designed to guide the activity and decision making of all management and employees. The Board promotes the risk management culture by overseeing the development of risk strategy, risk appetite, and supporting frameworks. The risk management strategy relates to both the Society and its subsidiary companies.

To support management in delivery of its strategic goals, the Board oversees a culture which:

- Implements an effective risk management framework ensuring the business understands the risks to which it is exposed and operates effective control systems to ensure they remain within appetite;
- Appropriately balances risk and reward ensuring that a proper understanding of the risks is provided to support informed decision making at all levels of the organisation;
- Ensures that we have colleagues who are appropriately skilled and highly engaged, who perform well and work together to create a great customer experience with the right outcomes, whilst recognising and rewarding behaviours which deliver business performance in a risk-controlled manner;
- Ensures that incentive plans are designed to promote good customer outcomes; and
- Has an embedded and effective Whistleblowing policy with supporting procedures.

The risk management process adopted by the Group is based on an end-to-end process for managing risks. It is forward-looking and comprises elements for identification, assessment, mitigation and reporting risk.

Employees at all levels are responsible for the management and escalation of risks and must be appropriately skilled to fulfil their responsibilities within the Group contributing to the risk awareness, values and behaviours that underpin a strong risk culture.

c) Declaration approved by the management body on the adequacy of the risk management arrangements (Point (e) of Article 435(1) CRR)

The Board, as the management body, monitors the Group's risk management and internal control systems and conducts an annual review of their effectiveness. Further enhancements are planned throughout the coming year to continue to develop and mature a Group Enterprise Risk Management Framework to further strengthen risk management across the Group. The Directors' Report on Corporate Governance and the Risk Management Report of the Group's Annual Report and Accounts 2023, pages 58 to 85, provide further detail on the Board's review of the framework of internal control and compliance with the UK Corporate Governance Code.

d) Scope and nature of risk disclosure and/or measurement systems (Point (c) of Article 435(1) CRR)

Through an established risk management framework and governance structure, the Group has a formal mechanism for identifying and managing risks throughout the business. Day-to-day operation of the business naturally exposes the Group to a range of potential risks. Monthly risk management reporting is in place, which includes monitoring against risk appetite, the current risk profile, emerging risks, and outputs from Group Internal Audit. This allows senior management to understand the overall position and take appropriate actions. Risks and risk events are recorded and managed on the Group risk management system.

e) Information on the main features of risk disclosure and measurement systems (Point (c) of Article 435(1) CRR)

The Executive Directors and senior management are responsible for the continuous operation of an effective risk management framework based on a robust system of internal control.

The Group has a number of central oversight and control functions, including Finance, Risk and Compliance, which establish and monitor the implementation of compliance and operational standards across the Group. Each of these functions is subject to periodic review by the Group Internal Audit function.

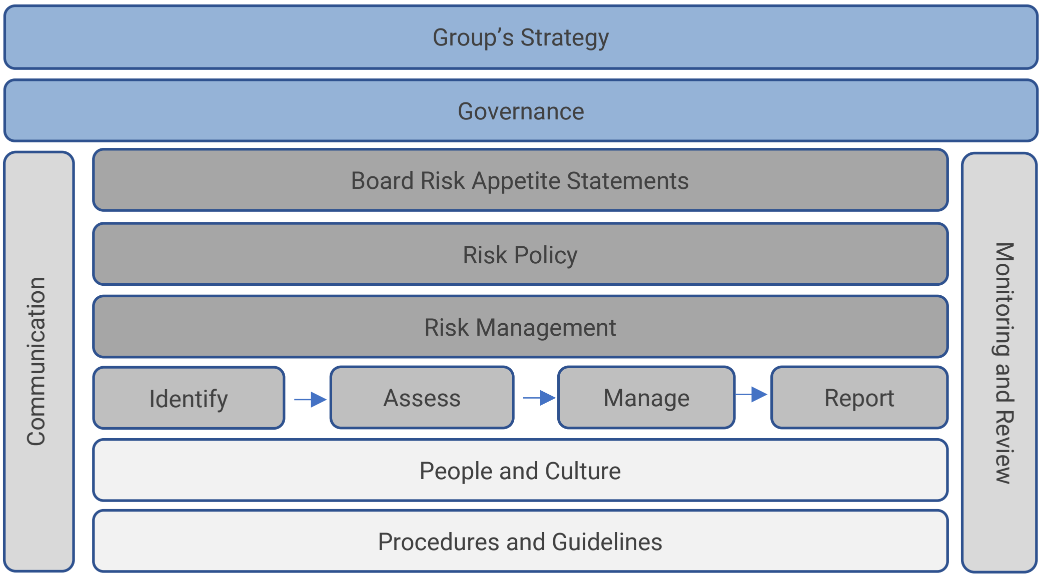
The Group Internal Audit function is responsible for independently reviewing and reporting on the adequacy and effectiveness of internal controls operated by management throughout the Group, thereby helping to evaluate and improve the effectiveness of risk management. Through its programme of work, approved by the BAC, the Group Internal Audit function is able to provide assurance on control effectiveness.

To ensure sufficient focus is devoted to risk oversight, the Group Chief Risk Officer role is a Senior Executive position and member of the GEC. ERC, BRC and Board receive regular reports from the Group Chief Risk Officer throughout the year. The Board is satisfied that it understands the risks confronting the business and that senior management are taking appropriate action to mitigate these.

f) Strategies and processes to manage risks for each separate category of risk (Point (a) of Article 435(1) CRR)

The Group's risk management framework sets out the strategies and processes and governance arrangements that ensure all principal risks facing the Group are identified and managed.

The Group's risk management strategy is to ensure robust risk management activities are in place which enable the Group to understand and mitigate its risks and in turn, support business strategy and the achievement of corporate objectives through informed decision making.



To support delivery of the Group's strategy, there is an established governance framework in place. The Board promotes the risk management culture by overseeing the development of risk strategy, risk appetite, and supporting frameworks. The risk culture aligns with risk appetite, awareness, proactive reporting, and willingness to challenge and learn.

- **Board Risk Appetite Statements**
  The Group's risk appetite statements articulates the amount and type of risk that the Board is willing to take, or avoid, in order to achieve its strategic objectives. The Board reviews and approves risk appetites and its capacity on an annual basis or more frequently in the event of changes to the risk environment.

- **Risk Policies**
  The risk policies detail how the risks are managed across the Group in line with risk appetites.

- **Risk Management**
  To enable an effective and forward-looking risk management process, risks are identified, assessed, mitigated, and reported in a timely and accurate manner, in line with approved policies, processes and procedures. This framework is designed to deliver the Corporate Plan in line with the Board's overall risk appetites and is based upon the best practice 'three lines of defence' model, set out in section b) above.

Procedures and Guidelines
The Group has control procedures and guidelines in place to ensure relevant controls are performed and managed on a day-to-day basis.

Communication, Monitoring and Review
Key and emerging risks are reported to the Board and its supporting committees, which are set out in point b) above on a regular basis. The external environment continues to experience rapid change and the Group continues to monitor material risks to business plans.

Stress Testing
Stress testing is an integral part of the risk management process used to assess the vulnerability of financial institutions and identify risks under adverse macroeconomic and idiosyncratic scenarios. The Group undertakes a range of stress testing activities as follows:

- *Internal Liquidity Adequacy Assessment Process (ILAAP)*
  Management complete, on at least an annual basis, an ILAAP outlining the liquidity and funding risks to which the Group is exposed and therefore the level of liquidity that it requires both in a business-as-usual scenario and under stressed conditions throughout the corporate planning period.
- *Internal Capital Adequacy Assessment Process (ICAAP)*
  Management complete, on at least an annual basis, an ICAAP to assess current and projected capital requirements to support the current risks in the business and future risks arising from the Corporate Plan. The ICAAP addresses all the Group's material risks and includes Board-approved stress scenarios which are intended, as a minimum, to meet regulatory requirements.
- *Recovery Plan*
  In line with regulatory requirements, management maintain a Recovery Plan detailing the steps it would take to manage a severe stress scenario.
- *Climate Change Risk Stress and Scenario Testing*
  Stress testing is performed focusing on the financial risks associated with climate change and the consideration of how different climate-related scenarios can impact on the Skipton Group business model.
- *Interest Rate Risk in the Banking Book (IRRBB)*
  A series of regulatory and internally defined measures and stress tests are used to measure, monitor, and manage the impact of IRRBB.
- *Reverse Stress Testing*
  Reverse stress tests identify scenarios which could cause the business to fail, i.e., reach the point of non-viability, and therefore inform the setting of business strategy, and the Board's risk appetites and trigger points. The reverse stress scenarios also inform which actions need to be undertaken now to minimise the impact of the scenarios which severely and adversely impact the Group.

A dedicated first line team is in place which manages and reports on Group stress testing, with oversight provided by the second line function.

g) Information on the strategies and processes to manage, hedge and mitigate risks (Point (a) and (d) of Article 435(1) CRR)

The Group has a comprehensive risk management framework to ensure it remains focused on identifying, measuring, mitigating, and controlling risks. In addition to the specific risks mentioned above, the Society and its subsidiaries have maintained focus on the full range of risks faced.

The table below provides an overview of the risk framework in place to mitigate risks.

<table>
<tr><th colspan="6">Mitigating Risks</th></tr>
<tr><th colspan="2">Operational Mitigations</th><th colspan="2">Financial Mitigations</th><th colspan="2">Structural Mitigations</th></tr>
<tr><th>Risk Management and Controls</th><th>Governance</th><th>Liquidity</th><th>Capital</th><th>Recovery</th><th>Resolution</th></tr>
<tr><td colspan="2">The Group has a formal risk management structure for identifying and managing risks throughout the business.

The day-to-day responsibility for risk management oversight is detailed above.</td><td colspan="2">A key objective of the Group is to maintain strong capital and liquidity levels. These measures are monitored on an ongoing basis to ensure that the quality and quantity of liquidity and capital is maintained within the Board risk appetite. As a result, minimum regulatory requirements are met, and that the Group has sufficient levels of capital and liquidity for current and projected future activities, as well as potential stress scenarios.</td><td colspan="2">The Recovery and Resolution Planning forms an integral part of the Group's framework for risk management and response which includes early warning indicators, alert levels, and risk appetites.</td></tr>
<tr><td colspan="6">The Board has set overarching risk appetites which set out the parameters within which the business operates in a business-as-usual and stress scenario. Holistic processes are in place to mitigate the risks that the Group are exposed to. This includes:
• Stress testing;
• Horizon scanning and monitoring of external events;
• Corporate planning;
• Defined and embedded policies, frameworks, and procedures;
• Defined risk appetite statements, with indicators to monitor effectiveness and performance; and
• Regular reporting to senior management on the risk profile and performance against appetite.</td></tr>
</table>

Hedging

The Group uses derivative financial instruments to hedge its exposure to market risks (for example, interest rate risk) arising from operational, financing and investment activities. In accordance with its Treasury Policy and the Building Societies Act 1986, the Group does not hold or issue derivative financial instruments for trading purposes.

The Group uses a range of approaches to mitigate and hedge risk that vary depending on the risk type. Further detail can be found on sections 8 (liquidity risk), 9 (credit risk), 14 (counterparty credit risk), 16 (market risk) and 18 (operational risk).

3.2 UK OVB – Governance arrangements

The number of directorships held by members of the Board as at 31 December 2023 is listed in the table below and have been counted in line with Article 91(3) and (4) of CRD V. Accordingly, multiple directorships held in companies within the same group have been grouped together and counted as one directorship, whilst directorships held in companies that do not pursue a commercial objective have not been included in the data.

a) The number of directorships held by members of the management body (Point (a) of Article 435(2) CRR)

Name and position held	Directorships	Type of Directorship	Number of directorships pursuant to Article 91(3) and (4) of Directive (EU) 2013/361 (CRD)	Total Directorships held
G Burr Non-Executive Director Chairman	Skipton Building Society [1] Skipton Group Holdings Limited [1] Ingleby Farms & Forests Metro AG	Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	3	4
S A Haire Group Chief Executive	Skipton Building Society [1] Skipton Group Holdings Limited [1]	Executive Director Executive Director	1	2
A P Bottomley Chief Executive Officer - Money	Skipton Building Society [1] Skipton Financial Services Limited [1] Skipton Trustees Limited [1] Skipton Group Holdings Limited [1] Bailey Computer Services [1] The New Homes Group Limited [1]	Executive Director Executive Director Executive Director Executive Director Executive Director Executive Director	1	6
I A Cummings Non-Executive Director	Skipton Building Society [1] Skipton Group Holdings Limited [1] Rathbone Group Plc [2] Rathbone Investment Management Limited [2] Investec Wealth and investment Limited	Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	3	5
S Davies Non-Executive Director	Skipton Building Society [1] Skipton Group Holdings Limited [1]	Non-Executive Director Non-Executive Director	1	2
D A Hall Non-Executive Director	Skipton Building Society [1] Skipton Group Holdings Limited [1] Aareal Bank AG Auxmoney Europe Holding Limited Moneta Money Bank	Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	4	5
H L Jackson Non-Executive Director	Skipton Building Society [1] Skipton Group Holdings Limited [1] Ikano Bank AB Rothesay Life PLC [2] Rothesay Limited [2] Admiral Long Foundation [3] Yorkshire Cancer Research [3]	Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Trustee	3	7
M J Lund Non-Executive Director	Skipton Building Society [1] Skipton Group Holdings Limited [1] Connells Limited [1] Coutts & Company	Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	2	4

Name and position held	Directorships	Type of Directorship	Number of directorships pursuant to Article 91(3) and (4) of Directive (EU) 2013/361 (CRD)	Total Directorships held
P W Moore	Skipton Building Society [1]	Non-Executive Director		
Non-Executive Director	Skipton Group Holdings Limited [1]	Non-Executive Director		
	Connells Ltd [1]	Non-Executive Director		
	Wesleyan Assurance Society	Non-Executive Director		
	Bank of Ireland (UK) PLC	Non-Executive Director	3	9
	St Mungo Community Housing Association [3]	Non-Executive Director		
	St Mungo's [3]	Trustee		
	Hart Learning Group [3]	Non-Executive Director		
	North Hertfordshire College [3]	Governor		
R S D M Ndawula	Skipton Building Society [1]	Executive Director		
Group Chief Financial Officer	Skipton Financial Services Limited [1]	Executive Director		
	Skipton International Limited [1]	Executive Director		
	Skipton Group Holdings Limited [1]	Executive Director		
	Skipton Investments Limited [1]	Executive Director	1	9
	Skipton Mortgage Corporation Limited [1]	Executive Director		
	Skipton Mortgages Limited [1]	Executive Director		
	Connells Limited [1]	Executive Director		
	Yorkshire Cancer Research [3]	Trustee		
S J Whitney [4]	Skipton Building Society [1]	Non-Executive Director		
Non-Executive Director	Connells Limited [1]	Non-Executive Director		
	Skipton Group Holdings Limited [1]	Non-Executive Director		
	Bellway PLC	Non-Executive Director		
	Tritax Eurobox PLC	Non-Executive Director		
	JP Morgan Global Growth & Income PLC	Non-Executive Director	6	9
	BBGI Global Infrastructure SA	Non-Executive Director		
	Whitney Consulting Limited	Non-Executive Director		
	University College London [3]	Non-Executive Director		

Notes

1. Companies within Skipton Group.
2. Companies within the same Group but not part of Skipton Group.
3. Entity does not pursue a commercial objective, therefore not included in a number of directorships pursuant to Article 91(5).
4. S J Whitney resigned as a non-executive director of Skipton Building Society, Connells Limited and Skipton Group Holdings Limited with effect from 29 February 2024.

b) Information regarding the recruitment policy for the selection of members of the management body (Point (b) of Article 435(2) CRR)

The Board Nominations Committee (NomCo), which comprises all of the Society's non-executive directors, leads the process for Board and executive appointments and succession planning.

NomCo has succession planning as a key area of focus and conducts an annual review of the structure, size and composition of the Board to ensure it contains the required balance of skills, knowledge and experience relevant to the activities of the Group. This review assesses what is required both in the short- and long-term to deliver the Group's strategy in light of its priorities and changing customer behaviours. The next formal review will be undertaken by NomCo by the end of Q1 2024, following receipt of the external Board evaluation undertaken by Clare Chalmers Ltd in late 2023.

Appointments to the Board, its committees and to the Group Executive Committee are made by the Board on the recommendation of NomCo, in consultation with relevant committees' Chairs, where appropriate. All appointments are made on merit. In making appointments, the Board considers all aspects of diversity, including age, experience and gender when reviewing the composition of the Board, its committees and the Group Executive.

Our Board Composition Policy is available on the Society's website at skipton.co.uk/about-us/governance/board-composition-policy.

Details of the Society's directors are set out in The Board of Directors report on pages 48 to 53 in the Group's Annual Report and Accounts 2023.

c) Information on the diversity policy with regard of the members of the management body (Point (c) of Article 435(2) CRR)

Ensuring diversity in the Society is about building a culture in which the whole organisation works together and in which difference is valued.

Achieving a diversity and balance of skills, independence and experience shall be the key determinant of any new appointment to the Board where selection of the most suitable candidate will be paramount.

No candidate for Board membership shall be discriminated against on grounds of gender, marital status, race, ethnic origin, colour, nationality, disability, sexual orientation, religion, age, social circumstances or any other factor.

The Davies Report recommends that at least 33% of the composition of boards will be female. At 31 December 2023, three members (27%) of the Board were female. Improving this ratio and harnessing the benefits of diversity will be a key consideration in all new recruitment to the Board. The Society is a signatory to the Women in Finance Charter, which underlines the Board's commitment to gender equality.

More detailed reporting on diversity and pay by gender within the Society is available on our website skipton.co.uk.

d) Information whether or not the Group has set up a separate risk committee and the frequency of the meetings (Point (d) of Article 435(2) CRR)

The Society has an established Board Risk Committee which held 9 scheduled meetings during 2023.

e) Description on the information flow on risk to the management body (Point (e) of Article 435(2) CRR)

To enable appropriate focus on risk matters, the Board has delegated oversight of risk management to the Board Risk Committee, although ultimate responsibility for risk management continues to reside with the Board which receives regular reporting to support its oversight of risk.

The Board Risk Committee is supported by an Executive Risk Committee which is chaired by the Group Chief Risk Officer. This is the primary executive body which meets regularly to oversee and monitor the key risks across the Group.

The principal risks and uncertainties are those that are inherent to the Group's business model and strategy, as well as the economic environment within which the Group operates. These risks are identified by the Group Chief Risk Officer, discussed at the Executive and Board Risk Committees, and then presented to the Board for further consideration and agreement, as appropriate.

The Risk Committees are also alive to the need to be alert to new, emerging risks and new, emerging regulations or corporate governance standards. These are considered at each meeting of the Committee and by the Group Chief Risk Officer on a day-to-day basis and in his regular report to the Committee. A watching brief is then maintained, as appropriate, by both first and second line teams to determine whether the key risk profiles of any Group business need to be updated to incorporate the potential new risks. Our reporting process is designed to provide the Board Risk Committee with continuous assessment of the risk environment across the Group and allow it to challenge management on its mitigation plans in a timely manner.

4 Scope of application

The template below provides an overview of the differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories as at 31 December 2023.

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

31 December 2023		a	b	c	d	e	f	g
				Carrying values of items				
	Breakdown by asset class according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		£m	£m	£m	£m	£m	£m	£m
1	Cash in hand and balances with the Bank of England	3,266.2	3,266.2	3,266.2	-	-	-	-
2	Loans and advances to credit institutions	488.8	444.8	444.8	-	-	-	-
3	Debt securities	3,337.7	3,337.7	2,929.5	-	408.2	-	-
4	Derivative financial instruments	1,000.8	1,000.8	-	1,000.8	-	-	-
5	Loans and advances to customers held at amortised cost	28,161.4	28,180.6	28,180.6	-	-	-	-
6	Loans and advances to customers held at FVTPL	0.9	0.9	0.9	-	-	-	-
7	Equity release portfolio held at FVTPL	293.3	293.3	293.3	-	-	-	-
8	Current tax asset	0.9	-	-	-	-	-	-
9	Investments in Group undertakings	-	209.4	209.4	-	-	-	-
10	Investments in joint ventures	10.3	-	-	-	-	-	-
11	Property, plant and equipment	74.5	39.8	39.8	-	-	-	-
12	Right-of-use assets	100.9	13.3	13.3	-	-	-	-
13	Intangible assets	313.2	6.9	-	-	-	-	6.9
14	Deferred tax asset	20.9	8.6	8.6	-	-	-	-
15	Other assets	152.1	25.4	25.4	-	-	-	-
16	Total assets	37,221.9	36,827.7	35,411.8	1,000.8	408.2	-	6.9

Note

1. Differences are explained in section 4.4 (a).

UK LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories *(continued)*

31 December 2023		a	b	c	d	e	f	g
				Carrying values of items				
	Breakdown by liability class according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		£m	£m	£m	£m	£m	£m	£m
1	Shares	25,949.8	25,949.8	-	-	-	-	25,949.8
2	Amounts owed to credit institutions	2,093.4	2,093.4	-	-	-	-	2,093.4
3	Amounts owed to other customers	2,808.8	2,860.9	-	-	-	-	2,860.9
4	Debt securities in issue	2,414.7	2,414.7	-	-	-	-	2,414.7
5	Derivative financial instruments	452.2	452.2	-	452.2	-	-	-
6	Current tax liability	2.4	3.0	-	-	-	-	3.0
7	Lease liabilities	103.0	13.8	-	-	-	-	13.8
8	Other liabilities	85.9	24.4	-	-	-	-	24.4
9	Accruals	97.5	35.2	-	-	-	-	35.2
10	Deferred income	10.4	0.7	-	-	-	-	0.7
11	Provisions for liabilities	29.4	0.7	-	-	-	-	0.7
12	Deferred tax liability	-	-	-	-	-	-	-
13	Retirement benefit obligations	26.2	15.9	-	-	-	-	15.9
14	Subordinated liabilities	685.3	685.3	-	-	-	-	685.3
15	Subscribed capital	41.6	41.6	-	-	-	-	41.6
16	**Total liabilities**	34,800.6	34,591.6	-	452.2	-	-	34,139.4

Note

1. Differences are explained in section 4.4 (a)

UK LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories *(continued)*

31 December 2022		a	b	c	d	e	f	g
				Carrying values of items				
	Breakdown by asset class according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
		£m	£m	£m	£m	£m	£m	£m
1	Cash in hand and balances with the Bank of England	3,520.5	3,520.5	3,520.5	-	-	-	-
2	Loans and advances to credit institutions	631.9	563.6	563.6	-	-	-	-
3	Debt securities	2,640.3	2,640.3	2,314.9	-	325.4	-	-
4	Derivative financial instruments	1,355.1	1,355.1	-	1,355.1	-	-	-
5	Loans and advances to customers held at amortised cost	24,452.3	24,468.6	24,468.6	-	-	-	-
6	Loans and advances to customers held at FVTPL	1.0	1.0	1.0	-	-	-	-
7	Equity release portfolio held at FVTPL	278.7	278.7	278.7	-	-	-	-
8	Current tax asset	18.3	12.7	12.7	-	-	-	-
9	Investments in Group undertakings	-	213.4	213.4	-	-	-	-
10	Investments in joint ventures	10.1	-	-	-	-	-	-
11	Equity share investments mandatorily held at FVTPL	1.2	-	-	-	-	-	-
12	Property, plant and equipment	71.8	38.6	38.6	-	-	-	-
13	Right-of-use assets	106.7	13.3	13.3	-	-	-	-
14	Intangible assets	323.4	7.0	-	-	-	-	7.0
15	Deferred tax asset	13.1	-	-	-	-	-	-
16	Other assets	146.9	23.8	23.8	-	-	-	-
17	Total assets	33,571.3	33,136.6	31,449.1	1,355.1	325.4	-	7.0

UK LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

31 December 2022	a	b	c	d	e	f	g
			Carrying values of items				
Breakdown by liability class according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	£m	£m	£m	£m	£m	£m	£m
1 Shares	22,349.6	22,349.6	-	-	-	-	22,349.6
2 Amounts owed to credit institutions	2,963.3	2,963.3	-	-	-	-	2,963.3
3 Amounts owed to other customers	2,339.2	2,382.3	-	-	-	-	2,382.3
4 Debt securities in issue	2,591.6	2,591.6	-	-	-	-	2,591.6
5 Derivative financial instruments	415.6	415.6	-	415.6	-	-	-
6 Current tax liability	1.5	1.5	-	-	-	-	1.5
7 Lease liabilities	113.0	13.6	-	-	-	-	13.6
8 Other liabilities	83.7	18.3	-	-	-	-	18.3
9 Accruals	93.1	25.7	-	-	-	-	25.7
10 Deferred income	9.9	1.2	-	-	-	-	1.2
11 Provisions for liabilities	34.7	0.9	-	-	-	-	0.9
12 Deferred tax liability	-	0.7	-	-	-	-	0.7
13 Retirement benefit obligations	29.6	16.9	-	-	-	-	16.9
14 Subordinated liabilities	311.8	311.8	-	-	-	-	311.8
15 Subscribed capital	41.6	41.6	-	-	-	-	41.6
16 Total liabilities	31,378.2	31,134.6	-	415.6	-	-	30,719.0

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

The template below provides an overview of the main sources of differences between regulatory exposure amounts and carrying values in the financial statement categories as at 31 December 2023.

