Pillar 3 Disclosures
30 June 2022

SKIPTON
BUILDING SOCIETY
Since 1853

Contents

1 INTRODUCTION

1.1 Background

This document presents the consolidated Pillar 3 disclosures of Skipton Building Society (the Society) and its subsidiaries as at 30 June 2022.

The disclosures have been prepared in accordance with the Capital Requirements Directive (CRD V), 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 Basis and frequency of disclosure

From 1 January 2022, 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 under Articles 432(1), 432(2) and on disclosure frequency under Article 433a of the UK CRR.

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.

As this is the first time that the Group are publishing half-yearly disclosures a full set of comparatives for the previous three quarters has not been disclosed for templates where this would otherwise be required. This is in accordance with the PRA Rulebook.

1.3 Media and location of publication

These Pillar 3 disclosures, and those from previous years, are published on Skipton Building Society's website

(www.skipton.co.uk/about-us/pillar-3-disclosure).

1.4 Scope of application

For accounting purposes, the Group's consolidation group comprises the Society and all of its subsidiaries (i.e. full group consolidation). For prudential regulation Pillar 3 reporting purposes consolidation is carried out at the prudential consolidation group (the Group) level and the individual consolidation group level.

The prudential consolidation group is detailed in section 2.6 in the annual Pillar 3 disclosures 2021 and comprises the entire Group except Connells Group and a small number of other entities whose activities are not closely aligned with the core business. The individual consolidation group comprises the Society, Amber Homeloans Limited and North Yorkshire Mortgages Limited.

1.5 Verification of disclosure

The design of the controls surrounding the preparation of these disclosures and compliance with regulatory reporting requirements have been independently reviewed. These disclosures have also been reviewed and approved by the Board Risk Committee (BRC).

Capital and leverage ratios reported as at 30 June 2022 include interim profits for the period to 30 June 2022 that have been independently verified by the Group's external auditors in accordance with Article 26 of the UK CRR.

For further details on the risk framework, refer to the annual Pillar 3 disclosures 2021 published on Skipton Building Society's website (www.skipton.co.uk/about-us/pillar-3-disclosure).

1.6 Scope of permission of Internal Ratings Based (IRB) Approach

The Society has PRA permission to apply the IRB Approach to certain credit risk exposures. The IRB Approach is applied to the retail mortgages of the Society, equity and non-credit obligation exposures. The Standardised Approach continues to apply to all other exposures and operational risk.

The IRB Approach allows the Society to calculate capital requirements for mortgage exposures using internally developed models rather than the standardised percentages set out in the UK CRR. The IRB models are subject to a robust monitoring process on an ongoing basis to ensure that they reflect regulatory and economic developments.

From 1 January 2022, new regulation applicable to internally developed IRB models has resulted in Society applying a temporary model adjustment (TMA) to the Society's regulatory approved IRB model output. The TMA uplifts the expected loss and risk weighted exposure amounts (RWEAs) produced by the incumbent regulatory approved IRB model to the level of the redeveloped model under the new regulation. This adjustment is applied at portfolio level. The redevelopment of the IRB model encompasses the definition of default, the probability of default (PD) model, the loss given default model and the RWEA formula.

The Society's approach aligns to the updated regulation outlined in PRA Supervisory Statement SS11/13. The Society submitted updated IRB models to the PRA in 2021 and the process for review and approval is ongoing. Until the IRB models are approved by the PRA, the TMA remains subject to change and may cause further movements in the capital metrics.

For further details on the IRB models and associated governance framework, refer to the section 6.9 and 6.10 of the annual Pillar 3 disclosures 2021.

1.7 Disclosure levels

In accordance with Article 432 of the UK CRR 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 below.

1.7.1 Non material information

The Pillar 3 disclosures are reported at a prudential consolidation group level. The capital requirements under the prudential consolidation group are higher than under the individual consolidation group. Therefore, on the basis that the prudential consolidation group represents the lowest capital adequacy and leverage positions, and the same risk management framework is applied to both consolidation groups, the granular analysis throughout these disclosures has been disclosed at a prudential consolidation group level only.

In accordance with Article 440 of the UK CRR, 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 as 'other countries'.

The Group continues to apply the IFRS 9 transitional arrangements to capital calculations from 1 January 2018, as permitted by with EBA/GL/2018/01, on a scaling bases, over the period to 31 December 2024. Based on materiality, no breakdown for the static and dynamic components of IFRS 9 loan impairments from the date of initial adoption to 30 June 2022 has been disclosed by the Group.

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

2 Key metrics and overview of risk weighted exposure amounts

The table below provides a summary of the key prudential ratios and measures. Capital ratios and measures are presented on an end-point basis with IFRS 9 transitional adjustments applied in accordance with the Article 473a of the UK CRR.

2.1 UK KM1 - Key metrics template

		a	b	c
		Prudential consolidation group		
		30 Jun 22 £m	**31 Mar 22 £m**	**31 Dec 21 £m**
	Available own funds (amounts)			
1	Total Common Equity Tier 1 (CET1) capital	**1,867.2**	1,764.7	1,775.5
2	Tier 1 capital	**1,867.2**	1,764.7	1,784.5
3	Total capital	**1,907.2**	1,804.7	1,815.5
	Risk-weighted exposure amounts (RWEAs)			
4	Total risk-weighted exposure amount	**5,117.1**	5,450.8	3,984.7
	Capital ratios (as a % of RWEAs)			
5	Common Equity Tier 1 ratio (%)	**36.5**	32.4	44.6
6	Tier 1 ratio (%)	**36.5**	32.4	44.8
7	Total capital ratio (%)	**37.3**	33.1	45.6
	Additional own funds requirements based on SREP (as a % of RWEAs)			
UK 7a	Additional CET1 SREP requirements (%)	**1.3**	1.2	1.2
UK 7b	Additional AT1 SREP requirements (%)	**0.4**	0.4	0.4
UK 7c	Additional T2 SREP requirements (%)	**0.6**	0.5	0.5
UK 7d	Total SREP own funds requirements (%)	**10.3**	10.1	10.1
	Combined buffer requirement (as a % of RWEAs)			
8	Capital conservation buffer (%)	**2.5**	2.5	2.5
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	**0.0**	0.0	0.0
9	Institution specific countercyclical capital buffer (%) [1]	**0.016**	0.014	0.017
UK 9a	Systemic risk buffer (%)	**0.0**	0.0	0.0
10	Global Systemically Important Institution buffer (%)	**0.0**	0.0	0.0
UK 10a	Other Systemically Important Institution buffer	**0.0**	0.0	0.0
11	Combined buffer requirement (%)	**2.5**	2.5	2.5
UK 11a	Overall capital requirements (%)	**12.8**	12.6	12.6
12	CET1 available after meeting the total SREP own funds requirements (%) [2]	**30.7**	26.7	38.9
	Leverage ratio			
13	Total exposure measure excluding claims to central banks	**28,043.8**	28,003.3	26,314.5
14	Leverage ratio excluding claims on central banks (%)	**6.7**	6.3	6.8
	Liquidity Coverage Ratio [3]			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	**4,431.5**	4,231.6	4,348.9
UK 16a	Cash outflows - Total weighted value	**2,573.4**	2,443.5	2,433.1
UK 16b	Cash inflows - Total weighted value	**122.6**	115.2	95.2
16	Total net cash outflows (adjusted value)	**2,450.7**	2,328.3	2,337.9
17	Liquidity coverage ratio (%)	**181.2**	182.2	186.3