31 December 2023		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
		£m	£m	£m	£m	£m
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	36,820.8	35,411.8	408.2	1,000.8	-
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	452.2	-	-	452.2	-
3	Total net amount under the regulatory scope of consolidation	36,368.6	35,411.8	408.2	548.6	-
4	Off-balance-sheet amounts	2,205.5	2,205.5	-	-	
5	*Differences in valuations*	(3.7)	(3.2)	(0.4)	(0.1)	
6	*Differences due to different netting rules, other than those already included in row 2*	(78.4)	-	-	(78.4)	
7	*Differences due to consideration of provisions*	27.7	27.7	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(1.3)	(1.3)	-	-	
9	*Differences due to credit conversion factors*	(462.3)	(462.3)	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	429.4	352.9	-	76.5	
12	Exposure amounts considered for regulatory purposes	38,485.5	37,531.1	407.8	546.6	-

Note: Differences are explained in section 4.4 (b)

UK LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements (continued)

31 December 2022		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
		£m	£m	£m	£m	£m
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	33,129.6	31,449.1	325.4	1,355.1	-
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	415.6	-	-	415.6	-
3	Total net amount under the regulatory scope of consolidation	32,714.0	31,449.1	325.4	939.5	-
4	Off-balance-sheet amounts	2,024.5	2,024.5			
5	*Differences in valuations*	(3.1)	(2.6)	(0.3)	(0.2)	
6	*Differences due to different netting rules, other than those already included in row 2*	(368.0)	-	-	(368.0)	
7	*Differences due to consideration of provisions*	31.5	31.5	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(1.8)	(1.8)	-	-	
9	*Differences due to credit conversion factors*	(303.7)	(303.7)	-	-	
10	*Differences due to Securitisation with risk transfer*	-		-	-	
11	*Other differences*	1,061.2	970.4	-	90.8	
12	Exposure amounts considered for regulatory purposes	35,154.6	34,167.4	325.1	662.1	-

4.3 UK LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

The template below provides an outline of the differences in the scope of consolidation by entity as at 31 December 2023.

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Amber Homeloans Ltd (Amber)	Full consolidation	X					Former lending body
Bailey Computer Services Limited	Full consolidation	X					Dormant company
Connells Limited	Full consolidation				X		Estate agency and related businesses
Darrowby No. 5 plc	Full consolidation	X					Funding vehicle
Jade Software Corporation Ltd	Full consolidation				X		Provider of software development services
North West Investments (NZ) Ltd	Full consolidation				X		Provider of software development services
North Yorkshire Mortgages Ltd (NYM)	Full consolidation	X					Former lending body
Skipton Business Finance Ltd (SBF)	Full consolidation	X					Provider of debt factoring services
Skipton Building Society	Full consolidation	X					Credit Institution
Skipton Covered Bonds LLP	Full consolidation	X					Mortgage acquisition and guarantor of covered bonds
Skipton Financial Services Ltd	Full consolidation	X					Financial adviser
Skipton Group Holdings Ltd (SGHL)	Full consolidation	X					Intermediate holding company
Skipton International Ltd (SIL)	Full consolidation	X					Offshore deposit taker and lender
Skipton Investments Ltd	Full consolidation	X					Intermediate holding company
Skipton Mortgage Corporation Ltd	Full consolidation	X					Dormant company
Skipton Mortgages Ltd	Full consolidation	X					Dormant company
Skipton Trustees Ltd	Full consolidation				X		Provider of will writing services

SIL is based on Guernsey and is regulated by the Guernsey Financial Services Commission (GFSC).

4.4 UK LIA – Explanations of differences between accounting and regulatory exposure amounts

a) Differences between columns (a) and (b) in template UK LI1 (Article 436(b) CRR)

The following entities are included in the accounting group but are specifically excluded from the Group prudential consolidation:

- Connells Limited and subsidiary undertakings;
- Skipton Trustees Limited;
- Jade Software Corporation Limited and subsidiary undertakings; and
- Northwest Investments NZ Limited.

The above entities are neither consolidated nor deducted from own funds; instead capital is held for the associated cost of investment in accordance with Article 89 of the UK CRR.

b) Information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template UK LI2 (Article 436(b) CRR)

The balances within the Group's Annual Report and Accounts 2023 are prepared in line with IFRS, whilst the balances within the Pillar 3 disclosures are prepared in line with CRD V. This results in some differences between the two documents.

The amounts considered for regulatory purposes shown in template UK LI2 differ to the accounting carrying values under the regulatory scope of consolidation for the following key reasons:

- Off-balance sheet amounts are included in line with Article 111 of the UK CRR, as shown in row 4 of UK LI2. These relate primarily to credit commitments for mortgages not yet drawn down and are reduced by applicable credit conversion factors as shown in row 9;
- Certain corporate exposures such as derivative transactions are shown as gross in the financial statements but are subject to collateral netting agreements for regulatory purposes shown in row 6;
- Exposures for retail mortgages measured under the IRB approach are not adjusted for accounting loan impairment in accordance with Article 166 of the UK CRR. The accounting loan impairment is added back in row 7 and is included in the calculation of the regulatory exposure; and
- Other differences shown in row 11 are specific regulatory capital adjustments relating to the alignment of balance sheet exposures to the regulatory exposures. These adjustments are related to the loss attributable to effective hedge accounting on residential mortgages and the potential future credit exposure add-ons for derivative financial instruments under SA-CCR and IFRS 9 transitional arrangements.

4.5 UK LIB – Other qualitative information on the scope of application

a) Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group (Article 436(f) CRR)

In order to ensure the greatest degree of flexibility in the allocation of capital, the Board aims to retain the optimal level of capital in the Group. This general principle is subject to a number of regulatory, taxation and commercial considerations which are taken into account before decisions regarding dividend payments from Group entities are finalised. The Board considers that there are no current or foreseeable material, practical or legal impediments to the prompt repayment of liabilities between the Society's subsidiary undertakings within the Group. Prior consent is required from the GFSC before any capital can be repatriated or dividends paid by SIL to the Society as the parent entity.

b) Subsidiaries not included in the consolidation with own funds less than required (Article 436(g) CRR)

No subsidiaries subject to prudential requirements have been excluded from the consolidation.

c) Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR (Article 436(h) CRR)

Article 7 of the UK CRR allows for the waiver of the application of Article 6(1) to any subsidiary of an institution, where both the subsidiary and the institution are subject to authorisation and supervision, and Article 9 of the UK CRR allows the regulator to permit parent institutions to incorporate subsidiaries which meet certain conditions in the calculation of their requirement under Article 6(1). The Group complies with the obligations set out in Article 6 of the UK CRR on an individual basis which comprises the Society only, and does not use the derogation referred to in Article 7 or the individual consolidation method in Article 9.

d) Aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation (Article 436(g) CRR)

No subsidiaries subject to prudential requirements have been excluded from the consolidation.

4.6 UK PV1 – Prudent valuation adjustments (PVA)

Template UK PV1 has not been presented as it is only applicable to those institutions applying the Core approach for the determination of the additional valuation adjustment (AVA) for prudent valuation.

The Group utilises the Simplified approach which permits the PVA being calculated as 0.1% of the sum of the absolute value of fair-valued assets and liabilities.

5 Own funds

Own funds are ultimately held for the protection of depositors and other creditors by providing a buffer against unexpected losses. During 2023, the Group satisfied all of the current capital requirements under UK CRR.

The templates in this section show the composition of regulatory capital and how the values reconcile from the Group balance sheet to the Group's regulatory capital position as at 31 December 2023. Column 'b' below contains references to column 'c' in template UK CC2. Any blank cells have been removed.

5.1 UK CC1 – Composition of regulatory own funds

		a Amounts 31 Dec 23 £m	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	a Amounts 30 Jun 23 £m
Common Equity Tier 1 (CET1) capital: instruments and reserves				
2	*Retained earnings*	1,990.4	(d) [1]	1,990.4
3	*Accumulated other comprehensive income (and other reserves)*	(11.0)	(e) + (f) + (h) + (i) + (j)	20.5
UK-5a	*Independently reviewed interim profits net of any foreseeable charge or dividend*	256.7	(g) [1]	117.7
6	***Common Equity Tier 1 (CET1) capital before regulatory adjustments***	2,236.1		2,128.6
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	*Additional value adjustments (negative amount)*	(3.7)		(3.4)
8	*Intangible assets (net of related tax liability) (negative amount)*	(6.3)	(a) + (b)	(6.4)
11	*Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value*	(4.9)	(i)	(42.8)
12	*Negative amounts resulting from the calculation of expected loss amounts*	(27.1)		(9.1)
27a	*Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)*	1.1		1.8
28	***Total regulatory adjustments to Common Equity Tier 1 (CET1)***	(40.9)		(59.9)
29	***Common Equity Tier 1 (CET1) capital***	2,195.2		2,068.7
Additional Tier 1 (AT1) capital: instruments				
43	***Total regulatory adjustments to Additional Tier 1 (AT1) capital***	-		-
44	***Additional Tier 1 (AT1) capital***	-		-
45	***Tier 1 capital (T1 = CET1 + AT1)***	2,195.2		2,068.7
Tier 2 (T2) capital: instruments				
46	*Capital instruments and the related share premium accounts*	40.0	(c) [2]	40.0
51	***Tier 2 (T2) capital before regulatory adjustments***	40.0		40.0
Tier 2 (T2) capital: regulatory adjustments				
58	***Tier 2 (T2) capital***	40.0		40.0
59	***Total capital (TC = T1 + T2)***	2,235.2		2,108.7
60	***Total Risk exposure amount***	8,343.3		7,852.6

		a Amounts 31 Dec 23 £m	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	a Amounts 30 Jun 23 £m
Capital ratios and buffers				
61	*Common Equity Tier 1 (as a percentage of total risk exposure amount) (%)*	**26.31**		26.34
62	*Tier 1 (as a percentage of total risk exposure amount)(%)*	**26.31**		26.34
63	*Total capital (as a percentage of total risk exposure amount)(%)*	**26.79**		26.85
64	*Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount) (%)*	**9.97**		9.09
65	*of which: capital conservation buffer requirement (%)*	**2.50**		2.50
66	*of which: countercyclical buffer requirement (%)*	**1.81**		0.92
67	*of which: systemic risk buffer requirement (%)*	**-**		-
68	*Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (%)*	**16.74**		16.77
Amounts below the thresholds for deduction (before risk weighting)				
73	*Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)*	**-**		-
Applicable caps on the inclusion of provisions in Tier 2				
77	*Cap on inclusion of credit risk adjustments in T2 under standardised approach*	**18.7**		18.1
79	*Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach*	**36.3**		34.5

Notes

1. Retained earnings include the general reserve, excluding amounts defined as other comprehensive income and independently reviewed interim profits which are included in row 3 and row UK-5a respectively.
2. Comprises Permanent Interest Bearing Shares (PIBS) eligible as Tier 2 capital.

5.2 UK CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statement

31 December 2023		a Balance sheet as in published financial statements £m	b Under regulatory scope of consolidation £m	c Reference
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*				
1	Cash in hand and balances with the Bank of England	3,266.2	3,266.2	
2	Loans and advances to credit institutions	488.8	444.8	
3	Debt securities	3,337.7	3,337.7	
4	Derivative financial instruments	1,000.8	1,000.8	
5	Loans and advances to customers held at amortised cost	28,161.4	28,180.6	
6	Loans and advances to customers held at FVTPL	0.9	0.9	
7	Equity release portfolio at FVTPL	293.3	293.3	
8	Current tax assets	0.9	-	
9	Investments in Group undertakings	-	209.4	
10	Investments in joint ventures	10.3	-	
11	Property, plant and equipment	74.5	39.8	
12	Right-of-use assets	100.9	13.3	
13	Intangible assets	313.2	6.9	(a)
14	Deferred tax assets	20.9	8.6	
	of which: Deferred tax assets	*38.2*	*9.2*	
	of which: Intangible assets	*(17.3)*	*(0.6)*	(b)
15	Other assets	152.1	25.4	
16	Total assets	37,221.9	36,827.7	
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*				
1	Shares	25,949.8	25,949.8	
2	Amounts owed to credit institutions	2,093.4	2,093.4	
3	Amounts owed to other customers	2,808.8	2,860.9	
4	Debt securities in issue	2,414.7	2,414.7	
5	Derivative financial instruments	452.2	452.2	
6	Current tax liability	2.4	3.0	
7	Lease liabilities	103.0	13.8	
8	Other liabilities	85.9	24.5	
9	Accruals	97.5	35.1	
10	Deferred income	10.4	0.7	
11	Provisions for liabilities	29.4	0.7	
13	Retirement benefit obligations	26.2	15.9	
14	Subordinated liabilities	685.3	685.3	
15	Subscribed capital	41.6	41.6	
	of which: Permanent interest bearing shares	*40.0*	*40.0*	(c)
	of which: Accrued Interest - Subscribed capital	*1.6*	*1.6*	
16	Total liabilities	34,800.6	34,591.6	
Members' interests				
1	General reserve	2,422.0	2,241.2	
	of which: General reserve brought forward	2,176.4	1,990.4	(d)
	of which: General reserve acquisition of non-controlling interests without change in control	(5.8)	(5.8)	(e)
	of which: remeasurement gains on defined benefit obligation	(4.5)	(0.2)	(f)
	of which: Tax	1.1	0.1	
	of which: Profits accrued in the year to date	254.8	256.7	(g)
2	Fair value reserve	(9.5)	(9.5)	(h)
3	Cash flow hedging reserve	4.9	4.9	(i)
4	Cost of hedging reserve	(0.5)	(0.5)	(j)
5	Translation reserve	4.6	-	
6	Attributable to members of Skipton Building Society	2,421.5	2,236.1	
7	Non-controlling interests	*(0.2)*	-	
8	Total members' interests	2,421.3	2,236.1	
9	Total liabilities and members' interests	37,221.9	36,827.7	

5.3 UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments

The template below sets out the capital instruments currently in issue by the Group with key details of these capital instruments as at 31 December 2023.

		a Qualitative or quantitative information	a Qualitative or quantitative information
1	Issuer	Skipton Building Society	Skipton Building Society[1]
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GB0008194119	GB0004440623
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 up to headroom	Additional Tier 1 up to headroom
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	PIBS	PIBS
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	£25,000,000	£15,000,000
9	Nominal amount of instrument	£25,000,000	£15,000,000
UK-9a	Issue price	100.476	100.000
UK-9b	Redemption price	100.000	100.000
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	5 March 1992	26 April 2000
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	No Issuer Call	No Issuer Call
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	12.875%	8.500%
19	Existence of a dividend stopper	Yes[2]	Yes[2]
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	Non-contractual, statutory via bail-in	Non-contractual, statutory via bail-in
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	Contractual	Contractual
UK-34b	Ranking of the instrument in normal insolvency proceedings	Tier 2	Tier 2
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Non-Preferred	Senior Non-Preferred
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Web link	Web link

Notes

1. In April 2000, the Scarborough Building Society issued £15.0m of PIBS, comprising 6,000 individual shares and each one had a nominal value of £2,500. These were assumed by the Society in 2009 following the merger with Scarborough Building Society.
2. These are not typical dividend stoppers since, if the Society has cancelled a payment on a more senior ranking instrument (i.e. a deposit or share investment other than a deferred share investment), it cannot pay on any of these PIBS.

UK CCA – Main features of regulatory own funds instruments and eligible liabilities instruments *(continued)*

		a Qualitative or quantitative information	a Qualitative or quantitative information
1	Issuer	Skipton Building Society	Skipton Building Society
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS2239766624	XS2600822998
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	English	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes
	Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	N/A	N/A
5	Post-transitional CRR rules	N/A	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Senior Non-Preferred	Senior Non-Preferred
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	£350,000,000	£350,000,000
9	Nominal amount of instrument	£350,000,000	£350,000,000
UK-9a	Issue price	99.872	99.607
UK-9b	Redemption price	100.000	100.000
10	Accounting classification	Liability - amortised cost	Liability – amortised cost
11	Original date of issuance	2 October 2020	25 April 2023
12	Perpetual or dated	Dated	Dated
13	Original maturity date	2 October 2026	25 April 2029
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	2 October 2025	25 April 2028
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	2.000%	6.250%
19	Existence of a dividend stopper	No	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	No	Np
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	Contractual recognition of statutory bail-in	Contractual recognition of statutory bail-in
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	Contractual	Contractual
UK-34b	Ranking of the instrument in normal insolvency proceedings	Senior Non-Preferred	Senior Non-Preferred
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Preferred	Senior Preferred
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Web link	Web link

6 Countercyclical capital buffer

The template below sets out the geographical distribution of the Group credit exposures relevant for the calculation of CCyB. The template shows the country of residence of the obligor (borrower) for the Group general credit exposures and securitisation exposures. The diversification of countries in the template below is primarily due to SIL providing mortgages to expatriates and non-UK citizens. The Group does not offer mortgages on properties outside of the UK or Channel Islands.

6.1 UK CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short position of trading book for SA	Value of trading book exposure for internal models			Relevant credit exposure - Credit risk	Relevant credit exposure - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by Country														
010-010	United Kingdom	2,435.2	28,190.5	-	-	407.8	31,033.5	535.3	-	3.3	538.6	6,732.5	89.59	2.00
010-011	Jersey	539.5	0.1	-	-	-	539.6	14.8	-	-	14.8	185.6	2.46	
010-012	Guernsey	358.9	3.8	-	-	-	362.7	12.5	-	-	12.5	156.6	2.08	
010-013	Hong Kong	312.1	0.9	-	-	-	313.0	8.6	-	-	8.6	107.6	1.43	1.00
010-014	United States	148.2	10.2	-	-	-	158.4	4.6	-	-	4.6	57.2	0.77	
010-015	United Arab Emirates	159.1	3.2	-	-	-	162.3	4.6	-	-	4.6	57.2	0.77	
010-016	Singapore	151.5	0.6	-	-	-	152.1	4.2	-	-	4.2	52.2	0.70	
010-017	Switzerland	44.4	1.6	-	-	-	46.0	1.3	-	-	1.3	15.8	0.22	
010-018	France	25.2	3.0	-	-	-	28.2	0.8	-	-	0.8	10.3	0.13	0.50
010-019	Saudi Arabia	27.4	1.0	-	-	-	28.4	0.8	-	-	0.8	9.5	0.13	
010-020	Canada	24.6	1.4	-	-	-	26.0	0.7	-	-	0.7	8.8	0.12	
010-021	China	23.6	-	-	-	-	23.6	0.7	-	-	0.7	8.1	0.12	
010-022	New Zealand	19.8	1.7	-	-	-	21.5	0.6	-	-	0.6	7.6	0.10	
010-023	Qatar	21.8	-	-	-	-	21.8	0.6	-	-	0.6	7.5	0.10	
010-024	Malaysia	21.5	0.1	-	-	-	21.6	0.6	-	-	0.6	7.4	0.10	
010-025	Netherlands	20.1	1.7	-	-	-	21.8	0.6	-	-	0.6	7.3	0.10	1.00
010-026	Germany	19.1	1.8	-	-	-	20.9	0.6	-	-	0.6	7.0	0.10	0.75
010-027	Ireland	15.5	2.2	-	-	-	17.7	0.5	-	-	0.5	6.2	0.08	1.00
010-028	Spain	16.1	1.3	-	-	-	17.4	0.5	-	-	0.5	6.0	0.08	
010-029	Australia	4.1	8.0	-	-	-	12.1	0.5	-	-	0.5	5.8	0.08	1.00
010-030	Japan	11.3	0.2	-	-	-	11.5	0.3	-	-	0.3	3.9	0.05	
010-031	South Africa	10.4	0.2	-	-	-	10.6	0.3	-	-	0.3	3.8	0.05	

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short position of trading book for SA	Value of trading book exposure for internal models			Relevant credit exposure - Credit risk	Relevant credit exposure - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
010-032	Italy	9.3	0.9	-	-	-	10.2	0.3	-	-	0.3	3.4	0.05	
010-033	Bahrain	9.6	0.2	-	-	-	9.8	0.3	-	-	0.3	3.4	0.05	
010-034	Thailand	9.2	-	-	-	-	9.2	0.3	-	-	0.3	3.3	0.05	
010-035	Denmark	7.3	0.4	-	-	-	7.7	0.2	-	-	0.2	2.6	0.03	2.50
010-036	India	6.7	0.7	-	-	-	7.4	0.2	-	-	0.2	2.4	0.03	
010-037	Taiwan, Province Of China	5.1	-	-	-	-	5.1	0.1	-	-	0.1	1.7	0.02	
010-038	Portugal	4.8	0.1	-	-	-	4.9	0.1	-	-	0.1	1.7	0.02	
010-039	Sweden	4.8	0.5	-	-	-	5.3	0.1	-	-	0.1	1.7	0.02	2.00
010-040	Cayman Islands	4.8	0.1	-	-	-	4.9	0.1	-	-	0.1	1.7	0.02	
010-041	Belgium	4.1	0.4	-	-	-	4.5	0.1	-	-	0.1	1.6	0.02	
010-042	Norway	3.7	0.2	-	-	-	3.9	0.1	-	-	0.1	1.5	0.02	2.50
010-043	Isle Of Man	1.0	-	-	-	-	1.0	0.1	-	-	0.1	1.5	0.02	
010-044	Monaco	4.0	0.2	-	-	-	4.2	0.1	-	-	0.1	1.4	0.02	
010-045	Kuwait	3.7	0.1	-	-	-	3.8	0.1	-	-	0.1	1.3	0.02	
010-046	Luxembourg	3.6	0.4	-	-	-	4.0	0.1	-	-	0.1	1.3	0.02	0.50
010-047	Cyprus	3.2	0.2	-	-	-	3.4	0.1	-	-	0.1	1.2	0.02	0.50
010-048	Poland	2.8	0.7	-	-	-	3.5	0.1	-	-	0.1	1.2	0.02	
010-049	Israel	3.1	0.3	-	-	-	3.4	0.1	-	-	0.1	1.1	0.02	
010-050	Mauritius	2.0	0.1	-	-	-	2.1	0.1	-	-	0.1	1.1	0.02	
010-051	Bermuda	3.2	-	-	-	-	3.2	0.1	-	-	0.1	1.1	0.02	
010-052	Greece	2.5	0.2	-	-	-	2.7	0.1	-	-	0.1	0.9	0.02	
010-053	Oman	2.7	-	-	-	-	2.7	0.1	-	-	0.1	0.9	0.02	
010-054	Austria	2.1	0.4	-	-	-	2.5	0.1	-	-	0.1	0.8	0.02	
010-055	Brazil	2.3	-	-	-	-	2.3	0.1	-	-	0.1	0.8	0.02	
010-056	Virgin Islands, British	2.2	-	-	-	-	2.2	0.1	-	-	0.1	0.8	0.02	
010-057	Turks And Caicos Islands	2.1	-	-	-	-	2.1	0.1	-	-	0.1	0.8	0.02	
010-058	Turkey	1.9	0.1	-	-	-	2.0	0.1	-	-	0.1	0.8	0.02	
010-059	Korea, Republic Of	1.7	0.4	-	-	-	2.1	0.1	-	-	0.1	0.8	0.02	
010-060	Philippines	1.9	-	-	-	-	1.9	0.1	-	-	0.1	0.8	0.02	
010-061	Other countries	15.6	3.6	-	-	-	19.2	0.2	-	-	0.2	6.8	0.03	
020	Total	4,540.4	28,243.7	-	-	407.8	33,191.9	597.9	-	3.3	601.2	7,514.3	100.00	

UK CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer *(continued)*

30 June 2023		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures - Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short position of trading book for SA	Value of trading book exposure for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit exposure - Credit risk	Relevant credit exposure - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Breakdown by Country														
010-010	United Kingdom	2,505.6	26,817.5	-	-	395.0	29,718.1	512.0	-	3.2	515.2	6,440.5	90.20	1.00
010-011	Jersey	529.0	0.1	-	-	-	529.1	14.8	-	-	14.8	185.5	2.59	
010-012	Guernsey	320.8	4.1	-	-	-	324.9	9.4	-	-	9.4	117.1	1.65	
010-013	Hong Kong	263.6	0.8	-	-	-	264.4	7.4	-	-	7.4	92.7	1.30	1.00
010-014	United Arab Emirates	142.5	1.9	-	-	-	144.4	4.1	-	-	4.1	51.0	0.72	
010-015	United States	127.4	9.0	-	-	-	136.4	4.1	-	-	4.1	51.8	0.72	
010-016	Singapore	129.5	0.6	-	-	-	130.1	3.6	-	-	3.6	45.5	0.63	
010-017	Switzerland	38.6	1.7	-	-	-	40.3	1.1	-	-	1.1	14.2	0.19	
010-018	Canada	21.6	1.3	-	-	-	22.9	0.6	-	-	0.6	7.9	0.11	
010-019	Netherlands	18.1	1.8	-	-	-	19.9	0.5	-	-	0.5	6.8	0.09	
010-020	China	23.0	-	-	-	-	23.0	0.6	-	-	0.6	8.0	0.10	
010-021	France	22.1	2.8	-	-	-	24.9	0.8	-	-	0.8	9.4	0.14	
010-022	Qatar	21.6	-	-	-	-	21.6	0.6	-	-	0.6	7.6	0.10	
010-023	Saudi Arabia	25.2	-	-	-	-	25.2	0.7	-	-	0.7	8.8	0.12	
010-024	Malaysia	20.2	0.1	-	-	-	20.3	0.6	-	-	0.6	7.1	0.10	
010-025	New Zealand	17.1	1.9	-	-	-	19.0	0.6	-	-	0.6	6.9	0.10	
010-026	Australia	4.4	7.3	-	-	-	11.7	0.6	-	-	0.6	7.3	0.10	
010-027	Germany	17.0	1.3	-	-	-	18.3	0.5	-	-	0.5	6.2	0.08	
010-028	Spain	14.7	1.3	-	-	-	16.0	0.5	-	-	0.5	5.7	0.08	
010-029	Ireland	14.0	2.4	-	-	-	16.4	0.5	-	-	0.5	5.9	0.09	
010-030	Japan	10.4	0.2	-	-	-	10.6	0.3	-	-	0.3	3.7	0.05	
010-031	South Africa	9.6	0.2	-	-	-	9.8	0.3	-	-	0.3	3.6	0.05	
010-032	Bahrain	9.5	0.2	-	-	-	9.7	0.3	-	-	0.3	3.4	0.05	
010-033	Thailand	7.8	-	-	-	-	7.8	0.2	-	-	0.2	2.9	0.03	
010-034	Portugal	4.8	0.1	-	-	-	4.9	0.1	-	-	0.1	1.8	0.02	
010-035	Italy	7.6	0.6	-	-	-	8.2	0.2	-	-	0.2	2.8	0.03	

30 June 2023		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own funds requirements weights	Countercyclical buffer rate
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short position of trading book for SA	Value of trading book exposure for internal models			Relevant credit exposure - Credit risk	Relevant credit exposure - Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
010-036	India	6.2	0.5	-	-	-	6.7	0.2	-	-	0.2	2.3	0.03	
010-037	Isle of Man	0.9	0.1	-	-	-	1.0	0.1	-	-	0.1	1.8	0.02	
010-038	Cayman Islands	4.9	0.1	-	-	-	5.0	0.1	-	-	0.1	1.8	0.02	
010-039	Denmark	6.5	0.4	-	-	-	6.9	0.2	-	-	0.2	2.3	0.03	2.50
010-040	Sweden	4.5	0.2	-	-	-	4.7	0.1	-	-	0.1	1.6	0.02	2.00
010-041	Belgium	3.6	0.4	-	-	-	4.0	0.1	-	-	0.1	1.4	0.02	
010-042	Kuwait	3.9	0.1	-	-	-	4.0	0.1	-	-	0.1	1.4	0.02	
010-043	Cyprus	2.9	0.2	-	-	-	3.1	0.1	-	-	0.1	1.2	0.02	
010-044	Monaco	3.6	0.3	-	-	-	3.9	0.1	-	-	0.1	1.4	0.02	
010-045	Norway	3.9	0.3	-	-	-	4.2	0.1	-	-	0.1	1.7	0.02	2.50
010-046	Bermuda	2.2	-	-	-	-	2.2	0.1	-	-	0.1	0.8	0.02	
010-047	Poland	2.5	0.7	-	-	-	3.2	0.1	-	-	0.1	1.4	0.02	
010-048	Israel	2.9	0.4	-	-	-	3.3	0.1	-	-	0.1	1.1	0.02	
010-049	Taiwan	4.2	-	-	-	-	4.2	0.1	-	-	0.1	1.5	0.02	
010-050	Mauritius	1.3	0.4	-	-	-	1.7	0.1	-	-	0.1	0.9	0.02	
010-051	Luxembourg	2.7	0.6	-	-	-	3.3	0.1	-	-	0.1	1.1	0.02	0.50
010-052	Philippines	1.3	-	-	-	-	1.3	0.1	-	-	0.1	0.5	0.02	
010-053	Oman	2.2	-	-	-	-	2.2	0.1	-	-	0.1	0.8	0.02	
010-054	Turkey	1.9	-	-	-	-	1.9	0.1	-	-	0.1	0.7	0.02	
010-055	Virgin Islands	2.0	-	-	-	-	2.0	0.1	-	-	0.1	0.7	0.02	
010-056	Turks and Caicos Islands	2.0	-	-	-	-	2.0	0.1	-	-	0.1	0.7	0.02	
010-056	Other countries	20.8	4.1	-	-	-	24.9	0.7	-	-	0.7	9.2	0.12	
020	Total	4,412.6	26,866.0	-	-	395.0	31,673.6	568.0	-	3.2	571.2	7,140.4	100.00	

6.2 UK CCyB2 – Amount of institution-specific countercyclical capital buffer

The institution specific CCyB rate is a weighted average, including countries with a zero buffer percentage rate, and is derived from dividing the buffer requirement over the risk exposure amount. During the period the CCyB rate increased from 1% to 2% of RWAs for exposures in the UK.

		a **31 Dec 23**	a 30 Jun 23
1	Total risk exposure amount £m	**8,343.3**	7,852.6
2	Institution specific countercyclical buffer rate %	**1.81**	0.92
3	Institution specific countercyclical buffer requirement £m	**151.0**	72.2

7 Leverage ratio

The templates in this section set out a reconciliation of the total leverage exposure measure with the relevant information disclosed in published financial statements. Any blank cells have been removed.

7.1 UK LR1 – LRSum: summary reconciliation of accounting assets and leverage ratio exposures

		a	a
		Applicable amount	
		31 Dec 23 £m	30 Jun 23 £m
1	Total assets as per published financial statements	**37,221.9**	35,578.5
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(394.2)**	(386.6)
4	(Adjustment for exemption of exposures to central banks)	**(3,488.2)**	(3,663.1)
7	Adjustment for eligible cash pooling transactions	**22.6**	6.6
8	Adjustment for derivative financial instruments	**(431.3)**	(1,134.3)
9	Adjustment for securities financing transactions (SFTs)	**0.9**	2.4
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**220.6**	210.3
12	Other adjustments [1]	**(386.3)**	(438.9)
13	Total exposure measure	**32,766.0**	30,175.0

Note

1. Other adjustments in row 12 primarily relate to the collateral netting provided for derivative transactions in accordance with regulatory requirements, excess expected loss over impairment provisions, cash flow hedging reserve, intangible assets and AVA.

7.2 UK LR2 – LRCom: Leverage ratio common disclosure

The template below sets out a breakdown of the total leverage exposure measure used to calculate the leverage ratio for the Group on the UK CRR basis with IFRS 9 transitional arrangements applied. Any blank cells have been removed.

		a	b
		Leverage ratio exposures	
		31 Dec 23 £m	30 Jun 23 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**35,857.7**	33,404.3
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(353.6)**	(378.8)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(40.9)**	(59.9)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**35,463.2**	32,965.6
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**479.3**	558.5
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**90.2**	101.3
13	**Total derivatives exposures**	**569.5**	659.8
Securities financing transaction (SFT) exposures			
16	Counterparty credit risk exposure for SFT assets	**0.1**	0.7
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	**0.8**	1.7
18	**Total securities financing transaction exposures**	**0.9**	2.4
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**2,205.5**	2,068.8
20	(Adjustments for conversion to credit equivalent amounts)	**(1,984.9)**	(1,858.5)
22	**Off-balance sheet exposures**	**220.6**	210.3
Capital and total exposure measure			
23	**Tier 1 capital (leverage)**	**2,195.2**	2,068.7
24	Total exposure measure including claims on central banks	**36,254.2**	33,838.1
UK-24a	(-) Claims on central banks excluded	**(3,488.2)**	(3,663.1)
UK-24b	**Total exposure measure excluding claims on central banks**	**32,766.0**	30,175.0
Leverage ratio [1]			
25	Leverage ratio excluding claims on central banks (%)	**6.70**	6.86
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**6.70**	6.85
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 (%)	**6.70**	6.86
UK-25c	Leverage ratio including claims on central banks (%)	**6.05**	6.11

Note

1. The additional leverage ratio disclosure requirements only apply to financial institutions with deposits equal to or greater than £50bn or non-UK assets equal to or greater than £10bn. The rows UK-26 to UK-34 have been removed from the template as the Group is not currently captured by either threshold.

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

The template below shows more detail behind the on-balance sheet exposure figures reported in the template UK LR2.

		a	b
		Leverage ratio exposures	
		31 Dec 23 £m	30 Jun 23 £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**35,857.7**	33,404.3
UK-2	Trading book exposures	**-**	-
UK-3	Banking book exposures, of which:	**35,857.7**	33,404.3
UK-4	Covered bonds	**758.5**	676.3
UK-5	Exposures treated as sovereigns	**4,640.2**	4,606.1
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**689.7**	696.9
UK-7	Institutions	**255.6**	248.9
UK-8	Secured by mortgages of immovable properties	**28,231.7**	25,925.1
UK-9	Retail exposures	**5.6**	6.1
UK-10	Corporates	**616.6**	630.9
UK-11	Exposures in default	**57.7**	45.4
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**602.1**	568.6

7.4 UK LRA – Disclosure of leverage ratio qualitative information

a) Processes used to manage the risk of excessive leverage

The Group has a leverage ratio of 6.7%. The Group's leverage ratio is a key financial indicator monitored closely by the Board each month. The leverage ratio is projected for the next five years as part of the Corporate Plan. The Corporate Plan is subject to stress tests to ensure the Group is able to operate safely and with sufficient capital and leverage during a severe downturn in the general economy and idiosyncratic Society specific stress events. It is recognised that such forward planning is essential to the successful management of the Group's leverage and capital ratios. The Board are satisfied that the risk appetite, controls and planning framework will prevent the Group from taking excessive leverage within its balance sheet.

b) Factors that had an impact on the leverage ratio during the period

During the second half of the year, the leverage ratio decreased to 6.7% on an end-point basis (30 June 2023: 6.9%). The decrease is primarily driven by the growth in retail mortgages outweighing the increase in the retained profits accumulated during the period and dividend income received from Connells group.

8 Liquidity requirements

8.1 UK LIQA – Liquidity risk management

a) Strategies and processes in the management of the liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost, whilst retaining public and investor confidence. Liquidity and funding risks are managed within a comprehensive risk framework, managed within limits and risk appetites defined within the Treasury Policy, alongside strategies to hold adequate HQLA of appropriate diversification at all times.

The Group's Liquidity Policy is designed to ensure the maintenance of sufficient liquid assets, in terms of quality and amount, to cover internal, regulatory and operational requirements. This is achieved through maintaining a prudent level of liquid assets in realisable form to ensure the Group is able to meet its liabilities as they arise and to absorb potential cash flow requirements created by maturity mismatches within the balance sheet or under a potential stress scenario.

The Group cash flows are regularly monitored, forecast and stressed, and risk limits are defined in the liquidity risk appetite to ensure adequate liquidity is maintained at all times. There are also limits defined within the funding risk appetite to ensure the Group maintains a prudent funding profile, incorporating limits related to the management of asset encumbrance and the Group's maturity profile to reduce associated refinancing risk of retail and wholesale funding.

b) Structure and organisation of the liquidity risk management function

The Board is responsible for approving the Group's liquidity and funding risk appetites and is also responsible for the review, challenge and approval of the ILAAP document.

GEC's responsibility for ensuring adequate liquidity and contingent liquidity resources are maintained, is supported by the Liquidity Management Committee (LMC), who meet at least fortnightly to review early warning risk indicators, recent cash flows and business performance relative to expectations along with projections of risk appetite compliance given the latest forecasts.

The Board delegates the responsibility to ALCO to develop and maintain policies on liquidity management and to oversee that the Group's liquidity and funding risk appetites and policies are adhered to. ALCO also monitors the composition of the Group's liquidity in line with the approved strategy and policies.

The day-to-day management of liquidity is delegated to Group Treasury, with oversight and challenge of these activities provided by Prudential Risk Oversight (second line) and Group Internal Audit (third line).

c) The degree of centralisation of liquidity management and interaction between the group's units

Liquidity risk is overseen but not managed on a Group-wide basis. The focus is on ensuring the Society and each subsidiary has adequate liquidity for its operational needs and risks, thereby making all entities self-sufficient and avoiding risks relating to the potential need to transfer liquidity across the Group.

With other Group subsidiaries having different cash flows, whether requiring funding or operating with a surplus of cash, the Society operates as a central institution from a liquidity management perspective through its Group Treasury function.

Subsidiaries operating with a surplus of cash are encouraged to deposit excess funds with the Society on a wholesale funding basis, maturing to match the future cash flow requirements of each entity. Subsidiaries requiring funding arrange capped working capital credit facilities with the Society through Group Treasury, which are agreed by the Group Wholesale Credit Committee (GWCC), a sub-committee of ALCO. These on-demand facilities enable subsidiaries to manage their daily cash flows within agreed draw down limits without the need for each subsidiary to source funding from banks to support their business models.

Liquidity is then held by the Society in respect of facilities provided across the Group, to ensure they are available when required, and also against deposits made with the Society for the risk of repayment.

d) Scope and nature of liquidity risk reporting and measurement systems

The monitoring and forecasting of the Group's position against internal and regulatory liquidity risk metrics is undertaken on a weekly basis, with the capability to monitor the position daily if required. This is achieved through combining data from the Treasury Management System with the Core data warehouse in a centralised system used for balance sheet forecasting, stress testing and liquidity risk regulatory reporting.

e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Group has a range of limits and risk appetite requirements, defined within the Treasury Policy and approved by the Board, to mitigate liquidity and funding risks arising from its business model.

This includes minimum requirements on liquidity and contingent liquidity resources which reflect the potential impact of severe but plausible stress scenarios and the time needed to successfully realise liquidity resources through the invocation of the Group's Recovery Plan. This ensures sufficient pre-positioned eligible assets are maintained at all times with the Bank of England to access funding schemes under the Sterling Monetary Framework, both from a business as usual perspective and also under a potential stressed scenario.

There are also limits on the types of assets which Group Treasury can invest in for liquidity purposes, both HQLA which are eligible under the LCR and non-HQLA. The policy also defines a minimum limit of reserves required to be held on call with the Bank of England to ensure the Group can meet its cash flow obligations, including intra-day requirements, in a timely manner. The Group's liquidity comprises of a diversified mix of Gilts and Treasury Bills, securities issued by high quality Multilateral Development Banks and Public Sector Entities, Covered Bonds and Residential Mortgage Backed Securities (RMBS).

Stress testing is performed weekly, with the capability to undertake this daily if required, to assess the effectiveness of both the current and forecast liquidity positions against the requirements of our risk appetite. This therefore ensures the Group have sufficient liquidity at all times for our risks as set out within the ILAAP document. Projections of how the LCR could move across a range of scenarios are also updated weekly, incorporating the latest cash flow forecasts from the business, to identify potential sensitivities and risks to the adequacy of future planned levels of liquidity.

f) An outline of the bank`s contingency funding plans

The Liquidity Contingency Plan is integrated into the Group's Recovery Plan. The Recovery Plan sets out the management actions available to the Group to raise incremental liquidity and capital, over what time horizon this could be achieved, and the operational steps needed to execute the actions and associated risks. It also contains the escalation process along with the roles and responsibilities of individuals and with how the document links to the liquidity and capital risk frameworks, specifically its risk appetites, and the wider Business Continuity Framework.

The Recovery Plan also sets out the early warning indicators used to identify a potential stress scenario which may threaten the Group's liquidity resources or sources of funding. Scenario analysis is also undertaken as part of the annual update of the Recovery Plan to demonstrate how the invocation of actions defined within the plan recovers liquidity adequacy and risk appetite compliance in a timely manner.

g) An explanation of how stress testing is used

Stress testing is key as it is used to demonstrate the adequacy of current and planned liquidity resources and also the effectiveness of the Recovery Plan.

The ILAAP defines a series of internally developed stress scenarios, which assess the impact of a range of scenarios of differing severities. These scenarios, which measure survival to the Board's minimum risk appetite, include 90 day idiosyncratic, market-wide and combined stresses. These scenarios, along with the regulatory LCR scenario (30 day horizon), are run on a weekly basis to reflect the latest business forecasts and can be run daily if required, such as if the Group were in a stress.

h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements

The Group's prudent liquidity and funding risk profile, as demonstrated through the internal assessment of liquidity adequacy and stress testing undertaken for the ILAAP, is commensurate with our low risk business model.

The ILAAP outlines the governance framework and the systems and controls used for managing liquidity risk and how we prove to ourselves and the regulator that we hold adequate liquidity for our risks. We demonstrate through the ILAAP and our liquidity and funding risk appetites, which are approved annually by the Board, that we satisfy the Overall Liquidity Adequacy Rule (OLAR).

i) A concise liquidity risk statement approved by the management body

The Group's liquidity and funding risk appetites as well as the framework for managing these risks ensures adequate liquidity and contingent liquidity resources are held at all times to meet our current and future financial obligations as they fall due, including under potential stress scenarios.

The Group satisfies the minimum 100% regulatory LCR and NSFR requirements, as demonstrated in templates UK LIQ1 and UK LIQ2 respectively. The internal liquidity risk appetite ensures the current and planned liquidity and contingent liquidity resources provide sufficient buffers to meet our forecast financial obligations and also to survive for a sufficient period of time under a stress. The minimum survival period reflects the time we anticipate we would require to successfully realise liquidity through invocation of the Recovery Plan. Survival is measured considering the likely minimum threshold for liquidity resources to avoid failure or entering resolution.

Funding concentrations, both in terms of composition and tenor, are managed through the Board's funding risk appetite which defines a series of limits and triggers to ensure we are not overly reliant on single sources or unstable sources of funding, whilst managing future refinancing risk.

8.2 UK LIQ1 – Quantitative information of LCR

The template below shows the Group's breakdown of high-quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the LCR.

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YY)	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
		£m	£m	£m	£m	£m	£m	£m	£m
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					**5,818.4**	5,719.9	5,615.8	5,400.7
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	**25,569.6**	24,751.0	24,039.8	23,323.5	**1,668.3**	1,573.9	1,486.8	1,402.1
3	*Stable deposits*	**12,541.8**	12,585.2	12,665.2	12,683.1	**627.1**	629.3	633.3	634.2
4	*Less stable deposits*	**7,049.3**	6,405.8	5,841.0	5,321.3	**953.5**	852.2	761.1	681.7
5	Unsecured wholesale funding	**354.6**	366.4	349.4	347.3	**247.0**	247.4	217.3	200.7
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	**-**	-	-	-	**-**	-	-	-
7	*Non-operational deposits (all counterparties)*	**276.4**	289.8	311.1	337.7	**168.8**	170.8	179.0	191.1
8	*Unsecured debt*	**78.2**	76.6	38.3	9.6	**78.2**	76.6	38.3	9.6
9	Secured wholesale funding					**-**	-	0.2	0.2
10	Additional requirements	**1,003.6**	1,009.6	911.3	791.4	**1,003.6**	1,009.6	911.3	791.4
11	*Outflows related to derivative exposures and other collateral requirements*	**925.9**	931.1	829.7	709.9	**925.9**	931.1	829.7	709.9
12	*Outflows related to loss of funding on debt products*	**-**	-	-	-	**-**	-	-	-
13	*Credit and liquidity facilities*	**77.7**	78.5	81.6	81.5	**77.7**	78.5	81.6	81.5
14	Other contractual funding obligations	**21.0**	21.4	21.7	20.9	**-**	-	-	-
15	Other contingent funding obligations	**2,093.7**	2,107.2	2,182.5	2,125.8	**732.8**	737.5	818.9	869.1
16	TOTAL CASH OUTFLOWS					**3,651.7**	3,568.4	3,434.5	3,263.5
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	**-**	-	-	-	**-**	-	-	-
18	Inflows from fully performing exposures	**192.6**	186.9	177.6	169.4	**150.3**	144.4	135.0	126.9
19	Other cash inflows	**82.5**	77.3	44.8	42.0	**82.5**	77.3	44.8	42.0
20	TOTAL CASH INFLOWS	**275.1**	264.2	222.4	211.4	**232.8**	221.7	179.8	168.9
UK-20a	*Fully exempt inflows*	**-**	-	-	-	**-**	-	-	-
UK-20b	*Inflows subject to 90% cap*	**-**	-	-	-	**-**	-	-	-
UK-20c	*Inflows subject to 75% cap*	**275.1**	264.2	222.4	211.4	**232.8**	221.7	179.8	168.9
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					**5,818.4**	5,719.9	5,615.8	5,400.7
22	TOTAL NET CASH OUTFLOWS					**3,418.9**	3,346.7	3,254.7	3,094.6
23	LIQUIDITY COVERAGE RATIO (%)					**170.53**	171.23	172.57	174.81

8.3 UK LIQB – Qualitative information on LCR, which complements template UK LIQ1

(a) The main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The LCR, which is prepared in accordance with the Liquidity Coverage Ratio part of the PRA Rulebook for CRR firms, aims to ensure that the Group holds sufficient HQLA to survive a period of liquidity stress lasting 30 calendar days.

The LCR is driven by the size of the HQLA buffer, stressed retail outflows, mortgages which have been offered but are yet to complete, wholesale funding maturities and potential stressed collateral outflows.

The LCR disclosure (calculated as the simple average of month-end observations over the 12 months preceding the end of each quarter) was 170.53% as of 31 December 2023.

(b) Explanations on the changes in the LCR over time

Overall, the LCR has remained stable, with an average of 170.53% as of 31 December 2023 compared to an average LCR of 171.23% as of 30 September 2023. The Group has seen an increase in customer deposits which has supported new customer lending, including greater commitments for future mortgage lending.

(c) Explanations on the actual concentration of funding sources

The Group's funding position is predominantly supported by its retail customer deposit base, which has historically provided a highly stable source of funding and aligns with the Society's strategy as a mutual organisation.

The Group also raises both unsecured and secured wholesale funding in order to provide diversification of funding and support the liquidity position. This funding includes deposits, certificates of deposits, medium-term notes, capital, drawings from the Term Funding Scheme with additional incentives for SMEs (TFSME), repos, covered bonds and RMBS.

Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis as part of the Group's internal liquidity and funding risk management frameworks.

(d) High-level description of the composition of the Group's liquidity buffer

The Group's liquidity buffer consists almost entirely of Level 1 assets. Level 1 assets are primarily held as central bank reserves, UK government bonds and high quality supranational debt securities, with a smaller holding of Level 1 eligible extremely high quality covered bonds. The liquidity buffer also includes a small portion of Level 2B assets, which are high quality UK issued RMBS.

(e) Derivative exposures and potential collateral calls

The Group actively manages its derivative exposures and potential calls, including both due collateral and excess collateral, with derivative outflows under stress captured under the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls due to a deterioration in the Society's credit rating are also captured.

(f) Currency mismatch in the LCR

The LCR is calculated on a GBP equivalent basis only as this is the Group's only significant currency in accordance with the Liquidity Coverage Ratio part of the PRA Rulebook definition.

The currency risk appetite of the Group is low and any wholesale funding issuances denominated in foreign currency are immediately swapped into GBP. Currency risk is monitored through the internal liquidity and funding risk management frameworks.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure

We do not consider anything else of material relevance for disclosure.

8.4 UK LIQ2 – Net Stable Funding Ratio

The template below sets out the NSFR calculated as the average of the latest and the three previous quarters.

31 December 2023		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted value (average)
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding (ASF) Items						
1	Capital items and instruments	2,111.7	-	-	-	2,111.7
2	*Own funds*	2,111.7	-	-	-	2,111.7
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		21,843.6	1,642.7	2,416.9	24,278.6
5	*Stable deposits*		13,552.4	928.6	1,411.1	15,168.0
6	*Less stable deposits*		8,291.2	714.1	1,005.8	9,110.6
7	Wholesale funding:		1,138.3	919.6	3,521.9	4,213.8
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1,138.3	919.6	3,521.9	4,213.8
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	79.9	836.6	-	-	-
12	*NSFR derivative liabilities*	79.9				
13	*All other liabilities and capital instruments not included in the above categories*		836.6	-	-	-
14	Total available stable funding (ASF)					30,604.1
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					157.3
UK-15a	Assets encumbered for more than 12m in cover pool		60.2	56.1	3,517.1	3,088.4
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		404.6	330.1	23,451.1	17,498.4
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		50.5	2.0	120.7	126.8
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		8.5	7.7	237.8	189.1
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		2.0	0.7	105.7	70.0
22	*Performing residential mortgages, of which:*		271.5	258.0	23,092.6	17,114.3
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		234.9	223.4	18,632.3	13,286.4
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*		74.1	62.4	-	68.2
25	Interdependent assets		-	-	-	-
26	Other assets:	469.4	1.3	1.2	1,145.0	1,445.2
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		342.8	-	-	291.4
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		126.6	-	-	6.3
31	*All other assets not included in the above categories*		1.3	1.2	1,145.0	1,147.5
32	Off-balance sheet items		2,152.0	-	-	419.5
33	**Total RSF**					22,608.8
34	**Net Stable Funding Ratio (%)**					135.37

UK LIQ2 – Net Stable Funding Ratio (*continued*)

30 June 2023		a	b	c	d	e
		Unweighted value by residual maturity (average)				Weighted value (average)
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding (ASF) Items						
1	Capital items and instruments	1,989.2	-	-	-	1,989.2
2	*Own funds*	1,989.2	-	-	-	1,989.2
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		20,856.0	1,435.2	2,041.6	22,833.9
5	*Stable deposits*		13,784.3	819.3	1,179.3	15,052.7
6	*Less stable deposits*		7,071.7	615.9	862.3	7,781.2
7	Wholesale funding:		872.0	763.3	3,996.7	4,601.6
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		872.0	763.3	3,996.7	4,601.6
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	82.9	622.6	-	-	-
12	*NSFR derivative liabilities*	82.9				
13	*All other liabilities and capital instruments not included in the above categories*		622.6	-	-	-
14	Total available stable funding (ASF)					29,424.7
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					125.3
UK-15a	Assets encumbered for more than 12m in cover pool		61.2	56.5	3,390.7	2,982.2
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		527.0	335.3	22,025.2	16,512.4
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		53.0	2.3	121.0	127.4
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		9.0	8.1	258.7	205.7
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		1.9	1.2	113.5	75.3
22	*Performing residential mortgages, of which:*		275.6	262.3	21,645.5	16,053.3
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		244.9	232.4	18,278.3	13,159.8
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*		189.4	62.6	-	126.0
25	Interdependent assets		-	-	-	-
26	Other assets:	511.5	1.3	1.1	960.9	1,288.7
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		371.3	-	-	315.6
29	*NSFR derivative assets*		2.8	-	-	2.8
30	*NSFR derivative liabilities before deduction of variation margin posted*		137.4	-	-	6.9
31	*All other assets not included in the above categories*		1.3	1.1	960.9	963.4
32	Off-balance sheet items		2,286.9	-	-	445.9
33	Total RSF					21,354.5
34	Net Stable Funding Ratio (%)					137.85

9 Credit risk quality

9.1 UK CRA – General qualitative information about credit risk

a) Risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile

Credit risk is the risk that a borrower or counterparty fails to meet its obligations in accordance with agreed terms.

The Group faces this risk from its lending to:

- individual customers (retail mortgages);
- businesses (through past commercial lending and current debt factoring / invoice discounting);
- wholesale counterparties (including other financial institutions). Credit risk within our treasury portfolio arises from the investments held by the Group in order to meet liquidity requirements and for general business purposes; and
- for the Society, lending to other Group entities.

Changes in the credit quality and the recoverability of loans and amounts due from counterparties influence the Group's exposure to credit risk. The Group's strategy is to maintain a cautious approach to credit risk and new lending. Adverse changes in the credit quality of counterparties, collateral values or deterioration in the wider economy, including rising unemployment, changes in interest rates, deterioration in household finances and any contraction in the UK property market leading to falling property values, could affect the recoverability and value of the Group's assets and influence its financial performance. An economic downturn and falls in house prices and commercial property values would adversely affect the level of impairment losses.

The Group has embedded a comprehensive risk management framework with clear lines of accountability and oversight as part of its overall governance framework.

b) Strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits points

The Group has established comprehensive risk management processes and policies to monitor, control, mitigate and manage credit risk in accordance with the Board's credit risk appetite.