Notes

1. The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.
2. Represents the level of CET1 capital available to meet buffer requirements after subtracting the minimum amount of CET1 capital required to meet Pillar 1 and Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5% (Pillar 1) plus the additional CET1 SREP requirement (56.25% of Pillar 2A).
3. The values have been calculated as a simple average of the 12 month end observations preceding the end of each quarter.
4. 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-14a to UK-14e have been removed from the template as the Group is not currently captured by either threshold.

2.2 Summary of key disclosures

2.2.1 Total regulatory capital

The Group's capital position remains strong with an increase of £102.5m in Common Equity Tier 1 (CET1) capital to £1,907.2m (31 March 2021: £1,804.7m). This is mainly due to profits accumulated during the period and dividend income received from the Connells Group.

2.2.2 Total risk weighted exposure amounts (RWEAs)

The RWEAs decreased by £333.7m during the period as set out in template OV1. This decrease is driven by the settlement of a temporary exposure, measured under the standardised approach, following the completion of the £500m covered bonds issuance by Society in April 2022. This reduction is offset somewhat by an increase in mortgage lending, measured under the IRB approach, and an increase in the derivative exposure and related counterparty valuation adjustment (CVA) due to the increased net interest receivable on certain derivatives, measured under the standardised approach, following the rise in interest rates.

2.2.3 Capital ratios

As a result of the movement in regulatory capital and RWEAs explained above, the CET1 ratio and the total capital ratio have increased to 36.5% (31 March 2022: 32.4%) and 37.3% (31 March 2022: 33.1%) respectively.

Until the IRB models are approved by the PRA, the TMA remains subject to change and may cause further movements in the capital metrics.

2.2.4 Additional own funds requirements based on SREP

As at 30 June 2022, the Pillar 2A requirement, set by the PRA, was £115.6m (31 March 2021: £115.6m), equivalent to 2.3% of RWEAs, of which 1.3% of RWEAs must be met by CET1.

2.2.5 Leverage ratio

As at 30 June 2022, the leverage ratio increased to 6.7% (31 March 2022: 6.3%) due to profits accumulated during the period and dividend income received from the Connells Group.

2.2.6 Liquidity Coverage Ratio

As at 30 June 2022, the LCR was 181.2% (31 March 2022: 182.2%) and was above both the regulatory and internal limits set by the Board throughout the period.

2.3 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 bases, over the period to 31 December 2024. The implementation of IFRS 9 transitional relief 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 relief.

IFRS 9 Impact of IFRS 9 transitional arrangements

		a **30 Jun 22** **£m**	b **31 Mar 22** **£m**	c **31 Dec 21** **£m**
Available capital				
1	Common Equity Tier 1 (CET1) capital	**1,867.2**	1,764.7	1,775.5
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,863.5**	1,760.8	1,769.4
3	Tier 1 capital	**1,867.2**	1,764.7	1,784.5
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,863.5**	1,760.8	1,778.4
5	Total capital	**1,907.2**	1,804.7	1,815.5
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**1,903.5**	1,800.8	1,809.4
Risk-weighted exposure amounts				
7	Total risk-weighted exposure amounts	**5,117.1**	5,450.8	3,984.7
8	Total risk-weighted exposure amounts as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**5,112.8**	5,446.3	3,977.4
Capital ratios				
9	Common Equity Tier 1 (as a percentage of risk exposure amount) (%)	**36.5**	32.4	44.6
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 (%)	**36.4**	32.3	44.5
11	Tier 1 (as a percentage of risk exposure amount) (%)	**36.5**	32.4	44.8
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**36.4**	32.3	44.7
13	Total capital (as a percentage of risk exposure amount)(%)	**37.3**	33.1	45.6
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**37.2**	33.1	45.5
UK Leverage ratio				
15	Total exposure measure excluding claims to central banks	**28,043.8**	28,003.3	26,314.5
16	Leverage ratio excluding claims on central banks (%)	**6.7**	6.3	6.8
17	Leverage ratio excluding claims on central banks as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	**6.6**	6.3	6.8

2.4 UK OV1 - Overview of risk weighted exposure amounts

The template below provides an overview of RWEAs and minimum capital requirements under the Pillar 1 capital requirement as at 30 June 2022.

		a	b	c
		Risk weighted exposure amounts		**Capital requirement**
		30 Jun 22	**31 Mar 22**	**30 Jun 22**
		£m	**£m**	**£m**
1	**Credit risk (excluding CCR)**	**4,436.2**	4,872.5	**355.0**
2	Of which standardised approach	1,552.8	2,046.7	124.2
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
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 [1]	2,578.9	2,521.3	206.4
6	**Counterparty credit risk (CCR)**	**217.6**	115.1	**17.4**
7	Of which the standardised approach	50.1	37.6	4.0
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP	12.4	11.2	1.0
UK 8b	Of which credit valuation adjustment - CVA	155.1	66.3	12.4
9	Of which other CCR	-	-	-
15	**Settlement risk**	**-**	-	**-**
16	**Securitisations**	**22.8**	22.7	**1.8**
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	22.8	22.7	1.8
19	Of which SEC-SA approach			
UK 19a	Of which 1250%/ deduction			
20	**Position, foreign exchange and commodities risks (Market risk)** [2]	**-**	-	**-**
21	Of which the standardised approach	**-**	-	**-**
22	Of which IMA	**-**	-	**-**
UK 22a	**Large exposure** [3]	**-**	-	**-**
23	**Operational risk**	**440.5**	440.5	**35.2**
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	440.5	440.5	35.2
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) [4]	23.5	21.3	1.9
29	**Total**	**5,117.1**	5,450.8	**409.4**

Notes

1. The advanced IRB approach includes exposures to non-credit obligation assets of £51.0m (31 March 2022: £52.1m) and equity exposure of £23.5m (31 March 2022: £21.3m) that are subject to 100% and 250% risk weight respectively.
2. As permitted per Article 352 of the UK CRR, the Group elected to set exposure to market risk as zero.
3. The Group does not have any large exposures to report as it does not have any exposures that exceed the regulatory large exposure limit.
4. The amount is shown for information only, as these exposures are already included in rows 1 and 5.