Retail mortgage lending to customers

The Group currently lends in the prime residential UK mortgage market, including buy-to-let, through the Society, whilst SIL lends in the Channel Islands and in the UK. The Board's credit risk appetite defines a number of limits regarding customer and collateral credit quality to which all lending activity must adhere.

The credit decision process utilises automated credit scoring and policy rules with lending policy criteria supporting manual underwriting. All aspects of the credit decision process are subject to regular independent review and development ensuring they support decisions in line with the Board's credit risk appetite.

The Group's collections and recoveries functions provide a responsive and effective arrears management process. The Group seeks to engage in early communication with borrowers experiencing difficulty in meeting their repayments, to obtain their commitment to maintaining or re-establishing a regular payment plan. The Group considers forbearance options on a case-by-case basis in line with industry guidance and best practice. The impact of any such forbearance is recognised within our provisioning policy.

The Group also has credit exposures for the mortgage portfolios previously held by Amber and NYM; these mortgage portfolios are now held by the Society, following the hive-up of those two businesses into the Society with effect from 1 June 2021. These portfolios comprise residential UK mortgages, including buy-to-let, across prime and non-prime lending markets. These portfolios closed to new customer origination and lending in 2008 and are managed by adherence to clear policies in relation to mortgage servicing and credit management.

Commercial lending credit risk

The Society's commercial mortgage portfolio was closed to new lending in November 2008. We have retained a team of suitable qualified and experienced people to manage and monitor the performance of these loans.

The Group's policy on forbearance for commercial mortgages is the same as the policy for residential mortgages set out above.

Other loans and advances

These include advances made to residential mortgage customers in Guernsey and Jersey by SIL; these are secured on shares in a property management company which owns the building in which the properties are located. These loans are monitored by appropriately skilled teams in SIL.

Debt factoring and invoice discounting

Debt factoring advances relate to amounts advanced to clients by SBF, the Group's debt factoring and invoice discounting business. SBF continued to participate in the Government backed Recovery Loan Scheme (RLS 3.0) during 2023. This enables SBF to offer RLS loans and RLS Invoice Finance facilities with the Government guaranteeing 70% of all future losses.

The credit and operational risk associated with SBF activities is managed through participation in the Group's operational risk framework and related policies, robust corporate governance with credit committee approval and review processes being followed (for new and modified agreements) in accordance with the SBF Credit Policy. Risks are further mitigated by regular client audits, telephone verification of debtors and individual invoices on a sample basis, close client relationships, regular client account monitoring and ongoing operational risk monitoring.

Credit risk in relation to debtors is mitigated by individual exposure monitoring (concentration limits) as well as on an aggregated portfolio basis and credit assessment via third party credit reference agencies to set appropriate debtor exposure limits.

Wholesale lending to other financial institutions

Wholesale credit risk arises from the wholesale investments held by the Society's Treasury function which is responsible for managing this aspect of credit risk in line with the Board approved credit risk appetite and wholesale credit policies. Wholesale counterparty limits are reviewed monthly by the GWCC based on analyses of counterparties' financial performance, ratings and other market information to ensure that limits remain within our risk appetite. We regularly review and closely monitor the number of counterparties to whom we will lend and, for those counterparties to whom we have lent, we review both the amount and duration of any limits.

A deterioration in wholesale credit markets could lead to volatility in the value of the Group's portfolio of treasury assets together with the risk of further impairment within our treasury investments portfolio.

ALCO provides oversight to the effectiveness of wholesale credit risk management.

Intra-Group lending

Credit risk also arises on loans made by the Society to other Group entities, including any committed to but undrawn amounts. Intra-Group counterparty limits are reviewed monthly by, and any increases must be pre-approved by, the GWCC.

c) The structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR

Retail and commercial credit exposures are managed by a team of experienced professionals, with oversight provided by the Retail Credit Committee (RCC). Similarly, the GWCC manages treasury credit exposures, with oversight provided by the ALCO.

The RCC and the GWCC provide oversight to the effectiveness of all credit management across the Group and the controls in place ensure lending is within the Board approved credit risk appetite. The reporting structure ensures timely and accurate reporting of all substantive risk matters to the Board and BRC. The Board receives monthly updates on the credit risk profile of the Group.

The SBF Board, which includes executives from the Society, is responsible for developing and maintaining credit policy, monitoring and controlling the risk to the business arising from the credit quality of its clients and clients debtors, recommending changes to this policy, and monitoring implementation of changes to ensure that SBF operates within risk limits. Summary reports are also submitted to the Group Board and RCC on a monthly basis.

d) The relationships between credit risk management, risk control, compliance and internal audit functions point (b) of Article 435(1) CRR

The 'three lines of defence' model (detailed in section 3.1, template UK OVA (b)) has been adopted as the overarching approach to risk management within the Group. The model ensures appropriate responsibility is allocated for the management, reporting and escalation of risk. Allocation of clear responsibilities for credit risk management ensures risks are identified, monitored, managed, and mitigated where required in order that they remain within the Board's risk appetite. The Board Risk Committee, in conjunction with the Board Audit Committee, oversees the effective operation of our 'three lines of defence' model.

9.2 UK CRB – Additional disclosure related to the credit quality of assets

a) The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes in accordance with Article 178 CRR

The Group considers that a loan that meets the definition of default is credit-impaired. The Group's definition of default is aligned with its existing IRB definition of default for regulatory capital purposes, in accordance with Article 178 of the UK CRR. All exposures 90 days or more past due (on their contractual payments – principal and/or interest), or where the borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty, are treated as in default.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this

All exposures more than 90 days past due are treated as impaired.

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

The Group carries out an assessment of impairment of loans and advances to customers at each reporting date. For accounting purposes, all impairment provisions are calculated in line with IFRS 9 which provides for expected credit losses (ECL[1]) based on the credit risk categorisation of the exposure. All provisions are considered to be specific credit risk adjustments allocated against individual loans, and the Group does not have any general credit risk adjustments. All assets are categorised into three stages as follows:

Stage 1 A financial asset which has not experienced a significant increase in credit risk since origination. 12 month ECLs are recognised and interest revenue is determined by the effective interest rate (EIR) on the gross carrying amount.

Stage 2 A financial asset which has experienced a significant increase in credit risk since initial recognition. Lifetime ECLs are recognised and interest revenue is determined by the EIR on the gross carrying amount.

Stage 3 A financial asset which is identified as in default and considered credit impaired. Lifetime ECLs are recognised and interest revenue is determined by the EIR on the net carrying amount.

d) Definition of a restructured point (d) of Article 178(3) CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014

The Group's pre-approved definition of a restructured exposure is aligned with Annex V to Commission Implementing Regulation (EU) 680/2014, and considers a default event to occur when a concession is offered where the counterparty is in arrears. The PRA approval of the revised IRB models that reflect this regulatory change has not yet been secured as set out in section 12.1.

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[1] ECL represents the present value of all cash shortfalls over the expected life of the financial instruments to determine impairment allowances under IFRS 9.

9.3 UK CR1 – Performing and non-performing exposures and related provisions

The template below sets out the Group's performing and non-performing credit risk exposures.

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		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
005	Cash balances at central banks and other demand deposits	3,353.1	3,353.1	-	-	-	-	(0.4)	(0.4)	-	-	-	-	-	-	-
010	**Loans and advances**	29,253.3	28,292.7	666.4	88.6	4.1	84.5	(29.2)	(16.4)	(12.8)	(9.8)	(1.3)	(8.5)	(0.3)	28,745.5	78.5
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	44.5	44.5	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	309.6	309.6	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	416.3	378.5	37.8	10.7	4.1	6.6	(7.4)	(0.9)	(6.5)	(3.1)	(1.3)	(1.8)	(0.3)	285.8	7.6
070	Of which SMEs	164.9	164.9	-	4.3	4.0	0.3	(0.2)	(0.2)	-	(1.4)	(1.3)	(0.1)	(0.3)	164.7	3.0
080	Households	28,482.9	27,560.1	628.6	77.9	-	77.9	(21.8)	(15.5)	(6.3)	(6.7)	-	(6.7)	-	28,459.7	70.9
090	**Debt securities**	3,337.7	3,337.7	-	-	-	-	-	-	-	-	-	-	-	1,166.8	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,269.2	1,269.2	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	2,068.5	2,068.5	-	-	-	-	-	-	-	-	-	-	-	1,166.8	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	2,153.9	2,153.9	-	-	-	-	(0.6)	(0.6)	-	-	-	-	-	2,118.0	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	35.4	35.4	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	2,118.5	2,118.5	-	-	-	-	(0.6)	(0.6)	-	-	-	-	-	2,118.0	-
220	Total	38,098.0	37,137.4	666.4	88.6	4.1	84.5	(30.2)	(17.4)	(12.8)	(9.8)	(1.3)	(8.5)	(0.3)	32,030.3	78.5

UK CR1 – Performing and non-performing exposures and related provisions *(continued)*

30 June 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		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
005	Cash balances at central banks and other demand deposits	3,632.8	3,632.8	-	-	-	-	(0.4)	(0.4)	-	-	-	-	-	-	-
010	Loans and advances	27,897.1	21,726.3	5,904.1	74.1	4.6	69.5	(45.3)	(17.9)	(27.4)	(6.1)	(0.6)	(5.5)	(0.2)	27,345.6	68.0
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	45.8	45.8	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	334.5	334.5	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	418.0	380.2	37.8	12.6	4.6	8.0	(9.0)	(1.4)	(7.6)	(1.7)	(0.6)	(1.1)	(0.2)	284.6	10.9
070	Of which SMEs	153.8	153.8	-	5.0	4.6	0.4	(0.2)	(0.2)	-	(0.9)	(0.6)	(0.3)	(0.2)	153.5	4.0
080	Households	27,098.8	20,965.8	5,866.3	61.5	-	61.5	(36.3)	(16.5)	(19.8)	(4.4)	-	(4.4)	-	27,061.0	57.1
090	Debt securities	2,939.0	2,939.0	-	-	-	-	-	-	-	-	-	-	-	1,071.7	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,032.7	1,032.7	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	1,906.3	1,906.3	-	-	-	-	-	-	-	-	-	-	-	1,071.7	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,103.6	2,103.6	-	-	-	-	(0.9)	(0.9)	-	-	-	-	-	2,068.2	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	34.4	34.4	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	2,069.2	2,069.2	-	-	-	-	(0.9)	(0.9)	-	-	-	-	-	2,068.2	-
220	Total	36,572.5	30,401.7	5,904.1	74.1	4.6	69.5	(46.6)	(19.2)	(27.4)	(6.1)	(0.6)	(5.5)	(0.2)	30,485.5	68.0

9.4 UK CR1-A – Maturity of exposures

The template below sets out the maturity of the Group's credit risk exposures.

31 December 2023		a	b	c	d	e	f
		Net exposure value					
		On demand £m	<= 1 year £m	> 1 year <= 5 years £m	> 5 years £m	No stated maturity £m	Total £m
1	Loans and advances	204.5	95.5	3,069.3	27,732.8	354.1	31,456.2
2	Debt securities	-	487.7	942.7	1,477.2	430.1	3,337.7
3	Total	204.5	583.2	4,012.0	29,210.0	784.2	34,793.9

30 June 2023		a	b	c	d	e	f
		Net exposure value					
		On demand £m	<= 1 year £m	> 1 year <= 5 years £m	> 5 years £m	No stated maturity £m	Total £m
1	Loans and advances	191.6	93.8	2,979.4	26,377.4	380.3	30,022.5
2	Debt securities	-	367.2	844.3	1,395.3	332.2	2,939.0
3	Total	191.6	461.0	3,823.7	27,772.7	712.5	32,961.5

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

The template below sets out the changes in the stock of non-performing loans and advances.

		a	a
		Gross carrying amount	
		31 Dec 23 £m	30 Jun 23 £m
010	Initial stock of non-performing loans and advances	73.0	73.0
020	Inflows to non-performing portfolios	43.5	18.8
030	Outflows from non-performing portfolios	(27.9)	(17.7)
040	Outflows due to write-offs	(3.8)	(2.1)
050	Outflow due to other situations	(24.1)	(15.6)
060	Final stock of non-performing loans and advances	88.6	74.1

9.6 UK CR2-A – Changes in the stock of non-performing loans and advances and related net accumulated recoveries

In accordance with the PRA Rulebook, this template is subject to a 5% threshold, calculated as non-performing loans and advances divided by total loans and advances. The Group's non-performing loans and advances are below this threshold and therefore this template has not been disclosed.

9.7 UK CQ1 – Credit quality of forborne exposure

The template below sets out the analysis of credit quality of forborne exposures.

31 December 2023		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	107.5	48.3	40.8	48.3	(5.1)	(4.8)	145.8	43.5
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	10.8	5.1	5.1	5.1	(3.2)	(1.7)	11.0	3.4
070	*Households*	96.7	43.2	35.7	43.2	(1.9)	(3.1)	134.8	40.1
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	107.5	48.3	40.8	48.3	(5.1)	(4.8)	145.8	43.5

UK CQ1 – Credit quality of forborne exposure *(continued)*

30 June 2023		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	173.1	37.0	30.3	37.0	(8.9)	(2.1)	199.0	34.9
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	38.8	4.8	4.8	4.8	(6.5)	(0.1)	36.9	4.7
070	*Households*	134.3	32.2	25.5	32.2	(2.4)	(2.0)	162.1	30.2
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	173.1	37.0	30.3	37.0	(8.9)	(2.1)	199.0	34.9

9.8 UK CQ2 – Quality of forbearance

In accordance with the PRA Rulebook, this template is subject to a 5% threshold, calculated as non-performing loans and advances divided by total loans and advances. The Group's non-performing loans and advances are below this threshold and therefore this template has not been disclosed.

9.9 UK CQ3 – Credit quality of performing and non-performing exposures by past due days

The template below sets out the analysis of credit risk exposures by payment due status.

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l
		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
005	Cash balances at central banks and other demand deposits	3,353.1	3,353.1	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	29,253.3	29,194.8	58.5	88.6	23.3	42.1	16.5	5.7	1.0	-	-	65.2
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	44.5	44.5	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	309.6	309.6	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	416.3	412.9	3.4	10.7	2.3	7.0	1.0	0.4	-	-	-	4.0
070	*Of which SMEs*	164.9	164.9	-	4.3	-	4.3	-	-	-	-	-	4.0
080	*Households*	28,482.9	28,427.8	55.1	77.9	21.0	35.1	15.5	5.3	1.0	-	-	61.2
090	Debt securities	3,337.7	3,337.7	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	1,269.2	1,269.2	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	2,068.5	2,068.5	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,153.9			-								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	35.4			-								-
210	*Households*	2,118.5			-								-
220	Total	38,098.0	35,885.6	58.5	88.6	23.3	42.1	16.5	5.7	1.0	-	-	65.2

UK CQ3 – Credit quality of performing and non-performing exposures by past due days *(continued)*

31 December 2022		a	b	c	d	e	f	g	h	i	j	k	l
		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
005	Cash balances at central banks and other demand deposits	3,641.0	3,641.0	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	26,250.4	26,210.0	40.4	73.0	28.3	27.1	10.5	5.4	1.5	0.2	-	45.3
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	61.8	61.8	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	378.3	378.3	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	419.2	416.2	3.0	13.0	3.9	7.4	0.6	1.1	-	-	-	5.8
070	*Of which SMEs*	142.5	142.5	-	5.9	-	5.9	-	-	-	-	-	5.8
080	*Households*	25,391.1	25,353.7	37.4	60.0	24.4	19.7	9.9	4.3	1.5	0.2	-	39.5
090	Debt securities	2,640.3	2,640.3	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	736.8	736.8	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	1,903.5	1,903.5	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,146.0			-								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	33.5			-								-
210	*Households*	2,112.5			-								-
220	Total	34,677.7	32,491.3	40.4	73.0	28.3	27.1	10.5	5.4	1.5	0.2	-	45.3

9.10 UK CQ4 – Quality of non-performing exposures by geography

In accordance with the PRA Rulebook, this template is subject to a 10% threshold, calculated as non-domestic exposures divided by total exposures. The Group's non-domestic exposures are below this threshold and therefore this template has not been disclosed.

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

The template below sets out the analysis of credit risk exposures by industry.

31 December 2023		a	b	c	d	e	f
		Gross carrying amount					
			Of which non-performing				
				Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		£m	£m	£m	£m	£m	£m
010	Agriculture, forestry and fishing	3.3	-	-	-	-	-
020	Mining and quarrying	1.7	-	-	-	-	-
030	Manufacturing	36.7	-	-	-	(0.4)	-
040	Electricity, gas, steam and air conditioning supply	0.2	-	-	-	-	-
050	Water supply	1.6	-	-	-	-	-
060	Construction	2.3	-	-	-	-	-
070	Wholesale and retail trade	23.7	-	0.4	-	(0.3)	-
080	Transport and storage	33.8	-	-	-	(0.1)	-
090	Accommodation and food service activities	14.8	-	0.4	-	(3.1)	-
100	Information and communication	0.7	-	-	-	-	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	230.7	-	5.0	-	(4.8)	-
130	Professional, scientific and technical activities	5.2	-	-	-	-	-
140	Administrative and support service activities	57.7	-	-	-	(0.8)	-
150	Public administration and defence, compulsory social security	0.9	-	-	-	-	-
160	Education	3.1	-	-	-	(0.8)	-
170	Human health services and social work activities	8.5	-	0.7	-	(0.2)	-
180	Arts, entertainment and recreation	0.4	-	-	-	-	-
190	Other services	1.7	-	-	-	-	-
200	Total	427.0	-	6.5	-	(10.5)	-

UK CQ5 – Credit quality of loans and advances to non-financial corporations by industry *(continued)*

30 June 2023		a	b	c	d	e	f
		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
010	Agriculture, forestry and fishing	2.1	-	-	-	-	-
020	Mining and quarrying	2.4	-	-	-	-	-
030	Manufacturing	34.1	-	-	-	(0.3)	-
040	Electricity, gas, steam and air conditioning supply	0.1	-	-	-	-	-
050	Water supply	1.8	-	-	-	-	-
060	Construction	2.6	-	-	-	(0.1)	-
070	Wholesale and retail trade	24.5	-	0.4	-	(0.4)	-
080	Transport and storage	32.4	-	-	-	(0.1)	-
090	Accommodation and food service activities	16.0	-	0.3	-	(3.0)	-
100	Information and communication	0.5	-	-	-	-	-
110	Financial and insurance activities	0.1	-	-	-	-	-
120	Real estate activities	243.1	-	6.2	-	(5.3)	-
130	Professional, scientific and technical activities	5.0	-	-	-	-	-
140	Administrative and support service activities	52.5	-	-	-	(0.2)	-
150	Public administration and defence, compulsory social security	0.5	-	-	-	-	-
160	Education	2.6	-	-	-	(0.9)	-
170	Human health services and social work activities	8.6	-	0.7	-	(0.3)	-
180	Arts, entertainment and recreation	0.4	-	-	-	(0.1)	-
190	Other services	1.4	-	-	-	-	-
200	Total	430.7	-	7.6	-	(10.7)	-

Note

1. In accordance with the PRA Rulebook, columns b and d of this template are subject to a 5% threshold, calculated as non-performing loans and advances divided by total loans and advances. The Group's non-performing loans and advances are below this threshold and therefore data on these columns have not been disclosed.

9.12 UK CQ6 – Collateral valuation - loans and advances

In accordance with the PRA Rulebook, this template is subject to a 5% threshold, calculated as non-performing loans and advances divided by total loans and advances. The Group's non-performing loans and advances are below this threshold and therefore this template has not been disclosed.

9.13 UK CQ7 – Collateral obtained by taking possession and execution processes

The template below sets out the information on the collateral obtained by taking possession.

		a	b	a	b
		Collateral obtained by taking possession			
		Value at initial recognition 31 Dec 23 £m	Accumulated negative changes 31 Dec 23 £m	Value at initial recognition 30 Jun 23 £m	Accumulated negative changes 30 Jun 23 £m
010	Property, plant and equipment (PP&E)	-	-	-	-
020	Other than PP&E	2.2	-	1.4	-
030	*Residential immovable property*	2.2	-	1.4	-
040	*Commercial Immovable property*	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	-	-	-	-
060	*Equity and debt instruments*	-	-	-	-
070	*Other collateral*	-	-	-	-
080	Total	2.2	-	1.4	-

9.14 UK CQ8 – Collateral obtained by taking possession and execution processes – vintage breakdown

In accordance with the PRA Rulebook, this template is subject to a 5% threshold, calculated as non-performing loans and advances divided by total loans and advances. The Group's non-performing loans and advances are below this threshold and therefore this template has not been disclosed.

10 Credit risk mitigation techniques

10.1 UK CRC – Qualitative disclosure requirements related to CRM techniques

a) The core policies and processes for on- and off-balance sheet netting Article 453 (a) CRR

The Group uses credit risk mitigation techniques to reduce the potential loss in the event that a customer or counterparty becomes unable to meet its obligations. This may include the taking of financial or physical security, the assignment or receivables or the use of guarantees, credit insurance, set-off or netting.

The Group's legal documentation for derivative transactions does grant legal rights of set-off for those transactions with the same counterparty. Netting arrangements for set-off of on-balance sheet exposures have appropriate legal opinion as to their effectiveness and enforceability in the overall borrowing arrangements of legal group structures. This set-off mitigates the credit risk of such arrangements.

b) The core features of policies and processes for eligible collateral evaluation and management eligible collateral evaluation and management Article 453 (b) CRR

Retail

The Group has a variety of methods and techniques available to reduce the credit risk of its mortgage lending. New lending controls assess both the overall credit risk of the customer and their ability to service the mortgage payments in a higher interest rate environment. The lending controls include the use of lending policy, application scorecards, income verification and an affordability model.

The ultimate source of collateral and final recourse for credit risk mitigation remains the borrower's property in the event of a borrower defaulting on their loan. The extent of mitigation is predetermined by the original and current loan-to-value (LTV) assessed by either a valuation conducted by a suitably qualified professional firm or, in instances of lower LTV lending, by employing an Automatic Valuation Model or desktop valuation process, which is subject to conditions and key assumptions agreed by RCC and set within the lending criteria. Additional valuations are conducted on residential properties that have a balance greater than €3m every three years, as set out in the UK CRR requirement.

Commercial

For all commercial securities, valuations were undertaken prior to inception of the loan by suitably qualified professionals with relevant expertise in commercial properties. The Group re-values commercial properties with a balance greater than €3m every three years and may seek subsequent valuations as it is deemed appropriate. Valuation on loans above £250K are completed on a rolling 3-year cycle and to assess risk, IPRE cases have the slotting methodology applied, and information is requested on the tenants and the financial accounts.

For a commercial security, insurance must be taken out and maintained for the duration of the loan in relation to normal property damage perils and must protect against insurable events. Other specialist insurance risk coverage may be requested at the discretion of the Group on a case-by-case basis.

Treasury

The form of credit risk mitigation employed by Group Treasury is determined by the nature of the instrument. International Swaps and Derivatives Association (ISDA) documentation confers the ability to use designated collateral to set against derivative credit exposures in the event of counterparty default. Derivative positions and collateral are valued daily and compared with counterparty valuations. Frequent (at least weekly) rebalancing of the collateral reduces the potential increase in future credit exposure. For such collateralised exposures, the posting of collateral reduces the impact of the current market value to the difference between the market value of the derivative and the 'minimum transfer amounts' which set criteria to avoid the movement of small amounts of collateral. Any disputes in value are monitored and escalated by the dispute resolution procedures.

The Group's Treasury Policy restricts securitisation investments to AAA rated tranches where the underlying collateral must consist solely of UK assets.

c) The main types of collateral taken by the institution to mitigate credit risk Article 453 (c) CRR

Retail

Residential property is the source of collateral for retail mortgages and the means of mitigating loss in the event of default.

Commercial

The commercial property is the primary source of collateral utilised for credit risk mitigation and in all instances is secured by way of a first legal charge over the freehold or long leasehold property. The Group ceased originations of new commercial lending during 2008 but will consider alterations to present commercial borrowings on a case-by-case basis.

Treasury

The Group is only permitted to receive and post cash as collateral or margin in respect of derivative exposures. The only exception relates to cross currency swaps, used to hedge the interest rate and foreign exchange risks associated with non-sterling denominated covered bonds, where high quality sovereign securities could be received by Skipton Covered Bond Limited Liability Partnership (LLP).

The covered bonds and securitisations are predominantly secured by residential mortgages.

d) Guarantees and credit derivatives used as credit protection Article 453 (d) CRR

The Group does not utilise credit derivatives and the only guarantees used as credit protection are those provided by the UK Government relating to loans made under the Coronavirus Business Interruption Loans Scheme (CBILS), Bounce-back Loan Scheme (BBLS) and Recovery Loan Scheme (RLS).

e) Information about market or credit risk concentrations within the credit mitigation taken Article 453 (e) CRR

Concentration risk is the risk that the Group suffers disproportionate losses due to a lack of portfolio diversity including being over-exposed to counterparty, sectoral, geographic, product type or other portfolio concentrations.

Both retail and commercial mortgage lending concentration risk is managed within the risk appetite set by the Board, including specific sectoral, geographic and product type limits. RCC monitor and report on concentration risks on a monthly basis. Exposure limits are monitored and controlled within the operational underwriting area via system driven rule sets and strong mandate controls, where lending outside of policy is controlled via a risk appetite limit. These cases are independently reviewed by the Credit Risk Oversight team.

The Group's exposures are predominantly concentrated in the UK with some exposure to the Channel Islands through SIL. Credit exposures are however well diversified at a regional level and are controlled via risk appetite limits which are subject to an annual review.

ALCO (under delegated authority from the BRC) sets policy limits to manage wholesale lending credit risk concentrations. Compliance with these limits is monitored daily, and formally reported to the GWCC (a sub-committee of ALCO) and ALCO monthly.

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

The template below shows the use of credit risk mitigation (CRM) techniques, broken down by loans and advances, and debt securities.

31 December 2023		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	3,706.8	28,948.8	28,824.0	-	-
2	Debt securities	2,171.0	1,166.8	1,166.8	-	
3	Total	5,877.8	30,115.6	29,990.8	-	-
4	*Of which non-performing exposures*	0.3	78.5	78.5	-	-
5	*Of which defaulted*	-	31.5			

30 June 2023		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		£m	£m	£m	£m	£m
1	Loans and advances	4,012.7	27,539.5	27,413.6	-	-
2	Debt securities	1,867.3	1,071.7	1,071.7	-	
3	Total	5,880.0	28,611.2	28,485.3	-	-
4	*Of which non-performing exposures*	-	68.0	68.0	-	-
5	*Of which defaulted*	-	32.5			

11 Standardised approach

The Group applies the standardised approach to calculate the minimum regulatory capital requirement for the following exposures:

- Retail mortgage exposures within SIL, a subsidiary of the Society;
- Commercial mortgage exposures within the Society;
- Equity release exposures within the Society;
- Wholesale credit exposures within the regulatory group;
- Corporate and retail exposures within SBF, a subsidiary of the Society; and
- Other assets[2].

This section shows a breakdown of exposures under the standardised approach pre and post the application of credit conversion factors (CCF) and CRM. The Group does not apply the CRM techniques to its exposures under the standardised approach and CCF are only applicable to off-balance sheet exposures. The off-balance sheet exposures are credit commitments relating to mortgages not yet drawn down and undrawn credit facilities with subsidiary companies. Template CR5 provides a breakdown of each exposure by its risk weighting.

11.1 UK CRD – Qualitative disclosure requirements related to standardised model

(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) Article 444 (a) CRR

To obtain the risk weights to calculate the minimum capital requirement for wholesale lending exposures; the Group continues to use Moody's and Fitch as External Credit Assessment Institutions (ECAIs). The lower of Moody's or Fitch ratings is applied if both agencies rate the same exposure.

(b) The exposure classes for which each ECAI or ECA is used Article 444 (b) CRR

ECAI ratings are used for central governments and central banks, multilateral development banks, institutions, covered bonds, securitisations and some corporate exposures.

(c) The process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book Article 444 (c) CRR

The Group does not have a trading book. The narrative in points (a) and (b) relate to non-trading book items.

(d) The association of the external rating of each nominated ECAI or ECA with the risk weights that correspond with the credit quality steps Article 444 (d) CRR

The ratings from the ECAIs are mapped across to the Credit Quality Step requirements in line with the UK CRR.

The templates in this section provide an overview of the Group's standardised exposures.

[2] Other assets include prepayments and investment properties.

11.2 UK CR4 – Standardised approach – Credit risk exposure and CRM effects

The template below sets out on and off-balance sheet exposures and related RWAs.

31 December 2023		a	b	c	d	e	f
	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures £m	Off-balance-sheet exposures £m	On-balance-sheet exposures £m	Off-balance-sheet amount £m	RWAs £m	RWAs density (%)
1	Central governments or central banks	4,638.9	-	4,638.9	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	689.0	-	689.0	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	232.9	-	232.9	-	68.3	29.33
7	Corporates	616.5	86.9	615.3	-	266.4	43.30
8	Retail	5.6	0.2	5.6	-	3.9	69.64
9	Secured by mortgages on immovable property	2,607.6	67.6	2,607.6	-	1,008.1	38.66
10	Exposures in default	4.1	-	4.1	-	4.1	100.00
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	757.8	-	757.8	-	75.8	10.00
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	42.2	-	42.1	-	49.7	118.29
17	TOTAL	9,594.6	154.7	9,593.3	-	1,476.3	15.4

UK CR4 – Standardised approach – Credit risk exposure and CRM effects *(continued)*

30 June 2023		a	b	c	d	e	f
Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures £m	Off-balance-sheet exposures £m	On-balance-sheet exposures £m	Off-balance-sheet amount £m	RWAs £m	RWAs density (%)
1	Central governments or central banks	4,605.2	-	4,605.2	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	696.2	-	696.2	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	242.3	-	242.3	-	84.8	35.00
7	Corporates	630.8	34.4	629.3	-	259.7	41.27
8	Retail	6.1	0.3	6.1	-	4.2	68.85
9	Secured by mortgages on immovable property	2,525.9	93.2	2,525.9	-	973.6	38.54
10	Exposures in default	3.5	-	3.5	-	3.5	100.00
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	675.6	-	675.6	-	67.5	10.00
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	29.2	-	29.2	-	27.9	95.55
17	TOTAL	9,414.8	127.9	9,413.3	-	1,421.2	15.10

11.3 UK CR5 – Standardised approach

The template below sets out the analysis of exposures by risk weight.

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	4,638.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,638.9	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	689.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	689.0	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	160.9	-	72.0	-	-	-	-	-	-	-	-	232.9	0.6
7	Corporates	-	309.6	-	-	-	-	12.2	-	-	293.5	-	-	-	-	-	615.3	615.3
8	Retail exposures	-	-	-	-	-	-	-	-	5.6	-	-	-	-	-	-	5.6	5.6
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	2,446.6	-	-	36.7	124.3	-	-	-	-	-	2,607.6	2,607.6
10	Exposures in default	-	-	-	-	-	-	-	-	-	4.1	-	-	-	-	-	4.1	4.1
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	757.8	-	-	-	-	-	-	-	-	-	-	-	757.8	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	7.5	-	-	-	-	25.5	-	9.1	-	-	-	42.1	42.1
17	TOTAL	5,327.9	309.6	-	757.8	168.4	2,446.6	84.2	-	42.3	447.4	-	9.1	-	-	-	9,593.3	3,275.3

UK CR5 – Standardised approach *(continued)*

30 June 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
Exposure classes		0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% £m	250% £m	370% £m	1250% £m	Others £m	Total £m	Of which unrated £m
1	Central governments or central banks	4,605.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,605.2	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	696.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	696.2	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	121.3	-	121.0	-	-	-	-	-	-	-	-	242.3	1.6
7	Corporates	-	334.5	-	-	-	-	9.5	-	-	285.3	-	-	-	-	-	629.3	629.3
8	Retail exposures	-	-	-	-	-	-	-	-	6.1	-	-	-	-	-	-	6.1	6.1
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	2,388.6	-	-	-	137.3	-	-	-	-	-	2,525.9	2,525.9
10	Exposures in default	-	-	-	-	-	-	-	-	-	3.5	-	-	-	-	-	3.5	3.5
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	675.6	-	-	-	-	-	-	-	-	-	-	-	675.6	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	1.7	-	-	-	-	27.5	-	-	-	-	-	29.2	29.2
17	TOTAL	5,301.4	334.5	-	675.6	123.0	2,388.6	130.5	-	6.1	453.6	-	-	-	-	-	9,413.3	3,195.6

12 IRB approach to credit risk

12.1 UK CRE – Qualitative disclosure requirements related to IRB approach

(a) The competent authority's permission of the approach or approved transition Article 452 (a) CRR

The Society has PRA permission to apply the IRB approach to certain credit risk exposures. The IRB rating system utilises internally developed models including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) in contrast with Foundation IRB (FIRB) which utilises internal PD models but regulator prescribed calculations for LGD and EAD. The Group has calculated the regulatory capital requirement for credit risk under the internally developed models for retail mortgage exposures in the Society. It also applies the IRB approach to equity exposures as per Articles 155 and non-credit obligation assets including cash in hand as per Article 156.

From 1 January 2022, new regulation applicable to internally developed IRB models resulted in the application of a temporary model adjustment (TMA) to the Society's regulator-approved IRB model output.

The TMA uplifts the Expected Loss (EL) and RWAs produced by the incumbent regulator approved IRB rating system to the level expected once the rating system is updated to meet the regulatory requirements outlined in PRA Supervisory Statement SS11/13. TMA adjustments are applied at portfolio level.

Until the IRB models are approved by the PRA, the TMA remains subject to change and may cause further movements in the capital metrics. There have not been, and the Society does not expect there to be, any material changes to the risk profile or strategy of the Society as a result of the TMA.

(b) Control mechanisms for rating systems at the different stages of model development, controls and changes Article 452 (c) CRR

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

Credit Analytics is the risk management function that develops and operates the IRB rating system. Group Internal Audit is independent of the risk management function and, as part of the risk-based internal audit plan, assess the following;

- Ongoing development, and any changes for compliance with the Society's control framework;
- The quality of IRB monitoring, procedures and reporting; and
- Compliance with Model Governance Policy and risk appetite.

Group Internal Audit report any control weaknesses and track progress of remediation plans.

(ii) the rating system review;

On an annual basis, the Group Chief Financial Officer attests to the compliance of the model with the applicable UK CRR articles and PRA supervisory statements. An assessment of regulatory compliance is undertaken by the Credit Analytics team to support the attestation which is independently reviewed by the Model Risk Management team. The attestation is reported to the PRA alongside an action plan to remediate any gaps in compliance.

Any model developments or changes to the IRB models are subject to independent validation.

Model performance is monitored by the Credit Analytics team and reported quarterly to MGC and bi-annually to BRC.

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

The Credit Analytics team are in the first line of defence and report to the Group Chief Financial Officer. Developments and changes to the IRB rating system are reviewed by the Model Risk Management team, who are within the second line of defence and report to the Group Chief Risk Officer This provides independence between the function reviewing and developing the models.

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

The Group Risk Management Framework includes the MGC and the Model Risk Management team. The Model Governance Framework includes the Model Governance Policy and Model risk appetite. Each model has a defined model owner, and the Model Risk Management team are independent from model owners. The Head of Credit Analytics is the model owner for the IRB rating system. Group Internal Audit assess compliance of the first and second line with the risk management framework.

(c) The role of the functions involved in the development, approval and subsequent changes of the credit risk models Article 452 (d) CRR

The "three lines of defence" model operated by the Society, outlined in section 3.1 above, segregates responsibility between development, independent review and approval of the IRB models. The first line of defence is responsible for the development of, and any subsequent changes to, IRB models. The second line of defence is responsible for independently reviewing model developments and changes prior to submission to MGC for approval. The third line of defence, provided by Group Internal Audit, provides independent assurance to the Board (through the BAC) of the adequacy and effectiveness of control systems operating within the first and second lines in identifying and managing risk.

(d) The scope and main content of the reporting related to credit risk models Article 452 (e) CRR

IRB rating system reporting and monitoring is undertaken quarterly with a detailed monitoring report provided quarterly to the Model Performance Committee (MPC) and MGC. MPC is a sub-committee of MGC focussing on the assessment of model performance. MPC comments are reported to MGC prior to monitoring approval. BRC are also provided with a report covering model performance at least twice a year. The monitoring process assesses whether model performance and data quality remains within acceptable tolerances.

A detailed annual review of the IRB rating system is undertaken by first line which is independently reviewed by second line prior to reporting to MGC and regulatory compliance is reviewed at least annually.

A Credit Risk Management Information pack containing information on IRB output and impairment trends and changes for specific customer segments is circulated to senior management monthly, with RCC receiving a summary of the key messages from these packs monthly.

(e) The internal ratings process by exposure class, Article 452 (f) CRR

The descriptions provided for this section are for the incumbent regulator approved IRB rating system. The Society has sufficient history of default events to not be considered as a low default portfolio and therefore robust PD estimates are made from the available data.

The following table provides a high-level overview of the key features of the IRB ratings system.

Feature	Overview	Years of data[1]	Specific regulatory requirement
Probability of default (PD)	This model estimates the likelihood of an account defaulting. Accounts are mapped to a point in time[3] PD from application and behavioural scores.	>5 years	Account level PD floor of 0.03%[2].
Loss given default (LGD)	This model estimates the loss that occurs following an account defaulting. This includes the likelihood of possession, the reduction in house price value and cash flow discounting.		Portfolio level LGD floor of 10%[2] of the portfolio EAD.
Exposures at default (EAD)	This model estimates the exposure at default considering interest rates and fees.		Account level floor at account balance.
Definition of default (DoD)	The DoD is primarily driven by payments past due with some unlikeliness to pay indicators. These include bankruptcy, forbearance whilst in arrears of two or more months, an individual voluntary agreement (IVA), possession, and specific provision.		Required inclusion of 90 Days Payments Past Due in the Default Definition.

Notes
1. The years of data is the number of years of loss or default data used in model development and helps illustrate whether the Society has a suitable history of data to develop IRB models.
2. A floor is the minimum value for a model estimate.
3. This model will change to the revised 'Hybrid' PD requirements which are set out in the PRA's Supervisory Statement SS11/13.

Probability of Default

The PD model estimates the risk of a customer defaulting on their mortgage repayments over the next twelve months.

Customers receive a score which represents the account's risk of default. There are two scores for customers, an application score and a behavioural score. Application scores are developed based on customer data available from credit bureaus, and behavioural scores are based on observed account data and credit bureau data. These scores are calibrated to provide a regulatory point in time PD with the application score used for the first two months of the product and the behavioural score for month three onwards. Validation of credit risk models utilises a range of statistical techniques to provide comfort that the models are fit for purpose.

Actual default rates increased to 0.32% in 31 December 2023 (31 December 2022: 0.23%), driven by interest rate increases. The monthly IRB PD calibration process identified the increase and as a result the PD calibration was updated, resulting in higher PD estimates.

Exposure at Default

The EAD model estimates the exposure at risk in the event of a default event over the next twelve months and therefore forms part of the credit loss estimate. This is achieved by adjusting the balance by a modelled number of repayments to the account, plus interest and costs added if the account proceeds to default.

Loss Given Default

The LGD model estimates the loss that would result if the customer was to default.

The LGD model consists of several models, detailed in the table below, which were built using internal data from the last downturn in the economy. These models assess the likelihood of repossession once an account defaults, the estimated sale value returned when selling a repossessed property, and the expected reduction in house prices that would occur in an economic downturn.

The following table provides a high-level overview of the LGD models.

Model component	Years of Data[1]	Purpose and approach	Outcome definition[2]	Downturn Method[3]
Probability of possession given default	> 5 years	To estimate the likelihood of an account moving to possession following a default which can result in a credit loss. This is a segmentation model calculated on downturn data.[4]	36 months following default	Model downturn cure rate and LTV.
Time to possession and time to sale		Used to discount the future value of cashflows to the point of default. Provides an estimated time from observation to possession and possession to sale for accounts defaulting in the observation period.	The period between the default and final possession and property sale	Downturn calibration
Forced sale discount		Estimates the reduction that will occur if a property is sold following a possession event. Typically the sale is lower than the market value which can increase the overall credit loss. This is a segmentation model with a distribution approach.	At the point of property sale	Haircut applied to downturn property values.
Downturn market price reduction		The downturn market price reduction reduces the valuation of properties by 25% from the most recent peak of house prices, this ensures the LGD estimates are appropriate for an economic downturn.	N/A	N/A

Notes
1. The years of data is the number of years of loss or default data used in model development.
2. The outcome period is the length of time an account was observed to determine the predicted outcome of the models.
3. The downturn method is the method of ensuring the LGD component estimates economic downturn losses as required by regulation. A downturn is a period of time when economic indicators reflect a more negative economic environment for example unemployment may increase or house prices may decrease.
4. Segmentation is a method of grouping customer accounts with similar risk.

Credit Conversion Factor

Off-balance sheet amounts for the credit commitments relating to mortgages not yet drawn down are reduced by the Credit Conversion Factor (CCF) to consider the probability of the mortgage not completing. The CCF is applied to the exposure at the point of completion and is based on completion rates previously seen across the portfolio.

12.2 UK CR6 – IRB approach – Credit risk exposures by exposure class and PD range

The template below sets out the credit exposures by exposure class and PD range under the IRB approach as at 31 December 2023.

31 December 2023													
	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	£m	£m	£m
Secured by immovable property Non-SME													
	0.00 to <0.15	10,858.4	2,048.7	0.85	12,599.7	0.09	70,105	22.04	-	1,802.9	14.3	6.9	(7.3)
	0.00 to <0.10	5,594.3	2,045.4	0.85	7,332.9	0.06	38,642	23.53	-	972.9	13.3	3.7	(3.9)
	0.10 to <0.15	5,264.1	3.3	0.85	5,266.9	0.13	31,463	20.05	-	830.0	15.8	3.2	(3.4)
	0.15 to <0.25	9,975.4	1.8	0.85	9,976.9	0.19	71,169	16.17	-	1,739.6	17.4	7.5	(5.2)
	0.25 to <0.50	4,114.9	0.3	0.85	4,115.2	0.32	32,630	15.37	-	997.5	24.2	5.0	(2.6)
	0.50 to <0.75	435.0	-	-	435.0	0.60	3,708	15.33	-	164.0	37.7	1.0	(0.5)
	0.75 to <2.50	379.1	-	-	379.1	1.26	3,435	15.65	-	239.0	63.0	1.8	(0.9)
	0.75 to <1.75	317.8	-	-	317.8	1.09	2,902	15.54	-	183.0	57.6	1.3	(0.6)
	1.75 to <2.5	61.3	-	-	61.3	2.10	533	16.20	-	56.0	91.4	0.5	(0.3)
	2.50 to <10.00	119.7	-	-	119.7	4.77	962	16.58	-	173.4	144.9	2.4	(1.4)
	2.5 to <5	77.1	-	-	77.1	3.43	605	16.33	-	93.7	121.5	1.1	(0.7)
	5 to <10	42.6	-	-	42.6	7.19	357	17.05	-	79.7	187.1	1.3	(0.7)
	10.00 to <100.00	115.3	-	-	115.3	36.86	941	17.02	-	271.7	235.6	17.7	(3.8)
	10 to <20	34.4	-	-	34.4	14.26	276	16.35	-	80.5	234.0	2.0	(0.8)
	20 to <30	20.6	-	-	20.6	24.75	173	18.10	-	60.2	292.2	2.3	(0.6)
	30.00 to <100.00	60.3	-	-	60.3	53.89	492	17.04	-	131.0	217.2	13.4	(2.4)
	100.00 (Default)	59.7	-	-	59.7	100.00	477	22.02	-	309.6	518.6	10.7	(6.2)
Total (exposure class)		26,057.5	2,050.8	0.85	27,800.7	0.56	183,427	18.78	-	5,697.7	20.5	53.0	(27.9)

The Society submitted updated IRB models to the PRA in 2021 and the process for review and approval is ongoing. The newly developed models and feedback from the PRA are being used to calculate a TMA to uplift the RWA and EL from the regulatory approved IRB models[3] to reflect the Society's best view of 2023 IRB model outputs. This adjustment is applied at portfolio level. No adjustments have been made to the PD or LGD values reported, aligning to the guidance set out in SS11/13 which indicates that adjustments should not be applied at sub model level (e.g. PD or LGD).

[3] This model was approved by the regulator in September 2016.

UK CR6 – IRB approach – Credit risk exposures by exposure class and PD range *(continued)*

30 June 2023													
	a	b	c	d	e	f	g	h	i	j	k	l	m
A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	%	£m	%		%	Years	£m	£m	£m	£m
Secured by immovable property Non-SME													
	0.00 to <0.15	12,945.7	1,973.7	0.85	14,623.3	0.09	87,487	20.17	-	2,105.3	14.4	7.7	(12.7)
	0.00 to <0.10	7,088.2	1,972.4	0.85	8,764.7	0.06	47,135	22.36	-	1,187.3	13.5	4.2	(7.2)
	0.10 to <0.15	5,857.5	1.3	0.85	5,858.6	0.13	40,352	17.00	-	918.0	15.7	3.5	(5.5)
	0.15 to <0.25	8,584.3	1.7	0.85	8,585.8	0.19	63,412	15.16	-	1,612.3	18.8	6.8	(10.9)
	0.25 to <0.50	2,373.0	0.2	0.85	2,373.2	0.32	19,545	14.58	-	646.9	27.3	3.2	(5.1)
	0.50 to <0.75	288.6	-	-	288.6	0.61	2,634	14.99	-	126.0	43.7	0.7	(1.2)
	0.75 to <2.50	319.8	-	-	319.8	1.26	2,873	15.86	-	240.3	75.1	1.8	(2.5)
	0.75 to <1.75	264.9	-	-	264.9	1.09	2,421	15.73	-	180.9	68.3	1.3	(1.9)
	1.75 to <2.5	54.9	-	-	54.9	2.09	452	16.47	-	59.4	108.2	0.5	(0.6)
	2.50 to <10.00	102.7	-	-	102.7	4.87	844	16.03	-	169.2	164.8	2.2	(1.6)
	2.5 to <5	63.3	-	-	63.3	3.50	536	15.78	-	87.5	138.2	1.0	(0.8)
	5 to <10	39.4	-	-	39.4	7.08	308	16.44	-	81.7	207.4	1.2	(0.8)
	10.00 to <100.00	94.7	-	-	94.7	36.30	829	15.95	-	240.9	254.4	15.6	(2.6)
	10 to <20	30.4	-	-	30.4	13.93	268	16.07	-	81.1	266.8	1.9	(0.7)
	20 to <30	17.9	-	-	17.9	24.88	147	14.87	-	50.3	281.0	1.9	(0.4)
	30.00 to <100.00	46.4	-	-	46.4	55.32	414	16.28	-	109.5	236.0	11.8	(1.5)
	100.00 (Default)	46.0	-	-	46.0	100.00	381	20.91	-	254.7	553.7	9.8	(4.1)
Total (exposure class)		24,754.8	1,975.6	0.85	26,434.1	0.48	178,005	17.98	-	5,395.6	20.4	47.8	(40.7)

12.3 UK CR6-A – Scope of the use of IRB and SA approaches

The template below sets out the scope of the use of the IRB and standardised approach as at 31 December 2023.

31 December 2023		a	b	c	d	e
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
		£m	£m	%	%	%
1	Central governments or central banks	-	5,327.9	100.00	-	-
1.1	*Of which Regional governments or local authorities*		-	-	-	-
1.2	*Of which Public sector entities*		-	-	-	-
2	Institutions	-	232.9	100.00	-	-
3	Corporates	-	615.3	100.00	-	-
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		-	-	-	-
3.2	*Of which Corporates - Specialised lending under slotting approach*		-	-	-	-
4	Retail	28,108.3	30,418.0	7.59	92.41	-
4.1	*of which Retail – Secured by real estate SMEs*		-	-	-	-
4.2	*of which Retail – Secured by real estate non-SMEs*		30,412.4	7.58	92.42	-
4.3	*of which Retail – Qualifying revolving*		-	-	-	-
4.4	*of which Retail – Other SMEs*		5.6	100.00	-	-
4.5	*of which Retail – Other non-SMEs*		-	-	-	-
5	Equity	-	82.3	-	100.00	-
6	Other non-credit obligation assets	-	854.7	93.59	6.41	-
7	Total	28,108.3	37,531.1	25.11	74.89	-

UK CR6-A – Scope of the use of IRB and SA approaches *(continued)*

31 December 2022		a	b	c	d	e
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
		£m	£m	%	%	%
1	Central governments or central banks	-	4,999.7	100.00	-	-
1.1	*Of which Regional governments or local authorities*		-	-	-	-
1.2	*Of which Public sector entities*		-	-	-	-
2	Institutions	-	467.6	100.00	-	-
3	Corporates	-	667.6	100.00	-	-
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		-	-	-	-
3.2	*Of which Corporates - Specialised lending under slotting approach*		-	-	-	-
4	Retail	24,864.8	27,310.8	8.96	91.04	-
4.1	*of which Retail – Secured by real estate SMEs*		-	-	-	-
4.2	*of which Retail – Secured by real estate non-SMEs*		27,309.2	8.95	91.05	-
4.3	*of which Retail – Qualifying revolving*		-	-	-	-
4.4	*of which Retail – Other SMEs*		1.6	100.00	-	-
4.5	*of which Retail – Other non-SMEs*		-	-	-	-
5	Equity	-	82.3	-	100.00	-
6	Other non-credit obligation assets	-	639.5	91.58	8.42	-
7	Total	24,864.8	34,167.5	27.23	72.77	-

12.4 UK CR7 IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

The Group does not use credit derivatives under the IRB approach to mitigate credit risk therefore this template has not been presented.

12.5 UK CR7-A IRB approach – Disclosure of the extent of the use of CRM techniques

The Group does not use credit risk mitigation techniques under the IRB approach therefore this template has not been presented.

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

The template below sets out the flow statement of credit risk RWAs under the IRB approach for retail mortgage exposures, as prescribed by the PRA, over the period from 30 September 2023 to 31 December 2023. The RWAs do not match with the amounts presented in row 5 of template UK OV1 for the credit risk exposures measured under the IRB approach as this also includes RWAs for non-credit obligation assets of £53.0m (30 September 2023: £52.7m).

	a RWEAs quarter to Dec 23 £m	a RWEAs quarter to Sep 23 £m
Risk weighted exposure amount as at the end of the previous reporting period	5,529.4	5,395.6
Asset size (+/-)	169.8	109.6
Asset quality (+/-)	(1.5)	24.2
Model updates (+/-)	-	-
Methodology and policy (+/-)	-	-
Acquisitions and disposals (+/-)	-	-
Foreign exchange movements (+/-)	-	-
Other (+/-)	-	-
Risk weighted exposure amount as at the end of the reporting period	5,697.7	5,529.4

The credit risk RWAs under the IRB approach for retail mortgage exposures increased by £168.3m in the quarter to £5,697.7m (30 September 2023: £5,529.4m). The increase in RWAs is principally driven by growth in the mortgage book as the RWAs in the quality of the mortgage book remained relatively stable compared to the previous quarter.

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

The template below sets out the back-testing of PD per exposure class credit exposures by exposure class as at 31 December 2023.

31 December 2023							
a	b	c	d	e	f	g	h
Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate	Exposures weighted average PD	Average PD	Average historical annual default rate
				%	%	%	%
Retail exposures - non-SME secured by immovable property collateral	0.00 to <0.15	82,376	19	0.02	0.00	0.09	0.02
	0.00 to <0.10	43,871	14	0.03	0.00	0.06	0.03
	0.10 to <0.15	38,505	5	0.01	0.00	0.13	0.02
	0.15 to <0.25	59,168	45	0.08	0.00	0.19	0.07
	0.25 to <0.50	21,235	59	0.28	0.00	0.33	0.24
	0.50 to <0.75	2,705	35	1.29	0.01	0.61	0.69
	0.75 to <2.50	3,049	44	1.44	0.01	1.28	1.32
	0.75 to <1.75	2,536	30	1.18	0.01	1.11	1.11
	1.75 to <2.5	513	14	2.73	0.02	2.08	2.34
	2.50 to <10.00	890	52	5.84	0.05	4.72	4.57
	2.5 to <5	565	23	4.07	0.03	3.41	3.34
	5 to <10	325	29	8.92	0.07	7.00	6.42
	10.00 to <100.00	787	257	32.66	0.37	37.40	26.13
	10 to <20	250	37	14.80	0.14	14.37	10.54
	20 to <30	125	35	28.00	0.25	24.84	19.55
	30.00 to <100.00	412	185	44.90	0.54	55.18	39.49
	100.00 (Default)	334	313	-	1.00	100.00	-

The Society submitted updated IRB models to the PRA in 2021 and the process for review and approval is ongoing. The newly developed models and feedback from the PRA are being used to calculate a TMA to uplift the RWA and EL from the regulatory approved IRB models[4] to reflect the Society's best view of 2023 IRB model outputs. This adjustment is applied at portfolio level. No adjustments have been made to the PD or LGD values reported, aligning to the guidance set out in SS11/13 which indicates that adjustments should not be applied at sub model level (e.g. PD or LGD).