The capital requirement under both the IRB and standardised approach is calculated as 8% of the risk weighted exposure amounts.

The RWEAs decreased by £333.7m during the period. This decrease is driven by the settlement of a temporary exposure, measured under the standardised approach, following the completion of the £500m covered bonds issuance by Society in April 2022. This RWEAs decrease is offset by increased mortgage lending, measured under the IRB approach, and an increased in the derivative exposure and related counterparty valuation adjustment (CVA) due to the increased net interest receivable on certain derivatives, measured under the standardised approach, following the rise of the interest rates.

3 Own funds

Capital is ultimately held for the protection of depositors and other creditors by providing a buffer against unexpected losses. During 2022, 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 prudential consolidation group's regulatory capital position as at 30 June 2022.

Column 'b' below contains references to column 'c' in template UK CC2. Any blank cells have been removed.

3.1 UK CC1 - Composition of regulatory own funds

		a Group Amounts £m	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
2	Retained earnings	**1,781.3**	(d)[1]
3	Accumulated other comprehensive income (and other reserves)	**11.3**	(e) + (f) + (h) + (i) + (j)
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	**111.7**	(g)[1]
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,904.3**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	**(3.5)**	
8	Intangible assets (net of related tax liability) (negative amount)	**(6.8)**	(a) - (b)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	**(17.4)**	(i)
12	Negative amounts resulting from the calculation of expected loss amounts	**(13.1)**	
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	**3.7**	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(37.1)**	
29	**Common Equity Tier 1 (CET1) capital**	**1,867.2**	
Additional Tier 1 (AT1) capital: instruments			
44	**Additional Tier 1 (AT1) capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,867.2**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	**40.0**	(c)[2]
51	**Tier 2 (T2) capital before regulatory adjustments**	**40.0**	
Tier 2 (T2) capital: regulatory adjustments			
58	**Tier 2 (T2) capital**	**40.0**	
59	**Total capital (TC = T1 + T2)**	**1,907.2**	
60	**Total Risk exposure amount**	**5,117.1**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount) (%)	**36.5**	
62	Tier 1 (as a percentage of total risk exposure amount)(%)	**36.5**	
63	Total capital (as a percentage of total risk exposure amount)(%)	**37.3**	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount) (%)	**8.3**	
65	of which: capital conservation buffer requirement (%)	**2.5**	
66	of which: countercyclical buffer requirement (%)	**0.016**	
67	of which: systemic risk buffer requirement (%)	**0.0**	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (%)	**30.7**	
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)	**9.4**	
Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	**20.2**	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	**17.3**	

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 Preferential Interest Bearing Shares (PIBS) eligible as Tier 2 capital.

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

		a Balance sheet as in published financial statements 30 Jun 22 £m	b Under regulatory scope of consolidation 30 Jun 22 £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	**2,843.0**	**2,843.0**	
2	Loans and advances to credit institutions	**471.6**	**428.8**	
3	Debt securities	**2,904.9**	**2,904.9**	
4	Derivative financial instruments	**759.3**	**759.3**	
5	Loans and advances to customers held at amortised cost	**23,355.0**	**23,371.6**	
6	Loans and advances to customers held at FVTPL	**1.1**	**1.1**	
7	Equity release portfolio at FVTPL	**348.0**	**348.0**	
8	Current tax asset	**-**	**-**	
9	Investments in joint ventures	**9.1**	**-**	
10	Investments in group undertakings	**-**	**214.4**	
11	Equity share investments mandatorily held at FVTPL	**2.4**	**-**	
12	Equity share investments designated at FVOCI	**9.4**	**9.4**	
13	Property, plant and equipment	**70.2**	**37.8**	
14	Right-of-use assets	**96.3**	**13.2**	
15	Investment property	**6.3**	**6.3**	
16	Intangible assets	**334.1**	**7.4**	(a)
17	Deferred tax asset	**30.3**	**7.0**	
	of which: Deferred tax assets	**49.6**	**7.6**	
	of which: Intangible assets	***(19.3)***	***(0.6)***	(b)
18	Retirement benefit surplus	**1.5**	**-**	
19	Other assets	**147.1**	**18.4**	
20	**Total assets**	**31,389.6**	**30,970.6**	
Liabilities - ***Breakdown by liability class according to the balance sheet in the published financial statements***				
1	Shares	**20,902.3**	**20,902.3**	
2	Amounts owed to credit institutions	**2,556.4**	**2,555.4**	
3	Amounts owed to other customers	**2,182.8**	**2,227.3**	
4	Debt securities in issue	**2,614.0**	**2,614.0**	
5	Derivative financial instruments	**323.0**	**323.0**	
6	Current tax liability	**1.4**	**4.7**	
7	Lease liabilities	**110.3**	**13.5**	
8	Other liabilities	**100.1**	**23.4**	
9	Accruals	**72.2**	**17.2**	
10	Deferred income	**5.6**	**1.1**	
11	Provisions for liabilities	**36.5**	**1.2**	
12	Deferred tax liability	**-**	**-**	
13	Retirement benefit obligations	**30.5**	**19.3**	
14	Subordinated liabilities	**322.3**	**322.3**	
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**	**29,299.0**	**29,066.3**	
Members' interests				
1	General reserve	**2071.3**	**1,890.0**	
	of which: General reserve brought forward	***1,951.5***	***1,781.3***	(d)
	of which: Remeasurement gains on defined benefit obligation	***(4.0)***	***(2.8)***	(e)
	of which: Tax	***-***	***(0.2)***	(f)
	of which: Profits accrued in the year to date	***123.8***	***111.7***	(g)
2	Fair value reserve	**(0.3)**	**(0.3)**	(h)
3	Cash flow hedging reserve	**17.4**	**17.4**	(i)
4	Cost of hedging reserve	**(2.8)**	**(2.8)**	(j)
5	Translation reserve	**4.6**	**-**	
6	**Attributable to members of Skipton Building Society**	**2,090.2**	**1,904.3**	
7	Non-controlling interests	**0.4**	**-**	
8	**Total members' interests**	**2,090.6**	**1,904.3**	
Total liabilities and members' interests		**31,389.6**	**30,970.6**	

4 Countercyclical capital buffer

The table below sets out the geographical distribution of the Group credit exposures relevant for the calculation of countercyclical buffer (CCyB). The table shows the country of residence of the obligor (borrower) for the Group general credit exposures and securitisation exposures. The Group does not offer mortgages on properties outside of the UK or Channel Islands.

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

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant 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	2,234.9	23,926.8	-	-	207.4	26,369.1	282.4	-	1.8	**284.2**	**3,552.2**	**84.86**	
010-011	Jersey	579.2	0.1	-	-	-	579.3	16.2	-	-	**16.2**	**203.0**	**4.84**	
010-012	Guernsey	345.3	2.8	-	-	-	348.1	10.0	-	-	**10.0**	**124.8**	**2.99**	
010-013	Hong Kong	181.6	0.6	-	-	-	182.1	5.1	-	-	**5.1**	**63.7**	**1.52**	**1.0**
010-014	United Arab Emirates	112.7	1.7	-	-	-	114.4	3.2	-	-	**3.2**	**39.8**	**0.96**	
010-015	United States	96.7	7.4	-	-	-	104.1	2.9	-	-	**2.9**	**36.6**	**0.87**	
010-016	Singapore	97.2	0.7	-	-	-	97.9	2.7	-	-	**2.7**	**34.1**	**0.81**	
010-017	Australia	23.2	7.1	-	-	-	30.4	1.1	-	-	**1.1**	**13.9**	**0.33**	
010-018	Switzerland	29.9	2.0	-	-	-	31.9	0.9	-	-	**0.9**	**10.8**	**0.27**	
010-019	China	22.8	-	-	-	-	22.8	0.6	-	-	**0.6**	**8.1**	**0.18**	
010-020	Qatar	20.4	-	-	-	-	20.4	0.6	-	-	**0.6**	**7.2**	**0.18**	
010-021	Canada	18.2	1.7	-	-	-	19.8	0.5	-	-	**0.5**	**6.6**	**0.15**	
010-022	New Zealand	14.2	2.5	-	-	-	16.6	0.4	-	-	**0.4**	**5.7**	**0.12**	
010-023	Netherlands	15.1	1.2	-	-	-	16.3	0.4	-	-	**0.4**	**5.6**	**0.12**	
010-024	Malaysia	14.9	0.2	-	-	-	15.1	0.4	-	-	**0.4**	**5.3**	**0.12**	
010-025	Saudi Arabia	14.5	-	-	-	-	14.5	0.4	-	-	**0.4**	**5.1**	**0.12**	
010-026	Germany	14.0	1.5	-	-	-	15.4	0.4	-	-	**0.4**	**5.1**	**0.12**	
010-027	France	11.6	2.8	-	-	-	14.4	0.4	-	-	**0.4**	**4.9**	**0.12**	
010-028	Spain	9.5	1.8	-	-	-	11.3	0.3	-	-	**0.3**	**3.7**	**0.09**	
010-029	Ireland	8.1	1.4	-	-	-	9.5	0.2	-	-	**0.2**	**3.2**	**0.06**	
010-030	Bahrain	8.6	0.2	-	-	-	8.8	0.2	-	-	**0.2**	**3.0**	**0.06**	
010-031	Thailand	7.6	-	-	-	-	7.6	0.2	-	-	**0.2**	**3.0**	**0.06**	

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant 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	South Africa	7.5	0.3	-	-	-	7.8	0.2	-	-	**0.2**	**2.7**	**0.06**	
010-033	Japan	7.6	0.3	-	-	-	7.9	0.2	-	-	**0.2**	**2.7**	**0.06**	
010-034	Belgium	3.4	0.3	-	-	-	3.8	0.2	-	-	**0.2**	**2.3**	**0.06**	
010-035	India	6.2	0.5	-	-	-	6.7	0.2	-	-	**0.2**	**2.2**	**0.06**	
010-036	Isle Of Man	1.7	0.1	-	-	-	1.8	0.2	-	-	**0.2**	**2.2**	**0.06**	
010-037	Cayman Islands	5.7	-	-	-	-	5.7	0.2	-	-	**0.2**	**2.0**	**0.06**	
010-038	Italy	5.2	0.6	-	-	-	5.8	0.1	-	-	**0.1**	**1.9**	**0.03**	
010-039	Sweden	4.1	0.6	-	-	-	4.7	0.1	-	-	**0.1**	**1.5**	**0.03**	
010-040	Denmark	3.7	0.4	-	-	-	4.1	0.1	-	-	**0.1**	**1.4**	**0.03**	
010-041	Cyprus	3.6	0.2	-	-	-	3.8	0.1	-	-	**0.1**	**1.3**	**0.03**	
010-042	Monaco	3.4	-	-	-	-	3.4	0.1	-	-	**0.1**	**1.2**	**0.03**	
010-043	Israel	3.3	0.4	-	-	-	3.7	0.1	-	-	**0.1**	**1.2**	**0.03**	
010-044	Bermuda	3.2	-	-	-	-	3.2	0.1	-	-	**0.1**	**1.1**	**0.03**	
010-045	Kuwait	3.1	0.1	-	-	-	3.2	0.1	-	-	**0.1**	**1.1**	**0.03**	
010-046	Taiwan	2.9	-	-	-	-	2.9	0.1	-	-	**0.1**	**1.0**	**0.03**	
010-047	Luxembourg	2.9	0.1	-	-	-	3.0	0.1	-	-	**0.1**	**1.0**	**0.03**	
010-048	Poland	2.3	0.3	-	-	-	2.6	0.1	-	-	**0.1**	**1.0**	**0.03**	
010-049	Philippines	2.4	-	-	-	-	2.4	0.1	-	-	**0.1**	**0.8**	**0.03**	
010-050	Portugal	2.4	0.1	-	-	-	2.5	0.1	-	-	**0.1**	**0.8**	**0.03**	
010-051	Norway	1.9	0.3	-	-	-	2.2	0.1	-	-	**0.1**	**0.8**	**0.03**	**1.5**
010-052	Turkey	2.2	-	-	-	-	2.2	0.1	-	-	**0.1**	**0.8**	**0.03**	
010-053	Virgin Islands, British	2.0	-	-	-	-	2.0	0.1	-	-	**0.1**	**0.7**	**0.03**	
010-054	Barbados	1.8	0.1	-	-	-	1.9	0.1	-	-	**0.1**	**0.6**	**0.03**	
010-055	Mauritius	1.3	0.1	-	-	-	1.4	0.1	-	-	**0.1**	**0.6**	**0.03**	
010-056	Other countries	17.9	3.3	-	-	-	21.2	0.6	-	-	**0.6**	**7.7**	**0.18**	
020	**Total**	**3,981.9**	**23,970.6**	**-**	**-**	**207.4**	**28,159.9**	**333.1**	**-**	**1.8**	**334.9**	**4,186.0**	**100.00**	