[4] This model was approved by the regulator in September 2016.

UK CR9 – IRB approach – Back-testing of PD per exposure class (fixed PD scale) *(continued)*

31 December 2022							
a	b	c	d	e	f	g	h
Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate	Exposures weighted average PD	Average PD	Average historical annual default rate
				%	%	%	%
Retail exposures – non-SME secured by immovable property collateral	0.00 to <0.15	79,335	16	0.02	0.00	0.09	0.03
	0.00 to <0.10	42,137	11	0.03	0.00	0.06	0.03
	0.10 to <0.15	37,198	5	0.01	0.00	0.13	0.03
	0.15 to <0.25	57,696	36	0.06	0.00	0.19	0.08
	0.25 to <0.50	20,036	35	0.17	0.00	0.33	0.30
	0.50 to <0.75	2,541	12	0.47	0.01	0.61	0.55
	0.75 to <2.50	2,944	39	1.32	0.01	1.25	1.34
	0.75 to <1.75	2,508	25	1.00	0.01	1.11	1.10
	1.75 to <2.5	436	14	3.21	0.02	2.08	2.47
	2.50 to <10.00	813	34	4.18	0.05	4.93	4.78
	2.5 to <5	494	15	3.04	0.03	3.50	3.79
	5 to <10	319	19	5.96	0.07	7.13	6.16
	10.00 to <100.00	763	194	25.43	0.37	33.30	24.68
	10 to <20	268	29	10.82	0.14	13.96	10.27
	20 to <30	151	29	19.21	0.25	24.58	19.10
	30.00 to <100.00	344	136	39.53	0.56	52.19	38.48
	100.00 (Default)	421	386	-	1.00	100.00	-

12.8 UK CR9.1 – IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

The Group does not apply point (f) of Article 180(1) UK CRR for PD estimation and therefore this template has not been presented.

13 Specialised lending and equity exposures

13.1 Specialised lending

The Group does not use the slotting approach to specialised lending therefore the following templates are not presented:

- UK CR10.1 Specialised lending: Project finance (Slotting approach);
- UK CR10.2 Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach);
- UK CR10.3 Specialised lending: Object finance (Slotting approach); and
- UK CR10.4 Specialised lending: Commodities finance (Slotting approach).

13.2 UK CR10.5 – Equity exposures under the simple risk-weighted approach

The template below sets out the Group's equity exposures under the simple risk-weighted approach as at 31 December 2023. There has been no movement in the Group's equity exposures since 31 December 2022.

31 December 2023	a	b	c	d	e	f
Categories	On-balance sheet exposure £m	Off-balance sheet exposure £m	Risk weight	Exposure value £m	Risk weighted exposure amount £m	Expected loss amount £m
Private equity exposures	-	-	190%	-	-	-
Exchange-traded equity exposures	-	-	290%	-	-	-
Other equity exposures	82.3	-	370%	82.3	304.5	2.0
Total	82.3	-		82.3	304.5	2.0

The Group's equity exposures relate to the cost of investment in the entities which are outside the regulatory group as reported in Section 4.4 (a).

14 Counterparty Credit Risk

Counterparty credit risk (CCR) resulting from derivatives and repurchase transactions is calculated under the standardised approach.

The Group holds regulatory capital in order to cover potential losses which could arise if the counterparties to its derivative contracts or repurchase transactions fail to meet their financial obligations before the maturity date; this is known as CCR. This assessment places a valuation on the risk that the counterparty will default on its obligations before the maturity of the contract. In addition to this, CRD V requires additional regulatory capital to be held to protect the Group from exposure to potential mark-to-market losses that could arise if the creditworthiness of those same counterparties were to deteriorate; this is known as a credit valuation adjustment (CVA) charge.

14.1 UK CCRA – Qualitative disclosure related to CCR

a) The methodology used to assign internal capital and credit limits for counterparty credit exposures Article 439 (a) CRR

The Group regularly reviews and closely monitors the number of counterparties to whom it will lend and, for those counterparties to whom it has lent, reviews both the amount and duration of any limits. The Group also reviews the exposures to counterparties resulting from derivative and repurchase transactions as part of this assessment. Netting and collateralisation agreements are used to reduce counterparty credit exposure; these are discussed further in section 10.

The allocation of counterparty credit limits uses a composite of external credit ratings alongside an internal credit assessment to assign limits based upon a percentage of the Group's capital. The processes for limit allocation and credit assessment are documented within the Treasury Policy. ALCO provides oversight to the effectiveness of wholesale credit risk management. Changes to wholesale credit risk are monitored by the GWCC through the review of financial performance and changes in external credit ratings. The performance of mortgages underlying securitisation positions is also monitored by the GWCC, including total losses, defaults and reserve funds. Impairment testing and more severe stress testing is regularly performed. The adequacy of collateral securing covered bonds held by the Society is also reviewed on a semi-annual basis.

The Group's treasury investments are held to provide liquidity and 99.9% (2022: 100%) of the Group's treasury investments, excluding exposures to a central clearing house used to clear derivatives to manage interest rate risk in line with regulation, are rated A3 or better. The Group's policy is that initial investments in treasury assets are A3 or better (with the exception of some unrated building societies where a separate credit analysis is undertaken).

If the credit rating for an exposure is downgraded such that it no longer meets this rating criteria, then the GWCC will consider the circumstances behind the change in risk, the maturity and value of the outstanding exposure, and whether the exposure could be reduced or mitigated.

The Group measures derivative counterparty credit exposure values using the counterparty credit risk standardised approach (SA-CCR). Under this method, the exposure is calculated by adding the replacement cost of the derivatives to the potential future credit exposure of all derivative relationships; the sum of which is then subject to a constant multiplier, prescribed by regulatory requirements.

The Group addresses the counterparty credit risk associated with derivatives by using legal documentation for derivative transactions that grants legal rights of set-off for those transactions, and collateral pledged and received in respect of these derivative transactions.

The Group is only permitted to receive and post cash as collateral or margin in respect of derivative exposures. The only exception relates to cross currency swaps, used to hedge the interest rate and foreign exchange risks associated with non-sterling denominated covered bonds, where high quality sovereign securities could be received by Skipton Covered Bond Limited Liability Partnership (LLP).

The Group has an indirect relationship with a central counterparty to clear standardised derivatives which are subject to mandatory clearing under EU regulatory requirements. Under central clearing, margin is exchanged on a daily basis.

b) Policies related to guarantees and other credit risk mitigants Article 439 (b) CRR

Collateral held as security for wholesale assets is determined by the nature of the instrument. Loans and debt securities are generally unsecured, with the exception of securitisation positions and covered bonds which are secured by pools of financial assets.

The Group does not currently use credit derivatives for risk mitigation in respect of wholesale credit exposures.

c) Policies with respect to Wrong-Way risk as defined in Article 291 of the CRR Article 439 (c) CRR

Wrong-way risk may occur when the credit risk related to an exposure to a counterparty is adversely correlated with the credit quality of the counterparty. The Group has immaterial exposure to this type of risk as it currently only accepts cash or high quality sovereign debt securities as collateral.

d) Any other risk management objectives and relevant policies related to CCR Article 431 (3) and (4) CRR

As part of liquidity management, repurchase transactions are occasionally entered into by the Group with another counterparty. Under these transactions, highly rated securities are sold to another counterparty in return for cash, with an agreement to repurchase these assets at an agreed price at a later date. Counterparty credit exposure can therefore result if the cash received by the Group is less than the market value of the assets.

For repurchase agreements, the Global Master Repurchase Agreement document is utilised to mitigate credit risk. Valuations are agreed with the relevant counterparties and collateral is then exchanged in order to bring the credit exposure within agreed tolerances.

At the reporting date, the Group's exposure to counterparty credit risk from this type of transaction was £0.9m (2022: £0.1m).

e) The amount of collateral the institution would have to provide if its credit rating was downgraded Article 439 (d) CRR

If the Society's credit ratings were downgraded, there would be no impact on the collateral required to be posted in relation to existing swap agreements, other than the asset swap being provided by the Society to Skipton Covered Bond LLP. Under LCR, the Society holds contingent liquidity equivalent to collateral which it would have to provide following a 3 notch downgrade.

14.2 UK CCR1 – Analysis of CCR exposure by approach

The templates below sets out the methods and parameters used to calculate the CCR regulatory requirements.

31 December 2023		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		£m	£m	£m	α	£m	£m	£m	£m
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	27.6	10.3	-	1.4	47.2	37.7	37.6	12.9
2	IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*	-	-	-	-	-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*	-	-	-	-	-	-	-	-
2c	*Of which from contractual cross-product netting sets*	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	0.9	0.9	0.9	0.1
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					48.1	38.6	38.5	13.0

UK CCR1 – Analysis of CCR exposure by approach *(continued)*

30 June 2023		a Replacement cost (RC) £m	b Potential future exposure (PFE) £m	c EEPE £m	d Alpha used for computing regulatory exposure value α	e Exposure value pre-CRM £m	f Exposure value post-CRM £m	g Exposure value £m	h RWEA £m
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	62.4	11.9	-	1.4	65.0	53.1	52.9	16.8
2	IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*	-	-	-	-	-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*	-	-	-	-	-	-	-	-
2c	*Of which from contractual cross-product netting sets*	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	2.3	2.3	2.3	0.4
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					67.3	55.4	55.2	17.2

14.3 UK CCR2 – Transactions subject to own funds requirements for CVA risk

The template below sets out the capital charge which is calculated from CCR exposure.

		a Exposure value 31 Dec 23 £m	**b RWEA 31 Dec 23 £m**	a Exposure value 30 Jun 23 £m	b RWEA 30 Jun 23 £m
1	Total transactions subject to the Advanced method	-	-	-	-
2	(i) VaR component (including the 3× multiplier)		-		-
3	(ii) stressed VaR component (including the 3× multiplier)		-		-
4	Transactions subject to the Standardised method	**37.6**	**55.1**	52.9	74.4
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-	-	-
5	Total transactions subject to own funds requirements for CVA risk	**37.6**	**55.1**	52.9	74.4

14.4 UK CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

The template below shows an analysis of counterparty credit risk exposures by exposure class as at 31 December 2023.

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
	Exposure classes	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total exposure value £m
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	20.6	17.9	-	-	-	-	-	38.5
7	Corporates	-	508.1	-	-	-	-	-	-	-	-	-	508.1
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	508.1	-	-	20.6	17.9	-	-	-	-	-	546.6

UK CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights *(continued)*

30 June 2023		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	32.3	20.6	-	-	-	-	-	52.9
7	Corporates	-	540.7	-	-	-	-	-	-	-	-	-	540.7
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	2.3	-	-	-	-	-	-	2.3
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	540.7	-	-	34.6	20.6	-	-	-	-	-	595.9

14.5 UK CCR4 – IRB approach – CCR exposures by exposure class and PD scale

The Group does not have counterparty credit risk exposures under the IRB approach therefore this template has not been presented.

14.6 UK CCR5 – Composition of collateral for CCR exposures

Template CCR5 disclosure is only required under Article 439 (e) if both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed £125.0 billion. The Group does not exceed this threshold and therefore this template has not been presented.

14.7 UK CCR6 – Credit derivatives exposures

The Group does not use credit derivatives to mitigate credit risk therefore this template has not been presented.

14.8 UK CCR7 – RWEA flow statements of CCR exposures under the IMM

The Group does not use the Internal Model Method for CCR exposures therefore this template has not been presented.

14.9 UK CCR8 – Exposures to CCPs

The template below sets out the exposures by qualifying central counterparty and related capital requirements as at 31 December 2023.

31 December 2023		a Exposure value £m	b RWEA £m
1	Exposures to QCCPs (total)		10.2
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	508.1	10.2
3	(i) OTC derivatives	508.1	10.2
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	309.6	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

UK CCR8 – Exposures to CCPs *(continued)*

30 June 2023		a Exposure value £m	b RWEA £m
1	Exposures to QCCPs (total)		10.8
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	540.7	10.8
3	(i) OTC derivatives	540.7	10.8
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	334.5	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

15 Securitisation Positions

Access to wholesale funding allows the Group to diversify its funding sources and increase the term of funding to assist in managing its basis and refinance risk. The Group carries out securitisation transactions using its own mortgage assets as well as acquiring RMBS from other third parties.

The Group's securitisation positions are calculated under the standardised approach.

15.1 UK-SECA – Qualitative disclosure requirements related to securitisation exposures

a) Securitisation and re-securitisation activities Article 449(a) CRR

The Group has one RMBS securitisation transaction, Darrowby No. 5 plc, which provides funding for the Society. The transaction has a separate pool of securitised mortgage loans, under which it originally issued £600m of Class A notes and £66.7m of Class B notes (the Group has fully retained the Class B notes). The transaction meets the UK's simple, transparent and standardised (STS) criteria, and is notified as STS-compliant with the FCA, and is fully consolidated into the Group accounts.

The Group has not obtained regulatory capital relief from securitisation as significant risk transfer is not achieved. While the securitised mortgages have been legally sold, they do not meet the de-recognition criteria for accounting purposes (the Group substantially retains the risk and rewards) and as such, the Group continues to recognise the mortgages on the balance sheet.

The Group does not have any synthetic securitisations or any re-securitisations.

The Group invests in senior, high quality, liquid securitisation tranches originated by third parties. Those securitisation tranches that are STS compliant will also contribute to the Society's HQLA position to meet its regulatory liquidity requirements. In line with Board risk appetite, the Group's Treasury Policy restricts securitisation investments to AAA rated tranches where the underlying collateral must consist solely of UK assets.

b) The type of risk the Group are exposed to in their securitisation and re-securitisation activities Article 449(b) CRR

i) risk retained in own-originated transactions;

Darrowby No. 5 plc issued £600m STS compliant AAA rated Class A notes and £66.7m unrated Class B notes. At 31 December 2023, the Society held £68.1m of the Class A notes and all of the Class B notes.

The Class B notes provide subordination that, together with the General Reserve, provides the credit enhancement required to maintain the Aaa/AAA (Moody's/Fitch) rating of the Class A notes. The Group is under no obligation to support any losses that may be incurred by the securitisation transaction or noteholders. Noteholders are only entitled to receive payment of principal and interest to the extent that resources of the Darrowby No. 5 plc transaction allows.

ii) Risk incurred in relation to transactions originated by third parties

Purchased securitisation positions include UK Prime RMBS. This exposes the Society to risks associated with underlying borrower credit quality, price movements in housing markets, lenders' underwriting policies, servicers' capabilities, and the credit quality of counterparties providing services to the securitisations (e.g. swap counterparties). These risks are mitigated by credit enhancement and other structural features. As at 31 December 2023, 99% of purchased securitisation positions are STS compliant.

c) Approaches to calculating the risk-weighted exposure amounts Article 449(c) CRR

The Group has opted to use the External Ratings Based Approach (SEC-ERBA) method to calculate capital requirements for all of its securitisation exposures.

Due diligence is undertaken prior to purchasing any securitisation positions; this includes checking whether the transactions are STS compliant.

d) A list of SSPEs Article 449(d) CRR

(i) SSPEs which acquire exposures originated by the Group;

The Group does not have any Securitisation Special Purpose Entities (SSPEs) of this nature.

(ii) SSPEs sponsored by the Group;

The Group does not have any SSPEs of this nature.

(iii) SSPEs and other legal entities for which the Group provide securitisation-related services, such as advisory, asset servicing or management services;

The Group does not have any SSPEs of this nature.

(iv) SSPEs included in the Group's regulatory scope of consolidation

Darrowby No. 5 plc is included in the Group's regulatory scope of consolidation.

e) Legal entities that the Group have provided support in accordance with Chapter 5 of Title II of Part Three CRR Article 449(e) CRR

Chapter 5 of Title II of Part Three UK CRR relates to calculation of risk-weighted exposure amounts under the standardised approach therefore, this is not applicable in the context of Darrowby No. 5 plc.

f) Legal entities affiliated with the Group and that invest in securitisations originated by the Group or in securitisation positions issued by SSPEs sponsored by the Group Article 449(f) CRR

There are no legal entities of this nature affiliated with the Group.

g) Accounting policies for securitisation activity, Article 449(g) CRR

While the securitised mortgages in Darrowby No. 5 plc have been legally sold, they do not meet the de-recognition criteria for accounting purposes (the Group substantially retains the risk and rewards) and as such, the Group continues to recognise the mortgages on the balance sheet.

Purchased securitisation positions are accounted for as fair value through other comprehensive income (FVOCI) in line with the Group's Accounting Policy.

The Group does not have any re-securitisation positions.

h) The names of the ECAIs used for securitisations and the types of exposure for which each agency is used Article 449(h) CRR

For investment in securitisations originated by third parties, the Group's Treasury Policy requires securitisation positions to have an Aaa/AAA rating from Moody's or Fitch.

Issuance from the Darrowby No. 5 plc securitisation have two ratings from the following ECAIs: Moody's and Fitch.

i) Internal Assessment Approach Article 449(i) CRR

Chapter 5 of Title II of Part Three UK CRR relates to calculation of risk-weighted exposure amounts under the standardised approach, this is not applicable as the Group has adopted the SEC-ERBA approach.

15.2 UK SEC1 – Securitisation exposures in the non-trading book

The template below sets out the Group's exposures to securitisation positions as at 31 December 2023.

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT											
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	117.8	-	-	-	-	-	117.8	-	-	-	-	407.8	-	-	407.8
2	Retail (total)	117.8	-	-	-	-	-	117.8	-	-	-	-	407.8	-	-	407.8
3	residential mortgage	117.8	-	-	-	-	-	117.8	-	-	-	-	407.8	-	-	407.8
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

UK SEC1 – Securitisation exposures in the non-trading book *(continued)*

30 June 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS		Non-STS			of which SRT		STS	Non-STS			STS	Non-STS		
		of which SRT		of which SRT											
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Total exposures	124.7	-	-	-	-	-	124.7	-	-	-	-	395.0	-	-	395.0
2 Retail (total)	124.7	-	-	-	-	-	124.7	-	-	-	-	395.0	-	-	395.0
3 residential mortgage	124.7	-	-	-	-	-	124.7	-	-	-	-	395.0	-	-	395.0
4 credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

15.3 UK SEC2 – Securitisation exposures in the trading book

The Group does not have a trading book therefore this template has not been presented.

15.4 UK SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – The Group acting as originator or as sponsor

The Group has one securitisation outstanding as at 31 December 2023, originated through Darrowby No.5 plc. There are no capital requirements for this securitisation due to no significant risk transfer. Therefore, this template has not been presented.

15.5 UK SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – The Group acting as investor

The template below sets out the securitisation exposures and associated regulatory capital requirements where the Group is acting as the investor.

31 December 2023		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA(by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	407.8	-	-	-	-	-	407.8	-	-	-	40.8	-	-	-	3.3	-	-
2	Traditional securitisation	407.8	-	-	-	-	-	407.8	-	-	-	40.8	-	-	-	3.3	-	-
3	Securitisation	407.8	-	-	-	-	-	407.8	-	-	-	40.8	-	-	-	3.3	-	-
4	Retail underlying	407.8	-	-	-	-	-	407.8	-	-	-	40.8	-	-	-	3.3	-	-
5	Of which STS	407.8	-	-	-	-	-	407.8	-	-	-	40.8	-	-	-	3.3	-	-
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

UK SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – The Group acting as investor *(continued)*

30 June 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA(by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 Total exposures	395.0	-	-	-	-	-	395.0	-	-	-	39.5	-	-	-	3.2	-	-
2 Traditional securitisation	395.0	-	-	-	-	-	395.0	-	-	-	39.5	-	-	-	3.2	-	-
3 Securitisation	395.0	-	-	-	-	-	395.0	-	-	-	39.5	-	-	-	3.2	-	-
4 Retail underlying	395.0	-	-	-	-	-	395.0	-	-	-	39.5	-	-	-	3.2	-	-
5 Of which STS	395.0	-	-	-	-	-	395.0	-	-	-	39.5	-	-	-	3.2	-	-
6 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

The template below sets out the exposures securitised by the Group acting as originator.

31 December 2023		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
		£m	£m	£m
1	Total exposures	301.4	0.3	-
2	Retail (total)	301.4	0.3	-
3	residential mortgage	301.4	0.3	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	-	-	-
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

UK SEC5 – Exposures securitised by the institution - Exposures in default and specific credit risk adjustments *(continued)*

30 June 2023		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
		£m	£m	£m
1	Total exposures	333.1	0.3	-
2	Retail (total)	333.1	0.3	-
3	residential mortgage	333.1	0.3	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	-	-	-
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

16 Standardised approach and internal model for market risk

This section sets out the Group's market risk approach.

16.1 UK MRA – Qualitative disclosure requirements related to market risk

a) The Group's strategies and processes to manage market risk (Points (a) and (d) of Article 435 (1) CRR)

The Group does not have a trading book and therefore is only exposed to market risk from our banking book. Market risk is the risk of losses resulting from adverse movements in market indices, such as interest rates and foreign exchange rates. These losses may arise given the impact on the Group's net interest income or the economic value of the Group's assets and liabilities.

The majority of the Group's exposure to market risk arises from interest rate risk resulting from the mismatch between repricing dates of the Group's interest-bearing assets and liabilities, principally fixed-rate mortgages and retail savings. The Group is also exposed to basis risk, where assets and liabilities reprice using different market rates, and optionality risk resulting from customer behaviour given options available in products offered by the Group (e.g. the option to repay fixed mortgages early). Foreign exchange risk is not a material risk given the majority of the Group's balance sheet is denominated in GBP.

The Group's Treasury function undertake hedging activities, such as transacting interest rate swaps or cross currency swaps when raising wholesale funding in currencies other than GBP, typically Euros, to reduce the impact of market risks. Market risk is managed within limits defined by the BRC, which are reviewed and approved on an annual basis as part of the Treasury Policy. ALCO are responsible for ensuring the Group operates within the Board's risk appetite for market risk and interest rate risk in the banking book.

Metrics and stress testing used to measure the impact of market risk, including monitoring of compliance with the Board's risk appetite for market risk and interest rate risk, are monitored weekly and reported to ALCO on a monthly basis. The methodologies and assumptions used in models to measure the impact of market risk are reviewed and approved by ALCO on at least an annual basis.

b) The structure and organisation of the market risk management function Point (b) of Article 435 (1) CRR

The Board is responsible for setting the Group's risk appetite for market risk and interest rate risk, which is defined within the Treasury Policy. Market risks are then overseen by ALCO to ensure the Group remains within the Board's risk appetite, with the day-to-day management of market risk delegated to Group Treasury. The Group's Prudential Risk Oversight team provide second line assurance of the management of market risk, and are independent of the Group Treasury team.

c) Scope and nature of risk reporting and measurement systems Point (c) of Article 435 (1) CRR

The Group's appetite for market risk and interest rate risk is low, with the main exposure resulting from Interest Rate Risk in the Banking Book (IRRBB). IRRBB is the risk to the Group's earnings and economic value resulting from adverse movements in interest rates. Capital is set aside for market risks as part of the Group's ICAAP.

A series of regulatory and internally defined measures and stress tests are used to measure, monitor and manage the impact of IRRBB. These measures include economic value sensitivity, net interest income sensitivity, economic value of equity sensitivity, value at risk, earnings at risk, net margin duration mismatch and additional stress and scenario testing of extreme but plausible events.

Further details on the Group's management of interest rate risks can be found in section 17.1 UK IRRBBA and section 17.2 UK IRRBB1 within this document.

16.2 UK MR1 – Market risk under the standardised approach

The Group's exposure to foreign currency risk is calculated in accordance with Article 83 of CRD V and is below the 2% de minimis limit (2% of total capital resources) in accordance with Article 351 of the UK CRR, therefore the values have been set to nil and template UK MR1 Market Risk under the standardised approach has not been presented.

16.3 Information on the internal Market Risk Models

The Group does not use the Internal Model Approach for market risk and therefore the following templates have not been presented:

- UK MRB – Information on the internal Market Risk Models;
- UK MR2-A – Market risk under the Internal Model Approach (IMA);
- UK MR2-B – RWEA flow statements of market risk exposures under the IMA;
- UK MR3 – IMA values for trading portfolios; and
- UK MR4 – Comparison of VaR estimates with gains/losses.

17 Exposures to Interest Rate Risk on Positions Not Held in the Trading Book (IRRBB)

The main market risk faced by the Group is interest rate risk which is the risk of loss arising from adverse movements in market interest rates.

The Group uses a number of different metrics to monitor interest rate risk which are set out in the templates below.

17.1 UK IRRBBA – IRRBB risk management objectives and policies

Quantitative disclosures

a) How the Group defines, measures, mitigates and controls IRRBB for the purposes of risk control and measurement.

Interest rate risk is defined as the risk to the Group's net interest income or the economic value of the balance sheet resulting from adverse movements in market interest rates and the associated customer behaviour (i.e. optionality risk). The Group's interest rate risk arises from its banking book as it does not have a trading book.

The Group's interest rate risk appetite is defined by the Board. Responsibility is delegated to ALCO to ensure the Group's exposure to IRRBB is managed within the Board's risk appetite.

IRRBB is managed within the Group's risk framework, which includes policies and strategies for managing interest rate risk, along with limits and measures used to monitor and manage the Group's exposure to IRRBB. Risk metrics are monitored on a weekly basis with a monthly update of all measures provided to ALCO. Governance and controls are also in place for systems used to measure IRRBB and associated models.