4.2 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 remained at 0% of RWEAs for exposures in the UK.

		a
1	Total risk exposure amount £m	**5,117.1**
2	Institution specific countercyclical buffer rate %	**0.016**
3	Institution specific countercyclical buffer requirement £m	**0.8**

5 Leverage ratio

The tables 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.

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

		a **Applicable amount** **£m**
1	Total assets as per published financial statements	**31,389.6**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(419.0)**
4	(Adjustment for exemption of exposures to central banks)	**(2,749.1)**
7	Adjustment for eligible cash pooling transactions	**5.8**
8	Adjustment for derivative financial instruments	**(20.2)**
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**217.4**
12	Other adjustments	**(380.7)**
13	**Total exposure measure**	**28,043.8**

5.2 UK LR2 - LRCom: Leverage ratio common disclosure

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

		a	b
		Leverage ratio exposures	
On-balance sheet exposures (excluding derivatives and SFTs)		**30 Jun 22** **£m**	**31 Dec 21** **£m**
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**30,216.7**	28,812.7
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(343.1)**	(329.5)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(37.1)**	(13.8)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**29,836.5**	28,469.4
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**602.6**	2.9
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**136.4**	107.2
13	**Total derivatives exposures**	**739.0**	110.1
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**2,173.9**	1,662.8
20	(Adjustments for conversion to credit equivalent amounts)	**(1,956.5)**	(1,496.6)
22	**Off-balance sheet exposures**	**217.4**	166.2
Capital and total exposure measure			
23	**Tier 1 capital (leverage)**	**1,867.2**	1,775.5
24	Total exposure measure including claims on central banks	**30,792.9**	28,745.7
UK-24a	(-) Claims on central banks excluded	**(2,749.1)**	(2,431.2)
UK-24b	**Total exposure measure excluding claims on central banks**	**28,043.8**	26,314.5
Leverage ratio[1]			
25	Leverage ratio excluding claims on central banks (%)	**6.7**	6.8
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**6.6**	6.8
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 (%)	**6.6**	6.8
UK-25c	Leverage ratio including claims on central banks (%)	**6.1**	6.2

Notes

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.

Effective from 1 January 2022, UK CRR introduced the standardised approach to counterparty credit risk (SA-CRR) which materially increased the value of derivative exposures.

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

		a **Leverage ratio exposures** **£m**
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**29,873.6**
UK-2	Trading book exposures	**-**
UK-3	Banking book exposures, of which:	**29,873.6**
UK-4	Covered bonds	**416.2**
UK-5	Exposures treated as sovereigns	**3,791.3**
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**736.2**
UK-7	Institutions	**671.5**
UK-8	Secured by mortgages of immovable properties	**23,536.9**
UK-9	Retail exposures	**1.8**
UK-10	Corporates	**267.5**
UK-11	Exposures in default	**46.7**
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**405.5**

6 Liquidity requirements

The table 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 Liquidity Coverage Ratio (LCR) followed by the qualitative information.

6.1 UK LIQ1 - Quantitative information of 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)	**30 Jun 22**	31 Mar 22	31 Dec 21	30 Sep 21	**30 Jun 22**	31 Mar 22	31 Dec 21	30 Sep 21
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)**					**4,431.5**	**4,231.6**	**4,348.9**	**4,346.0**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	21,533.3	21,170.7	20,916.3	20,584.2	1,167.5	1,161.2	1,167.8	1,172.2
3	*Stable deposits*	12,742.9	12,338.1	11,905.7	11,386.5	637.1	616.9	595.3	569.3
4	*Less stable deposits*	3,847.2	3,916.3	4,103.8	4,287.4	474.8	494.7	529.6	559.7
5	Unsecured wholesale funding	397.1	392.3	381.1	354.5	256.7	262.4	262.2	243.5
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	389.1	390.1	375.5	348.6	248.7	260.2	256.6	237.6
8	*Unsecured debt*	8.0	2.2	5.6	5.9	8.0	2.2	5.6	5.9
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	373.2	306.1	298.1	277.7	373.2	306.1	298.1	277.7
11	*Outflows related to derivative exposures and other collateral requirements*	313.9	254.5	207.9	171.4	313.9	254.5	207.9	171.4
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	59.3	51.6	90.2	106.3	59.3	51.6	90.2	106.3
14	Other contractual funding obligations	19.7	18.6	17.8	17.5	-	-	-	-
15	Other contingent funding obligations	1,551.8	1,427.8	1,410.0	1,314.0	775.9	713.9	705.0	657.0
16	**TOTAL CASH OUTFLOWS**					**2,573.3**	**2,443.6**	**2,433.1**	**2,350.4**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	148.4	139.6	127.6	120.8	108.1	102.5	94.5	90.8
19	Other cash inflows	14.5	12.8	0.7	4.6	14.5	12.8	0.7	4.6
20	**TOTAL CASH INFLOWS**	162.9	152.4	128.3	125.4	**122.6**	**115.3**	**95.2**	**95.4**
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	162.9	152.4	128.3	125.4	122.6	115.2	95.2	95.4
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					4,431.5	4,231.6	4,348.9	4,346.0
22	TOTAL NET CASH OUTFLOWS					2,450.7	2,328.3	2,337.9	2,255.0
23	LIQUIDITY COVERAGE RATIO (%)					181.2	182.2	186.3	193.1

6.2 UK LIQB - Qualitative information on LCR, which complements template UK LIQ1

(a) Explanations on 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 (CRR) part of the PRA Rulebook, aims to ensure that the Group holds sufficient High-Quality Liquid Assets (HQLA) to survive a period of liquidity stress lasting 30 calendar days. The Group's 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 Group's LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of each quarter) was 181% as of 30 June 2022.

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

Overall, the LCR has remained stable, with an average LCR of 182% as of 30 June 2022. This reflects an increase in customer deposits offset by new customer lending, including greater commitments for future mortgage lending, to support more customers into their own homes.

(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 residential mortgage backed securities (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 institution`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 for GBP only as this is the Group's only significant currency (in accordance with the Liquidity Coverage Ratio (CRR) 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 template but that the institution considers relevant for its liquidity profile

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

6.3 UK LIQ2 - Net Stable Funding Ratio

The UK LIQ2 disclosure template forms part of the UK Pillar 3 disclosure framework. In line with Policy Statement 22/21 'Implementation of Basel Standards: Final rules', disclosures for the Net Stable Funding Ratio are not required until after 1 January 2023. Therefore, this template has not been presented for the current period.

7 Credit risk quality

The templates in this section provide an overview of the Group's performing and non-performing exposures. Where appropriate for customers, the Group applies a policy of forbearance. The Group's approach to forbearance is described in note 40 to the 2021 Annual Report and Accounts and our approach to forbearance remained materially unchanged in the period.

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

		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
£m			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			
005	**Cash balances at central banks and other demand deposits**	2,926.0	2,926.0	-	-	-	-	(0.3)	(0.3)	-	-	-	-	-	-	-
010	**Loans and advances**	24,710.8	23,633.2	728.4	85.4	4.8	80.6	(17.8)	(3.7)	(14.1)	(6.6)	(0.9)	(5.7)	-	24,219.0	78.7
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	112.7	112.7	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	230.5	230.5	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	419.8	286.0	133.8	20.7	4.8	15.9	(11.0)	(0.2)	(10.8)	(3.7)	(0.9)	(2.8)	-	281.4	17.0
070	Of which SMEs	130.1	130.1	-	4.9	4.8	0.1	(0.2)	(0.2)	-	(0.9)	(0.9)	-	-	130.0	4.0
080	Households	23,947.8	23,004.0	594.6	64.7	-	64.7	(6.8)	(3.5)	(3.3)	(2.9)	-	(2.9)	-	23,937.6	61.7
090	**Debt securities**	2,904.9	2,904.9	-	-	-	-	-	-	-	-	-	-	-	623.8	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	1,024.8	1,024.8	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	1,880.1	1,880.1	-	-	-	-	-	-	-	-	-	-	-	623.8	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

£m		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							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			Accumulated partial write-off	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			
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	2,155.4	2,155.4	-	-	-	-	(0.2)	(0.2)	-	-	-	-	-	2,140.3	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	**14.9**	**14.9**	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	**2,140.5**	**2,140.5**	-	-	-	-	**(0.2)**	**(0.2)**	-	-	-	-	-	**2,140.3**	-
220	**Total**	**32,697.1**	**31,619.5**	**728.4**	**85.4**	**4.8**	**80.6**	**(18.3)**	**(4.2)**	**(14.1)**	**(6.6)**	**(0.9)**	**(5.7)**	**-**	**26,983.1**	**78.7**

7.2 UK CR1-A - Maturity of exposures

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

£m		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	149.0	97.8	2,955.8	23,381.2	343.2	**26,927.0**
2	Debt securities	-	1,245.6	1,269.1	390.2	-	**2,904.9**
3	**Total**	**149.0**	**1,343.4**	**4,224.9**	**23,771.4**	**343.2**	**29,831.9**

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

		a
		Gross carrying amount £m
010	**Initial stock of non-performing loans and advances**	**89.4**
020	Inflows to non-performing portfolios	23.2
030	Outflows from non-performing portfolios	(27.2)
040	Outflows due to write-offs	(4.6)
050	Outflow due to other situations	(22.6)
060	**Final stock of non-performing loans and advances**	**85.4**

7.4 UK CQ1 - Credit quality of forborne exposure

		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	
			Non-performing forborne						
£m		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
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	137.2	42.3	34.8	42.3	(4.3)	(3.6)	171.2	38.6
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial *corporations*	36.7	10.6	10.6	10.6	(3.8)	(2.0)	41.2	8.5
070	*Households*	100.5	31.7	24.2	31.7	(0.5)	(1.6)	130.0	30.1
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	**137.2**	**42.3**	**34.8**	**42.3**	**(4.3)**	**(3.6)**	**171.2**	**38.6**

7.5 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.

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

		a	c	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		
£m			Of which defaulted		
010	Agriculture, forestry and fishing	1.4	-	-	-
020	Mining and quarrying	2.0	-	-	-
030	Manufacturing	28.9	-	(0.5)	-
040	Electricity, gas, steam and air conditioning supply	0.2	-	-	-
050	Water supply	2.2	-	-	-
060	Construction	2.5	-	-	-
070	Wholesale and retail trade	19.7	0.5	(0.6)	-
080	Transport and storage	31.3	-	(0.1)	-
090	Accommodation and food service activities	18.2	6.2	(2.5)	-
100	Information and communication	0.6	-	(0.1)	-
110	Financial and insurance activities	-	-	-	-
120	Real estate activities	268.3	6.7	(10.3)	-
130	Professional, scientific and technical activities	4.7	-	(0.1)	-
140	Administrative and support service activities	44.1	-	(0.1)	-
150	Public administration and defence, compulsory social security	0.3	-	-	-
160	Education	2.7	-	(0.3)	-
170	Human health services and social work activities	11.5	2.4	(0.1)	-
180	Arts, entertainment and recreation	0.4	-	-	-
190	Other services	1.5	-	-	-
200	***Total***	**440.5**	**15.8**	**(14.7)**	**-**

7.7 UK CQ7 - Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession	
£m		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	2.4	-
030	*Residential immovable property*	2.4	-
040	*Commercial Immovable property*	-	-
050	*Movable property (auto, shipping, etc.)*	-	-
060	*Equity and debt instruments*	-	-
070	*Other collateral*	-	-
080	***Total***	**2.4**	**-**

8 Credit risk mitigation techniques

This section shows the use of credit risk mitigation (CRM) techniques, broken down by loans and debt securities.