The day-to-day management of interest rate risk is delegated to Group Treasury. The management of IRRBB is subject to second line oversight and challenge by the Prudential Risk Oversight team and third line assurance is provided by Group Internal Audit.

The interest rate risks the Group is exposed to include:

- interest rate risk / gap risk;
- basis risk;
- optionality risk; and
- swap spread.

b) The Group's overall IRRBB management and mitigation strategies.

IRRBB is managed using a number of techniques and financial instruments to ensure the Group's exposure to interest rate risk remains within the Board's risk appetite. These include:

- matching offsetting exposures where possible;
- interest rate swaps and cross currency swaps;
- the design of products (e.g. appropriate early repayment charges);
- structural hedging of the Group's reserves;
- pricing strategies which reflect the techniques used to manage interest rate risks; and
- appropriate balance sheet strategy to ensure the Group remains within the Board's risk appetite.

c) The periodicity of the calculation of the Group's IRRBB measures, and a description of the specific risk measure used to gauge sensitivity to IRRBB.

Interest rate risk measures are used to quantify the impact to the Group's economic value or earnings resulting from the adverse movements in interest rates and the associated behaviour of customers. Measures used include the assessment of sensitivities to Economic Value (EV), Economic Value of Equity (EVE) and Net Interest Income (NII). All measures are monitored on a monthly basis and can be assessment more frequently if required.

The Treasury Policy defines internal risk limits for these measures, which are reviewed and approved by the BRC on at least an annual basis.

Measures used by the Group to assess IRRBB include:

- Market value sensitivity to parallel (e.g. 200bps) and non-parallel movements in interest rates;
- Historical Value at Risk (VaR) which assesses the market value sensitivity of repricing mismatches on the balance sheet to historically observed monthly yield curve movements;
- Earnings at Risk (EaR) which assesses the risk to net interest income over a 12 month horizon (assuming a static balance sheet) resulting from stochastically generated paths of future interest rates;
- Net margin duration mismatch, which assesses the impact on net interest income from funding costs rising without an associated change in either bank base rate or SONIA;
- The six EVE and two NII shocks defined by the PRA;
- The market value of treasury investments, including where swaps have been dealt to manage the interest rate risk associated with fixed rate investments (swap spread risk); and
- Target duration of structural portfolio investments.

Additional stress and scenario analysis is also undertaken, including considering the impact of optionality risk on IRRBB. Capital requirements are also determined using IRRBB models for the ICAAP.

d) Interest rate shock and stress scenarios that the Group uses to estimate changes in its economic value and in earnings.

The Group determines EVE sensitivities, including the Supervisory Outlier Test, in line with the PRA's regulatory requirements on a monthly basis using the following stress scenarios:

- Parallel shock up (250 bps);
- Parallel shock down (250 bps);
- Steepener shock;
- Flattener shock;
- Short rates shock up; and
- Short rates shock down.

The impact on economic value of a parallel 250 bps movement in interest rates (up or down) of the operational portfolio is measured weekly against the Board's risk appetite. The impact from other scenarios, such as historical VaR which uses historically observed movements in interest rates, is also considered.

NII sensitivities are assessed monthly using the parallel shock up and parallel shock down scenarios. NII sensitivities are also assessed using the stochastically generated path of interest rates determined through the monitoring of EaR, along with stress testing undertaken to define the net margin duration mismatch risk appetite, which considers the impact of funding costs rising using the balance sheet forecast.

e) Key modelling and parametric assumptions used in calculating change in economic value of equity (ΔEVE) and change in net interest income (ΔNII) in Template UK IRRBB1.

Change in Economic Value of Equity (ΔEVE) assumptions

The key assumptions used when assessing the ΔEVE sensitivities are in line with the PRA regulatory guidance and include:

- The ΔEVE sensitivities are determined by taking the present value of asset and liability cash flows in the base scenario from the present value of cash flows in the shock scenario;
- The balance sheet is modelled on a run-off basis over the remaining expected duration of assets and liabilities at the reporting date;
- Equity is excluded from the sensitivity calculation;
- As the exclusion of equity leaves a portfolio of unhedged assets, which are matched by equity in the Group's structural portfolio, this creates a loss exposure in scenarios where rates rise;
- For shock scenarios where rates become negative, a rate floor of -100 bps is applied. The floor increases by 5 bps per annum for twenty years until it becomes 0 bps;

- Discounting is performed using the risk-free rate;
- Non-maturing deposits (NMDs) are assumed to reprice overnight unless they are deemed to be core. Core balances are assumed to reprice linearly over a 4.7 year duration; and
- Cash flows are determined through applying behavioural run-off profiles, (e.g. fixed mortgage prepayment and conversion profiles of mortgage applications and offers), which are stressed under the six shock scenarios in line with the regulatory expectations.

Change in Net Interest Income (ΔNII) assumptions

The key assumptions used when assessing the ΔNII sensitivities are in line with the PRA regulatory guidance and include:

- A static balance sheet is assumed, with maturing assets and liabilities reinvested in equivalent products;
- The +/- 250bps parallel shocks are applied to implied forward market rates for the next year;
- The impact on NII under each sensitivity scenario is determined over a one year horizon; and
- No floor in rates is assumed, meaning any change in rates is assumed to be fully passed on to variable rate mortgage and savings products (subject to contractual floors).

f) Modelling assumptions used in the Group's internal measurement systems (IMS) for purposes other than disclosure that differ from the modelling assumptions prescribed for the disclosure in Template UK IRRBB1

Behavioural assumptions applied as the base case in the sensitivity scenarios are consistent with those used internally when assessing the impact on economic value, which are reviewed and approved by ALCO on a semi-annual basis.

ΔNII sensitivities assume that the +/- 250bps parallel shocks are fully passed on to variable assets and liabilities (subject to contractual floors) along with reinvested maturing balances, meaning customer rates can become negative. When considering the impact on NII using internal less severe scenarios, such as EaR, it is assumed that customer rates do not fall below 0bps to avoid them becoming negative.

g) How the Group hedges its IRRBB, as well as the associated accounting treatment

Interest rate risk is primarily hedged using interest rate swaps. Where possible, offsetting asset and liabilities are also used to hedge interest rate risk. Hedging is also used in the structural portfolio when managing a portfolio of interest bearing assets which are funded by the Group's capital reserves to stabilise earnings in line with the Board's risk appetite.

Foreign exchange risk resulting from raising wholesale funding in currencies other than GBP is hedged using cross currency swaps.

The Group's derivative financial instruments, including interest rate swaps, are measured and held at fair value within the Statement of Financial Position. The Group has elected to adopt the hedge accounting requirements of IFRS 9 for all hedge relationships covered by those requirements. As permitted under IFRS 9, the Group continues to apply the requirements of IAS 39 for derivatives designated in a portfolio fair value hedge, which is the case for the majority of the interest rate swaps held by the Group. For further details on the Group's accounting policies for derivative financial instruments see note 37 on pages 191 to 197 of the Group's 2023 Report and Accounts.

h) Other information regarding significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.

Economic Value of Equity (ΔEVE) sensitivities

Of the six EVE sensitivities, the Group's largest exposure is to the parallel up scenario, with a decline in EVE of £133m. The most significant driver of this sensitivity relates to structural reserves hedging, with a decline in EVE of £145m resulting from the exclusion of the Group's own equity (reserves and PIBS). Despite the impact on EVE, the structural hedging of reserves reduces potential volatility in the Group's net interest margin arising from changes in interest rates.

Another significant impact relates to stressing the level of prepayments on the fixed mortgage and savings books, which assumes a change in customer behaviour under the parallel up scenario and results in mismatches with existing hedging profiles.

Net Interest Income (ΔNII) sensitivities

The parallel up sensitivity results in a reduction of NII of £8m due to the change in interest income earned from on-balance sheet assets and liabilities along with balance sheet hedging strategies. This has reversed since June 2023 due to the structural hedging of the core NMD portfolio, which has resulted in a portfolio of unhedged assets matched against behaviourally fixed administered deposits.

Quantitative disclosures

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

The average repricing maturity assigned to NMDs is 0.5 years. This is based on balances which are assumed to reprice overnight (non-core) and those which have been assigned a term repricing profile (core).

j) Longest repricing maturity assigned to NMDs.

The longest repricing maturity assigned to NMDs is 4.7 years (56 months).

17.2 UK IRRBB1 – Quantitative information on IRRBB

The template below sets out the Group's changes in economic value of equity (ΔEVE) and net interest income (ΔNII) under each of the prescribed interest rates shock scenarios.

		a	b	c	d	e	f
	In reporting currency	ΔEVE		ΔNII		Tier 1 capital	
	Period	31 Dec 23 £m	30 Jun 23 £m	31 Dec 23 £m	30 Jun 23 £m	30 Dec 23 £m	30 Jun 23 £m
010	Parallel shock up	**(132.7)**	(212.2)	**(8.0)**	31.9		
020	Parallel shock down	**117.8**	187.5	**10.9**	(29.2)		
030	Steepener shock	**(42.3)**	(50.2)				
040	Flattener shock	**14.7**	13.7				
050	Short rates shock up	**(55.2)**	(120.0)				
060	Short rates shock down	**43.7**	110.6				
070	Maximum	**(132.7)**	(212.2)	**(8.0)**	(29.2)		
080	Tier 1 capital					**2,195.2**	2,068.7

18 Operational risk

18.1 UK ORA – Qualitative information on operational risk

a) Risk management objectives and policies Points (a), (b), (c) and(d) of Article 435(1) CRR

Strategies and processes in the management of the operational risk
Operational risk is defined by the Group as the risk of poor customer outcomes or loss, resulting from inadequate or failed internal processes, systems, people, culture and/or from external factors.

The Group places high importance on the strength of the control environment and the operational risk management processes. Operational risk management is integrated with both strategic and routine business decisions and is considered a principal risk. The Operational Risk Policy defines the principles, governance arrangements and accountabilities for the management of operational risk across the Group. This is supported by the Operational Risk Framework which sets out the underlying activities, responsibilities and reporting processes for the management of operational risk. The operational risk management strategy is to ensure a robust and forward-looking risk approach is in place that enables the Group to understand and manage its risks. This in turn supports business strategy and achievement of corporate objectives through informed decision making.

Structure and organisation of the operational risk management function
The Board has delegated oversight of the management of operational risk to the BRC. The role of the BRC is to ensure that there is appropriate consideration and assessment of future risks and stresses, ensuring that management continues to develop robust strategies to protect the business and its customers within approved risk appetite.

The BRC ensures that an appropriate operational risk appetite, policy and framework are in place to identify, assess, mitigate, and report on the operational risks that could impact the ability of the Group to meet its business objectives and serve our customers. Risk management awareness and understanding is embedded across the business and supported by training. All colleagues are responsible for identifying, assessing, mitigating, and reporting risks, supporting a risk aware culture across the Group.

The 'three lines of defence' model, as outlined in section 3.1, is followed for the management of risk across the Group and ensures clear responsibilities for risk management, independent oversight, and appropriate segregation of duties. The first line has primary responsibility for risk management including identification of operational risks/events and implementing appropriate controls and/or actions where appropriate. The second line provides oversight, insight, advice, support, and challenge across the Group in identifying and mitigating risk and implementing the operational risk framework and policy in line with Board risk appetite statements. The third line provides independent assurance on the effectiveness of first and second line activities, specifically providing assurance that the processes and systems of internal control are operating effectively.

Policies for hedging and mitigating the operational risk
The Group has an effective and embedded Operational Risk Policy and framework which are reviewed on a regular basis to ensure they reflect internal and external changes in environment and continue to remain fit for purpose. The approach taken supports the embedding of a risk aware management culture (using the "I AM Risk" approach i.e., Identification, Assessment, Mitigation and Reporting of risk) to drive the right risk management behaviours to minimise customer impact, ensure good outcomes, achieve corporate objectives, and protect the Group's prudential and non-financial obligations. Root cause analysis is a key element of the operational risk framework and is used to identify the underlying issue(s) that may result, or have resulted, in a risk crystallising. This process ensures causes are identified, considered, and reported appropriately, and that associated corrective actions have been implemented to prevent the potential for recurrence.

Scope and nature of operational risk reporting
Reporting mechanisms are in place to provide timely, accurate and meaningful reports which share relevant data and information about the identification, assessment, monitoring, and management of risks across the Group.

Oversight and reporting arrangements are embedded throughout processes to prevent failures which could impact members, colleagues, or the Group. The crystallisation of risks is captured through the recording and analysis of customer outcomes, operational risk events and operational losses. This is used to identify any potential systemic weaknesses in operating processes or controls and to drive action to prevent recurrence. In addition, external horizon scanning is completed to identify and assess potential emerging risks and threats. Operational risks and events are categorised for root cause factors as well as against the operational risk categories defined by the UK CRR. This ensures that the data can be reported externally and compared with other industry data sources.

Further information on operational risk management can be found on page 84 of the Risk Management Report in the Group's Annual Report and Accounts 2023.

b) Approaches for the assessment of minimum own funds requirements Article 446 CRR

The Group has adopted the standardised approach to calculate the Pillar 1 capital requirement for operational risk.

c) The AMA methodology approach used (if applicable) Article 446 CRR

The Group does not apply the Advanced Measurement Approach for operational risk therefore this template has not been presented.

d) The use of insurance for risk mitigation in the Advanced Measurement Approach (if applicable) Article 454 CRR

The Group does not apply the Advanced Measurement Approach for operational risk therefore this template has not been presented.

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

The template below sets out the Group's operational risk own funds requirement and RWAs as at 31 December 2023. As at 31 December 2023 the operational risk requirement has increased to £55.4m (30 September 2023: £42.9m) driven by an increase in the Group's underlying income over a three year period.

31 December 2023		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2021	2022	2023		
	Banking activities	£m	£m	£m	£m	£m
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	**344.1**	**455.6**	**587.0**	**55.4**	**692.7**
3	*Subject to TSA:*	**344.1**	**455.6**	**587.0**		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

30 September 2023		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		2020	2021	2022		
	Banking activities	£m	£m	£m	£m	£m
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	261.7	344.1	455.6	42.9	536.1
3	*Subject to TSA:*	261.7	344.1	455.6		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

19 Remuneration policy

19.1 UK REMA – Remuneration policy

a) Information relating to the bodies that oversee remuneration:

(i) Name, composition and mandate of the main body

The Board Remuneration Committee ("RemCo") is responsible for determining and agreeing the remuneration strategy, how the strategy is reflected in the Remuneration Policy and the specific remuneration packages for the executive directors and other members of the Society's leadership team, as well as any other employees who are deemed to fall within scope of the Remuneration Part of the PRA Rulebook and SYSC 19D of the FCA Handbook (together the "UK remuneration rules"). The RemCo also has selective oversight and/or responsibility for subsidiary businesses that are part of our PRA consolidation group and therefore in scope of the UK remuneration rules. This includes SIL and SBF. SIL is based in the Channel Islands and is regulated by the Guernsey Financial Services Commission. The Board of SIL has also agreed to comply with UK remuneration regulatory requirements where they don't conflict.

The members of the RemCo are all independent non-executive directors of the Society and include members of the Board Risk Committee, Board Change Committee and Board Audit Committee. In addition to the RemCo members, regular attendees at Committee meetings include the Group Chief People Officer, the Group Secretary and General Counsel, and PricewaterhouseCoopers (PwC). A standing invitation to all meetings is also extended to the Group Chair. The Group Chief Executive, Group Chief Risk Officer and the Head of Reward and Governance attend meetings by invitation.

The RemCo ensures that clear remuneration principles for the Society and the Group subsidiaries are set and agreed annually. For the PRA and FCA regulated businesses, the principles set out appropriate standards for remuneration design, governance, risk management, and, where applicable, remuneration for Material Risk Takers (MRTs). The Group Chief Risk Officer updates the RemCo on risk related matters and provides information and insight as part of the risk adjustment process. The RemCo met twelve times during 2023.

The terms of reference of the Committee are available online at skipton.co.uk/about-us/governance/board-committees.

Both SIL and SBF have their own Remuneration Committees which oversee their remuneration practices and ensures compliance with the RemCo principles and policies. The SIL Remuneration Committee comprises three non-executive directors and two of the Society's executives. They met twice in 2023. The SBF Remuneration Committee comprises of the Chair, Chief Executive Officer and Chief Financial Officer of SBF with a Reward Team member attending where necessary. They met six times in 2023.

(ii) External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework

PwC were appointed by the RemCo in 2015 following a review of potential advisers. PwC are a signatory to the voluntary Code of Conduct in relation to remuneration in the UK. PwC have continued to support the RemCo in 2023 on a wide range of areas relating to remuneration. This includes but is not limited to variable remuneration for the executive team and senior leaders, remaining compliant with the UK remuneration rules and reward strategy and principles.

(iii) The scope of the Groups remuneration policy

The Society's Remuneration Policy applies to all colleagues of the Society and the RemCo is responsible for providing oversight on the appropriateness and relevance of the Remuneration Policy and pay practices. The policy is adopted by our subsidiaries SBF and SIL. Due to SIL's regulatory position, the remuneration of the SIL MRTs is approved by the SIL Remuneration Committee, in accordance with the remuneration principles, and is reported to the RemCo.

(iv) Staff or categories of staff whose professional activities have a material impact on institutions' risk profile

MRTs for the Society, SIL and SBF are identified in accordance with the requirements of the UK remuneration rules. We identify MRTs by assessing individuals' responsibilities within their roles, and the potential material impact that role would have on the risk profile of the entities in the PRA consolidation group or on the PRA consolidation group as a whole. The identification is based on the qualitative and quantitative criteria set out in the UK remuneration rules together with internal criteria set by the Society.

For 2023 there were 74 MRTs (2022: 75 MRTs). Those identified as MRTs include, but are not limited to:

- Executive and non-executive directors and senior management; and
- Colleagues with key functional or managerial responsibility including senior managers of control functions such as audit and risk.

b) The design and structure of the remuneration system for identified staff

(i) The key features and objectives of remuneration policy

As a mutual organisation, our approach to pay reflects the needs of our members and is consistent with our strategy and values. Our ambition is to offer a fair and competitive reward package for all, encouraging the right behaviours and customer outcomes. Our remuneration package consists of fixed remuneration, benefits (including pension, car allowance, private medical insurance etc.) and variable remuneration.

Fixed Remuneration - The basic salary of MRTs (other than non-executive directors) is set according to the size of individual role and responsibilities, skills required, salary levels of similar positions in comparable organisations, and internal benchmarks. Salaries are reviewed annually, and individual increases are awarded based on the position against benchmark and any cost-of-living adjustment. The Group strives to place fixed pay at the median of market.

Non-executive directors receive fees which are reviewed annually by the Non-Executive Directors' Remuneration Committee, and are agreed by the Board. An additional fee is paid to the Chairs of the Board Audit, Board Risk, Board Change Committees and RemCo. The Group Chair's fees are reviewed and approved by the Non-Executive Directors' Remuneration Committee.

Variable Remuneration - Variable remuneration is delivered through the following schemes:

- Single Variable Pay Arrangement (SVPA) – executive directors and members of the Executive Committee participate in this scheme. The details for this scheme are outlined in detail in the Directors' Remuneration Report in the Group's Annual Report and Accounts 2023, along with details on the remuneration for our executive directors;
- Society Band 1 & 2 Schemes – members of the senior leadership team participate in these schemes. This level typically includes Heads of Department;
- Group Chief Internal Auditor Scheme;
- Society All Colleague Scheme – a small number of MRTs participate in this scheme;
- SIL Executive Bonus Scheme – this rewards the SIL Chief Executive Officer and MRTs based in Guernsey.
- SIL All Employee Scheme;
- SBF Executive Bonus Scheme – this rewards the SBF Executive team. SBF also operate a long-term incentive scheme with the same participation; and
- SBF Audit Bonus Scheme.

Incentive awards for MRTs are designed to achieve an appropriate balance between the fixed and variable elements of remuneration, to support a high-performance culture and to encourage the right behaviours leading to sustainable performance with the Group's risk appetite.

RemCo does not consult colleagues on Remuneration Policy for Directors, but it does take into consideration remuneration arrangements for the wider population in the Society when determining executive remuneration. RemCo ensures clear remuneration principles for the Society and its subsidiaries are set and agreed annually. For the PRA and FCA regulated businesses, the principles set out appropriate standards for remuneration design, governance, risk management, and where applicable, remuneration for MRTs.

RemCo has, for a number of years, invited members to vote (on an advisory basis) on the Directors' Remuneration Policy every three years and takes member feedback into account when determining policy and outcomes.

(ii) The criteria used for performance measurement and ex ante and ex post risk adjustment

The potential risk implications of MRTs' remuneration are managed in a number of ways including the core design of the schemes, the monitoring of business performance against risk appetite, risk profile and the requirement for an agreed capital ratio to be met or exceeded for payments to be made.

To ensure that rewards are based on sustainable performance over a multi-year period, the RemCo conducts a 'sustainable performance assessment' one year after the original performance year. The RemCo reviews performance against the original scheme measures and considers whether the performance which generated the award has been materially sustained in line with Board expectations.

If the RemCo considers that performance has not been adequately maintained, an adjustment of up to 25% of the original award can be made to either current year awards or to deferred payments, subject to specific criteria. The SIL Remuneration Committee conducts the 'sustainable performance assessment' for SIL MRTs and considers whether risk adjustment should be applied to incentive outcomes.

The Society has a Risk Adjustment Policy which sets out its approach to ex-ante and ex-post risk adjustment, including malus and clawback. The Risk Adjustment Policy is also adopted by SIL and SBF. Where the RemCo determines that risk adjustment is required, payments due from the schemes and deferred payments (if applicable) may be postponed, reduced, or cancelled for some, or all, participants. In certain circumstances, the business may need to apply clawback arrangements and require repayment of an appropriate amount of variable pay relating to the event which has occurred.

(iii) Whether the management body or the remuneration committee where established reviewed the Group's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration

The Society's Remuneration Policy and Principles are reviewed on an annual basis by the RemCo and 2023 was no exception. No changes were made, and the policy was approved for 2023. The Directors' Remuneration Policy was approved at the AGM on 25 April 2022 and is expected to apply until the 2025 AGM, when members will be asked to approve a revised Directors' Remuneration Policy. SBF and SIL adopt the same policy and principles.

(iv) How the Group ensures that staff in internal control functions are remunerated independently of the businesses they oversee

For our senior population in control functions (Risk and Internal Audit) the targets and measures are weighted more on personal performance to ensure the remuneration for these individuals is independent from the areas they oversee, with no financial or other metric directly linked to the business areas they control.

(v) Policies and criteria applied for the award of guaranteed variable remuneration and severance payments

Guaranteed variable remuneration is only awarded in exceptional circumstances and is always limited to new hires in the first year of service. Any guarantees follow the requirements of the UK remuneration rules.

Any severance payments are made in accordance with contractual or other statutory entitlements and do not reward failure or misconduct.

c) The ways in which current and future risks are taken into account in the remuneration processes

The potential risk implications of MRTs' remuneration are managed in a number of ways including the core design of the schemes, the monitoring of business performance against risk appetite, risk profile and the requirement for an agreed capital ratio to be met or exceeded for payments to be made.

On an annual basis, the RemCo also seeks confirmation from the BRC of how the Society and executive directors have performed in relation to the risk objectives, risk profile and risk appetites set for the performance year, considering the context and impact of operational decisions. The RemCo also considers the views of the BRC and the BAC on whether there are any material issues to consider, (e.g., a significant risk failing, regulatory breach or material error), which may trigger malus or an adjustment to the outcome of the schemes. In such situations, the RemCo has the discretion to postpone, reduce or cancel current year or deferred payments or to claw back payments already made.

d) The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD

The Remuneration Principles cap overall variable pay at 100% of fixed remuneration for all MRTs. In practice, scheme maximums do not exceed 50% of basic salary for the Society. The RemCo has the discretion to award above the 50% cap in exceptional circumstances. The SIL Executive Scheme has a maximum cap of 60% and the SBF Executive Scheme a maximum cap of 30%.

e) The ways in which the Group seeks to link performance during a performance measurement period with levels of remuneration

(i) The main performance criteria and metrics for the Group, business lines and individuals

The alignment with performance is achieved through the Single Variable Pay Arrangement (SVPA) scheme for the Executive Committee and executive directors, the Band 1 and 2 schemes for senior leaders, and the Society All Colleague Scheme.

The measures used to calculate outcomes under the SVPA incentive scheme in which the executive team participates, are selected because they directly support the Society's strategic priorities and sustainability goals. The targets set for each measure are determined independently by the Remuneration Committee to ensure that the Executive team is only rewarded for achieving demanding business goals.

i) The main performance criteria and metrics for the Group, business lines and individuals (continued)

The alignment with performance is achieved through the Single Variable Pay Arrangement (SVPA) for the Executive Committee and executive directors, the Society Band 1 and 2 schemes for senior leaders, and the Society All Colleague scheme.

The measures used to calculate outcomes under the SVPA incentive scheme in which the executive team participates, are selected because they directly support the Society's strategic priorities and sustainability goals. The targets set for each measure are determined independently by the Remuneration Committee to ensure that the Executive team is only rewarded for achieving demanding business goals. The total incentive opportunity is apportioned across four main elements:

- **Financial Measures –** including Group and Society profit before tax and cost reduction;
- **Customer Growth Measures** – including Society mortgage year-end balances, Society savings year-end balances, Financial Advice direct income and Society net customer satisfaction;
- **ESG Dashboard –** comprised of measures to increase our positive impact on the environment, to drive positive social impact for colleagues, customers, and communities, and to lead the Society to higher sustainability governance standards; and
- **Objectives –** including strategic team and personal objectives.

More details on the SVPA can be found in the Directors' Remuneration Report in the Group's Annual Report and Accounts 2023 on pages 86 to 101.

The measures for the Society Band 1 and 2 schemes include business performance measures and a 50% focus on personal performance. The weightings for this scheme will differ to the SVPA scheme to recognise the different focus between the executive and senior leader roles.

A very small number of MRTs, who are not part of the Society Band 1 and 2 schemes, participate in the Society All Colleague Scheme. The total incentive opportunity is determined by a) a set of business measures taken directly from the Society's annual Corporate Plan and b) personal performance taking into consideration performance against agreed objectives.