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

	a	b	c	d	e
	Unsecured carrying amount £m	**Secured carrying amount £m**			
			Of which **secured by collateral £m**	Of which **secured by financial guarantees £m**	
					Of which **secured by credit derivatives £m**
Loans and advances	3,394.8	24,302.7	24,297.7	-	-
Debt securities	2,281.1	623.8	623.8	-	-
Total	**5,675.9**	**24,926.5**	**24,921.5**	**-**	**-**
Of which non-performing exposures	-	78.8	78.8	-	-
Of which defaulted	-	55.7	-	-	-

9 Standardised approach

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

- Retail mortgage exposures within Skipton International Limited (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; and
- Other assets[1]

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. Template CR5 provides a breakdown of each exposure by its risk weighting.

[1] Other assets include prepayments and investments properties.

9.1 UK CR4 - standardised approach – Credit risk exposure and CRM effects

		a	b	c	d	e	f
		Exposures before CCF and before CRM		**Exposures post CCF and post CRM**		**RWEAs and RWEAs density**	
		On-balance-sheet exposures	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet amount**	**RWEAs**	**RWEAs density**
	Exposure classes	£m	£m	£m	£m	£m	(%)
1	Central governments or central banks	3,925.6	-	3,925.6	-	7.0	-
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	735.5	-	735.5	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	643.0	-	643.0	-	278.4	0.4
7	Corporates	498.0	34.0	495.9	-	238.7	0.5
8	Retail	1.8	-	1.7	-	1.0	0.6
9	Secured by mortgages on immovable property	2,396.2	90.5	2,396.2	-	946.9	0.4
10	Exposures in default	4.3	-	4.3	-	4.3	1.0
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	415.7	-	415.7	-	41.6	0.1
13	Institutions and corporates with a short-term credit assessment	20.0	-	20.0	-	10.0	0.5
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	26.1	-	26.1	-	24.9	1.0
17	**TOTAL**	**8,666.1**	**124.5**	**8,663.9**	**-**	**1,552.8**	**0.2**

9.2 UK CR5 - standardised approach

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Risk weight																
£m	**Exposure classes**	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Total**	**Of which unrated**
1	Central governments or central banks	3,918.6	-	-	-	-	-	-	-	-	7.0	-	-	-	-	-	3,925.6	7.0
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	735.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	735.5	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	143.3	-	499.7	-	-	-	-	-	-	-	-	643.0	-
7	Corporates	-	230.5	-	-	-	-	-	-	-	265.4	-	-	-	-	-	495.9	495.9
8	Retail exposures	-	-	-	-	-	-	-	-	1.7	-	-	-	-	-	-	1.7	1.7
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	2,228.5	-	-	3.0	164.7	-	-	-	-	-	2,396.2	2,396.2
10	Exposures in default	-	-	-	-	-	-	-	-	-	4.3	-	-	-	-	-	4.3	4.3
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	415.7	-	-	-	-	-	-	-	-	-	-	-	415.7	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	20.0	-	-	-	-	-	-	-	-	20.0	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	1.5	-	-	-	-	24.6	-	-	-	-	-	26.1	26.1
17	**TOTAL**	**4,654.1**	**230.5**	**-**	**415.7**	**144.8**	**2,228.5**	**519.7**	**-**	**4.7**	**465.9**	**-**	**-**	**-**	**-**	**-**	**8,663.9**	**2,931.2**

10 IRB approach to credit risk

A rating system has been developed for the Society's retail mortgage portfolios in line with the IRB approach to credit risk. This is applied at customer account level and is used to assess the credit risk exposure and level of regulatory capital required on a monthly basis.

The Group has adopted to calculate the minimum regulatory capital requirement for credit risk under the IRB approach for:

- Retail mortgage exposures within the Society[2]:
- Equity exposures[3];
- Non-credit obligation assets[4]; and
- Cash in hand.

The table below set out the main parameters used for the calculation of the capital requirement for the IRB models for the Society.

[2] Retail mortgage exposures include owner-occupied mortgages.

[3] Equity exposures primarily relate to the cost of investment in subsidiary companies outside the regulatory group as well as other equity investments.

[4] Non-credit obligation assets relate to property, plant and equipment, right-of-use assets and fair value adjustments for hedged risk assets under the IRB approach.

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

	a	b	c	d	e	f	g	h	i	j	k	l
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	Factor	£m	%	£m	%	Years	£m	£m	£m	£m
Secured by immovable property Non-SME												
0.00 to <0.15	10,807.0	2,044.8	0.85	12,545.1	0.09	80,294	19.24	-	881.9	7.0	3.3	(1.8)
0.00 to <0.10	5,607.8	2,041.8	0.85	7,343.3	0.06	42,476	21.66	-	497.6	6.8	1.8	(1.1)
0.10 to <0.15	5,199.2	3.0	0.85	5,201.8	0.13	37,818	15.97	-	384.3	7.4	1.5	(0.7)
0.15 to <0.25	7,717.7	3.6	0.85	7,720.7	0.19	58,773	15.20	-	732.2	9.5	3.2	(1.3)
0.25 to <0.50	2,408.1	0.9	0.85	2,408.9	0.32	20,516	14.95	-	338.5	14.1	1.7	(0.7)
0.50 to <0.75	283.3	-	-	283.3	0.61	2,709	15.93	-	66.4	23.5	0.4	(0.2)
0.75 to <2.50	333.7	-	-	333.7	1.29	2,980	17.33	-	139.0	41.7	1.1	(1.1)
0.75 to <1.75	275.8	-	-	275.8	1.12	2,498	17.27	-	105.4	38.2	0.8	(0.8)
1.75 to <2.5	57.9	-	-	57.9	2.09	482	17.62	-	33.6	58.0	0.3	(0.3)
2.50 to <10.00	103.7	-	-	103.7	4.73	904	17.50	-	90.9	87.6	1.2	(1.0)
2.5 to <5	66.9	-	-	66.9	3.42	585	18.54	-	54.0	80.8	0.6	(0.7)
5 to <10	36.8	-	-	36.8	7.11	319	15.61	-	36.9	100.1	0.6	(0.3)
10.00 to <100.00	80.0	-	-	80.0	34.51	754	15.95	-	103.3	129.0	6.7	(1.2)
10 to <20	28.6	-	-	28.6	14.07	277	15.37	-	36.6	128.2	0.9	(0.3)
20 to <30	12.4	-	-	12.4	25.00	122	14.88	-	17.6	141.5	0.7	(0.1)
30.00 to <100.00	39.0	-	-	39.0	52.50	355	16.71	-	49.1	125.7	5.1	(0.8)
100.00 (Default)	45.0	-	-	45.0	100.00	394	21.79	-	152.2	338.1	3.4	(2.6)
Total	**21,778.5**	**2,049.3**	**0.85**	**23,520.4**	**0.49**	**167,324**	**17.48**	**-**	**2,504.4**	**10.6**	**21.0**	**(9.9)**

10.2 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.

10.3 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.

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

The template below sets out the flow statement of credit risk RWEAs under the IRB approach for retail mortgage exposures, as prescribed by the PRA, over the period from 31 March 2022 to 30 June 2022. The RWEAs do not match with the amounts presented in row 5 of table UK OV1 for the credit risk exposures measured under the IRB approach as this also includes RWEAs for non-credit obligation assets of £51.0m (31 March 2022: £52.1m) and equity exposures of £23.5m (31 March 2022: £21.3m).

		a **Risk weighted exposure amount £m**
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**2,447.9**
2	Asset size (+/-)	80.1
3	Asset quality (+/-)	(23.6)
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	-
8	Other (+/-)	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**2,504.4**

11 Specialised lending

11.1 Specialised lending and equity exposures under the simple risk weighted approach

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).

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

	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**

12 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 fail to meet their financial obligations before the maturity date; this is known as the 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 charge (CVA).

12.1 UK CCR1 - Analysis of CCR exposure by approach

		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)	66.9	16.7		1.4	116.8	116.8	116.8	50.1
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)			-		-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**116.8**	**116.8**	**116.8**	**50.1**

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

		a	b
		Exposure value £m	RWEA £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	117.0	155.1
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**117.0**	**155.1**

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

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

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											
£m	**Exposure classes**	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
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	-	-	-	-	27.6	89.2	-	-	-	-	-	116.8
7	Corporates	-	622.0	-	-	-	-	-	-	-	-	-	622.0
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**622.0**	**-**	**-**	**27.6**	**89.2**	**-**	**-**	**-**	**-**	**-**	**738.8**

12.5 UK CCR5 - Composition of collateral for CCR exposures

		a	b	c	d	e	f
		Collateral used in derivatives transactions				**Collateral used in securities financing transactions (SFTs)**	
		Fair value of collateral received (£m)		Fair value of collateral posted (£m)		Fair value of collateral received (£m)	Fair value of collateral posted (£m)
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash	621.7	-	230.5	112.6	0.5	-
2	Debt	-	-	-	-	-	0.5
3	Equity	-	-	-	-	-	-
4	Other	-	-	-	-	-	-
5	**Total**	**621.7**	**-**	**230.5**	**112.6**	**0.5**	**0.5**

12.6 UK CCR6 - Credit derivatives exposures

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

12.7 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.

12.8 UK CCR8 – Exposures to CCPs

		a	b
		Exposure value £m	**RWEA £m**
1	**Exposures to QCCPs (total)**		**12.4**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	622.0	12.4
3	(i) OTC derivatives	622.0	12.4
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	230.5	
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	-	-

13 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 Residential Mortgage Backed Securities (RMBS) from other third parties.

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

13.1 UK SEC1 - Securitisation exposures in the non-trading book

		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		
£m			of which SRT		of which SRT											
1	**Total exposures**	**77.0**	**-**	**-**	**-**	**-**	**-**	**77.0**	**-**	**-**	**-**	**-**	**181.7**	**25.7**	**-**	**207.4**
2	Retail (total)	77.0	-	-	-	-	-	77.0	-	-	-	-	181.7	25.7	-	207.4
3	residential mortgage	77.0	-	-	-	-	-	77.0	-	-	-	-	181.7	25.7		207.4
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

13.2 UK SEC2 - Securitisation exposures in the trading book

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

13.3 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 30 June 2022, originated through Darrowby No.5 plc. There are no capital requirements for these securitisations due to no significant risk transfer. Therefore, this template has not been presented.

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

		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			
£m		≤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	RWEA (by regulatory approach)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
1	**Total exposures**	**207.4**	**-**	**-**	**-**	**-**	**-**	**207.4**	**-**	**-**	**-**	**22.8**	**-**	**-**	**-**	**1.8**	**-**	**-**
2	Traditional securitisation	207.4	-	-	-	-	-	207.4	-	-	-	22.8	-	-	-	1.8	-	-
3	Securitisation	207.4	-	-	-	-	-	207.4	-	-	-	22.8	-	-	-	1.8	-	-
4	Retail underlying	207.4	-	-	-	-	-	207.4	-	-	-	22.8	-	-	-	1.8	-	-
5	Of which STS	181.7	-	-	-	-	-	181.7	-	-	-	18.2	-	-	-	1.5	-	-
6	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor £m		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	**405.1**	**-**	**-**
2	Retail (total)	405.1	-	-
3	residential mortgage	405.1	-	-
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	-	-	-

14 Standardised approach and internal model for market risk

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

14.1 Market risk under the standardised approach

The group 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 CRR, therefore the values have been set to nil and template UK MR1 Market Risk under the Standardised approach has not been presented.

14.2 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 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.

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

The main market risk faced by the Group is the interest rate risk. Interest rate risk 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 below templates.

15.1 UK IRRBB1 - Quantitative information on IRRBB

		a	b	c	d	e	f
	In reporting currency	**ΔEVE**		**ΔNII**		**Tier 1 capital**	
£m	**Period**	**T**	**T-1**	**T**	**T-1**	**T**	**T-1**
010	Parallel shock up	(195.0)		37.0			
020	Parallel shock down	171.0		(32.0)			
030	Steepener shock	(41.0)					
040	Flattener shock	6.0					
050	Short rates shock up	(92.0)					
060	Short rates shock down	82.0					
070	**Maximum**	(195.0)		(32.0)			
080	**Tier 1 capital**					**1,867.2**	

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:

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 values of derivatives to reflect the creditworthiness of the counterparty.
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).
CRR	UK Capital Requirements Regulation.
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.
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.
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.
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.
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.
Loan-to-value ratio (LTV)	A ratio which expresses the balance of a mortgage as a percentage of the value of the property. The Group calculates residential mortgage LTVs on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in a house price index).
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.
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 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 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.
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 weighted exposure amounts (RWEA)	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.
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.
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.
Wholesale funding	Amounts owed to credit institutions, amounts owed to other customers and debt securities in issue excluding balances deposited by offshore customers.

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