The majority of measures and targets featured in the SVPA are cascaded across the Society Band 1 and 2 and Society All Colleague incentive schemes. This common structure helps build a shared commitment to our purpose and strategy and ensures colleagues at all levels in the Society are rewarded in a way that recognises our collective success.

The Society must meet minimum performance thresholds before any of the schemes will pay out. If these thresholds are not met, then bonus pools could be adjusted or reduced to zero. The RemCo must also be satisfied that there are no significant current or future conduct, reputational, financial, or operational risks or other reasons why the awards would not be made. This is done in conjunction with Board Risk Committee and Board Audit Committee.

To receive an award under any of the schemes, all MRTs must meet a satisfactory level of individual performance which is assessed against annual objectives and against conduct and behaviours. Awards can be scaled back if an MRT does not meet a satisfactory level of performance.

The SIL Executive Bonus Scheme is based on a mix of corporate objectives including financial, commercial and audit quality measures. The remainder of the award is based on performance against personal objectives which is assessed through the annual appraisal process.

The SBF Executive Team all participate in the SBF Executive bonus scheme. The scheme is based on 70% performance against the Corporate Plan and 30% personal performance. The SBF Executive bonus scheme is designed to reward performance against two independent measures of SBF profit (70% weighting) and the delivery of the client and employee strategy (30% weighting). Employee strategy is determined against achievement of targets for a combination of client satisfaction score (15%) and the employee satisfaction score (15%).

(ii) How amounts of individual variable remuneration are linked to institution-wide and individual performance

For all Society schemes there is an on-target and maximum opportunity for colleagues. These are set for the performance year and reflect the individual's role and seniority. Individual award outcomes are assessed against the measures detailed above and their individual performance objectives. All colleagues have a review to discuss their performance against their individual annual objectives.

(iii) The criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments

Regulations require 50% of total variable remuneration to be delivered as an instrument. Due to the Society's mutual status, the instrument used is a "contingent cash" award to fulfil the 50% instruments requirement. This also applies to SIL and SBF MRTs. The instrument is subject to a write-down if the CET1 ratio falls below a prescribed level.

(iv) The measures the Group will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics

Each year the RemCo determines the maximum, target and threshold levels of performance which must be met for the scheme to pay out an award. All variable pay is subject to an annual risk assessment in advance of any payments being made. The Society must meet minimum performance thresholds before any award will be made on any of the schemes.

If these thresholds are not met, then bonus pools could be scaled back or reduced to zero. The RemCo determines whether the outcomes are a true reflection of performance or whether any further adjustments should be applied. The RemCo must also be satisfied that there are no significant current or future conduct, reputational, financial, or operational risks or other reasons why the awards would not be made. Information for the annual risk assessment is provided by BRC, BAC and the GCRO.

f) The ways in which the institution seeks to adjust remuneration to take account of long-term performance

(i) The Group's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff

All MRTs, across all schemes, are subject to the applicable UK remuneration rules. Under this regulatory framework MRTs who trigger the de minimis thresholds (variable pay greater than £44,000 or in excess of 33% of total remuneration) are subject to regulatory deferral.

For executive directors or MRTs whose total variable pay exceeds £500,000, 60% of their variable remuneration is deferred. All other MRTs have 40% of their variable remuneration deferred.

Where remuneration exceeds the de minimis criteria, at least 50% of the variable remuneration must be paid in an instrument which meets regulatory requirements. For the Society, SBF and SIL, this means that 50% of non-deferred variable pay and 50% of deferred payments are paid out as a contingent cash instrument subject to write-down if the CET1 ratio falls below an agreed level. In line with regulatory requirements, awards of contingent cash are subject to an additional retention period of 12 months following their vesting.

In the case of an MRT who performs a PRA senior management function and has either total remuneration over £500,000 or annual variable remuneration of over 33% of their total remuneration, a deferral period of 7 years is applied. No deferred payments are made until 3 years after the award, after which vesting is on a pro-rata basis. For MRTs who have an FCA senior management function or who are a member of the management body or senior management, a deferral period of 5 years is applied, with vesting on a pro-rata basis.

(ii) The Group's criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law)

All variable pay is subject to malus (where deferral is applied) and clawback arrangements. Awards are subject to clawback for between 5 and 7 years from when the award was made. For certain MRTs who perform a PRA or FCA senior management function, awards can be subject to clawback for up to 10 years.

The following events provide examples of where malus and or clawback may be considered. This is not an exhaustive list and other significant events may be taken into account at the discretion of the relevant remuneration committee:

- A live disciplinary warning or behaviour which is detrimental to the Society or one of its businesses;
- A material failure in risk management;
- A material downturn in financial performance such that the firm's financial position does not warrant the payment of bonus at the prescribed level - this could include but is not limited to a significant deterioration in capital;
- Failure to meet appropriate standards of fitness and propriety;
- Conduct rule breaches; and
- The business has suffered product failure; an adverse customer impact; a significant process or control failure or some other significant failing.

During an internal or external investigation into a risk event, any unvested variable pay may be frozen pending the outcome and communication to the individuals affected.

(iii) Where applicable, shareholding requirements that may be imposed on identified staff

Skipton Building Society is a mutual and therefore this is not applicable.

g) The main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR

The Society's performance is assessed against clearly articulated strategic objectives taken from the Corporate Plan. For 2023 these were:

- Help more people have a home;
- Make money work harder; and
- Make membership matter

The RemCo will use the focus from the Corporate Plan to set challenging business performance measures to be used to assess performance for variable pay. Individual performance is also rewarded in our schemes with personal objectives aligned to the Corporate Plan and the behaviour framework.

SIL and SBF follow the same process against their own Corporate Plan objectives.

h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management

Details of the remuneration for our executive and non-executive directors can be found in the Directors' Remuneration Report set out in the Group's Annual Report and Accounts 2023 on pages 86 to 101.

i) Whether the Group benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR

We benefit from the possibility of not having to apply certain UK remuneration rules to those MRTs whose annual variable remuneration does not exceed £44,000 and does not represent more than one-third of their total annual remuneration (the de minimis criteria). For MRTs meeting these criteria, we do not apply the rules relating to:

- the pay-out of variable remuneration in retained shares or other instruments; and
- the deferral of variable remuneration.

56 MRTs benefited from this in 2023. Their total remuneration, split into fixed and variable remuneration, is shown below.

For 2023 derogation was applied as follows:

Number of Staff	Total Fixed Remuneration	Total Variable Remuneration	Total Variable Remuneration
56	£6.6m	£0.7m	£7.3m

j) Information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR

See templates UK REM1 to UK REM5 within these disclosures.

19.2 UK REM1 – Remuneration awarded for the financial year

The template below sets out the remuneration awarded for the financial year by function.

31 December 2023			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	12	6	13	43
2		Total fixed remuneration	1.1	2.6	2.6	5.6
3		Of which: cash-based	1.1	2.6	2.6	5.6
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	-	-	-
9	Variable remuneration	Number of identified staff	-	5	10	36
10		Total variable remuneration	-	0.6	0.6	0.9
11		Of which: cash-based	-	0.3	0.4	0.7
12		Of which: deferred	-	0.2	0.1	0.1
UK-13a		Of which: shares or equivalent ownership interests	-		-	-
UK-14a		Of which: deferred	-	-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-14b		Of which: deferred	-	-	-	-
UK-14x		Of which: other instruments	-	0.3	0.2	0.2
UK-14y		Of which: deferred	-	0.2	0.1	0.1
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1.1	3.2	3.2	6.5

Note

1. Rows 4, 6 and 8 of this template have not been presented as they are not applicable in the UK

UK REM1 – Remuneration awarded for the financial year *(continued)*

31 December 2022			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	14	8	8	45
2		Total fixed remuneration	0.7	2.9	1.9	5.1
3		Of which: cash-based	0.7	2.9	1.9	5.1
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	-	-	-
9	Variable remuneration	Number of identified staff	-	7	8	40
10		Total variable remuneration	-	1.9	0.5	0.9
11		Of which: cash-based	-	0.3	0.2	0.7
12		Of which: deferred	-	0.2	0.1	0.1
UK-13a		Of which: shares or equivalent ownership interests	-	-	-	-
UK-14a		Of which: deferred	-	-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-14b		Of which: deferred	-	-	-	-
UK-14x		Of which: other instruments	-	1.0	0.1	0.1
UK-14y		Of which: deferred	-	0.4	0.1	0.1
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		0.7	4.8	2.4	6.0

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

The template below sets out special payments to staff in relation to the remuneration rules and severance payments.

31 December 2023		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	1	-	-
2	Guaranteed variable remuneration awards -Total amount	-	0.3 -	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	1	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	2	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

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

31 December 2022		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	1	5
7	Severance payments awarded during the financial year - Total amount	-	0.2	0.2	0.1
8	Of which paid during the financial year	-	0.2	0.2	0.1
9	Of which deferred	-	0.1	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	0.2	-	-

19.4 UK REM3 – Deferred remuneration

The template below sets out the remuneration awarded for the financial year by function.

	31 December 2023 Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f 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)	UK - g Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	UK - h Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	2.4	0.2	2.2				0.2	0.1
8	Cash-based	1.1	0.1	1.0	-	-	-	0.1	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	1.3	0.1	1.2	-	-	-	0.1	0.1
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	0.4	-	0.4				-	-
14	Cash-based	0.2	-	0.2	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	0.2	-	0.2	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	0.3	-	0.3				-	-
20	Cash-based	0.2	-	0.2	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	0.1	-	0.1	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	3.1	0.2	2.9	-	-	-	0.2	0.1

UK REM3 – Deferred remuneration (continued)

31 December 2022 Deferred and retained remuneration		a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f 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)	UK - g Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	UK - h Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function								
8	Cash-based	2.2	0.4	1.8	-	-	-	0.4	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	1.2	0.1	1.0	-	-	-	0.1	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management								
14	Cash-based	0.2	0.1	0.2	-	-	-	0.1	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	0.1	-	0.1	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff								
20	Cash-based	0.8	0.2	0.6	-	-	-	0.2	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	0.2	0.1	0.2	-	-	-	0.1	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	4.7	0.9	3.9	-	-	-	0.9	-

19.5 UK REM4 – Remuneration of 1 million EUR or more per year

The template below sets out the number of high earners in the year.

December 2023	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

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

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

The template below sets out information on the remuneration of staff whose professional activities have a material impact on the Group's risk profile.

31 December 2023		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										74
2	Of which: members of the MB	12	6	18							
3	Of which: other senior management				-	1	-	10	2	-	
4	Of which: other identified staff				-	16	2	14	11	-	
5	Total remuneration of identified staff	1.1	3.3	4.4	-	2.8	0.3	4.1	2.4	-	
6	Of which: variable remuneration	-	0.7	0.7	-	0.5	-	0.7	0.3	-	
7	Of which: fixed remuneration	1.1	2.6	3.7	-	2.3	0.3	3.4	2.1	-	

31 December 2022		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										75
2	Of which: members of the MB	14	8	22							
3	Of which: other senior management				-	-	-	-	-	-	
4	Of which: other identified staff				-	-	-	-	11	42	
5	Total remuneration of identified staff	0.7	7.2	7.9	-	-	-	-	2.0	6.5	
6	Of which: variable remuneration	-	2.4	2.4	-	-	-	-	0.3	1.2	
7	Of which: fixed remuneration	0.7	4.8	5.5	-	-	-	-	1.7	5.3	

20 Encumbered and unencumbered assets

The template below details, as a median calculation rather than a point in time, for different classes of assets, the level of encumbrance and both the carrying and fair value of those assets on a Group basis in the year ended 2023.

20.1 UK AE1 – Encumbered and unencumbered assets

31 December 2023		010	030	040	050	060	080	090	100
		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which: notionally eligible EHQLA and HQLA		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA		of which: EHQLA and HQLA
		£m	£m	£m	£m	£m	£m	£m	£m
010	**Assets of the reporting institution**	6,756.2	36.4			28,650.5	6,020.1		
030	Equity instruments	-	-	-	-	-	-	-	-
040	Debt securities	36.4	36.4	36.4	36.4	2,977.3	2,850.1	2,977.3	2,850.1
050	of which: covered bonds	-	-	-	-	705.6	705.6	705.6	705.6
060	of which: securitisations	-	-	-	-	401.8	401.8	401.8	401.8
070	of which: issued by general governments	29.3	29.3	29.3	29.3	964.9	964.9	964.9	964.9
080	of which: issued by financial corporations	8.7	8.7	8.7	8.7	912.5	797.7	912.5	797.7
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	6,692.4	-			25,673.2	3,271.6		

UK AE1 – Encumbered and unencumbered assets (continued)

31 December 2022 *Restated		010 Carrying amount of encumbered assets	030	040 Fair value of encumbered assets	050	060 Carrying amount of unencumbered assets	080	090 Fair value of unencumbered assets	100
			of which: notionally eligible EHQLA and HQLA		*of which: notionally eligible EHQLA and HQLA*		*of which: EHQLA and HQLA*		*of which: EHQLA and HQLA*
		£m	£m	£m	£m	£m	£m	£m	£m
010	Assets of the reporting institution	6,811.5	5.6			24,989.3	5,473.3		
030	Equity instruments	-	-	-	-	4.3	-	4.3	-
040	Debt securities	5.6	5.6	5.6	5.6	2,649.5	2,275.1	2,649.5	2,275.1
050	of which: covered bonds	-	-	-	-	454.3	454.3	454.3	454.3
060	of which: securitisations	-	-	-	-	251.6	242.3	251.6	242.3
070	of which: issued by general governments	-	-	-	-	730.2	730.2	730.2	730.2
080	of which: issued by financial corporations	5.6	5.6	5.6	5.6	1,298.4	846.3	1,298.4	846.3
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	6,808.4	-			22,223.3	3,084.7		

* The comparative amounts in the template above have been restated due to changes in assumptions and interpretations of the underlying regulation and disclosure requirements.

20.2 UK AE2 – Collateral received and own debt securities issued

The template below details, as a median calculation rather than a point in time, for different classes of assets, the level of collateral received on a Group basis in the year ended 2023.

31 December 2023		010	030	040	060
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m
130	**Collateral received by the reporting institution**	1,057.6	-	-	-
140	Loans on demand	1,057.6	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			58.3	-
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	7,843.1	36.4		

UK AE2 – Collateral received and own debt securities issued (continued)

31 December 2022 * Restated		010	030	040	060
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		£m	£m	£m	£m
130	Collateral received by the reporting institution	823.5	-	-	-
140	Loans on demand	823.5	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
241	Own covered bonds and asset-backed securities issued and not yet pledged			74.5	-
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	7,635.0	5.6		

* The comparative amounts in the template above have been restated due to changes in assumptions and interpretations of the underlying regulation and disclosure requirements.

20.3 UK AE3 – Sources of encumbrance

The following template shows the carrying amount of selected encumbered assets, collateral received and associated liabilities.

31 December 2023		010	030
		Matching liabilities, contingent liabilities or securities lent	**Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered**
		£m	£m
010	**Carrying amount of selected financial liabilities**	**4,680.7**	**7,843.1**

31 December 2022 * Restated		010	030
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		£m	£m
010	Carrying amount of selected financial liabilities	4,865.8	7,635.0

* The comparative amounts in the template above have been restated due to changes in assumptions and interpretations of the underlying regulation and disclosure requirements.

20.4 UK AE4 – Accompanying narrative information

a) Information on asset encumbrance

The asset encumbrance disclosure templates have been compiled in accordance with UK CRR regulatory reporting requirements. These numbers reflect EBA methodology and, as such, may differ from the disclosures contained in the Group's Annual Report and Accounts 2023 due to differences in the definitions of encumbrance for certain assets. In all asset encumbrance disclosure templates, the values disclosed are the median of the sums of the four quarterly end-of-period values during the financial year as prescribed by regulatory requirements. The consolidation scope applied for the purposes of asset encumbrance is consistent with those applied for liquidity requirements. There are no differences between the treatment of transactions which have been deemed to have been pledged or transferred compared to their encumbrance status.

Asset encumbrance generally occurs through the pledging of assets to secured creditors, as collateral, or to credit enhance financial transactions. Such assets become unavailable for other purposes.

b) Information on the impact of the business model on assets encumbrance and the importance of encumbrance to the Group's business model

The Group uses repurchase agreements/securities lending transactions as an everyday liquidity tool and has a range of counterparties whereby assets may be encumbered in order to raise funding. Assets are solely encumbered at the Society level. The Group has an asset encumbrance limit which is set by the Board and reviewed on a regular basis.

Mortgage assets are used in long-term secured funding transactions such as securitisations, covered bonds and Bank of England schemes. The Group has issued RMBS through its Darrowby programme (Darrowby No. 5 plc) and it has issued covered bonds from its regulated Covered Bond Programme through Skipton Covered Bonds LLP. Further asset encumbrance occurs through the Society's participation in the Bank of England's Term Funding Scheme with additional incentives for SME's (TFSME) and on occasions through other facilities at the Bank of England, which it may access from time to time. The majority of the Group's asset encumbrance arises through secured funding issuance and use of the Bank of England's TFSME. Row 120 of template UK AE1 "Other assets" primarily relates to loans and advances, with encumbrance arising where mortgages are used as collateral for secured funding programmes and the Society's participation in TFSME, with the corresponding liabilities included in Row 010 of template UK AE3 "Carrying amount of selected financial liabilities".

The Group voluntarily maintains a buffer of over-collateralisation across its covered bond and securitisation transactions, with the over-collateralisation being classed as encumbered. Where the Society has retained any bonds issued under the Covered Bonds Programme or through securitisation transactions, then the element retained together with an equal percentage of the buffer is classed as unencumbered. All encumbered assets are denominated in Sterling as they primarily relate to mortgages originated in the UK or securities denominated in Sterling.

The majority of unencumbered assets comprise residential or buy-to-let mortgages, providing potential additional contingent funding capacity. Only a small proportion of the unencumbered assets are deemed unavailable for encumbrance such as goodwill, deferred tax assets, property, plant and other fixed assets, and derivative assets. The underlying assets and cover pool assets related to any retained securities issued from the Group's secured funding programmes are treated as unencumbered from a regulatory reporting perspective. As at 31 December 2023 the Society held retained assets totalling £116.0m from its RMBS programmes; the Society held no retained covered bond notes.

Glossary

Set out below are the definitions of terms used within the Pillar 3 disclosures to assist the reader and to facilitate comparison with other financial institutions:

Asset backed securities (ABS)	An asset backed security is a security whose value and income payments are derived from and collateralised (or 'backed') by a specified pool of underlying assets. Typically, these assets are pools of residential or commercial mortgages.
Arrears	A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan commitment is overdue.
Buy-to-let mortgages	Mortgages offered to customers purchasing residential property to be rented to others to generate a rental income.
Common Equity Tier 1 capital	Common Equity Tier 1 (CET 1) capital primarily comprises internally generated capital from retained profits, less regulatory adjustments. CET 1 capital is fully loss absorbing.
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets to be solely for the benefit of the holders of the covered bonds. The Group has established covered bonds as part of its funding activities. Covered bonds use retail / residential mortgages as the asset pool.
Credit Valuation Adjustment (CVA)	The adjustment applied to the fair value of derivatives for potential mark-to-market losses due to credit quality deterioration of a counterparty (that does not necessarily default).
CRD V	CRD V became effective on 28 December 2020 and is made up of the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (UK CRR).
Debt securities	Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings.
Debt securities in issue	Transferable certificates of indebtedness of the Group to the bearer of the certificates. These are liabilities of the Group and include certificates of deposit.
Derivative financial instruments	A derivative financial instrument is a type of financial instrument (or an agreement between two parties) that has a value based on the underlying asset, index or reference rate it is linked to. The Group uses derivative financial instruments to hedge its exposures to market risks such as interest rate and currency risk.
Effective interest rate (EIR) method	The method used to measure the carrying value of a financial asset or liability measured at amortised cost and to allocate associated interest income or expense over the relevant period.
Expected Credit Loss (ECL)	The present value of all cash shortfalls over the expected life of the financial instrument to determine impairment loss allowances under IFRS 9.
Exposure at default (EAD)	The expected outstanding balance of an asset at the time of default.
Fair value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Financial Services Compensation Scheme (FSCS)	The UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry.
Forbearance strategies	Strategies to assist borrowers in financial difficulty, such as arrears capitalisation, a reduction in the monthly payment, a conversion to interest only or a mortgage term extension. Forbearance strategies aim, if possible, to avoid foreclosure or repossession.
Goodwill	Goodwill arises on the acquisition of subsidiary undertakings, joint ventures, associates or other businesses and represents the excess of the fair value of consideration over the fair value of separately identifiable net assets at the date of acquisition.
Group consolidation	The Group's consolidation group comprises the Society and all of its subsidiaries (i.e. full group consolidation).
Group	The prudential consolidation group comprises the entire Group except the Connells group and a small number of other entities whose activities are not closely aligned with the core business.
Internal Capital Adequacy Assessment Process (ICAAP)	The Group's own assessment, as part of regulatory requirements, of the levels of capital that it needs to hold in respect of the risks it faces under a business as usual scenario and a variety of stress scenarios.

Internal Liquidity Adequacy Assessment Process (ILAAP)	The Group's own assessment that current and projected levels of liquidity are sufficient and appropriate for the Group's plans, under a variety of stress scenarios. It also details the Group's compliance with the PRA's regulatory requirements.
Internal ratings-based approach (IRB)	An advanced approach to measuring capital requirements in respect of credit risk. The IRB approach may only be used with permission from the PRA.
International Swaps and Derivatives Association (ISDA) Master Agreement	A standardised contract developed by ISDA and used to enter into bilateral derivatives transactions.
Investment grade	The range of credit ratings, from Aaa to Baa3, as measured by external credit rating agencies.
Leverage ratio	The ratio of Tier 1 capital divided by total leverage exposure measure of on and off-balance sheet assets. The UK leverage ratio represents the UK regulatory regime which excludes deposits with central banks from the leverage exposure measure.
Liquid assets	The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.
Liquidity Coverage Ratio (LCR)	A measure designed to ensure that financial institutions have sufficient high quality assets available to meet their liquidity needs for a 30 day liquidity stress scenario.
Loans past due / past due loans	Loans on which payments are overdue including those on which partial payments are being made.
Loss given default (LGD)	An estimate of the loss that would be incurred should a borrower default on their credit obligations.
Material Risk Takers (MRTs)	A group of employees to which the FCA's Remuneration Code applies. MRTs consist of Executive Directors, Non-Executive Directors and certain senior managers who could have a material impact on the firm's risk profile.
Member	A person who has a share investment or a mortgage loan with the Society, or is the holder of a Permanent Interest Bearing Share in the Society.
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	Net interest income as a percentage of mean total assets.
Net Stable Funding Ratio (NSFR)	The Net Stable Funding Ratio is a long term stable funding metric, which measures the stability of our funding sources relative to the assets (mortgage balances) we are required to fund.
Permanent Interest Bearing Shares (PIBS) or subscribed capital	Unsecured, deferred shares that are a form of Tier 2 capital. PIBS rank behind the claims of all subordinated debt holders, depositors, payables and investing members of Skipton Building Society.
Prime	Prime mortgages are those granted to the most credit worthy category of borrower.
Probability of Default (PD)	An estimate of the probability that a borrower will default on their credit obligations.
Repo / reverse repo	Short to medium term funding agreements which allow a borrower to sell a financial asset, such as an ABS or government bond as security for cash. As part of the agreement the borrower agrees to repurchase the security at some later date. For the party selling the security (and agreeing to repurchase it in the future) it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo, which can typically be resold or repledged if desired.
Residential loans	Mortgage lending secured against residential property.
Residential mortgage backed securities (RMBS)	A category of ABS that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and / or principal).
Risk appetite	The articulation of the level of risk that the Group is willing to take in order to safeguard the interests of the Society's members whilst achieving business objectives.
Risk weighted Exposure Amounts (RWA)	The value of assets, after adjustment, under CRD V rules to reflect the degree of risk they represent.
Securitisation	A process by which a group of assets, usually loans, are aggregated into a pool which is used to back the issuance of new securities. A firm transfers these assets to a special purpose vehicle which then issues securities backed by the assets. The Group has established securitisation structures as part of its funding activities. These securitisation structures use retail / residential mortgages as the asset pool.
Shares	Money deposited by non-corporate depositors in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.

Significant increase in credit risk	A significant increase in credit risk on a financial asset is judged to have occurred when an assessment using quantitative and qualitative factors identifies that the credit risk has increased significantly since the asset was originally recognised.
Stage 1 financial assets	Stage 1 financial assets are assets which have not experienced a significant increase in credit risk since origination. 12 month ECLs are recognised and interest revenue is determined by the EIR on the gross carrying amount.
Stage 2 financial assets	Stage 2 financial assets have experienced a significant increase in credit risk since initial recognition. Lifetime ECLs are recognised and interest revenue is determined by the EIR on the gross carrying amount.
Stage 3 financial assets	Stage 3 financial assets are identified as in default and considered credit impaired. Lifetime ECLs are recognised and interest revenue is determined by the EIR on the net carrying amount.
Subordinated debt / liabilities	A form of Tier 2 capital that is unsecured and ranks behind the claims of all depositors, creditors and investing members (other than holders of PIBS).
Supervisory Review and Evaluation Process (SREP)	A review carried out by the PRA to ensure each credit institution has in place the strategies, processes, capital and liquidity that are appropriate to the risks to which it is or might be exposed to.
Term Funding Scheme with additional incentives for SMEs (TFSME)	A scheme allowing eligible banks and building societies to access four-year funding at rates very close to Bank Base Rate, designed to incentivise eligible participants to provide credit to businesses and households to bridge through the period of economic disruption caused by COVID-19 – TFSME, which closed for drawdowns in 2021, included additional incentives to provide credit to SMEs.
Tier 1 capital	A measure of financial strength as defined by CRD V. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits, less regulatory deductions. .
Tier 2 capital	A further measure of financial strength, including the Society's PIBS, eligible collective impairment provisions and other Tier 2 securities as defined by CRD V.
UK CRR	UK Capital Requirements Regulation (UK CRR) implemented in 2022.
Wholesale funding	Amounts owed to credit institutions, amounts owed to other customers and debt securities in issue excluding balances deposited by offshore customers.

Media Enquiries

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